



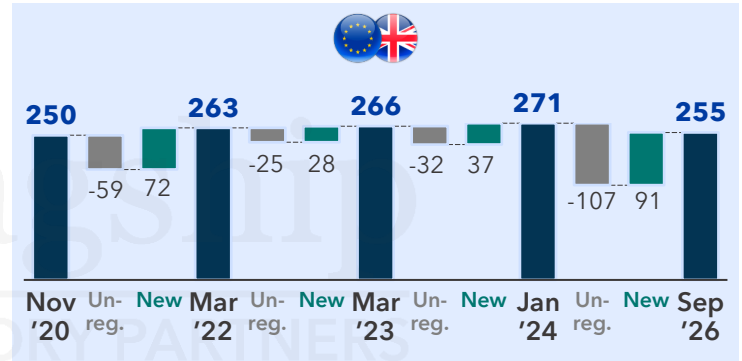
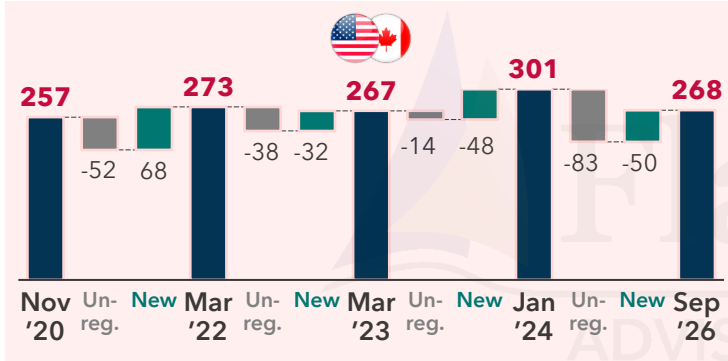
Comparing North American and European PayFacs, 2026

We previously published comparisons of the North American and European Payment Facilitators ("PayFac") ecosystem in [2023](#) and [2024](#); we have revisited the registries to see what has changed...

1

Evolution of Registered Payfacs

(total number of PayFacs in the US & Canada and Europe¹, as of Sep 2026)



¹Europe defined as EEA, UK, Switzerland, and Georgia

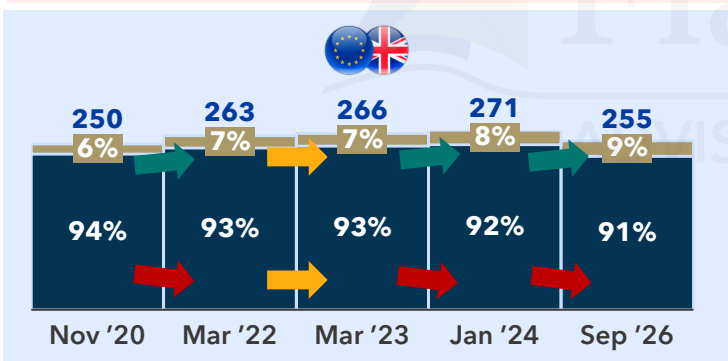
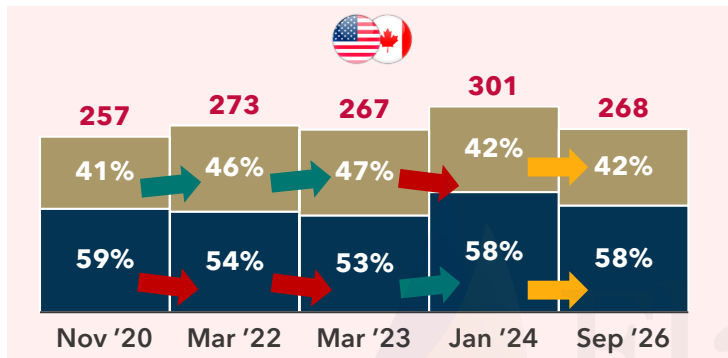
Sources: Mastercard North America and Europe Payment Facilitator Registry, Flagship market observations, and analysis

- After several years of growth, registered PayFac counts recently declined: **both registries peaked in 2024 and have since fallen by 11% in North America and 6% in Europe/UK**
- The **market remains active**, but is consolidating as M&A, exits and de-registrations have offset new registrations. Expansion of **Managed PayFac operating model** (aka PayFac Lite) **contributing to slowdown in the full, Registered PayFac model**

