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PAYMENTS MODERNISATION: THE BIG SURVEY 2024

Foreword

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Welcome to the fourth edition of The Big Survey. Our annual report which interviews 350 senior bankers across the globe, offers a unique vantage point on the ever-evolving landscape of payments modernisation. Over the years, we've uncovered fresh developments and enduring challenges alike, painting a detailed picture of the industry's trajectory. As we navigate 2024, the financial services sector is in the midst of profound transformation. Our latest insights highlight the critical need to modernise payment systems swiftly and effectively, driven by rising customer expectations and stringent regulatory demands.

Readiness for ISO 20022 is a particular area of concern. While 35% of North American banks express confidence in achieving compliance cost-effectively, sentiment is markedly lower in Europe, where only 19% feel prepared. This highlights a stark reality: the path to ISO 20022 compliance is more challenging and time-consuming than many anticipated.

Despite these challenges, the speed of bringing new solutions to market is impressive, with 75% of banks able to launch within three months. This agility is crucial in an era where customer expectations for rapid, efficient services are higher than ever. The deployment infrastructure of payment solutions has also evolved significantly, embracing a mix of public, private, hybrid, and multicloud environments. This versatility allows banks to tailor their solutions more precisely to their needs, reflecting a shift towards more modular and flexible architecture.

Modernisation plans are in full swing, with nearly half of respondents intending to replace one or more systems within the next six months. The preference for a Payments as a Service (PaaS) model is overwhelming, cited by 92% of respondents, indicating a strategic move towards leveraging third-party expertise and infrastructure.

Cross-border payments remain a critical focus, with efficiency, cost, and access to intraday liquidity being primary pain points. The pressing need to mitigate system risk in a heightened fraud landscape is driving this modernisation effort. Notably, 90% of respondents are planning to expand their real-time cross-border payment networks within the next year.

Our findings reveal that while financial constraints persist, the commitment to modernisation is unwavering. Banks are becoming more flexible and increasingly relying on partnerships to enhance their capabilities. The journey towards faster, more efficient payment systems requires collaboration and innovation. As we look forward, it is imperative that banks remain confident and proactive, ensuring they are not left behind by regulatory developments or market shifts.

In conclusion, the need for speed—both in terms of payment processing and market adaptation—cannot be overstated. Through strategic investments and robust partnerships, banks will navigate these challenges and emerge stronger in the ever-evolving financial landscape.

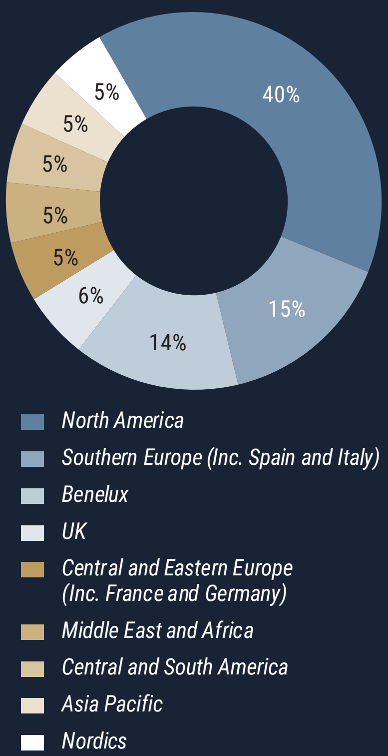
02
Methodology

This survey, conducted in early 2024, builds on our previous 2021, 2022 and 2023 payments modernisation surveys. It aims to capture and explore ongoing priorities within payments modernisation, with particular focus on determining institutions' capabilities, priorities and goals for growth in an interconnected, digital world.

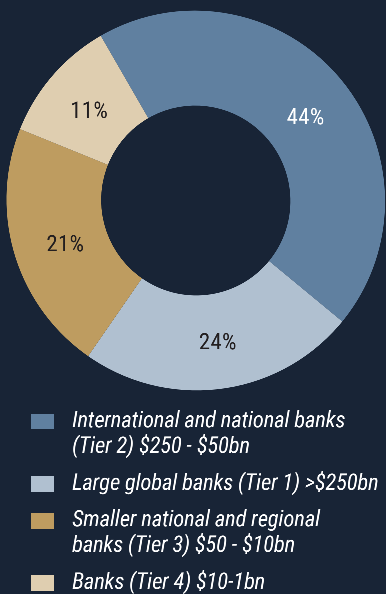
It is a forward-looking report, which allows for an analysis over time of priority shifts for banks and their customers, and highlights areas where the trend towards digitisation, real-time and cross-border payments are accelerating.

The 2024 survey was global in scope and had 350 full responses, 32% of which come from C-level; 68% from senior management, director or VP level.

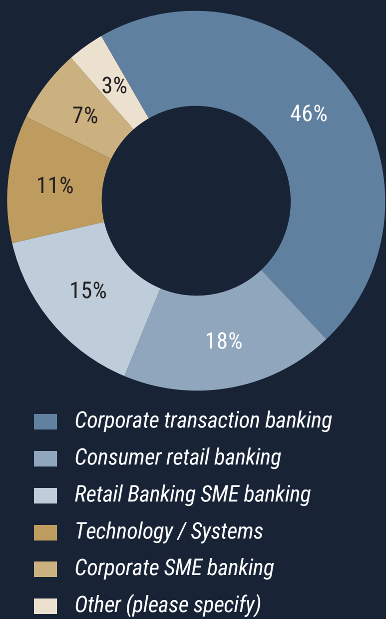
Region



Organisational Size



Business Function



03

Summary of insights

- **Decline in ISO 20022 readiness:**
Readiness for ISO 20022 went down, especially in Europe, where migration started in 2023. While 35% of North American respondents state they have high confidence in cost-effectively delivering ISO 20022 compliance for domestic clearing, this number drops to only 19% in Europe, with Benelux polling even lower at only 12%. UK & Nordic regions additionally see ISO 20022 messaging transformation as their customers' biggest pain point. The results indicate that in 2023, banks had not come to terms with the reality of what they had to do to prepare for ISO 20022, but as they approach the November 2025 deadline, they may have realised it is a bigger task than expected or have too little time to complete all tasks needed to be compliant.

- **Product and service rollout times:**
While the majority of institutions can bring new products and services to their customers within three months, a quarter still need anywhere from six months to over a year.

- **Versatile deployment infrastructure:**
The deployment infrastructure of payment solutions and services is more versatile than ever before. When it comes to deployment changes year on year, we're seeing a lot of variation in cloud infrastructure and changes throughout the various regions, with solutions spread quite evenly over public, private, hybrid and multicloud environments. This is a stark contrast to 2023's results, where we saw a clear hierarchy of deployment changes compared to 2022, speaking to the fact that today, architecture is becoming increasingly flexible and services can be easily composed and applied as and when needed.

- **Imminent payment solution modernisation:**
When it comes to payment solution modernisation, most respondents plan to implement imminently, with 44% planning to replace one or more systems within the next six months.

- **PaaS delivery model implementation:**
  Nine out of 10 respondents indicate that their payment solution implementation will include a PaaS delivery model.

- **Increasing budgets for modernisation:**
  More than half of respondents state that their budgets for payment modernisation will increase over the next 12 months, with 72% of North American banks planning to make additional investments of $500k, compared to only 51% of European banks.

- **Customer pain points:**
  The efficiency and speed of cross-border payments is the main customer pain point, followed by the cost of payment processing and access to intraday liquidity.

- **Fraud and system risk management:**
  In a heightened fraud landscape, limiting system risk is the main factor driving banks towards payments modernisation.

- **Expansion of real-time payments networks:**
  90% of respondents indicate that they are planning to add at least one additional cross-border real-time payments network over the next 12 months.

