

# Jack Henry Payments Client Meetup



10/26/2022





# Payments Update

Tede Forman

President, Payment Solutions



# Agenda

- 11:00 a.m. – 11:15 a.m. **Payments Update & How Payrailz® fits into the Jack Henry Payments Ecosystem**
- 11:15 a.m. – 11:20 a.m. Live Q&A
- 11:20 a.m. – 11:35 a.m. **Faster Payments Industry Update**
- 11:35 a.m. – 11:40 a.m. Live Q&A
- 11:40 a.m. – 11:55 a.m. **Current Card Trends**
- 11:55 a.m. – 12:00 p.m. Live Q&A
- 12:00 p.m. – 12:15 p.m. **Enterprise Payments and the Google Cloud**
- 12:15 p.m. – 12:20 p.m. Live Q&A
- 12:20 p.m. – 12:30 p.m. **Closing Thoughts**

*Central Time zone*

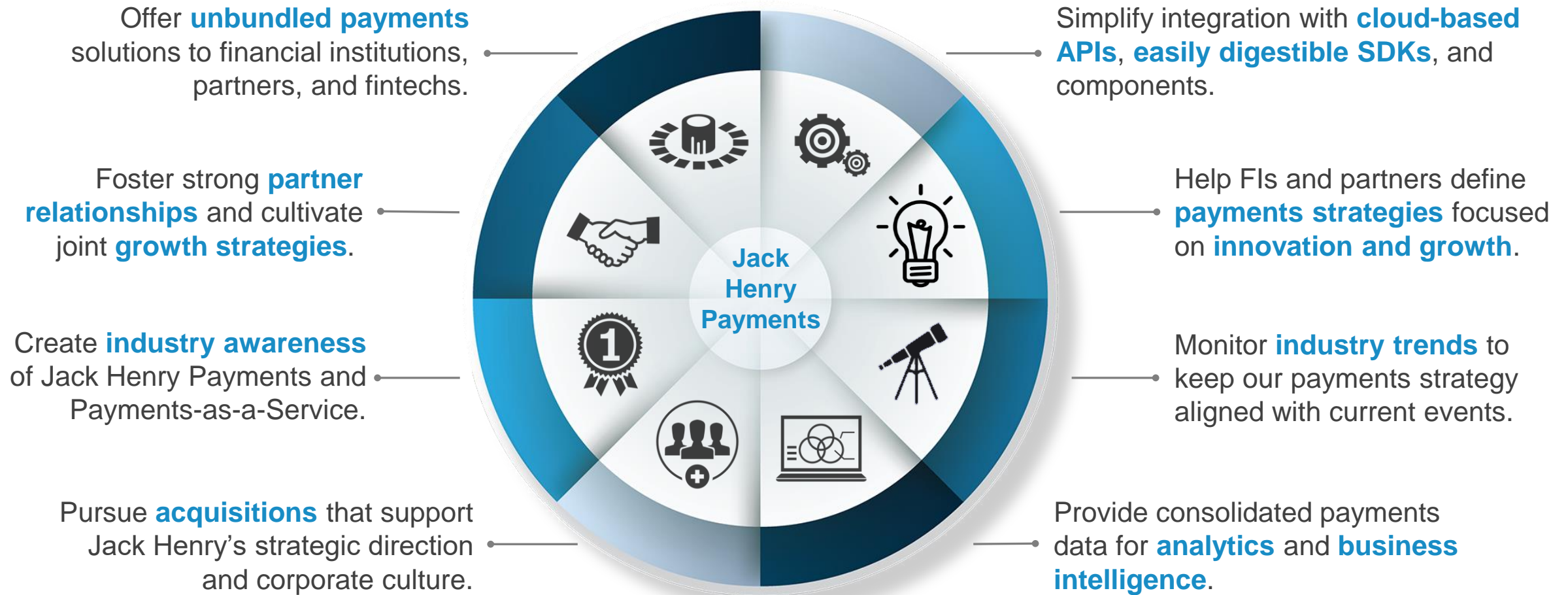


- vision statement

**Delivering  
superior customer  
experiences and  
simplifying  
payments**



- **our strategic direction**



- **jack henry payment solutions**

**8%**

Annual  
Same-FI  
Transaction  
Growth

**6,700**

FI  
Clients

**\$205.4 B+**

Monthly  
Processed  
Volume

**17%**

of Jack Henry  
Employee Base

**1.0 B+**

Monthly  
Transactions

**37%**

of Q4 FY22  
Jack Henry  
Revenue

- **comprehensive payment solutions**

**Payment  
Solutions**



### **Faster Payments**

Seamless integration to payment networks like Zelle® and RTP® supporting our digital platform and partner platforms

**400+**



### **Enterprise Payments**

Complete payments platform: remote deposit, ACH, card, alternative payments, with risk tools and flexible reporting

**3,400+**



### **Consumer & Business Payments**

Consumer and small business bill payment, P2P, A2A, direct deposit and check printing

**3,400+**



### **Card Payments**

ATM, debit, and credit card transaction processing solutions with fraud mitigation, cardholder rewards, and card optimization

**965+**

The image features a dark blue background with a repeating pattern of thin, light blue lines forming overlapping circles and vertical lines. In the center, the word "Payrailz" is written in a bold, white, sans-serif font, followed by a registered trademark symbol (®).

**Payrailz®**



- great cultural fit and...

Adding Payrailz next generation digital payment capabilities supports Jack Henry's technology modernization strategy and provides our collective clients with additional functionality, optionality, and flexibility that better supports their diverse digital and payment strategies.

