

Introduction to Card Issuing & IBANs

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VISA or Mastercard?

Sometimes our customers ask if it is better to issue **VISA** or **Mastercard cards**. In this article we would like to answer this question.

Main payment schemes

There are two main **payment schemes** in the card area that have almost monopolized global card business - VISA and Mastercard. Next to them there are several local schemes, sometimes going global that are also worth thinking of in more sophisticated global projects (like UnionPay China, JCB Japan, EC Karte Germany etc.) but in general in majority of projects you will do the business decision if you prefer to issue VISA or Mastercard cards.

In one sentence the answer is - usually it does not matter. But if you go into details, depending on the country or type of the program there may be some important differences worth considering.

Key decision points

Below we present some important decision points:

1. **Financial and marketing support** - depending on the country and type of program VISA or Mastercard can decide to support your program financially or from some marketing assets. If so, it makes sense to consider this as an important factor in the decision making process. Check with your card issuing partner if there are such possibilities.
2. **Interchange differences** - in some countries (outside of the European Union) there are slight but important differences in Interchange Fees which in the end means that you can earn more from every transaction. Check with your card issuer if such a situation exists on your market. If you are going to offer cards globally, it may also be possible that inter-regional (inter-continental) transactions will be more profitable in one payment scheme. So it is worth checking.
3. **Cost factors** - usually fees connected with a card issuing program will be dictated by your card issuer or BIN Sponsor but in some cases a card issuer may have different fees depending on the cost of VISA or Mastercard transaction fees.
4. **Special local or global card benefits programs** - both Mastercard and VISA are developing various loyalty, discount, value added services that can make your program more interesting for users. In Poland, for example, Mastercard is running a very attractive card benefit and loyalty program called "Priceless Specials". It is worth checking as it may be an important value added for your portfolio and users that may be much more important than any financial details.
5. **Brand and acceptance** - in 95% of countries there is no visible difference in acceptance and brand between VISA and Mastercard. But in some cases it exists. For example if you

are going to issue cards in Hungary - Mastercard is much more popular and customers are used to it. It is worth checking before making a decision.

6. **Educational and consulting support** - it can be valuable help. In various projects, countries or regions payment schemes can have services or people that can help you a lot in defining a good value proposition and important details of a card issuing program. This may be very valuable as very often employees of Mastercard and VISA are very professional, have a lot of knowledge and can help you in developing your portfolio. If you have such support, try to use it.
7. **Shareholding connections** - in some cases (like Verestro) one of the payment organizations (in our case - Mastercard) will be a shareholder of your partner. It may be very valuable as you will have in-depth support of the payment scheme and card issuer. It may be useful in various situations, difficult cases connected with rules etc. Make use of such cases, if you can.

Conclusion

Those are the main differences. It is worth considering. In the majority of cases your partner in [**card issuing**](#) will have some preferences and sometimes there will be no choice. But it is certainly worth considering when deciding which **card issuer** and **payment scheme** to choose.

Thanks for reading.

Prepaid, debit or credit cards

- the main differences

Before launching a [card issuing program](#), our customers consider which **card product** to use. In this article we will summarize the key differences and considerations.

There are three main groups of **payment cards**: pre-paid, debit and credit cards. Below we summarize **the most important differences**.

Prepaid cards

- user has to reload a card account to use a card (like in debit cards by the way)
- you can issue anonymous, non-reloadable gift cards
- in some cases merchants block BINs of prepaid cards more often than for debit or credit cards
- you can have consumer and business prepaid cards
- in many countries, from legal perspective, there is no difference between prepaid and debit cards

Debit cards

This is the biggest group of cards in the world:

- user has to have a payment account or current account connected with a card
- user has to go through a **KYC** (Know Your Customer) process
- user has to reload a payment account to use card
- usually you cannot issue anonymous cards, because in general they are always reloadable
- sometimes, if you give a loan to your customer, a debit card can work like a credit card
- you can have consumer or business debit cards
- you can have Gold or Platinum debit cards

Credit cards

- user applies for credit and gets it in the form of a card
- usually connected with a revolving credit (something like credit line) and a grace period (no interest for 40-50 days)
- because of the credit, the user needs to go through KYC and credit scoring, so it is more difficult to issue than prepaid or debit cards
- you can have Gold, Platinum or World Elite credit cards

- you can have consumer or business credit cards
- usually an interchange fee is a bit higher than in case of debit cards
- sometimes approval rates for transactions are higher, some merchants (car rental) require credit cards from their customers
- because credit line is connected with this product, usually it is more profitable than a prepaid or debit portfolio

These are the main differences between the above mentioned products. In most cases, you should be thinking about **debit cards** because they give you the same benefits as **prepaid** ones, and you can convert them into **credit cards** by giving loans to your customers.

