

**WHAT IF TRUMP  
NEGOTIATED  
YOUR NEXT  
CORE IT DEAL?**

# AARON SILVA

CEO of Paladin fs & The Golden Contract Coalition  
Professional Negotiator

paladin *fs*

 GOLDEN CONTRACT COALITION



\$108 Million in Merger  
Value Accretion



\$346 Million in  
Cost Reduction



138 Wins / 0 Losses



Paladin Blue Book



Launched June 2016



Group "Offensive"  
Negotiations



100+ Institutions



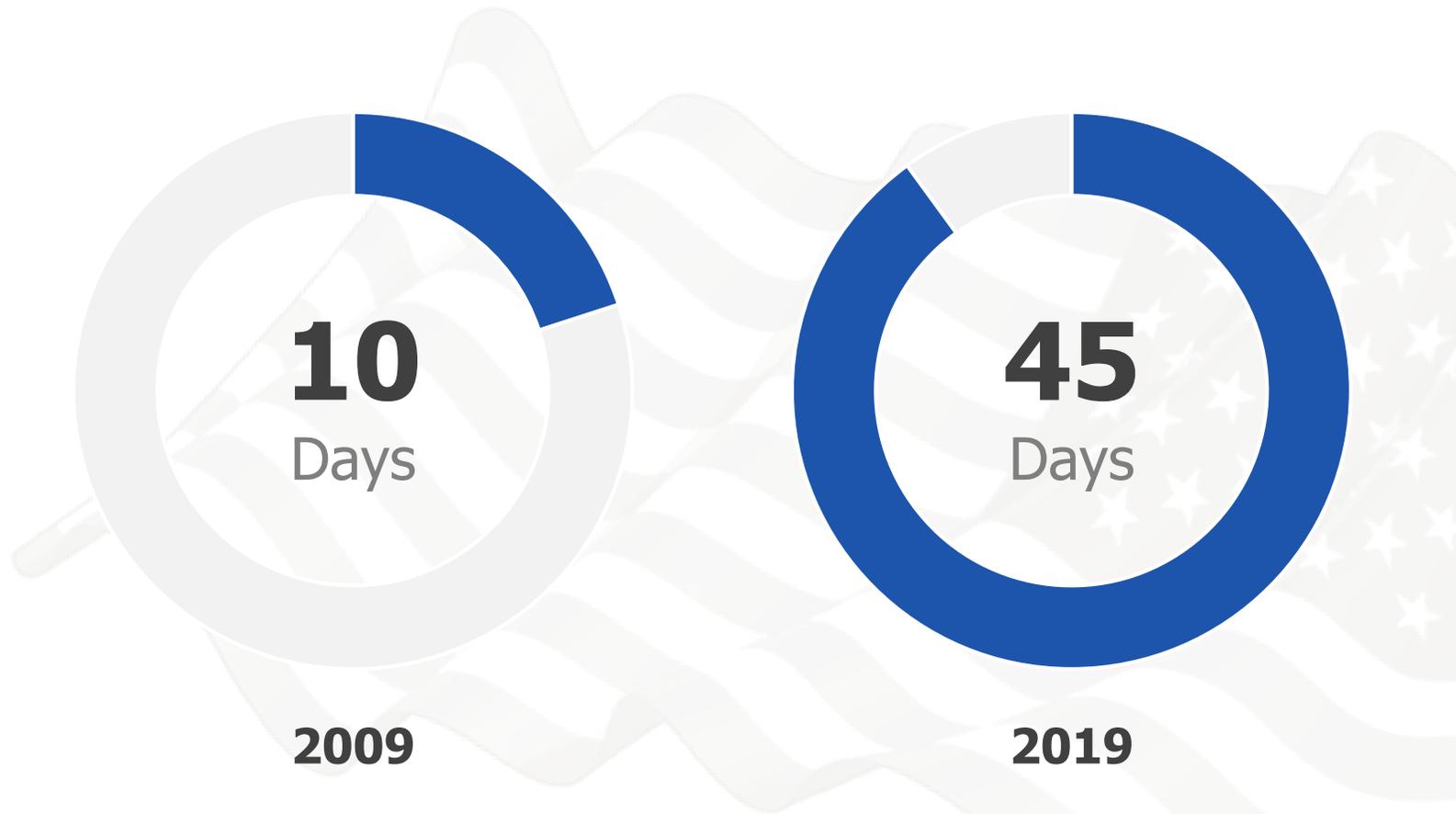
\$500 Billion + 30 years  
IT Contract Negotiations





10 Years of negotiating:  
The deck is stacked against bankers

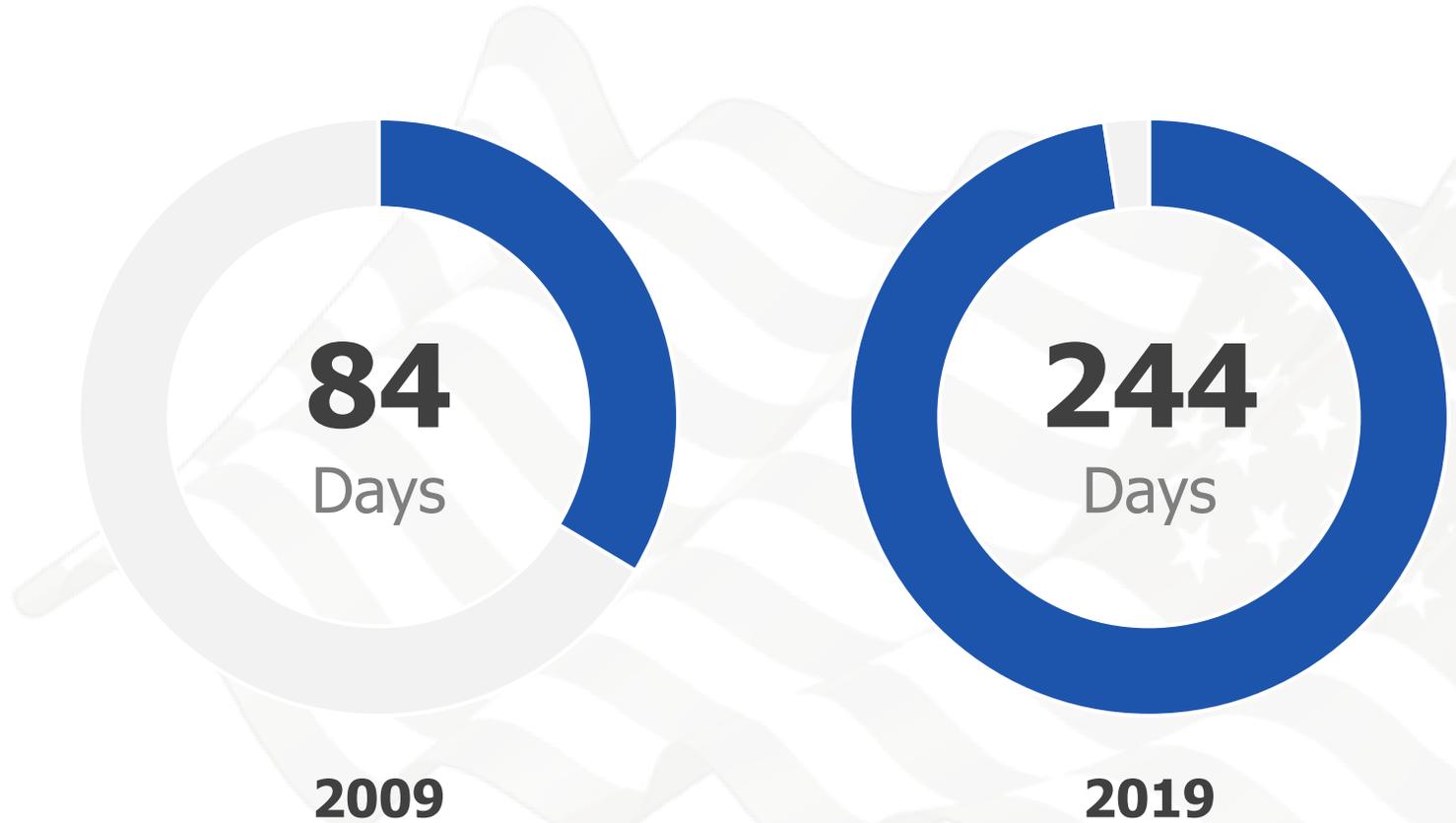
## INITIAL QUOTE RESPONSE:





