

2025 Market Outlook Report

COMMERCIAL DIGITAL BANKING

McKinsey & Company's senior partner Alex Singla observed that "Speed is often a strategy in and of itself. So those who run faster will win over time." Bottomline's 2025 Market Outlook Report for Commercial Banking supports that assessment. In this year's annual report, we look at six trends for commercial banks, all of which have one thing in common: **speed**.



Real-time payments are becoming normative the world over, transforming both domestic and international transactions.



By leveraging big data analytics, commercial banks can support their corporate customers with data-driven insights and recommendations, solidifying their role as a strategic partner.

1 "US Instant Payments: A Catalyst for Growing Commercial Payments and Banking." Javelin Strategy & Research, May 14, 2024.

We begin by exploring The Acceleration of **Instant Payments (page 2)**. Real-time payments are becoming normative the world over, transforming both domestic and international transactions. Harnessing this immediacy, however, requires banks to commit to investment and action.

One of those actions is confronting **The Challenges of ISO 20022 (page 4)**. This global standard is designed to increase payment speed and efficiency; the deadlines for its adoption are swiftly approaching in March and November of this year.

Overall, the speed of business would be impossible to master were it not for **The Expansion of AI (page 6)**. Through advances in technology, commercial banks are able to offer unprecedented levels of service – all in the blink of an eye.

A key way for commercial banks to provide competitive service is by acknowledging and aligning with **The Preeminence of Commercial-specific Platforms (page 8)**. Corporate customers know that running a fast-paced business requires a platform built for rigorous real-time demands.

Speed in business is further facilitated through **The Efficiencies of Embedded Financial Services (page 9)**. Rather than requiring corporate customers to connect to a banking portal, commercial banks can supply businesses with the ability to centralize and manage finances from within their own systems.

Finally, business agility and response time is dramatically augmented by **The Criticality of Data Analytics (page 10)**. By leveraging big data analytics, commercial banks can support their corporate customers with data-driven insights and recommendations, solidifying their role as a strategic partner.

The Acceleration of Instant Payments

From RTP and FedNow in the US to the European Payments Council's SEPA Instant Credit Transfer to UPI and PayNow in Asia, instant payments are becoming normative the world over. These initiatives are not only redefining domestic transactions but are also paving the way for frictionless cross-border payments.

The Promise of Instant Payments

Instant payments offer a significant competitive advantage to commercial banks. For example, a report by Javelin Strategy and Research¹ compiled a list of compelling commercial use cases, including:

- **Seamless supplier payments**
- **Expedited invoice settlement**
- **Just-in-time inventory management**
- **Agile supply chain financing**
- **Dynamic discounting**
- **Enhanced cash forecasting**
- **Mitigation of payment risks**
- **Improved operational efficiency**
- **Global trade facilitation**
- **Improved accounts receivable**
- **Expedited liquidity**

Take Strategic Action

Realizing the promise of instant payments, however, demands action.

Specifically, commercial banks will need to:

- + **Adopt ISO 20022**, a global messaging standard that enables enriched data sharing for improved payment processing and customer analytics.
- + **Scale and automate systems to operate on a 24/7/365 schedule** to meet the always-on nature of instant payments.
- + **Strengthen security and fraud detection systems** by leveraging technologies such as advanced machine learning algorithms to monitor and analyze transaction patterns in real-time.
- + **Focus on cross-border interoperability** by participating in pilot programs and collaborative projects to connect with foreign payment networks.
- + **Enhance liquidity management capabilities** to ensure that the bank has sufficient liquid assets to accommodate the immediate settlement requirements for instant payments.
- + **Integrate existing systems with APIs and microservices architecture** to connect instant payments to core banking platforms.
- + **Educate and train staff** on new workflows, compliance requirements, and customer support for instant payment services.

Have a Solution Mindset

A concern raised by commercial banks is that instant payments could disrupt revenue streams from traditional payment methods like wire transfers, as customers may opt for the faster, less-expensive payment option. However, the reality is that instant payments can actually become a revenue driver. The key is to think in terms of payment solutions, not just payment options.

