# Payments Modernisation: What is the future of payments?

Charting the pace of payments modernisation in the UK

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# Content

# Foreword

**The pace of transformation in the payments sector and the corresponding impact on financial institutions is significant, rapid and ever evolving. Customers of all shapes and sizes are increasingly demanding payment capabilities that are more efficient, much faster, less costly, and offer greater resilience and security. Regulatory change, technology evolution, and fierce competition add to the pressure.**

At KPMG we see these changes first-hand in the work we do with our clients and the industry as a whole. We wanted to understand what impact these changes were having on our clients and how they were responding. While focusing on banks and building societies in this paper we were keen to grasp any common themes or significant differences between institutions varying by size.

To find out, we interviewed senior leaders from 50 UK financial institutions with responsibility for shaping and influencing payments products or transformation.

Our Payments Modernisation: What is the future of payments? report summarises the key challenges that senior leaders face in today's market. It sets out the latest thinking as organisations strive to navigate through these complex changes and capitalise upon the benefits of modernising their payments capability.

We hope you find the results of the report informative and interesting, and a useful benchmark for your own organisation's journey through payments modernisation.

**Peter Harmston**

Partner, Head of Payments Consulting

# Standing still is no longer an option

The payments landscape is transforming rapidly. Market changes such as RTGS renewal, ISO 20022 migration, New Payments Architecture, Open Banking and Central Bank Digital Currencies (CBDC) all require banks and building societies to react. In addition, financial institutions must deal with the new Consumer Duty requirements, as well as tougher regulation on fraud, money laundering and sanctions detection.

Institutions must cope with the extent of change while still being mandated to remain compliant with legacy regulations such as PSD2. At the same time they must consider the emergence of PSD3 and meeting the needs of ever greater demands from customers, both retail and corporate.

The pace of change is relentless. The development and delivery of the New Payments Architecture, for example, promises a new infrastructure that improves on the UK's existing interbank payment systems, but will impact major banks and building societies across the UK. Similarly, the latest Roadmap for Open Banking in the UK, issued in April, sets out clear objectives for the industry over the next few years, requiring institutions to change.

Technology advances in areas such as cloud, application programming interfaces (APIs) and automation are also driving change. Innovations in areas such as artificial intelligence (AI) and distributed ledger technology will build on these. Banks and building societies are trying to integrate these new technologies into their infrastructures, while policymakers are reviewing the regulatory landscape, with a view to protecting customers, promoting competition and enabling innovation.

Banks and building societies recognise they must respond to all this change. In the retail space, where competition has stiffened in recent years, they are racing to offer the solutions their customers want now. On the wholesale side, progress has so far been slower, often due to the sheer scale and complexity of operation, and there is significant work to do.

But, payments modernisation is challenging. It requires complex technical updates, often to legacy systems already patched and spliced together. Maintaining security and resilience is paramount. And there is no single approach to modernisation that guarantees to deliver; every bank is different.

Against this backdrop, we set out to understand where banks and building societies in the UK currently stand with regards to payments modernisation. What are the key benefits they are aiming to secure, how much progress have they made, and what challenges do they face along the way?

In this report, based on research conducted with 50 leading banks and building societies, we present the answers to those questions. Our respondents' insights explain how and why payments modernisation is so high on the C-suite agenda.

# Key findings

**84%**

of banks and building societies surveyed already have a payments modernisation programme underway or have plans to launch one.

**82%**

of respondents with plans to launch a payments modernisation programme expect to do so in the next 12 months.

**£27 million. The average investment in a payments modernisation programme.**

On average, respondents expect to take **two years** to complete their payments modernisation programme.

**69%**

of banks and building societies surveyed say the changing expectations of their customers is a key driver for payments modernisation.

**57%**

of respondents say regulatory change is a clear driver.

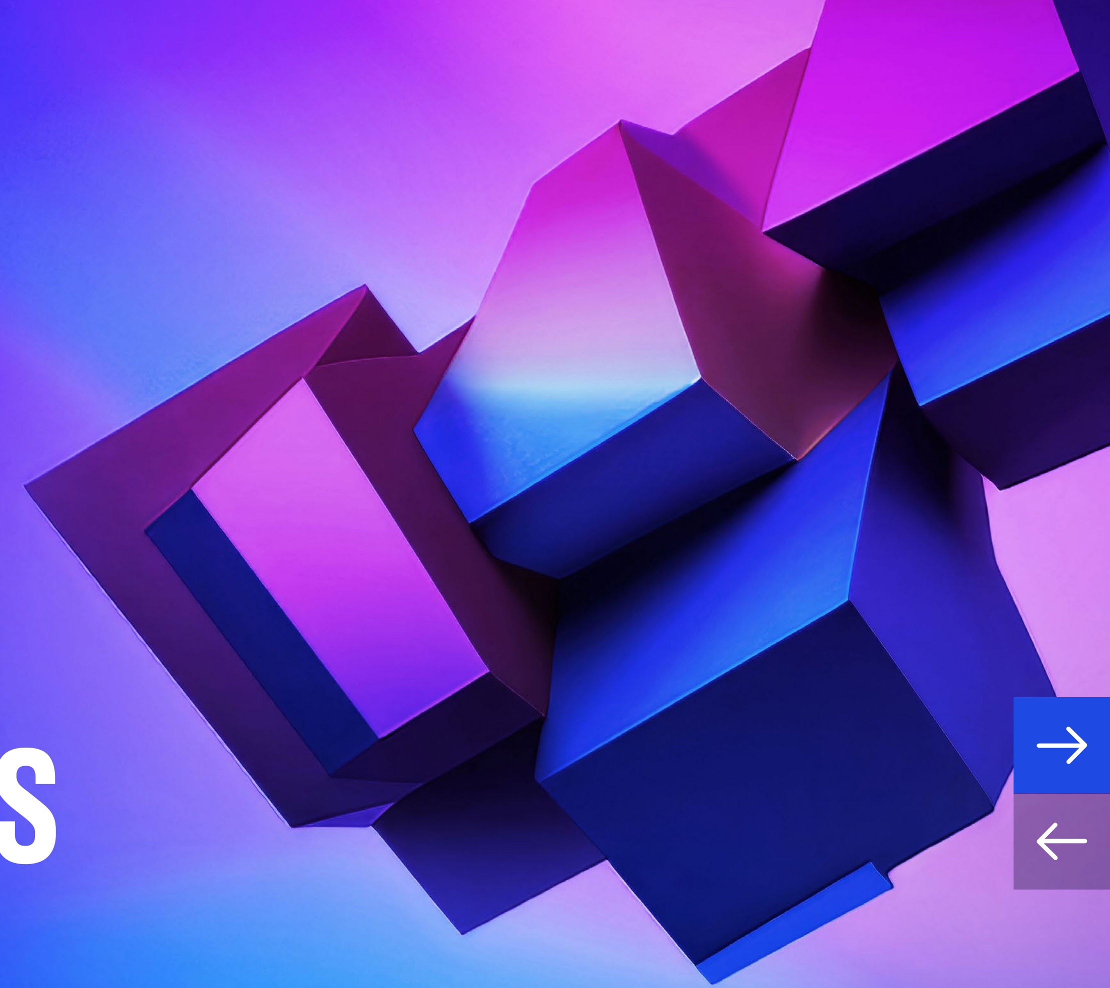
**Payments modernisation programmes are broad in scope, but 71% of respondents are focused on improving customer experience.**

The leading expected benefits of payments modernisation programmes are:

- **positive customer impacts**
- **operational and cost efficiency**
- **improved security and fraud measures**

The most difficult challenges faced by respondents embarking on payments modernisation are:

- **dealing with technology change**
- **managing regulatory requirements**
- **maintaining data and cyber security**



# 01

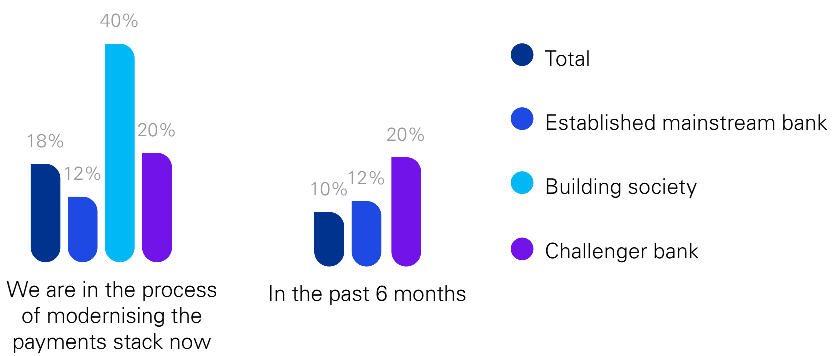
# How banks and building societies are modernising payments and why

# How banks and building societies are modernising payments and why

Payments modernisation is proceeding at pace. In this research, 66% of respondents report they have plans to develop a modernisation programme. Almost a fifth of respondents (18%) are currently in the process of modernising their payments stack, which means a combined 84% of respondents are either in the process of modernising or plan to do so. A further 10% have completed a programme of such work in the past six months.