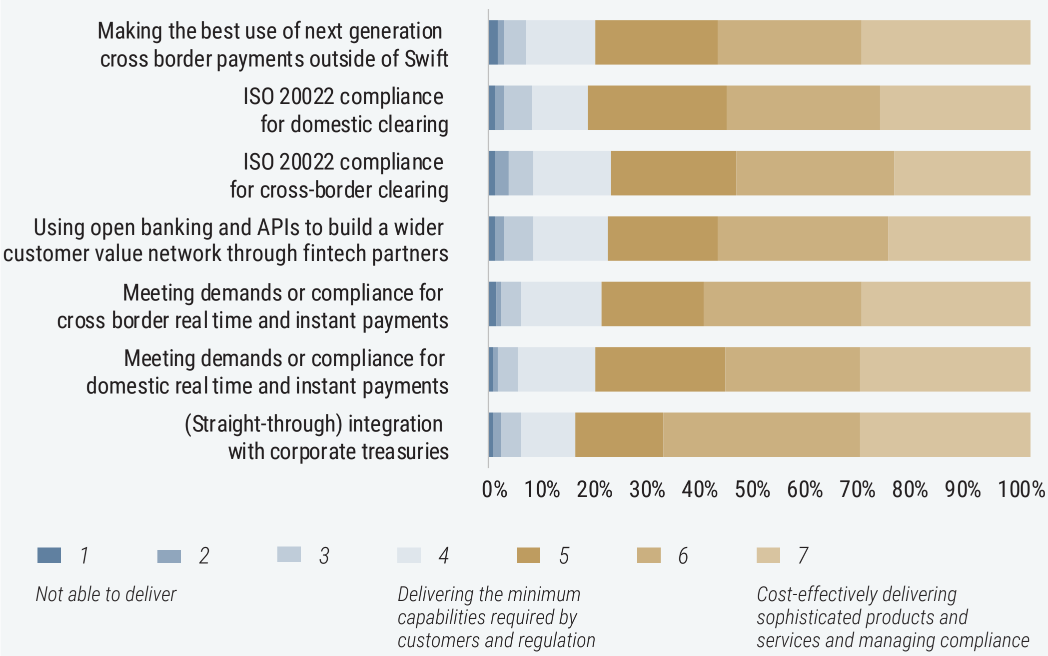
04

Current state of capabilities

In an instant world, the move to real-time for payment settlement is as important to consider as interoperability across payment infrastructure, whether it be domestic or cross-border. On top of that, finance is a highly regulated industry, and the move toward standardisation is at the forefront of banks' strategies around the globe as the ISO 20022 deadline approaches. What stands out in the 2024 survey responses is that confidence – whether it be for the use of open banking and APIs, or meeting demands for domestic and cross-border instant payments – is very evenly spread across all areas. If we compare year on year, we also see that responses have not shifted as much as could have been expected – and confidence in areas such as instant payments has not grown year on year.

GLOBAL RESPONSE

How would you rate your organisation's capabilities in the following areas?



And while there were a lot of developments a few years ago – especially around open banking and APIs – this year's even-split results show up that banks now seem to be on the same page as regulation matures. It's worth noting that this question talks about confidence, and while organisations might be confident in their capability of doing something does not automatically mean that it will return success – which is highlighted when we look at how these results vary regionally.

Overall, North America has higher confidence across all areas compared to Europe, especially when it comes to ISO 20022 readiness. While 35% of North American respondents state they have high confidence in cost-effectively being ISO 20022 compliant for domestic clearing, this number drops to 19% in Europe, with Benelux polling even lower at only 12%.

Very Confident (Indicating a 7)

	North America	Europe	Southern Europe	Benelux	UK	Nordics
(Straight-through) integration with corporate treasuries	37%	24%	19%	12%	50%	18%
Meeting demands or compliance for domestic real time and instant payments	34%	25%	21%	24%	15%	53%
Meeting demands or compliance for cross border real time and instant payments	38%	24%	26%	24%	15%	18%
Using open banking and APIs to build a wider customer value network through fintech partners	32%	21%	21%	12%	20%	35%
ISO 20022 compliance for cross-border clearing	32%	18%	15%	14%	25%	24%
ISO 20022 compliance for domestic clearing	35%	19%	17%	12%	45%	24%
Making the best use of next generation cross border payments outside of Swift	35%	26%	25%	18%	40%	30%

Since we are in the middle of introducing a new common language for global payment data, seeing these numbers remain unchanged year on year is interesting – particularly in regard to meeting demands for real-time payments and ISO 20022 compliance in the European regions.

In March 2023, three of Europe's payment systems (Eurosystem's TARGET2, EBA Clearing's EURO1, and Swift's CBPR+) migrated to ISO 20022 in a 'big bang' approach to ensure that every major bank in the Eurozone continued to effectively process payments. Today, as standards evolve and inter-bank processes are continuously being ironed out, this is why we're seeing lower confidence numbers in Europe as well as no improved confidence year on year. It is clear that European banks have started the process of migration and experienced hiccups along the way.

Across Europe, the level of confidence is similar for ISO 20022 compliance for both domestic and cross-border clearing, with the notable exception of the UK. While only 25% of respondents have full confidence in cross-border clearing (matching the general European sentiment), this number grows to 45% when it comes to domestic clearing – well below the European average of 19%. There is reason to speculate that this high confidence is due to the PSR announcing the halting of its NPA (New Payments Architecture) programme, causing a significant delay to the earliest date by which FPS (Faster Payments System) would be replaced. The delay in migration gives UK banks more time to ensure compliance.

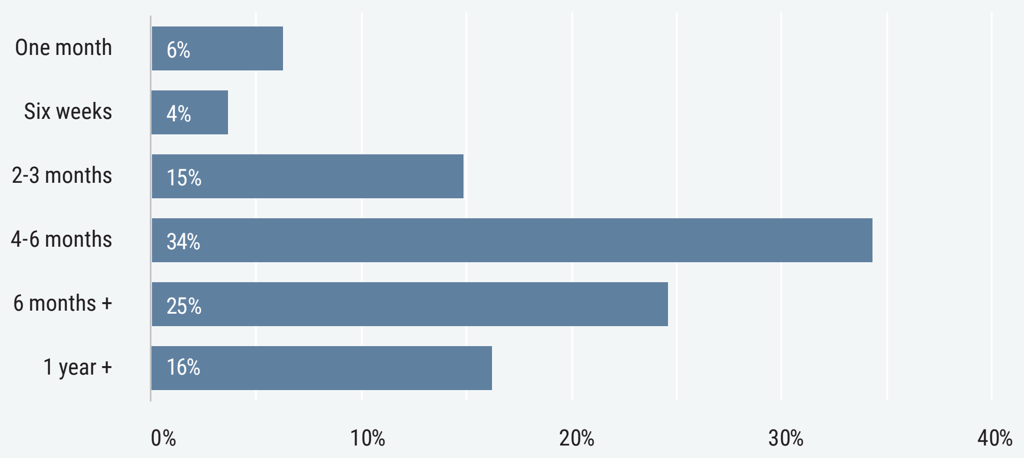
We're seeing a similar phenomenon in North America, where confidence levels for compliance for both instant payments and ISO 20022 are higher as transitions have only recently kicked off or are yet to migrate. In the US, the Clearing House Payments Company successfully migrated its CHIPS infrastructure in April 2024 , while the Federal Reserve has delayed its planned migration, even though the deadline is coming up in March 2025.

Speed to market stagnation

Since the inception of our annual payments modernisation survey, speed to market has been an ongoing challenge for banks. Our 2022 survey found that, out of all capabilities, bringing in-house developed new products and services to market quickly scored the lowest confidence among banks. While these numbers slightly grew in 2023, we find that this year, speed to market has remained stagnant.

GLOBAL RESPONSE

In what timescale can your organisation bring new products and services to market?



Globally, 41% of respondents can bring to market in less than two months, with the majority of banks needing two to three months to deploy new products. While speed to market is not increasing, it's worthwhile to note that 75% of banks can bring to market in less than three months. According to McKinsey, the average time to market for fintechs is two months, which shows that banks are starting to narrow the gap. These results will become clearer if we look at the regional and institutional size breakdowns.

44%

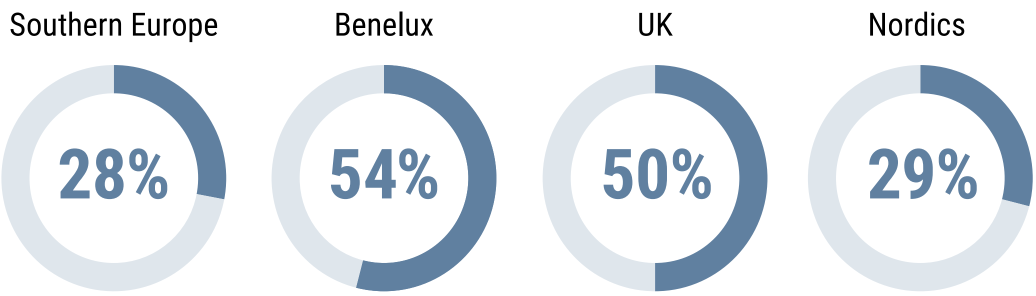
of **North American** respondents can bring to market in 6 weeks or less

42%

of **European** respondents can bring to market in 6 weeks or less

When we break down the responses of different European regions, it's Benelux who can bring to market fastest, while southern Europe brings up the rear. In Southern Europe, which has had lower payments modernisation investment historically, only 28% of banks state they are able to bring to market in six weeks or less.

