

Why mid-tier U.S. financial institutions must modernize to thrive

Mid-tier financial institutions (FIs) in the U.S. are facing a crucial moment in the payments landscape, where modernization is imperative to meet the evolving needs of their business clients.

These institutions face increasing pressure from both larger players with substantial resources and agile fintech competitors. As companies increasingly demand faster, more efficient, and data-rich payment solutions, mid-tier FIs must act swiftly to upgrade their payments infrastructure. A new report from Datas Insights, commissioned by Finastra, surveyed both mid-size and large corporates and global FIs; the findings are summarized in this infographic.

Key report findings



of FIs are making significant investments in payments modernization.



of businesses are actively investing in payment technologies. This alignment of FI and business client needs creates a unique opportunity for FIs to become strategic partners.



of businesses cite instant payments as the primary reason for working with fintechs, this is part of a growing trend to turn to fintech solutions because of their agility.



of businesses express strong interest in improved cross-border payment capabilities, signaling a growing need for efficient international transaction solutions.



of businesses have either already adopted ISO 20022 or are planning to. FIs must be able to support both global adoption, and specifically the upcoming Fedwire migration.



of FIs consider it important or very important that their services are built on cloud-native solutions.

While the need for modernization is clear, businesses face several hurdles in their journey towards digital transformation.

Hover over the bar for more information



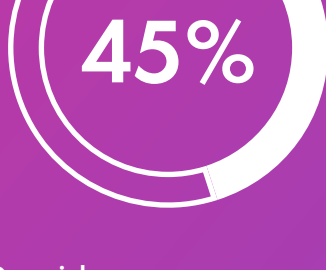
These obstacles are like those that mid-tier FIs encounter, presenting opportunities for them to provide valuable support and solutions by:

- Offering integrated solutions that simplify the modernization process for businesses.
- Providing expert guidance and support to help clients navigate complex technological changes.
- Developing flexible, scalable platforms that can grow with their clients' needs.
- Ensuring robust security measures to address data protection concerns.
- Creating educational resources and training programs to ease the transition to new systems.

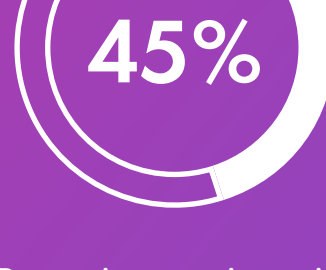
By aligning their modernization efforts with those of their clients, mid-tier FIs can create a powerful synergy that drives growth and innovation for both parties.

The fintech challenge

Fintech providers continue to displace banking relationships. The top three reasons cited by businesses for employing fintechs are:



Provide more payment options



Better integration with internal systems



Access to instant payments

Fintechs have been quick to capitalize on gaps and weaknesses in traditional FI offerings, particularly in areas where speed, flexibility, transparency and technological innovation are paramount. Two prime examples are Instant Payments and Cross-border Payments.

Despite the encroachment of fintechs, mid-tier FIs are uniquely positioned to reclaim their central role in business financial operations. Their established relationships, understanding of regulatory environments, and ability to offer a personalized service give them distinct advantages.

To capitalize on these strengths, mid-tier FIs should focus on:

- Enhancing their digital offerings** (API icon): To match or exceed fintech capabilities, for example by deploying Payments-as-a-Service offerings for compliant end-to-end processing services across multiple payment types.
- Leveraging existing client relationships** (Handshake icon): Often based on trust and longevity, to provide tailored solutions that address specific business needs.
- Offering comprehensive support for ISO 20022** (ISO icon): Helping businesses navigate this complex transition.
- Developing partnerships with fintechs** (Group icon): To address specialist requirements, combining the innovation of fintechs with the stability and trust of established banking institutions.
- Establishing strong vendor partnerships** (Vendor icon): To take advantage of the built-in expertise and knowledge from a broad client portfolio that leading vendors can leverage to assist mid-tier FIs with a quick time to market and robust functionality.
- Emphasizing their range of financial services** (Magnifying glass icon): From lending to cash management, which many fintechs cannot match.

