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Contents

The road to the G20 Roadmap

Deutsche Bank

Marc Recker, Global Head of Product, Institutional Cash Management, Deutsche Bank, looks at the role played by the G20 Roadmap in elevating international payments

The cross-border payments space is at an inflexion point, as changing client needs adjust priorities for the industry. Meeting these needs presents challenges, including misaligned payment messaging standards and divergent regulations between jurisdictions. Add to this equation the absence of any silver bullet solution to address the challenges and you arrive at today's cross-border payment situation, where the question on everyone's lips is the same: where do we go from here?

Enhancing cross-border payments

In 2020, G20 members endorsed the Roadmap for Enhancing Cross-border Payments, which sets quantitative targets to lower costs, increase speed, accessibility and transparency of international payments by the end of 2027. These goals have been organised under three priority themes: payment system interoperability and extension, legal, regulatory and supervisory frameworks and data exchange message standards.

Under the umbrella of the G20 Roadmap, there is already major progress. The ISO 20022 migration is underway around the world, which is helping to lay the foundation for greater efficiencies and improved client service. In tandem, the global adoption of service level agreements, such as Swift GPI and Swift Go, have the potential to unlock fast, predictable, cost-effective and secure international payments.

Efforts are also being made to interlink domestic payment systems to enable instant cross-border flows, such as the Immediate Cross-Border Payments (IXB) Pilot devised by EBA CLEARING, The Clearing House (TCH) and Swift to interconnect systems in the United States and Europe, as well as the European Payments Council's (EPC) new One-Leg-Out Instant Credit Transfer (OCT Inst) Scheme, which aims to use the existing SEPA payment rails for international instant credit transfers.

As the instant cross-border payment systems are explored and expanded, one criticism of the G20 Roadmap is its lack of recommendations around the increased risk of fraud, and the associated potential for money laundering. If you are increasing the speed, these risk elements should be a focus – and this is an area that we, as an industry, will need to address.

> The ISO 20022 migration is underway around the world, which is helping to lay the foundation for greater efficiencies and improved client service.

Market action in the driving seat

The outcome of the G20 Roadmap is not yet backed by regulatory or legal mandates. So, rather like the speed limits on certain parts of the German autobahn, adherence to the G20 Roadmap is only advisory. Sceptics would suggest that this makes it toothless – and though not an entirely fair assessment, the approach of the G20 Roadmap does raise several concerns.

Without clear consequences resulting from not meeting the KPIs, and if local regulators and lawmakers do not incorporate the G20 Roadmap's essentials, banks could deprioritise the goals in favour of more urgent activities.

This is where global transaction banks have an important role to play – both in driving progress and bringing their FI and corporate clients along for the ride. It is our job – and our obligation – to fill the lack of formal mandates with consistent and well-resourced market action exploring a variety of different solutions to the challenges we and our clients face.

Three technologies that are driving instant cross-border payments

J.P.Morgan

The world may be entering a period of de-globalization, but cross-border payments are on the rise. Near-Instant transfers between countries are expected to increase 5 percent per year until 2027, and 3 technologies are leading the way.*

Real-Time Payments

Many countries already have real-time payments (RTP) systems, where the main local banks are directly connected to an automated settlement system managed by the country's central bank. Real-time cross-border payments, however, require technical and legal integration between the central banks of the participating countries, as well as individual banks and banking associations. Technical processes and data formats have to be standardized. A single regulatory and compliance regime would have to be agreed for all participants.

Due to this complexity, linking systems up is usually only possible when parties are close trading partners with good relations and large bi-lateral payments flows. One example is Singapore, which has recently integrated its real-time Pay Now network with faster payment networks in India, Thailand and Malaysia.*

Blockchain

Blockchain technology has the potential to help financial institutions leapfrog to an infrastructure that is able to support near-instantaneous transactions and automate complexity. With a single, shared source of truth, transactions can be securely settled and verified in minutes, without the need of a central arbiter overseeing proceedings.

Real-time cross-border payments, however, require technical and legal integration between the central banks of the participating countries, as well as individual banks and banking associations. Technical processes and data formats have to be standardized. A single regulatory and compliance regime would have to be agreed for all participants.

Unlike public or "permissionless" blockchains, which are typically open to anyone, a number of financial institutions are using private, or "permissioned" blockchains, in which participation is controlled.

A crucial benefit of a private blockchain is that it enables institutions to maintain control of the system and how data is shared. That's why some believe that permissioned blockchains are well-suited to conducting cross-border transactions. They also offer a crucial benefit: they are always on.

Blockchain-based networks could offer a range of benefits, such as faster settlement, and being more readily accessible to those who wish to participate. In addition to the obvious security advantages, which would help tackle fraud, they may also be more reliable as they have no single point of failure.

Data Networks

Initially, blockchain technology may be used to improve rather than supplant existing processes. One possible use case is pre-validating payment information, which could reduce the risk of failed payments and fraud. Doing this internationally, however, is challenging thanks to the privacy and security concerns around sharing data across borders.

Institutions would be more likely to collaborate on that kind of information sharing if those privacy and security concerns could be allayed. Some believe that a private, permissioned blockchain network could be the answer. That's because blockchains aren't limited to financial transactions, they can also enable data transactions. The immutable nature of blockchain means that information can't be altered by bad actors, and it also acts as a permanent record of what has happened: Users will know where information has gone and who has accessed it. These inherent security advantages could deliver the required level of confidence to achieve mass collaboration.

Learn more at J.P. Morgan Payments.

*Sources as per Wired, August 2023

EBA and EBA CLEARING provide updates on ongoing activities @EBAday 2024

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EBA CLEARING

This year's EBAday conference programme – aside from keeping its fingers on the industry pulse – makes one thing clear: there is a lot going on right now. PSPs are busy with adopting and building out instant payments, with preparing for new regulations, with improving cross-border payments and with figuring out how to get the most value from new technology.

As always, the Euro Banking Association (EBA) and EBA CLEARING are supporting their member and user community with tackling the challenges lying ahead.

Most recently, the EBA has launched a new practitioners' group, which is looking into open questions concerning practical implementation of the Instant Payments Regulation (IPR). A recent EBA survey zoomed in on the plethora of industry initiatives facing payment service providers in Europe that are looking for ways to enhance cross-border payments in line with the related G20 targets. The **EBA Open Finance Working Group** has released a new report on the principles, opportunities and use cases for Open Finance. And the latest iteration of the **EBA Fraud Taxonomy**, which provides a common pan-European vocabulary for fraud categorisation, was published earlier this month.

EBA CLEARING has been focusing on supporting its RT1 users with taking instant payments to the next level and getting ready to meet the IPR deadlines. While further enhancing RT1 to ensure seamless scalability and smooth processing throughout any volume ramp-up, the company has also intensified its engagement with the RT1 user community to help optimise the operational performance end to end.

These efforts include large-volume testing in communities where RT1 handles a major chunk of the local and cross-border instant payment traffic.

RT1 and STEP2 Participants are currently in the process of plugging the insights of the company's Fraud Pattern and Anomaly Detection (FPAD) functionality into their own risk assessments to further improve the speed and accuracy of their fraud-fighting tools. From November 2024 on, EBA CLEARING will also offer **Verification of Payee (VoP)** in line with the new scheme of the European Payments Council, which can be further enriched with FPAD indicators.

Additionally, the company has been working on a series of value-added services in order to enable PSPs to monetise their instant payment investments by re-using or intensifying the use of existing building blocks. In addition to further exploring the Immediate Cross-Border Payment (IXB) initiative with The Clearing House, EBA CLEARING will deliver a **One-Leg Out Instant Credit Transfer (OCT) Service** in the RT1 System in November 2024. Together with eight frontrunners, the company also successfully **completed a proof of concept** confirming that its R2P Service is ready to support commercial use cases.

Contact us at clearing@ebaclearing.eu and association@abe-eba.eu or visit us at stand 62 and 63 on the exhibition floor for more information on the side sessions.

For updates on the EBA's thought leadership activities, check out the EBA lounge right across from the EBA stand.

Visit us in our session room (room 5A on floor 1) to get an exclusive update on ongoing EBA and EBA CLEARING activities

The sessions feature speakers from the EBA, EBA CLEARING and their member/user community.

18 June 8:30 to 9:30	**Joining forces on fraud fighting** Learn more about FPAD, VoP, Fraud Taxonomy
18 June 12:30 to 13:15	**The future of cross-border payments** Results from the EBA survey on cross-border payments and updates on RT1 OCT Inst and IXB
19 June 8:00 to 8:45	**Taking instant payments to the next level** How the EBA and EBA CLEARING can help with the challenges and opportunities of the Instant Payments Regulation
19 June 12:45 to 13:30	**R2P: concept proved – what's next?** Lessons learnt from the pan-European R2P proof of concept and next steps for request to pay

Members of the EBA CLEARING user community and those interested in joining will also have the opportunity to learn more about RT1 and EURO1 in two operational focus sessions during the coffee breaks.

18 June 15:15 to 16:00	RT1 nuts & bolts: how to connect and get the most out of your set-up
19 June 10:45 to 11:30	EURO1 nuts & bolts: how to get the most out of your set-up

Navigating the newly consolidating transaction banking landscape

A series of macroeconomic trends are driving market consolidation in the transaction banking space. BNY Mellon's Bana Akkad-Azhari, Head of Treasury Services EMEA, examines the evolving ecosystem and the benefits of collaborating with a single provider

Players in the transaction banking space have been hit by a perfect storm in recent years. Rapid technological changes, shifts in client expectations and successive milestone events for the industry – including the ongoing ISO 20022 migration and upcoming move to a T+1 settlement cycle in the US – have compelled banks to re-evaluate how they interact with customers. This comes at a time when financial markets continue to face a period of uncertainty, driven by the high inflationary environment, as well as the ongoing geopolitical unrest in Europe and the Middle East.

In response to these challenges, financial institutions have been working not only to mitigate emerging risks and meet industry mandates, but also to keep pace with digital innovation, adopt automated workflows, support clients' sustainability objectives, and collaborate with fintechs – all while contending with increasing costs in compliance and services.

Charting a course…

To stay ahead in this evolving environment, transaction banking clients are looking for correspondent banking partners that can meet their rapidly changing technology needs, as well as their liquidity requirements. For smaller providers, the associated costs mean that this is not always possible – and many players have looked to withdraw from certain jurisdictions.

With the correspondent banking network under pressure, there is a renewed focus on larger transaction banks and the role they can play in providing these critical services on a global scale. This is driving a trend towards market consolidation, as players look to rationalise and shore up their correspondent banking relationships.

…with a reliable navigator

Already operating in most major markets, global transaction banks – with their resilient long-standing quasi-infrastructure position in the global financial ecosystem – are well placed to support players in this newly consolidating environment, especially when it comes to large market movements like the ISO 20022 transition or the T+1 migration.

Major transaction banks also offer opportunities for scale and growth due to their ability to navigate different legal and regulatory regimes, as well as their position as reliable and safe entry points into major markets. It means that if an institution were looking to enter or expand their North American operations, employing a global transaction bank would greatly simplify the process. When it comes to FX needs, for example, working with a provider that has a full-suite of FX multicurrency services ensures access to a host of ready-made solutions and services.

The transaction banking market position also necessitates more careful risk management – which market players need now more than ever in the current turbulent environment. While once considered a slow and lumbering industry, correspondent banking has evolved with the times – still resilient and systemic, but equally innovative in their offering.

This is amply demonstrated with the exploration and implementation of new technologies including AI, APIs and blockchain. Careful management of and significant investment in these innovations has also hedged custodian banks against the inherent risks associated with shorter settlement cycles, especially cybercrime and fraud. As a result, transaction banking players are well served by a reliable and trustworthy correspondent banking partner in this changing environment.

Players in the transaction banking space have been hit by a perfect storm in recent years. Rapid technological changes, shifts in client expectations and successive milestone events for the industry – including the ongoing ISO 20022 migration and upcoming move to a T+1 settlement cycle in the US – have compelled banks to re-evaluate how they interact with customers.

Payments: Unlocking Synergies Amidst Digital Transformation in a Complex Landscape

cecabank

By Juan José Gutiérrez, Corporate Director of Technological Services at Cecabank

The payments sector finds itself amidst a dynamic and transformative era, fundamentally reshaping conventional business paradigms. With consumers swiftly embracing digital payment platforms and an expanding array of services transcending traditional financial transactions, the financial industry is poised at the nexus of unprecedented opportunities. Fuelled by emerging technologies, digitalisation, and globalisation, this evolution heralds a vast spectrum of potential for innovation and growth.

In 2023, Spain witnessed a remarkable surge in instant transfers, with over 1,011 million transactions processed, marking a substantial 22.5% increase from the previous year. Notably, platforms like Bizum facilitated a significant portion of these transfers, comprising more than half (54%) of the total instant transfers within the Spanish national system. At the forefront of this digital evolution stands Cecabank, serving as a comprehensive hub for payment solutions. Specialising in card, account, e-commerce, and mobile payment services, Cecabank processed over 1.45 billion card transactions and upwards of 800 million account transactions in addition to facilitating 156 million Bizum customer-to-customer transactions.

Business transformation is no longer a vision of the future; it is a tangible reality of the present, driven significantly by technological advancements. Both banks and payment service providers (PSPs) are actively engaged in pioneering new solutions to enhance the payments landscape. Artificial intelligence stands out as a cornerstone technology, not only integrating seamlessly into payment operations but also providing invaluable insights into user behaviour and enhancing authentication processes to streamline payments and combat fraud. Moreover, this transformative journey extends beyond just enhancing user experiences; it deeply impacts the internal processes of institutions, ushering in a comprehensive evolution across all operational facets.

The emergence of novel technologies has catalysed the development of innovative products, necessitating a paradigm shift for various stakeholders to align their systems with these advancements. Among these, the digital euro and Central Bank Digital Currencies (CBDCs) hold the promise of enhancing efficiency and fostering financial inclusion. However, their introduction also brings forth inquiries regarding adoption rates, clearing models, and interoperability challenges. Notably, in 2023, the Bank of Spain tapped Cecabank to participate in its CBDC experimentation program focused on interbank transactions.

Undoubtedly, regulation stands as another significant catalyst for change within the European landscape. The regulatory framework, exemplified by the instant payments regulation and ongoing discussions surrounding directives like PSD3, PSR, or FIDA, is reshaping the landscape, compelling all stakeholders to embrace new methodologies in pursuit of a more integrated and open market. As a wholesale payment provider and bank, Cecabank is actively engaged in facilitating a seamless transition for its customers amidst these evolving regulatory landscapes.

As the payments landscape undergoes relentless digitalisation, it encounters a slew of challenges, chief among them being the escalating cyber threats. Amidst this dynamic environment, striking a delicate balance between data security and user convenience becomes paramount, with a focus on delivering quality, streamlined management, and operational agility. In navigating this intricate ecosystem, the crux lies in value addition and process enhancement, with the overarching objective of furnishing users with a seamless, expedited, and agile payment experience.

Therefore, at Cecabank, we have long been dedicated to our steadfast mission of enriching the payment ecosystem, endeavouring to streamline its complexity into a user-friendly, expedient experience. This commitment is underscored by our adherence to stringent security protocols and the integration of cutting-edge authentication measures.

The strides in progress are undeniable, yet there remains a journey ahead. The exponential expansion of the payments industry brings forth formidable technology and security hurdles, underscoring the necessity for a robust regulatory framework to foster cohesive, synchronised advancement across the globe. Furthermore, as novel payment modalities like instant transfers, the digital euro, and CBDCs come to the fore, it becomes imperative to recalibrate and modernise regulatory structures to safeguard stability, spur innovation, advocate for consumer welfare, and cultivate a universally competitive, interconnected, and efficient payments ecosystem.

Only through concerted collaboration among all stakeholders and an unwavering commitment to innovation can we effectively confront emerging challenges and capitalise on the opportunities presented by digitalisation, thereby forging a sustainable and secure future for the payments industry. At Cecabank, we pledge to maintain our position at the vanguard of change, steadfastly guiding our customers through the evolving landscape of payments.

