2026

WHAT´S GOING ON IN BANKING

AI, CRYPTO, AND FRAUD: OH MY!

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What's Up?

And so I wake in the morning and I step outside, and I take a deep breath and I get real high, and I scream at the top of my lungs: ***What's going on?!*** In banking, that is. With all apologies to 4 Non-Blondes, what's up, bankers? Welcome to the 2026 *What's Going On in Banking* study.

I wouldn't put The Wizard of Oz in a list of my favorite movies, but for some reason, the movie continues to be a source for my presentations and reports. A couple of years ago, I did a series of presentations at conferences and board meetings in which I used the characters from the movies as references to people in the U.S. government and banking industry. Can you guess which politician I likened to the Wicked Witch of the West?

The title of this year's report also comes from the movie. There's a scene, early in the movie, where Dorothy is walking in the woods with the Tin Man and the Scarecrow (they haven't met the Cowardly Lion yet). It's spooky and scary in the woods, and the three new friends are walking, arm in arm, chanting, "Lions and tigers and bears, oh my!"

That's the image that comes to mind thinking about bankers heading into 2026: walking through the scary woods of the new banking landscape, chanting "AI, crypto, and fraud, oh my!" I'm not much of a futurist, but I'll wager that these three topics will continue to be hot throughout 2026.

We're doing something different this year. In addition to the data and insights into this core *What's Going On in Banking* report, we're publishing two additional, related reports—*What's Going On in Commercial Lending*, and *What's Going On in Fraud*. If you contributed to this report, we'll send you those reports.

"Lions and tigers and bears, oh my!"

That's the image that comes to mind thinking about bankers heading into 2026: walking through the scary woods of the new banking landscape, chanting "AI, crypto, and fraud, oh my!" I'm not much of a futurist, but I'll wager that these three topics will continue to be hot throughout 2026.

And the Survey Says...

Speaking of contributors to this report (and the spinoffs), this year's survey sample included 416 respondents, 46% from banks, 54% from credit unions, 89% of whom work for financial institutions (FIs) in the $250 million to $50 billion asset range. More than 7 in 10 respondents are C-level execs—including 30% who are CEOs—with the rest coming from the ranks of senior vice presidents and vice presidents.

With roughly 3,900 banks and credit unions in the $250 million to $50 billion asset range, the margin of error on the study is 5% at a 95% confidence level. That's an acceptable margin of error, and it could be argued that the survey results are representative of the overall bank and credit union population in the asset range listed above—but I don't believe it is.

Instead, I believe the sample is representative of FIs that are forward-thinking about technology, aggressive about growth and market share, and unafraid to take on the megabanks, fintechs, and others competing with them for mind and market share. What Steve Williams, Cornerstone Advisors' CEO, calls the "troublemakers" (don't tell Steve, but I hate that term).

For 11 years now, the purpose of the *What's Going On in Banking* report is to help both financial institutions and the technology companies that serve and partner with them better understand what's going on in the industry, plan for the changes, and deal with the challenges.

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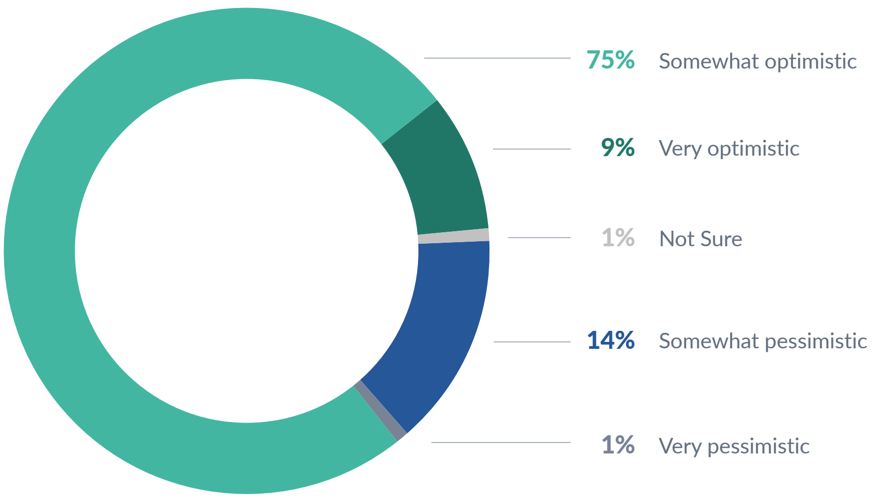
The Future's So Bright, I Gotta Wear Shades

In the 2025 *What's Going On in Banking* report, I wrote, "Survey respondents haven't been as optimistic about the coming year as they have since 2017, and you know what fueled that optimism." Despite a year that hasn't lived up to expectations, bank and credit union execs are still optimistic: More than 8 of 10 are "very" or "somewhat" optimistic about 2026, and just 1% of respondents are "very" pessimistic (Figure 1).

FIGURE 1:
Outlook for 2026

How optimistic or pessimistic are you about the prospects for the banking industry in 2026?



Source: Cornerstone Advisors What's Going On in Banking

The percentage of execs that are "very optimistic" about the coming year dropped to 9% from 12% in 2025, as those percentage points shifted to "somewhat optimistic" (Table A). Similar to last year, a higher percentage of bank execs are optimistic about the coming year than their credit union counterparts (Table B).

TABLE A:

Bank and Credit Union Execs' Outlook, 2023 to 2026

How optimistic or pessimistic are you about the prospects for the banking industry in 2026?

	2023	2024	2025	2026
Very optimistic	7%	5%	12%	9%
Somewhat optimistic	47%	55%	71%	75%
Somewhat pessimistic	41%	37%	14%	14%
Very pessimistic	2%	1%	0%	1%
Not sure	3%	3%	3%	1%

Source: Cornerstone Advisors What's Going On in Banking

TABLE B:

Outlook by Type of Institution

How optimistic or pessimistic are you about the prospects for the banking industry in 2026?

	Banks	Credit unions
Very optimistic	12%	7%
Somewhat optimistic	77%	73%
Somewhat pessimistic	11%	17%
Very pessimistic	0%	1%
Not sure	0%	2%

Source: Cornerstone Advisors What's Going On in Banking

It's surprising that bank and credit union execs are as optimistic as they are. The Conference Board's consumer sentiment index declined for much of 2025, reflecting an economy that has not improved as expected. From a banking industry perspective, bankers were nearly giddy last year with expectations of regulatory easing and the demise of the Consumer Financial Protection Bureau.

What's influencing optimism and pessimism for 2026?

1) The economy. Survey respondents weighed in with their thoughts on the economy:

> "I think the interest rate environment bodes well for the industry and will provide much needed relief for community banks. With wider margins and profitability improvements, banks will need to make smart investments that improve access and efficiency and the customer experience. If they don't, consumers will continue to fragment their financial relationship with other nonbank providers that deliver a better experience."
>
> **— Julie Thurlow, President and Chief Executive Officer, Reading Cooperative Bank**

> "With the potential for ongoing rate cuts by the Fed, hopefully it will help to spur loan growth and small business expansion in our communities."
>
> **—Jeffrey Davenport, President and Chief Executive Officer, NorState Federal Credit Union**

> "While there appears to be economic headwinds and macro uncertainty going into 2026, I am very optimistic that banks will continue to adjust accordingly during uncertain times as they have done in the past and in the long run will be better for it."
>
> **—Frank Perez, Chief Financial Officer, 22nd State Banking Company**

> "While the economy is improving, the split between affluent and less affluent continues to widen. The mid to lower affluent population has less disposable income than previously. Subprime auto, Visa, and unsecured losses are at an all-time high. 2026 could improve or erode further based upon members trying to maintain their same living standards and living off credit or buy now pay later."
>
> **—Jeff Conrad, Chief Executive Officer, Pelican State Credit Union**

> "Somewhat pessimistic about the economy overall. Borrowers are unable to plan given the unstable political environment."
>
> **—Steve Jackson, President and Chief Executive Officer, SouthTrust Bank**

“I’m optimistic because our net interest margin is improving, our market continues to grow, albeit a bit slower than last year, and we are operationally more prepared than in prior years. This positive view is tempered by the healthy dose of uncertainty I have about Federal Reserve, tariffs, inflation, and the political environment.”

—Dana Hassell, President and Chief Executive Officer, American Bank N.A.

“We have some pretty strong momentum coming out of 2025 with balanced loan and deposit growth and improving financials. Economy seems fairly stable. Growth expectations should be moderate.”

—Robert McKay, President and Chief Executive Officer, Together Credit Union

“Strong momentum in 2025 is giving institutions that are well-capitalized and disciplined on credit the ability to perform well in 2026. With a more stable interest rate environment and improved asset-liability planning and liquidity, I am cautiously optimistic. Regulatory and compliance burden remains high with increased fraud losses across all institutions from different asset sizes. Pricing alone is no longer a differentiator when it comes to deposit growth; institutions have to focus on staying relevant and deepen relationships with their members.”

—Youssi Farag, Chief Financial Officer, WEOKIE Federal Credit Union

“Optimistic about the industry in general, asset quality, technology adoption, efficiency, and community banking. Pessimistic about deposit growth and the economy, with the current presidential administration constantly making poor and random decisions.”

—Jay England, President and Chief Executive Officer, Decatur County Bank

“Continued deterioration in the economic environment for lower-income consumers is likely to lead to a continuing increase in charge-offs. Until stability returns this is unlikely to ease.”

—Mark Rabinowitz, Chief Executive Officer, Northrop Grumman Federal Credit Union

“I am somewhat pessimistic about 2026. Continued inflationary pressure, rising delinquency and charge offs, and the path of the Federal Reserve make the upcoming year uncertain. While an optimistic outlook generally makes sense, a little caution never hurt our credit union.”

—Mark Samson, President and Chief Executive Officer, Dirigo Federal Credit Union

"Very much concerned with the prospect of a less-than-independent Federal Reserve and frequent and erratic rate drops that don't align with old fashioned economic data."

—Frank Wasson, President and Chief Executive Officer, CommonWealth One Federal Credit Union

"Economy should be decent. Tax cuts will be stimulative. Lower rates will help."

—Jon Shigematsu, President and Chief Executive Officer, American First Credit Union

"I don't think the economy is strong. I see loan production decreasing in 2026 and potentially credit issues cropping up."

—Craig Howie, President and Chief Executive Officer, Atlantic Community Bankers Bank

2) Industry dynamics. Survey respondents' perspectives were also impacted by changing industry dynamics:

"Times are changing in financial services and when there's great change, consumers look for trusted sources. Traditional FIs are more willing to adapt fintech solutions and mindset, which will lead to great opportunities."

—Andrew Mattingly, Chief Operating Officer, FORUM Credit Union

"Credit unions that invest in modernized core systems, embedded finance, and AI-driven member service will be able to deliver the kind of personalized, community-oriented experiences that differentiate them from traditional banks and fintech challengers."

—Chris Bower, President and Chief Executive Officer, Endurance Federal Credit Union

"Unexpected events of the last few years have forced the industry to make changes outside of just the standard, traditional, slow modernization that typically occurs. These events have shifted expectations from clients and from bankers as to what can be accomplished, and people want more—more integration, more automation, better treasury and deposit products, faster payments, and on and on and on. We needed a shift out of 'legacy' thinking, and I am excited to see what is to come."

—Erin Simpson, Chief Operating Officer and Executive Vice President, Encore Bank

"From both a technology and environmental perspective, credit unions face significant changes driven by emerging technologies and evolving regulations. While this may seem daunting, these developments are a valuable opportunity to further solidify their reputation as reliable financial partners for our members in an unpredictable world. By proactively staying ahead of these changes and embracing innovative technologies, we can enhance our ability to serve our members effectively."

—Kevin Hall, Chief Information Officer, WESTconsin Credit Union

"What keeps me up at night is being able to offer products and services to stay relevant (specifically around payments), while balancing the cost of those services vs. the cost of losing members if we don't have them."

—Deana Allen, Chief Operating Officer, Buckeye State Credit Union

3) The regulatory environment. Bankers may not have received the regulatory relief they were expecting during 2025, but many haven't given up hope:

"The current administration's pro-business economic policies aim to reduce compliance costs and free up capital for lending and other operations. Broader economic initiatives, such as the push to re-privatize the economy and a focus on reducing the federal budget deficit, are intended to stimulate private sector growth and loan demand. Stronger loan growth, combined with potentially higher net interest margins if interest rates remain at a favorable level for FIs, can improve overall earnings."

—Michael Ver Schuur, President and Chief Executive Officer, United Heritage Credit Union

"Why optimistic? Less regulation, opportunities to expand customer service, and experience more efficiency with the implementation of AI.

—Cheryl Hartsell, Senior Vice President and Chief Operations Officer, First Community Bank of the Heartland

"Loosening regulations provides hope that we may be able to run our businesses as we see fit without over-burdening from the government."

—Derek Hebert, President and Chief Executive Officer, Eastmill Federal Credit Union

"Optimistic because of reduced regulation. But I'm not holding my breath. My gut tells me we will only get a four-year respite."

—W. Lee Mikell, Chief Operating Officer, First National Bank of Wauchula

Don’t You Worry ’Bout a Thing

Despite their general optimism, bankers still (and always will) have concerns about the coming year. Among bank execs, there weren’t many changes in the ranking of concerns from 2025. Balancing the increase in deposit gathering and new customer growth was a decline in the percentage citing cost of funds and the interest rate environment as concerns for the coming year (Table C). One survey respondent commented:

> “Multiple survey results in 2025 showed ‘Process Improvement and Efficiency’ as #1 or at the top of the list for bank executives... this is unheard of. Typically, loan growth or deposit growth hold those spots. I expect the same going further. With increased comfort and use cases for AI of various levels and types, and the need to scale for organizational growth, it’s finally time we realize that in order to sustain strategic growth, we must make it efficient and not leave process as an afterthought.”
>
> **—Clark Oakley, Chief Operating Officer and Executive Vice President, Wilson Bank & Trust**

TABLE C:

Bank Execs’ Top Concerns, 2023 to 2026

Percentage of Banks Listing Concern as One of Their “Top Concerns”

	2023	2024	2025	2026
Deposit gathering	-	48%	52%	58%
New customer growth	23%	40%	43%	51%
Cybersecurity	36%	42%	48%	49%
Efficiency, non-interest expenses, costs	28%	53%	51%	49%
Consumer-related fraud	-	30%	43%	39%
Ability to attract qualified talent	42%	26%	32%	37%
Non-interest income	26%	32%	33%	26%
Weak economy/loan demand	35%	21%	19%	23%
Cost of funds	43%	70%	48%	21%
Small business-related fraud	-	15%	25%	20%
Credit quality/problem loans	7%	23%	20%	19%
Interest rate environment	53%	53%	32%	16%

Source: Cornerstone Advisors What’s Going On in Banking

On the credit union side, year-over-year changes were minimal, with two exceptions: 1) 69% of credit union execs cited new member growth as a concern, up from 62% in 2025, and 2) a decline in the percentage citing cost of funds and the interest rate environment as a concern (Table D).

