

Fintech Enablement **2.0**: Scaling Payments Without Borders

How platform, processing and licensing are reshaping the future of issuing, acquiring and embedded finance.

By RS2 & Beyond by RS2 • Published June 2026 • 15 min read

BEYOND BY RS2

Full-stack BIN sponsorship. Platform, processing and licensing in a single integrated proposition.

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BIN Sponsorship: A simple but powerful shift

The payments market is being reshaped by a simple but powerful shift: more companies want to become payments businesses, but fewer want to become regulated financial institutions.

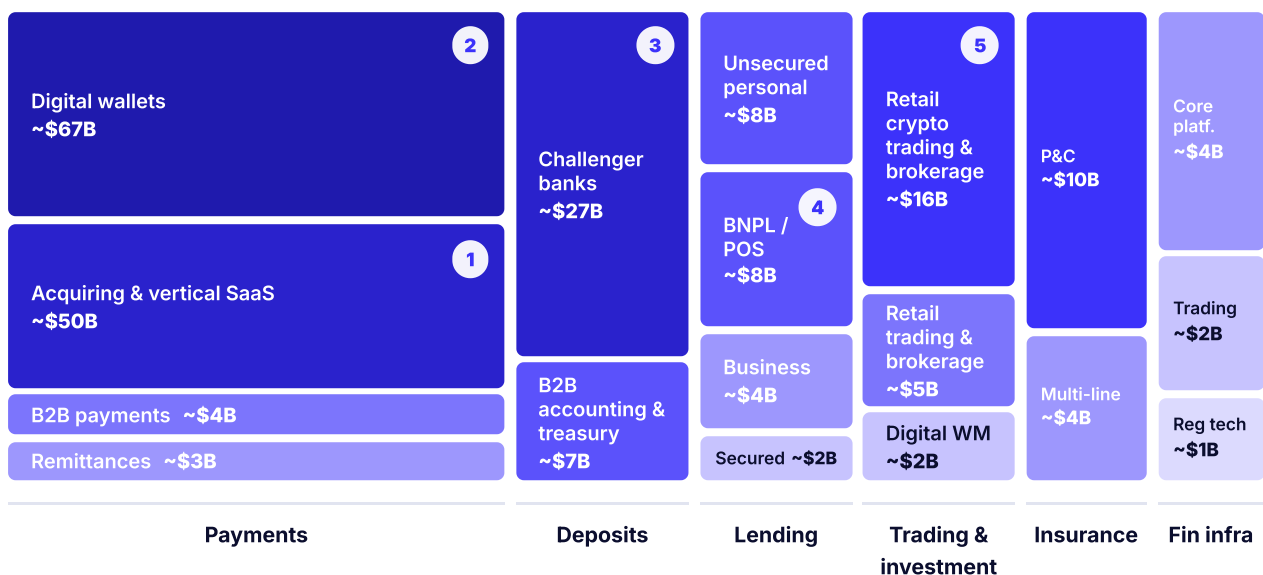
Fintechs want to launch cards. Marketplaces want to embed payouts and acceptance. Software platforms want to monetise payments. Retailers and brands want deeper customer engagement through co-branded payment products. Banks want to reclaim growth in issuing and acquiring, but without the cost, rigidity and complexity of legacy infrastructure.

This creates a significant market opportunity, but also a structural challenge. Launching a payment programme is not simply a matter of building a slick front-end experience. Behind every card, wallet, merchant account or embedded payment flow sits a demanding operating model: scheme access, licensing, authorisation, processing, settlement, reconciliation, dispute management, risk controls, regulatory reporting and customer support.

Scaled Fintechs Are Concentrated in Five Verticals

Revenue distribution of fintechs generating >\$0.5B per year (2024)

Total ~\$231B



Source: Boston Consulting Group, Global Fintech Report 2025.

BIN SPONSORSHIP: A SIMPLE BUT POWERFUL SHIFT

For many organisations, the traditional route is too slow, too expensive and too complex. Becoming a direct scheme member, building regulated infrastructure and operating payment services independently can take significant time and investment. BIN sponsorship has therefore become one of the most important enablers of modern payment innovation.

A Bank Identification Number, or BIN, identifies the institution behind a payment card and helps route transactions through the card payment ecosystem. BIN sponsorship allows a company to issue cards using the BIN and scheme membership of a regulated sponsor, rather than becoming a direct member itself.

In practical terms, it gives fintechs, platforms and brands a faster route into card issuing while allowing them to focus on product, customer experience and growth. It enables companies to bring card propositions to market without becoming direct members of card networks or building banking infrastructure from scratch.

But the market is moving beyond the first generation of sponsorship. BIN Sponsorship 2.0 is not just about access to a BIN. It is about combining regulated sponsorship with scalable processing, unified issuing and acquiring infrastructure, real-time orchestration and operational control.

Market entry, however, is only the first step. As payments become more embedded, competitive advantage increasingly depends on what companies can do once they are live: how they manage risk, optimise acceptance, personalise services, control settlement, analyse merchant behaviour and turn payment data into revenue.