Banks bringing to market in 6 weeks or less



When it comes to institutional size, it's the Tier 4 banks that can bring to market the fastest. While cost of investment in technology used to be a major factor putting smaller banks (with smaller budgets) at a disadvantage, the rapid modernisation and affordability of new technology seems to allow smaller banks to be more agile and modernise faster than larger banks. Their smaller size gives Tier 4 banks an advantage in being able to update quicker and respond to market trends faster.

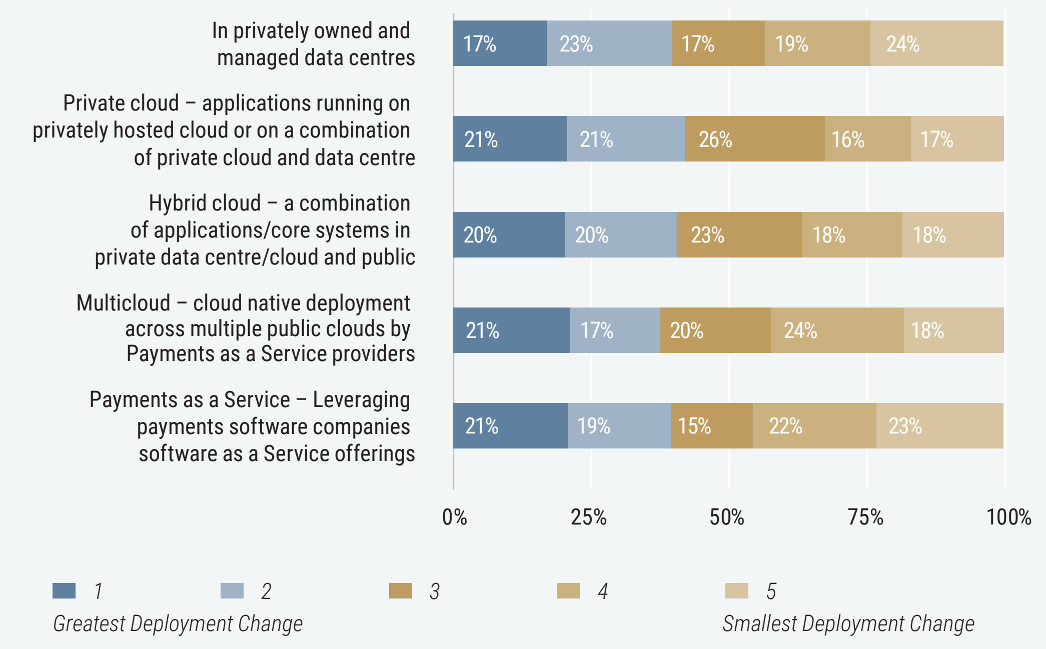
While half of Tier 4 banks can bring to market in six weeks or less, just over one in three Tier 2 and Tier 3 banks can match this speed, with Tier 1 banks being slightly faster (42% of Tier 1 respondents can bring to market in six weeks or less). Additionally to having the largest budgets, Tier 1 banks have learned how to operate at scale, which balances out the low complexity of Tier 4 banks. Meanwhile, Tier 2/3 organisations are stuck between a rock and a hard place. They need to compete with both the bigger and smaller players, while having more complexity than the smaller organisations yet less budget and exactly the same level of compliance as the Tier 1 banks.

05

Payments architecture is more flexible than ever before

GLOBAL RESPONSE

How has deployment infrastructure changed over the last 12 months



When it comes to architecture, banks are more versatile than ever before. As evident in the chart above, when it comes to how banks' architecture has changed over the last 12 months, the results are fairly evenly spread. Year on year, the hierarchy of cloud infrastructure has flattened considerably, and private cloud is no longer a clear leader, with only 21% of banks stating it as the biggest change, compared to 41% in 2023.

These results indicate that, when it comes to architecture, the industry is now seeing a developing model where infrastructure is significantly more flexible, thanks to the cloud and APIs. In today's modern environment, moving away from the mainframe is a less static endeavour. Instead of having to change the entire architecture, banks now seem to choose outsourcing chunks of functionality. And with this increased flexibility comes an increased orchestration of services, so that those that need to be serviced, can be, in the most efficient way – whether it be through more consumption of SaaS, services and microservices, APIs or flexible cloud deployments.

Supporting these findings are the regional results, where the spread of infrastructure deployment changes is far and wide.

Regional rankings of greatest deployment changes:

North America	Europe
1. Private cloud	1. Hybrid cloud
2. Payments as a Service	2. Private cloud
3. Hybrid cloud	3. Multicloud
4. Multicloud	4. Privately owned and managed data centres
5. Privately owned and managed data centres	5. Payments as a Service

European breakdown of greatest deployment changes:

Southern Europe	Benelux	UK	Nordics
1. Hybrid cloud	1. Data centres	1. Hybrid cloud	1. Private cloud
2. Private cloud	2. Private cloud	2. Private cloud	2. Hybrid cloud
3. Data centres	3. Hybrid cloud	3. Multicloud	3. Multicloud
4. PaaS	4. Multicloud	4. PaaS	4. Data centres
5. Multicloud	5. PaaS	5. Data centres	5. PaaS

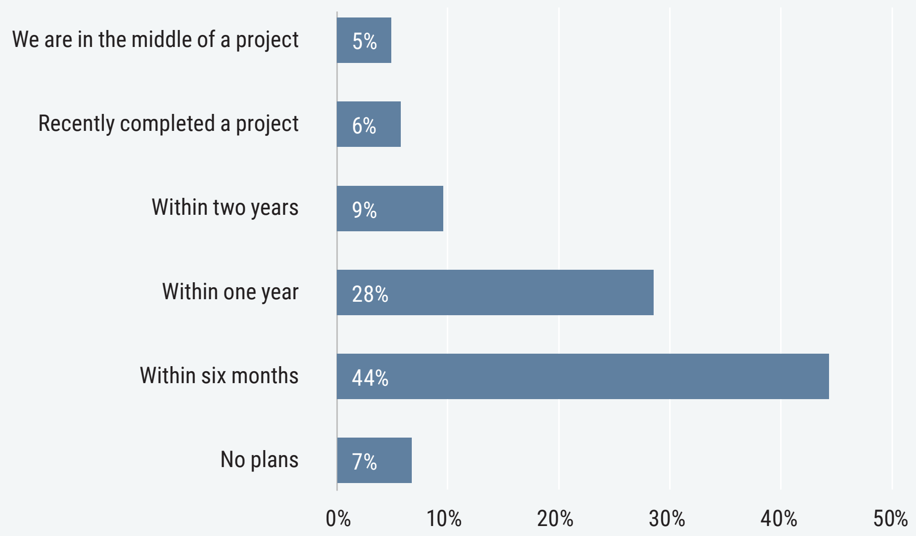
What's worth highlighting here: While PaaS ranks lower in the deployment changes, this does not mean that it is not being adopted. Our 2023 survey found a seismic shift in the market towards outsourcing within one year with a staggering 364% increase compared to 2022. As partner provisions become increasingly common in the space, this year's result simply shows us that there was more internal movement within other cloud types over the last 12 months.

Modernisation is imminent

When it comes to modernisation, most respondents plan to implement imminently, with the majority (44%) planning to replace one or more systems within the next six months and 11% of respondents stating they are either in the middle of a project or have recently completed a project.

GLOBAL RESPONSE

Do you have plans to implement a new payments solution, i.e. the replacement of one or more systems?



These results show little deviation both regionally and by institutional size – with only southern Europe and the Nordics indicating a slightly longer implementation period modernising within one year rather than six months.