TABLE D:

Credit Union Execs' Top Concerns, 2023 to 2026

Percentage of Credit Unions Listing Concern as One of Their "Top Concerns"

	2023	2024	2025	2026
New member growth	36%	56%	62%	69%
Efficiency, non-interest expenses, costs	29%	52%	59%	57%
Consumer-related fraud	-	37%	51%	52%
Non-interest income	34%	48%	50%	48%
Cybersecurity	35%	48%	52%	48%
Deposit gathering	-	49%	52%	45%
Credit quality/problem loans	16%	37%	30%	31%
Cost of funds	47%	71%	36%	29%
Weak economy/loan demand	44%	29%	27%	24%
Ability to attract qualified talent	39%	23%	21%	18%
Interest rate environment	59%	45%	30%	17%
Small business-related fraud	-	1%	2%	0%

Source: Cornerstone Advisors What's Going On in Banking

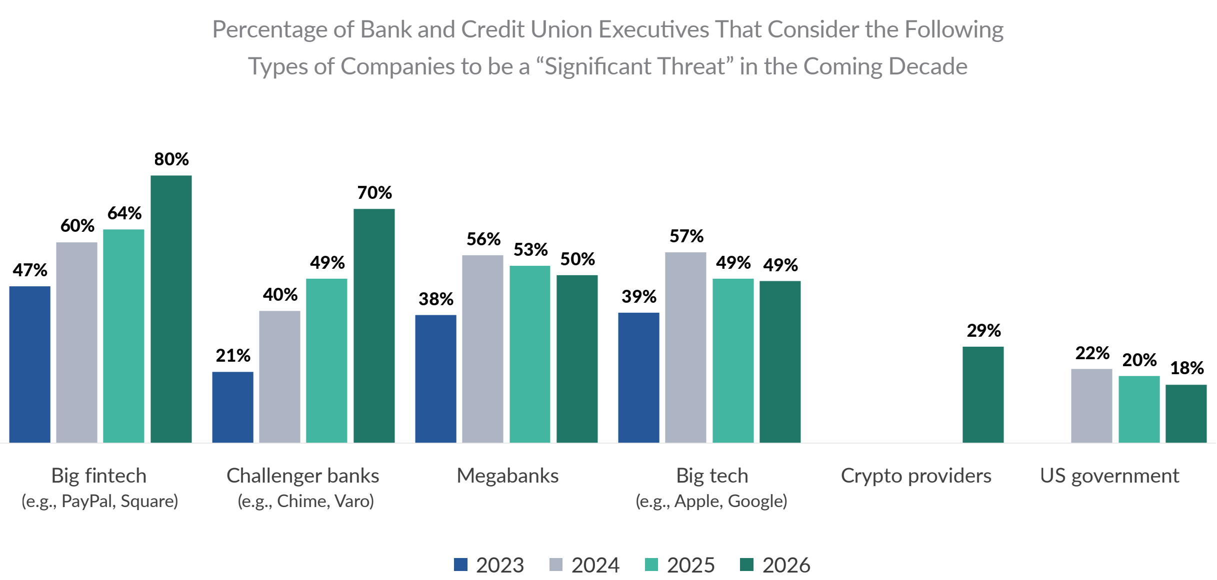
Don't Worry About the Government

Bank and credit union execs are increasingly worried about competitive threats. According to one survey respondent:

> "Threats from fintechs providing services that displace traditional banks create a diminished optimism for the banking industry."
>
> **—Greg Burress, President and CIO, First Community Services**

The percentage of respondents citing big fintechs like PayPal and Square as threats to the industry rose from 64% in 2025 to 80% this year. Another growing threat: challenger banks like Chime, which were mentioned by 70% of survey respondents, up from 49% a year ago. This was the first year we asked about the threat of crypto providers like Coinbase, which garnered a mention from nearly 3 in 10 respondents (Figure 2).

FIGURE 2:
Threats to the Banking Industry



Source: Cornerstone Advisors What's Going On in Banking

Once You've Made a Mark, You've Made a Threat to Banking

My take: The threats to the banking industry haven't put banks and credit unions on skid row just yet (a hint to the song reference). I'm not surprised about the increased mention of big fintechs and challenger banks as threats. With the number of those players now seeking bank charters, bank and credit union execs increasingly see them as direct threats.

I am surprised, however, that just 29% of respondents cited crypto providers as a threat. A Q4 2025 Cornerstone Advisors survey of Americans found that, among consumers between the ages of 21 and 60:

- Nearly 4 in 10 (38%) directly own some form of cryptocurrency;
- A third are very likely to purchase or invest in crypto in 2026 (another 3 in 10 are somewhat likely to); and
- Those that already hold crypto keep, on average, 25% of their total investment portfolio in crypto.

That's the demand side. On the supply side, crypto provider Coinbase is moving aggressively to compete with banks. In 2025, the firm:

- **Expanded its financial product suite.** In December, Coinbase announced expansion of its core app, evolving it toward an "everything app" for finance that includes zero commission stock trading and plans for tokenized stocks; a prediction market integrated into the main Coinbase experience; an AI powered financial advisor to help manage and suggest trades or portfolios; and Coinbase Business, a suite for startups with global payment links and automated workflows for commerce and payments.
- **Launched a stablecoin payments platform.** In October, Coinbase introduced its own stablecoin payments platform, enabling businesses to send and receive payments, a direct challenge to traditional bank rails like ACH and wire transfers by offering 24/7, near instant settlement.
- **Partnered with major banks.** Throughout 2025, Coinbase partnered with Chase and PNC on pilot programs for stablecoins, custody, and crypto services. Coinbase customers can use Chase credit cards to fund Coinbase accounts, with plans to link bank accounts via API forthcoming. The PNC partnership enables the bank's customers to buy, hold, and sell crypto via bank linked solutions.
- **Deployed institutional custody and capital markets tools.** In early 2025, Coinbase Institutional pushed forward with trusted custody solutions, derivative tools, and indices like COIN50 that help institutions integrate crypto into their portfolios and risk frameworks. Institutional custody and derivatives support are core infrastructure functions banks historically owned.
- **Offered platform integration and developer tools.** Coinbase has been building out robust APIs and developer "on ramps" (especially around its Base network) that fintechs and other platforms can use to embed custody, trading, payments, and stablecoin rails into their applications. This positions Coinbase to act as a financial infrastructure provider in the same way banks provide treasury and payments services.

In addition to Coinbase's moves throughout 2025, Ripple, Circle, and PayPal announced their plans to pursue a national bank charter to access the Fed payments systems. Collectively, the crypto providers are a threat worthy of banks' and credit unions' attention.

AI: They Say It's Gonna Replace Us

2025 will go down in banking history as the year banks woke up to AI and started to figure out what it is and what it could do for them. Survey respondents had some strong takes on AI:

> "The addition of AI and better understanding of the true use cases will drive the banking industry forward and provide for several new opportunities that were not available before."
>
> **—Val Ovrootsky, Chief Information Officer, Commonwealth Central Credit Union**

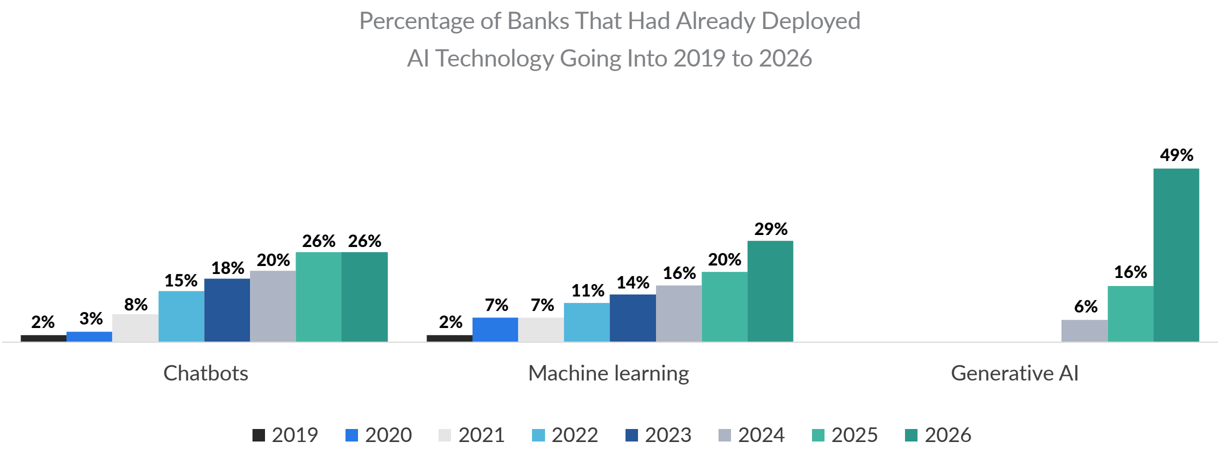
> "The benefits associated with AI on operational efficiencies, improved member experience, and ability to prevent fraud will be a game changer."
>
> **—Rick Wieczorek, President and Chief Executive Officer, NIH Federal Credit Union**

> "(An)other issue right now is every company using AI as a sales pitch. That can mean anything from machine learning to generative to agentic. It can cause confusion for people unfamiliar with AI and adds more work. When it turns out a company is selling just a smarter version of Excel, it can be frustrating."
>
> **—Eric Givens, Senior Vice President of Research and Development, Arizona Financial Credit Union**

> "AI could be the great equalizer for credit unions and community banks competing against large banks and fintechs—but only if the industry can solve its talent and capability gaps. Use cases are easy to spot, yet a lack of deep understanding around security, governance, and implementation priorities will leave many of these institutions overly reliant on vendors, weakening governance and limiting any strategic advantage."
>
> **—Jim Adamczyk, SEVP/Chief Strategy Officer, FAIRWINDS Credit Union**

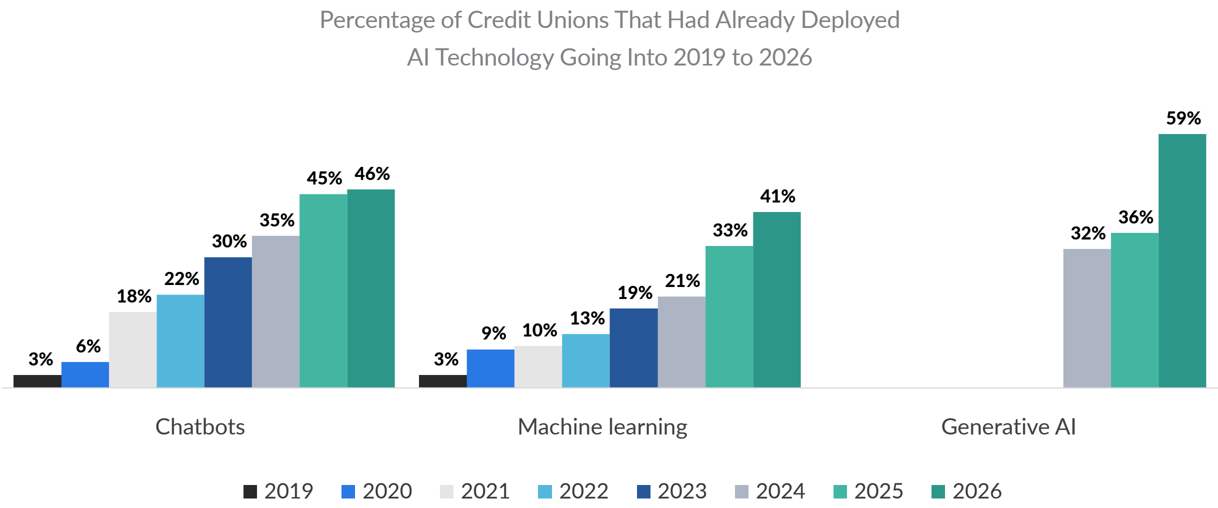
The percentage of banks that have deployed generative AI going into the new year tripled over 2025 (Figure 3). Among credit unions, that percentage grew from 36% going into 2025 to 59% heading into 2026 (Figure 4).

FIGURE 3:
Banks' Deployment of Artificial Intelligence, 2019 to 2026



Source: Cornerstone Advisors What's Going On in Banking

FIGURE 4:
Credit Unions' Deployment of Artificial Intelligence, 2019 to 2026



Source: Cornerstone Advisors What's Going On in Banking

Talkin’ ’Bout My G-G-Generative AI

In addition to the half of banks that already deployed generative AI, another 3 in 10 plan to invest in it in 2026. And although few banks (7%) have already invested in agentic AI, more than a quarter will invest in the technology in 2026, and more than half have discussed it at the board or executive team level (Table E).

TABLE E:

Banks’ AI Status

	Have already invested in or deployed	Will invest or implement in 2026	Have discussed at the board or executive team level	Not on our radar
Generative AI	49%	29%	18%	4%
Machine learning	29%	30%	31%	10%
Conversational AI	26%	24%	35%	15%
Agentic AI	7%	27%	53%	13%

Source: Cornerstone Advisors What’s Going On in Banking

Banks are playing catchup to the credit unions, however, among which nearly half have already invested in chatbots, 4 in 10 have invested in machine learning, and 17% have invested in or deployed agentic AI tools. Roughly a quarter of credit unions plan to invest in each of the four AI-related technologies in 2026 (Table F).

TABLE F:

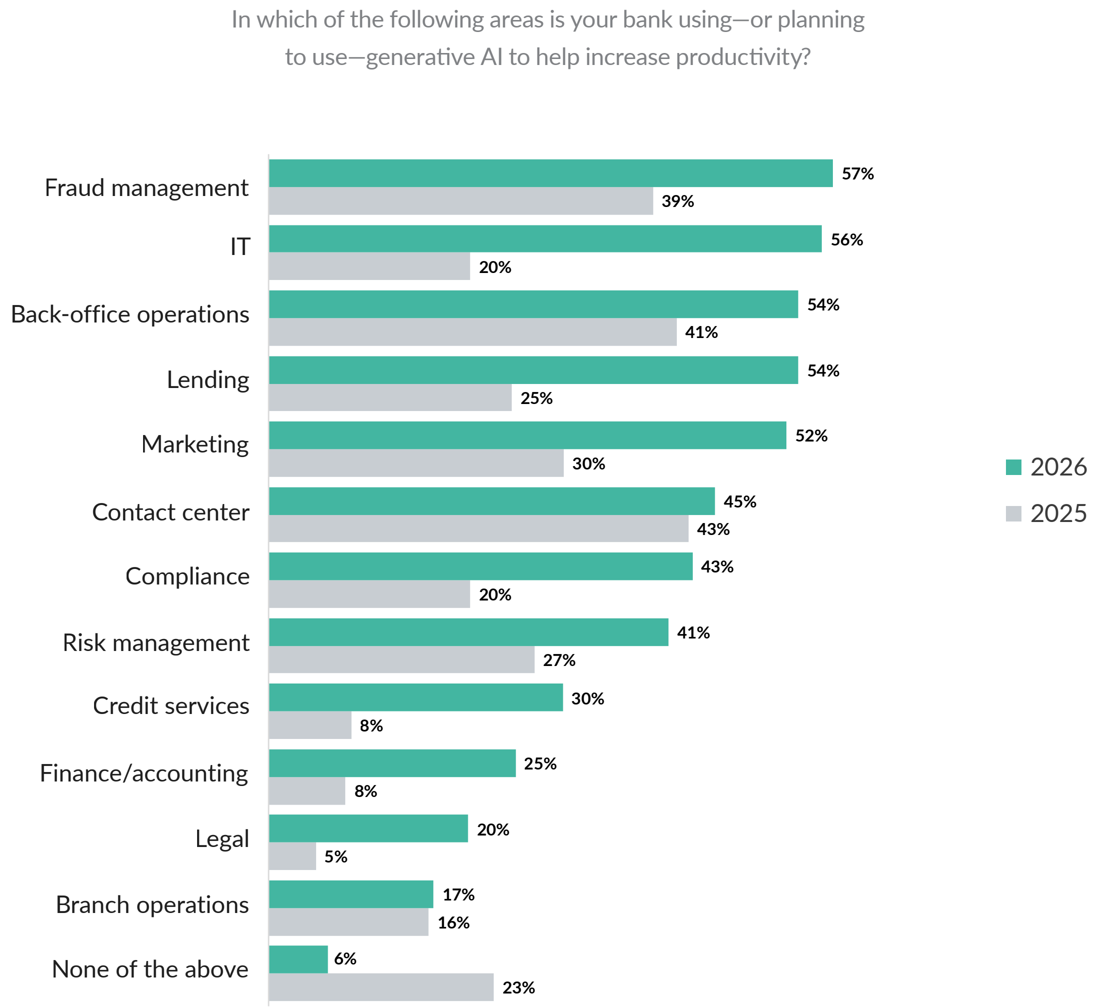
Credit Unions’ AI Status

	Have already invested in or deployed	Will invest or implement in 2026	Have discussed at the board or executive team level	Not on our radar
Generative AI	59%	22%	14%	5%
Chatbots/Conversational AI	46%	23%	24%	8%
Machine learning	41%	24%	20%	15%
Agentic AI	17%	25%	44%	14%

Source: Cornerstone Advisors What’s Going On in Banking

Year over year, the percentage of banks that use—or plan to use—generative AI grew significantly across nearly every functional area, the lone exception being branch operations (Figure 5). Banks' current and intended use of generative AI still lacks that of credit unions, however (Figure 6). Nearly 23% of banks are still holdouts, with no plans for generative AI, in contrast to just 8% of the credit unions surveyed.

