

JANUARY 2023 ■

# 2023

PAYMENTS **NEW YEAR'S**  
**RESOLUTIONS**



PYMNTS

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# SPRINGBOARD TO A NEW START

It already feels different, and 2023 is just one month old. What can we expect?

FinTechs and financial institutions are focused on financial wellness initiatives in 2023 to help beset consumers improve their credit, balance their budgets and steady their ships after treading water for a year, with much of that stress concentrated in Q4 as holiday wish lists were confronted with financial reality.

For tangible proof of that economic wakeup call, one need not look much beyond the fact that Amazon shed roughly half its market value during a general slowing of the eCommerce boom of the COVID years. It wasn't alone, as big omnichannel retailers like Target also suffered setbacks.

In other Q4 dramas, the industry found its latest villain in Sam Bankman-Fried and the spectacular collapse of the FTX crypto exchange, shriveling crypto speculation and sucking the air out of the space.

How it will return is likely in decentralized exchanges and diversified payment use cases that don't require an advanced understanding of digital assets for consumers to use it as a payment method, nor risky investments for companies. Transparency will be key to reestablishing trust.

If one "R" word in 2023 is "recession," another will be "relationships" as FinTechs partner with banks and each other in less adversarial and more collaborative ways.

The other "R" word for this year is "real time," which finally has the momentum and market presence

to become an accessible rail in B2C and B2B use cases. With that comes advances in instant payouts beyond things like tips and into areas from online sportsbooks to payroll.

In accounts receivable (AR) and accounts payable (AP), automation is already improving these functions, and 2022 has set up many firms to add automation to realize cost savings and customer efficiencies that mean fewer errors and greater throughput. Expect that to continue.

In the B2B world, modernization continues despite the economic slowdown. Adopting messaging standards like ISO 20022 will better clarify money movement for B2B companies. More legacy systems will be retired and replaced by digital alternatives.

Modernized stacks and the increasing use of application

programming interfaces (APIs) will enable creative new products to get to market faster, including the expansion of embedded payments and connected ecosystems.

The fraud fight raged on in Q4 and there are no signs of it slowing in 2023, but artificial intelligence (AI), machine learning, and reams of data promise to make combatting online theft more effective this year than last.

Digital innovations in healthcare payments will pay dividends as consumers adopt new ways of managing medical debt while receiving needed care.

Through it all, consumer experience will remain an area of intense focus and investment to ensure engagement in areas like streaming and retail subscriptions, bill pay and more as digital transformation marches on, recession or not.

# THE ULTIMATE CRYPTO FUTURE: INTEGRATION OF DECENTRALIZATION WITH REGULATED INFRASTRUCTURE

**T**he cryptocurrency industry, which is resilient and undergoing a self-healing process, will enjoy a much better outlook in 2023 compared to 2022.

The short history of crypto has repeatedly proven the failure of unregulated and centralized financial systems, and the success of truly decentralized ones. The collapse of FTX is just another example. The ultimate success of this industry shall come from the seamless integration of regulated fintech infrastructure with decentralized systems. One use case made possible by this integration is regulated stablecoins (like USDC) trading on decentralized exchanges.

DR. YAN  
**ZHANG**  
CEO





A fully computerized and decentralized system like bitcoin/Uniswap has not failed because this model rules out human greed, arrogance and operational errors. The decentralized exchange now handles 10% of the spot trading volume, while it was nearly zero three years ago. Decentralization has surged to the forefront of the payment domain due to vital technological advancements — and everyone is waiting for another technological breakthrough in 2023.

Airswift will lead the initiative to develop decentralized payment solutions in 2023. Currently, most crypto payment gateways are centralized, which exposes users to the same risks that FTX did. It is therefore critical to develop a decentralized payment protocol and integrate it with regulated payment service providers and money service operators. Airswift offers the first product of this kind,

and we hope it can benefit the general public via cheaper, faster, and safer domestic and cross-border payment solutions.

Aside from decentralization, Airswift will also focus on reducing the frictions associated with crypto payments and enhancing user experiences. This is crucial because ultimately you need to provide a service that people can use with ease. That is achieved by offering a simplified payment process which feels natural even to users with minimal technical knowledge; by diversifying accepted cryptocurrencies; and by providing an integrated DeFi service that ensures smooth transactions from beginning to end.

2023 will be the year of rebuilding. We may see more innovations; more high-quality projects will pick up the growth curve. Specifically, crypto's integration with real lives

— the so-called Web5 — will drive growth. Crypto payments, NFT utilities and Decentralized Physical Infrastructure Networks (DePIN) are the new hotspots.

Regulated but supportive financial infrastructure is necessary for the success of crypto. Regulators are currently struggling because the speed of policymaking is much slower than that of innovation. This will still be the case in the next five years, which means the crypto ride will be continuously wild. However, that is the excitement everyone is looking for: revolution driven by technologies that create a better future.

# 2023

## PAYMENTS NEW YEAR'S RESOLUTIONS

# PAYMENTS INDUSTRY SHOULD **FOCUS ON INNOVATION AND EXPANSION**

**T**he unexpected and unpredictable are becoming more common than we previously thought normal. We head into another “unprecedented” year where COVID still lingers, the threat of a recession looms, interest rates are increasing and global cultural, environmental and economic conditions are volatile.

We can draw on past events to understand how consumer and corporate needs might evolve and how technological advancements could lead us into a new and exciting era. Additionally, we can expect consumer behavior to continue to drive payments innovation and acceleration in digitization to drive greater innovation in corporate treasury.

ALEXANDRA  
**JOHNSON**

Head of Global Transaction  
Services Innovation

BANK OF AMERICA 

With the likely decrease in discretionary income and spending, the need for security, speed and transparency will be ever-important in payments — payers and payees want to know *where* their funds are and *when* they will arrive. Focusing on the continued expansion of real-time and faster payment offerings, including payment choice and account validation, will give businesses and consumers confidence in moving money and transacting regionally and across borders. Open banking and interoperability between payment schemes will be key since remittance volumes will continue to be resilient in an economic downturn, as will the need for real-time issuance and settlement for corporates.

As demand for speed and transparency of payments processing increases, we should expect an increase in fraud risk to follow. In anticipation, the industry should give equal priority to investing in fraud-prevention solutions that blockchain, artificial intelligence (AI) and machine learning back. It should be noted that enhanced processes for fraud protection can also improve STP and efficiency.

Should discretionary income decrease, consumers could benefit from flexible and on-demand payroll solutions and take advantage of alternative payment methods such as pay-by-bank, installment payments and other C2B alternatives that can help with cost management and savings through reduced chargebacks,

greater speed and transparency of transactions for retailers.

Corporate treasury will continue on its path to digitization. Uncertain times accelerate the need for a company to adapt to changing economic conditions that have the potential to impact everything from payroll to capital expenditures and supply chain to cash management.

By moving to application programming interface (API) and blockchain-driven payment processes and cash-management functions, companies can adapt to changing times with limited additional investment required. This is especially pertinent in 2023 when companies will likely have less capital to put toward digitization and innovation agendas. As a result, it is incumbent on the payments

industry (including banks and FinTechs) to meet our corporate customers “where they are” and think about how we can continue introducing new technologies that fit into their existing workflows.

Such innovations include embedded payments and payments-as-a-service offerings, allowing choice and flexibility. Other examples are real-time or just-in-time cash management and real-time views into payables and receivables.



# BUILDING A STRONG CREDIT PROFILE WITH SECURED CREDIT CARDS WILL BECOME A KEY FINANCIAL LEVER FOR CONSUMERS IN 2023

**W**ith the uncertain macroeconomic environment lingering, we predict that savvy consumers will choose secured credit cards to build credit, and turn away from traditional credit cards that charge high interest rates. This shift follows a surge in Americans' credit card balance, which reached [\\$925 billion in Q3 2022](#), up from \$887 billion in Q1 2022.

ROY  
NG

CEO and Co-Founder



Over 150 million individuals in the U.S. are considered financially at risk today, according to [Experian](#) and [U.S. Census](#) data. And many underserved customers are unaware of options that are available to them besides a simple debit card. There are around 700 million unsecured American Express, Discover, Mastercard and Visa cards in circulation, and about 6 million secured credit cards in circulation.

In 2023, we'll start to see a surge in FinTechs and brands that offer secured credit cards directly to their customers at a time when these customers may need it most. Companies offering secured credit cards will establish a new recurring revenue stream

based on interchange fees while establishing deeper connections with customers. We also expect to see greater consumer reliance on buy now, pay later (BNPL) as an alternative to unsecured revolving credit cards.

### **BNPL Will Get a Regulatory Makeover**

Our BNPL prediction from last year — that 2022 would be the year of BNPL reckoning and growing defaults — came to be. Consumers continued to default on their BNPL loans, with [42% making late payments at least once](#), as inflation soared. Additionally, a recent [poll](#) shows that consumers skip paying rent, utilities, and even child support to make BNPL payments. That said, in an inflationary

environment, financing options like BNPL, especially for big-ticket items, will continue to be attractive options for consumers.

