

remaining relevant in the new financial services industry

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The technology driving financial services is advancing in ways unimaginable a few years ago. And thanks to this unprecedented technology evolution, the business of banking – as we know it – will not exist in the near future.

Remaining relevant in the new financial services industry will require banks and credit unions to embrace the new generation of technology and strategically respond to the inherent challenges and opportunities. Remaining relevant will require a new perspective on technology.

Technology decisions can no longer be based exclusively on features and functions. The criteria for those important decisions must be reengineered to assess technology providers and solutions based on their ability to enable near and long-term innovation by leveraging:

- An unrelenting commitment to digital and payments reinvention.
- Open banking and unbundled technology platforms.
- Embedded finance and embedded fintech.
- A client-driven product strategy that combines aggressive proprietary development, best-of-breed fintech and third-party solutions, and coopetition, if that seemingly



counterintuitive approach is in the best interest of banks and credit unions and, ultimately, their customers and members.

- A documented, consistent, meaningful investment in R&D.
- The ability to support financial institutions' common, noble mission to improve the financial health of the people, businesses, and communities they serve.

This new approach to technology due diligence will determine the differences between a vendor offering a point solution and an innovation partner offering a future-ready solution.

The technology-driven reinvention of the business of banking will require sequential and significant changes in every financial institution's business strategy, operational infrastructure, and technology platform and partners – a reinvention Jack Henry is uniquely positioned to support.

banking has left the building

Our industry tenure has enabled Jack Henry to support the three eras of technology-driven innovation in the financial services industry. The first era automated the business of banking – the manual, time-consuming, error-prone business processes and functions – with the analogue products of the 1970s and 1980s. The second era focused on efficiency-building integration that enabled the disparate systems and applications implemented in the name of automation to seamlessly share the same data. And today, we are supporting the complete digital reinvention of financial services.

With digital firmly positioned as the foundation of the new financial services industry, the way banks and credit unions innovate in the digital era will determine if they meet accountholder expectations, successfully compete with traditional and non-traditional competitors, realize their growth goals, and ultimately survive.

As changes in how consumers and businesses expect to transact and interact in the digital era were driving the



Jack Henry is fully engaged in **unprecedented innovation** that is evolving our technology and our solutions to enable our clients to remain relevant through constant innovation.

organic demand for the digital delivery of financial services, the pandemic created sweeping demand for digital banking among all generational and demographic segments. The pandemic dramatically accelerated the industry's digital innovation and forced many financial institutions into the digital fast lane.

Converting time-consuming, expensive traditional payments into much faster, much cheaper digital payments is a fundamental component of digital reinvention. Digitizing payments meets today's ubiquitous expectations to move money in the exact moment of need with a simple, seamless, and secure experience.

Jack Henry offers a flexible, scalable, highly customizable payments ecosystem that enables diverse banks and credit unions to digitally reinvent every payment channel and the life cycle of every payment type with proven solutions that provide distinct functionality for consumers and businesses. We have been on the leading edge of enabling our payment solutions with APIs (application programming interfaces) so our diverse clients and partners can seamlessly embed our solutions into their digital banking platforms and convert tactical transactions into meaningful interactions. Jack Henry provides the modern payments solutions and expertise our clients and partners need to ensure their evolving payments strategies are backed by our future-ready payment solutions.

open to endless possibilities

Open banking is the future of the financial services industry and requires traditional technology infrastructures to evolve into open platforms that unbundle legacy technology stacks. An open platform enables banks and credit unions to build proprietary applications or to integrate fintech and third-party solutions without permissions or assistance from existing technology providers. Operating as an open platform provides absolute control over who you partner with, what solutions you integrate, and when.

Based on the complexity of the technology platforms now driving banks and credit unions, no company can meet every technology need and operate as a single-source provider. As an early adopter of a pragmatic approach to open banking, Jack Henry's fundamental commitment to openness:



Payments reinvention is critical to owning the payments channel. Financial institutions must own payments to own the consumer and commercial relationship.

- Uniquely positions Jack Henry as a platform-enabling innovation partner.
- Provides our clients with new levels of operational agility, flexibility, and efficiency.
- Enables the seamless, fast integration and introduction of highly customizable, scalable, differentiated financial services and payment solutions.
- Optimizes collaboration.
- Fosters strategic integrations that help our clients grow and meet market expectations with best-of-breed solutions.
- Empowers diverse financial institutions with the technical and operational agility to innovate, differentiate, and compete with the industry's established and emerging disruptors.

the big BaaS decision

Banking-as-a-Service (BaaS), or embedded finance, will further disrupt and threaten traditional banking by enabling virtually any company in any industry to embed financial services into its customer experience, including websites, mobile apps, and business automation solutions.

BaaS blurs the lines between chartered and non-chartered providers of financial services by enabling non-financial entities to “rent” a financial institution’s secure, regulated, API-driven infrastructure to embed financial services – like payments, deposit accounts, and more – into a curated customer experience.

