

Insight

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What's going on in credit union technology delivery?

A briefing note for strategists and technology providers



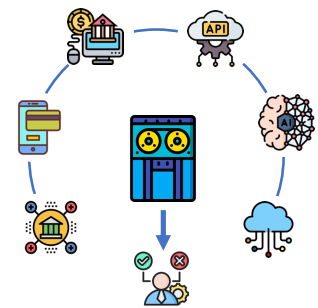
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Analysis of credit union, challenger bank and fintech competitiveness

Big Changes

It's change time in the Canadian credit union system. Several major announcements have been made that impact the delivery of CU technology. These include:

- Central 1 has announced that they are [winding down their digital banking business](#), including their widely-adopted Forge and Member Direct products
- Celero, a Prairies CU-owned shared services provider, has been [sold to CGI](#)
- Atlantic Canada's League Data has [successfully converted](#) their first credit unions from CGI onto the Mambu core banking system
- Vancity has announced plans to [adopt Intellect Designs'](#) digital banking platform
- Beem Credit Union is moving their digital banking to [VeriPark](#)



And more changes are coming. This briefing note lays out the current state of tech delivery in the sector. It doesn't cover every provider, nor is it meant to be exhaustive. But it does give readers a lay of the land. As always, information presented here is public. And don't worry, none of this was written by ChatGPT!

Key takeaways

- Digital banking is a key area of uncertainty, transition and opportunity
- Open banking strategies are still in development
- Payment systems need consolidation
- Abundance of legacy cores and limited standardization makes scaling difficult
- Many credit unions are hesitant to procure technology as a bundled service
- Lack of centralized decision-making complicates modernization
- Huge opportunity for credit unions to build partnership-friendly infrastructure

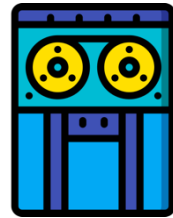
What does this mean for your credit union? If you are a supplier, where are the opportunities? What's coming next? If you are looking for unbiased support to answer these questions, [let's talk!](#)

Key systems reviewed

1. Core banking systems
2. Digital banking platforms
3. Connected apps
4. Payments providers
5. Open banking
6. Cloud solutions
7. AI capabilities

1. Core banking systems

[Core banking systems](#) are the heart of a credit union's operations. Core systems track each member's deposit and loan balances, calculate interest and fees and serve as the book of record for assets and liabilities. The core generates critical reports and exchanges data in real time or via batch with other applications.



Core systems must have very high uptime and be hardened against cyber-attacks and data loss. Downtime for maintenance and upgrades must be carefully managed. Migrating a core banking system is expensive, complex and generally avoided wherever possible (ATB's 2010 conversion to SAP took years to complete and [cost over \\$300M](#)). It's not unusual for large banks to be running core systems that were originally built in the 1970s using [Cold War-era programming languages](#) and held together with [duct tape](#).

Who's who

Credit unions run an unusually large set of core systems. Large credit unions generally operate [Temenos Transact](#) (aka T24), or older cores such as Ovation or [Wealthview](#). [Fiserv's DNA](#) platform dominates in the small- to mid-sized segments, either provided directly to credit unions or rebranded under CGI's (nee Celero's) [eroWorks](#) platform. Smaller credit unions can run one of these platforms or a niche core such as [Smart Solutions](#), [Infontial](#) or [CGI's RFS](#). Most Atlantic credit unions run CGI's [Horizon](#) via [League Data](#), which is in the process of converting their clients to [Mambu](#).

Financial institutions must occasionally replace obsolete, end-of-life or severely underpowered cores. This gives an opportunity to start from scratch and consider innovations such as cloud-based or multi-tenant solutions. In the last decade or so several credit unions have [converted to Temenos](#), while others have adopted [Fiserv DNA](#).

Credit unions may choose to run their cores in-house, but many also rely on providers such as [CGI](#) and [Telus](#) to keep the systems running and kept up to date. League Data provides a third model, where core and other systems are wrapped up in a unified [IT-as-a-Service](#) offering.

Key issues for credit unions

- CGI's post-Celero acquisition plans for Fiserv DNA, RFS and Horizon
- Ability to integrate real-time payments, open banking and third-party applications
- Cost and complexity of operating, maintaining and upgrading legacy systems
- Provider's ability to keep software competitive and up to date
- Cost and complexity of core banking replacement
- Integrating data from merged-in credit unions

2. Digital banking platforms

[Digital banking platforms](#) sit above the core and provide modern interfaces for members and staff. Web banking and mobile banking are the most visible digital platforms. Corporate websites and staff interfaces can also be included. Digital banking platforms are also how many credit unions build connectivity to third-party providers. The choice of digital provider impacts how easy it is to integrate new functionalities. The larger a digital provider's footprint, the more attractive it is for third parties to provide additional functionality.