Tackling payments complexity and the fallout

By Ainsley Ward, Vice-President, Payments Consulting Services, CGI

During a recent roundtable with some European banks, the question of why banks struggle to recruit young people into payments and keep them there was brought up. One of the participants said: “They [the graduates] join our payments team and find themselves looking at three years of learning. Our payment systems are so complex that there are parts even we don’t fully understand.”

Many people I know within the payment space have aged right along with the payment systems within their banks. absorbing the complexity of those systems. However, for someone coming in cold from the outside, these systems can defy logic. Many are highly reliant on legacy technology, which works but can be challenging to manage and doesn’t scintillate new talent looking to work with cloud, artificial intelligence, and other advanced technologies in agile environments. As a result, most banks have succession issues within their payments department.

Complexity also is an issue when we discuss payments modernization with banks. The first task is always unbundling the complexity. However, some banks simply choose to ignore it and import it directly into the new system as an inherited configuration.

Typically, when we begin the process of replacing a payment system, we identify all the interfaces and custom applications that connect into payments. Often, these were built using different technologies at different times.

> “They [the graduates] join our payments team and find themselves looking at three years of learning. Our payment systems are so complex that there are parts even we don’t fully understand.”

For a mainframe system, for example, there will likely be reporting and data distribution applications, each built in a different year—and most likely without much documentation. Then, you’ll find applications developed to connect old platforms to new ones. With one of our clients, we discovered 200+ applications that either had a single, minor purpose or were built to bridge one technology with another.

All this complexity adds up to an environment that is hard to understand and seldom well documented. It’s also why succession planning is getting more difficult in the payments market. While blockchain made payments appealing for a while, the tough slog of a multi-year, multi-geography ISO 20022 migration isn’t having the same effect.

However, on the bright side, the drive to cut cost and improve efficiency can make payments more attractive to the younger crowd. Migrating to a new cloud-stack payments system, for example, enables middleware and complexity to be stripped out, and naturally the cost that goes with it.

Modern payment platforms such as CGI All Payments use tooling like Kafka Connect as a centralized data hub for simplifying data integration between databases, key value stores, search indexes, and file systems. Further, API connectivity does away with much of the middleware, while analytics and visualisation tools such as Grafana eliminate reports that are run solely for the purpose of destroying trees.

Essentially, we can replace a 200+ application environment in its entirety with a payments system that is both transparent and understandable. This is a big step forward in reducing, and even eliminating, the historic complexity of payments, modernizing the payments landscape, and attracting the new talent required to evolve payments for the future.

Mastercard publishes framework for interlinking instant payment systems

By Alicia Krebs, VP, Regulatory Affairs Advocacy and Paul Francis Walvik-Joynt, SVP, Real Time Payments at Mastercard

The linking of instant payment systems (IPSs) holds promise to improve the efficiency of cross-border payments. However, interoperability barriers threaten to limit the potential of IPS links to support the ambitions of G20's Roadmap for Enhancing Cross-border Payments.

While several bilateral links between domestic IPSs are now live, often between jurisdictions with aligned economic and policy objectives,* scaling these to a multilateral model is not easy, with each new link requiring separate technical integration projects and associated investment for financial institutions and domestic IPS operators.

While many of these interoperability barriers are better understood now, we believe greater attention should be given to the underlying governance, commercial and technical models of linked arrangements.

We set out a new framework for linking global IPSs with these factors built in. This more comprehensive framework could be leveraged by payment system participants, policymakers and central banks when assessing potential paths forward.

Mastercard's framework sets out four – largely understood and agreed upon – foundational principles needed to overcome these scaling issues including:

1. Alignment of laws, rules and regulatory frameworks to resolve any conflicting policy priorities (such as balancing speed of payment with anti-money laundering regulations).
2. Establishing supervision and oversight arrangements which prioritize neutrality and a proportionate response to oversight.
3. Technical interoperability, including the alignment of messaging standards.
4. Agreeing strategic goals between jurisdictions, at a minimum ensuring alignment of economic and policy objectives.

There is already broad consensus around these principles. Building on these foundations, we at Mastercard have identified five supporting pillars to facilitate the development of governance, commercial and technical models that promote the adoption, scale and viability of linked arrangements.

Mastercard's five pillars include:

1. Proper delineation of responsibilities between the scheme owner, technical operator and IPSs, such as the technology stack and product roadmap.
2. Setting appropriate governance frameworks, based on the division of responsibilities to cover accountability, decision-making authority and information flow.
3. Ensuring participants of the linked arrangement retain intellectual property (IP) rights to encourage private sector support and adoption.
4. Establishing contractual arrangements that promote time to market, by appropriately dividing liability between the scheme owner, technical operator and IPSs.
5. Consideration of the nuances and complexities in software management, including the decision to buy or build.

The process is likely to require a give and take of roles and responsibilities, and thereby control, between the scheme owner, technical operator and IPSs. To arrive at models that achieve these outcomes, payment system participants should be consulted from the very start of the development process, not in the middle or near-end.

There is no easy way to link domestic IPSs, regardless of the number of links or types of models chosen, but while barriers may seem high, the foundational principles coupled with Mastercard's suggested supporting pillars provides a common path forward for policymakers, central banks and payment system participants. This way, we can make progress against the G20 targets for faster, cheaper, more accessible and more transparent cross-border payments.

To read the full report visit: https://b2b.mastercard.com/news-and-insights/report/a-framework-for-the-interlinking-of-instant-payment-systems/

*Live IPS bilateral links include but are not limited to: Singapore/Malaysia; Singapore/Thailand; Malaysia/Thailand; Malaysia/Indonesia; Thailand/Indonesia; Thailand/Vietnam; Thailand/Cambodia; and Thailand/Japan.

Six principles for successful adoption of AI in financial services

By Peter Hazou, Director of Business Strategy, Worldwide Financial Services, Microsoft

The financial services industry is being transformed by advanced data and AI—and payments and transaction banking are at the forefront of this change. To successfully adopt these technologies, commercial banks and other financial services organizations should follow six core principles:

1. First, organizations must **redefine value** by understanding how technology empowers people in the right moments and the right ways. It's about data working constantly in the background, and the platform engaging users in the most high-value, low-friction ways possible.
2. Second, they must **meet users where they are** by extending specialist platforms with high-value notifications, without incurring new costs and headaches. Microsoft Teams and Excel are widely deployed in banks and are designed explicitly to enable things like distributing alerts and enabling bots.
3. Third, they must **deliver timely, actionable insights** that provide the right information at exactly the right moment to help employees decide or close out a workflow. This requires the ability to compress and structure data and deliver it in either a graphical or tabular format. Insights must also be hyper-personalized, empowering people to control how they receive notifications.
4. Fourth, they must **atomize workflows** by examining the full range of tasks involved in key organizational and business processes, breaking them down into their component parts, then asking what resources are best suited to each. This sets the stage for creating new or reinvented workflows with AI-powered capabilities in optimal roles.
5. Fifth, they must **embrace hybrid intelligence**, a mix of human and AI, which is greater than either alone. The goal is not to replace human effort with AI, but rather deploy it in ways that let people do their most important work better, while handing ancillary tasks off to AI.
6. Sixth, they should **build on Microsoft 365 and Azure OpenAI Service**, which provides a powerful platform to build new solutions for use cases such as customer service, risk management, financial crime detection in real time. It gives firms the power of ChatGPT and GPT-4 while being deployed on the bank's own Azure cloud tenant, so that all data and content stay within the bounds of the organization.

The critical first step of the journey is to develop the bank's comprehensive data strategy. Next, identify the specific scenarios with the greatest business impact for your organization over the long run, working with your partners and with Microsoft to identify the data sets that are required to light up those scenarios, and invest in the relevant solutions and start exploring.

The financial services industry is being transformed by advanced data and AI—and payments and transaction banking are at the forefront of this change.

You can read more about **the six principles of AI adoption for financial services organizations** and learn more about **Microsoft Cloud for Financial Services** on our website or by contacting a Microsoft representative at our booth here at EBAday.

MONTRAN

Navigating the Landscape of Virtual Account Management

Unveiling Opportunities for Corporate Clients

Virtual Account Management (VAM) is not merely a product but a strategic tool that empowers banks to offer innovative solutions to their corporate clients. Through experience gained from implementing VAM solutions around the world, we have identified several key use cases that are gaining traction in the market, revolutionizing the way businesses manage their financial operations.

One prominent use case is collections, where VAM simplifies the reconciliation process for bill payments. By assigning dedicated virtual account numbers per payer, all linked to a single physical account, errors are minimized, and payer identification becomes seamless. This streamlined approach enhances operational efficiency and fosters greater accuracy in transaction processing.

Furthermore, VAM facilitates indirect participation in domestic and regional payment schemes using proper routable IBANs, enabling banks to offer enhanced services to clients such as wallet providers and neobanks. Through strategic partnerships and innovative solutions, banks can leverage VAM to optimize liquidity management and improve transactional capabilities, thereby bolstering their competitive edge in the market.

Funds segregation emerges as another critical use case, particularly for scenarios involving client money or escrow accounts. With VAM, banks can maintain strict balance tracking and segregation, thus mitigating risks associated with commingling funds.

> Virtual Account Management represents a paradigm shift in the way banks serve their corporate clients, offering a suite of innovative solutions tailored to address their unique liquidity management needs and challenges.

The advent of multi-currency virtual accounts further underscores the versatility of VAM, providing clients with the flexibility to conduct cross-border transactions without incurring unwanted currency exchanges or exposure to foreign exchange risks.

Yet, perhaps the most compelling aspect of VAM lies in its capacity for liquidity management, especially for corporate entities with complex organizational structures spanning multiple subsidiaries and jurisdictions, as an improvement over cash concentration and cash pooling. By providing real-time visibility into liquidity positions and enabling agile decision-making, VAM empowers corporate clients to manage their liquidity more efficiently.

As we continue to evolve and innovate in the realm of Virtual Account Management, it is imperative for banks to embrace these emerging use cases and leverage them to deliver value-added services to their corporate clients. At Montran, we remain committed to partnering with our clients to unlock the full potential of VAM to drive sustainable growth and prosperity.

Virtual Account Management represents a paradigm shift in the way banks serve their corporate clients, offering a suite of innovative solutions tailored to address their unique liquidity management needs and challenges. By embracing these use cases and harnessing the transformative power of VAM, banks can position themselves as trusted partners in the journey towards financial success and resilience for businesses.

The pragmatic path to programmable payments

QUANT

Quant CEO Gilbert Verdian describes how the company's work on the UK's retail CBDC and, more recently, on tokenised commercial bank money for the Regulated Liability Network UK has led to a deeper understanding of the profound benefits of programmable payments.

Quant CEO Gilbert Verdian describes how the company's work on the UK's retail CBDC and, more recently, on tokenised commercial bank money for the Regulated Liability Network UK has led to a deeper understanding of the profound benefits of programmable payments.

It was tempting to call this article 'next generation payments' but for the sense there have already been many headlines announcing a new era of banking. Instead, let's focus on the practical, incremental changes that will add up to drastically improve payments over both the short and long term.

In 2023, we announced our work on Project Rosalind, the BIS and Bank of England's experiment with a retail central bank digital currency. That saw commercial banks and other payment firms testing use cases for a CBDC. Since then, the likes of Barclays, Citi, HSBC, Lloyds Banking Group, Mastercard, NatWest, Nationwide, Santander, Standard Chartered, Virgin Money and Visa have joined forces to work on the UK RLN, a common 'platform for innovation' across multiple forms of money, including existing commercial bank deposits and a shared ledger for tokenised commercial bank deposits. Quant and R3 are providing the technology to make it happen.

The UK RLN explores the options for users to make payments, transact and settle liabilities in the increasingly digital marketplaces of the future. A key focus is 'programmable payments' because – although it is now easier than ever to plan a budget, pay a vendor, or send money to relatives around the world - the tools that will allow individuals and businesses to truly automate their financial lives are still a work in progress.

Paradoxically, it is the progress alluded to above that can reduce buy-in for the next wave of innovation. There is a tendency to believe – outside the payments sector at least – that the tools we have already developed (open banking, contactless, faster payments) have created a system that is 'good enough'. But statistics tell a different story.

Take the number of failed direct debits in Britain, which have trended upwards since the Office for National Statistics began collecting this data in 2019: 0.9 per cent of direct debits bounced in February 2024, compared with 0.55 per cent in the same month five years ago. Whilst there are no comparable figures for the single Euro payments area, it is easy to extrapolate and see how costly the associated administration is for banks and businesses. Failed payments are also stressful and inconvenient for the end customer, at a time household finances are under particular strain.

Programmable payments will mean intelligent bank accounts with personalised logic built in. A customer could set up a rule which pays their rent only once their salary arrives, thereby avoiding unarranged overdraft fees. They could tell their account to "save 30 per cent of my salary, only when my balance will remain over €3,000" or "send my child €20 if her balance drops below €50". Simple 'locks' of this type will be among the first programmable payment use cases that come to market and will assist customers with their personal finances, while reducing the time businesses spend chasing payments. This becomes even more interesting when we consider the possibilities for two- and three-party locks. Under the latter, funds could be pre-authorised in favour of a beneficiary, with final settlement controlled by a third party. Use cases here include conveyancing with split payments, and trade financing.

Programmable payments are often associated with CBDCs and tokenised deposits – and these innovations are indeed linked. But the RLN is examining how programmability could work across both existing bank deposits and tokenised deposits. It is probable we will first begin to reap the benefits of programmable payments via traditional rails.

For banks, fintechs, and payment service providers who want to keep up with the latest payment innovations, Quant provides end-to-end solutions for both traditional and tokenised payments. As we harness incremental innovation via projects like the RLN, we will indeed transform the way money is moved and managed – though the future of finance will unfold more gradually and methodically than headlines often suggest.

To learn more, visit our website >

Payment Account Tokenization: Protecting & enhancing instant payments

Financial institutions are facing a range of challenges with account-to-account (A2A) payments, such as increasingly stringent regulations, liability shifts, and evolving fraud tactics. The rapid growth and evolution of fraud on instant payment networks is driving the need for innovative solutions to keep banks and other financial institutions ahead of the fraudsters.

Payment Account Tokenization (PAT) technology leverages a proven process in card payment tokenization, replacing account credentials with a non-sensitive token that has restricted use.

This proven solution addresses many of the concerns facing banks, as well as enhancing the security and efficiency of A2A transactions.

Increasing regulatory requirements

Banks are increasingly concerned about their liability in the face of regulations such as the EU's PSD3, and the U.S. NACHA Web Debit Account Validation Rule.

These regulations mandate rigorous compliance measures such as fraud mitigation efforts, and the dynamic linking of authorizations to specific transactions.

The UK's Payment Services Regulator's new reimbursement requirements makes it imperative for banks to accurately reimburse victims in cases of Authorized Push Payment (APP) fraud.

In short, banks may face higher costs as they would take the responsibility for the cost of fraud.

Reducing liability and ensuring compliance

PAT addresses these concerns by integrating Confirmation of Payee (CoP) checks and verifying that accounts are in good standing before payments are authorized.

It also helps improve compliance by providing the necessary transaction details that help determine whether a payment was authorized and executed correctly, which helps facilitate quicker resolutions and potential reimbursement.

Global compliance can also be improved by PAT. For example, by incorporating features like CoP checks and account status verifications into the detokenization process, PAT helps banks meet PSD3 requirements, which mandates the sharing of fraud data among Payment Service Providers (PSPs).

Enhancing security and control

The adoption of new A2A payment methods such as Request for Payment (RfP), and open banking solutions can be hindered by banks' needs to manage security and risk.

Moreover, false positives – where legitimate transactions are incorrectly flagged as high-risk by fraud detection processes – increase operational challenges.

PAT also reduces false positives by providing detailed insights into the payee's account status, such as the length of time the account has been in good standing, or the number of payments made to confirmed and traceable payees like utilities or loan providers.

PAT solves these issues by enabling banks to set specific token rules and usage limits (for example, single use or monthly) which provide granular control over each payment.

When a payment scenario like RfP or direct debit is no longer authorized, banks can suspend tokens instead of reissuing complete account details, significantly reducing the risk of fraud, as details are not shared in full.

PAT is enabling payment innovation

With PAT banks can enhance security and control for seamless payment experiences. This can be by making payments more resilient to fraud through token rules and account attributes, sharing account insights between banks to make more informed payment decisions and addressing regulatory compliance, all of which helps to securely scale new A2A payment use cases.

