



# Modernizing payments

A Canadian perspective from financial and retail executives on payment modernization strategies and trends

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# Introduction

In today's rapidly changing financial landscape, payment modernization has become a critical priority for Canadian financial institutions (FIs) and retailers worldwide. Indeed, a staggering 93 percent of FIs and 87 percent of retailers are either currently involved in payment modernization programs or have plans to initiate one.

This report finds that Canadian FI and retail executives are acutely aware of the multiple benefits that payment modernization can bring. Customer experience improvements are front and center. But these FIs and retailers also reveal their aspirations for efficiency gains, faster transaction processing and enhancing their current data and analytics capabilities. The most successful modernization programs are anticipated to deliver a substantial competitive advantage.

Yet modernization is not straightforward. These initiatives require significant staffing and financial resources and represent major exercises in change management. FIs and retailers alike are focused on innovating without compromising business-as-usual operations. More critically, they are maintaining security, which is a key priority and a source of reassurance for the future.

This report is intended for transaction and payment leaders at financial institutions and retail organizations. With a global perspective, regional analysis and country spotlights, it was developed to provide actionable insights into the key trends, challenges and opportunities that are shaping payment modernization around the world.

# Introduction

The Canadian findings are based on a survey of **66** financial institutions and **55** retailers, conducted by KPMG International in September 2024, to assess **current payment modernization programs** and progress. On a global scale, the survey included responses from 810 financial institutions and 690 retailers.

Key takeaways for Canadian organizations from the survey include:



## Urgency

The vast majority — 93 percent of financial institutions and 87 percent of retailers — are either currently modernizing their payments infrastructure or are planning to do so (on average, they will begin within the next three to twelve months).



## Motivation

Changing customer expectations ranks as the top driver for FIs and retail organizations. FIs are motivated by regulatory requirements and the need to update legacy systems, while retailers are motivated by competitive pressures.



## Resources

FIs and retailers are allocating significant resources towards modernization. 75% of Canadian FIs plan to spend between US\$10 million and US\$50 million and allocate an average of 25-50 people to their programs.

Canadian retailers are expected to spend an average of under US\$2 million and allocate 11-25 people to their programs.



## Benefits

Canadian respondents (both FIs and retailers) agree that payment modernization will deliver improved customer experiences, faster transaction processing and long-term cost savings.

Retailers' top expected benefit is customer experience improvements, while FIs are primarily anticipating cost savings.



## Challenges

Canadian FIs and retailers are concerned about the cost and potential disruption of implementing new payment systems.

Canadian retailers are also worried about training staff to manage the transition, while FIs are concerned about the complexities of integrating new platforms across multiple systems.

This report explores these findings at a Canadian level to provide financial institutions and retail executives with precise data and insights on the challenges and opportunities driving payment modernization. We encourage you to use these insights to inform your organization's payment modernization strategies. To discuss your unique modernization objectives, connect with us.

# Methodology

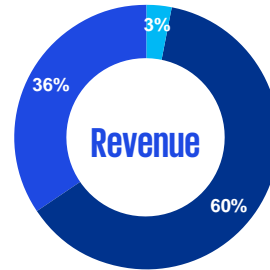
This methodology relates to the quantitative research carried out by KPMG International in September 2024. Specific to Canada, **66 financial institutions** participated, spanning four categories, including respondents from established mainstream banks, building societies, challenger banks, wholesale banks, and private banks. For more details, read the full report.

In addition, the research includes responses from 690 retailers spanning sectors including supermarkets, ecommerce, department stores and discount retailers.

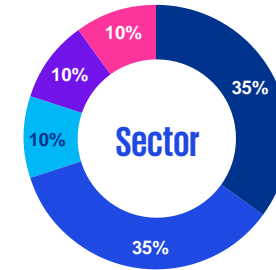
In both sectors, respondents included leaders from Europe (France, Germany, Italy, the Netherlands, Spain, Switzerland and the UK), Asia Pacific (Australia, China, Hong Kong (SAR, China)), India, Japan, Singapore) the Middle East (UAE and the Kingdom of Saudi Arabia) and North America (the US and Canada).

