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THOUGHT LEADERSHIP EXCLUSIVELY FOR ABA MEMBERS

Independence is an economic strategy.

The Economics of Core Independence

Ageing technology forced the whole industry into a layered operating model. This is the path back — progressive core independence, without a single high-stakes conversion.

By Endre Jarraux Walls

Founder & CEO, adapfin

A FIELD GUIDE FOR THE BANK LEADERSHIP TEAM · **AI YOU CAN BANK ON**



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A practical framework for the leadership team

We spent a decade modernizing the layer customers could see.

The next decade is about the layer that determines **cost, risk, and speed**.

Ask most bank leaders whether they have modernized, and the honest answer is yes. New digital channels, a better mobile app, a data warehouse. Real progress. And yet, for many institutions, the economics barely moved, and every new capability seemed to arrive with a new vendor, a new integration, and a new cost in the middle.

Banking didn't become simpler. It became layered — and you can't add your way out of a layering problem.

The modernization went into the layer the customer sees, while the layer that governs cost, risk, and speed stayed where it was. That layer — the core and everything stacked on top of it — is not the product of any one vendor's failing. It is the accumulated residue of decades of aging technology, each generation adding a layer to work around the one beneath it. We modernized the storefront and left the supply chain in place.

This piece makes a single argument, in the language of the whole leadership table. The distance between a bank and its own core, measured in intermediary layers, is where cost compounds, where risk accumulates, and where the customer relationship can go cold. Closing that distance is not only a technology project. It is an economic strategy.

WHAT CORE INDEPENDENCE IS, AND IS NOT

It does not mean building everything in-house or eliminating technology partners. It means controlling product configuration, data access, operating economics, risk evidence, and exit options without depending on a chain of intermediaries for every meaningful change. A sharper test: independence is measured by what the bank can change without a ticket, a professional-services engagement, or another vendor's permission.

The Cost of Distance



Follow the money out of a modern bank and you will find it does not leave in one place. **It leaves in layers.**

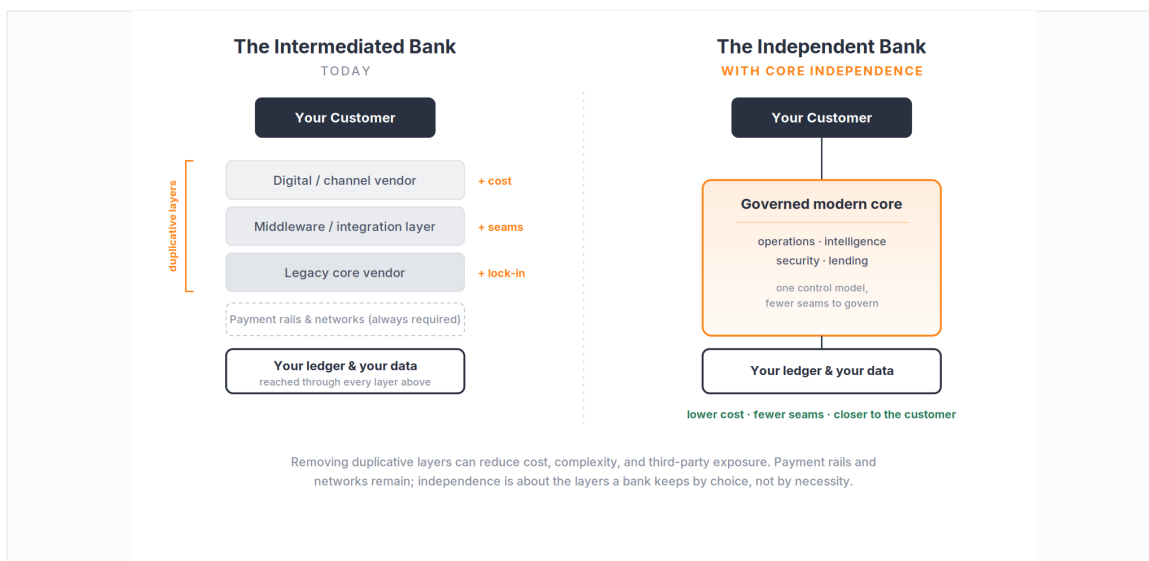


Figure 1 · The same bank, intermediated and independent. Payment rails and networks remain; the duplicative layers are the ones a bank keeps by choice.

Between a bank and its own ledger sit a series of intermediaries: a digital channel vendor, a middleware layer, a legacy core. Each was added for a reason and solves something real — and each also carries a cost, introduces dependencies the bank must govern, and adds one more step between the institution and the customer it serves.

16.5–22%

of the smallest banks' budgets go to data-processing and compliance — versus 10–14% for the largest. The layered model taxes the smallest banks the hardest.