- **Payrailz shares Jack Henry's philosophy**
  - Do the right thing
  - Do whatever it takes
  - Have fun

## ● **benefits**

- Supports Jack Henry's technology modernization strategy by adding its next-generation digital payment capabilities to Jack Henry's technology stack and payments ecosystem.
- Enhances Jack Henry's Payments-as-a-Service (PaaS) strategy, enabling clients to simplify the complexity of payments, modernize their existing payment channels, and remain at the center of their account holders' payment experiences.
- Strategically complements this hub with its extensive capabilities for consumer and commercial bill pay, real-time person-to-person (P2P), account-to-account (A2A), business-to-customer (B2C) payments, and more.
- Strengthens Jack Henry's position in the payments industry by providing our collective clients with additional functionality, optionality, and flexibility that enhances their diverse digital and payment strategies.
- Reinforces the company's mission to strengthen connections between people and financial institutions through technology and services that reduce the barriers to financial health.

- platform

## Digital Payments Focus

- Bill Pay
- Real-time P2P
- Account Transfers
- Loan Payments

## Payrailz Key Tenets

- One Platform – All Payments
- Real-Time Payments Hub
- Modern Experience
- Real-Time Fraud Monitoring
- Native Artificial Intelligence



- **differentiators**

## **Fraud Detection**

AI-based integrated fraud monitoring that utilizes data and behavioral analytics to identify potential fraud in real time

## **One Platform, All Payments**

Payrailz payments platform removes the disjointed bill pay, person-to-person, and transfer experiences your current payments vendors provide today

## **Modern Payment Experience**

Payrailz leverages modern design, AI, and machine learning for deeper engagement and increased adoption

**Q&A**





# **Faster Payments Update**

**Elspeth Bloodgood**

Sr. Advisory Manager, Technical Product

- CFPB exploring new moves



## **the consumer financial protection bureau is considering action on two fronts**

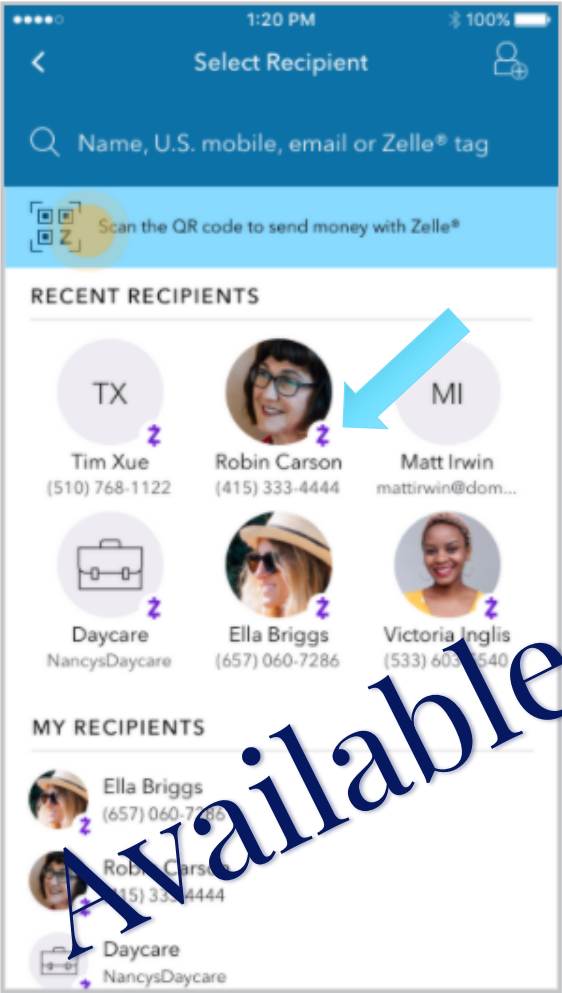
### **Buy Now Pay Later Programs**

The CFPB plans to regulate buy now, pay later (BNPL) companies similarly to credit card issuers

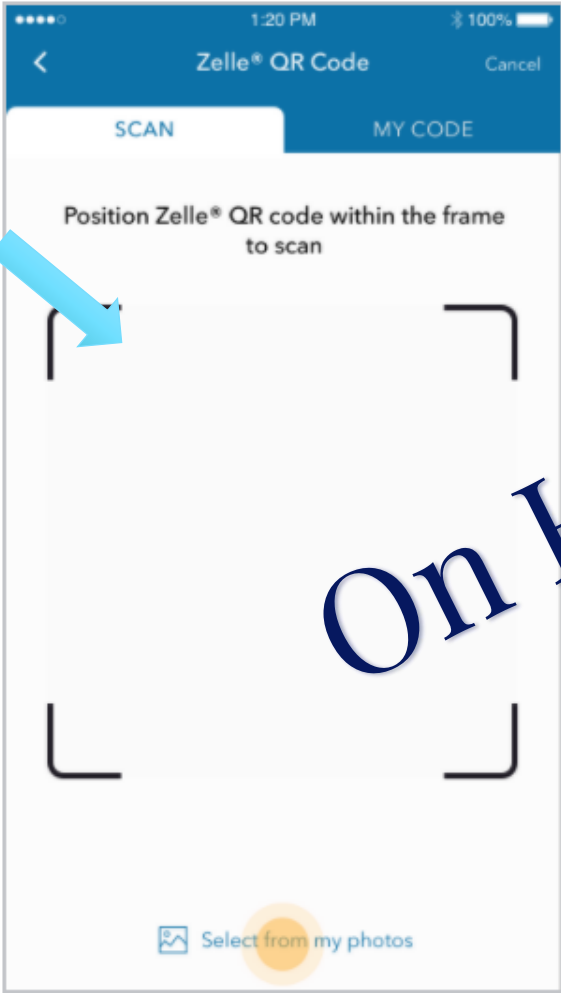
### **Regulation E Expansion**

The CFPB is considering expanding Reg E protection, holding P2P payment providers liable

