FINANCIAL INSTITUTIONS
GLOBAL PAYMENTS REPORT 2025

# The Future Is (Anything but) Stable

**September 2025**

# Contents

# Overview

## The payments industry is undergoing major reshaping on multiple fronts.

Innovations that once stood at the periphery—instant payments, digital currencies, generative AI, and agentic AI—are scaling fast. Software platforms command an ever-growing share of payments revenues, raising the bar on product capabilities, speed, and integration. Investors are pushing for sharper margin discipline. Regulators are expanding their focus on payments and transaction banking, even as geopolitical volatility and sanctions oversight create new layers of risk.

BCG's 23rd annual Global Payments Report examines how these forces are redefining growth and profitability across the value chain. Our market outlook provides a detailed forecast of transaction volumes and revenue pools by region and segment. We also explore how players can respond to the major industry shifts now underway. These include the march of digital currencies toward mainstream use, the transformative potential of agentic AI, the growing need for cost excellence, the increasing platformization of merchant services, the rise of account-to-account systems and their impact on cross-border flows, and resilient frameworks for risk and compliance. These developments are not defensive moves, but strategic imperatives.

Although the operating environment is more complex today than at any point in the past decade, the industry's fundamentals are strong. Companies that move decisively—modernizing capabilities, rethinking cost, professionalizing risk and compliance, and making targeted investments in next-generation technologies—can create lasting advantage for customers, shareholders, and the broader financial system.


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## Key Highlights

# $2.4T

**Payments revenue will top $2.4 trillion by 2029.** Global payments revenue reached $1.9 trillion in 2024 after growing at an 8.8% compound annual growth rate since 2019, but we expect growth to slow to 4.0% annually over the next five years as deposit margin tailwinds fade, pushing revenue to $2.4 trillion by 2029. Transaction-related revenues will remain strong, fueled by double-digit growth in Latin America, solid gains in Eastern Europe, and growth approaching 9% in the Middle East and Africa.

# Up 40%

**Real-time A2A volumes are up 40% globally.** Real-time account-to-account (A2A) payments now make up around a quarter of global retail digital payments—up 40% year-on-year in 2024. In India and Brazil, A2A payments already exceed 50% of all transactions. In the Middle East and Africa, where real-time systems are still emerging, adoption is projected to reach more than 50% by 2030. Cross-border real-time payments are the next growth frontier, with the potential to unlock up to 30% of transaction-related payments revenue and 10% of total payments revenue.

# $176B

**Payments fintechs hit $176 billion.** Payments-focused fintechs have attracted $135 billion in equity funding over the past 25 years—nearly a quarter of all global fintech investment. Together, these businesses generated $176 billion in revenue in 2024 and are growing at 23% annually.

# 30%–35%

**Value-added services could represent 30% to 35% of US acquiring revenue by 2027.** Embedded finance could add another 10% to 20%. Major platforms are fueling this growth. Software players are expanding at twice the rate of digital acquirers and nearly three times that of incumbents.

# >50%

**Agentic AI will influence over half of e-commerce spending.** Agentic AI is moving deep into the payments stack, powering fraud detection, payments reconciliation, customer service, and cross-party coordination. A survey of US consumers found that 81% expect to shop with agentic AI—a shift that could drive more than $1 trillion in spending, accounting for about 50% of online commerce.

# 30%–40%

**Cost excellence can lift margins by 30% to 40%.** Cost transformation is a major growth lever, not just an efficiency play. Leaders are boosting their authorization rates, reducing customer acquisition costs by up to 60%, and deploying multiple measures—smarter transaction routing, GenAI-enabled sales precision, and leaner operations—to free up capital to invest and scale in a competitive market.

# $26T

**Stablecoins reached a market capitalization of around $210 billion in 2024—up 57% year-on-year.** They generated more than $26 trillion in transaction volume. Yet real-world payments account for only 1% of that total. Banks' near-term opportunity lies in supporting stablecoin issuers with services such as tailored commercial packages that can open high-margin revenue streams.

# Outlook 2025—A Market in Flux

*By Markus Ampenberger, Max Zevin, and Nikhil Dangayach*

After years of steady cash-to-digital migration and maturing investor interest, the payments sector faces a new phase. Leaders must navigate a fragmented, high-stakes terrain where sovereignty matters, emerging tech is reshaping the rules, and the cost of hesitation is rising fast.

## Revenue Is Up, but Slowing

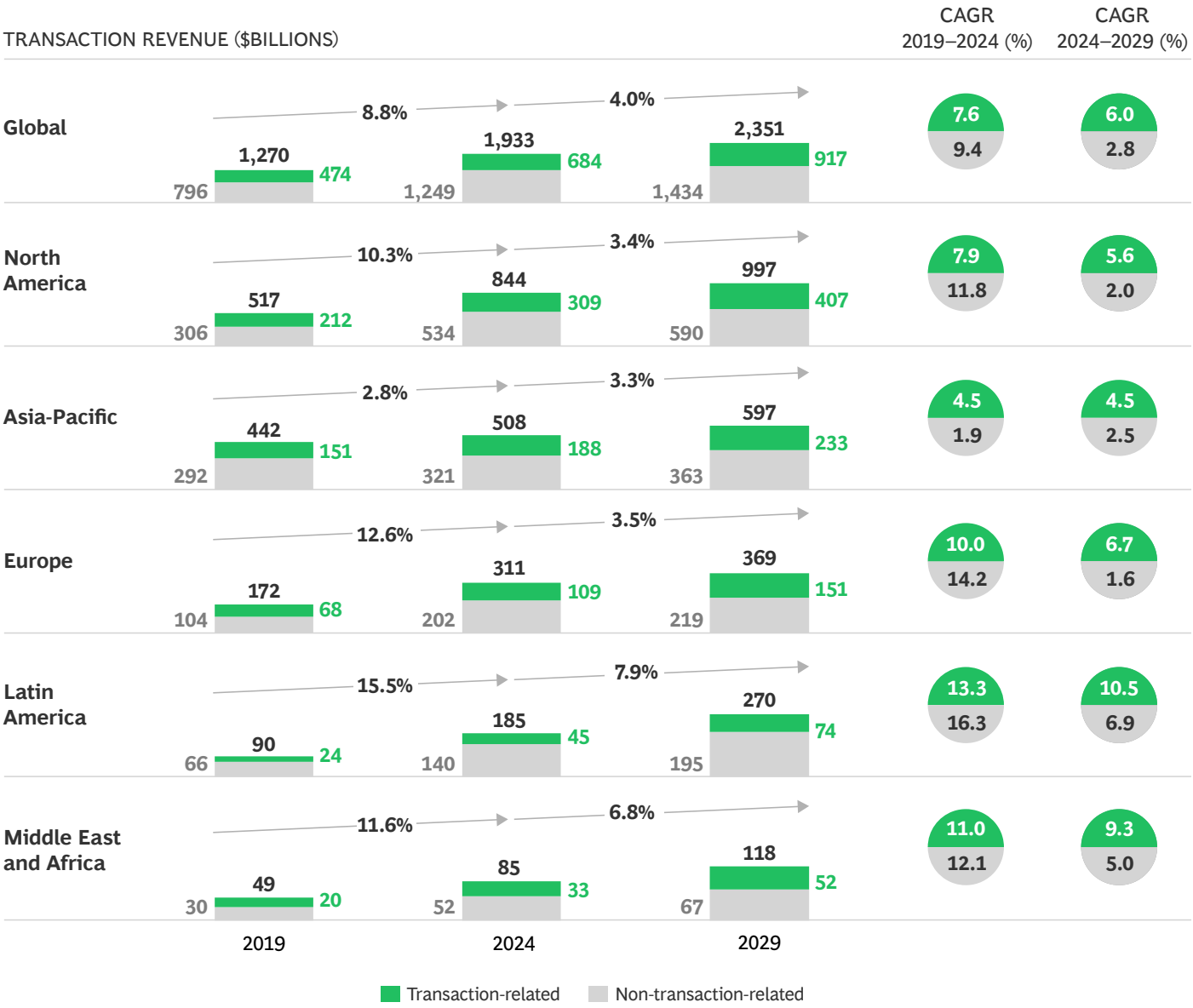
Global payments revenue reached $1.93 trillion in 2024—up 8.8% annually since 2019—but growth is set to slow to 4.0% a year through 2029 as interest rate tailwinds fade. (See **Exhibit 1**.) These figures come from BCG's Global Payments Model, which draws on central bank data, macroeconomic forecasts, and BCG experience across more than 60 markets covering over 90% of global GDP.

Transaction-related revenue will drive most of the expansion, propelled by rising card use, instant payment adoption, and new ecosystems. Developments such as Apple's opening of its NFC chip and the scale of India's UPI are accelerating digital volumes. Latin America will lead with double-digit annual transaction-related revenue growth, followed by the Middle East and Africa at 9%. Europe as a whole will expand by close to 7%, with Eastern Europe growing by roughly 13%—far outpacing Western Europe's 4.3% and North America's 5.6%.

Non-transaction-related revenues, which surged during the high-rate era, are set to stall, with growth expected to slow to just 1.6% in Europe through 2029, compared with an average of 14% annually over the past five years. Falling margins on processing payments will continue to compress returns, exerting pressure on profitability even as lower funding costs improve lending economics.

**EXHIBIT 1**

# Transaction Revenue Will Remain a Primary Growth Engine




**Source:** BCG Global Payments Model 2025.
**Note:** Transaction-related revenues include revenues from transactions made with cards or with noncard payment instruments. Non-transaction-related revenues include revenues from interest income related to deposits, overdrafts, and revolving credit cards, as well as fee income from card and current account maintenance and value-added services. Deposit revenues include revenues from checking and sight deposits. Term and savings deposits are not included in the model.

