SEIZING THE BANK CHARTER MOMENT

Implications for fintechs and banks

CONTENTS

INTRODUCTION

2025 has become the year of the bank charter in the US, with a surge in bank licensing activity from fintechs and non-traditional applicants. Since January, 20 filings for de novo charters, bank acquisitions, or conversions have been submitted, representing an all-time high.[1] This may only be the leading edge of a broader wave, given expectations of more filings in the pipeline.

This presents a seeming paradox: Why would fintechs — known for their nimble, innovative go-to-market approach — willingly subject themselves to the greater regulatory oversight that comes with a bank charter?

THE REASONS ARE THREEFOLD

- **Leading fintechs are reaching new levels of scale and maturity**, allowing them to reap greater strategic and financial benefits from a charter to offset the accompanying investments.
- **New leaders at supervisory agencies in the current administration have shifted regulatory priorities**, leading to greater receptivity to bank charters from non-traditional applicants. This creates a timebound window to act with urgency.
- **Some fintechs harbor continued concerns over the long-term risks that come with relying on a sponsor bank** to access banking and payments rails, and the corresponding lack of control over their own destiny.

But the decision to pursue a charter is not one-size-fits-all. It is a significant undertaking that requires a thoughtful approach, along with a significant investment of time, effort, and capital, all with an uncertain probability of success. There are many types of charters to consider in addition to the decision of whether to apply de novo or buy an existing bank. For many fintechs, the right approach will be to forgo a charter altogether and continue operating through banking-as-a-service (BaaS) arrangements with sponsor banks. This proven model remains highly relevant and benefits from more favorable regulatory treatment under the current administration. The optimal path depends on a fintech's strategy, maturity, financials, and likelihood of approval.

Ultimately, this next wave of bank charters may exert a significant influence on the future of financial services. Out of the many fintech charters expected to be approved, the broader industry impact will likely be concentrated in a few scaled fintechs that pursue full-service charters and follow SoFi's lead in reaching the ranks of the top 50 banks by assets. However, charters will also be strategically important to smaller fintechs or those pursuing more targeted strategies with limited-purpose banks. On the whole, the charter wave may further boost fintechs' momentum in taking share from incumbents by improving economics and removing friction from the customer experience.

The fintech charter trend will have implications across the broader financial services ecosystem, with clear calls to action for fintechs, incumbents, and regulators:

- **Fintechs** face a narrow window to evaluate their banking strategy and the strategic fit of a charter to ensure sufficient time to develop, apply for, and receive regulatory input on a charter during the current administration; future administrations may not prove to be as amenable to new charters.
- **Incumbent banks** will face increased competitive pressures from fintechs. Defending against further encroachment requires a more customer-first and digital-centric orientation for product innovation as well as a comprehensive strategy for fintech M&A and partnerships.

- **Policymakers** should consider whether to update bank charter policy to reflect the continuing evolution of banking. The key will be to ensure clear and flexible frameworks that promote innovation and competition while maintaining a level playing field and upholding principles of safety and soundness.

This report is organized into four sections. In Section 1, we level-set on the appeal of the bank charter and the drivers behind this year's uptick in charter pursuits. In Section 2, we assess which fintech attributes make charters more valuable and explore the economic trade-offs that come with bank status.

In Section 3, we share our hypotheses about how this wave of charters will alter the future competitive landscape, before closing in Section 4 with a call to action for different stakeholders in the ecosystem.

This report is informed by expert insight, secondary research, and analysis from Oliver Wyman and QED Investors, as well as conversations with over a dozen C-suite executives at leading fintechs. Anonymous quotes from these conversations are included throughout this report.

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THE ALLURE OF THE BANK CHARTER AND THE 2025 APPLICATION SURGE

What is the role of a bank charter? Given the importance of banks to the US economy and the risks of systemic financial crises, all banks must hold a charter conveying special powers and privileges granted by the federal government or one of the 50 states.

At their core, banks perform four key functions: lending, deposits, payments, and custodial services. While nonbanks can legally lend or process payments in many contexts, banks are the only entities that can directly take deposits that are reinvested in loans. Bank charters confer additional privileges beyond deposit-taking. While these vary by charter type, they often include eligibility for FDIC insurance, preemption of state usury laws, exemption from state money transmitter licensing, trust powers, access to Federal Reserve payments systems, eligibility for direct membership in Visa and Mastercard, and the ability to borrow from the Fed discount window. The recently enacted Genius Act grants banks the right to issue stablecoin via a ringfenced subsidiary.

Against this backdrop, different types of bank charters come with vastly different powers, varying intensity of regulatory oversight, and different hurdles to approval. While fintechs face a complex mosaic of bank charter options, they can be aggregated into three primary archetypes: traditional bank charters, exempt insured depository institutions (IDIs), and uninsured bank charters (Exhibit 1).

TRADITIONAL BANKS

Traditional banks include any charter that requires the parent company to register as a Bank Holding Company or a similar entity.[2] These charters, which include federal and state charters for banks and thrifts, typically provide maximal flexibility on scope of activities but impose stringent requirements on the parent under the Bank Holding Company Act (BHCA).

EXEMPT INSURED DEPOSITORY INSTITUTION

Exempt IDIs include industrial loan companies (also known as ILCs or industrial banks), Competitive Equality Banking Act (CEBA) credit card banks, and certain trust companies. While these entities are sometimes owned by banks or finance companies, they are unique in permitting companies with nonfinancial business lines to own an FDIC-insured bank that is not deemed a “bank” under the BHCA. This means the parent company is exempt from direct supervision, capital ratios, and activity limits, but also imposes stricter explicit and implicit restrictions on bank activities, including on the type of deposits that can be held.

UNINSURED BANKS

Uninsured banks are special-purpose charters allowing for a narrow scope of banking functions, such as merchant acquiring, custody services, or potential access to Fed payments systems.[3] These banks avoid not only the BHCA but also a broader set of federal banking regulations.

These charter archetypes require vastly different levels of transformation from fintechs. Attaining a traditional bank charter means becoming a bank. Obtaining an exempt IDI charter means owning a bank. Procuring an uninsured bank charter means getting a special-purpose license for select banking-related activities.

Exhibit 1: Three bank charter archetypes

	Traditional banks	Exempt IDI	Uninsured banks
Number of banks	~4,570	~40	~550
Overview	Charter requiring parent to register as a Bank Holding Company or similar entity[I]	FDIC-insured depository institutions outside of the BHCA definition of a bank	Special-purpose uninsured charter enabling a narrow scope of bank functions
Trade-offs	✓ Provides most flexibility on scope of activities ✗ Imposes stringent regulatory requirements, including for parent	✓ Allows non-financial firm to own insured bank without BHCA compliance ✗ Limits scope of activities vs. traditional bank	✓ Avoids BHCA coverage and other federal rules (CRA, Volcker, Reg W) ✗ Permits limited functions (payments, custody)
Charter types	• National bank • Federal savings association • State bank[II] or thrift • Foreign branch or agency	• ILC/industrial bank • CEBA limited-purpose credit card bank • Qualifying trust bank	• State special-purpose bank • National non-depository trust bank • State trust company
Incumbent bank examples	• JPMorgan Chase Bank, N.A. • Bank of America, N.A. • Wells Fargo Bank, N.A.	• UBS Bank US • WebBank • Hatch Bank	• Citicorp Trust Delaware • US Bank Trust • UMB Bank and Trust
Fintech bank examples	• SoFi, N.A. • LendingClub Bank, N.A. • Green Dot Bank • Varo Bank N.A.	• Comenity Bank (Bread Financial) • Square Financial Services • Nelnet Bank	• Stripe (GA MALPB[III]) • Banking Circle US (CT Innovation Bank) • Kraken (WY SPDI[IV])

I. Similar entities are Savings & Loan Holding Company and Foreign Banking Organizations.
II. Includes member banks that are part of the Federal Reserve System and non-member banks.
III. Georgia Merchant Acquirer Limited Purpose Bank.
IV. Wyoming Special Purpose Depository Institution.

Note: Credit unions are excluded from the scope of this report.

Source: OCC, FDIC, Federal Reserve, FFIEC, state banking supervisor websites, Oliver Wyman and QED Investors analysis

WHAT'S BEHIND THE RECENT WAVE?

Bank charters have surged to the top of the fintech C-suite agenda, with 18 new applications filed this year from fintechs and other nontraditional applicants, and market expectations of more in the pipeline. Applicants cover a diverse swath of business models, with several noteworthy clusters including international neobanks, digital asset fintechs, payment processors, and captive lenders.

