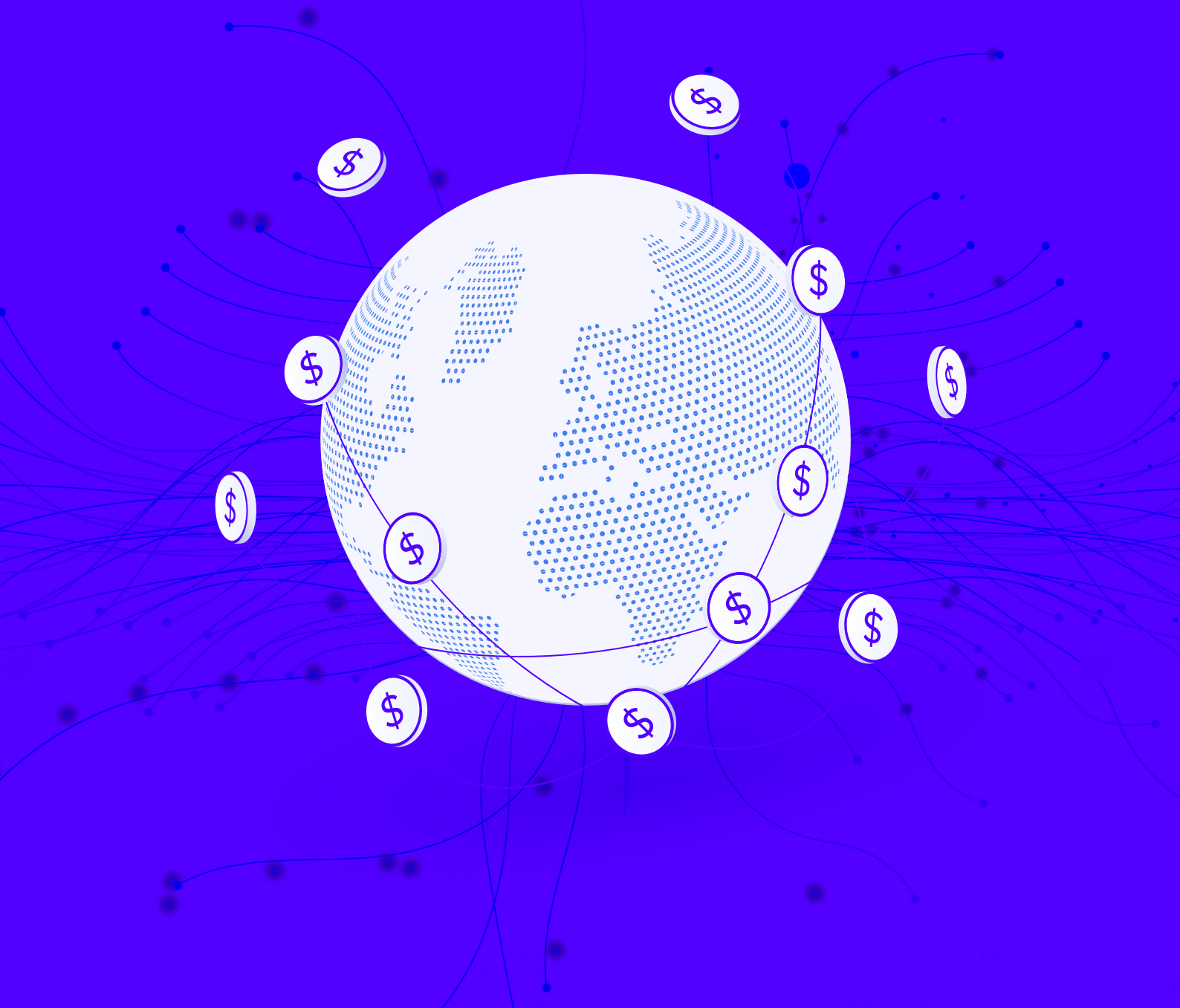
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Global FinTech Perspectives

Surround, Shrink, Scale
The Legacy Exit Strategy for Payment Modernization

Discover how the 'Surround and Shrink' strategy offers a low-risk path to payment modernization for financial institutions, while ensuring payment resiliency for the 24/7 economy



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Global FinTech Perspectives

Table of Contents

01 **Introduction:** The Breaking Point for Legacy Payment Systems 3

02 **The Payments Paradox:** Big Banks, Bigger Systems, and the Struggle to Keep Up 4

03 **The Case for Orchestration:** A New Path to Modernization 10

04 **Strategic Migration:** The 'Surround and Shrink' Approach 14

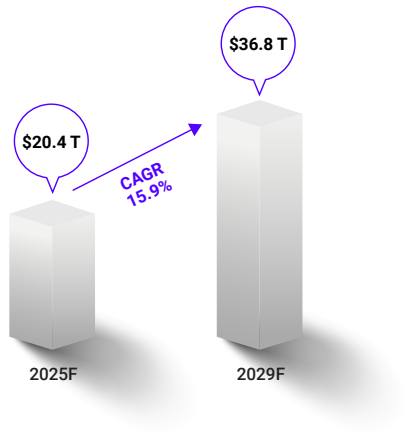
05 **Overcoming the Resistance to Change:** A Senior Executive Roadmap 17

06 **Conclusion:** The Future of Payments is Unified, Intelligent and Real-Time 19

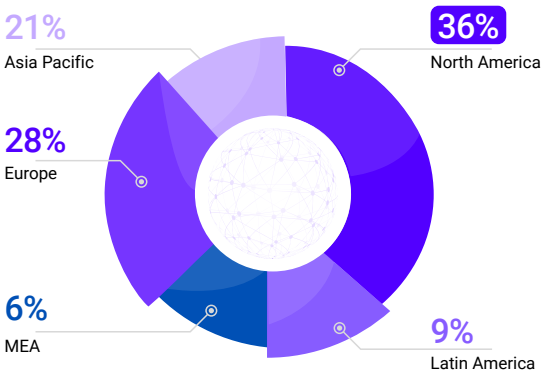
01 **Introduction:** The Breaking Point for Legacy Payment Systems

The rapid growth of digital payments across the globe is undeniable. Global digital payments transaction values are set to reach **$36.8 trillion** by 2029. North America is poised to play a key role in this growth, with its digital payments market set to nearly double from **$3.2 trillion** in 2025 to **$6.9 trillion** by 2029. This remarkable increase reflects the increasing demand for real-time, seamless and secure transactions in a fast-paced, data-driven economy. The challenge for banks is clear: to stay competitive, they must transition from outdated systems to more agile, scalable infrastructures that meet the evolving demands of both businesses and consumers.