Revenue pools are shifting across the value chain, too. Core payments acceptance remains under pressure as pure transaction processing commoditizes, driving growth in value-added services and embedded finance. Software-payments integration now accounts for the largest share of the acquiring revenue pool. Fintechs and vertical software players are moving into high-value adjacencies—merchant onboarding, payout orchestration, and real-time treasury—putting incumbent banks and payment monoline providers on the defensive in some segments.

## Investor Dynamics Are Changing

Payments sector valuations have begun to rebound, supported by stronger fundamentals and shifting investor sentiment. (See **Exhibit 2**.) Payments players that integrate software as a service (SaaS) are growing rapidly, and top performers generated average annual total shareholder returns (TSR) of 37% over the past three years.

Issuers staged a breakout performance, posting 32% annual TSR on the back of robust consumer spending and a more favorable regulatory environment. Networks have maintained their strong secular growth trajectory, achieving 18% annual TSR—lower than SaaS but still an exceptional return. Meanwhile, acquirers and processors continue to struggle, generating just 2% annual TSR as SaaS models increasingly encroach on their territory.

A recent surge in dry powder across private equity and credit markets—combined with a more accommodating US policy stance toward business and finance—has set the stage for renewed fintech funding and large-scale consolidation. Landmark transactions, such as the anticipated Capital One–Discover merger and Global Payments' acquisition of Worldpay from FIS and GTCR, underscore this momentum and signal accelerating strategic activity in payments.

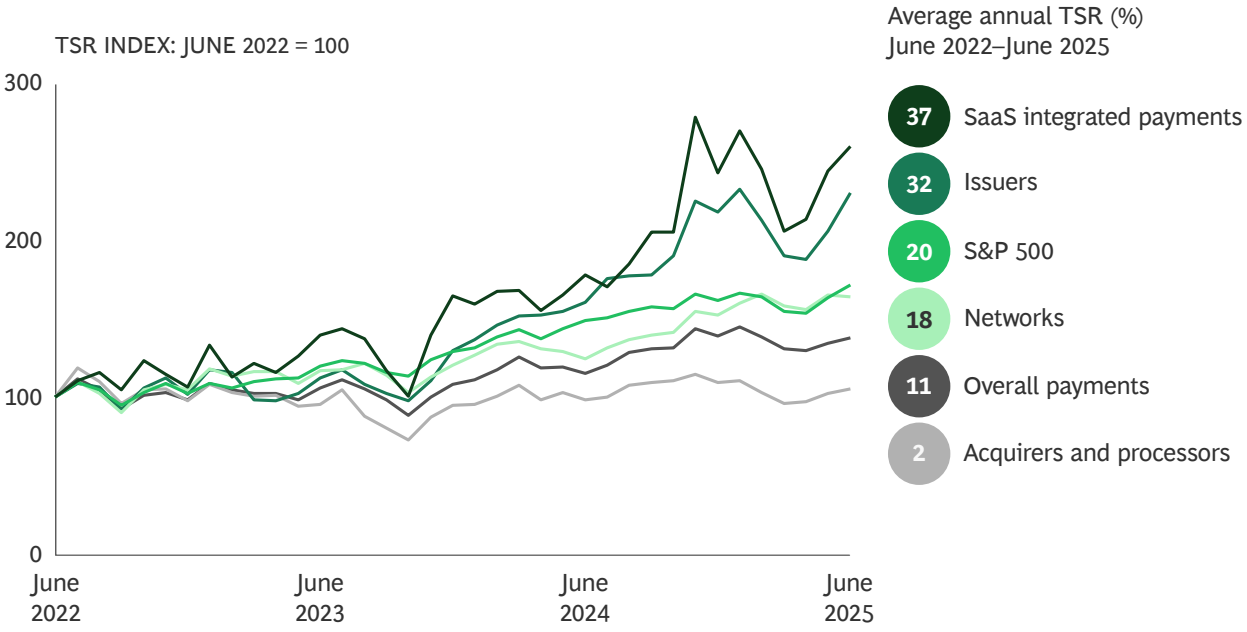
Two deeper shifts are reshaping the funding landscape. First, private markets are gaining ground as institutional and high-net-worth investors seek stronger risk-adjusted returns. For many companies, particularly in fintech and nonbank lending, the public route has become less attractive. Although this trend predates current conditions, the rapid expansion of private credit has added a new growth lever—especially for the small-to-medium-size business segment and consumer lenders looking to scale. At the same time, the abundance of private equity is enabling firms to stay private longer, while still offering capital for growth and the ability to retain and grow talent.

Payments is the largest, fastest-growing, and most heavily funded part of fintech. According to BCG's FinTech Control Tower, the payments segment has attracted over $135 billion in equity funding over the past 25 years—nearly a quarter of all global fintech investment. About 75% of this capital has gone to North America and Asia.

In 2024, payments fintechs generated $176 billion in revenue—45% of the fintech industry total—and they continue to grow at a 23% compound annual growth rate (CAGR). Most of this revenue is concentrated among the largest players such as Block, NuBank, and Shopify: 72% ($126 billion) comes from firms with annual revenues exceeding $500 million. Digital wallets ($67 billion) and acquiring/SaaS platforms ($50 billion) represent the largest subsegments.

**EXHIBIT 2**

### Payments Valuations Have Rebounded, but Overall Performance Trails the S&P 500




**Sources:** S&P Capital IQ; BCG ValueScience Center; BCG analysis.
**Note:** TSR, share prices, and market capitalization as of June 2025. SaaS = software as a service; TSR = total shareholder return.

## Payment Flows Are Shifting

Recent geopolitical events have sped a long-term move away from the Bretton Woods era in which the US dollar served as the dominant reserve currency, pegged to gold, and most other currencies were pegged to the dollar. This trend is fueling several major changes:

- **Trade is regionalizing.** Tariff announcements and trade conflicts are changing the dynamics of international trade and cross-border payments. In response to the shifting geopolitical landscape, trading partners are reworking supply chains and relying more heavily on local suppliers to reduce risk, spurring greater intraregional trade. These moves are redirecting financial flows away from US-centered systems and toward regional payment networks and currencies, including the euro, the yuan, and other local options.

- **Real-time and alternative payment systems are rising.** Although the impact on flows is nascent, we expect to see continued growth in regional payment systems and non-Western payment methods. These include SWIFT alternatives such as BRICS Pay, which facilitates cross-border transactions among Brazil, Russia, India, China, and South Africa. They also include efforts across Asia-Pacific to link national platforms and promote interoperability. Real-time account-to-account (A2A) systems such as Pix (Brazil) and UPI (India) are scaling rapidly, alongside interoperable platforms such as Singapore's PayNow and Thailand's PromptPay.

- **Sovereignty-focused initiatives are gaining traction.** Recent moves signal a broader push for greater strategic autonomy in payments, especially in Europe. The Digital Euro, once a topic of exploration, is now a committed EU project aimed at reducing dependence on payment schemes from the US and China. The sovereignty push is also evident in infrastructure development: the European Payments Alliance (EuroPA) continues to expand cross-border functionality among European players such as Bancomat, Bizum, MB Way, and SIBS. Meanwhile, the European Payments Initiative (EPI) is pushing ahead with Wero, a pan-European digital wallet built on domestic real-time payments infrastructure. The UPI and Asian Payment Network are other examples of regional efforts aimed at reducing reliance on global card networks and strengthening domestic control over payment flows.

- **US-denominated stablecoins are a counterweight to the regionalization trend.** Although payments flows represent less than 1% of the total stablecoin market, they are growing rapidly. The largest coins (USDC and USDT) are dollar denominated, creating de facto dollarization in high-volume use cases. The heaviest adoption today focuses on flows to and from countries that are experiencing high inflation or unstable currencies. Although these flows account for less than 10% of global GDP, we see rapid growth in consumer adoption of stablecoins in these contexts.

## Tech Disruption Is Heating Up

Payments has long been at the forefront of technological shifts, but new developments are reshaping how the industry operates:

- **GenAI moves from experimentation to scale.** Generative AI (GenAI) has reached commercial-grade deployment. Shopify and Stripe are using it to cut costs, accelerate innovation, and improve product quality, while agentic commerce pushes the frontier further. Klarna, for example, expects **$40 million** in incremental profit from its AI assistant this year. Banks and legacy payments players are following suit, with the focus now less on whether AI matters and more on how quickly and broadly they can operationalize it to transform products and operations.

- **Trust and liability are under pressure.** As autonomous agents become transactors, foundational questions arise. If an AI assistant is duped into a fraudulent transaction, who is accountable? Ensuring trust across the full transaction chain—identity, authentication, clearing, and settlement—will be critical as these tools scale.

- **Digital assets gain ground. Stablecoins are finding traction in cross-border payments**—especially in dollarized or exotic corridors where speed and liquidity are paramount. Regulatory clarity is accelerating adoption, with MiCA in the EU, the GENIUS Act in the US, and UK draft legislation paving the way. Retail use remains nascent, but momentum is building, while wholesale applications, particularly in tokenized asset flows, are already taking shape. Central banks are also advancing their work on central bank digital currencies, although sentiment is cooling in some markets such as the US, South Korea, and the UK.

## Operational Complexities Continue to Grow

With the many foundational shifts happening in payments right now, especially shifting trade flows, digital currencies, and GenAI and agentic AI, the operational complexity of risk and compliance measures for providers has increased massively. What was once a defined set of operational topics where regulatory compliance was critical is now a C-level strategic discussion that affects where and how payment service providers play, and what their sources of defensible advantage are.

Geopolitical volatility and shifting trade alignments are forcing providers to navigate more complex sanctions regimes, real-time screening obligations, and export controls that go far beyond name matching. At the same time, escalating cyber threats and operational resilience mandates—such as the EU's Digital Operational Resilience Act and the US Incident Notification Rule—are raising the bar for speed, accuracy, and integration across compliance systems. Together, these pressures make risk and compliance a defining capability for competitiveness in global payments.