**AVERAGE TIME TO  
COMPLETE  
A RENEWAL  
NEGOTIATION:**

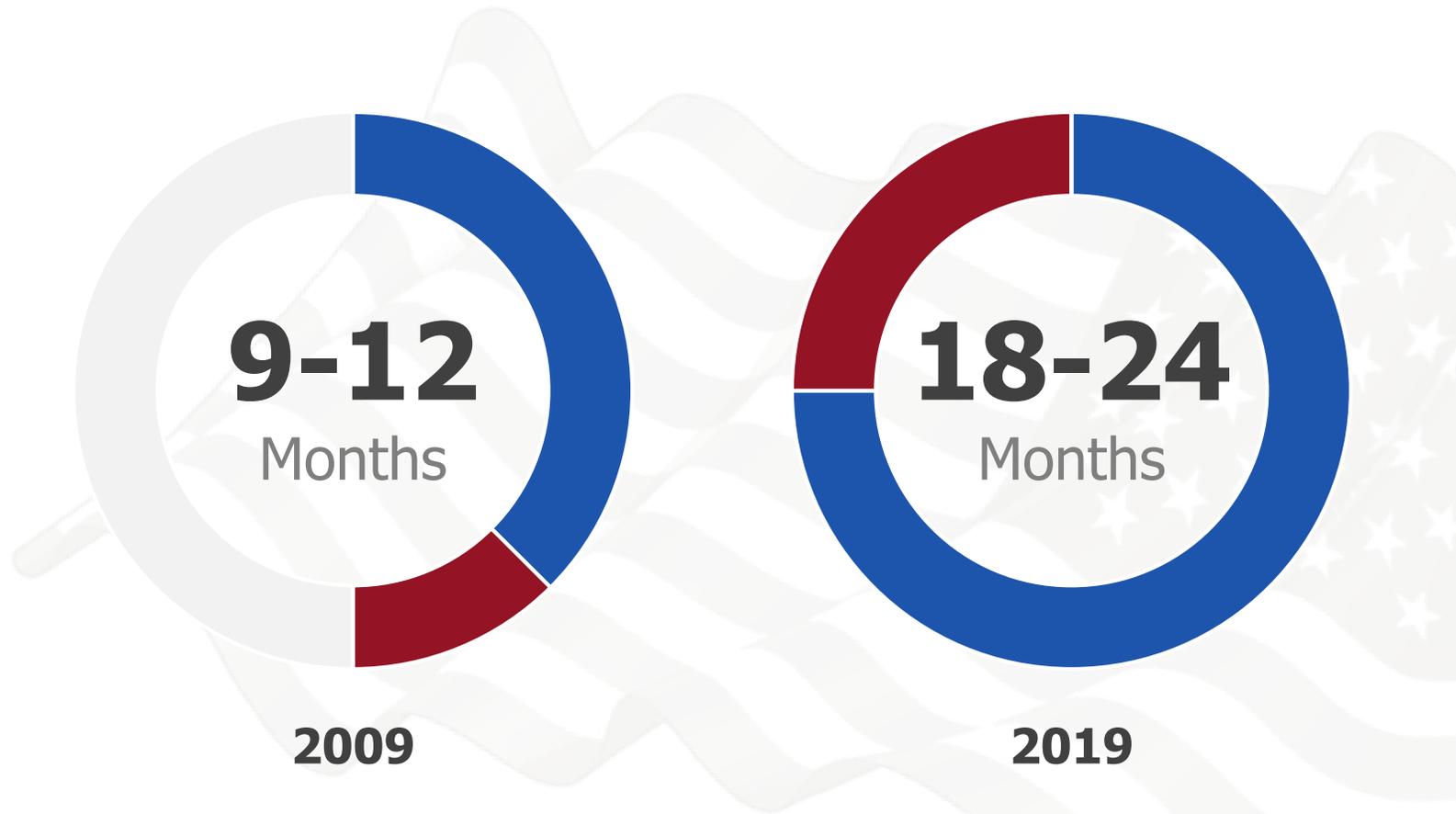
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**TIME TO SELECT  
AND CONVERT TO A  
NEW SUPPLIER:**