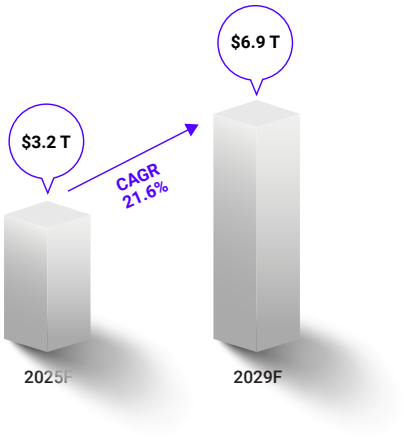
Rapid Growth in Global Digital Payment Transaction Values Anticipated



Digital Payments Market Share by Region | 2024



North America Digital Payments Market Size Poised for Growth



However, the payment infrastructure of banks, once considered the backbone of their stability, has now become one of their most significant liabilities. Decades-old batch-based infrastructure is not what the real-time, data-driven economy demands. **Banks invest billions yearly just to keep them going - yet, operational inefficiencies persist, fraud threats escalate, and regulatory pressure intensifies.** The fragmented nature of these systems is not just costly but increasingly unsustainable in a financial landscape that demands speed, intelligence and adaptability.

Meanwhile, fintech disruptors and digital-native banks have embraced API-first, cloud-based payment models, significantly reducing processing times and operational costs while delivering seamless, real-time transactions. Banks are confronted with the complexity of modernizing their legacy infrastructures—how can they evolve to meet rising demands without disrupting mission-critical operations? Read more to find out!

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02 **The Payments Paradox:** Big Banks, Bigger Systems, and the Struggle to Keep Up

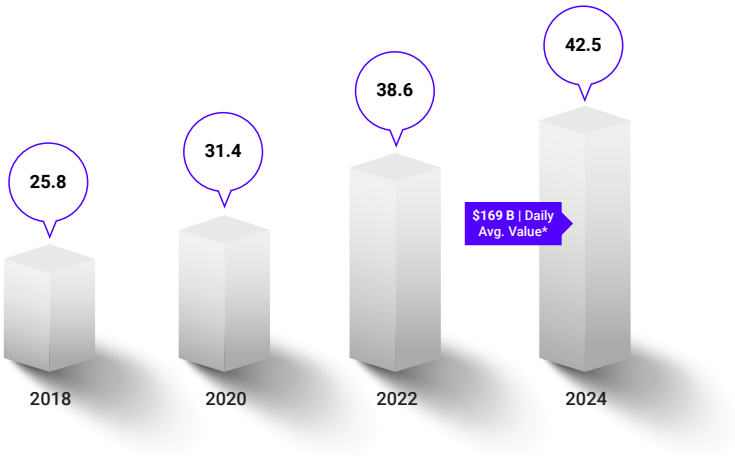
Banks are stuck in a paradox: the very payment systems that once defined their strength have now become their greatest vulnerability. Decades of growth, mergers, and technological patchwork have created a labyrinth of siloed infrastructures—each a relic of a different era, precariously stitched together. These systems, once considered reliable, now impede progress, burdening banks with exorbitant maintenance costs, resistance to innovation and heightened exposure to competitive threats and systemic risks.

While front-end interfaces may present a modern façade, back-end infrastructures remain rooted in legacy technology, driving operational inefficiencies. **ACH rails continue to support batch processing despite the industry's shift toward real-time payments, leaving banks shackled by rigid architectures and substantial technical debt.** As ACH transaction values continue to rise, the scalability of these outdated systems becomes an increasing concern, further straining legacy infrastructure. Reconciliation challenges further compound the issue, as batch-based clearing systems require frequent manual interventions, making real-time payment status updates to customers nearly impossible. The significant cost of maintaining outdated infrastructure, combined with its limited scalability, renders these systems ill-suited for the next generation of payment innovations.

Additionally, many banks struggle to integrate new compliance and risk management technologies due to inflexible legacy architectures. This rigidity is especially evident in wire settlement operations. While Fedwire is designed for real-time gross settlement (RTGS), the underlying processes in wire room operations remain cumbersome and inefficient, constrained by outdated infrastructure. The inability to seamlessly implement real-time AML monitoring, fraud detection, and regulatory reporting solutions puts banks at a compliance disadvantage. Moreover, the lack of adaptability in legacy systems makes it difficult for financial institutions to keep pace with evolving standards like ISO 20022 for Fedwire and SWIFT, forcing temporary workarounds that add complexity rather than resolving it.

ACH Transaction Values Continue to Rise

(USD T) | America | 2018-2024



Note: daily avg. value is based on the number of business days in each year

75% of IT budgets at banks in North America and Europe are spent on maintaining legacy systems, diverting resources from innovation and digital transformation

Fintech challengers are pulling ahead. API-first, cloud-native platforms now set the industry benchmark, offering seamless automation, lower costs, and faster settlements. These real-time ecosystems are forcing traditional banks to re-examine their competitive edge. While fintechs integrate AI-driven fraud detection, automated compliance monitoring, real-time payment reconciliation and embedded banking services, legacy banks remain bogged down by fragmented compliance checks and sluggish reconciliation cycles. Their rigid infrastructure only amplifies the challenge, making it difficult to launch new products quickly and meet evolving customer expectations. Without decisive action, the gap between incumbents and innovators will only widen.

The Hidden Costs of Siloed, Legacy Payment Systems

Despite their size and market dominance, banks continue to pour billions into propping up aging legacy payment infrastructures—with little return on investment. Every wire transfer, ACH payment, or SWIFT transaction still runs through systems built for a batch-based world. The outcome? An inefficient, costly, and inflexible model where banks operate duplicate platforms with overlapping functionalities. This fragmented approach drives up reconciliation errors, delays processing, and burdens operations with excessive overhead and limited scalability.

$57B — that's how much global banks are set to invest in legacy payment systems by 2028, with annual costs rising by 7.8%

Mercury & Chime: Redefining Digital Banking

Mercury's digital-first strategy drove a **fourfold increase** in annualized revenue from **May 2022 to May 2023**, fueled by a surge in new customers. This growth reflects the strength of their innovative and customer-centric platform. After dominating business banking, Mercury expanded into consumer banking in 2024, using its tech-driven platform to deliver the same seamless experience for startups and SMBs.

Chime's meteoric rise—from **500,000 users in 2017 to over 22 million in 2024—**signals the power of seamless, fee-free, and mobile-first banking. Chime has reshaped consumer expectations by eliminating overdraft fees, enabling early direct deposits, and embedding financial services into everyday transactions. With $1.7 billion in revenue, it stands as a testament to the demand for frictionless, API-driven banking.

Navigating Risk Perception: Why Inaction is More Dangerous than Change

Many banks perceive modernization as a significant risk—fearing operational disruptions, regulatory scrutiny, or failed implementations. But the greater threat lies in inaction. Given the heightened fraud exposure in an instant payments environment, legacy payment systems don't just increase banks' risk of security breaches, AI-driven cyber threats, and compliance failures—they also undermine long-term competitiveness. Brand equity may have sustained established institutions for decades, but that advantage is quickly eroding as digital banks and fintechs gain ground with faster, safer, and cost-effective payment services.

$1B in fraud losses from bank transfers and payments were reported to the Federal Trade Commission in the first two quarters of 2024.

