



Insights Report

Redefining banking in 2026 – beyond the core

Unlocking core modernization strategies that fuel growth

Featuring insights from the FIS Webinar: Beyond the core: modernization strategies redefining banking in 2026 with Jerry Silva, Vice President, Global Head of Financial Services Technology Research, IDC Financial Insights

Modernization isn't a core question

Bank leadership often frames modernization as a debate over core replacement. Jerry Silva, who spent the first half of his 40-year career working inside financial institutions before joining IDC, thinks that's the first mistake.

His definition is more useful: modernization is a tool to overcome whatever is blocking an institution's next stage of growth. That obstacle could sit in the core. It could also lie within data infrastructure, security posture, compliance systems or the way the bank governs AI. The CIO's job isn't to modernize the core but to identify and remove obstacles to growth.

AI adoption, where the industry's attention and budget are currently focused, is unlikely to be held back by core platforms. Instead, Silva says, AI adoption is hindered by issues with IT skill sets, data, security, compliance and integration with existing systems that contain the resources needed by AI platforms.

Technical debt isn't limited to 30-year-old systems. A generative AI platform deployed in 2022 or 2023 with no governance structure can already be considered technical debt. The pace of change makes age an unreliable proxy for risk.

“Modernization is a tool to overcome whatever the next challenge is that's blocking the growth of the institution. That could be anywhere – even outside the core.”

– Jerry Silva

Vice President, IDC Financial Insights



The questions banks need to ask

Silva urges the industry to move away from asking, “What core are you on?” and instead focus on understanding, “What business are you in?” Institutions must determine the value they provide to customers and recognize the obstacles that hinder delivering that value.

The answers to these questions precede the modernization agenda and differ by institution. A large regional bank with hundreds of IT staff can attack multiple modernization fronts simultaneously, while a community bank with fewer IT resources may choose to focus on different priorities.

Different institutions also have different spending patterns. Many large banks direct their budgets toward application development, cloud, infrastructure modernization and security. Smaller and mid-size banks tend to focus on payments capabilities such as buy now pay later, credit origination platforms and the customer experience. Institutions in general may be growing IT spend at similar rates year over year – but they’re investing in different areas.

The implication for governance is important. Silva recommends that banks establish a standing committee to evaluate each modernization initiative against the institution’s stated KPIs before work begins. The failure of many early generative AI projects in 2023 and 2024 came down to two causes: wrong use case selection, and insufficient governance. Banks that established a committee to evaluate the technology’s fit before committing budget avoided the worst outcomes.



How AI is changing the customer experience

The contact center is widely recognized as a customer touchpoint that banks often find challenging. At the same time, it's also the area where some of the most effective AI implementations are currently in progress.

Generative AI is moving the industry toward what Silva describes as fully autonomous AI agents that bridge the gap between digital self-service and human-assisted service. In pre-qualification workflows such as mortgage screening, AI agents can pull internal resources, make a conditional decision, and escalate to an underwriter when needed. The underwriter can then offer feedback that the agent incorporates into its next interaction. The AI model adjusts.

In the longer term, the more consequential shift is in personalized product development. Banks already hold the data. What's changing is the ability to use it at the individual level. For example, pricing, terms and product bundles can be tailored to a specific customer's full relationship with the institution, rather than a demographic segment.

Large banks will move on these opportunities first. But Silva believes AI will eventually democratize personalization capabilities, enabling community and mid-size banks with the technology infrastructure to compete on personalization. Institutions that have invested in customer relationships will benefit the most.

Case study: Community bank, Midwest U.S. – \$5 billion in assets

A midwestern community bank built a bespoke generative AI platform for a single purpose: handling payment disputes.

The AI model was trained to read only Reg E and Reg Z rules. When a customer calls about an unrecognized charge, it guides the call center agent through the required disclosures and recommends the next best step.

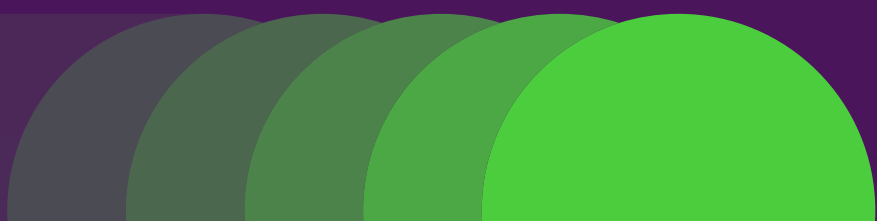
The results have been notable. Call resolution improved because agents could provide a decision during the first interaction, reducing follow-up. The platform also reduced errors by applying the regulations consistently across disputes. Agents reported a better experience, too: with the AI handling regulatory research, they could stay focused on the customer conversation.

