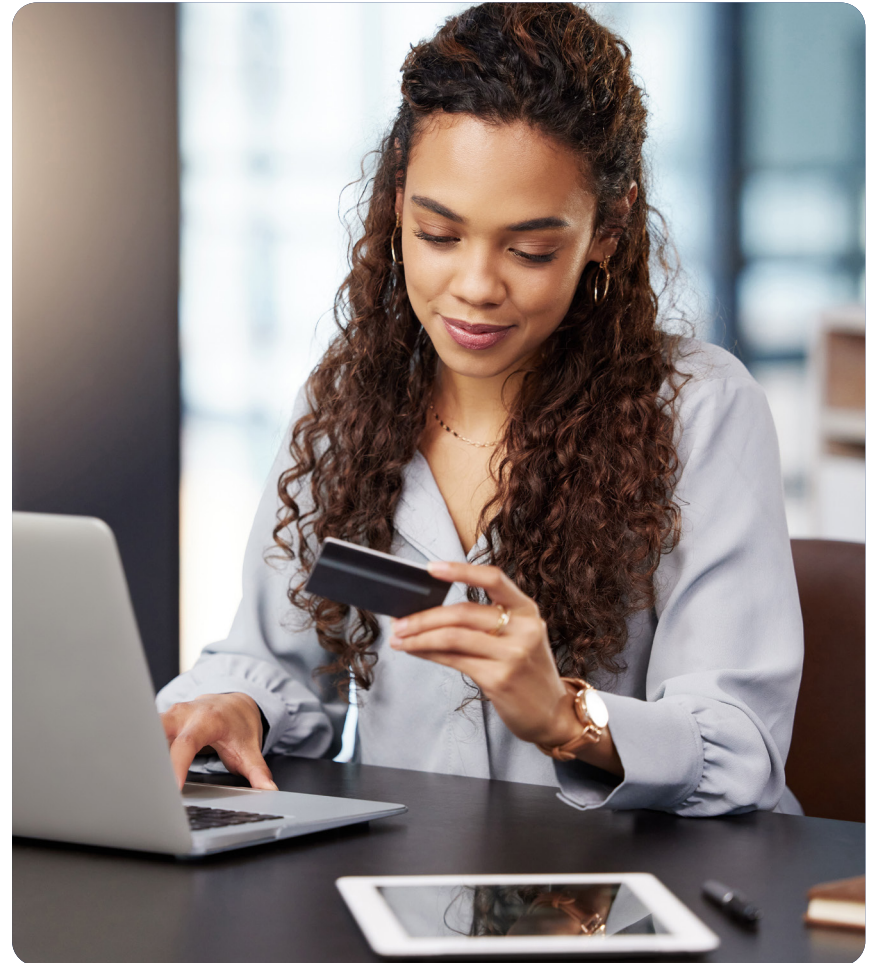




Global Payments Today and Tomorrow

The path to leadership in
payment exceptions



Executive Summary

The payments industry is transforming faster today than ever.

Driven by consumer choice, fintechs, and government intervention, the payment engines, rails, and tech landscape is rapidly evolving.

However, investments in payment operations areas to be ready for the exponential change of options across all exception is lagging.

To stay current and adapt to the future, you need a unified “payment exceptions backbone” built on a modern cloud architect.

Using best in class AI and workflow capabilities to manage and automate disputes, exceptions, fraud, and/or sanctions can increase both your operational control and flexibility while improving efficiency, compliance, losses, and client experience - today AND tomorrow.



Rapid change and what it means for the industry.

Although change in the payments industry has been constant, we are now observing a substantial acceleration in the rate and amount of change with payment volumes returned to growth after a COVID19 dip.

Some developments are more impactful than others and daily headlines highlighting that more “traditional” payments are being challenged by smarter, more sophisticated, alternatives.

New digital options, POS form factors, or ISO 20022 based payment rails regularly claim eye-popping compound annual growth rates.

However, the adoption of newer payments is still gaining mass volume and varies widely by both geography and demographics. Legacy payments (including credit/debit cards, batch processed payments, checks) remain extensively used by both consumers and commercial organizations, partly due to how ingrained they are in so many operations.

Changes are disrupting the payment markets today



1. Proliferation

There are almost daily announcements of new or improved payment types and mechanisms covering P2P, RTP, digital wallets, virtual wallets, and wearables.



