

Better Payments Systems Are the Future

Time for a Digital Revolution

financial services @ the speed of life®

fiserv.

Often created through acquisitions, regional banks rely on complex, diverse IT systems and operations landscapes.

Over time, these systems and operations have grown to the point where they are too expensive to maintain and too slow to adapt to the changing needs of business. The introduction of a centralized payment hub concept in the early 2000s provided the flexibility needed to cut costs and fend off new Fintech competitors. Now banks must evaluate how they will modernize their payments capabilities to maintain their profitability in this rapidly evolving landscape.



Time for a Digital Revolution

Regional banks are sharply focused on meeting the needs of both their primary domestic market and their customers' footprints abroad. Battered by the financial crisis and persistently low interest rates, regional banks need to cut costs across the board. Even those that excel at providing payment processing services to their local markets need to do it cheaper, faster and better. This requires a top-of-the line IT infrastructure, yet most banks run their payments on bloated operations systems that are underinvested and outdated.

Regional Banks

Regional banks have significant operations in more than one country with a mix of retail and commercial interests in those countries. Often created through acquisitions, these banks have complex divergent systems and operations landscapes. Regional banks are sharply focused on meeting the needs of their primary domestic market and their customers' footprints abroad.

At the same time, Fintech disruptors continue to make inroads into payment transaction areas traditionally dominated by banks. Retail banking customers are notoriously fickle, switching banks and services quickly in search of the best prices and newest services. Regional banks must develop the capability to effectively manage an instant payments environment or risk losing customers to new startups.

To compete with these new Fintechs, regional banks must significantly upgrade their digital capabilities. This means completing a digital transformation and centralizing capabilities into a single business line and system – a payment

hub. With a payment hub in place, regional banks can significantly reduce costs and complexity and deploy new capabilities on the front end to serve both their retail and corporate customers better.

Infrastructure for Growth

Regional banks have many constraints that can hamper efforts to consolidate payment processing systems. Individual legacy systems are often already in place for processing payments transactions that cover bulk ACH, high value or wire transactions, and international payments over SWIFT. Each system is typically supported by its own legacy IT platform. When banks grow through mergers or acquisitions, noncompatible platforms are brought in and often just run side-by-side with existing ones. Regional banks can end up running a half-dozen or more platforms to process payments. These systems are often siloed, making it very difficult to capture or properly use data and analytics.

Only banks with a clean IT environment on the back end can be sure they are offering their customers fast services at the lowest possible prices.

Payment Hubs Can Help

A payment hub is an IT architecture that processes payments on one platform while collecting and sharing data for analysis. It is the foundation for a modern payment system. Unlike legacy systems, which are dedicated to the payment type they process, payment hubs are message-based, API-enabled platforms with a modern user interface. They sit between the processing systems that clear the payments and the front-end services. Payment hubs are open platforms that are integrated with other platforms in the bank. Information can be tracked and pulled in real time, connecting departments throughout the bank that can benefit from data that was previously too difficult to access.

This structure enables cross-channel communication. Data from disparate sources resides in a central hub, improving compliance, marketing, risk management, liquidity management, tracking, fraud detection and a host of other functions. Using one system to process payments reduces errors, increases processing speed and provides the flexibility to launch new products and services. As a result, payment hubs offer the promise of cost reduction through elimination of redundant systems, better positioning for regulatory and product changes and improved customer service.

Reduced Expenses

Reduced expenses are a key benefit of payment hubs. Hubs can drive down transaction costs, but even more so, they can help reduce maintenance, staffing, vendor and compliance costs. Running multiple platforms requires expensive annual maintenance, at the very least. In addition, many of the systems that banks run date back to the 1980s. These systems have been customized to the point that maintenance is difficult and expensive, while upgrading is impossible without replacing the whole platform.

Access to Real-Time Data

For regional banks, delivering fast, inexpensive and reliable payments processing for domestic clients is essential. Using a hub enables a bank to create one central service that runs on a universal platform,

making payments services cheaper to run, with fewer outside vendors and increased capacity.

