

Navigating the digital shift

The essential move towards technology-centric solutions to meet the demands of the modern economy.

Streamlining payments for the digital age

The world of payments is seeing the indisputable rise of real-time and instant payments, with significant investment into real-time systems in the UK, Europe and the US. This is very much in line with customers' expectations for a real-time experience.

WHY TRANSFORM PAYMENTS?

The way in which banks process payments makes a difference to merchants and customers. In many cases, the legacy technology used by banks doesn't work in the best way possible for all possible use cases, merchants and consumers.

Being able to transform payments processing not only benefits banks from a revenue generation point of view; it also helps to keep consumers happy. It keeps the credentials that the consumer has with the bank top of wallet for merchants – and that, in turn, ensures that consumers are satisfied with the services they receive from their banks.

ADAPTING TO NEW PROPOSITIONS

This is an area that is evolving rapidly: banks need to keep up with new propositions that involve payments, from environments such as gaming to tapping into different asset classes or investments. When banks continue to use legacy systems, it can be both challenging and costly to make the changes needed to process payments for these different use cases.



A bank's reputation for being able to process payments on a fully 24/7/365 basis is part of the relationship it has with its customers – particularly in a digital world, where the bank and its operational ability is completely visible to customers.

Eimear O'Connor,
Chief Product Officer, Form3

Lightening the load

As such, it is important that banks transform their legacy payment processing platforms. This may involve using third parties, such as card payment processors or real-time payment processors, that can help banks adopt a modern infrastructure in a streamlined way and reduce the burden associated with transforming legacy platforms.

UNLOCKING VALUE

Once banks have access to a central infrastructure that can process real-time payments, the next step is to use that capability to provide products and services that offer real value and differentiate banks from their competitors. This is key when it comes to unlocking significant value in services in a digitalised way.

The flexible technology now available presents a significant opportunity for banks to make their propositions as attractive as possible to segments of their customer base. The data they can derive from individuals' interactions with them also allows banks to create a rich and personalised experience.



Third party payment processors can help banks with the modern infrastructure they need to support new use cases, stay current with the rules that are needed to protect consumers, and continually innovate.

Mehret Habteab,
SVP, Products and Solutions, Visa Europe

Embracing emerging technologies

As the digital shift continues, technologies such as machine learning (ML) and artificial intelligence (AI) are set to play an increasingly important role in helping banks stay current.

Many banks have already started to think about how they can use AI to enhance their customer support and customer servicing capabilities. For example, they are looking at how AI can help them gain a better understanding of their customers' financial health, or to identify where they are on their customer journeys.

UNDERSTANDING CUSTOMER BEHAVIOUR

By analysing the products and services that customers use, and understanding how consumers interact with their bank, banks can gain a clearer understanding of behaviour patterns. This, in turn, can help banks work more effectively with their customers – whether that means helping people who are in financial stress, or offering products and services that are aligned to their customers' needs at a particular moment in time.

PROVIDING A PERSONALISED EXPERIENCE

Consumers increasingly expect their banks to understand who they are and what they are looking for, so that they can provide a personalised experience and suggest relevant offers. AI and data have an important role to play in helping banks fulfil this expectation in a safe and secure way, with their customers' consent.

While digital-first firms will be better placed to tap into the benefits of AI, traditional banks may need to work with technology providers to harness the opportunities that AI presents.



Think about the way that we interact with news agencies and retailers, with products and services positioned to us based on our previous behaviour. The data is there for banks to interact with their customers in that way.

Eimear O'Connor,
Chief Product Officer, Form3



MANAGING FRAUD RISK

The growing digitalisation of products and real-time interactions presents additional risks. Real-time payments, in particular, see a heightened fraud risk because the opportunity to identify fraudulent transactions is significantly truncated.

Nevertheless, an ever-growing range of tools is available to banks in the ongoing battle against fraud. Developments such as the arrival of Confirmation of Payee in the UK are helping to combat fraud risk. At the same time, the digitalisation of products also provides greater visibility over fraudulent activity.

Banks and payment providers will be expected to protect their customers from the risks, leading to a greater focus on helping customers manage their identities and reduce the risk of fraud. Notable initiatives include Form3's recently announced partnership with Visa, which aims to reduce fraud in real-time account-to-account payments. As a result of the partnership, banks and financial institutions can harness the ability of AI and real-time risk scoring to identify and highlight potentially fraudulent patterns.



Agile technology infrastructure is critical to staying secure. It's about being able to change rapidly and close new points of failure that are continuously exploited by fraudsters. And that's where cloud players that cater to the needs of financial institutions can really make a difference.

Mehret Habteab,
SVP, Products and Solutions, Visa Europe