Banks have spent ten years modernizing. Now it's time to reap the benefits

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Over the last decade, wide-ranging regulatory developments have forced banks to invest in infrastructure modernization relating to Real Time Payments (RTP) and the ISO 20022 data standard. Today, with these foundational investments largely complete, banks are uniquely positioned to leverage their modernized platforms for competitive advantage - unlocking new digital services, enhancing operational efficiency, and meeting the evolving demands of both retail and corporate clients.

Compliant to the core

For decades, strong compliance with existing regulation has been at the heart of any successful bank. While some may not like the time and cost of compliance, **the great news is that banks today have complied with the EU's second payment services directive (PSD2) – and the ISO 20022 data standard**. This means (to take one example) that they have the capacity to send and receive rich data messaging, creating much-needed improvements in corporate cash management systems. Companies of all sizes are eager to streamline their Accounts Receivable and Accounts Payable functions, and will embrace any bank that can offer them the capacity to track the movement of funds in real time.

The ISO 20022 standard is also being used by banks for the effective management of payloads, including account management, authentication, fraud management, Anti-Money Laundering, foreign exchange, and more. In all these areas, ISO 20022 has helped banks create more effective processing (including payment processing), such that a high proportion of orders are now managed via straight-through processing (STP) - an automated, end-to-end process through which transactions are processed without any manual intervention.

Many banks we have spoken to talk about their need to continue improving their infrastructure to maintain compliance with emerging regulatory standards. Nonetheless, the point stands that banks are now ready to do business in an instant world and deliver value for their most important asset – their customers. With the regulatory groundwork in place, **banks can now focus on leveraging these capabilities to deliver innovative, real-time services and value-added offerings** that go beyond compliance and drive business growth.

Making the most of new powers to deliver

For those banks still on their journey towards full compliance with RTP regulations, **Order Management can help them consolidate their payment channels** and create a clear, reliable pathway towards Verification of Payee (VoP) and full RTP functionality. In what follows, we review three new product areas that deliver real value for both corporate and retail banking customers – and offer some use cases to show how banks can implement these new services using their recently-modernized systems.

Order Management: a first step to streamlined, efficient payments

Key use cases for order management

- automate and reduce cost of transaction monitoring and compliance;
- improve user experience through payment orchestration;
- improve efficiency of bulk and batch file payments;
- pave the way for value-added services.

Last year, we commissioned research which revealed that more than 80% of European banks are migrating to modern, capable platforms via stepwise, component-led transformation programs. However, **there are still cases of multiple pathways and variations in system configuration leading to poor user experiences and negative customer impacts caused by system deficiencies**. Systems maintenance costs remain unsustainably high in many cases, as well.

In such circumstances, Payment Order Management represents a great opportunity for banks to consolidate all payment channels into one application which monitors and manages all payments before they are released to a dedicated payment engine able to cater for all payment types.

> “Order Management streamlines processes and delivers a better customer experience.

A key objective of bank modernization strategies is a better, smoother user experience across multiple channels. Any effective modernization should also meet a bank's goal of realizing cost savings. Order Management helps banks to achieve this objective by routing, validating, and processing payment orders regardless of the customer entry point. In this context, **Order Management acts like a payments orchestrator, supporting consistently high service levels**.

When it comes to Automated Bulk and File-Based Payment Processing, Order Management platforms automate the intake and validation of bulk payment files from corporate clients and internal departments. **This helps banks to execute high-volume, multi-currency transactions** (such as payroll or supplier payments) more effectively while reducing manual errors and maintaining compliance.

Implementing Order Management can help banks to streamline operations, enhance the customer experience, and reduce costs. By addressing challenges relating to fragmented infrastructure, inconsistent customer experiences, and the lack of a seamless payment process, banks can create a unified, efficient infrastructure that meets customer expectations and drives satisfaction.

In summary, Order Management is not just a technical upgrade – **it is a strategic enabler for banks seeking to unlock new business models**, deliver innovative services, and future-proof their operations in a rapidly-evolving financial landscape.

Request to Pay (R2P): delivering added value from existing infrastructure

Key use cases for R2P

- collection management for non-performing Direct Debits and Direct Debit payment failures;
- e-invoicing and flexible payment schedules;
- monthly recurring payments such as loans and mortgages.

Request to Pay (R2P) is an exciting new source of revenue and an added-value service for clients. It is being introduced by banks across Europe, having been first launched by UK banks in July 2020. R2P is a secure messaging service that allows businesses or individuals to initiate a payment request to another party. It operates as a communication channel that facilitates payment by enabling the payer to choose when, how, and whether to make the payment. There are advantages for payees, since they can request payment electronically, and also for payers, who can manage payments according to a schedule that suits them.

