Letter from the CEO

BY FRANK SANCHEZ

It’s my pleasure to report here on our progress thus far this year. Thank you for your interest and the support that so many of you have expressed for the success of our mission. Finxact is proving to be a high velocity enterprise, in lots of ways. Our component-based architecture, as intended, is creating leverage and velocity in development. Not many people imagined we’d have made this much progress on our product roadmap in just over four years. The urgency of our mission, to modernize the aging infrastructure of large US banks, creates velocity in demand, which our delivery partners have ably stepped up to meet. The size of the institutions we serve, creates transaction velocity at a scale few providers can accommodate. All the above has necessitated velocity in recruitment, making Finxact a very fast-growing company, and a magnet for some of the best engineering talent in the country.

Finxact is a leading provider of next-gen core systems, with more instances of US bank clients live in production than any other provider. I’m very proud of our team and can see their pride every day in being part of such an intense and formative experience, doing mission critical work for our clients. We review our platform’s role as the System of Record for our clients’ businesses in every weekly all hands meeting and how important it is to prioritize our commitment to Stability, Security, and Scalability above all else. I’m pleased to report that in the first quarter of this year, we welcomed two more banks to the Finxact family, including Primis Bank ($3.3B) and First Horizon Bank ($80B). During the same quarter we welcomed two additional delivery partners including WIPRO and Levvel/Endava. We have a full pipeline of regional and super-regional banks that have exciting digital and legacy core conversion initiatives planned for the Finxact core. I look forward to reporting back here in our next newsletter to share their progress.

Everyone be well and have a great summer, but don’t take off for too long.
Updates from Around Finxact

NEW PRODUCT UPDATES

Finxact continues to deliver features at a fast pace. First quarter enhancements include inactive and dormant support, zero balance account processing, the ability to automatically close accounts when the balance has been at zero for a specified period, and expanded funds availability features to allow for more refined control on ACH and Debit Card transactions. On the lending side, the focus has been on past due features including billing, late charges, and nonaccrual or charge off status and accounting.

– Amanda Mathis, VP of Product

FROM THE HR TEAM

Finxact is growing, and attracting top talent from around the industry. We recently recruited two senior banking executives to lead our Client Services & Delivery teams. Join us in welcoming Hank Huff and Greg Birtch.

– The Finxact People People

FROM THE SALES TEAM

As the US production leader in core-as-a-service software, Finxact relies on our SI delivery partners to help our banks along their transformation journey. I had the pleasure of joining executives from Levvel and Regions Bank to talk about that journey and how to best begin. Check it out here.

– Ryan Victor, Chief Revenue Officer

NEW COMPLIANCE UPDATES

We have completed our SOC 1, Type 2 report as we look ahead to focusing on internal assessments to improve our already strong operational and regulatory posture within the Finxact Marketplace.

– Sadh Akella-Mishra, Chief Compliance and Security Officer

The Finxact Roadmap

BY DEBORAH KOVACS, CHIEF PRODUCT OFFICER

We are extremely focused on evolving our payments strategy to allow customers the ability to opt in to a variety of payment channels. Connectivity and processing can be streamlined with Finxact’s payment hub. ACH transactions will post to the FED through The Clearing House EPN solution. Real Time Payments will also be supported through The Clearing House. The FedWire infrastructure build out is in process to support real time wire processing. Finxact will be participating in the FedNow pilot program and be an early adopter of their real-time payments solution.
Marketplace Q&A with AWS

Q: How can AWS help modernize a legacy system?

A: The unprecedented pace of change is pressuring banks of all sizes to increase agility and accelerate innovation. AWS helps them to structurally lower their cost base, bring new ideas to market at breakneck pace, and create more elegant customer experiences — all while meeting stringent security, compliance, and regulatory requirements.

The technology at the core of many financial services institutions is outdated and comprised of systems dating back decades. Financial services organizations running their core systems on legacy, on-premises technology face severe challenges when it comes to enabling modern experiences for their customers. Many systems are the product of multiple mergers and acquisitions, resulting in fractured data siloes, excessive infrastructure costs, and slow time to development. This creates inefficient processing and decision-making, lack of business agility, poor customer responsiveness, and excessive maintenance costs. Under these conditions, it’s challenging for IT to meet the modern needs of internal stakeholders and customers.

