

# New unicorn Thought Machine could be a threat to established core banking players

Article

**The news:** Thought Machine, which offers cloud-based core banking technology, has achieved unicorn status, with a valuation exceeding \$1 billion. The provider's valuation grew

in connection with its **\$200 million** Series C round.

**More on this:** Investors in the UK-based company now include the venture capital arms of **JPMorgan Chase** and **Standard Chartered**, with which it already had relationships.

- The provider **teamed up** with JPMorgan to **help launch its UK digital-only bank** and to **cover its US retail core banking network**.
- **Standard Chartered's Alex Manson**, who runs its SC Ventures unit, **said** that Thought Machine is providing core services for **its digital banks** in both Hong Kong and Singapore.
- The company also counts **Lloyds**—it led its Series A round and is part of the new one— and **SEB** as clients and investors.

Thought Machine said it will use its proceeds to continue building out **Vault**, its core banking product. Vault is presently available for retail and small business banking, but the provider intends to add support for commercial banking and private wealth, **per** the product's landing page.

The company also intends to fund expansion into new markets, along with bolstering its existing presences.

**Why it could succeed:** Thought Machine's product, designed for agility, should get the attention of banks that are dissatisfied with their current options—and gives the company a shot at becoming a formidable core banking player.

Vault is **designed** to help banks by:

- Scaling quickly based on customer volumes.
- Assuming software and hardware upgrades.
- Giving banks a choice in functionality.
- Encrypting and ringfencing banks' data.

Some of the company's investors have **touted** its technology. For example, Hans Morris, a representative from investor Nyca Partners, **cited** it as why Thought Machine has emerged as "the top choice for tier one banks looking to upgrade their core architecture."

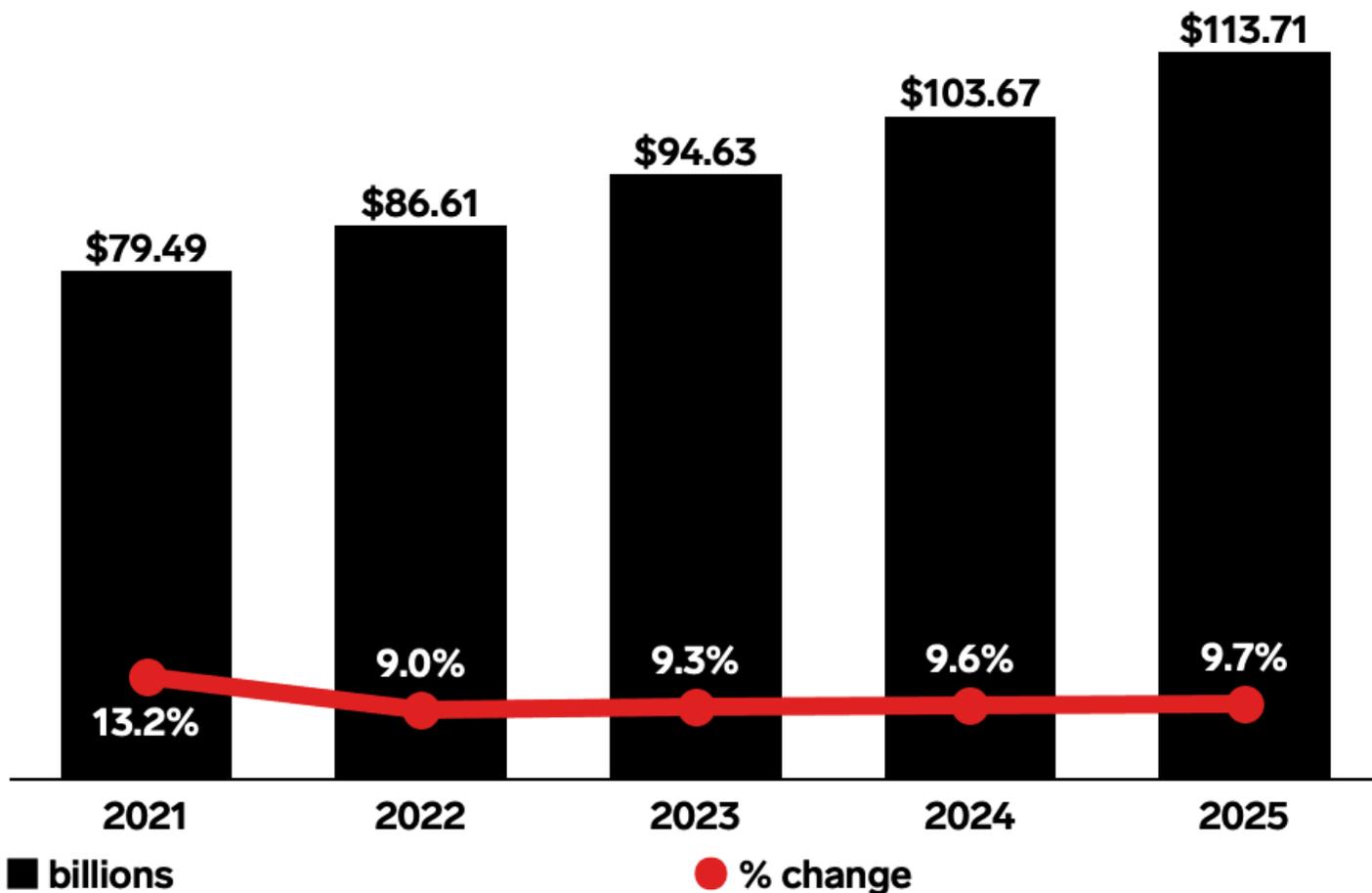
Along with its selling points and resources, the company poses a competitive threat to established core banking vendors **FIS**—which counts **BMO Harris** and **Fifth Third Bank** as

clients—and Fiserv, which serves **98 of the top 100 US banks ranked by American Banker.**

- In general, per findings from Cornerstone Advisors, incumbents are vulnerable due to financial institutions' "Big Frustrations," citing **their speed and pace of making improvements as the top gripe, at 56%.**
- Thought Machine's digital track record with banks such as JPMorgan and Standard Chartered could prompt more incumbents to consider it as an alternative. To fend it off, the core banking providers must address their clients' concerns.

# Total Banking IT/Technology Expenses

US, 2021-2025



*Note: includes expenses by banks with FDIC-backed consumer and business expenses and savings accounts; expenses include core systems maintenance, modernization, innovation, transformative technology, data processing, equipment, software, digital initiatives, compliance and cyber security*

*Source: eMarketer, March 2021*

*Methodology: Estimates are based on the analysis of data from respective bank corporate disclosures, reported and estimated non-interest expenses from major banks, estimates from other research firms, historical trends, GDP trends, technology expense trends, and macro-level economic conditions.*

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