



Card platform
migration:
change is here

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Executive Summary

Compared to surveys we have conducted in previous years, our 2024 survey shows more banks than ever before actively engaged in the migration process, with almost two-thirds of banks engaging in card systems migration within the last two years.

In many cases, banks appear to have realized they simply could not continue to support outdated legacy systems and needed to change to meet changing customer requirements.

While the challenges banks face remain similar to those they have faced for years, the results of this year's survey show banks are determined to take action, with more than eight in ten now at some defined point in the migration journey, up from six in ten in 2023.

Alongside technical skills, banks want a partner with a broad geographic reach, proven experience and the ability to assist in non-technical areas such as business case development, card scheme certification, customer communication and other areas.

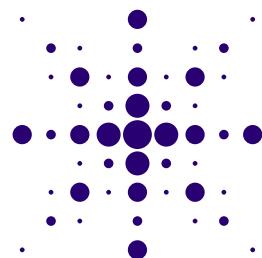
For the first time, this year we have included the results of a round table discussion with senior European bankers who have recently undertaken a migration exercise to add extra colour to our findings and depth to the statistics from our survey.

This reflects an acknowledgement on the part of banks that the payments market is changing fast to meet customer demands for faster, smoother and safer payment experiences.

Customer demand aside, other key drivers towards migration are developments in payments regulation, concerns about internal capacities and skills and the inability of existing systems to cope with massive changes in demand, including much higher transaction volumes.

Other evidence that banks now have a much clearer idea of how to proceed is seen in the fact that almost half know they are looking for an external partner for assistance with both the technical and non-technical aspects of card systems migration.

Banks also have a much clearer idea of the risks involved in the migration process – and of the options they will choose to help them mitigate these risks and deliver a successful migration.



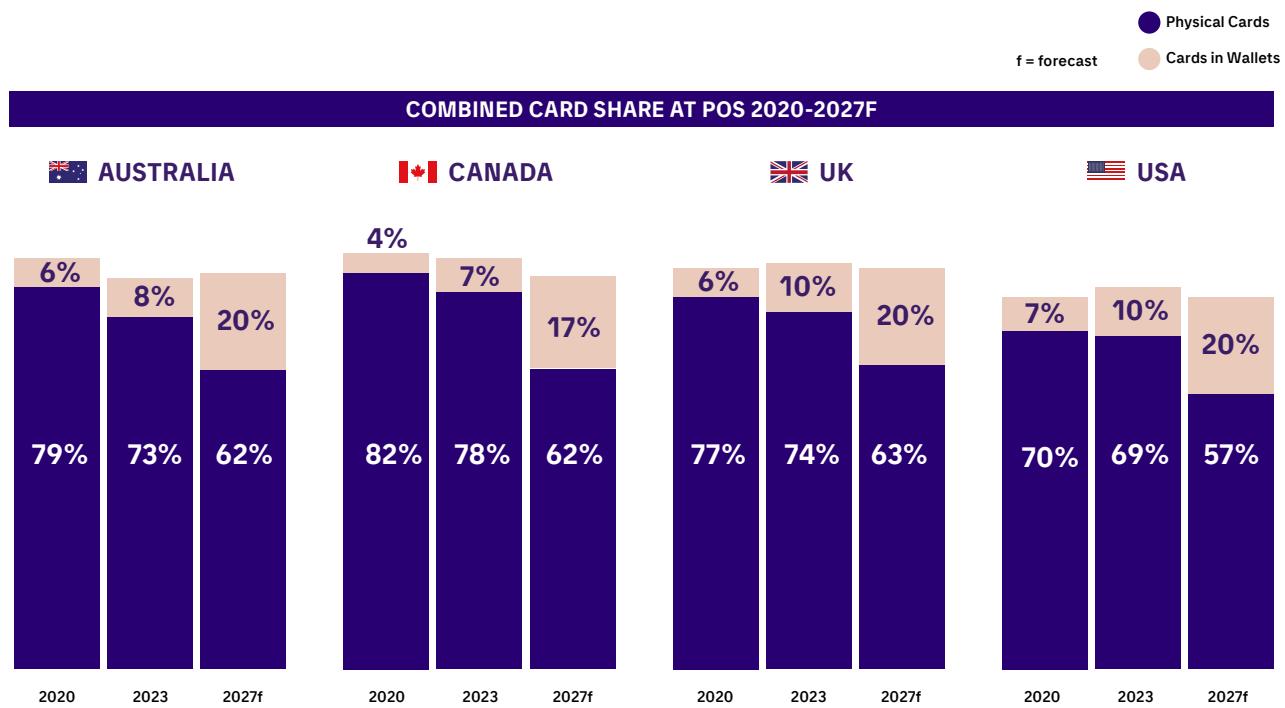


Introduction

Changing card platforms respond to market needs

The need for systemic change in card platforms has moved beyond necessity to an urgent need as cards remain a highly popular payment method, especially in the developed world – whether that's as part of a digital wallet or used as a stand-alone payment method. *Worldpay's 2024 Global Payments Report* shows¹ cards still rank ahead of account-to-account payments, QR-codes and non-card digital wallets in North America, the UK and Australia – while data from the European Central Bank (ECB) confirms² spending on cards grew by 15.6% across the eurozone in 2023.

Cards: still favoured across Europe, North America and Australia



CREDIT = Worldpay

As our survey this year shows, the question is no longer whether banks plan to migrate to fully-digital card platforms, but rather when and how – with two-thirds of banks surveyed currently in the middle of a migration process, and more ready to go.