Still, the pace of change varies across the industry. Notably, wholesale banks are not currently modernising – not a single respondent in this category is currently undertaking modernisation; and none have done so over the past six months.

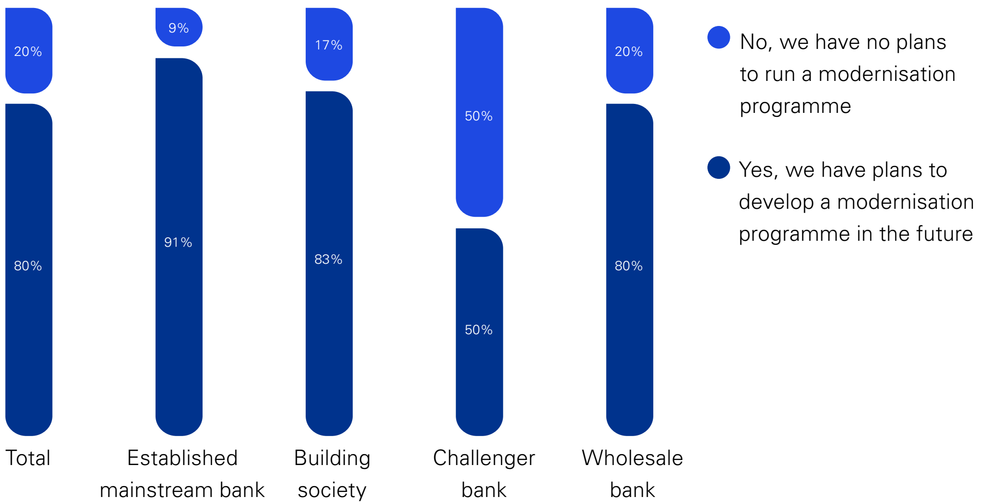
**Chart 1: Modernisation underway**
Last significant modernisation of the payments stack




That said, 80% of wholesale banks are planning to initiate a payments modernisation programme, including 60% that are expecting to do so within the next 12 months; these banks' average planned expenditure is £40 million. Clearly, wholesale banks have reached a tipping point whereby not undertaking payments modernisation is not an option.

While wholesale banks are planning on embarking large scale modernisation, only 50% of challenger banks are planning such change. This reflects the advantage these institutions enjoy in having relatively new payments technology, sitting on modern infrastructure that they were able to design from scratch. They don't have the burden of having to deal with legacy systems.

**Chart 2: Payments modernisation planned - yes or no***




*Data for the banks and building societies that are not running a payments modernisation programme at the moment

**The scale and reach of the work is significant, reflecting the fact that there are multiple drivers for modernisation.**

At the top of the list, more than two-thirds of respondents (69%) say their payments modernisation programme reflects the reality that customer expectations are changing. Customers expect an improved digital experience, better security and protection from fraud, and the ability to track payments. As technology continues to evolve and consumer behaviour continues to change, organisations must provide a digital experience that offers faster payments and greater security. Respondents feel they have no choice but to respond to the demands of their customers – particularly as 40% also point to the work being done by their competitors as motivating their work.

The changing regulatory landscape is also driving modernisation. More than half of respondents (57%) say regulatory requirements are driving change. Examples include the Consumer Duty regulation, PSD2, and operational resilience, as well as improved fraud, AML and sanctions checking.

Cost is also a key consideration. As banks and building societies continue to focus on cost reduction in a previous prolonged period of low interest rates and slim margins, 43% of respondents see the need to operate more efficiently as a driver of payments modernisation.