For example, offering instant payments can be a differentiator for banks, particularly in the B2B space, as it enables seamless, real-time transactions. The solution can be expanded by features such as embedding payment buttons in invoicing software, providing monitoring and updating services for vendor information, and offering richer data via ISO 20022 standards. Banks can promote how instant payments deliver greater transparency and control to businesses.

It is also possible to monetize the payments directly: some banks are exploring tiered pricing for instant payments, particularly for larger transaction volumes. For instance, businesses might be willing to \$2.50 per \$1000 sent, in deference to the speed of the payment transfer.²

By viewing instant payments as a foundation for innovation, commercial banks can unlock a future where speed, security, and value converge seamlessly.



While these changes require a commitment of resources, it is important to note that they are enhancements that not only enable instant payments, but strengthen a commercial bank's operational posture overall.

² "Are Banks Missing the Revenue Potential of Instant Payments?" The Financial Brand, February 22, 2024.



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The Challenges of ISO 20022

Realizing the full value of instant payments requires commercial banks to implement ISO 20022, a global standard for financial messaging that enables the use of structured and detailed data across payment systems. While this standard has been in existence for years, it has yet to be widely and thoroughly adopted in the commercial banking arena. However, the clock is ticking. On March 10, 2025, the Fedwire® Funds Service will adopt the ISO 20022 message format for U.S. banks. Subsequently, in November 2025, banks across the globe will be required by Swift to send and receive all payments messages using the new standard.

ISO 20022 aims to streamline cross-border payments, improve straight-through processing (STP), and reduce operational inefficiencies. The standard supports detailed information sharing, enabling accurate compliance checks and better data reconciliation. Over 70 countries have already implemented ISO 20022 to modernize payments infrastructure, demonstrating its potential to enhance interoperability and efficiency in global banking.

ISO 20022 Migration Hurdles

Implementing ISO 20022 can be expensive. Financial institutions must invest in new technologies, reconfigure existing systems, and train staff. Smaller organizations may struggle to justify these costs, especially without an immediate return on investment.

Crucially, migrating to ISO 20022 requires significant updates to or replacements of legacy systems. Aging infrastructures and proprietary formats simply were not designed to handle the standard's extensive data requirements. For instance, legacy systems that manage CHIPS or ACH do not easily align with ISO 20022's XML-based formats.

Implementation is complicated by the fact that ISO 20022 is dynamic. As noted by Eurobase, "The standard undergoes regular updates, accommodating changes in business requirements, regulatory landscapes and technological advancements."³ Banks must adopt flexible systems to stay aligned with these changes. This may call for ongoing investments in adaptable technologies, coupled with continuous staff education.

Additionally, despite ISO 20022's global framework, differences do exist at the local level. Institutions must navigate regional variations that can complicate cross-border interoperability and compliance. For example, TradeHeader, a financial data standards integration and software consultancy, notes that both TARGET2 RTGS (Real-Time Gross Settlement) in the Eurozone and Hong Kong's Clearing House Automated Transfer System (HK CHATS) use ISO 20022.

However, they differ in the ways that they implement the pacs.008 message that is used for customer credit transfers. TradeHeader explains, “the HK CHATS system in Hong Kong follows its own set of rules and adaptations for the pacs.008 message. These guidelines are tailored to meet local regulatory requirements and the operational needs of the Hong Kong Monetary Authority (HKMA). As a result, the same message includes different mandatory fields, optional elements, and unique constraints compared to the TARGET2 RTGS implementation. These differences mean that a software vendor or financial institution operating in both regions must develop and maintain separate message mappings and validation rules to comply with each system’s specifications.”⁴

Worth the Challenge

Is the expense and effort of migration to ISO 20022 worthwhile? Absolutely. **Implementation of the standard brings a wealth of opportunities and benefits, including:**

- **Data enhancement.** ISO 20022 allows for richer data transmission, reducing data truncation and enabling better compliance monitoring. This can lead to fewer false positives in fraud detection as well as improved reconciliation processes.
- **Operational efficiency.** Banks benefit from higher STP rates, minimizing manual interventions and associated costs. This efficiency extends to corporate clients, who gain better tools for cash flow forecasting and payment tracking.
- **Improved innovation.** The standard fosters innovation by enabling new services like real-time payment dashboards and automated receivables tracking. It also supports collaboration between traditional banks and fintechs, driving industry modernization.
- **Global interoperability.** A unified messaging standard promotes consistency in payment processing across borders, facilitating faster and more secure international transactions. This consistency is critical for the growth of cross-border e-commerce and global trade.