With the CFPB's plans to offer guidance as [a first step toward regulating](#) this space, BNPL companies will start adopting better consumer guardrails, like spending limits based on a more holistic view of a consumer's finances.

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## PAYMENTS **NEW YEAR'S RESOLUTIONS**

# DIGITAL B2B PAYMENTS WILL SEE STRONG GROWTH AND ADOPTION IN 2023

**A**fter the uncertainty of the last two years, it's easy to get focused on the negative and be pessimistic about the future. But in 2023 I would love to see our industry resolve to embrace the positive. Personally, I am approaching this year with the spirit of cautious optimism. The B2B payment landscape is in the midst of a massive migration toward integrated and automated solutions, and I'm excited about the opportunities that lie ahead.

DEAN M.  
**LEAVITT**

Founder and CEO



We all now recognize that the pandemic was a catalyst for consumers and companies to make permanent changes in how they operate. We have seen a growing understanding and acceptance of the need for digital payments. While the data shows that the migration to B2B digitization is underway, there is still significant opportunity for adoption and growth. This is a new frontier for enterprises of all sizes and a huge opportunity for digital payment facilitators who are focused on creating improved experiences for buyers and suppliers.

As the adoption of digital payments is underway, there is equally robust interest in migrating toward smarter payables and receivables. A recent PYMNTS study found that 84% of firms are interested in automating non-payroll spend management. CFOs of companies

big and small are realizing that there are better ways to operate. They are looking for solutions that optimize efficiencies across the full payment process: PO creation, invoice creation, invoice approval, OK to pay, remittance and reporting. It's interesting and a bit ironic that the payment itself is often forgotten in the push for integrated payables. The payment is the critical "last mile" that ensures efficiency across the whole process. If you have to go offline to send a check or deliver an ACH then you have lost the value of speed, automation and, perhaps most importantly, the data.

There is no shortage of companies that are trying to tackle the unique challenges of the B2B payment industry. I am hopeful that 2023 will be a year where we see significant movement forward in the adoption and standardization of digital, integrated solutions. There will

be winners and losers in what is becoming an increasingly crowded field. I feel confident that the solutions that rise to the top will be the ones that understand and solve the problems we consistently hear, offering simplicity, cost effectiveness, easy implementation and flexibility.

One of our core values at Boost is "Be Bold." We embrace the unknown and celebrate new ideas. Every day we push ourselves to search out new solutions to meet the evolving needs of our clients and partners. In 2023 this will mean new products and partnerships that challenge the status quo and drive our industry forward. The potential for fully digital automated payments is here and I, for one, am excited about what the year ahead has in store.

# 2023

## PAYMENTS **NEW YEAR'S RESOLUTIONS**



# IN 2023, CRYPTO MUST FOCUS ON TRANSPARENCY AND SECURITY

**T**here is no doubt that 2022 was a tough year across the crypto industry, what I believe is the future of payments. And we can't address that tough year without reflecting on what happened to FTX. But there is good news for the year ahead, and that's because what happened at FTX was not a failure of crypto; it was the alleged fraud of one organization. These scenarios happen in every industry, and they will happen again. But we can look ahead to 2023 and build and grow from here with this in mind.

PRATIMA  
ARORA

Chief Product Officer



In the year ahead, why do I still believe in the power of crypto? Because crypto will reinvent the exchange of value in the same way the internet reinvented the exchange of information. And like with the early internet, some companies will fail, and some will succeed. The maturation of the industry will take time.

As we look ahead to 2023, I'd like to focus my optimism and our resolutions on two things: security and transparency.

### **Security**

One trend that continued to amplify in 2022 was hacks, and specifically hacks of cross-chain bridges, which accounted for 64% of losses all year. These

events target the sinew between blockchains and DeFi projects, and often, they successfully compromise hundreds of millions of USD equivalent value. I suspect this to continue in the future, as more likely than not, interoperability between blockchains will remain an important goal of the community.

Similar to how our industry came together after the endless hacking of centralized exchanges in 2019, we need to do the same in DeFi. Given the losses and the promise of DeFi as an antidote to some of the shortcomings that lead to the collapse of FTX, I believe we'll see a great deal of collaboration and progress in this space.

### **Transparency**

With the right data, tools, guidance, and partnerships, the cryptocurrency industry can hold its businesses and people accountable to protect consumers by design — through its inherent transparency. No other sector of the crypto ecosystem embodies transparency more than DeFi, where all transactions are visible and the code behind protocols is in the open for all to see. The entire crypto industry should strive for this level of transparency. There are clearly opportunities to bridge off-chain data on liabilities with on-chain data to provide better visibility. And when more value moves onto the blockchain, potential risks will also be more transparent.

This moment is an opportunity to take stock of our values and advocate for a better, safer ecosystem. Fundamentally, there is huge demand for new models of ownership in the economy. Crypto is a cross-border, instantaneous, and cheap way to exchange value, and I believe the demand for that is only going to increase. Now, in 2023, is when a better future will be built. It's times like these — bear markets — when changes in crypto technology happen.



# PAYMENTS INDUSTRY MUST INNOVATE AND INVEST IN RELATIONSHIPS



AMIT **AGARWAL**  
AND  
DEBOPAMA **SEN**

**Global Co-Heads of Payments and Receivables, Treasury and Trade Solutions (TTS)**



**T**he payments industry has upped its game in recent years, but it can do much more. A new year is a perfect time to make resolutions. But while many of us slip when it comes to keeping them, the industry needs to deliver the following resolutions if it is to help clients effectively.

**Get into shape:** The world is changing because of geopolitical and macroeconomic shifts, accelerating digitization, supply chain disruption, new business models and the growing importance of sustainability. This backdrop presents challenges for clients but also offers enormous opportunities to become more competitive and grow. A fit and flexible payments industry that leverages cloud and other modern technologies is an enabler of economic growth and innovation as clients limber up to compete in new digital markets

like the Internet of Things, Web 3.0 and the metaverse.

**Learn a new language:** Market infrastructures around the world are moving to the new language of ISO20022, which means payments messaging is no longer limited by fixed field lengths. It sounds like a technical issue, but it has very significant real-world consequences. If a client is settling 1,000 invoices with one payment, then the payment needs to carry much more information to ensure efficient reconciliation and cash application.

**Live in the moment:** The digital economy is real-time and always on, while corporations and banks still measure time in business days. The transition from batch processing to real time means providing 24/7 access to payments and new payment infrastructures such as digital wallets and instant payments. And it means enabling clients to embed payments into

their systems — via APIs and Banking as a Service (BaaS) — so they can respond to new challenges and opportunities.

**Simplify and declutter:** Technology and commerce are undergoing a generational shift. Mobile technology is now ubiquitous and, combined with the experience of the pandemic, the adoption of eCommerce has rocketed and become a permanent feature of the landscape. As clients embrace business-to-consumer and business-to-business opportunities, the industry needs a different mindset that prioritizes a frictionless and straightforward payment experience and offers consumers or businesses the ability to use their payment method of choice. Rather than a tradeoff between security and customer experience, the industry needs to deliver solutions where these reinforce one another.

**Travel the world:** In the 20th Century corporations became multi-national over decades, now they are born global. The gig, sharing and creator economies are examples of new business models that rely on digital payments at global scale. To facilitate this kind of innovation, the payments industry needs to deliver digital cross-border solutions that leverage domestic clearing systems around the world and are scalable so that they can easily accommodate clients' needs as they respond to evolving operational dynamics. Multi-domestic payment solutions through providers with direct access to the last mile provide digital multi-nationals with efficiency, scale, reach and innovation.

**Invest in relationships:** Just like in our personal lives, the quality of our economic lives is determined by the quality of our relationships. There is always scope to increase the quality of our interactions with the

whole ecosystem of stakeholders: regulators, market infrastructures, clients, vendors, partners, employees and wider society. In particular, the opportunity for partnership between banks and FinTechs has never been more relevant. It is time to move past the language of disruption and look at the ways we can power the growth of a digital economy which is only in its infancy.

**Give something back:** The payment industry is highly competitive, but industry cooperation is also essential. Industry innovations like Swift gpi mean that around half of cross-border payments now reach the beneficiary within an hour. There is scope for further improvements such as pre-validation and orchestrated settlement. We need to realize that community action is an essential element of being the best for our clients.



# A RESOLUTION TO ADAPT: **CHANGING WITH THE CHANGING PAYMENTS LANDSCAPE IN 2023**

A portrait of Judith McGuire, a woman with blonde hair, smiling, wearing a green and white patterned top. The background is a solid red color.

