

TRANSFORMATIVE TRANSACTION BANKING TRENDS

by Uppili Srinivasan

The world of transaction banking is undergoing a profound transformation, driven by technological advancements and evolving customer expectations. In this article, we explore 6 key trends that are shaping the future of transaction banking

Consumerisation of Commercial Banking

This signifies the impact of individual consumer preferences on commercial banking products and services. To navigate this evolution, banks will look at six key tenets:

- Hyper-personalisation
- Real-time, connected journeys
- Action-triggering insights
- Immediacy
- Desire & trust-based decision making
- Friction-free experience - even at scale

Generative AI

Some reports suggest that cost reductions of up to 25% by 2025 are projected with AI-based fraud detection systems. In customer service reports suggest a 72% positive customer interaction rate. These figures highlight generative AI's pivotal role in reshaping transaction banking.

- Risk Management: mitigate risks more effectively by analysing vast amounts of data in real-time, improves credit risk assessment, fraud detection, and compliance monitoring.

- **Customer Support:** chatbots and virtual assistants provide 24/7 customer support, resolving inquiries, and performing routine tasks, leading to improved customer satisfaction.
- **Efficiency Gains:** reduced operational costs, accelerated loan processing, and streamlined back-office functions.

Payment modernisation

Driven by ISO20022 adoption, the push for real-time payments, and the G20/CPMI charter, all aimed at enhancing payment safety, speed, and cost-efficiency. ISO20022 brings structured remittance data, purpose codes, legal entity identifiers, and structured addresses into the mix.

- Payment hubs will play a pivotal role, enabling banks to leverage generative AI and linear AI/ML to generate insights, analytics, and personalised offers from structured remittance data in ISO20022 messages.
- Cloud-based SaaS solutions will handle unpredictable payment volumes and data patterns, aligning with real-time payment demands and the CPMI/G20 directive.
- Banks explore sector-specific offerings. Such services require investment in a multi-layer, composable, API-enabled, and rule-based payment architecture to create a hyper-personalised, value-added payment experience.

Paperless trade, the digital journey

Banks can potentially save \$25 billion annually by eliminating paper-based trade documentation. Digital trade transactions are 3-4 times faster, and error rates can be reduced by up to 50%, minimising discrepancies.

- Digital platforms and blockchain technology simplify and expedite trade finance, reducing the time required for cross-border transactions and minimising errors.
- Paperless trade reduces the environmental impact by eliminating the need for paper documents, transport, and storage, aligning with global sustainability goals.
- Blockchain technology enhances the security and transparency of trade transactions, reducing the risk of fraud and ensuring compliance with regulations.

BaaS and the financial ecosystem

Banking as a Service (BaaS) enables non-banking entities to offer financial services to their customers. BaaS have the potential to generate substantial revenue. By 2025, BaaS could contribute over \$30 billion in revenue globally, driven by transaction fees, API monetisation, and value-added services.