By focusing on these areas, mid-tier FIs can not only retain their existing clients but also attract businesses that are looking for a balance of innovation and reliability in their financial partners.

Opportunities and hurdles in ISO 20022

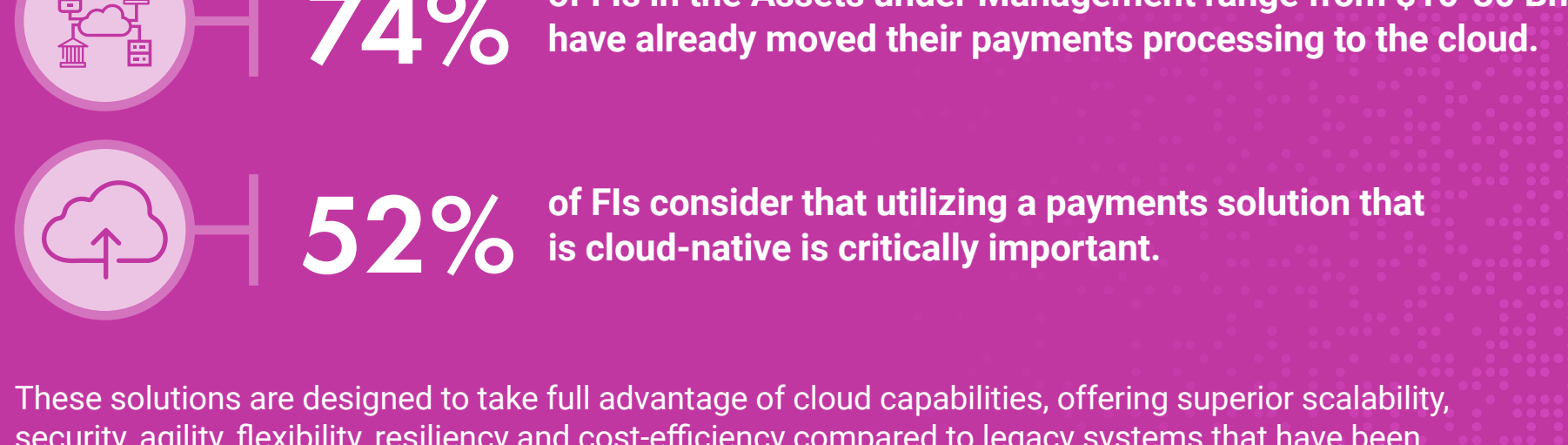
Businesses are at various stages of ISO 20022 adoption but are generally much further ahead than many mid-tier FIs give them credit for.



This presents a unique opportunity for mid-tier FIs to provide guidance and support to their clients. Those that can effectively assist businesses in transitioning to ISO 20022 and provide value-added services utilizing this structured and data-rich messaging format, such as compliance, AML, real-time fraud management and AI/ML-based data analytics, will strengthen their relationships and position themselves as indispensable partners.

The importance of a cloud-native solution

Mid-tier FIs represent the segment with the strongest appetite for cloud adoption.



These solutions are designed to take full advantage of cloud capabilities, offering superior scalability, security, agility, flexibility, resiliency and cost-efficiency compared to legacy systems that have been simply migrated to the cloud.

Create a modern payments ecosystem with Finastra Payments To Go

By collaborating with established technology partners that have extensive experience, a strong global reputation, and best-in-class solutions, mid-tier FIs can rapidly deliver innovative services to their clients without the burden of development costs and risks.

Finastra Payments To Go is a comprehensive Payments-as-a-Service solution enabling FIs to modernize, digitize, and simplify payments operations. It supports multiple domestic, cross-border, and instant payments types and offers easy, low-risk onboarding and quick Time-To-Value. It increases business agility with configurable, out-of-the-box, payment workflows and business rules, and provides AI/ML-based insights and reports. Deployed on Azure, with the levels of reliability and availability demanded by their business customers, the solution empowers mid-tier FIs to gain a competitive technological advantage and thrive in the evolving payments landscape.

Improve your payments experience and discover endless possibilities with Payments To Go!

Datas Insights The Importance of Modernization for Mid-Tier US Banks

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