JUDITH  
**MCGUIRE**

Vice President, Digital and  
Commercial Products

**DISCOVER**  
Global Network

**A**s we usher in the new year, we recognize that we are stepping into a “new normal” in which the past is not as good an indicator of the future as it once was. 2022 witnessed the return to everyday life since the pandemic began, but from both a macro and microeconomic perspective, that life is not the same as prior to the pandemic. Well-established economic indicators are pointing toward a recession, but other behavioral data in the credit market are not showing recessionary impacts. Consumer behavior was forced to shift because of the pandemic, and many of those changes will not shift back to pre-pandemic status quo. The payments industry is no exception to this “new normal.” As

the Greek philosopher Heraclitus noted, “Change is the only constant in life.” From consumer expectations to the latest digital reinventions, the payments ecosystem needs to evolve. We cannot predict the future as easily as we could prior to the pandemic, and so we must place some bets on the direction of the industry and be nimble to respond to further shifts. In this new year, we are challenged to modernize our systems and technical capabilities to meet the demands of this paradigm shift. Those in the industry that are facing technical debt with legacy systems will find it harder to deliver what consumers demand.

The modernization of infrastructure and technology is critical to respond to changes in the market as quickly as possible. With a modernized tech stack in place, the business foundation can respond to industry and consumer

behavior changes quicker and scale more efficiently. For those in the payments industry with decades-old legacy platforms, the mounting technical debt creates long planning and development cycles, which prohibit speed-to-market of new products and solutions. As industry standards change, legacy systems struggle to keep up with the enhancements. Therefore, a strong focus on resolving technical debt this year will be necessary to remain competitive and set up future success as the industry evolution progresses.

To address the rapid changes within payments, Discover® Global Network will be focused on further modernizing our approach this year. We are bringing our infrastructure to the cloud, which increases the scalability of our solutions and enhances our resiliency through redundancies. Containerization of our tech stack allows us to develop software more rapidly and deploy

more efficiently into the market. We are also focused on leveraging APIs and microservices, both internally and externally, making it easier for all parties in the end-to-end process to connect and work with us. As we navigate through this period of “new normal,” having a modern foundation capable of leveraging the latest technology will make us nimble in response to change and continue to deliver for our partners and customers.

# 2023

## PAYMENTS **NEW YEAR'S RESOLUTIONS**



# THE TIME FOR REAL-TIME IS NOW

**B**anks occupy a unique position in the payments universe. Transactions often begin and end with a bank account. As mechanisms to move money between those accounts are increasingly becoming real-time, banks must foster a mindset of continuous adaptability to deal with this *ever-changing* landscape.

Consider The Clearing House's RTP<sup>®</sup> service which began in 2017. Its capabilities already reach 61% of all demand draft accounts in the United States. P2P networks like Venmo and Zelle recently began clearing and settling some transactions over the RTP network. The Federal Reserve's FedNow service also launches this year. It is expected to reach 100% of financial institutions in the US. According to Global Data, instant payments global growth has a projected 23.6% CAGR through 2025, and FedNow adoption is expected to follow suit.

2023 provides opportunities for banks to embrace transformations in the payments industry, thereby reducing operational costs, increasing customer loyalty and deepening relationships with partners. This year, banks should resolve to:

**MIKE HANEY**

Head of Digital Core at  
Technisys



**1. Adopt real-time operations:**

Banks must adapt their client servicing models, including dispute management processes, migrate liquidity management to a 24/7 operation and update fraud process. By changing fraud prevention, detection and recovery procedures to accommodate clearing and settlement, which will occur immediately and irrevocably, banks can better protect against the always-available nature of instant payments, which gives fraudsters more opportunities to attack.

**2. Eliminate architectural complexity:**

Although there have been delays in deploying ISO20022 for legacy payment networks, including SWIFT, CHIPS and Fedwire, newer

schemes such as RTP and FedNow have adopted this global standard from the start. Banks can leverage this opportunity for system consolidation centered around this standard and a chance to gain experience using ISO20022. While modernizing payment engines and gateways are important, an additional consideration is to transform [core banking systems](#) to eliminate legacy practices such as memo posting.

**3. Replace fee income:**

Instant A2A payments threaten the interchange fees banks have come to enjoy from their card businesses. This, coupled with the declining revenue from non-sufficient funds handling, such as overdraft fees, means two of the largest sources of

fee income are at risk. Banks should find alternative ways to charge for their services to compensate for lost revenue.

**4. Reduce credit card dependency:**

While 84% of adults in the U.S. have at least one credit card, instant payment schemes such as pay-by-bank have shown to be successful overseas and are rapidly coming to the U.S., threatening credit card usage. Large banks like JPMorgan Chase have already challenged themselves to determine how to mitigate a potential slow-down in their card business. This could include leveraging existing trends, such as the rise in popularity of debit cards among the younger generations and combine it with buy now, pay later (BNPL) financing.

**5. Be present at point-of-need:**

BNPL and early wage access are two examples

of how embedded finance and instant payments are coming together to solve real customer problems. Banks can increase merchant services and business banking solutions to take advantage of instant payments by being available when the customer needs it most. For example, Galileo recently launched its [bank-issued buy now, pay later solution](#) designed to enable more purchase options for customers and to keep underwriting decisions with the bank who understands the customer's financial history best.

The path to instant payments may be complex. However, the banks that embrace it will reap the rewards of a simpler, more standardized offering and be better positioned for the next industry evolution.



# REAL-TIME PAYMENTS WILL BE CRITICAL IN CHALLENGING ECONOMY

**R**esolutions are notoriously short-lived because they're often what we wish could happen versus what is likely within our grasp. With the world potentially barreling toward a global economic slowdown and industries retrenching in preparation, payments providers must be tuned in to the changing needs of their customers and their customers' customers.

DREW  
EDWARDS  
CEO





Consumers and small businesses alike will face challenges in the coming months as the cost of capital rises, its availability shrinks and a potential recession impacts revenues. Managing cash or capital will be the central focus for both in 2023, as businesses also seek to grow revenues in the face of headwinds.

One way to help put people and small business owners back in control of their cash is to deliver real-time payments. By shrinking the time between when someone is paid and when they can actually use their money, insurers, retailers and even the government empower their customers. For these companies and others, real-time payments are no longer an option — they must deliver them now to lock in existing customers and attract new ones.

This is especially true for growing use cases like digital tipping, earned wage access and SaaS-based business platforms that are incorporating digital payouts. As companies look to tighten their own purse strings, they will focus on the technology investments like payments that can help drive efficiencies, customer retention, revenue and loyalty.

The payments industry must resolve to lower the barriers and accelerate the adoption of digital real-time payments through simple, secure, scalable solutions for speed and choice in the way businesses expect.

First, choice is just as critical as speed in today's reality of multiple accounts and wallets. Households and small businesses need the option to have instantly safe-to-

spend funds sent to any account they choose. To deliver on this promise, providers must nurture and maintain multiple endpoints.

Second, more companies will seek a true partner rather than take on the heavy lift and investment of building their own solutions. The complexity and risk of payments means that off-the-shelf solutions or simple API integrations — while appealing at first blush — often prove frustrating over time.

The reality is that payments aren't successful 100% of the time because there are so many elements in the process chain that can trigger a failure, often for good reason. When managing customer experiences, companies need a partner that is willing and capable of holding their hand day in and day out to optimize and resolve issues.

That's why we repeatedly hear from companies pulling their hair out because their payments provider sees this world as "just about technology" and is absent when support is critical.

As instant digital payments become a competitive differentiator for companies, the throughput, compliance and support capabilities of their payments partners all grow in importance. For 2023 and beyond, those providers that invest in these areas and serve as a true partner to their customers will stand apart from the crowd and move ahead in the race for market share.

# A NEW WAVE OF **ALTERNATIVE DIGITAL PAYMENTS** COMING IN 2023

**T**he payments industry has undergone a tremendous digital revolution amid rapidly shifting consumer expectations and market demand in the last decade. Out of necessity, businesses adapted to deliver better customer experiences for everyday purchases like online shopping, food delivery and grocery orders.

ANURAG  
**KAR**

AVP, Money Movement



Expectations for seamless digital B2B payment experiences will only rise as secure, frictionless and interoperable payment methods displace the cash and check transactions that many businesses still rely on, fueling the next wave of digital disruption.

In 2023, market disruptions, innovations and collaborations will continue to deliver seamless digital experiences that challenge the status quo of traditional payment methods. At Interac, we're focused on optimizing our solutions to help Canadians, Canadian businesses and the broader Canadian Financial Services ecosystem modernize their payment processes, educate about new solutions that drive value and enable a rapidly changing ecosystem.

May it be with simple experiences for digital donation collections, faster processing of government support payments or enabling

industry-specific payment needs, Interac continues to identify solutions on a national scale. Recently surpassing **1 billion transactions over 12 months**, Interac e-Transfer is one of the most widely-used digital payment products in Canada. It has become synonymous with providing a fast, convenient and secure way to send money to anyone from within their online or mobile banking platform. While created as a Person-to-Person (P2P) check/cash replacement service, it has become a standard that businesses have adopted. Our continued commitment to meeting the needs of all Canadians has been the design principle behind new product launches, feature enhancements and market-driven solutions.

