

# How Banks and Financial Institutions can Leverage Centralised SaaS Platforms & Hybrid Integration Models to Win Competitive Advantage

**NextGen**  
NORDICS 

## The P27 Nordic Payments Advantage



The Nordics have always been known for their great collaboration between fintechs and traditional banking players. No better example of this is the formation of the P27 Nordic Payments initiative which “has been tasked to deliver the much-needed overhaul of the legacy infrastructure in the Nordics, by introducing one state-of-the-art real-time, cross-border, cross-currency platform,” according to the Cross-border, cross-currency, real-time payments P27 Whitepaper produced in November 2020.

This P27 single platform has huge positive implications for Chief Operating Officers and Heads of Transaction Banking in reducing costs and allowing the playing field to be levelled for smaller/challengers in the market. Additionally, using region-wide collaboration on best practice to build, scale and maintain your payments infrastructure will help to address key predicted pain-points from industry experts e.g. “The payments business is becoming increasingly commoditized, margins are eroding. If we don’t improve the model and reduce operating costs, it’ll be game over for anyone not willing to embrace the new world\*.” Peter Klein, EVP Strategy & Solutions for New Payments Platforms at Mastercard.

Whilst we have seen regulatory mandates such as PSD2 and Instant Payment initiatives like the New Access Model in the UK and Target2 as part of SEPA Inst making access to instant payments more open, because the use of online banking in the Nordic countries ranks among the highest worldwide – ranging from 84% in Sweden over 91% in both Denmark and Finland up to 95% in Norway\*, there is no doubt that P27 Nordic Payments can truly lead the way on improved operational efficiency, flexibility of payment channels and a rise in partnerships between fintechs & banks. For example, just taking Sweden & the UK alone, Financial Services made up £499 million or 10.9% of services exported from the UK to Sweden & £199 million or 4.5% imported from UK from Sweden in the four quarters to the end of Q3 2021\*\*.

\*Source: [Statista.com](https://www.statista.com/statistics/222286/online-banking-penetration-in-leading-european-countries/) <https://www.statista.com/statistics/222286/online-banking-penetration-in-leading-european-countries/>

\*\* [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1061171/sweden-trade-and-investment-factsheet-2022-03-18.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1061171/sweden-trade-and-investment-factsheet-2022-03-18.pdf)

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It is not easy to be the Head of Operations or Chief Operating Officer at a Bank or Financial Institution today. Nor has it ever been. Rapid infrastructure developments and emerging technologies coupled with the Covid-19 pandemic have accelerated digital adoption across Asia Pacific. Industry wide initiatives, most notably the migration to ISO 20022, and increased collaboration among central banks aim to further improve the efficiency and security of real-time and cross-border payments.

Whilst these innovations will massively benefit Financial Institutions, the layers upon layers of new functionality will add further complexity into operational systems. At a time where a multitude of ‘change requests’ are hitting desks, it is vital for decision makers to take a step back and ask key questions before they build or buy anything;

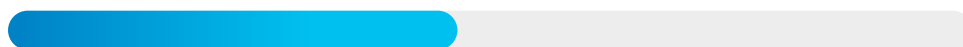
- ➡ How old are my legacy systems, and how are they impacting operational efficiency?
- ➡ Are they able to inter-operate between themselves and with new payment rails?
- ➡ What is the potential for scalability?
- ➡ What is the big picture and the optimum long-term strategy for digital payments transformation?
- ➡ What are the new regulatory priorities, and how are they driving domestic and international payments?
- ➡ How can fraud losses and issues with friction be mitigated?
- ➡ How can we protect our institutions and customers whilst driving innovation and operational efficiency to exceed expectations?

In our 2021 global research report, [The Future of Competitive Advantage in Payments & Banking](#), we gained insight into some of the key questions above.



## Which Issues Are You Facing With Your Current Payments Infrastructure?

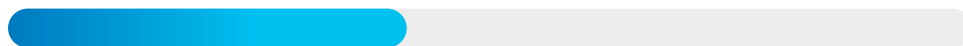
Legacy Systems: 47%



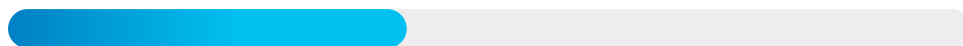
Lack of Operation Efficiency: 42%



Interoperability Between Internal Systems: 40%



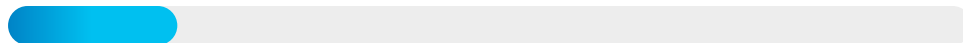
Scalability: 40%



True Connectivity: 24%



Ability to Have Remote Access 11%



There is a new vigour in the industry, motivated by innovative trends, compelling propositions, record levels of new investments from the venture capital & private equity house and tough competition.