The newfound urgency with which fintechs are pursuing charters is driven by three trends:

- Maturation of scaled fintechs increasing their suitability for a bank operating model
- An emerging window for charter approvals due to shifting political and regulatory winds
- Concern about long-term risks to the sponsor bank model beyond the current administration

FINTECH GRADUATION

Scaled fintechs are starting to weigh the relative advantages and drawbacks of a bank charter differently compared with earlier stages in their lifecycle. The sponsor model remains optimal for earlier stage startups and those fintechs committed to an unbundled, asset-light business model without a balance sheet emphasis. However, established fintechs with lending businesses are increasingly reaching the requisite scale and maturity where the strategic and financial benefits of a charter start to outweigh the downsides. Further, today's elevated interest rate environment — in contrast to the near-zero rate environment after the financial crisis — is putting emphasis on lending business models that can drive durable net interest margin advantage.

Many of the benefits of a charter increase proportionally with scale or become more salient as established fintechs become constrained by the limitations of the sponsor bank model. The value of deposit funding and cost reduction both increase with the volume of banking activity, while many of the downsides become less burdensome with scale. For example, the bank regulatory framework is a much more meaningful curb on innovation for an early stage fintech than for an established fintech with a clearly defined value proposition and strategy. Established fintechs also frequently look to become publicly traded companies, a transition that requires a similar focus on enhanced governance, risk policies, and controls as does pursuing a bank charter (for example, SOX compliance).

The broader implication of this dynamic is the emergence of a natural lifecycle pattern for banking-focused fintechs in which they begin as nonbank startups before eventually graduating to bank status.

> “
> Once you reach a certain maturity and scale, a bank charter starts to feel logical.

Exhibit 2: 2025 bank charter actions for fintechs and other non-traditional applicants

Applicant	Applicant type	Charter type	Entry type	Filed[I]	Approved[I]
Traditional Bank Charter					
SmartBiz	Fintech	National bank	M&A	2023	March
Battle Bank	Digital-native bank	National bank	M&A	March	August
OakNorth	Digital-native bank	State bank (MI)	M&A	June	Pending
Erebor Bank	Digital-native bank	National bank	de novo	June	Pending
Nubank	Fintech	National bank	de novo	September	Pending
Exempt IDI Charter					
Ford Credit Bank	Other nonbank	ILC (UT)	de novo	2022	Pending
GM Financial Bank	Other nonbank	ILC (UT)	de novo	January	Pending
Stellantis Bank USA	Other nonbank	ILC (UT)	de novo	February	Pending
OneMain Bank	Fintech	ILC (UT)	de novo	March	Pending
Edward Jones Bank	Other nonbank	ILC (UT)	de novo	April	Pending
Nissan Bank US, LLC	Other nonbank	ILC (UT)	de novo	June	Pending
Uninsured Bank Charter					
Telcoin	Fintech	Digital asset DI[II] (NE)	de novo	2024	February
Fnality	Fintech	Innovation Bank (CT)	de novo	2024	April
Stripe	Fintech	MALPB[III] (GA)	de novo	April	July
National Digital Trust Co.	Digital-native bank	National trust bank	de novo	May	Pending
Circle	Fintech	National trust bank	de novo	June	Pending
Fidelity Digital Assets	Other nonbank	National trust bank	de novo	June	Pending
Wise	Fintech	National trust bank	de novo	July	Pending
Ripple	Fintech	National trust bank	de novo	July	Pending
Bitgo	Fintech	National trust bank	Conversion[IV]	July	Pending
Paxos	Fintech	National trust bank	Conversion[IV]	August	Pending
UKG	Other nonbank	National trust bank	de novo	September	Pending
Checkout.com	Fintech	MALPB[III] (GA)	de novo	October	Pending
Coinbase	Fintech	National Trust bank	de novo	October	Pending
Exploring charter options (publicly reported)[V]					
Airwallex, Bunq, Klarna, Monzo, Revolut, Starling Bank					

I. Represents 2025 unless otherwise stated.
II. Nebraska Digital Asset Depository Institution.
III. Georgia Merchant Acquiring Limited Purpose Bank.
IV. Conversion from state trust company to national trust bank.
V. Based on articles from the Wall Street Journal, Financial Times, Bloomberg News and Banking Dive.

Note: List is updated as of October 3rd, 2025. Excludes applications for state trust companies.

Sources: OCC, FDIC, Fed, state banking supervisor websites, Wall Street Journal, Financial Times, Bloomberg News, Banking Dive, Oliver Wyman and QED Investors analysis

THE WINDOW OPENS

While the increasing scale and maturity of fintechs is providing the business rationale for the charter wave, the recent urgency derives from market expectations of a more favorable regulatory environment with a higher likelihood of faster approvals under the current administration. Both the OCC and the FDIC have made statements providing a green light for fintechs to pursue charters. Additionally, this administration has funneled policy decisions on bank regulation through Treasury and has been willing to direct agencies in a manner previously unseen. This centralization may drive a consistently favorable posture toward fintech charters across prudential regulators.

The timing dynamics vary by charter type. Traditional bank charters are likely to remain open to fintech applications regardless of political control, though the current administration is expected to be more flexible in evaluating applications, especially regarding historically challenging elements for fintechs such as new business models, crypto, subprime products, and CRA compliance.

Exempt IDIs remain controversial due to opposition to mixing banking and commerce, as seen in the moratoria on new applications following Walmart's failed 2005 bid. Recent signals from FDIC leadership, including a Request for Information, suggest a more open stance. The receptivity of the FDIC to new ILC charters may be short-lived and is at risk from a future change in administration. As such, ILC charters are the most likely to be subject to a time-bound window.

Uninsured charters are generally state-chartered and fall outside federal oversight since they do not require FDIC approval. Still, the federal government plays a role in two areas: (1) the OCC charters uninsured national trust banks, and (2) the Federal Reserve System approves access to the payments system, often a primary objective for uninsured charter applicants.

> "I have recently elevated the stature of our chartering and licensing function... we will no longer have a de facto "no" policy.

Statement by Comptroller of the Currency Jonathan V. Gould at September 2025 Meeting of the Financial Stability Oversight Council

> "We are doing work in a number of other areas, including... continuing to explore ideas for encouraging more de novo bank activity.

Statement by FDIC Acting Chairman Travis Hill at September 2025 Meeting of the Financial Stability Oversight Council

> "This year, we decided that we need to strike while the iron is hot.

CONCERNS ABOUT LONG-TERM RISKS WITH SPONSOR BANK MODEL

The final factor behind the charter wave is concern among a subset of fintechs about the long-term risks of relying on third-party banks to access critical infrastructure. While the sponsor bank model has always attracted scrutiny, regulators escalated the intensity of their oversight of BaaS in 2023 and 2024 by issuing over a dozen enforcement actions spanning financial crime compliance, third-party risk management, consumer protection, and board governance. The 2024 collapse of Synapse, a BaaS provider, left customers exposed to deposit losses and triggered even more scrutiny of sponsor banks.

In the wake of this regulatory crackdown, many sponsor banks decided to exit the market, creating disruption for their fintech partners that were forced to quickly find replacements. Regulators also became more active in issuing guidance and proposing system-wide rules for sponsor banks.

The supervisory crackdown on BaaS had already begun to wane by the end of the Biden administration, and the current administration has been friendlier to sponsor banks. Several new banks have entered the market, and many sponsor banks have fortified their compliance programs. However, scrutiny of the BaaS model may resurface in the future, particularly as the political environment changes.

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> It feels backwards to have massive fintech businesses sponsored by small community banks. What are the systemic implications of that?

Further, a key benefit of the sponsor bank model is the capacity for nonbanks to benefit from their sponsor bank’s ability to lend nationally at the rate of interest allowed in the bank’s home state. Some states have challenged that arrangement on the basis that the “True Lender” is the nonbank, so the loan should be subject to state limits on finance charges. While these efforts have failed, some state legislatures have tried to codify True Lender and almost every publicly traded fintech lender includes a section in their SEC filings outlining the risks from a change in True Lender doctrine.

These factors have led to apprehension among some fintechs regarding long-term risks to the sponsor bank model. While the sponsor bank model is deeply entrenched in the financial services ecosystem, a major operational failure (for example, a larger-scale version of Synapse) in the future could trigger stricter regulations that reduce the availability of potential partners, raise costs for fintechs, or limit fintech freedom to operate (for example, if regulators were to require banks to directly own processor contracts or restrict the use of pooled custodial accounts). There is far from a consensus on the level of risk, but many fintech leaders view a charter as a necessary strategy to gain control over their authorities and operations.

The desire for greater control intersects closely with the possibility that the current window of increased regulator flexibility may not stay open forever. If fintechs wait to obtain charters until regulatory disruption occurs, they may face a more challenging environment for approval.

> “
> The sponsor bank model is currently under the gun. It’s also costly.

> “
> BaaS is super strong in the US versus other markets. Vendor risk is not unique to BaaS. Long term, sponsor banks will stick around.

