Bottomline

Fourth Annual The Future of Competitive Advantage in Banking & Payments

2024 GLOBAL REPORT

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"Thought-provoking questions, and I appreciated seeing the total results by question and how my opinion compared to the rest of the respondents."

–Olimpia Modorcea, Euronet Worldwide

"Bottomline's The Future of Competitive Advantage in Banking and Payments Global Report is an unmatched resource in the financial services industry. The amount of data and insights is nothing short of incredible. The research is designed to provide banks and financial institutions with insights into their corporate customers' priorities and pain points to help them better meet those needs. The truly unique feature is the ability to take their survey about operational practices and results and instantly see how your answers compare to your peer group of financial institutions. I highly recommend it!"

–George Ravich, Ravco Marketing, LLC

About This Report

The results are in from almost four hundred banking and non-banking financial institution players across Treasury, Fraud, Operations, Innovation, Product, and Technical Implementation at C-Level in 32 countries globally. The breakdown by region is as follows: 52% APAC, 20% Europe, 11% North America, 8% UK, 9% Middle East, LATAM, and Africa.

Across 12 insights, get instant visibility on how your strategy and pain points compare with your peers in banking and payments. How do you measure up in meeting customer expectations and in your digital payments modernization strategy?

Now in its fourth year, this report is built on a peer-based, real-time comparison benchmarking survey to see how executives and their companies are meeting customer expectations and progressing towards achieving their digital payments transformation strategy. Topics covered include real-time/instant payments, cross-border payments, ISO 20022 messaging, transitioning from on-premise to SaaS, compliance and regulation, cash positioning and fraud monitoring, and payments verification.

Why This Report is Worth Reading

Banks and financial institutions need to take advantage of the opportunity to compare their strategic priorities, product roadmaps, and plans for future innovation with their peers. In the process, they can discover the technology trends the industry is prioritizing and align with themes.

This report will help you gauge if your financial institution is on track to maximize on the changes impacting the payments ecosystem and accelerate your digital payments transformation strategy today – that is where true competitive advantage can be leveraged.

Key Statistics:

40%

of financial institutions globally say their key pain point and limitation with their current payments infrastructure is legacy systems being an obstacle to keeping pace with industry changes and regulations in a speedy and efficient way

44%

of financial institutions globally said that SaaS would help to improve their operational efficiency for scalability, 41% end-to-end operational efficiency, and 39% 'speed to market'

40%

of financial institutions globally said mitigating payment fraud risk, 32% jointly chose adopting new payment rails such as real-time payments, and hitting compliance and regulatory deadlines were their top product roadmap priorities over the next 12 months

52%

of financial institutions globally said their top priority to meet corporate customer expectations over the next 12 months was ensuring business services (E.g., online banking, Host2Host) are accessible, efficient, reliable, and secure

52%

say ensuring business services (E.g., online banking, Host2Host) are accessible, efficient, reliable, and secure is their top priority to meet customer expectations

7%

of financial institutions globally think that remaining compliant with industry mandates won't be a problem over the next 12 months, with 85% saying it will be very or significantly hard,

66%

think that having access to functionality to gain full cash visibility and real-time balance is most essential for cash positioning and reporting

48%

agree that the main benefits of ISO 20022 Native will be improved transparency and better fraud monitoring and management, with 33% choosing the ability to leverage structured/enhanced data

15%

said that the greatest pain point when sending cross-border payments was slow or unknown speed of arrival

30%

rank legacy infrastructure as the most significant barrier to the adoption of real-time/instant payments

Insight 1:

What are the key pain points and limitations that you face with your current payment infrastructure?

Legacy systems being an obstacle to keeping pace with industry changes and regulations in a speedy and efficient way:
40%

Lack of operational efficiency:
11%

Siloed infrastructure across business lines:
10%

Navigating and integrating with existing internal infrastructure (e.g. core banking):
6%

Scalability:
8%

Seamless access to multiple payment rails:
9%

Limited in-house IT resources:
9%

Testing and implementation of infrastructure updates and upgrades:
3%

Inability to meet corporate customer demand for detailed payment and associated remittance data:
4%

	2024	2023	2022
Legacy systems	40%	30%	27%
Lack of operational efficiency	11%	19%	17%
Siloed infrastructure across business lines	10%	New	New
Seamless access to multiple rails	9%	12%	12%
Limited in-house IT resources	9%	12%	13%
Scalability	8%	11%	8%
Navigating and integrating internal infrastructure	6%	16%	23%
Inability to meet corporate customer demand...	4%	New	New
Testing and implementation of infrastructure updates...	3%	New	New

The additional and varied options in the poll reflect the evolving payments landscape. However, the overarching themes remain the same.

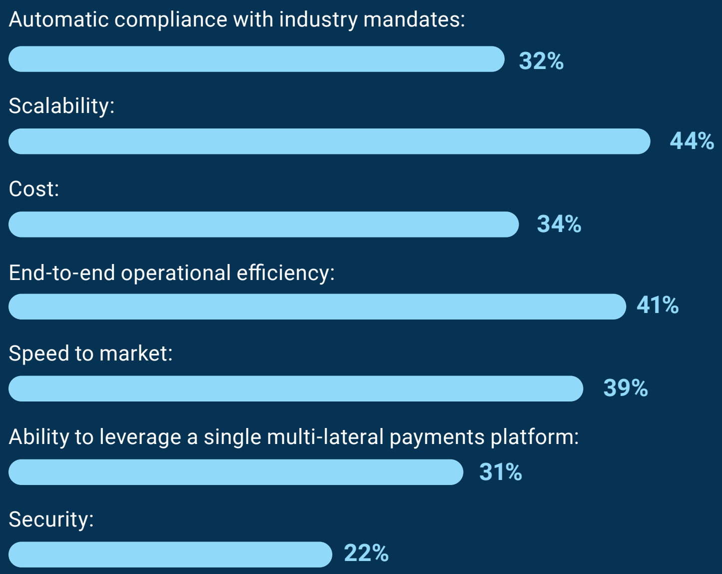
Legacy systems continue to be the key pain point for banks and financial institutions, with an increase of 10% from 2023 and 13% in 2022. This is indicative of the fast pace of change within payments that has arisen from increasing customer expectations, more focus on digital banking, and, of course, regulatory mandates. Legacy systems are simply not fit for purpose when you have tight timelines, busy development roadmaps, and a plethora of new initiatives to keep pace with. financial institutions need to have the ability to scale and rely on agility to have speed to market. Additional supporting material from MoneyLive North America 2024's attendee survey reveals the following extremely important factors financial institutions consider when transforming legacy systems – 73% compliance, 65% operational resilience and security, 45% growth and scalability, 40% quicker time to market or product development, 37% streamlining processes and architectures, and 32% system maintenance and cost management.

In fact, 44% of banks and financial institutions are planning to replace one or more systems within the next six months, and 50+% say their budgets for payments modernization will increase over the next 12 months. 72% of North American banks plan to make additional investments of $500k, compared to only 51% of European banks. Nine out of 10 respondents indicate that their payment solution implementation will include a PaaS delivery model that leverages payment software companies' solutions for efficiency and speed to market according to the Volante Big Modernization Survey – July 2024

On a positive note, we suspect that the 8% lower percentage for lack of operational efficiency and interoperability between internal systems may well be a direct result of financial institutions leveraging ISO 20022 with its rich, structured, enhanced, and interoperable data.

