



Capitalizing on the opportunities of payments modernization in the banking industry

ISO 20022 and instant payments are accelerating payments modernization and serving as a catalyst for bank growth and innovation



The International Organization for Standardization (ISO) 2022 industry mandate and the move to instant payments are driving forces in accelerating payments modernization in the banking industry. Banks are modernizing their payments infrastructure to accommodate the new global language for payments and incremental data that ISO 2022 provides and the ability to operate in a 24x7x365 real-time environment.

With deadlines to implement the ISO 2022 mandate approaching, the evolving payments environment presents significant near-term strategic, technological and operational challenges for banks. But transforming the payments infrastructure is far more than just a necessary step to meet regulatory compliance mandates; it is a key enabler of scalable growth and innovation. As banks near compliance with the mandate, they are looking forward for opportunities to leverage their modern payments ecosystem as a springboard to deliver a better payments experience, value-added services for their corporate customers, and new commercialization opportunities for their own business.





Drivers

Banks navigate a fast-changing payments landscape

ISO 20022 continues to be the burning platform for payments in the US and the biggest watershed moment in payments globally. This move to a single common global business language for financial messaging for high-value payments is a mandate for all financial institutions across the globe. US banks are focused on meeting the March 2025 industry mandate for Fedwire (the Federal Reserve's US network for high-value wire payments) and SWIFT's November 2025 deadline for cross-border payments.

The move to ISO 20022 is a significant change to payments platforms and the broader payments ecosystem that supports the payments value chain, as the payments messaging language is changing and additional data is now traveling with the payment. This results in organizational-wide impacts across a bank's payments ecosystem, including payments platforms, upstream and downstream interfacing systems, and integration layers.

The movement to instant payments is further catalyzing payments platform modernization, as banks need to provide the payments infrastructure and processes to operate in a 24x7x365 high-availability environment. This move to instant payments and real time transactions benefits both customers and corporate clients, due to the faster speed and richer data with each transaction.



ISO 20022 and instant payments are top of mind for banks and serving as catalysts for payments modernization. ISO 20022 continues to be the burning platform, with banks focused on achieving the industry mandate by 2025. Instant payments is picking up steam as banks look to provide real-time payments capabilities. While banks are in the process of modernizing their payments ecosystems to effectively operate in this new world, they also have an eye on how they can begin to leverage the incremental data that ISO 20022 provides to develop new differentiated value-added opportunities to their customers and drive new revenue opportunities for the bank."

Courtney H. Trimble

Global Head of Payments, KPMG LLP





Trends

Banks make progress towards payments modernization

In the rapidly evolving banking sector, payments modernization is becoming a key focus for many financial institutions. A recent survey of 200 US banking executives¹ conducted by KPMG revealed some important insights into the trends and priorities of banks when it comes to modernizing their payment platforms.

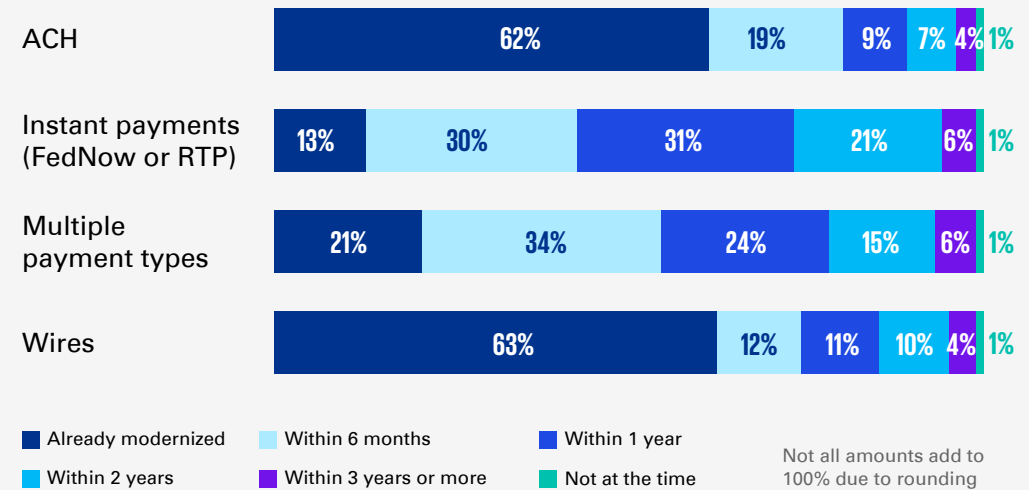
As banks strive to update and enhance payments platforms to meet the evolving needs and expectations of customers, the significant majority (79 percent) are looking to modernize multiple payment types in the coming years.