The quantitative survey was augmented with a series of qualitative interviews conducted with KPMG firm subject matter professionals on the ground in local markets with deep experience and insight into regional and national trends.

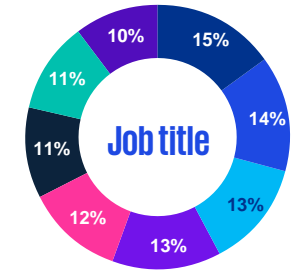
## Respondents profile FIs



- Between US\$ 500m and US\$ 1bn
- Between US\$ 1bn and US\$ 5bn
- More than US\$ 5bn

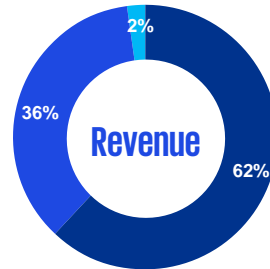


- Established mainstream bank
- Building society/Regional bank
- Wholesale bank (Private bank, Corporate bank)
- Challenger bank
- Investment bank

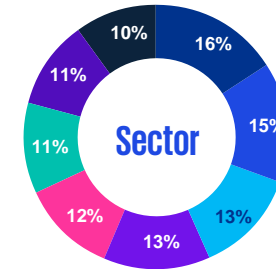


- Director/Head of finance
- Director/Head of IT
- Chief finance officer
- Director/Head of technology
- Director/Head of payment
- Chief information officer
- Chief technology officer
- Head of clearing and settlements

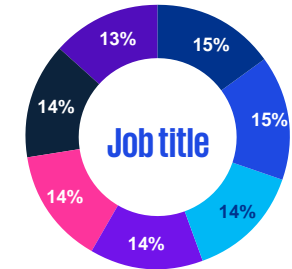
## Respondents profile retailers



- Between US\$ 500m and US\$ 1bn
- Between US\$ 1bn and US\$ 5bn
- More than US\$ 5bn



- Supermarket and grocery chain
- E-commerce/Online retailer
- Department store
- Hypermarket
- Warehouse club
- Discount retailer
- Luxury retailer
- Speciality store



- Director/Head of finance
- Director/Head of IT
- Chief information officer
- Chief finance officer
- Chief technology officer
- Director/Head of payment
- Chief information officer
- Chief technology officer

# Canada

## Financial institution analysis

The Canadian financial landscape is evolving rapidly, driven by a confluence of factors. Regulatory deadlines for Swift MX and ISO 20022 are creating pressure, while the Real-Time Rail (RTR) program aims to improve customer experience and efficiency.

Our survey shows that 94 percent of Canadian FIs are either planning or actively engaged in payment modernization programs, reflecting the need to adapt to evolving customer expectations and regulatory requirements.

Canada's financial institutions are facing a multitude of challenges in their efforts to modernize their payments infrastructure. These challenges stem from a combination of external pressures such as ISO 20022 and internal limitations such as complex technical infrastructure or lack of knowledge. Technical complexity, organizational structures and a fragmented vendor landscape also pose significant hurdles.

KPMG professionals' work in the market indicates that some Tier 2 and 3 FIs are adopting a wait-and-see approach, while larger institutions are actively pursuing modernization.

Compliance requirements and the desire for efficiency gains are driving modernization efforts, particularly among fintech players and larger organizations. According to our survey, legacy systems and outdated technology are also key drivers for this modernization push,

with 67 percent of respondents prioritizing customer experience and 62 percent focusing on payment engine upgrades.

The programs are expected to cost between US\$10 million and US\$25 million, with a significant portion (88 percent) planning to outsource infrastructure components.

While Canada's financial institutions note a range of challenges including deploying new infrastructure without disrupting daily operations and integrating multiple systems, institutions are optimistic, aiming to launch programs within the next 3–6 months and measuring success through transaction speed and cost reduction.