66%

of **North American** banks plan to modernise within six months to a year

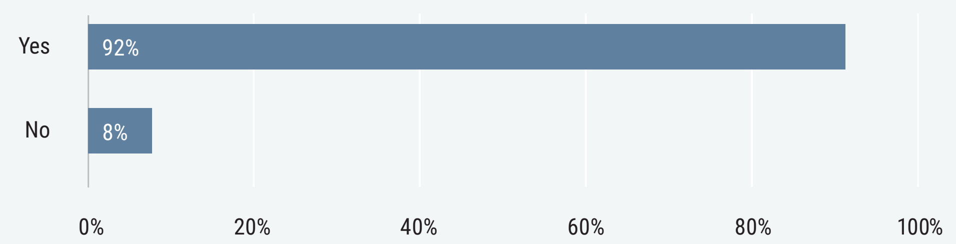
76%

of **European** banks plan to modernise within six months to a year

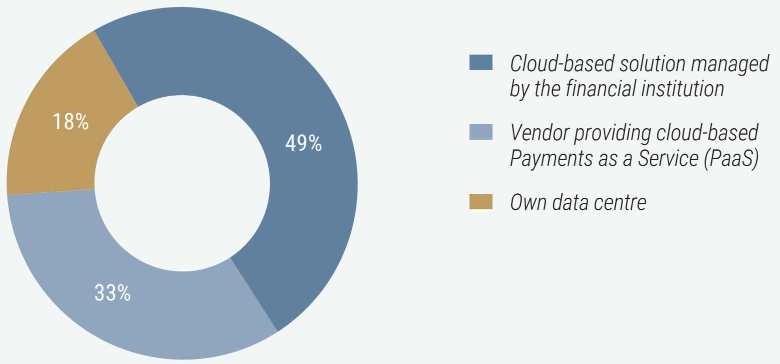
While these numbers largely remain unchanged year over year, the imminent implementation plans indicate a new wave of modernisation, as our 2022 survey found that 59% of respondents were either in the middle of a project or had recently completed a project. With increased regulation coming into the space (e.g., EU Data Act, DORA, EU AI Act), perhaps we are at a tipping point now where banks have some constraints under which to experiment with technology.

GLOBAL RESPONSE

Did or will your payment solution implementation involve a Payments as a Service delivery model?

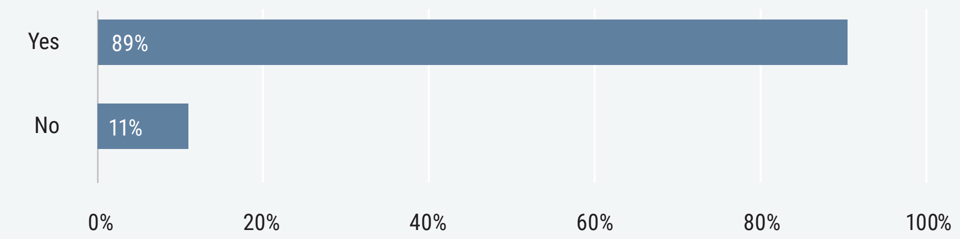


If yes, is your cloud strategy:

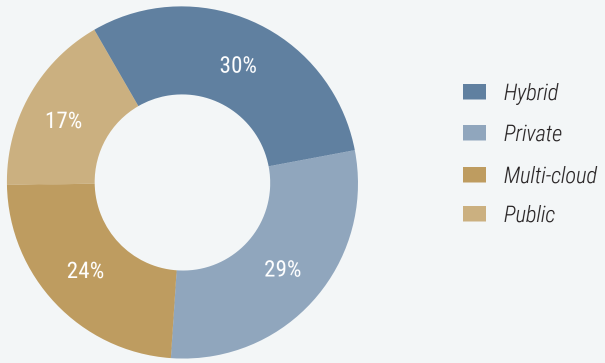


GLOBAL RESPONSE

Did or will your payment solution implementation involve a cloud-based payments infrastructure?



If yes, is it:



The results for the questions centring on implementation types support the earlier findings that show the industry is increasingly gravitating toward a flexible partner-based model. 92% of global respondents state their payment solution implementation will involve a PaaS delivery model (or already is involving a PaaS model). In terms of cloud deployment types, the survey results confirm the increased flexibility around cloud models, with cloud-based payments infrastructure fairly evenly split between private, hybrid and multicloud, and slightly less deployment via public cloud.

Looking at these results under the lens of previous surveys, we can observe the industry's trend to steadily move away from own data centres and private clouds toward hybrid and multicloud environments. What additionally stands out in our 2024 results is that the globally observed splits remain unchanged in all regions and across all institutional sizes. These findings support that, as time goes by, banks are not forced to partner with the cloud oligopoly. Today, there are many more providers in the market, so that banks have the flexibility to partner with smaller providers that can service them for each and every need, when required.

Payments infrastructure split per region

	North America	Europe	Southern Europe	Benelux	UK	Nordics
Hybrid	27%	37%	39%	19%	39%	53%
Private	34%	21%	18%	14%	50%	6%
Public	16%	20%	20%	32%	11%	12%
Multi-cloud	23%	23%	23%	35%	0%	29%

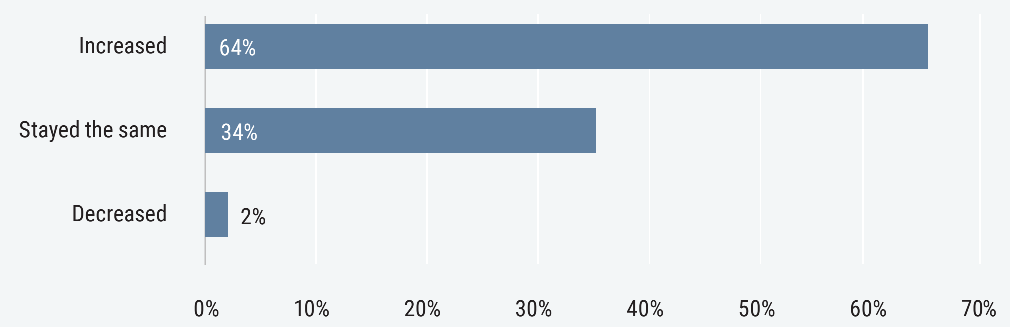
The only region that stands out here is the UK, where none of the respondents have chosen multicloud. A contributing factor here might be the domestic cloud market. In October 2023, **Ofcom** has referred the UK cloud market to Competition and Markets Authority (CMA) for investigation, stating that high fees for transferring data out, committed spend discounts and technical restrictions are making it difficult for business customers to switch cloud provider or use multiple providers. Left unaddressed, Ofcom argues, competition could deteriorate in a critical digital market for the UK economy. This follows an announcement that **UK financial regulators** are looking to assume direct oversight of critical technology suppliers, as fears mount that disruptions at third party sites could have a destabilising effect on the ability of banks to service the wider economy.

06

Budgets and spending priorities focused on the future

GLOBAL RESPONSE

Regarding your organisation's spending priorities for the next twelve months, have budget proportions/allocations for payments modernisation:

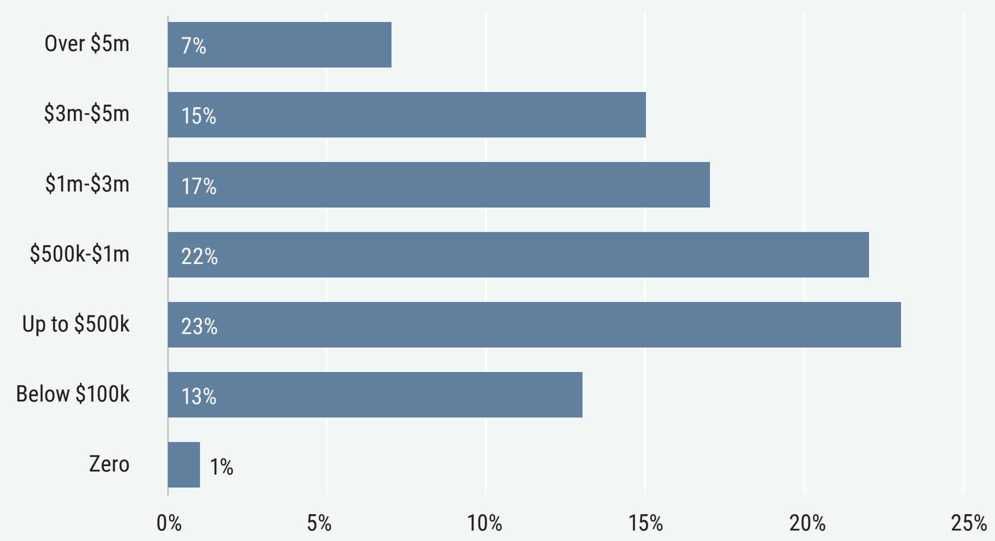


2023 has been coloured by financial constraints around the world. Soaring cost of living, rising inflation and a global tech downturn have been dominating the financial industry. In the UK – a global fintech hub – investment into fintech fell by 34% according to KPMG.

