A Q&A for financial institutions

The role of payments hubs in modern banking

Unlock payments transformation with limitless possibilities

In the fiercely competitive banking market, the pace of change is accelerating. You need strong, agile, advanced technology to get money moving in real time and bring new payment services to market faster. **Daniel Hurst**, Line of Business Head in International Markets for Enterprise Payments at FIS, explains how payments hubs can help your financial institution modernize and transform to meet the market's demands – and unlock growth for less cost and risk.

Daniel Hurst, FIS® Enterprise Payments expert

Q: What's driving transformation in the financial landscape – and how can payment hubs help support change?

A: The payments ecosystem is constantly evolving. The adoption of the ISO 20022 messaging standard, the rise of open banking and increasing demands for instant payments continue to reshape expectations for both consumers and businesses. Because of regulation like PSD3 and instant payments rules, change isn't optional for financial institutions – it's mandatory. It's innovation driven by regulation.

At the same time, traditional and digital money are converging. In a hybrid environment, modern financial institutions need infrastructure that can straight-through process both fiat and digital currencies with equal confidence, while delivering a seamless customer experience and reducing operational costs. Siloed legacy systems are no longer scalable or adaptable enough to address these demands – or to incorporate game-changing technologies like AI.

This is where cutting-edge payment hubs play a crucial role – they enable banks to unify, modernize and transform their payment systems, ensuring real-time processing and flexibility to adapt to new regulations, digital currencies and market needs.

FIS® Open Payment Framework payments hub helps banks become compliant with ISO 20022. Our API-first infrastructure helps financial institutions jump into open banking and instant payments without being hindered by the limitations of their legacy systems. And integration with Lyriq, a platform purpose-built for digital money, means institutions can operate seamlessly across fiat and digital assets within a single unified framework.

> We're enabling many thousands of transactions per second, which is part of why we're leading the market in this space. Plus, we're actively embedding AI across our payments products, so our clients are in a stronger position to drive payments modernization and automate more decisions, manage risk more effectively and accelerate deployment at scale.

Q: Why are payment hubs becoming a strategic priority for institutions of all sizes?

A: With customers and businesses expecting real-time settlement, payment hubs are critical for operational efficiency and market competitiveness. They provide the agility and modularity needed to create a strong customer experience while being cost-effective.

Traditionally, payment hubs were exclusive to large corporate banks because of the cost and difficulty of implementing such a project. But smaller banks are now also adopting payment hubs – some for targeted modernization projects and others for end-to-end solutions. The smallest banks might run off one core banking system and just need a gateway into different markets or digital currencies, or decide to outsource their payments processing to a cloud-hosted managed service.

The new regulations are giving institutions of all sizes the opportunity to take on infrastructure projects they've never been able to justify before. With API-first, cloud-native architectures, outsourced models across multiple schemes, modular microservices and embedded AI, modern payment hubs are scalable, efficient and future-proof – all the qualities it takes to maximize that opportunity and make a business case for transformation.

Q: What key capabilities should financial institutions look for when evaluating a payment hub solution?

A: When selecting a payment hub solution, institutions need to assess both core and broader functionalities to align with their payment transformation goals. Here are some critical factors to consider:

- **Core functionality:** Robust support for payment processing, orchestration and optimization is central.
- **Cloud and deployment options:** The solution should support cloud-native deployment for flexibility and cost efficiency while offering on-premises options for specific needs.
- **Scalability and automation:** The hub must handle high payment volumes with industry-leading STP rates and automation capabilities.
- **Interoperability:** Easy integration with internal banking systems and external payment rails is essential.
- **Security and compliance:** With shifting regulatory requirements, compliance and high security thresholds are non-negotiable.
- **Hybrid money processing:** The ability to support digital currencies alongside fiat, without separate systems or costly workarounds, is now critical for efficiency, control and seamless customer experiences.
- **Embedded AI:** AI is changing the economics and expectations of payment hub modernization – accelerating development and deployment, reducing manual effort in operations and surfacing real-time intelligence in payment flows.

Modern payment hubs should also feature analytics tools powered by AI and machine learning to provide real-time data insights and enhance decision-making. Ultimately, building AI into the fabric of your payments infrastructure will help future-proof your institution as AI's role in financial services continues to expand.

Q: With so many players in the payment hub market, how can financial institutions make the right choice?

A: Selecting the right vendor requires a strategic approach. Individual institutions need to factor in their own goals, existing infrastructure and customer requirements.

Leading vendors, such as FIS, stand out for their ability to address diverse banking needs across retail and corporate markets. Whether banks need to modernize or streamline payments, these providers deliver innovation along with scalability and efficiency. Rather than putting together a patchwork of solutions from different vendors, you can have one provider across your payments solutions and enjoy more simplicity and integration.