A more recent feature, request-to-pay (R2P), has quickly emerged as a practical option for businesses to streamline their accounts

receivable activities. Businesses have the option to integrate R2Ps within their experiences for a 1-to-1 collection capability or use a host-to-host format to collect payments en masse. Initially targeted to displace paper payments, R2Ps have quickly emerged as an alternative to credit cards for small businesses. The capability comes with many other benefits like the ability to reference remittance data, notify end users, payment life cycle management and transaction reconciliation.

Traditionally cash-heavy use cases, like micro-merchants purchasing and charity donation box collections, are also opportunities to digitize the payment experience, providing added data to reconcile transactions and garner insights to drive efficiencies. The ethos at Interac has always been to help solve macro payment industry problems through micro value-add use-case solutioning. Examples of

our solutions in the market have led to unmanned donation kiosks to government support disbursements to millions of Canadians, instantly, in lieu of checks. These solutions continue to broaden access to digital payments for the market, drive incremental value for their payment life cycles and deliver adjacent value-add services to minimize their operational dependencies on ad-hoc processes.

Working with the Canadian Financial Services ecosystem to bring these technologies to market over the year will encourage wider adoption, create new revenue streams for businesses and provide Canadians with market-leading payment solutions.



# FORGING A PATH THROUGH CHALLENGES

**W**ith 2022 being one of the most tumultuous years in living memory, there are many key areas that the payments industry must focus on in the coming year to help companies navigate a challenging operating environment.

**JULIE LUBELL**

Global Head of Trends &  
Advisory at  
J.P. Morgan Payments

J.P.Morgan

## Protecting the Core

With high inflation, rising interest rates, supply chain disruptions and geopolitical conflict all presenting sizeable risks, there is a current shift in mindset from opportunity to resilience. This means that companies are re-focusing on the basics, such as ensuring liquidity management and working capital as efficiently as possible. Subsequently, we expect concepts like the in-house bank to come back into vogue.

## Treasury as an Influencer

As payments have grown in importance and become a key driver of many new business models, the Treasury function has become more strategic. When building a new product, how you allow someone to pay for it, the methods they can use, and the currencies that are enabled are integral to the project's overall success. As a result, treasurers are becoming involved in product-level

decisioning. They are collaborating, partnering and influencing new areas of the organization with which they may not have previously dealt.

## Innovation through Ecosystems

As companies become more digitally mature, they are expanding their online platforms to include a vast array of new products and services, some of which will be provided by third parties. The idea is to create a complete end-to-end consumer journey within their operating space. Take an area like mobility. It is no longer just about selling someone a car. A modern connected vehicle is a consumer device. It will offer various ancillary services through its in-car console, from ordering parts remotely to paying for heated seats as a subscription to pre-ordering a coffee at a gas station. Treasury is now involved at these interconnecting purchase points, enabling smooth and seamless payments.

## From Promise to Impact with ESG

Another important area for companies to consider is strengthening their environmental, social and governance standards (ESG). With concerns about greenwashing and a lack of tangible results, companies are becoming more innovative and strategic regarding ESG. This includes integrating ESG solutions into everyday tools and processes. Procurement and payables will play a crucial role as deciding which companies and suppliers to partner with can majorly impact the overall ESG agenda.

## Certain Uncertainty

Finally, companies worldwide will have to get comfortable with certain uncertainty. In other words, further disruption is around the corner, and we don't know where and what form it will take. Companies need to be pragmatic and focused in their investment

strategy and make calculated bets to bring tangible benefits to their business. Now is a good time to step back and take stock and make smart decisions that will pay off in the years to come. By analyzing their transaction and client data, they will be better able to forecast, build risk scenarios and make impactful long- and short-term business decisions in a very dynamic environment.

# 2023'S RECIPE FOR PAYMENTS SUCCESS:

## COMBINING DATA, STRATEGY AND TECHNOLOGY

In 2023, the payments landscape will continue to experience growth in online transactions, costs associated with digital fraud, and technological innovation. Consumer demands have continued to evolve since the onset of the global pandemic and the increasingly common buyer expectations are centered around frictionless and personalized experiences.

WENDI **LETE**

Chief Customer  
Experience Officer



In the midst of this, fraud continues to be a persistent and costly problem faced by merchants. Navigating the evershifting waters of consumer expectations, competitive pressures and fraud mitigation creates challenges across a business’s operational spectrum, including marketing and sales.

What is becoming quite clear is that accurate and timely data, in combination with technology and a well-rounded strategy, are the best components to reach the optimal point of fraud prevention and revenue generation. Merchants equipped with their own fraud teams are doing their best to secure the journey for their legitimate customers while reducing fraud losses but, without a robust methodology, may disrupt the sales cycle and create a poor buying experience.

Furthermore, merchants need to leverage accurate data to better identify and understand legitimate customers to enhance personalization for a better buying experience, which leads to increased sales and enhanced loyalty. But the conduit between the fraud department and marketing and sales is often non-existent. Breaking down departmental silos, sharing relevant data and operating on an integrated tech stack or seamless platform are important to not only avoid the pitfalls many merchants face but also essential for brand perception and sustainable revenue growth.

Within this shifting payments landscape, the capability to remain rapidly agile and responsive is vital to the success of a business. Just as consumer expectations evolve, so do the tactics of fraudulent actors. And while businesses

collect massive amounts of data to pinpoint and understand these nefarious tactics, the task quickly becomes overwhelmingly time-consuming and labor-intensive. The best way to overcome this challenge is by deploying artificial intelligence (AI) and machine learning (ML) technology to help aggregate, analyze and automate the decisioning of account creation and login, purchase transactions, and post-transactional events such as chargebacks and representments.

Yet even with the most technologically advanced systems, some businesses require additional expertise to overcome payment challenges, particularly in building and developing internal fraud teams or rapidly optimizing automated

systems to strategically reallocate resources to activities other than day-to-day fraud prevention operations. Collaborating with an experienced partner, vendor, or consultant with the know-how and resource to help optimize systems and achieve KPIs can help a business focus on its core competencies.

Despite 2023’s complex payments landscape, particularly regarding consumer preferences, growing competition and fraud challenges, merchants now have access to the right technology to attain security without sacrificing revenue. The key is utilizing that technology with the right data, a sound strategy and the expertise to connect all the dots to ensure sustainable growth.



# RESILIENCY IN 2023 THROUGH **A FOCUS ON CONSUMER NEEDS**

**T**he tumultuous 2022 market tested many financial services' business models, and the past year has proved that not every business model can be adjusted to work in the current macro environment. Players in the payments industry will continue to face obstacles in 2023, whether it's new regulations, acquisitions or the macroeconomic environment. However, one aspect will remain the same for any firm that wants to succeed in the payments industry — the consumer. Those that have a well defined target market and are laser-focused on serving their consumers should be able to manage through the economic uncertainty.

ANUJ  
**NAYAR**

Financial Health Officer  
and SVP

 **LendingClub**

Exacerbated by sky-high prices due to sustained inflation and a potential recession, consumers who are already struggling to pay essential bills like food and housing have no energy or resources to put toward short-term or long-term financial goals, let alone savings in general. They need consumer-centric resources now more than ever.

As rate hikes continue, likely well into 2023, consumers are [leaning on credit products](#) like credit cards as payment tools to fund their lives. As seen through the consistent growth in credit card balances and continued consumer spending, consumers are relying on the payments industry to help

them make ends meet and adapt to the changing environment. The payments industry needs to leverage this relationship to benefit their consumers. For example, FinTech residents like LendingClub show their commitment to the consumer by offering a digital-first experience backed with a full bank charter to provide a holistic, trustworthy and simplified financial experience and to empower consumers on their path to better financial health.

In 2023, the payments industry should resolve to become more consumer-centric and help consumers during these uncertain times.

# 2023

## PAYMENTS **NEW YEAR'S RESOLUTIONS**



**KEN ABEL**

**Co-Founder and  
Chief Information Officer**



# EASING HEALTHCARE PAYMENTS SHORTCOMINGS

**A**s 2023 begins after a year of economic turmoil, inflation and unpredictable consumer behavior, one thing is certain — payment transactions will remain an essential function of society. At Lynx, we're focused specifically on healthcare payments, and despite the chaotic economic backdrop, people will continue to seek care, access their HSAs, fulfill prescriptions, purchase health products and more. With an understanding of the longstanding shortcomings of healthcare banking and payments, there are a few key functions that will become more pressing in an uncertain economic landscape:



### **Improving the timeliness of health insurance payments to providers**

Currently, payments are made from health insurance companies to providers 30 days after the date of service — at best. Because health insurance companies have processes that require claims reconciliation and quality control, there is a time lag between when a physician renders service and when the hospital or clinic is paid. This extended timeline impacts cash flow for providers, which already struggle with cash flow in the same way many small businesses do. Providing organizations access to improved invoicing, banking and payment technology can increase the transparency around payments and claims processes for both payers and providers to shorten the time between service and payment. We recognize the increasing importance of improved cash flow for providers in today's economy

and how it directly translates to simple functions like hiring and paying critical staff or investing in improved technology.