Who's who

Many credit unions have relied on Central 1's Member Direct platform for online banking. MD was developed by Vancity in the 1990s and licensed to C1. MD provided a critical interface between a standardized online banking environment and the hundreds of core banking systems in use across the country. As digital needs progressed it became apparent that MD needed replacement. Central 1 responded by creating the [Forge](#) platform, originally in partnership with [Backbase](#). Despite a number of credit unions successfully converting to Forge, high development costs and architecture issues resulted in Central 1's decision to [discontinue to the offering](#). Central 1 has promised a smooth transition to other providers. Credit unions on MD or Forge must now decide where to go next.

After Central 1, the next largest provider of digital banking solutions to Canadian credit unions is Portugal's [ebankIT](#). The platform is deployed directly by credit unions such as [Coast Capital](#) (rated the [#1 digital credit union experience](#) by Serviscor), and [Conexus](#). CGI (née Celero) also deploys ebankIT for their clients under the [Celero Xpress](#) brand.

A more recent entry to the increasingly crowded space is VeriPark. A Microsoft-partnered global provider, VeriPark is live at [Innovation Federal Credit Union](#) and is in the process of converting [Beem Credit Union](#). Vancity, meanwhile, is the first Canadian credit union to adopt [Intellect Design's MachAI platform](#). FirstOntario Credit Union, which already uses Temenos as their core provider, is [live on Temenos Infinity](#).

Other credit unions have developed and maintain in-house digital banking platforms. This provides opportunities for customization but can be expensive and complex for individual credit unions to maintain.

Key issues for credit unions

- Conversion process from Forge/Member Direct to new platforms
- Market fragmentation across multiple platforms
- Ability of third parties to integrate products and services
- Member experience and omnichannel integration
- Ability of vendors/in-house teams to build/maintain/evolve digital platforms

3. Connected apps

Core and digital platforms do a lot, but they also rely on integrated systems for incremental functionality. Listed below are just some examples of third-party solutions deployed in credit unions.



Loan Originations Systems (LOS) manage member on-boarding, know your client (KYC), anti-money laundering (AML), loan terms and conditions, rates and other details. The LOS stores electronic versions of loan documents and connects to the core system for recording balances and payments. Key LOS providers to credit unions include Alberta-based [Thirdstream](#), [nCino](#), [Valeyo](#), [ASAPP](#) and [Finastra](#). Core providers may also offer LOS functionality as an add-on.

Keeping track of digital documents is a critical activity for credit unions. Popular enterprise content management systems include OpenText's [Documentum](#), Oracle [NetSuite](#) and Microsoft [SharePoint](#).

Storing member information, running marketing campaigns and reporting are handled by the [Customer Relationship Management](#) (CRM) System. [Salesforce](#) and [Microsoft Dynamics 365](#) are popular credit union choices. These are often linked to Business Intelligence tools such as [Tableau](#).

Credit unions also deploy a range of back-office services for functions like IT automation. [Mulesoft](#) is one such provider.

Key issues for credit unions

- Capabilities of third-party systems
- Ease of integration
- Ability of providers to maintain/upgrade systems
- Member privacy and cybersecurity

4. Payments providers

Credit union members must be able to pay and get paid reliably and in a timely manner. Central 1 serves as the [Group Clearer](#) for Canada's credit unions, exchanging and settling payments between credit unions and other Payments Canada participants.



Central 1's [payments solutions group](#) also offers bill payment, Interac eTransfers, cheque clearing and wires for credit unions and small banks. Some credit unions get these services via the [Prairie Payments Joint Venture](#), while others [connect](#)

[directly](#) to Interac and/or use 3rd parties such as BMO or [Telus](#) for bill payments and business tax remittances.

Some important payments assets are owned collectively by the system. Most notable is an ownership stake in [Interac Corp.](#) These assets are held and managed by [CUCC](#).

Payments modernization is a major driver of cost and complexity. Credit unions must keep up with regulatory and industry changes such as Payments Canada's [Lynx](#) and [Real-time-Rail](#). Central 1 uses [Fiserv Dovetail](#) for some modernization services while the PPJV has [contracted with IBM](#). Notably, credit unions split their ~5% transaction share between two services, while the big banks achieve scale by combining their massive volumes in joint ventures such as [Moneris](#) (RBC/BMO) and [Symcor](#) (RBC/BMO/TD).

Debit cards and ATM access are primarily managed by system-owned [Everlink](#), while some credit unions source from [Cardtronics](#). Credit unions share their ATMs via one or both of [Ficanex's Exchange Network](#) and [ACCULINK](#). This results in some degree of [member confusion](#) and higher operating costs.

Most credit unions source their credit cards via Desjardins subsidiary [Collabria](#). Three credit unions issue their credit cards directly and one issues cards in partnership with [Brim Financial](#).

