

Breakout IV:
**Growing Your Bank
Through Fintech
Sponsorship Revenue**

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Growing Your Bank Through Fintech Sponsorship Revenue

Brittany Decker, BIN Sponsorship

VISA



The BIN Sponsorship Model

How It Works

A BIN Sponsor is a Visa Principal licensed issuer that offers its BINs to third-party entities.

Sponsored third parties gain access to the Visa network without becoming a Financial Institution



making it possible to **issue cards and push funds to cards much faster**



while **generating extra revenue for their BIN Sponsor**

Core Responsibilities

BIN Sponsors are responsible for **risk management, compliance, and network settlement.**

In the process of offering its BINs to other entities and supporting their connection to Visa's network, the BIN Sponsor takes the responsibility for



Risk management



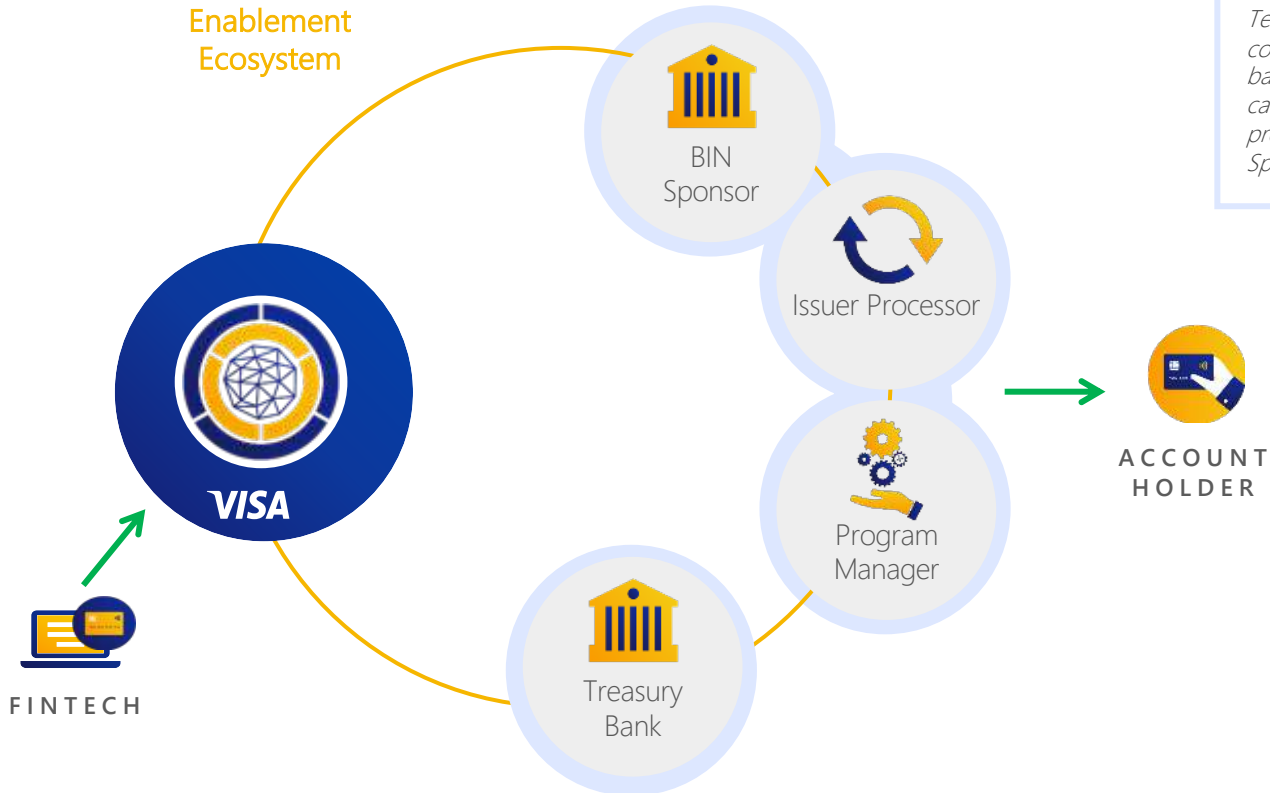
Compliance with local regulations & network rules



Settlement & reconciliation for program stakeholders

Digital issuance program structures vary across fintechs

An Example of fintech enablement relationships in the USA



Technology platforms can connect traditional retail banking credentials to the cardholder's fintech card product with the BIN Sponsor bank.