As transaction methods continue to evolve, PAT will be useful helping banks navigate the complexities of instant payments, ensuring consumers and businesses are protected.

Learn more about Visa Payment Account Tokenization: https://usa.visa.com/products/token-id.html

Contact Robert Wessels: rwessels@visa.com

The Fastest Path to Growth: Opportunities in Payments Compliance and Innovation

Volanté

By Nadish Lad, Global Head of Product, Volante Technologies

In today's complex and rapidly moving world, finding a fast path to payments innovation and business growth continues to propel firms to modernise. Despite a turbulent macro-economic environment, the latest **Volante Finextra survey** found that over 72% of banks expected to increase their budget for payments modernisation between 2023 and 2024. However, this quest for modernisation and business growth – and achieving it quickly – often conflicts with the need to keep abreast of ever-changing regulation.

The looming deadline for **instant payments** compliance continues to intensify as demand for rapid money transfers surges across Europe. The regulation dictates that banks and payment service providers (PSPs) now have less than a year to be able to receive instant payments, over RT1 or TIPS, and to send within an 18-month period. Under the new rules, firms must ensure affordable and immediate processing of credit transfers, with funds arriving within a remarkable ten seconds. Achieving compliance may seem burdensome, yet the initiative not only enhances the efficiency of financial transactions, it bolsters the safety of transfers, safeguarding against fraud and errors, and ultimately meets consumer demand for "24/7, always-on" services.

Similarly, as the industry hurtles towards a different regulatory deadline, the **adoption of ISO 20022** isn't merely a tick box exercise – it's a transformative opportunity. Banks and PSPs face the daunting task of integrating this international messaging standard. However, beyond compliance lies a strategic horizon. ISO 20022 brings standardised and comprehensive data, opening access to up to 30-40% additional information, which will enable banks to enhance customer-centric services, gain deeper insights and personalise experiences. Simply put, ISO integration isn't about ticking boxes; it's a vehicle for growth.

Presenting another avenue for growth, yet also posing challenges, is the processing of payments and messages across diverse formats and standards. Compliance demands significant time, cost and risk. However solutions in the form of **embedded preprocessing** exist to centralise these operations, streamline validation and ultimately improve operational efficiency and reduce complexity.

As a result of such shifting trends and initiatives, **Payments-as-a-Service (PaaS)** has emerged as a rapidly growing trend in the financial services industry, one that's transforming the way institutions build, develop and deploy new payment products and services. By 2025, it is anticipated that 75% of banks will operate 27-35% of their functions on public clouds. However, replacing legacy payment systems with modernised systems takes time and many banks lack the resources necessary to successfully transition. Should issues arise during the modernisation process, banks and FIs risk service disruption, which can jeopardise business. PaaS solves this challenge by outsourcing every aspect of implementation, integration, management and maintenance, to third-party providers, making it fast and cost-effective for FIs to modernise payment systems.

Regardless of the European payments regulation you're grappling with, finding a fast path to payments innovation and business growth needn't be daunting; fundamentally, it's an opportunity for modernisation, and should be perceived as such.

To discover how Volante Technologies can help your institution navigate the fastest path to payments innovation and business growth in order to unlock opportunity, join Nadish Lad at the Cloud-based managed services discussion, Day 1, 18 June 2024, 15:45, Room 2, or talk to the Volante team at Stand 35.

It's time for a commercial payments wakeup call

By Sulabh Agarwal, Accenture Global Payment Lead

In the realm of payments, commercial client experiences have been overshadowed by consumer offerings in terms of innovation and investment. For years this disparity didn't reach the bottom lines of incumbent payments providers, but our research, **Reinventing commercial payments for profitable growth,** suggests it's now creating competitive vulnerabilities. We found that 55% of banks are challenged by competitive solutions from fintechs, and with commercial payments market revenues projected to reach $1.26 trillion by 2028, the competitive challenge is unlikely to diminish.

To be clear, the risk that a bank might lose all of its commercial payments clients to fintechs is low. Switching commercial payments providers is a complicated and expensive process. But the report, which includes survey data from both commercial payments providers and clients, found that fintechs lead incumbents on client satisfaction in specific areas: cross-border, online merchant acquiring, trade finance and liquidity management services.

There is also the risk that payments clients will move to other non-fintech players. We found that over eight in 10 clients would switch to a single payments provider for cost purposes, but few providers have comprehensive capabilities that meet all of their needs.

The key question facing payments incumbents today, then, is how to drive higher levels of client satisfaction to boost attraction, retention and share of wallet.

We found incumbent providers generally have a sound understanding of client priorities and challenges—but have overlooked one key area: clients are frustrated by the lack of value-added services. On average, clients are willing to pay 8.1% of their annual payments costs toward value-added services, representing $371 billion over the next five years. But most banks underestimate the importance of value-added services to customers and under-invest in the tech needed to deliver them.

Value-added services are a powerful way to differentiate in the market.

We found strong demand for the following value-added services, which are offerings wrapped around basic payments products that enrich the payments experience.

- **Tax and accounting system integration:** This feature is relatively mature, but there is still significant scope for growth. When asked about accounting systems, 79% reported that they have already connected business systems and processes to payments providers via APIs. Some 20% have not integrated accounting systems and payments providers but are planning to do so in the future.
- **Real-time access to payment data for analytics:** Providing access to real-time payments is a driver for technology modernization and investment among 61% of banks. Replacing and integrating siloed legacy systems with modern, interoperable platforms and establishing an industrialized payments hub could enable banks to achieve a 30% reduction in IT spend, a 10% increase in client acquisition and a 25% reduction in the cost of full-time operations employees.

The key question facing payments incumbents today, then, is how to drive higher levels of client satisfaction to boost attraction, retention and share of wallet.

- **Advanced data dashboards to track sales and products:** Investments in data repositories, real-time data analytics and cloud services will enable banks to offer these services. Generative AI is a potentially powerful lever for payment modernization, particularly for advanced data dashboards.

For banks, it is encouraging that our research shows most clients would prefer to receive value-added services from incumbents rather than new entrants. However, around a third of corporate clients said they would consider another provider if it offered value-added services at no additional cost. Thus, the greatest worth of value-added services might lie in creating client stickiness rather than in generating additional revenue.

To learn more, download the full report.

Real-time payments potential has become real-world proof

An impressive 266 billion real-time payment transactions were made globally in 2023. With regulatory frameworks being established, and the demand for instant payments increasing, collaborative ecosystems have emerged to drive powerful use cases that revolutionise businesses and enhance daily lives.

An impressive 266 billion real-time payment transactions were made globally in 2023. With regulatory frameworks being established, and the demand for instant payments increasing, collaborative ecosystems have emerged to drive powerful use cases that revolutionise businesses and enhance daily lives.

Adoption is being driven by pent-up demand for low-cost, convenient, and accessible electronic payments, the need for more modern and efficient infrastructure, and a desire to boost economic performance.

Governments and regulators in both mature and rapidly developing markets are now actively championing real-time payments as a proven catalyst for economic benefit, using them to drive financial inclusion and better transparency.

ACI's annual Prime Time for Real-Time report provides valuable insight into real-time payments' progress in 51 countries.

This year's findings reveal:

- The power of collaboration between governments, regulators, banks, and fintechs is finally bearing fruit, resulting in wider domestic reach and exciting new use cases.
- Merchants and consumers are now embracing real-time payments through apps, QR codes, and mobile wallets.
- Countries with the most to gain — those with large populations, cash economies, low use of credit, and poor inclusion — have led the way in establishing real-time payments for daily use.
- The next big real-time frontier will be seizing the opportunities created by international trade and migrations to build new real-time remittances and cross-border payment corridors.

Financial institutions are using real-time to re-examine payments infrastructure

Institutional leaders concerned about how to modernise complex systems and processes that were built up over decades now see real-time payments as a route to more efficient and lower-cost transactions — delivering commercial advantages for business customers and better engaging consumers.

Banking strategies and mindsets have become more open and cooperative, and there is now a real hunger in the market to learn from the successes and experiences of other countries and to expand real-time ecosystems to fintechs and other commercial players.

Instant payments across Europe

The EU Instant Payments Regulation is expected to drive instant payments volume across the 36 European countries that make up the SEPA region and are forecast to account for 13% of all electronic transactions by 2028.

As part of real-time's evolution, the industry continues to make progress in the battle against payments fraud. Generative AI is changing the nature and scale of attacks, and real-time is rising to the challenge with consumer rights, education programs, and government interventions combined with new AI-based anti-fraud technology and processes.

Closing the gap to real-time ubiquity

In every corner of the world, real-time payments are now in regular use — moving value at scale and at low cost. In 2023, just under one-fifth of all electronic payments globally were real-time, and by 2028, it will be more than one-quarter.

Widespread acceptance is paramount for individual real-time payment schemes and for the market to maintain its forward trajectory. For late entrants and slow adopters in vanguard markets, it's time to rethink where real-time payments sit in the customer journey and the end-to-end payments landscape.

Access the full report here.

Safeguarding Financial Services APIs in a Zero Trust World

In the ever-evolving landscape of financial services, the adoption of application programming interfaces (APIs) has emerged as a critical enabler of innovation, efficiency, and customer centricity. APIs facilitate seamless integration between disparate systems, allowing financial institutions to deliver tailored services, streamline operations, and enhance customer experiences. Security is always top of mind when your business depends on offering services aimed at maximizing payment success for customers and ensuring a safe place for them to do business. Keeping cardholder and personal data safe and ensuring it cannot be compromised by third parties or even employees is paramount.

In financial services, traditional security measures, reliant on implicit trust, fall short in safeguarding against evolving risks and business challenges like ransomware and compliance complexities. Enter Zero Trust. Incorporating Zero Trust into your API security strategy doesn't just shield sensitive data. It safeguards your digital assets, reputation, and service availability, providing a secure platform to deliver exceptional customer experiences.

APIs, serving as the conduits for data exchange and communication between applications, are prime targets for cyber adversaries seeking to exploit vulnerabilities and gain unauthorized access to sensitive financial information. As such, integrating API security into the broader Zero Trust framework is critical for financial institutions to safeguard their digital assets, protect customer data, and ensure seamless compliance with ever-evolving regulations while preserving trust in an increasingly interconnected ecosystem.

Incorporating Zero Trust into your API security strategy doesn't just shield sensitive data. It safeguards your digital assets, reputation, and service availability, providing a secure platform to deliver exceptional customer experiences.

One of the fundamental principles of Zero Trust API security is the principle of least privilege, which dictates that access rights should be granted based on the specific needs of individual users and applications, rather than relying on broad, indiscriminate permissions. By enforcing granular access controls and implementing robust authentication mechanisms such as multi-factor authentication (MFA) and OAuth, financial institutions can minimize the risk of unauthorized access and data breaches.

Moreover, continuous monitoring and real-time threat detection play a crucial role in identifying and mitigating API-related risks in a Zero Trust environment. By blocking unwanted traffic and attacks against its API services, reducing noise and volume on the platform, financial institutions can detect anomalous behavior patterns indicative of malicious activity and respond swiftly to prevent potential security incidents.

Furthermore, collaboration and information sharing within the financial services industry are essential components of an effective Zero Trust API security strategy. By participating in industry-wide initiatives such as the Financial Services Information Sharing and Analysis Center (FS-ISAC) and sharing threat intelligence and best practices with peers and partners, financial institutions can strengthen their collective defense against cyberthreats and enhance the resilience of the global financial market.

As financial services continue to embrace digital innovation and transformation, API security in a Zero Trust world emerges as a critical imperative for safeguarding against evolving cyberthreats. By adopting a Zero Trust mindset, implementing robust security controls, and fostering collaboration across the industry, financial institutions can build a resilient security posture that enables them to navigate the digital landscape with confidence and trust.

Cross-Border Payments are not a Commodity – How Winners are Differentiating their Offering

At the core of our clients' needs is the ability to make payments. Historically payments have been seen as a point of friction. In recent years we have seen rapid advancements in technology underpinned by an accelerating consumer thirst for real-time and cost-effective solutions.

The need for innovation has led to many entrants into the market. Some are local banks looking to break into the international market, while fintechs have led the charge in specialization of certain products where they believe they can add value. Banks are conscious of new entrants to the market and our survey showed that 89% of banks believed that up to and above 20% market share could be lost to fintechs in the next 5-10 years.[1] What was interesting was that when we surveyed fintechs in 2024, 73% believed that they could obtain this same amount of market share. The main difference is that they believe that this will occur in 2-5 years showing how quickly they want to achieve and grow.[2] This brings the importance of de-commoditization of payments occurring where it is no longer enough to just offer a certain product, you must differentiate and provide further value add here.

The market is shifting, and this is due to some providers offering better solutions than others. The good news is that the global Cross Border payments revenue is growing at 9% CAGR.[3] This shows us that while competition is increasing in numbers and intensity, the growing pie of Global Cross Border payments allows differentiators to take control of their own success.

Speed, Transparency and Cost-Effectiveness are seen as the biggest pain points in this industry today. Through the enhancement of your Core Infrastructure, you will unlock the ability to have more flexibility on how to send payments in the future. Building, and enhancing, the rails in which you can send a payment is essential to achieving success in the cross-border space. Together with the back-end infrastructure, it was also evident to our bank clients that they must have an enticing Front End. With the introduction of so many fintechs with very clean and user-friendly front ends, legacy interfaces are showing their age.

Speed is one of the key aspects of payments which we are looking to solve for in Citi. "With the industry moving towards an Always On model, the need to be able to send a cross border payment at any time is seen as essential by our clients", said Simon McConnell (European Clearing Head at Citi). "Citi have doubled down on this with the introduction of 24/7 USD clearing. We believe that the ability to send payments across multiple banks over the weekend, during bank holidays and during previous down times, enables our clients to have full control over their payments at any time, any day delivering liquidity efficiencies and improving client experience".

Through Swift GPI, **transparency** has improved over last couple of years, but it is largely limited to post-facto transparency to sending side of the payment. The Northern Star which Citi is striving for relates to how we can provide this transparency up front to a remitter while also ensuring beneficiaries have line of sight. Our Confirmed Value Transfer product achieves this where we give up front transparency on lifting fees for commercial payments, giving clients a certainty, which has not been available before this. Coupled with our Global Beneficiary Service which offers the ability to push updates to the Beneficiary ensures that there is visibility across the payment chain.

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Finally **cost** plays a huge role in winning, and retaining, market share. The client is always looking for the best price for the service which they need. The way to achieve this is through the effective choice of payment channels. Choosing the right partner here is essential to having access to multiple channels and ensuring the payment can be sent in the most cost-effective way.

In conclusion, cross border payment providers adopt innovative solutions for their clients at a different pace. Those who lead the charge with a wide, but efficient, offering can lead the charge and win market share.

1 2023 Citi Survey: The Future of Payments

2 2024 Citi Survey: The Industry's Perspective Survey on AI, Innovation and Key Themes

3 McKinsey Global Payments Report 2023

The Need for a Multicloud Approach to Payments and Legislation

By Mike Walters, CEO, Form3

In the ever-evolving landscape of banking technology intertwined with stringent regulatory frameworks, financial institutions find themselves at a crossroads. The imperative to adopt a multicloud approach to managing payments and compliance is no longer just a strategic advantage but a necessary evolution. So why is a multicloud strategy becoming essential for banks, and how is this being driven by both technological advancements and regulatory demands?

The push for multicloud adoption is driven largely by the need for real-time, always-on transaction capabilities that modern financial markets demand. Banks face mounting pressure not just to maintain operational efficiency but to bolster resilience and uphold regulatory compliance. This has catalyzed a significant transformation in their IT infrastructure strategies.

Regulatory bodies worldwide are mandating higher levels of operational resilience, compelling banks to reevaluate their technological underpinnings. Cloud-native technologies, which facilitate auto-scaling and cross-site resilience, seem poised to meet these challenges. Yet, they also introduce new risks, such as potential failures or market exits by cloud providers.

Relying on a single cloud service provider introduces substantial risks, including possible outages or service changes, which can threaten a bank's operational resilience and transaction integrity. To mitigate these risks, adopting a multicloud strategy is crucial. By distributing their technology stack across multiple providers, banks can prevent the disruption of their entire operation should one provider fail. This ensures a seamless, real-time platform that maintains functionality, enabling continuous service and adherence to regulatory standards.