BIN Sponsorship 2.0 therefore sits at the beginning of a wider infrastructure journey — from access, to control, to intelligence-led growth. That is where the next battleground lies.

From regulatory shortcut to strategic infrastructure

The original appeal of BIN sponsorship was speed. A fintech or programme manager could launch a card programme without applying for direct scheme membership or building the full regulatory and technical stack. That remains valuable.

Accelerated market entry, reduced upfront infrastructure investment and access to scheme capability remain core benefits of BIN sponsorship.

However, speed alone is no longer enough.

Today's payment innovators need more than a sponsor. They need an operating environment that can support multiple products, customer segments, geographies and revenue models.

They need issuing and acquiring to work together. They need fraud controls, dispute workflows, settlement logic, reporting and compliance built into the platform from the start. They need to scale without rebuilding their infrastructure every time they enter a new market or launch a new use case.

The market is also demanding stronger oversight. Sponsorship creates regulatory, operational and reputational responsibility. Clear roles, strong controls and transparent governance are essential if sponsored programmes are to scale safely.

This is why BIN Sponsorship 2.0 is best understood not as a workaround, but as a strategic infrastructure model.

FROM REGULATORY SHORTCUT TO STRATEGIC INFRASTRUCTURE

Governance & Compliance

The Post-Silicon Valley Bank Context: Why Governance Is Now Central

No serious 2026 discussion of BIN sponsorship is complete without addressing what the collapse of SVB (Silicon Valley Bank) in 2023 revealed about the structural risks of first-generation BaaS and sponsorship models.

The failure of SVB, and the subsequent inability of its partner banks, including Evolve Bank & Trust to reconcile end-user balances, left hundreds of thousands of consumers without access to funds for months. It was the most consequential operational failure in the history of modern embedded finance.

The root cause was not fraud or misconduct. It was a fundamental breakdown in ledger reconciliation between a middleware BaaS provider and its sponsor banks. A problem that regulators, auditors and the banks themselves failed to detect until it was too late.

What Regulators Have Done Since

The response from prudential and consumer regulators in the US, UK and EU has been swift and substantive:

- The OCC, FDIC and Federal Reserve issued joint guidance in late 2024 requiring sponsor banks to maintain real-time visibility of end-user balances held through third-party programme managers, with no reliance on middleware ledgers as the source of truth.
- The FCA in the UK has tightened its safeguarding rules under the Payment Services Regulations, requiring EMIs and their sponsors to hold client funds in segregated accounts with daily reconciliation and independent audit trails.
- The EBA's revised guidelines on outsourcing and operational resilience now require that BIN sponsors document their full operational dependency chain, including sub-contractors of their sponsored entities.
- Scheme rules have also evolved: Visa and Mastercard have both updated their programme manager requirements to mandate stronger due diligence, ongoing monitoring and contractual liability frameworks for sponsor banks.

FROM REGULATORY SHORTCUT TO STRATEGIC INFRASTRUCTURE

What This Means for BIN Sponsorship 2.0

The post-SVB environment fundamentally changes the risk calculus for sponsor banks, sponsored entities and their technology providers. The era of loosely governed, ledger-reliant sponsorship arrangements is over. What replaces it is a model built on three pillars:

PILLAR 1	PILLAR 2	PILLAR 3
Real-time reconciliation	Operational segregation	Audit-ready reporting
Every sponsored programme must maintain its own reconciled ledger with no dependence on middleware for fund accountability.	Sponsor banks must be able to isolate, suspend or wind down a sponsored programme without affecting other clients or their own balance sheet.	Regulatory reporting must be automated and timestamped, with full transaction-level audit trails available on demand.

This is precisely where a full-stack infrastructure provider like RS2 has a structural advantage over fragmented BaaS models. Because BankWORKS® operates as the system of record for both issuing and acquiring — rather than relying on a chain of middleware providers — the reconciliation and audit challenges that destroyed Synapse, a prominent player in the Banking-as-a-Service (BaaS) industry are architecturally mitigated.

The question every board-level sponsor bank executive should now ask their BIN sponsorship partners is not 'Can you launch fast?' but 'Can you prove, in real time, where every customer's money is?' Infrastructure that cannot answer that question is no longer a viable foundation for growth.

FROM REGULATORY SHORTCUT TO STRATEGIC INFRASTRUCTURE

A Governance Framework for Sponsored Programmes

For fintechs, platforms and banks evaluating or operating sponsored programmes, the following governance baseline should be considered non-negotiable in the current environment:

GOVERNANCE REQUIREMENT	OPERATIONAL STANDARD
Ledger independence	Sponsored entity maintains its own sub-ledger, reconciled independently of any middleware provider, with sponsor bank having direct read access.
Daily reconciliation mandate	Full reconciliation of programme funds completed within 24 hours of each settlement cycle, with exception alerts escalated automatically.
Contractual liability clarity	Programme agreements explicitly define liability allocation between sponsor, programme manager and technology provider in wind-down scenarios.
Operational resilience testing	Annual stress-testing of wind-down procedures, including the ability to port card BINs and transfer client funds within defined SLA windows.
Regulator notification thresholds	Defined thresholds for incident reporting to relevant regulators, including material operational failures, reconciliation breaks exceeding defined tolerances, and senior management changes.