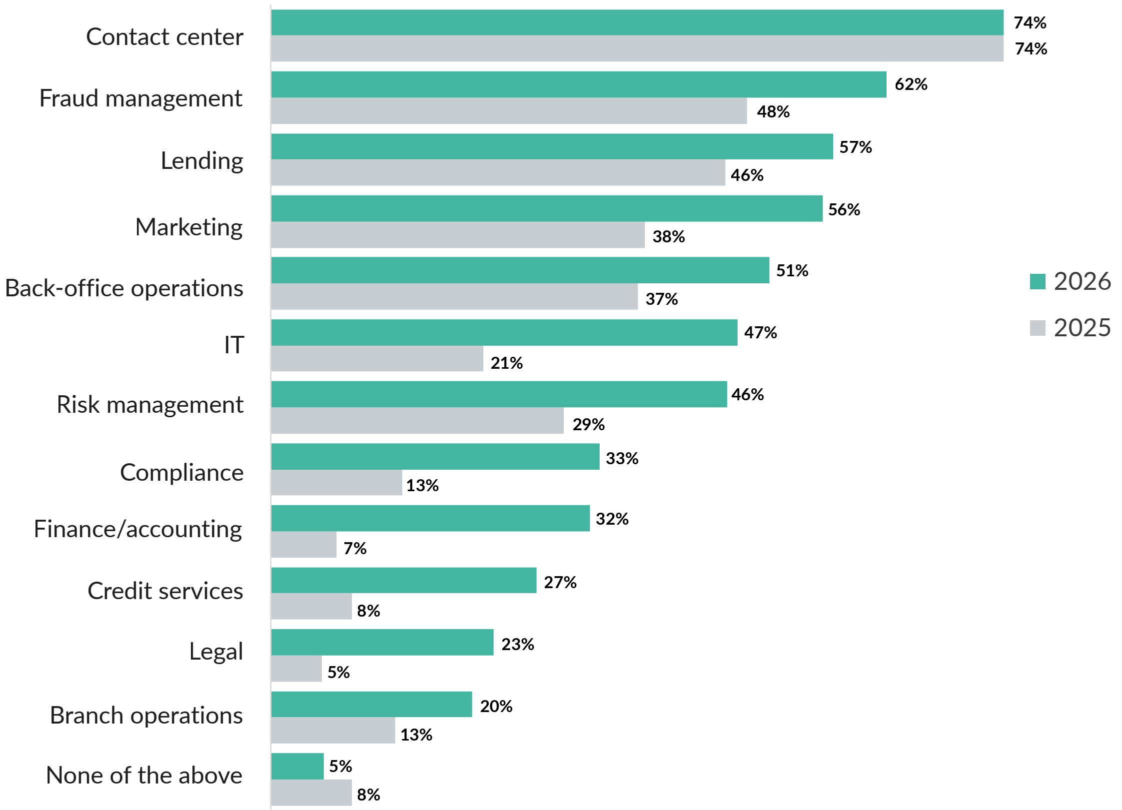
FIGURE 5:
Banks' Generative AI Plans



Source: Cornerstone Advisors What's Going On in Banking

FIGURE 6:
Credit Unions' Generative AI Plans

In which of the following areas is your credit union using—or planning to use—generative AI to help increase productivity?



Source: Cornerstone Advisors What's Going On in Banking

According to one survey respondent:

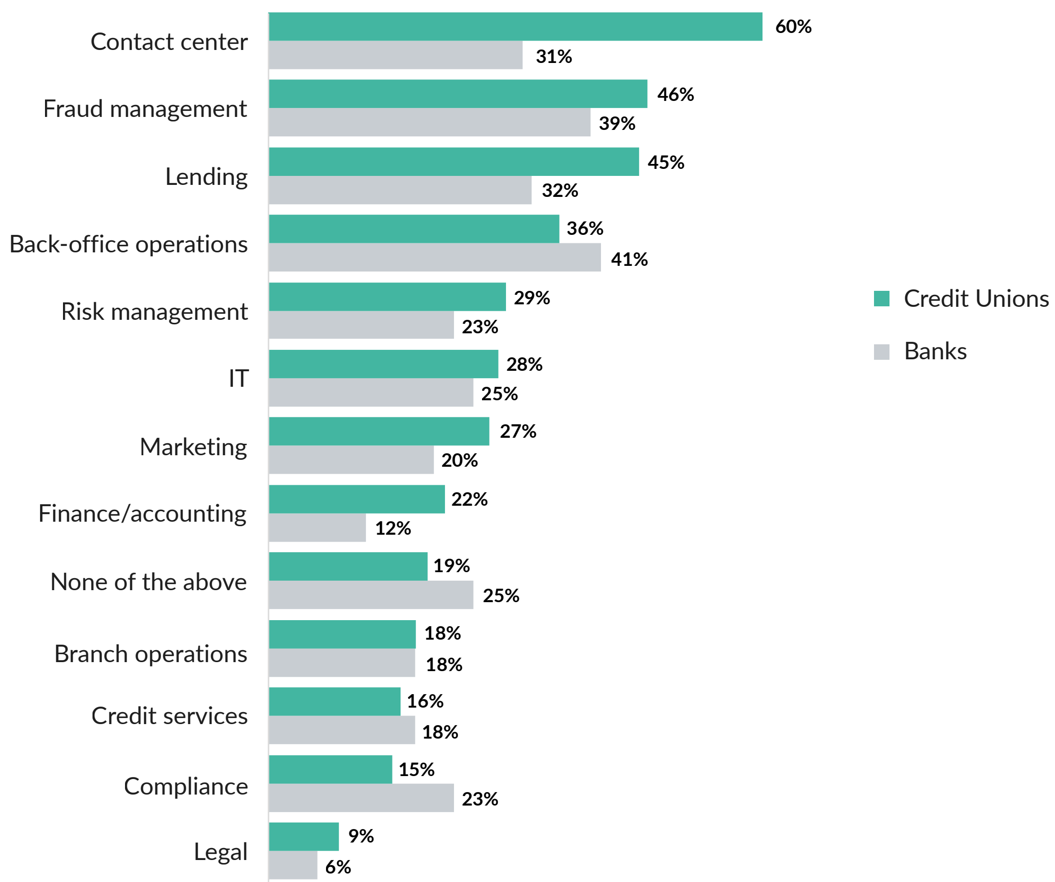
> "2026 is the year to operationalize generative AI. If you sleep on this, you're behind."
>
> **—Laura Mueller, Vice President, IT Software Solutions, Marine Credit Union**

One More Robot Learns to be Something More Than a Machine

Generative AI gave way to agentic AI as the hottest buzzword in 2025. Credit unions have more aggressive plans for agentic AI across functional areas like the contact center, fraud management, lending, and finance/accounting. The two types of financial institution are roughly on par with each other for most of the other functions, however (Figure 7).

FIGURE 7:
Banks' and Credit Unions' Agentic AI Plans

In which of the following areas is your institution using—or planning to use—agentic AI to help increase productivity?



Source: Cornerstone Advisors What's Going On in Banking

Don’t Believe the Hype… But Don’t Give Up On Me

Public Enemy meets Jason Aldean. Only in a *What’s Going On in Banking* report.

My take: Let’s cut through the noise—AI isn’t the future; it’s already here, and it’s already making an impact. But there’s still way too much hype. McKinsey suggests AI could automate up to 50% of banking tasks, delivering serious cost savings and efficiency gains.[1] Accenture forecasts a 20%-30% reduction in operational costs over the next five years.[2] These are wildly, overly optimistic projections.

Directionally, however, they’re correct. The challenge: Where should financial institutions begin—or adjust—their AI-related efforts? The playbook for AI-driven productivity improvement encompasses three areas:

1) **Knowledge management.** If there’s one thing that frustrates frontline staff (and customers), it’s waiting for an answer. Digging through PDFs, manuals, or intranet pages doesn’t cut it anymore. AI-powered knowledge assistants are changing the game by delivering fast, accurate answers in seconds. Magnifi Financial Credit Union, for example, rolled out a generative AI assistant named Maggie, which scans over 900 policies. Employees report saving up to 10 minutes per day—a small but meaningful efficiency gain that adds up over time.

2) **Business process design.** AI is streamlining processes by automating repetitive tasks, extracting insights from vast amounts of regulatory documents, and enhancing risk assessment capabilities. Generative and agentic AI-powered systems can process and analyze regulatory changes in real time, ensuring institutions remain compliant without excessive manual intervention.

3) **Personal productivity.** Beyond company-wide efficiencies, AI is proving to be a game-changer for individual employees, automating routine admin tasks and giving them time back to focus on higher-value work. Employees are using AI to generate content, create documentation, and assist with scheduling, freeing up time for more complex, strategic tasks. AI-powered transcription tools and automated meeting summaries are also streamlining workflows, allowing employees to focus on analysis rather than note-taking.

The point: Stop asking “what do we do with AI?” and/or “what about the risks of AI?” and focus on “what business issues and challenges need to be addressed, and which technology can help?” If the technologies that can help are AI-related technologies, so be it.

Would You Do It for Me?

I'd do it for you—would you do it for me? Soul Asylum would like to know. According to the hype machine, however, it might not matter—apparently, AI agents will do everything for us!

My take: AI agents are beginning to hit the market (watch a fintech called Glide in 2026), but agentic AI isn't as close to being ready-for-prime-time as some folks make it out be. Why? There's something missing: Model Context Protocol.

Model Context Protocol (MCP) is essentially a communication protocol that allows language models to access and interact with external systems. It solves the problem of how AI models can access external information—like databases, APIs, file systems, or real-time data sources—beyond their training data.

Think of it as a context-layer middleware. Instead of sending raw customer data into a model, which may lack transactional relevance, MCP ensures models receive structured, contextualized snapshots. This includes account activity, metrics, and behaviors, framed by permissions and risk policies.

An MCP server functions as a secure, centralized context engine. It aggregates business customer transaction histories, KPIs, cash flow trends, and defined rules. The AI layer then micro-targets this data, providing context-aware recommendations—like optimizing liquidity buffers or automating payroll timing.

Don't we already get alerts, budget signals, and suggested actions from today's digital banking platforms? We do. Here's how the MCP-driven experience differs:

- **Context-aware vs. rule-based alerts.** Traditional alerts (e.g., "your balance dropped below $500") are trigger-based and static. They fire based on predefined thresholds or conditions, not on dynamically interpreted context. With an MCP, alerts are generated based on a more holistic model of the customer's activity, incorporating cash flow trends, seasonality, pending transactions, and peer benchmarking. For example, a MCP-powered system might warn, "Based on upcoming payroll and invoice collection trends, you are projected to be short by $22,000 in 9 days"—a forward-looking, AI-generated alert, not just a balance-based threshold.

- **Dynamic categorization with predictive modeling.** Most banks today offer basic transaction categorization—splitting charges into standard buckets like "Utilities" or "Payroll." An MCP-enhanced system: 1) uses machine learning to learn from the customer's own transaction behavior, improving classification accuracy over time, and 2) supports predictive analytics, such as flagging emerging spending trends that may impact runway or liquidity—even if the transaction categories don't imply risk.

- **Embedded recommendations, not just reporting.** Most banks' insights are reactive—displaying data the user must interpret. An MCP-enabled system aims to: 1) deliver specific, contextual business advice (e.g., "delay invoice payment to Vendor X by 3 days to avoid liquidity risk"), and 2) offer actionable insights embedded in workflows, which is significantly more advanced than static dashboards.

- **Protocol layer-enabled interoperability.** MCP is a backend architecture, not just a front-end interface. It: 1) standardizes how models access contextual customer data; 2) enables secure AI-driven personalization across multiple systems, including core, treasury, and analytics platforms; and 3) reduces the risk of fragmented, siloed insights by centralizing contextual data delivery.

While MCP unlocks powerful contextual AI, it introduces risks regarding:

- **Data leakage and inference.** MCP consolidation of sensitive customer data (transactions, balances, ratios) poses a risk if breached. Even anonymized outputs can be reverse-engineered if inference patterns are too revealing. Security controls must tightly guard storage, access paths, and output logs.

- **Data privacy and retention compliance.** MCP deals with granular financial data. Banks must ensure compliance with privacy regulations, especially for multi-jurisdictional clients. Policies must govern data retention, deletion workflows, and usage for model training versus inference.

- **Model bias and explainability.** Context-aware systems can unintentionally encode bias—such as penalizing certain industries' cash flow cycles. For executives, validating that models are explainable and fair is essential. A MCP should support governance reviews and allow administrators to audit both context and model decision flows.

- **Access controls and role-based governance.** Models could potentially surface insights meant for the CFO but leak to unauthorized users. Granular role-based access control must enforce who can see what. Audit trails must record every model access event, ensuring traceability.

MCP isn't a requirement to use AI agents, but it can enhance the effectiveness of AI agents in a digital banking context by acting as a structured orchestration layer that provides contextual data to AI agents. It defines how user information (e.g., transactions, balances, account types) is collected, formatted, and fed into models so the agents can operate more precisely, with fewer hallucinations and better personalization.

AI agents can still operate without MCP, but they may: 1) need custom-coded integrations to access bank systems or third-party data; 2) lack standardization in the data inputs, which can reduce accuracy; and 3) provide more generic or transactional responses, as opposed to tailored financial guidance or predictive insights.

Grasshopper Bank's deployment of Narmi's MCP in 2025 was a big deal.[3] We'll see a lot more of this in 2026. In a recent report titled *The Next Generation Digital Banking Platform*, I predicted that future digital banking platforms will embed AI tools and agents to transform the digital banking interface and the user experience. The deployment of MCP is a major step towards this next generation platform.

By deploying model context protocol, financial institutions can elevate digital banking from static dashboards to proactive, context-aware intelligence tailored for business clients. Their large (or small) language models can suggest smarter payment timing, offer runway analytics, and automate context-aware guidance—all powered by real-time embedded intelligence.

MCP represents the next frontier in digital banking: powering AI with context while maintaining control. The core considerations for successful implementation include strong governance, privacy safeguards, and explainable model design. Executed well, this strategy could be a game-changer for high-touch business banking.

Want more on AI? See Cornerstone's report, *The Playbook for Generative AI-Driven Productivity Improvement for Community Banks and Credit Unions.*

Come On Baby, Scrape My Data

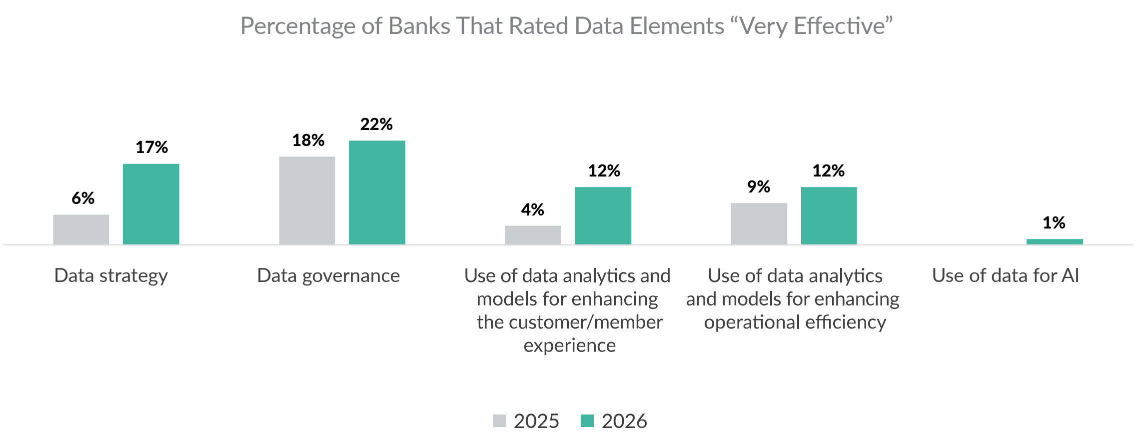
In mid-2025, I joked on LinkedIn, "If I had a nickel for every annoying consultant that told banks that 'data is important,' I'd be rich. No wait—that's not right. If I had a nickel for every time this annoying consultant told banks that 'data is important,' I'd be rich."

Data is critical to AI-related initiatives. As one survey respondent said:

> "It's going to be increasingly difficult to operate without real-time information that can be quickly, securely, and easily integrated with AI technology platforms to give us the real time insights required to make AI efficient. There are other initiatives that using AI can support, but we need to push for this real-time access."
>
> **—Jonathan Krieps, Chief Operations Officer, North State Bank**

2025 might be the year that financial institutions took that message to heart. The year-over-year increase in the percentage of banks and credit unions that consider their data strategy to be "very effective" was astounding. Among banks, that percentage nearly tripled from 6% to 17%. Banks also reported a strong increase in the percentage that consider their use of data analytics and models for enhancing the customer experience to be very effective (Figure 8).

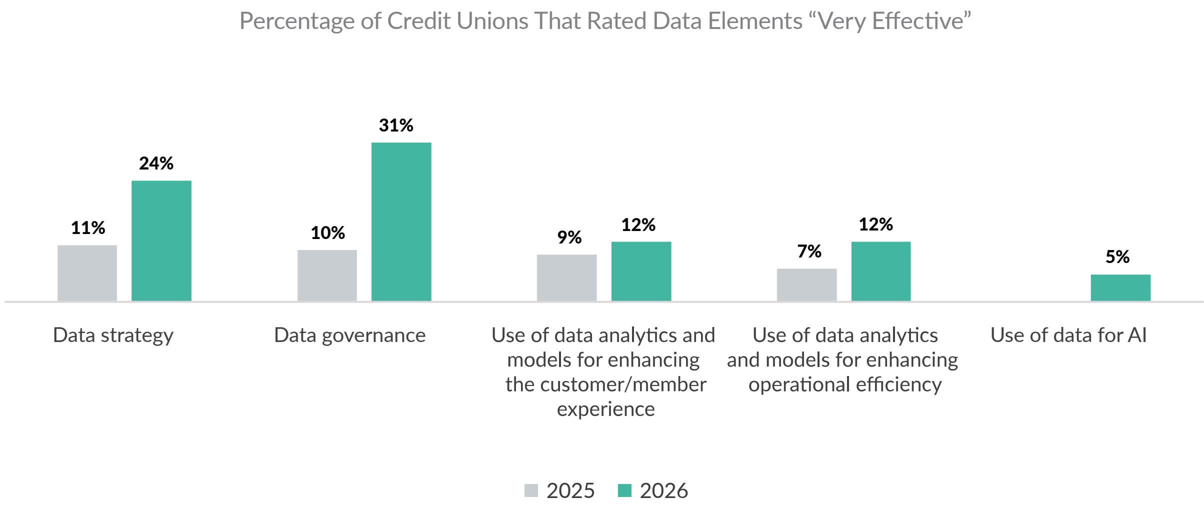
FIGURE 8:
Banks' Data Assessments



Source: Cornerstone Advisors What's Going On in Banking

The percentage of credit unions that consider their data strategy to be "very effective" more than doubled in this year's study, and the percentage that consider their data governance to be "very effective" more than tripled (Figure 9).