One area of focus is the modernization of high-value wire platforms, due to the impacts of the ISO 20022 mandate. The survey found that 63 percent of banks have either already modernized their high-value wires platforms or are currently in the process of doing so.

Another key finding is the opportunity for the adoption of instant payments, which is picking up steam. Only 13 percent of respondents have already adopted instant payments, which include both RTP (from The Clearing House) and FedNow, the Federal Reserve's recently rolled out instant payment service. However, the survey found that 82 percent of banks are planning to implement instant payments within the next two years.

In addition to wires and instant payments, the survey also highlighted the modernization efforts in low-value automated clearing house (ACH) payments. The research found that 62 percent of banks have already modernized their ACH platforms or are in the process of doing so.

Payments modernization across all payment types



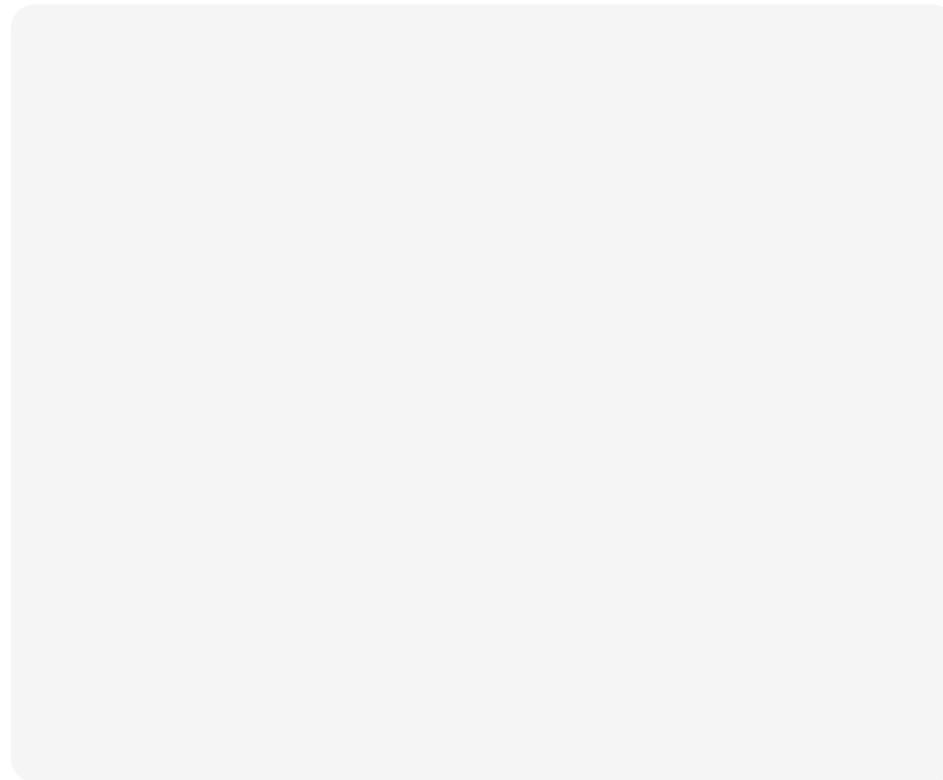
¹Source: 2024 KPMG US Banking Outlook Survey (July 2024)



Benefits

Payments modernization as a driver of compliance, efficiency, and growth

Payments modernization is one of the highest priority investment areas for banks of all sizes. Financial institutions are viewing modernized payments infrastructure as a necessary step to meet regulatory compliance mandates and as a key enabler of scalable growth and innovation. Benefits to a modernizing a bank's payments infrastructure include:





Benefits (continued)

Strategic value of ISO 20022 through payments data commercialization

The most striking finding from our research about where the US banking industry is headed was that 76 percent of bank executives said they view the ISO 20022 mandate not as a regulatory burden, but as a strategic business opportunity. Among those respondents, 43 percent said their organization considers the mandate as a key opportunity to drive new value for customers and strategic differentiation, while 33 percent said they see it as a compliance and regulatory exercise with value add. Just 24 percent viewed it as a compliance and regulatory exercise only.