Insight 2:

How will SaaS help improve your operational efficiency?



60% had a strong (38%) or extremely strong (22%) appetite for transitioning to a single SaaS-based platform in 2023, and 23% of respondents said that they were sceptical (17%) or highly skeptical (6%) of their current financial institutions' digital payments transformation strategy. SaaS adoption within the banking, financial, and insurance services is expected to grow from $54 billion in 2022 to more than $130 billion in 2027. 66% of North American banks plan to modernize within 6 months to a year versus 76% of those in Europe. To break this down even further, Volante Big Modernization Survey – July 2024 says that 22% of Tier 4 banks are planning to invest $5 million towards payments modernization compared to only 13% of Tier 1 banks.

So, this year, the obvious question to ask was what they think the key benefits of SaaS are and how they will solve the main pain points. Scalability is seen as the biggest benefit of transitioning to SaaS. This corresponds with the top response in insight one, where 40% identified legacy systems as an obstacle to keeping pace with industry changes and regulations quickly and efficiently. The truth is that all the benefits are integrated and valid.

Let’s take the Digital Operational Resilience Act in the European Union on 17 January and the Financial Conduct Authority’s Operational Resilience Requirements deadline on 31 March 2025 as examples of why regulation and industry change can also be tied into the 41% who selected end-to-end operational efficiency as the key benefit of SaaS. Both regulations mean that financial institutions need to be laser-focused on embedding operational resilience across their whole ecosystem and operations, as well as managing third-party risk. The easiest way to do this is by leveraging a unified SaaS platform, which will enable financial institutions to integrate and streamline processes and focus on continuous improvements to regularly review, test, and update their resilience strategies to adapt to new threats, regulatory changes, and business evolution. This is why we are surprised that security scored so low at 22%, given the emphasis on reducing APP Fraud with pre-verification and minimizing system risk as part of operational resiliency and improved operational efficiency.

Insight 3:

Which of the following are the top priorities on your product roadmap over the next 12 months?

	2024	2023	2022
Mitigating payment fraud risk	40%	45%	53%
Adopting new payments rails such as real-time payments	32%	51%	55%
Hitting compliance & regulatory deadlines	32%	29%	37%
Replacing legacy infrastructure to improve operational...	25%	34%	45%
Creating new revenue streams using digital overlays	24%	39%	44%
Updating cross border payments strategy	23%	37%	42%
Improving cash forecasting & liquidity management	17%	22%	30%
Freeing up in-house IT resources to enhance the customer...	12%	21%	25%
Adopting more solutions from the Swift Essentials	11%	New	New
Migrating to cloud or SaaS technology	10%	18%	29%
Getting ready for pre-verification - CoP, VoP, BAV	7%	New	New

Mitigating fraud risk has regained the top ranking after being pipped at the post by adopting new payment rails, such as real-time payments, in 2023. No wonder when 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. Initially, you would think this is linked to the emphasis being placed on verification of payments, which is designed to reduce Automated Push Payment (APP) Fraud. However, getting ready for pre-verification, such as CoP, VoP, and BAV, ranked last with just 7%. This is very surprising when you consider the consequences of non-compliance, which are disintermediation, heavy fines, and a loss of reputation.

It is also worth highlighting the Mandatory Reimbursement Scheme from the Payment Systems Regulator (PSR), where after 7 October 2024, UK banks will potentially have to refund APP fraud victims up to £85,000 within five days. This marks a significant step in protecting customers from financial fraud. With these rules in place, the industry is encouraged to enhance fraud detection and response, aiming for a consistent and fair experience for all. Most High Street banks and payment companies voluntarily compensate customers who are tricked into sending money to scammers. But in a world first, these refunds will become mandatory from 7 October, the Payment Systems Regulator (PSR) has announced. The watchdog has reduced the maximum compensation from a previous proposal of £415,000. It said the new cap of £85,000 would cover more than 99% of claims. It also announced that once a bank or payment company had refunded a customer, it could claim half back from the financial institution the fraudster used to receive the stolen money. But consumer champion Which? warned there could be "disastrous consequences" because of lowering the cap and called on the regulator to monitor any impact. The number of cases of APP Fraud in the UK rose by 12% to 232,429 in 2023, with losses totaling £459.7m, according to UK Finance.

The maximum refund was slashed after objections from the financial industry that it could cause problems for smaller firms. Out of the almost 250,000 cases in 2023, there were 18 instances of people being scammed for more than £415,000, and 411 instances where they lost more than £85,000, the PSR said. More importantly, from a global perspective, the UK's approach could inspire regulatory bodies around the world to take similar action, E.g., in the US, where the regulatory landscape is much softer and does not mandate reimbursements for victims of fraud.

As regards to adopting real-time payment rails, we suspect that it has moved down the ranks to the 2nd priority as most of the big players have been offering real-time payments for years via UK Faster Payments in 2008 and SEPA in the last 5 years. The biggest concern for SEPA Inst is Verification of Payee anyway which ties back into fraud mitigation. Additionally, those financial institutions that were reticent due to lack of volume and value have been aware of impending regulatory requirements like the European Payment Council's SEPA Inst Mandate for at least 24 months. We have also seen real progress in the US with the launch of FedNow in July 2023, with 700 financial institutions connected.

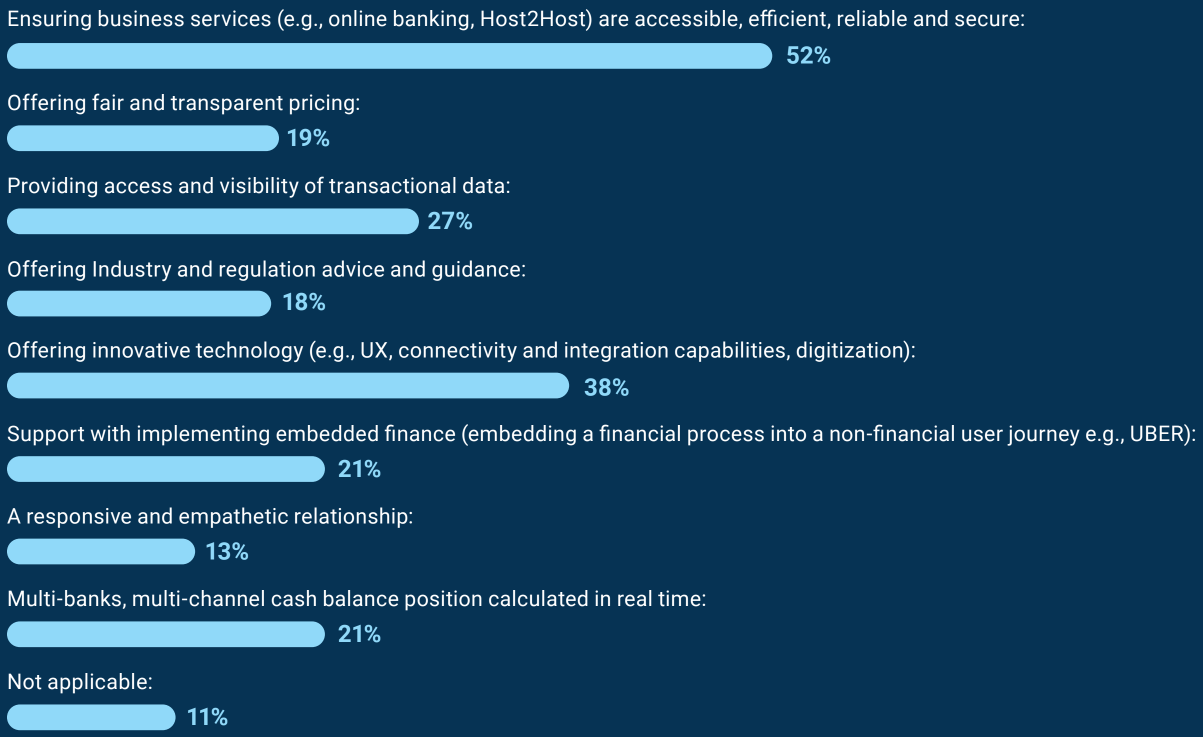
The 14% lower emphasis on updating cross-border strategies in 2024 compared to 2023 could be due to the confidence financial institutions have in ISO 20022 and the Swift Essentials suite, which enables them to meet the G20 2027 cross-border targets. However, the US seemed the least confident as a region.