As we'll see, a variety of options remain open to banks – and as always, early movers will gain the most advantage in terms of better customer service and greater flexibility. Furthermore, the money banks save by no longer maintaining expensive legacy systems – as shown below – can be reinvested in innovating better customer services and new products.

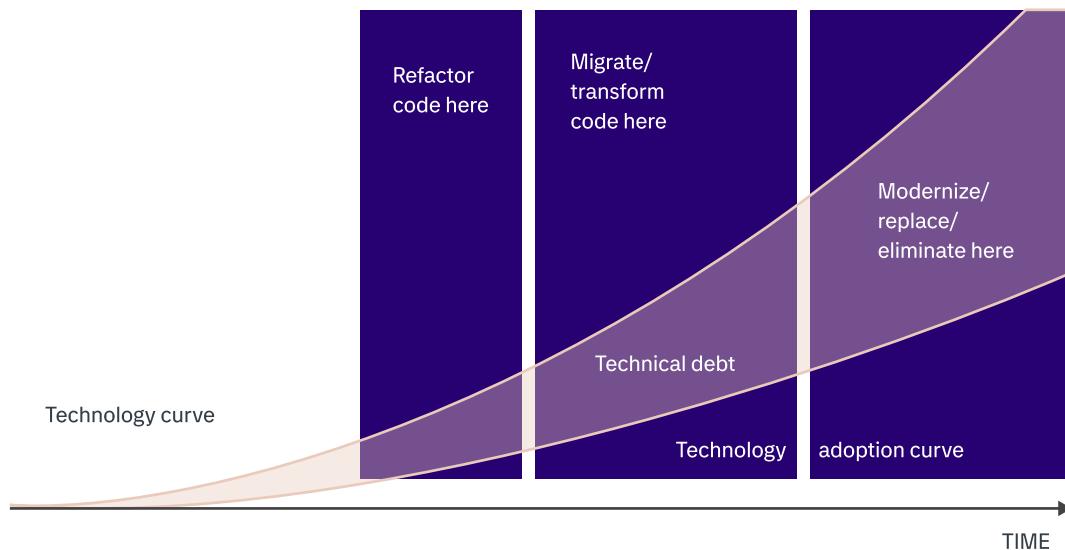
¹ Worldpay, 21 April 2024: "The Global Payments Report 2024": <https://worldpay.globalpaymentsreport.com/en>

² European Central Bank, 31 January 2024: "Payment Statistics: first half of 2023": <https://www.ecb.europa.eu/press/stats/paysec/>

Cost, compliance and service: what's driving systems migration

A wide range of drivers have led banks to today's situation. Most obviously, the cost of maintaining legacy card platforms continues to grow, with McKinsey estimating³ some banks are spending 70% of their tech budgets on legacy systems maintenance. This is a significant issue, as work from n-iX shows⁴ the longer banks wait to replace legacy systems, the more it costs in terms of money and time.

The longer banks wait, the higher the cost of migration.



CREDIT = n-iX

These rising costs have an obvious knock-on effect on profitability. Just as significant, however, is the effect of high-cost legacy systems on bank capacity to invest in new systems and technologies. However, evidence from this year's survey shows banks have moved beyond this challenge and are now actively preparing new, fully digital platforms.

Cost aside, additional compliance requirements, the changing face of payments and a growing war for tech talent are all adding additional impetus to the drive towards platform migration. On the compliance side, v4 of the Payment Card Industry Data Security Standard (PCI DSS) was released in March 2022 to help combat fraud and encourage the use of upgraded technologies in the payments industry. By introducing modern card systems, designed with strict security and privacy requirements in mind, banks can optimize resources they dedicate to PCI DSS compliance as well as limit the need to store and process sensitive personal information. Looking ahead, the EU's third payment services directive, PSD3, due for implementation in 2027/2028, will require systems to support rapid growth in the number of API requests being received and transmitted to cope with developments such as Open Banking and Account-to-Account payments.

³ McKinsey & Co, 8 September 2022; "Winning in Digital Banking": <https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/tech-forward/winning-in-digital-banking>

⁴ N-iX, 30 April 2024: "Managing Technical Debt over Time": <https://www.n-ix.com/digital-banking-strategy/>



“ While cards will remain the dominant payment form for the next decade in North America and Europe, the shift to instant payments has profound implications.

Another regulatory shift, the move towards instant payments readiness via the December 2024 SCT-Inst mandate from the EU, reflects growing market demand for instant payments and other financial services. Acumen Research and Consulting say⁵ instant payments will grow ten-fold this decade, hitting almost \$1.2 trillion by 2030.

The shift to instant payments cannot be underestimated as a driver for change: this is perhaps the most significant shift in the payments market in the next ten years. While cards will likely remain the dominant payment method in Europe and North America over the next decade, the shift to instant has profound implications for payment systems across Europe.

Growth in instant payments will increase pressure from merchants and other players for more competitive pricing with regard to card payments – which will in turn put pressure on banks to improve their efficiency. The multi-rail data flows that instant payments require will also need to be supported by modern systems.

Finally, as experts with the skills to manage legacy systems move towards retirement, banks that still use some legacy elements are putting their capacity to execute everyday operations at risk.

In this context, we have commissioned a survey among 48 senior banking professionals to examine how their financial institutions are responding to these growing pressures for change. For the first time, we have also run a round table with a group of senior professionals whose institutions have recently been engaged in a card platform migration exercise, backed up with third-party research from leading consultants and international institutions such as the European Central Bank (ECB) or the Bank for International Settlements (BIS).

