



Payments evolution: Navigating the path to modernization and growth



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Foreword

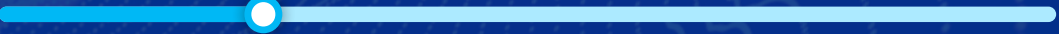
The payments landscape is evolving rapidly. The ISO 20022 global industry mandate and the move to instant payments are serving as catalysts for payments modernization more broadly as financial institutions look to strategically position themselves for growth. As banks complete the ISO 20022 conversion this year, they are now shifting focus to the next round of payments modernization initiatives while exploring how to use the enhanced data ISO 20022 provides to drive new value-added services for their customers. Meanwhile, innovations and market forces are opening new avenues for payments and money movement in the US and across the globe.

Responses from 200 banking leaders to KPMG’s 2025 Banking Technology Survey reflect the dynamic changes underway in this core banking service. As more nonbank providers innovate in payment solutions, the banking industry is flooding investment into transforming their payments ecosystem through the modernization of their traditional payment rails, and developing new payment services that drive improved customer experience, operational efficiency, and revenue growth.

There is plenty of work to do. Across areas ranging from Open Banking to Card Solutions to Instant Payments, and ACH, fewer than 20 percent (with most in single digits) of respondents said that modernization initiatives were underway at their banks. Banks are feeling urgency, with most banks (96 percent) saying that they plan to modernize multiple payment types over the next two years.

It’s not just about keeping up. It’s about growing revenue. ISO 20022 offers a modern, standardized language, more structured, rich data that banks can use to create new value-added services for their customers.

While **24 percent** of banks viewed the ISO 20022 mandate as primarily a compliance and regulatory exercise,



77 percent acknowledged its potential to create strategic differentiation, drive new value to customers, and generate new revenue.



AI can play an increasingly important role in payments in areas including automating routine tasks, support decision-making, and enhancing data-driven analysis. Almost three-quarters (74 percent) of respondents said they have AI payments modernization projects in progress or were planning on launching them within the year. That includes using GenAI to introduce efficiency across a bank's entire payments lifecycle.

Digital assets and the utilization of stablecoins and blockchain infrastructure are fresh on banks' agenda given the recent passage of the GENIUS Act in the US. Most banks (88 percent) said they are undertaking digital assets initiatives over the next year and are exploring how and where to incorporate digital assets into their payment strategy.



ISO 2022 and the move to instant payments have been the catalyst for payments modernization in banking. As banks complete their ISO 2022 conversion efforts, they are now shifting focus to their next set of payments modernization priorities to drive scalable growth and innovation and are also exploring opportunities to leverage the incremental ISO 2022 data to drive new value-added services for their customers.

Courtney Trimble

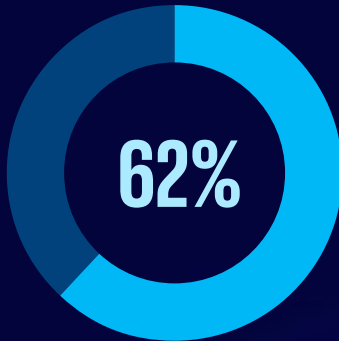
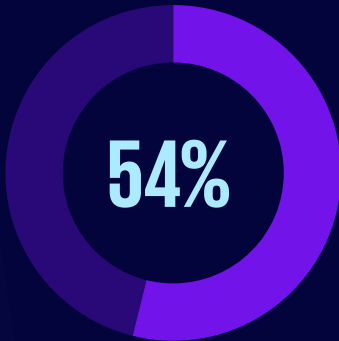
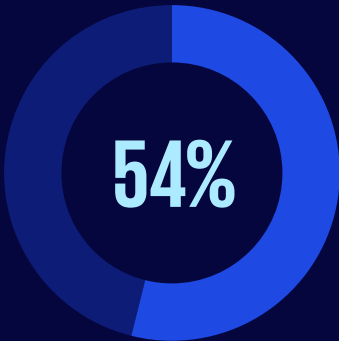
Global and US Head of Payments
KPMG LLP

From staid to strategic

If payments were the bread-and-butter service of traditional banking in the past, digital payment companies and other nonbanks have siphoned off revenue with efficient user-centric applications that process transactions in real time. Some are also using this business as a beachhead to move into other banking services such as consumer lending.