Both the 9% reduction in replacing legacy infrastructure to improve operational efficiency and the need to free up in-house resources to enhance the customer proposition signals that financial institutions have been very active in upgrading their core infrastructure and improving their functionality to meet customer expectations over the last 12 months. Whether this is due to transitioning to SaaS, leveraging ISO 20022, or outsourcing projects trusted third-party providers is not as important as the fact that boxes are being ticked and payment modernization is happening.

	2024	2023
Ensuring business services are accessible, efficient, reliable...	52%	46%
Offering innovative technology	38%	35%
Providing access and visibility of transactional data	27%	40%
Multi-banks, multi-channel cash balance position calculated...	31%	32%
Support with implementing embedded finance	21%	27%
Offering fair and transparent pricing	19%	27%
Offering Industry and regulation advice and guidance	18%	19%
A responsive and empathetic relationship	13%	22%
Not applicable	9%	10%

Insight 4:

Which services is your financial institution prioritizing to meet your corporate customer expectations and demands over the next 12 months?



Ultimately, the key to competitive advantage for banks and financial institutions is keeping their corporate customers happy and meeting their top three requirements. In 2023, according to Bottomline's Business Payments Barometer, Cash Flow Management came in as the top priority, followed by Innovative Technology and Fraud Mitigation & Ensuring Compliance. However, if we examine the top priorities from the Euromoney Cash Management Survey 2024, which includes responses from over 30,000 corporate treasury and finance professionals, we see that the focus has changed somewhat. The top priority at 27% was Digitization and Automation, followed by Cash and Liquidity Management at 12% and Integration and Connectivity at 5%.

The good news is that the survey results above show real synergy between banks and corporates. Digitization and Automation align with the bank's focus on ensuring business services are accessible, efficient, reliable, and secure.

We also see similarities in cash and liquidity management, integration and connectivity, and AI and machine learning. As regards cash visibility and access to liquidity, we think banks are assuming that this will be delivered through ISO 20022 when corporate customers can self-serve and have an end-to-end view that is interoperable with all their data. The second priority for banks has changed to reflect the corporate customers' demand to improve their customer experience, access new rails, and streamline the integration of new technologies such as AI and machine learning, etc.

We are surprised to see that only 3% of corporates chose cost and pricing and that offering fair and transparent pricing was chosen by 8% fewer bank respondents, particularly given the state of the global economy and the need to drive growth. Additionally, we worry that both financial institutions and corporates have sorely underestimated the importance of having a robust client support model. No more so than in the face of increased regulation, the launch of alternative payments, and real-time becoming ever more present as we celebrate the accelerated adoption of digital banking.

Lastly, we want to tackle the importance of having a responsive and empathetic relationship (13%) which aligns with corporates choosing bank flexibility and agility (1%). Again, we are surprised, and here is why. Essentially, corporates are increasingly driven by delivering strong and effective financial performance. This means that as well as their usual remit of monitoring and ensuring liquidity and carrying out financial transactions, they need to become a 'jack of all trades.' This comes in the form of being able to understand and leverage new technologies such as AI and machine learning and ensure their core banking operational models can deliver the scalability, speed to market, and interoperability required for optimal performance, all while ensuring they are future proof for the many regulatory mandates and compliance target. Therefore, it is vital for banks to truly understand and provide solutions for corporate pain paints. **We truly believe that a way to stand out as a bank is to realize that corporates will reward banks that offer clear, strategic advice, and solutions that are easy to integrate into existing ways of working.**

Key Takeaways for Banks – Exceeding Corporate Customer Expectations:

1. Prioritize cash visibility

Real-time balance and cash visibility are critical for meeting client expectations in an always-on, global payments ecosystem.

2. Enhance transparency in pricing

Improving transparency in transaction, FX, and account fees can help banks win trust and business in an increasingly competitive environment.

3. Focus on collaboration

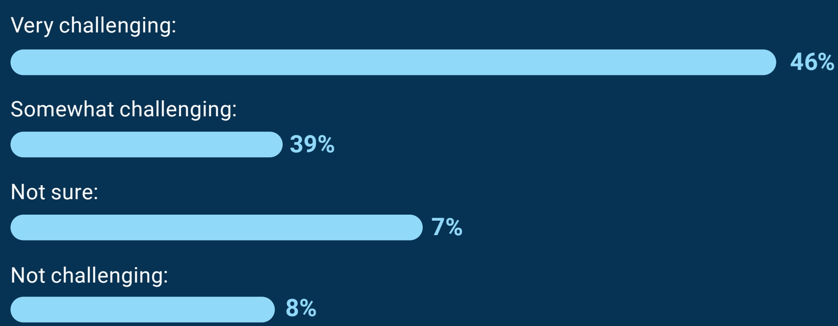
Moving beyond compliance and developing strategic, value-driven relationships with clients will be essential in securing long-term partnerships.

4. Leverage new technologies

The adoption of advanced treasury management tools, including fraud mitigation and generative AI, will help address emerging challenges in a rapidly evolving marketplace.

Insight 5:

How challenging do you think it will be to remain compliant with industry mandates and regulations over the next 12 months?



	2024	2023	2022
Very challenging:	46%	43%	48%
Somewhat challenging:	39%	45%	43%
Not sure:	8%	5%	4%
Not challenging:	7%	7%	5%

In 2023 69% of financial institutions said that RegTech would become more important in the next 12 months. However, concerns about remaining compliant have roughly stayed the same from last year, with 85% being somewhat or very concerned in 2024 versus 88% in 2023 and 91% in 2022. This is surprising, as in 2024 and beyond, we can expect to be more regulated than at any other time previously. No more so than with the aggressive timelines for the SEPA Inst Mandate, issues in the UK with Group 2 being able to make the October 2024 deadline for the directory switchover and aggregator, and finally, the lower-than-expected numbers of institutions that are currently sending Swift cross-border messages as ISO Native which was just over 25% in September 2024.

Other examples include the UK's Financial Conduct Authority's Operational Resilience Mandate with a 31st March 2025 deadline. Additionally, you must comply with the DORA framework in January 2025. Both initiatives are designed to ensure operational resilience is front and center for payment players. However, a recent poll by The Payments Association in October found that 50% of financial institutions in the UK were in progress to meet operational resilience regulations, 33% were fully compliant and confident, and a worrying 17% were still unsure where to begin. In answer to those 17%, a good place to start is by investing in the implementation of SaaS and replacing legacy infrastructure and systems. In fact, KPMG's Payments Modernization report in July 2023 said that in the UK, the average investment in a payments modernization program was £27 million, with 58% citing the motivation as being able to keep up-to-date on the regulatory change because business continuity would be impossible without transformation.