FIGURE 9:
Credit Unions' Data Assessments



Source: Cornerstone Advisors What's Going On in Banking

If Your Data Quality is Low, Your AI Strategy Will Blow

My take: I'm not buying these assessments of the effectiveness of financial institutions' data strategy and data governance. Cornerstone Advisors conducted a study during 2025 in which we developed a framework for financial institutions to grade their "data quality" in five areas: strategic planning, sales and marketing, credit analysis, operational delivery, and data access and analysis. The results were dismal:

- **Community-based financial institutions are a little more than halfway to where they need to be.** The total average score (out of a possible 500) was 241. If an institution averaged 80 points in each of the five categories, they'd be characterized as "established and operational," a respectable level of capability.

- **Credit analysis was the most advanced function from a data utilization perspective.** With an average score of 51 (out of a possible score of 100), even credit analysis has a lot of room for improvement.

- **Sales and marketing was the lowest-scoring function.** Two-thirds of the FIs in the analysis scored below 50 in sales and marketing, meaning their use of data was below the level of "developing and/ or improving."

If your data quality score is low for a given function, AI initiatives related to that function will fail. Without high data quality:

- **Strategic planning is fantasy.** AI models can simulate financial scenarios and forecast loan demand —but only if you feed them clean, structured data on deposit flows, branch performance, loan delinquency rates, demographics, interest rates, and economic trends.

- **Marketing falls short.** Do you have unified customer profiles? Are marketing engagement metrics integrated with transaction data? Can you differentiate between an SMB and a sole proprietor based on behavioral signals? If behavioral data isn't integrated into your CRM system, your AI-driven marketing falls short.

- **Credit analysis is incomplete.** AI can improve underwriting by incorporating cash flow data, bill payment history, and real-time payroll deposits. This could open doors to serving thin-file borrowers and gig economy workers. But banks need to re-architect their credit models to accept non-traditional data—and most aren't there yet.

- **Operations is subpar.** AI can automate reconciliations and flag errors in real time—but only if your: 1) systems know what stage a loan application is in; 2) teller transaction volumes are accurately tracked; and 3) core systems and digital channels are properly integrated. Most community banks and credit unions fail on all three counts.

Bromides like "break down data silos" and "define data governance policies" won't help an FI get an A grade. FIs serious about improving their data quality will need to make some difficult decisions and choices about their:

- **Current data quality.** Without a baseline assessment, investments in improving data quality will go to the squeakiest wheel. It took survey respondents just 10 minutes to complete the survey, but an executive team discussion to grade the institution's data quality is well worth the few hours it will take to have the discussion.

- **Impeders.** Executive team members and functional heads all have their individual strengths and weaknesses. The "impeders" are the executive team members and functional heads who: 1) don't believe that data is a strategic asset; 2) don't foster a culture of data usage; and 3) don't drive their functional area to a high data quality score.[4] The impeders won't admit they don't do these things—the CEO and the rest of the executive team must recognize them (by their behavior) and assess whether they can change or if they need to be replaced (or supported).

- **Organizational skill gaps.** It was no surprise to us that, from a functional perspective, sales and marketing scored the lowest on the data quality assessment. Many marketers in mid-size FIs are strong in branding and advertising, but not strong in database marketing and analytics. Asking them to optimize digital channel spend or develop predictive churn models is likely to be a wasted effort.

- **AI strategy.** FIs are obsessed these days with defining their organization's AI strategy. We'll assert that if an organization's data quality score is less than 60 for a given function, AI efforts related to that function will fail. Stated differently: There is no AI strategy without an effective data strategy.

- **Technology vendors.** Any tech vendor can tell you how their product stands up from a feature/functionality perspective. But it's harder for them to demonstrate how they can help drive organizational change and how their offerings can help a financial institution improve its data quality. Executive teams should task functional heads with assessing their key technology vendors on these aspects.

Want to measure your institution's data quality? See the grading in the Appendix of the report, *Improving Your Financial Institution's Data Execution Quality*.

I Don’t Need No Frauds

Nicki Minaj says that as soon as she wakes up, she keeps an eye out for the snakes. If only it were that easy for banks and credit unions. There’s a reason why 4 in 10 bankers and half of credit union execs consider consumer fraud one of their top concerns for 2026: fraud (first-party fraud, in particular) is a massive and growing problem. It’s not just “a few bad actors”—it’s now a strategic threat to balance sheets, underwriting models, and customer acquisition efforts. How bad is it?

- **One in 13 applications is fraudulent.** Roughly 7% of digital applications are estimated to involve some form of first-party fraud—often indistinguishable from credit risk at origination.
- **First-party fraud makes up 40%+ of total fraud losses.** While third-party fraud (synthetic identities, account takeover, etc.) is still critical, first-party fraud is now often the biggest component of total fraud-related losses at many financial institutions—especially in credit and BNPL products.
- **Credit bust-outs are rising sharply.** “Bust-out” fraud—where a customer builds a good credit profile and then maxes out accounts with no intent to repay—has surged in recent years. TransUnion reported a 300% increase in suspected bust-out profiles since the pandemic began.

The expected outlook for 2026 includes: 1) increased losses, as roughly 40% of banks and 50% of credit unions saw an increase in fraud-related losses in 2025, and 6 in 10 banks and 7 in 10 credit unions anticipate even higher losses in 2026 (Table G), and 2) higher budgets, as three-quarters of banks and credit unions plan to increase their fraud prevention and dispute budgets for 2026 (Table H).

TABLE G:
Fraud Loss Outlook

		Banks	Credit unions
Comparing 2025 to 2024, would you say that fraud-related losses at your institution…	Increased significantly	12%	17%
	Increased slightly	29%	35%
	Stayed about the same	38%	21%
	Decreased slightly	9%	13%
	Decreased significantly	3%	10%
	Don’t know	9%	4%

Source: Cornerstone Advisors What’s Going On in Banking

		Banks	Credit unions
Thinking ahead to 2026, compared to 2025, do you expect fraud-related losses at your institution to…	Increase significantly	0%	10%
	Increase slightly	59%	62%
	Stay about the same	24%	17%
	Decrease slightly	6%	12%
	Decrease significantly	6%	0%
	Don't know	6%	0%

Source: Cornerstone Advisors What's Going On in Banking

TABLE H:

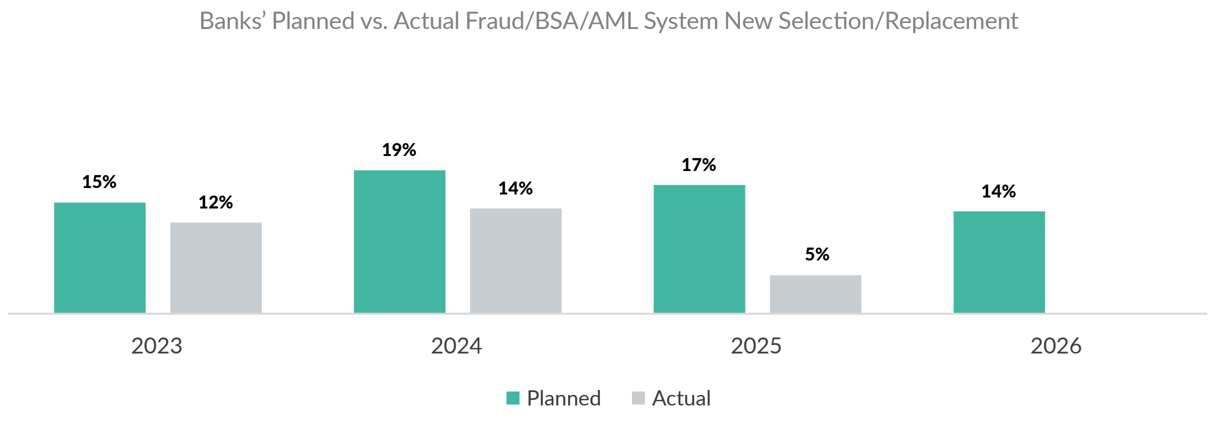
Fraud Budget Outlook

		Banks	Credit unions
Compared to 2025, how do you expect the budget for fraud prevention and dispute resolution to change in 2026?	Significantly higher	3%	6%
	Somewhat higher	72%	69%
	No change	25%	24%
	Somewhat lower	0%	0%
	Significantly lower	0%	2%

Source: Cornerstone Advisors What's Going On in Banking

When it comes to selecting a new or replacement fraud/BSA/AML system, banks aren't putting money where their mouths are, however. For three straight years—2023 through 2025—the percentage of banks that planned to select a new or replacement fraud/BSA/AML system exceeded the percentage that actually did (Figure 10).

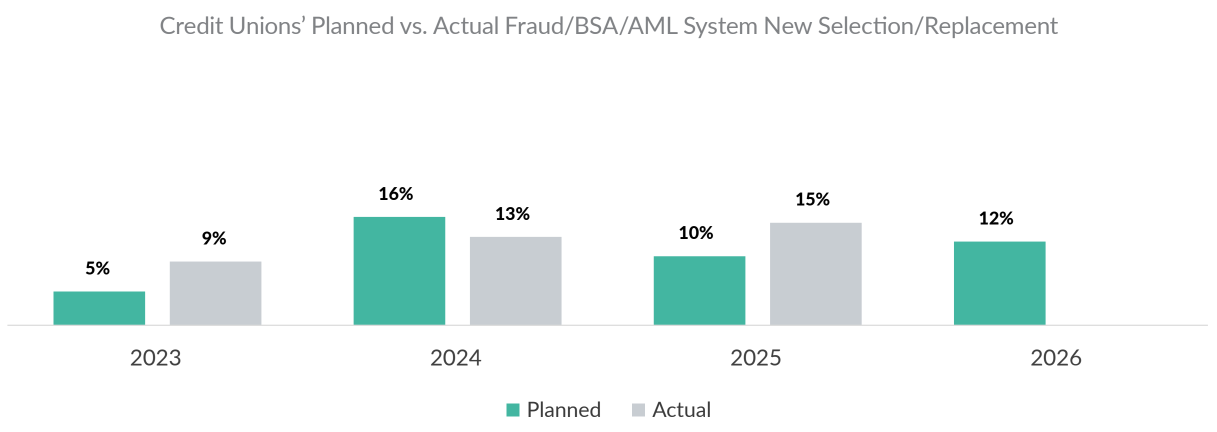
FIGURE 10:
Banks' Fraud/BSA/AML System New Selection/Replacement



Source: Cornerstone Advisors What's Going On in Banking

Credit unions are clearly feeling the pain of fraud more acutely. Going into 2025, 10% of credit unions planned to select a new or replacement fraud system—but 15% did (Figure 11).

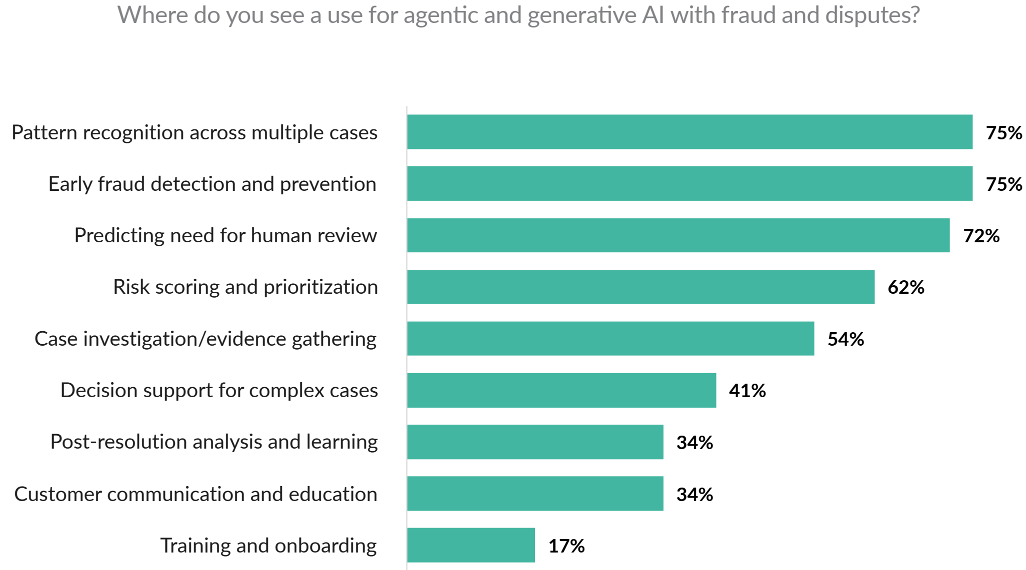
FIGURE 11:
Credit Unions' Fraud/BSA/AML System New Selection/Replacement



Source: Cornerstone Advisors What's Going On in Banking

Both bank and credit union execs see opportunities for generative and agentic AI tools throughout the fraud and dispute management process. Three-quarters see a use for these technologies in pattern recognition and early detection and prevention, 72% envision an application of the AI technologies for predicting the need for human review, and 62% see risk scoring and prioritization as an AI use case (Figure 12).

FIGURE 12:
Generative and Agentic AI Opportunities in Fraud Management



Source: Cornerstone Advisors What's Going On in Banking

The Impact of a "Better" Fraud Dispute/Resolution Experience

My take: The fraud resolution process is a high-stress and confusing experience for many consumers who are worried about access to their money. The differences between a "great" and "good" experience might sound like mincing words, but consumer research from Cornerstone Advisors shows that those differences have strong implications on consumers' behaviors and attitudes, specifically on their:

- **Confidence.** Among consumers who rated their fraud dispute experience an A, 87% said the experience made them much more confident in their provider's ability to protect their account. Among those who graded their experience a B, that percentage drops to 79%, and down to 55% for those rating the experience a C.

- **Card use.** Nearly 4 in 10 consumers who rated their fraud experience an A use the card involved more frequently following the fraud experience, in contrast to 20% of those who rated their experience a B and 12% of those who rated their experience a C.

- **Likelihood to obtain more products or services.** Eight in 10 consumers who rated their fraud experience an A said the experience improved their likelihood to get more products or services from the provider, in contrast to 59% of those who rated their experience a B and 39% of those who rated their experience a C.

- **Relationship strength.** Overall, 83% of consumers who rated their fraud experience an A said the experience strengthened their relationship with the provider, in contrast to 69% of those who rated their experience a B and 46% of those who rated it a C.

Financial institutions won't—and shouldn't—stop finding ways of preventing fraud and reducing fraud losses. But doing so at the expense of improving the fraud experience could have measurable negative impacts.

The Working On-Chain Gang

Kevin Fischer, VP payments manager at C&N Bank, put it well when he told us, “Stablecoin is this year’s BNPL.” Ben Maxim, chief technology officer at Michigan State University Federal Credit Union, warned us, however, that:

> “STABLECOINS ARE NOT THE ANSWER TO THE FUTURE OF BANKING :) Tokenization and blockchain provide new opportunities but will take some time to be realized.”

Chrissie Hynde declined to comment.

Without the passing of the GENIUS Act in 2025, it’s unlikely that stablecoins would be on the board agenda at thousands of banks and credit unions. What are banks and credit unions thinking and planning to do about tokenization in 2026?

Among banks, 9% said they’ll invest in or implement tokenized deposits in 2026, while a handful will invest in or deploy blockchain solutions and stablecoins. More than half have discussed tokenized deposits and blockchain technology at the board level, and 71% have put stablecoins on the board agenda (Table I).

TABLE I:
Banks’ Tokenization Status

	Have already invested in or deployed	Will invest or implement in 2026	Have discussed at the board or executive team level	Not on our radar
Tokenized deposits	0%	9%	57%	35%
Blockchain	0%	6%	52%	42%
Stablecoins	0%	5%	71%	24%

Source: Cornerstone Advisors What’s Going On in Banking

Compared to the banks, a slightly smaller percentage of credit unions plan to invest or implement the three technologies in 2026, and all three are beginning to reach the executive team and board rooms (Table J).