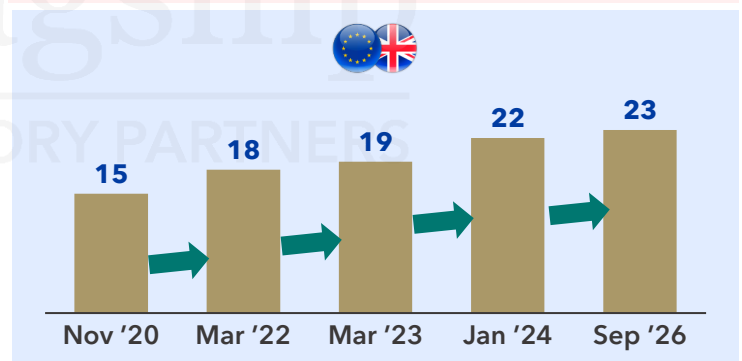
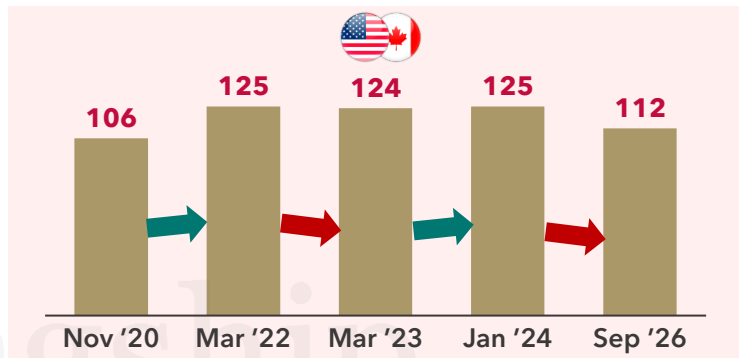
2

Software PayFacs Growth

(% of PayFacs, as of Sep 2026)



(# of ISV/SaaS PayFacs, as of Sep 2026)



¹ Non-ISV/SaaS PayFacs are predominantly dedicated PSPs, for whom payments is the core business rather than an add-on to software.

Sources: Mastercard North America and Europe Payment Facilitator Registry, Flagship market observations