However, maybe the explanation for the 7% who are optimistic about easy compliance is due to financial institutions realizing that if they leverage SaaS, meet the ISO co-existence period in November 2025, and take advantage of the latest fraud mitigation tools, then meeting industry requirements will be more achievable. For instance, the structured and enhanced data within an ISO 20022 message will help with compliance for sanction screening and AML by providing efficient alerts, automation, and better results. Better flows and adequate controls will result in cost reduction through better orchestration and enabling customers to self-serve. Also, one of the key benefits of SaaS is improved security and fraud measures.

We think there has been a change of attitude towards regulation where it is now being fully embraced as a friend and not a foe, and so there is less pushback from the industry as they understand that the changes they are being asked to make will improve their operational efficiency, improve their customer experience and ensure that payments are innovative and fair. We also believe that industry bodies are working harder on holding consultations and briefings that are educating financial institutions on what mandates are likely to be down the line. Having said that, we have known about VoP as part of the SEPA Inst Mandate for years, but many banks were left in limbo waiting for the official rulebook that lays everything out in black and white on 10 October 2024.

Bottomline's Sanctions Screening Services offer institutions the ability to efficiently screen transactions to identify and mitigate sanctions risk.

Screen All Relevant Fields Against Your Sanctions Lists

Utilize a straightforward configuration to screen all relevant fields (e.g., originator, beneficiary, counterparty, free text, BIC, account) in real time for every transaction based on the list provider(s) of your choice. This helps mitigate risk and prevent regulatory penalties.

Process Large Volumes of Transactions Quickly

Using the most up-to-date algorithms our Sanctions Screening solution processes large volumes of transactions in milliseconds, simultaneously matching them against domestic and international sanctions lists.

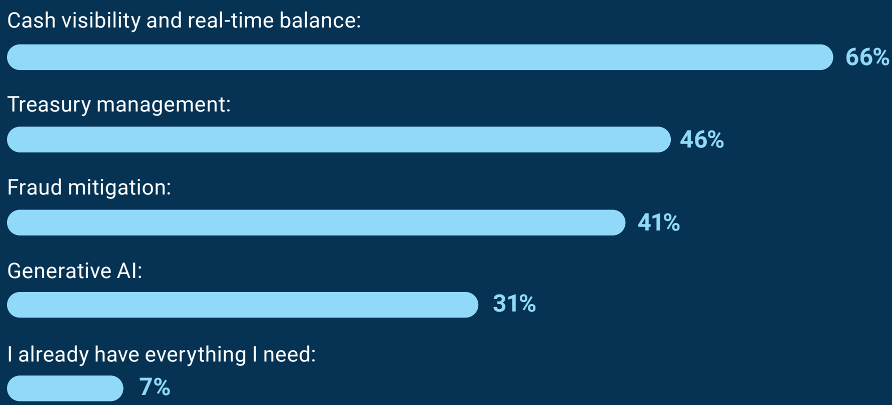
Faster, More Efficient Detection

Investigate and resolve any potential breaches, streamline the management of multiple lists, and eliminate the effort needed to handle duplicate alerts and false positives.

Institutions benefit from comprehensive protection from sanctions breaches by screening all transactions in real time. It mitigates sanctions risk and simplifies the remediation process.

Insight 6:

Which tools do you think will be the most useful for cash positioning and reporting?



Cash positioning and reporting are fundamental aspects of treasury management from two angles: one is what the banks themselves need to do internally to manage cash positioning, and the second is what functionality they need to provide to the treasury function within their corporate customer portfolio.

Full visibility of a financial institution's cash means consolidating key treasury data and presenting it as an organized financial analysis. The key to achieving this comprehensive view is harnessing dependable, unbroken access to all the relevant cash flows in the institution's financial ecosystem. Many organizations fail to recognize the inefficiencies and risks of logging into multiple banking portals to manually extract and combine data into spreadsheets or other internal systems.

A combination of efficient SaaS technology and bank connectivity enables best-practice cash visibility. Support your institution's digital journey with our public cloud-hosted platform, which offers central visibility of the organization's global network of bank accounts. Forecast your expected cash by viewing your projected revenues, accounts payable and receivable, and payroll.

With Bottomline's solution, your institution has access to a consolidated view of data across all relationships, geographies, subsidiaries, and currencies in one single platform. With such consolidated views of cash positions, your organization stays in control of cash in an increasingly complex and uncertain environment, and cash can be quickly mobilized to the best effect. All of this, without the necessity for a full Treasury Management System (TMS), which has the potential to be far too complex and costly for individual institutions.

However, since this report is about winning a competitive advantage, and as we have already stated, this means meeting and exceeding corporate customer expectations, let's primarily examine the results from angle two.

It is no surprise that 66% of survey respondents indicate that cash visibility and real-time balance functionality are the most crucial tools for effective cash positioning and reporting, given the global shift towards real-time payments and 24/7/365 and the need for businesses to have full visibility into their cash positions at any given moment. We also know that corporate customers will switch banks if they are not offered real-time payments.

The prominence of real-time visibility reflects the increasing expectation for businesses to track their cash positions as transactions occur without delays. As payment systems become faster, the ability to manage cash on demand is not just a convenience but a necessity for maintaining operational efficiency and financial security.

For the 46% that chose treasury management, the dilemma is that it is multi-faceted, but what is consistent is the need for transparency across the whole payment's ecosystem. For instance, as the treasury function becomes a more strategic part of businesses, cost management continues to be a significant concern. Corporate treasurers are not only tasked with ensuring liquidity but are also under pressure to optimize costs. The key challenges in this area include such as accurate prediction of costs, expense reduction, transparency in pricing, budget planning and cost control, and finally, handling pass-through costs. Despite the growing sophistication of treasury management platforms and tools, one area that remains notably opaque is the pricing structure of bank services. Many treasurers report difficulties in understanding the full breakdown of fees associated with different banking services, particularly in cross-border payments. With the global cross-border payments market worth $150 trillion, according to McKinsey's 2023 Global Payments Report, the need for clearer, more transparent pricing has never been greater.

Banks often bundle costs, making it difficult for clients to differentiate between transaction fees, account fees, and foreign exchange (FX) fees. This lack of clarity is compounded by differing value dates and rates used in calculations, leaving corporate treasurers with the challenging task of accurately forecasting and managing costs. Interestingly, neo-banks and digital-native financial institutions are leading the way in offering greater pricing transparency, creating a competitive advantage over traditional incumbents, according to Euromoney's cash management survey 2024.

So, what can banks and financial institutions do to keep their corporate customers happy, so they don't switch loyalties? One of the most valuable aspects of banking relationships is agility—the ability of banks to offer timely advice and solutions that address the unique needs of corporate treasurers. Treasurers are increasingly seeking closer collaboration with their banking partners to better navigate these challenges. However, the process is often hindered by a lack of continuity in the relationship management process. Frequent changes in relationship managers or the loss of key contacts can disrupt the continuity treasurers rely on to maintain smooth operations.