TABLE J:

Credit Unions' Tokenization Status

	Have already invested in or deployed	Will invest or implement in 2026	Have discussed at the board or executive team level	Not on our radar
Stablecoins	0%	8%	63%	29%
Tokenized deposits	0%	5%	42%	53%
Blockchain	0%	3%	54%	43%

Source: Cornerstone Advisors What's Going On in Banking

Regarding tokenized deposits, 37% of banks and 29% of credit unions said they're waiting for more regulatory clarity before proceeding. Roughly 3 in 10 banks and 1 in 5 credit unions are exploring use cases and potential partners. A third of banks and nearly half of credit unions said they're not knowledgeable enough right now, however (Table K).

TABLE K:

Approach to Tokenized Deposits

What best describes your institution's current approach toward tokenized deposits?

	Banks	Credit unions
Waiting for regulatory clarity before proceeding	37%	29%
Early exploration of use cases and partners	29%	18%
Actively developing tokenized deposit solutions	1%	0%
Ruled out pursuing tokenized deposits	0%	5%
Not familiar enough to assess at this point	33%	47%

Source: Cornerstone Advisors What's Going On in Banking

With few financial institutions even at the use case exploration phase, it's not surprising to see that 42% of banks and 55% of credit unions haven't evaluated the role their core provider will play in their deposit tokenization strategy. What is surprising, however, is that 1 in 5 bank execs already believe that their core provider won't be prepared to support their tokenization efforts and that another 1 in 5 already know that they will integrate tokenized solutions independently of their core provider (Table L).

TABLE L:
Core Provider Role in Deposit Tokenization Strategy

What role do you expect your core provider to play in your deposit tokenization strategy?

	Banks	Credit unions
We haven't yet evaluated this aspect	42%	55%
Expect our core provider to lead and support our tokenized deposit infrastructure	19%	16%
Will integrate tokenized solutions independently of our core provider	19%	16%
We don't believe our core provider will be prepared to support tokenized initiatives	19%	13%

Source: Cornerstone Advisors What's Going On in Banking

Half of banks and credit unions cited deposit retention or generation as a driver of their interest in stablecoins. Competitive threats from fintechs or crypto firms was another strong driver (Table M). Wait: now you say that crypto firms are threats? What were you thinking back when I asked about threats earlier in the survey?

TABLE M:
Stablecoin Influences

Which of the following drivers are most influencing your institution's interest in stablecoins?

	Banks	Credit unions
Deposit retention or generation	51%	51%
Competitive threats from fintechs or crypto-native firms	42%	47%
We are not currently interested	25%	32%
Lower payment processing costs	24%	25%
Internal innovation/modernization initiatives	24%	22%
Compliance/regulatory requirements	23%	14%
Faster settlement times	21%	33%
Interest from corporate/commercial clients	18%	1%

Source: Cornerstone Advisors What's Going On in Banking

Faster/cheaper transfers and settlements, cross-border transactions, and digital/crypto wallets are the top value drivers bankers see for tokenized deposits and stablecoin (Table N).

TABLE N:
Tokenized Deposits/Stablecoin Value Drivers

In which areas do you believe stablecoins or tokenized deposits could create value for your institution?

	Banks	Credit unions
Faster/cheaper internal transfers or settlements	48%	41%
Cross-border transactions	42%	30%
Digital/crypto wallets	39%	46%
Commercial payments	35%	20%
Embedded finance or B2B use cases	20%	14%
Digital loyalty/rewards	16%	27%
Retail payments	11%	20%
Compliance	2%	2%
Other	1%	8%
I don't believe they will add value	18%	27%

Source: Cornerstone Advisors What's Going On in Banking

Nearly half of banks and 41% of credit unions said they'll turn to their core or digital platform providers to help deploy stablecoin-related initiatives. Roughly 4 in 10 banks anticipate using fintechs that specialize in tokenization and/or rely on bank consortiums, the latter of which was the most popular option among credit unions (Table O).

TABLE O:

Tokenization Providers

Who will your institution most likely turn to help deploy stablecoin-related initiatives?

	Banks	Credit unions
Core/platform providers	48%	41%
Fintechs specializing in tokenization	42%	30%
Bank consortiums	39%	46%
Consulting or systems integrators	35%	20%
Blockchain infrastructure firms	20%	14%
In-house development	16%	27%
Don't know	18%	27%

Source: Cornerstone Advisors What's Going On in Banking

Two-thirds of banks—but less than half of credit unions—cited lack of regulatory clarity as a factor limiting their tokenization activity. Lack of client and technology/infrastructure gaps were also common answers (Table P).

TABLE P:
Tokenization Concerns

Which of the following concerns are limiting your institution's activity around tokenization?

	Banks	Credit unions
Lack of regulatory clarity	67%	46%
Lack of client demand	57%	52%
Technology or infrastructure gaps	54%	46%
Unclear monetization path	44%	41%
Internal strategic priorities	37%	41%
Difficulty identifying trusted partners	21%	15%
Reputational risk	13%	15%
Other reason(s)	7%	11%
Don't know	6%	11%

Source: Cornerstone Advisors What's Going On in Banking

Overall, roughly 4 in 10 survey respondents believe that tokenized money will become a common utility, similar to ACH or debit rails. Nearly 3 in 10, however, said it's too early to tell (Table Q).

TABLE Q:
Long-Term Impact of Tokenization

Which statement best captures your view of the long-term impact of tokenized money (stablecoins and tokenized deposits) on the U.S. banking system?

	Banks	Credit unions
It will become a common utility, similar to ACH or debit rails	41%	37%
It will remain niche and have limited impact	12%	23%
It poses more risk than reward for traditional banks	10%	5%
It will be transformative and create new models for banking	8%	9%
Too early to tell	29%	27%

Source: Cornerstone Advisors What's Going On in Banking

Ball of Confusion (That's What Tokenization is Today)

My take: There's a lot of confusion out there about stablecoins, tokenized deposits, and tokenization, in general. People who talk about a "stablecoin vs. tokenized deposit" decision don't know what they're talking about. There is no choice between the two—the decision is whether your institution needs neither, either, or both. Here's what you need to know—and decide—about stablecoins and tokenization for 2026:

Ignore the hypesters telling you that $26 trillion in stablecoins were processed last year. Strip out crypto trading and you're only looking at $2 trillion in real payments and treasury activity. And despite all the talk about "revolution," stablecoins offer marginal improvements over existing U.S. payment infrastructure for most domestic use cases:

- **Speed.** FedNow delivers real-time settlement for $0.05 per transaction. RTP has been live since 2017. Same-day ACH is table stakes. For domestic payments, stablecoins don't solve a speed problem because we don't really have one anymore.
- **Cost.** Native stablecoin transfers on Ethereum cost a minimum of $0.01, but gas fees can spike to $3 or more depending on network congestion. Once you add on-ramp and off-ramp fees, which range from 1% at major exchanges to 7% at crypto ATMs, the total cost often exceeds what Zelle or Venmo charges. Which is zero.

- **Traceability.** Yes, blockchain offers transparency. But so does modern banking infrastructure with proper APIs and data standards. The visibility gains are real but incremental.

Here's what does matter: **programmability.** Smart contracts enable automation that traditional payment systems can't touch—true delivery-vs-payment, conditional payments, agentic AI commerce, automated escrow. But here's the catch: most of these use cases are still theoretical. They're waiting for enterprise adoption, mature risk frameworks, and customers who actually want them.

That said, there are limitations to smart contracts including:[5]

- **Inflexibility and simplicity.** Blockchain's immutability is simultaneously a strength and a weakness. Once a smart contract is implemented, it can't be changed. If needs change, a smart contract has to be abandoned and replaced by a new one. In addition, currently, smart contracts can't handle sophisticated contracts and clauses—it's hard to implement a reasonable effort clause and indemnity clause of the contract in smart contracts.

- **Lack of consumer protections.** Smart contracts currently lack the structured metadata, consumer protections, and legal clarity embedded in existing payment infrastructure. The immutable nature of blockchain transactions doesn't allow for transaction reversals, which creates problems for chargebacks and dispute resolution—features consumers expect from traditional payment systems.

- **Regulatory, risk, and compliance gaps.** Current smart contract implementations often lack robust KYC (Know Your Customer) standards during onboarding processes, enabling potential misuse and drawing regulatory skepticism. Risk needs to be mitigated before adoption can grow. There are security concerns, including the vulnerability of bridging solutions between blockchains that have led to hacks.

Viable tokenization strategies that banks and credit unions should evaluate include:

1. **Bank the stablecoin issuers.** The conservative play: provide custodial services, reserve management, and treasury operations for stablecoin issuers. BNY Mellon already provides cash custody for USDC. BlackRock manages Circle's money market fund reserves. Standard Chartered (through Zodia Custody) offers digital asset custody. The upside: steady fee income, no deposit cannibalization, low risk. The downside: you're a service provider, not a principal. And you're explicitly helping competitors build the infrastructure to disintermediate you. This path works for custody banks and institutions comfortable being infrastructure providers rather than product owners.

2. **Issue your own stablecoin.** For most institutions, issuing stablecoins means cannibalizing deposits to create a less capital-efficient product. A dollar in deposits can be lent out (with appropriate reserves). A dollar backing a stablecoin sits in Treasury bills. When issuing makes sense: 1) dominance in a specific remittance corridor; 2) corporate treasury clients who need 24/7 liquidity; 3) preventing deposit flight to competitors who've already issued; and 4) use cases like trade finance where programmability matters. For most regional and mid-tier financial institutions, this isn't the play—they don't have the scale, distribution, or use cases to justify it.

3. **Build stablecoin payment infrastructure.** The highest-risk, highest-reward strategy: become the infrastructure layer connecting stablecoins to traditional finance. This means merchant acceptance solutions, cross-border payment networks, on/off-ramp services, and FX liquidity provision. Look at what Stripe is doing with Bridge: they're making it simple for merchants to accept any stablecoin and receive fiat in their bank account. For U.S. banks with a strong FX business, correspondent banking network, or merchant acquiring operations, this represents the strategic high ground. The catch: it requires significant investment and commitment. You're building payment rails, not running pilots. You need engineering talent, blockchain infrastructure, regulatory expertise, and partnerships with wallet providers and exchanges.

4. **Tokenize deposits.** This strategy doesn't even involve stablecoins. Tokenized deposits offer the same blockchain benefits—programmability, instant settlement, smart contract compatibility—while preserving banks' core business model. You're still taking deposits and making loans. You're just recording those deposits on a blockchain instead of a traditional ledger. JPMorgan's JPM Coin is an example of this model. It powers treasury management use cases with no business model disruption or regulatory headaches. Tokenized deposits operate within existing capital and liquidity frameworks, making them far more capital-efficient than fully-collateralized stablecoins.

Here's what you need to decide in 2026:

- **Are you playing or watching?** The first decision is binary: Are you actively participating in stablecoin/tokenized deposit markets, or are you sitting this out and focusing on traditional banking? Both are valid choices, but indecision is not. Pilot projects without strategic commitment are just expensive ways to postpone the inevitable.

- **What use cases matter to your (current and prospective) customers?** Focus on use cases where customers have pain today: 1) corporate treasury teams needing 24/7 access to dollar liquidity; 2) cross-border payments to countries where correspondent banking is slow and expensive; 3) settlement for tokenized securities and funds; and 4) merchant payouts that need to happen outside banking hours. If you can't identify specific customer pain points that stablecoins solve better than alternatives, you're not ready to execute.

- **What's your regulatory position?** The STABLE Act and GENIUS Act will determine reserve requirements, oversight frameworks, capital treatment, and which agencies regulate what. FIs need positions on questions like: 1) Should stablecoin issuers be required to hold reserves only in cash and Treasuries, or other high-quality liquid assets?; 2) Should state or federal regulators oversee smaller issuers?; 3) How should tokenized deposits be treated differently from stablecoins?; and 4) What consumer protections should apply?

- **Who can help you develop and deploy whatever you decide to do?** The vendor/provider market in the tokenization world is nascent and already populated by hundreds of vendors, many of which won't be around in a few years (either through failure or acquisition). Picking the wrong vendor or provider will cause a lot of headaches down the road. This isn't as simple as picking a digital banking vendor.

Whatever you do in 2026, don't do nothing. The banks and credit unions that win will be the ones that figure out which customer problems are worth solving and that commit resources to solving them.

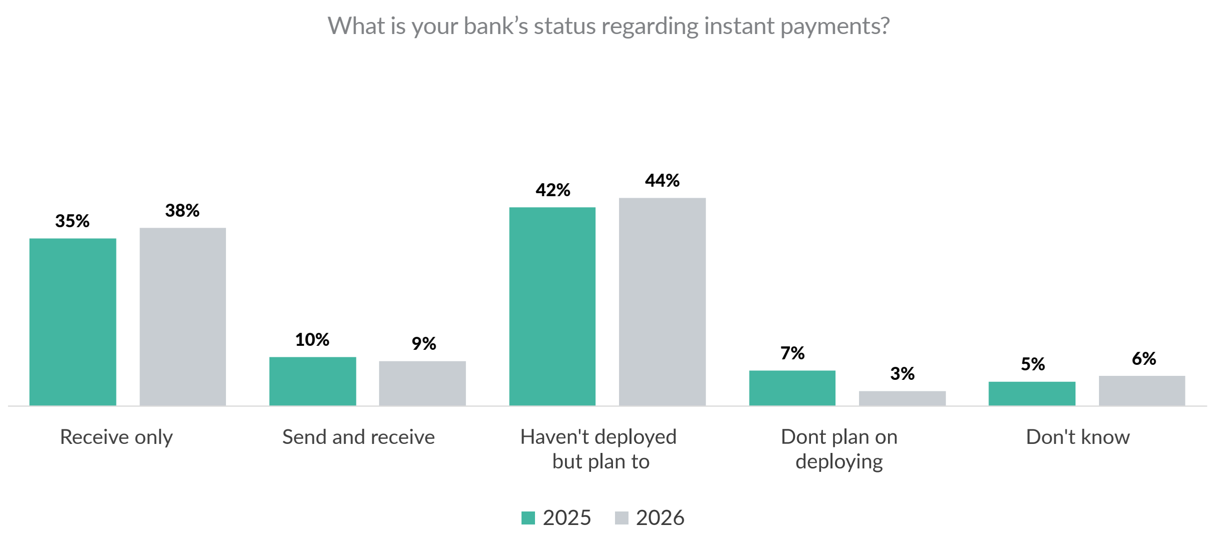
Pay the Man Now, Yeah

The Federal Reserve reported that instant payments via its FedNow service totaled roughly $600 billion through the first three quarters of 2025, up 11% from $541 billion transacted over the same period in 2024. Why the sluggish growth?

Likely because of the tepid growth in FedNow adoption among mid-size financial institutions. Between the end of 2024 and the end of 2025, the percentage of banks that have deployed instant payments grew by just two percentage points (Figure 13). Among credit unions, the adoption percentage was virtually unchanged between 2024 and 2025 (Figure 14).

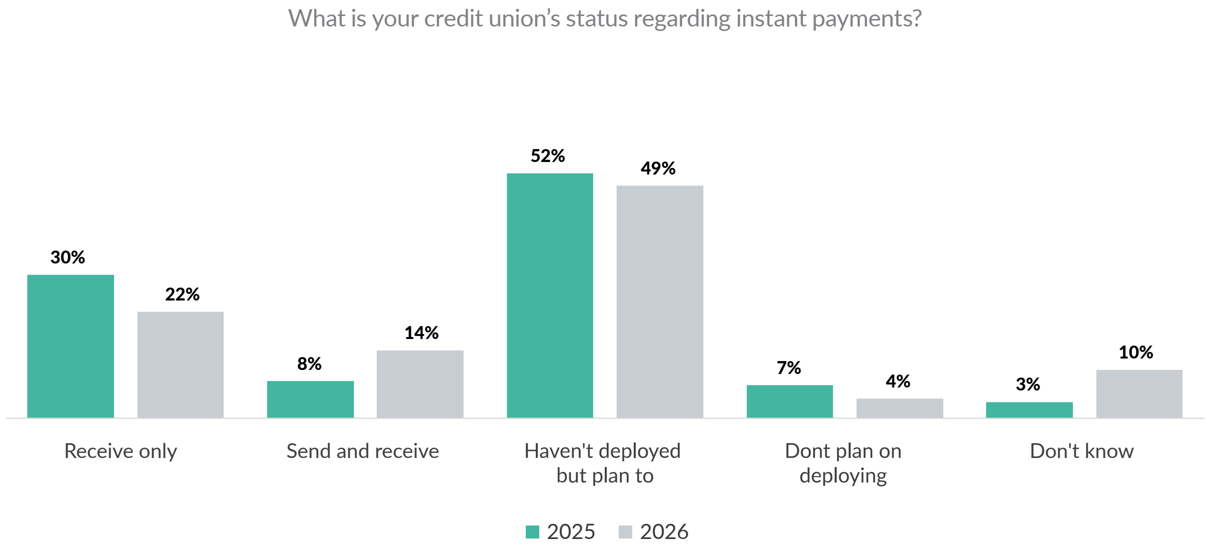
FIGURE 13:

Banks' Instant Payment Adoption



Source: Cornerstone Advisors What's Going On in Banking

FIGURE 14:
Credit Unions' Instant Payment Adoption



Source: Cornerstone Advisors What's Going On in Banking

Instant payment use case volume varies by type of institution. Just a quarter of banks listed account-to-account transfers as one of their top three uses, in contrast to nearly half (45%) of credit unions (Table R).