WHICH FINTECHS SHOULD PURSUE CHARTERS?

While a bank charter can unlock substantial strategic and financial value, it is not a one-size-fits-all solution. For many fintechs, the best strategy will be to continue with the bank sponsorship model. Given the potentially time-limited window to apply in a favorable regulatory environment and the time and cost required to pursue a charter, every fintech should be conducting an in-depth evaluation of its options.

Conversations with fintech executives highlighted the appeal of streamlined licensing, stable and low-cost funding, direct access to payments systems, and branding benefits. These benefits raise the question of why all fintechs don't apply for charters. In fact, most leading fintechs, including Chime, Klarna, Affirm, PayPal, and Revolut, do not have a US bank charter.

There are a few reasons. First, many fintechs play in financial services verticals such as insurance or back-end technology for which a bank charter may offer few, if any, benefits. Second, many fintechs lack a viable path to approval for various reasons, such as ownership requirements, limitations on nonfinancial activities, or red flags that make approval unlikely. Third, even for those fintechs that do focus on lending and deposit products and have a viable path to approval, the drawbacks associated with being a bank can often exceed the benefits.

THREE KEY CONSIDERATIONS FOR FINTECHS

Strategic fit

In pursuing an FDIC-insured bank (for example, traditional banks or Exempt IDIs), the most important factor for a fintech to consider is whether its strategy aligns with the benefits provided by a bank charter, which primarily accrue to lending and deposit products. Further, a fintech that offers lending or deposit products but maintains a firm strategic commitment to an unbundled model without any balance sheet exposure will be a poor fit for a bank charter. Charters are most relevant to fintechs prioritizing net interest margin.

A range of fintech products are relevant to a viable bank lending portfolio, including credit cards, commercial cards, unsecured personal loans, buy-now-pay-later (BNPL), purchase financing, and merchant working capital. Likewise, a range of fintech verticals are well positioned to generate deposits from embedded channels, including consumer neobanks, small-and-medium business (SMB) neobanks, digital brokerage firms, and money transfer providers.

Having one side of the balance sheet often isn't sufficient because transitioning to a chartered bank is about re-bundling both the asset (e.g., lending) and liability (e.g., deposits) sides of the financial intermediation process. It helps to have established products on both sides of the balance sheet; short of that, it's essential to have the requisite channels and capabilities to credibly present a de novo plan to regulators.

For uninsured charters, the primary objectives can be based on narrower use cases. These can include merchant acquiring, supporting crypto offerings, and enabling cross-border payments.

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> For a long time, I wanted to be as less regulated as possible. It was the completely wrong decision ... In the US, you need to be credit-driven so we need a banking license.

Nikolay Storonsky, Revolut CEO, interview at 2024 Slush conference, November 20, 2024. Response to question "Are there any other big strategic decisions you got wrong?"

Sufficient maturity and scale

An important consideration for fintechs exploring a bank charter is the maturity level of the company. For an early-stage fintech that is still establishing product-market fit, a bank charter would create unnecessary restrictions and overhead, hindering their ability to move nimbly and experiment in the market. Further, a new bank charter requires a three-year de novo period with limited flexibility to deviate from the established plan — this is simply not tenable for many fintech startups whose very advantage is their velocity and agility. Finally, the financial investment required for the upfront application, the operational effort to stand up the bank, and the paid-in capital contribution is unrealistic for a smaller fintech.

Conversely, scaled fintechs with demonstrated product-market fit are better positioned to develop and execute a defined business plan during the de novo period. Scaled fintechs are also more likely to face growth constraints due to frictions inherent in the sponsor bank model (for example, risk limits) and stand to reap larger economic benefits. They typically have a smaller gap to close in implementing the necessary infrastructure and have more capacity to dedicate the resources needed for these changes.

> “
> Pursuing a bank charter would be way too big of an effort for us relative to the impact it could drive.

Despite this consideration, the urgency to act during the current window of regulator receptivity may justify a charter pursuit even if it might be premature in other circumstances.

Presence of disqualifiers

Finally, banking regulations impose restrictions on holding companies and nonbank affiliates that can serve to disqualify some fintechs from pursuing charters. These constraints can include:

Ownership requirements. The Volcker Rule applies to all FDIC-insured charters and prohibits private equity firms or hedge funds from holding a controlling stake in the bank, typically defined as a voting equity share of 25% or higher, if either entity exceeds $10 billion in assets.

Activity limitations. Fintechs with traditional bank charters become subject to BHCA activity limits that constrain banks and their parent companies from engaging in any nonfinancial activities. Fintechs with non-financial business lines that they plan to keep must limit charter efforts to exempt IDIs and uninsured banks.

Domicile requirements. Fintechs based outside the US must be approved by the Fed to become a Foreign Banking Organization (FBO) prior to controlling a US bank. This requires being subject to comprehensive supervision on a consolidated basis by its home country's regulator.[4] For international fintechs without a home country charter, this step adds lead time to a charter effort. Status as an FBO isn't needed for an exempt IDI or uninsured bank.

FOCUS POINT 1

10 TIPS FOR SUCCESSFUL CHARTER PURSUITS

Oliver Wyman has helped many clients de-risk and accelerate charter efforts through our unique mix of capabilities across business strategy, regulatory expertise, compliance program design, financial modeling, stress scenario development, and hands-on execution supporket.

Below is a snapshot of lessons learned from our experience.

1	**Prioritize recruiting an experienced management team**	Given the challenge of vetting every detail of a business plan, regulators expect proposed bank leaders to have deep banking experience, with senior positions named in the application.
2	**Ensure consistency throughout the application**	Financials, marketing strategy, and policies should tell a cohesive narrative; logical inconsistencies will draw scrutiny.
3	**Consider pursuing application and M&A on a parallel path**	M&A is contingent on identifying a viable target, which takes time. The foundational work for a de novo application can progress in parallel. SoFi succeeded with this strategy.
4	**Don't underestimate the importance of the CRA plan**	A weak CRA plan can sink an application. Applicants should seek to understand community needs in their assessment area and proactively engage with community groups.
5	**Demonstrate independent viability for ILCs**	The FDIC prefers that ILCs have a business model that is not solely reliant on the parent. A robust plan to comply with Reg W rules on affiliate transactions is also essential.
6	**Take a targeted approach to initial bank scope**	It often makes sense to pursue a hybrid approach, with some products shifted to the bank and others offered by nonbank affiliates through a sponsor bank. This can simplify the application narrative.
7	**Meet with regulators in advance**	Applicants should plan to meet with regulators in advance of filing to establish a relationship and solicit feedback.
8	**Bridge fintech and bank mindsets**	It's critical to have leaders who can be liaisons to translate between the very different fintech and bank mindsets; regulators move at a different pace and have different priorities.
9	**Plan to deliver a complete application**	There is pressure on regulators to meet processing time targets, so expect them to insist on a comprehensive application.
10	**Proactively engage in public messaging**	Opposition can be expected from different constituencies and there will also be inquiries from customers, investors, and employees.

Additionally, some fintechs may face a lower probability of approval based on their business profile. A withdrawn application can be a major setback after a process that can sometimes exceed two years and cost well over $10 million. Even with shifting political winds, regulators will continue to scrutinize applications with a focus on ensuring that charters are used responsibly to deliver on core functions related to the "business of banking." Minor vulnerabilities can be overcome with a strong business plan and proposed mitigants, but fintechs with too many red flags may need to reassess whether to pursue a charter. Red flags might include a lack of profitability, a checkered compliance record, a deeply subprime customer profile, and lack of an embedded channel or credible plan to generate deposits.

ECONOMIC TRADE-OFFS WITH BANK CHARTERS

As discussed above, strategic fit and level of maturity affect the relative weighting of economic benefits and drawbacks that come with a charter. These trade-offs can be divided between top-line (for example, revenue) considerations and cost implications, as shown in Exhibit 3.

Top-line considerations most commonly relate to the expected impact of a bank charter on a fintech's long-term growth. Given the challenges in precisely quantifying these trade-offs, they are often viewed as "strategic" considerations. Nonetheless, fintechs often prioritize top-line considerations over cost advantages in making charter decisions.

At its core, the growth advantages of a bank charter derive from increased control over the full execution of their business model, procedures, and products. A self-chartered fintech can lend nationally based on the interest rates permissible in its home state, without needing to rely on a bank partner, register for state-specific license, or comply with the patchwork of state usury laws. It can hold deposits and move funds while remaining exempt from state money transmitter laws. For some fintechs, these top-line benefits will exceed the negative impacts from the regulatory burden, helping propel their growth by delivering better customer experiences. But for others, the benefits will be insufficient to offset the potential distraction and regulatory constraints with a charter.

