How Mastercard Moves Money

Idea In Short

Mastercard does not issue credit cards, extend loans or hold customer deposits. Instead, it owns and operates the payment network that connects banks, merchants and cardholders, collecting a fee on nearly every transaction that carries its logo. That structure, known as a four-party model, separates Mastercard from banks that take on lending risk and lets the company earn revenue almost entirely from transaction volume rather than interest income. The company traces its roots to a group of California banks that formed the Interbank Card Association in 1966 to compete with BankAmericard, the network that became Visa. Mastercard went public on the New York Stock Exchange in 2006 and reported $28.2 billion in net revenue for 2024, most of it tied to the dollar volume flowing across its network.

From Bank Consortium to Global Network

Mastercard's origins trace to a wave of competition that followed Bank of America's decision to franchise its BankAmericard program, the network that later became Visa, to banks outside California. Facing state banking laws that limited branch expansion, a group of banks formed the Interbank Card Association in 1966 in Buffalo, New York, pooling resources to issue a competing credit card. The association rebranded as Master Charge in 1969, adopting the interlocking circles logo the company still uses in modified form today. The network merged with Eurocard in the 1970s to establish a foothold in Europe and the Master Charge name gave way to Mastercard in 1979.1

Going Public and Cutting Ties to Member Banks

For most of its history, Mastercard operated as a nonprofit association owned collectively by its member banks, which set their own interest rates and fees while relying on Mastercard for network infrastructure and brand licensing. That structure changed in 2006, when Mastercard converted to a publicly traded company and listed on the New York Stock Exchange, a move then-chief executive Robert Selander framed as a way to build value for both customers and shareholders. The initial public offering diluted the ownership stake of member banks and gave Mastercard the capital and governance structure to pursue acquisitions and technology investment more aggressively than its association model had allowed.2

How a Single Swipe Moves Through the Network

A Mastercard transaction involves four parties beyond Mastercard itself: the cardholder, the merchant, the issuing bank that provided the card and the acquiring bank that processes payments for the merchant. When a customer pays, the merchant's point-of-sale system sends the transaction to the acquiring bank, which routes it through Mastercard's network to the issuing bank for authorization. The issuing bank approves or declines the transaction and relays that decision back through the same chain, after which the issuing bank settles funds with the acquiring bank, which credits the merchant. Mastercard itself never touches the money; it operates the switching infrastructure and messaging standards that let banks that have never dealt with each other directly complete a transaction in seconds.3

> Mastercard's four-party model separates it from card networks like American Express, which issues cards directly to consumers and takes on lending risk itself

A Revenue Model Built on Volume, Not Interest

Mastercard's revenue splits into several categories tied to transaction volume rather than interest charges. Domestic assessments charge issuers and acquirers based on the dollar volume of transactions where the merchant and cardholder's bank are in the same country, while cross-border volume fees apply when they are not, reflecting the added complexity of currency conversion and international routing. Transaction processing revenue, which includes authorization, clearing, settlement and connectivity fees, makes up the largest share of the total. Rebates and incentives, paid to large customers who commit to volume thresholds, reduce gross revenue but help Mastercard retain relationships with major card-issuing banks against Visa's competing offers.4

Leadership Transition and a New Chief Executive

Ajay Banga, who led Mastercard for more than a decade and oversaw its transformation into a technology and data services company alongside its core network business, stepped down as chief executive at the start of 2021, handing the role to Michael Miebach, previously Mastercard's chief product officer. Banga later left the company entirely in 2023 to become president of the World Bank, nominated by the Biden administration to lead the international development institution. Miebach has continued Mastercard's push into cybersecurity, open banking and business-to-business payments, areas the company has built up partly through acquisitions rather than relying solely on transaction fee growth.5

Competing Against Visa and a New Generation of Fintechs

Mastercard and Visa together handle most global card payment volume, a concentration that has drawn antitrust scrutiny in the United States and Europe over interchange fees merchants must pay to accept card payments. Beyond Visa, Mastercard now competes with real-time payment systems built by central banks and government-backed initiatives, along with fintech companies such as PayPal and various account-to-account payment providers that let consumers and businesses move money without touching a card network at all. Mastercard has responded partly by investing in its own real-time payment infrastructure and partly by acquiring data analytics and cybersecurity firms, positioning its network as a security and fraud-prevention layer even for transactions that do not run through a traditional card. That diversification has helped offset the risk that new payment rails could erode the fee-per-transaction model that built Mastercard's business.6

Key Partners

Financial institutions that issue Mastercard-branded cards form the company's most important partnership category, since Mastercard has no direct relationship with cardholders without them. Acquiring banks and payment processors connect merchants to Mastercard's network, handling the technical infrastructure that captures transactions at the point of sale. Governments and public sector agencies partner with Mastercard on initiatives such as digital identity programs and financial inclusion projects in markets with large unbanked populations. Technology partners, including cybersecurity and cloud infrastructure providers, support Mastercard's expansion into fraud prevention and data services beyond its core network business.