Considering these circumstances, 64% of respondents still indicate that their budgets will increase over the next 12 months, and 34% state their budgets will stay the same. While we have seen larger increases in in 2023 (with 72% indicating increased budgets and 26% indicating stagnant budgets), it is encouraging to see that globally, the drive toward modernisation continue to increase even in the face of macroeconomic uncertainty – across all regions and institutional sizes.

GLOBAL RESPONSE

In terms of budget allowance, please indicate the level of commitment you expect your organisation to allocate to payments modernisation over the next twelve months:

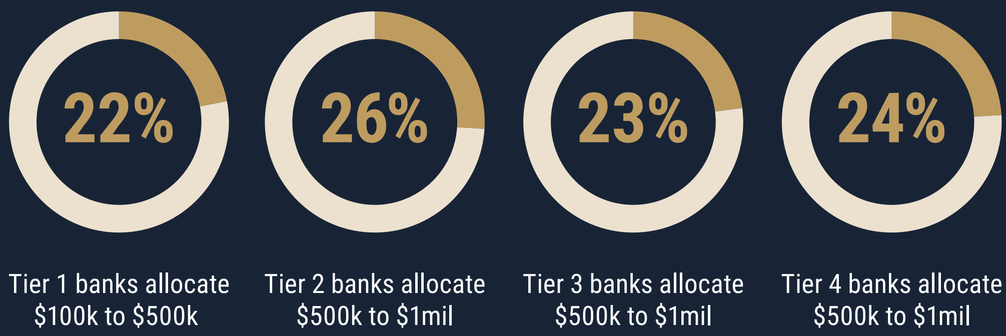


But while we've seen that budgets toward payment modernisation are increasing, it's evident that they aren't increasing by much. When it comes to budget allowances, our survey finds that 45% of banks intend on investing between $100k - $1 million on new spend toward payments modernisation, while 33% will allocate between $1 million and $5 million, and 7% intend to spend over $5 million. Budget constraints become evident as the majority of banks indicate they will allocate new spend of less than $1 million towards payment modernisation.

22% of **Tier 4 banks** are planning to **invest** over **$5 million** toward **payments modernisation**, compared to only **13%** of **Tier 1 banks**

The results become even more interesting as we break them down by institutional size. Surprisingly, 22% of Tier 4 banks are planning to invest over $5 million toward payments modernisation, compared to only 13% of Tier 1 banks (and 2% and 4% for Tier 2 and Tier 3 banks respectively). Similar to our findings when it came to speed to market, Tier 4 banks again show that they are not burdened by the same constraints as larger banks and can more easily direct new spend towards modernisation.

Majority additional year-on-year spend for payments modernisation



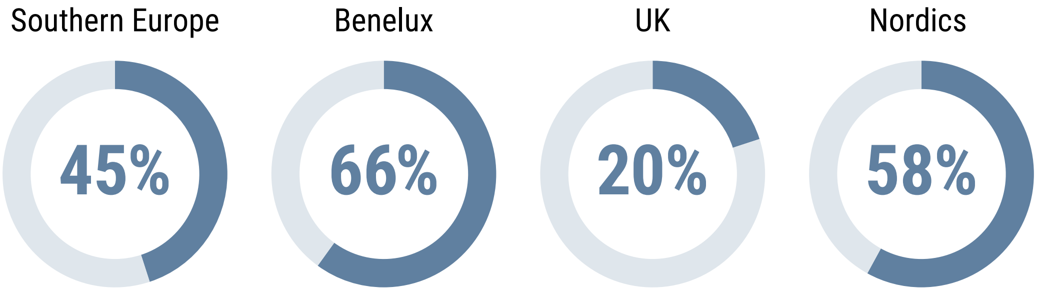
Additional budget allocation breakdown per region

	North America	Europe	Southern Europe	Benelux	UK	Nordics
Zero	1%	1%	2%	2%	0%	0%
Below $100k	7%	20%	13%	**32%**	0%	**29%**
Up to $500k	19%	**28%**	**30%**	**32%**	20%	**29%**
$500k-$1m	**30%**	15%	15%	10%	20%	6%
$1m-$3m	17%	16%	25%	8%	10%	24%
$3m-$5m	15%	14%	11%	12%	**30%**	6%
Over $5m	10%	6%	4%	4%	20%	6%

If we look at regional budgets, we can see that North American banks have a higher additional year-on-year allowance for payments modernisation, with 72% of North American banks planning to invest over $500k, compared with only 51% of European banks.

Breaking this down further into European regions, it's the UK that stands out with half of banks planning to spend more than $1 million. As budgets across the UK tend to be higher with London being the fintech capital of the world, this does not come as a surprise – yet what does come as a surprise is the relatively low budget allocations across Benelux and the Nordics.

Percentage of banks spending less than $500k on payments modernisation

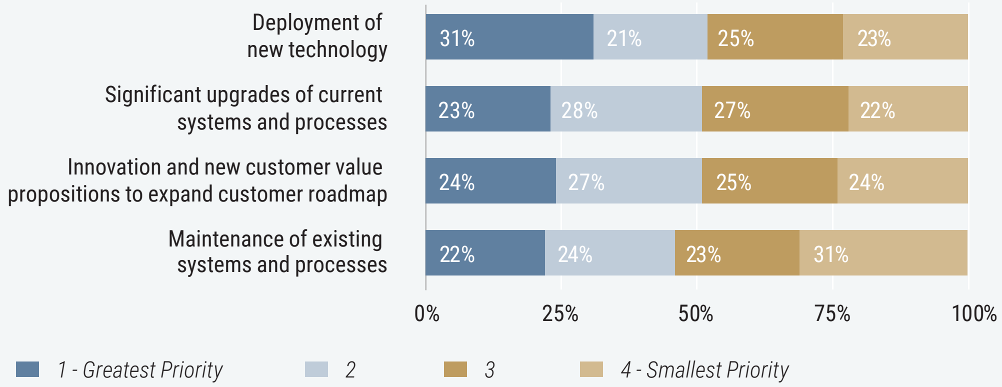


Arguably, banks across Benelux and the Nordic regions have already taken bigger strides towards modernisation compared to banks across Southern Europe, which would explain why they are, on average, allocating less new spend towards modernisation – but so is the UK. Modernisation throughout the UK could be considered equally advanced, yet the largest chunk of UK banks (30%) is allocating $3-5 million towards modernisation. In the past, the Nordics were leading before when it came to innovation, but with P27 having failed, the focus may have shifted to domestic progress.

In terms of where these budgets are allocated, the greatest global priority is the deployment of new technologies, followed by significant upgrades of current systems as well as innovation. Maintenance of existing systems takes the lowest priority, perhaps unsurprisingly as banks continue the push to phase out legacy systems.

GLOBAL RESPONSE

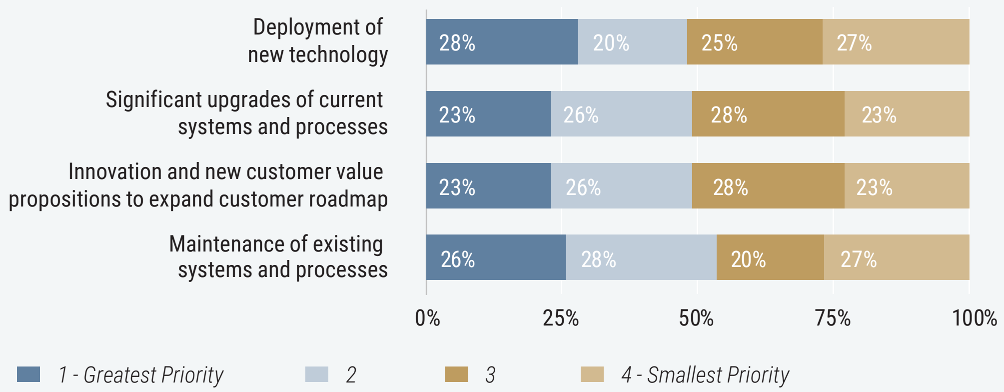
Regarding your organisation's payments modernisation budget priorities



While the global results align with spending priorities across North America, European responses differ from the global sentiment. Yet, while maintenance of existing systems and processes ranks as the highest priority for European banks, it is noteworthy to point out that results are very evenly spread across all four areas, as evident in the chart below. In order to succeed, banks are looking to maintain, deploy, upgrade and innovate at the same time.

