

## Principal vs. Associate/Affiliate Membership: How Do You Know What's Best for Your Financial Institution?

By Kody Tuupo  
Consultant  
[Engage fi](#)

To become a licensed Visa or Mastercard issuer, certain requirements must be met by your financial institution. But first, it is essential to understand your options. There are two types of licensing programs Visa and Mastercard offer: a Principal membership and an Associate/Affiliate membership. Both have been developed to accommodate different banking needs and have pros and cons that should be considered before deciding what is best for your strategic growth plan.

### Principal Members

Principal membership typically includes larger institutions that are comfortable with risk underwriting, credit management, billing customers, and collecting payments. In addition, a Principal member has a direct relationship and agreement in place with Visa or Mastercard, allowing the member to issue cards, acquire members, and provide authorization services, to name a few.

With a Principal membership, you take on more responsibilities, but you will also get additional benefits including more flexibility that need to be considered. Principal membership offers your financial institution direct contact with Visa and Mastercard for any product development and marketing needs you may have. You will be assigned a point of contact who will know your financial institution's goals and help you grow your credit and debit programs.

### Benefits of a Principal membership at a glance:

- Reporting comes directly to the financial institution with a high level of detail that allows full transparency including any fees.
- Direct relationship with a Mastercard account manager or a Visa account executive to help with planning, portfolio optimization, and communications.
- Direct systems access for operations.
- Direct access to insights and analysis.
- Quarterly benchmarking versus peers.
- Direct investment of funds into growing portfolio.
- Hosts own processing.
- May sponsor others, issue cards, and disburse cash.
- More robust incentive offerings.

### Responsibilities can include:

- Reporting: Quarterly volume, transaction, card reporting.

- Fraud reporting (Safe Reporting).
- Direct billing and settlement.
- Administrator Roles:
  - Security Administration: approve orders, add new employees for membership access.
  - Business Administration: register and provision service providers.
- Continuous update of company contacts.
- Compliance with Visa or Mastercard rules and regulations.
- Register third party agents.

### **Associate/Affiliate Members**

Associate or Affiliate members can include large and small financial institutions. However, historically, membership consists of those with around \$25 million a year or less in combined credit and debit signature volume and or limited staffing. Additionally, it is not always about the number of assets or personnel your financial institution has. Associate members can include those who decide they want to operate with the assistance of their processor for certain aspects, such as settlement, reporting, and fee payment.

### **Benefits of an Associate/Affiliate membership at a glance:**

- Licensee sponsored by Principal member – associate maintains full ownership of licensing program.
- Supports in place for smaller financial institutions with limited staff and resources.
- Quarterly reporting is done through the sponsor or processor.
- Discounts are possible at times with multiple financial institutions through a single sponsor.
- Faster onboarding and implementation.
- May issue cards.
- May disburse cash.

### **Responsibilities can include:**

- Must be provisioned by sponsor or processor to access any Visa or Mastercard systems.
- Understanding that reporting is not as transparent; financials are not broken out in as much detail as with a Principal membership.
- Compliance with Visa and Mastercard rules and regulations.
- Major brand holds settlement risk with some exceptions.

### **Determine What Matters Most**

There are many reasons a financial institution may choose to move forward with a Principal or Associate/Affiliate membership. However, the decision should be made with a full understanding of each option. For example, if resources are tight, an Associate membership might be the right move. Alternatively, if it is just the reporting

requirement holding you back from a Principal membership, it may not be as big of a hurdle as expected.

It might be that the relationship with your processor is something you don't want to lose with moving from an Associate to a Principal membership. As a Principal member, you would still need to foster and grow the relationship with your processor. The most successful financial institutions are the ones who leverage the best parts of the relationship with their processor and with Visa or Mastercard.

### Conclusion

When considering which membership is the right choice for your financial institution, it should come down to your internal goals and overall strategy. Suppose you are interested in growing your Credit and Debit programs. In that case, leveraging the resources and expertise of Visa & Mastercard in conjunction with your internal talent and processor partnership is most effective. Determine the proper mix to align with your goals and strategies. The pros and cons of each option can be weighed against the goals of your financial institution, and having the proper incentive set with either Visa or Mastercard is vital to your success from a Principal or Associate/Affiliate membership standpoint.

Kody Tuupo works on Credit/Debit, Brand, Online Banking, In-House Oversight, and ATM client projects. He began his career at PSCU in the Fraud Detection Work Center and later moved into the Risk Intelligence team as a Lead Analyst. He has experience in client relations, training, project management, pricing and negotiations.

To schedule a time to speak with Kody or one of our other consultants about your financial institution's credit and debit strategy, please call us at (844) 415-7962 or [click here](#) to book a call online.

To learn more about how Engage fi can help you get started with a Principal or an Associate membership, visit [www.engagefi.com](http://www.engagefi.com)