### **Implementing more seamless payment acceptance offerings for healthcare consumer payments**

When consumers are invoiced for their healthcare services, they are typically limited in how they can submit their payments. For example, sometimes credit card payments aren't accepted, as some institutions only accept cash or check. These limitations increase the likelihood of payment delinquency by making it even harder for consumers to submit. Making it easier for people to pay for their care services is essential to a functioning system. Modern FinTech designed for the nuances of healthcare enables organizations to be flexible in their optional payment acceptance.

### **Providing healthcare consumers with financing and other forms of credit to reduce bad debt in healthcare medical payments**

This will become increasingly important in an economy where people struggle to make ends meet. After resolving constraints related to payment method limitations for consumers, the underlying issue becomes care affordability. It's great if we could give people more options for how to make a payment, but some can't afford to pay it all. Modern FinTech can enable health plan sponsors to offer financial assistance resources, such as financing, earned wage access, and other credit options to help make care more affordable for individuals.

# 2023

## PAYMENTS **NEW YEAR'S RESOLUTIONS**



# CUSTOMER EXPERIENCE WILL BE KEY FOR PAYMENTS INDUSTRY IN 2023

**T**he payments industry has undergone significant change in recent years, with the proliferation of digital and mobile payment technologies, the rise of FinTech companies and increased regulatory scrutiny. Here are some key areas the payments industry should focus on to better serve consumers and businesses in 2023 and beyond.

- 1. Improve the customer experience:** The customer journey and experience are at the heart of everything we do, digitally and physically. For payments, it's no different. The payments industry needs to make a concerted effort to simplify and improve the customer experience in terms of convenience and ease of use. Streamlining the payment process, providing better integration with other services, and offering

DOUG  
**BROWN**  
President



personalized, relevant and timely recommendations and support are crucial.

**2. Increase accessibility and inclusion:**

The payments and financial services industries must strive to provide better accessibility for the underbanked and disadvantaged populations. Expanding access to digital or alternative payment offerings via branches and kiosks is one way to achieve this. Partnering with community organizations to provide financial education and support is also highly beneficial.

**3. Enhanced security and privacy:**

As consumers and businesses conduct more and more financial transactions via digital channels, fraud will continue to rise. So the payments industry must prioritize security and privacy. Utilizing more robust

authentication methods such as biometric authentication and implementing better data protection measures is critical for any company providing payment capabilities to consumers.

**4. Faster innovation and collaboration:**

The pandemic — and our response to offering relief loans through the Paycheck Protection Program — has proven that, as an industry, we can implement and innovate quicker. Partnering with FinTech companies and changing internal processes to bring new and innovative payment solutions to market will be critical to keeping up with the demands of ever-changing consumer expectations.

While the payments industry must provide competitive and comprehensive payment solutions to consumers, it's also essential that we don't forget about the

unique needs of small businesses. In addition to the above focus areas, small businesses also have distinct needs that the payments industry should consider.

**1. Financial education and support:**

Not all small business owners have a strong financial background, and many may need help understanding the financial side of their business. Financial institutions can help by offering education, support and tools to manage cash flow, understand fees and maximize the resources at their disposal.

**2. Streamlined payment processing:**

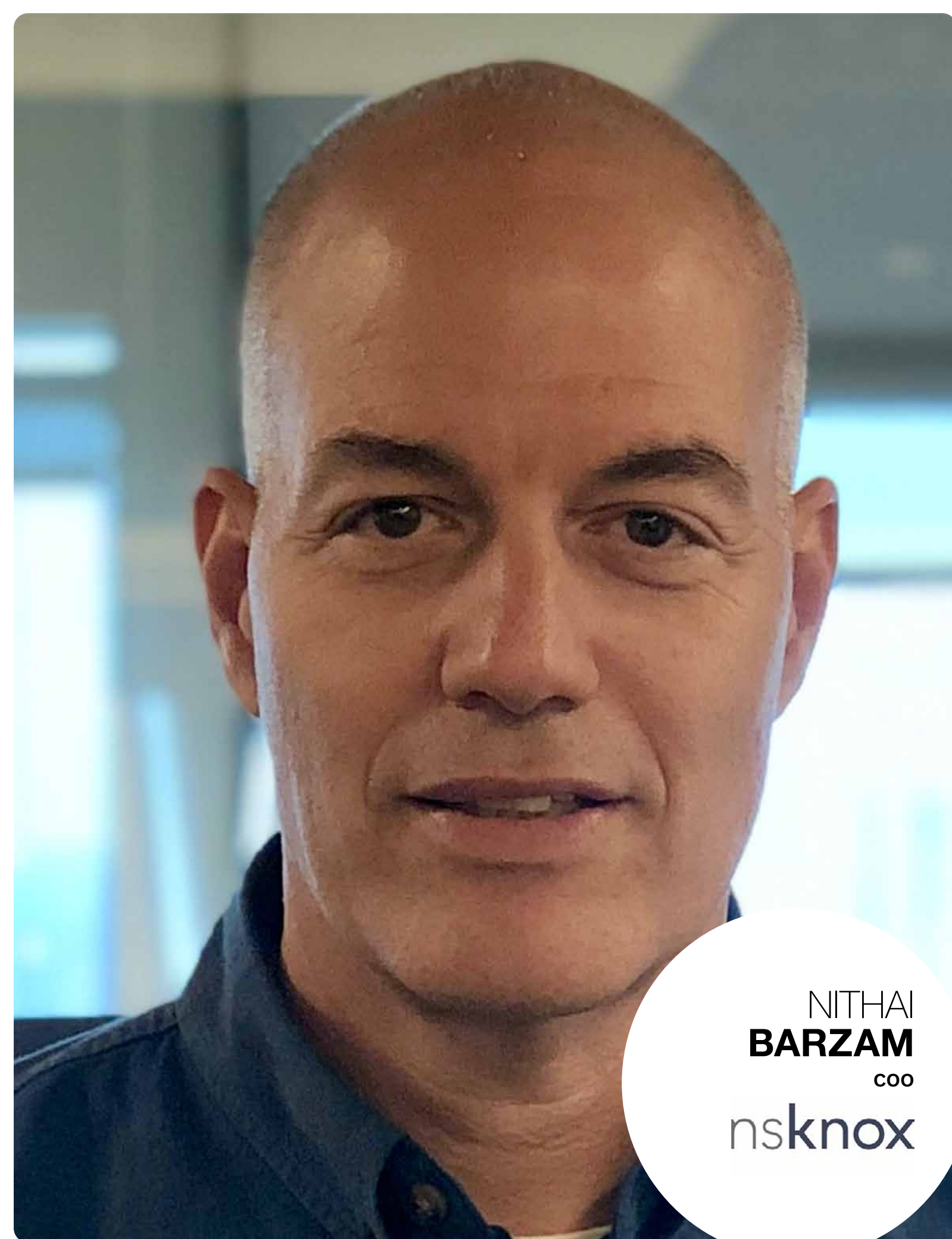
Small businesses often have limited resources and may not have the time or expertise to manage complicated payment processing systems. Offering simple, efficient payment processing solutions that integrate with other tools can make it easier for small

businesses to accept and process payments.

**3. Competitive pricing:**

Small business owners have no shortage of choices when it comes to payment options. The payments industry can help them find the right solution by offering competitive pricing on payment processing and integration to other services. This will help business owners reduce costs, improve operations and increase profitability.

By focusing on these priorities, the payments industry can better serve the needs of consumers and businesses, driving innovation and growth in this sector.



NITHAI  
**BARZAM**  
COO  
nsknox

# PREPARING FOR A **WAVE OF ‘HUMAN HACKING’**

**W**ith the threat of recession in 2023 very much alive, alongside the challenges and vulnerabilities of working from home (WFH), the implementation of back-office automation and digitization of payments are advancing rapidly. While such efficiencies are essential for organizations, they also create new opportunities for fraudsters, both external and internal. Cybercriminals are becoming increasingly sophisticated in their methods and techniques, targeting companies of all sizes in all verticals. In addition, economic downturns have historically increased insider fraud.



The implications of this significant surge in the volume of attempted and regrettably successful payment fraud attacks are billions of dollars lost (often irrecoverable) and reputational damage that takes years from which to recover.

So many talk about faster, real-time, immediate payments. This is great to be able to pay and receive money quickly, but it also opens the door for what's known as 'faster fraud' and closes the window of time to confirm compliance with anti-money laundering and anti-terror financing regulations.

With this in mind, my New Year's Resolution is to provide corporations and banks with tools that better protect payments, eliminate manual processes and increase efficiency. In short — help finance professionals sleep better at night. This means technology-based solutions to

fight social engineering, also known as "human hacking," insider-fraud and cyber-attacks against payments. And these persistent threats include malicious software that manipulates data in an organization's finance and ops systems and credential theft — using stolen user credentials to compromise email or finance systems and manipulate sensitive financial data.