Exhibit 3: Economic trade-offs with charters

	Top-line/Revenue	Cost
+	• Control over product offering and risk parameters • Speed-to-market for new products and features • Direct relationships with regulators and networks • Mitigate risk of partner or regulatory disruption • Brand as a "bank"	• Decrease to cost of funds with deposit funding • Reduced volatility of cost of funds • Elimination of sponsor bank fees
−	• Shift organizational efforts to compliance vs. growth • Limits on experimentation, risk-taking, hyperscaling • Potential debit card interchange impacts • Scrutiny of subprime business lines • Potential activity limits depending on charter type	• Upfront implementation or acquisition costs • Overhead for bank management and compliance • Opportunity cost of capitalizing bank

Source: Oliver Wyman and QED Investors analysis

Exhibit 4: Illustrative economics for two fintechs

	Fintech A	Fintech B
Assets	$2 billion	$5 billion
Pre-charter operating income	$40 million	$100 million
Post-charter Δ in capital held against assets	10% to 20%	8% to 11%
Reduction in cost of funds	-25 basis points	-180 basis points
Pre-charter bank fees as % of loan assets	0.20%	0.35%
Post-charter bank overhead expense	$20 million	$25 million
Pre-charter ROE	20%	25%
Post-charter ROE	7%	31%

Note: Excludes top-line impacts of charter. Simplified scenarios ignore taxes, sponsor bank retained loans, and other nuances.
Source: Oliver Wyman and QED Investors analysis

The cost side of the ledger includes savings from deposit funding and eliminating sponsor bank fees and increased costs from bank overhead and the paid-in capital to fund the bank. These trade-offs are more easily quantified than the top-line implications.

As with top-line impacts, the cost trade-offs also vary across fintechs. For example, the illustrative scenarios in Exhibit 4 show how a charter could increase ROE for one fintech from 25% to 31% while decreasing the ROE of another from 20% to 7%.

Top-line advantages

The primary top-line advantage with self-chartering is the enhanced ability to drive growth with more control over products and improved speed and agility. The compliance function delivered by sponsor banks can be highly valuable, but it also adds red tape in several areas, including:

- Bank-imposed risk cut-offs and limits for lending (e.g., minimum credit score), merchant services (e.g., limits on high-risk merchants), or account transfers (e.g., transaction size limits)
- Requirements for extra steps that add friction to customer onboarding processes
- Opting out of supporting innovative product constructs that lack market precedent
- Serving as intermediaries with regulators, which can limit a fintech's ability to develop the trusted relationships that can facilitate long-term collaboration on innovation with regulators
- Limiting a fintech's ability to interface directly with payment networks (e.g., Visa, Mastercard, the Federal Reserve System)
- Requiring a fintech to defer to the bank's legal interpretations for ambiguous regulations
- Approval processes that delay time-to-market for new product launches or complicate the deployment of test-and-learn initiatives

PERSPECTIVES FROM FINTECH LEADERS ON SELF-CHARTERING ADVANTAGES

“

With our partner banks, we need to go to committee every time we want to change the color of a pixel on a marketing document.

“

A bank charter lets us ‘test and learn’ with our balance sheet.

“

We are seeing challenges with our banks on the credit side. They are giving us slower approvals.

Additionally, fintechs often need multiple bank partners, both to mitigate partner risk and because a given bank may only support certain product types. However, managing multiple banks can be cumbersome and complicate efforts to seamlessly integrate products. The associated frictions with sponsor banks tend to be more salient for mature fintechs seeking to optimize established value propositions as opposed to earlier stage fintechs exploring product-market fit in broader strokes and less concerned with minor product limitations.

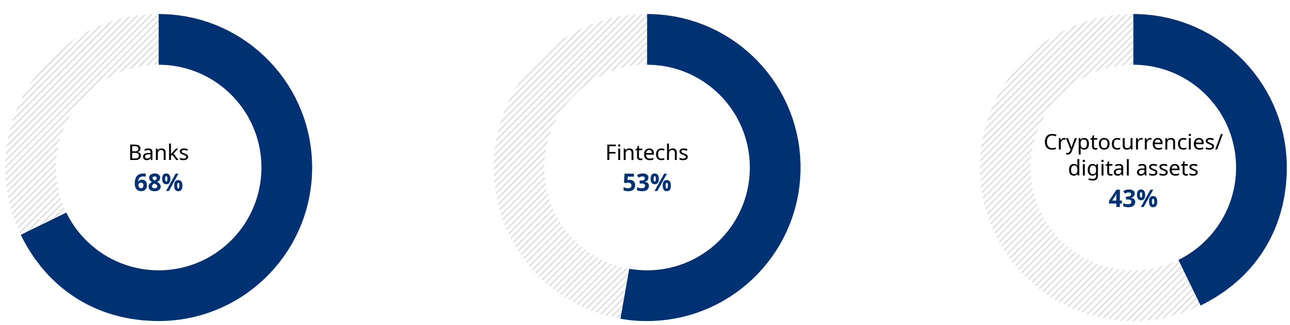
Another way that a charter can drive top-line growth is via the benefits of branding the fintech as a bank. Consumer surveys (see Exhibit 5) indicate that the "bank" label continues to signal "trust and security" to consumers. In light of this advantage, some fintechs have attempted to market themselves as "banks," only to be issued cease-and-desist orders by regulators that carefully guard the "bank" moniker. In discussions with fintech executives, the branding benefits of a charter engendered divisive reactions — some placed a high importance on this factor while others dismissed its value.

> "
> ## Being able to tell the market that we are a bank is very significant to us.

Beyond fostering conditions for future growth, many fintechs view charters as a form of insurance to protect revenue streams from disruption. Disruption could come from partner-specific risk, driven by a partner bank's regulatory issues or decision to exit the market, or it could occur at the industry level, driven by changes to BaaS regulations.

Applying for a charter is a multi-year, multi-million-dollar endeavor that begets heightened regulatory scrutiny. Therefore, a charter is not a practical hedge against regulatory uncertainty on a stand-alone basis, but a charter can be valuable when it's pursued as part of comprehensive strategic and financial plan.

Exhibit 5: General population trust in financial service subsectors



Note: Question surveyed "Now thinking about specific sectors within the financial services industry, please indicate how much do you trust businesses in each of the following sectors to do what is right." Respondents provided with 9-point sliding scale indicating range of trust, top 4-points indicate "trust."

Source: 2025 Edelman Trust Barometer: Insights for Financial Services Sector

FOCUS POINT 2

APPLY VERSUS BUY

Fintechs pursuing bank charters must decide whether to apply for a de novo charter or acquire an existing bank.

To obtain a traditional bank, most fintechs have taken the M&A route. This includes bank acquisitions by SoFi, LendingClub, Newtek, and SmartBiz over the last five years. While the OCC will scrutinize an acquisition and any related significant change in asset composition just as closely as a de novo application, an acquisition can avoid the need to obtain FDIC approval for deposit insurance. More importantly, an acquisition will streamline the effort to open the new bank following regulatory approval. With a de novo application for a national bank, applicants obtain a conditional approval that requires fulfilling numerous conditions and opening the bank within 18 months. If the fintech can't stand up the bank in time, the approval expires.

However, there are several downsides to the M&A approach. First, the fintech needs to identify a suitable target that fits within its desired size range, aligns to its strategic objectives, and is willing to sell. Even with the most suitable target, there will likely be nonstrategic business lines, suboptimal technology infrastructure, or cultural differences relative to the fintech's strategy. In contrast, the de novo path offers the fintech the ability to design from a blank slate, and align the team, culture, and technology to the fintech's strategic objectives.

> “With M&A, you may be buying a bigger footprint than necessary or buying baggage — usually bad loans.

From a process perspective, M&A also comes with the need to conduct extensive due diligence and complete negotiations for a definitive purchase agreement. Despite upfront due diligence, buyers may not always know exactly what they are getting.

For charters outside the scope of the BHCA such as ILCs and uninsured charters, most fintechs apply for de novo charters. This is primarily driven by the limited availability of suitable targets, given the relatively low number of existing banks in these categories and the specialized nature of many of their business models.

Top-line drawbacks

Despite the advantages, a bank charter can also create headwinds to top-line growth. Becoming a bank means submitting to a rigorous compliance regime that requires a fundamental shift in the way a fintech operates. A 2023 survey of large banks found that over 40% of C-suite time is allocated to compliance issues and requirements.[5] In general, the burden of compliance is greatest for the traditional bank archetype, whereas exempt IDIs and uninsured banks can ringfence many regulatory requirements. The compliance burden requires far more than adding new teams — it demands a fundamental shift in culture and operating model, with regulators playing a much larger role in shaping strategic decisions. Fintechs must also consider the impact of restrictions on affiliate relationships and product-tying that may curb flexibility in integrating bank products with offerings at nonbank affiliates.