Every bank and credit union must consider the impact BaaS will have on its competitive environment. Those that embrace BaaS with the supporting strategy and technology will generate new recurring revenue streams. Those that do not will lose financial transactions, accountholder relationships, market share, and revenue opportunities.

Jack Henry is helping diverse banks and credit unions embrace BaaS with our open banking strategy and platform enabling technology.



Jack Henry’s unique commitment to open banking leverages **strategic relationships and integrity-driven coopetition** to expedite time-to-market with seamlessly integrated solutions.

BaaS enables unchartered fintechs and other entities to “rent” **the charters and regulated “rails”** of banks and credit unions.

we did PaaS before PaaS was cool

Payments-as-a-Service (PaaS) enables virtually any company in any industry to leverage relationships with financial institutions and fintechs to embed payments into a curated customer experience. As PaaS gains momentum and fundamentally changes the payments industry, every financial institution faces yet another strategic decision – to either embrace embedded payments and develop the business strategy and technology partnerships to capitalize on them or accept that PaaS is another threat that will erode market share and revenue. It is a very important decision considering payments are the most popular service in embedded finance.

Jack Henry fully embraced embedded finance and was on the leading edge of API-enabling our payment solutions, and today we are uniquely positioned to support PaaS based on our early innovation. We developed open APIs that enable our frictionless, secure, production-proven payment capabilities and transaction processing services to be seamlessly embedded into curated digital experiences. Jack Henry's PaaS platform is processing millions of payments every day and enabling:

- Banks and credit unions to leverage our APIs to streamline their integration of payment capabilities, to develop proprietary payment solutions, and to capitalize on PaaS by providing non-financial entities with fee-based access to the technology needed to offer payment services. Jack Henry's PaaS strategy enables banks and credit unions to successfully compete with fintechs, big techs, mega banks, and digitaldriven neobanks.
- Fintechs to quickly and seamlessly embed our production-proven payment capabilities into their digital banking solutions.
- Diverse businesses outside the financial services industry to embed channel-specific payments into their existing customer experiences.
- Software developers that support non-financial vertical markets to embed payment services into their platforms.



As the protective walls around the banking industry collapse, **community banks and credit unions must embrace open banking, BaaS, and PaaS** to remain competitive.

Jack Henry uses the same APIs built to support our PaaS strategy to integrate our payments capabilities into other proprietary solutions.

To support our APIs, Jack Henry hosts a Developer Experience Site to provide comprehensive developer resources, including API documentation, use cases, software development kits (SDKs) that include sample code and fully formed reusable code modules, and a sandbox environment to expedite efficient, seamless integrations.

Jack Henry's PaaS strategy and platform help diverse entities maximize the potential of payments.

the fintech effect

Fintechs are a competitive force to be reckoned with, especially in the payments space, and many banks and credit unions are struggling to successfully compete with them. Innovative, agile fintechs reinvented person-to-person (P2P) payments and then turned their attention to income payments, merchant services, and financial management solutions. And now many of them are strategically positioned with the technology, expertise, and brand allure to further disenfranchise banks and credit unions by offering deposit accounts, loans, and cards. The brand allure of fintechs will evolve into a competitive differentiator as more consumers choose who provides their financial services based on brand affinity, and as young consumers are increasingly open to trusting non-financial companies for their financial needs.

Much like the big BaaS decision, banks and credit unions must decide if these inspired fintechs will be competitive foes or embedded fintech friends.

Jack Henry's open platform, which is an operational prerequisite for embedded fintech, is enabling banks and credit unions to create fintech friendships and leverage their innovations to develop differentiated financial services and payment solutions. Jack Henry's collaborative approach to embedded fintech provides SDKs, APIs, and other ready-built developer tools to enable and expedite seamless, efficient integrations.



Jack Henry's innovation enables banks and credit unions to digitally reinvent and migrate to an open platform and ultimately capitalize on embedded banking and embedded fintech.

build, buy, or buddy

Jack Henry has a long and successful history developing, acquiring, and partnering with proven fintechs and technology providers to ensure our solutions are future-ready. Our product strategy is based on two guiding principles:

- All technology solutions inherently need constant modernization to leverage new technologies, meet evolving user expectations and industry needs, and remain relevant in the competitive landscape.
- We cannot meet every technology need of every financial institution. We believe “best-of-breed” is uniquely defined by each bank and credit union.