> The push for multicloud adoption is driven largely by the need for real-time, always-on transaction capabilities that modern financial markets demand.

Traditionally, banks depended heavily on physical data centres, possibly supplemented by additional failover centres. However, the scalability and resilience offered by cloud-native technology significantly surpass these traditional setups. This shift from data centres to cloud solutions is not merely a trend but a substantial improvement in how banks manage data and services, making their architecture more robust and capable of meeting the demands of modern banking.

Nevertheless, this dependency on cloud technology requires a strategic approach to managing risks related to provider dependencies. For major financial institutions, it is increasingly important to demonstrate not only their resilience in using cloud technologies but also their strategies for mitigating potential cloud provider failures.

The transition to real-time payments enhances the speed and convenience of banking but introduces significant fraud risks, particularly with Authorised Push Payment (APP) fraud. In such cases, fraudsters can manipulate even well-verified users into authorising payments to illegitimate parties. To counter this, banks are turning to advanced fraud detection technologies that operate in real-time, enabling them to identify and halt fraudulent transactions promptly. This proactive approach is crucial, giving banks a vital window to assess and respond to potential fraud, thus protecting their customers and their operational integrity.

While the banking industry aims for frictionless payments to improve customer experience, the reality of fraud demands a balanced approach. Cloud-native technologies provide the flexibility needed to embed sufficient controls within the transaction process—enough to prevent fraud but not so much as to diminish the user experience.

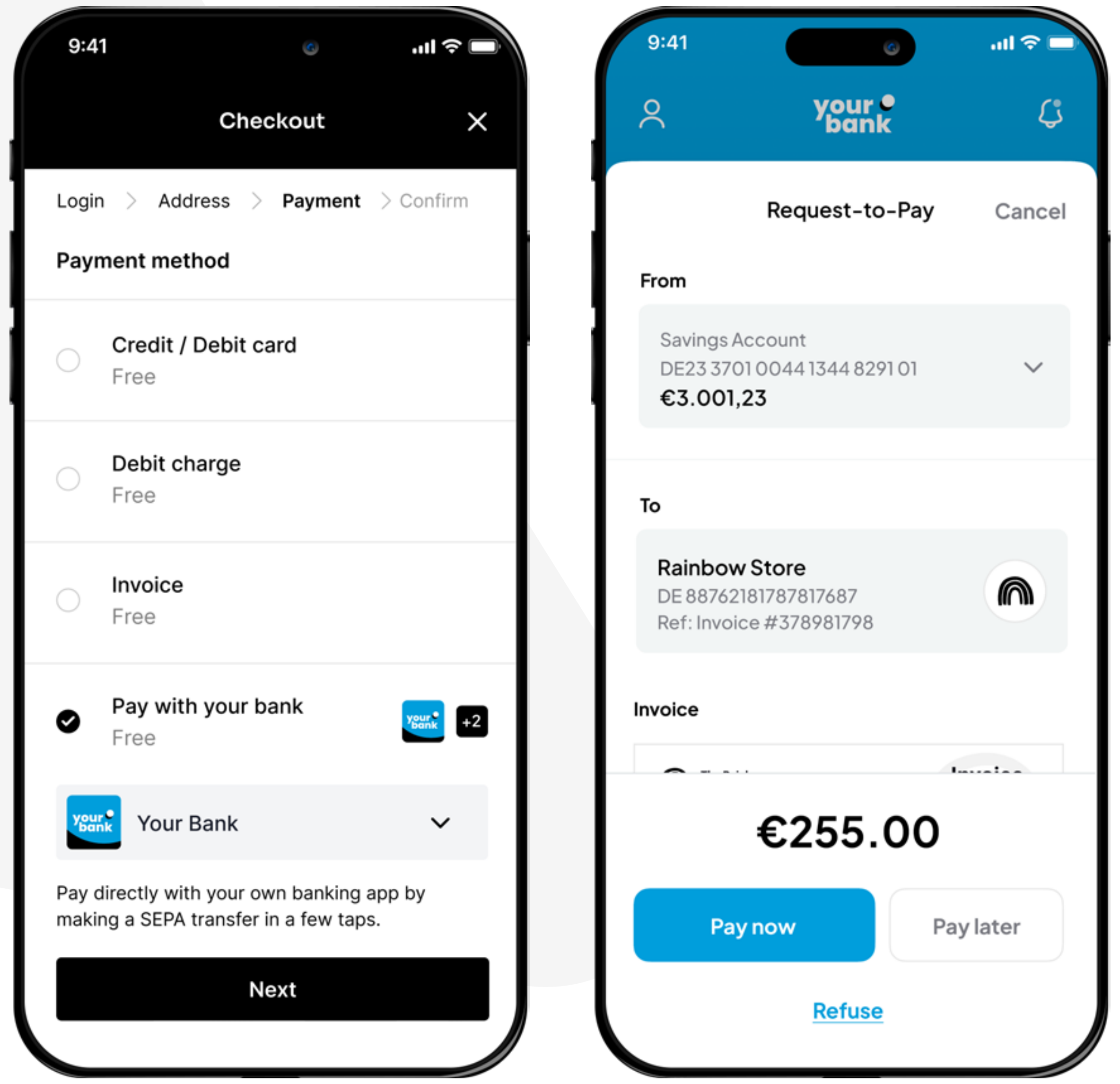
As banks forge ahead in their digital transformation journeys, the implementation of a multicloud strategy is becoming increasingly indispensable. This approach not only bolsters operational resilience but also ensures compliance with rigorous regulatory requirements and mitigates risks associated with dependency on single cloud providers. Banks that swiftly adopt and integrate this strategy will not only protect their operations against current challenges but also position themselves advantageously for future technological and regulatory shifts.

What do Instant Payments Mean for Users in the A2A World?

The landscape of banking and financial transactions is set to transform dramatically with the European Union's regulatory mandate requiring banks to adopt SEPA instant payments in full by 2025. This directive ensures that money transfers between accounts across EU banks will be processed within 10 seconds, a significant leap toward real-time financial operations. But, while this regulatory evolution marks a technical milestone, its practical impact on users — particularly in account-to-account (A2A) transactions — merits a closer examination.

Instant payments, by design, aim to increase the speed and efficiency of transactions. The promise is that whether you are paying a restaurant bill or transferring money to a friend, the funds will move almost instantly. However, the user experience (UX) often tells a different story. The speed of the actual funds transfer — the 10 seconds it takes for money to move from one account to another — is, from a user perspective, just one part of the overall process. If the initiation of a payment is cumbersome, then the quick transfer time loses its perceived advantage.

In the realm of B2C payments, user convenience and UX are paramount. Consumers expect not only speed but also simplicity and security in their transactions. However, the current process for executing a SEPA Credit Transfer illustrates a gap between regulatory advancements and user experience needs. This standard method for transferring money across European accounts does not always align with the streamlined, frictionless services that consumers have come to expect from digital interactions.



For example, the setup for a SEPA payment may involve multiple authentication steps, entry of lengthy IBAN, and navigation through often clunky banking interfaces. If a transaction already requires 1 minute of preparation for a payment that takes only 10 seconds, the user may perceive the process as sub-optimal. This discrepancy raises the question: what is the benefit of a 10-second transfer if preparing the payment initiation takes significantly longer?

To truly enhance the customer experience, banks and payment providers must focus on overhauling the entire payment process. This means simplifying the initiation stage — making it as quick and straightforward as the transfer itself. SEPA Request-to-Pay (SRTP) is meant to be the most standardized and seamless user experience while offering businesses operational effectiveness.

In conclusion, while the regulatory push for instant payments is a step forward for financial technology, its real-world benefits for users depend heavily on the entire user journey in payment transactions. As banks and financial institutions work towards compliance with the new regulations, your focus should be dual: not just on meeting the technical requirements of instant payments but also on refining the user experience to make those payments genuinely instant from the user's perspective. Only then can the full potential of instant payments be realized in the A2A world.

The Invisible Payments Innovator

Located in Munich, Gini partners with more than 90% of Germany's retail banks and offers leading features in mobile banking. We are ISO 27001 certified, reflecting our commitment to secure, high-volume transaction operations hosted within German data centers.

Contact us

Visit us in our booth #49 or visit https://gini.net/.

The great potential of instant credit transfers

By Juan Luis Encinas, CEO of Iberpay

The new **Regulation on instant credit transfers,** of the European Parliament and of the Council, **aims to generalise their use among citizens, corporates and public administrations,** by establishing the obligation for banks and payment service providers (PSPs) to offer instant credit transfers to their customers, both individuals and corporates, through the same channels and at no higher prices as classic credit transfers. In addition, it promotes measures to combat fraud, such as the obligation to offer a service to validate the name of the beneficiary to be used by customers before sending a payment.

With this regulation, Europe seeks to exploit the full potential of instant credit transfers to achieve the following strategic objectives in terms of payments:

- Sovereignty and strategic autonomy from other economic areas through the development of its own payment solutions at a pan-European scale.
- Accelerate the speed of money circulation to improve the efficiency of economy and stimulate growth.
- Facilitate further digitalisation of the European economy.
- Promote innovation, competition and sustainability in payment services.
- Ensure the resilience of payment systems with complementary and alternative solutions to card networks.
- Improve international cross-border payments.

In the European context, Iberpay was one of the first infrastructures to process instant credit transfers and has worked closely with the Spanish banking community to provide this technology in practically all Spanish banks since the launch of the scheme in 2017. It has also facilitated the rapid adoption of services such as Bizum which has rapidly extended the use of instant credit transfers, mainly for payments between individuals but also increasingly to make e-commerce payments.

However, in the field of corporates (payment of invoices to suppliers, collections from customers, payrolls, expenses etc.) or Public Administrations (pensions, fees, subsidies, fines, taxes etc.), their implementation is still more limited.

As companies learn about the **benefits that instant credit transfers will bring with regards to optimizing their cash flows, making payments and collections** at any time of the day and every day of the year, automating the entire value chain of their payments and collections through end-to-end APIs (communication protocols between software applications), instantly reconciling invoices, collections, and bank accounts etc., a very significant impact on efficiency, digitalization, and innovation in the business sector and in the economy in general will be anticipated.

Window of Opportunities

The new era of instant payments opens an unprecedented window of opportunities. The widespread use of instant credit transfers will not only speed up and accelerate the flow of money in the economy but will also **substantially change the payment habits of citizens, businesses and public administrations across Europe** creating an optimal space for digitalisation, financial innovation and competition in payment services, whilst stimulating economic activity.

We are facing a revolution that can reshape the European economy, making it more efficient, digitalised and innovative. The full adoption of instant credit transfers by corporates, the deployment of Request to Pay as a complement to instant credit transfers, and the utilization of such instant credit transfers in international multi-currency payments are undoubtedly the next steps to complete the wide array of opportunities presented by instant payments for all economic stakeholders.

How changes in real-time are disrupting the model for payments processing in Europe

By Arjeh van Oijen, Head of Product Management for Icon Solutions

With banks across Europe readying their infrastructure to meet growing demand for instant payments, key regulatory updates pose new opportunities and challenges.

SEPA SCT Inst deadlines are approaching rapidly

The publication of the EU's 'Instant Payments Regulation' (IPR) is accelerating the transition towards the Single European Payment Area (SEPA) Instant Credit Transfer scheme (SCT Inst).

IPR aims to make instant payments fully available in euro to all individuals and businesses across the SEPA zone. The expectation is that SCT Inst will become the 'new normal', eventually replacing non-instant SCT payments. This promises to not only improve the quality of the offerings by banks and payment service providers (PSPs), but also open up the market to promote more competition and innovation – resulting in lower payments fees.

The IPR mandates that in January 2025, all eurozone banks must be able to receive and process incoming SCT Inst transactions from other banks (via a clearing and settlement mechanism [CSM]). By October 2025, these banks must ensure customers can initiate outgoing SCT Inst payments via every channel currently used for regular SCT payments. For SEPA banks, these dates are January 2027 and July 2027 respectively.

While this presents significant opportunities, the aspects of low latency, 24x7 availability, and ability to scale up and down based on transactions received brings major challenges. And for the banks that do not have a real-time booking system, temporary workarounds are necessary to be ready in time.

Banks may also take the migration to instant payments as the beginning of a complete transformation of their payment processing, consolidating payments processing applications into a single solution that is agnostic to payment type, currency, scheme and CSMs.

Fighting fraud with Verification of Payee

A surge in volumes of instant payments has implications from a fraud mitigation perspective too. In response, the EU has introduced a new Verification of Payee (VOP) mandate as part of the IPR.

Similar to the UK's Confirmation of Payee service, VOP requires the payer's PSP to check the IBAN-name match of the beneficiary. Banks and PSPs in the eurozone have until October 2025 to ensure they can offer such a service, while those located outside the eurozone need to apply by July 2027.

The rise of 'one-leg out' payments

In parallel, a growing number of instant payments schemes across the globe are being extended from a domestic only scope to one-leg out credit transfers, enabling cross-border transactions using instant (or real-time) payments rails. This offers an alternative to RTGS rails, as they are available 24x7 and cleared and settled with the creditor agent within a shorter period of time.

In June 2023, the EPC published the latest version (1.1) of the One-Leg Out (OLO) Instant Credit Transfer Rulebook for SEPA countries. Most recently, EBA Clearing announced it will launch its own OLO Instant Credit Transfer (OCT Inst) service in November 2024, enabling SEPA banks and PSPs to process international credit transfers through the EBA Clearing RT1 system.

Meet Icon at EBADay to explore how you can accelerate your payments transformation, while controlling your costs, build, risk and destination.

iGTB – Transforming Cross-Border Payment Systems in Banking

In the competitive world of corporate finance, the demand for efficient, rapid, and reliable cross-border payment solutions is more pronounced than ever. As businesses expand globally, the need for banks to offer seamless and innovative payment services becomes a critical factor in their choice of financial partners. This urgency propels banks to revolutionize their cross-border payment systems to meet and exceed corporate expectations, thereby becoming the go-to institution for global business needs.

Cross-border transactions have historically been fraught with challenges, including slow processing times, lack of transparency, and high costs. Today, however, technology offers unprecedented opportunities to address these issues. The rise of digital payment platforms, underpinned by advancements in fintech, has set the stage for a new era in banking. Financial institutions that leverage these technologies can provide corporations with the speed and efficiency required for modern commerce.

iGTB Payments

One of the primary benefits of modernized payment systems is the ability to execute transactions in real time. This capability from iGTB Payments not only enhances operational efficiency but also improves cash flow management for corporates. Real-time processing allows corporate clients to optimize their working capital and enhances their ability to respond to market opportunities and challenges swiftly. Additionally,

> The rise of digital payment platforms, underpinned by advancements in fintech, has set the stage for a new era in banking.

the transparency provided by advanced iGTB Payment platforms helps corporations track their transactions end-to-end, offering better control over their financial operations and reducing the risk of fraud.

Banks aiming to become the Principle Banker for their corporate clients must invest in building robust, scalable, and secure payment infrastructures that support the complexities of international trade. Moreover, also adopts international standards like ISO 20022 to offer more detailed transaction data, improving reconciliation processes and providing richer analytics for corporate decision-making.

iGTB Payments focuses on customer-centric solutions that cater to the diverse needs of their corporate clients. This involves offering customizable payment solutions that can adapt to various business models and regulatory environments. In conclusion, banks can transform their cross-border payment systems, offering corporates the agility, transparency, and efficiency they need to thrive in the global market.

Product Highlight

1. **Payments Services Hub,** for initiation, orchestration and execution of real-time batch or bulk payments. Also, fully API enabled, for PAAS and embedded payments
2. **Contextual Payments Engine,** omni-channel and rule-based. Gives recommendations of cheapest and fastest rails along with other AI/ML-based recommendations to drive upsell and cross-sell opportunities
3. **ISO 20022 Remittance Data Management** to help banks create a remittance repository and monetize the investment in ISO 20022
4. **Transaction Limits Management** for real-time payments exposure control across complex client account structures
5. **Virtual Accounts and Liquidity Management** solutions are pre-integrated with the payment platform for a holistic digital transaction banking experience

Safely Instant – A Strategic Mandate

iPiD

As regulatory landscapes evolve to combat the rise in payment fraud, the implementation of Verification of Payee (VoP) stands out as a critical measure. With a European compliance deadline set for October 2025, this initiative is not just a regulatory must but a strategic enhancement to payment security and fraud prevention. Here's how Payment Service Providers (PSP) can leverage these changes for improved security and compliance.