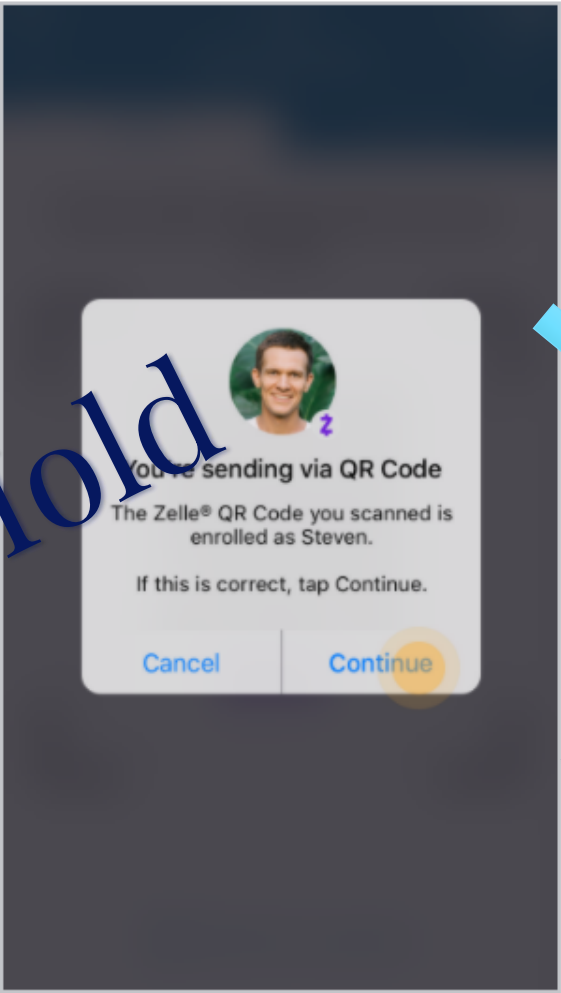
● Zelle® enhancements



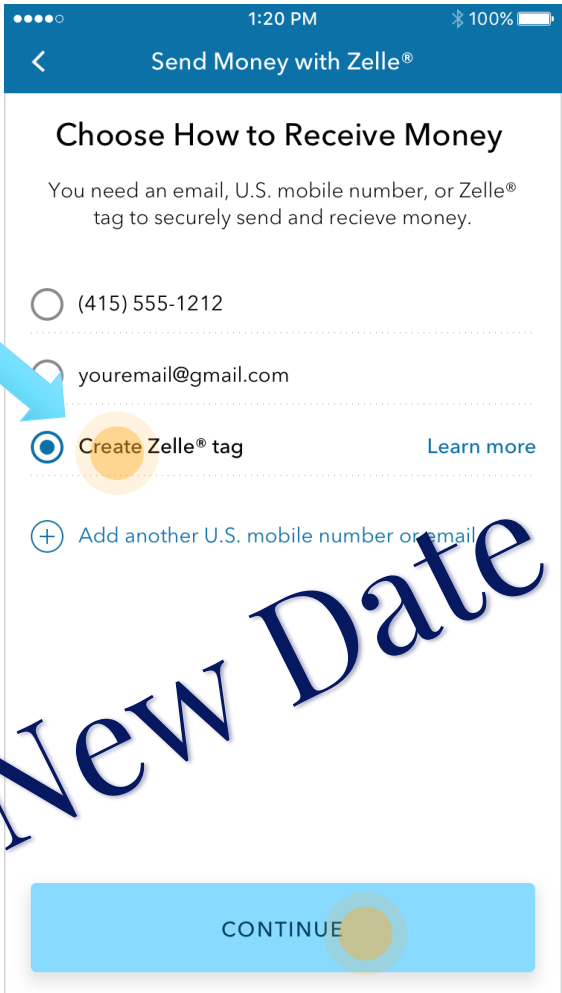
SELECT RECIPIENT



SCAN ZELLE QR CODE



RECIPIENT NAME ALERT



- **security and consumer protection are top priorities**

## Fraud Mitigation Onboarding Requirements



## • zelle fraud posture

### Fraud

Someone gained **unauthorized** access to your money.



#### EXAMPLE

Someone gained access to your bank account without your permission. You never authorized or were involved in the transaction.

#### WHAT TO DO

Immediately report suspected unauthorized activity to your financial institution.

#### CAN YOU GET YOUR MONEY BACK?

Because you **did not authorize a payment**, you are typically able to get your money back.

### Scam

**You authorized** a payment, but didn't receive what was expected.



#### EXAMPLE

You used Zelle® to send money to someone on the Internet for concert tickets, but you never received the tickets.

#### WHAT TO DO

Contact your financial institution immediately if you think you've been scammed.

#### CAN YOU GET YOUR MONEY BACK?

Because you **authorized the payment**, you may not be able to get your money back.



## common scams

1



Puppy Scams are run at an industrial level with some criminal groups creating 100s of websites to convince consumers to part with their money.

2



Romance Scams involve people contacting victims online, lavishing them with attention — and then asking them for money.

3



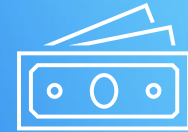
Investment scams involve the promise of a big payout, quick money or guaranteed returns.

4



Utility Scams see callers inform victims of a late charge on for failing to submit your previous payment and failure to pay immediately will result service cut off.