# Digital Currencies Are Entering the Mainstream

*By Kunal Jhanji, Humza Samad, and Carlos Bravo*

## After years of experimentation, digital money is moving into a new stage of adoption.

US-denominated stablecoins have found clear product-market fit, supported by greater regulatory clarity. Nonbanks such as Tether (USDT) and Circle (USDC) are leading the way, using cross-border payments as the proving ground for new applications. Banks must now confront critical choices: how to participate in the stablecoin value chain, whether to issue tokenized deposits, and how to reimagine transaction banking.

The success of stablecoins has dampened enthusiasm for central bank digital currencies (CBDCs) in markets such as the US and the UK. Yet central banks in other jurisdictions—including China, the EU, India, and the UAE—continue to advance their programs. Across the industry, credible fiat-on-chain assets are beginning to deliver programmable money with practical uses in cross-border remittances, business-to-business (B2B) payments, global payroll, and corporate treasury.

## Why now?

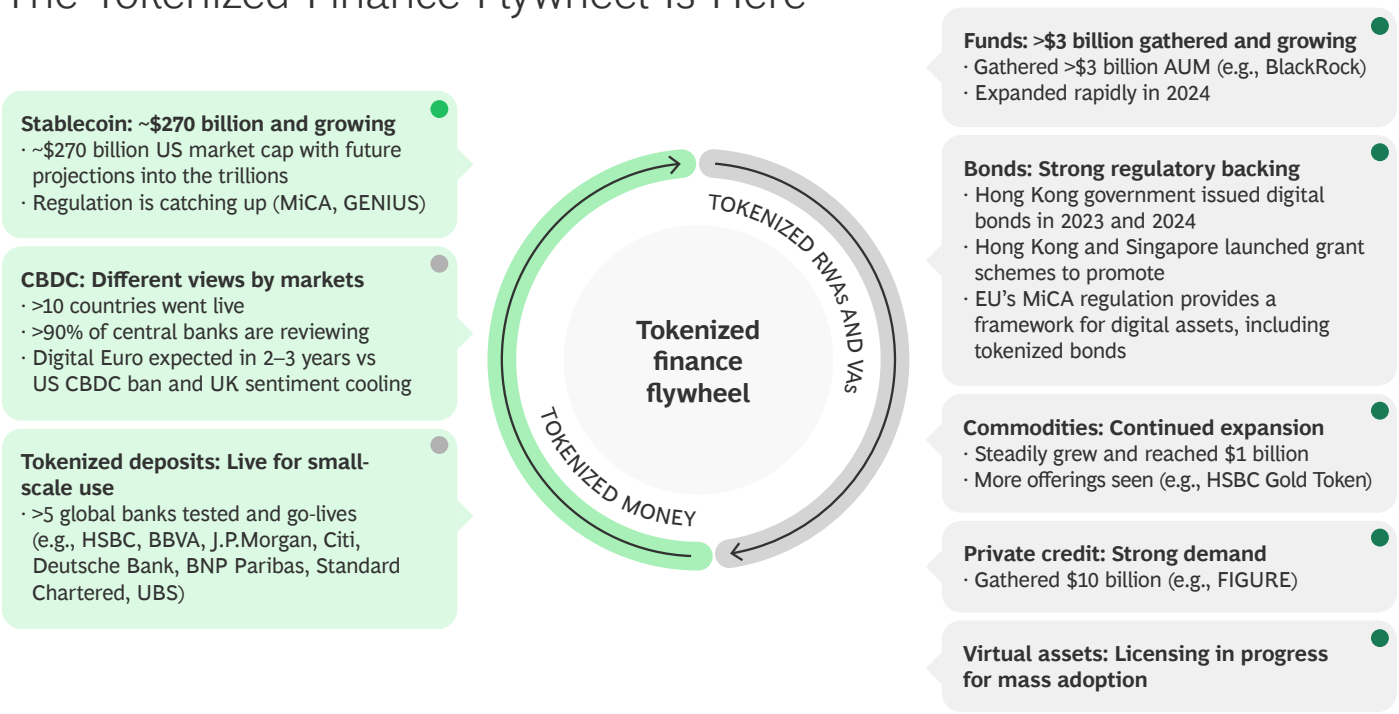
With crypto expected to go mainstream in the US, stablecoins have emerged as the most common base currency and are used in the majority of trading pairs. Tokenized real-world assets, such as money market funds and private credit, have grown to roughly $28 billion in market capitalization—a nearly fourfold increase in two years. This surge is fueling the build-out of blockchain-based infrastructure, enabling new payment and financial services use cases, which in turn attract further demand and investment. The resulting momentum is accelerating the shift from experimentation to scaled adoption. (See **Exhibit 3**.)

By the end of 2024, stablecoins reached a market capitalization of around $210 billion—representing growth of 57% year-on-year—and generated more than $26 trillion in transaction volume. As of August 2025, market capitalization has grown another 30% to nearly $270 billion. We estimate that use cases involving real-world payments still account for only about 1% of transaction volume, with most stablecoin activity still tied to crypto trading. Supply, therefore, continues to outpace clear demand signals. Payroll fintech Remote, for example—in partnership with Stripe/Bridge—recently noted that less than 1% of its customers have adopted global stablecoin payroll.

Tokenized real-world assets, such as money market funds and private credit, have grown to roughly $28 billion in market capitalization—a nearly fourfold increase in two years.

**EXHIBIT 3**

### The Tokenized Finance Flywheel Is Here




**Sources:** RWA.xyz; Atlantic Council; BCG analysis.
**Note:** Data as of 2025. AUM = assets under management; CBDC = central bank digital currency; RWA = real-world asset; VA = virtual asset.

**The Global South is driving adoption.** Real-world payments that include off-exchange stablecoin transactions such as remittances, payroll, and B2B flows are seeing the fastest adoption in long-tail corridors and Global South markets where US dollar access, speed, and cost remain core value drivers. In Turkey, stablecoin volume reached $38 billion in the 12 months through March 31, 2024—4.3% of GDP and the highest transaction volume globally. In Nigeria, USDC transaction volume jumped 412% year-on-year in 2025 and now exceeds $3 billion per month.

**Transaction banking capabilities are emerging.** Stablecoins are fueling new corporate-focused transaction banking services. SpaceX, for example, uses Stripe/Bridge for intracompany transfers within an ecosystem built on stablecoin rails, offering accounts, cards, and cross-border payments. In the US and Europe, bank-led consortia are exploring treasury and transaction applications. Tokenized deposits—commercial bank-issued digital money—are gaining traction as a regulatory-aligned alternative, combining the trust of regulated assets with blockchain benefits such as near-instant settlement and programmability. For example, J.P.Morgan's Kinexys platform has already processed more than $1.5 trillion in corporate transactions, with daily volume around $2 billion.

**Policy moves are igniting market activity.** The Trump administration's GENIUS Act and its decision to ban a US CBDC represent significant uses of digital assets as tools of macroeconomic and geopolitical policy, supporting US deficit financing and reinforcing the dollar's role as the leading global reserve currency. The impact extends well beyond US borders, prompting central bankers and regulators to weigh the implications of dollarization on their economies and to accelerate innovation agendas. In the EU—where regulatory clarity through the Markets in Crypto-Assets Regulation (MiCAR) preceded US policy—leaders have prioritized monetary and payments sovereignty through the Digital Euro CBDC and pan-EU wallet interoperability initiatives such as Wero and EuroPA. These developments suggest that legislation is beginning to align more closely with innovation, a shift likely to accelerate momentum in digital currencies.

## How Will These Trends Play Out?

The infrastructure shift presents a strategic crossroads for financial institutions. Banks must decide where and how to participate in the stablecoin value chain, weighing risks like deposit disintermediation against opportunities in tokenized deposits. Payment service providers, meanwhile, are exploring cross-border payments, payouts, and retail acceptance applications. For players aiming to shape the ecosystem, early action will matter.

**Momentum is building fastest in cross-border flows.** Innovations like SWIFT GPI and ISO 20022 have improved transparency and speed in correspondent banking. Fintechs such as Wise, Revolut, and Convera now offer lower fees and a better user experience than many banks. Yet even against this backdrop, stablecoin-based B2B payments have seen a 30-fold increase in just two years, growing from less than $100 million in early 2023 to more than $3 billion by 2025, according to a report by Artemis, Castle Island Ventures, and Dragonfly. From here, adoption is likely to accelerate across a set of high-potential use cases, including these:

- B2B cross-border payments and corporate treasury (for example, SpaceX partnering with Bridge)
- Global payroll and merchant payouts (for example, Worldpay collaborating with BVNK)
- Consumer remittances (for example, MoneyGram)
- Retail payments in countries with unstable currencies (for example, local players in Nigeria and Turkey, via stablecoin-linked cards from Visa and Mastercard)

Banks are also likely to integrate stablecoins and tokenized deposits into corporate transaction banking propositions—spanning cross-border treasury, cash management, and foreign exchange—to unlock trapped liquidity and efficiency gains. J.P.Morgan's Kinexys offers an early proof point, reporting institutional adoption with about $2 billion in average daily volume and tenfold year-on-year growth.

**Tailwinds will continue to converge.** The strong forces that have been pushing digital currencies toward the mainstream will trigger yet more momentum in the coming years:

- **Regulatory activity will advance.** In the US, the Digital Asset Market Clarity Act is currently advancing through Congress and could follow the GENIUS Act into law. In Europe, MiCAR is now in force. Hong Kong and the UAE have introduced stablecoin-specific regimes, and the UK is in consultations to do so. **These frameworks are building institutional confidence** and clarifying the role of different digital currencies—such as local currency versus USD-denominated stablecoins, tokenized deposits, and national CBDCs—across both retail and wholesale ecosystems. Different paths across countries are likely to continue.

- **Composable infrastructure as a service will become available.** Stablecoins are emerging as a foundational layer for digital infrastructure, not just for payments. The growing "stablecoin sandwich" model positions the rail as the enabling layer for next-generation banking-as-a-service (BaaS) 2.0 offerings. Stripe/Bridge, Visa, Mastercard, BVNK, and Conduit already provide much of this infrastructure. We expect BaaS fintechs to increasingly offer stablecoin wallets as white-labeled multicurrency accounts, issue stablecoin-linked cards, and settle cross-border payments—especially in underserved markets outside the US and Europe where BaaS solutions are less available.

