

Applications for Georgia Merchant Acquirer Limited Purpose Bank Charter: A Positive Sign for Fintech and Nonbank Direct Access to Card Networks

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On January 12, Fiserv announced that it filed an application with the state of Georgia for a merchant acquirer limited purpose bank (MALPB) charter. This application is a seismic development and positive sign for those in the United States pushing for more direct merchant acquirer access to the payment card networks.

A MALPB charter would allow a company to offer merchant payment processing services without a sponsoring partner bank, including:

- Obtaining membership in card networks;
- Signing up and underwriting merchants to accept network branded cards;
- Facilitating the clearing and settlement of transactions through a card network; and
- Providing access to, and sponsoring participation in, card networks to the MALPB's affiliates, customers, or customers of affiliates.

Our Take:

Companies seeking to apply for the charter, which was enacted almost 12 years ago, were not able to take advantage of its benefits because the card networks would not allow those companies to become direct participants. Thus, no MALPB has ever opened in Georgia. However, there are rumblings in the industry that at least one large card network is now willing to consider nonbank or fintech acquirers in possession of this special purpose charter, which would open up this as a viable opportunity for approvable applicants.

We have already had a number of talks with other payment and fintech companies looking to follow suit, and are expecting an increase in applications for this unique charter by companies that are looking to reduce reliance on sponsoring bank arrangements.

Troutman Pepper is a leader in *de novo* charter applications that has helped form all new bank charters in the state of Georgia since 2010. Troutman Pepper and Troutman Pepper Strategies also assisted in drafting the law that enacted the MALPB charter and in the advocacy efforts to enact it, and thus are well-positioned to assist payment and fintech companies looking to pursue this charter.

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businesses in today's challenging and ever-changing environment. Our team includes more than 200 attorneys who regularly advise national, regional, and community banks, financial technology companies, payments companies, consumer and commercial lenders, and a wide variety of other financial services businesses on the most crucial aspects of their business, from structuring major transactions to dealing with regulatory scrutiny and litigation.

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