While banks are busy achieving the ISO 20022 mandate, they are recognizing the value and benefits of the incremental data that ISO 20022 provides. As banks in the US and across the globe are nearing compliance with the ISO 20022 mandate, they are looking to begin exploring leveraging the incremental data that ISO 20022 provides as a catalyst to provide better payments experiences and value-added services for corporate customers and new monetization and revenue opportunities for banks.

With the move to ISO 20022, there is an additional 30 percent to 40 percent data traveling with every payment, including incremental data such as additional party identifiers, expanded address fields, and remittance, among other enhancements.

Banks are looking to leverage this additional payments data to innovate and drive new use cases in order to create more value-added services for their customers and corporates, which will result in new revenue streams for the bank. Revenue and growth opportunities range from industry-specific solutions and offerings for corporate customers to data-driven insights such as target areas of expansion and broader growth opportunities for banks.

The use of this new ISO 20022 data can serve as a differentiating factor for banks and also as a core component of a bank's broader payments data commercialization strategy, designed to generate new revenue opportunities.

Bank executives view ISO 20022 compliance as a strategic opportunity

Primarily a compliance and regulatory exercise

24%

Key opportunity to drive new value for customers and strategic differentiation

43%

Both compliance and regulatory exercise with value add

33%

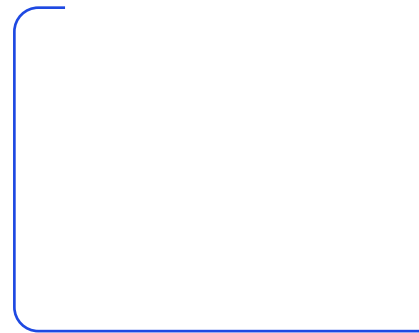


Actions

How to get started with payments modernization

Banks of all sizes are investing in payments modernization both to meet regulatory compliance mandates and to enable scalable growth and innovation to meet customer demands. While modernized payments infrastructure and capabilities are an important and necessary undertaking, the process is also a complex undertaking for banks.

Based on our deep knowledge and experience helping banking clients strategize, execute, and capitalize on payments modernization, we have identified key focus areas for seizing the opportunities of this critical bank transformation.





Client stories

ISO 20022 and payments platform modernization: High-value wire payments implementation

We are helping banks with the development of their ISO 20022 strategy as well as the modernization of their payments platforms through end-to-end implementation services.

Payments data commercialization strategy

We are helping banks develop payments data commercialization and monetization strategies, by leveraging the incremental data that ISO 20022 provides as a catalyst to provide better payments experiences and value-added services for corporate customers and new monetization and revenue opportunities for banks.



How KPMG can help

KPMG helps banks navigate the evolving payments landscape by enhancing their payments capabilities, modernize their payments platforms and future-ready payments infrastructures, and generate new value-added services for their customers and revenue streams for their organizations.

We specialize in helping banks maximize opportunity and minimize risk through the transformation of their payments ecosystem. Banks moving to ISO 20022 and instant payments and modernizing their payment infrastructure benefit from our deep industry experience, fresh thinking, and leading-edge tools and methodologies.

Our services range from payments and product strategies to solution development and implementation of all payment types as well as payments data commercialization strategies. Our Payments team is ready to help you approach your complex payments modernization challenges.

At KPMG we are helping our clients think through Payments Modernization at their bank by offering the following services:

- **Payments strategy development**—Our in-depth approach aims to develop a holistic payments strategy, looking at your current payments capabilities aligned to industry insights and market forces. This informs a strategic execution roadmap to position your organization for future growth and innovation.
- **Payments vendor and partner evaluations**—We leverage our extensive market knowledge to help choose the best technology partners and solutions, customized to your organization's specific needs.
- **End-to-end payments platform modernization/implementation**—We leverage our robust library of accelerators to implement modernized payments platforms across all payment types, including high-value wires, instant payments, and low-value ACH. Our services span the full delivery value chain, including implementation planning, front-to-back business and technology implementation, and operational readiness support, enabling your bank to go-live in the market.
- **Payments data commercialization strategy**—We work with our clients to develop payments data commercialization and monetization strategies, by leveraging the incremental data that ISO 20022 provides as a catalyst to provide better payments experiences and value-added services for corporate customers and new monetization and revenue opportunities for banks.

Connect with us

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