

by Scott DeHaven, Ben Brown, Tim Gallagher and Taijasi Sharma, 10 November 2025

U.S Acquiring BIN Sponsorship: To Sponsor or Not to Sponsor

Acquiring BIN Sponsorship: a \$170M Revenue Opportunity for Banks

Only licensed U.S. banks can provide acquiring BIN sponsorship, and while there are thousands of U.S. banks, only a handful operate acquiring BIN sponsorship businesses. The scarcity of acquiring BIN sponsors is primarily due to banks' concerns with compliance / risks and a lack of BIN sponsorship experience. Recently, we also witnessed a pullback from some acquiring BIN sponsors.

In contrast to the small population of acquiring BIN sponsors, there are almost 1,300 non-bank acquirers and PSPs needing sponsorship from banks¹. The large demand pool and small supply of sponsors has created new (and renewed) interest among banks in acquiring BIN sponsorship programs.

At the same time, the acquiring BIN sponsorship market is evolving. Several large non-bank acquirers – notably Fiserv and Stripe – have pursued special purpose bank charters to bring sponsorship in-house. Banks looking to enter the market or expand their business must differentiate by focusing on specific verticals, targeting high-risk or underserved segments, or bundling sponsorship with other value-added services.

This article addresses a few of the most common acquiring BIN sponsorship questions asked by our bank clients. More specifically:

Figure 1: BIN Sponsorship Frequently Asked Questions

	What is required to establish and manage a BIN sponsorship program?
	How can a BIN sponsorship program benefit a bank?
	Are there benefits to sponsoring your own bank's merchant business?
	What are the risks associated with being a BIN sponsor?

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¹ Source: Visa

What is Required to Establish and Manage a BIN Sponsorship Program?

While sponsored parties (e.g., non-bank acquirers, PSPs, ISOs, etc.) perform virtually all the acquiring functions, as shown in figure 2, the sponsor bank is ultimately responsible in the eyes of the card networks for ensuring appropriate activity and compliance. In this sense, the sponsor bank effectively acts as a guarantor for sponsored parties.

Figure 2: Merchant Acquiring Value Chain



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Acquiring BIN sponsors primarily perform these functions: implementing settlement and funding procedures, overseeing the ongoing activities of partners and ensuring compliance, liaising with the card networks, and establishing oversight policies / processes (e.g., merchant application guidelines, partners' merchant underwriting approaches, fraud monitoring, etc.).

Many of the roles and responsibilities of an acquiring BIN sponsor are similar to existing functions at most banks. At the highest level, establishing and managing a sponsorship program requires:

- Investment in Time and Resources: Acquiring BIN sponsorship requires commitments. The direct costs for establishing and running a program can vary significantly, but overall monetary costs are not prohibitive. The time and resource requirements include:
 - Establishing the foundation of a program (policies, procedures, reporting capabilities, risk management functions, technical integrations with networks, underwriting guidelines, governance approach guidelines, etc.)
 - Staffing of appropriate resources to operate the program
 - Recruiting and performing diligence on sponsored partners and
 - Overseeing the performance and compliance of your sponsored partners and the program
- Comfort with Heightened Regulatory and Card Network Scrutiny: Sponsoring third parties will result in additional scrutiny from both bank regulators and card networks. This only becomes an issue if the program is performing poorly or out of compliance, but the bank needs to be comfortable with accepting additional scrutiny.
- Industry Knowledge and Expertise: Selecting the right partners, setting up the optimal infrastructure, and managing the program requires specialized skills.

Absent scale, meaning a portfolio of numerous sponsored third parties or massive amounts of card volume, banks primarily utilize existing resources (fractional employees) to manage acquiring BIN sponsorship programs. Banks may only need one or two additional FTEs for oversight, compliance, business development, and liaising with the card networks.