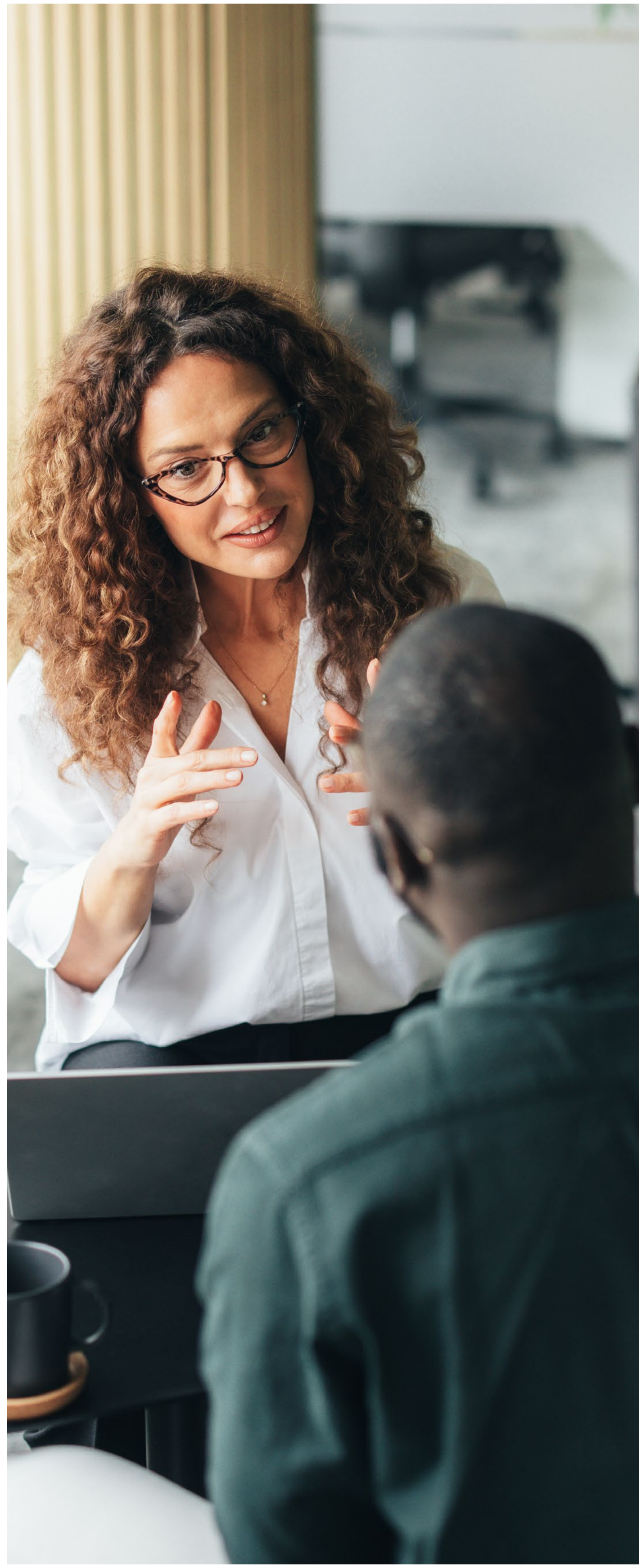
Experience is an important factor as well. Vendors that adapt are the ones that last the longest. FIS has built and maintained our focus on payments solutions for many years. That’s why we have modern, effective technology with functional depth and breadth. An experienced partner can help you navigate modernization and avoid pitfalls and failed projects.

You might also look for a provider with global deployment, which was one of the reasons FIS was named a market leader in payments by Omdia. We process more than 34 billion transactions annually and serve over 50% of the world’s largest banks. A provider with global reach can help you understand and tap into the payments market in different regions.

Q: What role do SaaS solutions play in modernizing payment hubs?

A: SaaS solutions help banks reduce costs and accelerate time-to-market, among other benefits, when deploying their payment hubs. By shifting the infrastructure maintenance burden to vendors, financial institutions can focus on providing value-added services.

For larger Tier 1 banks, SaaS solutions are a valuable addition to their core payments strategies, enabling them to get to market faster in important markets where internal resources may be limited. For many smaller and mid-tier banks, SaaS solutions are an affordable way to adopt cutting-edge payment hub capabilities without the heavy upfront capital investment required for on-premises solutions. This trend is aligned with the growing demand for scalable, flexible systems tailored to today’s dynamic financial environment.



Q: What should financial institutions prioritize to stay ahead in this rapidly changing landscape?

A: Financial institutions must prioritize adaptability and innovation within their payment infrastructure. Start with a robust, modular payment hub that supports integration with new technologies, payment types and digital currencies. Equally important is collaborating with trusted, future-focused vendors that offer both technological excellence and industry insight.

FIS' financial institution clients are looking for control and the ability to change quickly. Once they have a solution, they want to prioritize adaptability. Banks need to take back control by being ISO 20022-compliant from end-to-end, with modern technology, AI and an API-enabled infrastructure.

By focusing on these areas, financial institutions meet current customer expectations and remain competitive as the industry evolves. Organizations that take a proactive approach by investing in the right technology today will be best placed to thrive tomorrow.

For an in-depth evaluation of the leading vendors and functionalities, access **Omdia's Universe Report** today and start shaping your payment transformation strategy.

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Our technology powers the global economy across the money lifecycle.

Money at rest

Unlock seamless integration and human-centric digital experiences while ensuring efficiency, stability, and compliance as your business grows.

Money in motion

Unlock liquidity and flow of funds by synchronizing transactions, payment systems, and financial networks without compromising speed or security.

Money at work

Unlock a cohesive financial ecosystem and insights for strategic decisions to expand operations while optimizing performance.

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