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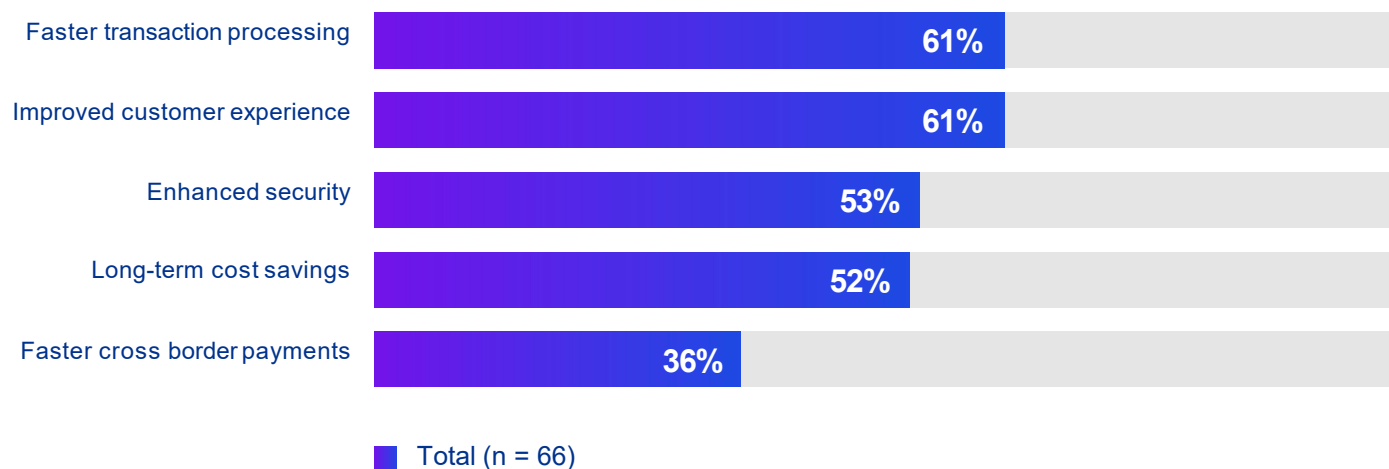


launch programs within the next 3-6 months

## Canada — FI key findings



### Top five benefits of modernization — Canada FI



Source: KPMG International, “Modernizing payments” January 2025.



Overall, the payments modernization landscape in Canada is complex and challenging, but it also presents significant opportunities for innovation and efficiency gains. Financial Institutions need to take a proactive approach to remain competitive and meet regulatory requirements.”

#### Geoff Rush

Partner and National Industry Leader, Financial Services; Global Head of Financial Services Advisory KPMG in Canada



# Canada

## Retail analysis

The Canadian retail payments landscape is shifting in a significant way, with loyalty programs and financial services playing an increasingly important role. Many large retailers are now either issuing their own cards or collaborating with existing card providers to establish closed-loop systems.

These systems are designed to capture a substantial portion of customer spending, driven by the high value that Canadian consumers place on loyalty points.

While debit cards and cash remain popular, younger generations are driving the adoption of account-to-account payments. That is catalyzing modernization efforts, with 87 percent of retailers saying they either have a program underway or plan to initiate a program in the future.

The primary driver for this modernization is changing customer expectations, with the majority of retailers looking to implement or upgrade digital payments and introduce new payment methods. However, with card-centric payment technologies already well-established, many retailers are seemingly not prioritizing their modernization efforts. Most programs have a budget below US\$2 million and are expected to start within the next 6–12 months.

Interestingly, 45 percent of retailers plan to outsource parts of their infrastructure, primarily payment processing services and technology infrastructure. This suggests a growing reliance on third-party expertise to navigate the complexities of payment modernization.

Overall, the Canadian retail payments landscape is poised for significant change. The adoption of loyalty programs, digital financial services and account-to-account payments, coupled with modernization efforts, indicates a shift towards a more digital and customer-centric future.