In this context, corporate treasurers emphasize that collaboration is key. Corporate treasurers need banking partners who understand their business intricacies and can provide actionable insights beyond regulatory compliance.

The demands on corporate treasurers have never been greater. With an increasing need for real-time cash visibility, transparent pricing, and agile banking relationships, banks and financial institutions must stay ahead of the curve. While the shift toward an advanced treasury management solutions isn't necessary, what is essential is transparency in fees, and stronger collaboration with clients will not only help banks meet their clients' needs but also strengthen their role as strategic partners in the corporate treasury landscape.

For financial institutions, the challenge lies in embracing these changes—leveraging technology to offer real-time visibility, transparent pricing, and the flexibility required to support the evolving needs of global businesses. By doing so, they will not only retain existing clients but will also attract new ones in an increasingly competitive marketplace.

As the role of corporate treasurers evolves, banks and financial institutions must adapt their services to help treasurers navigate an increasingly complex and volatile financial environment. By providing integrated, AI-driven solutions, simplifying treasury operations, enhancing forecasting capabilities, and prioritizing security and compliance, banks can build stronger partnerships with their corporate clients and help them meet their financial goals with greater agility and confidence.

Those 41% of financial institutions who chose fraud mitigation are likely responding to cybercrime becoming more sophisticated. Therefore, treasurers need robust mechanisms to protect against unauthorized transactions and data breaches. Advanced fraud prevention tools leverage multi-layered security, real-time transaction monitoring, and anomaly detection to quickly identify and mitigate risks. These solutions can help prevent financial losses, comply with regulatory requirements, and enhance trust with stakeholders.

Finally, the 31% who chose Generative AI can see the potential for it to transform cash management by automating routine tasks, providing predictive analytics, and optimizing liquidity management. AI-driven tools can forecast cash flow patterns, identify discrepancies, and streamline reconciliation processes, reducing human error and improving operational efficiency. Moreover, AI's ability to analyze large volumes of data in real-time enables treasurers to make informed decisions on cash positioning and risk exposure. Together, fraud prevention tools and AI improve not only security but also efficiency and accuracy in financial reporting. For banks and financial institutions, offering these solutions can help strengthen relationships with corporate clients by providing them with the technology needed to navigate an increasingly complex financial landscape. As technology continues to advance, the integration of AI and fraud prevention systems will be essential for corporate treasurers looking to optimize their cash management strategies while safeguarding their organizations from evolving threats.

Cash Management Meets Payments Connectivity

Many financial institutions rely on multiple solutions and manual processes, including spreadsheets, to provide end-to-end management of cash and connection into global payment rails.

Bottomline's Global Cash Management and Payments Hub solves complexities for finance and operations teams by offering one user interface that empowers cash management automation and direct connectivity into global payment networks. It centralizes all payments operations across all banks globally, including all domestic and international payment types.

Automating the cash management process allows your institution to effortlessly replace manual processes while obtaining real-time cash visibility and full cash lifecycle management. Our solution offers a ubiquitous interface for all aspects of global cash visibility, forecasting, reconciliation, compliance, and payments connectivity.

Bottomline Global Cash Management & Payments Hub offers a global workflow for:

- Complete cash visibility in one consolidated view
- Cash forecasting & reconciliation
- Connectivity into multiple global payments networks
- Complete control of the business end-to-end payments lifecycle

Solve complexity in finance teams with multiple systems, bank accounts, and currencies through centralized cash visibility.

Centralize Your Payments Operations

Financial and Treasury stakeholders are faced with an ever-changing landscape of complexity and challenges. Managing multiple domestic and international bank accounts and payment types is both difficult and can create manually intensive processes. These can include the use of spreadsheets, which can lead to inaccuracies and a lack of real-time insights, not to mention the high cost and complexity of managing credentials across banking portals. Moreover, stakeholders must also consider the impact such processes can have on the operational efficiency of operations, as well as the never-ending fight to mitigate fraud risk.

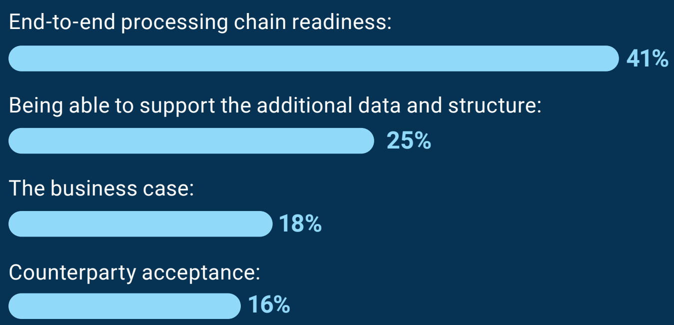
Benefit from direct connections into all banking systems within one user interface. This automatically brings your payment data from your Asset Liability Management (ALM) system, ERP, or internal systems into one place.

Merge all payments operations and workflows with embedded security. Benefit from the ability to:

- Control all aspects of your payment workflows, including access and multiple levels of approvals across payment operations.
- Leverage process automation to increase efficiency.
- Embed risk management within the payment process to prevent fraud and comply with industry regulations.

Insight 7:

What do you consider to be the greatest challenge of ISO 20022?



Banks and financial institutions face several significant challenges in adopting ISO 20022, particularly in the context of their payment systems. The primary barriers revolve around technical readiness, infrastructure adaptation, and ecosystem-wide coordination.

End-to-end processing chain readiness was the most cited challenge, with 41% of respondents identifying the need for full system readiness across the entire payment processing chain. This includes both ensuring individual systems and processes work seamlessly and adapting to the broader ecosystem's requirements. This challenge encompasses both customer readiness and the integration of supporting messages, such as those for notifications, charges, and exceptions. Financial institutions must ensure that their migration strategies consider not only payment flows but also critical messaging around liquidity management and reconciliation.

A quarter of respondents highlighted concerns about managing the increased volume and complexity of data that ISO 20022 introduces. The new messaging standard requires the integration of richer data, which impacts payment initiation, processing, and storage across the ecosystem. Adjustments to banking platforms, mobile wallets, and transaction systems to accommodate these data fields are essential for smooth implementation.

Interestingly, only 18% of respondents expressed concerns about building a compelling business case for ISO 20022 adoption. This suggests that, for many, the transition is seen less as a regulatory mandate and more as an operational necessity to remain competitive and interoperable in the global payments landscape.

A smaller proportion of respondents (16%) raised concerns about getting buy-in from counterparties, such as other financial institutions or corporate customers. The integration of ISO 20022 across the entire ecosystem, including non-connected corporates, is an ongoing challenge.