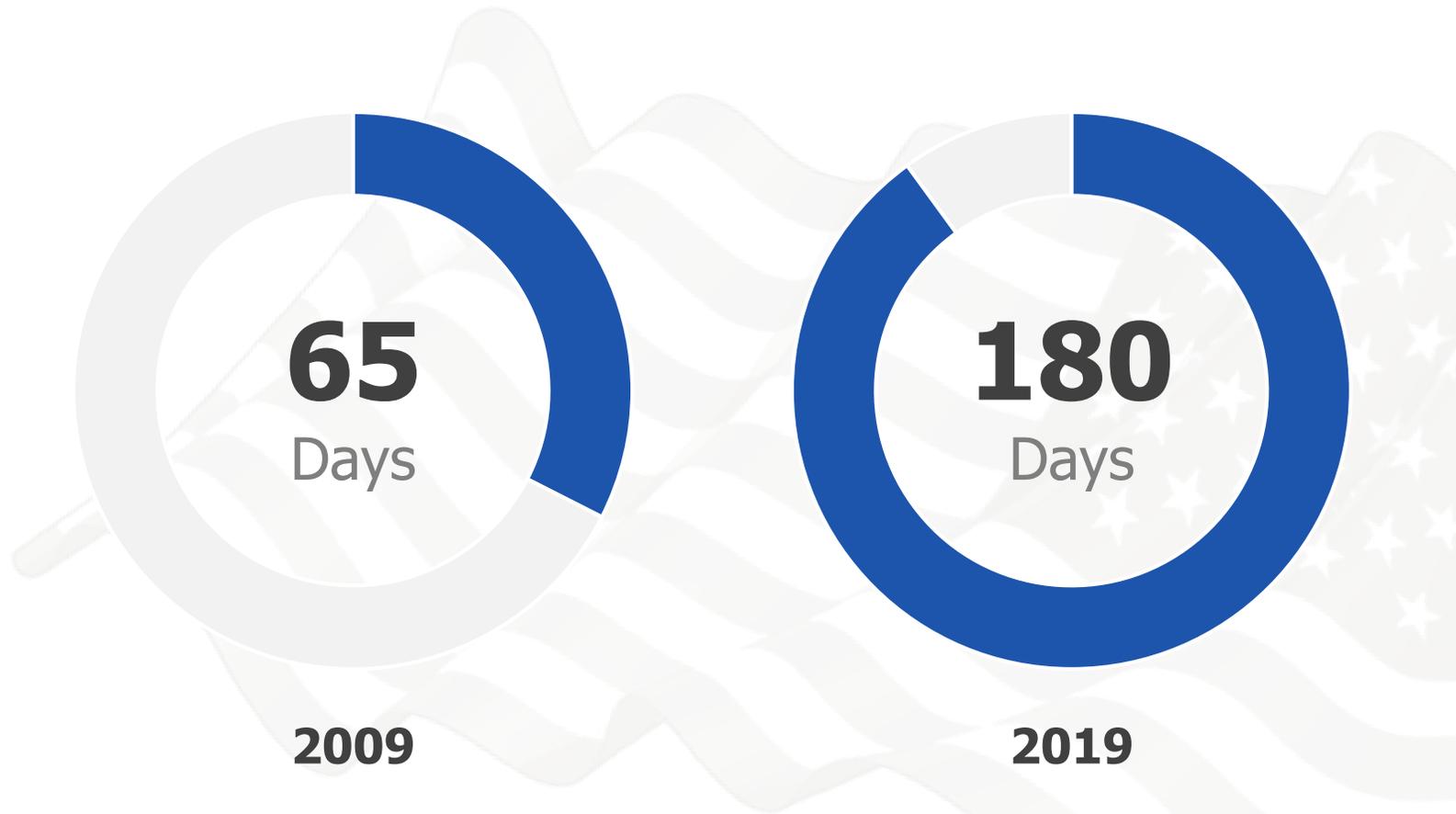
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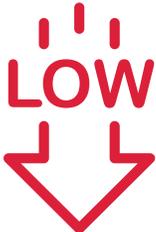


## IMPLEMENTATION TIME FOR NEW PRODUCTS:

10 Years of negotiating:  
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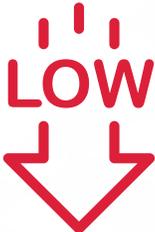


# 10 YEARS OF NEGOTIATING: THE DECK IS STACKED AGAINST BANKERS



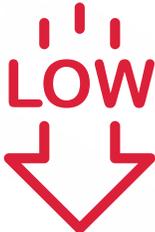
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**Competitiveness  
vs.  
big bank Fintech**



---

**Overall Product  
satisfaction**



---

**Overall SLA  
satisfaction**



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@realDonaldTrump



@realDonaldTrump Dear Mr. President, the community banks are struggling to negotiate a fair deal with their core IT "partners". Only payroll is a larger expense and

Dear Mr. President, the community banks are struggling to negotiate a fair deal with their core IT "partners". Only payroll is a larger expense and unless we get real deals and real fintech, the industry will not be able to compete against your buddies @JPMorgan.



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*Please standby you are about to be tweeted by the President of the United States...*



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## WARNING

**You are about to receive live communication from the President of the United States.**

Paladin and its agents, associates and family members do not take any responsibility for the content you are about to see.

Safe spaces are located in the lobby.

Bubble gum and mild sedatives are available for those that may be triggered by humorous, satirical content.

The opinions expressed are exclusively those of the President of the United States (or some guy that sounds like him).

No animals or small children were injured in the creation of this presentation.



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Dear @paladinfo, you're in luck! I've got some free time to help as I am just wrapping up the #ChinaDeal (going great) #NorthKoreaDeal (nice guy) and I've got the Crazy Dems and #FakeNewsMedia spinning for the next few hours on some Tweet Bait I trolled out earlier about @RepAdamSchiff.



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[@Fiserv](#) [@FIS](#) [@JackHenry](#) and others? [#OverABarrel](#)



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#Rat



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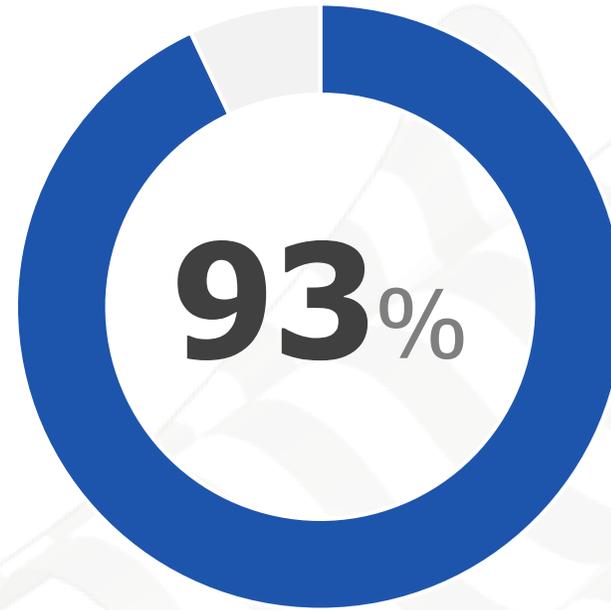


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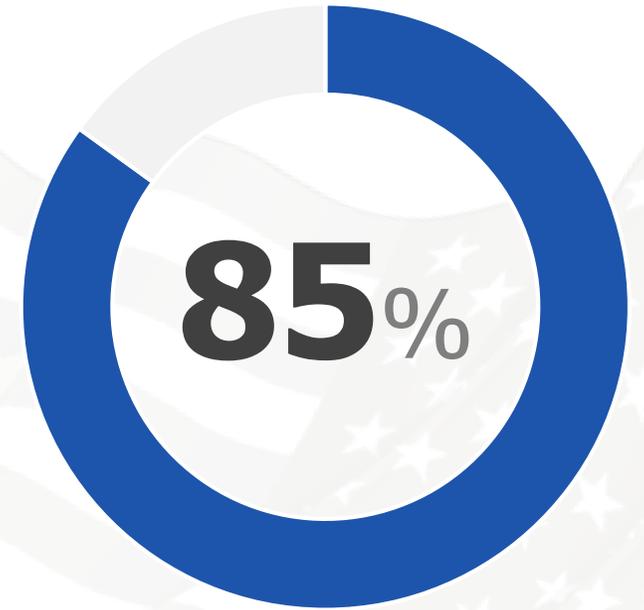
## WHY SO HARD TO NEGOTIATE CORE IT DEALS?