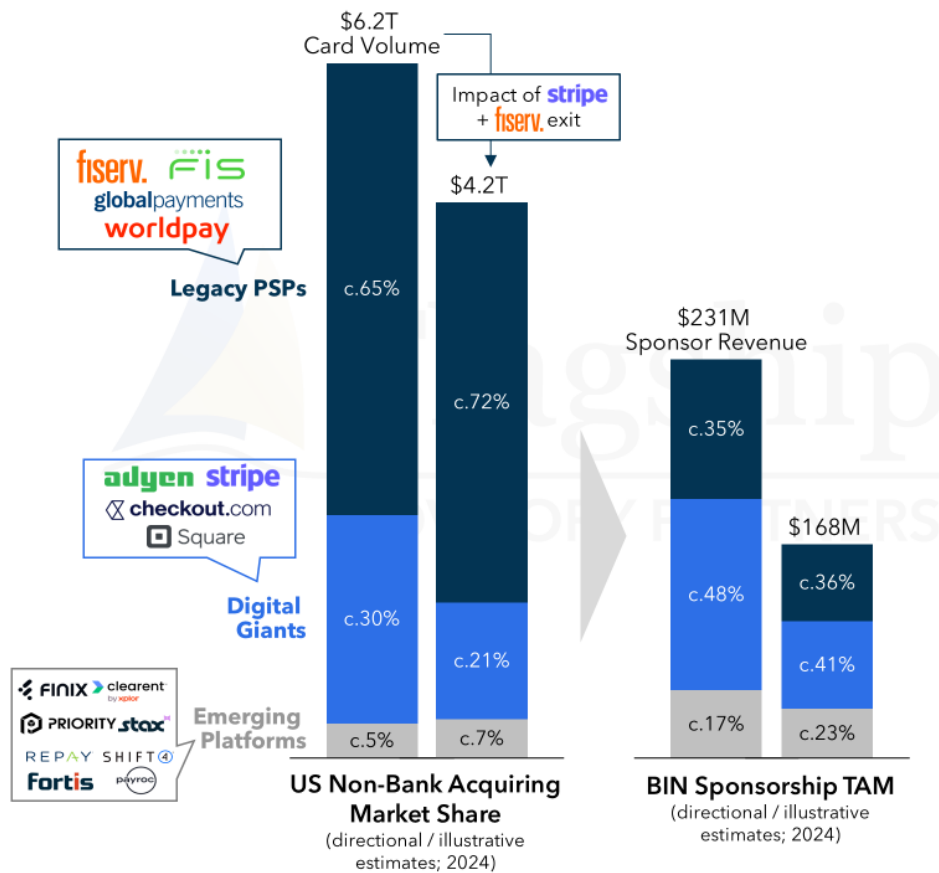
How can a BIN Sponsorship Program Benefit a Bank?

The greatest benefit of being an acquiring BIN sponsor is the ability to generate fee income.

More than \$6 trillion of card payments are managed by non-bank merchant acquirers, ISOs, and ISVs today. All of this volume must be cleared by a member bank of Visa and Mastercard, though the (potential) impending exit of Fiserv and Stripe could remove approximately \$2 trillion from the sponsored volume pool.

Acquiring BIN sponsorship generates more than \$200 million in revenue for U.S. banks per year. (In some cases, these fees are folded into the overall economics of bank/acquirer strategic partnerships and joint ventures.) This will likely reduce to \$150-175 million in revenue if Fiserv and Stripe start to clear all of their volume in-house, though we expect that transition will take several years.

Figure 3: U.S. Acquiring BIN Sponsorship Market Opportunity

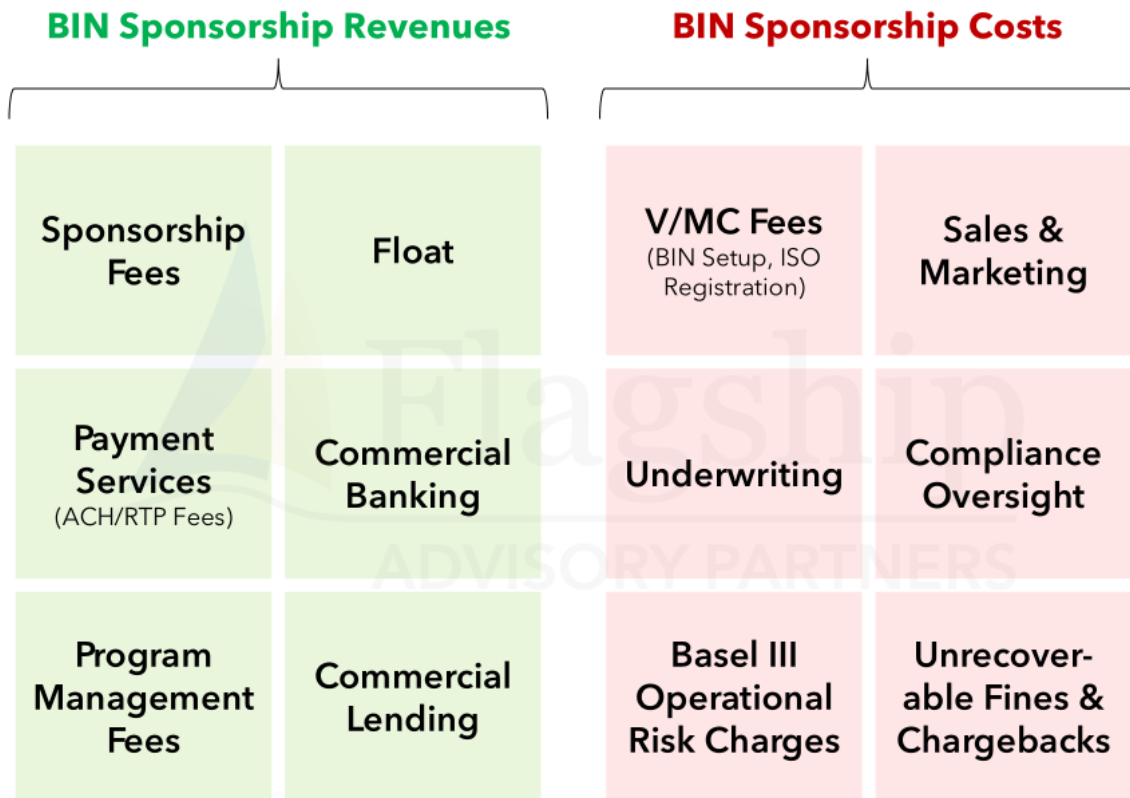


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Acquiring BIN sponsors can also earn interest on the float of settlement and reserve accounts, and/or the solution can be used as a wedge for other services, such as bank payments (ACH, wire, RTP) and deposit management. These related services often generate revenue equal to or larger than the direct BIN sponsorship fees.