- **Retail and B2B demand in the Global South will remain strong.** Near-term dollarization is likely to persist in retail payments across Turkey, Nigeria, Bolivia, and other areas that are experiencing high inflation and currency volatility. In parallel, governments may introduce measures such as US dollar (USD) stablecoin limits, local-currency stablecoins, or CBDCs to manage these risks. Fintechs and startups in the Global South are well positioned to drive adoption of BaaS 2.0 models, given their need for USD access and more efficient cross-border capabilities.

- **Agentic AI and automation will make programmable use cases more urgent.** The rise of agentic commerce, AI-enabled personal finance, corporate treasury, and tokenized assets is creating new categories for transactions that demand programmable, real-time settlement. Stablecoins and tokenized deposits are well positioned to serve these use cases, offering embedded payment execution within AI-powered workflows.

Deposit token constructs natively issued on the blockchain raise fresh questions around the singleness of money.

## Risks Remain

Despite stablecoins' strong momentum, several hurdles could slow their large-scale adoption:

- **User and Business Model Frictions.** For consumers, stablecoins still lag the user experience of leading mobile banking apps because they require separate wallets, conversion from fiat currency to stablecoin, and vice versa with off-ramping. For issuers, reserve-yield-driven models remain unproven—as Circle's diversification efforts through the Circle Payments Network and new Arc Layer 1 illustrate. Distribution remains decisive, but foreign exchange and liquidity constraints limit last-mile benefits in many corridors. These challenges position global banks well in the longer-term, given their ability to integrate services into existing banking channels and their broad distribution network and foreign exchange capabilities.

- **Stablecoin Systemic and Macroeconomic Risks.** Large-scale substitution of bank deposits with stablecoins could drive outflows that impact the cost and availability of credit and compress bank fee revenues. Heavy reliance on short-dated US treasuries for collateral raises the risk that forced liquidations could jolt sovereign debt markets. Outside the US, regulators remain concerned about stealth dollarization, foreign exchange arbitrage, and payments sovereignty.

- **Deposit Token Singleness of Money.** Although tokenized deposits avoid some stablecoin risks under existing prudential rules, deposit token constructs natively issued on the blockchain raise fresh questions around the singleness of money without relevant risk mitigation. In today's interbank model, transfers clear without value differences between deposits. In token-based systems, however, a bank's deposit liability may move across institutions but remain tied to the originating bank's balance sheet and credit risk—and without mitigants such as interbank settlement in central bank money, this could recreate historical exchange-rate spreads between banks issuing the same currency.

- **Compliance in a Token-Based World.** Know-your-customer and anti-money-laundering (KYC/AML) frameworks built for account-based systems don't translate neatly to token-based transfers, where the sending bank may not vet the receiving customer. Consortia setups and the management of liability further complicate the situation. Addressing this will require design choices such as wallet- and token-level safeguards including wallet deny lists and whitelisting.

## How Banks and Payment Service Providers Should Respond

Abstraction will define the next phase for stablecoins, as blockchain infrastructure runs beneath the surface, powering products and services without requiring end users to interact directly with the technology. Tokenized deposits will follow a similar path, evolving to interoperate seamlessly with off-chain banking systems.

This shift will support the development of a more modular, composable foundation for transaction banking, payments, and BaaS, with blockchain-native components supporting offerings behind the scenes. Banks and payment service providers (PSPs) need to identify where and how to plug into this new architecture in ways that align with their competitive strengths, their risk appetite, and regulatory requirements—recognizing that issuing stablecoins is just one of many viable entry points. Several actions are key to this effort:

- **Clarify your strategic path.** First determine where to play across the five emerging options for engagement with digital money. (See **Exhibit 4**.) These range from reserve custody and asset management to direct issuance, each with different investment requirements, regulatory hurdles, and revenue potential.
- **Monetize issuer-adjacent services.** Stablecoin issuers need banking partners. Banks can capture value by providing reserve custody for issuer deposits and US Treasuries, digital assets custody, brokerage and asset management for high-quality liquid assets, and foreign exchange services to support off-ramping. Bundled into tailored commercial banking packages, these services can offer attractive, high-margin revenue streams.
- **Prioritize corporate transaction banking use cases.** Banks with meaningful cross-border flows should focus on treasury, cash management, foreign exchange, and B2B payments, where tokenized deposits or stablecoins can deliver material gains in settlement speed and cost efficiency, particularly in nonmainstream corridors.
- **Evaluate issuance with discipline.** Carefully weigh launching a proprietary stablecoin against using existing stablecoins such as USDC or issuing tokenized deposits—potentially through joint issuance in consortia—to capture efficiency benefits while mitigating the risk of deposit disintermediation, low margin business models, and capital drag.
- **Target PSP growth vectors with precision.** PSPs have near-term opportunities in real-time merchant payouts, global seller payouts, and embedded finance for marketplaces and software platforms. In retail, businesses should adopt stablecoin payments only when doing so offers differentiated value—such as in unstable currency environments—rather than assuming that consumers will readily switch from established methods.

**EXHIBIT 4**

### We See Five Strategic Options for Banks and Payment Service Providers to Participate in Stablecoins and Tokenized Deposits

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| **Be a custodian of digital and reserve assets** | **Issue your own stablecoin** | **Create a consortium with others for using stablecoins** | **Issue tokenized deposits instead of stablecoins** | **Focus on the infrastructure layer and "as-a-service" options** |
| Provide wallet services for digital assets and custody services for reserve assets, with adjacencies including brokerage and foreign exchange | Issue your own stablecoin, and invest heavily to ensure adoption and global acceptance to drive yield and distribution | Pool scale, resources, and expertise to use stablecoins as part of a consortium or network to share costs and risks | Accrue some of the benefits of stablecoins without the balance sheet implications, and enable the same use cases | Consider broad plays such as white-label wallet and digital custody solutions, payments acceptance, and interoperability across coins and chains |

**Source:** BCG analysis.

# Agentic AI Will Rewrite the Rules

*By Rohan Panjwani, Ankit Mathur, and Neema Aggarwal*

As generative AI (GenAI) gains traction across financial services, a deeper shift is emerging: the rise of agentic AI—autonomous systems that can observe, plan, and act, often without human input.

These agents operate in real time, executing decisions across increasingly connected environments. Though the technology is still relatively new, adoption is picking up. Over the next few years, agentic AI is likely to reshape day-to-day activity throughout the payments ecosystem.

## Every Player in Payments Stands to Benefit

Consumers are likely to use agentic AI in a variety of ways—from managing their finances to helping with purchases and supporting everyday tasks. Financially, agents could take on budgeting, bill payments, and dispute resolution. In shopping, they will compare options and complete transactions autonomously in some categories. As trust and supporting infrastructure build, agents may even detect emerging needs (such as a low-stock pantry or an impending vacation) and make purchases with minimal user input, gradually becoming fully autonomous stewards of everyday spending.

Merchants and small businesses will deploy the technology externally and internally. Merchants will use customer-facing agents to deliver faster, more personalized service—handling routine inquiries, streamlining checkout, and simplifying other touchpoints. Internally, agents will manage financial workflows such as vendor onboarding, invoicing, reconciliation, and payment scheduling. SaaS platforms will embed agents that optimize marketing spending, trigger reorders, or adjust pricing in real time, helping small businesses save time and resources and make faster, better-informed decisions.

Payment service providers will deploy agents across the customer and enterprise stack. Customer agents, for example, will autonomously resolve inquiries, manage customer onboarding and fraud detection, and present tailored offers based on transaction history. Internal agents will help providers with compliance reviews, vendor contract evaluation, and reconciliation—boosting productivity and reducing operational risk. Over time, agents may also collaborate with one another, coordinating actions across institutions to resolve disputes or execute multiparty transactions.

Nowhere are these shifts more visible or more advanced today than in commerce.

## Agentic Commerce Signals a Multi-Trillion-Dollar Shift

A July 2025 BCG US Consumer survey shows that 81% of consumers expect to shop using agentic AI, with uptake highest among households with children (93%), adults 18 to 44 (92%), and those earning over $150,000 (88%). (See **Exhibit 5**.) Major players including Amazon (“Buy for Me”), Google (“Shop with AI Mode”), Perplexity (“Buy with Pro”), Visa, and Mastercard are racing to capture this shift. High-frequency, low-risk purchases such as household supplies and hygiene are likely to move to autonomous, agent-assisted buying more quickly than high-ticket or high-emotion purchases such as luxury goods or medical devices.

In the coming years, more than $1 trillion in spending, representing about 50% of total e-commerce expenditure today, could be agent assisted. Early adoption will be concentrated in routine and repeat purchases—household supplies, restaurant orders, personal care, and vitamins/supplements are among the top categories. As trust and capabilities grow, however, agents will move from offering simple comparisons to making fully autonomous purchases.

**EXHIBIT 5**

### A Majority of Consumers Plan to Use Agentic AI for Commerce

**Over 80% of consumers are expected to use agentic AI, with certain subcategories of users even more likely to do so**

81%
of consumers expect to leverage agentic AI for shopping

88%
of individuals with incomes of $150,000+

92%
of individuals from ages 18 to 44

93%
of individuals with children

**The top five categories ripe for adoption of agentic AI include retail, food, and personal goods products**


Household supplies


Restaurants/ordering in


Hygiene and beauty products


Vitamins/supplements and over-the-counter medicine


Other recreational items (e.g., pet food, garden)

**Source:** BCG US Agentic Commerce Consumer Survey (N = 2,532), July 2025.

We anticipate a four-stage evolution in how customers shop, check out, and delegate payments to agents. (See **Exhibit 6**.) Those four stages are as follows:

- **Evolution 1.** GenAI and large language models help customers discover products and compare options. The agent provides a purchase link to a merchant website but doesn't transact.
- **Evolution 2.** The agent can allow customers to bypass the merchant website and complete purchases from within its own interface.
- **Evolution 3.** The agent can perform the end-to-end purchasing journey on behalf of the consumer with minimal human input, using stored payment information.
- **Evolution 4.** The agent intelligently optimizes the payment methods used to maximize rewards and benefits for the consumer.