The High Cost of Payment System Outages: How Legacy System Failures Disrupt Banking Operations and Customer Trust

Bank of America suffered a widespread outage, preventing customers from accessing their accounts via the website and mobile banking app. Many users were unable to view their balances, while some saw incorrect or zero balances, causing panic and frustration.

Date: 3rd October 2024

Capital One suffered a four-day outage due to a third-party hardware failure which impacted multiple financial institutions. Customers reported being locked out of their accounts, facing transaction failures and experiencing extended delays in customer service response.

Date: 16th Jan - 19th Jan 2025

Barclays faced a 48-hour outage, disrupting payments and online banking for millions of UK customers during a critical period of salary deposits and the HMRC tax deadline, exposing the fragility of legacy systems despite major ICT investments.

Date: 31st Jan – 2nd Feb 2025

The Growing Divide: Batch vs. Instant Payments Processing

The rise of instant payments in RTP and the Federal Reserve's FedNow initiative has exposed a harsh reality—legacy payment infrastructures were never built for an always-on, instant-settlement world. While fintechs have embraced platforms that operate 24/7, many banks remain tethered to batch-based processing cycles, where transactions are queued, accumulated, and settled in bulk at scheduled intervals. This delay not only compromises customer experience, it complicates liquidity management and reconciliation, especially for cross-border payments.

63% of banks face significant demand for instant payments from their corporate customers

Inefficiencies extend beyond delayed transactions. System downtime has become a significant business risk, costing enterprises **over $400 billion in lost revenue annually.** Maintaining outdated systems is no longer just an IT challenge—it's a financial and operational liability that undermines profitability, resilience, and customer trust.

More than half of U.S. companies now leverage instant payment networks like RTP and FedNow, with adoption expected to surge to 80% within two years. Since its launch in 2017, the RTP system has seen a **32%** year-over-year increase, processing **98 million transactions** in Q4 2024 alone. The total transaction value skyrocketed by **94%**, reaching **$246 billion**. Meanwhile, FedNow transaction values have grown from **$13 million** in Q4 2023 to over **$20 billion** by the end of 2024.

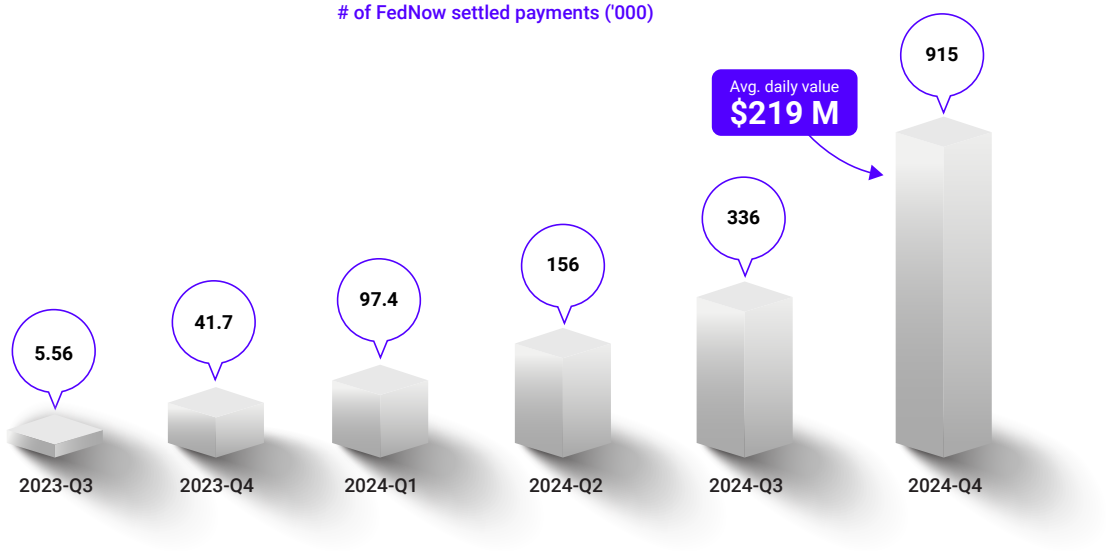
Yet, the U.S. payments landscape is still in its early stages of transformation, as FedNow and RTP combined accounted for **less than 1.2%** of ACH transaction volumes as of Q4 2024—highlighting the vast untapped potential in switching to instant payment networks.

The demand for near-instant international payments, real-time FX rates, and automated compliance across regulations like Dodd-Frank creates complexity that traditional systems cannot handle. Without infrastructure for fast cross-border transactions and automated checks, banks face rising inefficiencies, delays, and risk.

As instant payments become the global standard, banks relying on legacy platforms risk losing corporate clients, retail customers, and correspondent relationships.

Substantial Growth of FedNow Instant Payments

# of FedNow settled payments ('000)



The G20* has prioritized improving cross-border payments, setting targets to make them faster, more cost-effective and accessible by 2027. Key objectives include reducing remittance costs to below 3%, ensuring 75% of wholesale and retail cross-border payments are settled within an hour among others. These mandates reinforce the urgency for banks to modernize their payment infrastructure, align with global standards like ISO 20022, and enhance interoperability.

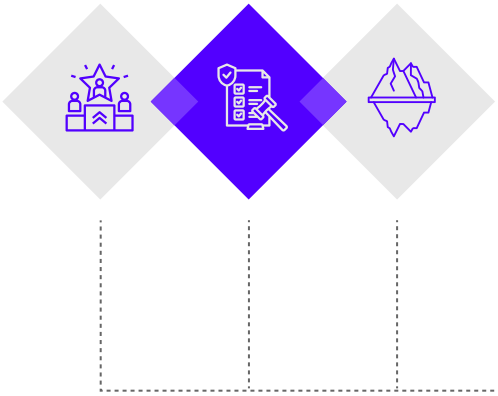
*The G20 includes 19 countries plus the European Union, representing the world's largest economies that collectively account for around 85% of global GDP and 75% of international trade.

What's Holding Banks back from True Payment Modernization?

Despite mounting urgency, many banks remain hesitant to modernize, paralyzed by the perceived risks associated with transformation. Core payment systems are mission-critical—any disruption could lead to financial losses, regulatory scrutiny, or reputational damage.

However, the true cost of inaction goes far beyond direct expenses. Legacy payment systems have become barriers to innovation, preventing banks from delivering seamless, real-time payment experiences that modern customers expect. Manual interventions remain common, compliance checks are slow and fragmented, and fraud detection lags behind emerging threats. The longer banks maintain this patchwork on aging technology, the more they fall behind fintech competitors who have no such burdens.

The idea of overhauling these systems seems daunting, and many banks opt to delay transformation, hoping to extract a few more years from outdated infrastructures. But delaying modernization comes at a cost that is more than just 'costs':



The Case for Payment Modernization
More than just 'Costs'

Dwindling Competitive Edge
Banks lose business to fintechs that offer seamless, instant transactions and API-first embedded payments.

Revenue at Risk
Banks risk losing customers as non-compliance with ISO 20022 would render them unable to process wire payments.

Technical Debt & Knowledge Erosion
Many legacy systems run on COBOL, and retiring engineers leave banks vulnerable to failures and costly fixes.