R2P represents a great opportunity for banks to launch new services based on their existing infrastructure, and forms part of a new wave of services that European banks are launching based on changes to internal process. **By launching an R2P product, banks can deliver benefit to clients at relatively low cost.**

Collection management is a fantastic early use case for R2P. Essentially, this involves bank investigations of non-performing Direct Debits and Direct Debit payment failures – an area that costs banks millions in manual processes, the generation of paper-based invoices, and the time taken to collect on these invoices.

In Spain, banks are starting to change their internal processes relating to Direct Debits such that failed debits become part of their R2P scheme. This reduces the manual handling of collections, cuts the time taken to get paid, and automates the entire payment flow, so that the payer is notified about missing their payment through standard banking channels such as app messages or email notifications. This successful scheme has realized huge savings in terms of outstanding collections that require corporate and bank involvement, while also speeding up receipt of payment for payees.

In the first half of 2024, ECB data records that there were 11 billion Direct Debit payments worth €5.3 trillion. Assuming a typical failure rate of 2.6% to 3%, this implies that cost savings could be realized relating to 330 million payments worth around €159 billion across the Euro area alone.

A second major use case for R2P is e-invoicing. Here, the billing process between suppliers and payers is streamlined, and the delivery of goods or services is decoupled from invoicing, empowering the payer with options such as pay later or instalment payments. Payers can also choose to pay part of the invoice, forward it to another party for financing or repayment, split payments, and other functions. E-invoicing will become mandatory across the European Union from

2026, and the European Central Bank projects that this market will be worth €15.5 billion by the end of next year, with more than 40 billion invoices sent and received. Realizing even minor cost savings in a market of this size, not to mention significant improvements in service options, will represent a real value-add for bank clients of all kinds.

The flexibility of R2P is also helpful when it comes to mortgages, car loans or other major payments which are usually financed through periodic payments over time – monthly mortgage payments, for example. As with e-invoicing, R2P enables payers to flex the amount they pay within a payment period (such as one month), or to increase or decrease their payments over a specified period.

Verification of Payee (VoP): securing Real-Time Payments and Open Banking

Key use cases for VoP

- secure RTPs and Open Banking payments;
- dramatic reduction in fraud risk and misdirected payments;
- use for onboarding customers, suppliers and employees;
- batch file and bulk payment authentication integrated into file handling process.

Verification of Payee (VoP) systems have been mandated for use across the EU by October 2025. These systems enhance payment security – as well as the accuracy of payments – by verifying payee details before transactions happen. This is a crucial step for Real Time Payments (RTPs), as verification, transaction and settlement all have to happen quickly. As well as reducing fraud risk, this also dramatically cuts the number of misdirected payments.

VoP may also be used during the onboarding of new customers, suppliers, or employees to verify bank account details at the outset. This ensures that future payments are routed correctly and securely, reduces administrative errors, and accelerates onboarding processes for both retail and business banking clients. **An online VoP service**, for example, allows banks and corporates to check the validity of customer or supplier details before adding them to payment systems, enhancing both compliance and operational efficiency.

For corporate clients submitting bulk payment files (such as payroll or supplier payments), **VoP validates each transaction within the file before processing**. This ensures that all payees in a batch are verified, reducing the risk of large-scale errors or fraud in mass payment runs. The VoP process can be integrated into file handling services, automatically flagging mismatches and allowing corrections before payments are executed.

Make the most of modernization: reduce costs, improve client service and drive more revenue

To date, many banks have not taken full advantage of the opportunities offered by the introduction of new regulations and the innovations these enable, as they have been too preoccupied with bigger strategic challenges – including overhauling outdated core IT systems in payments. However, by adopting a modular, focused approach to the services outlined above, banks can achieve huge gains in efficiency, improved customer service, and reduced cost.

About Tietoevry Banking

A market-leading provider of financial SaaS solutions for the Nordics and beyond. With 3,400 dedicated experts and customers in 60 countries, we deliver solutions for payments and card value chains, financial fraud prevention, lending, and wealth management, as well as a banking-as-a-platform. By combining decades of experience with our modular, scalable, and secure solutions, we empower financial institutions to unlock significant value, and rapidly adapt to market changes, meet regulatory demands, and deliver exceptional customer experiences. Tietoevry Banking is a specialized business unit of Tietoevry; the group's annual turnover is approximately EUR 3 billion. Tietoevry's shares are listed on the NASDAQ exchange in Helsinki and Stockholm, as well as on Oslo Børs.

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