Market Penetration: **OLIGOPOLY**



institutions **ABOVE**  
\$1 billions assets

**fiserv.**



institutions **BELOW**  
\$1 billion assets

**jack henry**  
& ASSOCIATES INC.

**FIS**

American Banker May 2018

# NEXT PHASE: VERTICAL OLIGOPOLY

Core IT supplier takes over the "payment rails"

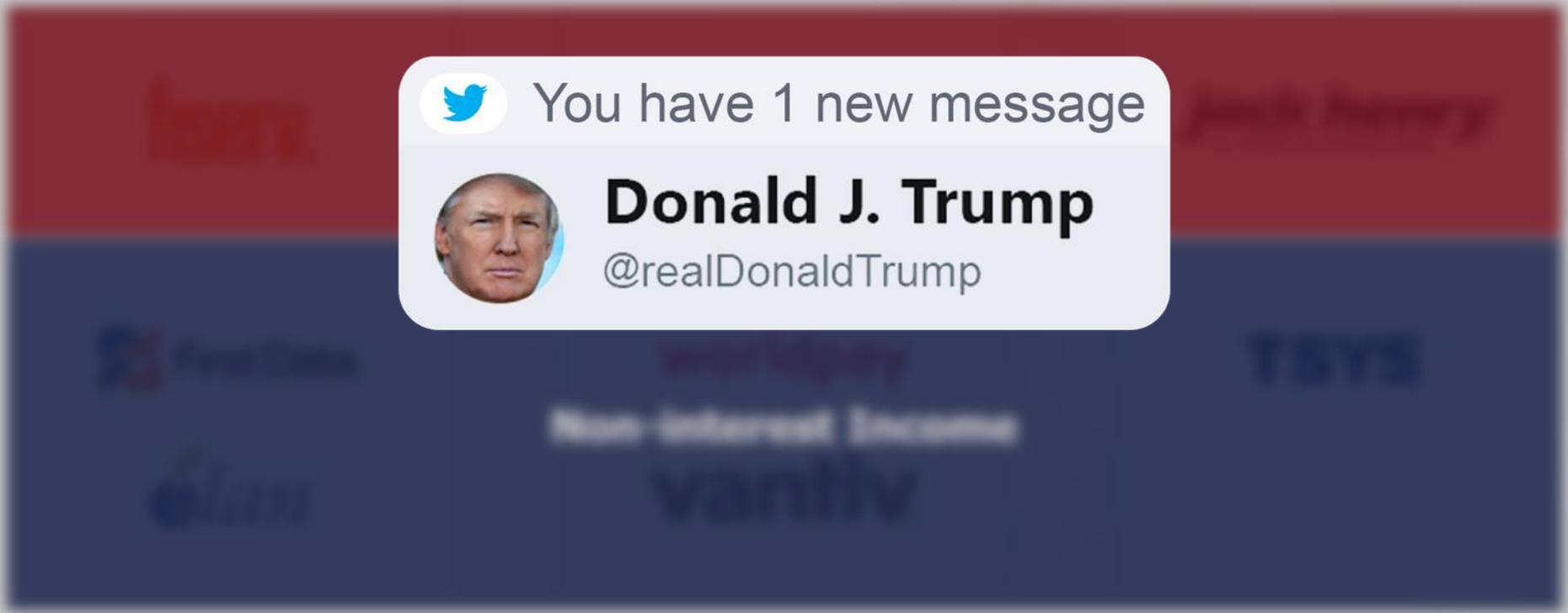


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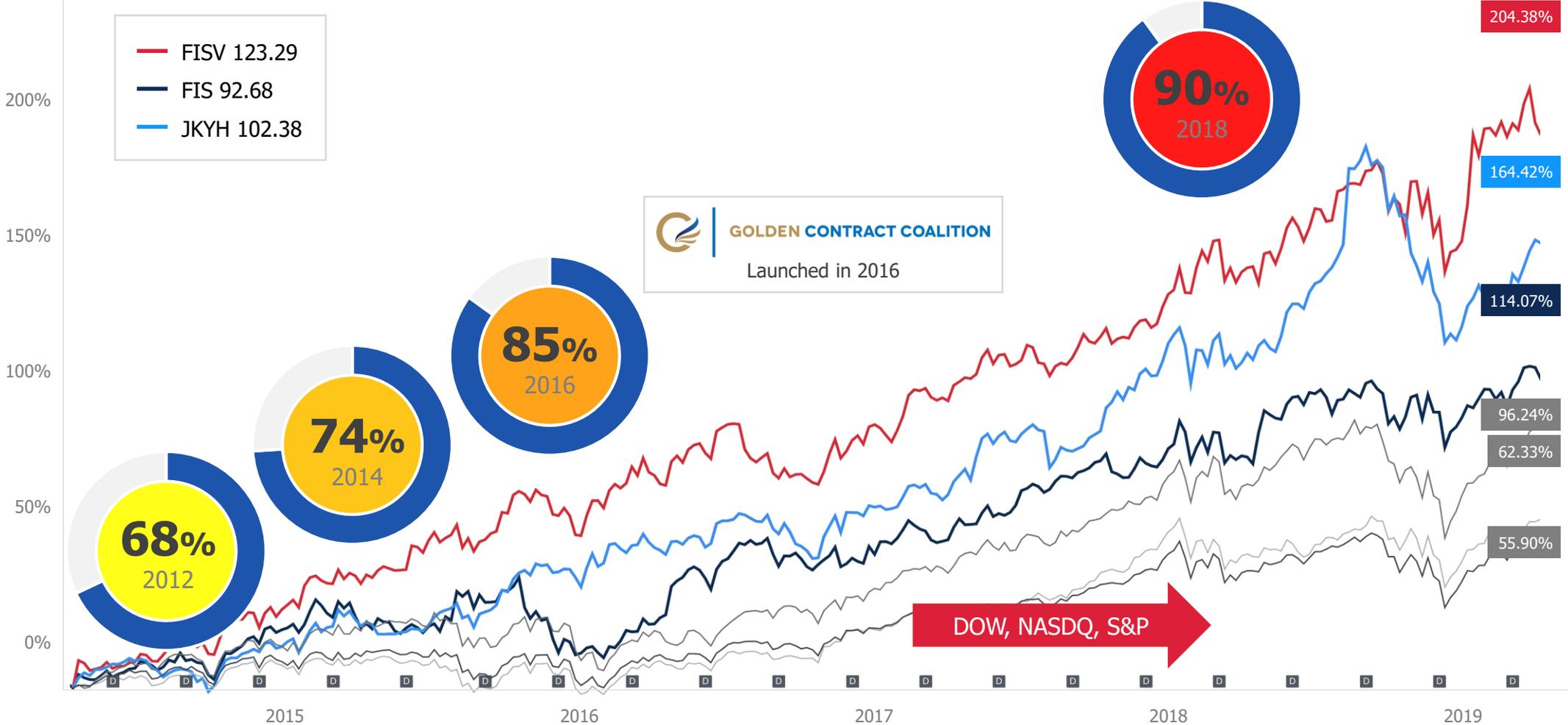
Are you still there [@Paladinfo](#)? We are doing some research from the Oval, I see their stock prices are incredible ok! Have more cash on hand than [#ObamaIranPlane](#). Have not invented anything for years. Systems older than my [#ArtOfTheDeal](#) book! Contracts thicker than the Mueller Report! [#FakeFinTechPartners](#)



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# IT'S NICE TO BE THE OLIGOPOLY!