2. Convergence

Cross-border and domestic payments - across traditional bank operational silos and lines of businesses - are adopting ISO 20022 rapidly.



3. Re-emergence

Embedded finance with expanded options at POS from both bank and non-bank providers including BNPL and open banking. On the commercial side, embedded finance helps with supply chain financing, liquidity, and other solutions desirable by commercial clients.



The modern payment landscape

As payment methods proliferate, the payment exceptions landscape is also changing.

With payments at the core of a bank's business, correcting payment issues remains a Top 5 contact service reason and is a critical part of a bank's day to day operations.

As payment methods evolve, the payment exceptions landscape also becomes more complex because most "older" payments aren't going away.

Over the next 5 to 10 years, we expect continued introduction and evolution of a broad set of alternative payment types, and even alternative currency types.

The erosion of traditional payments and expansion of alternatives will likely continue for several years, after which we would expect there to be consolidation as the market becomes overwhelmed with options and the desire grows for clarity on the most secure and reliable ones to leverage.



However, as banks expand payment offerings, they are finding challenges in efficiency due to the lack of well-defined arbitration and recovery processes, along with evolving regulations related to fraud and recovery liability.

This lack of regulation is requiring banks to establish specialized dispute and exception handling processes for different payment types. And while legacy payments fraud is steady, gross levels of fraud continue to rise with volumes.

New, faster payment types have a much higher incidence of fraud – especially "scams" – as controls and understanding of vulnerabilities are still immature. The result is increasing regulatory scrutiny for these emerging payment types by legislators and regulatory agencies.

Fast Facts

The most dramatic COVID-19 impact can be seen in cash usage, which plummeted by **15%** and as physical stores reopened, a **cash rebound did not materialize.**

Account-to-Account (A2A) growth mainly cannibalized cash and, to a lesser extent, checks, rather than card transactions.

Global growth of **instant payments** set to continue at double-digit rates, even faster than the **10% growth rates** for cards over the past 2 years.

Over **75%** of SWIFT banks are ISO ready, but as of June 2023, only **15%** of daily SWIFT messages have switched to ISO format.

In **2022**, APP fraud was up **39%** in the UK, while fraud in the USA was up **30%** according to the FTC.

According to a BIS report, CBDCs can cut cross-border remittance costs by **50%**. And can make funds available in **seconds**, instead of days.

4 Challenges for banks

1

Operational efficiency

- Heavy process variations across payment methods, LOBs, products, geographies, and multiple disconnected systems.
- Highly manual processes lead to lengthy resolution time and client complaints
- Resulting complexity often requires a reliance on specialized “knowledge workers”

2

Regulatory compliance

- Constant requirement to update policies and stay “compliant” with consumer protection laws is exponentially multiplied by payment proliferation
- Limited visibility or automation to prevent compliance failures
- Compliance concerns for upcoming ISO 20022 based payments – from Swift to FedNOW