EUROPEAN RESPONSE

Regarding your organisation's payments modernisation budget priorities



If we look closer at the European regions, we find that the focus in Southern Europe lies in innovation and new customer value propositions to expand the customer roadmap. Banks in Benelux prioritise significant upgrades of current systems and processes, while respondents in the UK and the Nordics focus on the deployment of new technologies. And while the main priorities across the regions vary, maintenance of existing systems and processes consistently ranks second, which is why it ranks as the overall main priority across all of Europe. These results just reiterate that technology is cyclical – banks cannot maintain without using new technologies, and they cannot give the customers what they want without upgrading. Striking a balance between deploying, maintaining and innovating is a common theme globally – it just takes different shape across regions.

07

Factors driving modernisation

When we look at the budgets and areas of modernisation, it's important to consider the underlying factors that are driving the spending and allocation plans – both client and market driven.

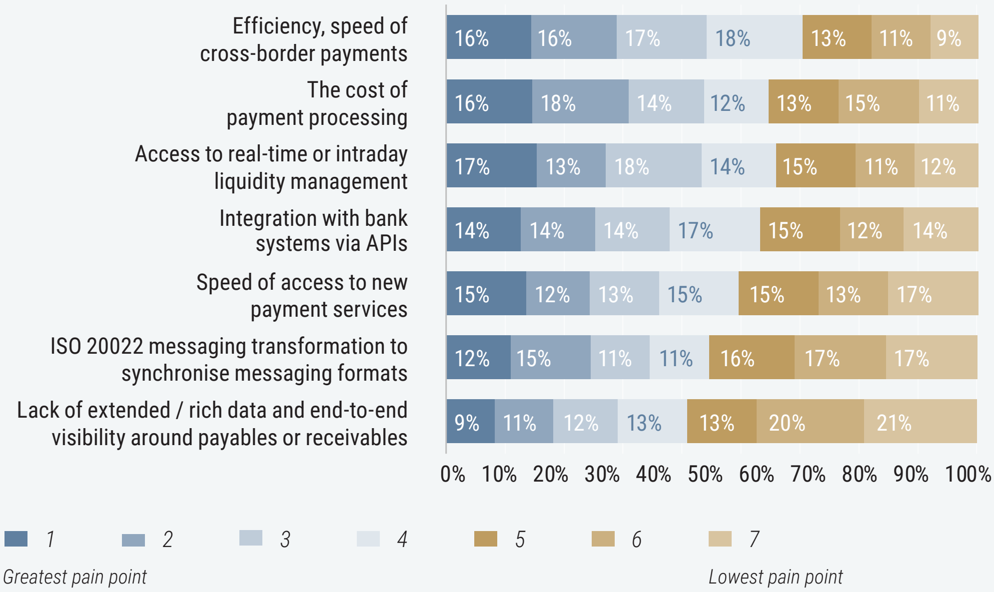
Top three customer pain points

1. Efficiency and speed of cross-border payments
2. The cost of payment processing
3. Access to real-time or intraday liquidity

Going back to our first Payments Modernisation survey in 2021, it is noteworthy that the top three customer pain points have remained the same for the past four years. The only subtle shift over the last couple of years is that the speed and efficiency of cross-border payments in gaining more urgency, as year on year – from 2021 all the way to 2024 – we can see the impact of cross-border payments felt more keenly by banks globally.

GLOBAL RESPONSE

What are the biggest pain points you hear about from your customers?



It's clear that what the customer wants is speed – speed of cross-border payments as well as speed to market of new products. Cost is the second priority, yet we have seen in earlier results that there is a lack of investment into new partnerships, technology and products, which is detrimental the progress of cheap payments processing. Our 2024 results show that banks may be stuck between a rock and a hard place – wanting processing to be cheaper yet unwilling to allocate higher spend to make it more efficient.

Access to real-time or intraday liquidity is another aspect that banks have been struggling with for the past few years, with 17% of respondents still stating it as the number pain point for their customers in 2024. Looking to the future, we can expect that the increased uptake of instant payments will help to address this issue. Instant payments provide the ability to manage liquidity in real time – 24/7, 365 days a year. On top of that, the extended ISO 20022 data set instant payments allows for supply chain data to travel with the payment, reducing end-of-day reconciliation effort. So, while instant payments are not necessary a pain point for customers, banks have the opportunity to address this issue by upscaling their efforts into providing instant payment value-added services for intraday liquidity management.

Regional ranking of customer pain points

	North America	Europe	Southern Europe	Benelux	UK	Nordics
Efficiency, speed of cross border payments	1	2	1	1	3	7
The cost of payment processing	2	4	4	4	6	2
Access to real-time or intraday liquidity management	3	1	2	2	5	3
Integration with bank systems via API	4	5	3	5	2	4
Speed of access to new payment services	5	6	6	6	4	6
ISO 20022 messaging transformation to synchronise messaging formats	7	3	5	3	1	1
Lack of extended/rich data and end-to-end visibility around payables or receivables	6	7	7	7	7	5

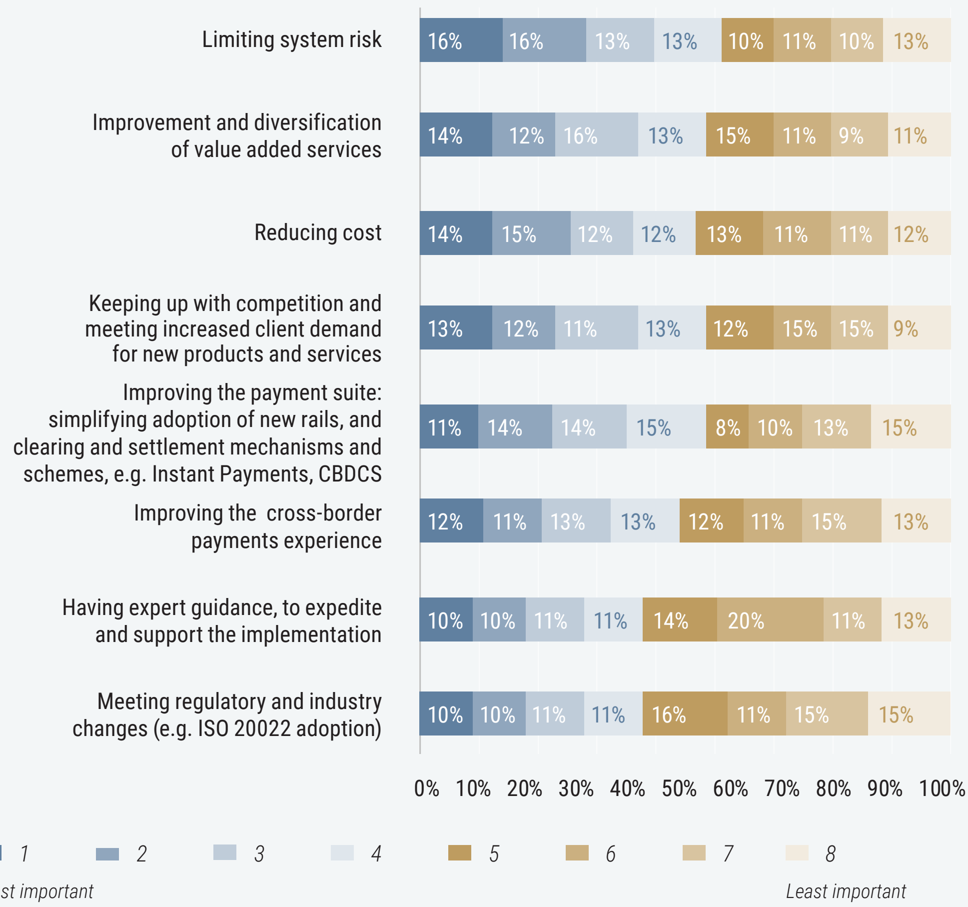
When we look at the regional split of perceived customer pain points, we can see a similar split overall – the biggest outlier being the Nordics. While the efficiency and speed of cross-border payments ranks in the top three for all other regions, the Nordics rank it at the very bottom of the list with more than half of respondents assigning it in the bottom three pain points.

Another outlier is that both the Nordics and the UK see ISO 20022 messaging as their customers' main pain point, while it ranks overall third across all European regions. Similar to capabilities, we can likely assign this to the fact that in Europe, the migration towards ISO 20022 has started. As customers are yet to complete internal transitions, the effects and hitches of transition are more keenly felt in Europe than in North America, where the migration of CHIPS and the Federal Reserve are only scheduled to take place in 2024 and 2025 respectively.