CSBS, 2015–2024

None of this is any single provider's fault. It is the shape the industry inherited: aging platforms that could not change fast enough, so the market grew layers around them, and every layer became a toll. The result is a structural cost of intermediation, no line item names — one that grows heavier with age, as satisfaction declines the longer a bank runs on a platform, lowest as the contract nears renewal.

“

Nobody line-items “distance from your core.” But it is in every renewal, every integration invoice, and every change request that takes six weeks because it has to pass through four systems.

ENDRE JARRAUX WALLS · FOUNDER & CEO, ADAPFIN



A CFO does not need another license quote. They need a way to see the whole cost of distance at once — then a way to **reduce it without a disruptive rip-and-replace.**

A CFO FRAMEWORK

Intermediation burden = direct vendor cost + integration cost + control & oversight cost + delay cost + exit cost

Evaluated across the full contract and exit horizon: core and module fees, transaction and processing charges, integration and middleware, professional services, reconciliation labor, vendor-risk oversight, audit and evidence production, dual-running and migration, product-launch delays, and deconversion and data-portability costs.

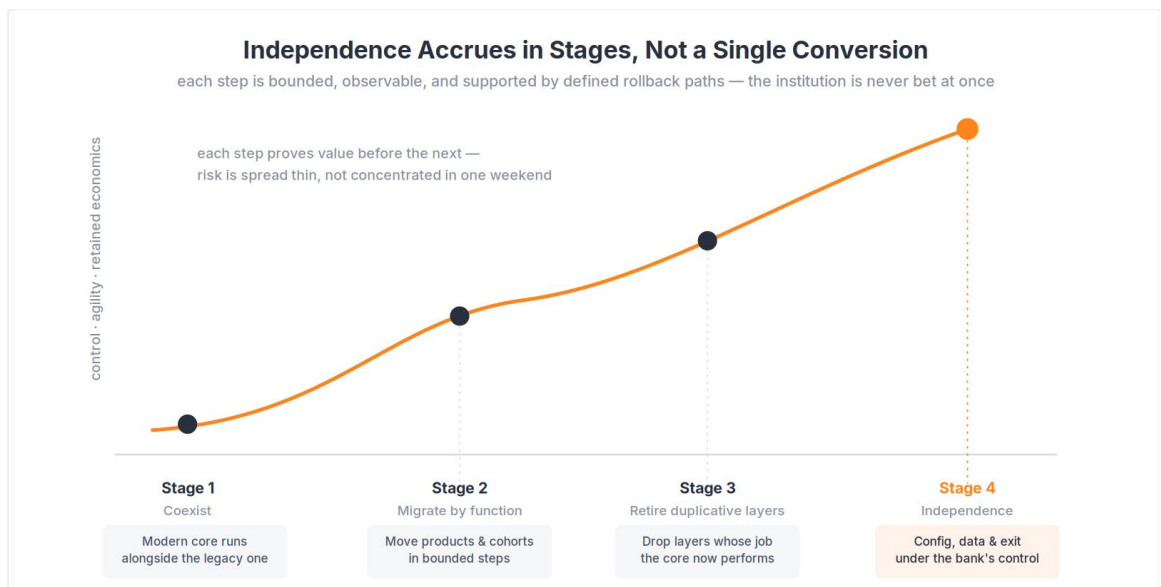


Figure 2 · Independence accrues in bounded, reversible stages — control, agility, and retained economics rise with each layer reclaimed, and the institution is never bet at once.

The word “independence” can worry operators, because they hear “rip-and-replace.” It should not. **Independence is something a bank accumulates, not something it detonates.** A big-bang conversion concentrates the risk into one weekend, and few lean institutions have the bench to absorb that failure — so the project is deferred year after year while the burden compounds.

Progressive core independence breaks that deadlock. A modern core stands up alongside the existing one, in production, and takes over function by function. **Each step is bounded, observable, and supported by defined rollback paths** — value proven before the next begins. The capability that makes it possible is architectural: **the core has to be built to coexist with what the bank already runs.**

“

Run it as a series of small, bounded steps and no one outside the building notices you are modernizing. That is the point. The heroics are the failure mode.