The RS2 model: Platform + Processing + Licensing

RS2 is well positioned for this next phase because its model brings together three capabilities that are often fragmented across multiple providers.

The first is platform technology through *BankWORKS®*, RS2's cloud-native, API-first payments platform for issuing and acquiring. The second is processing capability through *RS2 SmartProcessing®*, delivering enterprise-grade transaction processing, authorisation, clearing, settlement and operational support. The third is licensing and regulatory enablement through *Beyond by RS2®*, which provides access to EMI licensing, BIN sponsorship and regulatory support.

This combination matters because many providers solve only one part of the problem. Some offer issuing only. Others provide processing but not licensing. Some provide sponsorship but rely on external technology partners.

The result is fragmentation: multiple vendors, separate integrations, duplicated controls and slower time-to-market.

RS2's proposition is different. By bringing platform, processing and licensing together, RS2 enables clients to choose the level of control and complexity that suits their business model — from modular adoption to a fully managed route to market.

Clients can launch and operate card and payment programmes without coordinating multiple vendors across the value chain.

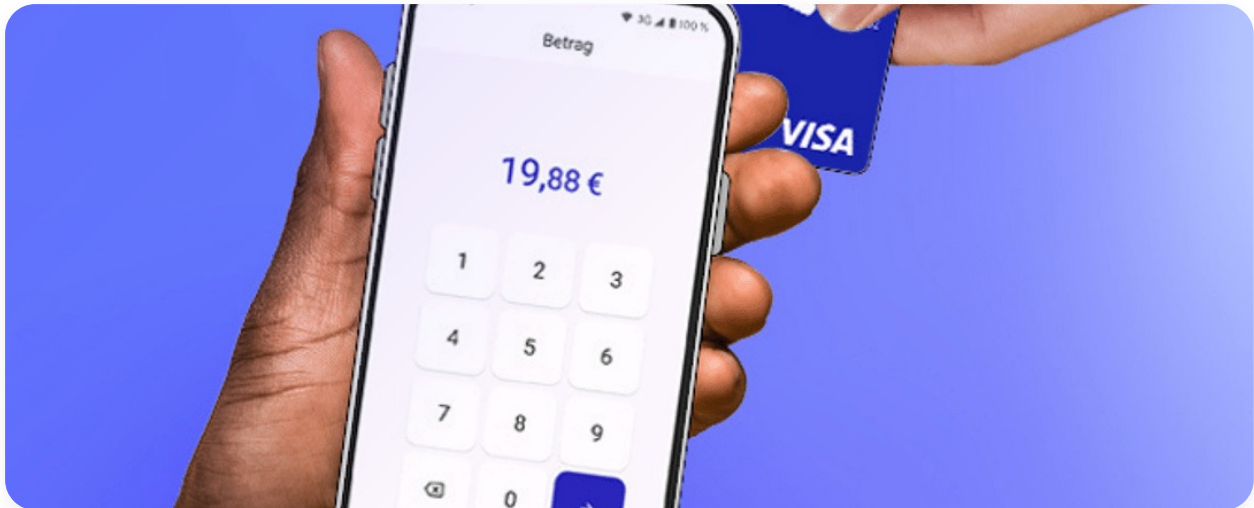
The strategic message is clear: BIN sponsorship is not simply a licence wrapper. It is an entry point into a unified payments ecosystem.

Put another way, this is full-stack sponsorship: not simply access to a BIN, but a connected operating model for launching, controlling and monetising payments across issuing, acquiring and embedded finance.

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Who benefits from BIN Sponsorship 2.0?

Fintechs and digital banks



For fintechs and digital banks, the primary benefit is speed with credibility. BIN sponsorship allows them to launch debit, prepaid, virtual, corporate or multi-currency card products without building regulated infrastructure from scratch.

But the deeper benefit is focus. Instead of spending scarce capital and management attention on scheme access, compliance operations and transaction processing, fintechs can concentrate on proposition design, customer acquisition and product differentiation.

Through a full-stack sponsorship model, fintechs gain access not only to a sponsored BIN, but also to authorisation, clearing, settlement, card lifecycle management, fraud controls and reporting. This reduces complexity and creates a more stable foundation for growth.

For digital banks and fintechs seeking to expand beyond a single card product, this matters. It creates a path from initial launch to broader payments capability — adding new card types, customer segments, value-added services and market expansion without rebuilding the underlying infrastructure.

