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EYG no. 02864-164GBL  
EY-000007186.indd (UK) 09/16. Artwork by Creative Services Group Design.  
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# Payments

An industry in  
transformation

## Payments providers are being increasingly challenged to balance the demands of regulator and customer

The speed and breadth of change is challenging both existing players and new entrants to continually adapt to remain competitive.

Banks and other payment service providers are faced with a myriad of operational, functional, regulatory and information security risks, while also trying to lower overall cost and improve client experience.

### Market context

- ▶ Increasing regulatory pressure and customer expectations
- ▶ Reducing margins as cost pressures are exacerbated by downward pressure on processing fees
- ▶ Increasing numbers of new entrants in the payments space; along with emerging technologies with potential to disrupt, enhance and enable payments services
- ▶ Increasing focus on real-time processing, transparency and the importance of liquidity
- ▶ Emergence of new business models that use and support payments innovation to engage closely with customers

### Regulatory pressures

- ▶ The burden of compliance driven by both payments-specific regulation, and the consequential impact of broader regulatory measures:
  - ▶ The revised European Payment Services Directive (PSD2) and Open Banking, Immediate Payments, interchange fee regulation, Electronic Money Directive (EMD), intra-day liquidity, AML and sanctions, structural reform, etc.
- ▶ Increasing need to demonstrate robust controls and resilience in light of high-profile market incidents

### Customer expectations

- ▶ Making payments is seen as a core capability for customers and getting it wrong can have a serious impact on customer loyalty and trust
- ▶ Payments spans a broad range of services, demanded by customers ranging from individuals to the global treasurers of large multinational businesses
- ▶ The way customers are making payments is changing with emergence of new channels and alternative payment methods; with the payment becoming the anchor for a wider range of financial and other "lifestyle" services

Banks, payment providers, large corporations and other FS organizations face interrelated challenges when responding to the evolving payments business and regulatory landscape. These challenges impact business models, enabling IT and operations, and approaches to risk and compliance.

EY's breadth of experience across industries, regional and global coverage, deep domain knowledge and extensive delivery experience provides an ideal platform to support our clients in successfully addressing these challenges.

## What does this mean for the payments industry?

With a complex global business environment and multiple drivers for change, firms of all types, from established international institutions to start-up alternative providers need to address the challenges presented from all dimensions. All participants need to balance the needs of the customer with the demands of the regulator, and define for themselves a role in the new ecosystem, recognizing that the ability to collaborate will be as important as the ability to compete.

Ultimately, the most successful firms will be those who deliver payment products and services that provide excellent, compliant customer service, without compromising the fundamentals: access, convenience, timeliness, stability, efficiency, reliability, security and transparency.



Common challenges	<ul style="list-style-type: none"> <li>▶ The need to address a broad spectrum of overlapping regulatory change across international boundaries: PSD2, interchange fee regulation, EMD, AML and sanctions compliance, and structural reform</li> <li>▶ Increasing need to demonstrate robust controls and resilience in light of high-profile market incidents</li> <li>▶ The increasing customer expectations regarding flexibility, visibility, multichannel access</li> <li>▶ The drive for innovative new products and technologies, e.g., contactless, mobile, international real-time ACH</li> <li>▶ The impact of new entrants, alternative payment types and emerging technologies e.g., Blockchain</li> <li>▶ Rationalization of corporate banking relationships</li> <li>▶ Compression of processing revenues</li> <li>▶ Balancing discretionary and non-discretionary spend</li> </ul>	<ul style="list-style-type: none"> <li>▶ Rapid new product introduction</li> <li>▶ Understanding of product profitability and rationalization of product portfolio</li> <li>▶ Third-party (e.g., FinTech) partnering/ collaboration strategy</li> <li>▶ Increased channel functionality</li> <li>▶ Consistent, "joined up" support across channels</li> <li>▶ Expanding geographic reach</li> <li>▶ Updated T&amp;Cs driven by new regulations</li> <li>▶ Increasing fraud, security and financial crime risk</li> <li>▶ Reduced time-to-market demands</li> <li>▶ Inflexible legacy systems</li> </ul>	<ul style="list-style-type: none"> <li>▶ Operational cost reduction</li> <li>▶ Streamlined processes and increased STP</li> <li>▶ Off-shoring, outsourcing and whitelabeling</li> <li>▶ API management approach</li> <li>▶ Third-party integration and engagement model</li> <li>▶ New platform deployment and legacy architecture replacement</li> <li>▶ Improved enterprise intelligence</li> <li>▶ Complex data migration</li> <li>▶ Adoption of new standards</li> <li>▶ Increasing security requirements</li> <li>▶ More stringent controls environment</li> <li>▶ Post-transaction integration and separation</li> </ul>
	<ul style="list-style-type: none"> <li>▶ Payments strategy, proposition and roadmap development</li> <li>▶ FinTech market scan and engagement</li> <li>▶ Digital strategy and experience design</li> <li>▶ Regulatory permissions and compliance</li> <li>▶ Payments controls assessment and remediation</li> <li>▶ Business analysis and requirements definition</li> <li>▶ Regulatory and business change portfolio planning and management</li> <li>▶ Product portfolio assessment, cost modeling and business case development</li> <li>▶ Stakeholder management</li> <li>▶ Mergers and acquisition transactions support</li> </ul>	<ul style="list-style-type: none"> <li>▶ Operating model development, process improvement and automation</li> <li>▶ Third-party and FinTech engagement lifecycle definition and management</li> <li>▶ IT-enabled business transformation; IT architecture assessment, solution design and governance</li> <li>▶ Information and data architecture design and migration</li> <li>▶ Payments data analytics</li> <li>▶ Payments resilience, incident analysis and remediation</li> <li>▶ Cybersecurity</li> <li>▶ Test planning, assurance and governance</li> <li>▶ Vendor solution assessment and selection; vendor management</li> </ul>	

## EY has a global payments practice with deep industry knowledge and end-to-end lifecycle delivery capability. Examples of specific experience include:

PSD2 impact assessment and program mobilization for multiple European institutions	Payments resilience programme mobilization and delivery for a leading UK-based bank with an international footprint	New product market entry analysis for a leading alternative payments provider	Payments operations strategy for a global cash management bank
Commercial cards strategy for a leading European bank	Requirements, target architecture and delivery roadmap for the transaction banking transformation of a leading UK bank	Risk management and operational process KPIs for an Indian mobile payments provider	Mobile payment business strategy operating model and three-year product roadmap for an Asian telco
IT due diligence and separation planning for the divestment of an international card acquiring business	Payments platform vendor selection, program mobilization and ongoing "business integrator" support for a leading European bank	Global high- and low-value payments' platforms deployment for a leading bank, including requirements, scoping, planning and migration strategy	