ISO 20022 is more than a technical upgrade; it is a strategic initiative poised to reshape commercial banking. While the challenges are significant, the long-term benefits of enhanced data quality, operational efficiency, and innovation outweigh the initial hurdles and unlock new growth opportunities.

A strategic partner can streamline ISO 20022 migration. At Bottomline, we leverage our experience and deep knowledge of best practices to assess each client’s unique challenges and build a tailored strategy to facilitate an effective migration. As a top-three global Swift Service Bureau, our expertise can be leveraged to help determine whether a phased approach or “minimal functional requirements” remit for the ISO 20022 migration can provide the agility needed for immediate optimization.



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³ McManus, Neil. “The New Standard – ISO 20022 and what it means to treasury?” Eurobase, June 5, 2024.

⁴ Revilla, Aleix. “Navigating the fragmented landscape of ISO 20022 message specifications across Payment Market Infrastructures.” TradeHeader, viewed on January 2, 2025.



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The Expansion of AI

AI has a rich history in banking, beginning with the 1980s where AI was used to offer tax advice, provide personal financial planning, and calculate FICO scores.⁵ Now, four decades later, McKinsey & Co. notes that generative AI alone – distinct from other forms of AI – has the potential to bring the banking industry an additional \$200 billion to \$340 billion annually.⁶ It comes as no shock, therefore, that commercial banks that embrace the personalization, fraud detection, operational, and decision-making capabilities of AI are surging to the forefront of the marketplace.

1. PERSONALIZED EXPERIENCES

Commercial banks are increasingly adopting AI to provide hyper-personalized banking experiences tailored to the unique needs of their corporate clients. This evolution is about delivering intuitive services that anticipate customer needs. For example, by analyzing vast datasets from a client's transactional history – or even by integrating with a client's enterprise resource planning (ERP) platform – AI can offer customized lending options, liquidity forecasts, spend analytics, and cash management solutions that better align with business cycles. This approach improves the customer experience by providing more relevant and efficient financial solutions and by helping CFOs and treasurers optimize their capital positions.

2. FRAUD DETECTION

Commercial banking clients engage in numerous large-scale transactions daily, making them prime targets for fraud. Thankfully, AI's ability to analyze massive datasets at lightning speed and monitor account activity and payment transactions in real-time gives commercial banks the ability to halt potential fraud before significant losses occur. For instance, AI can detect unusual activity in accounts payable or receivable processes, flag anomalous vendor behavior, and identify unauthorized access attempts. AI-powered fraud detection is also highly adaptive, learning from each interaction to become more accurate and responsive over time. This dynamic capability is critical in a landscape where cybercriminals continually innovate new tactics to bypass traditional defenses.

3. OPERATIONAL EFFICIENCY

One of AI's most immediate impacts for commercial banks is in enhancing operational efficiency. For example, **AI is transformative in the areas of:**

- **Back-office processes.** Commercial banks are traditionally burdened with manual, repetitive processes that are prone to human error. AI, through robotic process automation (RPA), automates these workflows, drastically reducing both operational costs and processing times.