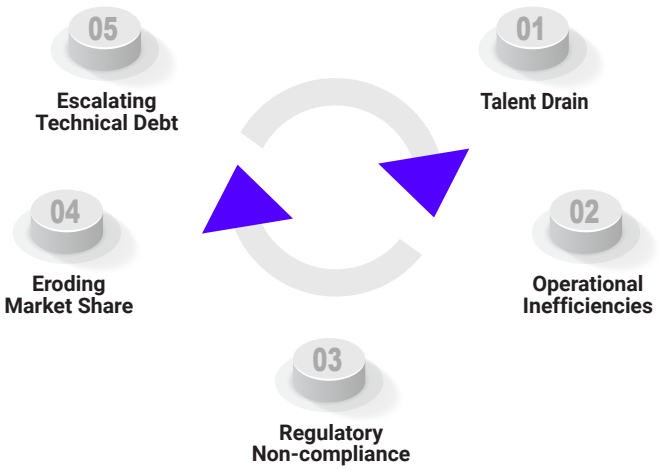
Fear of disruption is only part of the challenge. Many banks are also grappling with an acute knowledge gap—legacy systems are maintained by a shrinking pool of specialists, many of whom are approaching retirement. Each departure takes with it critical institutional knowledge, making modernization seem even riskier. Meanwhile, securing internal buy-in remains a formidable challenge, as different departments within banks—operations, compliance, risk, IT—struggle to align on a cohesive vision for payments transformation.

58 — that's the average age of a COBOL programmer, with ~10% retiring every year.

The result? A dangerous cycle of inaction, where the perceived risks of change overshadow the greater risks of staying the same. This hesitation creates a growing competitive gap as more agile players adapt and thrive. But the reality is apparent: delaying modernization is not a neutral decision—it is an active choice to fall behind.

As we explore in the next section, there is a way forward—a pragmatic, low-risk approach to modernization that allows banks to innovate without disrupting mission-critical operations. The question is not if banks should modernize but how quickly they can afford to move before they are left behind.

The Vicious Cycle of Inaction



03 The Case for Orchestration: A New Path to Modernization

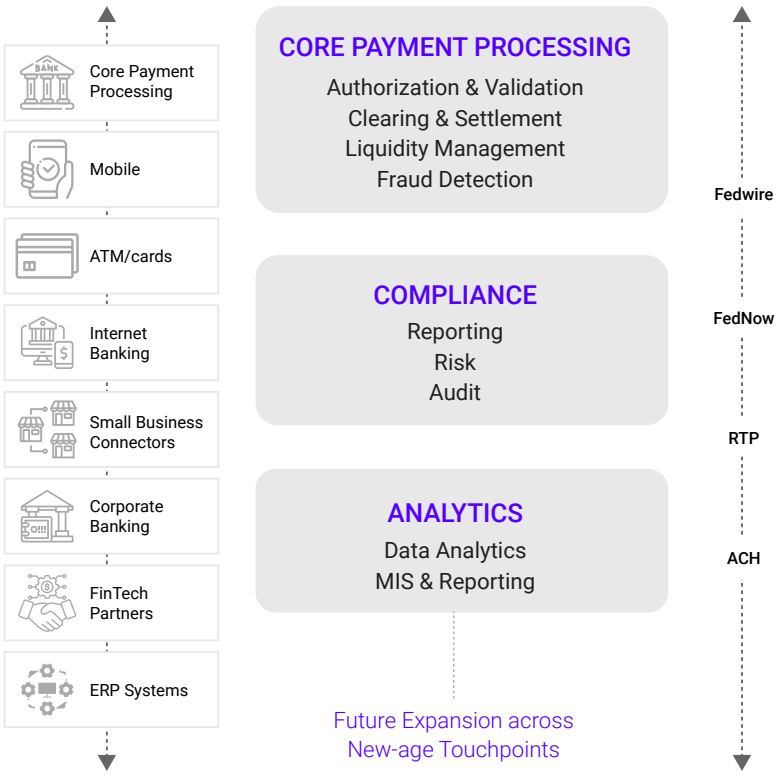
For decades, banks have treated payment modernization as a series of incremental fixes, layering new functionalities onto legacy systems never designed for today's real-time, API-driven, AI-powered financial ecosystem. The result? **A costly, complex patchwork of fragmented payment rails, operational silos, and compliance bottlenecks**—each one slowing innovation and undermining competitiveness.

Orchestration unifies disparate systems, enabling real-time API-driven connectivity, intelligent transaction routing and embedded compliance—allowing banks to modernize without disrupting core operations.

The Ever-Increasing Landscape of Digital Payment Channels

The explosion of payment channels—ranging from IoT devices to payment apps and wallets—along with the rise of embedded finance, has made seamless orchestration a necessity. Many banks now operate multiple payment processors across different rails, making centralized operational control critical. However, this expansion complicates operations and hinders seamless oversight and control, making one-stop visibility increasingly difficult for teams managing fragmented systems and disparate payment methods.

Expanding Payment Ecosystem across Touchpoints and Rails



The Pitfalls of Piecemeal Payment Modernization

For years, banks have attempted to modernize payments by layering APIs onto aging, batch-based core systems. While this approach may have extended the lifespan of legacy infrastructure, it fails to resolve the underlying limitations. Real-time payments, intelligent transaction routing and automated compliance remain out of reach because the foundation itself was never designed for modern demands.

The challenge lies in the fact that these core systems were built for a batch-processing world. Wrapping them with APIs creates a temporary bridge but not a true solution. As transaction volumes grow and payment flows become more complex, this patchwork approach introduces more friction, not less. Each new layer adds complexity, increasing latency and leading to operational inefficiencies, higher maintenance costs, and increased risk exposure. Without modernizing the core architecture, scalability and real-time processing will remain difficult to achieve.

Even with API-based translator overlays, most legacy platforms lack the native ability to support ISO 20022's structured data formats, limiting banks' ability to fully leverage automation, data enrichment, and streamlined compliance processes. A temporary solution layered onto legacy wire systems to comply with the ISO 20022 deadline only adds to the growing technical debt, creating more complexity rather than solving foundational inefficiencies. Instead of simplifying operations, banks often end up managing multiple systems processing similar transaction types. This duplication drives up operational costs and creates process redundancy, further entrenching inefficiencies.

Banks find themselves caught in a cycle of escalating costs, heightened risk, and diminishing returns. Without a fundamental shift toward real-time, API-native architecture, the gap between traditional banks and fintech-driven challengers will only continue to widen.

Banks that continue to patch and extend their legacy infrastructure are delaying the inevitable—and making it worse in the process. Every short-term API wrapper added, every middleware workaround, and every compliance patch only prolongs inefficiencies and deepens the cost of future transformation. A viable path forward is full-scale Payment Orchestration — real-time, API-native, and built for the future.