5



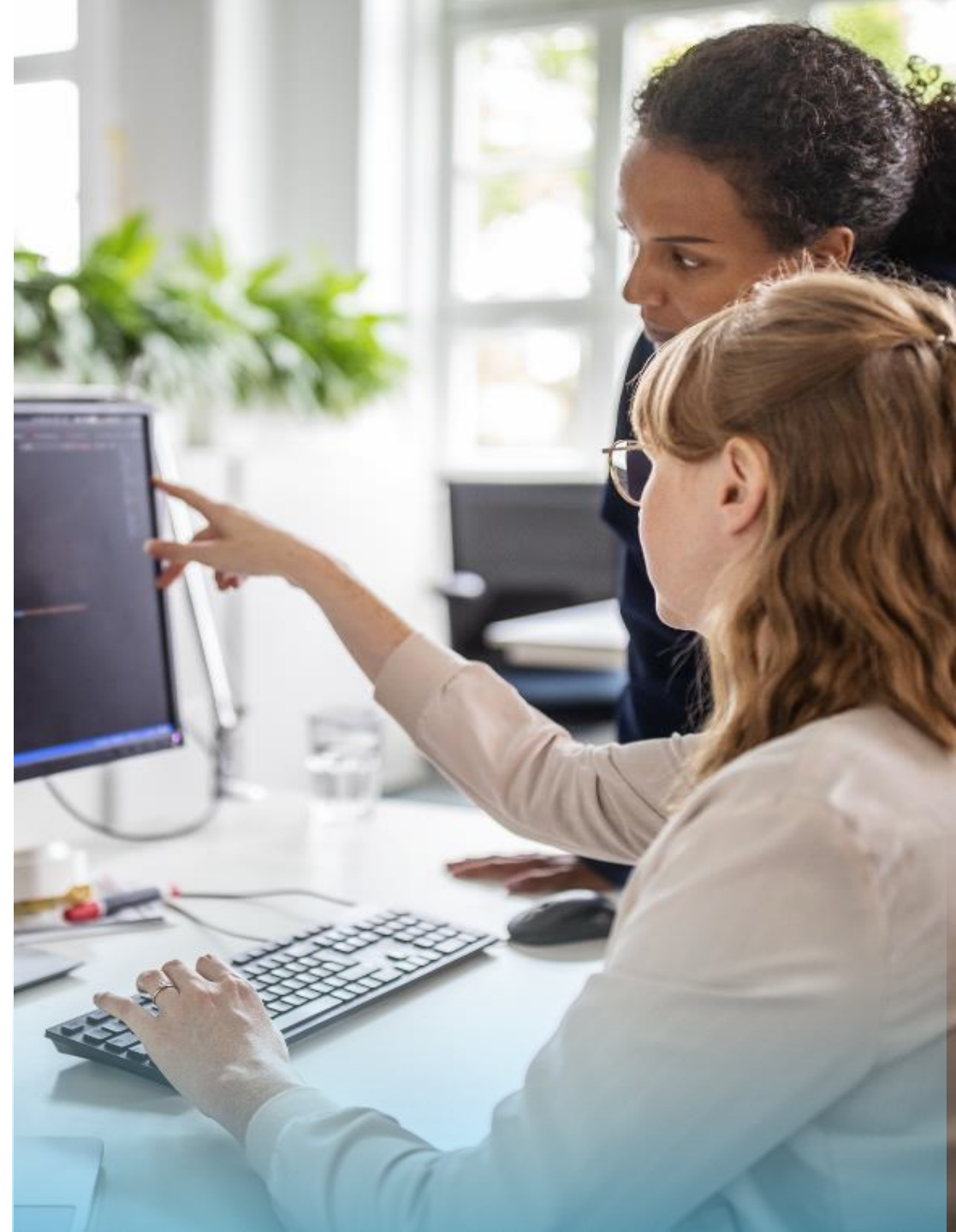
Facebook Marketplace scams occur when fake buyers offer to pay for big-ticket purchase via Zelle. They offer to overpay and ask for a refund, then disappear\*

\* [BBB Scam Alert: Spot a crafty new scam targeting Facebook Marketplace sellers](#)

- **risk insights for zelle**

## Helping you...

- Make better risk decisions
- Enable higher send limits safely while protecting customers from scams
- Improve the customer experience with your mobile application
- Reduce misdirected payments
- Mitigate fraud activity to protect your business
- Balance risk mitigation and customer experience by moving from basic send limits to transaction authorization



## ● rtp send



### outbound payments & request for payment

New messages designed to support payments your customers want to send



### add to your current digital payment use cases

A2A transfer, disbursement, payroll and other options through your digital banking platform



### funding management through partnerships

You can manage your prefunded position or work with a funding agent, a financial institution with the resources to manage your position for you.



### monetization opportunities

Make faster payments pay. Choose when and where to monetize with your customers.

## add use cases on your schedule

You know your customers base best. Add RTP Send where it matters to your customers. Look for opportunities to add value, shave time, and improve productivity of flows.

- the FedNow<sup>SM</sup> service testing timeline



## early testing

Beginning **September '22**.

Open to all pilot participants but focused on core providers. Core components of the FedNow<sup>SM</sup> Service will be available in the customer testing environment.



## certification testing

Beginning **late Q4 '22**.

Mandatory test scripts for all pilot participants to complete for certification. Ongoing certification also offered to early adopters.



## network launch & JH Beta

Beginning **Q2/Q3 '23**.

Closed-loop production for pilot and early adopter institutions that have completed certification.

- getting ready

## Operating Circular 8

[Operating Circular 8](#), along with subpart C of Regulation J, applies to **funds transfers made through the FedNow Service**. [Operating Procedures](#) provides operational details, including expectations, requirements, and guidance for FedNow participants.

## Budgeting

[Pricing for FedNow](#) from the network is released in draft.

Reach out to your CRM or Account Executive for budgeting figures.

Pricing for JHA PayCenter FedNow Services will align to RTP pricing and be finalized shortly.

## Consider RTP Receive

Live transactions are traversing the RTP Network today.

This simple integration will allow you to serve customers now with instant payments without any heavy lifting and ensure the infrastructure is in place to add FedNow simply and easily.