The next two years will be critical, and ultimately, there will be some winners who are quick to adopt modernisation and those that risk attrition by being laggards. Ignoring the need for change is no longer an option where the ability to **'connect, control, compete and comply'** is table-stakes.

Concurrently, opportunities abound to grow, increase operational efficiency, win new clients and enter new markets. There is a new vigour in the industry, motivated by innovative trends, compelling propositions, record levels of new investments from the venture capital & private equity houses and tough competition.

Who would have thought Operations in Banking and payments would become such a hot topic? However, operations and related efficiencies are moving at an unprecedented pace. This speed is even more remarkable given the digitisation of payments from the pandemic and customers' demands to be 'always-on'.

The good news is that there are so many whitepapers on the optimal ways to collaborate with Fintechs, the most successful path to digital transformation and best practices for meeting customer expectations.

The problem is that with this abundance of thought leadership, **how can you ensure that you choose the right advice on how to make the best choice for your institution that guarantees speed-to-market in an already busy roadmap?**

Therefore, to save you time and energy, using our experience and expertise, we have condensed the key take-aways from the global research for you.

**These tips and five best practices will help you engage and succeed in your digital transformation strategy.**

# 1

## ‘Connect’:

## Central Connectivity to Multiple Payment Rails Options

### What Do You Need to Do First and Foremost?



of banks and FIs said that adopting new payment rails were their top priority in the next 12 months\*.

**Firstly, banks are striving to make domestic and international payments more efficient.**

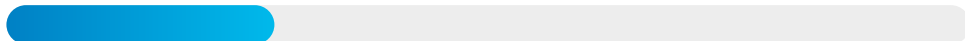
Secondly, the capability to fully understand and manage your cash position with your counterparties. Reliable connectivity to your sponsor bank and the relevant chosen networks and clearings is essential for any compelling operational digital transformation journey.

Domestic payment infrastructures (for example, Singapore’s Fast and Secure Transfers (FAST) and Thailand’s PromptPay), either direct or indirect combined with SWIFT or host to host direct connections, are your basics for meeting key goals. However, the flexibility to integrate and cater for future connectivity options is also savvy.

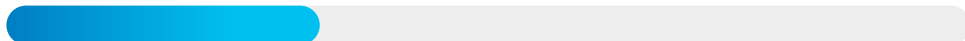
Starting with a built-in, standard point of connectivity with centralised processing and monitoring will help to streamline and standardise your process and controls. This starting point positions your operational model to reduce friction and the overall cost of operations – **see some of the identified pain points below\*.**

### What is the Greatest Pain Point When Sending Cross-Border Business Payments

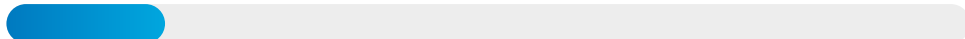
Slow or Unknown Speed for Arrival: **27%**



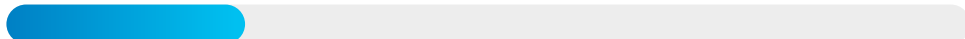
Costs of Maintaining So Many “Nostro” Accounts: **31%**



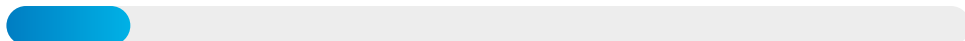
Trapped Liquidity in Systems: **10%**



Lack of Visibility on Payment Status: **24%**



Poor Quality or Loss of Data: **8%**







You need a partner who truly knows and understands your business, has a proven track record in delivering successful projects and has solid relationships with regulators and auditors

**The key insight is that you don't need to do it all yourself.** It is too expensive for most institutions to maintain heavy infrastructures on-site, and they don't necessarily have the resources in-house to cope with the changes. This disadvantage impacts the ability to scale on-demand and to future-proof systems.