**Chart 3: Drivers for change**

Factors considered in a payments modernisation programme

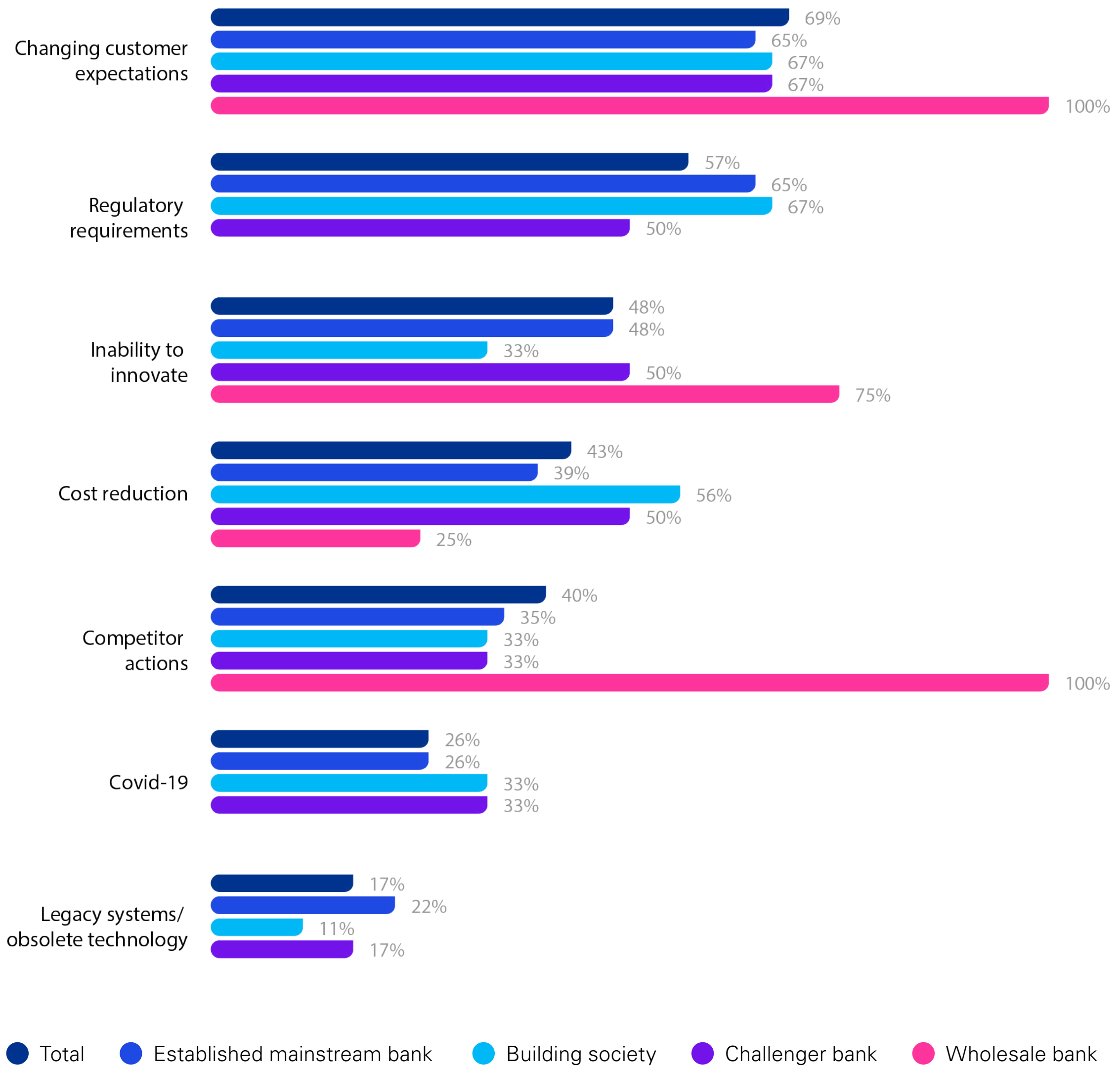
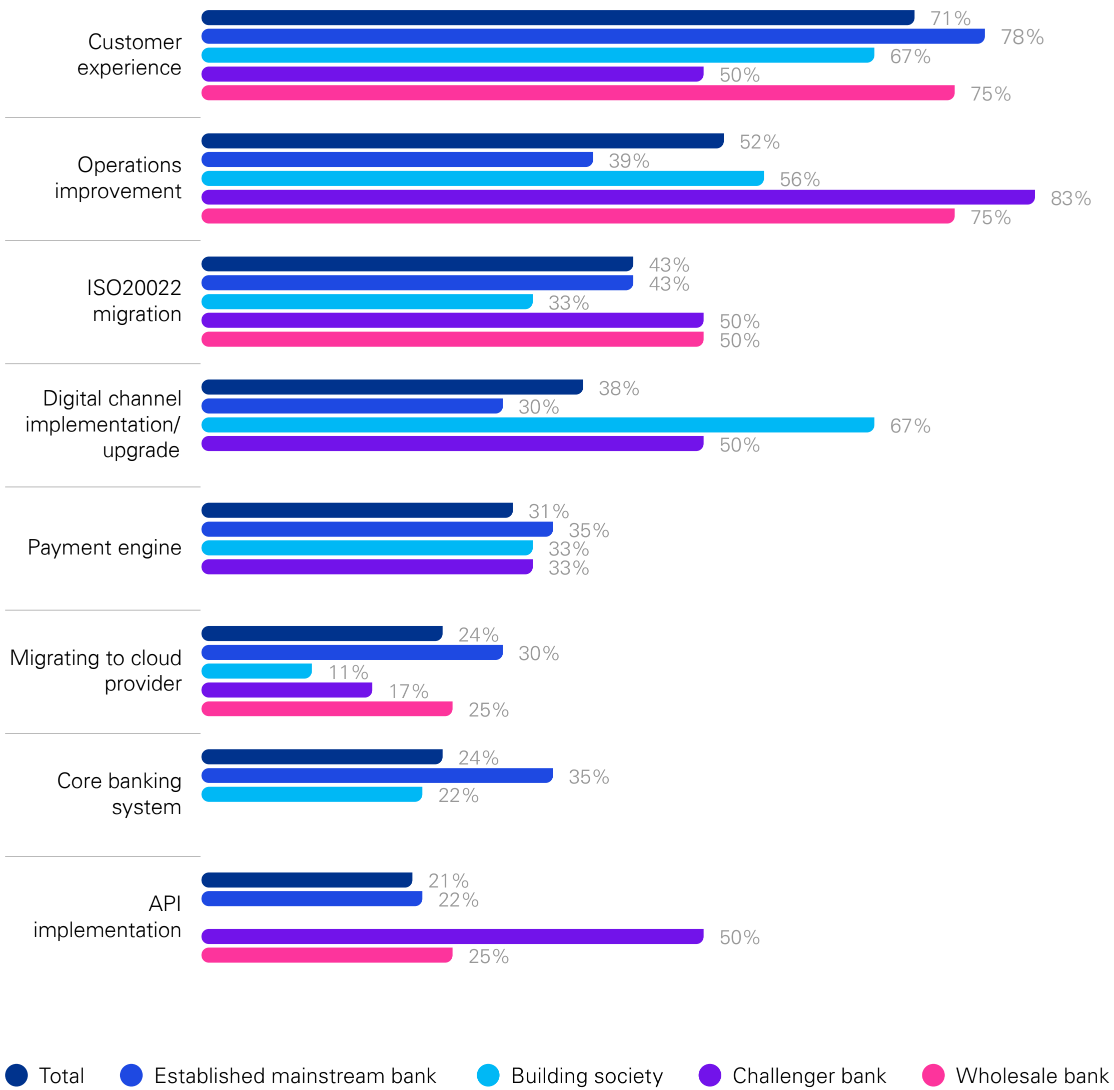


**Chart 4: What modernisation will entail**
Services included in the scope of the modernisation programme




**Given this range of drivers, many modernisation programmes are broad-based. Certainly, customer experience is centre-stage, with 71% of respondents focusing on this as part of their modernisation work, but many other improvements are also within scope.**

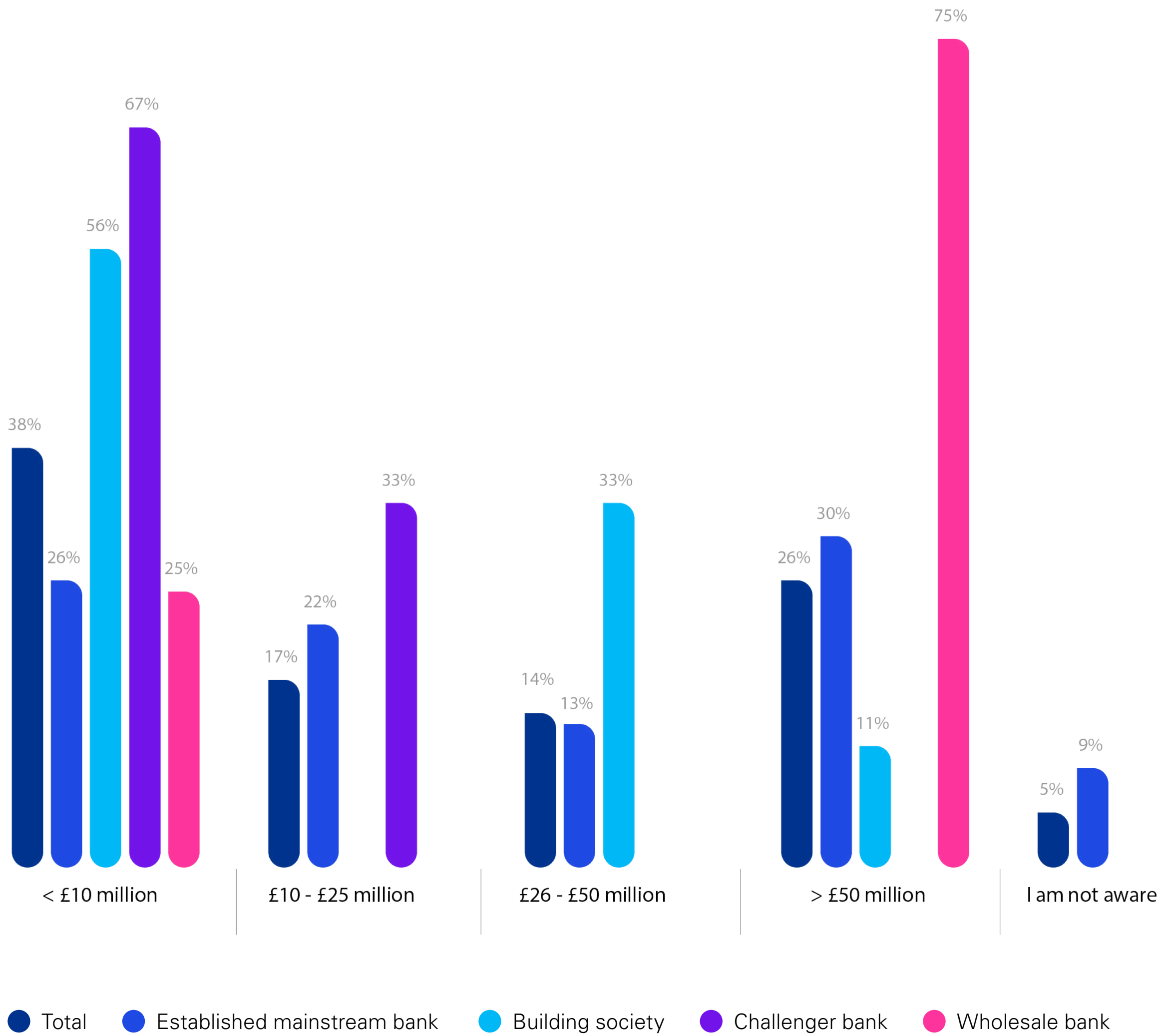
More than half of respondents (52%) cite the need for operational improvements. They are considering a broad range of tools and innovations to deliver such benefits, from upgrading digital channels to cloud migration and increased use of APIs. Challenger banks are particularly high in this category as they try to further automate their processes and reduce costs due to slim margins.

