5 benefits of modernizing your payment infrastructure

Efficient and real-time infrastructure for a digital world

"What is another lesson that Uber et al can perhaps teach us? Being built from the ground up in the cloud using modern technologies has given Uber the ability to do so many things that are just harder to do on heritage technology— innovate, scale, tweak business models on the fly, and expand into new countries at very low cost."[1]

Gareth Lodge
Celent

Competing in the era of cloud technology

Rapid technology change and increasingly digital customers across many markets are challenging even the most capable payment organizations. These factors are in addition to the pressure to reduce running costs while adhering to compliance obligations. Payment infrastructure that once was a competitive differentiator is now becoming dated, making it difficult for many organizations to compete. However, advancements in cloud technology and artificial intelligence are enabling organizations to provide differentiated features at a lower price point.

Many organizations are accelerating their plans to modernize their payment infrastructure to be competitive in a rapidly changing world. Here are five benefits for payment organizations that are adopting cloud technology to modernize their payment infrastructure.

5 benefits of modernizing your payment infrastructure

1. Scaling efficiently as payment volumes increase

The expanding global economy and the significant growth of digital commerce have led to record payment volumes in most markets. However, fee decreases from market competition and regulation have made it challenging to keep the same level of profitability using existing payment infrastructure. Fortunately, cloud platforms have made it possible to automatically adjust capacity when there are changes in payment volume. These platforms can also detect when there are system issues and auto- matically take corrective action so that organizations can meet the type of availability needed for a critical service. Also, the high degree of automation in cloud platforms and the ability to choose the infrastructure provider means that organizations can reduce the cost of hosting while providing the capacity needed to support growing payment volumes. Modern payment infrastructure powered by cloud-based technologies is enabling organizations to not only scale, but also thrive as volumes increase.

2. Making real-time payments a reality

The introduction of real-time clearing and settlement facilities in many markets has made it possible to process payments almost instantly. This near-instant processing will become the new normal for most customers. Real-time payments can help organizations differentiate themselves with new products and services that do not exist today because of the delay in payment processing and the lack of robust payment information. They also can act as an enticement for customers to move away from checks and other more costly payment methods.
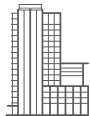
The existing messaging capabilities for many organizations were initially deployed when the type of parallel throughput to support a real-time service was not required. Taking advantage of cloud-native messaging means that organizations can tap into the elasticity of the underlying cloud platform while improving the processing speed across the systems that participate in the payment transac- tion. The increased processing speed can reduce processing exceptions with instant feedback when the payment is initiated, creating a competitive difference between organizations that have made the investment and those that have not.

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1 *Lodge, Gareth. "Cloud And Payments: Clear Transformation Benefits." Celent, 2 Oct. 2019.*

3. Adapting to new standards quickly

Whether it is ISO 20022 or the revised Payment Services Directive (PSD2), adopting new standards and complying with mandates are part of the ongoing demand put on payment organizations. These standards evolve over time as they are adopted in the market. While ISO 20022 was initially published in 2004, there have been annual updates since then. Existing integration capabilities can make it difficult for organizations to quickly implement changes in message formats. Cloud-native integration can make organizations more productive by removing the toil to test and deploy messaging changes. Additionally, cloud-native integration means organizations can run multiple versions at the same time, gradually switch over to the new version, and avoid delays in rolling out the changes.

4. Improving the efficiency of financial crime prevention

The speed and growth of digital payments pose new challenges for payment organizations to meet their compliance obligations. Attack vectors continue to evolve, and quickly adjusting processing rules can be a challenge with existing payment infrastructure. Taking advantage of cloud-native rules coupled with the data available in ISO 20022 can help organizations better identify potentially problematic payment transactions. These rules can be extended with artificial intelligence and machine learning to better detect financial crime and reduce the number of false positives by applying intelligence across the payment process.

5. Unlocking productivity

Investing in modernizing payment infrastructure can provide the tools that organizations need to create value-added services for customers. It can automate maintenance activities so that you can spend more time creating new capabilities and less time on repetitive tasks. Advancements in cloud technology make it possible to create a bridge between old and new infrastructures, allowing organizations to realize the benefits of modernizing payment infrastructure sooner. Organizations can reduce the risk of running the existing payment service while they transition to the new payment infrastructure. Red Hat helps payment organizations across the globe adopt cloud technology to become more efficient and competitive. Learn more about how Red Hat can help you modernize your payments infrastructure.

About Red Hat

Red Hat is the world's leading provider of enterprise open source software solutions, using a community-powered approach to deliver reliable and high-performing Linux, hybrid cloud, container, and Kubernetes technologies. Red Hat helps customers integrate new and existing IT applications, develop cloud-native applications, standardize on our industry-leading operating system, and automate, secure, and manage complex environments. Award-winning support, training, and consulting services make Red Hat a trusted adviser to the Fortune 500. As a strategic partner to cloud providers, system integrators, application vendors, customers, and open source communities, Red Hat can help organizations prepare for the digital future.

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2 Lodge, Gareth. "*Cloud And Payments: Clear Transformation Benefits.*" Celent, 2 Oct. 2019.