TABLE R:
Instant Payments Use Cases

Of the dollar volume of instant payments your organization saw in 2025, what were the top three use cases?

	Banks	Credit unions
Account-to-account transfers	25%	45%
Last-minute consumer payments	18%	14%
Payroll (or expedited payroll) payments	18%	14%
B2B payments	18%	10%
Ad-hoc bill pay	14%	10%
Government tax and fee payments	14%	7%
Recurring bill pay	11%	17%
B2C disbursements	11%	10%
Consumer retail purchases	4%	12%
Sweep account	4%	2%
Cash pooling/concentration	4%	0%
Don't know	43%	45%

Source: Cornerstone Advisors What's Going On in Banking

Look for credit unions to see faster instant payment growth in 2026. Two-thirds of credit unions expect their instant payment volume to grow more than 10% year over year, versus just 7% of banks. Nearly half of the bank execs responding to our survey said they're not sure what their instant payment volume growth will look like in 2026 (Table S).

TABLE S:

Instant Payments Volume Growth Projection

What percentage growth in instant payment volume (in US$) are you expecting in 2026 vs. 2025?

	Banks	Credit unions
Greater than 25% growth	0%	28%
11% to 25% growth	7%	39%
6% to 10% growth	13%	17%
Less than 5% growth	13%	0%
About the same as last year	20%	0%
Expecting a decline	0%	0%
Not sure	47%	17%

Source: Cornerstone Advisors What's Going On in Banking

The strong volume growth projections among credit unions won't translate into revenue growth, however, as 44% said they don't generate any revenue from these kinds of payments. Four in 10 bank respondents said they aren't sure what kind of revenue growth they'll see (Table T).

TABLE T:

Instant Payments Revenue Growth Projection

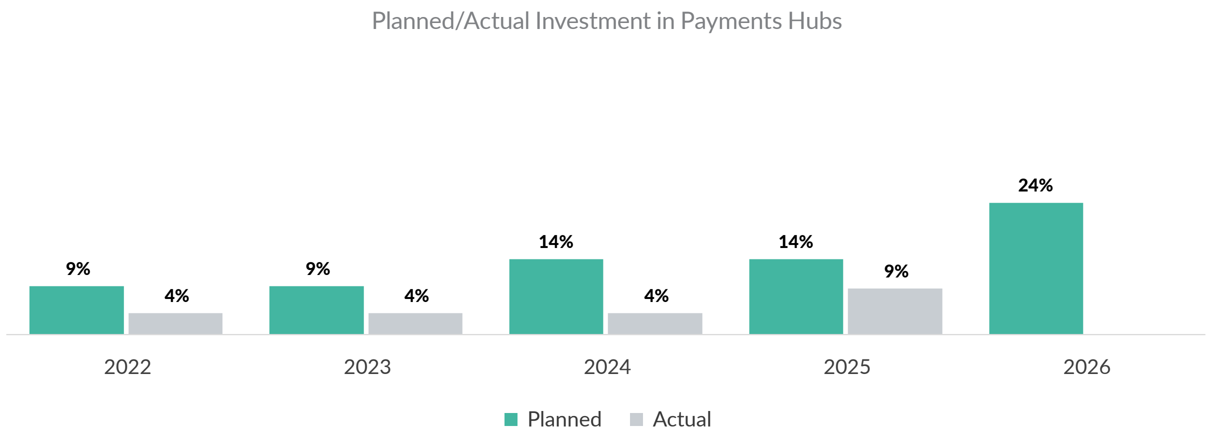
What percentage growth in revenue from instant payments are you expecting in 2026 vs. 2025?

	Banks	Credit unions
11% to 25% growth	7%	11%
6% to 10% growth	7%	11%
Less than 5% growth	7%	6%
About the same as last year	13%	11%
Expecting a decline	0%	0%
We don't generate any revenue from instant payments	27%	44%
Not sure	40%	17%

Source: Cornerstone Advisors What's Going On in Banking

Despite the tepid growth in instant payments adoption, the need for smarter payment routing is taking hold in financial institutions. From 2022 through 2024, just 4% of FIs deployed a new or replacement payments hub, far less than the percentage that planned to. That changed in 2025 as 9% of FIs deployed a payments hub versus the 14% that planned to. Planned deployment of a payments hub in 2026 has seen a huge bump up, with nearly a quarter of financial institutions looking at deploying payments hubs in the coming year (Figure 15).

FIGURE 15:
Planned vs. Actual Investments in Payments Hubs



Source: Cornerstone Advisors What's Going On in Banking

Oh Can We Call It a Loan

Commercial real estate and C&I loans are still at the top of the lending priority list for banks in 2026, although it's worth noting that a significantly higher percentage of respondents mentioned both of these types of loans as a high priority. As a top priority, microloans dropped from 21% to 11% year-over-year (Table U).

TABLE U:

Banks' Lending Priorities, 2023 to 2026

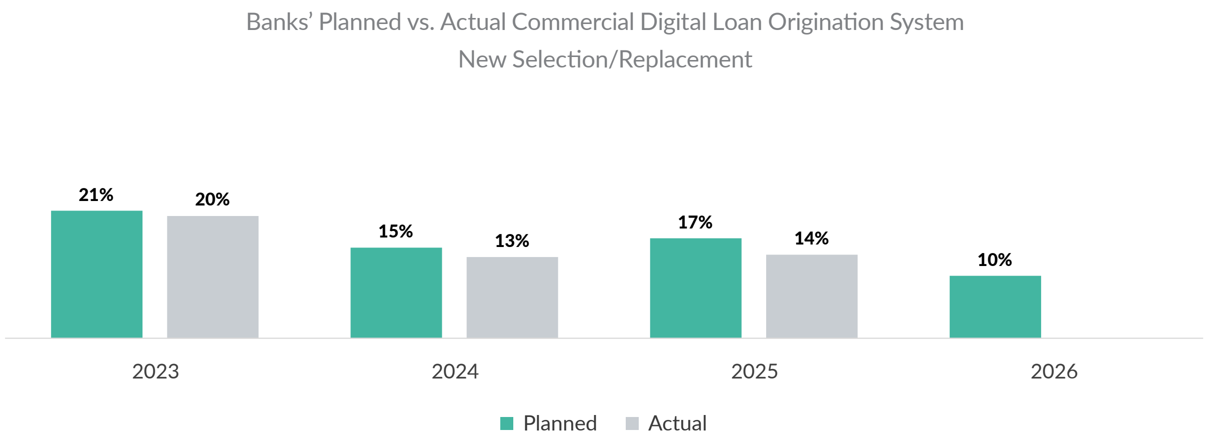
Percentage of Banks Citing Loan Type as a High Priority

	2023	2024	2025	2026
Commercial real estate loans	49%	57%	60%	75%
C&I loans	62%	67%	60%	73%
Mortgage/refi loans	20%	44%	48%	52%
Home equity loans/lines of credit	17%	24%	30%	26%
Sole proprietorship loans	6%	13%	17%	17%
Microloans (e.g., less than $75k)	NA	17%	21%	11%
Auto loans	3%	12%	8%	6%
Other personal loans	3%	10%	8%	4%
Student loans	0%	1%	2%	1%

Source: Cornerstone Advisors What's Going On in Banking

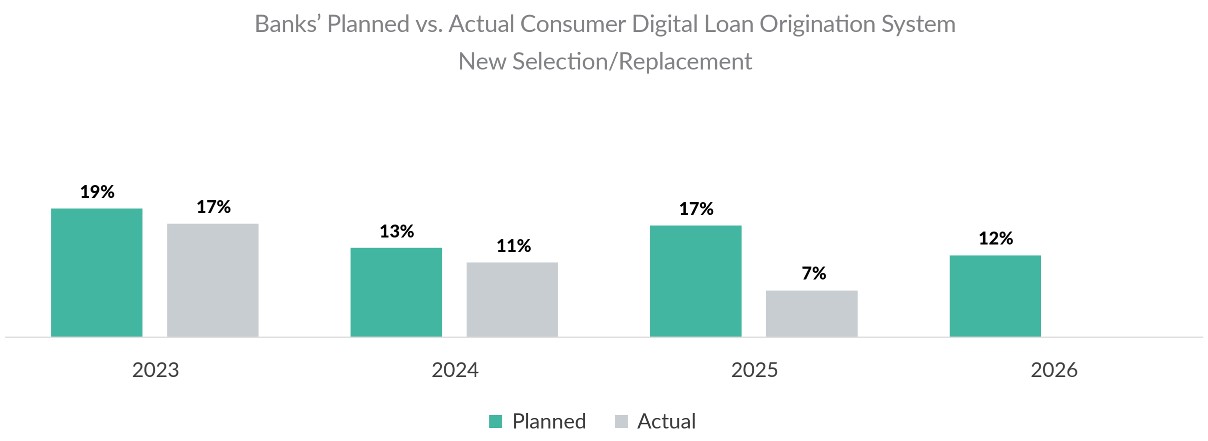
From a technology perspective, the percentage of banks planning a commercial loan origination system (LOS) new selection or replacement drops in 2026 to 10%, down from 17% in 2025. On the consumer LOS side, planned deployment drops 5 percentage points for 2026, down to 12% (Figure 16). In 2025, just 7% of banks deployed a new or replacement consumer LOS, far below the 17% that planned to (Figure 17).

FIGURE 16:
Banks' Planned vs. Actual Commercial LOS New Selection/Replacements



Source: Cornerstone Advisors What's Going On in Banking

FIGURE 17:
Banks' Planned vs. Actual Consumer LOS New Selection/Replacements



Source: Cornerstone Advisors What's Going On in Banking

No surprise that auto and consumer real estate-related loans are at the top of credit unions' lending priorities. The percentage of credit unions mentioned commercial real estate loans dropped for 2026 to 42% (down from 47% in 2025), but that percentage is still higher than it was for 2023 and 2024 (Table V).

TABLE V:
Credit Unions' Lending Priorities, 2023 to 2026

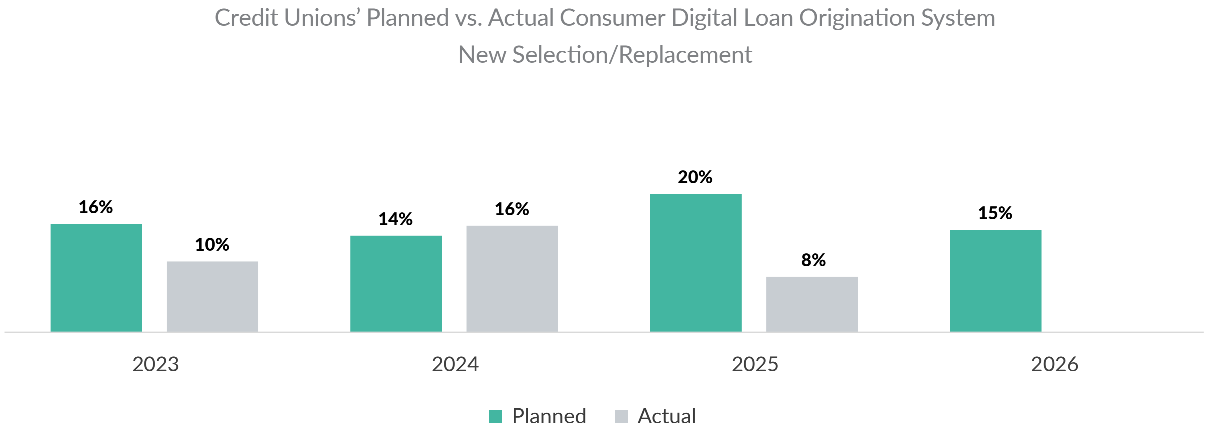
Percentage of Credit Unions Citing Loan Type as a High Priority

	2023	2024	2025	2026
Auto loans	68%	77%	67%	66%
Home equity loans/lines of credit	59%	65%	62%	61%
Mortgage/refi loans	30%	58%	60%	61%
Commercial real estate loans	33%	37%	47%	42%
Other personal loans	26%	29%	22%	20%
C&I loans	24%	15%	13%	10%
Microloans (e.g., less than $75k)	NA	12%	10%	9%
Sole proprietorship loans	5%	6%	5%	8%
Student loans	1%	1%	4%	2%

Source: Cornerstone Advisors What's Going On in Banking

Technology-wise, fewer credit unions plan to a select a new or replacement consumer LOS in 2026 than they did in 2025. Furthermore, although 20% planned for a new or replacement consumer LOS in 2025, just 8% went through with that deployment (Figure 18).

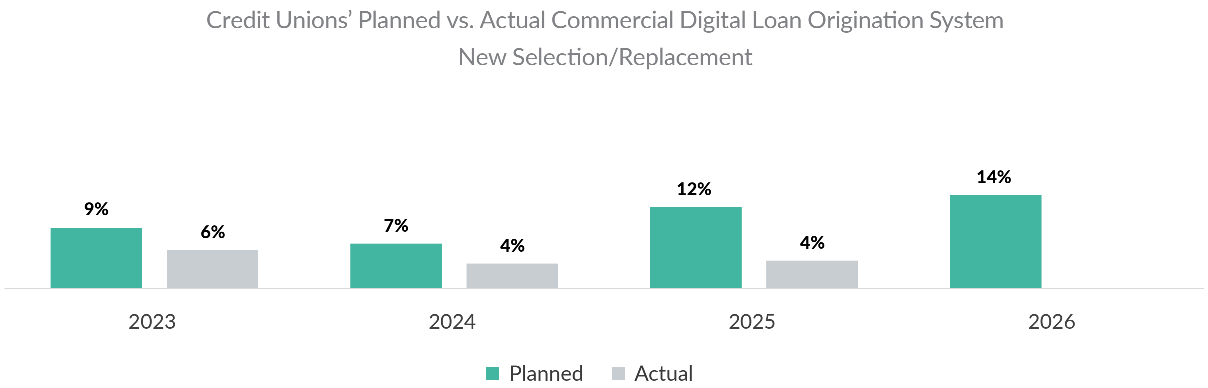
FIGURE 18:
Credit Unions' Planned vs. Actual Consumer LOS New Selection/Replacements



Source: Cornerstone Advisors What's Going On in Banking

On the commercial LOS side, demand for a new/replacement system bumps up a couple of notches in 2026 over 2025, but just 4% of the 12% that planned for a new/replacement commercial LOS actually deployed one (Figure 19).

FIGURE 19:
Credit Unions' Planned vs. Actual Commercial LOS New Selection/Replacements

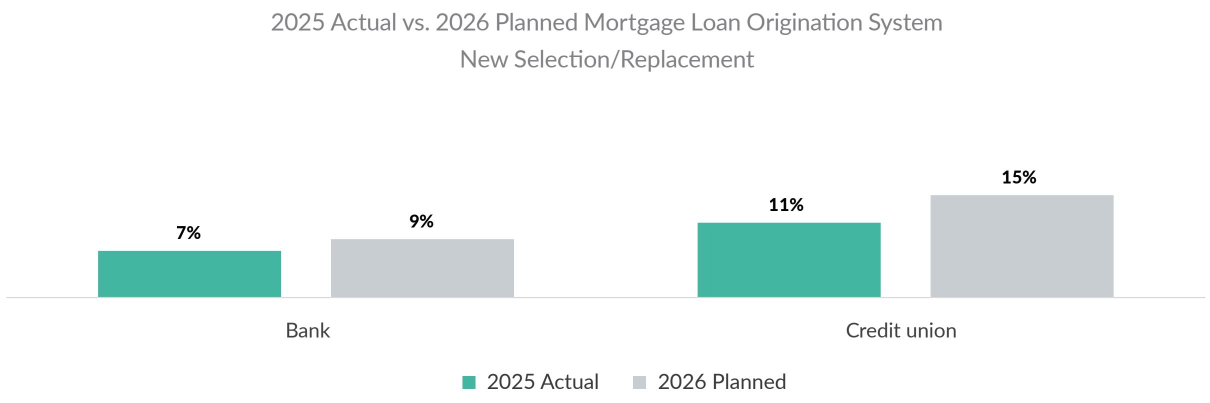


Source: Cornerstone Advisors What's Going On in Banking

Mortgage Mea Culpa

Long-time readers of this report may have noted that data for mortgage loan origination systems haven't appeared in the report in the past two editions. That wasn't intentional. For the 2024 report, I failed to include mortgage LOS in the survey. My colleague Daryl Jones, Cornerstone's leading subject matter expert in consumer lending, pointed this out to me, and I promised to include it in the 2025 report. I didn't make good on that promise, and mortgage LOS was again omitted in the 2025 report. I'm happy (and relieved) to say that I remembered to include it in this year's study. Here's the 2025 actual and 2026 planned deployment of mortgage loan origination systems for banks and credit unions (Figure 20).