This has become too easy, with huge databases of compromised username and password combinations available for sale to the global cyber-fraudster community, combined with sophisticated phone spoofing/hijacking for bypassing multi-factor authentication (MFA).

Fraud rings are investing heavily in technology and process. They operate like businesses, prioritizing what makes sense and what

to invest in to maximize their profits (and your losses) from both Accounts Payable (AP) and Accounts Receivable (AR) attacks.

These main attack vectors are continuously evolving and will be used by fraudsters to attack all types of companies. It will continue to be a game of attackers and defenders chasing one another. My advice would be: Do not become the weakest link. Implement technology to protect your payments and let fraudsters go to the house that doesn't have locks on the door and an alarm system.

All these changes and challenges are happening during economic uncertainty and when fraud is increasingly well-organized and financed. However, there's hope.

To combat these attack vectors, nsKnox is offering PaymentKnox™, its payment security platform,

which enables treasurers, controllers, CFOs, and their teams to ensure end-to-end protection against B2B payments fraud.

With powerful technology that beats fraudsters at their own game, any organization can protect every payment, whether incoming, outgoing or intra-company.

The nsKnox platform delivers the required validated and verified confirmation for complete protection against the financial and reputational damage of payment fraud.





MATTHEW  
**TILLMAN**  
CEO  


# HUMAN FREE AP IN 2023



In 2021 American businesses spent \$16.52 trillion, and according to a recent study, \$12.06 trillion went unreconciled. There are almost 200 solutions touting automation to solve this problem but what lies under the hood of those solutions might surprise you: old technology and lots of people. People make mistakes.

For the past few decades, teams have begged management for budgets to automate routine tasks. Workflow solutions, to augment ERP, were too complex to manage and failed to address the problem. RPA solutions were too general.

While both workflow and RPA products reduced costs within the finance team, they also ended up transferring labor costs to more costly labor. The result was added software costs, costly maintenance, and an overall increased cost per transaction (\$14/invoice in the U.S.). Simply put, most solutions in the market today are web forms on top of databases that make high- and low-cost labor more efficient at low value work.

The average age of a financial operations person is 48 and climbing. As it turns out, new college graduates don't see manual data entry and payment issuance as a worthwhile career. They're right, of course. Turnover in this area is expensive and isn't going to go away. The only solution is to eliminate the labor entirely; it isn't a problem to be outsourced.

2023 brings hope. We are no longer dependent on humans to enter data, take action on data, or even manually participate in accounts payable. In fact, humans are no longer required to train many types of artificial intelligence (AI). In 2023 systems that transfer work will make way for systems that eliminate work.

At the end of 2022, OpenEnvoy released an unsupervised data extraction product along with a neural network that assigns GL Codes to invoice line items, without rules. The first time it was used in production, it achieved a 98% success rate. Humans are about 75% accurate at this scale. In fact, it even found errors that humans had made and corrected them. If this can be done with the modest compute power of a small company, imagine what can be done with greater investment into the space.

Companies have long been aware that non-strategic finance is a cost center. However, given the amount of manual labor required to initiate automation for legacy systems, they have resigned to paying as

little as possible for "good enough" and in fact most P2P companies call results "OK to pay." OK is no longer good enough. 2023 is the year companies can have the best of both worlds — 100% coverage and accuracy without human involvement. Fewer people in the accounts payables process results in less fraud, both intentional and unintentional. As consumers, that's better for all of us.

# SCALE UP DIGITAL CAPABILITIES

## NOW TO STAY AHEAD TOMORROW

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**2** 023 will be an exciting year for digital payments. In recent years, the rapid growth of eCommerce called for a global transformation of the digital payments ecosystem. This year, payments will once again be top of mind for FinTechs, merchants and consumers alike.

DANIEL  
**COHEN**  
Chief Product Officer



As we enter the new year, I expect a number of noteworthy developments within the payments industry.

### **Going Digital Securely**

First, the payments sector will continue its path toward digitization, but in a more secure manner. Whether traditional or newly introduced, payment methods are becoming increasingly digital, hence raising the need for greater security and online fraud prevention.

In fact, industry research has found that the cumulative merchant losses to online payment fraud globally between 2023 and 2027 will exceed USD 343 billion<sup>1</sup>. As the importance of digital sales increases, a reliable anti-fraud solution, compliance with local regulations and up-to-date security

protocols (network tokenization, 3DS, secure fields) are crucial components of providing customers with a safe and high-quality online shopping experience.

### **Innovation and Money Rails**

Another key focus will revolve around continuing to drive money rails transformation. The benefits of blockchain and crypto as payment rails are clear to all. However, adoption by governments, financial institutions and regulators is limited. Furthermore, regulation will play an increasingly significant role, to foster trust in the crypto space and address the need for consistent regulatory compliance oversight across crypto markets around the world.

The FinTech industry must continue to lead the charge to democratize money movement and make

it more accessible, affordable and efficient for all. Against this backdrop, the next global payment rails will enable industry players to develop innovative payment products and services, that follow customers everywhere and at all times.

### **Cross-Border Payments and Innovation**

As enterprises increasingly engage with online consumers across geographical borders, they continue to focus on streamlining business operations and reducing costs. New business models and innovative payment rails can enable less expensive and more efficient cross-border payments, addressing the industry need for delivering funds efficiently, as part of a payment experience that meets the requirements of international businesses and consumers.

### **A Move Toward Better Transparency**

The industry will continue to promote transparency in FinTech products and services, particularly credit offerings. With the economy in its current state, lending has become increasingly significant, but at what cost? Enabling innovative lending schemes is key but they must be responsible and transparent to protect consumers from bottomless debt pits.

As the buying experience is no longer a linear journey, it will be essential to drive innovation in order to provide consumers with more options and to continuously align with their needs, experiences, and expectations regarding their online shopping experience, in order to play the winning card in the eCommerce game in 2023 and beyond.

<sup>1</sup> <https://www.juniperresearch.com/pressreleases/online-payment-fraud-losses-to-exceed-343bn>



# WORKING TOWARD THE CONVERGENCE OF PAYMENTS AND EMBEDDED BANKING

**W**hile payments, like so many other industries, will be impacted by broad economic trends, the economic downturn presents a unique opportunity for advances in payment system innovation that benefit evolving customer preferences and expectations for convenience and speed.

TOM  
**PRIORE**  
Chairman and CEO



In 2021 we reflected that “pandemic-era innovation [like mobile payments, digital invoicing and automated payable] didn’t get pushed aside as some had predicted, but rather continued to dominate a growth trend that appears to be foundational to the evolution of modern commerce.”

Recently released research conducted by McKinsey and Bain show that the embedded finance market is large and growing. Bain estimates the 2021 U.S. market for platforms and enablers at \$22 billion in total revenue across payments, lending, banking and cards, and they expect this market to more than double to \$51 billion by 2026. The transaction value of embedded finance will surge from \$2.6 trillion to \$7 trillion by 2026, or over 10% of total U.S. transaction value. The greatest market impact

may be seen in B2B payments where estimates are for the market to reach \$33.3 trillion by 2026.

Our focus for 2023 is to not only support this trend, but lead it, providing a payment platform that combines features of payments and banking providing demand- and supply-side payment rails, but also offers embedded features of modern banking like escrow funds but faster and with less friction than a bank.

Very much in line with our vision, McKinsey also noted that small businesses starting up today may never interact with a conventional bank. By logging into their eCommerce, or, in our terminology, a unified commerce platform, they can open a deposit account, order a debit card, and meet most of their financing needs through one single

seamless, convenient and easy-to-use customer experience.

At Priority in 2023, we are building with intention toward the convergence of payments with embedded banking by offering a single platform to collect, store and send money that can quickly modernize legacy platforms and accelerate our partners’ effort to monetize payments.

Enablers, like Priority, that take the hassle out of embedded finance for platforms through easy integrations and great servicing will be in a premier position this year to enable commerce through a full suite of services, including some regulatory oversight, compliance, origination, and fulfillment.

As consumers and business continues to reconcile rising interest rates and the impact of

inflation manifesting in a slow/no growth economic environment, we believe the adoption of bundled payments and banking solutions that drive operating efficiency reduce cost and eliminate risk bets building new technology will become table stakes of a modern commerce that ISVs and business customers expect, increasing their customer loyalty in turn.

We are determined and committed to continue leading this emerging trend that others are just now recognizing.



# THE YEAR OF THE **DATA-DRIVEN, PERSONALIZED CONSUMER EXPERIENCE**

**E**ntering 2023, it is clear that pre-pandemic consumer banking behaviors will remain in the rearview mirror for the financial services industry. Demand for personalized instant banking and payments solutions will only accelerate as digital adoption, economic uncertainties and credit usage drive consumer preferences. Financial institutions face a fork in the road: resolve to deliver data-driven, connected experiences or risk falling behind.