Comply with an Off-The-Shelf Solution

Specialised in account validation technologies, iPiD offers an off-the-shelf solution that seamlessly handles both inbound (respond) and outbound (request) validations. Our approach fits effortlessly within the extensive regulatory frameworks of the EU, streamlining the adaptation process for PSPs. We provide comprehensive, real-time account verification solutions that integrate into your existing systems through a single API, eliminating the need for costly system overhauls. Our strict no-data storage policy and decentralised architecture ensure that no data is visible or altered, significantly enhancing data security and building trust among users. iPiD operates independently of the payment rails involved in transactions, providing pre-transaction data services that give you the autonomy to manage global fund transfers efficiently.

Save on Liabilities

VoP mandates that the payee's name aligns with the account details, significantly mitigating risks associated with misdirected payments and fraud. This critical safeguard not only heightens consumer security and trust but also bolsters the overall integrity of the payment ecosystem. For PSPs, adopting VoP is a strategic move that enhances customer confidence and reduces transactional errors, thereby substantially lowering liability costs, including those from failed payment. This proactive approach enables PSPs to manage risks more effectively, fostering a more secure financial environment. Additionally, with our comprehensive reporting, and auditing PSPs can further reduce liabilities by ensuring meticulous oversight and evidencing of compliance.

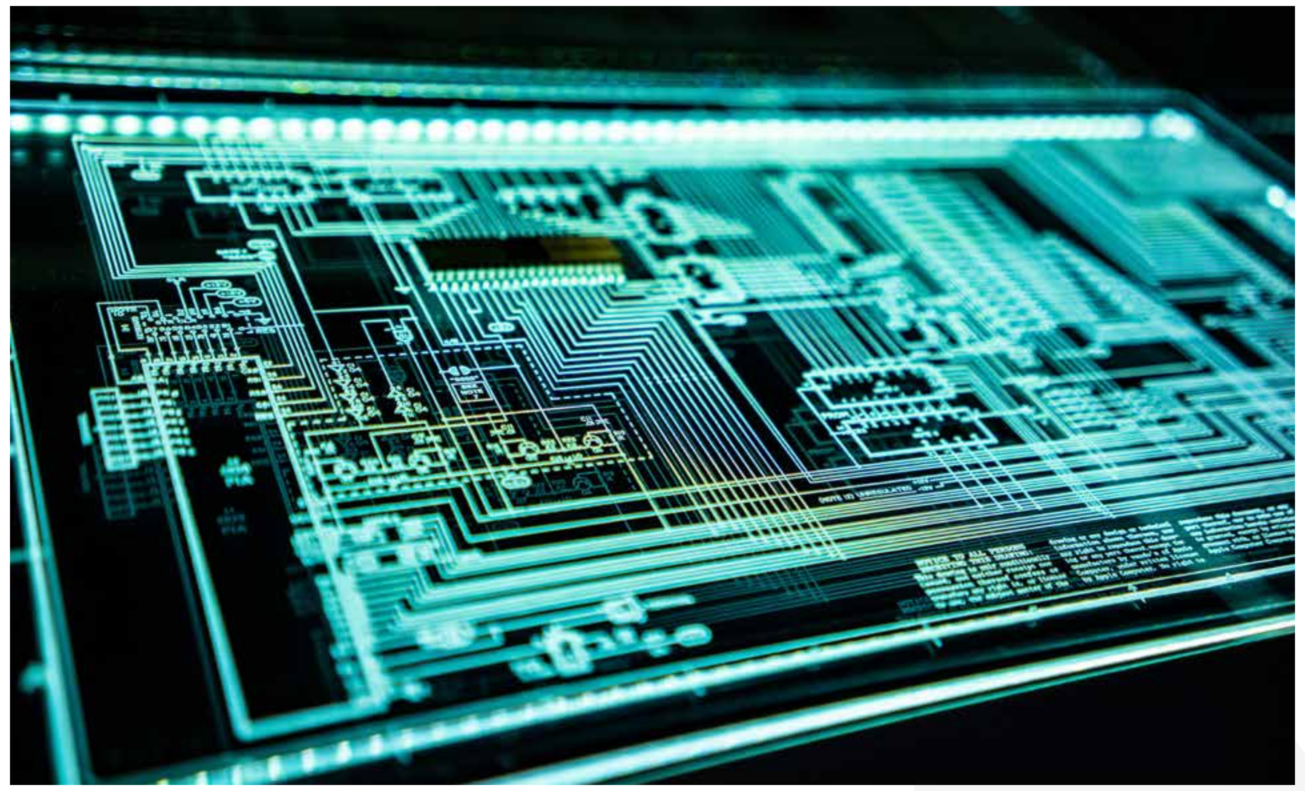
Scale Beyond Europe

With iPiD's plug-and-play global solution and impressive 81% global coverage, PSPs can swiftly adopt these processes, scaling their operations beyond Europe to win new customers and facilitating broader international growth and trust. The implementation of these solutions transcends mere compliance with legal mandates—it establishes PSPs as leaders in payment security, fully equipped to address the complexities of modern finance. These tools do more than deter fraud; they optimize operations, amplify security and efficiency, and significantly elevate customer satisfaction. By enhancing transaction accuracy and reliability, PSPs significantly bolster customer trust and cement their reputation as secure, client-focused entities.

Discover More

Dive deeper into the nuances of VoP and explore how iPiD's solutions can streamline your compliance processes effectively. Access our detailed whitepaper on VoP here.
For a personal discussion join us at Booth 6. Our team looks forward to assisting you on-site with any inquiries you have.

Our strict no-data storage policy and decentralised architecture ensure that no data is visible or altered, significantly enhancing data security and building trust among users.



European banks believe EU SEPA instant timelines are unrealistic

RedCompass Labs, global payments modernization experts, recently surveyed 200 senior payment professionals at European banks to understand how they feel about the new SEPA Instant Regulations.

The research reveals that six in ten (58%) European banks without an instant payment offering believe timelines are unrealistic, while nearly a third aren't confident of meeting EU deadlines. Nevertheless, nearly eight in ten think the benefits of instant payments outweigh the costs.

Interoperable, frictionless (and soon invisible) instant payments will change lives. They will drag hundreds of millions of people out of poverty and into mainstream economic activity. Soon, we will wonder how we ever managed without them.

Nowhere can these advancements be better seen than in India and Brazil. Money flows magically from multinational businesses to tradesmen, to restaurant workers and buskers. It arrives faster than ever before and as needed, reducing working capital and risk, and enhancing financial inclusion.

The more developed world is, ironically, behind. Despite instant payments being available for over half a decade in Europe, cards are still the de facto payment method in retail, much to the annoyance of the European Payments Council.

But Europe is taking a huge leap forward with new legislation that will make around-the-clock instant payments the new normal. All non-cash payments in Euros will soon take no longer than 10 seconds and will be made any time of the day, any day of the year.

The pressure is on for banks

It's an exciting development, but the deadlines are tight. Banks, already extremely stretched delivering the migration to ISO 20022, must be able to send and receive instant payments by the end of 2025.

Internal systems must be ready to handle the increased volume and speed of transactions. You will need to cover downtime and system outages while recording and synchronizing data accurately, in real-time, across various parts of the payment system for it to be reliable. Your systems will need to be scalable, interoperable and secure. And you must consider and combat fraud.

That's a big ask.

What do EU bankers think?

RedCompass Labs recently asked 200 senior payment professionals at European banks how they feel about the upcoming regulations.

The report, **"So, you think you're ready for SEPA instant?"** examined their views on the EU's new instant payment legislation and where they are on their journey to instant payments.

We found that nearly one-third (33%) of banks that don't currently offer instant payments were unsure or not confident they would be able to receive instant payments by 9th January 2025, as set out by the legislation.

We also found that European banks are underestimating how many payments they will need to process per second. On average, European banks are aiming to be capable of processing between 101 and 300 payments per second by the end of 2025, while just 5% said they were targeting above 1,000. Given bulk payment files can contain hundreds of thousands of payments that need to be processed as soon as possible, banks should aim to be able to process at least 1,000 payments per second.

The top five challenges facing banks in offering instant payments are making adaptations to customer channels, including offering a confirmation of payee service (25%), implementing KYC and sanctions screening provisions (21%), processing more volumes and scaling throughput (22%), creating a business case for value-add instant payment offerings (20%) and 24/7 availability (20%).

The positive news is that despite the significant investment of resources and the challenges ahead on the road to achieving instant payments, 77% of banks believe the benefits outweigh the costs.

Want to learn more?

As a company at the forefront of payments modernization, we are excited about the journey ahead and are on hand to support European banks through this challenging period which will unlock new levels of payment innovation in Europe and beyond.

If you want to learn more about getting ready for SEPA Instant, please visit RedCompass Labs at stand #34 to discuss with one of our experts.

Taking European Verification of Payee global

Cross-border payments are getting faster. But while customers want a cross-border experience that mirrors domestic payment speeds, financial institutions should be aware of what this could mean for the fraud threat. If payments arrive instantly, stopping them if a problem occurs becomes much harder.

In Europe, the European Commission believes that checking payments for errors and anomalies before they're sent could play a key role in addressing this and has approved new regulation to this effect. To ensure instant payments reach the intended recipient, a new security measure called "Verification of Payee" (VOP) will be mandatory.

VOP verifies the recipient's name and account number before an instant payment is initiated. While this may already be familiar to online banking users in the UK and some other European countries, the new regulations make VOP compulsory for all instant payments between countries across the European Union and European Economic Area (EEA). This added step helps to prevent accidental misdirected funds and fraud, particularly important since instant payments are irreversible.

Implications of regulation

While this regulation is new, the concept of pre-validating a transaction to prevent fraud is not. Across Europe, some countries have already implemented VOP systems. But while these provide clear value in a domestic setting, some have limitations in a cross-border environment. For example, in France, legal entities are often identified using SIREN or SIRET codes that are specific to that country. Whereas in Italy, a national tax ID is a common identification method.

The European Payments Council has since been developing related rules to achieve better harmonisation and has completed a consultation period to which Swift contributed. The aim is for the rules to become effective, in line with broader instant payments requirements, in October 2025.

Fostering interoperability

The European Commission's work is a huge step towards providing a better payments experience for millions of people. The benefits that individual domestic systems bring can be further amplified by enabling them to work seamlessly together on a cross-border level.

However, creating a seamless service for VOP across Europe by October 2025 presents a challenge for banks. Currently, most solutions operate within national borders; however, regulations will require banks to extend their services to

> The European Commission believes that checking payments for errors and anomalies before they're sent could play a key role in addressing this and has approved new regulation to this effect.

provide pan-European coverage. This is where Swift comes in. We can help to foster interoperability between solutions and aiding banks in repurposing their investments in connectivity, ensuring the secure and standardised transmission of financial data essential for the success of VOP across the EEA and beyond.

We first released our API-based Payment Pre-validation service in 2021. Since then, we've evolved our capabilities. We're now developing a community-driven interoperability model to meet regulatory requirements in a cost-effective manner but also have a far-reaching impact by extending capabilities to cross-border payments beyond Europe.

Forging a future-proof payments model

The landscape of banking and financial services is in a constant state of flux, driven by technological advancements, regulatory changes, and shifting consumer expectations. In this dynamic environment, the ability to adapt and innovate is crucial for financial institutions to remain competitive and future-proof their operations. A recent survey conducted by Finextra Research in collaboration with Tietoevry Banking sheds light on the key factors shaping the future of payments and the strategies adopted by banks to navigate this changing landscape.

One of the most significant findings of the survey is the increasing importance of payments as a strategic differentiator for banks. With the rise of new technologies and market entrants, traditional banks are facing growing pressure to redefine their business models and enhance their payment capabilities. As a result, many banks are exploring partnerships and collaborations to differentiate their offerings and stay ahead of the curve.

Reflecting the trend towards partnership and collaboration in the financial industry, 87% of banks are utilizing other banks to execute their offerings. This highlights the industry's recognition of the value of shared responsibilities and ecosystem building.

Another notable trend revealed by the survey is the growing prevalence of outsourcing in the financial sector. 36% of banks are outsourcing payments processing to streamline costs and operational resources. This underscores the industry's drive towards efficiency and optimization.

With the rise of new technologies and market entrants, traditional banks are facing growing pressure to redefine their business models and enhance their payment capabilities.

In particular, back-office operations emerge as the most popular component outsourced by banks, with 61% of respondents choosing this approach. This speaks to the challenges of maintaining legacy systems and the pressing need for modernization efforts.

Additionally, the survey emphasizes the growing popularity of Payment as a Service (PaaS) models among banks. 52% of respondents view PaaS as the most likely choice for enhancing payments capabilities, emphasizing the shift towards service-based solutions in the banking industry.

However, while the potential benefits of PaaS are evident, banks are still grappling with challenges related to legacy integration and data security. 71% of respondents prioritize technology infrastructure when evaluating potential partners for as-a-service models, highlighting the importance of compatibility and security.

Ultimately, the survey findings paint a nuanced picture of the evolving payments landscape and the strategies adopted by banks to stay ahead in this competitive market. As banks continue to navigate through technological advancements and regulatory changes, partnerships and collaborations will play a crucial role in shaping the future of payments and driving innovation in the financial services industry.

Scan the barcode or click here to download the full report

Opportunities for payments arising from the new regulations

valantic

By Philipp Königs, Head of Transaction Automation, valantic FSA

In recent years, the European Union has been at the forefront of shaping regulatory frameworks to govern the rapidly evolving payment industry. With the advent of digitalization and fintech innovation, the landscape of financial transactions has undergone significant transformation, prompting policymakers to enact new regulations and directives to ensure security, consumer protection, and market integrity. From PSD2 to GDPR, the EU has implemented a plethora of measures aimed at modernizing payment systems and fostering competition while safeguarding the interests of consumers and businesses alike. Against this backdrop, navigating the intricate web of regulatory requirements has become paramount for stakeholders in the payment ecosystem, presenting both challenges and opportunities for industry players seeking to thrive in this dynamic environment.

Enhancing Security and Trust: Regulations like GDPR have heightened the standards for data protection and privacy, instilling greater trust among consumers in digital payment systems. By prioritizing the security and confidentiality of personal information, these regulations have paved the way for the development of more robust and resilient data platforms. This encourages banks to embark on new customer journeys such as digital onboarding, digital signatures, e-invoicing etc.

Encouraging Technological Advancements: Compliance with regulatory requirements often necessitates the adoption of new technologies and methodologies. For instance, meeting the Strong Customer Authentication (SCA) requirements under PSD2 has prompted the implementation of advanced authentication methods such as biometrics and tokenization. These technological advancements not only enhance security but also drive innovation in user experience and payment efficiency. While these systems have been put in place, they can become additional revenue streams for banks, such as identity as a service.

Open Banking Initiatives: The rise of Open Banking, propelled by regulations such as PSD2, is revolutionizing the way financial data is accessed and shared. This trend encourages banks to open up their data to third-party providers, fostering innovation in payment services and driving competition in the market. Now - PSD3 and PSR aims to provide a regulatory framework that nurtures innovation while addressing the evolving market dynamics.

Promoting Innovation and Growth: PSD3/PSR aims to overcome the fragmented approaches adopted by different EU member states by creating a unified regulatory framework. The new regulations will support the EU's Retail Payment Strategy's goal of facilitating cheaper international payments, adopting global messaging standards, and fostering connections between payment systems in various jurisdictions frameworks provide a controlled environment for testing new payment technologies and business models, enabling regulators to stay abreast of emerging trends and shape regulations accordingly.

Cross-Border Payments Regulation: Efforts to harmonize regulations and improve cross-border payment efficiency are gaining traction globally. Initiatives like the Single Euro Payments Area (SEPA) in Europe and the Faster Payments Scheme in the UK aim to standardize payment processes and reduce settlement times, facilitating smoother cross-border transactions for businesses and consumers alike.