Almost a third of respondents (31%) are focused on payment engines, with all the sectors prioritising this roughly equally. This demonstrates payment engines have become a fundamental element of modernisation programmes, as they sit centrally within most back office technology infrastructures.

Almost a quarter (24%) are looking at how to modernise their core banking systems, with established mainstream banks particularly strong in this category. Both increased competition and a better array of service providers in the market are now driving established banks to consider upgrading core banking systems. These are often fundamental to the bank's infrastructure and are difficult to replace once embedded.

**Chart 5: The cost of modernisation**

Approximate budget of the modernisation programme




**Average cost of modernisation: £27m**

Established mainstream bank: **£29m**

Building society: **£24m**

Challenger bank: **£13m**

Wholesale bank: **£40m**

With so much to do, payments modernisation work is set to consume significant resources. The average survey respondent has allocated £27 million to their modernisation programme; across the banks and building societies in this research, that equates to a total spend of £891 million – and extrapolated across the whole UK banking industry, spending on payments modernisation could run into billions of pounds.

Moreover, in some cases, the investment will be significantly more substantial. More than a quarter of respondents (26%) are budgeting for a spend of more than £50 million; among wholesale banks, that proportion rises to three-quarters (76%), with institutions operating across multiple countries and offering complex services to large corporate clients.

In part, these costs reflect the extent of the manpower required to deliver modernisation. On average, respondents have allocated 45 people to their modernisation project, but in some cases, banks are operating with significantly larger teams. Almost a fifth of respondents (17%) say they have more than 100 people working on modernisation. Industry-wide demand is high for the same type of resources that can manage and implement modernisation programmes, whether from within the organisation or sourced from third parties.

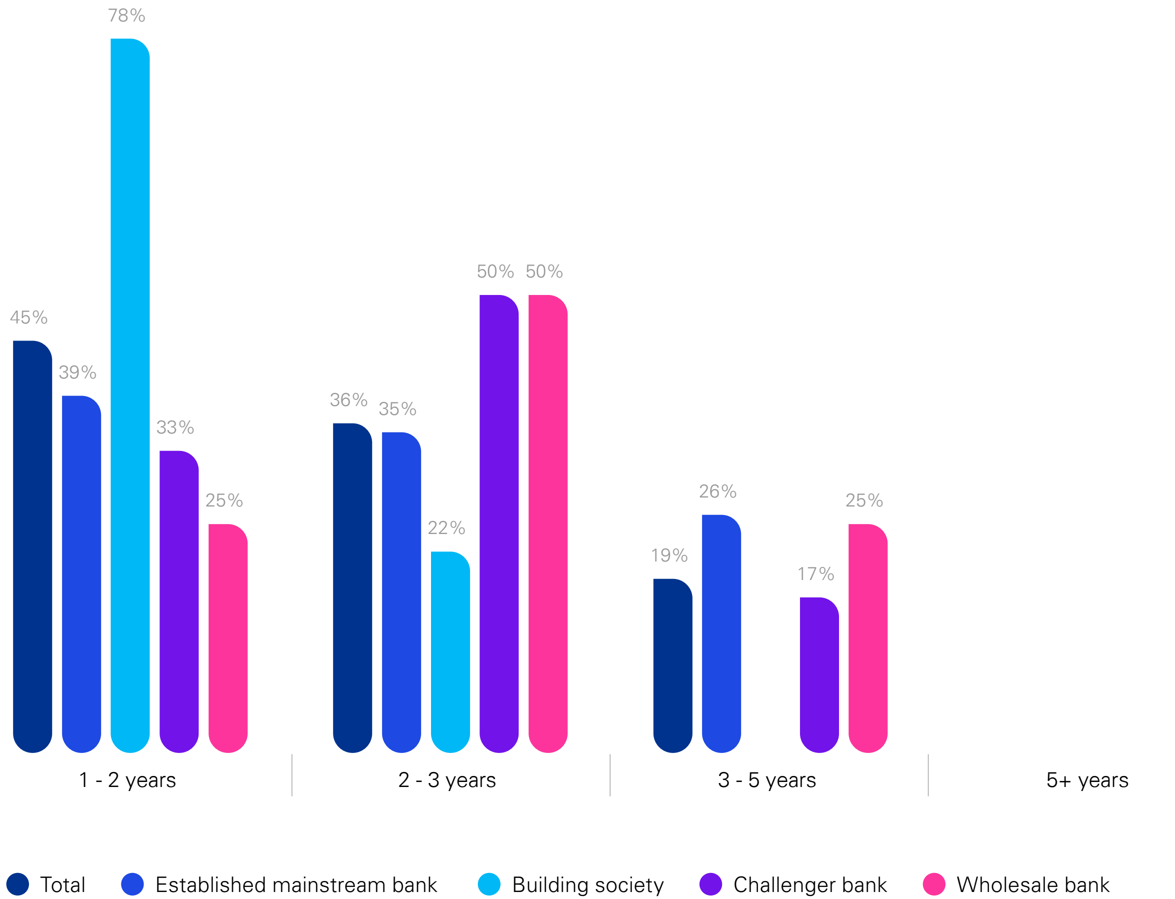
In addition, these projects are expected to be long-running (see Chart 6). In most cases, projects already underway are in their infancy, with more than three-quarters (77%) up-and-running for less than six months. And while 45% of respondents think they could complete their modernisation work within one to two years, 19% say three to five years is a more realistic timescale. The reality is likely to be that modernisation will continue across a number of years, with peaks and troughs over time given investment cycles, strategic changes and the regulatory agenda.

**Average time to complete a payments modernisation programme: 2 years**

Established mainstream bank: **3 years**
Building society: **2 years**
Challenger bank: **2 years**
Wholesale bank: **3 years**