- **quick poll**

### **Do you plan to add FedNow in calendar 2023?**

- Yes, we would like to participate as an early adopter launching mid 2023
- Yes, we would like to launch as soon as Jack Henry is in General Availability
- No, we plan to release in 2024 or later
- Don't know



**Q&A**



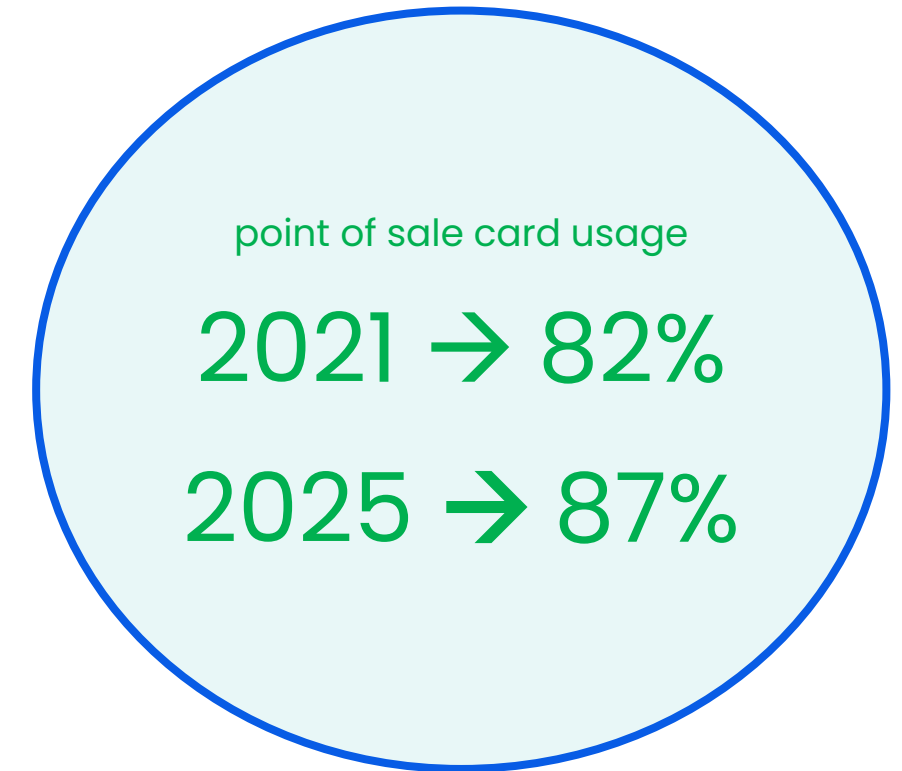
# Current Card Trends

Keri Crane

Advisory Technical Product Manager

- U.S. point of sale mix by payment method

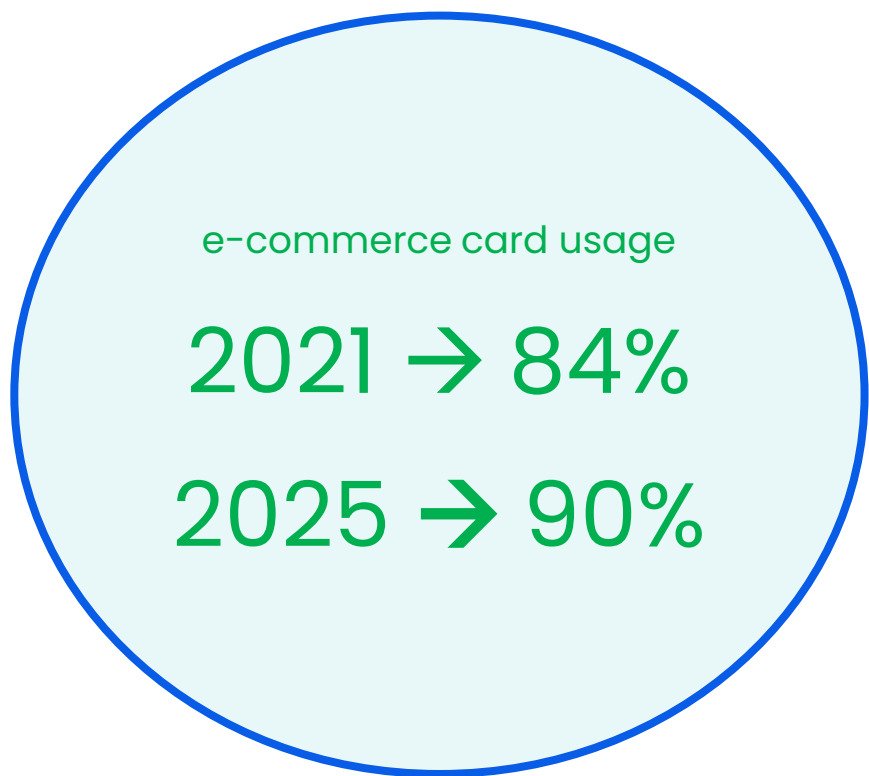
2022 FIS Global Payments Report	2021	2025*
Credit Card	40%	36%
Debit Card	30%	34%
Cash	11%	6%
Digital/Mobile Wallet	11%	15%
Prepaid Card	4%	4%
Retailer/Bank Financing	4%	4%
Buy Now, Pay Later	1%	2%



*Numbers adjusted for rounding may impact totals*

*\*Forecasted*

● U.S. ecommerce mix by payment method



2022 FIS Global Payments Report	2021	2025*
Credit Card	30%	28%
Digital/Mobile Wallet	29%	33%
Debit Card	21%	20%
Bank Transfer	8%	6%
Buy Now, Pay Later	4%	9%
PrePay	2%	2%
Cash on Delivery	2%	1%
Prepaid Card	1%	0%
Direct Debit	1%	1%
Other	1%	1%