WHO BENEFITS FROM BIN SPONSORSHIP 2.0?**Are You Ready for BIN Sponsorship? A Fintech Self-Assessment**

Sponsor banks and programme managers are now applying significantly more rigorous onboarding criteria in the post-Synapse environment. Before approaching a sponsor, fintechs should be able to demonstrate the following:

READINESS CRITERION	WHAT SPONSORS NOW EXPECT
Transaction volume projections	Documented 12/24-month volume forecasts with sensitivity scenarios. Most sponsors now require a credible path to >\$50M annual TPV within 18 months.
AML/KYC programme	A fully documented Customer Due Diligence and Enhanced Due Diligence framework, with named MLRO and evidence of regulatory engagement.
Technical integration capability	API integration team in place with experience of connecting to processing platforms. Proof of concept or sandbox testing completed.
Chargeback and dispute management	Defined internal process for handling disputes, with staffing plan for operations function at scale.
Capital adequacy	Sufficient working capital to fund programme reserves, float requirements and operational costs for a minimum of 12 months post-launch.
Compliance infrastructure	Board-level compliance function with named responsible individuals, not solely reliant on outsourced compliance.

WHO BENEFITS FROM BIN SPONSORSHIP 2.0?

Platforms, marketplaces and embedded finance providers



For platforms and marketplaces, payment products are increasingly becoming part of the customer experience. Seller payout cards, freelancer cards, contractor expense cards, creator wallets and embedded merchant acceptance are no longer fringe ideas. They are becoming core tools for retention, monetisation and ecosystem control.

BIN sponsorship enables these businesses to embed financial services without becoming financial institutions themselves. Platforms, marketplaces and SaaS businesses can use sponsorship models to offer financial services such as payout cards, expense cards and instant access to earnings while avoiding the full burden of direct scheme membership and regulated infrastructure.

This is where RS2's unified issuing and acquiring model becomes especially relevant. Because *BankWORKS*® supports both sides of the payments value chain, a platform can issue cards to users, enable merchants to accept payments, manage transaction flows, reconcile funds and access reporting through a unified infrastructure layer.

That turns payments from a bolt-on feature into a revenue-generating ecosystem.

For platforms, the strategic value is not simply launching a card or enabling acceptance. It is creating a payments layer that strengthens customer engagement, improves data visibility and opens the door to embedded finance services such as lending, loyalty, instant payouts and working capital.

WHO BENEFITS FROM BIN SPONSORSHIP 2.0?

The Embedded Finance Horizon: Beyond Card Issuance

In 2026, embedded finance extends well beyond card programmes. Platforms evaluating their payments strategy should consider the following adjacent capabilities that a full-stack BIN sponsorship relationship can enable:

- **Account-to-account (A2A) payments:** Open Banking rails enable instant, low-cost settlement between platform participants without card scheme fees. Particularly relevant for high-volume, lower-margin marketplace payment flows.
- **Embedded lending:** Transaction data from a sponsored programme creates a proprietary credit signal. Platforms with sufficient volume can use this to offer working capital advances, revenue-based finance or BNPL at the merchant or consumer level without needing a banking licence.
- **Real-time treasury management:** Platforms holding funds on behalf of sellers, freelancers or contractors can offer sweep accounts, yield products and FX management as value-added services, deepening stickiness and generating fee income.
- **Stablecoin and tokenised settlement:** Several jurisdictions — including the EU under MiCA, the UK under the Digital Securities Sandbox, and Singapore under the MAS Project Guardian framework — are now creating regulated pathways for stablecoin-denominated settlement. Forward-looking platforms should ensure their payments infrastructure can accommodate tokenised rails alongside traditional card and bank rails.

WHO BENEFITS FROM BIN SPONSORSHIP 2.0?

PayFacs, ISVs and acquiring-led payment providers

BIN sponsorship should not be viewed only through the lens of card issuing. The same logic applies to acquiring.

Payment facilitators, ISVs and PSPs increasingly want greater ownership of the merchant relationship. They want to control onboarding, pricing, settlement, data and value-added services. Yet acquiring directly requires licensing, scheme membership and operational capabilities that are difficult to build quickly.

Merchant Acquiring Value Chain

		Acquirer	ISO / PayFac	Agent	Processor	Gateway	Bank	ISV
Merchant Sales	- Marketing - Sales - Lead Generation							
Merchant Onboarding	- Boarding - Terminal Dplymnt. - Account Setup - Underwriting							
BIN / ICA Sponsorship	- Card Ntwk. Member - Merchant Reserves						✓	
Transaction Processing	"Front End" Auth. & Capture - Gateway							
	"Back End" Clearing & Settlement						✓	
Risk Mgmt.	- Fraud Monitoring - Ongoing Credit Review - Collections							
Back Office Functions	- Call Center - Tech Help - Dispute Handling - Relationship Mgmt							
	- Retention - Strategic Re-Pricing - Promotions - Cross-Sales							
	- Management - Accntng. & Finance - Treasury						✓	

Source: Flagship Advisory Partners, US Acquiring BIN Sponsorship.

WHO BENEFITS FROM BIN SPONSORSHIP 2.0?



Sponsored acquiring gives these players a route to market under a regulated framework while preserving their own brand and merchant proposition. It enables ISVs, PayFacs and fintechs to offer merchant payment acceptance services without requiring their own banking licence, while accelerating market entry through products like *Beyond by RS2*®.

For acquiring-led players, the commercial upside is significant. Payments can become more than transaction processing. With the right infrastructure, acquiring becomes the entry point to merchant lending, cash advances, loyalty, analytics, dynamic pricing and flexible settlement.