## Market Performance, Penetration & Control



# 2019 FINANCIAL CANTOR FITZGERALD, EVERCORE AND CITADEL RESEARCH

EVERCORE

**CANTOR**  
*Fitzgerald*

 CITADEL

	FIS	Fiserv	Jack Henry
Free Cash Flow	\$1.5 Billion (+\$37M)	\$1.2 Billion (-\$20M)	\$230 Million (-\$25M)
<b>Capital Expenditures</b>	<b>1% of revenue</b>	<b>6% of revenue</b>	<b>4% of revenue</b>
<b>Product Development</b>	<b>6% of revenue</b>	<b>3% of revenue</b>	<b>8% of revenue</b>
Focus	<ul style="list-style-type: none"> <li>• Data center consolidation</li> <li>• Loud strategy</li> <li>• Modernization of omnichannel and digital banking solutions</li> </ul>	<ul style="list-style-type: none"> <li>• User experience updates</li> <li>• Enhancements to platforms</li> <li>• Payments integration</li> </ul>	<ul style="list-style-type: none"> <li>• Digital solutions</li> <li>• Card Processing platform migration</li> <li>• Treasury management</li> <li>• JHA Payments Hub</li> <li>• Open banking strategy</li> </ul>

A photograph of the Fiserv Forum arena at night. The building's facade is illuminated with a warm, golden light. A large, illuminated sign in the foreground reads "fiserv forum" in a lowercase, sans-serif font. The sign is reflected on the wet pavement. To the right, a white car is parked, and a few people are walking near the entrance. The sky is a deep blue, and the overall atmosphere is modern and vibrant.

fiserv forum

ONE ENTRANCE



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Correct. Core IT suppliers are nothing more than hedge funds.  
They hold onto cash, buy companies and force feed onto banks.  
They call it "innovation". Banks can't compete with old technology.  
#FakeInnovation



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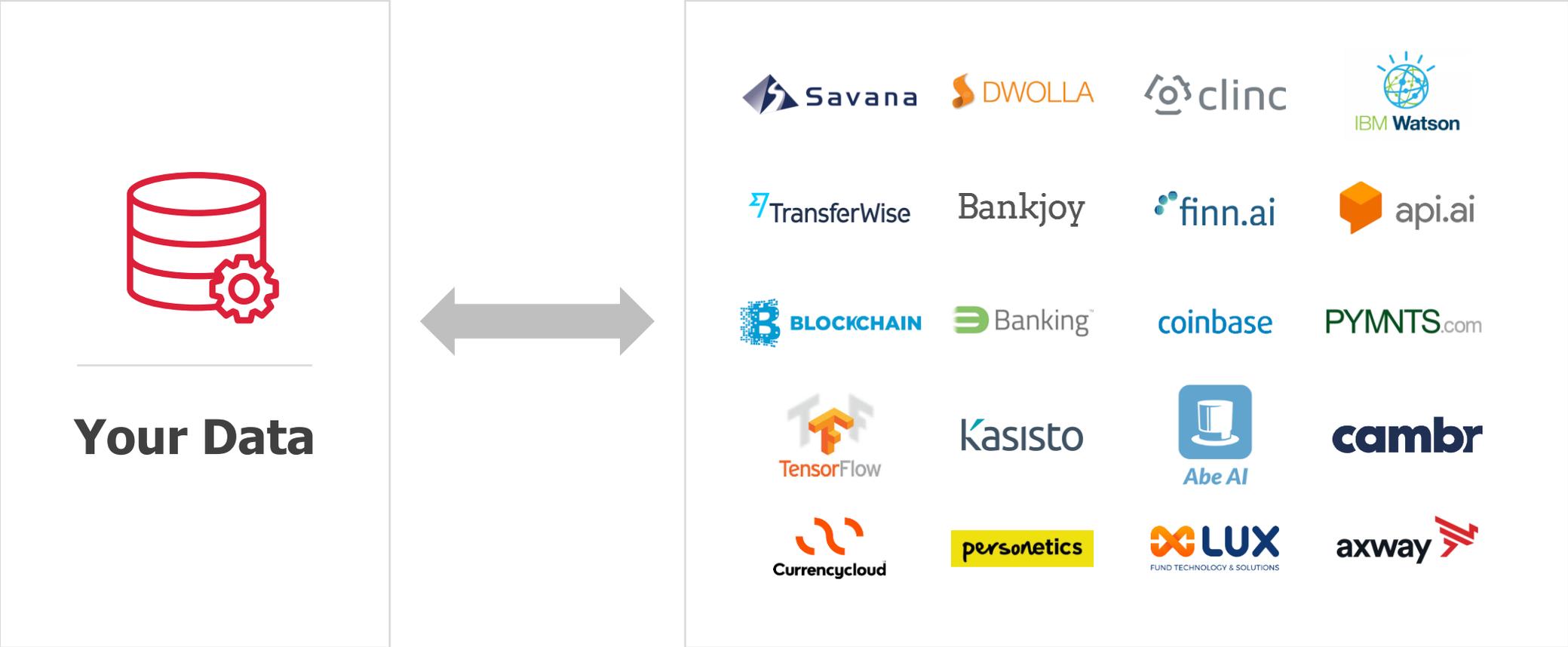
@Paladinfs why not just switch to better, cheaper tech companies? Investment in FinTech was \$111B last year (was only \$13B when Obama left office – lame!) Thousands of new companies being created everywhere. Unemployment rate has never been lower for IT geeks since 1950. #MCBGA (Make Community Banks Great Again!)