87%

of retailers saying they either have a program underway or plan to initiate a program in the future

45%

of retailers plan to outsource parts of their infrastructure

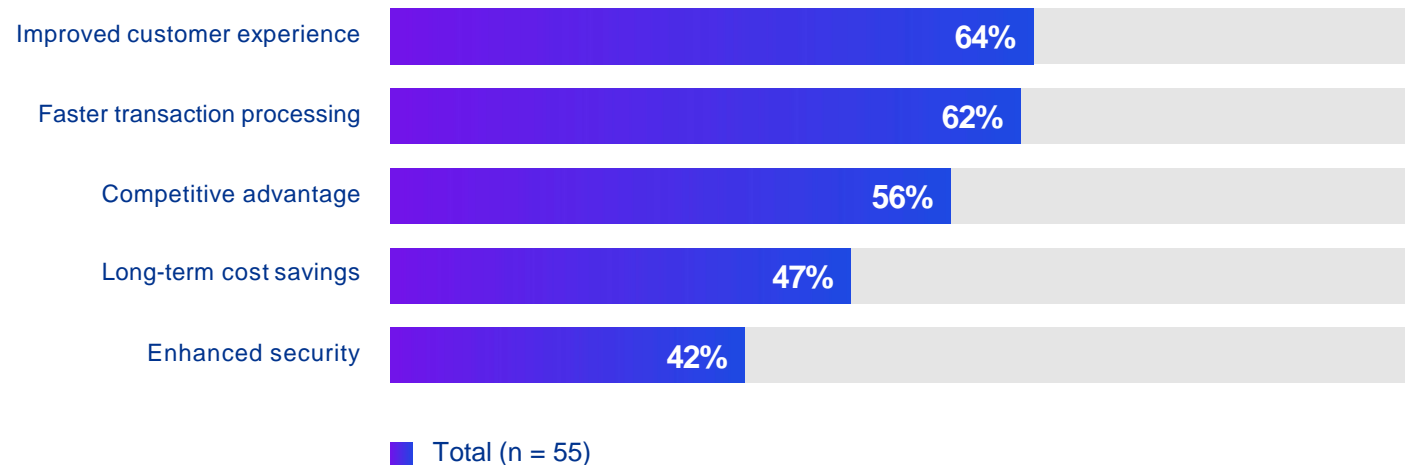


Most programs have a budget below US\$2 million and are expected to start within the next 6-12 months

## Canada — Retail key findings



### Top five benefits of modernization — Canada FI



Source: KPMG International, “Modernizing payments” January 2025.



The Canadian retail payments landscape is evolving. However, challenges such as affordability and data maturity need to be addressed for further progress to be achieved.”

**Edwin Isted**

Executive Director, Payments Lead  
KPMG in Canada



# How KPMG can help

As consumer expectations shift, regulation evolves and new technologies emerge, payment modernization will become increasingly key to survival in the retail and financial services sectors.

As this report reveals, FIs and retailers are keenly aware of the need for modernization. And they recognize that significant benefits — better customer experiences, more streamlined operations, long-term cost savings and enhanced security, for example — can flow to players that are able to remain competitive in the payments landscape.

Yet continuous modernization isn't easy. And many of the executives in our survey of FIs and retailers say they face significant challenges as they strive to modernize their payment systems to meet customer expectations and regulatory requirements.

Based on the findings of this report, here are four conclusions that payments decision-makers at financial institutions and retail organizations should take away from this report:

01

**Put the customer first.** Customer expectations are the leading driver for payments modernization. The companies that succeed will likely be the ones that listen to what their customers want, deliver products and services their customers expect and plan for what their customers will need.

02

**Balance innovation with compliance and risk management.** Canadian financial institutions must balance accelerating innovation with strict compliance and risk management processes as they prepare for the implementation of Real-Time Rail (RTR), where regulatory frameworks like ISO 20022 and advanced tools for fraud detection, including real-time AML and sanctions screening, serve both as safeguards and opportunities for operational growth and enhanced customer value .

03

**Data is the new frontier.** Payment data presents a gold-mine of information for firms. Leveraging ISO 20022 and harnessing data presents an opportunity to form a holistic picture of the customer's needs. It is important to establish clear metrics to evaluate the impact of modernization efforts, focusing on transaction speed and customer satisfaction.

04

**Strategic stakeholder engagement.** Work with stakeholders to advance innovations, particularly in government collaborations on emerging initiatives.

KPMG in Canada helps financial institutions and retailers navigate payments modernization by offering customized strategies that balance compliance, such as with ISO 20022, and innovation. With experience in risk management, resource allocation, and performance measurement, KPMG can support the implementation of strategic roadmaps to maximize investments and achieve measurable benefits.





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