Similarly, ISO 20022 is a bigger pain point for Tier 1 banks, who place it in second position, compared to Tier 2-4 banks who consistently rank it in the bottom three. It's worth noting, with the EU Instant Payments regulation and the global deadline for ISO 20022 coming up, we are likely to see a big jump in these results in future surveys. By 2026, we expect respondents to indicate the cross-border payments are very efficient and fast thanks to mandated standardisation and harmonisation. Another related point is that, without ISO 20022, we don't have end to end processing of payment instructions. ISO 20022 will result in more precise data, which will allow for more analysis, which will allow for more accurate decision making. But this year's responses show that a lot needs to change before we get there.

GLOBAL RESPONSE

Which of the following are leading or would lead your organisation to invest in payments system modernisation?



We have already looked at the areas of budget allocation when it comes to payments modernisation, but when we shift the focus towards the underlying factors driving the momentum, we can see that – while results are quite evenly split – limiting system risk is the highest priority for global banks when it comes to their payments infrastructure.

We have seen earlier that payments architecture is more flexible than ever before, as innovation drives more and more banks to be able to diversify services and infrastructures throughout various deployment types and outsourcing opportunities. Yet as finance becomes increasingly digital, the potential risk increases accordingly.

According to Nasdaq, global losses from scams and bank fraud schemes reached a stunning $485 billion in 2023. On top of that, Kroll's 2023 Fraud and Financial Crime Report found that 70% of global executives and risk professionals expect financial crime risks to increase. In the face of rising fraud risk and losses, it comes as no surprise that banks globally see limiting risk as their primary factor driving payments innovation.

It is also noteworthy to point out that, while we have seen earlier that banks have low confidence in their ability to efficiently deliver compliance with ISO 20022 messaging standards, and ISO 20022 also creeps up as one of the main customer pain points in Europe, 'Meeting regulatory and industry changes (e.g., ISO 20022 adoption)' ranks at the bottom of the list of factors leading banks to invest in payments modernisation.

Yet, this does not come as a surprise if we look at it from a holistic perspective. Considering the potential consequences of financial crime versus poor compliance, the losses associated with financial crime win every time. Limiting system risk is essential to combat the potential cost of fraud, scalability challenges or payment system outages, and compared to these scenarios, banks are not willing to spend as much money on meeting compliance – which translates into spending the amount necessary to deliver the minimum capabilities required by both customers and regulation (as we have observed in question 1 regarding the organisation's capabilities), but not much more. The only exceptions to this ranking are banks in the UK and the Nordics. Similarly to customer pain points, both regions rank 'meeting regulatory compliance and industry changes' in the top two factors driving investment into payments modernisation.

Coming back to the global results, we can see that, once the system risk is addressed, banks increasingly focus their investment prioritisations on improving the customer experience. Improvement and diversification of value-added services, keeping up with competition and meeting increased client demand for new products and services rank in the top four.

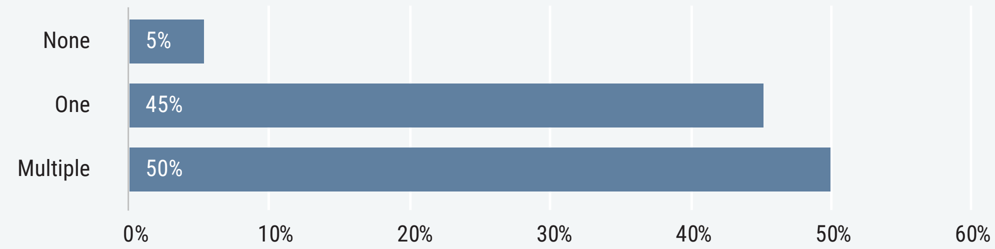
Though it needs to be highlighted that, while these are the main priorities, the responses overall are fairly evenly distributed. Similar to what we have seen for the priorities for budget allocation, it is clear in this section that banks cannot address one aspect of payments modernisation without taking into account the others. The interdependencies matter – banks want to lower cost, but they cannot increase risk. They want to meet regulatory requirements and provide more value-added services, but they cannot increase cost to do so (as cost is one of the top customer pain points).

08

Global drive towards cross-border payments

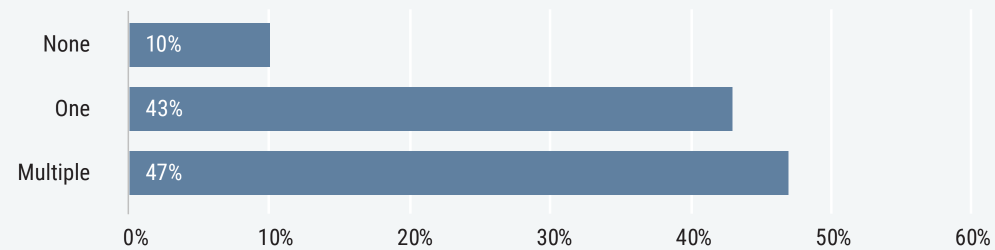
GLOBAL RESPONSE

How many domestic real time networks does your organisation connect to currently?

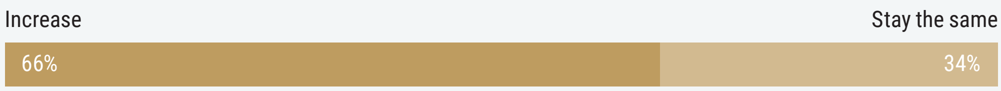


In the next 12 months how will this change?

How many intra-regional or global real time payment networks does your organisation connect to currently?



In the next 12 months how will this change?



Examining the connectivity of banks, we do not see a significant change globally compared to last year's results. The majority of banks connect to multiple domestic and intra-rail networks, and they expect the number of connected networks to increase over the next year.

Breakdown per region

If we break these results down per region, we can see that North American banks have added additional domestic real-time networks, reflecting the increased adoption of FedNow, which launched in summer of 2023.

North American responses

	2023	2024
Connected to 1 domestic real-time network	52%	43%
Connected to multiple domestic real-time networks	44%	54%

Looking towards Europe, we can observe the opposite pattern, though less pronounced. While in 2023, the slight majority of banks connected to multiple domestic real-time networks, in 2024, the majority of banks connects to only one network.

European responses

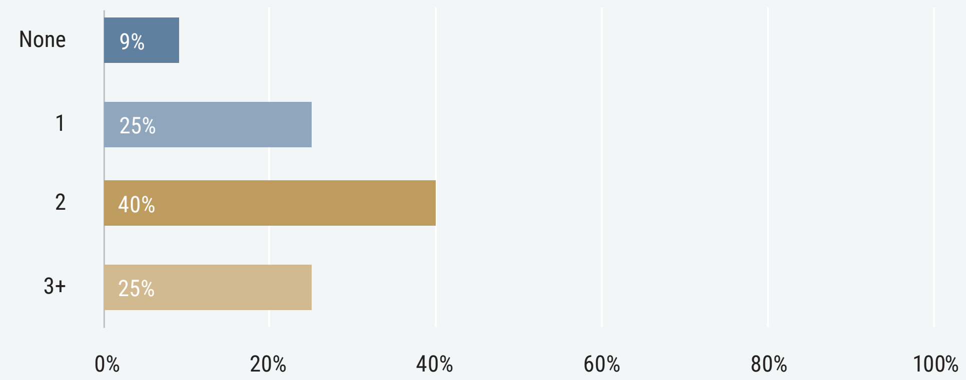
	2023	2024
Connected to 1 domestic real-time network	43%	52%
Connected to multiple domestic real-time networks	47%	40%

Looking towards cross-border networks, we see a very even split between banks connecting to one or multiple intra-regional real-time payment networks, with little variation year over year – both across North America and Europe as well as globally.

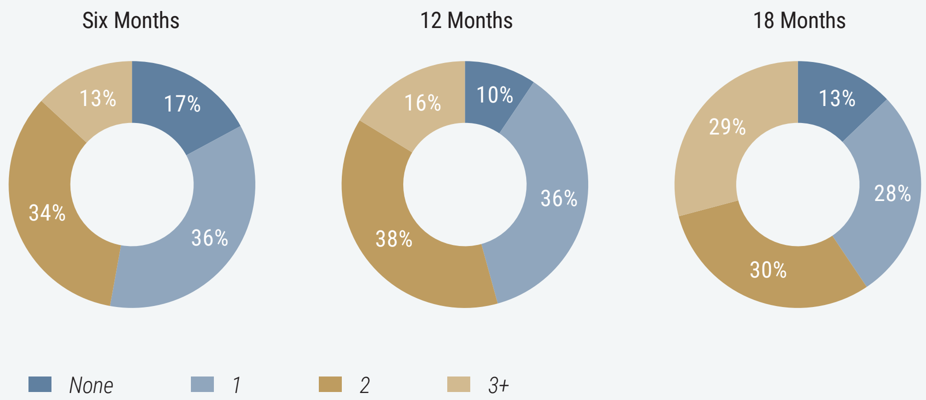
Following up on the cross-border real-time networks in more detail, we find that most banks (40%) globally connect to two additional networks outside of SWIFT.