Issuing cards in various currencies

Verestro and its partners can issue cards in multiply currencies. Depending on the currency it is easier or more difficult but it is possible to issue cards in multiply currencies. Let me explain how to do it in this article.

Firstly, let's discuss that to issuing cards in particular currency (let's say CZK) means that user has an account in CZK and when he is paying 100 CZK his account gets debited with 100 CZK. To achieve this situation normally the card issuer needs to implement Settlement Service with Mastercard or VISA in CZK. This means that card issuer will have to send 100 CZK to Mastercard after the transaction so that Mastercard could transfer it to acquiring institution and later to merchant. Once this Settlement Service is enabled everything works well but the problem exists if issuer does not have Settlement Service in particular currency or sometimes such Settlement Service does not even exist and issuer must settle money in USD or EUR. Sometimes it is not worth spending money and time on new Settlement Service implementation as it can cost 25-40k euros.

In such situation we can implement Internal Settlement with partner in particular currency. It means that users will keep money in CZK, users will be charged 100 CZK if they pay 100 CZK but all money transfers between Verestro payment institutions and our partners will be happening in EUR. There will be some FX risks connected with this approach but they can be covered through a bit higher fees for users.

There is only one exception to this rule - it is necessary that we can hold money in this new currency in the banks where we hold accounts. It is necessary that accounts are stored in this particular currency to avoid difficult fluctuations.

Ask us for Internal Settlement if you are interested in card issuing in multiply currencies.

Multicurrency cards - 3 implementation options

Multi-currency topic is an interesting and important concept of card issuing that usually requires some explanation. Because of the very big market of currency conversion and usually very high fees of universal banks connected with international transactions, it became popular to implement multi-currency cards. Actually the first **Revolut** use case, heavily promoted several years ago, was connected with this topic. So let's go into details.

There is actually one problem that we want to solve when thinking of implementing multi-currency cards - how to enable the best and most **effective card payments in an international environment**? There are various approaches to this problem:

Scenario 1 - multi-currency cards and accounts

In this example we offer users multiple payment accounts in various currencies.

1. The user gets a single payment card connected with all accounts
2. In case the user pays with currency X, the authorisation system recognises transaction currency and debits account of currency X
3. In case there is no money on this account, system debits another (default) currency

This example is very often used, but it has a few disadvantages. The first is that the user must perform currency conversion before. It is an action before his/her travel and actually it is an unnecessary action from the logic's perspective. It should be more convenient for the user to have one account and cheap currency conversion during every transaction. But usually consumers like the solution because they can manage this currency problem in advance, see FX rate and can make decisions on how much money to convert.

Implementation of this scenario is not easy because card issuing companies either need to enable multi-currency functionality with Mastercard / VISA or to implement multiple settlement accounts with payment organizations and manage conversions accordingly based on transaction currency. There are additional fees that Mastercard and VISA charge for this service which can make this implementation costly.

Scenario 2 - currency conversion on a single account

Another way of solving the currency conversion topic is to think about how to enable the cheapest conversion during a transaction. In this example the user does not have to convert currency before his travel. He just uses his card while traveling. I personally like this approach the most because it

is easier for me but in reality many customers prefer scenario 1.

In this scenario, to have dynamic rates, there is a need for online FX API integration and dynamic management of rates during authorisation. Usually card issuers use static conversion rates offered by Mastercard and VISA but this leads to some additional costs and margins. Ensuring dynamic currency conversion during authorization and proper conversion management may be difficult to achieve.

Scenario 3 - multiple cards for different currencies

The third way of managing the multi-currency topic today in the virtual card environment is issuing multiple cards to multiple accounts in various currencies. In today's world this is easily achievable as the cost of card issuing went heavily down. It works in the way that users have several cards, connected with various accounts and card visuals, visible in **Apple Pay** or **Google Pay** with the currency of a particular card. The user can choose a card which is the most convenient for him/her.

In this scenario we need to offer an inexpensive currency conversion mechanism as the user needs to manage balances on each account separately and perform conversion in advance.

This is actually the cheapest scenario of implementation.

While thinking about the multi-currency topic, please consider various scenarios and ways of solving problems. Sometimes the default plan (scenario 1) can be very costly from the transaction processing perspective because of additional fees of payment schemes.

Thanks for reading.

BIN Range or Separate BIN in Card Issuing

Our customers usually ask if it makes sense to issue cards on **a separate BIN** fully dedicated for a particular project or just use **BIN range** and share it with other partners. Let me focus on this topic in this short article.