- **Front-line questions.** AI chatbots, such as those developed by Kasisto or Google's Dialogflow, can handle complex queries, freeing up human staff to focus on higher-value tasks while supporting commercial bank customers with real-time answers to inquiries as well as issue resolution.
- **Loan underwriting.** In commercial lending, AI is automating the underwriting process, shortening what once took weeks into days, or even hours. By leveraging AI-driven platforms, banks can assess creditworthiness in real-time, processing complex financial data more accurately and efficiently. This is particularly valuable for commercial banks with large portfolios of small to medium-sized business (SMB) clients, where traditional underwriting processes are too slow to meet the fast-paced demands of these businesses.
- **Regulatory compliance.** Regulations in the banking industry never become simpler and fewer and easier to follow. AI can assist commercial banks in maintaining compliance in the evolving regulatory landscape by monitoring operations and transactions and raising alerts for investigation and review.
- **Document analysis.** AI-driven document analysis tools can parse through contracts, loan agreements, and financial statements at unprecedented speed, freeing up human employees to focus on higher-value tasks.

4. STRATEGIC DECISION-MAKING

AI-powered tools can assist in decision-making by analyzing data trends and providing actionable insights. For example, AI can forecast market movements, optimize capital allocation, or predict credit risk, enabling banks to make faster and more informed decisions. This ability to process large datasets and deliver precise insights gives banks a competitive advantage in an increasingly data-driven economy.

AI also plays a critical role in risk management by providing predictive insights based on historical data and real-time analytics. AI can identify risks that may not be immediately apparent, such as emerging economic or geopolitical threats, enabling banks to make proactive adjustments. This adaptability helps financial institutions mitigate losses and protect their clients' interests in an unpredictable market.

WHAT'S NEXT FOR AI IN COMMERCIAL BANKING?

AI is fundamentally reshaping the commercial digital banking landscape. By driving personalized experiences, enhancing fraud detection, optimizing operational efficiency, and supporting strategic decision-making, AI is not just a tool for today – it is the future of banking. As AI technologies continue to evolve, commercial banks that embrace them will be well-positioned to offer unparalleled service, security, and innovation to their clients.



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5 Sharma, Kris. "Machine learning in finance: history, technologies and outlook," August 23, 2023.

6 "The economic potential of generative AI: The next productivity frontier." McKinsey & Company, June 14, 2023.



The Preeminence of Commercial-Specific Platforms

Over the past two decades, industry vendors and major banks have attempted to combine retail and corporate banking platforms. The reasons vary, including seeking savings on IT spend and resources to maintain one platform versus two, and minimizing the need to manage upgrades and train staff on the functionality of different platforms. While these cost savings appear significant in the evaluation stage, the reality is that banks that have gone with a one-size-fits-all platform simply cannot compete with their larger counterparts who have dedicated platforms. They ultimately fail to win new business and even to retain existing, high-value business customers.

The fact is that retail platforms lack features commercial customers require, including the ability to cope with thousands of accounts per customer, handle high transaction volumes, and meet extensive reporting needs. In contrast, banks that offer a commercial-specific platform are delivering – and receiving – tremendous value. This includes large, regional banks looking to compete effectively against national banks, but also banks with assets of \$10B or more that see commercial banking as their path to exponential growth and shareholder value. To effectively compete, investment in a dedicated platform is the price of entry.

COMMERCIAL PLATFORMS UNLOCK BUSINESS GROWTH

Commercial platforms unlock business growth in a variety of ways. For example, a commercial-specific platform ensures seamless integration across channels by supporting **omnichannel functionality**, enabling corporate clients to access accounts and conduct transactions effortlessly across various devices. This flexibility is essential in today's fast-paced business environment, where companies need real-time financial management tools to stay competitive.

Operational efficiency is another critical advantage. Commercial platforms integrate smoothly with other financial tools, allowing banks to deploy system upgrades and new features more quickly. This reduces downtime and enhances service delivery, keeping clients satisfied and productive.

From a **customer experience** perspective, commercial platforms excel with features like customizable dashboards, advanced reporting capabilities, advanced user entitlements, and multi-bank payment options. These tools empower businesses to monitor and manage their finances more effectively, ensuring they stay on top of their financial performance.

COMMERCIAL PLATFORMS SPUR BANK GROWTH

A bank's commercial customers are often the most valuable customers to a financial institution, hence a dedicated commercial banking platform that is purpose-built to meet their specific needs is critical to boost bank growth. Banks that deploy commercial-specific platforms gain a competitive edge by offering **advanced features** such as predictive analytics, real-time fraud detection, and seamless integration with enterprise resource planning (ERP) systems. These capabilities position banks as strategic partners that help businesses achieve their goals.