Regulatory Sandboxes and Innovation Hubs: Regulatory authorities are increasingly establishing sandboxes and innovation hubs to foster experimentation and innovation in the payment sector. These regulatory frameworks provide a controlled environment for testing new payment technologies and business models, enabling regulators to stay abreast of emerging trends and shape regulations accordingly.

Real-Time Payments Regulation: The demand for real-time payment solutions is driving regulatory efforts to facilitate faster and more efficient payment processing. Regulatory bodies are exploring ways to standardize real-time payment infrastructures and ensure interoperability between different payment systems, enhancing the speed and convenience of payment transactions.

Digital Corporate Banking: Empowering Enterprises in the Digital Era

Be SHAPING THE FUTURE

Digital Corporate Banking: An Overview

The digitization wave **has profoundly transformed the banking sector,** ushering in new opportunities to enhance efficiency, security, and overall customer experience. In this dynamic landscape, the **Digital Corporate Banking platform emerges as a powerful tool to meet the financial needs of businesses.**

Digital Banking Market

The market for **Digital Banking platforms** is on a steady growth trajectory, experiencing an increasingly annual growth over the years. This surge is primarily fueled by the rapid digital transformation in the banking sector and the increasing demand for digital banking services and smart mobile devices.

Banks are increasingly favoring Digital Banking platforms due to their myriad benefits, including reduced IT costs, rapid time-to-market, omnichannel customer experience, and microservices architecture. However, challenges such as legacy system integration, network disruptions, and security concerns may impede market growth.

Market trends indicate a growing adoption of cloud-based platforms, enabling banks to reduce infrastructure costs, scale infrastructure rapidly, and provide a responsive user interface on mobile devices. Furthermore, the market is witnessing fragmentation, with the entry of new solutions and partnerships expanding the presence of midsize to smaller companies in the sector.

The Significance of Digital Corporate Banking

Digital Corporate Banking plays a **crucial role in optimizing businesses' operations.** With its ability to provide instant access to a wide range of banking services, including payments, transfers, liquidity management, and financial analysis, businesses can enhance their operational efficiency and make more informed financial decisions.

Introducing NOVA

At Be Shaping The Future, our main focus has been on **enabling banks** to stay ahead of the curve. In an era where traditional banking solutions may soon be surpassed by newer innovations, it's crucial for banks to be ready. In line with **our commitment** to **facilitating banks' transition into the digital era,** we introduce NOVA, which is a disruptive "Technology Framework" and an "Application Portfolio" designed to empower institutions to develop digital solutions rapidly and flexibly. NOVA is characterized by its:

- **Openness**
- **Composability**
- **Data-driven approach**
- **Scalability**
- **Inherent openness**
- **Safety**

NOVA not only offers a comprehensive range of digital financial services, but also provides the flexibility to enrich its offerings by integrating with the bank's partner ecosystem enabled by API architecture. This allows banks to expand their service offerings, perfectly aligning with the concept of embedded banking.

Moreover, NOVA offers a wide range of features, including over 250 functionalities available in both the app and web interfaces, 700 functions, 3,200 APIs, 600 microservices and much more ensuring a comprehensive and highly customizable experience for our customers.

We are ready, are you? With Be Shaping The Future's extensive expertise in Financial Services, we stand prepared to support you in implementing a solution like NOVA. Leveraging our unique and integrated approach for understanding, analyzing, prioritizing, and implementing within your systems, we ensure a seamless transition to the future of digital banking.

By digitizing your operations and systems we empower you to surpass expectations, seize unparalleled opportunities, and outshine your competitors.

Contact: info@be-tse.com

Creating a Digital Corporate Customer Experience Beyond Payments & Cash Management

coconet
UNIVERSE OF BANKING SOLUTIONS

Corporate banking is undergoing a significant transformation, driven by increasing customer expectations for digital experiences. Corporate clients are accustomed to seamless digital processes in personal banking and expect similar capabilities for their business needs. However, many corporate banking processes remain paper-based and fragmented, leading to inefficiencies and customer frustration.

I. Challenges for Banks in Corporate Banking

- **Paper-Based Processes:** Traditional onboarding processes can involve 200-300 pages of paperwork, leading to lengthy processing times of 6 weeks to 3 months.
- **Lack of Process Automation:** Compliance requirements necessitate frequent documentation and validation, which remain time-consuming due to the lack of automation.
- **Fragmented Communication Solutions:** Customers often rely on multiple channels for communication with their bank, creating confusion and inefficiency.

II. Vision for an Innovative Digital Corporate Banking Offering

To meet the growing demands of corporate clients, the vision for digital corporate banking should encompass:

- **Customer-Centric Approach:** Prioritise user-friendly digital platforms that enable intuitive interactions and easy access to relevant information.
- **End-to-End Digitalisation:** Minimise manual steps by digitising processes from document provision to service request processing.
- **Central Communication Touchpoint:** Implement modern communication tools to streamline and secure bank-customer interactions.

III. Real Solution Components for Tomorrow's Digital Corporate Banking

1. Secure Individual and Group Messaging

- Implement secure messaging for confidential and efficient bank-customer communication.

2. Efficient Document Provision for Customers

- Introduce a secure platform for digital document provision and archival.
- Reduce paper usage to improve processing times.

3. Collection of Documents from Customers

- Create a digital submission system to facilitate secure and compliant document collection.
- Automate recurring requests and reminder functions.

4. Digital Signatures

- Integrate qualified electronic signatures (QES) for faster, legally binding transactions.

5. Automated Processing of Customer Inquiries

- Implement a central platform to automate service requests like account closures and name changes.
- Establish an additional touchpoint for customer interaction.

6. Customer Support via Co-Browsing

- Provide secure, GDPR-compliant digital assistance for complex processes using co-browsing technology.

7. Ticket System

- Offer a transparent overview of inquiries to facilitate team collaboration.
- Integrate with CRM systems for seamless automation.

Conclusion

The outlined solutions create a comprehensive digital corporate banking experience beyond traditional payment and cash management functions. By integrating innovative technologies and enhancing process automation, banks can significantly improve efficiency and customer satisfaction. The flexibility of these solution components allows for a tailored customer-centric approach, paving the way for a truly digital corporate banking future.

Full Whitepaper Reference

For a deeper understanding of how banks can transform corporate banking into a truly digital experience, including detailed solution components and strategies, refer to the complete whitepaper: "Truly Digital Corporate Banking" by coconet.

Eastnets launches SEPA Instant Payments Access-as-a-Service

Eastnets, a global provider of compliance and payment solutions for the financial services sector, launches an Instant Payments Access as a Service for SEPA Credit Transfers Instant (SCT Inst) as part of its long-standing, global SWIFT service bureau offering.

Hosted in EU datacentres with fully redundant systems and fast connectivity to SWIFT, the service will allow financial institutions to easily integrate into Europe's instant payment infrastructure via Eastnets' secure private cloud. In doing so, banks and payment service providers will be able to offer their customers instant SEPA payments 24 hours a day, 365 days a year, simply, efficiently, and securely.

Commenting on the launch, Tareq Shaheen, Director of Payment Solutions at Eastnets says, "Banks and payment service providers across the EU must urgently get ready to offer SEPA Credit Transfers Instant. In doing so, they need to consider the costs and complexity of going alone because they'll not be able to charge a premium for instant payments, which consumers are likely to opt for in their millions."

Launching an instant payment service with Eastnets means fast time-to-market, and a competitive edge for financial institutions. The service is also highly scalable, so financial institutions only pay for what they need, and can increase or decrease their capacity to handle greater volumes of instant payments at any time.

Eastnets' Instant Payments Access as a Service's cloud infrastructure leads to a lower cost of implementation and removes technical challenges. Financial institutions can expect to see a reduction in total cost of ownership by 40 to 60 per cent compared to on-premises solutions, which can be expensive and demanding on time and resources.

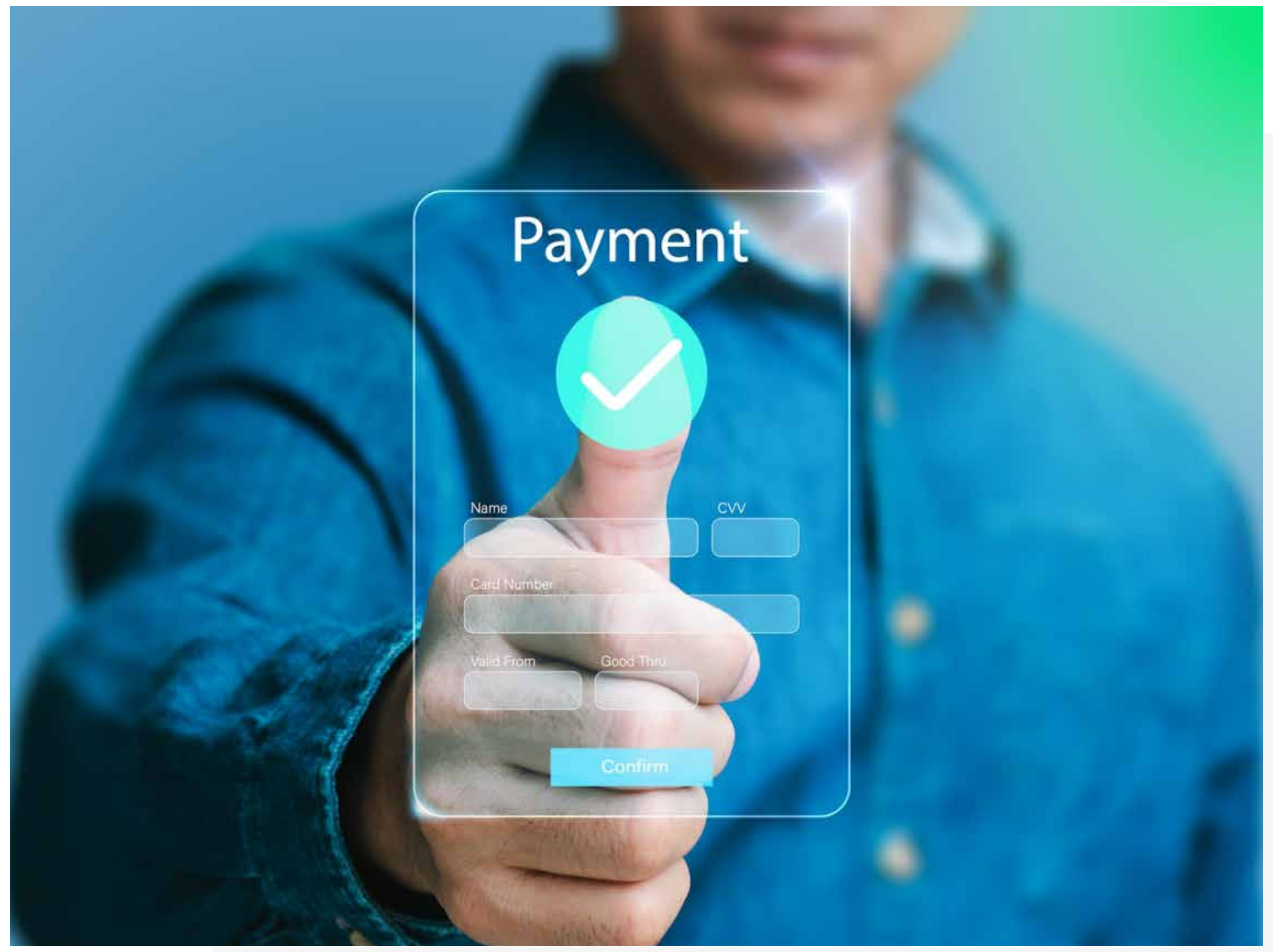
- Compliance with fast-approaching EU instant payment deadlines
- 40-60% reduction in Total Cost of Ownership vs on-premises implementation
- Fast Time to Market, rapid onboarding

Eastnets also offers anti-fraud, anti-money laundering and sanction screening capabilities as part of the service. This is particularly important considering the speed at which instant payments happen and the fact that banks will be liable for reimbursing victims of authorised push payment (APP) fraud.

Eastnets' launch of the Instant Payments Access as a Service comes at a crucial time for the industry. The European Commission has mandated all financial institutions to offer SEPA Credit Transfers Instant within the next two years, leaving the industry grappling to comply at speed.

Shaheen adds, "For more than 20 years, Eastnets has made it easy for financial institutions to access the SWIFT network and participate safely and securely in the global financial economy. As an accredited SWIFT Service Bureau, we remove the need for costly infrastructure investments. Our new Instant Payments Access as a Service is a natural extension of our capability, offering a scalable, cloud-based solution that financial institutions can benefit from, regardless of their current infrastructure."

Since 2007, Eastnets has been a key player in financial services in Europe. Today, with operations spread across the UK and EU, Eastnets is the trusted choice for 22 global central banks and almost 200 financial institutions in the EU region.



Finastra provides LGT with solution to fast-track compliance with the EU instant payments regulation

FINASTRA

With Finastra's payment hub, LGT will implement instant payment services

London, UK – May 23, 2024 – Finastra, a global provider of financial software applications and marketplaces, today announced it has been selected by LGT to roll out instant payment services in Austria and Liechtenstein, with other markets to follow. LGT will implement Finastra's payment hub using a model bank implementation approach, to accelerate its readiness to meet the EU instant payments regulatory timeline. By uncoupling payment processing from its core banking platform and implementing Finastra's future-proof solution, the bank will also now be able to meet the anticipated growth in instant payment volumes while providing the required 24/7 service availability.

"Payments are becoming increasingly sophisticated, and it is crucial that we continue to evolve to meet our customers' business needs and regulatory requirements," said Bernhard Strauch, Head Securities & Payments Services at LGT Financial Services Ltd. "We selected Finastra's payment hub as it supports multiple payment types within one standalone system, while enabling seamless integrations of new services as and when we need them. With Finastra's solution and industry expertise, we will gain the necessary agility required to keep pace with regulatory and industry demands."

Finastra's payment hub provides banks with a future-proof, scalable and resilient payment processing system. Financial institutions can meet current regulatory requirements, respond faster to future changes and deliver personalized services to their customers. Combined with a model bank, best practice implementation, the solution will enable LGT to quickly meet the fast-approaching EU regulatory deadline for instant payments. Once implemented, the bank can easily adopt other schemes, such as SIC5 IP in Switzerland, and embrace ongoing modernization, innovation and growth. LGT also uses Finastra Kondor, a bank treasury management system, and Finastra's Total Messaging platform.

"Many institutions need to urgently assess whether their current payment processing environment can support the expected increase in volumes and the need to operate 24/7," said Neil Macro, Vice President, Managing Director – EMEA mid-markets, Payments at Finastra. "This has been a huge priority for us at Finastra; ensuring that banks are fit for the future with our sophisticated payment hubs, including with the option to pay as you grow.

Underpinned by open architecture, APIs and our partner ecosystem, our solutions enable banks like LGT to innovate at speed, boost risk management and deliver enhanced services to end-users. For example, the bank can seamlessly implement new functionality to strengthen its instant payments offering, such as Verification of Payee and real-time sanctions screening. We look forward to supporting LGT on further developing its payments services."

For further information please contact:

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Finastra.com

> "Payments are becoming increasingly sophisticated, and it is crucial that we continue to evolve to meet our customers' business needs and regulatory requirements."
>
> **Bernhard Strauch, Head Securities & Payments Services at LGT Financial Services Ltd.**

About Finastra

Finastra is a global provider of financial software applications and marketplaces, and launched the leading open platform for innovation, FusionFabric.cloud, in 2017. It serves institutions of all sizes, providing award-winning software solutions and services across Lending, Payments, Treasury & Capital Markets and Universal Banking (Retail, Digital and Commercial Banking) for banks to support direct banking relationships and grow through indirect channels, such as embedded finance and Banking as a Service. Its pioneering approach and commitment to open finance and collaboration is why it is trusted by over 8,000 institutions, including 45 of the world's top 50 banks. For more information, visit finastra.com.