Send

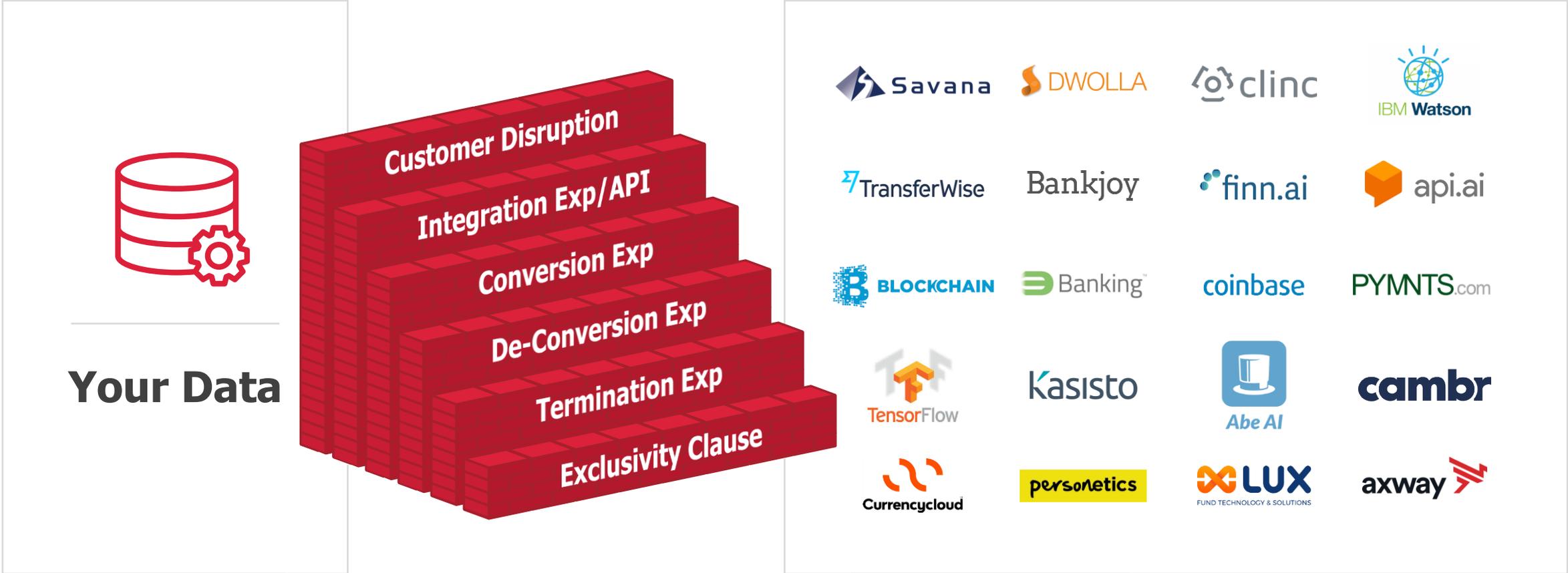
# BARRIERS TO FINTECH ACCESS

Contractual and Financial Penalties designed by Core IT Suppliers



# BARRIERS TO FINTECH ACCESS

Contractual and Financial Penalties designed by Core IT Suppliers



NO MESSIAH (YET)

1. Pent up demand



CORE



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2. Risk of change



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@Paladinfs Vendors need to build bridges to bank data, not walls! Build highways to data, not toll roads! Not fair. #TearDownTheWalls



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Mr. President, you are correct. Things have been screwed up in these contracts for decades. Vendors are preventing banks from using other fintechs and accessing their own data. Oligarchs are working together to monetize their anti-competitive bargaining position. #TooMuchPower



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@Paladinfs Clear evidence of #Collusion and #Obstruction



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Send

# DO YOU KNOW THE DIFFERENCE?

## Service Level Agreements (what you think you have)



Guaranteed performance standard.



Tied to meaningful defined processes or functions.



If a 'miss' occurs – a credit is issued.



If a 'miss' continues – buyer gains certain rights.



If a 'miss' occurs too many times – buyer may leave the service or contract with no penalties.

## Service Level Objectives (what you ACTUALLY have)



Commitment to perform (subjective).



Processes or functions that are not necessarily critical nor can be measured easily by bank.



Not defined or described.



If a 'miss' continues – buyer can 'redial'.



They fix the problem using 'best effort'.



If buyer is harmed you must beg for compensation or pay great penalties to leave the service or contract.



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Mr. President unfortunately these vendors have been writing #FakeSLAs for years. It's hard to hold them accountable unless you know what to demand in a negotiation. Must be able to see what other banks get nationwide. #IntelligentNegotiation #BeSmart



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Mr. President – any advice on how to haggle for discounts in pricing? Do you like to get the best price before you buy or just not pay the vendors later (or both)? Sorry, I could not resist!



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[@Paladinfs](#) That's a good one Silva! I like you. It's a dog eat dog world out there. Remember, buyers always have the power. Never go into a negotiation unarmed – vendors bank on you guessing. Stick to your guns. Read the fine print. Don't be a baby. #DetailsMatter



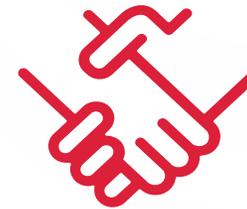
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# AVOID BUYING PRODUCTS ALONE

## MONOPOLY MONEY



A supplier quoted \$100,000 as setup fee for 3 new products. The bank needed the products to compete, even without the budget.



**The Compromise:**  
bank extended their agreement by 3 years. Supplier reduced setup fee by 50% (\$50,000).

# AVOID BUYING PRODUCTS ALONE

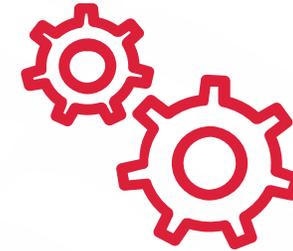
RESULT: BANKRUPTCY BY THE MARKET VALUE



Already overpaying  
**\$17,000/month**  
(processing fee)



An extension cost of  
**\$625,000**

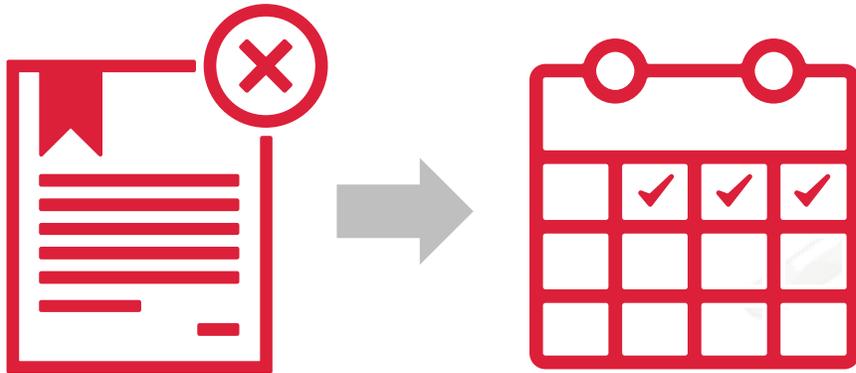


The same 3 products  
were installed across the  
country for a setup fee  
**< \$10,000**

# CLAWBACKS

## Resulting from a Merger:

A \$700m bank planned to terminate their agreement three months early



### Why?

To allow conversion after 9 years with FISERV

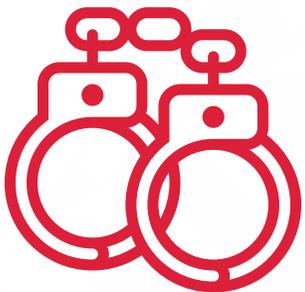


### Estimated Termination Fee

\$120,000 at 80% value X remaining term

# CLAWBACKS

**Resulting Resulta Merger:**  
A \$700m bank planned to "Golden Gate" their provisions three months early



**\$1.1 Million Termination Penalty**  
(+ conversion, de-conversion and integration fees)

# THE ASSUMPTIONS CLAUSE

**#** FakeDiscounts

**#** FakeFintech

**#** FakeDeal

THE ASSUMPTIONS CLAUSE

A #... ME.