This use case is significant because it highlights the scope of what AI can do. The bank didn't need to replace its core system to address the issue it wanted to solve. It defined the problem, implemented a tightly scoped solution, and kept a human agent in the loop.

“What I love about this case study is it's a \$5 billion community bank that's not looking at automation or infrastructure. They're looking at one single use case that provides value to the customer and makes the contact center more efficient.”

– Jerry Silva

Vice President, IDC Financial Insights



AI and data accuracy

Every conversation about AI in banking eventually runs into the same wall: the data that feeds these models.

Silva hears the same questions from CIOs across all institution sizes: Is our data a single source of truth? Do we have staff dedicated to its governance? Are our models explainable, and are they clean enough to avoid producing biased decisions?

The last question carries significant weight. Silva points to a case in which two members of the same household applied for the same credit card using the same household data and received substantially different credit limits, suggesting bias embedded in the

AI model. He doesn't assert that this was the definitive cause. But the risk for this type of scenario is real and present in any institution using AI for credit decisions without rigorous model governance.

"There are going to be surprises hidden in the data and the models," he says.

There is no single successful data strategy across the market. Larger institutions are building cloud-based data lakes. Mid-size banks are slower to move sensitive data off-premises. But, Silva notes, every institution is working on it, and the banks that figure it out will have an advantage in deploying the next generation of AI capabilities.

"Two factors caused many generative AI projects to fail in 2023 and 2024: choosing use cases with little connection to the KPIs that matter, and insufficient governance."

– **Jerry Silva**

Vice President, IDC Financial Insights



Running the bank while rebuilding it

The governance question is where modernization programs most often fail and where Silva sees the biggest gap between the banks achieving good outcomes and those that aren't.

He notes that most banks implement a project to achieve a goal, but don't have a baseline to measure the results against. Banks need to identify KPIs before they begin their modernization project, he says. They need to define what success looks like for their institution and evaluate every initiative against that criterion.

Evaluation belongs to a standing governance body, not a project team. While a project team is accountable to a delivery timeline, a governance body is accountable to the business strategy. Those are different incentives, and they produce different decisions.

On the operational side, Silva recommends treating every modernization project as a risk assessment question: could this negatively affect the things we can't afford to compromise, like customer experience, security and regulatory compliance? That question should be asked at the executive level before work begins, not discovered during production.

Banks in Europe have largely prioritized governance first and are realizing better outcomes as a result: lower costs, higher customer satisfaction, greater efficiency and higher employee satisfaction. The U.S. institutions that have done the same are beginning to see comparable results. Those that haven't are still wondering why their AI programs aren't delivering.

"Banks often launch projects to achieve a goal without first establishing the baseline measurements needed to prove improvement. That has to change."

– Jerry Silva

Vice President, IDC Financial Insights

Where the competition is going

The competitive window created by technology is shrinking. As AI capabilities become commoditized, being first to launch a new product will offer only a temporary edge. Institutions that use that window to strengthen relationships, rather than simply moving faster on features, will come out ahead.

Silva's framing of the competitive landscape is useful. Large banks compete by offering convenience, like more ATMs, better mobile apps and a broader product range. Community banks and credit unions compete by cultivating customer relationships and understanding the local business environment. AI doesn't change the core strategic divide between institutions; it simply accelerates its growth.

"It's going to be very difficult to create new products that your competitors don't have, or lead with enough time before they catch up," Silva says.

"We are giving consumers and small businesses more power than ever to manage their relationships with financial institutions."

– Jerry Silva

Vice President, IDC Financial Insights

For smaller institutions, the solution isn't to offer more features than large banks. It's to use AI to deepen the relationships that large banks structurally can't replicate. Silva explains that he banks with a community bank in Massachusetts, not because of its technology, but because the branch knows him. He has a personal account and a business account.

"They understand my needs," he notes. "I built that relationship with the institution. I'm not going to get that from a large institution."

The long-term effect is even more important. Personal AI agents (consumer-facing, operating autonomously on behalf of the individual) are not theoretical. Apple, Google and Meta are developing them now. When a customer's AI agent manages their financial decisions on their behalf, the question becomes which institution the agent prefers. The answer will depend on how well the bank knows the customer. That relationship must be built now.

How FIS can help

Meeting customers where they are – before competitors or consumer AI agents do – starts with the right platform. FIS supports modernization by offering:

- Composable architecture that helps institutions adapt faster as needs evolve
- Real-time data access to support timely decisions and connected experiences
- Flexible AI deployment so institutions can apply AI where it delivers the most customer value

To watch the full webinar, go to [Beyond the Core: Modernization Strategies Redefining Banking in 2026](#).

FIS core platforms are designed for institutions that have moved beyond the core debate and are focused on what comes next. See how FIS can support your modernization strategy.

[Learn more](#)

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