> “
> There is going to be a huge learning curve for us if we receive a bank charter, despite our current scale.

The regulatory burdens are especially onerous for smaller fintechs focused on rapid cycles of experimentation. In contrast, banks are naturally risk averse, with every decision subject to rigorous oversight using “three lines of defense” risk management, and with regulators who are typically wary of banks operating in “hypergrowth” mode. Incentive structures are also key to innovation — banking regulators will scrutinize incentive compensation arrangements while tech founders can qualify for the Qualified Small Business Stock tax exemption, a benefit that doesn’t extend to banks.

> “
> The biggest pitfall may be underestimating the challenge with actually operating a regulatory bank.

Further, fintechs with revenue models predicated on debit card interchange need to carefully evaluate the implications of obtaining a charter. The Durbin Amendment limits the ability of banks with over $10 billion in assets to monetize debit card transactions, whereas fintechs can avoid these restrictions by partnering with smaller sponsor banks exempt from the regulation. Fintechs with over $10 billion in assets risk a roughly 50% cut to interchange revenue if they were to issue debit cards under a self-owned bank charter. Fintechs may be able to avoid triggering Durbin Amendment caps via a hybrid approach that moves some products to a chartered bank, while retaining debit cards and potentially other products with the nonbank entity under a sponsor bank model. However, this approach may negate some of the benefits from deposit-funding.

In addition to restrictions on debit card interchange, regulators’ aversion to subprime and past emphasis on reputational risks have further inhibited the ability of traditional banks to profitably serve low- and moderate-income (LMI) consumers, creating a gap that nonbank fintechs have filled.

Cost advantages

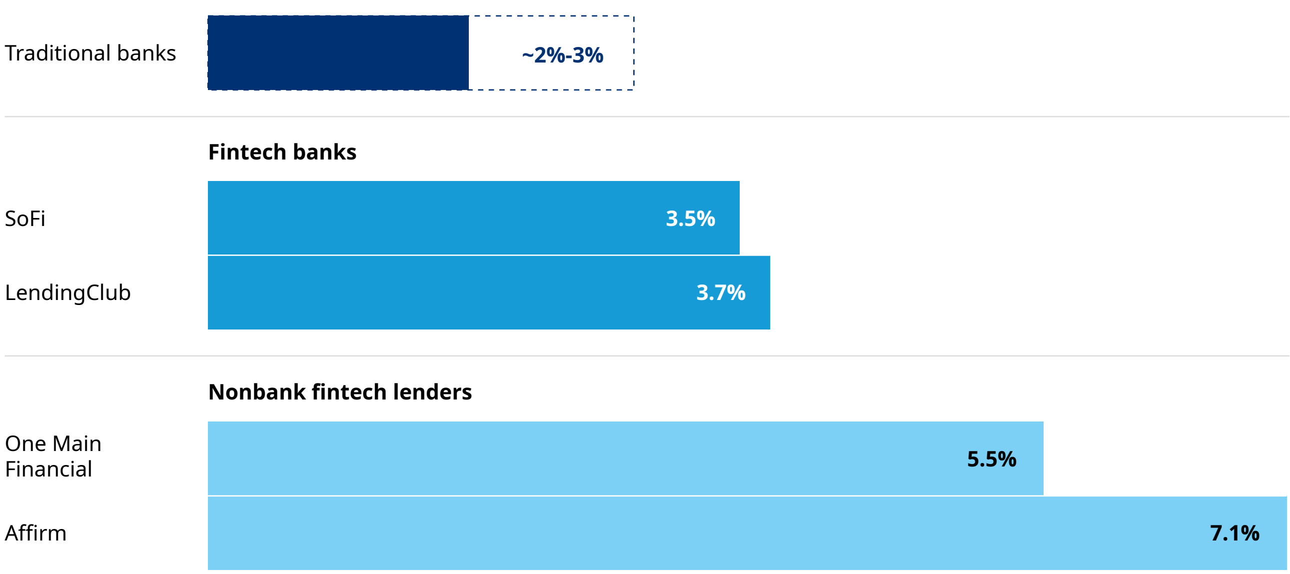
The most important cost advantage of obtaining a bank charter is usually the benefit to cost of funds. Relative to wholesale funding (for example, warehouse loans, securitization, unsecured debt), retail deposits offer several advantages. First, funding is typically lower cost, particularly for transaction deposit accounts with direct deposit. Second, deposits tend to be more "sticky" and less sensitive to interest-rate fluctuations, making this source of funding less susceptible to macroeconomic volatility relative to wholesale funding.

As shown in Exhibit 6, funding benefits from a charter can be as high as 200 basis points. For a lender with 15% Tier 1 leverage ratio, every 1 percentage point improvement to cost of funds will improve pre-tax ROE by about 6 percentage points. SoFi estimated in the second quarter of 2025 that its bank charter improved its cost of funds by about 170 basis points. This translates to an 11 percentage point improvement to pre-tax ROE given its 12.9% Tier 1 leverage ratio.[6]

> "Deposits provide greater funding stability by removing dependency on volatile institutional investors.

As a result, retail deposit funding is critical to fintechs with ambitions to scale lending portfolios, as the funding advantage becomes increasingly material as the loan book grows. For many fintechs, this could prove to be a key advantage in today's higher interest rate environment, where competitors may need to incur high interest expense from wholesale funding sources to support their lending businesses.

Exhibit 6: Cost of funding for traditional banks, fintech banks, and nonbank fintech lenders (Q1 2025)



Note: Cost of funding represents Total Interest Expense / (Average Interest-Bearing Liabilities + Average Noninterest-Bearing Deposits) for 1Q25. Cost of funding for SoFi and LendingClub is specific to their regulated bank entity.

Source: FFIEC Call Reports, SEC filings, investor presentations, Oliver Wyman and QED Investors analysis

On the other hand, standing up a successful and cost-effective deposit gathering function can be a challenge for de novo banks. If a fintech bank is soliciting high-cost savings accounts through expensive online affiliate channels, it may face challenges in fully optimizing cost of funds savings. This makes it essential for fintechs considering bank charters to invest in a comprehensive deposits strategy, which might include fostering stickier multi-product customer relationships or launching adjacent products such as investments or treasury services that can serve as beachheads for lower-cost deposits. Fintechs also can innovate in deposits by integrating AI technologies into offerings and deploying an information-based strategy for deposit marketing.

Ownership of a bank charter also drives cost reduction by eliminating sponsor bank fees. This expense line becomes meaningful for fintechs as they scale. For large payments service providers, we estimate potential savings of approximately $5 million to $10 million for every $100 billion in payments volume processed. For a lender with sponsor bank expense equal to 0.25% of loan balances and a 15% Tier 1 leverage ratio, eliminating sponsor bank expense will improve pre-tax ROE by 1.7 percentage points.

> “Direct access to FedNow and other payment rails is a large benefit for us as a company with a large payment volume.

Cost disadvantages

Charters bring two negative cost impacts: the substantial overhead needed to manage bank compliance requirements and the opportunity cost of capitalizing the bank.

Regulatory requirements such as adherence to the Community Reinvestment Act, managing a BSA/AML program, and ongoing supervisory examinations necessitate substantial increases to compliance headcount and major enhancements to capabilities, frameworks, processes, and technology. Further, banks must document policies and procedures as well as implement strict protocols to ensure adherence with rules on affiliate transactions. The bank will need to build out financial management capabilities including investment management and new treasury functions. This is just a sampling of the lengthy list of requirements that will require funding a meaningful expansion of staff.

Further, a bank charter can create operational redundancy and inefficiency due to the limits that regulators place on the extent of “dual hatting” for key staff between the bank entity and affiliates. Fintechs with multinational operations often prefer to centralize functions, but status as a bank can make this operating model unworkable in some cases.

> “Capital requirements and operational complexity are a major drawback of having a bank charter.