3

Fraud & loss liability

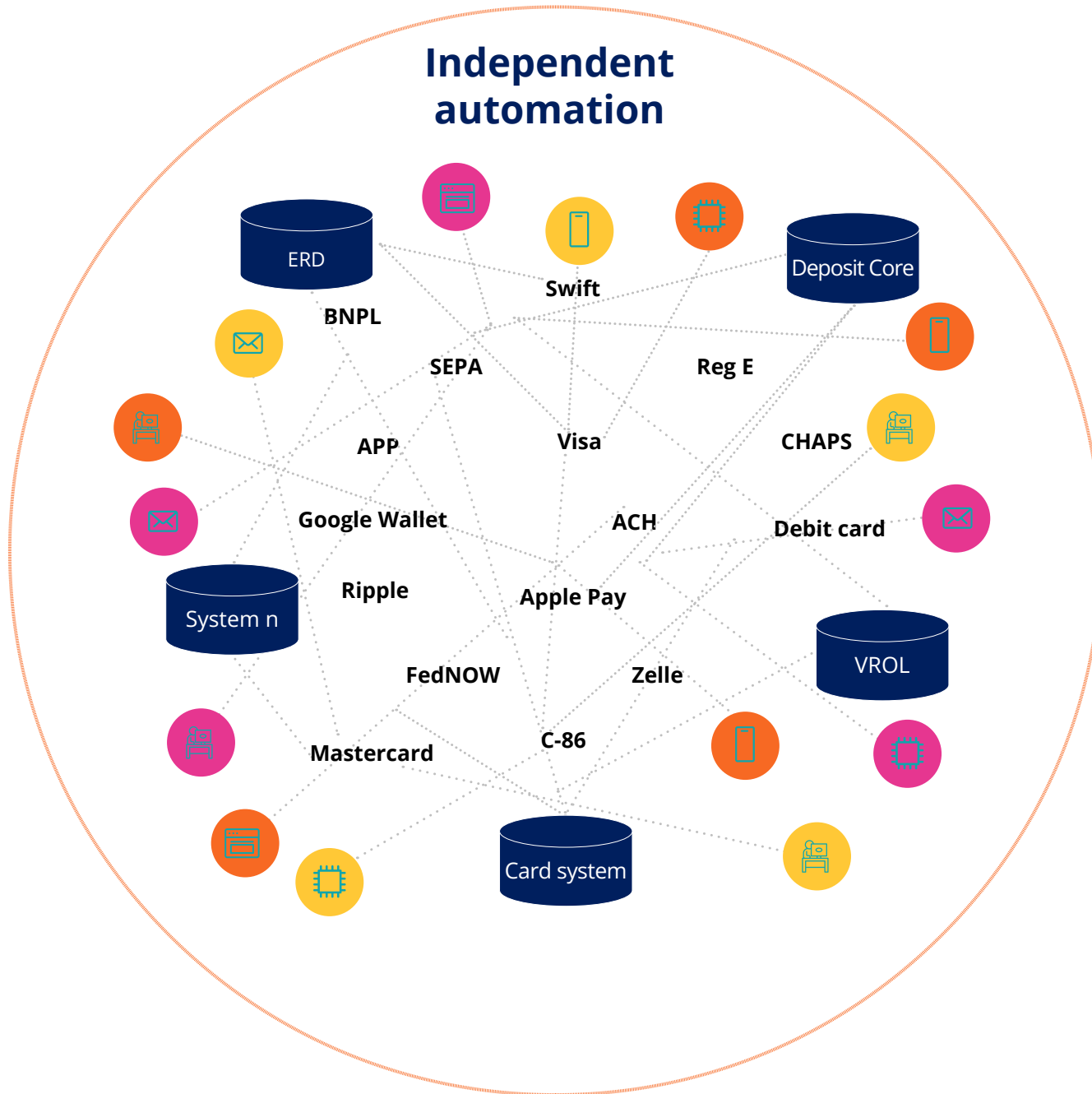
- Growing concerns around identification and prevention of new fraud patterns
- Newer payment losses growing aggressively
 - especially “scams”
- Pressure from politicians & regulators (FCA, CFPB, etc.) to protect customers and take more fraud liability

4

Client experience & satisfaction

- A truly unique “moment of truth” in banking relationships
- Expect newer payment protections that matches traditional experiences
- The speed and “care” employed has a long-term loyalty and retention implications – a 26% increase according to PwC

Independent automation



Incrementalism without orchestration.

Banks spend a lot of time in chasing independent payment rails and projects to address the four areas to the right.

The lack of a concerted vision dilutes these efforts - often leaving the business with "spaghetti" and IT with indigestion.

Leaders Looking Forward

Faced with the challenges in this broader payment landscape such as changing standards and higher customer expectations, payment operations leaders must adopt new solutions to ensure control, agility, and adaptability, all while trying to capture new revenue streams.

As the ecosystem develops, splinters, and then consolidates, they are no longer relying on a myriad of point solutions. Instead, business and IT leaders are working together on upgrading their technology to consolidate and manage exceptions holistically with some key capabilities.

Business and IT leaders also understand this solution must be delivered quickly, but iteratively - not as a “big bang”. Banks cannot take on the risk of immediate obsolescence of changing requirements or wait years for ROI.