We are very grateful to all our round table participants for bringing their expertise and wisdom to bear on the challenges all banks face in migrating to modern card systems . We hope you enjoy this year's report, and look forward to any questions or comments you may have.

⁵ Acumen Research, November 2022: “Global real-time payments market”: <https://www.acumenresearchandconsulting.com/real-time-payment-market>

Part One

Happening Now: The race to migrate to modern systems.

A vast majority of Europe's banks now engaged in migration

Are you currently modernising, finalising or planning to modernise your card systems by migrating to a new platform?

ANSWER CHOICES	RESPONSES	
Yes. Modernisation to your card issuing platform or service	40.43%	19
Yes. Modernisation of your card acquiring platform or service	19.15%	9
Yes. Transition from In-house solution to outsourcing	8.51%	4
Yes. In-sourcing whole or parts of your card processing capabilities that had been outsourced	10.64%	5
No	21.28%	10
Total		47

CREDIT = Tietoevery Banking research

“ Migration is now a necessity – not an option.

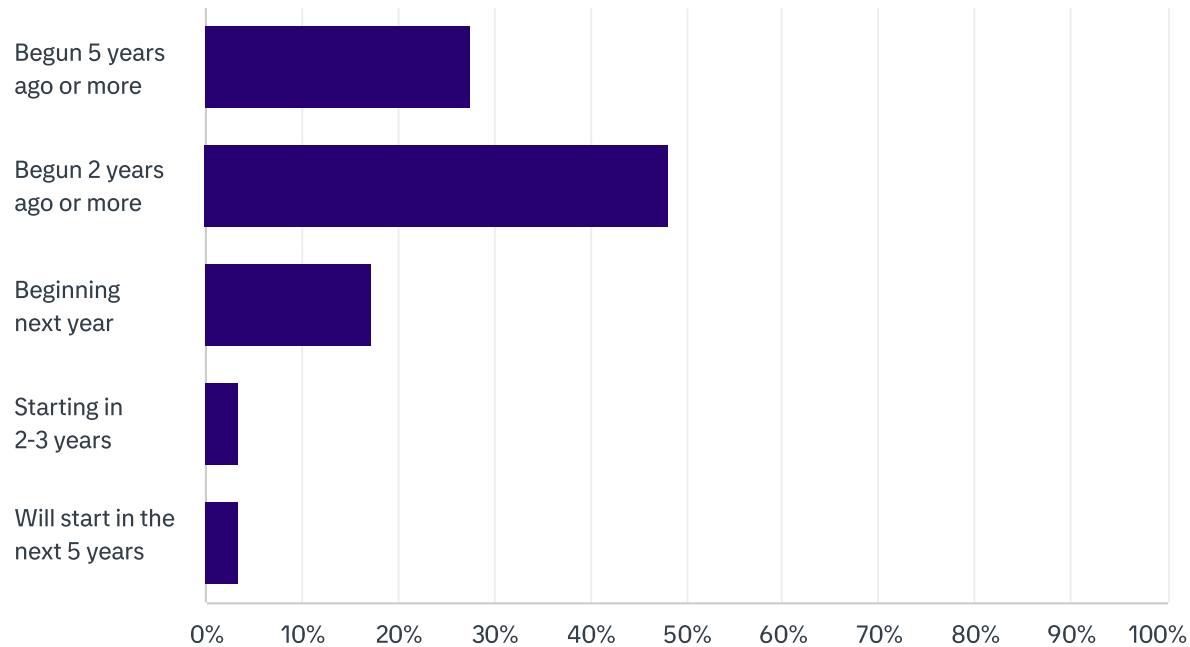
This is consistent with our view (see introduction, page 5) that migration is now a necessity rather than an option. The 20% of banks not currently engaged in migration may already have switched their platforms: if not, they face an uncertain future as laggards in this process.

Most banks are now turning to the migration process following a careful consideration of their approach, a strategy confirmed by our round table participants. As Abel Bagamery of OTP, a participant in our round table of senior banking professionals, puts it, “*we had spent a long time considering the right approach to changing both our front and back office systems given the rigidity of the solutions we had in place post-2000.*”

Respondents to our survey demonstrate just how fast banks have caught up with the need to change. Almost two-thirds (65.5%) of the migrations currently in process were begun in the last two years or are set to begin next year, while a further 27.6% have been ongoing for at least five years, suggesting that these are part of an iterative process, or step-by-step migration.

The rush to change: almost two-thirds of migrations started in the last two years/are about to start

How long have you spent on your modernisation project?



CREDIT = Tietoevry Banking

Finally, 7% of banks say they are still in the planning stage, a number which suggests that as few as one in ten banks is still not planning to migrate. Clearly, European banks are alive to the need to update their systems. Milan Ognjanovic from Serbia's ChipCard JSC Belgrade, who also participated in our senior banker round table this year says, "We realized we could not continue with our previous system, which was producing a number of alerts which required checking on a daily basis, while downtime risks were increasing."

To sum up, this year's survey makes it clear that banks now recognize the vital need to change – and they're taking action.