The Case for a Unified Payment Orchestration Engine

The Payment Orchestration Engine, comprising the Payment Orchestration & Intelligence Layer acts as a real-time command center, dynamically integrating and managing all payment flows. Rather than treating payments as separate rails, it unifies them under a single orchestration engine, embedding fraud prevention, compliance checks, and real-time liquidity management directly within each transaction. Smart routing ensures payments are directed along the most efficient path based on cost, speed or other configurable parameters.

AI-powered fraud detection is embedded at key points in the payment processing flow, leveraging machine learning to detect anomalies and prevent authorized push payment (APP) fraud. Orchestration also introduces self-learning across systems – for instance, a fraudulent activity successfully detected on one network would enable collective intelligence across the ecosystem rather than disparate, isolated learning. It also reinforces real-time AML monitoring, ensuring proactive risk mitigation and compliance.

The engine adapts to evolving regulations, jurisdictional risks and compliance mandates by enabling banks to build customizable payment workflows for enhanced flexibility and control. It also opens the door to new revenue streams by enabling Banking-as-a-Service (BaaS) and embedded banking offering to enterprise customers and verticals that need it, allowing banks to monetize services through white-labeling to relevant enterprises.

> “The traditional idea of payments as a standalone function is fading—they’re embedded, intelligent, and borderless. Banks that break free from siloed infrastructure and enable smart, interoperable routing will lead the future, while those patching legacy systems risk falling behind.”
>
> **Manish Baheti**
> Director for Transformation and Product Management – Payments, Santander Bank, N.A.

Key Capabilities of a Unified Payment Orchestration Engine

Smart Routing & Transaction Optimization

Dynamic rail selection, cost-efficient FX routing, real-time corporate payment paths, multi-channel initiation via APIs and ERPs.

Real-Time Compliance & Fraud Detection

AI-driven APP fraud detection, AML monitoring, real-time rule-based processing, automated sanctions checks (OFAC, SWIFT), adaptive risk scoring, payment tracking & reporting, orchestrated self-learning

End-to-End API Connectivity

Pre-built APIs for banks, fintechs, ERPs, instant B2B onboarding, seamless core integration, interoperable across legacy and modern systems.

Cloud-Native, Multi-Cloud Deployment

Active-active failover, zero-downtime, high-throughput processing, cost-consistent scaling, multi-cloud resiliency across AWS, Azure, and GCP.

Embedded Treasury & Liquidity Management

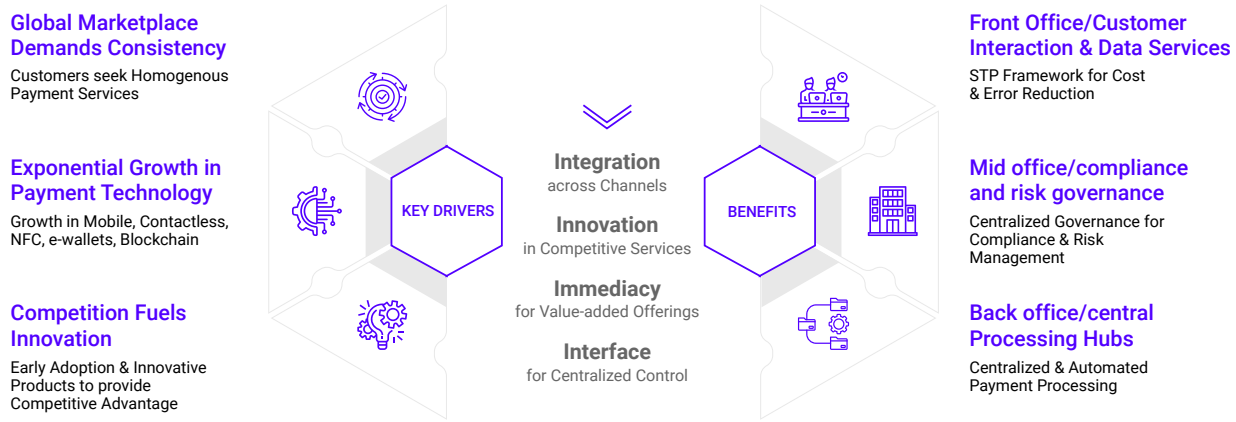
Real-time global liquidity tracking, automated cash pooling, intelligent fund allocation, short-term liquidity forecasting, enriched payment insights via GL, CRM, and compliance systems.

Configurable Workflows & Scalable Frameworks

Customizable workflows, pre-built format libraries, SDKs, automated approvals, BaaS enablement, embedded finance, dynamic rules engine, seamless expansion across emerging rails.

Not just another system for bank employees to learn, but potentially the only system they need to use

Payment Orchestration: The 4-Is that Drive a Unified Engine



The 4-I Principle

1. Integration | Seamless Connectivity across Channels

Seamless integration across both physical and digital channels becomes crucial, ensuring frictionless transactions across P2P, B2B, micro-payments, and fund transfers via mobile, internet, and embedded finance platforms. The increasing adoption of social media as a transactional channel, alongside IoT and wearables, further necessitates a unified approach. Beyond just API connectivity, orchestration must offer a central operations console that enhances transaction visibility and oversight, particularly for large financial institutions managing a growing number of rails and processors.

2. Innovation | Leveraging Data for Competitive Services

Modern payment services—faster processing, reduced risk, enhanced fraud controls, and greater accuracy—warrant intelligence. Banks can unlock new revenue streams by offering premium services such as real-time cross-border financing, embedded payments, and data-driven insights powered by ISO 20022's enriched transaction data. Service differentiation hinges on empowering customers with a parameterized, rules-based framework, enabling self-service capabilities without the need for constant reconfiguration. A flexible, modular approach allows banks to adapt quickly to changing market demands and customer expectations, driving long-term growth and competitiveness.

3. Immediacy | Real-time Services & Value-added Offerings

Delivering real-time payments is more than just about speed; it's also about value-added services that provide meaningful business impact. Accurate, real-time data enables faster decision-making and liquidity optimization, reducing cost of funds for corporate treasurers. Capabilities such as real-time cash flow forecasting, automated reconciliation, and instant fraud detection further elevate the value of immediate payments. The ability to push or pull funds in real time eliminates settlement lags, mitigating liquidity and credit exposure for corporates while driving higher floats and lower funding costs for banks.

4. Interface | Centralized Control for the Expanding Ecosystem

As financial institutions juggle an increasing number of payment rails, the payment hub must serve as a central orchestration layer, connecting front-office digital and physical channels with back-office platforms such as ACH and Fedwire. More than just an aggregator, it provides a single-pane-of-glass operational console, enhancing transaction visibility, compliance monitoring, and fraud oversight across payment networks, core banking systems, and treasury operations. In an increasingly complex payments ecosystem, banks require a single source of truth to streamline operations, ensure compliance, and optimize settlement flows.

