



A world of opportunity may await Nordic banks post-P27 withdrawal

The recent setback of the P27 initiative underscores the challenges of aligning cross-border payment systems across the Nordic region. But for the region's banks the setback is also an opportunity to embrace faster payments and transform how the Nordic region makes cross-border payments. The P27 may have gone away, but the need to harmonize cross-border payments hasn't, as we will explore here.

A little background on the P27 Nordic Payments Platform

In April 2023, the [P27 Nordic Payments Platform](#) withdrew the initiative it had been working on since 2018. This collaboration between major Nordic banks and its key technology partners had as its goal a unified payment infrastructure that offered real-time, cross-border payments across the Nordic countries of Sweden, Denmark and Finland. It was named after the Nordic region's 27 million inhabitants.





The P27 objectives were to:



Streamline payment processes



Facilitate real-time cross-border transactions



Boost security and compliance



Promote innovation¹.

The P27's stated aim was to 'be a payment gamechanger' for the Nordic region.²

The P27 withdrawal shuts one door, but opens others

The P27 was an ambitious project that ultimately couldn't match its ambitions. When announcing its withdrawal from the project in April 2023, P27 stated that 'new requirements and regulations' had challenged its operating model.³

The cessation of P27 has several impacts:



The vision of a seamless, unified, and efficient payments ecosystem across the Nordic countries seems to have been deferred.



Banks and other financial institutions could face challenges in offering efficient, cost-effective cross-border payments.



Meeting new compliance regulations, especially those related to payment services and data protection, may become harder for financial institutions.



Sources: 1. P27 Nordic Payments Website - nordicpayments.eu 2. P27 Nordic Payments Website - nordicpayments.eu 3. P27 Nordic Payments Announcement - news.cision.com/p27-nordic-payments-platform/r/p27-has-withdrawn-its-clearing-license-application.c3750183



Banks could wait for a P27 successor, or build their own alternative

The P27 is still actively working to make payments more efficient in the Nordic region – actively working on the future of the Bankgirot clearing system and looking at future solutions for Sweden’s domestic payments. It is the region’s banks who may face the decision of whether to wait for a replacement initiative for P27 or proactively seek out alternative solutions such as the two options below:

Option one

Banks could maintain the ambition of creating a unified, cross-border payment infrastructure and wait for a potential replacement to P27.

Considering the intricacies of setting up such an initiative, it’s likely that any direct replacement could take a significant amount of time to happen.

Option two

Banks could choose to work with existing institutions to build tailored solutions that could have immediate, strategic benefits.

Building bespoke solutions can give Nordic banks and financial institutions greater control over their operations and services. In a financial landscape that is fast evolving due to advancements in technology and changing regulatory frameworks, this could be important. Banks could look to align with Fintechs that are interested in providing solutions in layer 2 services such as cross-border payments.

Post-P27 presents banks with choices

For banks who may choose Option Two above, the P27 withdrawal may be a chance to embrace alternative solutions **that didn’t exist when the P27 first formed in 2018** and can offer a similar result:



Global payment protocols:

SWIFT gpi and other international payment protocols could become increasingly important to the region’s banks - offering a universal standard for fast, transparent and traceable cross-border payments.



Fintech collaborations:

Collaborations with Fintechs could offer innovative solutions for cross-border payments. Established Fintechs like [Currencycloud](#) have already made cross-border payments faster and more efficient globally. Banks might also consider incubating or investing in Fintech startups to develop in-house solutions.

Agile Fintechs can provide the innovation needed to drive change in the industry by bringing new solutions and competition to the market while collaborating with incumbent banks and financial institutions.

Large payment processors like [Visa](#), along with established Fintech firms, could step in to fill the void left by P27 and, can serve to establish networks to facilitate secure and efficient cross-border payments.



More services

Fintech firms and payment processors can now serve as an opportunity for banks to build towards the vision started by P27 and develop in a more flexible, responsive way and possibly open the door to a new host of products and services in the areas of money movement. A group of banks might choose to collaborate on a smaller-scale project that is more customisable than P27, adopting a country-by-country approach to ensure local requirements are met along with cross-border requirements.

But what about compliance?

The complex regulatory landscape may be one of the reasons P27 couldn't progress its initiative. So it's understandable that banks will be concerned about their ability to remain compliant with each individual country's regulatory requirements.

Good news. Banks opting to work with Fintechs to open seamless cross-border payments can work with a range of providers to reduce the risk of non-compliance. As part of this collaboration, banks can tap into their Fintech partners who have the established compliance processes and procedures necessary to ensure all aspects of cross-border regulations are covered.

The ambition remains, now to make it work

The Nordic banking sector's ambition for a unified payment infrastructure is still here. To achieve it there may be a shift towards new technologies and strategic collaborations, ranging from embracing global payment protocols to partnering with Fintechs.

Ongoing initiatives around real time payments include:

- Finland enabling SEPA CT
- Danish and Swedish Central Banks connecting to Target Instant Payments Settlement (TIPS/T2) making real time payments available in Krona

Currently, Visa is working on several overlay services around Payment Initiation, Bill Presentment and Fraud Prevention for the Nordics – a payment-agnostic approach that can allow Nordic banks to operate their businesses in the way they like whilst being compliant with local standards and rules.

The P27 correctly identified areas it could transform in the Nordic region. All these transformations still need to be made. Thankfully, the region's banks now have a real choice between waiting for another initiative or looking to the range of partnerships and options available that can allow them to fulfil the stated goals of the P27.

If you want to know more about how Visa Cross-Border Solutions can help you make the most of this opportunity for your bank, please contact Rhys Jenkins, Senior Business Development Specialist, Visa, who will be delighted to chat.

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Visa has built a network of networks strategy across the globe helping businesses to pay and be paid wherever they are. Would it be possible to build a network on top of an existing one to provide local capabilities across the Nordic region, and add new features that will deliver value to banks, consumers and businesses? This is an interesting and compelling area for us to explore post-P27.

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