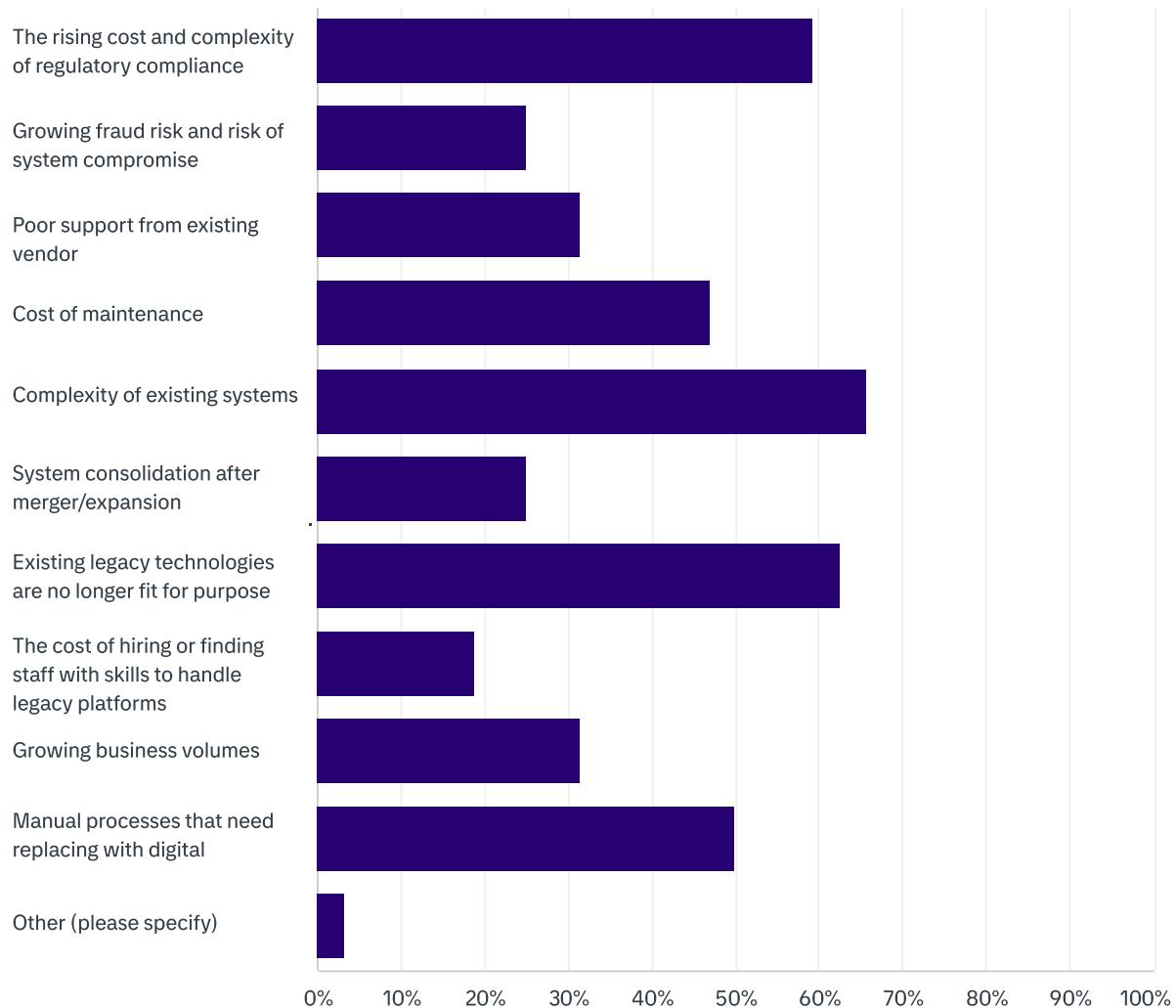
Drivers for change: a deeper dive

Tietoevry Banking has been running this survey on card platform migration for four years. In that time, we have seen that the key migration drivers are compliance with new regulations (a factor discussed in our introduction), coping with vast growth in the numbers of transactions requiring processing, and turnover in internal staff making the maintenance of legacy systems an ever-growing burden.

This year, banks appear to have recognized the growing complexity of the modern payments landscape, with account-to-account (A2A) payments coming into play, instant payments, Request to Pay (R2P), e-commerce and other methods layered on top of more familiar methods such as credit and debit card payments. Responding to this shifting landscape, banks realize they need systems that are sufficiently flexible to cope—not just with new payment trends, but also with the growing demands of regulators, from SCT-Inst to PSD3 and more.

New systems need to be flexible to cope with growing demand

Which of the factors below are driving your migration to new platforms or services?



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“ The great news from these results is that banks now recognize the urgent necessity of taking action to ensure their card systems are modern, flexible and fit for purpose in the digital era.”
- Valdis Janovs from Tietoevry Banking

These factors are all reflected in responses to our survey question of what is driving banks to change. More than 60% of respondents said their existing legacy systems were no longer fit for purpose, while only a slightly smaller number (59%) said the rising cost of compliance was driving change.

The need to introduce greater automation – which cuts costs while improving the speed of service delivery – was also cited by half (50%) of respondents. During our round table with leading European banks that have undertaken migration projects, Alexander Osadchuk of the Ukrainian Processing Center (UPC) confirmed that compliance and fast-rising business volumes had driven their migration to new card systems: “We needed a system that is fully PCI DSS compliant and also compliant with the requirements of international payment systems. That, together with the complexity of our legacy systems and growing business volumes, persuaded us of the need to change two years ago.”