**CHUCK  
FAGAN**  
President and CEO



As their expectations evolve in tandem with new technologies and digital habits, consumers desire more personalized, seamless and immediate solutions at every touchpoint. This year, leaning into digital innovation will be more critical than ever in our industry. PSCU’s “[Eye on Payments 2022](#)” study found that nearly 4 in 10 consumers (37%) prefer to use their credit union’s mobile app when interacting with their trusted financial partner. Given the ongoing shift toward all things digital, financial institutions must evolve their digital strategies to incorporate current and potential account holders’ preferred banking and payments offerings — and meet consumers on their terms across their preferred channels.

Establishing personalized, connected experiences requires fully integrating all available data and channels. Through strategic

FinTech partnerships, financial institutions can gain consumer-level insights based on data from various products and channels, including contact centers, branch visits and digital payments. Leveraging this data empowers financial institutions to bring together the right information for the right scenario and customize an ideal omnichannel member experience.

PSCU’s continued investment in data and FinTech has led to enhanced technological capabilities that leverage its established digital perspective to analyze actual consumer behavior. Predictive analytics solutions can replace antiquated risk scoring factors, a current pain point financial institutions should aim to address in 2023. With credit spending predicted to rise this year, seamless, data-driven lending practices will be essential to optimizing accountholder

experiences — and should be a top priority as the lending landscape changes.

In contrast to periods of economic uncertainty and high credit usage in past decades, consumers in 2023 are also shifting away from traditional branch visits and toward time-efficient digital management of credit card accounts and other loan products. To bolster personalization and immediacy during this process, PSCU has partnered with Amount, a FinTech providing cloud-based lending origination and account opening services. Our respective expertise will enable a seamless, integrated digital account opening solution with instant lending approvals and immediate access to card credentials.

By effectively leveraging the right tools, data and partnerships, financial institutions can enable

connected experiences specific to consumers’ individual needs, which builds loyalty. Now is the time for financial institutions to evolve by facilitating seamless experiences across multiple channels in response to consumers’ changing expectations and digital payments preferences. Aligning data-centric connected solutions, including lending practices, with individual accountholder preferences and decision-making journeys creates an exceptional member experience — and will strengthen the consumer-financial institution relationship in 2023.



# PAYMENTS ORCHESTRATION EVOLVES

**2** 023 will be a year that the payments industry will be reacting to organizations basing their decision-making on profitability. After the emphasis on increasing digital transactions throughout the last few years, we will see a year that will drive the entire industry toward more efficiency and value rather than volume. This will take shape in several ways:

JUSTIN  
**BENSON**  
CEO



## PSPs Need Orchestration

Payment service providers (PSPs) are now starting to understand and accept the need for orchestration. In the past, the belief was that they offered a comprehensive solution and it would meet the needs of any merchant, aggregator or platform.

We're seeing a shift in this strategy. The most innovative and oftentimes, industry-leading merchants are always pushing the payment ecosystem to do more. With a fair degree of parity between the top providers, the reliability of the offering and the breadth of the offering, there is now a need to differentiate. Despite the understandable aversion to supporting a transaction flow through someone else, the demands from merchant customers are too great and we are seeing PSPs thinking about revisiting their position.

Many of the larger PSPs in the industry are doing exploratory work

to see how they can augment their offerings and retain merchants. For the right customer, it is worth a partnership approach to meet all needs.

## Orchestrating APMs and LPMs

The interest in alternative payment methods (APMs) and local payment methods (LPMs) is accelerating and we will continue to see that grow in 2023. Like the challenges merchants face when trying to integrate and maintain all of the required gateway connections they need to support their business, APMs and LPMs are proving to be a similar effort.

eCommerce teams don't just want payments to work. They need to ensure that they capture every sale possible, and this has led to more interest in LPMs. Pix in Brazil, for example, has caught the attention of governments around the globe.

Orchestration has the opportunity to be a valuable resource in

meeting the demands created when adopting new payment methods.

## Controlling the Payments Stack

A lot of merchants are committed to one eCommerce platform. In this model, orchestration is outside of the merchant's control, and they are dependent on the decisions that platform makes. For merchants, there is a desire to control their stack and ensure they have the most flexibility to meet changing business needs. Without a strong orchestration story, many platforms are simply not as appealing to merchants.

This creates a further opportunity for orchestration to help eCommerce platforms allow their customers to "bring their own gateways" and more quickly onboard merchants resulting in a much faster path to revenue for both parties. (Hear more in

this [interview with Spredly and Volusion.](#))<sup>1</sup>

We're also seeing a strong interest in offering value added services as additional value to customers. This comes in the form of things like account updater, network tokens and the like. Offering more value to merchant customers ensures that eCommerce platforms keep customers happy and improves retention.

We continue to believe the world is better off when payments are connected. Whether it's a PSPs using orchestration, or a merchant using orchestration to adopt new LPMs, or an eCommerce platform using orchestration to add more value for their customers, we believe efficiency and value will become the biggest driver for payments teams.

<sup>1</sup> <https://www.pymnts.com/news/ecommerce/2022/payments-orchestration-helps-smaller-merchants-compete-with-ecommerce-giants/>





**RUSIRU  
GUNASENA**  
SVP,  
RTP Product Development  
and Strategy  


# 2023 IS THE YEAR OF INSTANT PAYMENTS

If you feel like everything happens in real time nowadays, you are not alone. Shopping, the news cycle, digital entertainment and travel planning, just to name a few, all happen instantly in today's hyperconnected world. One of the only things that is not instant: payments. And that is rapidly changing.

Despite the electrification of financial services that began decades ago, payments have lagged behind society's broader real-time revolution, especially here in the United States. In 2023, however, the payments industry will take giant steps to move toward real-time payments for all. And the



timing couldn't be better. With a slowing economy and rising interest rates, business and consumers need faster access to funds to pay bills, or perhaps take advantage of more favorable interest rates.

To truly bring to everyone in the United States the benefits of instant availability of funds, including no lag in payment settlement and the peace of mind that the payment was completed on the spot via payment confirmations, the industry collectively needs to commit to implementing real-time payments. This includes banks and credit unions, core banking platform providers, business software vendors, FinTechs, network operators and anyone involved in the payments process.

The real-time payments journey that began in November 2017 in the U.S. with the launch of the RTP® network, operated by The Clearing House, has recently kicked into a higher gear. In Q4 2022, the

RTP network carried 49 million transactions worth \$22.7 billion. Transaction volumes and value has been steadily increasing, averaging over 10% growth per quarter since the end of 2018. Similarly, banks and credit unions continue to join RTP, which continues to expand the reach of the network (currently at 62% of demand deposit accounts in the U.S.).

Consumers already have shown their appetite for real-time payments and FIs can see this increased desire for real-time by simply looking at the transaction history of funds moving in and out of deposit accounts. Many digital wallets, including Digit, PayPal and Venmo, offer instant withdrawals via RTP. Consumers frequently use the “instant” option to have immediate access to funds. Today, digital wallet disbursements to checking or savings accounts are the most common use case on the RTP network.

Businesses, especially during the pandemic where supply chain problems exploded, turned to real-time payments to pay suppliers immediately to ensure the prompt delivery of goods or services. Similarly, small businesses, which are often starved for cash, utilized real-time merchant funding to access revenue from that day's transactions to pay expenses, rather than wait days for traditional merchant processing payouts. This was particularly helpful during weekends, when traditional payment methods are not available. The RTP network is available 24/7/365.

Workers have also shown a growing desire for real-time payments, and they are now turning to earned wage access (EWA) providers to get faster access to their wages. Instead of being paid weekly or biweekly, workers can get paid daily and on-demand for the work they have completed by a payment sent over RTP. EWA and gig economy

worker payments are the fastest growing use case on RTP, and now total over 12 million payments per quarter.

So how does the industry collectively move toward real-time payments? It starts with the realization that bank customers and credit union members, both consumers and businesses, are using and demanding more real-time products and services, and that also includes payments. Customers are already turning to FIs that can offer real-time payments, and businesses see the value of real-time in many parts of the business. 2023 is the year when FIs and technology providers come together to give customers, both consumers and businesses, the new functionality that they have been asking for: real-time payments.



# HAVING THE RIGHT PARTNER **KEY TO SUCCESS**

**A**s we enter 2023, we believe the payments industry should resolve to build relationships with technology partners and platforms rather than getting lost in the “build it yourself” mentality. This is particularly important given the need for businesses to make intelligent use of available capital due to uncertain economic conditions.

ED  
**O'DONNELL**  
CEO

 VERSATILE CREDIT

As seen in PYMNTS' recent survey with SMBs, "Main Street Health, Q4 2022: SMBs Brace for a Recession," many business owners are seeking technology solutions. Still, they may not have the capital to afford them or the resources to deploy them. Our experience is that it doesn't have to be expensive for these businesses to find solutions that help drive growth and they don't have to shoulder the burden of identifying and implementing great solutions. Through a partnership with experienced and innovative technology partners, business leaders can efficiently and effectively work with their existing technology to expand reach, improve customer experience, increase the ability to mine and manage their data and more.