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Aaron you're a pretty funny guy! More people should have laughed at that joke. Yes, I'm watching you right now – I'm POTUS. I see you up there in your cute suit and pocket puff. I may not be Santa Claus but I know what you're doing! #MensWearhouse  
#CantAffordItalian



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Thank you for the compliment sir, I think. A couple more questions please. What about mergers – partnering with another bank, gaining efficiency and leveraging technology can be a smart answer right? #YourTiesAreTooLong



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Unfortunately Mr. President the financial reach of these vendors is incredible. Embedded in nearly every contract is the right for suppliers to get paid 50%, 80% even 100% of contract value if a bank sells! Worse yet, the acquiring bank gets slammed too. Really sad! #SilentShareholders



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@realDonaldTrump



mergers – partnering with another bank, gaining efficiency and leveraging technology can be a smart answer right? #YourTiesAreTooLong



@Paladinfs @JaredKushner tells me that 5% of the market is merging each year and that is accelerating. This is sad because I love community banks and USA needs them. Obviously, IT costs must go down if you merge. #CommonSenseMath



@realDonaldTrump Unfortunately Mr. President the financial reach of these vendors is incredible. Embedded in nearly every contract is the right for suppliers to get paid 50%, 80% even 100% of contract value if a bank sells! Worse yet, the acquiring bank gets slammed too. Really sad! #SilentShareholders



Send

# THE PROBLEM WITH SILENT SHAREHOLDERS

An FIS bank buys a bank processed by Fiserv



FIS



FISERV



**\$1,860,000**  
PAID TO FISERV  
(Termination, de-conversion  
expense)



**\$960,000**  
PAID TO FIS  
(Conversion, programming  
and interface fees)

**BANK PROCESSED BY FIS BUYS AN INSTITUTION PROCESSED BY FISERV**

# THE PROBLEM WITH SILENT SHAREHOLDERS

An FIS bank buys a bank processed by Fiserv

**RESULT: \$2.5B Merger**  
FIS Unfairly Rewarded

**\$2x**

---

**Supplier Revenue**  
doubles as competitor  
eliminated

**\$0**

---

**No Customer**  
acquisition cost

**\$\$**

---

**Shareholders Pay**  
a bonus for supplier  
conversion effort

**BANK PROCESSED BY FIS BUYS AN INSTITUTION PROCESSED BY FISERV**

# THE PROBLEM WITH SILENT SHAREHOLDERS

Wake up to being punished for lowering their operating costs



Jack Henry



Jack Henry



**Bank 1**  
36 Months  
Remaining on Contract



**Bank 2**  
24 Months  
Remaining on Contract

**BANK PROCESSED BY JACK HENRY BUYS AN INSTITUTION PROCESSED BY JACK HENRY**

# THE PROBLEM WITH SILENT SHAREHOLDERS

Wake up to being punished for lowering their operating costs

## RESULT:

Combined Entity Must Do Either of the Following

**1**

---

**Pay 24 Month Termination Expense**  
(even with same supplier!)

**2**

---

**Pay Jack Henry**  
for all "lost profit"

**3**

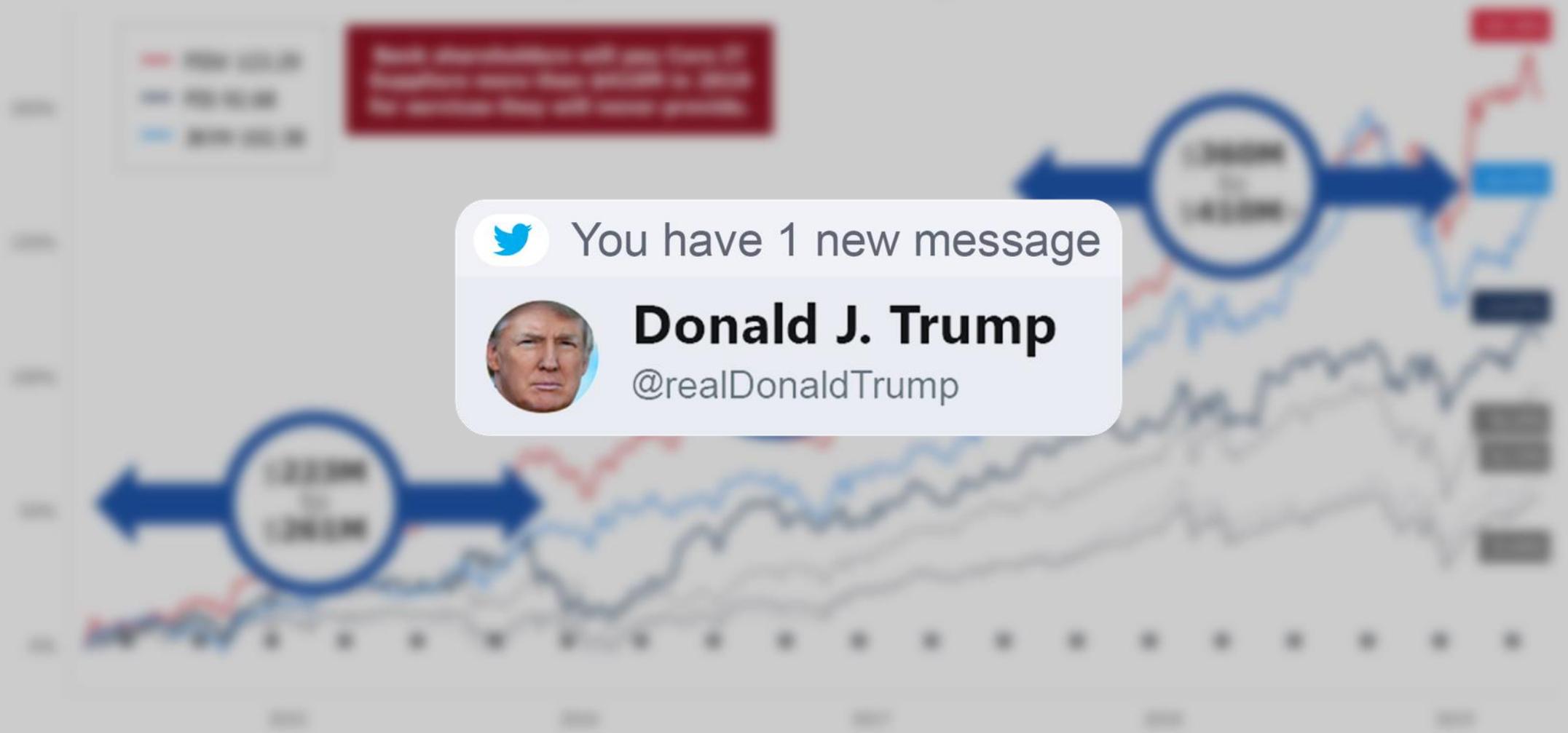
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**Extend Agreement**  
by a term equal to value  
of lost profit

**BANK PROCESSED BY JACK HENRY BUYS AN INSTITUTION PROCESSED BY JACK HENRY**

# THE PROBLEM WITH SILENT SHAREHOLDERS

Termination, Conversion and Integration Revenue



You have 1 new message



**Donald J. Trump**

@realDonaldTrump



Donald J. Trump  
@realDonaldTrump



This is sad because I love community banks and USA needs them. Obviously, IT costs must go down if you merge. #CommonSenseMath

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@Paladinfs \$410 Million wow! You mean to tell me that these vendors are bilking banks to the tune of nearly 50 miles of border wall every year? If I took that unearned money from vendors - How many banks need to merge for me to complete the wall?



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Donald J. Trump  
@realDonaldTrump



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@Paladinfs Aaron I am not sure how much more advice I have for you. But you must always negotiate from a position of strength. You can gain strength by having the data and all homework done before you start. You can also gain power by putting together large numbers of banks and negotiating as a group. You must always be a counter-puncher. Good luck!