Figure 4: US BIN Sponsorship Financial Illustration



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Are There Benefits to Sponsoring Your Own Bank's Merchant Business?

If a bank has a merchant services business enabled by a partner, it can often choose to let that volume flow through the partner's existing sponsors or its own BINs with Visa and Mastercard. The latter approach does create some operational overhead but there are several benefits to clearing your own volume, including:

Figure 5: Benefits of Sponsoring Your Own Merchant Business
(non-exhaustive)

	Improved Economics: The bank can eliminate third-party processing fees from current sponsor banks, driving cost efficiencies and improving transaction margins.
	High Authorization Approval Rates: The bank's volumes will be transmitted through the networks attached only to its BIN, which may be viewed favorably by networks and result in higher authorization rates.
	Greater Control: The bank takes greater control of acquiring processes. For example, the bank will be able to tailor underwriting criteria to its preferences and expand control over underwriting outcomes.
	Less Reliance on Third Parties: The bank will no longer need to rely on third parties who may have different objectives but whose decisions can directly affect the bank's business and customers.
	Direct Access to the Networks: The bank will maintain a direct relationship with the card networks and be granted access to more transparent, raw data feeds for their customers.

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As stated earlier, recent years have seen certain large non-bank acquirers apply or become approved for special purpose bank charters, mainly the Georgia Merchant Acquiring Limited Purpose Bank (MALPB) charter. After receiving approval in September 2024, Fiserv became the first MALPB to process transactions in April of this year. Stripe was similarly approved for the special charter in July of this year. And more recently, Checkout.com completed its application for the designation. Other large acquirers are reportedly considering or pursuing a similar path.

While in-housing sponsorship can be attractive on paper, many companies find it a challenge to fully realize the expected benefits. Cost savings can take more time to materialize due to oversight and compliance requirements, which are often more easily absorbed by banks. And while enhanced data visibility is an attractive proposition in theory, transforming data into a business asset is often a more daunting task. That said, this strategy is clearly in vogue at the moment. Special purpose charters and the current U.S. regulatory environment may make this a uniquely attractive time for fintech companies to become banks.

What are the Risks Associated with Being a BIN Sponsor?

Becoming an acquiring BIN sponsor does not come without tradeoffs, including additional regulatory scrutiny and more risk. The key risks of acquiring BIN sponsors include:

- Credit, Fraud, and Counterparty Risk: Each processed transaction creates potential credit risk. The bank will have chargeback exposure, but only to the extent that partners or their merchants are unable to pay (due to bankruptcy, fraud, etc.).
- Compliance Risks: The bank will face stringent compliance demands and oversight requirements. The bank will need to also adhere to the regulatory guidance of non-traditional bank regulators, such as the FTC and CFPB, which are active in monitoring payment processors.
- Legal, Contractual, and Reputational Risk: The bank risks inadvertent violations of new or updated regulations or rules, which could lead to compliance issues, penalties, or reputational damage. Regulations include network merchant agreement standards, consumer protection laws, and truth-in-advertising standards. The bank also ultimately has liability in disputes with or against partners or its merchants, unless contractually protected. This exposes the bank to reputational risks, as the bank's partners are representatives of the sponsor bank, and negative actions could reflect poorly on the sponsor bank.
- Operational Risk: The bank faces heightened operational risks. The bank risks monetary losses from inadequate or failed internal processes, people, and/or systems or from external events (e.g., fraud, business disruption, poor execution of process management activities, etc.). Additionally, when sponsoring your own portfolio, costs are moved from variable to fixed, which brings advantages but also the risk of negative operating leverage from declining volumes.

However, there are numerous risk mitigation techniques that a sponsor bank can deploy to minimize risks, including contractual terms (e.g., reserves, punitive pricing for increased chargebacks, indemnity for losses), strict oversight policies, and careful partner diligence efforts (initial and ongoing).

Bottom Line:

BIN sponsorship can be lucrative for banks, but sponsors must build a business case that incorporates a complete understanding of not only the potential revenue upside but also day-to-day costs and risks. As the BIN sponsorship undergoes a significant evolution, banks must focus on differentiating their proposition to non-bank acquirers through vertical specialization, systems that make a bank particularly easy to work with (or allow it to offer unique capabilities and data), strong related banking and value-added services, or a tolerance for verticals that others perceive as high-risk.

Flagship has substantial experience helping banks to evaluate, plan, and execute acquiring BIN programs. Given the current market conditions of short supply but significant demand for acquiring BIN sponsorship, now may be the optimal time for your bank to become a sponsor.

Please do not hesitate to contact Scott DeHaven at Scott@FlagshipAP.com or Ben Brown at Ben@FlagshipAP.com with comments or questions.