Key Activities

Operating and securing the payment network that routes transaction data between issuing and acquiring banks is Mastercard's central activity, requiring continuous investment in processing speed and reliability. Co-branding partnerships with banks and retailers extend Mastercard's reach into new card products, from travel rewards cards to store-branded credit cards. Mastercard also develops fraud detection and cybersecurity tools, reflecting the company's shift toward selling data and security services alongside its transaction processing business. Regulatory engagement and compliance work occupy substantial resources given the antitrust and interchange fee scrutiny Mastercard faces across multiple jurisdictions.

Key Resources

Mastercard's global network infrastructure, capable of authorizing transactions in a fraction of a second across nearly every country, represents its core technical resource. The Mastercard brand and trademark carry decades of consumer trust that make banks willing to issue cards under its name rather than build a competing network from scratch. Relationships with thousands of financial institutions worldwide give Mastercard a scale advantage that new entrants would need years to replicate. The company's growing portfolio of data analytics and cybersecurity capabilities, built through acquisitions, has become an increasingly important resource as transaction fee growth alone becomes harder to sustain.

Value Propositions

For individual cardholders, Mastercard-branded cards offer broad acceptance, fraud protection and features like Click to Pay that let people complete online purchases without re-entering card details. For banks and credit unions, Mastercard provides the network, security infrastructure and brand recognition needed to issue competitive card products without building payment rails independently. For merchants and small businesses, accepting Mastercard means access to a large base of cardholders plus fraud prevention tools that reduce chargeback risk. For governments and large enterprises, Mastercard offers secure, large-scale payment infrastructure for functions like benefits disbursement, procurement and cross-border payables that would be costly to build internally.

Customer Relationships

Mastercard's direct relationships run primarily through the banks and financial institutions that issue its cards, since those institutions manage day-to-day customer service for individual cardholders. The company maintains its own fraud alert and lost-card reporting systems that operate alongside, rather than instead of, bank customer service. Mastercard engages large enterprise and government customers through dedicated account teams that negotiate custom service agreements for payment infrastructure and data products. Marketing partnerships, co-branded card programs and loyalty benefits reinforce cardholder loyalty to the Mastercard brand even though the direct billing relationship sits with the issuing bank.

Channels

Mastercard reaches consumers indirectly through the banks and credit unions that issue its cards, rather than through direct retail channels of its own. Digital marketing, sponsorships and advertising campaigns build brand recognition that supports banks' efforts to sell Mastercard-branded products to their customers. Co-branding arrangements with airlines, retailers and other companies extend Mastercard's reach into loyalty and rewards programs tied to specific brands. Direct sales and account management teams handle relationships with large enterprise, government and financial institution customers that require custom implementation of Mastercard's payment and data products.

Customer Segments

Individual consumers who hold Mastercard-branded credit, debit and prepaid cards represent the largest segment by card count, though Mastercard's direct commercial relationship is with their issuing banks. Financial institutions, ranging from community banks and credit unions to large multinational banks, form the segment Mastercard depends on most directly for revenue and card issuance. Small and medium businesses use Mastercard's commercial card and payment tools to manage expenses and payables. Governments and public sector agencies use Mastercard's infrastructure for programs including benefits disbursement and procurement, while large enterprises rely on Mastercard for cross-border payments and fraud prevention at scale.

Cost Structure

Rebates and incentives paid to large card-issuing banks and merchants represent one of

Mastercard's biggest cost categories, offered to retain volume against competing offers from Visa and other networks. Network operating expenses cover the technology infrastructure needed to process transactions securely and reliably at global scale. Personnel costs reflect Mastercard's workforce across engineering, sales, compliance and the cybersecurity and data analytics units it has built through acquisition. Litigation and regulatory compliance costs remain elevated given ongoing antitrust scrutiny of interchange fees in the United States, the European Union and other markets.

Revenue Streams

Domestic assessment fees, charged on transaction volume where the merchant and card-issuing bank share a country, form one of Mastercard's core revenue streams. Cross-border volume fees apply to transactions spanning different countries, capturing the added value Mastercard provides in currency conversion and international routing. Transaction processing revenue, covering authorization, clearing, settlement and connectivity services, makes up the largest single category of Mastercard's income. Consulting, data analytics and cybersecurity services generate a smaller but growing stream as Mastercard sells its fraud detection and data capabilities to banks and merchants beyond its core network business.

- 1Mastercard company history and structure
- 2Mastercard investor relations: company overview
- 3How the four-party card payment model works
- 4Mastercard reports full-year 2024 financial results
- 5Mastercard names insider Michael Miebach as new chief executive
- 6Mastercard revenue and transaction volume 2012-2026

Summary

Mastercard's business model works because it never has to decide whether to approve a loan or absorb a default. Banks that issue Mastercard-branded cards carry that risk, while Mastercard collects fees for providing the network, security infrastructure and the brand that makes a card or a tap-to-pay phone usable at millions of merchants worldwide. That arrangement has produced some of the highest operating margins in the S&P 500, but it also means Mastercard's fortunes rise and fall with consumer spending and cross-border travel, both sensitive to economic downturns. Fintech competitors and government-backed real-time payment systems now offer ways to move money that bypass card networks entirely, pressuring the fees Mastercard has historically charged. The company has responded by expanding into data analytics, fraud prevention and business-to-business payments, areas where its network effects and bank relationships still give it an edge over newer entrants.