BOB DIEGEL · CO-FOUNDER & STRATEGIC ADVISOR, ADAPFIN

Every Seam Counts



Ask a Risk Officer where the exposure lives and they will rarely point at a single system. **They point at the seams between systems, because that is where things break.**

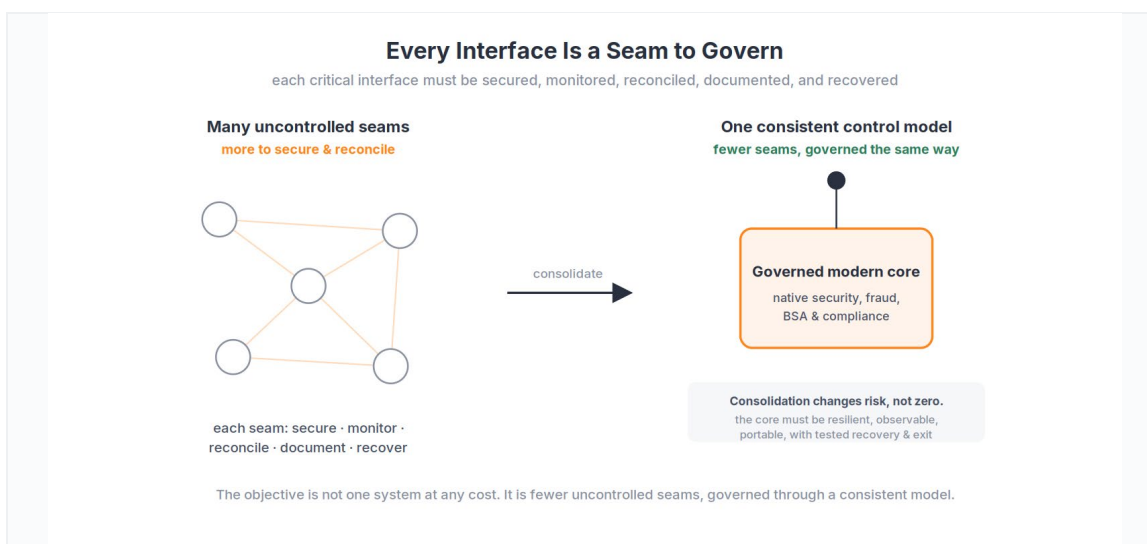


Figure 3 · The objective is not the fewest boxes but the fewest uncontrolled seams, governed the same way, with the core held to a resilience and exit standard.

Each additional critical interface creates another dependency to secure, monitor, reconcile, document, and recover. **This is a major driver of operational, security, and compliance risk**, consistent with how the FFIEC frames interconnectedness among a bank's assets, processes, and third-party providers. The objective is not one system at any cost. It is fewer uncontrolled seams, governed through a consistent control model.

CONSOLIDATION CHANGES RISK, IT DOES NOT ERASE IT

Fewer seams can reduce integration, reconciliation, and third-party exposure. But consolidation can also increase concentration risk, platform dependency, blast radius, recovery requirements, and exit and portability risk. The core must therefore be resilient, observable, portable, and supported by tested recovery and exit plans — and using a third party never removes the bank's own responsibility for safe, compliant operation.

“

*Examiners rarely ask whether you use a given tool. They ask where the data goes between your systems, and whether you can prove it.
Fewer seams, cleaner answer.*

DIANE MCCracken · CO-FOUNDER & CHIEF SECURITY OFFICER, ADAPFIN

With that caveat honored, the case is straightforward. **When operations, intelligence, security, and lending are governed through one control model rather than stitched across several vendors, the surface a bank must defend narrows.** Audit becomes a matter of demonstrating one governed system rather than tracing data across a mesh of contracts.

04

Move First



Everything above is in service of this. Economics and independence matter because of what they let the bank finally do for the customer: offer help earlier.

A bank's most useful signals about a customer — a change in cash flow or account behavior the customer has authorized it to act on — often already exist. **In an intermediated stack, those signals are scattered across systems the bank does not fully control**, arriving too late to act on. So the bank waits until the customer does something, and responds — reactive by architecture, not by choice.