GLOBAL RESPONSE

In addition to SWIFT, how many cross-border payment networks do you regularly offer customers access to?



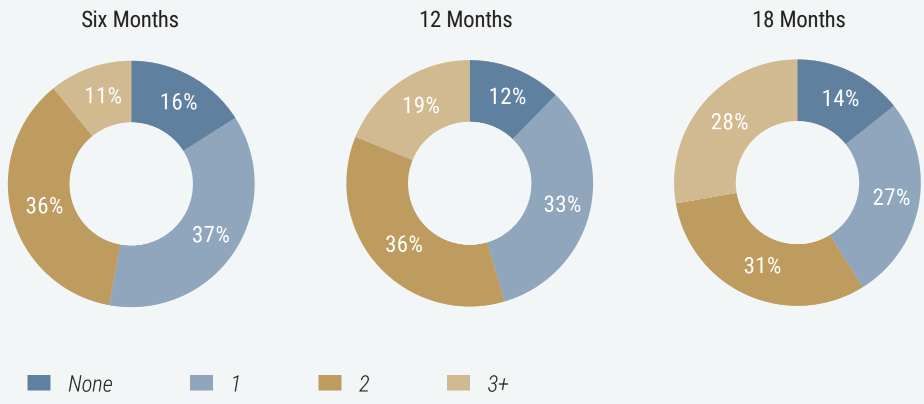
How many additional cross-border networks does your organisation plan to add in the next:



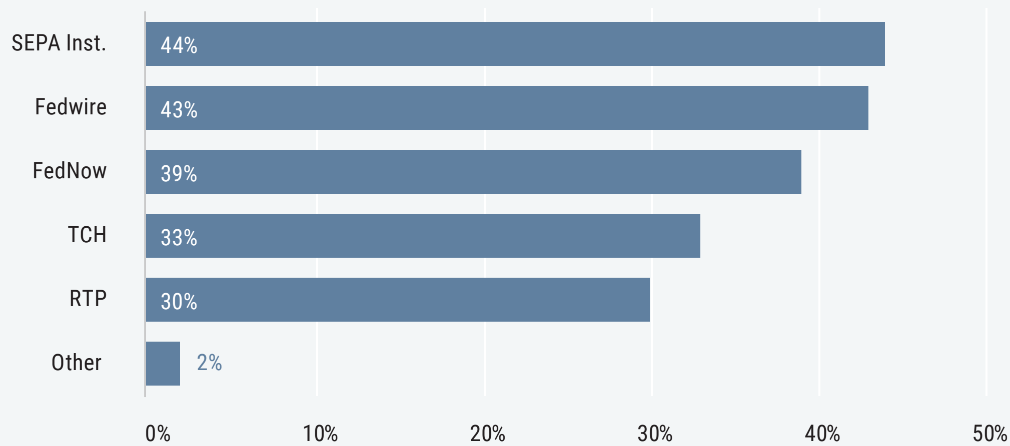
Considering implementation plans, we can see there is a clear interest of banks globally to add cross-border real-time networks. 90% of respondents indicate that they are planning to add at least one additional intra-regional network over the next 12 months. 30% of respondents even plan to add three or more new intra-regional networks over the next 18 months.

GLOBAL RESPONSE

How many different payment/clearing methods/rails does your organisation plan to add and/or change in the next:



Which payment rails specifically



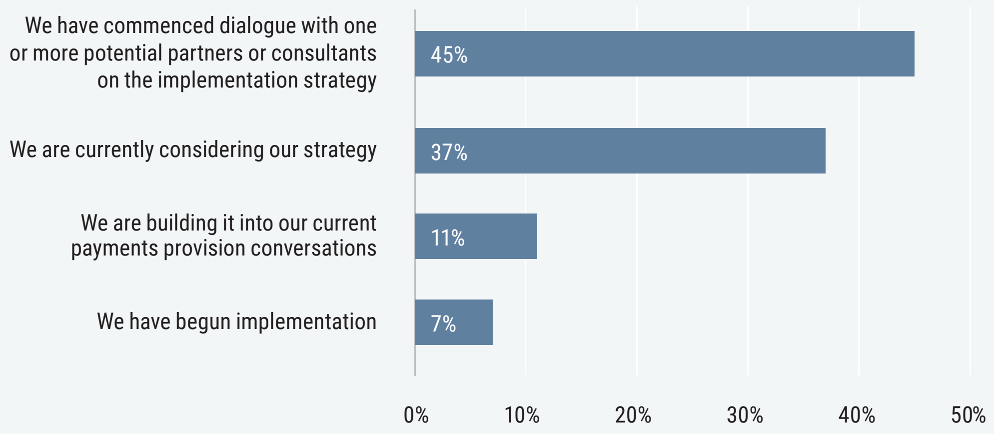
When it comes to which rails banks were planning to add specifically, the most popular options, perhaps unsurprisingly, are SEPA Inst. and Fedwire, as banks prepare to adhere to both the EU instant payments regulation in 2024 as well as prepare to comply with ISO 20022.

Regional breakdowns:

North America	Europe	Southern Europe	Benelux	UK	Nordics
1. TCH 38%	1. SEPA Inst 53%	1. SEPA Inst. 57%	1. SEPA 62%	1. FedNow 50%	1. Fedwire 71%
2. Fedwire 38%	2. Fedwire 44%	2. Fedwire 34%	2. Fedwire 48%	2. Fedwire 40%	2. TCH 59%
3. FedNow 37%	3. FedNow 35%	3. FedNow 26%	3. FedNow 32%	3. SEPA 35%	3. FedNow 47%
4. SEPA Inst 34%	4. RTP 28%	4. TCH 26%	4. RTP 30%	4. TCH 30%	4. RTP 47%
5. RTP 31%	5. TCH 24%	5. RTP 23%	5. TCH 14%	5. RTP 25%	5. SEPA 41%
6. Other 1%	6. Other 0%	6. Other 0%	6. Other 0%	6. Other 0%	6. Other 0%

GLOBAL RESPONSE

Regarding these implementation plans, which of the following statements is most true:



When it comes to actual implementation plans for the addition of new networks, the majority of banks globally have commenced dialogue with one or more potential partners or consultants on the implementation strategy, but only a minor number of banks (7%) have begun implementation.

This pattern can be similarly observed in different regions, with the UK as the only exception with a split of 50% that are still considering strategy and 50% of banks which have commenced dialogue with potential partners.

09 Conclusion

Reflecting on the results of the 2024 survey and comparing it to previous years, it is evident that when it comes to payments modernisation, speed is the number one priority across the board. Yesterday is too late for change, whether it's the speed of payments or the speed to market. In order to provide customers with faster services, organisations will need to spend, and there are more cost-efficient ways of modernisation now.

But success can only be achieved with partnerships. Our survey shows that banks' architecture is more flexible than ever, likely due to the whole ecosystem of providers that are in the market today. 92% of banks today use or are planning to use a Payments as a Service model, with one out of three banks indicating they will use a vendor-based PaaS solution, highlighting the importance of partnerships in the financial services space.

It is also worth noting that confidence seems to play a big role in how banks modernise their payments infrastructure. If banks are not confident enough to try something new because of customer expectations, they could wait until regulation catches up, but by then it will likely be too late. Already, we can see in this year's results that smaller banks are more agile – bringing to market faster and being more flexible when it comes to budget allocation. It will be interesting to observe how this develops over the next couple of years, and what threat they may pose to Tier 1 banks.

Lastly, regulation and compliance are a big topic in 2024. Banks are not willing to allocate big budgets towards hitting compliance, and confidence levels are correspondingly low. Yet the deadlines are getting closer, and the fact of the matter is that banks need to modernise to work towards global standardisation and harmonisation. As we near domestic migrations to ISO 20022 this year, it'll be interesting to see how readiness and confidence levels regarding their organisations' capabilities develop year on year.

10
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