“Removing friction in international cross-border payments” – or the right tools at the right time

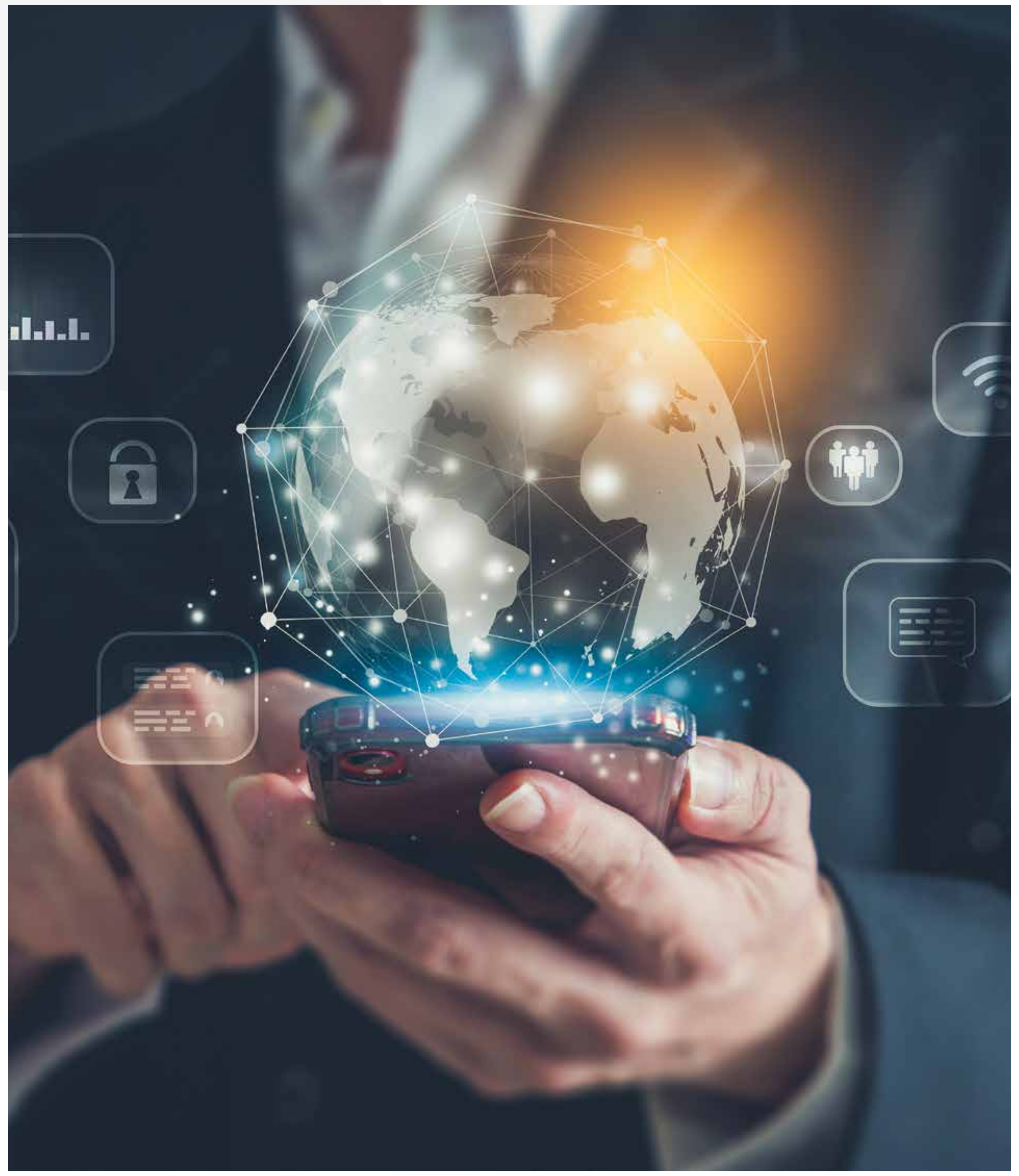
In the medium term, SEPA instant payments will be established globally as the new standard for credit transfers in the euro area. Both private customers and business customers of all sizes benefit from secure and fast processing of transactions – from the initial payment order to the executed instruction. Practically in real time and everywhere. PPI offers banks and payment service providers efficient and customised consulting solutions for global payments.

For a long time, cross-border and high-value payments were considered a less innovative segment of the financial industry. Apart from the introduction of online banking, little has changed here in recent decades. But then numerous FinTechs entered the market for easily standardised financial services. And now the European and international payments landscape is changing ever more dynamically: ISO 20022, SWIFT gpi and instant payments are the buzzwords of payments of the future. Simple, fast and transparent payments processing in a secure environment with better service quality is just one goal of cross-border payments. Innovative cross-border real-time payments services are transforming the global financial landscape.

The ongoing task of integration

At the same time, financial institutions have to continuously adapt new regulations, standardisations and initiatives from the industry. The initiatives are driven by various players and hold the potential for massive upheaval in the international payments landscape. In order to hold strong in the face of this, financial institutions must optimise their processes, use new technologies and consistently implement digitalisation strategies.

Innovative cross-border real-time payments services are transforming the global financial landscape.



About PPI

PPI specialises in software products, consulting and services in the area of payments processing and is the market leader for EBICS and FinTS solutions. PPI’s TRAVIC suite covers the complete end-to-end payments processing chain, offering unique abilities to international customers. Being an innovation creator and provider, PPI also offers cloud-based payments processing based on its market-leading hybrid platform. PPI helps its customers in finding the best solution for their strategic transformation, as we are one of the few service providers that can offer both on-premises solutions and a full technical and business outsourcing of payments.

Link:
https://www.ppi-group.eu/en/consulting/cross-border-high-value/global-instant-payments.html

PRETA and MyBank: expanding reach with greater value beyond payments

Tarik Zerkti
CEO, PRETA

Giorgio Ferrero
Executive Director, PRETA

Created in 2013, PRETA S.A.S. is a fully owned subsidiary of EBA CLEARING, with a mission to develop competitive services around digital payments. The company has designed and managed the e-payment solution MyBank for over a decade.

MyBank is a pan-European e-payment solution that enables irrevocable wire transfers with immediate confirmation. It falls under the category of account-to-account (A2A) payments, leveraging online banking to facilitate digital transactions directly from the payer's bank account to the payee's bank account.

On the payer side, individuals or companies with accounts at participating banks in Italy, Belgium, Spain, and Portugal can use MyBank without any registration or service subscription.

On the payee side, merchants can activate and integrate MyBank through any participating Payment Service Provider (PSPs).

MyBank allows merchants and corporates to collect payments that are irrevocable, pre-filled and without transaction amount limits set by the solution. MyBank provides an immediate online confirmation 24/7, 365 days a year and is used in e-commerce context, business-to-business trade and allows pay-by-link features.

The relevance of a scheme-based solution in the context of A2A payments

Drawing from the harmonised rules of SEPA Credit Transfer (SCT) and SEPA Instant Credit Transfer

(SCT Inst) schemes, MyBank stands as a trusted payment method, ensuring reach and operational stability for all parties involved in an online financial transaction.

In today's digital landscape, where trust forms the bedrock of value creation, the presence of a Solution Manager like PRETA is key to ensure an organized ecosystem. By orchestrating support to the MyBank community, enforcing a common brand, facilitating contractual agreements, setting common rules, and fostering stable and uniform technical integration, MyBank emerges as a valuable asset for both Payment Service Providers (PSPs) and their customers.

Enabling broader access to digital financial services

Digital inclusion is a key pillar of our strategic vision. Broadening access to convenient and trusted online payments to citizens and companies is a key focus area at MyBank.

Accordingly, we keep enhancing our centralised interface, known as the MyBank Gateway to ensure that both Payer and Payee PSPs across Europe can seamlessly, rapidly, and affordably integrate MyBank into their operations through a connection model facilitated by set of Application Programming Interfaces (APIs).

The need for a stable and consistent alternative payment solution

At MyBank, we have always aimed at generating more value and elevate users' satisfaction at all levels.

For most merchants using our solution, MyBank was a strategic choice to streamline their business processes and boost efficiency considering the many benefits it provides. These include immediate certainty of payment collection, 100% automatic reconciliation, reduced risk of fraud and chargebacks, as well as full compliance with EU regulations, including PSD2, GDPR, and AML.

MyBank empowers PSPs to differentiate their offerings with a valued alternative payment solution capable of catering to the diverse needs of their clientele.

In a landscape where Account-to-Account (A2A) payments accounted for 18% of Europe's e-commerce transactional value in 2023 and continue to grow in markets worldwide,* the advantages of adhering to the MyBank network have never been more apparent.

To know more, please come and visit us at booth 62.

*The Global Payments Report 2024 - Worldpay

Metrics for the next generation of correspondent service providers

Wise Platform Commercial Director Abid Mumtaz explains how collaboration with the next generation of correspondents will enable banks to optimise their cross-border payments services and the four key metrics you should consider when evaluating new partnerships.

In an increasingly globalised world, the needs of consumers and SMBs to send money internationally are evolving rapidly. As a result, the market for low value retail payments ($<100k) is growing exponentially, with use cases now accounting for $12 trillion in global cross-border payment outflows[1]. In response to this demand, traditional players and fintechs are offering a wealth of options for cross-border use cases, including payroll, trade and consumer remittances.

To keep pace, banks are under pressure to deliver fast, low cost and more convenient cross-border payments experiences for their customers, or risk losing them to alternative providers. And while traditional correspondents are the life-blood of higher-value corporate payments, banks are increasingly complementing their existing relationships by collaborating with the next generation of correspondent service providers to better compete in the low-value cross-border payments space.

When evaluating this new breed of agile correspondents, banks should focus on four key areas to assess their suitability: customer experience, speed, cost and transparency, ease of integration and network quality and reach.

Customer experience

As customer needs evolve, banks are building on their correspondent relationships to offer a range of new currency routes, payment methods or to simply accelerate the speed and efficiency of their network in order to compete. When selecting a correspondent, banks need to ensure their partner understands their customers' pain points and can deliver a payment experience that addresses these evolving demands.

Speed, cost and transparency

Some of the most important metrics when evaluating the suitability of a correspondent partner are speed, cost and transparency. These are essential for capturing market share for low value international payments. Customers expect to know the cost of the payment up front and when it will arrive. Instant payments provide a first class experience for any customer, and it is worth understanding if real-time payment schemes can be leveraged by the correspondent.

Ease of integration

Selecting a correspondent services provider that can be easily integrated and aligns with the bank's existing tech stack, compliance and security requirements is essential.

An example of this is Wise Platform's Correspondent Services solution, which allows banks to simply route Swift messages directly to Wise without requiring a systems upgrade. This next-generation solution can complement existing correspondent relationships by providing access to real-time payment rails leveraging the same tech stack banks already use.

Network quality and reach

When evaluating the reach of a potential partner's network, it's important to understand the countries that they cover and the number of payout methods they support.

And it's not just reach — it's about the quality of that reach. Is the correspondent a direct member of Real-Time Gross Settlement (RTGS) or have they been granted access to the network through an aggregator? This distinction will have a material impact on the bank-correspondent collaboration as well as customer experience.

The future of correspondents

Driven by the need to capture market share in low-value transactions, banks must cater to consumer and SMB demand for fast, cost-effective and transparent international payments services. To do this, they are broadening their correspondent networks to include a new breed of tech-driven providers.

In doing so, the way banks assess correspondents has evolved to reflect the need for network and service modernisation. Keeping these key considerations in mind will help banks establish robust, innovative partnerships that open new corridors and offer their end customers world-class cross-border payments services.

Find out more about Wise Platform's Correspondent Services solution: https://wise.com/platform/

*McKinsey's Global Banking Practice. (2023).The 2023 McKinsey Global Payments Report. London. McKinsey and Company.

Core Modernization: the Key to Competing in Today's Banking Landscape

By Hali Khan,
Senior Vice President,
EMEA Sales at Zafin

Throughout the last 30 to 40 years, legacy back-end core tech systems have served as the backbone of the banking industry, offering reliability and effectiveness. However, as the banking landscape swiftly embraces digitalization, the limitations of these legacy systems have become increasingly clear. Traditional banks are facing intensified pressure from agile neobanks and digital banking platforms, demanding swift modernization to stay competitive.

Historically, banks seeking to modernize core infrastructure embarked on multiyear replacements with support from leading core banking providers. Unfortunately, few of these replacement efforts achieved success and, in many instances, resulted in public and costly failures. According to McKinsey research, a staggering 70% of digital banking transformations exceed their original budgets, and 7% end up costing more than double initial projections. Challenges such as time-to-market constraints, insufficient employee bandwidth, addressing security vulnerabilities, lack of data integration, and limited manpower and expertise all pose significant obstacles.

Yet, despite these challenges, the time is now for banks to modernize their core technology capabilities. The emergence of neobanks and digital banking platforms underscores the critical need for traditional banks to adapt. Unlike some traditional banks, neobanks demonstrate the agility to swiftly introduce innovative product and pricing capabilities to the market, attracting a substantial customer base expecting a seamless digital banking experience and personalized products aligned with their needs and lifestyle.

However, the expense and time required for core system overhauls often deter many executives from embracing newer technologies. Maintaining banking core technology systems demands significant resources, with none more valuable than employee time. Depending on the scale of operations and product offerings, banks may require a sizeable comprising of software engineers, architects, developers, security analysts, and product managers. Each bank must adequately staff these roles to consistently deliver current services while also innovating to meet evolving consumer demands.

Bank technology vendors suggest an incremental approach to core modernization, eliminating the need for wholesale replacement. Organizations can streamline their core systems by externalizing certain components and integrating them into a modern architecture, while maintaining connectivity with existing systems. Progressive core modernization is underpinned by abstracting three legacy core components: product management and pricing, customer arrangement master, and customer information master from their core system, reducing the core systems to operate as a thin ledger, which can continue to operate with low operational risks or be replaced with new thin ledgers built on modern capabilities.

Core modernization isn't a luxury for banks but rather a necessity. As market dynamics continue to change, business leaders must reimagine business models and modernize core technology to deliver sustainable revenue growth, reduce risk, and deliver an enhanced customer experience.

This approach enables faster delivery of new products and services without incurring the full expense of replacing the entire core infrastructure.

While there is no one-size-fits-all approach to core modernization and every project is unique, banks can look to banking technology vendors as true partners to help internal teams upgrade their legacy systems and develop products that deliver exceptional personalized experiences without the inherent risks of large-scale transformations.

Core modernization isn't a luxury for banks but rather a necessity. As market dynamics continue to change, business leaders must reimagine business models and modernize core technology to deliver sustainable revenue growth, reduce risk, and deliver an enhanced customer experience.

A Year with Aqua Global

Enhancing Aquila: New Features and Capabilities

Aqua Global's cloud native messaging hub Aquila was specifically developed to handle ISO 20022 as well as other proprietary formats such as Swift FIN and when launched it originally comprised of Reconciliations, Matching and Payments STP. It has been successfully deployed in 13 countries since last year's event at EBAday and there have also been significant enhancements in functionality, including:

Swift Essentials APIs

From 1st January 2024, "Swift Essentials" was applied universally to all Swift users in scope allowing the use of a number of APIs to improve business flows. In order to gain advantage from these, Aqua has integrated with the following:

- **SwiftRef:** this will enable the automatic validation of new counterparty records based on undefined BICs, clearing codes and other identifiers such as LEI contained in either MT or MX messages in real-time. This also includes processing and augmenting structured addresses and individual details such nationality, date of birth and identification specifics.
- **GPI Core Services:** enables banks to provide end-to-end payments tracking to their customers from the moment it is sent right up to when it is confirmed.
- **Payment Pre-validation:** this includes "Verify Beneficiary Account", "Validate Payment Purpose Codes"and "Validate Payment Purpose". "Verify Beneficiary Account" will perform the Confirmation of Payee (COP) processing that will be required for UK banks by October 2024 and subsequently Verification of Payee (VOP) in the European Union.

Aquila's new balance reporting solution provides a flexible and format independent solution for the automated production of intra-day and end of day statements from information held within the institutions core systems.

Bespoke COP/VOP Services

All payments processing has the ability to configure integration with 3rd party COP/VOP API's for beneficiary account checking if required.

Balance Reporting Solution

Accurate and timely balance reporting is essential for effective financial management. Aquila's new balance reporting solution provides a flexible and format independent solution for the automated production of intra-day and end of day statements from information held within the institutions core systems. The solution provides real-time updates on account statuses, helping institutions maintain better control over their finances.

Securities Message Matching Solution

This solution matches securities orders and confirmations from all parties involved in the securities settlement chain providing an Institution with details of exceptions and mismatched trades.