But you can partner with the right supplier to leverage their expertise and bandwidth – whether that is via SaaS, Service Bureau, or a trusted Fintech partner. These options keep your development to a minimum by utilising the right partner who is already audited and compliant.

Your objective should be to look for the easiest possible integration through standard connectors that will offer quick time to test and speed-to-market combined with a genuine capacity for custom integration. This way, your provider is doing the heavy lifting on your behalf to provide seamless integration across all your systems within a centralised hosted platform.

Inevitably there are many new players in the market who all claim they understand the challenges you face and can take away the pain – the harsh reality is that this is not always true.

Robustness and efficiency, Disaster Recovery and high availability are mandatory first factors in choosing a partner, including sufficiently robust Service Level Agreements. But more than just the technical knowledge and the promise to meet expectations, you need a partner who truly knows and understands your business, has a proven track record in delivering successful projects and has solid relationships with regulators and auditors. In other words, the expertise to transcend a simple supplier status and are viewed more as a valuable and trusted partner in your day to day operations.

# 2

## 'Control':

### Centralised Automation Tools That Prevent Fraud and/or Friction



said that mitigating fraud risk was one of their top priorities over the next 12 months\*

#### **A centralised platform benefits multiple connectivity options and payments rails.**

One of the first advantages is controlling the clarity of the data you send and receive. Concerning your counterparties, this will impact your cash position and statements, avoid duplication and ensure there isn't any missing or corrupted data. It also prevents duplication across internal systems and ensures successful execution whilst providing data enrichment and mapping to the latest regulatory formats. A standard platform with automated controls and a library of formats will offer value when adding or changing counterparties or indeed integrating/divesting a part of your business.

Additionally, a single hosted platform can counter error and fraud better by using a standardised approach based on proven best practices. For example, using multi-factor authentication to log in and approve payments or setting limits per account, user or group of accounts. This setup opens up the possibility of segregating data access and duties for unique de-limited roles giving you complete end-to-end visibility and control whilst using shared service centres and/or branch access. The tangible impact is the ability to validate beneficiaries and support multiple concurrent approval workflows, from straight-through-processing (STP) to multiple approvers based on the amount or payment/or type of debit accounts.

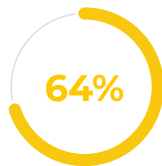
#### **All of those controls allow your institution to operate with multiple counterparties and network options in a standard, highly efficient and very secure way.**

Another advantage is real-time reconciliation on payment status and real-time counterparty consolidation, leading to a transparent network or clearing cash position using automated alerting. As a result of this platform, you will have the ability to operate in a simple, manageable, scalable and cost-effective way that provides complete control. Using a standardised approach in one platform allows you to grow, innovate, build new payment rails and adapt your ecosystem with minimal effort, disruption and impact to your existing infrastructure.

## 3

**‘Comply’:**

## Regulatory Changes, Mandatory Deadlines and Requirements



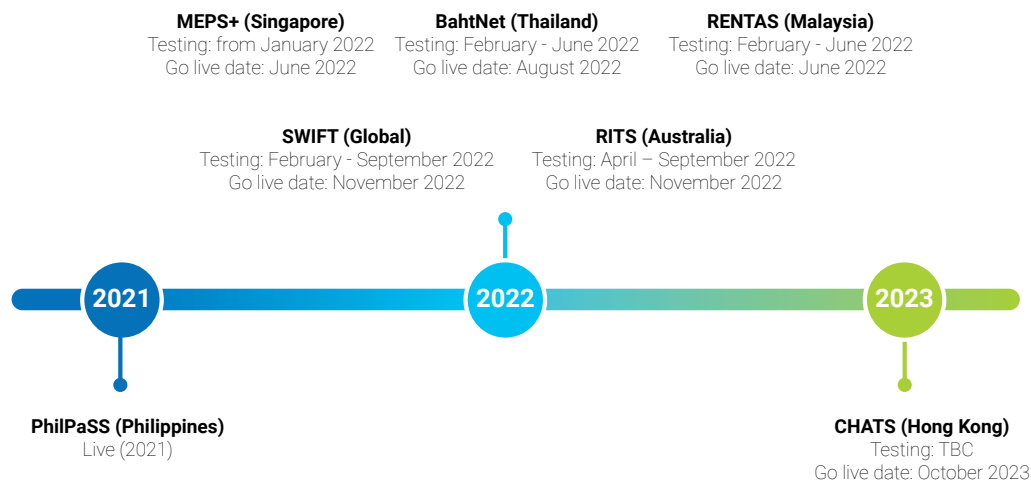
of banks and FIs said that RegTech would be more important than ever over the next 12 months\*.