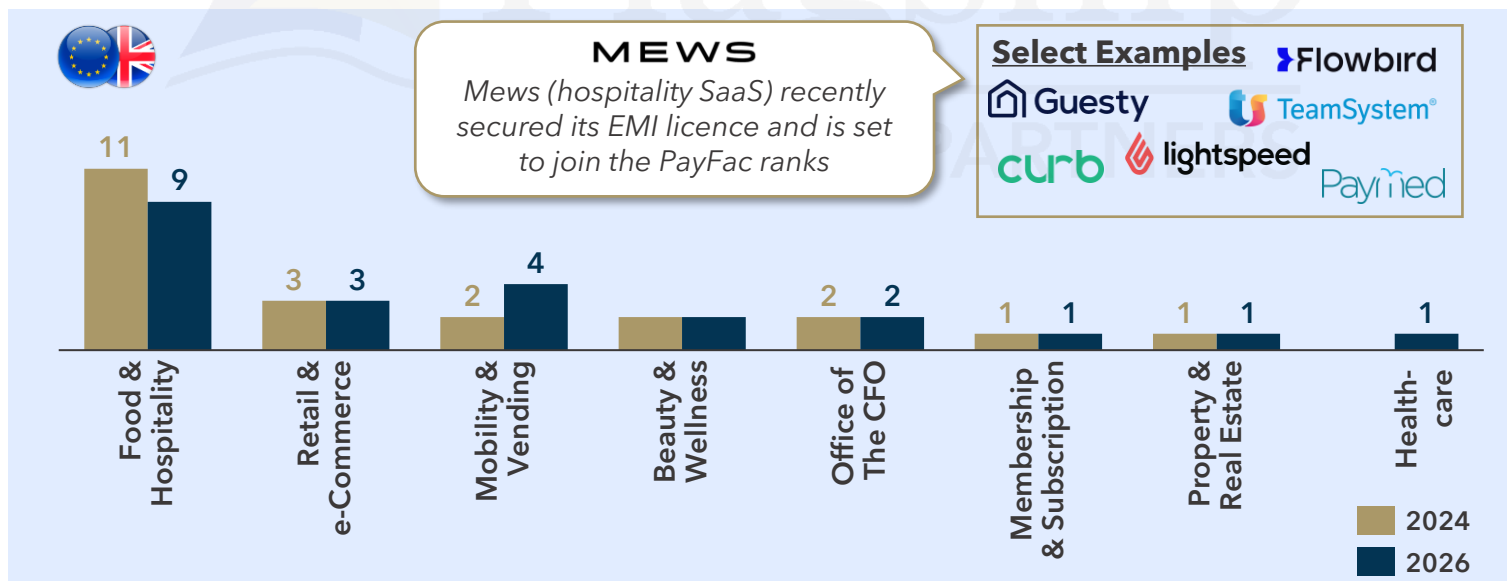
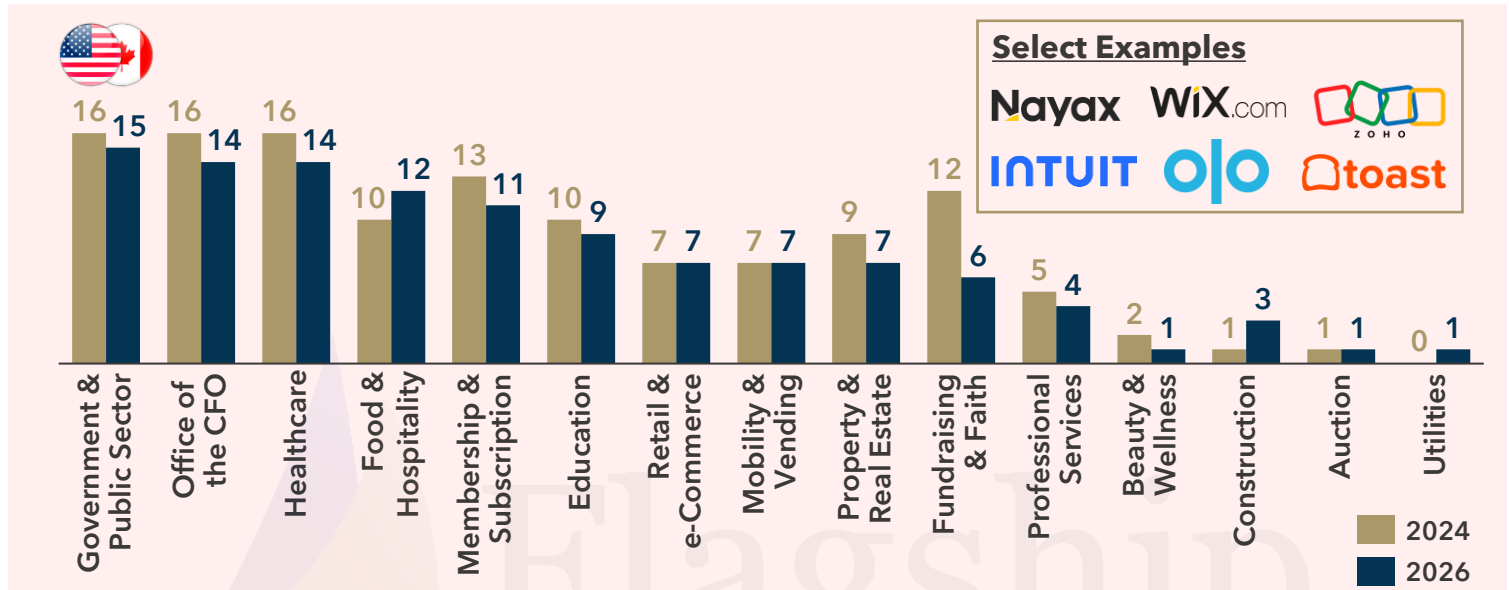
- Software Registered Payfacs peaked in 2024 in North America, now a declining trend
- Prominence of Software Registered PayFacs growing steadily in Europe** as leading global SaaS companies expand their preferred, higher-control operating model to the continent.



Comparing North American and European PayFacs, 2026

3 Registered ISV/SaaS PayFacs By Vertical

(# of total ISV/SaaS PayFacs, as of Sep 2026)



(1) ISV/SaaS = software companies offering payments as an add-on to their own software, as distinct from dedicated payment providers. Verticals reflect the sector each PayFac states it serves.

Sources: Mastercard North America and Europe Payment Facilitator Registry, Flagship Market observations, and analysis

- **In North America, the Registered PayFac operating model can be seen across software verticals**, with Government, Office of the CFO, Healthcare, Food & Hospitality, Membership & Subscription, Education, Fundraising and Membership all at meaningful scale.
- **Europe is earlier in the adoption curve of Registered PayFac model, but usage of the model is growing slowly** (Europe accounting for 8 of the 20 new ISV registrations across regions, despite being a notably smaller software region). European registered payments are concentrated within Food & Hospitality, the vertical accounting for ~40% of European Registered PayFac ISVs
- Registered PayFac ISVs are less common in Europe due to **higher regulatory burden (Payment Institution or Electronic Money Institution License required)** and **smaller scale of ISVs**. European ISVs more commonly operate under Managed PayFac-lite model.