**Chart 6: Time to completion**

Timescale for completion of the modernisation programme



# 02

# What banks and building societies stand to gain from payments modernisation

# What banks and building societies stand to gain from payments modernisation

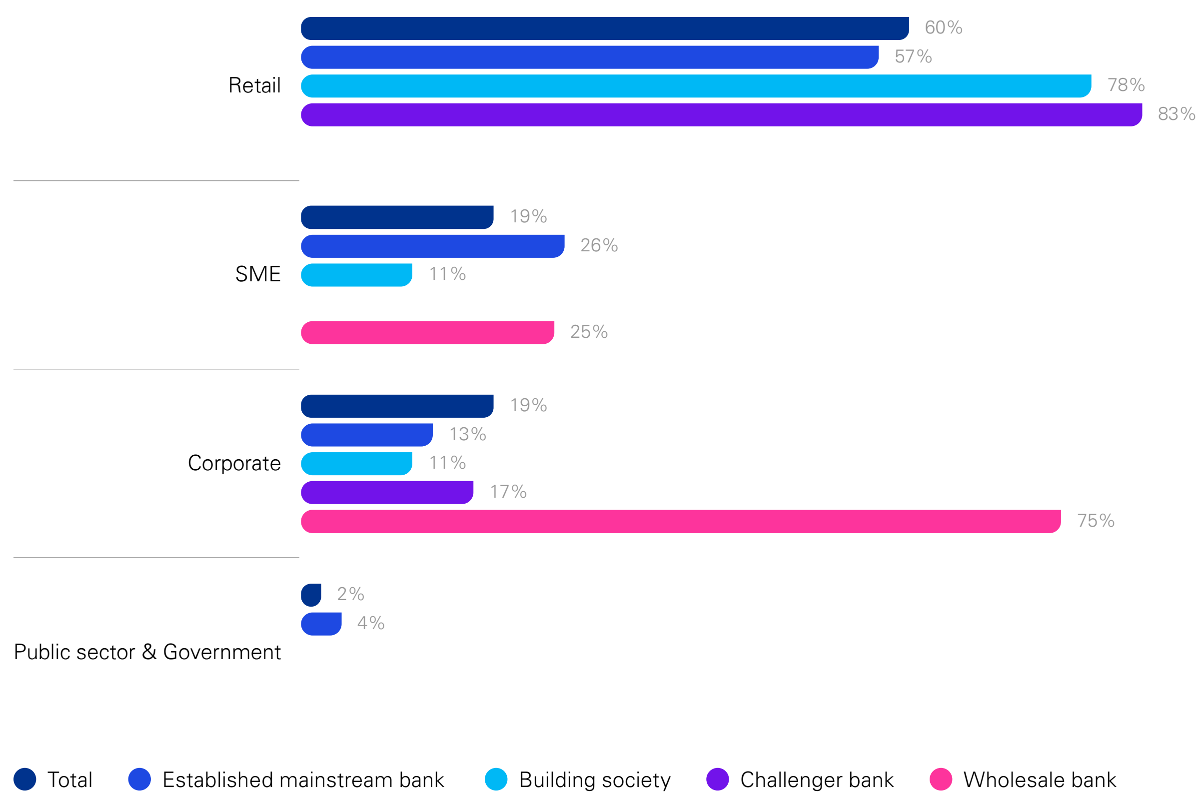
**Ultimately, payments modernisation is an exercise aimed at improving customer service – and therefore at driving improved levels of customer acquisition and retention. The need to respond to changing consumer expectations (see Chart 3 above) necessitates putting customer experience at the centre of the modernisation programme (Chart 4).**

Still, customers come in different shapes and sizes. In this research, it is significant that 60% of respondents think it is retail customers who will benefit most from modernisation. That's three times the proportion that say small and medium enterprises (SMEs) will gain the most.

This reflects, no doubt, the intense competition in the banking sector for retail business. Challenger brands and neo-banks are increasingly winning market share in consumer banking, not least thanks to an innovative, technology-enabled approach that offers customers a potentially greater functionality and improved experience. Payments modernisation is part of that story.

Still, banks must be careful not to overlook other types of customers. Their SME and corporate customers will demand change too. Decision makers at these organisations, enjoying new services in their personal banking, will expect to see similar benefits in their business.

**Chart 7: Focusing on the customer**
Consumers to benefit most from the post modernisation programme



# Modernisation benefits in detail

In practice, banks and building societies are hoping to secure a broad range of benefits through their modernisation programmes. Their objectives are ambitious in this regard, broadly spanning five key goals.

01

## Operational improvements and cost efficiencies

**40% of all the respondents** planning to undertake a payments modernisation programme expect to net significant savings and enjoy operational improvements. Potential benefits are:

**Lower costs**
Modernisation offers the ability to reduce costs through optimising processes with less manual hand-offs and higher levels of straight-through processing.

**Improved risk control environment**
Innovation enables firms to develop more advanced risk controls in areas such as fraud, security and payment operational processes, reducing their exposure to monetary loss and reputational harm.

**New products and services**
The implementation of more modern technology enables firms to adapt to customer needs and deliver new products and services at speed to market.

> Modern payments programmes can significantly improve the efficiency of payment processing, reducing the time and cost required to process payments."
>
> **An established mainstream bank**

> "We can make payment systems faster, more reliable, and more streamlined."
>
> **An established mainstream bank**

# 02

## Customer-centred gains

**33% of respondents** believe their payments modernisation programme will directly benefit their customers, in areas including:

### Customer insight
Modernisation will enable banks and building societies to better understand their customers and broader payment trends, enabling senior leaders to make informed decisions about how to respond.

### Customer satisfaction
Modernisation supports improved products that meet the needs of customers, such as demand for quicker payments and enhanced transparency.

### Customer experience
Banks and building societies aim to deliver simple, fast, flexible, secure payments for customers.

Regulations such as the Consumer Duty require banks and building societies to ensure the customer is central to how services are delivered. Organisations should adopt a customer-centric culture that flows throughout the whole company.

> Modernised payment systems provide us with better insights into customer behaviour and payment patterns, which help us in improving our business operations."
>
> **A building society**

# 03

## Improved security and fraud mitigation

**21% of respondents** expect payments modernisation to deliver enhanced security features and to protect them from fraud. Benefits include:

### Improved fraud prevention and detection
Modernisation introduces advanced risk management features.

### Stronger security
Deliver improved security and reduce the risk of fraud or data breaches, protecting customers.

### Better customer trust
By offering customers more secure payment options and enhanced protection from fraud, banks will win increased trust.

In this area, the UK's banks and building societies should expect continuing pressure to innovate as fraud becomes more advanced and customers demand better protection. The Payment Systems Regulator revealed that £485.2 million was lost to authorised push payment (APP) scams in 2022 alone, prompting it to introduce new reimbursement requirements.

> We expect advanced risk management features including fraud detection and prevention capabilities to help us increase our customer base."
>
> **A challenger bank**

# 04

## Improved technology infrastructure

**19% of respondents** believe their payments modernisation programme will help them to embrace the potential of "paytech" to meet business and customer demands. Benefits will come in areas including:

**Payment processing volumes**
Modern payment systems can handle a larger volume of transactions, enabling banks to grow their customer base without suffering system issues or other performance problems.

**Agility to deliver change**
More agile and adaptable systems can quickly respond to changing customer needs and industry trends.

**Resilience**
Modernised systems are better placed to respond and react to disruption.

It is important to ensure that the scope of any payments modernisation programme includes the analysis and implementation of processes for payment recovery, in scenarios where something in BAU goes wrong. Technological advancements and the arrival of real-time payments have set the expectation with customers of services that operate 24/7. Firms must have clear, actionable operational plans to respond to disruption if they wish to retain and grow their customer base.

> "The flexibility and scalability offered by a new system will enable us to adapt to shifting market conditions and consumer expectations."
>
> **A challenger bank**

> "We can easily scale up to accommodate increased transaction volumes, enabling us to handle more traffic without requiring extra resources."
>
> **An established mainstream bank**

# 05

## Faster payment processing capabilities

**19% of firms** believe a clear benefit of modernisation will be that they can reduce payment processing times and offer more real time payment options. For example:

**Quicker payment processing**
Modernisation enables banks to offer new payment options with quicker payment processing timelines; customers benefit, and the bank also requires fewer resources to process payments.

**Greater automation**
Modernisation enables firms to implement the latest payment technology, such as APIs, in order to meet customer needs and drive automation.

> "Faster payment processing enables us to offer real-time payment options and reduce payment processing times."
>
> **An established mainstream bank**

> "Modernising payment systems will aid in reducing processing mistakes and speeding up transaction processing."
>
> **A challenger bank**

03

# Overcoming the obstacles to payments modernisation

# Overcoming the obstacles to payments modernisation

**If the benefits of payments modernisation are significant, so too are the challenges that must be overcome to achieve it. In our research, banks and building societies point to a series of obstacles standing in their way as they pursue change initiatives.**

Cost is one part of the puzzle. Among those ruling out modernisation for now, 38% say they lack the budget to move forward with a payments programme. But even for those that have made a decision to modernise – and therefore calculated that cost is affordable – significant issues remain.

These include challenges in four key areas, but as KPMG's payments transformation specialists explain, they are not insurmountable.

## 01. Rising to the technology challenge

More than a quarter of banks and building societies (26%) have technology-related concerns about their payments modernisation programmes. Recurring themes include:

**Legacy infrastructure**
Respondents worry about how to integrate new technology into the existing payments stack.

**Scalability and resilience**
It is vital to ensure systems are capable of handling high transaction volumes without problems arising.

**Agility**
Payments modernisation often requires iterative improvements, requiring banks to constantly tune into technology innovation and evolving consumer and market needs.

**Integration**
Banks must be able to integrate multiple systems and technologies without causing problems that could compromise service.

**Operational impact**
Many respondents fear it will be very difficult to make technical changes and revamp systems without causing operational problems.