BIN Sponsors Compete Across Many Dimensions



Responsiveness

Speed of program approvals

Flexibility in program design and changes

Stability and commitment to sponsored programs



Scope of Services

Products offered (e.g. Credit, Visa Direct)

Back office / dispute processing

Multi-currency settlement

Surcharge-free ATM access, cash advances, and other "add-ons"



Pricing

Structure and transparency

May vary based on program type, additional services, and market



Risk Management

Well-documented risk management policies

Compliance expertise, track record, and responsibility

Fraud Management and consultation to minimize fraud losses



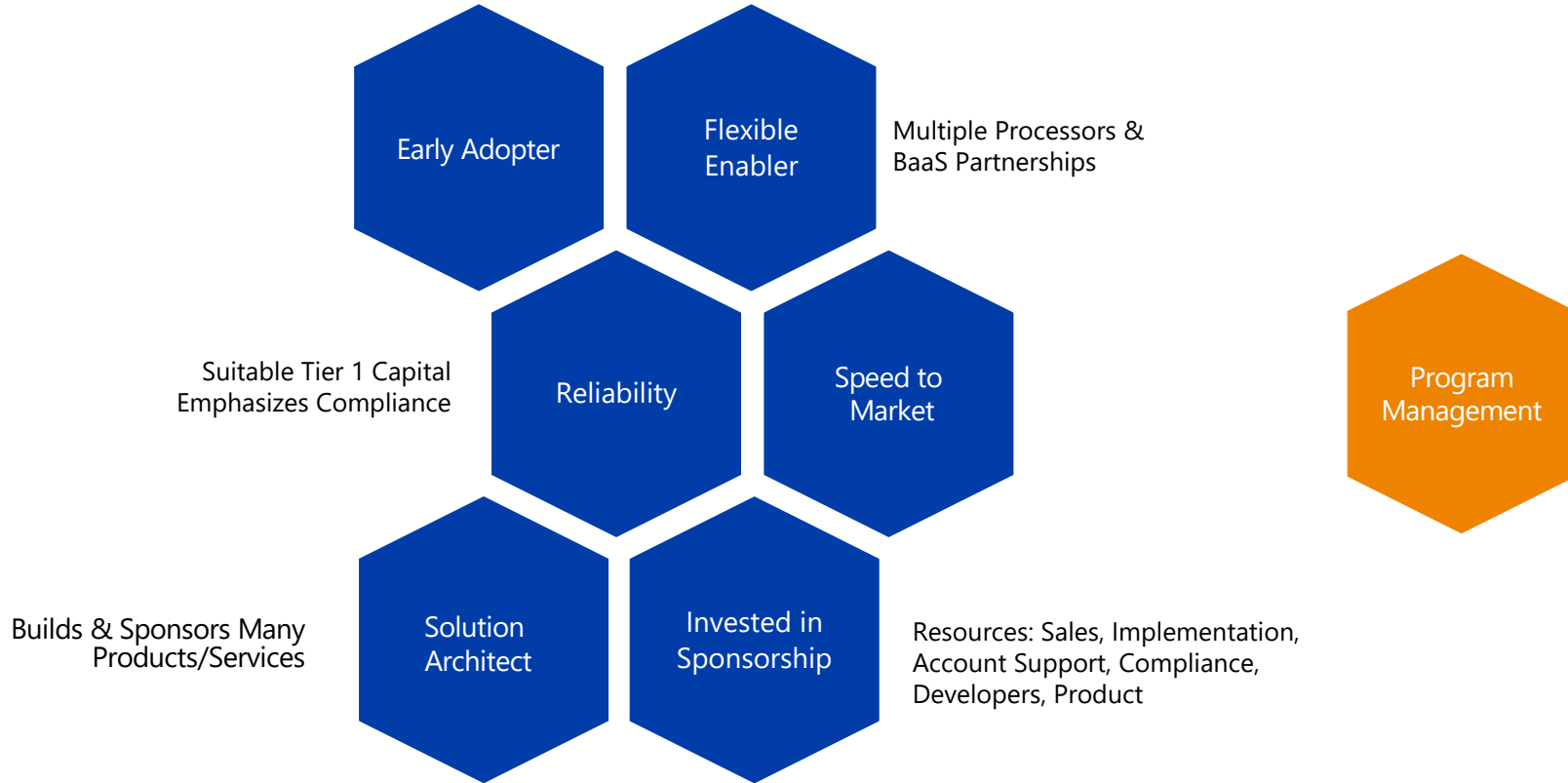
Program Expertise

Ability to share experience from other programs

Consulting services, during launch and ongoing

A Typical BIN Sponsor Profile

Sponsors come in all different shapes & sizes and offer various products and services.



Each Enabler Fulfills Specific Needs for the Fintech



BIN Sponsor

Membership

- » Ensuring regulatory compliance
- » Maintaining Visa network membership on behalf of the program
- » Cardholder ownership & KYC/AML/BSA
- » Settlement & Reconciliation
- » Funds movement
- » Program & Partnership Oversight
- » Fees & Interchange Management



Issuer Processor

Payment Processing

- » Creating cardholder accounts
- » Managing transaction authorizations
- » Maintaining account data
- » System of record for credit and prepaid programs
- » Risk & Fraud prevention
- » AML monitoring
- » Product functionality support
- » Chargeback processing



Program Manager

Payments Knowledge

- » Navigating the ecosystem
- » Establishing key relationships