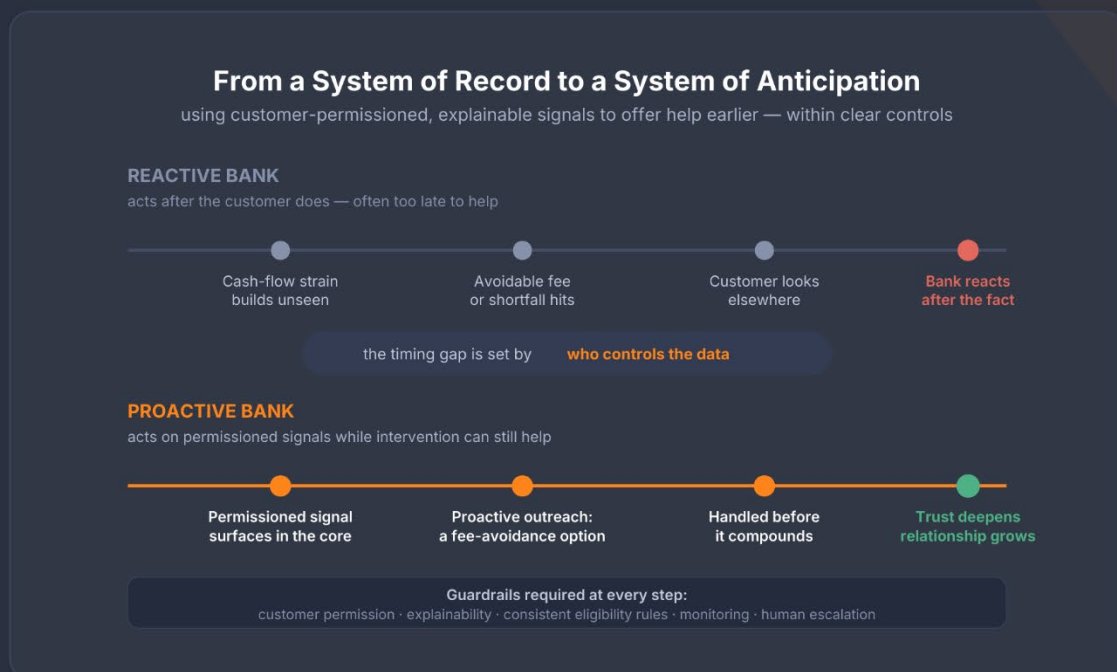


Figure 4 · The same customer moment, two architectures — independence moves the point at which the bank can act.

When the core is the bank's own and the data is not trapped behind intermediaries, the institution can act while intervention can still help. **This is the difference between a system of record and a system of anticipation.**

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Move First In Practice

Anticipation is a capability a bank builds deliberately, not a switch it flips. Three moves turn independence into a proactive relationship — each safe to start small.

- 1 Unify the signal.** Bring the cash-flow and account-behavior data the customer has authorized into one governed place, so a change is visible the moment it happens rather than weeks later in a report.
- 2 Start non-credit.** Lead with fee-avoidance nudges, liquidity prompts, and proactive service conversations — value the customer feels immediately, with none of the fair-lending exposure a credit offer carries.
- 3 Govern from day one.** Wrap every proactive motion in permission, explainability, consistent eligibility, monitoring, and human escalation — so the program scales without becoming an examination finding.

A PROACTIVE BANK NEEDS GUARDRAILS, NOT JUST DATA

A “tailored option” built on behavioral data becomes a fair-lending or UDAAP question the moment privacy, eligibility, and model-risk controls are absent. The guardrails are not a constraint on the strategy — they are what lets it grow.

“

The signals to help a customer early almost always exist. The only question is whether your own core can see them in time to matter.

ZIA KARIM · CO-FOUNDER & CHIEF TECHNOLOGY OFFICER, ADAPFIN



Independence is easy to claim and harder to prove. **These six questions give any leadership team a concrete way to evaluate a platform, a partner, or their own current state.**

1

Product control

Can the bank create or modify a product without a vendor project?

2

Data access

Can it access and export its data, with complete lineage?

3

Consistent control

Can controls and policies be applied consistently across products?

4

Coexistence

Can a product or customer cohort run alongside the existing core?

5

All-in economics

Can management calculate all-in economics across the full contract and exit horizon?

6

Exit without penalty

Can the bank change components without punitive technical or contractual lock-in?

HOW ADAPFIN APPLIES THE STANDARD

We built **Nucleus BankOS** to answer these six tests directly:

- A governed modern core designed to coexist with the existing one, in production, and migrate function by function;
- Product configuration in the bank's own hands without a vendor project;
- Governed, examinable intelligence with sensitive fields minimized or tokenized where appropriate, distinguishing internal models from external-model calls;
- Native security and compliance under one control model;
- Economics priced on the relationships a bank actually serves, with data portability and exit designed in rather than penalized.

The point is not the product names — it is that each property is testable, and we intend to be tested on it.

DOCUMENT SOURCES

1. Conference of State Bank Supervisors, "Too Small to Scale," analysis of the CSBS Annual Survey of Community Banks, 2015–2024.
2. American Bankers Association Core Platforms Survey (2024), on satisfaction over the platform and contract life cycle.
3. Federal Financial Institutions Examination Council (FFIEC) guidance on interconnectedness and third-party risk.



THE CONVERSATION WORTH HAVING

Independence is the strategy hiding inside the **modernization budget.**

If your institution has modernized everything the customer can see and still cannot move its economics, the layer left untouched is the one worth examining. It starts with three questions any leadership team can put to itself.

1. Where is the intermediation burden actually being paid, across the full contract and exit horizon?
2. Which layers do we keep by necessity, and which only by habit or lock-in?
3. What could we change tomorrow without a ticket, a vendor project, or another party's permission?

Ready to gain your independence?

Start the conversation — no pitch, just the honest math for an institution your size.

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