**Asia Pacific in particular has witnessed a rapid increase in regulatory requirements over the last decade, which in turn has led to a boom in RegTech usage by FIs to remain compliant. Each country across the region has its own regulators and requirements which are continuously evolving. This presents an opportunity for RegTech innovation and solutions to help FIs comply with the differences in regulations and streamline in-house compliance processes.** In a global context, the SWIFT network is also introducing notable changes through the improved customer security program (CSP) and the mandatory adoption of ISO 20022 by November 2022 (with the end of the co-existence period in 2025) to replace the FIN standard as the ultimate format to exchange financial messages. The ISO 20022 deadline aligns with various market infrastructure requirements such as BahtNet, RENTAS, RITS, CHATS, PhilPaSS and MEPS+.

Whilst all these changes bring challenges to your existing systems, they also carry the enormous potential to monetise new information, embedded data with payments and new ways to move and manage money. Therefore, the ISO 20022 standard should be considered a benefit for improved transparency, operational efficiency and greater interoperability and not a negative. It will be nearly impossible to compete in 2022 and beyond without ISO 20022.



## APAC'S MARKET INFRASTRUCTURES ARE ALREADY MIGRATING TO ISO 20022



And here again, help is available. With the right partner, you can start planning a long-term strategy that allows for the co-existence of formats whilst adapting, modernising or even replacing your legacy systems. This digital transformation also relies on your centralised connectivity platform, where your vendor can maintain standard mappings and guide you through regulations and anticipated changes. This option provides a solution that saves you time and cost whilst you plan your long-term strategy. That said, one should weigh up a pure connectivity approach for ISO 20022 versus an ISO Native integration where you have ISO front and centre and can start reaping the benefits as soon as possible. Either way, a trusted partner can advise on the best strategy aligned to your business objectives that may be either option or a hybrid of Market Ready.

**The benefits of a centralised platform will also support your audit requirements, recording every event, flow, and user action - it is then simple and easy to produce any required audit reports.**

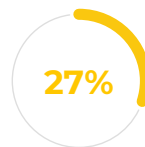
The ability to onboard new counterparties, additional payment rails, and integrate or add innovative technology is critical when choosing the ideal platform and the right partner to support your growth. Finally, a hosted, standardised, and centralised platform that fully integrates with your core systems allows you to change and modernise more efficiently – all with minimum impact on your operational process, project timescales and cost-reduction objectives.

# 4

## 'Compete': Data & Analytics



When asked which areas of the treasury process are currently automated to their satisfaction, only 30% said cash flow forecasting and 27% liquidity planning. \*



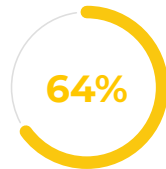
### **An important factor in remaining competitive and enhancing your client**

**experience is data.** From a centralised hosted operations platform, you can start seeing, in real-time, all your flows and linked data in any graphical representation. Again, this improves your control and visibility on payment volumes, counterparty choices, and calculated cash positions. Thanks to Machine Learning and Artificial Intelligence, you can benefit even more through likely outcomes and prescriptive friction. For example, if you do not change the data, the payment will likely be rejected and cause unnecessary delays and reputational damage.

ISO 20022 from SWIFT/Market Infrastructures will provide the opportunity for you and your counterparties to add more embedded data in your exchanges - this is new, uncharted territory. Therefore, this is not just a chance to streamline reconciliation, reduce outstanding items, and give more information to those associated with the payment or collection. The remittance information on any transaction will have almost no limitations. Here your partner choice will be vital in determining how successfully, intelligently and innovatively you process your data. Using a market-leading platform and skilled services from a trusted partner means you make the most of this additional data in tandem with your roll-out strategy by monetising it and, ultimately, enhancing your client's experience. Many players are already adopting this strategy, so you must ensure you don't miss out and lose competitive advantage.

# 5

## 'Compete': Innovation



of banks and FIs said digital transformation was the biggest focus for them at the moment, yet 26% said they were sceptical or highly sceptical of their current strategy. However, 75% want to transition to a payments ecosystem in the next five years\*.

