fiserv.

White Paper

Four Trends to Watch in Wire Payments

Ensuring Relevance in a Real-Time World

The COVID-19 pandemic has accelerated payments transformations and broken barriers to digital payment adoption. Businesses and consumers value faster, contactless payment options, and they're unlikely to turn back. What does that mean for foundational channels such as wire payments?

Payments trends that had been slowly rising in prominence took off in 2020. Online, mobile and person-to-person transactions all increased. But even with the availability of these newer payment channels, wire transfers are still essential. They help financial institutions meet the demand for fast and secure global payments.

Here are four global trends to consider when assessing ways to keep wire transfers relevant and profitable.

1 The Effect of Real-Time Payments

2 Rising Fraud

3 Dwindling Fees

4 Payments Modernization

01

The Effect of Real-Time Payments

Payment channels such as real-time payments have permanently changed consumer expectations around speed and data. Consumers expect seamless, low-cost and hassle-free transactions across every channel. They want to move money based on their preference and schedule and have those funds available to the beneficiary immediately. Corporations want payment-rich information to simplify reconciliation and account management. Those needs will not change.

However, wire payments also have advantages, including the ability to reach every account in the U.S. Wire payments can also exceed $100,000 (The Clearing House currently caps its real-time payments at $100,000), which is essential for high-value and corporate payments.

Wires also retain relevancy through interoperability because many financial institutions rely on wire services for cross-border or cross-regional exchanges. And once ISO 20022 runs through its final adoption phases, wire transfers will be as information-rich as real-time payments are today.

Each payment rail has advantages and disadvantages. But a payment is a payment, as far as consumers are concerned. It's up to the financial institution to match the most appropriate payment method to a consumer's current need (such as budget, timeline, security or data availability). And then deliver their payment services seamlessly.

To do that, financial institutions rely on the ability and flexibility to handle different payment types, preferably through a single system. Wire transfers are one part of an institution's overall payments strategy, not a lone product, system or process. With an inclusive payments hub, financial institutions can focus on meeting consumers' needs instead of fitting them into system or channel requirements.

02

Rising Fraud

Wire transfers typically involve larger payments than real time, so the risks associated with fraud can be higher. Financial institutions want to balance fraud protection with the customer experience, namely the ease and convenience consumers want. If security measures are too strict or inaccurate, genuine transactions could be delayed or stopped, damaging the consumer experience and the banking relationship.

Running multiple payments systems also adds potential fraud vulnerabilities. Disparate, single-function applications are difficult to sync in terms of security. Each system could have its own security parameters, techniques or alert thresholds, not to mention different monitoring and reporting capabilities, update requirements and user access levels.

Financial institutions need the right tools to protect wire transfers, especially as transaction values and volumes increase. Fraudsters adapt to new payment channels and offerings with new schemes, so it takes sophisticated and flexible tools to combat fraud without restricting the consumer experience.

Financial institutions can leverage behavioral-based fraud scoring, which considers both normal and anomalous behaviors to evaluate risk. The right method means fewer false positives, higher efficiency and more effective decisions.

Those fraud detection and prevention practices require large amounts of data. Financial institutions rely on the ability to consume and process information from multiple channels, data sources and convergence points.

A consolidated payments infrastructure can offer better protection than a one-off security solution. A unified approach to fight fraud, enhanced by artificial intelligence and machine learning, can make wire fraud detection more predictive and proactive. Wire transfers – and other payments channels – are safer when financial institutions have more insight into every transaction across the institution.

03

Dwindling Fees

Fintechs and big tech companies are putting pressure on financial institutions. Unbound by the same regulations or internal processes, they can offer competitive pricing to consumers who don't necessarily care or know about the differences between service providers.

Fee caps, such as those in Europe, and increasing regulations are also crunching the numbers. Financial institutions are challenged to operate their wire transfer businesses as efficiently as possible to save money while creating value-added services that generate income.

Charging for payments services without adding value isn't an option. So financial institutions are developing services and features that consumers will pay for.

Reaching that goal means turning data into information, especially if it's comprehensive across the payments ecosystem. Artificial intelligence, machine learning, data modeling and other tools can help financial institutions uncover insights, drive intelligent decision making and provide new services for consumers and businesses.

With rich payments data, financial institutions can increase operational efficiencies and enhance their relationship-management capabilities, which all affect profitability. For example:

- Proactive fraud alerts enable frictionless security for consumers and save financial institutions the time, trouble and financial losses associated with fraud recovery
- Intelligent exception handling and automation increase the speed and efficiency of back-office operations
- With more information, financial institutions can prepare compelling offers for tightly targeted consumer groups and offer better customer service overall
- Integrated data also offers financial leaders real-time views into performance so they can take immediate action if performance veers off target
- Payment-rich data across rails streamlines reconciliation and minimizes overhead

The same tools that improve wire operations can help financial institutions make better, more intelligent decisions overall.

04

Payments Modernization

Within the payments world, modernization is being forced on two fronts:

- Internally, financial institutions need new functionality to offer new capabilities that consumers want but legacy systems can't handle
- Externally, new clearings and regulations are pushing for modernization

How financial institutions respond to those pressures depends on where payments fit into their overarching business strategy. In some institutions, payments are core functions of the business; others use payments as a supplementary service to support other parts of the business. The response to payments modernization has to match its role.

Modernization efforts must solve for today, the near future and what might come after that. Nobody had "pandemic" on their strategic plans for 2020, yet every institution adapted and addressed it. As a result, payments modernization requires a combination of forward-thinking and flexibility.

But it can't be tackled rail by rail. Financial institutions instead can focus on driving value, reducing risk and lowering costs across the entire organization.

Simplification is key for financial institutions to improve systems, processes and ecosystems, such as payments. A single platform is easier to operate, while also maintaining flexibility, security and compliance.

Modernization also requires information. With a better understanding of what payment users value, financial institutions can match the right payment product to the right consumer at the right time. Organizations that can deliver the best product offer, quickly and without friction, stand to gain a competitive advantage. The ability to intelligently process payments, regardless of channel, payment type or clearing, can become a powerful differentiator.

Financial institutions can find even more potential within their payments data. Whether they tackle modernization efforts in-house or with the help of a partner, the starting point is the same.

Modernization efforts should focus on the consolidation of a complex environment that prioritizes data and its uses regardless of rail.

What's Next for Wire Transfers?

Wire transfers aren't going away, but they aren't sheltered from new challenges. To stay relevant and profitable, wire transfers have to face competition from real-time payments, dwindling fees and payments modernization – just like the rest of the payments ecosystem.

Every payment channel will benefit from a united, data-driven response. And so will consumers and businesses.

Connect With Us

For more information about payment management solutions from Fiserv

800-872-7882

getsolutions@fiserv.com

fiserv.com

Fiserv is driving innovation in Payments, Processing Services, Risk & Compliance, Customer & Channel Management and Insights & Optimization. Our solutions help clients deliver financial services at the speed of life to enhance the way people live and work today.

Visit **fiserv.com** to learn more.

Fiserv, Inc.
255 Fiserv Drive
Brookfield, WI 53045
fiserv.com

fiserv.