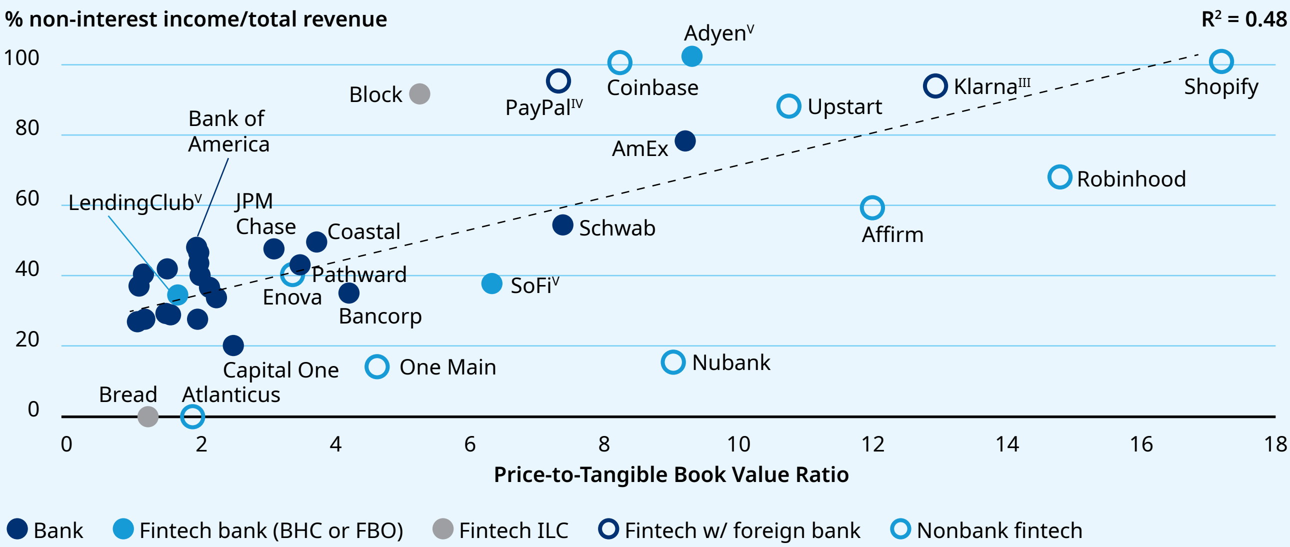
Fintechs with bank charters will also need to capitalize the bank with sufficient paid-in capital and maintain minimum capital ratios for Common Equity Tier 1 (CET1) risk-based capital ratio, Tier 1 risk-based capital ratio, total risk-based capital ratio, and leverage ratio. Additionally, the fintech’s bank entity will be required to have a liquidity policy with a clear plan for contingency funding. Regulators also require newly approved banks with innovative business to maintain capital ratios well above statutory minimums. For instance, the FDIC required that Square fund its ILC with initial paid-in capital of $56 million and to maintain a leverage ratio of at least 20% — it currently has over $700 million in capital in the bank. Minimum capital ratios require a fintech launching a bank to tie up funds that could otherwise have been used for working capital needs or other investments.

FOCUS POINT 3

VALUATION IMPLICATIONS OF A CHARTER

A common concern for fintechs evaluating a bank charter is the potential impact on the fintech's valuation multiple. This is due to the lower multiple typically ascribed to regulated banks relative to fintechs. For example, publicly listed banks trade at around one to two times the price to tangible book value ratio,[7] while fintechs can trade at multiples in excess of eight times book value (for example, Robinhood, Affirm, Klarna).

Exhibit 7: Price-to-tangible book multiples[I] vs mix of non-interest income[II] for banks and fintechs



I. Price as of September 2025, II. Based on trailing 12 months, III. Klarna operates a Swedish-licensed bank, IV. PayPal operates a Luxembourg-based bank, V. SoFi and LendingClub are both Bank Holding Companies (BHC); Adyen is a Foreign Banking Organization (FBO).

Note: Fintechs selected include those who are (a) publicly traded, (b) with <100% non-interest income, and (c) excludes hypergrowth fintechs. Banks selected include those publicly traded within the following categories: >$150 billions in assets (excluding banks with non-retail strategies); select non-traditional banks (AmEx, Schwab, Ally); BaaS providers (Coastal, Pathward, Bancorp, MVB).

Source: Oliver Wyman and QED Investors analysis

While this is certainly a risk, the data show that business model mix does more to drive investor perception than simply the existence of a bank charter. For example, we see many banks with a higher mix of fee income and a valuation that rewards that business model; likewise, nonbank fintechs with a larger mix of lending income typically trade at a lower multiple than their more asset-light peers.

Substance matters more than form, so a bank charter alone is unlikely to have a major impact on valuation. However, the decision to pursue a bank charter often coincides with an increased emphasis on a balance sheet lending model, so it's important to keep in mind that the underlying business model will affect how investors assign multiples.

> “We do not see a bank charter as a detractor from a valuation perspective; sophisticated investors look to business fundamentals.

IMPLICATIONS FOR THE FUTURE OF BANKING

The ongoing wave of charter applications will likely leave a marked impact on the evolution of financial services, as we expect several prominent fintechs to obtain bank charters. This reversal of fintechs' archetypical unbundling strategy represents a natural evolution as leading fintechs reach higher levels of maturity. Charter approval may become a similar milestone to an IPO in the lifecycle of a fintech. The conversion of a subset of nonbank fintechs to banks over the next few years will likely provide the most substantial injection of new top 100 banks in many years. They would join SoFi, which has now surpassed $40 billion in assets and is growing its business at a 30% annual rate.

CHARTERS WILL ACCELERATE FINTECH COMPETITIVE GAINS

The ultimate impact of the charter wave will depend on the underlying ability of fintechs to capture market share from incumbent banks. While fintechs compete nationally based on their advantages in creating customer-centric digital experiences via remote delivery models, the prototypical bank continues to compete locally with an emphasis on brick-and-mortar and locational convenience, particularly when it comes to deposit-taking.

Banks may take some comfort that the most dire predictions about the demise of the branch have proven wrong, or at least premature. When consumers are asked to name the most important reason for choosing their primary banking provider, "location of their offices" remains the most popular choice overall, cited by 46% of respondents in the 2022 Federal Reserve Board Survey of Consumer Finances. Leading banks such as JPMorgan Chase continue to invest heavily in the construction of new branches. Further, those customers adopting neobank models to date have skewed toward lower income profiles that tend to be less profitable for banks dependent on deposit balances.

However, banks shouldn't take too much solace in the resilience of the branch, for three reasons. First, the pace of the trend may have been overstated, but the direction of the trend continues toward digital. Thirty percent of consumers now use a digital-only banking provider.[8] Only 45% of Chase customers have visited a branch in the last 90 days, while 78% have logged into the bank's digital platforms in the last 90 days.[9] The number of bank branches in the US declined from just under 100,000 in 2009 to 76,000 in 2025.[10]

Second, the experience of rapid fintech gains in other markets may be a harbinger. Three years ago, few Irish incumbent banks were worried about losing share to neobanks. Today, nearly 70% of their customers transfer money to Revolut accounts each week. Similarly, in just over 10 years Nubank grew from an idea to the largest financial services provider in Brazil, with over 123 million customers in the country. While Ireland and Brazil are distinct markets, similar dynamics may be at play in the US, where Chime has built a base of 9 million active customers.

Third, we may be nearing a new technological inflection point. The rise of the internet led to the first fintech wave, birthing companies such as PayPal, Credit Karma, LendingClub, and Bill.com. Then the emergence of APIs and cloud models drove the post-crisis fintech boom, leading to unicorns like Chime, Robinhood, and Klarna. We may be approaching a similar step-change moment with the acceleration in the pace of AI technology advancement. Agentic AI innovation promises to reshape consumer expectations for self-service, including the ability to resolve the more complex issues that often provide the impetus for a branch visit. As discussed in QED Investors' recent article "Adapt or Be Arbitraged," agentic deposit management could disrupt traditional banking.

While the community banking model offers many positive attributes, consumers will only prioritize proximity in selecting banks if branch visits serve an underlying need. In the short term, that need might be processing complex transactions or the knowledge that a branch is available even if rarely used. As fewer consumers “need” branches due to improving technology, the cost of an underutilized branch footprint will hinder incumbents and market share will continue to gradually shift toward digital-first providers.

For mature fintechs with balance-sheet-based strategies, the procurement of charters may accelerate their gains against incumbent banks within this broader context. Reducing friction associated with the sponsor bank relationship will accelerate product innovation and facilitate more seamless connectivity across products. Reduced cost of funding will lead to more competitive rates and promotions. The shift from unbundled single-use-case offerings to bundled multi-product relationships should foster deeper customer connections. An increased emphasis on net interest margin may cause chartered fintechs to move upmarket beyond the LMI customer base where many first established traction, an effort aided by the increased consumer trust that comes with the “bank” moniker.

The broader industry competitive impact from new charters will be concentrated in a few scaled fintechs that receive approval for traditional bank charters over the next several years and that have the capability and ambition to scale assets beyond $20 billion. Most new fintech charter approvals will take the form of niche bank subsidiaries that serve targeted objectives. These will include exempt IDIs such as ILCs or uninsured charters such as trust banks. Despite the quantity of these applications, these new banks will have a more muted impact on the competitive landscape because they will remain a small proportion of their parent company’s overall business, and charter limits on the scope of activities will prevent these entities from becoming top 50 banks. Despite their lighter industry impact, these charters will be critical in advancing strategic and financial objectives of the pursuing fintechs.