By migrating legacy core systems to AWS, financial services institutions can modernize their core systems to reduce cost of ownership, automate manual back office processes, eliminate data silos, improve customer experience, and launch new market facing applications faster. AWS provides the breadth of services, deepest functionality, and automation that enables firms to securely and cost effectively modernize their core legacy systems. Migrating to the cloud allows financial services institutions to leverage the hyper-scale, global availability, and security of AWS.

Q: Today’s banking customers expect personalized interactions and seamless transactions, how can AWS with Finxact help create richer experiences?

A: Most of the midsize and large banks in the US are still running core systems that were developed decades ago. These systems were written in COBOL and other mainframe languages from the fifties and sixties, before the advent of the Internet. The technical debt accumulated from this legacy infrastructure is making it very difficult, and costly, for banks to be nimble and responsive to customer expectations. The same legacy systems also make it difficult for banks to access core transaction data in an era in which Machine Learning, AI, and data-driven decisioning are increasingly vital.

As the transaction processing engine and inventory management system for a bank’s deposit and loan positions, Finxact Core-as-a-Service on AWS manages a bank’s most critical workloads. Finxact deploys and maintains containerized applications on AWS in order to meet the availability, performance, regulatory requirements of the largest US financial institutions. Together, Finxact and AWS combine precision in core banking with the resiliency and elasticity of the cloud to deliver the next generation of core banking.

Q: Security is a top priority for customers, tell us how AWS Financial Services security and compliance experts help customers create scalable, secure cloud platforms.

A: AWS understands the unique security, regulatory, and compliance obligations financial services institutions face on a global scale. AWS customers can access controls that have been tested and validated by third-party auditors across ISO, PCI, SOC, and other certifications. Internal AWS Financial Services security and compliance experts can also help customers to create scalable, secure cloud platforms specially designed to complement the organization’s security goals, strategies, and tactics, while meeting the strictest regulatory requirements.

AWS Cloud Governance for Financial Services is a framework to guide customers in establishing processes and selecting tools to manage and govern their AWS environment. Financial institutions are able to define requirements for security, cost, and ongoing oversight for their cloud journey; ensure processes are optimized and consistently followed; and implement solutions to measure cloud health at scale.
Security and Compliance is a shared responsibility between AWS and the customer. This shared model can help relieve the customer's operational burden as AWS operates, manages and controls the components from the host operating system and virtualization layer down to the physical security of the facilities in which the service operates. The customer assumes responsibility and management of the guest operating system (including updates and security patches), other associated application software as well as the configuration of the AWS provided security group firewall. Customers should carefully consider the services they choose as their responsibilities vary depending on the services used, the integration of those services into their IT environment, and applicable laws and regulations. The nature of this shared responsibility also provides the flexibility and customer control that permits the deployment. As shown in the chart below, this differentiation of responsibility is commonly referred to as Security “of” the Cloud versus Security “in” the Cloud.
Enabling Analytics with the Finxact CaaS

**BY COOPER THOMPSON, PARTNER INTEGRATION ENGINEER**

The recent trends in machine learning, artificial intelligence (AI), and analytics have shown that the market is adopting the concepts at rapid speed. Industries have been shifting from a “nice to have” outlook to a “it is a necessity” viewpoint when it comes to an analytics-driven enterprise. Recent initial public offerings (IPOs) from the likes of analytics-focused companies Snowflake, MongoDB, Palantir, Exasol, and Sumo Logic are indications of the growth in usage and popularity these companies are seeing. The big three cloud providers Microsoft Azure, Google Cloud Platform, and Amazon Web Services are providing a constantly expanding suite of analytics and machine learning focused services to users and businesses, with new capabilities being added each day. With this mass proliferation of new technology, keeping up can seem impossible.