Part Two

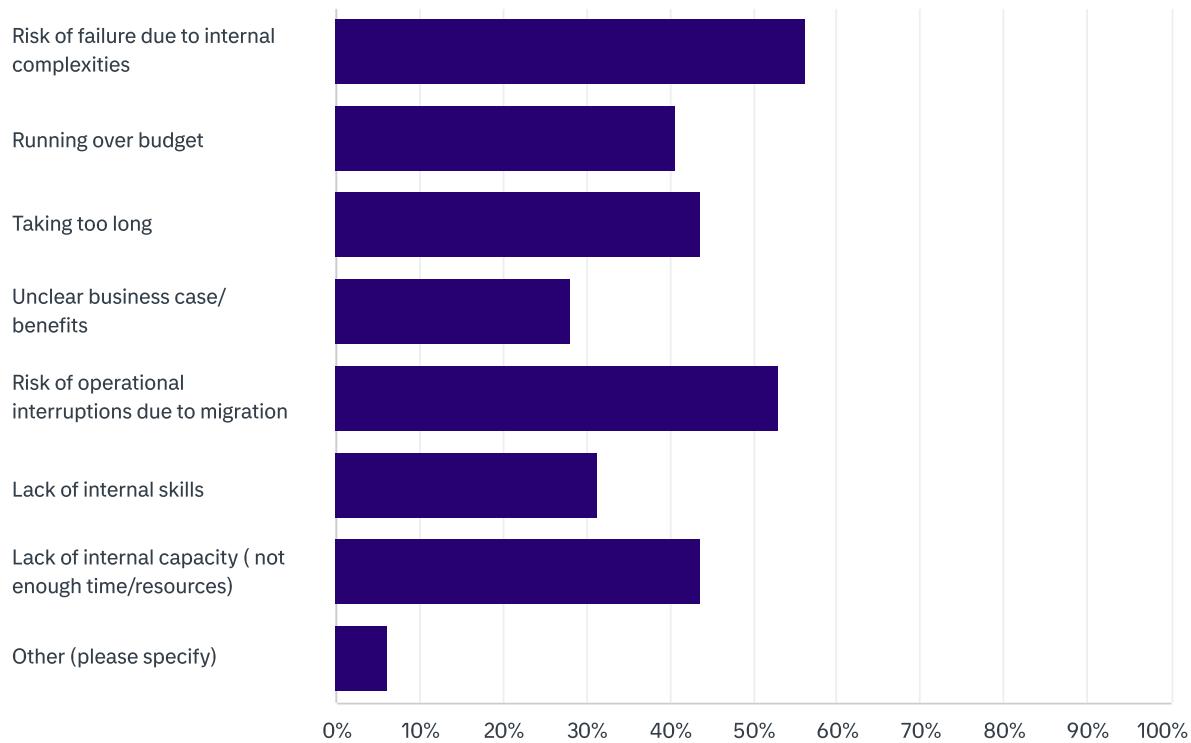
Finding the right migration approach

As banks reflect on the right approach for their platform migration activity, they quite correctly need to focus on a variety of risk factors that could affect their choice of approach. Our round table discussion with senior European bankers reflected these concerns, with OTP's Abel Bagamery confirming that "*in-house resources, both in terms of technical competence and flexibility, were problems for us at OTP – especially when thinking about front office solutions.*"

Meanwhile, Chip Card's Milan Ognjanovic noted that the system uptime of their migration partner should be crucial to any bank's decision, since that underpins the dependability of the bank's own system during the migration process: "*In selecting the right partner, assessing the reliability and availability of their system was key for us – alongside the kind of powerful functionality we needed.*"

Banks most concerned by system failure, operational downtime and internal resources

When thinking about migrating to a new card system, what are your main concerns?



CREDIT = Tietoevry Banking

Findings from our survey of 48 banking professionals also reflected these concerns. Respondents were most concerned by the risk of project failure (56%), the possibility of operational downtime during the migration process (53%), low internal capacity in terms of time or resource (44%) and project over-runs (44%). Add these worries to the urgent need to migrate, and it's clear why migration projects can be high-stress events.