Key issues for credit unions

- Loss of scale via multiple providers / direct connections
- Ongoing operating losses at PPJV
- Access to new payments networks, particularly Real-Time-Rail
- Payments integration with digital banking platforms
- Sourcing of competitive payments loyalty programs

5. Open Banking

[Open Banking](#), aka [Open Finance](#), aka [Consumer Directed Finance](#), is a major change that's slowly coming to Canada. A framework for sharing information between financial institutions was included in [Bill C-69](#), which received Royal Assent in June 2024. The budget bill authorizes the [FCAC](#) to set standards and administer an Open Banking registry. Federal credit union participation is mandatory, while provincial credit unions can choose whether to adopt the measures.



Open banking creates a range of strategic challenges and opportunities for credit unions, but there are also practical considerations. Participating credit unions must be registered with the FCAC, adopt certain privacy and security standards and provide API connectivity to their digital and core banking systems.

Who's who

Several vendors have stepped forward to enable open banking capabilities. [Caspian One](#) has the endorsement of the [Large Credit Union Coalition](#), [Central 1](#) and several large credit unions. [Flinks](#) has also been approved by [Central 1](#) and [individual credit](#)

[unions](#). [CGI](#) is expected to provide a solution for their customers, and other vendors such as [Symcor](#) may come forward. How these providers will work together or compete against each other is still under development.

Key issues for credit unions

- Achieving scale across multiple providers
- Ability of core and digital systems to support open APIs
- Cost and complexity to build/maintain API connectivity
- Organizational ability to leverage open banking market opportunities

6. Cloud solutions

Cloud and hosting solutions are split across a range of providers. Some credit unions have moved entirely into the cloud, using Microsoft's [Azure platform and Dynamics 365](#). While [Azure](#) has a good footprint in the Canadian credit union space, [Amazon AWS](#) and [Google Cloud](#) also used.



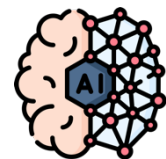
Public cloud adoption is far from universal. Private cloud, hybrid cloud and colocation hosting services are provided by [IBM](#), Telus, CGI and others. Some credit unions continue to operate systems in-house in raised floor facilities. Twenty years ago it was not unheard of for small credit unions to be running their cores out of a basement closet, but those days are (or at least *should be*) long gone.

Key issues for credit unions

- Security and resiliency of critical systems
- Business continuity and disaster recovery
- Cost of delivery
- Ability to connect multiple systems via APIs

7. AI capabilities

Generative Artificial Intelligence and large language models promise to revolutionize financial services. Credit union competitors are investing vast sums of money on AI initiatives such as predictive analytics, automated service agents, process automation, risk management and fraud prevention.



RBC, for example, was recently [ranked #3 globally](#) for its “outsized team focused on AI-specific Software Implementation and AI Product Management... Most importantly, the bank excels in AI-specific Research citations, Patent citations, and participation in Academic Conferences—underscoring a quality over-quantity approach that bolster’s the bank’s outsized influence.”

The Canadian Credit Union Association has introduced [training programs for AI](#). Some credit unions are developing in-house [AI business intelligence](#) capabilities, while other have partnered with fintechs such as [JUDI.AI](#).

Credit unions will need to rely on delivery partners and pool resources where possible. This is complicated by the variety of systems and solutions currently deployed, and limited collaboration infrastructure.

Key issues for credit unions

- Staying current with competitors and consumer expectations
- Ability of existing systems to integrate AI capabilities
- Ability of technology partners to deliver sustained AI innovation
- Collaboration to share best practices and achieve economies of scale

Technology decision making

In aggregate, the roughly 180 credit unions outside Quebec hold over \$312B in assets and serve 6 million members. That's about the same size as CIBC's or BMO's Canadian Personal & Commercial banking businesses. Acting together, credit unions are more than large enough to negotiate preferred pricing, attract partners and fund technology innovation.



The most significant collaboration body is the [Large Credit Union Coalition](#). Credit unions do collaborate in procurement, such as for [core banking services](#) or [credit cards](#). However, technology decision-making remains concentrated at the individual credit union level. This results in a lack of standardization and loss of effective scale.

Credit unions also tend to source their technology from multiple providers, vs a “Bank-in-a-Box” model that delivers the back office as a unified service and offloads significant overhead. This model is deployed to great effect by Desjardins, where each caisse populaire benefits from a standardized and scaled technology stack.

Lack of consistency also provides significant barriers for potential delivery partners. While credit union volumes are attractive in aggregate, requiring individual contracts limits most suppliers to a top-5 or top-10 strategy. As the sector continues to bifurcate, it will be increasingly difficult for smaller credit unions to access technology innovation and maintain competitiveness.

What's next?

Uncertainty over the future of digital banking, open banking and payments presents a challenge, but also an opportunity. If credit unions use this generational change to leverage scale they will have the chance to drive down costs, deliver enhanced functionality to members and make it easier for partners to integrate services that enhance credit union differentiation.

Let's chat!

Want to discuss credit union technology strategy in greater detail? Start the conversation by reaching out to me via [email](#) or on [LinkedIn](#).

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