Examples of our proven build, buy, or buddy payments strategy include:

- **Build** – Fintechs reinvented P2P payments with innovative solutions that created strong and growing demand for instant payments and disenfranchised banks and credit unions. To enable our clients to compete aggressively and successfully, we built JHA PayCenter™. This payments hub streamlines sending and receiving real-time payments through Jack Henry’s core and digital solutions as well as third-party core, mobile, and online solutions. JHA PayCenter:
 - » Provides ready-built conduits to the instant payment networks Zelle® and RTP®, with plans to support the in-development FedNowSM network.
 - » Streamlines network certification and onboarding and expedites time-to-market.
 - » Generates all network-specific data feeds.
 - » Provides network-specific settlement, clearing, and dispute management.
- **Buy** – As remote deposit capture evolved from a competitive distinction to a competitive necessity, we realized one size does not fit all, so we acquired Ensenta. This acquisition positioned Jack Henry with two functionally distinct remote deposit capture (RDC) platforms – JHA SmartPay and

Jack Henry’s fundamental **commitment to open banking** and our strategic combination of proprietary product development, disciplined acquisitions, and high-value partnerships **has enabled important distinctions in what we do and how we do it.**

Ensenta – and as the industry-leading provider of consumer and commercial RDC solutions.

- **Buddy** – Our cards platform needed to be elevated to support our commitment to providing future-ready payment solutions. We thoroughly and objectively evaluated our options: invest the capital and time needed to build a new proprietary platform; buy a production-proven platform; or access an industry-leading platform through a strategic partnership. Based on the functionality available with the FirstData/Fiserv platform and the expedited speed-to-market this option would enable, we inked a long-term partnership.

We also partnered with PSCU for access to its front-end technology, which we leveraged to create our proprietary experience. These partnerships demonstrate cooperation at its best. After migrating all of our card clients to this proven platform, we are confident our buddy approach was the best option for our clients and ultimately their cardholders.

money talks

Jack Henry makes significant investments in product innovation, annually investing approximately 14% of our total revenue in R&D – a financial commitment we believe is among the highest in the industry. Another important distinction about our R&D investment is that it funds innovations exclusively for banks and credit unions – our investments are not diluted by funding development that supports other segments of financial services or other industries.

Our payments solutions materially benefited from our development investments and initiatives, resulting in new solutions for new channels like real-time payments, client-driven enhancements to our existing solutions, our aggressive PaaS strategy, and our new, fully integrated cards platform.

We also continually pursue disciplined, strategic acquisitions that add meaningful solutions to our payments platform.



It takes aggressive, ongoing R&D to ensure payment solutions remain relevant and offer the **modern functionality financial institutions need** to meet accountholder expectations and compete.

it takes a village

It's obvious that originating, processing, and settling diverse payments is technology-dependent. No financial institution – not even mega banks – has the vision, expertise, time, or budget to build and maintain its own payments platform. And no fintech – not even the payment giants – can autonomously build and maintain a platform that supports all payment channels and types without a little help from its friends.

In addition to our proprietary product development and acquisitions, we have established a significant number of strategic relationships and fully embraced cooperation to efficiently, seamlessly, and quickly deliver the solutions and functionality our clients need to meet the evolving expectations for the payment experience and to successfully compete with the non-traditional payment providers.

payments are the epicenter of financial health

Most banks and credit unions believe that enabling financial security and stability, and ultimately financial freedom, is their common, noble purpose. But many financial institutions have been understandably distracted from this aspirational mission by the challenges and complexities inherent in today's financial services industry and economic environment.

Today, many banks and credit unions are renewing their fundamental commitment to reduce the barriers to financial freedom, which in turn generates legitimate differentiators for banks and credit unions in today's crowded, highly competitive financial services industry.

Missed and late payments, punitive late fees and service charges, interest rate increases, and declining credit scores are common barriers to financial health. So, while there's no silver bullet for improving the financial health of today's extremely diverse consumers and businesses, offering modern, flexible, digitally accessible payments is the place to start. With payments being the most common money moments, they are the

Jack Henry has fully **embraced the opportunities** to leverage the unique knowledge, expertise, and technology each partner provides to benefit our clients and ultimately their accountholders.

The payments platform should be considered **the cornerstone of a financial wellness platform.**

fundamental component of financial management and, ultimately, financial health.

eyes wide open

Building and maintaining a future-ready payments ecosystem doesn't happen by chance. Jack Henry's dedicated team of industry analysts conducts ongoing, extensive research that is leveraged by our Payments Strategy Group to guide the ongoing enhancements to our existing solutions, the integration of practical new technologies, and the introduction of new build, buy, or buddy solutions our clients and partners need to support emerging and evolving payment channels.

jack henry

For more than 40 years, Jack Henry has leveraged a fundamental commitment to provide the technology, expert guidance, and day-to-day support diverse banks and credit unions need to optimize their business, growth, and service strategies and to ultimately improve the financial health of the people, businesses, and communities they serve. Today, Jack Henry is fully engaged in unprecedented innovation that will evolve our technology and our solutions to enable our diverse clients and partners to reimagine payments technology and remain relevant in the new financial services industry.

create limitless possibilities

[Learn more](#) about our future-ready, growth-enabling payment solutions.

For more information about Jack Henry, visit jackhenry.com.

Jack Henry is the payments strategist and technology partner **supporting more than 6,400 diverse banks, credit unions, and businesses** with future-ready payment solutions that are seamlessly **processing more than 1 billion monthly transactions** representing **\$190 billion**.