



AiteNovarica

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PAYMENTS MODERNIZATION AND TECHNOLOGY

PRIORITIES, CHALLENGES, AND
PARTNERSHIPS

ERIKA BAUMANN

IMPACT REPORT

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PAYMENTS MODERNIZATION AND TECHNOLOGY

SUB PRIORITIES,
CHALLENGES, AND
PARTNERSHIPS TITLE

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SUMMARY AND KEY FINDINGS

Business end-users demand more efficient, automated, and robust payment capabilities. Banks have to prioritize initiatives to meet these demands. For all banks, this means continued investment in infrastructure and critical decisions in selecting the right priorities and partners to execute long- and short-term strategies. Banks not investing in more robust payments capabilities, such as real-time payments, cross-border payments, payments automation, and the infrastructure to support these initiatives, will quickly find themselves at a grave disadvantage in customer retention and new customer acquisition. This report is based on research on the strategies, priorities, and challenges of 108 banks in North America, Europe, and the Asia-Pacific. These are some key findings:

- **Fintech is a big threat to banks:** Financial institutions (FIs) don't just need to be concerned about competition from other banks; they must also contend with fintech. Almost half of banks believe that 10% or more of their payments volume has already moved to a fintech provider.
- **Modernization takes investment:** With bank customer demand for better payment capabilities continuing to increase, the urgency to invest in payments technology is critical. Only 6% of banks are not planning to invest in payments technology, and those banks will certainly find themselves in a more challenging position over time.
- **Legacy infrastructure is a major hurdle:** About 40% of banks believe that the technical challenges of integrating with legacy systems are a major obstacle to rolling out new products and services. That number increases to 57% when considering real-time payments specifically.
- **Cross-border payments need more attention:** Cross-border payments are still rife with friction; businesses need better solutions. The biggest challenges for banks around cross-border payments are compliance and security. Over half of banks report these to be extremely or very challenging.
- **New technology options are key strategy components:** Cloud implementations and Payments-as-a-Service (PaaS) solutions level the playing field of accessibility. Currently, only 9% of banks have rejected moving some payments processing to the cloud.

- **Vendor partnerships are critical to success:** Even the largest banks have technology partners that enable and aid in modernization efforts. Benefits include deep IT expertise, quicker time to market, and cost savings vs. an internal build.

ABOUT AITE-NOVARICA GROUP

Aite-Novarica Group is an advisory firm providing mission-critical insights on technology, regulations, strategy, and operations to hundreds of banks, insurers, payments providers, and investment firms—as well as the technology and service providers that support them. Comprising former senior technology, strategy, and operations executives as well as experienced researchers and consultants, our experts provide actionable advice to our client base, leveraging deep insights developed via our extensive network of clients and other industry contacts.

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