

PAYMENTS MODERNIZATION

A single payments hub is the answer, according to CEB TowerGroup research



Remarks by **Andy Schmidt**, Principal Executive Advisor, CEB TowerGroup, on payments modernization, given at the 8th Annual TCS BaNCS Customer Forum

Payments modernization is viewed through one of two lenses: Either it's a must-do, akin to compliance, or a more visionary approach that seeks to do all sorts of new things.

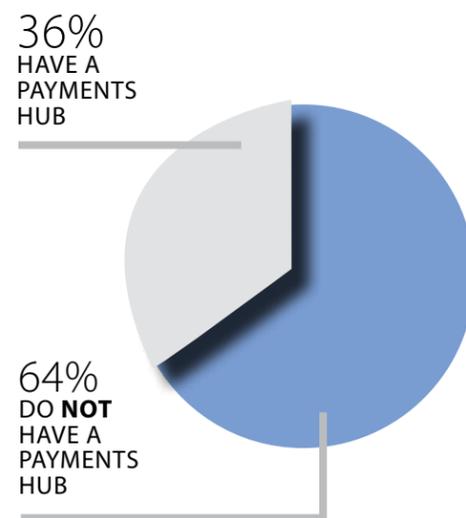
The profile of a specific financial institutions tends to fall along this spectrum based on leadership. If it's the CFO who became the CEO, you're on the compliance end. If you're led by the CIO team, you're going to look at this as an opportunity.

We see the proper response being modernization through a payments hub. This has the potential to improve customer service and customer experiences, improve processes, increase sales and improve customer acquisition.

In the early days, the idea was to have a high-value hub and a low-value hub. That's hard to manage in today's environment. Instead, the majority of banks want a single hub in place for all their payment types.

Take an approach where you can accept any payment type in any format, put it through a common process and deliver it to any endpoint. It gives you so many opportunities to be able to control your infrastructure through a common interface, and to push rules out once rather than dozens of times.

The market for payments hubs is still open for investment



Source: CEB Enterprise Payments Showcase Survey



CEB TowerGroup Analysts' View

"TCS BaNCS for Payments offers banks the flexibility to integrate with existing and new/upcoming market infrastructure and manage multiple payment formats.

This payments hub solution focuses on re-routing and standardizing payments to help improve a bank's efficiency and workflows."

● CEB TowerGroup, "Winning the Payment Triathlon: Racing to Zero, Real-Time, and Revenue, Payments Hubs Market Update," CEB, 2015.

You can read the full report here:

http://www.tcs.com/news_events/analyst_reports/Pages/Winning-Payment-Triathlon.aspx

"TCS' recent additions, including drag and drop dashboard elements and conditional white listing improve the usability of its offering. Likewise, the ability to consolidate alerts creates a clearer picture of the threats the bank faces, both for the institution, and, its regulators."

● CEB TowerGroup, "Threats with Aging Infrastructure: Anti-Money Laundering Systems Market Update," CEB, 2016.

The Races are On

The race to payments modernization is actually three races

One ● Banks are racing to zero in terms of transaction pricing. Digital commerce and person-to-person (P2P) transactions—which customers expect for free—have increased sharply. Therefore, financial institutions must be able to meet this rise in transaction volume with lowered transactions costs in order to retain profit. At the same time, financial institutions must still combat fraud and other issues with the same vigor as before. Features such as automatic rules and automatic routing of problem payments to repair and/or exception queues will help separate items that need greater attention from items that can pass straight through, and can help decrease costly manual oversight.

Two ● Banks are racing to real time. Financial institutions are expressing a greater need to process and post transactions in real-time across all channels. This need will require investment not only in payments initiation in real time, but also in creating real-time capabilities for other payments-related activities like balance-checking, fraud screening, and liquidity management. While these additional investments may seem daunting, forward-looking banks are using these investments to create new revenue-generating, value-added services, such as liquidity management services for correspondent banks.

Three ● Banks are racing for new revenue. And finally, banks are racing for revenue in terms of creating new revenue streams, preserving profit margins, and protecting against disintermediation. Financial institutions are challenged with developing payment products and services that customers will use, at a cost that is competitive with more agile and risk-tolerant financial technology companies ("fintechs"). To accomplish this, many larger banks are partnering with fintechs to bring innovative technology solutions to their customers. In this symbiotic relationship, banks can gain access to cutting-edge technologies quickly and cost effectively while technology companies gain access to the bank's greater customer reach and knowledge of the financial regulatory environment.

● CEB TowerGroup, "Winning the Payment Triathlon: Racing to Zero, Real-Time, and Revenue, Payments Hubs Market Update," CEB, 2015.

Webinar

TCS BaNCS with CEB TowerGroup recently hosted a webinar, "Driving Small Business and Corporate Engagement through Digital," hosted by Jason Malo, Research Director, TowerGroup Retail Banking, and Debbie Buckland, Consultant, TCS BaNCS Financial Solutions

Watch the webinar at:

<http://on.tcs.com/24gCRcF>