The strongest sponsored acquiring models will not simply monetise transaction volume. They will monetise insight — using payment data to improve merchant performance, refine pricing, reduce churn and develop value-added services.

In this sense, sponsored acquiring supports a wider move from payment acceptance to measurable merchant outcomes. It allows PayFacs, ISVs and PSPs to move closer to the economics and intelligence of acquiring, rather than remaining only at the distribution layer.

WHO BENEFITS FROM BIN SPONSORSHIP 2.0?

The Acquiring Migration Path: From Distribution to Ownership

PayFacs and ISVs often underestimate the complexity — and the commercial opportunity — of the acquiring migration journey. The following framework illustrates how sponsored acquiring can evolve over time:

STAGE	MODEL	REVENUE PROFILE
Stage 1	Referral / Agent: Pass merchants to an acquirer and earn a referral fee. No underwriting, no risk.	Low margin. Typically, \$5-\$15 per merchant per month in residual income.
Stage 2	ISO / Registered PayFac: Board and manage merchants under a sponsor. Own the merchant relationship. Limited underwriting responsibility.	Moderate margin. Revenue share on interchange and fees. Typically, 20-40bps on TPV.
Stage 3	Full PayFac (Sponsored): Full merchant onboarding and underwriting responsibility. Control pricing, settlement and data. Sponsor provides BIN/ICA and scheme access.	Higher margin. Full economics minus sponsor fee. Typically, 40-80bps on TPV depending on vertical.
Stage 4	Direct Acquirer: Apply for own scheme membership. Full liability. Maximum control and economics.	Maximum margin but requires significant capital, compliance infrastructure and scheme approval timeline of 12-24+ months.

Sub-merchant risk management is the most frequently underestimated operational challenge at Stage 3. PayFacs are liable for their sub-merchants' chargebacks and compliance failures. This requires robust onboarding screening, ongoing transaction monitoring, reserve management and chargeback response capabilities — all of which should be built into the infrastructure layer from day one, not retrofitted.

WHO BENEFITS FROM BIN SPONSORSHIP 2.0?

Banks and financial institutions

For banks, BIN Sponsorship 2.0 is both a defensive and offensive opportunity.

Defensively, banks face pressure from fintechs, embedded finance providers and specialist processors that have raised expectations around speed, digital onboarding and product flexibility.

Banks that rely on slow, fragmented or product-specific infrastructure risk losing relevance in areas where they should have natural advantages: trust, regulation, balance sheet strength and client relationships.

Offensively, banks can use sponsorship models to monetise their regulatory position, expand into new segments and support fintech innovation without having to own every customer proposition directly.

With the right infrastructure, sponsorship moves from defensive compliance management to offensive value creation.

The challenge is operational control - sponsorship creates responsibility.

Banks and regulated institutions must ensure that sponsored programmes are properly governed, monitored and supported. They need visibility across risk, authorisation, settlement, reconciliation, reporting and partner performance.

This is where modern infrastructure becomes critical. With cloud-native processing, real-time risk controls, automated reconciliation, dispute management and configurable compliance tools, sponsorship can become a scalable growth model rather than a source of unmanaged risk.

For banks, the opportunity is not simply to sponsor fintechs. It is to participate in the next phase of embedded finance through a model that combines regulatory strength with modern payments infrastructure.

WHO BENEFITS FROM BIN SPONSORSHIP 2.0?

Capital, Risk and Regulatory Considerations for Sponsor Banks

Senior risk and finance executives at banks evaluating or expanding their sponsorship activities should address the following in their programme governance frameworks:

- **Operational Risk Capital (Basel IV):** Sponsored programmes generate operational risk exposure that must be captured in the bank's internal capital adequacy assessment. The Standard Measurement Approach under Basel IV requires banks to map BaaS and sponsorship activities to appropriate loss event categories. Infrastructure that provides automated incident logging and loss event capture materially reduces the cost of this exercise.
- **Concentration Risk:** Sponsor banks with significant revenue dependence on a small number of sponsored programmes face concentration risk that prudential regulators are increasingly scrutinising. Programme diversification and robust exit planning are now supervisory expectations, not optional best practice.
- **Third-Party Risk Management (TPRM):** Regulatory expectations for TPRM have risen significantly across all major jurisdictions. Banks must conduct initial and periodic due diligence on all sponsored entities and their material sub-contractors, with documented risk ratings, monitoring cadences and escalation procedures.
- **Consumer Duty / UDAAP Compliance:** In both the UK (FCA Consumer Duty) and the US (CFPB UDAAP standards), banks bear responsibility for the fair treatment of end consumers in programmes they sponsor. This includes oversight of the sponsored entity's customer communications, fee disclosures and complaints handling.

Audience-Specific Implementation Guidance

BIN Sponsorship 2.0 is not a single product it is a strategic model that manifests differently depending on the type of organisation adopting it. The following guidance translates the high-level framework into actionable starting points for each primary audience.