Send

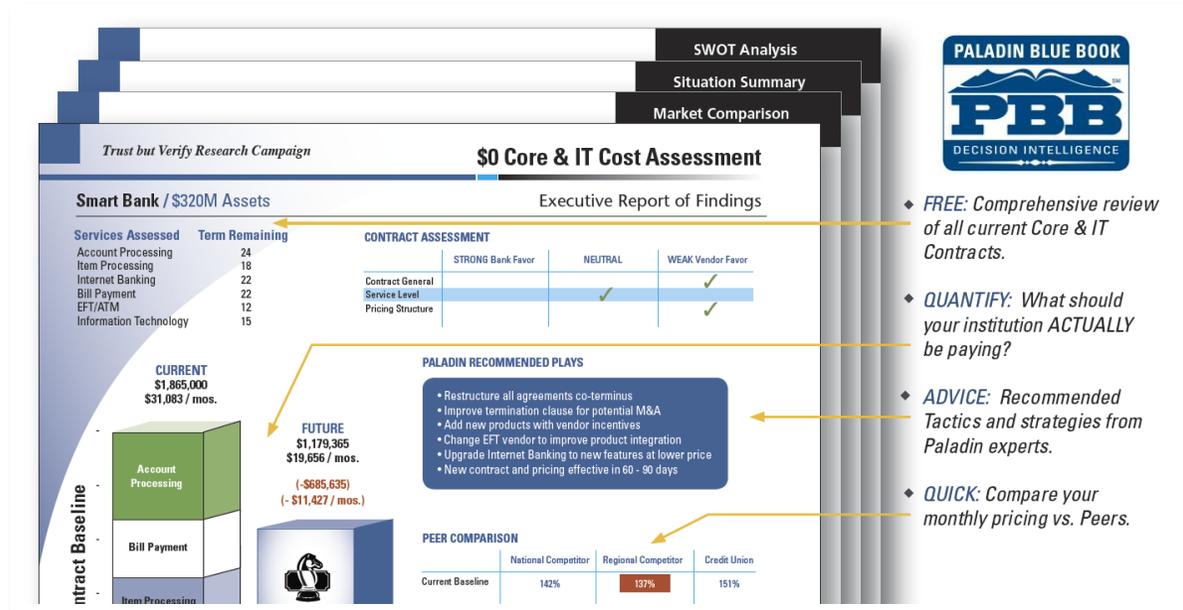
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[@Paladin115](#) wow! you mean to tell me that these vendors are bilking banks to the tune of nearly 50 miles of border wall every year? How many banks need to merge for me to complete the wall?

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Mr. President it was an honor to have your time and advice today. Please thank [@JaredKushner](#) and say hello to your family and I wish you the best of luck sir in 2020.



Send



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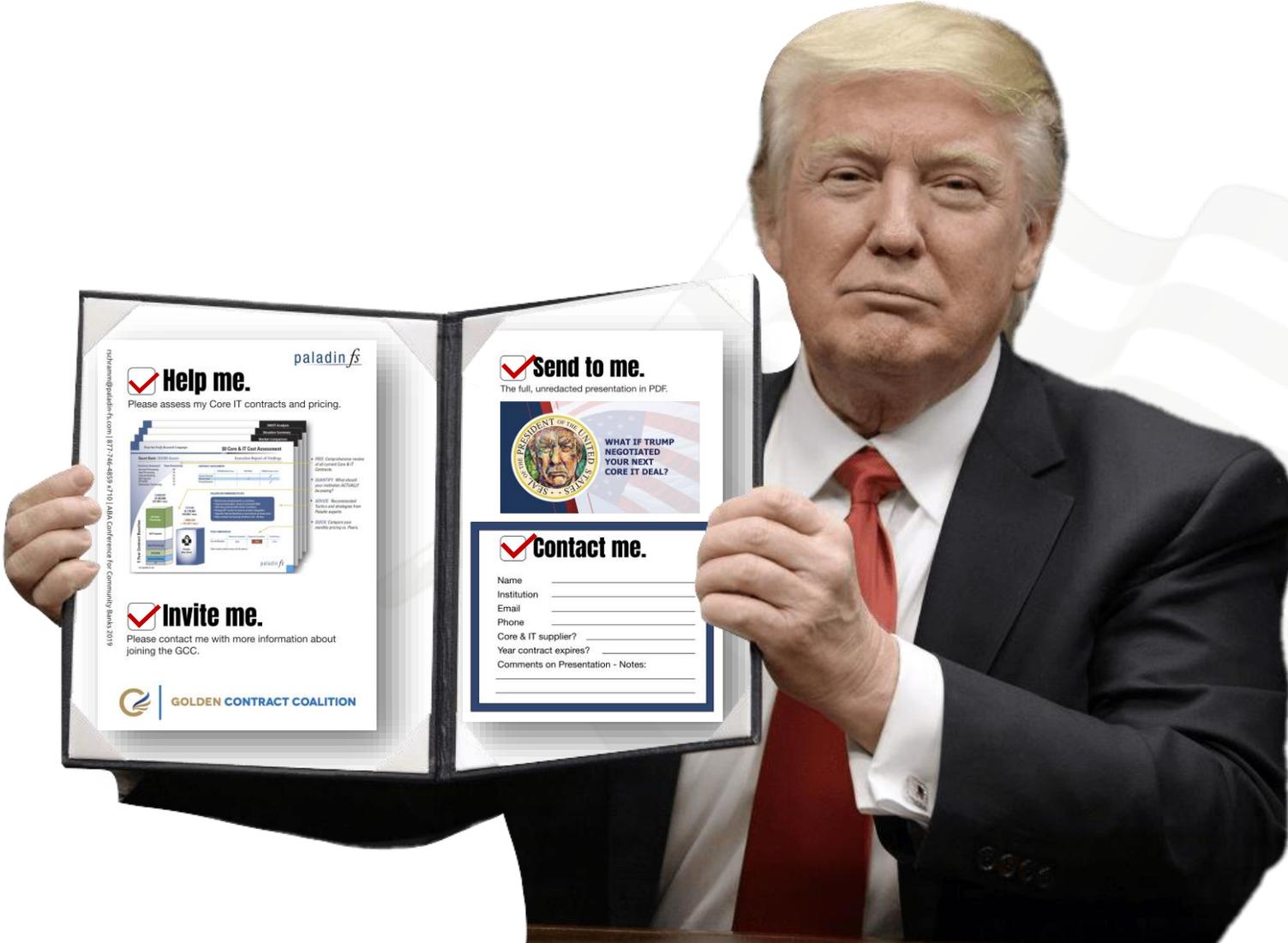


@Paladinfs Aaron, you're doing a great job out there. Keep spreading your message and don't stop helping community banks – they need you. And by the way, my ties are not too long... your presentations are too long! I could have done this whole deal in like two minutes.  
#MAGA



Send

# DON'T LEAVE WITHOUT HANDING IN YOUR RESPONSE CARD





## Aaron Silva

CEO of Paladin fs & Golden Contract Coalition

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asilva@goldencontract.com



## Donald Trump

President of the United States

202-456-1414

@realDonaldTrump



# Thank you!