Numbers adjusted for rounding may impact totals

\*Forecasted

**digital  
payments  
take on  
many forms,  
facilitated by  
debit and  
credit cards**

- **Digital wallets/mobile pay**
- **Card/credentials on file**
  - Automated account updates
- **Embedded checkout services**
  - Click to Pay, PayPal, Amazon Pay, Shop Pay...
- **Buy Now Pay Later<sup>1</sup>**
- **Apple® Pay Later** (*delayed until 2023*)
- **Hybrid shopping, blending online, and offline purchase flows**
  - Click & collect
  - Buy online, pick up in-store, in locker, or curbside
  - Reserve online, pick up in-store
  - In-app order ahead
- **Social commerce**

<sup>1</sup>According to Afterpay, 90% of all purchases are made on a debit card

- **network tokenization use cases continue to grow**

## ISSUERS

Mobile pays

In-app purchases

Device binding

Web browser auto form fill

QR code linkage to mobile pays

Digital Issuance

## MERCHANTS

Card on File

Click to Pay guest checkout

*NOTE: Regarding April interchange rate increase, Visa kept CNP rates the same for ecommerce merchants that tokenize and increased the rate for those that don't.*

## Visa Tokens Surpass Physical Visa Cards in Circulation

8/24/2022

*In a sign of the growing imperative of protecting digital transactions, Visa Token Service issues its 4 billionth token*

SAN FRANCISCO--(BUSINESS WIRE)--Aug. 24, 2022-- Visa (NYSE: V) today announced that the company has now issued more than 4 billion network tokens worldwide through [Visa Token Service](#) (VTS), marking a major milestone in its proprietary offering to help secure digital payments and further accelerate ecommerce innovation and acceptance. This historic milestone, which nearly doubled Visa's token count in one year, surpasses the number of physical Visa cards in circulation worldwide. This milestone underscores the powerful security that tokens provide to merchants, issuers and consumers alike.

This press release features multimedia. View the full release here: <https://www.businesswire.com/news/home/20220824005587/en/>

"Tokenization is a simple, yet powerful concept pioneered by Visa: conceal and devalue sensitive payment data to stay ahead of fraudsters and make digital payments more secure," said Jack Forestell, executive vice president and chief product officer at Visa. "The uptick in issuers, acquirers, merchants and consumers all transacting with Visa tokens, reinforces that the future of money is truly digital, and digital money must be built on trust."



- **contactless cards update**

## **U.S. Industry**

- Over 24% of card present transactions are contactless.<sup>1</sup>
- Over 77% of card present transactions are performed at contactless-enabled merchant locations.<sup>1</sup>

## **Jack Henry News**

- 20% of our card processing clients are either live or in the implementation queue
- For clients on the EAD platform, we just announced support of contactless card acceptance (on-us and foreign) at NCR ATMs. Actively working with other hardware vendors.



<sup>1</sup>Visa report from US Payments Forum Meeting, July 2022

- **top reasons people use buy now, pay later**

Reasons	Percentage of people who use it for this reason
Purchase that is out of budget	44.98%
Avoid credit card interest	36.92%
Borrow money without credit check	24.73%
Avoid sharing personal data	20.79%
Alternative to a credit card	19.18%
Maxed out credit card	17.2%
Can't get approved for a credit card	14.16%
No bank account	7.71%
Other	5.73%

Source: Bankrate.com [2022 Buy now, pay later statistics](#) published July 8, 2022

- **CFPB published an 80-page report with plans to regulate BNPL lenders**



Report identifies several potential consumer risks categorized in three broad areas of concern:

1. Discrete consumer harms
  - Lack of clear disclosures of loan terms
  - Challenges in filing and resolving disputes
  - Requirement to use autopay for all loan payments
2. Data harvesting
  - Collection of consumer data to create marketing campaigns to increase sales
  - Practices may compromise privacy, autonomy, and contribute to overextension risks
3. Overextension
  - BNPL models may encourage loan stacking

# **federal reserve board finalizes updates to rule concerning debit card transactions**

Effective July 1, 2023 issuers must support two unaffiliated networks for both in-store and online debit transactions