On the other hand, we expect a select number of traditional bank charter approvals for scaled fintechs, such as those in Exhibit 8, to result in more lasting industry impacts. These fintechs are pure-play financial services providers with large user bases, and many already have substantial deposit or loan volumes. While some of these players will continue with a sponsor bank model or pursue niche charter options, a few will likely win approval for traditional charters. These fintech banks are the most likely to revolutionize the financial services landscape. While the conversion of these fintechs to bank status will provide strategic benefits to these players, this trend will also result in a more level regulatory playing field with top banks.

Exhibit 8: Large fintechs without US bank charters

	Market cap, $BN (as of Sep 2025)[I]	Revenue, $BN (FY2024)	Lending assets, $BN (FY2024)	US presence?	Relative focus on lending
Robinhood	111	3	<1[II]	✓	Low
Coinbase	88	6	<1	✓	Low
Nubank[III]	78	11	27	✗	High
PayPal	65	32	6	✓	Moderate
Revolut	65	4	1	✓	Moderate
Affirm	30	2	7	✓	High
Klarna	16	3	10	✓	High
Chime	9	2	<1	✓	Low
Monzo	6	2	2	✓	Moderate

I. Reflects valuation from latest fundraising for privately-held fintechs and market capitalization as of 9/18/2025 for publicly listed fintechs.
II. Reflects credit card portfolio and excludes margin lending.
III. Nubank has applied for a de novo national bank charter.

Source: Oliver Wyman and QED Investors analysis

FINTECHS FACE CHARTER EXECUTION CHALLENGES

While bank charters will provide a strategic advantage to many fintechs, these players must navigate challenges in pivoting from an unbundled BaaS strategy to a more full-service approach:

- Building beyond the wedge product to drive multi-product relationships is challenging for digital delivery models where customers can easily sign up with an assortment of best-of-breed providers; the concept of the financial superapp remains more idea than reality in the US
- Fintech customer bases for deposit and transactional products often skew deeply subprime, complicating efforts to cross-sell lending, especially in a bank regulatory context
- Many fintechs' business models are predicated on regulatory advantages such as uncapped debit card interchange; this makes it often impractical to self-issue debit cards via a bank charter and thereby hinders the ability to use transaction accounts to gather low-cost deposits
- Becoming a bank requires building a strong culture of risk management, whereas fintechs have succeeded through cultures of innovation; while it's possible for these cultural emphases to coexist, it's challenging to achieve in practice and one orientation often takes precedence

The fintechs that maximize the strategic benefits of a bank charter will replicate the personal touch of branch banking in a digital context to gain sticky multi-product relationships, make inroads with higher-income customers to drive net interest margin, foster deep relationships that facilitate low-rate deposits, and strike the right cultural balance between risk management and innovation.

Alongside pursuits of bank charters, more mature fintechs may also become more aggressive in their M&A strategies to build out more holistic and diversified financial services offerings. They may seek to obtain assets such as investment platforms and treasury services that can help cost-effectively capture deposit share or acquire lending portfolios that diversify into new verticals and segments.

IMPACT TO THE BAAS MODEL AND SPONSOR BANKS

Despite the surge in fintech bank charters, the unbundled BaaS model in which nonbank fintechs partner with sponsor banks will continue to be prevalent, both for early-stage startups and for those fintechs with asset-light business models that are poor fits for charters.

However, regulatory scrutiny of BaaS may return as the political environment changes. This could result in increased friction within fintech-bank partnerships, upward pressure on bank fees due to more extensive compliance requirements, and market exits by some banks unwilling to meet the compliance burden.

The sponsor banks that succeed will be those that treat fintech partnerships as a core strategy building the right balance between flexibility and controls while delivering additional value to underlying programs (for example, tech integrations, advisory). Those fintechs that continue to operate as nonbanks in a BaaS framework will need to reinforce partner oversight practices and ensure partner redundancy to mitigate risks of disruption.

THREATS TO TRADITIONAL BANKS

Most incumbent banks don't face any imminent threat to near-term earnings potential from the current fintech charter wave. However, this provides a false sense of security as their situation is akin to a frog in slowly warming water. The shift from brick-and-mortar to digital distribution is slow and gradual, and the former model offers many favorable characteristics (for example, more limited switching behavior). Nevertheless, the longer-term trend toward digital delivery remains, even if it proceeds slowly.

Leading banks with over $100 billion in assets are the financial institutions that are most insulated from fintech threats, given their national models, entrenchment in our economy, and substantial investments in digital capabilities. On the other hand, transitions to digital delivery models in other industries such as retail and media have demonstrated that digital models can drive more market concentration as local presence becomes less critical while economies of scale and network effects increase in importance. This poses threats to the long-term relevance of regional and community banks, which must address competitive gaps relative to fintechs before such threats escalate to potential near-term financial impacts.

Customer experience continues to be a point of differentiation for fintechs versus traditional banks. Net promoter scores for players such as SoFi, Affirm, and LendingClub exceed 80, while many banks score in the 20s.[11] Often, we observe banks with fragmented customer experiences, particularly for multi-product customers that straddle lines of businesses. Bank customer journeys still create too many moments of frustration; for example, there remain instances in which customers are asked to submit paper forms via fax transmission.

Banks must close the customer experience gap to ensure competitive parity. This will require taking a page from the tech playbook and reorienting to a customer-first approach focused on solving problems rather than selling products. Banks must work back from end-customer needs to inform how they organize go-to-market, client coverage, processes, and capabilities.

Banks must also address legacy technology infrastructure. It's impossible to keep pace with fintechs when operating on 50-year-old core banking platforms. Banks need to accelerate efforts to transition to cloud-based platforms with modern architecture or risk being left behind in the coming wave of agentic AI. Perhaps most importantly, banks must take leadership roles in integrating agentic AI technology into reimagined product offerings and building new value propositions around stablecoins and tokenized assets.

A lever that banks can deploy to help address these gaps is fintech M&A. This approach faces challenges — fintech valuations and accounting impacts can pose hurdles to making deals and cultural differences often erode post-close value. Getting this right is not easy and requires a thoughtful approach to pre-deal diligence and post-deal integration planning. Alternatively, banks can also look to fintech partnerships to achieve similar objectives; this requires careful planning to align priorities and integrate disparate technology platforms and ways of working.

A WILDCARD: DIGITAL ASSETS AND STABLECOIN

About one third of recent charter applications have been from fintechs focused on digital assets. Most of these applications have been for uninsured trust bank charters, though there is also one application for a full-service national bank. Uninsured charters could allow these players to obtain access to Federal Reserve payments systems and hold customers' digital assets on a custodial basis. Further, the recently passed Genius Act allows banks to issue stablecoins through subsidiaries.

The ultimate endgame remains unclear. One scenario is that stablecoin traction is limited to targeted use cases such as cross-border payments. Another scenario, less likely but more revolutionary, is that stablecoin captures a more central role across US payments systems. In that case, the issuance of new charters to digital asset fintechs will prove to be more transformative.

CALL TO ACTION

The industry is now at a crossroads, and actions taken in the next few years will shape the evolution of the competitive landscape in banking. This presents imperatives for fintechs, regulators, and banks alike.

FINTECHS: EVALUATE YOUR PATH NOW

For fintechs, now is the time to evaluate your banking strategy. The current environment presents a limited window to act: About three years remain until the next US presidential election, lead time from starting a charter pursuit to approval can exceed two years, and increased application volumes may lead to regulator bottlenecks. The need for urgency is heightened for ILC charters, where policy may be more sensitive to future changes in the government.

While a bank charter isn't the right answer for all fintechs, it has the potential to be transformative for select players. Fintechs should undertake a deliberate process this year to make a decision on a charter pursuit, rather than have the decision made for them by running out of time.

BANKS: DEVELOP A CUSTOMER-FIRST ORIENTATION AND CONSIDER FINTECH ACQUISITIONS

While banks are unlikely to see near-term negative impacts from the current charter wave, their long-term competitive positioning is more tenuous. The gradual pace of market shifts toward fintech can create a complacency that banks must overcome to avoid a trajectory toward irrelevance.

Regional and community banks are the most at risk. To avoid becoming dinosaurs, they must:

- Transition from selling products to solving customer needs with digital-first products
- Embrace digital and modernize legacy infrastructure to keep pace with fintechs
- Improve tech capabilities by acquiring or partnering with fintechs

POLICYMAKERS: EVOLVE CHARTER OPTIONS TO ALIGN WITH NEW MARKET REALITIES

Regulators and other policymakers should approach bank charters with a balanced framework that prioritizes financial stability, consumer protection, financial inclusion, and fair competition, while also providing clear and consistent guidance for applicants. Regulatory clarity is key to ensuring institutions understand the expectations around governance, capital, risk management, and compliance. Just as importantly, regulators should be forward-looking, anticipating the future of the financial landscape and adapting their oversight to accommodate responsible innovation. By combining rigorous standards with a proactive vision, regulators can encourage healthy market participation, foster trust, and ensure a resilient banking system that evolves with emerging needs and technologies.