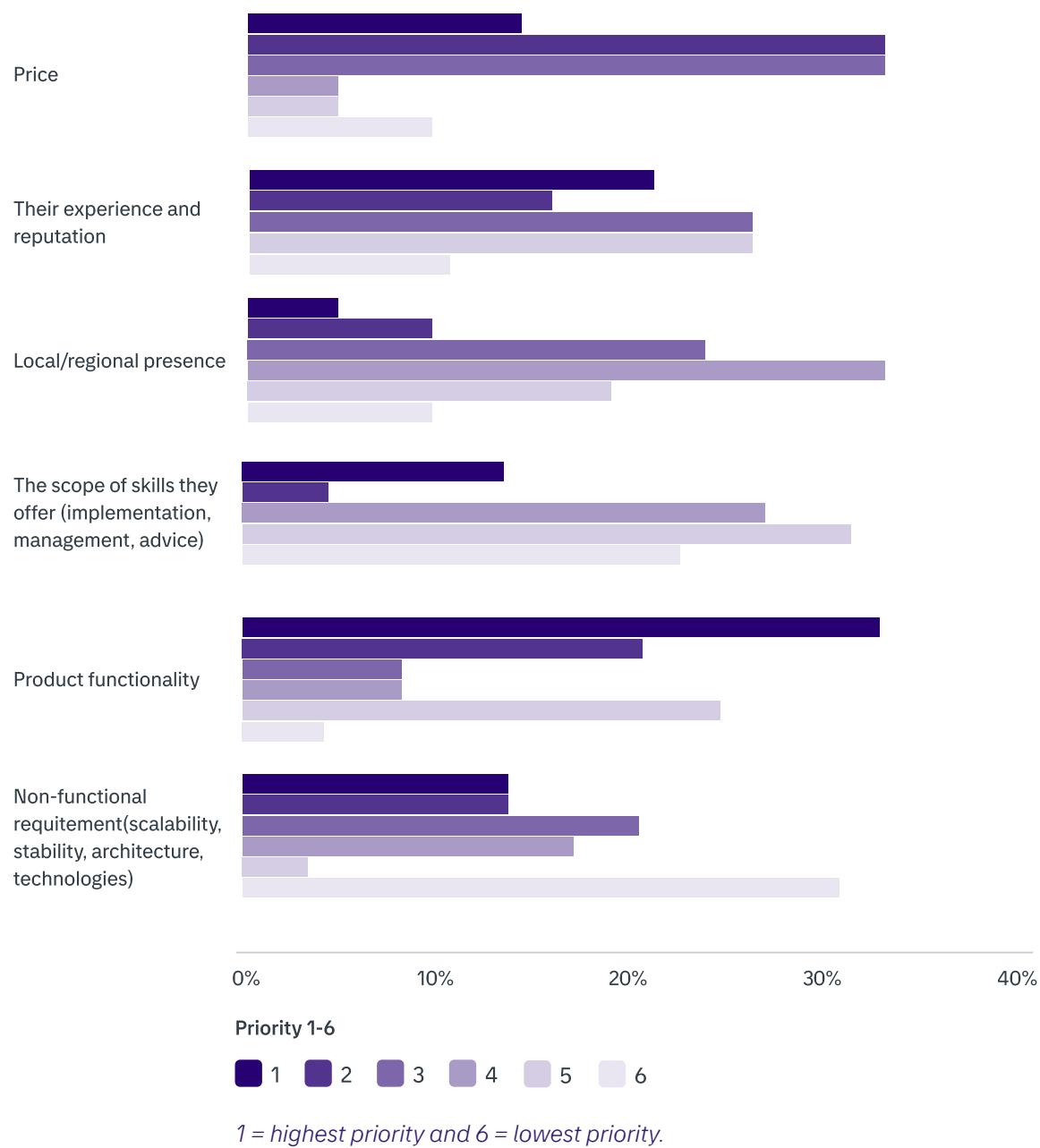
Many banks now realize they have to change – and that makes these risks all the more concerning. As the Ukrainian Processing Center's Anna Lysenko told our round table, "*when it came to migration, we were faced with little choice given the state of our system at that time.*"

Commenting on these findings, Valdis Janovs from Tietoevry Banking noted, "It's clear that concerns around the extent and suitability of internal resources – coupled with the urgent need to see migration happen soon – are causing banks across Europe to seek external partners. While that's the right decision in most cases, the question is then what kind of partner banks should be looking for?"

Migration partners: what banks want

Banks want skilled partners – both technical and beyond...

*What criteria will you/ would you adopt when selecting a solution provider?
Please rate from 1-6.*



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When it comes to what banks are looking for, the most important factors are broad and deep skill-sets, both in terms of technical skills (ranked on average most important at 4.25/6), plus a strong presence in a range of regions (3.81/6), non-product/technical capabilities (3.76/6) and a good reputation for delivery (3.26/6).

One striking factor in this year's survey is that the cost of services from a migration partner comes a long way down the list, suggesting that banks recognize the need to find a quality partner, rather than simply looking for the best deal. OTP's Abel Bagamery confirms these findings: "*We undertook an RFP with more than 800 questions – it took more than a year to find the right partner in Tietoevry. The most important factors were functionality, a great architecture and compliance with both Hungarian and international regulations .*"

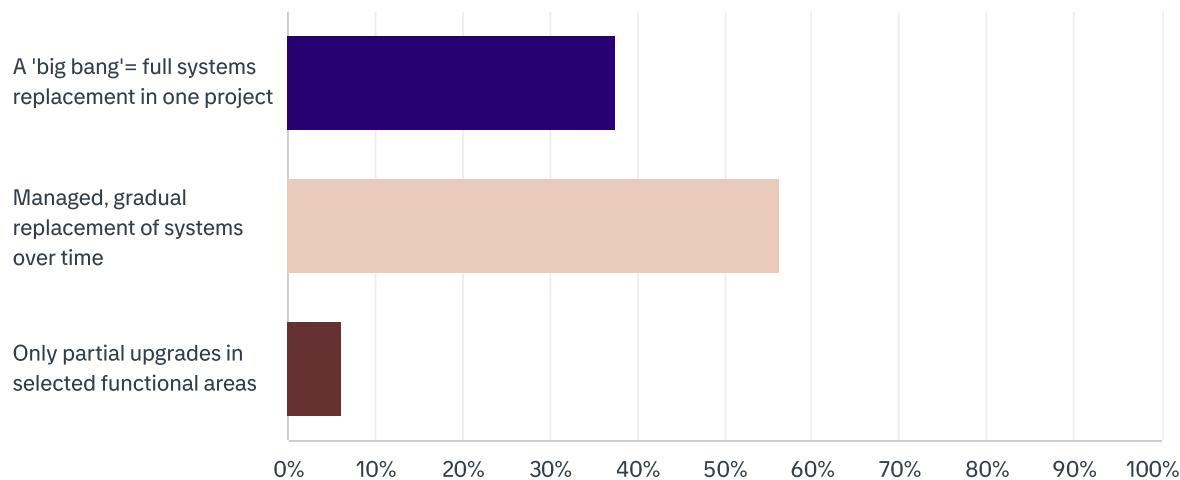
“ In general, banks tend to underestimate the complexity of systems migration projects and the time they require. With our long experience of managing migration projects, Tietoevry Banking can help guide bank executives and manage board expectations for go-live dates and other milestones.”