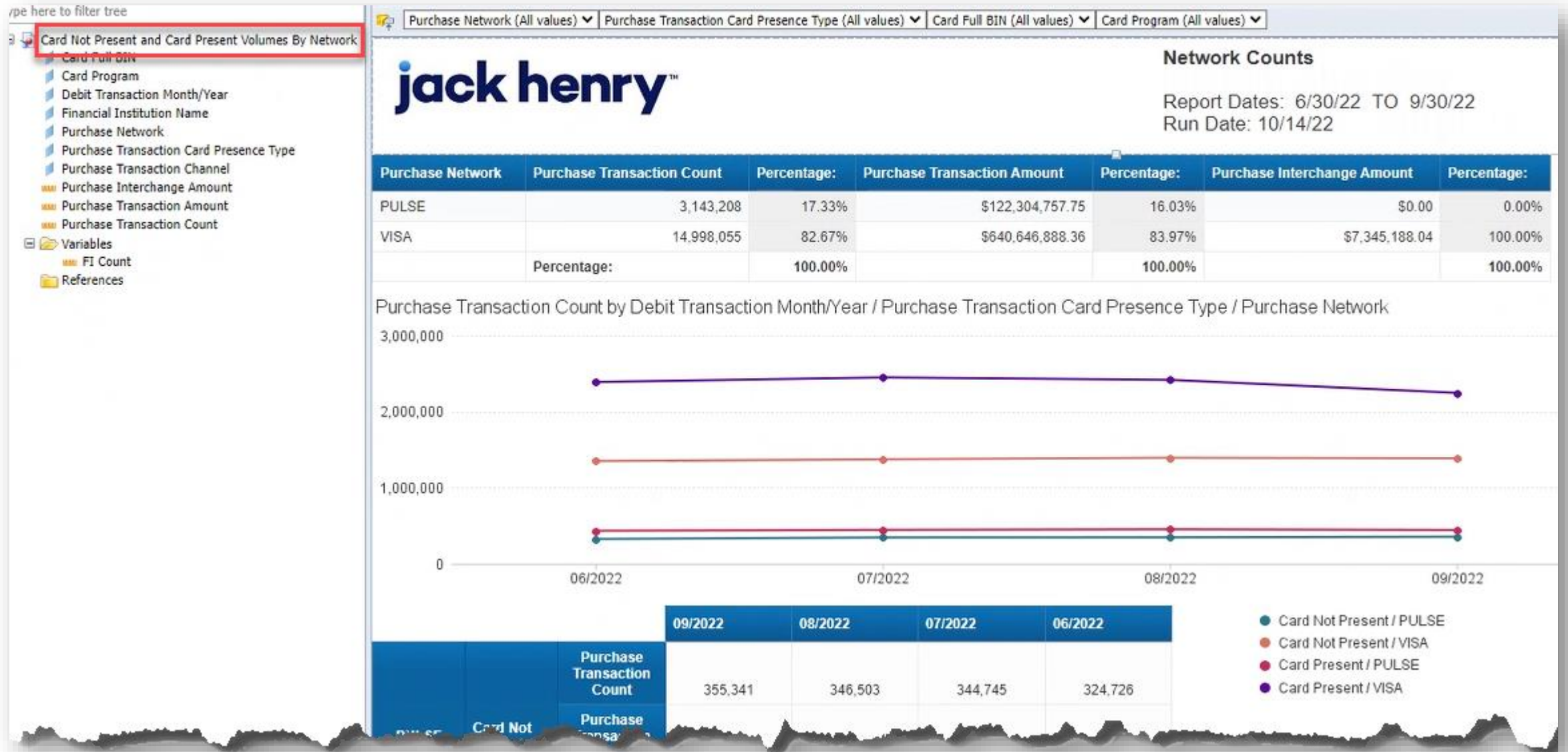


- **jack henry FI data – card not present activity ratios**  
**card brand vs. debit network routing**

		Jul-22		Jul-21	
	Routing	Transaction Count	Purchase Amount	Transaction Count	Purchase Amount
Visa Debit Cards	Card Brand	80%	86%	87%	91%
	Debit Networks	20%	14%	13%	9%
Mastercard Debit Cards	Card Brand	82%	86%	89%	92%
	Debit Networks	18%	14%	11%	8%

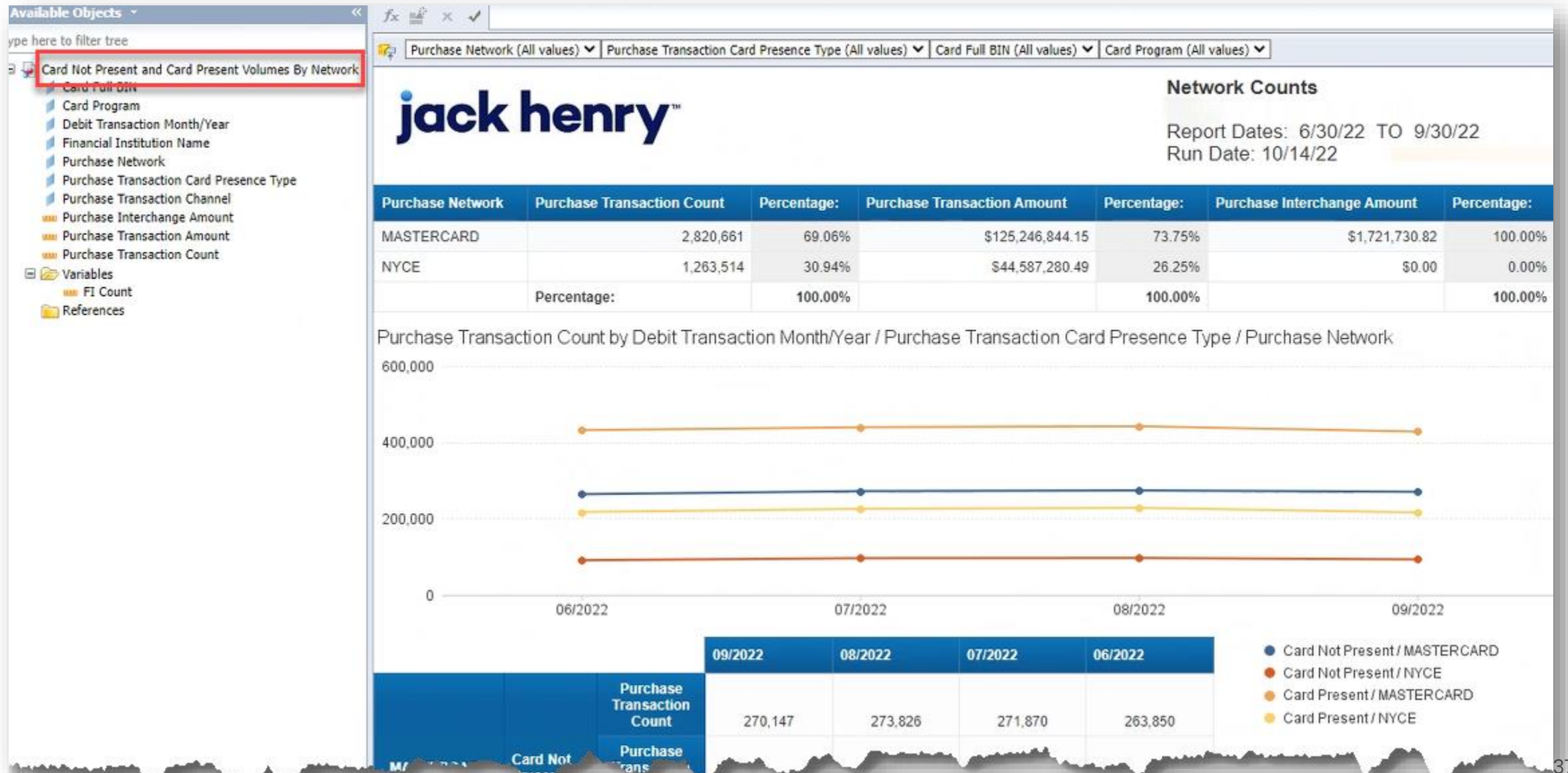
*P2P credit funds transfer transactions excluded*