- » Helping to support profitability and marketing on behalf of the issuing entity
- » Customer Service
- » Technology development & testing
- » Risk & Analytics



VAS Provider

Additional Ecosystem Tools

- Focused attention to issuance program needs
- » AML/KYC screening
 - » digital identity verification
 - » PCI compliance

Why Become a BIN Sponsor?

Digital & Fintech players are increasingly capturing the attention of digital customers

Leading sponsors in the US capture billions in payment volume per month, generating tens of millions in annual revenue.

Demand for BIN sponsorship escalates as the payments landscape expands

Both growing start-ups and big brands are looking to invest in addressing shifting customer needs with new technologies.



Increase deposits & diversify revenue

Add new revenue streams by supporting Fintech programs

- » Shared interchange revenue
- » Float revenue from account balances



Expand to new engagement models

Learn from Fintechs and gain competitive advantage while adapting to new payment flows

- » Distribution to new segments, including traditionally un- and under-banked



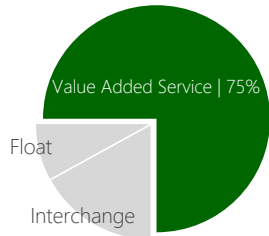
Grow adjacent business units

Cross-sell services to Fintechs and through to newly acquired customers

- » Lines of credit
- » FX and Remittance services

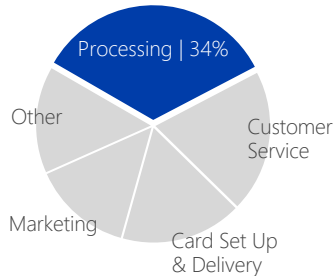
BIN Sponsor Economics

Value Added Services are the largest revenue driver



Examples of potential fees:
Transaction-based
Pass-through of network fees
Pass-through of insurance premiums
Audit fees
Implementation fees
Charges for additional services

while **operational support** drives expense.