Business Leaders Want:

- AI powered decisioning to automate individual actions AND improve full STP
- Best in class workflow/case management for human work when still required
- Industry accelerators for faster time to market and ongoing compliance

IT Leaders Want:

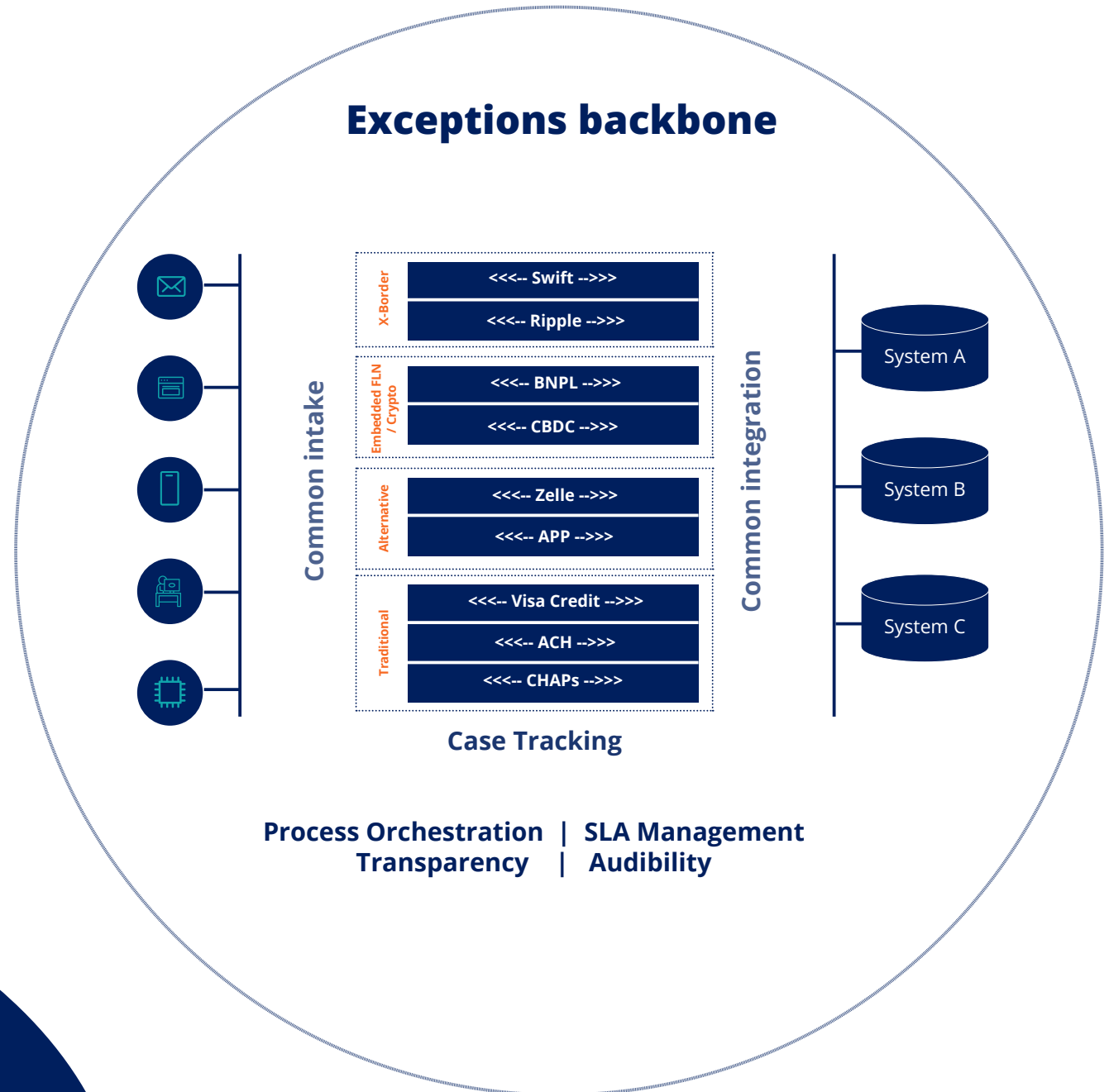
- A modern, cloud-based architecture to reduce build and maintenance expenses
- Extensive re-use like channel/system interfaces to eliminate duplicate efforts
- Low-code to build and maintain faster in an era of scarce resources and budgets



Build for change

Payment exception processing requires agility so you can work smarter, unify experiences, and adapt instantly.

The right solution is agile enough to fold in the next payment rail, change in recovery rules, or shift in fraud liability with comprehensive visibility and integrated controls.



To get started
[learn more here](#)