Taken together, these advances signal a profound change in the way consumers in the future will interact with brands and make decisions.

In the coming years, more than $1 trillion in spending, representing about 50% of total e-commerce expenditure today, could be agent assisted.

**EXHIBIT 6**

## Over 50% of E-Commerce Spending Could Be Agent-Assisted in the Next Several Years—and Nearly 20% Will Be Autonomous

Increased agentic autonomy

| | Evolution 1<br>LLMs are used in discovery and comparison, and provide a purchase link to the site | Evolution 2<br>AI agent supports purchase outside the merchant website | Evolution 3<br>AI agent manages the entire purchasing process with minimal human input | Evolution 4<br>AI agent can intelligently optimize payment | Total e-commerce spending |
|---|---|---|---|---|---|
| **Estimated share of GenAI users, cumulative** | 81% | 60% | 42% | 25% | |
| **Estimated amount of agent-assisted US e-commerce spending ($trillions)** | 1.3 | 0.7 | 0.4 | 0.2 | 2.3[1] |
| **Estimated agent-assisted share of US e-commerce spending** | 55% | 32% | 18% | 8% | |

*Share of e-commerce spending driven by autonomous agents*

**Sources:** US Bureau of Economic Analysis data (2024); BCG US Agentic Commerce Consumer Survey (N = 2,532), July 2025; BCG Global Payments Model 2025.
**Note:** LLM = large language model.
[1]2024 US e-commerce base used for this analysis.

Networks stand to gain the most from the agentic AI ecosystem. As new players enter a network, it can define roles, set standards, and shape economics, unlocking monetization and strengthening their position.

## What Business Leaders Must Get Right

The agentic commerce trend will affect each part of the payments value chain differently:

- **Issuers.** Large issuers with strong positions in key shopping categories and access to merchant-funded offers can create category-specific agents—for example, in travel or dining—to drive card primacy. Without such agents, acquisition channels (especially for co-brand cards) could erode. Success will also depend on forging partnerships that secure top-of-wallet status by deeply integrating personalized offers in nonbank, agent-driven environments.
- **Acquirers.** To remain relevant, acquirers will need to possess advanced fraud and risk capabilities. At the same time, giving merchants the ability to play in this new ecosystem will open up new monetization opportunities. But margin pressure is likely—particularly in bundled pricing—if agents aggregate volumes from small merchants.
- **Networks.** Networks stand to gain the most from the agentic commerce trend. As new players enter a network, it can define roles, set standards, and shape economics, unlocking monetization and helping participants strengthen their position in the new reality. Greater transaction autonomy will also drive tokenization, further benefiting networks.

Leaders in each of these roles should focus on where they can win—and move early.

Institutions that begin testing high-impact, low-risk use cases today will help shape how payments work in the next decade. Leaders will build trust by embedding governance, compliance, and security from the outset. In parallel, they should modernize infrastructure—scalable application programming interfaces (APIs), real-time processing, and robust identity systems—and prepare teams and processes to adapt and coexist with AI agents.

# Cost Excellence Is a Growth Lever

*By Adham Koura, Tom Dye, and Craig Prager*

Margin pressure is mounting—but so is the chance to turn efficiency into competitive advantage. Payment services providers that focus on a small set of high-impact moves can unlock not just leaner operations, but a stronger engine for growth.

## Trends Reshaping the Cost Playbook

In our work with issuing, acquiring, and payments-integrated software players, we've seen that targeted cost and productivity plays can lift margins by 30% to 40% while sharpening performance across the board. These gains often fund further growth, creating a virtuous cycle. (See **Exhibit 7**.)

The relevant changes fall into three broad categories: smarter routing and authorization; precision growth shaped by GenAI and advanced analytics; and leaner operating models.

**EXHIBIT 7**

# Cost Excellence Can Improve Margins by 30% to 40%

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Trend | A | | | B | | C | | |
| | **Optimized routing and authorization to improve transaction margins** | | | **Optimized go-to-market through GenAI and analytics** | | **Leaner organizations that scale** | | |
| Levers | 1 Deploy intelligent transaction routing | 2 Leverage advanced analytics to boost approval rates | 3 Optimize payments for cost of goods sold | 4 Pivot from scale to precision | 5 Tailor outreach on the basis of analytics insights | 6 Boost productivity with GenAI tools | 7 Enable leaner organization cost structure | 8 Optimize third-party spending |
| Impact | 2–6pp Higher approval rates | 5–10pp Higher approval rates | 5–10% Lower payment processing cost | 30–50% More leads per dollar spent | Up to 60% Lower acquisition costs | 15–30% Higher engineering output with GenAI tools | 10–15% Cost reduction for the organization | 20–30% Savings through spending optimization |

**Source:** BCG analysis.
**Note:** pp = percentage points.

**Smarter Routing and Authorization to Boost Margins.** Although acquirers and issuers face different pressures, both can enhance their margin performance by using advanced analytics, dynamic decision making, and stronger data discipline.

Acquirers can adopt dynamic transaction routing to optimize payment paths based on real-time variables such as fees, foreign exchange rates, network latency, and approval likelihood. The intelligent routing logic operates in real time, powered by rules engines or machine learning (ML) models that ingest contextual data at the time of transaction. By implementing a decision tree or ML-based scoring model, the system can evaluate all available routes and select the one that is best aligned with the defined KPIs and critical objectives. The benefits are especially pronounced in cross-border and multicurrency environments, where optimization can materially reduce costs and lift success rates.

Addressing payments cost of goods sold is another high-impact lever for acquirers. Often, poor data hygiene inflates interchange costs. Examples include misclassified merchant category codes, stale or incomplete merchant data, and country or region misalignment. A focused audit and recoding effort can often yield material savings in fixed-pricing constructs.

Issuers, meanwhile, can materially improve their authorization rates by deploying advanced analytics across the transaction life cycle. Many declines stem from correctable issues such as expired credentials, recurring patterns of false positives for fraud, or excessively rigid fraud rules. By diagnosing and addressing these friction points, issuers can reduce the incidence of failed transactions, lower support costs, and improve customer retention.

**Precision Growth Through GenAI and Advanced Analytics.** In both marketing and sales, leading firms are shifting from mass reach to precision activation—maximizing ROI by targeting high-yield segments with content tailored just for them.

In marketing, teams should pull back from blunt keyword campaigns and refocus on tactics that yield higher returns. These include dynamically adjusting spending during low-engagement windows, optimizing creative formats for different audiences, and reallocating budget across more responsive channels or toward customer segments that have strong customer lifetime value.

In outbound sales, firms can use external signals—such as hiring trends, funding events, or web traffic spikes—to identify high-intent prospects earlier. Rather than resorting to blanket outreach, sales teams can deploy behavior-triggered outreach based on actual signals, not assumptions, at the precise moment when prospects are most likely to convert. This data-driven approach can reduce customer acquisition costs by up to 60% and has the potential to lift conversion rates materially.

For sales teams, GenAI tools can multiply these gains. Reps can auto-generate rich prospect dossiers in seconds, drawing on internal and external sources to identify decision makers, recent triggers, and potential needs. GenAI also produces personalized emails appropriate to each prospect's context, freeing up time for the rep to focus on live conversations. Smart lead scoring further prioritizes outreach, concentrating effort on the highest-likelihood accounts. The result is leaner, faster go-to-market engines that improve productivity without increasing headcount. For example, RBC leverages its proprietary AI ATOM model to understand its clients' individual circumstances more deeply, enabling it to extend credit to clients that are at a disadvantage when assessed by traditional credit models.

**Scaling Efficiently Through Leaner Operating Models.** Payments-integrated SaaS firms—especially independent software vendors (ISVs)—are finding new headroom for cost excellence by rethinking how they build and run their operating models. GenAI plays a central role, starting with support, where tools now resolve high volumes of routine queries with minimal human intervention, and more recently in software engineering. GitHub Copilot and similar tools are enabling leaner development teams to move faster—accelerating code generation, testing, and bug resolution. The payoff is 15% to 30% improvements in engineering output, with smaller teams and faster release cycles.

Beyond productivity, leaders are reorganizing for structural cost efficiency. Many are flattening organizational layers, consolidating duplicative roles, and expanding spans of control—not just to reduce selling, general, and administrative costs, but to speed decisions and sharpen accountability. Vendor spending is also under the microscope. Cloud costs have surged, prompting companies to optimize workloads, decommission idle computing resources, and renegotiate contracts—yielding savings of 20% to 30%. One global ISV, for instance, trimmed 10% to 15% in procurement costs by combining GenAI-enabled support with targeted cloud rightsizing and vendor rebenchmarking.

## What to Do Now

Identifying the right levers is only half the equation. The next step is to turn them into results through disciplined execution. Here's the blueprint that we have seen work best:

- **Size and prioritize the full margin opportunity.** Start with a diagnostic to map margin potential across cost, productivity, and revenue levers. Then sequence initiatives by value, capturing quick wins early while building toward bolder moves that require upfront investment. This approach can create a self-funding mechanism to support bigger opportunities that require significant capital or operating expenditure.

- **Build the execution engine.** Establish a small, empowered team to drive the cost excellence program. The team should possess needed cross-functional skills and have clear accountability for meeting performance goals. Each initiative should have specific owners, targets, and routines.

- **Embed capabilities to sustain cost excellence.** Cost transformation is not a one-time program—it's a shift in how the organization runs. Leaders must insist on data transparency, fast-cycle reviews, and behaviors that reinforce focus and accountability.