– Toms Jansons, Tietoevry Banking

Meanwhile, the need for so-called “soft” skills, such as communication and support and advice when approaching Boards of Directors was confirmed by UPC's Anna Lysenko: “*Tietoevry Banking helped us both in terms of client communication and in terms of supporting and advising on the mechanics of the migration process.*”

Managed, gradual replacement: the best way to migrate

Thinking about your migration strategy, which of the following approaches are you likely to adopt. Select 1 only



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“ Migration is a journey of modernization, not a sprint. It's about changing underlying infrastructures used for 20-30 years or more. In some cases, banks are running technologies built in the 90s into the 2020s.”

- Abel Bagamery, OTP

Participants in our round table confirmed results from our survey that most banks prefer a gradual, carefully-managed replacement of systems over time, rather than an all-at-once, “big bang” approach. More than half of the respondents to our survey (56%) said they are planning a managed, gradual replacement process - almost double the number planning a “big bang” approach (37.5%). UPC’s Alexander Osadchuk agrees: “We chose a step-by-step process that would help us to prepare our clients for the changes ahead. This approach also helped to identify glitches and bugs during the process – and not afterwards.”

Attitudes change as migration gets real

“ As it becomes obvious that customers want faster, safer and smoother payment experiences, attitudes to migration options are becoming clearer.

Compared to our 2023 survey, banks now favour cloud solutions for migration. Whereas more than a third of respondents in 2023 said they did not want to deploy their systems on a public or private cloud , these are now the most favoured options for banks, with 31% saying they preferred to adopt a licensed solution via a private could, 28% opting for a licensed solution on public cloud (28%) and 22% favouring a Software as a Service (SaaS) solution.

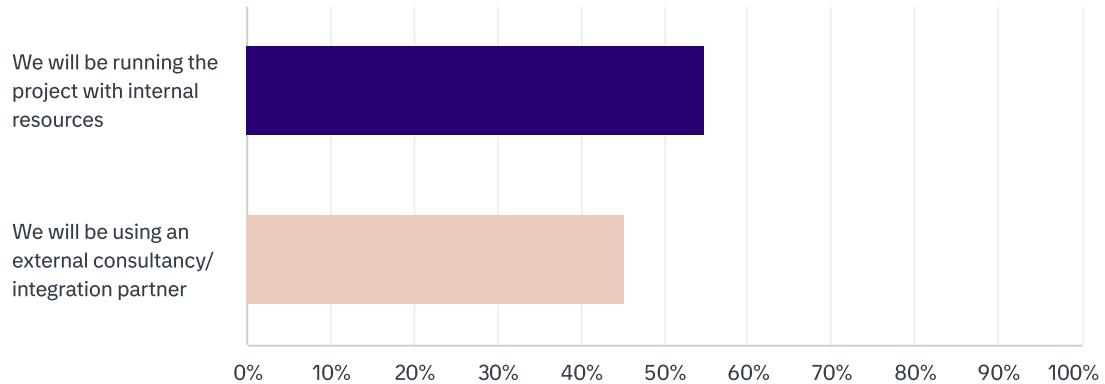
This shift from low confidence in their future decision-making to a definite preference for cloud hosting or SaaS likely reflects the changing demands of bank customers, who are increasingly looking for smoother, safer and faster payments and banking experiences. As the need to migrate becomes more pressing, banks have a clearer idea of what they want. Chip Card’s Milan Ognjanovic says: *“As we analyzed the changing needs of the market, we adopted new solutions to meet these needs, which Tietoevry Banking were able to deliver. We discussed progress during regular update meetings.”*

Part Three

Changing the game: why the right support matters

Almost half of banks surveyed plan to partner on migration

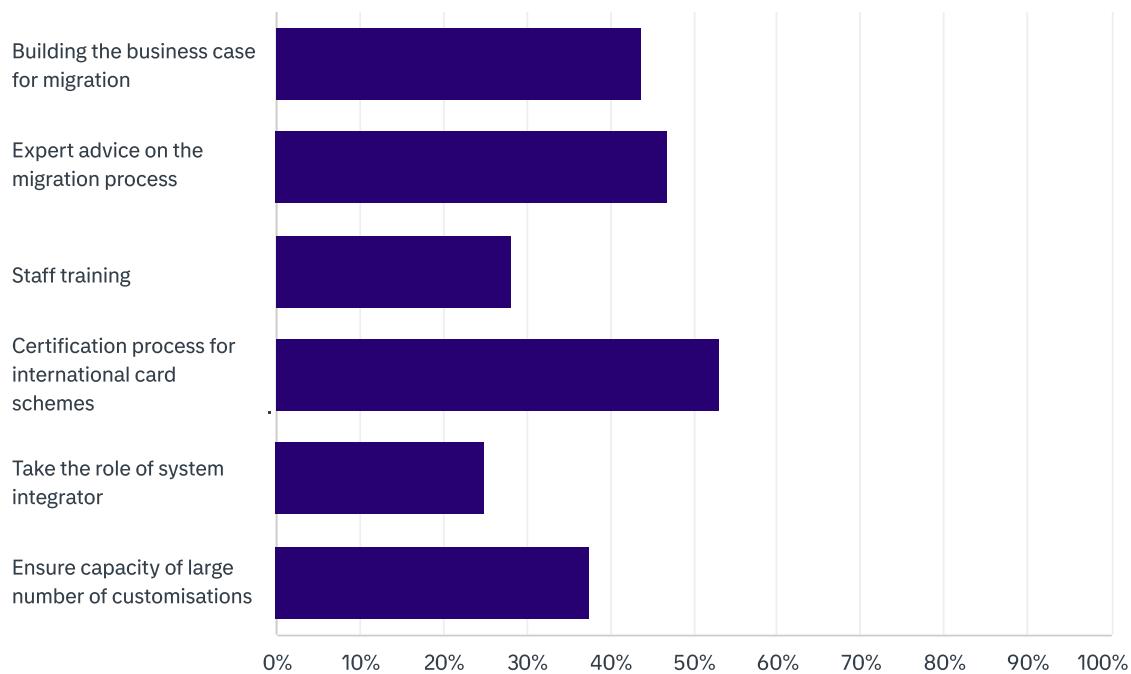
Thinking about your intended migration, will you be looking to partner with an expert third party?