FIGURE 20:
Planned vs. Actual Mortgage LOS New Selection/Replacements



Source: Cornerstone Advisors What's Going On in Banking

Ayo, I'm Tired of Using Technology

50 Cent sang, "Ayo, I'm tired of using technology." Bank and credit union chief financial officers are singing, "Ayo, I'm tired of paying for technology." They're also singing, "There's too much confusion, I can't get no relief."

So let us not talk falsely now: the overwhelming majority of banks and credit unions plan to increase their tech spend for 2026. Among banks, 84% plan an increase in their tech spend, compared to 73% in 2025. Among credit unions, the overal percentage planning an increase is in line with banks, but 22%—twice as many as the year before—are expecting a "significantly" higher percentage change in their tech budget (Table W and Table X).

TABLE W:
Banks' Tech Spending Changes, 2023 to 2026

How will your institution's tech spending change in the upcoming year compared to the prior year?

	2023	2024	2025	2026
Significantly higher (>10% higher)	14%	8%	9%	12%
Somewhat higher (1%-10% higher)	64%	56%	64%	72%
No change	14%	22%	19%	12%
Somewhat lower (1%-10% lower)	9%	13%	8%	2%
Significantly lower (>10% lower)	0%	2%	1%	2%

Source: Cornerstone Advisors What's Going On in Banking

TABLE X:
Credit Unions' Tech Spending Changes, 2023 to 2026

How will your institution's tech spending change in the upcoming year compared to the prior year?

	2023	2024	2025	2026
Significantly higher (>10% higher)	16%	14%	11%	22%
Somewhat higher (1%-10% higher)	66%	62%	68%	61%
No change	11%	20%	15%	14%
Somewhat lower (1%-10% lower)	5%	4%	6%	3%
Significantly lower (>10% lower)	2%	0%	0%	0%

Source: Cornerstone Advisors What's Going On in Banking

What's driving the increased tech spend? For both banks and credit unions, the IT infrastructure was the most-frequently mentioned reason, cited by roughly two-thirds of all survey respondents. The digital/customer experience platform was the second-most listed reason (Table Y).

TABLE Y:
Reasons for Increased Tech Spend

What are the top reasons for the increased tech spend?

	Banks	Credit unions
IT infrastructure	65%	67%
Digital/CX platform	50%	52%
Higher business as usual operations	25%	32%
Back-office platform	31%	27%
Data communication	25%	20%
Core platform modernization	23%	20%

Source: Cornerstone Advisors What's Going On in Banking

For the second year in a row, lack of system integration tops the list of technology efficiency challenges FIs face—with an even higher percentage of survey respondents citing this as a challenge for 2026 than in 2025. Lack of data/operational metrics and lack of technology automation/workflow were both mentioned by a growing percentage of respondents in this year's survey (Table Z and Table AA).

TABLE Z:
Banks' Top Technology Efficiency Challenges

What are the top challenges your bank faces in improving technology efficiency?

	2025	2026
Lack of integration between systems/apps	62%	69%
Legacy systems	54%	52%
Lack of data/operational metrics	27%	48%
Lack of technology automation/workflow	38%	47%
Insufficient budget	20%	19%
High number of applications	19%	24%
Other	17%	10%

Source: Cornerstone Advisors What's Going On in Banking

TABLE AA:
Credit Unions' Top Technology Efficiency Challenges

What are the top challenges your credit union faces in improving technology efficiency?

	2025	2026
Lack of integration between systems/apps	53%	58%
Legacy systems	39%	49%
Lack of technology automation/workflow	42%	47%
Lack of data/operational metrics	27%	37%
Insufficient budget	29%	27%
High number of applications	31%	26%
Other	19%	15%

Source: Cornerstone Advisors What's Going On in Banking

New Selections/Replacements

Where's the money going? Well, we can tell you what financial institutions plan to spend the money on, but whether it gets there or not is another story.

On the bank side, consumer digital account opening (DAO) systems reclaim the top spot for planned new/replacement selections. That said, I find it hard—make that impossible—to believe 40% of banks will actually go through with a new consumer DAO selection.

Payments hubs make a huge jump in banks' list of planned new selections/replacements for 2026, with nearly 3 in 10 banks expressing demand. Data analysis/business intelligence (BI) platforms makes its first appearance in the top 5 planned selections/replacements with nearly 1 in 5 banks planning to replace their BI platform in 2026 (Table AB).

On the credit union side, consumer digital account opening systems got nudged out of first place by P2P payments apps, although a difference of one percentage point is hardly worth noting. Similar to banks, demand for payments hubs and BI platforms is strong among credit unions (Table AC).

TABLE AB:
Banks' New System Selections/Replacements

	2026 Plan	2025 Actual	2025 Plan	2024 Actual	2024 Plan
Consumer digital account opening	**40%**	14%	22%	21%	27%
Payments hub	**29%**	5%	13%	3%	13%
Commercial digital account opening	**26%**	9%	25%	16%	18%
Data analysis/business intelligence	**19%**	10%	17%	10%	18%
Commercial mobile banking platform	**16%**	5%	9%	10%	14%
Commercial online banking platform	**16%**	7%	16%	11%	19%
Customer relationship management (CRM)	**16%**	9%	16%	14%	19%
Fraud/BSA/AML	**14%**	5%	17%	14%	19%
Consumer loan origination system	**12%**	7%	17%	11%	13%
Call center system	**10%**	3%	9%	11%	8%
Commercial loan origination system	**10%**	14%	17%	13%	15%
Marketing automation	**10%**	3%	15%	9%	10%
Person-to-person (P2P) payments	**10%**	10%	11%	8%	11%
Consumer mobile banking platform	**9%**	10%	11%	13%	14%
Consumer online banking platform	**9%**	9%	14%	13%	14%
Credit card processing	**9%**	9%	6%	9%	8%
Document imaging/workflow	**9%**	5%	9%	6%	5%
Mortgage loan origination system	**9%**	7%			
ATM processing	**7%**	3%	6%	2%	5%
Card self-service	**7%**	5%	1%	4%	5%
Core processing system	**7%**	7%	8%	3%	5%
Debit card processing	**7%**	9%	5%	9%	4%
Core integration/middleware platform	**5%**	2%	7%	5%	8%
Enterprise risk management	**3%**	5%	10%	2%	9%
Online bill payment	**3%**	7%	9%	6%	10%
Interactive teller system	**2%**	3%	6%	2%	3%
Mobile bill payment	**2%**	7%	6%	7%	8%
None	**14%**	29%	19%	33%	19%

Source: Cornerstone Advisors What's Going On in Banking

TABLE AC:
Credit Unions' New System Selections/Replacements

	2026 Plan	2025 Actual	2025 Plan	2024 Actual	2024 Plan
Person-to-person (P2P) payments	**22%**	14%	17%	8%	15%
Consumer digital account opening	**21%**	14%	37%	23%	36%
Payments hub	**21%**	14%	14%	5%	18%
Data analysis/business intelligence	**16%**	7%	22%	10%	9%
Consumer digital loan origination system	**15%**	8%	20%	16%	14%
Consumer mobile banking platform	**15%**	7%	10%	9%	8%
Consumer online banking platform	**15%**	8%	13%	8%	10%
Marketing automation	**15%**	15%	11%	12%	13%
Mortgage loan origination system	**15%**	11%			
Customer relationship management (CRM)	**14%**	15%	26%	8%	15%
Call center system	**12%**	27%	22%	26%	23%
Fraud/BSA/AML	**12%**	15%	10%	13%	16%
Card self-service	**10%**	3%	7%	7%	9%
Commercial mobile banking platform	**10%**	6%	9%	5%	9%
Commercial online banking platform	**10%**	7%	11%	6%	9%
Credit card processing	**10%**	3%	11%	13%	9%
Enterprise risk management	**8%**	6%	14%	7%	7%
Commercial digital account opening	**7%**	6%	20%	8%	12%
ATM processing	**4%**	6%	11%	7%	9%
Commercial digital loan origination system	**4%**	4%	12%	4%	7%
Interactive teller system	**4%**	3%	10%	7%	5%
Online bill payment	**4%**	8%	7%	6%	6%
Core integration/middleware platform	**3%**	8%	6%	7%	5%
Document imaging/workflow	**3%**	4%	6%	5%	5%
Mobile bill payment	**3%**	4%	7%	7%	6%
Core processing system	**1%**	7%	7%	7%	7%
Debit card processing	**1%**	8%	5%	11%	9%
None	**23%**	21%	7%	21%	17%

Source: Cornerstone Advisors What's Going On in Banking

Deployed-to-Planned (DtP) Ratio

Looking back over the past three years, we've seen some interesting trends in what we're calling the **deployed-to-planned (DtP) ratio,** calculated by dividing the percentage of institutions that actually selected a new or replacement system by the percentage of institutions that planned to select a new or replacement system in a given year. It's a good gauge to identify apps that aren't getting selected or replaced despite the intent to do so. Among banks (Table AD):

- **Banks' tech eyes are bigger than their stomachs.** Out of the 26 types of systems/applications we looked at, 20 had an average DtP ratio of less than 90%, with seven of them averaging less than 60%. This is an indication that, when push comes to shove, banks' plans to select a new or replacement system fall through.

- **No system had a 100% (or higher) DtP ratio three years in a row.** In fact, only one system—enterprise risk management—had a DtP of 100% or higher for two of the three years for which we calculated the ratio.

- **Four systems stand out with a consistently low DtP ratio.** ATM processing systems, core integration/middleware platforms, commercial online banking platforms, and interactive teller systems all have a DtP ratio of less than 67% for three straight years, an indication that, in reality, planned demand for these apps gives way to higher priorities.

Among credit unions, all four commercial-related apps failed to achieve a DtP ratio greater than 67% from 2023 through 2025. The other two low-performers were consumer DAO and CRM. In addition, over the three years, eight systems had an average DtP ratio greater than 90%. That's down from 11 systems whose three-year DtP ratio exceeded 90% in last year's study (Table AE).

TABLE AD:

Banks' Deployed-to-Planned (DtP) Ratio

	2025	2024	2023	3-Yr. Average
Card self-service	650%	74%	76%	266%
Debit card processing	183%	198%	44%	142%
Credit card processing	156%	119%	50%	108%
Mobile bill payment	110%	90%	63%	87%
Consumer mobile banking platform	94%	96%	74%	88%
Person-to-person (P2P) payments	94%	69%	63%	75%
Core processing system	87%	58%	113%	86%
Commercial digital loan origination system	84%	90%	155%	110%
Online bill payment	79%	66%	76%	74%
Consumer digital account opening	63%	78%	67%	69%
Data analysis/business intelligence	62%	58%	80%	67%
Consumer online banking platform	61%	96%	69%	75%
Document imaging/workflow	60%	119%	66%	82%
Commercial mobile banking platform	55%	73%	22%	50%
Customer relationship management (CRM)	55%	74%	105%	78%
Interactive teller system	54%	62%	50%	55%
ATM processing	54%	45%	43%	48%
Enterprise risk management	51%	27%	203%	94%
Commercial online banking platform	44%	57%	61%	54%
Consumer digital loan origination system	42%	83%	60%	62%
Call center system	39%	139%	95%	91%
Payments hub	39%	23%	76%	46%
Commercial digital account opening	34%	85%	50%	56%
Fraud/BSA/AML	30%	74%	82%	62%
Core integration/middleware platform	24%	59%	66%	50%
Marketing automation	23%	98%	80%	67%

Source: Cornerstone Advisors What's Going On in Banking

TABLE AE:

Credit Unions' Deployed-to-Planned (DtP) Ratio

	2025	2024	2023	3-Yr. Average
Debit card processing	178%	118%	52%	116%
Fraud/BSA/AML	148%	81%	188%	139%
Core integration/middleware platform	146%	138%	110%	132%
Marketing automation	136%	91%	87%	105%
Call center system	123%	115%	99%	112%
Online bill payment	111%	98%	85%	98%
Payments hub	99%	26%	47%	57%
Core processing system	92%	98%	70%	87%
Person-to-person (P2P) payments	82%	55%	62%	66%
Document imaging/workflow	73%	98%	48%	73%
Consumer mobile banking platform	67%	124%	126%	106%
Consumer online banking platform	63%	80%	89%	77%
Mobile bill payment	63%	114%	157%	111%
Commercial online banking platform	61%	66%	41%	56%
Commercial mobile banking platform	59%	49%	34%	47%
Customer relationship management (CRM)	58%	55%	34%	49%
ATM processing	50%	87%	118%	85%
Card self-service	42%	79%	47%	56%
Consumer digital loan origination system	40%	111%	50%	67%
Enterprise risk management	40%	98%	83%	74%
Consumer digital account opening	37%	65%	38%	47%
Commercial digital loan origination system	34%	56%	48%	46%
Data analysis/business intelligence	31%	120%	75%	75%
Commercial digital account opening	27%	67%	28%	41%
Interactive teller system	26%	138%	75%	80%
Credit card processing	24%	153%	77%	85%

Source: Cornerstone Advisors What's Going On in Banking

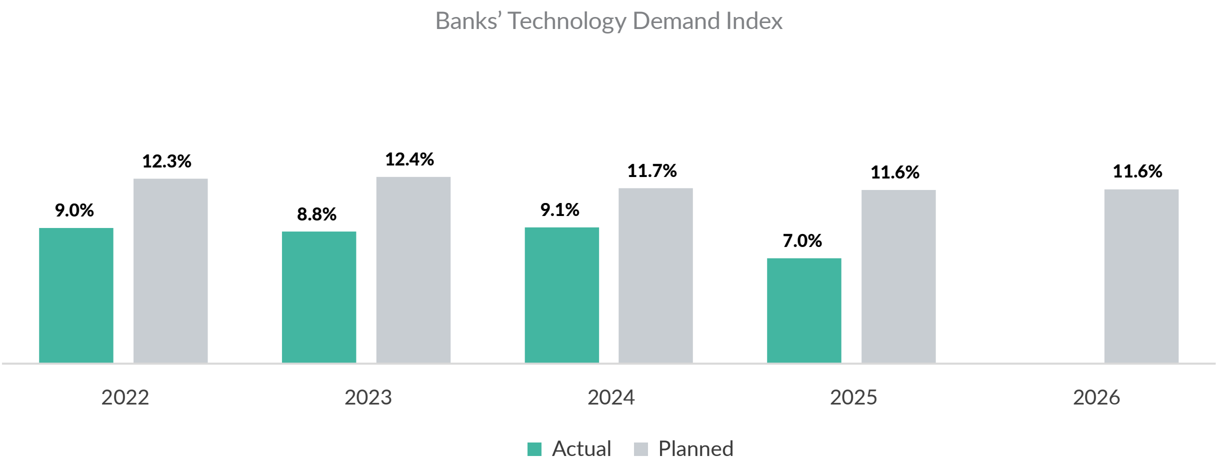
Technology Demand Index

The Technology Demand Index (TDI) is a gauge of how aggressive financial institutions' plans (and actual behaviors) are for selecting new or replacement apps. A score of 100 would mean that 100% of FIs plan to (or actually) invested in all 27 of the applications in the list. This is totally unrealistic, of course, but comparing the index year-over-year yields insights into how the planned and actual demand for technology changes.

Among banks, the planned TDI has been stable since 2024, down slightly from 2022 and 2023. This indicates that banks' plans to select new/replacement apps has been steady for the past few years. After clocking in at right about 9% from 2022 through 2024, the actual TDI for banks dropped to 7%, however, an indication that banks either didn't invest as much as they thought they would, or fell short on deployment (Figure 21).