- **Communicate the story with conviction.** Public companies should preserve some margin gains to fuel earnings growth, sending a clear signal that current actions reflect strategic intent and not just cost pressure. Equally important is articulating the "what" and "why"—the initiatives being pursued, the value they are expected to deliver, and the investment required. Clear, confident communication builds credibility with investors and inspires alignment among employees.

# Merchant Services Need a Platform Playbook

*By Stanislas Nowicki and Sarah Bennett*

## Software platforms are rapidly redefining merchant services.

Armed with deep vertical expertise, embedded financial tools, and strong merchant networks, they're winning share in the market's most attractive segment: small and medium-size businesses (SMBs).

For traditional acquirers and banks, this shift is more than a competitive challenge—it's a structural change in how SMBs choose and stick with their providers. The legacy model of processing transactions and cross-selling standard services is no longer enough. As platforms outpace incumbents in growth, satisfaction, and retention, established players must rethink both their value proposition and the way they go to market.

# The Platform Play Is Working—Fast

Merchant acquiring has long been a scale game. But scale no longer guarantees growth. Pricing pressure—especially among large corporates—continues to compress margins. The real opportunity for merchant acquiring is in the SMB segment.

Platforms are thriving in this space. In the US, 60% of small businesses already use vertical, industry-specific SaaS platforms, according to Stripe. These providers embed financial services—payments, lending, business accounts, and commercial cards—directly into merchant workflows, giving them increasing control over the customer relationship, not just the transaction. Although penetration in Europe and Asia-Pacific is lower, adoption is picking up in those regions as well, especially in sectors such as restaurants and hospitality.

A recent BCG survey across five European markets and 4,500 US SMBs found that roughly half of the merchants that switched payment service providers in the past two years adopted embedded payments through their software platform. Most merchants cited ease of use and better support as their main reasons for switching. Platform-linked merchants also reported materially higher net promotor scores than nonplatform peers did, underscoring the appeal of a seamless, integrated experience.

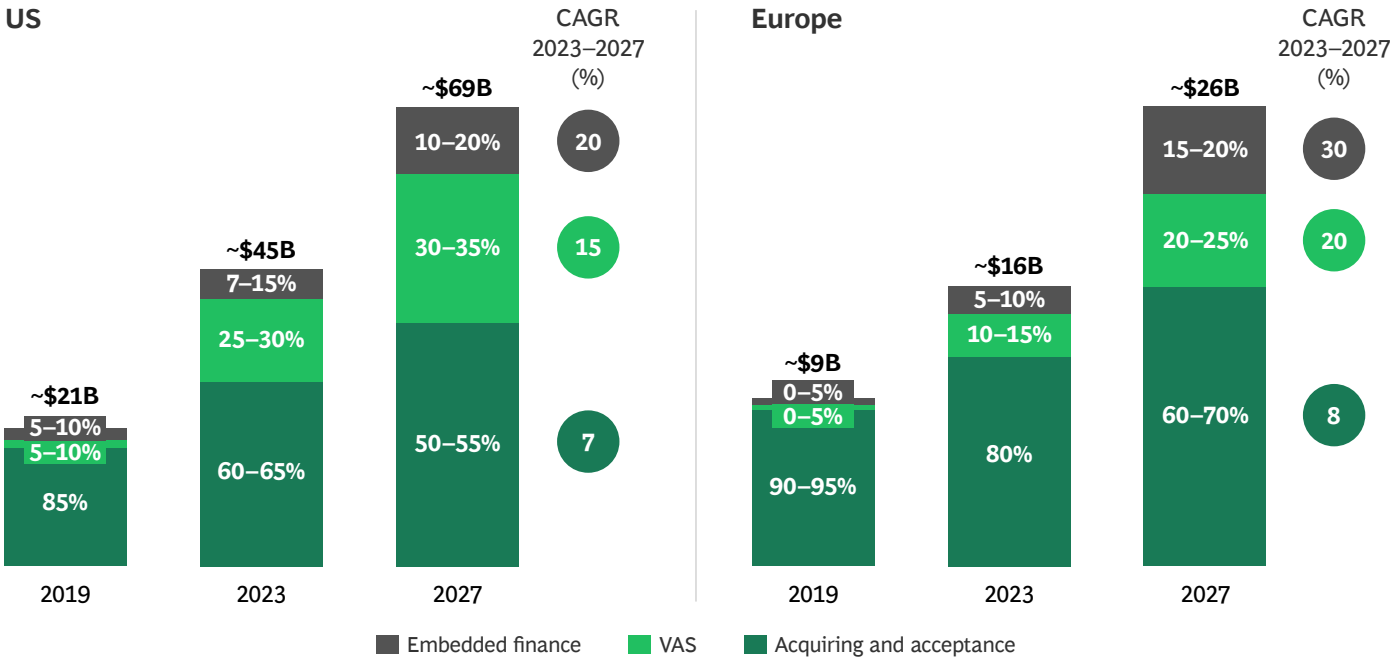
This shift is reshaping acquiring economics. Between 2019 and 2023, the revenue share from value-added services (VAS) and embedded financial services grew sharply, while the share from acceptance and acquiring declined. In the US, VAS, such as fraud prevention, chargeback and dispute management, dynamic currency conversion, advanced analytics, premium merchant support, and tools for inventory, payroll, or digital marketing have grown sharply. Their share of acquiring revenue rose from 5% to 10% in 2019 to 25% to 30% in 2023.

Embedded financial services—for example, business accounts, commercial cards, lending, and working capital finance based on merchant turnover and transaction data—grew from a range of 5% to 10% in 2019 to 7% to 15% in 2023. Projections suggest that VAS could reach 30% to 35% of revenue in the US by 2027 and embedded finance could reach 10% to 20% in the same time frame. Europe is less mature, but it is broadly following the same trajectory. (See **Exhibit 8**.)

**EXHIBIT 8**

## By 2027, Up to Half of Acquiring Revenue Will Come from Embedded Finance and Value-Added Services

REVENUE MIX ACROSS ADDRESSABLE BUSINESS ACQUIRING MARKET




**Sources:** BCG Global Payments model 2025; BCG analysis.
**Note:** B = billion; CAGR = compound annual growth rate; VAS = value-added service.

From 2020 to 2024, software platforms increased their total revenue by roughly 40% annually—twice the pace of digital acquirers and nearly triple that of incumbents.

Shopify, Lightspeed, and Toast now generate meaningful revenues from embedded financial services, with some products achieving double-digit penetration of the merchant base. Their edge lies in the breadth and native integration of their merchant-facing capabilities—from working capital loans to payroll, invoicing, and fraud management—creating a full operating system for merchants. Horizontal expansion is accelerating too, as accounting and back-office platforms like Sage and Xero move to embed financial flows.

These businesses are increasingly profitable. From 2020 to 2024, software platforms increased their total revenue by roughly 40% annually—twice the pace of digital acquirers and nearly triple that of incumbents. Many are now reaching breakeven: Shopify and Toast have posted positive earnings, and Lightspeed is on track to do so. Their success has disproved the idea that platforms would burn out before they could achieve scale.

Legacy acquirers and banks must adapt. Only the largest platforms have fully insourced payments, while most rely on a small set of merchant acquiring partners. The players that will be best positioned to win are those that rewire their offerings and mindset around merchant and platform needs, not institutional boundaries.

## What to Do Now

To stay competitive, banks and acquirers must shift from volume to value and from generalist offerings to vertical ecosystems. Here's how:

- **Broaden the offer.** Legacy acquirers must move beyond processing volume and build full-service merchant propositions. That means launching—or partnering to deliver—value-added services such as analytics, capital, loyalty, and embedded accounts. The stakes are high: a merchant services VAS revenue pool of roughly $19 billion in the US and Europe could be out of reach by 2027 without this shift.

- **Decide your platform play.** In key verticals, no dominant platform has yet emerged in a fragmented competitive landscape of software platforms that leaves space for bold moves. Leaders must decide whether to acquire, partner, or compete. A strategy left undefined is a strategy deferred, with platforms on track to drive 70% to 80% of SMB payments volume in the US within five years.

- **Invest in embedded finance—while you still can.** Banks already own the core ingredients: acquiring, issuing, lending, and accounts. But few have bundled these into a modern, merchant-centric offer. A focused, vertical strategy that pairs banking capabilities with integrated software can unlock new growth and defend existing revenues.

- **Win with data-driven services.** Banks and acquirers should build a modular, API-enabled VAS catalog on a shared data foundation. This will unlock real-time personalization, benchmarking, and insights—and open new monetization paths beyond commoditized processing.

- **Modernize the model—or risk irrelevance.** The market has moved from selling software to merchants to becoming the merchant's operating system. To stay relevant, banks and acquirers must reshape product, tech, and commercial teams around specific merchant workflows and needs. That means faster feedback loops, tighter product cycles, and teams fluent in the language of specific merchant verticals.

# Real-Time A2A Networks Are Powering Global Growth

*By Vivek Mandhata, Markus Ampenberger, and Carlos Bravo*

A quiet shift is underway in global payments. Real-time account-to-account (A2A) payments are fast becoming a source of innovation—and a lever for digital sovereignty in many regions. As adoption expands, A2A payments could unlock new revenue pools and monetization models.