Additionally, commercial platforms create **revenue-generating opportunities** by enabling banks to offer premium services such as cash flow optimization, international payment processing, premium ACH payments, and sophisticated liquidity management solutions. These advanced services allow banks to deepen their client relationships and boost profitability.

Corporate clients, particularly large enterprises, are drawn to banks that can provide comprehensive, reliable, and scalable solutions. A commercial-specific platform ensures banks can meet these expectations, building long-term trust and loyalty. This retention strategy is critical, as corporate clients contribute significantly to a bank's profitability over time.

The Efficiencies of Embedded Financial Services

A close cousin to the market trend of hosting a commercial-specific platform for business clients is the move to offer embedded financial services to corporate clients. Embedded services enable corporate customers to centralize and manage finances from within their enterprise resource planning (ERP) or customer relationship management (CRM) systems, rather than needing to connect to a banking portal. **Consider these top ten ways embedded finances support the daily workflows of businesses:**



1. Cash Flow Management: Businesses gain real-time cash flow insights within their accounting software, enabling better liquidity forecasting and decision-making.



2. Invoice Financing: Embedded lending offers businesses advances on unpaid invoices directly through invoicing platforms, boosting working capital and reducing cash flow gaps.



3. Integrated Payments: Payment processing embedded within platforms enables seamless B2B transactions, eliminating the need for third-party gateways.



4. Expense Management: Linking commercial bank accounts with expense tracking tools automates reconciliation and budget control, reducing administrative overhead.



5. Supply Chain Financing: Embedded finance in supply chain systems enables early payment discounts and financing options, enhancing supplier relationships.



6. Payroll Services: Direct integration with commercial bank accounts automates salary disbursements, ensuring timely payroll while maintaining compliance.



Commercial platforms create revenue-generating opportunities by enabling banks to offer premium services such as cash flow optimization, international payment processing, premium ACH payments, and sophisticated liquidity management solutions.



7. Trade Finance Automation: Embedded trade finance streamlines cross-border transactions with real-time currency conversion, reducing international trade complexities.



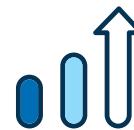
8. Foreign Exchange Management: Platforms handling international payments integrate FX tools, enabling instant currency conversions and hedging services for businesses.



9. Accounts Payable Automation: Automated bill payments linked to bank accounts streamline vendor management, reducing manual processing time.



10. Loan Underwriting: Instant credit approvals embedded in procurement platforms simplify financing for businesses by leveraging real-time transactional data.



The embedded finance market is exploding, from \$22.5 billion in revenue in 2020 to an anticipated \$384.8 billion in 2029.⁷

A Strategic Opportunity to Serve

APIs are the backbone of embedded finance, facilitating the secure and real-time exchange of information between corporate systems and financial institutions. Banks therefore may need to upgrade their digital architecture and infrastructure to enable seamless integration with third-party platforms. Additionally, any embedded systems must be protected by robust security measures to safeguard sensitive financial data and adhere to all applicable regulatory and compliance standards, such as the Revised Payment Services Directive (PSD2) in Europe.

For commercial banks, embedded finance is a strategic opportunity to deepen client relationships and offer value-added services. By providing embedded solutions, banks can position themselves as integral partners in their clients' operational ecosystems.

The Criticality of Data Analytics

In addition to embedding financial services, commercial banks are increasingly investing in big data analytics to provide their business clients with enhanced financial insights and advisory services. This is not a new trend, but one that continues to be of importance in optimizing various parts of a bank's business. By analyzing transaction data, banks can offer customized recommendations for optimizing working capital, managing cash flow, and reducing operational costs. This continued shift toward data-driven insights empowers businesses to make informed financial decisions and enhances the role of banks as strategic partners rather than just service providers.