04 Strategic Migration: The 'Surround and Shrink' Approach

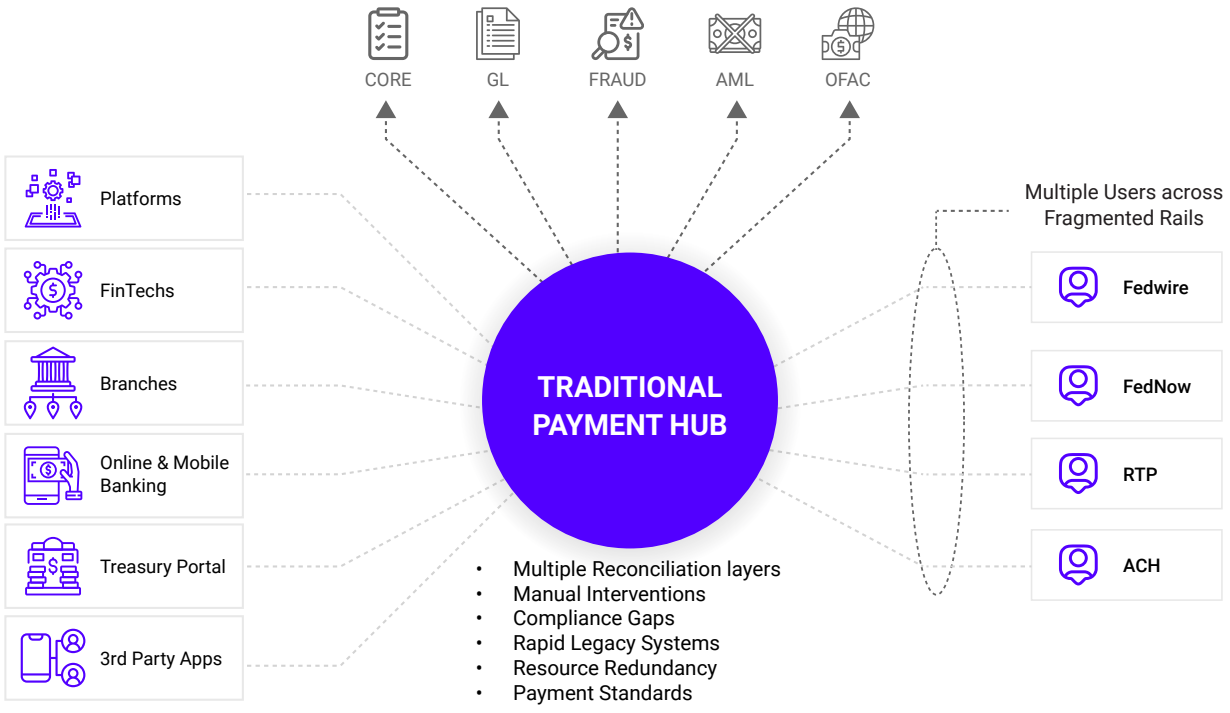
The Challenge of Fragmentation: Why Traditional Payment Hubs Fail

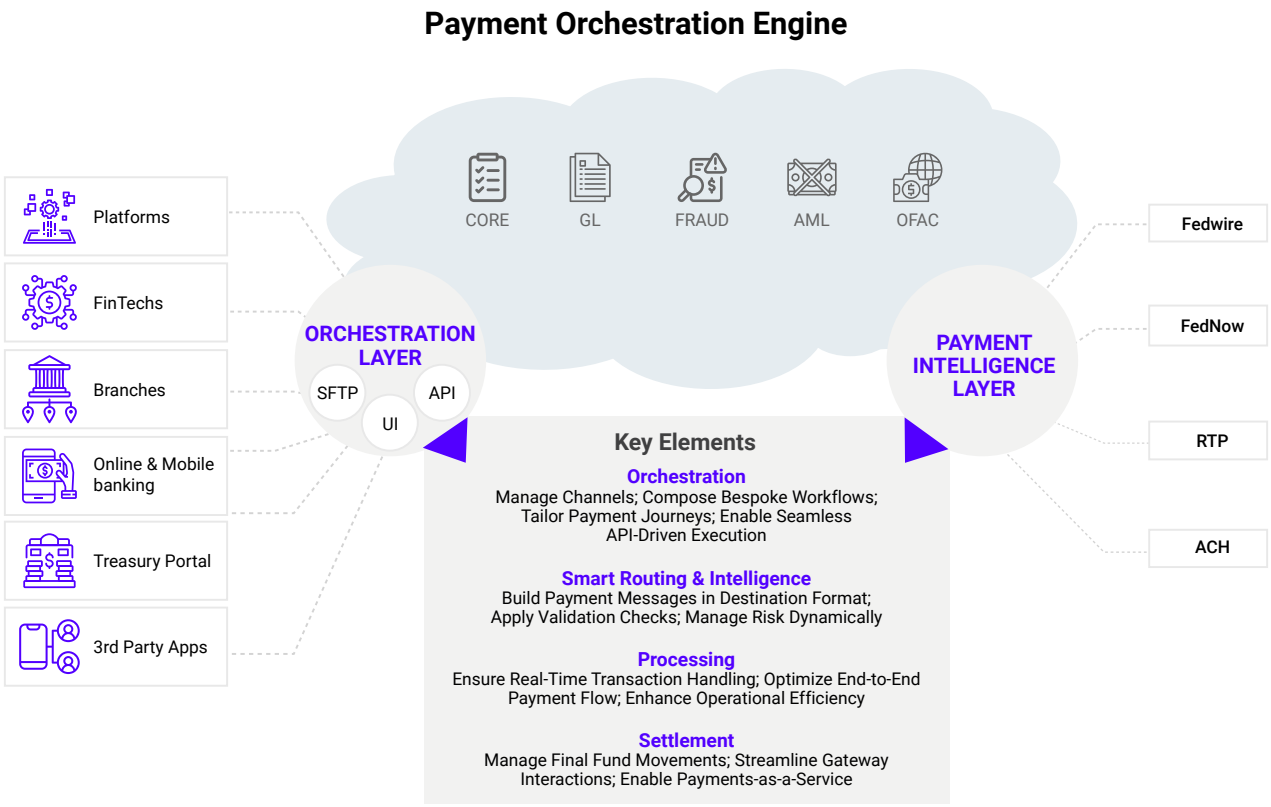
Large banks are dealing with an increasingly complex and fragmented payment landscape. Each payment network—ACH, RTP, FedNow, SWIFT, and Wire—was historically built and managed as a separate system. This led to inefficiencies, high maintenance costs, and siloed data.

Traditional payment hubs have attempted to consolidate these payment methods under one system, a hub-and-spoke approach:

- **Multiple reconciliation layers** slow down settlement processes and increase operational costs.
- **Manual interventions** remain prevalent as different rails, often reliant on batch processing, require distinct processing logic.
- **Compliance gaps** arise when fraud monitoring and risk checks are applied inconsistently across different payment rails.
- **Rigid legacy systems** continue to handle mission-critical processes like AML, OFAC screening and fraud detection, making it difficult to adapt to regulatory changes.
- **Resource redundancy is high,** with multiple engineering teams managing different rails separately, leading to inefficiencies, duplicated efforts, and increased operational costs.
- **Failure to keep up with standards** such as the ISO 20022 compliance, due to system rigidity, resulting in reliance on temporary workarounds.

