

# Your Card Network Strategy is a Business Decision. Treat It Like One.



Most banks and credit unions approach Visa and Mastercard licensing as a compliance exercise, something to sort out with a processor and move on from. That framing is costing institutions real money.

The choice between Principal membership and Associate/Affiliate membership is not a back-office technicality. It determines who controls your BIN, who owns settlement responsibility, who absorbs network compliance obligations, and ultimately, how much of your payments revenue you keep versus hand to vendors.

Getting that decision right requires understanding what each model actually means, and what it actually costs.

## **Principal Membership: Control Has a Price Tag**

Principal members hold a direct relationship with Visa or Mastercard. They own their BINs, manage settlement, and bear full responsibility for network compliance. For payments-mature institutions with

the infrastructure to support it, Principal membership offers maximum control over card products, pricing strategy, and the end-to-end cardholder experience.

That control comes with real operational weight. Principal members are responsible for fraud mitigation, consumer protection compliance, data governance, and risk management across card-present and card-not-present channels. The institutions that benefit most from this model have already built, or are actively building, the internal expertise to carry those obligations without bleeding cost.

## **Associate/Affiliate Membership: Speed and Simplicity With Trade-offs**

Associate or Affiliate membership allows institutions to lean on a sponsor bank, processor, or program manager for settlement, reporting, and network compliance. The operational burden is lighter. The path to market is faster.

This model fits institutions that want to remain competitive in card issuing without building extensive in-house infrastructure. It also suits organizations that are growing toward Principal membership and need time to develop the scale and capabilities to justify the transition.

The trade-off is control. In an Associate model, some contract terms, fee structures, and network incentives flow through intermediaries, which means your ability to negotiate directly on those economics is limited.

### **Where Institutions Leave Money on the Table**

Here is where the real risk lives: most institutions make this decision once, lock into multi-year contracts, and rarely revisit whether the terms still reflect their volume, mix, or strategic position.

Network and processing economics are layered. Some components, base interchange and certain network assessments are fixed. Others are not. Volume-based incentives, marketing funds, pricing review rights, fee pass-through language, and downgrade management terms are all negotiable if you know what to ask for and what peer benchmarks look like.

Most institutions do not have that visibility. Their internal teams are managing day-to-day operations, not benchmarking scheme fees against comparable portfolios or modeling how a contract restructure would affect three-year profitability.

That gap is where meaningful dollars are recovered or lost.

### **What an Experienced Payments Advisor Changes**

Engage fi works with banks and credit unions to bring objectivity and market intelligence to decisions that are too often made in isolation.

On the membership structure question, that means quantifying the true all-in cost of each path, scheme fees, collateral requirements, compliance overhead, and staffing, so leadership sees the complete economic picture before committing. For institutions not yet ready for Principal membership, it means building a

phased roadmap that times the transition when scale and capabilities justify it.

On contract negotiations, it means bringing benchmark data to the table, identifying where network incentives and volume rebates have room to move, and tightening contract language to prevent fee creep over the life of the agreement.

The savings generated through better contract terms are not an end in themselves. They are capital that can be redirected into richer rewards programs, new card products, fraud analytics, or digital channel investment, to grow the payments business rather than subsidize vendor margins.

### **The Question Worth Asking Now**

When did your institution last benchmark your card network economics against peer institutions? If the answer is "when we signed the contract," there is a reasonable chance you are leaving basis points, and potentially millions in incentives and rebates, unclaimed.

The payments landscape has grown more complex, but the opportunity to optimize it has grown alongside that complexity. The institutions capturing that opportunity are the ones approaching network strategy as an ongoing business discipline, not a one-time decision.