

Card issuing - financial details

How can I earn from card issuing? This is a common question that is asked by our customers. Let me explain the key financial areas connected with this business.

Indirect revenue or cost savings

Usually, the main reason for issuing cards in different segments is indirect revenue or cost savings. The first question that you should ask yourself is connected with your use case. What can a payment card bring to my customers or my business? The answer to this question is different for various business segments and is the most important factor in defining a financial model for such an operation:

- If you are a **bank**, payment cards are obviously a core payment product that lets you earn from various transactions, currency conversions, ATM withdrawals and other fees.
- If you are a **fintech wallet**, it is obviously an important functionality because you compete with banks. It can increase your revenue streams from the same areas as above.
- If you are a **crypto wallet**, you want to offer to your customers a way to use digital assets at brick-and-mortar shops and in eCommerce.
- If you are an **insurance company**, you may want to send insurance in the form of a virtual card with a particular transaction and geographic limit so that your customer could immediately get necessary help.
- If you are an **investment wallet**, where users store value in the form of shares or bonds, you can offer payment cards to them so that they could pay using their shares at standard shops.
- If you are an **eCommerce merchant** or **marketplace**, you may be interested in using payment cards as a way to send back money to your users after their claim so that they could use this card for an eCommerce payment.
- If you are a small, medium or large **corporation**, you may want to distribute cards to your employees so that you limit costs of invoice processing and company invoicing.
- If you are an **HR agency**, you can use cards as a tool to pay salaries to your employees
- If you are a **loyalty program** owner, you may be interested in enabling users to use your points and make purchases at any location in the world.
- etc.

There are many use cases and this is the main value for you. You can charge **additional fees** for this new service offered to your users, or you can **limit your operating costs** thanks to card issuing. However, there are direct revenue streams and costs associated with issuing cards and I will describe them below:

Direct revenues of card issuing

The following direct revenue is connected with card issuing and card transactions:

1. **Interchange Fee** - when your user pays online or offline at any merchant, there is a fee called Interchange Fee that the issuer of cards receives for this transaction. The value of this fee depends on the country, transaction type, card product type, etc. In general, it is between 0,2% (for consumer debit cards issued in Europe) to 1-2% (for various types of cards for transactions done on other continents). Make sure you check with your card issuer or BIN sponsor how they share this fee with you - it is the most important revenue stream.
2. **Currency Conversion Fee** - every card transaction done in another currency than currency of a card account results in currency conversion. This action usually enables charging fees. Typically, they are between 0,5% to 8% depending on card product, country, currency, etc.
3. **User fee** - card issuers, banks, financial institutions usually charge various user fees for using their payment card. Examples of such fees are: one-time fee for issuing a card, monthly fee per card, annual fee per card.
4. **Transaction fees** - depending on a card product and a type of transaction, card issuers charge users additional transaction fees. A very standard fee is an ATM withdrawal fee - it is almost always valid because there are direct costs of an ATM withdrawal called ATM Service Fee and these costs need to be covered. Sometimes card issuers charge POS or eCOM transaction fees - for example 0,1% fee for every transaction done with a card.
5. **Value added services** - a card product enables you to charge additional services, i.e. insurances, VIP support, concierge etc. that increase your revenue streams.

Direct costs of card issuing

1. **One-time fee for card issuing** - usually 0,1-1 EUR. This fee is charged at the moment of card issuing. This fee covers costs of payment processors, various costs of operations connected with issuing the first card.
2. **Monthly fee per card** - usually you pay 0,1-1 EUR monthly per issued card. This covers both technical, regulatory and financial risk costs of card issuers.
3. **Transaction fees:**
 - per transaction (from 0,05-0,3 EUR) - depends on a type of transaction, region of transaction etc.
 - per transaction value (from 0,01%-0,5%) - depends on a transaction value.
4. **ATM service fee** - very specific fee which is part of a transaction fee in fact. For every ATM withdrawal, a card issuer needs to pay a fee which is transferred to an ATM operator. Usually, it is in the value of 0,5-3 EUR + 0-1% from the transaction value.
5. **3DS operations fee** - transactions in eCommerce require additional authentication. Such an operation usually results in an additional fee charged by a card issuer (0-0,04 EUR per transaction).
6. **Apple Pay fees** - Apple charges additional fees for using Apple Wallet. Those fees are both per card quarterly and per transaction volume - different for POS transactions and inApp transactions. We are not allowed to disclose the level of these fees.
7. **Plastic card related fees** - production, personalization and transport of plastic cards is a serious operation that involves various costs. Typically, between 2-5 EUR per card depending on customer location, type of card, etc.

These fees are usually charged by card issuers and BIN sponsors to their partners. They have to charge them because there are various costs that we need to cover (this issue also applies to Verestro and our BIN sponsors). **The main card issuing costs** are:

1. **Payment scheme fees** - Mastercard, VISA or any other payment organization charge a lot of various fees for connecting with them and using their licenses and technology. This is one of the biggest components of costs for card issuers.
2. **Payment processors** - this is our (Verestro's) role. To issue cards, you usually need to hire external, certified payment processors. They charge a lot of fees for using their technology. Examples of such processors are : Verestro :) , Paymentology, Fiserv, First Data, Marqueta etc.
3. **Card manufacturers and personalisation centers** - if you issue or sell plastic cards, you need to produce and personalize these cards. Companies like Austriacard, Thales, Idemia charge fees for such operations.
4. **Regulatory compliance costs** - to become a card issuer in any country, you need to have a payment license, get certification, fulfill necessary roles that are not present in another business. This is a serious cost for card issuers.
5. **Security costs** - to work with payment cards and process them, you need to fulfill various security requirements. The most important ones are summarized in the Payment Card Industry Data Security Standards. They include not only internal actions but also annual and quarterly audits that you need to perform to be compliant and offer secure operations.

There are other possible revenue streams and costs connected with card issuing, but the ones described above are the most important ones.

Thank you for reading.

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