BIN range

There are not so many disadvantages of dedicating a BIN range for your project. In many cases this decision will be much better. Key reasons:

- The project is cheaper as we do not need to implement a new BIN with Mastercard or VISA for you. It is a saving of around 20.000 EUR and monthly maintenance costs are cheaper as well (500-1000 EUR monthly).
- The project is faster for the same reason. It is a saving of around 3-4 months.
- The setup of the BIN range is easier from an operational perspective, so you and we do not consume more mandays for the project.

The only slight disadvantage in such an approach is that there may be a situation when this BIN gets compromised because of some user behavior. It is a very rare situation but it could happen. If you share the BIN with other customers, there is a risk that you will have to change the BIN and cards for customers because of the actions of other customers. We believe that this risk is very small - it has never happened in our history.

Separate BIN

Some people believe that if they have "own" or "dedicated" BIN, the project will be much better. In reality it is not so. It is only more expensive and slower (see above). There is more work and some additional risks connected with the new BIN setup. However, the **advantage of a separate BIN** is the same as mentioned above - you do not share the BIN with other partners, so in case of BIN compromise, you will know that it happens because of your actions.

I do not see any additional big differences, disadvantages or benefits of using a separate BIN.

Thanks for reading.

What steps should be taken to start a card issuing project with Verestro outside the European Economic Area?

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At Verestro, we are focused on simplifying global fintech space by building a multifunctional, multi-BIN-sponsor, multi-processor, multi-acquiring, multi-bank platform. Our final target is to offer payment and financial services globally in any country in the world. Today we are offering card management, tokenization and payments on 5 continents. We store above 5 mln cards and tokens. In the group we process over 2 bln USD in payment transactions annually.

If you are interested in issuing cards outside of Europe, we can start a project immediately. Normally such a process works in the following way:

1. You contact us and we talk about your plans.
2. You can start integration with our Sandbox immediately using the tech documentation and APIs released in our Developer Zone <https://developer.verestro.com/>.
3. We sign a contract to cover the services.
4. We search for BIN sponsors relevant for markets where you operate unless we have them already integrated and commercially ready.
5. You can issue cards, enable payouts to cards or enable other payments once you finalize your technical integration and we are ready with the chosen BIN sponsor on the particular market.
6. We take care of all operations, settlements. You take care of your go-to-market strategy, frontend, marketing, pricing, etc.

The big advantage of such an approach is that your platform is not dependent on a single BIN sponsor, you can work with multiple partners. You can also migrate the program easily to your own BINs once it grows and you become a direct Principal Member of Mastercard or VISA.

What are the legal and payment scheme rules for launching a prepaid card program without KYC?

Recently we have been asked the question: “What are the options for a merchant or cafeteria to launch a **card program** based on **prepaid cards** (such as **lunch cards and gift cards**) that doesn't require a [KYC process](#)?”

There are a lot of misleading pieces of data regarding prepaid cards and gift cards. Those issues are mainly caused by differences between the legal environment and [Mastercard or VISA](#) rules. In this article we would like to go deeper into this topic and explain what is possible and what is not possible.

Key regulatory and scheme requirements for prepaid card programs

Let's start with key rules:

1. **PSD2** (legal environment in Europe) and **AML** law say that payment institutions have to know their customers so full KYC must apply. Sometimes, depending on the country, some limited KYC rules are possible in case a payment institution issues a payment instrument with payment or transaction limits i.e. non-reloadable gift cards. We work in compliance with the Polish law which states that it is possible to issue anonymous cards only in case:
 - a. Value of monthly transactions is limited to 150 EUR
 - b. Value of such card is limited to 150 EUR
 - c. Only POS and eCommerce transactions are allowed

2. **Mastercard and VISA rules** claim that in case of specific non-reloadable prepaid cards it is possible to issue anonymous cards. It requires special approval for the program.

3. In some specific use cases ([expense management](#), lunch cards) it is possible to perform KYB of the company selling prepaid cards only. In such a case money on account must belong to the company and the company can issue such cards with limited KYC to its employees or users.

Implementing reloadable and non-reloadable gift cards

Taking the above rules into account, we can imagine the following scenarios:

Scenario 1 – non-reloadable gift cards with limits up to 150 EUR with limited acceptance

It is possible to [issue cards](#) for such programs after approval of the payment scheme.

Scenario 2 – reloadable gift cards for the company and its business expenses

It is possible to sell **gift cards connected to the business account** of the company (after KYB) assuming payments are connected with expenses or specific use cases of this company.

Please [contact us](#) if you want to issue similar programs with simplified KYC rules. We will advise on the best scenario and try to find ways to **quickly launch a prepaid card program** that meets your business needs.