2023 EPI forecasts: SmartStream

Roland Brandli. Strategic Product Manager, SmartStream, discusses 2023 trends and forecasts with EPI editor Douglas Blakey

Douglas Blakey

In a few short years the payments landscape has undergone a revolution. A cross-border payment that once took days now requires a couple of hours; instant payment volumes grow ceaselessly. A single cross-border payment message can transit multiple payment rails, domestic, regional and cross-border, to reach the final beneficiary. Since the Covid pandemic, and through 2022, our increasingly digital world has continued to change customers' expectations further: customers have now been use to high speed and good service, and they're not afraid to complain publicly, e.g. via social media, if service levels fall short.

Unfortunately, with the current situation, when payment processes do go wrong, the banking industry's response still largely belongs to the analogue era. Exception management processes are mostly manual, time-consuming and complex exercises: it may take banks days to trace and correct a problematic transaction. Understandably, customers may wonder why, when a payment can be made instantly, fixing a failed one should take so long. sorting out these failures represents an immense cost for the finance sector. Industry estimates suggest that two million transactions fail daily across the globe, with each one costing 40 euros to fix. Exceptions also expose banks to financial, operational and reputational risk.

Looking ahead, the number payment providers and infrastructures (each with its own rule book and prescribed workflows for tackling exceptions) will continue to increase expodentially, as well as the variety of message formats, which means that the backdrop against which banks investigate exceptions will continue to be highly complex and fragmented.

Complexity of of ISO messages

The situation will be compounded further with the pressure building on banks' to adopt ISO20022 message types in the first quarter of 2023. The complexity of of ISO messages will necessitate the need for increased automation. Banks' have teams organised by payment provider and infrastructure to handle payment investigations. Unless action is taken now, they will be forced to adopt non-standard ways of doing work, which will lead to inefficient processes. In the year ahead we are expecting to be having many conversations with our customers as we help them overcome these complexities, and through doing so firms will see the true benefits of automation, with improved processing speeds and reduced costs.

Already, a number of firms, predominantly large Tier 1 organisations, have responded by investing in sophisticated CRM systems. In the year ahead, due to the pressing industry need, we are expecting to see Tier 2 and 3 banks fast tracking their digital strategies to standardise their operations and consolidate exception handling with full visibility across the payments lifecyle – a single line of sight across multiple payment rails, to helps to reduce exception turnaround times, costs and risk. In 2023 we can expect to see an increasing amount of focus on the back-office as bank's seek to boost productivity in an ever complex payments world.