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# SHAPING THE FUTURE OF PAYMENTS

MODERNISING THE CORE FOR  
EFFICIENCY AND GROWTH

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# SHAPING THE FUTURE OF PAYMENTS MODERNISING THE CORE FOR EFFICIENCY AND GROWTH

This article is written by [Mark Samuels](#), Chief Editor at CIONET UK, and [Roger Camrass](#), Director of Research at CIONET International. The content is based on a CIONET UK event held on 16 April in the Temple Room at Andaz, London. The event was sponsored by Google Cloud and Cognizant.

## The context for the event

The world of payments is transforming, driven by instant transactions, open ecosystems, and emerging technologies. While opportunities abound, many institutions are hampered by siloed processes and legacy infrastructures.

In a moderated session led by CIONET UK Director Mark Foulsham, Stathis Onasoglou, Industry Principal at Google Cloud, and Ashish Bhatnagar, Head of Cards & Payments, GGM at Cognizant, joined CIONET members to explore the practical challenges and opportunities of managing payments in a digital world.

Mark introduced the session and said the modern payments industry is characterised by change. There are three key issues: speed, security, and personalisation. Getting payments right, convenient and fast is a balancing act.

He asked attendees to summarise what they wanted to get from the evening. Delegates were interested in the following areas: industry perspectives and use cases, convergence between blockchain and payments, infrastructures and cloud solutions, exploiting and securing AI, operational resiliency and risk, and cross-border payments and governance.

Mark introduced Stathis, who discussed what he believes are the key trends in payments: AI, regulations, and cloud. Ashish added his key trends: market infrastructures, frictionless payments, mergers and acquisitions, modernisation and simplification, and customer value.



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## Key themes: Best practices, regulations, and cloud and security

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The main discussion took place over dinner. Several questions were considered.

### 1. What is the best practice in payments technology?

A successful payment mechanism is invisible. Finance firms must make customers confident that payments are happening quickly, effectively and securely behind the scenes. Any bank that wants to change back-end processes will encounter a delicate balancing act.

Achieving the invisibility of payments is tough for traditional banks with multiple moving parts and platforms. New market entrants, such as Monzo and Revolut, are embracing the cloud and changing the market. These fresh entrants know their data and react quickly to new customer demands and regulatory frameworks.

Established banks process transactions across systems that can be 20-plus years old. FinTechs are creating a network of operations that relies on local banks. But while these new entrants say their aggregator networks are plug-and-play, working with these new players is often more complex for organisations than simply using an API.

Modern digital technologies, such as the cloud, blockchain and AI, could help reduce payments friction. Big tech companies such as Google use algorithms to complete real-time checks and ensure merchants are trustworthy and payments are authentic. Digital leaders must consider how emerging technology can help reduce risk and boost security.



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## 2. Do regulations cause friction?

Regulations and frameworks, such as the DORA Act in the EU and ISO 20022, are integral to modern payments. Think of ISO 20022 as an opportunity to re-imagine how your organisation uses data and creates products.

We talk about faster payments, but is there potential for instantaneous payments? Friction is an issue because different countries have local responses to global regulations and standards. While contact payments have been used since 2004, some countries, such as the US, still rely on manual payment processes.

It's also important to remember that consumers don't always require fast, frictionless payments. Buying a house, for example, involves a chain of trusted interactions and payments. It's also a different type of transaction to small, low-value payments supported by FinTechs.

Other regulations matter, too. MiFID 2 was enacted in 2014 to bring fairness and transparency to financial markets. However, the benefits of transparency – such as having a statement that explains every payment and charge – are often not explained to customers.

Attendees believe the payments industry needs common standards. ISO 20022 could help ensure all players operate in the same way. However, the standard is a patchwork because technology continues to evolve. There are also regional variations in how standards are enacted and technologies used.

One attendee said ISO 20022 talks about delivering harmonisation rather than standardisation. It's also important to understand that some countries are less interested in standards than others. There will always be discrepancies in how standards are applied.

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## 3. How should banks embrace the cloud and deal with fresh security concerns?

Moving established, legacy banking systems is like shifting a supertanker. New market entrants have an inherent advantage because their platforms have been built from the ground up and are often compliant by design. Banks should always start with their business goals and look for technology partners that meet their aims in a future-proof manner.

While standards can lead to friction, they should also be seen as a way to enable the secure and safe use of cloud technologies and data. While some organisations might look to lift and shift legacy platforms to the cloud, others will go for optimisation. It was suggested that moving monolithic systems to the cloud in an optimised way can reduce costs by up to 60%.

Find a strategy that works. In the longer term, the aim must be to get off legacy systems. Refactoring platforms takes time. Look for low-hanging fruit that brings quick wins for cloud and microservices. Code translation is tough, especially on legacy platforms. Migrate data through automation and fix the logic afterwards. Also, keep your enterprise architecture as open as possible. Look for modular solutions that are flexible and can be changed.

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While some digital leaders are still concerned about the security of the cloud, it should be remembered that tech giants spend much more on IT defences than banks. Look for a provider that offers shared responsibility, where the vendor deals with the infrastructure and your focus is on applications and data.

Remember that technology continues to evolve. Criminals are using emerging technology to create new forms of attack, such as deep fakes. Customer and employee education can help ensure that social-engineering hacking techniques are unsuccessful.

## Conclusion: Reflection on payments

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Mark presented his four key reflections from the evening's discussion:

- **Recognise that more standards are coming** – Executives managing payments must focus on alignment with these standards rather than seeing them as restrictions. Concentrate on business outcomes and deliver resilient processes for customers.
- **Unlock the power of APIs** – Digital leaders must take a multifaceted and multi-layered approach to show the board how to build a future-proof infrastructure for the business. Efficiency, agility, risk and growth are the keys to strategic success.
- **Focus on the power of partnerships** – Focus on how to generate value from the technology companies you work with and how your innovation choices will generate business benefits.
- **Navigate regulations** – Get in touch with the regulators and be part of the evolving regulatory landscape. Understand the impact of regulations, design by compliance, and don't just sit back and let change happen.

Mark then asked attendees for their reflections. The following themes emerged:

- The quickest route isn't necessarily the best. Always focus on security.
- Friction is a big issue. Ensure your processes are ready for new technology.
- The definition of money is evolving. Crypto is coming. Its impact will be crucial to the future of money. Stability is critical to customer acceptance.
- AI and ML advances might help us overcome payment challenges in the longer term.
- Regulation is beginning to focus on customers, so put them at the forefront and ensure everything is explained.
- Banks need to consider whether to build a payment solution or just buy a FinTech.
- Focus on the balance between standardisation and harmonisation. There are lots of challenges to overcome, from cross-border trading to new regulations.
- We can focus on innovations, such as AI and blockchain, but we won't be able to take advantage of change if back-end infrastructures aren't ready.

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## Authors

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A pioneer of today's Internet as an ARPA research fellow at MIT in the seventies, Roger has spent over fifty years helping corporations harness the power of new technologies such as AI, cloud, mobile communications, e-commerce, voice recognition and satellite. He was a partner at EY responsible for e-commerce during the dot.com boom. He is a Cambridge University and MIT graduate and a visiting professor at the Hebrew University in Jerusalem.

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Mark is a business writer and editor, with extensive experience of the way technology is used and adopted by CIOs. His experience has been gained through senior editorships, investigative journalism and postgraduate research. Editorial clients include the Guardian, The Times, the Sunday Times and the Economist Intelligence Unit. Mark has written content for a range of IT companies and marketing agencies. He has a PhD from the University of Sheffield, and master's and undergraduate degrees in geography from the University of Birmingham.

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