

# Jack Henry's core unbundling comes at a crucial time

Article



**The news:** Jack Henry & Associates revealed a new technology strategy to offer unbundled core-banking solutions in the cloud, [per](#) a press release [and](#) an earnings-call transcript.

**More on this:** The strategy will be rolled out over the coming years and feature cloud-based core components.

- Three of the US-based company's component services are in beta: deposit processing, wire processing, and account opening. The fourth that it mentioned is for account servicing.
- On the call, CEO David Foss explained what the company means by “unbundling”: It's taking core-system parts and “making them discrete services that can be customized and rebundle[d].”
- Jack Henry will offer both public-cloud options—Foss cited Amazon Web Services (AWS) and Microsoft Azure as examples—and private-cloud choices.

**What's in it for banks?** Foss outlined intended benefits of the solution for help client financial institutions (FIs), such as:

- Enhanced flexibility, which includes opting for a partial core conversion instead of a full one.
- Enabling them to choose only the services that they want.
- Faster time to market.

In the press release, Foss touched on the growing competition banks face from non-bank entrants, calling it “an unprecedented level of financial fragmentation” and adding that consumers are using a large number of providers. On the call, he said Jack Henry's solutions can help community and regional FIs compete in this landscape.

- Foss also said that Jack Henry wants to go beyond being a core-banking processor and offer “a full banking ecosystem.” It's giving banking clients access to third-party vendors like **Finicity, Alloys, Dell, and Autobooks**.
- He noted that **Jack Henry has over 850 fintech partners and nearly 8,500 FI clients**. He also pointed out Jack Henry's open-banking support, as well as its relationships with four big companies in the space: Aside from Finicity, it works in **Plaid, Akoya, and Yodlee**.

**The big takeaway:** Jack Henry's tech-strategy unveiling will help it to shore up its competitive standing amid moves by others in the core-banking space and improve its customer satisfaction.

### Competitors:

- Rival core-banking incumbent **Fiserv** is buying the rest of banking-tech provider **Finxact** for around \$650 million, building on its early investment in the company. Adding Finxact gives

US-based Fiserv **Core as a Service**, a cloud-based core-banking offering, that clients can access based on their usage.

- UK-based **Thought Machine** is an up-and-coming challenger **reaching** unicorn status with a recent \$200 million funding round. It **counts** big incumbent banks **JPMorgan Chase** and **Standard Chartered** as both investors and clients.

**Customers:** Jack Henry, along with Fiserv and **FIS**, faces dissatisfaction from banking clients, per survey data from Cornerstone Advisors.

- For example, 56% **cited** **speed to market and pace of new improvements** as their top frustration.
- Additionally, 44% cited **integration difficulty with third-party systems**, and 39% noted **limited customization ability for their system**.