PERSPECTIVES FROM FINTECH LEADERS ON CHARTER POLICY

> "With so few de novo charters granted to fintechs, we have few precedents that we can rely on and need to get creative.

> "We don't have a clear sense of the optimization functions of the regulators in evaluating applications.

> "A fintech license would be hugely beneficial — something asset-light where fintechs could graduate to different levels based on size and demonstrated competency.

ENDNOTES

1 Count is as of October 3rd, 2025. Based on analysis of reporting from the OCC, FDIC, Fed, and websites of state banking agencies, with Oliver Wyman analysis to distinguish fintech and nontraditional applicants from conventional applications. See Exhibit 2 for more details on the 24 filings considered this year. 20 were submitted this year through October 3rd, including 16 de novo applications (seven for FDIC-insured banks and nine for uninsured banks), two acquisition applications, and two applications to convert from state trust companies to federal trust banks. Four applications considered this year were submitted in prior years, of which three have received approved this year.

2 Similar entities include Savings and Loan Holding Companies (SLHCs) or Foreign Banking Organizations (FBOs). Licenses for foreign branches and agencies are categorized as Traditional Banks based on the requirement to register as a Foreign Banking Organization, which imposes similar restrictions on affiliate activities within the US as with BHC and SLHC status. However, foreign branches and agencies are generally uninsured and not permitted to take retail deposits, making them somewhat of a hybrid between the Traditional Bank archetype and the Uninsured Bank archetype.

3 Even if an entity obtains an uninsured bank charter, access to a Reserve Bank master account is far from guaranteed. Uninsured banks qualify as Tier 3 under the Fed's guidelines for master account access, subjecting their applications to the highest level of scrutiny. To date, most uninsured banks with innovative business models have not succeeded in obtaining Fed master accounts. Even if an uninsured bank succeeds in obtaining a master account, it may still face restrictions on how it can use the Fed payments system.

Uninsured banks also face similar questions regarding their eligibility for membership in Visa and Mastercard. Card network rules require members to be financial institutions with a charter type that is eligible for FDIC insurance. While many of the states with special-purpose uninsured charters make FDIC insurance optional to facilitate card network access, Visa and Mastercard still refused to grant membership to a Georgia Merchant Acquirer Limited-Purpose Bank (MALPB) in 2012. Recently, Fiserv and Stripe have successfully obtained network memberships with MALPB charters.

4 The emphasis is on ensuring that there is a single prudential regulator supervising a foreign bank on a comprehensive consolidated basis and that the regulator has sufficient legal authority to obtain all necessary information on the bank and all of its global affiliates. There is precedent for the Fed to determine that a bank is subject to comprehensive consolidated supervision by a regulator in a different jurisdiction than where the ultimate parent is legally registered.

5 Bank Policy Institute (BPI) survey of 20 banks on compliance burdens, comparing 2016 to 2023. Published October 2024.

6 SoFi Technologies, Inc. Q2 2025 Earnings Presentation.

7 Price to tangible book value = share price/tangible book value per share. This reflects how the market values a company relative to the balance sheet accounting valuation of the company, with book value measured as total assets minus intangible assets and liabilities.

8 YouGov Financial Service CategoryView, July 2024

9 JPMorgan Chase Investor Day Presentation, May 19, 2025

10 FDIC BankFind Suite: Summary of Deposits — Summary Tables, 2025

11 Global Fintech Report 2023: Reimagining the Future of Finance

GLOSSARY

AI	Artificial intelligence
AML	Anti-money-laundering; bank programs to prevent financial crime
Basis points/bps	One hundredth of one percent, often used to express differences of interest rates
BaaS/banking-as-a-service	Business model in which banks or fintechs provide infrastructure to nonbanks for delivery of financial services
BHC/bank holding company	Parent company of a bank as defined in the BHCA (excludes certain types of institutions)
BHCA/Bank Holding Company Act	1956 law that governs the regulation of BHCs (amended numerous times)
BNPL	Buy-now-pay-later, a service allowing purchases to be paid in installments
BSA	Bank Secrecy Act; requires banks to file reports for suspicious transactions
CEBA/Competitive Equality Banking Act	1987 legislation that broadened the definition of a bank under the BHCA, but also established several carve-outs, including ILCs, CEBA credit card banks, and certain trust banks
CET1/Common Equity Tier 1	Highest quality capital a bank holds, consisting primarily of common stock and retained earnings
CRA/Community Reinvestment Act	1977 Federal law that requires banks to document and execute plans to address the financial needs of LMI households within the bank's geographic assessment area
Crypto	Cryptocurrency, a digital currency that operates on a decentralized ledger
C-Suite	Highest ranking executives on a company's leadership team
de novo	Latin term meaning "anew"; indicates the organization of a new bank (vs acquisition)
Digital assets	All types of blockchain-based assets
Dual hatting	Practice of having one person perform two roles across two affiliated organizations
Durbin Amendment	An amendment in the Dodd-Frank Act that institutes caps on debit card interchange for issuers with over $10 billion in assets; implemented via Reg II
FBO/Foreign Banking Organization	An internationally domiciled bank that owns a US bank or operates a branch or agency in the US and is therefore regulated by the Fed as an FBO
FDIC	Federal Deposit Insurance Corporation
Fed/Federal Reserve System	Central banking system of the US, comprising the Board of Governors and the twelve regional Federal Reserve Banks
Fintech	Financial technology company
Genius Act	2025 legislation establishing a Federal regulatory framework for stablecoin
Georgia MALPB	Merchant Acquiring Limited Purpose Bank, a special-purpose bank for merchant acquiring
IDI	Insured depository institution
ILC	Industrial loan company, also known as an industrial bank
Interchange	Fees paid by a merchant's bank (acquirer) to the cardholder's bank (issuer) when a purchase is made on a card
IPO	Initial public offering
KYC	Know Your Customer, legally mandated bank policies for verifying customer ID

Leverage Ratio	A regulatory measure that divides Tier 1 Capital by total assets
LMI	Low-to-moderate income households
M&A	Mergers and acquisitions
Merchant acquirer	Merchant's bank that supports acceptance of payment card transactions
Money transmitter licenses	State licensing requirements applicable to companies providing services for money transfer or stored value
OCC	Office of the Comptroller of the Currency; supervises national banks and thrifts
Paid-in capital	Initial funding contributed by the organizers of a bank
Prudential regulator	Regulator with authority to monitor and regulate banks for safety and soundness
Reg W	Implementing regulation for Section 23A and 23B of the Federal Reserve Act; imposes strict oversight of transactions between a bank and its affiliates to avoid risks to the banking system
ROE/return on equity	Profitability ratio that divides net income by shareholders' equity, expressed as a %
SEC	Securities and Exchange Commission
SLHC	Savings & loan holding company, the thrift equivalent to BHCs
SMB	Small-and-medium-sized business
SOX	Sarbanes-Oxley Act, a 2002 Federal law mandating financial record keeping and reporting practices for corporations
Sponsor bank	Bank that works with nonbanks such as fintechs to provide services including licensing, card network memberships, pass-through FDIC insurance, and compliance oversight
Stablecoin	A type of cryptocurrency designed to maintain a stable value via a peg to another asset, such as the US dollar
Thrift	Savings & loan associations and savings banks that have historically specialized in household savings and mortgage finance
Usury laws	State laws imposing caps on how much interest and/or fees a lender can charge
Volcker Rule	Dodd-Frank provision that restricts banks from proprietary trading or sponsoring hedge funds and private equity funds

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About Oliver Wyman

Oliver Wyman, a business of Marsh McLennan (NYSE: MMC), is a management consulting firm combining deep industry knowledge with specialized expertise to help clients optimize their business, improve operations and accelerate performance. Marsh McLennan is a global leader in risk, strategy and people, advising clients in 130 countries across four businesses: Marsh, Guy Carpenter, Mercer and Oliver Wyman. With annual revenue of $23 billion and more than 85,000 colleagues, Marsh McLennan helps build the confidence to thrive through the power of perspective.

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QED Investors is a global leading venture capital firm based in Alexandria, Va. Founded by Nigel Morris and Frank Rotman in 2007, QED Investors is focused on investing in disruptive financial services companies worldwide. QED Investors is dedicated to building great businesses and uses a unique, hands-on approach that leverages its partners' decades of entrepreneurial and operational experience, helping companies achieve breakthrough growth. Notable investments include AvidXchange, Betterfly, Bitso, Caribou, ClearScore, Creditas, Credit Karma, Current, Flywire, Kavak, Klarna, Konfio, Loft, Mission Lane, Nubank, QuintoAndar, Remitly, SoFi, Wagestream and Wayflyer.

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