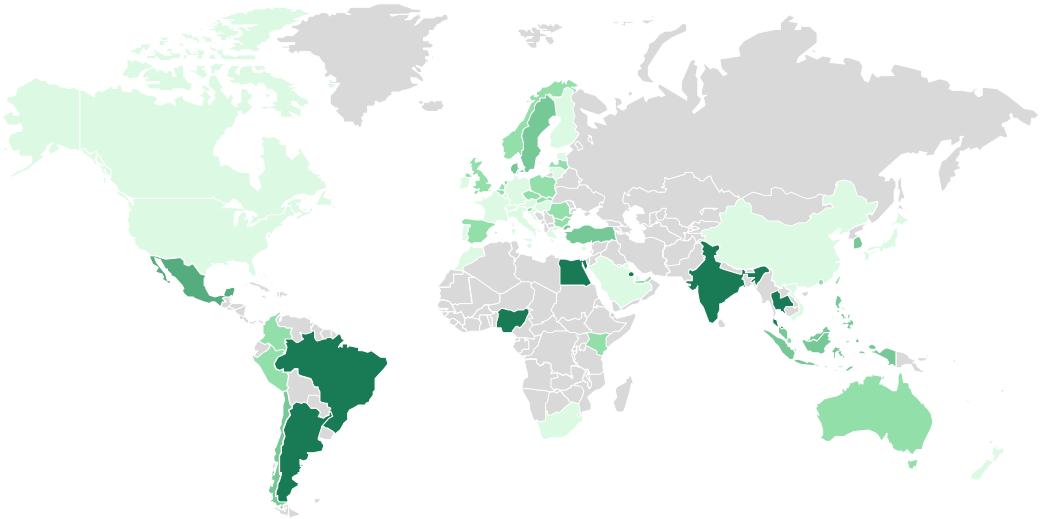
## Real-Time A2A Is Evolving in Different Ways Across Markets

Globally, real-time A2A payments grew by around 40% year-on-year in 2024. (See **Exhibit 9**.) But that global figure masks sharp regional differences shaped by infrastructure maturity, product design, regulatory posture, and incumbent behavior. (See the sidebar, **"Where Real-Time A2A Payments Are Taking Off—and Why."**)

**EXHIBIT 9**

## Real-Time Account-to-Account Volumes Are Growing Significantly, Led by the Global South

INSTANT PAYMENT PENETRATION[1]



| Region | Year-on-year volume growth in 2024 (%)[2] |
|---|---|
| Africa | **56** |
| Asia-Pacific | **36** |
| Europe | **28** |
| Latin America | **52** |
| Middle East | **32** |
| North America | **39** |
| Global | **40** |

High — Low[3]

**Source:** BCG Global Payments Model 2025.
[1]Average instant payment penetration is the share of instant payments in total digital retail system payments (instant payments, cards, direct debit, and retail transfers). GPM covers 63 countries using central bank data; industry sources indicate ~70 RTP systems in operation.
[2]Average instant payments volume growth in 2024 versus 2023.
[3]Legend shows instant payment penetration ranges with a lower bound at <5% penetration and a higher bound at >45%.

# Where Real-Time A2A Payments Are Taking Off—and Why

Real-time A2A payments are gaining critical mass. In 2024, real-time payments accounted for around 25% of global retail payments. Over 70 countries now have real-time systems in place, although their maturity and adoption levels vary widely. In some markets, real-time A2A payments remain a bank-run utility limited mainly to peer-to-peer transfers. In others, they have evolved into a dynamic platform for financial innovation, spurred by supportive policy, active regulation, and smart product design.

India's UPI now handles more than 19 billion transactions per month, as of July 2025, while Brazil's Pix serves over 160 million users. In Poland, Blik accounts for more than 60% of the country's e-commerce transactions, and Spain's Bizum has reached 29 million users, underscoring how quickly these systems can achieve scale when the right conditions align.

Asia-Pacific, Latin America, the Middle East, and Africa are clear leaders, with real-time A2A payments projected to achieve approximately 50% to 60% penetration by 2030. In markets with live real-time payments (RTP) infrastructure, current adoption stands at roughly 30% in Asia-Pacific, the Middle East, and Africa. Latin America currently leads all other global regions with penetration of around 45%. These regions benefit from high mobile adoption, limited card entrenchment, and strong regulatory mandates that have propelled RTP into the mainstream.

Adoption in Europe and North America has been slower. Consumers in these markets remain loyal to entrenched card systems and batch-processed A2A payments—buoyed by loyalty rewards and highly efficient money movement ecosystems. Still, momentum for real-time A2A payments is building. In Europe, SCT Instant Credit Transfers now accounts for 25% of credit transfer volume across the EU (as of the first quarter of 2025). The EU's Instant Payment Regulation (IPR), which aims to boost SEPA Instant Payments volume by harmonizing standards and cutting costs, is now mandatory. Meanwhile, a number of alternative payment methods in Europe that also run on SEPA Instant Payments and settle directly on consumer and business accounts have seen their volume grow.

In the US, fintechs give consumers instant payment experiences that rely on non-instant rails (such as Automated Clearing House) for settlement. PayPal, CashApp, Venmo, and Zelle offer instant movement and availability of funds to consumers. True RTP networks are now expanding. TCH's RTP network covers 71% of US deposit accounts, while FedNow—launched in 2023—saw volumes rise 43% quarter-on-quarter in Q1 2025, signaling accelerating adoption of interbank, real-time settlement.

Beyond speed, instant payment networks provide features such as "request for payment" functionality and the ability to attach data to payment messages—creating opportunities to improve processing efficiency and enhance customer experiences.

Broad adoption of instant payments requires several ingredients: wide bank participation, support for varied use cases; competitive fees, and strong anti-fraud protections (such as payee verification). Crucially, instant payment service providers must design experiences that offer clear advantages to users, banks, and merchants. Regulators and networks are moving on these fronts—for example, Europe's new IPR caps fees at no more than standard Single Euro Payments Area (SEPA) transfers, while promoting value-added features such as "request to pay" and instant refunds. Regions are also raising transaction limits to unlock more B2B use cases; for example, the US RTP network has jumped from $1 million to $10 million, and the European Payments Council has removed its €100,000 transaction cap for SEPA Instant payments.

## A Rich Product Offering Is Key to Monetization

The broader, more embedded, and in some cases more mandated the real-time A2A offering, the greater its commercial potential. In markets such as Brazil and India, RTPs have expanded beyond peer-to-peer transfers to cover merchant payments, enterprise payments, and recurring bills, enabled by features such as automatic debits (for example, Pix Automático).

Other emerging capabilities—such as single-authentication multiple debits and digital ID integration—are strengthening real-time A2A's position as a lower-cost alternative to cards while delivering comparable or better user functionality. Although A2A payments typically carry lower processing costs, competitive pressures in some markets can erode this advantage, bringing expenses close to card payment levels. Cross-border, real-time A2A payments are also gaining ground as real-time infrastructures pursue interoperability. In Asia, Singapore's PayNow and Thailand's PromptPay support low-cost international mobile transfers using only a recipient's phone number.

Still, friction points remain. Real-time reconciliation, liquidity tools, and treasury optimization lag in many markets. And fraud risks are rising. Authorized push payment (APP) scams currently account for 63% of RTP-related losses, and this figure is projected to hit 80% by 2028, according to ACI Worldwide. UK regulators now mandate reimbursement for APP fraud victims, and Australia has launched a National Anti-Scam Center. But work remains in these and other areas.

## Cross-Border Is the Next Frontier

Cross-border instant payments present a major opportunity, offering an alternative to traditional correspondent banking and SWIFT-based transfers. They could capture up to 30% of total transaction-related revenue pools in high-priority remittance and trade corridors.

Realizing that value won't be simple, however. Unlike card networks, which operate on global rails, A2A systems require bilateral or multilateral connections between national infrastructures and national scheme rules. Building these links demands significant institutional coordination—standardized data flows, aligned authorization protocols, and regulatory trust.

Still, real momentum is underway. (See **Exhibit 10**.) Some examples:

- **UPI International** is live in Singapore, Sri Lanka, UAE, France, and several other countries, with expansion to more than 10 other countries planned.
- **Pix** is moving toward cross-border integration, with Brazil's central bank prioritizing corridors to nations such as Uruguay and Argentina.
- **EuroPA and Wero** could create a unified, easy-to-access, wallet-based pan-European instant payments system using the existing SEPA Instant payments scheme and the TIPS network to reduce reliance on non-EU rails.
- **Project Nexus**, led by the Bank for International Settlements, proposes a hub-and-spoke model to simplify multilateral integration. India, Singapore, and Thailand are among the early participants.
- **"One leg out" connections** that use third-party hosted connections in key payment corridors will become more common. For example, BNY has connected into Australia's New Payments Platform through Commonwealth Bank, enabling cross-border instant payments in Australia.

Although initiatives such as SWIFT GPI have improved speed and transparency in traditional cross-border payments, making instant payments interoperable could cut settlement times to mere seconds while lowering costs and shifting global flows onto faster, more efficient rails. But that future hinges on sustained multilateral coordination of investment and execution.

**EXHIBIT 10**

## Cross-Border Account-to-Account Initiatives Span the Globe

*Nonexhaustive*

**IXB**
US/Europe real-time cross-border payments pilot
- The Clearing House
- SWIFT
- EBA clearing

**Wero and EuroPA**
Account-to-account payment functionality across Europe

**United Payments Interface**
Expansion to Singapore, UAE, Qatar, and France

**Alipay+**
Links local digital wallets together through partnerships


**Pix**
Expansion to Argentina and Uruguay

**BRICS pay**
New QR and business-to-business payment functionality initiative for BRICS countries[1]

**Asia Payments Network**
Initiative to use unified payments structure across Asia

**Project Nexus**
Account-to-account payment functionality across Asia
- Bank of Indonesia
- Bank of Thailand
- Bank Negara Malaysia
- Bangko Sentral ng Pilipinas
- Monetary Authority of Singapore
- Reserve Bank of India

**Source:** Public announcements.
[1]Brazil, Russia, India, China, and South Africa.

Making instant payments interoperable could cut settlement times to seconds while lowering costs and shifting global flows onto faster, more efficient rails.