> Staying up to date with rapidly evolving technologies and the latest developments, and then incorporating them into the system is a significant challenge."
>
> **An established mainstream bank**

> Expanding the payment system to meet the needs of managing rising transaction volumes and traffic will be significantly challenging."
>
> **A wholesale bank**

## The view from KPMG

"The ability of banks and building societies to secure competitive advantage from their payment modernisation programmes is closely linked to the extent to which they are early adopters of new tools and technologies. That requires a strong technical change capability that is resilience-led and able to deliver with speed.

The institutions who lead the way from a technology perspective will be those who have invested in their architectures and their change delivery capability. Both will be differentiators. Those who can be agile without jeopardising resilience will be able to deliver on their core capabilities while launching new products and services. Those with complex legacy architectures and who find change challenging to deliver will have to proceed more cautiously and may end up only achieving compliance."

**Giles Bradley**
Partner, Financial Services Technology

### 02. Managing the regulatory imperative

Almost three-fifths (57%) of banks and building societies consider regulatory change to be a key driving force for payments modernisation. They point to the need for:

**Compliance**
Organisations must maintain compliance with the current regulatory rules and various schemes.

**Horizon scanning**
The forward looking view to anticipate and plan for future changes is paramount to ensure a clear roadmap for modernisation.

> Regulatory requirements such as know-your-customer and anti-money laundering laws could be a major barrier to our payments modernisation programme."
>
> **A challenger bank**

> Banks are required to abide by strict regulations while processing payments, and keeping up with regulatory changes and ensuring compliance can be time-consuming and expensive."
>
> **A wholesale bank**

## The view from KPMG

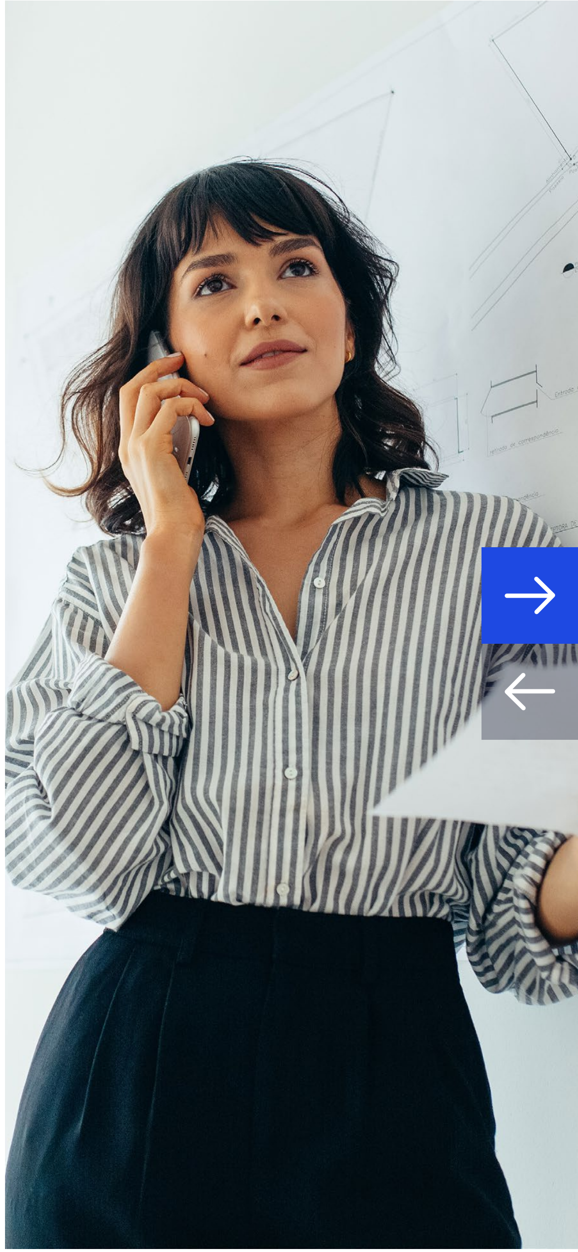
"Each year banks are subject to a long list of regulatory changes. This is particularly burdensome for those banks that operate in multiple countries and regulatory regimes. But keeping up with regulation is not a choice. The scale of regulatory change currently is a strong driver for modernisation.

Previous rounds of reform, such as the launch of Open Banking, and the introduction of anti-fraud measures, such as Strong Customer Authentication and Confirmation of Payee, have required substantial investment and change. Those regulations continue to evolve while further mandatory changes are imposed on the banking sector.

The Consumer Duty regulation requires organisations to think carefully about all aspects of the customer journey. It is a technical, operational, and cultural shift for organisations that requires different parts of the business to work together. Similarly, authorised push payment (APP) scams continue to harm customers. The recent changes to the Contingent Reimbursement Model will further require banks and building societies to compensate customers for fraud losses.

Banks and building societies are now seeking better ways to carry out horizon scanning of upcoming regulatory changes. This enables them to better plan investment, as well as coordination across multiple teams. Banks and building societies should focus on horizon scanning to be able to identify the demands of the Financial Conduct Authority and the Payment Systems Regulator, as well as to call out significant market events such as the New Payments Architecture."

**Michelle Plevey**
Director, Payments Regulation



## 03. Dealing with modernisation risks

Modernisation risks span areas such as cyber, data and transition concerns; 14% of banks and building societies believe they will experience challenges as they seek to manage concerns such as:

**Security and cyber related risks**
It will be crucial to manage security risks while migrating to another digital infrastructure (including data migration activity).

**Data security and protection**
Banks must ensure that sensitive data is protected and managed correctly throughout the implementation of the payments modernisation programme.

> We need additional security measures such as encryption and access restrictions, as well as comprehensive data protection rules, to prevent data theft, which is quite challenging,"
>
> **A wholesale bank**

> The need to manage security risks while migrating to other digital infrastructure is an extra challenge."
>
> **An established mainstream bank**

## The view from KPMG

"There has been a global shift for firms to adopt common payments message standards that are interoperable and provide enhanced data. Well-known standard modernisation programmes such as ISO20022 and CBPR+ aim to introduce a de facto standard for domestic and cross-border payments respectively. Migration to these new payment message standards is usually complex in nature. Factors such as legacy infrastructure and the extent to which the current payment format is embedded across the end-to-end payments service will directly impact the effort required for compliance.

However, for UK businesses to build a competitive edge, they must do more than merely adhere to these data standards and perform tactical changes. Their goal should be to build a longer-term strategic vision for utilising the enriched data to deepen customer relations and improve customer experience."

**Rajesh Gosain**
Director, Payments Consulting

"The ability to identify and respond quickly to cyber and security related risks is critical in preventing disruption and ensuring safety for customers and market participants. Techniques such as cyber risk quantification will improve the objectivity of risk assessments and produce a consistent, data-driven picture of which capabilities are contributing the most to migration defences and overall risk reduction.

Similarly, by using strong identity access management (IAM) frameworks and systems, organisations can quickly highlight the number of users affected by any issues during migration. The use of enhanced monitoring capabilities during migration alongside encryption and multi-factor authentication will ensure that only authorised users can access systems and data.

Still, migration to new payments systems will inevitably introduce transition risks that must be considered and planned for. Banks and building societies will need to assess existing policies, governance frameworks and resource capabilities to ensure the payments modernisation programme and migration activity are set-up for success. Key areas to consider during this phase include the approach to any third-party supplier selection activity (including any existing contractual interfaces), any dual running phases of the systems, and how services will transition to any new systems. Do not overlook the need to keep key stakeholders, including customers, informed."

**Inderpal Dhami**
Partner, Cyber

## 04. Securing skills and experience

In a competitive market for talent, 10% of banks and building societies are concerned about their ability to recruit and retain the people required to support the successful delivery of payments modernisation. They focus on:

**Capacity**
Their ability, or otherwise, to redeploy resources without impacting business-as-usual operations.

**Talent**
There are clear difficulties attracting and retaining the right talent, which is in short supply.

**Cultural and leadership skills**
The importance of understanding the scale of change and commitment required to deliver a payments modernisation programme amongst competing priorities.

