

Evolution, Not Revolution: Payments Hub Strategy Considerations

The vision of a unified platform for all payment types and channels is finally coming into focus for financial institutions. The realities of siloed, complex legacy payment systems made “rip and replace” payments hub approaches too risky and expensive—but new, incremental approaches are offering an easier, more flexible migration path. As financial institutions move forward with their payments hub strategies, Fiserv offers some key considerations.

After more than a decade of discussion about the potential benefits and challenges of deploying payments hubs, financial institutions are beginning the migration to a single payments platform to increase efficiency and enable common business functions across payment channels. Early payments hub concepts, which required the wholesale replacement of legacy payment systems, proved too complex and costly for most institutions—but with the arrival of same-day ACH, P2P and instant payments, along with new capabilities such as request to pay and increased automation of wire and international payments, U.S. banks are looking to modernize, expand and streamline their payments capabilities.

Payments hubs appear to offer great benefits for financial institutions, but the process can be long and risky. As a result, many financial institutions favor an incremental approach in which the benefits of payments hubs can be achieved over time without excessive disruption and cost. Modern hub solutions, which enable integration with one or more payment systems without unnecessary replacement of legacy systems, are helping to facilitate the journey.

No one-size-fits-all payments hub solution exists, and each financial institution’s road map will be unique. Regardless of the hub solution a financial institution chooses, here are a few important considerations.

1. Tackle the biggest problem first. Implementing a payments hub in phases allows a financial institution to reduce disruption and achieve the most meaningful benefits first—whether it’s creating a unified customer experience, offering a real time banking solution, eliminating redundant systems and processes, or improving fraud detection. For example, a financial institution could use a payments hub to consolidate two redundant wire systems that were the result of a merger. Current infrastructure and business goals dictate how the payment hub will be implemented over time.

2. Consider integration. The old adage “If it ain’t broke, don’t fix it” applies here. With the option of integrating the hub with one payments channel and the corresponding back office applications at a time, it makes little sense to replace robust, proven payment systems that are still delivering value. On the other hand, legacy applications that are failing to keep up with customer needs or growth objectives are candidates for replacement.

A prime target for integration is ACH processing, because ACH is a complex payment type to process and most institutions have heavily customized their ACH systems over time. Extending the hub over an existing ACH processing system is cost effective and it achieves the goal of modernizing the ACH system without the risk and cost of deploying a new, unproven offering.

Integrating a hub solution with a legacy ACH payments system can help a financial institution:

- Develop a single channel to collect payments from internal systems
- Create a unified real-time view of all payments, regardless of payment type, standard, or back-office system
- Continue to leverage existing processes and connections to downstream systems
- Create a consistent corporate customer experience across multiple payment types
- Incorporate ACH payments into the common services that are used for other payment types

3. Consider the Risks. Each step in the payments hub journey should be orchestrated to minimize disruption. Replacing a payments application that is deeply ingrained in a financial institution's upstream and downstream processing flows can be risky, especially if that application has been highly customized to meet the needs of the institution. For most financial institutions, the wiser and more cost effective approach is to develop an integration and deployment strategy that leverages the value of existing payment systems and processes.

As with any major transformation, it's critical that sponsors and stakeholders are convinced of the long-term value and can envision an efficient transformation path. Buy-in is easier to achieve when efficient, robust legacy payment systems are being incorporated into the new environment.

4. Collaborate for the Best Results. Collaboration between financial institutions and technology providers has never been as important as it is today. Fiserv is working with hub vendors as well as our financial institution clients to provide smooth hub integrations and meet future requirements. These partnerships will provide financial institutions with an easier path to payments hub success, and position us to help hub providers build on their capabilities over time.

The next five years will bring unprecedented change to the U.S. payments landscape. Payment services hubs give banks the ability to provide a seamless payment processing experience across ACH, wire, check and instant payments while providing a unified real-time view of all payments, regardless of payment type, standard, or back-office system.

Taking an evolutionary approach in which existing payment systems are integrated with a payments hub when and where it makes business sense can help deliver real benefits at every phase while controlling costs and risk. Now that financial institutions are poised for the payments hub transformation, preserving best-in-class legacy payment systems will enable a richer, more robust payments environment.

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For help with your payment hub strategy, call 800-872-7882, email getsolutions@fiserv.com or visit www.fiserv.com.

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