Challenges of a Traditional Payment Hub





This fragmented infrastructure means banks must dedicate extensive IT resources to **keep the system running,** rather than **enhancing** it for future innovations. Fintech challengers, in contrast, have eliminated these inefficiencies by embracing a **fully integrated, API-first approach** to payments, allowing them to offer real-time, seamless transactions while minimizing operational overhead.

The Orchestration and Payment Intelligence Layer provides an innovative path to modernization. It connects fintechs, third-party apps, and core platforms within a unified, API-driven ecosystem. This approach cuts costs by eliminating redundant systems, embeds compliance in every transaction, and offers real-time, scalable payment capabilities.

The 'Surround and Shrink' Strategy: A Low-Risk, Modular Migration Model

Banks cannot afford to undergo a disruptive, full-system replacement given the high-risk nature of a 'rip & replace' approach. Instead, we suggest a **progressive strategy**—one that surrounds existing legacy systems with **modern orchestration layers** while shrinking outdated functionalities over time.

The '**Surround and Shrink**' model exactly does this by introducing an orchestration layer that connects to all front-end banking channels. It integrates with **a payment intelligence layer** that optimizes transactions in real-time through necessary validations, risk management, enrichment and message translation across multiple rails. This approach minimizes risk and allows banks to transition **gradually,** ensuring operational continuity at each stage.

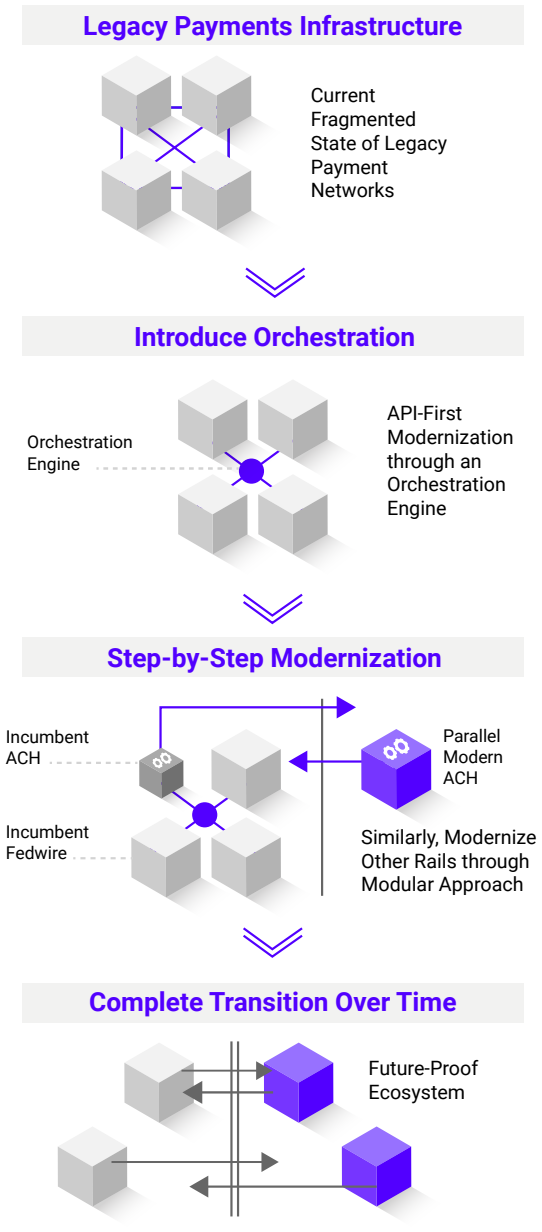
Legacy Payments - Minimising Risk Through Layered Modernization: Instead of fully replacing legacy systems, banks can adopt an API-driven orchestration and payment intelligence layer to unify payment processes while maintaining existing infrastructure. This allows for a gradual shift of functions, with key processes like payment file generation, fraud detection, and real-time risk monitoring integrated into the orchestration layer to ensure compliance at all stages.

Introduce Orchestration: The foundation of payment intelligence: A centralized, API-first payment intelligence layer enables banks to manage all payment rails in one system, generating payment files without legacy systems. This cloud-agnostic solution supports scalability across AWS, GCP, or Azure.

Step-by-Step Modernization: Banks can adopt FedNow and RTP on modern platforms while running legacy and modern systems in parallel for live testing and business continuity. A 'Surround and Shrink' strategy enables gradual migration from legacy rails like ACH and Fedwire, reducing technical debt and improving cost efficiency as redundant functions are phased out.

Complete Transition Over Time: Banks can achieve full modernization by progressively shifting all payment functions to a centralized, API-first orchestration layer. As transaction volumes transition from legacy systems like ACH and Fedwire, core processes—such as payment file generation and risk monitoring—become fully integrated into the modern platform. This phased approach minimizes disruption, ensures regulatory compliance, and enhances operational efficiency, ultimately allowing legacy systems to be decommissioned.

The 'Surround and Shrink' Strategy



Success Story

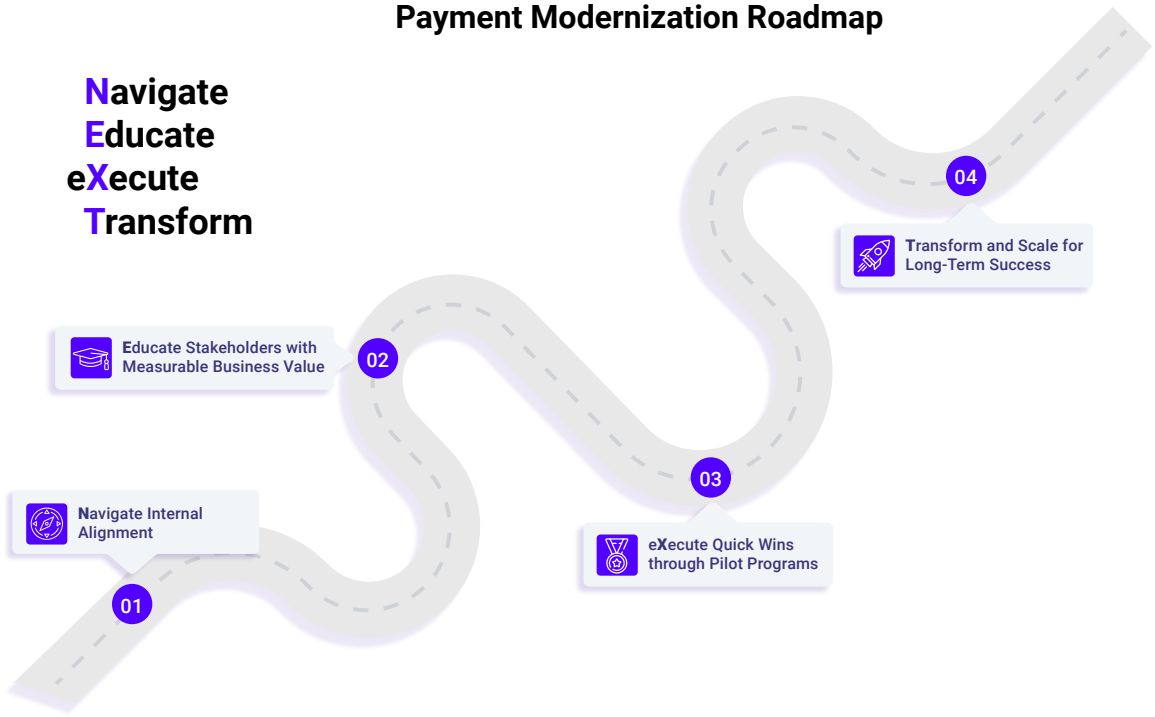
A US-based commercial bank faced challenges with outdated payment systems, limiting product agility and customer retention. Through integration of Finzly's Payment Galaxy for ACH and Fedwire with their existing core, running parallel to their incumbent ACH and Fedwire, the bank unified payment processing and streamlined operations. This transformation enhanced customer experience, improved straight-through processing, and opened new revenue streams in sectors like real estate and SMBs. The bank is now getting ready to phase out their incumbent ACH and Fedwire through the 'Surround and Shrink' strategy.

