How to balance speed and security – while meeting customer expectations

The Account-to-Account Payments Tightrope.

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01   Introduction

Ready for the ⌐→ expansion in open banking?

Since the dawn of banking, customers have needed to make account-to-account (A2A) transactions. But despite its long history, we've recently seen rapid changes in the technology, regulations and customer expectations around A2A payments.

Open banking concepts like PSD2, the UK's Open Banking regulations, FedNow℠ in the US and proprietary A2A networks such as Plaid, offer consumers and businesses more choices in how they receive and make payments. And as e-commerce marketplaces like Etsy and eBay continue operating at a global scale, more international payments are being made than ever before – testing the limits of global payment rails.

Open banking was valued at 20.2B USD in 2022

and is projected to register at a CAGR of 20.5% between 2023 and 2032

According to the Bank of England the value of cross-border payments is forecast to increase from almost 190 Tr USD in 2023 to over 290 Tr USD by 2030.

Meanwhile, new messaging standards are coming with the implementation of ISO20022 which will increase interoperability and improve harmonisation between financial institutions globally. This will also bring more data and the opportunity to deploy new value-added services and fraud detection methods.

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In the modern era, these kinds of frictionless, value-added payment experiences are quickly becoming the default expectation for consumers – so if you don't build contextual services into your offering, customers will leave and use other payment providers that will. As services like FedNow[SM] in the US rise to meet these expectations, the pressure is on for other financial services providers to build on top of FedNow[SM] or find an alternative that delivers similar functionality.

Supporting these new experiences comes with a cost. There's a literal monetary cost for financial services firms that need to refresh or update payments infrastructure to support open banking and new scales of transaction processing. But there's a greater cost to reputation if fraudsters find new ways to intercept open and global payments.

Meeting expectations for fast updates to your services and fast payments, whilst adhering to regulations and maintaining security is no easy feat.

This e-book will explore the challenges facing firms and how they can start addressing the speed-security balance to meet growing pressure from customers and regulators.

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The state of A2A payments today

How to balance ⤷ speed and risk?

Regulators and consumers alike are pushing the A2A space into a position where open, faster payments are the status quo. But financial services providers face a conundrum, as the push for frictionless payments leaves less time for essential security measures and fraud prevention checks.

This represents a significant risk for financial service providers – and their users – all around the world. In the UK, for instance, over **£1.2B was stolen by fraudsters in 2022**. And a further £1.2B of fraudulent losses were prevented by the banking and finance industry. Meanwhile, in the **US bank transfer or payment fraud resulted in losses amounting to 1.59B USD.**

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Finding a balance between speed and security is far from easy. Upgrading infrastructure to handle faster, open payments requires significant investment. But regulatory change requires action as does the need to help prevent and protect consumers against fraud and the associated cost of reimbursing victims.

Industry groups are coming together to solve these challenges. For instance, Australian banks have launched the Fraud Reporting Exchange (FRX), a digital platform for reporting fraudulent payments transferred or en route to another bank in close to real-time. Financial services providers in other regions will need to find similar solutions that help them detect and prevent fraud across the A2A payments space if they want to maintain consumer trust.

The UK's Payment Systems Regulator (PSR) will take bold action in October 2024 against Authorised Push Payment (APP) scams in the form of a new reimbursement requirement within Faster Payments (FPS) which will see the vast majority of money lost to APP frauds reimbursed to victims. This puts the UK at the forefront of APP fraud protection globally and will focus payments firms' efforts on protecting consumers by improving fraud controls and increasing momentum to implementing the full protections.

In the UK the PSR's new reimbursement requirement comes into force on 7 October 2024 applying to all Faster Payments transactions

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Internal and external pressures present obstacles to faster, safer payments

Uncertain financial models behind new regulations

Upcoming open banking regulations, like the Variable Recurring Payments rules set out by the Financial Conduct Authority's Joint Regulatory Oversight Committee, still don't have financial models set in stone. While this isn't the case across all jurisdictions, with organisations in the US investing heavily in new initiatives, where models are subject to change banks and PSPs are likely to be reluctant to invest.

And while it's a mixed picture today, new directives like PSD3 will cause more disruption as they push stricter rules on access to payment systems and stronger customer authentication regulations. Organisations will need to strengthen and adjust their fraud prevention processes to make sure they're ready and compliant.