**As highlighted above, financial institutions are going through a major change, and you can be confident that the pace will not abate any time soon.** Using a hosted, standard, secure, SaaS-based platform to connect, control, compete and comply, brings enormous long-term strategic possibilities. Firstly, it inspires confidence that your capabilities evolve according to market expectations and the demands of your internal strategy regarding appropriate investment, product development and the generation of new revenue streams. Secondly, you reap the rewards of a constantly evolving platform optimised by best practices and driven by the collaboration and innovation of vendors and market players – in other words, a best-in-class platform.

Soon, we will see more innovation emerging from new payment rails, Instant Payment schemes, regulations and deadlines to new agency bank/partnership models. In this vein, the responsibility for operations will need to grow to support interoperability, the unmistakable shift towards real-time, and ensuring the safest, most secure processes. To succeed, you will need to embrace digital transformation, improve operational efficiency, and exceed customer expectations. Jerome Powell, Chair of Board of Governors, Federal Reserve System, stated "One of the keys for cross-border moving forward will be both improving the existing system where we can, whilst also evaluating the potential of and the best uses for emerging technologies". **Additionally, in the recent G20 Report, they confirmed that the goal for the FSB running this program is that cross-border payment costs will drop to 1% by 2027, that 75% of payments arrive within <one hour, and with 100% processed same-day.**

There is always the lingering doubt in the heads of every banking and financial institution executive about whether change comes at a risk of potential failure through what seems like never-ending project updates, rising costs and the disruption of existing operational functionality. And, the truth is there is no standard playbook as one size doesn't fit all. Nor should it, as institutions have different strategic objectives. But, time is running out, and new regulations that impact your network and technical obligations now come with more aggressive deadlines. There is an urgency to deliver innovation, gain a competitive advantage, or stay in the game and avoid disintermediation. Everything is real-time now, and everybody expects everything to work with 'one press of a button'. The truth is, of course, more complex. Still, with the right partner that are making the right choices for you, you can start or continue your digital transformation in a smooth and controlled way to ensure the growth of your business and satisfaction in your customer experience.



## The Bottomline

There's a difference between driving innovation and feeling forced to do it. And there's also a difference between improving the customer experience and being mandated to do it. It will be the FIs that harness innovation and strategic partnerships that will compete to win in 2022.

To find out more, [book a 1:1 strategy consultation](#)



**Connect, Comply, Compete, with  
Bottomline Financial Messaging**

[LEARN MORE](#)



### About the Author

Charles de Rougé, Head of SaaS Solution Financial Messaging, Bottomline

Charles de Rougé is Head of SaaS Solutions for the Financial Messaging business at Bottomline Technologies that helps banks, financial institutions and large multi-national corporates to pay and get paid in a simple, smart and secure manner. Charles is a payments and connectivity expert, with over 15 years' experience in Corporate & Transaction Banking, Asset Management, Private Banking, and Treasury Management.

## About Bottomline

Bottomline's Financial Messaging (FM) solutions are recognised and trusted by 600+ customers in 92 countries, across 6 continents for SaaS-enabled payments, securities, connectivity and messaging. FM connectivity solutions leverage multiple domestic and cross-border payment networks and schemes with a track record of success. This connectivity includes SWIFT, UK Faster Payments, RT1, TIPS, Bacs, Six, EBICS, Visa and others to enable our clients to deliver added value to their customers.

As one of the top SWIFT service bureaus globally, we manage 15% of all international cross-border traffic. Our global experience and expertise for financial messaging and ISO 20022 implementation include message translation, validation, transformation, intelligent routing, orchestration and integration.

In total 10M payments and transactions are processed daily by our secure Managed Services. Overall, our solutions enable financial institutions and corporations to achieve lower costs, speed to market, greater security and improved risk management, while avoiding the costly internal infrastructure and software updates for legacy on-premise solutions.

\* 2021 global report [The Future of Competitive Advantage in Payments & Banking](#)

311 banking & FI players across Treasury, Fraud, Operations, Product & C-Level in 34 countries globally including - 8.4% United States, 10.5% UK, 3.2% Cambodia, 2.10% Germany, 6.3% India, 3.2% Israel, 14.7%, Malaysia, 5.3% The Netherlands, 5.3% Singapore, 5.3% Switzerland, 4.2% Thailand



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