Comparing North American and European PayFacs, 2026

4 Integrated/Embedded Payments Operating Model Spectrum for ISV/SaaS

		Referral Models		ISO Models		PayFac Models	
		Basic Referral, No SW Integration	Referral with SW Integration	Retail ISO	Wholesale ISO	PayFac Lite	Registered PayFac
Control	Merchant Onboarding	No Control	Low	Limited Control	Full Control	Some Control	Full Control
	Merchant Contracting & Ownership	No Ownership	No Ownership	Limited Ownership	Full Ownership	Limited Ownership	Full Ownership
	Customer Experience	No Control	Low Control	Low Control	High Control	Some Control	Full Control
Economics	Profit Potential	Low	Low	Low-Medium	High	Medium-High	High
Risk	Merchant Risk Liability	None	None	Low	Low to High*	Low	High
Total Ownership Cost	Capital Investment	None	Low	Low	Higher	Medium	High
	Operating Expenses	Low	Low	Low	Higher	Medium	High

* Vertical dependent

(1) Assessments are qualitative and directional, reflecting typical market practice; individual arrangements vary by sponsor, vertical, and scale.

(2) Favorable/unfavorable is assessed from the ISV's perspective: higher control and profit potential are favorable, higher risk and cost are not.

Source: Flagship Market observations and analysis

Unfavorable  Favorable

- **The PayFac journey is an evolution, not a binary decision.** ISVs do not leapfrog directly into the custom-built PayFac bucket. **Having said that, we are observing that ISVs are increasingly moving toward forms of PayFac models** to capture more of the economics and own more of the merchant experience.
- **Ownership of embedded finance is seen as an important defensive moat vs. potential AI disruption across the software industry.**
- **The spectrum in operating models, however, reflects a clear trade-off between control and economics versus cost, risk, and complexity.**
 - Referral models require the least investment but offer limited control, while ISO and hybrid PayFac models provide progressively greater ownership of merchants and the customer experience.
 - **Managed PayFac, where most scaled ISVs sit today**, provides a branded payments experience and improved economics without the full regulatory and operational burden of registration, while preserving a natural path to full PayFac status once branded volumes reach sufficient scale
 - **Registered PayFac offers the highest level of control and monetization potential**, but also the greatest investment, risk, and operational complexity
- **Payments are only the starting point for monetizing embedded finance.** Greater control over the merchant relationship, onboarding, transaction flows, and payment data creates the foundation for a broader embedded finance strategy, enabling ISVs to add lending, cards, accounts, payouts, and treasury services over time

Flagship Advisory Partners is at the forefront of software, payments, and embedded finance

Since 2025, we have published over **20 software and embedded finance insights**.

1 [Will AI Kill the B2B Software Industry?](#)

2 [PSPs Buying Commerce Software Accelerating in Europe](#)

3 [Q1 2026 SaaS and Fintech Earnings Observations](#)

SHIFT ⁴  **shopify**  **block** **WIX**

4 [Embedded Fintech Vertical Snapshot: Accommodation Property Management](#)

5 [Executive Interview with Luke Trayfoot, Global Head of Strategic Partnerships, YouLend](#)

6 [European SaaS Bullish on SoftPOS, But Slow to Market](#)

We work with leading software platforms, financial sponsors, and fintechs on **software and embedded payments/finance**.

Flagship AP's Advisory Services

- Product strategy
- Growth and GTM strategy
- Geo expansion
- Operating model optimization
- Partner evaluation and RFP support
- M&A Advisory (investment playbook, target identification, Commercial & Tech Due Diligence)

We have done work in over **30+ verticals and horizontals** and **100+ projects** in the last year.

- **C2B verticals** (e.g., retail, restaurant, hospitality, travel)
- **B2B verticals** (e.g., healthcare, education, government)
- **Horizontals and office of the CFO** (e.g., accounting, AP/AR, spend management, payroll)

For any questions, please do not hesitate to contact the author(s):



Charlotte Al Usta
charlotte@flagshipap.com
Principal



Jared Plotkin
jared@flagshipap.com
Manager