Increasing pressure from fintechs and other CX-focused industries

Regardless of the A2A innovations financial services firms and PSPs focus on, they must deliver the kinds of compelling experiences consumers have come to expect.

That means competing with the slick apps from digital-native fintech companies like Monzo and Starling Bank. But consumers will also judge any customer-facing apps against their experiences with the best digital retail and media services like those from Netflix and Amazon. So it's no longer enough to offer an industry-leading UX – you have to offer world-leading experiences.

Siloed, inaccessible data

Access to accurate, meaningful data is critical to supporting new changes in A2A payments. But many banks and PSPs wrestle with systems that limit integration and lock away key intelligence.

Those that can solve this challenge win twice: they can deliver a more efficient, joined-up service to customers while also creating the rich, contextual data needed to deliver personalised services at scale, and better predict and identify fraud. The more data you have – and the better connected it is across your organisation – the easier it is to spot and get ahead of important consumer behaviour trends and patterns in fraud. And also easily store, access and utilise the new data that will come with the new messaging standards of ISO20022.

The costs and risks of change

Making broad changes to the processes and infrastructure that support payments is costly and can tie up valuable teams over long project cycles. And given the security and regulatory pressures facing the payments industry, there's no margin for error. This can make change expensive, risky and time-consuming.

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How can financial services providers overcome these challenges?

Pressure from ↓

- Regulatory uncertainty
- Fintechs and other CX-focused industries
- Siloed, inaccessible data
- Cost and risk of change

Control enabled by ↑

- Robust A2A strategy
- Establish A2A's part in your data strategy
- Maintain CX-focused
- Pursue Open APIs, ML and AI

Set a robust A2A strategy

Whether you're making broad changes to meet new customer expectations or to comply with upcoming regulations, make sure any change you make forms part of a broader A2A strategy.

That way, you aren't just reacting to external pressures as they come. You're also considering future real-time and faster payment innovations that can help put you ahead of the curve – and ahead of your competitors.

Establish A2A's part in your data strategy

Your data strategy should clearly explain the role that data will play in your organisation's future success in a language that's understood by the business and balanced across all aspects of data – including technology, process, people and governance.

Without a well balanced, effective data strategy, you risk siloed working and missing holistic value creation opportunities – where you can more easily connect the dots across the organisation. How will you extend those rules to an A2A ecosystem with faster, frictionless payments? What tools and processes will you need?

As we move to faster and more open financial mechanisms, ensuring data remains well-managed is vital. And it's the best way to fulfil the open banking brief and offer real-time payments without compromising on security and data privacy.

Maintain a focus on CX – and make the most of what A2A offers here

A2A payments offer low transaction costs, rapid payments and improved cashflow for merchants. This makes them critical to delivering the seamless, rapid payment services customers now demand.

But to deliver truly great CX, you'll need to ensure your efforts to govern and secure data don't introduce so much friction that it undermines the customer experience benefits of rapid A2A transactions. Make sure you have a way to capture user feedback regularly to find the right balance between speed and safety.

Ensure you're making the most of technology like Open APIs and AI/ML

APIs enable the interoperability that's at the heart of global moves towards open banking. Open APIs ensure all banks and PSPs are using the same integrations, simplifying the move to open finance.

Meanwhile, tools like machine learning and AI can help streamline processes and accelerate vital security and fraud prevention monitoring, without impacting the customer experience. From data gathering, validation and monitoring, to intelligent data analytics-driven decision-making, AI and automation can potentially transform the industry.

Unlike AI, existing analytics are typically rooted in statistical methods and are less scalable and don't allow for analysis of broader data types, such as text or image, to extract insights. This is because AI doesn't just perform repetitive tasks, but instead mimics human behaviour by observing patterns and outcomes at scale and speed.

But for AI to learn and take autonomous action data needs to be in the right format. Those who get this right stand to benefit from significant operational opportunities and greater insight.

05 ⊷ Build or buy decisions

Should you build or buy?

If you need new infrastructure and systems to modernise your A2A payments, you might wonder whether it's better to build or buy. Like many decisions in the payments space, there's no one-size-fits-all approach. The reality is both approaches offer their own pros and cons.

Overall strategic decisions come into play here as does the risk to react to immediate competitive threat. For those that need to get to market quickly or work around tight operating budgets, buying solutions accelerates deployment and avoids on-going maintenance and development costs. But for those that need greater control or flexibility to integrate other functionality then building your own solutions becomes more relevant.