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Banks want help with certification, strategy and customization

Which additional expertise are you looking for when selecting a solution vendor?



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“ The high quality support Tietoevry Banking offer on a 24/7 basis was a key factor in us selecting them as a migration partner.”

- Anna Lysenko, UPC

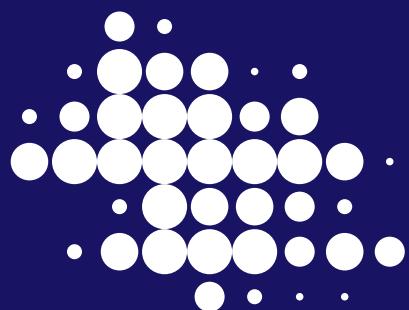
Continuing the theme of this year's survey, which shows a great improvement in the clarity of bank's migration plans, our survey found that almost 55% of banks intend to run the project with internal resources only, with 45% planning to work with external partners. For those seeking to work with external partners, the main reasons given include help with certification from card schemes (53%), advice on the migration process (47%) and building the business case for migration (44%), while banks also said that capacity planning for customized solutions (37.5%) is important to them.

“ OTP had a wide range of customisation requirements, all of which required user testing before implementation. Throughout this process, Tietoevry Banking were fundamentally involved in providing support, advice and opinion which proved valuable.”

- Abel Bagamery, OTP

“ The fact that the Tietoevry Banking team were available for consultancy and support throughout made a big difference for us, and is a characteristic of our long and successful collaboration with them.”

- Milan Ognjanovic, Executive Director, Chip Card JSC Belgrade



Conclusions and recommendations

As this report shows, the key drivers for change in card systems are the changing dynamics of the payments market – including the ongoing popularity of cards; compliance with regulatory requirements, and the cost of maintaining legacy systems which are no longer fit for purpose.

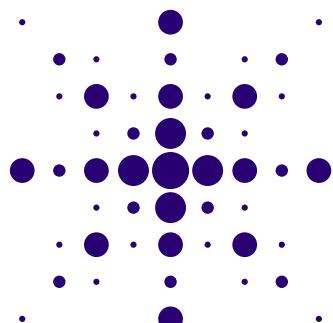
After some years of hesitation recorded in our previous surveys, the majority of banks are now at some point on the migration timeline – even if only at the planning stage – reducing the risk that outdated technologies could threaten their businesses.

Banks are becoming more experienced in the issues associated with systems migration as they either start the process or get closer to having to make key decisions. This experience has led to changes in sentiment outlined in this report, including a preference for staged migrations over the “big bang” approach, and an increased appetite for cloud-hosted systems rather than systems managed on-premises.

While most banks already have significant systems migration projects underway, the minority of banks that are not engaged in migrating their card systems should take action as quickly as possible.

This year’s data shows that almost half of banks are looking to work with external partners on the migration of their card systems. As the experience of our round-table participants shows, working with an experienced partner with deep technical knowledge and non-technical know-how in areas such as card scheme certification, project management and communication at Board level is a huge success factor.

At Tietoevry Banking, we combine market-leading systems and technical knowledge with deep experience of managing migration projects. We are therefore ideally positioned to structure and develop your migration timeline, manage the implementation and “go-live” of this project and advise you on your approach to clients, senior management and internal and external partners – including regulators.





About Tietoevry Banking:

Tietoevry Banking is the market-leading financial software platform and services partner in the Nordics. We deliver a modular, pre-integrated banking-as-a-service solution, as well as market-leading software for core payments, credit and debit cards, financial fraud and wealth management. With unmatched scale, expertise and specialization, we drive the industry forward by enabling financial institutions to become more agile and efficient, accelerating their digital transformation journey.

<https://www.tietoevry.com/en/banking/transaction-banking/>

About our market research

We conducted a survey of 48 senior banking professionals across Europe between February and May 2024. We complemented this research exercise by hosting a “round table” for six senior banking professionals from OTP Bank (Hungary); UPC (Ukraine) and ChipCard (Serbia), all of whom were currently engaged in or had completed card systems migration projects.



Valdis Janovs
Head of Instant, Retail Payments and Cards
valdis.janovs@tietoevry.com



Toms Jansons
Senior strategic product manager
toms.a.jansons@tietoevry.com