- new datavue report – visa debit example





- new datavue report – mastercard debit example





- the credit card competition act of 2022

Introduced in the Senate in July and in the House in September

The bill requires issuers over \$100 billion in assets to support two unaffiliated networks to provide merchant choice of routing.

At risk, if legislation ever passes:

- ☹️ Reward programs
- ☹️ Fraud protections
- ☹️ Card benefits and insurance



- **jha card processing solutions™ products and services overview**

- **Debit card processing**
  - **Credit card processing**
    - In-House (core module)
    - Full-Service (outsourced)
    - Agent Bank Program (*new offering*)
  - **ATM terminal driving**
  - **Card fraud monitoring**
  - **Dispute processing**
  - **Cardholder controls and alerts**
  - **Tokenization and digital payment enablement**
- **Card manufacturing and personalization**
  - **Card activation and PIN management**
  - **Analytics and reporting**
  - **Loyalty/rewards programs**
  - **Advisory services**
    - Card fraud
    - Card usage and adoption
    - Credit card start up

**Q&A**



# Enterprise Payments & Google Cloud

Sharon Trujillo

Sr. Director, Enterprise Payments

- **enterprise payments aligns with jack henry's modernization strategy**

**Jack Henry announces corporate modernization strategy in February of 2022.**

This next-generation, cloud-native technology strategy supports Jack Henry's commitment to help community and regional financial institutions innovate faster and meet the evolving needs of their accountholders.

**On September 1, 2023, Jack Henry reinforced this commitment by announcing a partnership with Google Cloud**

This is a long-term, multi-year strategy centering on our company's ongoing development of a single, modern, open-banking platform to enable easy access to a broad ecosystem of Jack Henry solutions and high-grade, third-party fintechs.

**On October 26, 2023, Enterprise Payments announces its move to the Google Cloud Platform**

Enterprise Payments provides ACH and check and card payment processing via multiple payments products and APIs. We have been on the forefront of connecting fintechs, FIs, and businesses to our platforms. Payments will be one of the first Jack Henry divisions to move our solutions stack to the Google Cloud.

- **enterprise payments continues moving solutions to the cloud**

## **Enterprise Payments has a new #1 priority: Move all SmartPay and ACH Manager/Client solutions to the Google Cloud Platform**

### **Planning & Execution**

Planning for this project is underway now.  
This effort will ramp up heavily in 2023 with  
a target transition timeline of second half of  
calendar year 2023.

### **Ensenta Platform's Cloud Environment**

In November of 2021, Enterprise Payments  
migrated the Ensenta platform to the Azure  
cloud – so, this is not our first experience  
with the cloud. However, the Google  
migration will be larger, involving more  
solutions and transactions.

- **cloud modernization**

# What does cloud modernization mean?

## Conversion

It's the conversion of legacy products to cloud-based applications that are optimized to take advantage of cloud-based services and architectures that will allow us to build new services and features faster than before.

## Future-ready

It means moving away from the past monolithic software designs to modern architectures such as microservices and containers to deploy smaller-focused changes more often rather than deploying entire products in a single large release, allowing EPS to go to market more quickly with new features and services.

## Improved automation

It improves automation and the process of developing, testing, and releasing product changes by leveraging the power of cloud platforms and technology.



- **benefits of cloud modernization**

# How will clients benefit from cloud-based solutions?

## Improvements

Allows for the improvement of your competitive position and leadership within the industry while also allowing for new connectivity possibilities with fintechs/partners.

## Scalability

In the cloud, it's much easier to (rapidly) add capacity to targeted areas and scale processing tasks to meet customer demand.

## Flexibility

Supports JH's Payments-as-a-Service (PaaS) solution. Allows you to begin moving from defined services with underlying third-party components to native cloud (Lego) pieces that allow you to create and release products and services more quickly.

- **considerations**

## **Timeline and Operational Considerations**

### **Timeline**

This effort will expand rapidly through 2023. The first milestone will be residency of all SmartPay and ACH Manager/Clients in the Google Cloud in the second half of calendar year 2023. Later phases of the project will continue to optimize use of the Cloud. Enterprise Payments will provide updated roadmap timeframes as we move through this project.

### **Operational Adjustment**

As cloud migration is the #1 priority for Enterprise Payments, we along with our Google Partners and the Jack Henry CTO Office, will be focusing significant time and resources on this effort in 2023. During the whole of this conversion, Enterprise Payments will also continue to maintain all security and regulatory standards.

- quick poll

**Regarding cloud strategy, which of the following best describes your institution's current position?**

- My institution has a defined cloud strategy
- My institution is developing a cloud strategy
- We don't believe it matters where software is hosted



**Q&A**

- closing thoughts

**THANK YOU**  
**We appreciate your business!**



| jackhenry.com |