In addition, payment hubs enable banks to pull real-time data on transactions. This data can help a bank understand how customers use its services, as well as which new services might be useful. Customers can log on to a portal and track the progress of transactions or receive real-time notifications on those transactions. This is a level of customer service and customization not possible on siloed IT systems. Real-time data and increased communication also improve a bank's liquidity management, which lowers expenses and results in fewer missed revenue opportunities. The cost and effort associated with answering customers' queries on where their payments are can be reduced, if not eliminated, when banks centralize complex payments environments within the organization.

Compliance and Risk Management

Open architecture hubs can easily connect to both upstream and downstream services. Information is held in a central location and easily accessed and shared throughout the bank. Compliance requests no longer require pulling data from multiple sources to compile reports. Hubs make it easy to connect payments to anti-money laundering and fraud detection systems, as well as to internal and external sanctions lists, ensuring transactions run without compliance issues while enhancing transaction security.



Building a Business Case for Hubs

Replacing a functioning, if outdated, system is a difficult decision to make without the promise of new revenue. As a result, the adoption of payment hubs has traditionally been held back by inertia. Legacy IT systems continue to work, even if they are complex, inflexible and expensive to maintain. To add to the problem, replacing a functional system with an untested one requires a considerable upfront spending commitment and increases the risk of service disruptions.

Payment hubs, conversely, are part of a modernization push, which typically falls under medium- to long-term planning. More urgently, payment hub technology has advanced, while legacy systems continue to degrade.

In addition, payment hubs offer foundational benefits that banks can build on. The initial gains from building a single payment hub are reduced costs, increased efficiency and faster transactions, and improved data and analytics. These gains can reach further into a bank than is apparent up front. Because of the opaque, siloed nature of legacy payments platforms, banks have little idea who uses data from those systems and in what way. With an open, transparent platform, every department in the bank can easily access the data it needs and share information.

Yet another advantage to building a payment hub is the opportunity to modernize the infrastructure. This can reduce the vendors and manual operations needed to run the old platforms, driving down costs. It also positions a bank to launch new products and offer the best customer service possible. It is easy for customers to switch to a new bank with better service and a competitive edge. Banks should be proactive and offer customers world-class service and products as a matter of course, rather than waiting to lose key customers before making a change.

Best-in-Class Technology and Service

Enterprise Payments Platform from Fiserv is an award-winning payments hub solution, and Fiserv is a leading partner helping clients solve their payments challenges. Enterprise Payments Platform enables banks to offer their customers high straight-through processing (STP) rates and real-time debit/credit transactions and account notifications, while significantly improving operational efficiency and reducing costs. Not only does the solution meet the exacting technical and operational hurdles banks must overcome, the Fiserv team also has proven experience installing systems and managing the demands of complex payment operations.

Enterprise Payments Platform is the only payment hub that processes high-value, low-value, real-time/instant and SWIFT transactions all on one platform. It can centralize and streamline processing across multiple payment origination channels and increase STP rates into the high '90s. Unlike traditional payments capabilities, Enterprise Payments Platform is a real-time, item-level processing environment that operates 24 hours a day, seven days a week, 365 days a year – a necessity for a future with real-time payments.

Banks that use Enterprise Payments Platform can adopt new payment types quickly, as they only need to implement them on one platform across departments and geographies. And because Enterprise Payments Platform offers a rich suite of open APIs, banks can create new products and services that are instantly scalable. These same products and services are also customizable as a result of the platform's flexibility and data and analytics capabilities.

Upgrading to a payment hub is a once-in-a-lifetime event for any bank. Fears of delays, cost overruns, glitches and service disruptions are understandable. The Fiserv team is well-versed with payment hubs and knows the scale, scope and criticality of banks' payments operations. We can help advise banks on the best way to do something they have never done before.

Banks looking to offer top-of-the line services to customers, meet all needs of their primary domestic markets and potentially expand their footprint abroad must lead the way on treating any payment as a payment. Banks with modern, open-architecture and API-enabled infrastructure will be best positioned to offer their customers world-class service.

Connect With Us

For more information about Enterprise Payments Platform, call 800-872-7882, email getsolutions@fiserv.com or visit www.fiserv.com.



About Fiserv

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](https://www.fiserv.com) to learn more.



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

© 2019 Fiserv, Inc. or its affiliates. All rights reserved. Fiserv is a registered trademark of Fiserv, Inc. Other products referenced in this material may be trademarks or registered trademarks of their respective companies. 282550 02/19