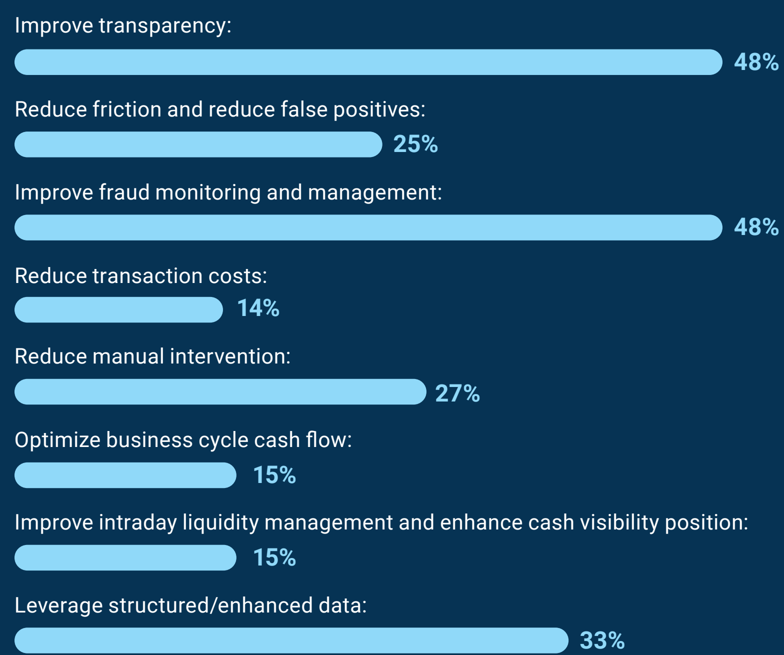
Banks and financial institutions should not underestimate the importance of collaboration and industry-wide coordination to overcome these challenges. For example, banks must ensure that their corporate customers are prepared for the transition. However, both banks and corporates need to adapt their systems to support standardized messaging.

Moreover, as the implementation of ISO 20022 progresses, there is a need for clear communication and education, especially for corporates. While the migration is not being mandated for corporates, efforts are underway to encourage their adoption by providing tools and support for the transition.

While the business case for ISO 20022 is largely settled, banks and financial institutions face significant operational and technical hurdles. The focus is now on ensuring the readiness of the end-to-end processing chain, adapting infrastructure to manage additional data, and fostering collaboration across the financial ecosystem to enable a smooth and successful migration.

Insight 8:

What do you see as the main benefits of ISO 20022?



In 2023 56% said that ISO 20022 was most beneficial in improving their cash positioning and fraud management. This has fallen to 15% and 48% respectively in 2024. Again, a reduction in manual intervention came in as a solid third in 2023, with 45% compared to fourth and 27% this year.

However, the truth is that improved transparency, leveraging structured/enhanced data and reducing manual intervention are all part of that key functionality. For instance, an example of how both manual intervention and reduced friction and false positives (25%) centers around the standardized and structured data fields that ISO 20022 is 'Bar Cuba'. Previously, this type of transaction would have been flagged and rejected against sanctions screening lists. However, the rich and enhanced data from ISO 20022 means that these issues are almost eradicated, especially as ISO 20022 is now the standard adopted for real-time payment rails. Underestimate the value of straight-through processing at your peril as the nature of real-time being 0-10 seconds and 24/7/365 means that a transaction will simply be rejected, while traditional same-day allowed the payment to be investigated and processed. Manual intervention also has ramifications for cost reduction (14%). This is a cost in terms of internal staff and resources, as well as a monetary value and risk of attrition from unsatisfied customers. In fact, as the industry and regulators roll out more pre-validation initiatives, such as Confirmation of Payee, Verification of Payee, and Swift's Bank Account Verification (BAV), we will see the value of ISO 20022 rich data rise even further. As it stands, 36M+ out of 700M+ transactions processed by Swift each year suffer some form of friction (circa 5%). This friction costs the industry €2Bn, and Swift estimates circa 65% of payment issues would be fixed by pre-validation, saving organizations €1.3Bn.

In fact, Bottomline is confident in saying that ISO 20022 has a role to play in all the above and, more use cases besides. This makes it even more surprising that 48% of US financial institutions will only implement the minimum requirements for FedWire and Swift and are not considering further changes at this time, and 27% will be implementing the minimum requirements to meet the conversion deadlines and then will assess impact and next steps according to FedWire. Thank goodness for the 12% who have already started planning for post-conversion product enhancements. It will be those institutions that will keep pace with the rest of the world, exceed customer expectations and avoid being labelled as laggards.

ISO 20022 – Leveraging Enhanced Data

Discover how banks and financial institutions can fully leverage ISO 20022 as an opportunity for growth, and not just another compliance upgrade.

ISO 20022 is the globally accepted format that improves the quality and structure of financial messages, provides rich data with each transaction, enabling everything from enhanced analytics to status tracking, sanction checking and automated invoice reconciliation – all while delivering an improved experience for end customers.

How can Bottomline help me choose a tailored solution for my business?

We can leverage our global experience, in particular the 2015 Swiss SIC migration to ISO 20022, to forge a best practice approach. This will involve assessing your institution's unique challenges to build a tailored strategy that will help with a speedy and effective migration. Overall, there is value in your financial institution considering a phased approach or 'minimal functional requirements' remit for the ISO 20022 adoption/migration, providing the agility for you to optimize in the immediate future.

What are my options?

OPTION 1 - ISO 20022 NATIVE

- Ensure your back-office systems are ready to send and receive ISO 20022 messages.
- Confirm counterparty readiness.
- Set up and test new folder structures and routing rules.
- Subscribe to FINPlus and enable the service.
- Start sending and receiving ISO 20022 messages only (from November 2021).
- Optionally enable Transformation and Enrichment Service via Bottomline for counterparties unable to send MX.

OPTION 2 - MARKET READY

- Confirm counterparty readiness.
- Implement the Transformation and Enrichment Service via Bottomline (see Appendix 1 for more information)
- Set up and test new folder structures, transformation, routing rules.
- Subscribe to FINPlus and enable the service.
- Start sending and receiving ISO 20022 messages only (from February 2022) from the bureau.
- Migrate back office systems to ISO 20022 in your own timeframe.

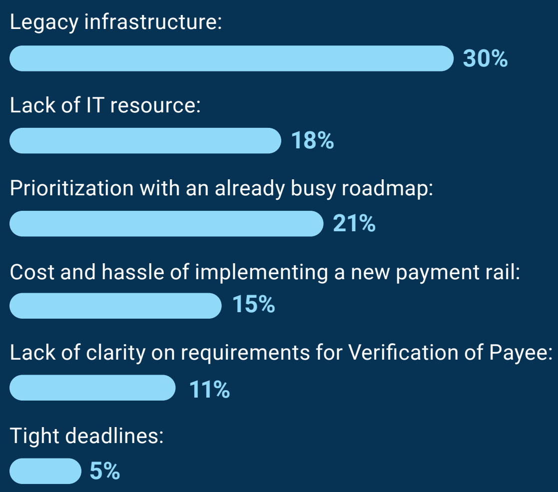
OPTION 3 - CONNECTIVITY ONLY

- Set up and test new folder structures and routing rules for the new ISO 20022 messages.
- Subscribe to FINPlus and enable the service.
- Manage interoperability with In-flow translation from SWIFT (available from August 2022)
- Move over to ISO 20022 at counterparty request, phased over the migration period.
- Message Storage - it is important that you consider a long-term storage solution for your sent and received messages to ensure that you can reference back if needed. (see Appendix 2 for more information)

Bottomline Recommended

Insight 9:

What is your financial institution's most significant barrier to the adoption of real-time/instant payments?



	2024	2023
Legacy Infrastructure	30%	32%
Prioritization with an already busy roadmap	21%	29%
Lack of IT resource	18%	20%
Cost & hassle implementing new payment...	16%	19%
Lack of clarity on requirements for VoP	10%	New
Tight deadlines	5%	New

Legacy infrastructure came out top at 30%, down from 32% in 2023 and 36% in 2022, which is a sign that modernization is already taking place in the industry. But it's important to say that legacy infrastructure is not limited to payment systems because if you want to enable instant payments as a bank, you also need to consider real-time limit checks, real-time sanctions, and real-time booking, amongst many others. In a world of 24/7/365, you can't just focus on the payment system; you need to think about the end-to-end secondary infrastructure process too. Therefore, there is no room for complacency, and this should still remain the top priority, where laggards are viewed unfavorably by the industry, their peers, and, more importantly, their customers.