Analytics has shifted away from the old ways of tabular spreadsheets, monolithic databases, and “green bar” reports. Data is being produced and consumed in volumes and velocities higher than ever previously imagined, with the upper limit being pushed further each minute. According to International Data Corporation (IDC), 59 zettabytes of data will be generated this year, and the data created and consumed over the next three years will be greater than the last 30 years combined. Taking into consideration these staggering amounts, it is hard to imagine relying on days’ past methods for analysis.

Finxact CaaS

Finxact, as the first real-time next-generation core-as-a-service, was born into a world that understands the importance of enabling enterprises to consume data as quickly as it is produced. Legacy core systems rely on nightly batch processes, extract routines, and monolithic data tables that slow down “time-to-action” and limit the capabilities of an organization’s analytics initiatives.

The Finxact CaaS provides multiple features that enable real-time access to all operational data, as well as the ability to read records at a point in time in the past. These features combined enable a financial institution to build a fully integrated analytics solution that can drive business decisions and respond to changes at a moment’s notice. By leveraging events produced by the Finxact CaaS and accessing the fully transparent APIs, an organization is able to have full unbound access to the data on their system-of-record. In addition to this, the temporal qualities of the Finxact CaaS online data storage means that institutions can “go back in time” to rebuild data sets and source the data from a point in the past. Let’s look at some use cases where this power is realized.
RELATIONSHIP PROFITABILITY

An institution’s ability to know their customers, and the contribution those customers make to their revenue, is tantamount to their ability to retain and nurture customer relationships. One way an institution can gain insight into their customer base is by analyzing relationship profitability. Relationship profitability analysis requires a vast amount of data spanning from single transactions to entire portfolio relationships. On a traditional system, these data points may be obfuscated away or hidden deep in a batch-produced report somewhere. This data should be able to be accessed at a moment’s notice so that action can be taken “now” rather than “tomorrow using yesterday’s data.” The Finxact CaaS provides full access to all underlying operational data in real-time via its ever-expanding suite of API endpoints.

Organizations can integrate bleeding-edge solutions such as serverless computation and managed ETL systems to read from the Finxact CaaS APIs and populate data storage solutions such as data lakes, data warehouses, and data marts on any schedule they please. This flexibility and online access to all data on the system-of-record means that organizations can perform complex tasks such as analyzing relationship profitability at any time they wish.

REAL-TIME FRAUD PREVENTION

The Finxact CaaS, in addition to the expansive transparent API endpoints, also produces real-time events that enable event-driven architectures and responsive analytics pipelines. Traditional core systems are essentially “black box” solutions that consume tons of data each day, but hamper an organization’s ability to extract and consume the data, let alone in real-time. By integrating with the event-driven offering that Finxact provides, organizations can consume real-time events to turn key areas such as business process management, fraud prevention, and anti-money laundering (AML) into responsive cost-saving powerhouses. Gone are the days of batch reports, bulky extracts, and waiting for nightly processing to finish in hopes of retrieving the data. The Finxact events architecture means data can be consumed as quickly as it is generated.

Applied to fraud prevention, Finxact’s offering is second to none when it comes to responsiveness and ease-of-integration. Taking into consideration the billions lost each year to fraud, being able to respond as quickly as possible to situations is critical to an organization’s ability to mitigate risk. The event architecture that Finxact brings forth makes it easy for third party fraud management systems to integrate with real-time transaction data and customer information from the system-of-record. This real-time integration means that fraud can be stopped dead in its tracks before it’s too late.

TREND ANALYSIS AND TIME-BASED REPORTING

The Finxact CaaS maintains temporal records, meaning that the system can be read from at a point in time in the past. This means that organizations can supply their data warehouses, data lakes, data marts, and any other systems with historical data, even if the system was integrated at a later date. By having this capability, organizations can generate historical reports, trending data analysis, and detailed time-based reporting, without having to worry if they have been collecting the dataset in its entirety from inception. If an organization finds that there is value in a particular data element that they had not been consuming, the organization can then extract the entire history of that data element to populate downstream systems. In addition to this, the lineage of the data can be validated by correlating record versions, timestamps, and primary keys to the system-of-record.