> It will be challenging to find the right talent or to upskill current employees to satisfy the requirements of the modern payments landscape."
>
> **An established mainstream bank**

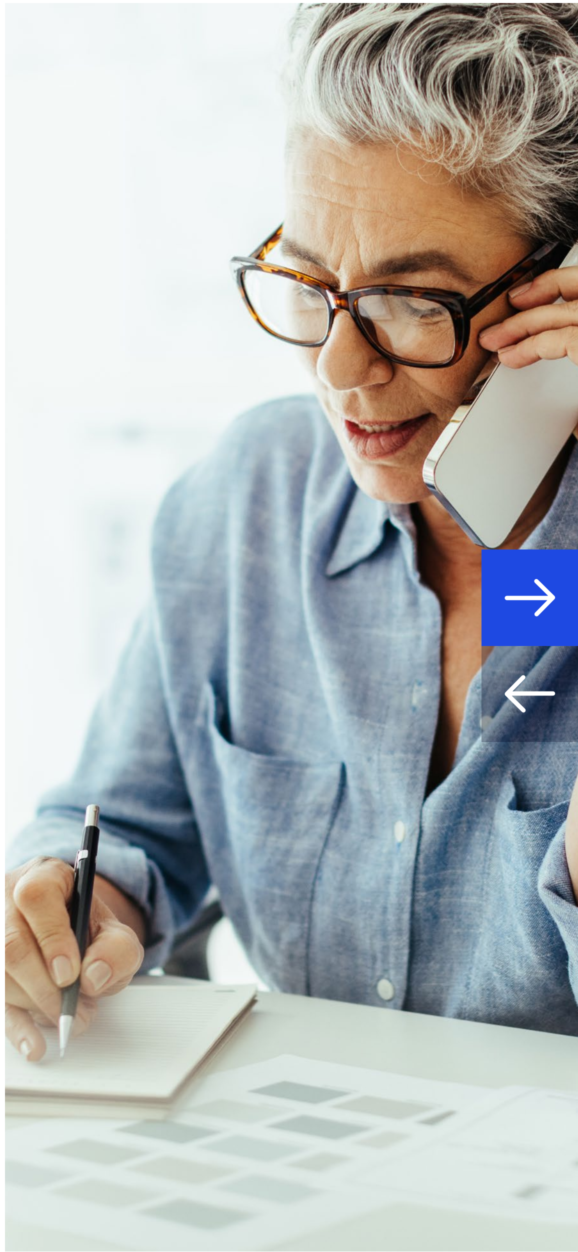
# The view from KPMG

"The market for talent is tough, but banks and building societies that work strategically on recruitment and retention can make ground. Start by assessing the skills you need against the skills you have – at a granular level – so you're clear on the size of the gap. And where you're struggling to close that gap, be prepared to be imaginative.

When it comes to recruiting technologists in particular, banks and building societies may need to think about how to change, enhance or stretch their employee brand, particularly when competing with the technology sector. Also tech talent really values joining a diverse workforce, so showing that diversity through the employer brand is important.

As for retention, it is vital to be clear about what technology talent really values. In particular, many employees are now focused on ethics and social value; they want to work with other like-minded tech talent, they're looking for genuine projects that are interesting and exciting, and they want to be sure the organisation knows how to manage effectively. Also remember that not all technology workers are looking for managerial positions – ensure there are technology-focused paths to promotion."

**Tim Payne**
Partner, Financial Services



## 05. Other threats to the delivery roadmap

In addition to these specific challenges with the potential to hamper payments modernisation programmes, many banks and building societies are also concerned that broader sector challenges could cause them difficulties. Almost three-quarters (71%) worry about the potential for elements of the wider payments ecosystem to undermine their plans.

### Current economic environment and market conditions

One significant concern is the current economic environment and market conditions. High levels of inflation and rising interest rates – and the threat of recession – may challenge organisations as they weigh up the merits of competing priorities. Any reduction in profitability will inevitably constrict budgets for payments modernisation and limit contingency provisions. Risk may increase accordingly.

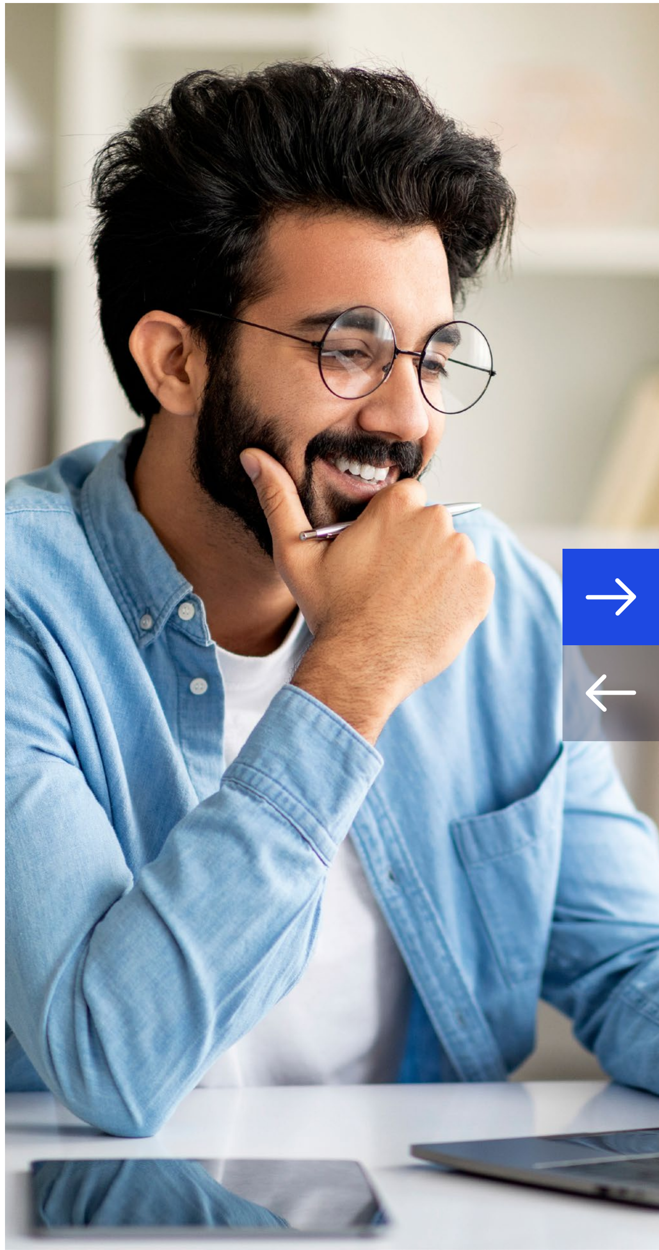
### Lack of innovation culture

Looking internally, many banks also worry about their innovation culture – the extent to which they have the ability to adopt and integrate new technology at pace. They are nervous about keeping up with fast-moving technologies, and the potential for technical changes to destabilise legacy systems in unforeseen ways.

> "Newer technologies may not always be compatible with existing systems, which can mean we need additional time and resources to integrate and ensure smooth functioning."
>
> **A building society**

> Economic factors have the potential to impact our delivery roadmap."
>
> **An established mainstream bank**

> Economic downturns can result in budget cuts, which could delay or slow down our payments modernisation programme."
>
> **An established mainstream bank**



# 04

# Conclusion: a roadmap for change

# Conclusion: a roadmap for change

**The bottom line is that payments modernisation is happening now. Banks and building societies of different sizes across broad sectors have either embarked on payments modernisation or are planning to. The level of investment planned is large and the need for resource is strong. Here are the five conclusions to take away from our Payments Modernisation: What is the future of payments? report**

### 1. Keep the customer at the centre:

The customer should be central to why organisations embark on modernisation programmes. This is both to meet changing customer expectations, but also to deliver enhanced benefits. To that end, asking customers what they want is a good start, as well as measuring expected outcomes against customer needs.

### 2. The battle for resource will be intense:

With multiple banks and building societies embarking on significant modernisation programmes at the same time there will be a battle to secure the best resource. This extends to third-party supplier support, where for example the same payments engine provider may be called upon by several clients at the same time stretching its ability to respond in a timely fashion. Determining and allocating resources earlier will serve to improve the chances of success of any modernisation programme.