However, for banks and financial institutions to be successful then they need to ensure that their systems are capable of handling the 24/7/365 availability required for real-time payments and that they upgrade their infrastructure to ensure compliance. Additionally, just implementing VoP alone isn't enough; you need additional security measures to combat the higher fraud risks associated with instant payments. Finally, financial institutions should leverage instant payments' capabilities to create new revenue streams, such as e-commerce and open banking applications and develop systems for real-time liquidity management and sanction screening to ensure seamless payment processing.

Insight 10:

What is your financial institution's greatest pain point when sending cross-border business payments?

Slow or unknown speed of arrival: **15%**

Costs of maintaining so many "nostro" accounts: **12%**

Trapped liquidity in system: **9%**

Lack of visibility on payment status: **15%**

Poor quality or loss of data: **8%**

Friction in payments and too many false positives: **14%**

Carrying out pre-verification in real-time with no-inflow screening: **13%**

Having no in-flow translation post 2025: **2%**

Having no advisory service from Swift after 2025: **4%**

FX rates: **9%**

	2024	2023	2022
Slow or unknown speed of arrival	15%	24%	23%
Lack of visibility on payment status	14%	30%	35%
Friction in payments and too many...	13%	New	New
Carrying out pre-verification in real-time...	13%	New	New
Costs of maintaining so many "nostro"...	13%	24%	22%
Trapped liquidity in the system	9%	15%	13%
FX rates	9%	New	New
Poor quality or loss of data	8%	7%	6%
Having no advisory service from Swift...	4%	New	New
Having no in-flow translation post-2025	2%	New	New

Despite advancements in technology, certain pain points persist, with the slow or uncertain speed of payments topping the list. The primary frustration for the 15% of respondents who chose slow or unknown speed of arrival is the unpredictability of when cross-border payments will actually arrive. This issue ties directly into a lack of visibility, with 14% citing uncertainty around payment status. These problems are expected to be mitigated by ISO 20022 and Swift Gpi, both of which are designed to improve transparency and speed. However, the wholesale payments segment still faces delays—only 60% of these payments reach recipients within an hour, due to factors like regulatory checks and batch processing.

Another significant pain point is the cost and operational complexity associated with maintaining "nostro" accounts (13%). These accounts are essential for facilitating international payments but tie up liquidity and increase overhead for banks. Respondents also pointed to friction in payment processes, with 13% mentioning challenges like false positives in transaction monitoring. Emerging multi-lateral platforms like Visa B2B Connect offer solutions to reduce costs and liquidity traps, but adoption is still lagging.

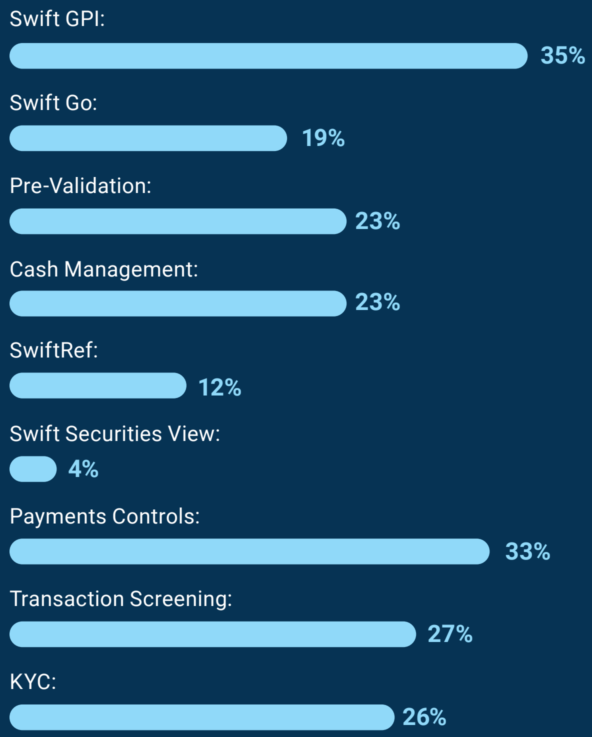
Trapped liquidity, an issue exacerbated by correspondent banks' de-risking strategies, is a growing concern, particularly in APAC markets (9%). Volatility in foreign exchange (FX) rates also remains a hurdle.

McKinsey's 2023 Global Payments Report says that the global cross-border payments market is worth $150 trillion. Additionally, the Bank of England says that cross-border payments will be worth over $250 trillion by 2027. Therefore, it is important for banks and financial institutions to fully leverage the cross-border payments opportunity. Swift's announcement in 2023 that 89% of transactions now reach recipients within an hour is a positive step, but the shift to more efficient, transparent solutions must accelerate to keep pace with market demands.

While solutions to these pain points are emerging, the industry must act quickly to adopt the right technologies and processes. Banks and financial institutions that fail to do so risk falling behind in an increasingly competitive and fast-evolving landscape.

Insight 11:

Which solutions are you prioritizing from the Swift Essentials suite?



Insight 11:

What is your financial institution's greatest pain point when sending cross-border business payments?

Slow or unknown speed of arrival: 15%

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Friction in payments and too many false positives: 14%

Carrying out pre-verification in real-time with no-inflow screening: 13%

Having no in-flow translation post 2025: 2%

Having no advisory service from Swift after 2025: 4%

FX rates: 9%

It is interesting to see a clear synergy if you match the key pain points to what Swift offers as part of their Swift Essentials suite. Overall, the survey highlights a clear prioritization of solutions aimed at improving payment efficiency, security, and compliance, with a relatively lower focus on securities and reference data tools.

We can clearly see that Swift GPI (Global Payments Innovation) leads with 35%, highlighting its central role in improving cross-border payment speed and transparency. Swift GPI has been around for a long time and is seen as the silver bullet for most issues impacting cross-border payments. Swift GPI currently has over 4,450+ financial institutions, and every day, banks send the equivalent of over $530 billion in value via GPI, with over 82% of all payments on Swift sent via GPI, according to the Swift website.