For Fintechs and Digital Banks

PHASE	KEY ACTIONS
First 90 days	Conduct scheme and EMI feasibility assessment. Define target card product and customer segment. Engage sponsor and processor for indicative commercial terms. Appoint compliance lead.
Months 3-9	Complete technical integration with processing platform. Run parallel reconciliation to validate ledger accuracy. Conduct internal UAT and regulatory pre-notification where required.
Months 9-18	Launch pilot programme with controlled cardholder cohort. Establish chargeback and fraud monitoring baselines. Build operational runbook for scheme compliance.
Year 2+	Expand card types and customer segments. Evaluate direct scheme membership ROI. Introduce value-added services (lending, loyalty, FX).

For Platforms and Marketplaces

Revenue modelling is the essential first step. Before selecting a sponsorship partner, platforms should model the full economic waterfall: gross interchange earned, minus scheme fees, minus sponsor fee, minus processing fee, minus operational cost. For most vertical SaaS and marketplace platforms, the net interchange economics become attractive at >\$10M annual TPV per sponsored programme. Below that threshold, a referral or revenue-share model with an existing acquirer or issuer is likely more capital-efficient.

AUDIENCE-SPECIFIC IMPLEMENTATION GUIDANCE

For PayFacs and ISVs

The critical decision is whether to invest in full PayFac infrastructure or to use a managed PayFac model through a provider like RS2. The break-even point depends on merchant portfolio size, average ticket value and vertical mix. As a general guide: managed PayFac models are typically more economic below 500 active merchants; building proprietary PayFac infrastructure becomes justified above 1,000-2,000 active merchants with a stable vertical concentration.

For Banks



The single most important governance investment a sponsor bank can make is a dedicated programme monitoring function — separate from standard third-party risk management — with real-time access to programme-level transaction data, reconciliation reports and compliance metrics. Banks that have built this capability have been significantly better positioned to respond to regulatory enquiries and to identify deteriorating programme performance before it becomes a material risk event.

From sponsored access to intelligence-driven growth

BIN Sponsorship 2.0 should not be seen as the end state. It is the foundation on which more intelligent payment businesses can be built.

Once a fintech, platform, PayFac or bank has established regulated access through sponsorship, the next challenge is performance: how to improve approval rates, manage fraud, optimise routing, personalise merchant services, reduce churn and monetise payment data.

This is where sponsorship connects directly to the next generation of acquiring. As merchant acquiring moves beyond commodity processing, value is shifting towards software, analytics, orchestration and value-added services. Sponsorship gives businesses the route to market; intelligence-led infrastructure gives them the ability to compete, differentiate and grow.

This also reflects a broader change in the economics of payments. The future is not only about processing transactions at scale. It is about turning transaction data, risk intelligence and operational insight into better outcomes for merchants, platforms, consumers and financial institutions.

In this sense, BIN Sponsorship 2.0 and intelligence-led acquiring are part of the same strategic shift. Both move payments away from fragmented, reactive operating models and towards integrated platforms that combine access, control, compliance and commercial intelligence.

The first generation of BIN sponsorship solved access. The next generation must solve scale.

For RS2, that means connecting regulatory enablement through *Beyond by RS2*®, processing through *RS2 SmartProcessing*®, and unified issuing and acquiring through *BankWORKS*® — helping clients launch faster, operate smarter and monetise payments more effectively.

AI and Agentic Payments: The Next Infrastructure Layer

The intelligence-driven growth thesis requires more substantive treatment in 2026 than the original white paper provides. Artificial intelligence is no longer a background capability in payments — it is becoming the primary operational layer for fraud detection, approval rate optimisation, routing decisions and merchant performance management.

More significantly, the emergence of agentic AI — systems that can plan and execute multi-step workflows autonomously — is beginning to reshape how payment operations are run. Understanding how BIN sponsorship infrastructure connects to these capabilities is now a strategic, not technical, question.

Where AI Creates Value in Sponsored Payment Programmes

CAPABILITY	VALUE CREATION
Fraud and risk decisioning	Real-time ML models trained on transaction-level data can reduce false positive rates by 20-40% compared to rules-based systems, while maintaining or improving fraud detection rates. For sponsored programmes, this directly impacts authorisation rates and customer experience.
Approval rate optimisation	AI-driven dynamic routing selects the optimal processing path for each transaction based on historical approval rates by issuer, time of day, card type and merchant category. Early adopters report 1.5-3% improvement in authorisation rates — significant at scale.
Merchant performance intelligence	Aggregated transaction data enables AI-powered benchmarking: showing merchants how their conversion rates, refund rates and chargeback rates compare to peers in the same vertical. This transforms the acquirer from a commodity processor into a strategic business partner.
Agentic dispute management	AI agents can now handle first-line dispute resolution — retrieving transaction evidence, assessing chargeback reason codes, drafting representment responses and escalating complex cases to human reviewers. Pilot deployments are reporting 40-60% reduction in dispute handling time.
Regulatory reporting automation	Large language models trained on regulatory guidance can automate the mapping of transaction data to reporting templates, dramatically reducing the cost and error rate of regulatory submissions.