FIGURE 21:

Banks' Technology Demand Index (TDI)

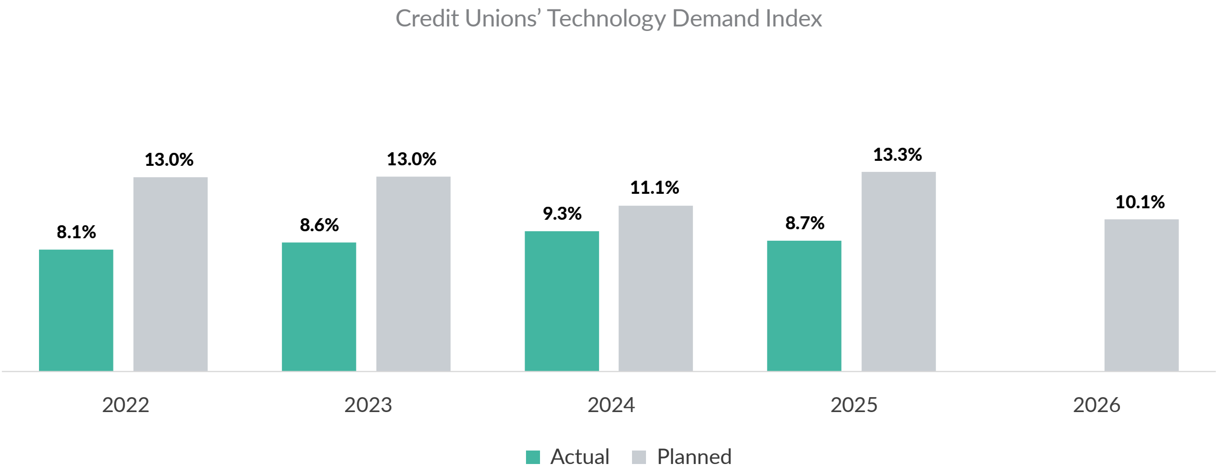


Source: Cornerstone Advisors What's Going On in Banking

On the credit union side, the actual TDI is basically unchanged at 9% for three straight years. It'll be interesting to see what 2026 brings, however, as the planned TDI for credit unions dropped to 10.1% for the coming year, suggesting weakened demand for new or replacement apps (Figure 22).

FIGURE 22:

Credit Unions' Technology Demand Index (TDI)



Source: Cornerstone Advisors What's Going On in Banking

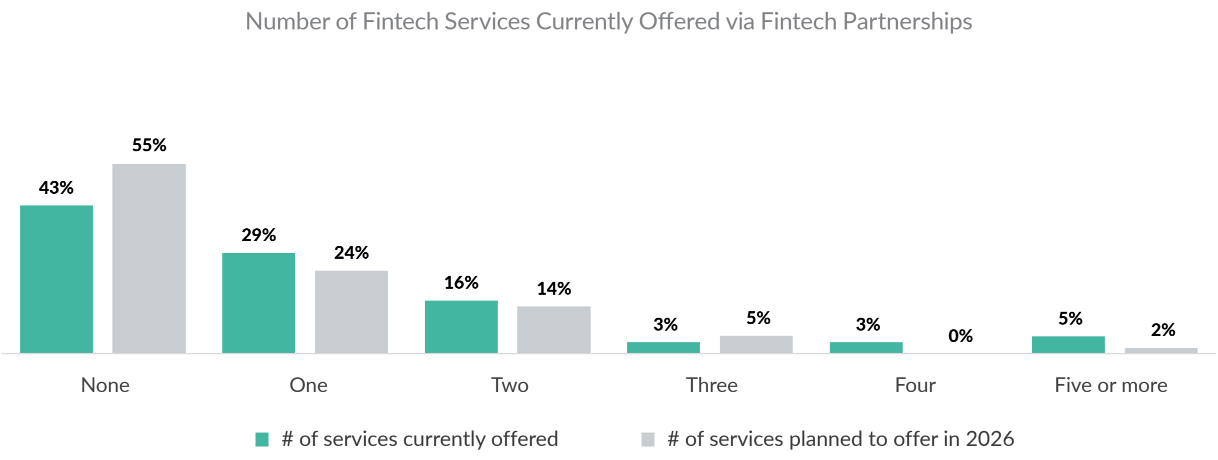
We Could Be So Good Together

I tell you wicked lies, tell you ‘bout the world that we’ll invent—we could be so good together. Sounds like something a tech vendor or fintech that wants to partner with you would say. It actually comes from the Lizard King himself, Jim Morrison.

To date, 57% of banks have partnered with at least one fintech to provide products and services, with 45% offering one or two services. In 2026, 45% will further engage in fintech partnership activity (Figure 23). Among credit unions, 64% have already partnered with fintechs, and nearly half (49%) plan to expand their partnerships in 2026 (Figure 24).

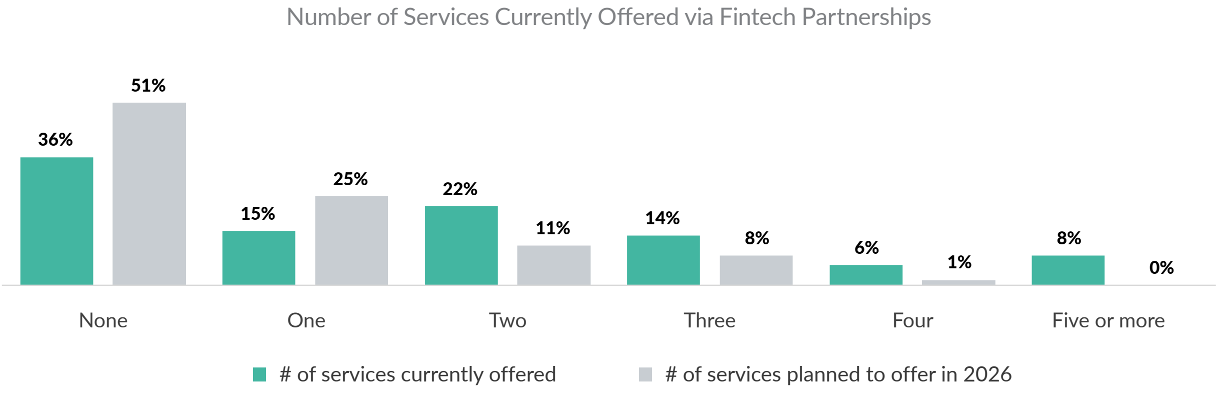
FIGURE 23:

Banks’ Fintech Partnership Activity



Source: Cornerstone Advisors What’s Going On in Banking

FIGURE 24:
Credit Unions' Fintech Partnership Activity



Source: Cornerstone Advisors What's Going On in Banking

What are FIs doing with these partnerships? Among banks, mobile wallets and payment facilitation/money movement services top the list, with the latter the most frequently mentioned service planned for 2026 (Table AF).

TABLE AF:
Banks' Fintech Partnership Offerings

Which of the following digital products or services does your bank currently offer and plan to offer in 2026 via a fintech partnership?

	Currently offer	Plan to offer in 2026
Mobile wallet	26%	9%
Payment facilitation/money movement	24%	24%
Credit reporting	22%	3%
Rewards/loyalty programs	12%	5%
Data breach and ID protection services	10%	5%
Insurance/protection services	10%	3%
Embedded lending	5%	10%
Bill negotiation services	3%	2%
Subscription management services	2%	7%
Cryptocurrency investing	0%	3%
Buy now, pay later	0%	3%
None of the above	43%	57%

Source: Cornerstone Advisors What's Going On in Banking

Among credit unions, partnerships that provide credit reporting, money movement, rewards/loyalty programs, insurance/protection services, mobile wallets, and data breach/identity protection services were mentioned by at least 1 in 5 credit unions. Cryptocurrency investing and subscription management services will be popular forms of fintech partnership in 2026 for credit unions (Table AG).

TABLE AG:

Credit Unions' Fintech Partnership Offerings

Which of the following digital products or services does your credit union currently offer and plan to offer in 2026 via a fintech partnership?

	Currently offer	Plan to offer in 2026
Credit reporting	33%	7%
Payment facilitation/money movement	27%	21%
Rewards/loyalty programs	26%	14%
Insurance/protection services	23%	8%
Mobile wallet	21%	6%
Data breach and ID protection services	19%	3%
Buy now, pay later	8%	11%
Cryptocurrency investing	3%	12%
Embedded lending	3%	4%
Bill negotiation services	1%	4%
Subscription management services	1%	12%
None of the above	34%	55%

Source: Cornerstone Advisors What's Going On in Banking

The Fintech Partnership Imperative (and Overcoming the Barriers)

My take: Community-based financial institutions will never achieve significant and substantial growth without financial partnerships. Why such a strong assertion? Because there's only so much business to wring out of existing customers (or members) with existing products. Community-based financial institutions need new products and services to expand wallet share with existing customers/members and to reach new markets.

Reality: Banks and credit unions have fundamentally outsourced new product design and development to their core and digital banking platform vendors. But those vendors are more concerned with building out new features and functions to improve the use of and access to current products. It's the fintech startups that are coming to market with new products and services. No fintech partnerships=no new product development and growth.

But, as noted above, 43% of banks and 36% of credit unions have yet to partner with any fintechs. Why?

I'll ask that question in next year's survey, but for this year's report, I'll rely on opinions and anecdotes. A recent LinkedIn post from Colony Bank Chief Innovation Officer Christian Ruppe talked about how the innovation committee for the Community Bankers Association of Georgia (which Ruppe co-chairs) discusses the "blockers" to innovation and fintech partnerships. When I asked what those blockers are, he responded:[6]

> "Depends on the bank. Most of the time, it's just the unknown that keeps them from pulling the trigger. What do you need to do for due diligence for a smaller company? How do you build an internal process to get leadership to actually say yes? Calculating ROI, how to prioritize projects, how to make sure the project succeeds once signed, etc."

Ray Chandonnet, founder of BankStrategies.net and board member at Kearny Bank, added:

> "What I have found to be the blocker at many community banks is the cultural/human one. The perceived safety of staying within the same vendor, even when the tech you're buying from them doesn't integrate with your core any better than a third party's."

My take: Overcoming cultural barriers requires FIs to reframe the opportunity not as "innovation" or "fintech partnership" but as "what business problem or opportunity are we addressing?" If it's a big enough problem or opportunity, the organization will rally behind it. If the solution to the problem or opportunity is "we need to work with (or partner with) a vendor we haven't worked with before" because they're the best (or only) one who does what it does, so be it.

(Virtual) Reality Ain't All It's Cracked Up to Be

Virtual (or augmented) reality is a non-starter in banking. Not one of the banks surveyed this year said they've invested in VR technology, and just 5% said they've even discussed the technology at the board level. Among credit unions, 2% have invested in VR, but 80% said it's not even on their radar.

It wasn't that long ago, though, that the media was hyping metaverse efforts from big players like Chase and Fidelity as the "next big thing" in financial services. Back in Q1 2022, Fidelity launched a metaverse presence called the Fidelity Stack, which included a dance floor, rooftop sky garden, and an educational game called Invest Quest. Fidelity's head of emerging customers said at the time:

> "The next generation seeks out financial education in all the places they spend time, whether physical or virtual. We're committed to serve customers in these decentralized communities as they transform and grow."

Ha. At the time, I asked my Twitter and LinkedIn contacts if they've seen young consumers take part in digital educational experiences. The response was overwhelmingly negative with 93% of 602 poll respondents saying that young consumers don't participate in these games. One of the more definitive answers came from Erich Reid, engagement manager at Google, who had the following text conversation with one of his kids:

> Erich: Do young consumers really go to financial services firms' websites to learn about financial services? Do you/r friends ever do this?
>
> Erich's son: No, we don't. I play Call of Duty and so do 17.28 million others.

As I said at the time, Fidelity's metaverse learning center felt like it was created by out-of-touch business execs trying to do something cool and hip—but failing miserably at it.

The Fidelity metaflop came on the heels of JPMorgan's equally embarrassing metaverse presence called Onyx, a two-floor structure contains a tiger that walks around the office and lets visitors view videos from a 2021 fintech conference. And there was nothing on the second floor.

I'm not going to ask about virtual reality technology in next year's survey. After all, as Kenny Chesney said, "Reality—it's not all it's cracked up to be."

Keep Passing the Open (Banking) Windows

In 2025, JPMorgan Chase notified fintech data aggregators that it planned to charge for access to customer data. Not surprisingly, the fintech community's response was negative and, unfortunately, often overstated or flat out wrong.

Following the announcement, Phil Goldfeder, chief executive officer of the American Fintech Council, commented that Chase's decision would "harm the very families a safe financial system is meant to serve." Penny Lee, Financial Technology Association's president and chief executive officer, added, "This action is designed to crush competition, hold back American innovation, and lock consumers into bank-only products."[7] Lee is spot on regarding her first point and partially correct on the third:

- **Crushing the competition is what we do.** In our economic system—like it or not—companies have every right, and in fact, duty, to crush their competition. Truth is, Plaid, who will be adversely impacted by Chase's fees, does a great job of crushing its competition.
- **Chase is trying to lock-in customers—to *its* products.** The bank couldn't care less about helping out other banks.
- **The "hold back innovation" accusation is off the mark.** In fact, its Chase's innovations—APIs—that the bank is trying to protect.

Other commenters have been equally off-base. One well-known fintech influencer commented on LinkedIn, "So in essence, as consumers, we would end up paying to get access to our own data?" No. You won't pay to access your data.

What the Chase Announcement is Really About

My take: No amount of bellyaching will change the fact that the bank has a right—and is right—to charge for data access. And had been for a long time before the announcement, thanks to a deal it had signed with Plaid.

Chase's decision to charge fintechs isn't a data rights issues, it won't hold back American innovation, and it isn't going to harm families the financial system is meant to serve. It's about two things:

- **Infrastructure—and the cost of building and maintaining it.** Yes, customers own their data. Yes, they can choose to share it. But sharing data doesn't free access to the enterprise-grade plumbing that makes it usable. APIs don't run on vibes. They run on security audits, uptime SLAs, redundancy frameworks, and engineering talent. That stuff costs money.
- **Economics and competition.** There is nothing that Jamie Dimon, CEO of JPMorgan Chase, has done here that the CEOs of Plaid and MX wouldn't do if they were the CEO of Chase. The bank isn't charging customers to access their own data. They're charging fintechs who use that access to build paid services. That's called a business model. If a fintech can't survive with API access fees baked in, the problem isn't the bank—it's its margins.

Speaking of margins, FinanceCharts says Plaid's 5-year average gross margin is 72%. As Jeff Bezos would say, "Your margin is my opportunity," and that's exactly what Dimon is going after.

Chase Isn't Charging for Data

Chase's announcement comes on the heels of the CFPB's November 2024 rule to implement Section 1033 of the Consumer Financial Protection Act of 2010. Hailed by many in the industry as bringing "open banking" to the United States, the rule mandates that banks provide consumers with access to their personal financial data upon request, without charging them a fee.

Banks can charge fees to third parties (like fintechs or aggregators) as long as the fees are: 1) reasonable, 2) not used to undermine access, and 3) not discriminatory or anticompetitive.

But Chase isn't really charging for the data—it's charging for access to the data. You might be thinking I'm mincing words here. I'm not. Just ask Bill Clinton.

The "Open Banking" Problem

At the heart of this discussion on fees for data sharing is the future of open banking. The fintech and financial data industries are bemoaning the "death" of open banking under the Trump-era CFPB.

In a LinkedIn post, Baselayer Chief Executive Officer Jonathan Awad commented, "Chase wants to charge for open banking data now."

Open banking *data*? What's "open banking data"? Better yet, what's open banking? The answer depends on who you are. The contradictions tend to focus on:

- **Bank vs fintech.** Banks frame open banking as internal data aggregation, while fintechs emphasize data export to third parties.
- **Voluntary vs. mandated.** Industry players treat it as a competitively driven market shift, whereas CFPB treats it as consumer rights-enabling regulation.
- **Breadth of scope.** Consumers and privacy advocates view it as more than API access—it's about data portability and governance, a broader definition than purely financial apps.

As a result, the term "open banking" has become nearly meaningless.

And proponents of open banking—whatever it might be—who believe that "consumers want it" should check a Q4 2023 Axway survey that found that only 55% of Americans have heard of open banking, and just 32% say they understand it.[8]

Get Up Offa That Thing

I missed my calling in life. I was meant to be the rhythm guitar player for James Brown, who once sang, "Get up offa that thing, and try to release that pressure." I'm not sure what he really meant by that line, but I translate it to mean, "Don't just sit there and do nothing." If you do (do nothing, that is), the pressure builds up.

You have a lot of decisions to make in 2026 (and beyond) about AI, crypto, and fraud. Deferring investments and actions may be the right strategy—but only if it's a conscious, data-driven decision. Whatever you do in 2026, don't do nothing. Get up offa that thing and do *something*.

As the great philosopher George Costanza once said (Season 5, Episode 20, in a speech to his girlfriend's mother, thinking he's making a bold exit): "I've said my piece, now get out."

Have a great 2026.

Got thoughts or comments about the report you'd like to share?
Share them with me at rshevlin@crnrstone.com or on LinkedIn at linkedin.com/in/ronshevlin.

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About Cornerstone Advisors

For over 20 years, Cornerstone Advisors has delivered gritty insights, bold strategies, and data-driven solutions to build smarter banks, credit unions, and fintechs. From technology system selection and implementation to contract negotiations, vendor management, performance improvement programs, strategic planning, merger integration, and enterprise program management, Cornerstone combines its expertise with proprietary data and research to help financial institutions thrive in today's challenging environment.

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End Notes

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