## Now Is the Time to Lead

To create sustainable revenue flows from real-time A2A payments, banks and nonbanks should consider taking several actions now:

- **Prepare to scale instant payments.** Banks must transition from batch to real-time processing across all channels, modernize payment engines, and adapt risk and control processes from a multiday cycle to an instant one. They also need to enable direct access to RTP infrastructure and shift payment operations to a true 24-7 model.
- **Upgrade surrounding processes.** RTP requires robust supporting capabilities. Banks that develop tools for payee verification, real-time sanctions screening, and transaction monitoring will have a distinct advantage. Enabling real-time liquidity management within the treasury function is equally important.
- **Reinforce trust and stability.** A2A winners will adapt their risk mitigation practices. Clear fraud reimbursement standards, user education, and secure authentication layers can reduce scam-related losses while preserving a high-quality customer experience.
- **Build merchant-first features.** Leaders should focus on high-value person-to-merchant and person-to-enterprise mobile use cases such as automated reconciliation, faster settlement, and recurring billing.
- **Expand interoperability and cross-border corridors.** Partnerships that enable regional hubs can be a win-win arrangement. The success of the Southeast Asia corridor, where the Asian Payments Network and UPI's expansion are already active, has created value for stakeholders across the payments ecosystem.
- **Monetize responsibly through value-added services.** Rather than charging per transaction, leaders should explore fee-based models built around fraud protection, data insights, and embedded financial products.

# Risk and Compliance Has a New Mandate

*By Laurin Frommann and Max Teichert*

Payments companies face a risk landscape that has changed significantly even in the past year.

Geopolitical tensions, shifting trade alliances, and fast-moving sanctions regimes are altering how and where money can move. New technologies exacerbate these challenges. What used to be a legal or compliance question is now a C-level concern for all players in the payments industry.

To remain resilient, companies must shift from reactive risk management to a proactive, intelligence-driven approach that integrates sanctions compliance and transaction monitoring at its core.

## A Heightened Threat Landscape for Payments

Payments leaders are juggling a broader and more complex set of financial, strategic, and operational risks than ever before. (See **Exhibit 11.**) Many have intensified recently. A difficult economic environment has increased credit risk for issuers in some markets, while rapid advances in real-time payments, digital currencies, AI, and GenAI have made it both more critical and more challenging for IT security and cyber-risk capabilities to keep pace.

Regulatory pressure is rising, too. In the EU, the Digital Operational Resilience Act is now fully in force, imposing stringent requirements on financial entities. The AI Act adds further obligations, with initial prohibitions having taken effect in February 2025 and full compliance for general-purpose systems coming into force in August 2025. In the US, the Incident Notification Rule requires banks and service providers to alert regulators of any material cybersecurity incident within 36 hours of its occurrence.

Geopolitical volatility compounds the challenge. Rising conflict and shifting trade alignments can have serious implications for payments firms. One area where these pressures converge—and where many firms are falling behind—is in sanctions compliance and fraud detection.

## Nonfinancial Risks Take Center Stage

Sanctions and export controls now extend well beyond traditional name-based screening. Increasingly, they encompass product restrictions, service bans, and real-time compliance demands. Under the EU Instant Payments Regulation, for example, providers must screen both the payer and the payee against EU sanctions lists—and complete that screening within 10 seconds—before executing a payment. Similarly, Singapore's Payment Services Act imposes heightened obligations on cross-border and digital token services around real-time sanctions screening, customer due diligence, and anti-money laundering controls. Many jurisdictions also require companies to demonstrate that they don't just monitor sanctioned entities, but actively detect and block attempts to circumvent sanctions.

**EXHIBIT 11**

### Payment Service Providers Must Manage a Growing Set of Risks

| KEY DRIVERS OF RISK IN CURRENT ENVIRONMENT | RISK CLASS | RISK CATEGORY |
|---|---|---|
| **Macroeconomic uncertainty**<br>**Geopolitical uncertainty** | Financial risks | 1 Credit risk<br>2 Market risk<br>3 Liquidity risk<br>*Challenging default risk for credit card issuers in the current macroeconomic environment* |
| **Technological advances (e.g., AI/GenAI)**<br>**Regulation**<br>**Competitive landscape** | Nonfinancial risks | Operational risks<br>4 Financial crime risk<br>5 Conduct risk<br>6 ICT and cyber risk<br>7 Data privacy and bank secrecy risk<br>8 Resilience risk<br>*Sanctions/embargoes: Frequent updates and extensions of sanctions/OFAC lists*<br>*Full DORA-compliance is required in the EU; increase in cyber attack attempts to system-critical infrastructure*<br>9 Outsourcing and vendor risk<br>10 Fraud risk<br>11 Tax reporting risk<br>12 Other operational risk<br>*Increase in (more professional) fraud patterns*<br>Strategic risks<br>13 Reputational risk<br>14 Sustainability risk<br>15 Business risk |

**Source:** BCG analysis.
**Note:** DORA = Digital Operational Resilience Act; ICT = information and communications technology; OFAC = Office of Foreign Assets Control.

These stepped-up requirements have major implications for global payments flows. Providers must trace links across prior transactions, detect suspicious behavior, and connect activity across accounts and geographies. However, payments messages often lack structured data on underlying goods or services, so companies must rely more heavily on transaction tracing to uncover indirect risks. Most payment service businesses are ill-equipped for this. Legacy systems, manual investigations, and reactive compliance processes—are still narrowly focused on name matching—remain the norm. As a result, these systems often unnecessarily block legitimate transactions, while allowing some illicit ones to slip through, exposing companies to fines and reputational damage.

## Adopt a New Model for Payments Compliance

To address these areas of exposure, companies must fundamentally reimagine their payments compliance operating model.

The traditional approach—static rules and box-ticking workflows—no longer meets the need. A modern model requires clear risk ownership and deep integration across business, compliance, and technology teams. Companies need a connected, end-to-end risk architecture that integrates screening, transaction monitoring, and fraud protection. Breaking down silos is essential to successfully and promptly identifying when a series of otherwise unremarkable transactions constitutes a high-risk pattern.

Controls must evolve to be adaptive, intelligence-led, and responsive to shifting regulations and geopolitical risk. Customer data, from know-your-customer (KYC) onboarding to product use, should be readily available to confirm or challenge indicators of suspicious activity.

Technology is the critical enabler. AI can process data fast enough to support real-time payments flows. Auto-closure models, trained on past decisions, can automatically clear low-risk alerts, allowing analysts to focus on more ambiguous cases. BCG's client work shows that companies can reduce compliance costs by 30% or more by embedding AI in alert-handling processes. AI is also driving advances in dynamic risk scoring, enriching customer profiles with external data such as open-source shipping records and adverse media. These models can surface indirect links to sanctioned entities—even several layers removed—helping companies comply with complex rules governing ownership and control.

In parallel, large language models can streamline compliance operations by generating internal updates, compliance bulletins, and training materials. These contributions improve consistency, speed delivery, and reduce manual workload.

## What to Do Now

To strengthen their payments compliance capabilities, companies should take the following actions:

- **Invest for resilience.** Integrate technology, risk governance, and proactive threat detection in a modern compliance operating model. Ensure that the organization can act ahead of regulatory intervention and maintain credibility with clients and counterparties.
- **Expand the risk lens.** Move beyond traditional screening by developing systems to detect circumvention patterns across payment chains, analyze transactional relationships over time, and assess geopolitical exposure in line with evolving regulatory expectations.
- **Build a shared risk and compliance infrastructure.** Build shared data pipelines and analysis layers that allow sanctions screening results to feed directly into transaction and anti-fraud monitoring systems. Develop logic to detect post-execution behavioral transaction chains that could indicate circumvention attempts.
- **Build compliance for crypto and stablecoin payments.** These payments move between wallets, not accounts, so the rail does not carry customer identity the way traditional bank payment networks do. Establish three capabilities: share sender and receiver information with counterpart providers before each transfer; screen both sides against sanctions, and use on-chain analytics to score and flag risky wallets and flows; and connect these signals into the company's anti-money laundering framework so decisions are automatic, consistent, and auditable. Over time, expect the emergence of common industry solutions that allow verified compliance information to move with the payment, reducing duplication and friction in cross-border use.
- **Put GenAI to work with targeted use cases.** Use historical alert-handling data to enable automated closure features for payments, deploy GenAI copilots to assist analysts in investigations, and automate the creation of policies, training materials, and internal communications.
- **Apply GenAI for context-based analysis.** Combine rich data from KYC records, client profiles, and product use with external data from media screening to assess suspicious patterns and automatically close false-positive alerts.

The compliance function is a core capability for operating in global markets. Payment firms that modernize now will reduce their risk exposure while gaining agility, trust, and competitive advantage in the evolving global payments landscape.

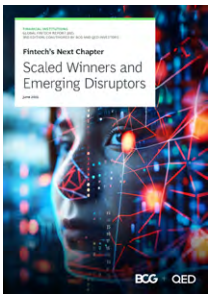
# Conclusion

## The need for bold action is stronger than ever. In last year's report, we made the case for decisive moves. That imperative has only grown.

Fragmentation, shifting power centers, and tightening monetary conditions are forcing payments leaders to prove that they can operate at the forefront of change. As regional powers assert control over infrastructure, providers must adapt to divergent regulatory, political, and network environments and make hard calls about where and how to compete.

Meanwhile, GenAI, agentic systems, digital identity, and tokenized assets are rapidly moving from theory to impact. Firms anchored in yesterday's trends risk missing the inflection points of 2025. This is no time for incrementalism. Leaders that align quickly to the new fault lines will set the pace for the industry's next chapter.

# For Further Reading

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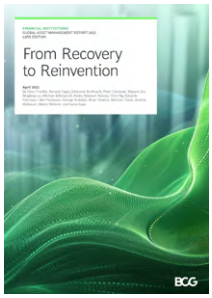


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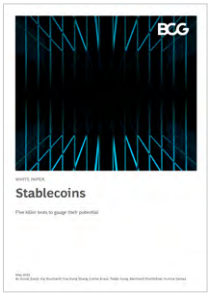


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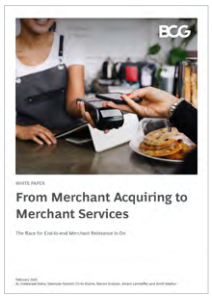


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