While the overall market for payments is expected to expand, banks’ wallet share is growing at a far slower pace than that of newer rivals. To remain competitive in this environment, traditional banks are investing in the modernized payments technology, partnerships, and diversification necessary to position themselves for growth.

In the KPMG global payments study in January 2025, respondents cited faster transaction processing times (54 percent) and improved customer experience (54 percent) just behind long-term cost savings (62 percent) as the main benefits they expect from payments modernization.



A modernized payments ecosystem is essential to addressing increased customer demands, operating more efficiently, and positioning themselves for scalable growth and innovation.

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More than 90 percent of banks said they had finished or would initiate projects to upgrade multiple payment types within the year. Instant payments are a high priority for banks who have not already adopted this new payment rail and are poised to gain greater ubiquity with broader anticipated adoption from banks. Participation in the RTP and FedNow payment networks—the main platforms in the US—continues to grow. In the past year, for instance, more than 500 new banks and credit unions have joined the FedNow platform.¹

Instant cross-border payments is an important priority banks are focused on, with 95 percent undertaking initiatives over the next year. Greater instant payments traction in the US, and the adoption of the ISO 20022 mandate as a global standard, are important enablers of instant cross-border and interlinking schemes across the globe. Digital asset adoption, especially Stablecoin, also holds the promise to facilitate instant cross-border payments. Banks, especially the global transaction banks, are investing in multiple initiatives to promote instant cross-border payments.

¹ FRBservices website. FedNow Service: Two Years of Growth and Innovation | Federal Reserve Financial Services. July 15, 2025

Where to focus

If banks are to keep pace with payments innovations and the demands of their customers to offer more user-friendly, modernized payments options and defend one of their core offerings against disruption, they must continue to modernize their payments platforms rapidly and cost effectively. Doing this involves:



Developing a clear strategic vision and roadmap using data-supported decision-making and agile processes, supported by GenAI, to execute



Investing in technology and partnerships to enhance efficiency, scalability, and security



Embracing the future to stay on the cutting edge of innovation



Focusing on customer experience to offer the fastest, most convenient and personalized payments solutions



Ensuring security and compliance with a focus on new regulations in the US and globally to maintain the trust of customers and the integrity of your operations

It's also critical that banks refactor new payments processes for fraud and the growing number and variations of threats posed by new technologies. As more payments move to real time and are executed irreversibly, ensuring that fraud protections, including transaction friction, are in place can make a big difference in bank defenses.

Closing thoughts

Banks are at a critical stage in the evolution of their payments strategy. With the conversion to ISO 20022 nearly complete, institutions are now able to shift their focus to other payment modernization initiatives and roadmap items, including existing payment rails as well as new payment types to enhance customer experience and increase revenue. This includes the move to instant payments, which is poised to see broader adoption. In addition, the enriched and structured data of ISO 20022 creates opportunities to deliver new value-added products and services to customers.

Work can't stop there, as a new wave of fintechs reshape the payments landscape and consumers demand better and more efficient payment solutions from their financial services providers. Investing in payments modernization is essential for continued service viability and customer satisfaction.

How KPMG can help

The payments landscape is rapidly changing—new formats and standards, changing customer expectations and payment options, emerging technologies and competitors—banks and financial institutions need to adapt or risk being left behind.

Payments modernization includes initiatives ranging from modernizing traditional and creating new payment rails, to ISO 20022, to embedding AI to enable more efficient payments operations. KPMG payments professionals take a holistic approach of helping banks with their payments modernization strategies and enablement to deliver tailored, future-ready approaches and ideas.

KPMG works with some of the world's leading banks to deliver modernized payment solutions. Contact KPMG to find out how we can help your organization.

Contact us



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