At Versatile Credit, we understand the challenges merchants and lenders face in finding the right technology solutions. For merchants, finding ways to help leverage financing for their customers at the point of sale to close sales is crucial. They want to use technology their customers and associates are familiar with without adding unnecessary complexity to the checkout or shopping experience. We have helped many merchants transition away from homegrown systems that had become sources of technical debt or were no longer effective.

On the other hand, lenders are looking to expand their customer base and reach more consumers seeking financing. They offer great products and services, but it can be difficult for merchants to integrate these payments into their existing technology

stacks. This can cause lenders to make tough decisions about integrating with merchants in-store and online. We work with lenders and merchants to build customized deployments, presenting different offers and product types to shoppers based on ticket size, product, region or other business rules. We have also developed and deployed white-label solutions with partners like TD Bank, building a scalable, full-featured financing solution for independent furniture dealers, helping these merchants offer seamless, comprehensive financing options on par with some of the biggest brands in the country without worrying about costly integrations.

We are pleased to partner with companies like Bread Financial, leveraging our ecosystem of in-store application channels and integrations to increase

the in-store presence of their financing products, such as their buy now, pay later product, Bread Pay. Partnerships like these help lenders more easily bring solutions to market, offer personalized financing options to a broader audience, and expand into new markets.

In 2023, the payments industry should resolve to provide the best products and services they can and find the right partners to help them succeed. Leveraging the expertise of proven technology providers through partnerships will enable the delivery of top-quality products and services to businesses that can improve sales and profitability as they navigate an uncertain economy and a rapidly changing digital landscape.

# NEW YEAR'S RESOLUTION

## FOR HEALTHCARE, INSURANCE AND UTILITIES: PREVENT FAILED PAYMENT TRANSACTIONS

**P**ayments professionals in eCommerce and digital media companies with recurring customer relationships have long been dealing with the problem of failed credit and debit card transactions. From expired cards to insufficient funds, hundreds of reasons can cause a recurring payment to fail.

TRACE  
**GALLOWAY**  
Chief Strategy Officer



But no company that operates on recurring payments is immune. In several other industries, failed transactions are a problem that hasn't yet been fully addressed. Take healthcare, insurance and utility providers for example.

Regardless of the industry, a failed transaction disrupts the connection between the company and the consumer, giving the customer an opportunity to leave. If the customer is disconnected from the product or service due to a payment error, it may require substantial effort and resources to reactivate them. Failed transactions are more than a momentary headache. They can result in lost customers and lost future revenue.

For 2023, it's time for payments professionals in these industries to take a page from the subscription industry and make a significant new year's resolution: It's time to tackle

the scourge of failed payments and ensure satisfied customers, a healthy brand image and ongoing revenue streams.

### **A healthcare prescription**

When a patient undergoes treatment or elective surgery, they typically only pay a partial amount upfront. The balance is due on a recurring payment plan. While this is convenient for the patient, it puts hospitals and healthcare providers at risk.

After treatment, the customer has a low incentive to track whether card payments are going through. If a transaction fails, it's up to the healthcare company to chase the customer via a collections department or agency — a long and expensive process. It's far preferable for medical providers to employ solutions that prevent failed transactions in the first place.

### **Insurance premium payments**

In the complex and competitive world of insurance, policyholders make recurring premium payments to maintain coverage and have little contact with the insurance provider unless they make a claim.

Failed transactions are a dangerous trap for insurance companies because they disturb the smooth and frictionless connection with the customer, giving them the opportunity to negotiate a better plan with a competitor. This is a situation that insurers should avoid. With the right technology, they can.

### **Recurring utility payments**

Like subscription companies, utility providers depend on a seamless, ongoing connection to customers and recurring payments. If a payment fails, customers could risk losing service and leave providers with a disruption in

revenue and costly (and unpleasant) disconnects. This demands significant resources that could be saved if utility companies make a move to subscription technology in 2023 and start preventing credit card declines before they happen.

### **A resilient payment resolution for 2023**

All industries that work on a recurring payment model are affected by failed transactions. You don't need to be Netflix or Peloton to start treating your customers like subscribers. Payments professionals in healthcare, insurance, and utilities need to look toward the subscription industry and take advantage of new technologies, solutions, intelligence, and best practices that today help subscription professionals minimize the problem of failed payment transactions.





**DARREN  
PARSLOW**  
SVP and Global Head, Visa  
Business Solutions



# DON'T CALL IT A RESOLUTION — **CALL IT A MISSION (CRITICAL)**

**A**t Visa, we're anointing 2023 the year of B2B Payments 3.0. According to a Visa survey of 500 U.S. business owners and senior finance executives, nearly half of businesses (41%) said that slow B2B payments have at least as large an impact on their company's financial outlook as inflation and recession fears. The payments industry's collective responsibility is to lessen the B2B money movement burden across industries and the globe. B2B payments currently represent \$120 trillion in commerce globally, so there's real value in making them more [seamless](#).

In 2023, we expect innovation within the B2B payments industry to continue to accelerate, and with it will come another wave of digital transformation. Payment buzzwords like digital, secure, fast, flexible and seamless — terms that have been circulating for years with fits and starts of progress against each — will finally be commonplace in global B2B commerce.

We know CFOs are looking to be able to determine their working capital position via a glance at their mobile devices. Employees want to be able to make expense payments with a single tap. We must ensure we're meeting these needs because, by 2025, 80% of

B2B transactions are expected to be digital. That's a big shift from today, when 55% of businesses surveyed still use physical checks for B2B payments. It's also a real opportunity to help current and potential clients get paid faster.

We can make predictions all day, but none of this is possible if we — the “payments industry” — don't collectively do the hard work.

As we head into the new calendar year, we're calling on our peers, partners and clients to build on the progress made over the last couple of years and make it your mission to provide any opportunity to customers — new and existing —

to modernize their B2B payments infrastructure. Give them the tools to move domestic and cross-border money seamlessly; offer relevant data so they can avoid manual reconciliation; and provide real-time solutions like virtual cards that improve cash flow and provide spend controls. This is just the start (of B2B Payments 3.0, that is).

It's our job to ensure business transactions are just as simple, efficient and secure as consumer points of sale. This can potentially have a lasting impact (think customer loyalty, new business opportunities, etc.). In less than three years, more than 70% of the workforce will be digital natives

(millennials and Gen Z). These are the current and future corporate treasurers, procurement officers, accounts payable and receivable managers, business travelers and more. They expect their B2B transactions to be digital, fast, and secure.



ULRIKE  
GUIGUI

Head of Enterprise  
Payments Strategy

# RESILIENCE AND GROWTH AMID UNCERTAINTY

**W**hile there may be challenging economic headwinds ahead, there are many opportunities for the payments ecosystem to grow and innovate. Over the past several years, the industry has evolved quickly, and new behaviors emerged that gave rise to more efficient and seamless payment tools and solutions. Digital payments took off like never before, tap-and-go became widespread and digital wallets gained traction.



Today, consumers and businesses are increasingly looking for more intuitive payment tools and solutions — ones that mirror the simplicity and functionality of the apps they use in their personal lives. The payments industry must do more to respond.

There are three New Year’s insights that will help the payments industry and commerce landscape excel in 2023:

**1. Digital solutions will create powerful options for consumers and businesses.**

Consumers have adopted digital payment tools quickly in the past several years. The share of P2P cash use fell below 50% for the first time since 2016, according to data from the Federal Reserve. And business payments are increasingly digital. The reasons

are clear. Digital payments raise a company’s productivity, and quick settlement of funds is especially critical for small businesses. Digital payments also generate rich data, enabling businesses to deliver new and better ways to service customers. This is not a blip. It’s the start of the new normal.

**2. Real-time payment adoption grows, but ubiquity is elusive.**

Instant payments are on a significant growth trajectory. As of November 2022, the RTP® network reached 62% of existing demand deposit accounts, according to data from The Clearing House. Earned Wage Access (EWA), also known as on-demand pay, gives workers immediate access to pay on the day they work. Instant payments also provide businesses with

better liquidity management, ensuring payments are streamlined. And the impending rollout of FedNow will provide more access to methods for instant payments. While widespread adoption of any one RTP system is still elusive, we will continue to see rapid adoption of instant payment solutions.

**3. Customer-centric, personalized product evolution is more important than ever.**

In a rising rate environment, there may be downward pressure on investments, and as a result, the industry may have to do things differently. But that doesn’t mean innovation stops. Flexibility and personalization are key. For instance, our new virtual assistant Fargo will provide a more personalized

and intuitive banking experience. And our new loan products (e.g., Flex Loan) and credit products (e.g., Active Cash®) provide customized lending solutions to customers, who all have varied needs. These examples demonstrate banks can still innovate in a challenging and dynamic environment.

It will require collaboration across the payments ecosystem to address our clients’ pain points and add value to their lives, both personally and professionally. It’s about leveraging relationships — financial institutions and FinTech partners — to create successful payment tools and solutions. I am confident that the industry will rise to this challenge, and 2023 will be a year of innovation, cooperation, and progress.



# ABOUT

## PYMNTS

PYMNTS is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

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