Incremental costs to sponsoring come mainly from creation and oversight of new risk processes.

There are two common business models

Float Revenue Led

Use sponsorship as a low cost source of funds.

- 100% net interchange pass through
- 0% float revenue share
- Transactions charged at cost
- No account-level fees

Bundled

BIN Sponsors combine all fees in a flat per-user price.

- Interchange & float share negotiable
- Fees for additional banking services, ACH, acquiring, treasury services

Addressing sponsorship risk

Risk will vary based on the fintech profile and type of program.

These risks are **highly manageable** through risk policies and **due diligence** processes, as well as **financial practices** like collateral deposit requirements.

Key market trends in US for BIN Sponsorship

Market Trends and Key Players



Large number of banks offer BIN sponsorship in the US market covering a variety of use cases.



FinTechs are buying the smaller banks



Lawmakers are working to enhance regulations around crypto and USDC, which will make it easier for banks to participate



BaaS and other enablers are growing given their ability to achieve scale



Large BIN sponsors typically offer other capabilities such as ATMs, merchant services, Visa Direct etc.

Bank Sponsor Trends

Commercial Payments

New payment flows are finding their way to **one time use virtual commercial cards**. Migrating payments from ACH, checks, wires, and cash is providing strong growth with Commercial partners

Merchant Acquiring

Traditional merchant acquiring is now **trending** in BIN Sponsorship. Many Fintechs are asking for acquiring sponsorship.

Visa Direct

Visa Direct has become **table stakes** for BIN Sponsors, many offering cross border OCTs originating in the US to other regions.

Growth Outside NA

BIN Sponsorship is **growing in the US and internationally**. Many markets are looking for experienced BIN Sponsors.

USDC

BIN Sponsors **are often early adapters of new trends and payment technology**. Fintechs are looking for ways to settle more often with the merchants and reduce collateral requirements with the banks.

Risk Management & Corporate Governance Considerations



Potential Annual Reporting

- » Information Security Questionnaire
- » Business Continuity Plan / Disaster Recovery – Plan and Test Results
- » PCI Certification
- » SSAE 16 SOC 2 Type II Report or ISO 27001 or Equivalent
- » Card Association Audits
- » Independent Third-Party Audit
 - » Suspicious activity monitoring
 - » Regulation compliance
- » Financial Report / Annual Audit
- » Current Policies
 - » Monitoring (AML, Fraud, OFAC, etc.)
 - » Customer Onboarding
- » Annual Risk Assessment of AML Program, if required



Potential Quarterly/Monthly Reporting

- » Customer Summary by Program
 - » Name, Address, TIN, Risk Rating, NAICS or SIC, & Phone
 - » Number of Customers Added, Deleted & Related Card Totals
- » Payment Summary
 - » Total Processed – Amounts & Counts
 - » Reporting by Business Day
 - » Transactions by Country
 - » Card Amounts Cancelled
 - » Transactions through Stand-In Process
- » Complaints / Suspicious Activity
- » Fraud Losses / Charge-Offs (Instances and \$\$)
- » Financial Report – Quarterly
- » Updates to outstanding audit / regulatory / Card Association issues



Potential 'On Demand' Reporting

- » Any Regulatory Audits or Inquiries (Federal or State)
- » Suspicious Activity / OFAC Incidents - As Detected
- » Description of suspicious activity / OFAC incidents reported
- » Description of suspicious activity / OFAC incidents reported outside SLA
- » New Marketing / Telemarketing Campaigns
- » New Customer Facing or Tech Third Parties
- » Material Policy Changes
- » Monitoring (AML, Fraud, OFAC, etc.)
- » Customer Onboarding
- » Cancellation, Nonrenewal, or Other Material Changes to Insurance Policies
- » Pending Legal Actions with potential impact of >\$1MM

Q&A

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Thank You

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