The Big Data Analytics in Banking Market size is expected to grow from \$307.54 billion in 2023 to \$745.18 billion by the end of 2030.⁸

⁷ Fitsak, Sergiy. "How Embedded Finance is Redefining Financial Services and Unlocking New Revenue Streams." Finextra, October 23, 2024.

⁸ "Global Big Data Analytics in Banking Market By Type (On-Premise, Cloud), By Application (Feedback Management, Customer Analytics), By Geographic Scope And Forecast." Verified Market Reports, December 2024.

Here are five use cases demonstrating how commercial banks can leverage big data analytics to support business clients:

USE CASES	BUSINESS EXAMPLE	CUSTOMER VALUE
Cash Flow Forecasting and Optimization	A mid-sized retail company experiences fluctuating cash flows due to seasonal demand. By analyzing historical transaction data, the bank identifies cash flow patterns and predicts future cash inflows and outflows.	The bank provides customized recommendations, such as adjusting payment terms with suppliers or setting up a revolving credit line, ensuring the client maintains liquidity during peak seasons.
Working Capital Management Insights	A manufacturing firm struggles with managing its working capital due to delayed customer payments. The bank analyzes incoming payments and accounts receivable trends.	Based on the data, the bank advises the client on implementing early payment discounts or automating collections to improve working capital efficiency.
Expense Optimization and Cost Reduction	A logistics company faces rising operational costs but lacks visibility into expense drivers. By examining transactional data, the bank identifies excessive spend categories like fuel and maintenance.	The bank suggests switching to fuel cards with cash-back options or negotiating bulk service contracts, helping the client reduce costs.
Loan and Credit Line Recommendations	A wholesale distributor needs a credit line to manage large inventory purchases but struggles to determine the optimal amount. The bank analyzes the client's historical purchase volumes, payment cycles, and sales trends.	Based on the data, the bank recommends a customized credit line with flexible repayment terms, ensuring the client can purchase inventory without overextending its financial obligations.
Strategic Business Expansion Insights	A restaurant chain plans to expand into new markets but is uncertain about potential locations. The bank analyzes aggregated transaction data, including spending patterns and customer demographics in target areas.	The bank recommends specific high-potential regions, enabling the client to expand more strategically and reduce market entry risks.

What's more, rigorous and holistic data analytics allows the bank itself to identify trends and transaction patterns within its own organization and across its customer base – including insight into how clients engage digitally, updates on key online actions including logins, transactions, and feature use. These analytic capabilities enable banks to not only maximize engagement and profitability by using data to identify additional sales or relationship-building opportunities but also to reduce churn through machine learning and AI-enabled predictors by driving more proactive customer outreach based on user and customer portfolio-level behavior and activity. This could also help mergers and acquisitions go smoothly by monitoring migration waves and activity, ensuring customers are retained and the process is successful.

All of this empowers banks to build lasting commercial customer relationships with enhanced engagement opportunities.

ACTUALIZING THE ANALYTICS

To implement advanced data analytics, commercial banks need to adopt a multi-pronged approach that encompasses technology, strategy, and culture. For example, it is imperative to modernize IT infrastructure to handle large volumes of data efficiently. Technologies like distributed computing, AI, and machine learning should be integrated to support sophisticated data models. On the strategic front, collaborating with fintech companies or analytics service providers can accelerate banks' data analytics capabilities. Internally, banks may need to upskill or hire individuals with data science, machine learning, and business analytics expertise.

SPEED IS THE BOTTOM LINE

For commercial banks, speed is a necessity to remain competitive. From adopting instant payments and ISO 20022 to offering AI-driven services, commercial-specific platforms, embedded financial solutions, and advanced data analytics, success hinges on the ability to adapt, innovate, and act in real time – and to empower corporate customers to do so, as well.

Banks that embrace these market trends will strengthen customer relationships, improve operational efficiency, and secure long-term growth. For commercial banks, the time to act is now: in the race toward financial excellence, those who move fastest will lead the industry forward.



Success hinges on the ability to adapt, innovate, and act in real time – and to empower corporate customers to do so, as well.

Want to learn more? View additional Commercial Digital Banking Resources, including our latest reports, blogs, and ebooks now.

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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.

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