Up to 100% Straight-through processing	**60%** Cost reduction	**80%** Decrease in implementation time

05 Overcoming the Resistance to Change: A Senior Executive Roadmap

To guide banks through the transformation process, we introduce the **NEXT** framework—**N**avigate, **E**ducate, e**X**ecute, and **T**ransform. This structured approach helps financial institutions **align stakeholders, build momentum and scale transformation efforts seamlessly.**

Payment Modernization Roadmap



N - Navigate Internal Alignment

For payment transformation to succeed, banks must secure cross-functional alignment across business, IT, compliance, treasury and operations. Modernization is more of a strategic initiative requiring stakeholder buy-in through demonstrated enhancements in connectivity, security, and automation while preserving critical system stability. At the same time, regulatory mandates such as ISO 20022 and FedNow are accelerating the need for payment modernization, making internal alignment even more critical. Without a clear governance framework, banks risk fragmented transformation efforts that lead to inefficiencies, compliance risks, and competitive disadvantage. Driving this shift requires executive commitment, cross-functional collaboration, and a clear roadmap that aligns with both market trends and long-term strategic goals.In fact, several banks are recruiting 'Chief Innovation Officers' or 'Payments Strategy' roles to drive payment innovation in a structured manner internally.

Key Action

Establish executive working groups that synchronize technology, compliance, and business priorities to drive payment modernization forward.

E - Educate Stakeholders with Measurable Business Value

Modernization initiatives often stall because stakeholders don't see the business value. IT worries about system complexity, compliance fears regulatory gaps, and treasury sees disruption risk. The solution? Reframe modernization as a catalyst for efficiency, not complexity. Banks must demonstrate how payment orchestration enhances existing systems through API-driven connectivity, real-time compliance, and operational resilience. It's about cutting fraud losses, streamlining reconciliation and driving new revenue while also enabling banks to respond to market changes quickly. To gain buy-in, banks must highlight tangible business outcomes. These include AI-powered fraud detection and risk scoring, which enhance security. Automation leads to lower operational costs, while embedded payments and faster settlements open new revenue streams. A stronger corporate banking proposition attracts high-value clients seeking instant, transparent transactions.

Key Action

Develop a structured internal communication strategy that translates technical advancements into clear, quantifiable business impact—ensuring that every stakeholder is aligned.

X - Execute Quick Wins through Pilot Programs

Transformation doesn't need a "big bang." Quick wins build momentum. Banks should launch pilot programs on a single network, like RTP or FedNow, to demonstrate value with minimal risk. Success speaks louder than strategy decks. These pilots deliver tangible results: faster settlements, lower fraud rates, and reduced operational overhead. They are creating internal advocates, turning skeptics into champions. When leadership sees real-time progress—not just projections—transformation shifts from concept to inevitability.

Key Action

Use real-world success metrics from pilot projects to drive buy-in and establish a structured roadmap for scaling transformation efforts across the entire payments ecosystem.

T - Transform and Scale for Long-Term Success

Modernization should be viewed as a continuous cycle of evolution, not a one-time project. Banks that treat it as a destination will fall behind fintech disruptors, who are constantly refining their infrastructure. To lead, banks must embed real-time insights, intelligent workflows, and adaptive compliance into their payment ecosystems. True success lies in achieving end-to-end interoperability. Every payment rail, compliance check, and treasury function must work seamlessly together. This approach not only future-proofs infrastructure but also ensures scalability. It allows banks to adapt to changing regulations, new payment standards and emerging opportunities.

Key Action

Establish a continuous innovation framework, ensuring that modernization remains a core business strategy rather than a one-time upgrade. Payment transformation must be agile, compliant, and scalable, reinforcing the bank's position as an industry leader.

06 **Conclusion:** The Future of Payments is Unified, Intelligent and Real-Time

The future of payments will be **defined by orchestration, real-time transactions and intelligent automation.** Legacy payment systems, characterized by fragmentation, batch processing, and high operational costs, are rapidly becoming obsolete. This shift is driven by fintechs and new market entrants who have set unprecedented standards for speed, transparency, and flexibility in customer experience. Banks must move beyond outdated, legacy infrastructures and embrace **real-time, API-first architectures** that support seamless, scalable payment experiences.

The shift to **cloud-native, active-active models** will be essential for global resilience, ensuring high availability. Additionally, **AI-driven fraud detection and compliance automation** will become fundamental to managing risk. Businesses will also begin embedding **ISO 20022-led** processes into their workflows, unlocking the value of structured and detailed payment data. This will improve **cash flow visibility, reconciliation accuracy, and straight-through processing,** allowing companies to optimize working capital while minimizing operational friction. API-driven, interoperable payment platforms will enable banks to integrate with fintechs, corporate clients, and emerging payment networks and channels, positioning them for long-term growth.

The choice for banks is clear: **act now or risk falling behind.** Delaying modernization increases **operational costs, compliance risks and lost opportunities,** while competitors continue to invest in future-ready payment ecosystems. The financial industry is moving toward an **instant, automated and intelligent future—banks that lead in payment transformation will define the next era of financial services.**

> “The future of payments will be driven by, firstly, real-time interactions - not just instant money movement but also the various payment support functions, for instance, authentication, compliance screening, fraud mitigation, settlement and so on. Secondly, data insights will power game-changing AI solutions across financial institutions, merchants, consumers, and businesses.”
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About Finzly

Finzly delivers advanced financial technology, enabling banks and credit unions to modernize payments, FX, and money movement with speed to market. Its award-winning, cloud-native, ISO 20022-native Finzly BankOS platform provides a single API for processing across all payment rails - ACH, Fedwire, SWIFT and instant payments - while offering modular options to transform legacy systems. With real-time processing, intelligent payment orchestration, and seamless integration, Finzly empowers financial institutions to quickly launch new services, drive efficiency, and meet the evolving demands of enterprises, commercial customers, SMBs and consumers.

For more information, **visit** www.finzly.com **Email:** connect@finzly.com

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