AI AND AGENTIC PAYMENTS: THE NEXT INFRASTRUCTURE LAYER

Infrastructure Requirements for AI-Ready Payments



The prerequisite for all of these capabilities is the same: a clean, unified, real-time data layer. Fragmented infrastructure — multiple processors, separate issuing and acquiring systems, middleware ledgers — creates data silos that make AI training and inference unreliable. This is another structural argument for unified platform models like BankWORKS®, where all transaction data flows through a single system of record.

Payments businesses that invest in unified infrastructure today are building the AI training data advantage of tomorrow. Fragmentation is not just an operational cost — it is a strategic liability.

The Regulatory Landscape: A Global Sponsorship Guide

BIN sponsorship operates within fundamentally different legal and regulatory frameworks across jurisdictions. What is permissible and commercially viable in the EU may require a completely different structure in the US, and the approaches viable in Singapore may not translate to the UK or the Gulf.

The following guide provides a jurisdiction-level overview of key sponsorship considerations as of mid-2026.

European Union

BIN sponsorship in the EU operates under the Payment Services Directive (PSD2), with PSD3 and the Payment Services Regulation (PSR) expected to be fully transposed by member states in 2026-2027. Key features of the EU framework:

- E-money institutions (EMIs) licensed in any EU member state can passport their authorisation across the EEA, making EU licensing one of the most efficient routes to pan-European programme deployment.
- The regulatory capital requirement for a full EMI licence is €350,000, with ongoing own funds requirements linked to e-money outstanding and payment volumes.
- DORA (Digital Operational Resilience Act) applies to all licensed payment institutions from January 2025, requiring ICT risk management frameworks, incident reporting within 4 hours of major incidents, and annual resilience testing.
- The EU AI Act, effective 2026, classifies certain AI-based credit scoring and fraud detection systems used in payments as 'high-risk' AI systems, requiring conformity assessments and ongoing monitoring.

THE REGULATORY LANDSCAPE: A GLOBAL SPONSORSHIP GUIDE

United Kingdom

Post-Brexit, the UK has retained a broadly PSD2-aligned framework under the Payment Services Regulations 2017, but is now diverging in several areas:

- The FCA's Consumer Duty (effective 2023, now being enforced) places obligations on sponsor banks and EMLs to demonstrate that sponsored programmes deliver good outcomes for retail customers — including fair pricing, accessible support and clear communications.
- The UK's New Payments Architecture (NPA) is progressing, with Pay.UK overseeing the transition to an ISO 20022 messaging standard for retail payments. Sponsors should ensure their infrastructure roadmaps accommodate NPA connectivity.
- The PSR (Payment Systems Regulator) is actively monitoring BIN sponsorship arrangements, particularly where sponsored programmes serve vulnerable consumer segments. Regulatory engagement before launch is strongly advised for programmes targeting underserved markets.

United States

The US sponsorship market is materially different from Europe due to its fragmented state-by-state licensing framework and the dominant role of national bank sponsors operating under OCC charters:

- Programme managers operating under a sponsor bank do not typically require their own money transmission licences (MTLs), as activities are covered by the sponsor's federal or state banking charter. However, this depends heavily on the specific activities performed and the jurisdiction of operation.
- Following the Synapse collapse, the OCC, FDIC and Federal Reserve have issued supervisory guidance requiring sponsor banks to perform enhanced due diligence on all programme managers, maintain direct access to end-user balance information and conduct periodic on-site reviews.
- The CFPB's Section 1033 open banking rule (effective 2024-2026 in phased implementation) creates data portability rights for consumers that will affect how sponsors and programme managers handle customer data in multi-party arrangements.

THE REGULATORY LANDSCAPE: A GLOBAL SPONSORSHIP GUIDE

- California, New York and Texas — the three largest US payments markets — have all introduced or are progressing state-level fintech licensing or registration requirements that may apply to programme managers even when operating under a federal sponsor bank.

Asia-Pacific

APAC represents the most heterogeneous regulatory environment for BIN sponsorship, with each major jurisdiction maintaining distinct frameworks:

JURISDICTION	KEY SPONSORSHIP CONSIDERATIONS
Singapore (MAS)	Major Payment Institution (MPI) licence required for most sponsorship activities. MAS Project Guardian is actively developing regulated pathways for tokenised payment rails alongside traditional card infrastructure.
Hong Kong (HKMA)	Stored Value Facility (SVF) licence framework. HKMA has been proactive in engaging with BaaS and embedded finance models; sandbox participation is recommended before launch.
Australia (APRA/ASIC)	Australian Financial Services Licence (AFSL) or banking licence required depending on activities. The Payments Licensing Reform underway as of 2025 is streamlining the framework but transition arrangements create temporary complexity.
India (RBI)	Prepaid Payment Instrument (PPI) licence required. RBI maintains tight restrictions on foreign ownership of payment infrastructure; domestic sponsorship partnerships are typically necessary for market entry.
UAE / ADGM / DIFC	The UAE has developed competitive fintech-friendly frameworks within its financial free zones. ADGM's FSRA and DIFC's DFSA both offer regulatory sandbox programmes and dedicated payment institution licensing pathways.

Please note: The above is not legal advice and readers should consult qualified counsel in each market.

