



Middleware Can Bridge the Gap between Old and New Technology

🔗 technology core provider

Summary: You know that your CFI would benefit from updating its technology, but replacing core technology is an expensive proposition. Middleware is a type of software that can bridge the gap between old and new technology, letting you run newer applications without replacing older legacy systems.

When you buy a new laptop, everything is great — for a while. Your new hardware has the appropriate speed and features to run current software. Over time, however, that changes. New software and updates to older products both need more computing power to run and eventually, the laptop that was sleek and fast when it came out of the box struggles to keep up with all the work the software requires of it.

The same thing happens on a much larger scale with a community financial institution's (CFI's) core banking platforms. A CFI with an up-to-date core platform has a lot of flexibility in how it chooses to innovate, because that platform can support a wide variety of options.

Unfortunately, about half of US financial institutions are running legacy core banking platforms on systems designed as many as 40Ys ago. Managing systems that old is a bit like owning a house for many decades — improvements are made piecemeal over the years. The result can be a hodgepodge of multiple systems operating independently from one another, creating operational inefficiency and systems that are difficult or impossible to scale. Maintaining these precariously balanced systems is expensive, too, with some financial institutions spending as much as 80% of their IT budgets on preserving the status quo.

To create a modern core, you have three options:

1. Build products from the ground up on a new, cloud-native core;
2. Build a new core and gradually migrate capabilities from the old system to the new, running the two in parallel until the migration is complete; or
3. Use middleware to link the old core to third-party products and services.

What is middleware?

As the name suggests, middleware is the bridge that can help make a legacy system more functional for longer than might otherwise be possible. It translates between a legacy system and all the customer-facing functions that use data that's stored in that system, including applications and dashboards, a fintech partner platform, or your customer interfaces.

Middleware is typically less expensive and risky than a completely new platform. It can also serve as a way to prepare a CFI for eventually migrating to a new core.

What should you consider when evaluating middleware?

Even though middleware is a less-expensive, less-involved option than investing in a new core platform, it's still a substantial lift for a CFI. It's important to consider a variety of factors in choosing this route:

- What are your business objectives? Middleware can help you support existing customers in your current geography or seek out new business further afield. Either way, it's important to know what your goals are before you decide if middleware is the answer.
- Do your current core processing system and other technology systems support application programming interfaces (APIs) and middleware? Since middleware is about bridging technologies, this component is necessary to identify.
- Do you have the [experience, capacity, time, budget, and staff](#) to add and run middleware? Alternatively, do you have a vendor who can help or a relationship with another CFI that has already used middleware and can lend its expertise?

Middleware can help you innovate your offerings without the need to completely overhaul legacy core systems. It's important, though, to understand your goals and have the bandwidth to use middleware before embarking in this direction.

GET A COMPLIMENTARY CORE CONTRACT ASSESSMENT

Core and ancillary product contracts are some of your organization's largest expenses. If you're within 18 to 36 months of your next renewal, [our partner can assess your current contract](#) at no cost to you. You'll get recommendations, RFPs for alternate providers, and hands-on help negotiating with a core provider of your choosing.

ECONOMY & RATES

Rates As Of: 06/28/2023 02:00PM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.44	-0.08	1.02
6M	5.47	0.01	0.71
1Y	5.31	0.16	0.60
2Y	4.71	0.31	0.29
5Y	3.97	0.22	-0.03
10Y	3.71	0.07	-0.16
30Y	3.81	-0.05	-0.15
FF Market	FF Disc	IORB	
5.07	5.25	5.15	
SOFR	Prime	OBER	
5.05	8.25	5.06	

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