### 3. Modernisation is a constant:

With constant change in the payments market, it is important organisations embed modernisation into their strategic change roadmap. Specific programmes may have an end date but the roadmap should articulate regular enhancements and improvements as regulatory changes are announced and customer needs continue to evolve.

### 4. Adopt modern technology:

As the pace of technology change accelerates, it is important organisations keep up to date with the latest capabilities. Implementing APIs, automation, AI, etc. brings significant cost savings while improving the customer experience. Integrating new technology into existing legacy infrastructure will always be difficult, and so a coordinated long-term technology strategy is needed that will slowly move the whole platform on to modern systems.

### 5. Move to real time but tackle fraud:

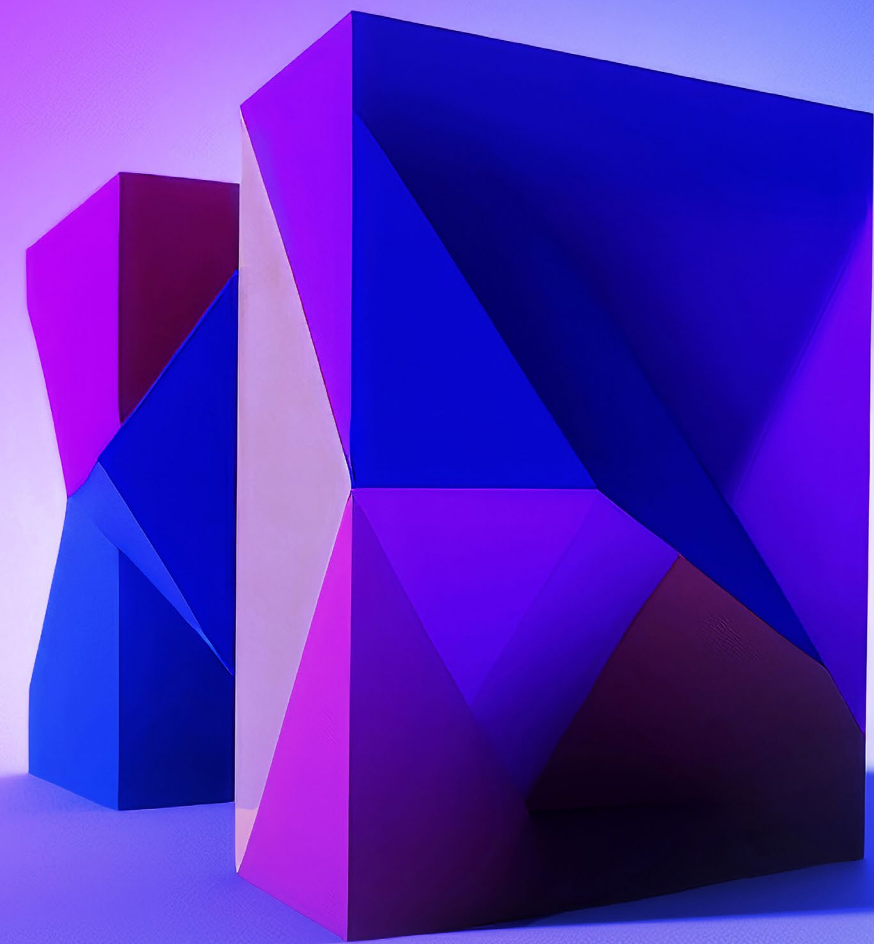
Banks and building societies are moving towards real time payments, while at the same time tackling the increased fraud this has brought about. Organisations need to understand that real time is fast becoming the de facto expectation for customers, who are also expecting robust security, fraud detection, and data protection. Delivering those protections against transactions moving in seconds is a far cry from having the luxury to analyse transactions for hours before sending them on. Organisations need to build a technology stack, operational capability, and business mindset that centres around a real-time payments universe.

While the potential benefits of payments modernisation are clear, these will only be realised if there is clear strategic rationale and planning. And given the volume of change that organisations are experiencing across their businesses, this will be challenging. In particular, the battle for the best talent will continue – the ability to attract and retain the best talent will be crucial to competitive advantage.

Nevertheless, for organisations that make the committment, payments modernisation offers an opportunity to leapfrog competitors and drive future growth. Now is the time to accelerate progress.

# 05

# Methodology



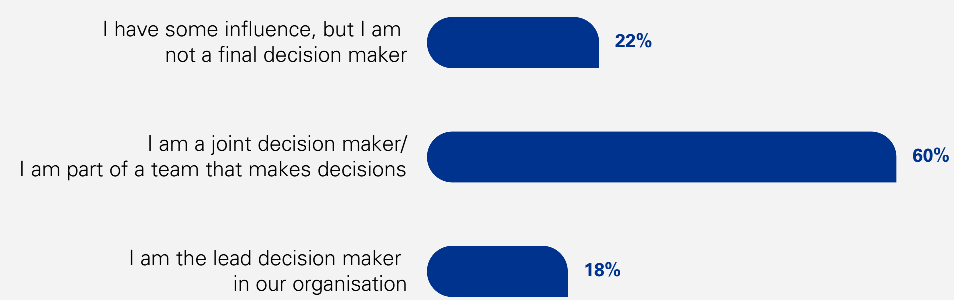
# Methodology

## This report is based on quantitative and qualitative research carried out in April 2023. Researchers conducted telephone interviews with senior decision makers with responsibility for payment products or influence in this area.

In total, 50 banks and building societies took part. These spanned four categories with respondents from: established mainstream banks, building societies, challenger banks and wholesale banks. More detail is included in the chart below.

### Respondent profile

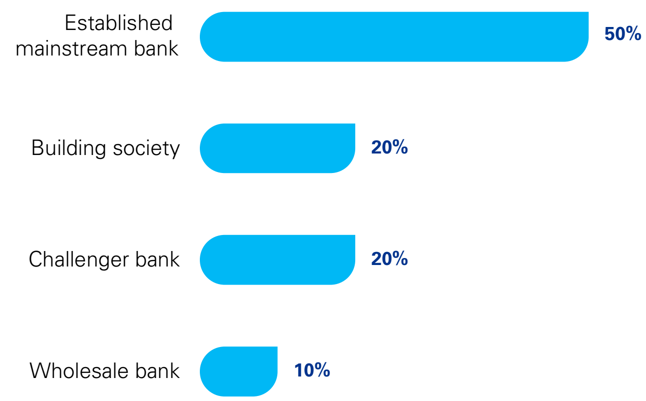
#### Responsibility



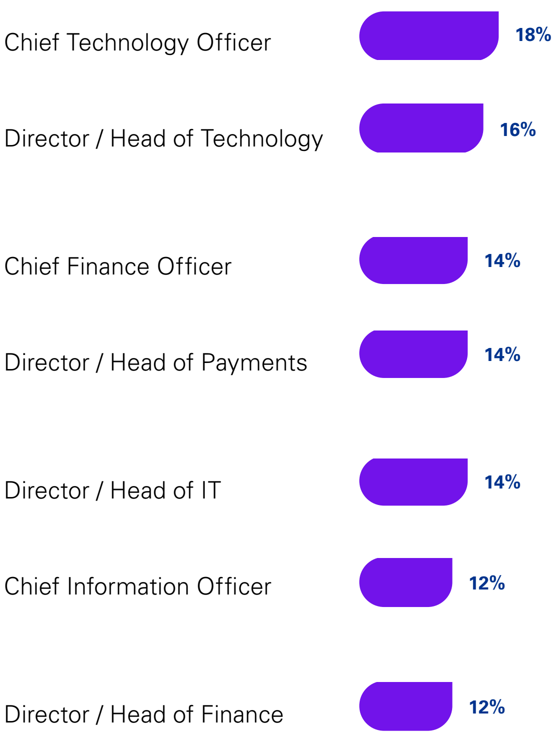
## Respondent profile

### Revenue


### Sector




### Job title



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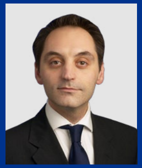

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