Commercial Evidence and Benchmarks

Time-to-Market Advantage

ROUTE TO MARKET	TYPICAL TIMELINE
Direct scheme membership (Visa/Mastercard Principal)	12-24 months from application to first live transaction. Requires significant capital investment in compliance infrastructure.
EMI licence application (EU)	6-18 months depending on jurisdiction and regulator workload. Several EU NCAs are now quoting 12-18 month timelines for new applications.
BIN Sponsorship (via established sponsor)	8-16 weeks from contract execution to first live transaction in most cases, subject to technical integration and programme approval.
BIN Sponsorship + Full Stack Provider	6-12 weeks where the sponsor and processor are the same entity, eliminating integration risk between vendors.

Authorisation Rate Impact

Authorisation Rate is one of the most commercially significant metrics in card issuing and acquiring. Industry data suggests:

- Fintechs migrating from fragmented multi-vendor infrastructure to unified processing platforms report Authorisation Rate improvements of 1.5-3 percentage points on average.
- At \$100M annual TPV and a 1.5% net interchange rate, a 2-point improvement in authorisation rates generates approximately \$300,000 in additional annual net revenue.
- Fraud false positive rates (legitimate transactions declined as suspected fraud) typically run at 2-4% on rules-based systems and 0.8-1.5% on ML-based systems — representing significant recoverable revenue for programmes that invest in intelligent fraud decisioning.

COMMERCIAL EVIDENCE AND BENCHMARKS

Operational Cost Benchmarks

COST AREA	BENCHMARK / INDICATIVE RANGE
Multi-vendor integration (issuing + acquiring + sponsor + processor)	Estimated 25-40% higher operational cost versus unified stack, primarily driven by reconciliation complexity, duplicate compliance functions and integration maintenance.
Dispute handling cost (manual vs automated)	Industry benchmark for manual dispute handling: \$15-25 per case. AI-assisted first-line handling: \$4-8 per case. At 500 disputes per month, automation saves \$65,000-\$102,000 annually.
Regulatory reporting (manual vs automated)	Estimated 60-80% reduction in regulatory reporting effort achievable through automated data pipelines from unified transaction systems versus manual extraction and reconciliation.
Scheme compliance costs	Direct scheme membership typically requires \$500K-\$2M in initial compliance investment and \$200K-\$500K per year in ongoing compliance operations. Sponsorship eliminates most of this cost at the programme level.

Revenue Economics by Participant Type

PARTICIPANT	PRIMARY REVENUE MECHANISM	INDICATIVE RANGE
Fintech (issuing)	Net interchange after sponsor and processing fees	0.3-0.8% of TPV depending on card type and market
Platform (embedded)	Interchange share + payment facilitation margin + value-added service fees	0.5-1.2% of TPV at scale
PayFac (acquiring)	Merchant discount rate minus interchange, scheme fees and sponsor/processor cost	0.4-0.9% of TPV in typical verticals
Sponsor bank	Sponsorship fee + float income + reserve income + correspondent banking	0.05-0.15% of sponsored TPV plus balance sheet income

From access model to growth model

BIN sponsorship is entering a new phase.

The first phase gave fintechs, platforms and programme managers a faster route into card issuing. The next phase is broader and more strategic.

It brings together issuing, acquiring, embedded finance, regulatory enablement, processing, orchestration, risk management, settlement and data-driven value creation.

That is why BIN Sponsorship 2.0 should not be viewed as a narrow regulatory shortcut. It is becoming a growth model for the next generation of payments businesses.

For fintechs and digital banks, it provides speed and focus. For platforms and marketplaces, it creates a route to embedded finance and deeper ecosystem monetisation. For PayFacs and ISVs, it supports greater ownership of the merchant relationship. For banks and financial institutions, it offers a way to turn regulatory strength into scalable ecosystem participation.

The common thread is infrastructure.

The organisations that succeed will be those that can combine market access with operational control, compliance with flexibility, and payment processing with intelligence-driven growth.

That is the promise of BIN Sponsorship 2.0: a route into payments that does not end at launch, but creates the foundation for scale, differentiation and long-term value creation.

BACKGROUND

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ABOUT

About RS2

RS2 is a global, cloud-native payments technology provider, delivering end-to-end issuing and acquiring on a single platform — BankWORKS®.

31_{bn}

Transactions processed annually

99.99%

Platform uptime

Processing over 31 billion transactions annually with 99.99% platform uptime, RS2 enable banks, financial institutions, and payments companies to simplify complexity, scale internationally, and operate with full control across the payments value chain.

A listed company with over 35 years of expertise, RS2 combines proven processing capabilities with modern, cloud native, modular architecture designed for today's digital payments ecosystem.

RS2's BankWORKS® platform stands out as a robust cloud-native solution designed for both issuing and acquiring operations. With its advanced orchestration layer seamlessly integrating all aspects of business operations, clients gain access to comprehensive analytics, reporting tools, and reconciliation features.

This empowers businesses to effortlessly expand their global footprint through a single integration, while also gaining valuable insights into payment processes and customer behaviour, enhancing operational efficiency, increasing conversion rates, mitigating fraud and driving profitability.

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