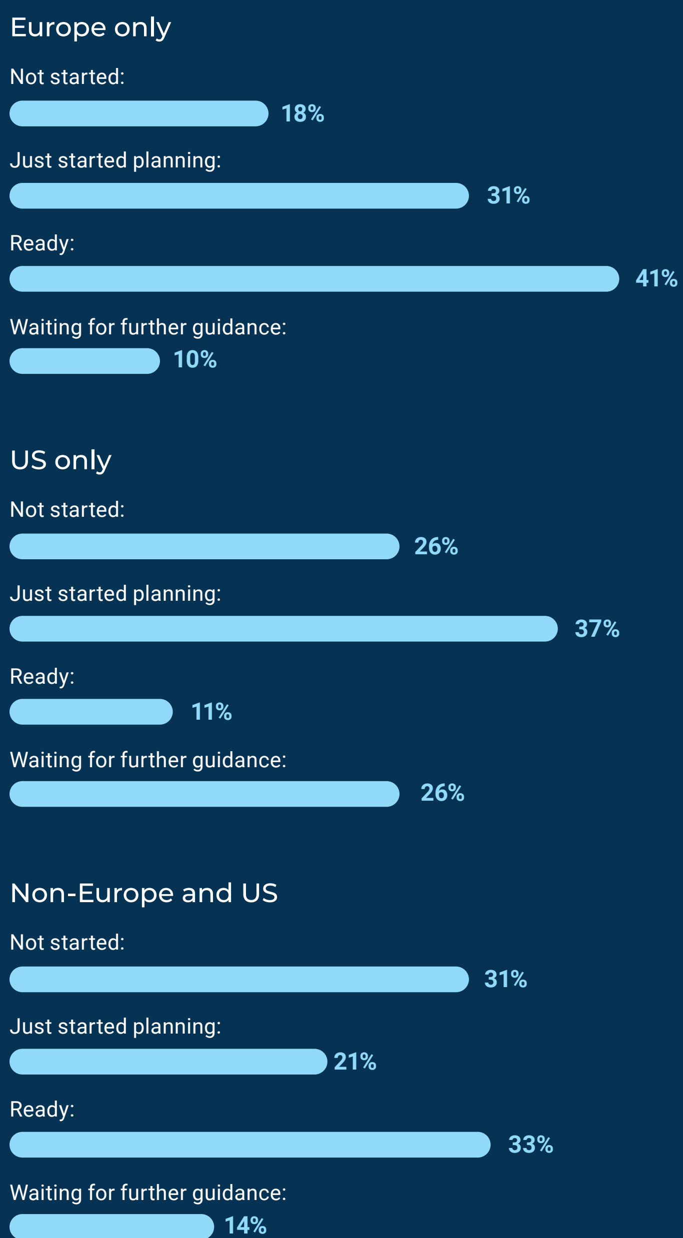
The 33% who chose Payment Controls, Transaction Screening (27%), KYC (26%) and Pre-Validation are probably the same 85% who in Insight 5 said they were concerned or very concerned about meeting compliance and regulatory deadlines in the next 12 months. deadline in the next 12 months.

Cash management is always going to be a priority when you have issues such as trapped liquidity in nostro accounts, particularly in APAC, which has many exotic currencies. However, solutions such as Visa B2B Connect offer a very clear solution alongside the Swift Essentials solutions.

We are surprised to see that Swift Go only scored 19% which would suggest that the industry is less focused on cost-efficient, low-value cross-border payments than anticipated. SwiftRef (12%) is more of a wrap-around solution, and Swift Securities View (4%) is predictably the least prioritized because we suspect that 4% represents the private banks in Switzerland that took the survey.

Insight 12:

How ready are you to verify IBAN/Beneficiary and daily control?



As you would expect, Europe is way ahead in terms of having payment verification tools due to Verification of Payee being a key part of the European Payment Council's SEPA Inst mandate, which means PSPs must be fully compliant by October 2025.

The responses from those outside Europe and the US will be heavily stacked by UK respondents, where 98% of PSPs have been mandated to integrate Confirmation of Payee (CoP), and the Payments System Regulator has punitive initiatives such as mandatory reimbursement to protect customers.

Payments in the US are always slightly different and are less driven by regulation. Rather, industry bodies recommend and encourage best practice rather than enforce mandates like in the UK and Europe. However, this is no reason for US financial institutions to relax as the success of pre-validation speaks for itself:

- In the UK APP fraud dropped to £485.2m in 2022, following a 39% rise the previous year.
- According to a May report from UK Finance: UK fraud losses overall fell by 8% to £1.2bn, driven by a 17% fall in authorized push payment (APP) fraud losses.
- More than 1.5 billion CoP checks have been completed since its launch, and Pay. UK's CoP is industry-recognized as a highly successful product proposition, winning multiple awards. PSPs onboarding to the service have grown by 100% from 2021 to 2022, and this is expected to continue.
- Pre-validation addresses the issue of a new wave of APP, CEO, and impersonation fraud as criminals have taken advantage of the uncertainties caused by the pandemic to pose as senior people in a company, requesting urgent funds to be transferred.

There are also key benefits for banks and financial institutions:

Avoiding misdirected payments

Human errors, such as typing a wrong account number, can result in misdirected payments. CoP can help avoid these by confirming the recipient's details before the money is sent.

Corporate payments

Companies that need to pay suppliers, employees, or partners can use CoP to ensure their payments go to the correct recipients. This is particularly useful for businesses that frequently set up new payees.

Customer confidence

The system also provides customers with peace of mind by confirming that their money is going to the intended recipient. This increases trust in the banking system overall.

Regulatory compliance

Implementing and using the CoP system helps banks comply with regulations to prevent money laundering and other illicit financial activities.

Online transactions

With the rise of e-commerce, many transactions are completed online. CoP can help ensure that payments made on these platforms are sent to the right sellers, further promoting safe online shopping.

Direct Debits and standing orders

When setting up Direct Debits or standing orders, the CoP system can verify that these regular payments are being sent to the correct accounts. This prevents future payments from going astray.

Key Considerations for Banks: Moving Toward Global Payment Verification

To ensure the continued success of payment verification tools, banks must focus on several key areas:

1. Interoperability

As payment systems become more interconnected across borders, ensuring interoperability between domestic and international CoP and VoP systems is critical. Standardized messaging protocols such as ISO 20022 will play an essential role in improving cross- verification.

2. Advanced Fraud Detection

In addition to CoP and VoP, financial institutions should invest in advanced fraud detection technologies, including machine learning, behavior-based analytics, and real-time transaction monitoring. These systems help identify suspicious activity before it leads to a loss.

3. Regulatory Compliance

Financial institutions need to stay ahead of regulatory changes, especially in regions where pre-verification tools are becoming mandatory. This includes ensuring that they meet the requirements for implementing CoP and VoP systems by set deadlines.

4. Customer Experience

In today's competitive environment, offering a seamless and frictionless payment experience is essential. Banks should aim to integrate CoP and VoP into the customer journey with minimal disruption, allowing for quick, secure payments.

About Bottomline

Bottomline helps businesses transform the way they pay and get paid. A global leader in business payments and cash management, Bottomline's secure, comprehensive solutions modernize payments for businesses and financial institutions globally. With over 35 years of experience, moving more than $10 trillion in payments annually, Bottomline is committed to driving impactful results for customers by reimagining business payments and delivering solutions that add to the bottom line. Bottomline is a portfolio company of Thoma Bravo, one of the largest software private equity firms in the world, with more than $160 billion in assets under management. For more information visit www.bottomline.com.

Zhenya Winter, Head of Marketing – Financial Messaging at Bottomline

Zhenya has more than 25 years of experience in the Financial Services sector, specializing in payments over the last 12+ years. Her key focus areas within payments, messaging, and connectivity include real-time domestic and cross-border payments, payment verification, and ISO 20022. Zhenya is an ambassador for the award-winning Women of Fintech community, part of the organizational committee of Women in Alliances, a member of the prestigious 100 Women in Finance, is listed in the Innovate Global Women in Fintech Power List 2022 and was a one of three shortlisted for the European Women in Payments "Positive Disruptor of the Year Award" 2024.

About Bottomline

Bottomline helps businesses pay and get paid better, delivering payments and cash management technology to drive impactful results for businesses and financial institutions globally.

For more information, visit **www.bottomline.com**

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