SWIFT Bureau Interface

Through one of our partners, Aquila can be offered with a cloud managed service for Swift that allows our customers to connect seamlessly with the SWIFT network.

If you would like further information or a short demonstration, visit the team on stand 47!

Instant Payments and the power for instant everything

By Kevin Flood, Director, FIS Payments Ecosystem Strategy, Corporate and International Banking, FIS Global.

Waiting for a payment to clear has become a relic, it's maybe a classic car, but certainly in the rear-view mirror of the highly tuned sports car that is Instant Payments. Although the ability for instant payments has existed within the likes of the UK and Australia for a number of years, the demand across Europe is very much on the ascendency. At the end of 2021 only 11% of credit transfers in Europe were instant, however by September 2025 the new EU mandate for instant payments will be in full effect. As a bank operating out of the Euro-zone, they must be ready not only for SEPA instant but also offer the same service for OLO "One-Leg-Out" whereby an account lies outside of the Euro-zone, bringing into play cross-border instant payments. The aim is reducing complexity in the landscape and cost of transactions for consumers and PSPs alike, and improving the customer experience.

The future very much lies in this instant, on demand, digital world, with adoption of instant payments being but the first step. The true realisation of the transformative capabilities comes via interoperable systems and Value-Added-Services (VAS) or Overlays like Request to Pay, instant cross-border payments, Fraud and AML, cash & liquidity management, financial inclusion & financial certainty and innovation.

Only as fast as the slowest component

With the speed of the transaction being paramount, achieving the maximum speed of Straight Through Processing (STP) reduces the amount of time available for key supporting components such as AML and Fraud. The UK and Australia have suffered their fair share of challenges around "instant enabled" fraud such as Authorised Push Payments (APP) which has in turn driven regulatory changes such as the reimbursement scheme (who pays..) and introduction of Confirmation of Payee / Verification of Payee. This paradigm breaking fraud has driven innovation, with criminals getting smarter and a reduced time to act, the technology to identify perpetrators must also advance, for example by embracing the en-vogue technologies such as advanced AI.

Speeding up and increasing the volume of payments that can be processed, not only pushes fraud systems, but also the very heart of banks. Legacy core and back-office systems were not designed with this operating model in mind, and there could well come the situation where PSPs are asking their existing infrastructure to in essence, drink from a fire hose, along with those who will need to work with the fall out (reconciliation and investigations).

The future very much lies in this instant, on demand, digital world, with adoption of instant payments being but the first step. The true realisation of the transformative capabilities comes via interoperable systems and Value-Added-Services (VAS) or Overlays like Request to Pay, instant cross-border payments, Fraud and AML, cash & liquidity management, financial inclusion & financial certainty and innovation.

Failure to plan for instant, is to plan to fail

Priority for those looking down the barrel is to understand the current state and what an instant enabled 24/7/365 landscape would look like. How far are they from being able to adapt legacy all-batch systems to process real time, enabling instant fraud checking and a back-office system and team capable of handling both speed and volume requirements, working with the regulators to strive for compliance by design over minimal compliance retro-fitted around existing capabilities.

Helaba –Central payment transaction service provider of the S-Finanzgruppe

With over 10 billion customer transactions and a volume of around €5 trillion, Helaba is one of the market leaders in payment transactions. Throughout Europe, Helaba is one of the largest submitters to EBA Clearing. The trust placed in us by our partners has made us a leading provider of payment transactions in Germany and Europe.

Long-term business relationships with our customers, in-depth knowledge of their treasury and payment transaction needs and our innovative solutions are the basis for our joint success. We are actively shaping the future of payment transactions with innovative product developments and support for forward-looking topics. Our customers benefit from our expertise as a central know-how provider for payment transaction-related topics in the S-Finanzgruppe (organization of all 351 German savings banks and additional financial service providers) and from our broad product range in all areas of payment transactions, account management and the card business. Our collaboration with fintechs enables our customers to use alternative payment methods.

In payment transactions, Helaba performs the central giro function for all Sparkassen in Hesse, Thuringia, North Rhine-Westphalia and Brandenburg. 80 % of all German Sparkassen use us as their central access point to international clearing houses and payment service providers. Sparkassen (savings banks) in Baden-Württemberg, Rhineland-Palatinate and Saxony are also served by Helaba for foreign payment transactions.

We occupy a leading position in card business. We are the direct contact and processor of card portfolios for many major retailers and almost every network operator in the German market.

We are actively shaping the future of payment transactions with innovative product developments and support for forward-looking topics.

Helaba has a well-developed network of correspondent banks and strategically positioned locations. We maintain direct account relationships with foreign banks in many countries on all continents. We are directly linked to the euro clearing systems of the Bundesbank (TARGET2) and EBA Clearing. Efficient cash management offers fundamental advantages in global competition.

In providing indirect access to the SEPA payment schemes Helaba has been processing SEPA payment transactions for around 280 Sparkassen from 13 German states for several years now. We currently also process SEPA payments for NordLB, Bayrische Landesbank and SaarLB. We have special agreements with DZ-Bank.

Instant payments enable payments to be transferred to a recipient within a few seconds and are processed between the participating banks via a clearing and settlement mechanism (CSM). Helaba acts as an interface between the CSM and the individual Sparkassen.

Helaba continuously supports the development of new products such as Request-to-Pay and works with German banks on innovative payment solutions.

We are the first Landesbank in Germany to have certified information security. Our systems and data handling comply with the highest requirements of ISO 27001. Helaba enables its customers and S-Finanzgruppe to participate in TARGET2 and the EBA Clearing EURO systems. Thanks to the central giro function, you can reach all Sparkassen directly via Helaba.

What is better than “Payments-as-a-Service”?

INCENTAGE

By Oscar Neira, Head of Sales & Marketing, Incentage.com

Building your own Payment Solution based on a Low-Code / No-Code Banking Tool

We live in an individualistic world where clients require a user experience which responds to their current, very personal situation. Banks need to offer more and more singular digital services to ever smaller communities. To do so there is a need for a fast time-to-market as well as a very low product creation cost.

Innovators argue that this is the basic concept of the Fintechs, to offer new products. Yes and No. Fintechs have their own roadmap and strive to sell their services to other Banks, too, which reduces the USP, the uniqueness of the Bank and its client products.

This is exactly where a modern Low-Code / No-Code tool can speed up the time-to-market, reduce the production costs and encapsulate single issues from each other. This framework accelerates the Banks’ innovation.

Speaking about innovation, most people would first think of the need to create a new disruptive solution. But innovation is something other than disruption. Innovation can mean incrementing new functionalities, being faster in product delivery or doing current services much better and with lower costs. Innovation means doing things better, every day.

Sometimes you need innovation to introduce a new regulatory requirement. We know that this can be painful or simply impossible for some of the Banks’ current incumbent IT. In such cases a modern No-Code tool like the Incentage one can build such a new solution, reaching regulatory compliance on time and at the same time expanding the application lifetime.

But what does the word “building” mean in a No-Code world? Building means doing configurations of the tool thanks to its given Banking framework. This reduces the relatively long programming time of the software development project as well as the real risk of failure or failing to reach the envisaged solution. Add to that minimising the risk of inconvenience during the rollout and finally the falling away of the very high need for extended end-to-end testing: No-Code is a new world.

Banks need to offer more and more singular digital services to ever smaller communities. To do so there is a need for a fast time-to-market as well as a very low product creation cost.

Here is a real-life example: Banking Group has different versions of the same Payment Hub in different countries, from older to more recent versions. The requirement is renewing the ISO 20022 XML SEPA scheme, evolving from handling unstructured to structured data.

Based on the PIP – Payment Innovation Platform – the Bank’s Business Engineer can easily configure this requirement by adding it to the different Payment Hubs.

The best at the end: if required, the Bank can now start to exchange business case by business case (i.e. SCT, SCTinst, SDD etc.) until a new Payment Hub is built exactly on the Bank’s new world requirements.

This No-Code Incentage PIP Solution will ultimately result in the perfect tailor-made Payment Hub for this Banking Group.

Riding the Future of Payments: The Evolution of the Payment Hub

nexi

Financial institutions are currently navigating a historical phase of the payments market marked by multiple challenges in a fast-evolving landscape. New trends must be promptly addressed by Banks and PSPs to remain competitive in the market, forcing them to develop a strategic plan to generate value and leverage on the most performing and innovative payment solutions.

The payments market sees three macro-trends underway. First of all, technological changes aiming at flexibility, cost efficiency, scalability and security, secondly, customers' needs evolution towards more and more simple and integrated services and, finally, the fast changing regulatory landscape. These trends push the entire system towards new payment standards and are reshaping the payments landscape, further driving the shift towards real-time payments and creating new challenges for financial institutions.

The new regulation on instant payments represents, indeed, one of the most potentially disruptive changes in recent years, with its impact set to begin as early as January 2025 for Euro Banks and January 2027 for non-Euro ones. Regulatory mandates will impact the entire end-to-end value chain with structural changes needed, for example, on anti-fraud systems to ensure the same level of performance that currently characterizes the card payment world. This entails implementing online controls and fraud prevention mechanisms to safeguard core payment transactions in real-time.

The strategic solution to address these challenges is a modern payment platform that can leverage on a state-of-the-art technology to lower expenses, enhance service quality, facilitate rapid adaptation, and harness data to deliver added value to customers. The answer can be a selective and progressive outsourcing solution based on SaaS (Software as a Service) infrastructure.

An SaaS based payment platform offers several advantages, including cost savings, time optimization, simple integration, focus on product evolution, improved customer experience, and access to specialized skills. Overall, this approach optimizes IT investments and allows banks to allocate internal resources more effectively, ultimately leading to lower operational costs and improved efficiency.

Nexi, the European PayTech, offers a best-of-breed modular solution to support Banks and Payment Institutions. Our Payment Hub is a best-in-class platform for processing domestic and cross border payments and it's based on future-proof technology, modularity and flexibility, embedded compliance and state of the art security, full resilience and reliability, and VAS.

Nexi's distinctive value, as payment service provider processor, is the capability to manage mission critical services for the financial community with a dedicated competences center focused on technology, innovation and security. NEXI Payment Hub is a Best-of-breed modular solution for domestic and cross border payments processing (e.g., Instant Payments, SEPA, Cross border, Target2, Request to Pay) with fraud and sanction screening VAS, provided in a cost saving, secure and reliable way. NEXI Payment Hub and SIAnet by Nexi is a bundle offer based on integrated services to support Banks on the evolution journey of payment systems.

> The payments market is being reshaped by technological changes, evolving customer needs, and a fast-changing regulatory landscape, driving the shift towards real-time payments and creating new challenges for financial institutions.

In conclusion, the evolution of the payment hub is a key value accelerator for banks, and Nexi is the trusted partner to create value from the changing payment ecosystem.

Andrea Pennacchia
Head of Banking and PA Solutions, Nexi

BNP Paribas: At the Forefront of Payments Innovation

BNP PARIBAS

In the wake of a global digitalisation surge, the landscape of payments innovation is evolving at an unprecedented pace. BNP Paribas, at the forefront of this revolution, is spearheading transformative initiatives poised to reshape the payments ecosystem. Through strategic partnerships, bold acquisitions, and participating in groundbreaking projects like the European Payments Initiative (EPI), the bank is ushering in a new era of efficiency, security, and accessibility in payments.

Accelerated by advancements in technology and shifting consumer behaviours, the journey towards digital payments was well underway before the onset of the pandemic. However, COVID-19 acted as a catalyst, hastening the adoption of digital payment methods across industries. Predictions by PwC indicate a remarkable surge in global cashless payment volumes, with transactions set to nearly triple by 2030. This surge in digital transactions has paved the way for innovative solutions to emerge, particularly in Europe.

The European Payments Initiative (EPI) is a cornerstone of payments innovation. Backed by 16 European financial institutions, including BNP Paribas, EPI aims to establish a unified, pan-European payment solution leveraging SEPA Instant Credit Transfer (SCT Inst). With the potential to redefine retail transactions across Europe, EPI represents a pivotal step towards seamless payments for consumers and merchants alike.

The EPI encompasses three key elements:

1. **Digital Wallet Solution:** At the heart of EPI lies a customer-centric digital wallet, offering transparency and control over payments across multiple bank accounts. Beyond facilitating transactions, the app envisages integrating additional services such as Buy Now, Pay Later (BNPL) options and merchant loyalty programs.
2. **Payment Means:** EPI seeks to establish a flexible and secure payment scheme, leveraging existing instant payment infrastructures to enable seamless transactions across various use cases.
3. **Ecosystem:** Serving as a bridge between diverse stakeholders, EPI adopts an open architecture to foster collaboration and innovation within the payments landscape.

BNP Paribas recognises EPI's potential to address pain points in cross-border payments and enhance the overall payment experience. The consortium's commitment to delivering value through an end-to-end payment solution underscores its transformative impact on European payments.

Beyond EPI, BNP Paribas continues to drive innovation through strategic collaborations and acquisitions. The partnership with fintech firm SisID exemplifies the bank's proactive approach to addressing cybersecurity challenges in real-time payments. By offering solutions to combat fraud and enhance security, BNP Paribas reaffirms its commitment to safeguarding its clients' interests in an increasingly digital world.

> As the payments landscape continues to evolve, BNP Paribas remains dedicated to delivering practical solutions that address the unique requirements of its clients.

Furthermore, BNP Paribas' acquisition of FLOA, a leading Buy Now, Pay Later (BNPL) provider, underscores the bank's commitment to expanding its footprint in the burgeoning e-commerce market. By leveraging FLOA's expertise, BNP Paribas aims to offer innovative payment and credit solutions tailored to the evolving needs of European consumers and businesses.

As the payments landscape continues to evolve, BNP Paribas remains dedicated to delivering practical solutions that address the unique requirements of its clients. By combining the agility of fintech with the stability of an established bank, BNP Paribas endeavours to pioneer payments innovation that transcends boundaries and empowers businesses to thrive in the digital age.

New regulations, new opportunities

At times, it feels like change is the only constant in the world of EU payment regulations. In recent years, financial institutions have been required to constantly adapt to new policies and directives to ensure compliance. Amidst these changes, several common throughlines have emerged. Perhaps most notably are the frequent demands for payment transaction data to become more transparent and accessible.

Whether it's the introduction of PSD3, or new demands from regulators, businesses across Europe are being tested to ensure they can track and report on payment transaction data more effectively than before. While some financial institutions have been quick to respond to the shift, others have lagged. However, moving forward this latter tactic looks increasingly impractical.

Finding the right approach

Currently, payment transaction data is often fragmented across several applications, silos and systems. This makes it incredibly difficult for financial institutions to keep track of payment data, without the right methods in place. Some have resorted to dedicating entire teams to oversee this task. While this approach highlights the scale of work required, it certainly does not represent the most efficient solution available

Instead, financial institutions struggling to meet these demands would be advised to take a step back and consider whether the digital infrastructures supporting

Whether it's the introduction of PSD3, or new demands from regulators, businesses across Europe are being tested to ensure they can track and report on payment transaction data more effectively than before.

their transparency efforts are as effective as they should be. Without these systems in place, it's virtually impossible to achieve effective results. In turn, they often must devote incredible time and attention to locate transactions that are buried away and hard to find.

Tackling transparency

Increasingly, companies need solutions that can break down organisational and technical silos, which typically exist within financial institutions to provide a complete picture across a myriad of data. In this pursuit, real-time access to messaging data can be used to enable high performance search, access, reporting and dashboarding. This approach makes search and visibility far easier, enabling companies to find the needle in transaction haystacks.

At the same time, businesses now need data management solutions that can track transactions at any point in the processing flow, allowing for instant status updates. This is important as reconciling and delivering notifications on any part of the lifecycle flow helps to create maximum visibility and control over end-to-end operations. In doing so, these systems also help to identify and prevent operational bottlenecks in a more time efficient manner.

Step forward with intix

In the past, achieving this level of data management performance was difficult, but providers such as Intix are now able to handle the task. The company's data management solutions can be relied on to respond to the changes happening across Europe. In doing so, Intix can provide true transparency across payment transactions by delivering real-time, efficient, and contextual data insights to those who most need them.

For more information about Intix, please visit:
https://www.intix.eu/

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