And, of course, you can have it both ways by building what's most important and buying the rest. That way, you maintain control over mission-critical platforms, while being able to rapidly deploy non-essential infrastructure by working with a technology partner.

06 • Making the most of the A2A opportunity

Ready for the growth ⤷ in cross-border?

New expectations, markets and regulations are transforming the face of A2A payments. These changes present a significant opportunity for PSPs, fintechs and traditional banks to access new markets, deliver frictionless payment experiences and build the kind of customer loyalty that secures competitive advantage.

According to the Bank of England, global corporates are moving nearly $23.5tr across countries annually, equivalent to about 25% of global GDP. This is leading 87% of merchant executives to see cross-border online sales as their biggest growth potential.

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Value-added contextual services

New types of A2A transactions represent an opportunity to augment traditional payment experiences with value-added, contextual services. Those opportunities will only grow as we see The Society for Worldwide Interbank Financial Telecommunication (SWIFT) retire its existing MT message standard for payments. Because of this, many major jurisdictions will be implementing ISO20022 ahead of the MT message standard retirement date of November 2025.

ISO20022 represents a major change for financial messaging syntax and semantics and will lead to more unified standards that increase interoperability between systems and financial institutions. This will open the door for financial services providers to access more data than ever before while improving data quality and efficiency – and automating and deploying new value-added services and fraud detection methods.

The consequences of not having UETR visibility means frustrating manual interventions, friction and delays in flow of goods and services. This transparency and tracking will also drastically reduce exceptions and investigations.

With an expert partner at your side, you can get the strategic consultancy and technology resources you need to plug gaps in your approach and deliver a safe, secure and open approach to A2A.

Some significant and valuable use cases which lead to improved customer visibility and certainty, cost and efficiency savings and new opportunities for innovation, include the enablement of:

- **Accurate cash visibility and forecasting**

- **Improved invoice reconciliation**

- **Genuine transparency and true end-to-end tracking of international payments for all parties in the payments chain using UETR (unique end-to-end transaction reference) a string of 36 unique characters**

07 Endava's experience

Endava builds NatWest's PayIt™ ↳ awarded Best Direct Account-to-Account Solution

Major high street bank NatWest became the UK's first major bank to offer open banking payments through its PayIt™ service, helping businesses and customers benefit from the next generation of payments.

Built by Endava, the PayIt™ service is multi-award winning, including Retail Banker International's 'Best Customer Facing Technology of the Year' award, the Celent Model Bank Innovation Frontier Award and the 2022 PAY360 Awards for the Best Direct Account-to-Account Solution. It uses the UK's Open Banking infrastructure to allow customers of UK banks to pay for products and services offered by retailers who use the service, initially targeted at mid to large corporate companies.

The biggest challenge was creating an intuitive and simple payments experience for customers, while also working around the slightly different ways that all UK banks have implemented their Open Banking APIs. Customers make use of the service by selecting the Payit™ button on the merchant's payment page and then selecting the bank they wish to pay from. The consumer is then automatically redirected to their bank's mobile or online banking to complete the payment.

For over 20 years Endava has worked with financial services providers around the world to evolve the global payments ecosystem. We partner with pure payments companies in the UK, US, Europe and Australasia to provide consultancy, engineering and payments expertise to banking, retail, automotive and travel organisations.

And as the convergence of value-added services continues, our cross-sector expertise puts us in a unique position to deliver a wide range of services and support for our customers. From consultancy on A2A market trends and market expansion strategy, to developing digital wallets and banking apps and supporting system migration and integrations, our combination of product and technology strategies and world-class engineering can help you take decisive steps towards realising your A2A payment ambitions.

Get in touch with our payments experts to discuss your A2A challenges and learn how we can help.

About Endava

Technology is our how. And people are our why.

For over two decades, we have been harnessing technology to drive meaningful change.

By combining world-class engineering, industry expertise and a people-centric mindset, we consult and partner with our customers to create technological solutions that drive innovation and transform businesses.

Working side by side with leading brands, we build strategies, products and solutions tailored to unique needs, regardless of industry, region or scale. From ideation to production, we support our customers through every step of their digital transformation journey, creating dynamic platforms and intelligent digital experiences across various industries.