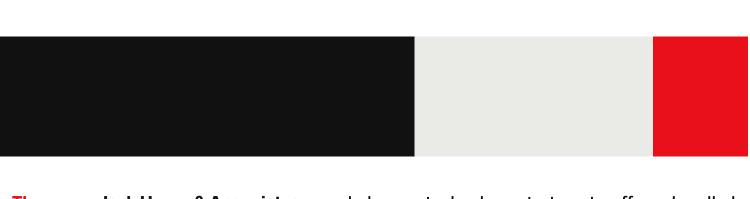


Jack Henry's core unbundling comes at a crucial time

Article



The news: Jack Henry & Associates revealed a new technology strategy to offer unbundled core-banking solutions in the cloud, <u>per</u> a press release <u>and</u> 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 Fl 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 <u>moves</u> by others in the core-banking space and improve its <u>customer</u> <u>satisfaction</u>.

Competitors:

 Rival core-banking incumbent Fiserv is <u>buying</u> 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 <u>reaching</u> unicorn status with a recent \$200 million funding round. It <u>counts</u> 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% <u>cited</u> **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.