DIGITAL ASSETS

Payments Sovereignty in Europe:

Can Europe Finally Build a Pan-European Alternative to Visa and Mastercard?

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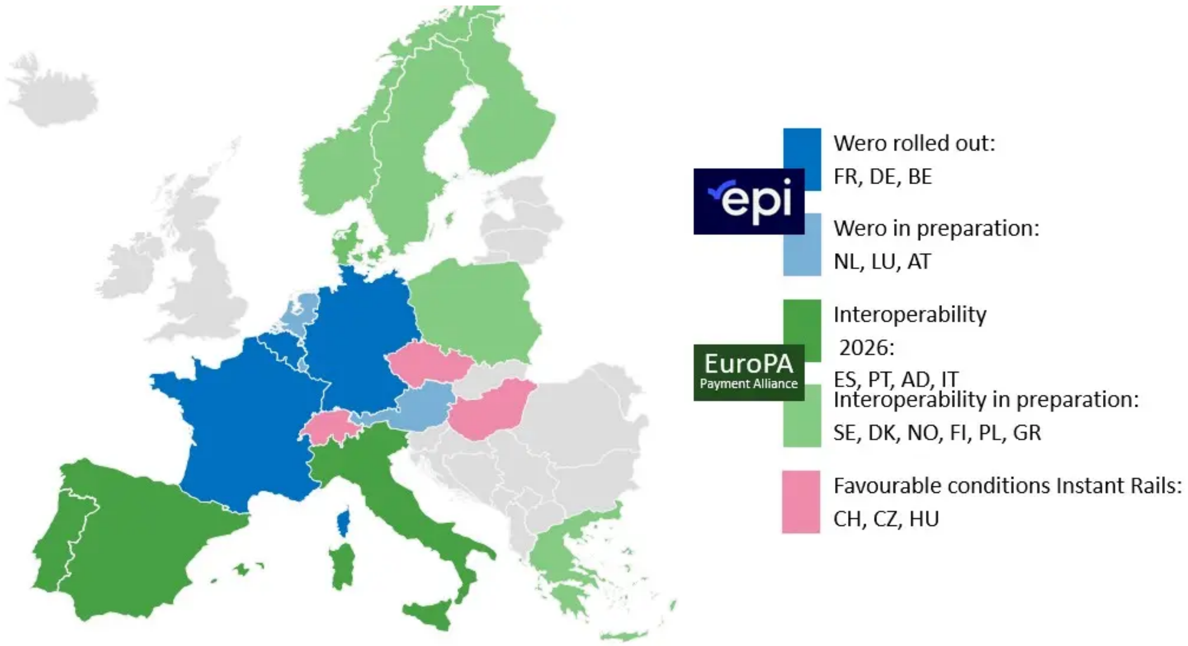
Executive Summary

- Visa and Mastercard dominate European card payments, giving them a central role in Europe's retail payments infrastructure and prompting growing concerns about strategic dependence on non-European payment networks.
- Europe's dependence developed gradually, driven by fragmented national payment markets, strong network effects, and commercial incentives for banks to join established global card networks rather than build a common European alternative.
- Domestic payment schemes such as Cartes Bancaires, Girocard, Dankort, Bancontact and Multibanco demonstrate that nationally governed payment systems can be highly effective, but their largely domestic focus have limited their ability to become pan-European networks.
- Geopolitical developments, regulatory reforms, and digital payment innovations have renewed interest in payments sovereignty, yet initiatives such as the European Payments Initiative illustrate that institutional coordination and commercial alignment remain major obstacles.
- The principal challenge is not technological but political. Europe already possesses the technical foundations, but its success will ultimately depend on sustained cooperation to overcome failures and achieve sufficient market scale.

Key Picture: European Payments Sovereignty Map



Source: [Banking.Vision]

The Case for a European Alternative

Visa and Mastercard process the overwhelming majority of card payments across Europe,[1] meaning their networks today function as critical financial infrastructure for consumers, merchants and banks alike. This dominance has become politically salient as regulators and policymakers increasingly frame access to payment rails as a matter of strategic autonomy and resilience.[2] [3] In this context, concerns that an externally controlled payments stack could be disrupted by geopolitical friction have prompted fresh interest in a European alternative.[4] [5]

At the same time, merchants continue to raise concerns over card acceptance costs, including scheme fees and routing constraints, while consumers increasingly expect seamless cross-border digital payment experiences.[6] In response, the European Union (EU) has introduced a series of regulatory initiatives – including the revised Payment Services Directive (PSD2),[7] the Instant Payments Regulation,[8] and the Digital Finance Strategy,[9] aimed at lowering frictions and boosting European capabilities.

The central question, therefore, is not purely technical but also structural – can Europe build a pan-European payment network, or will national interest, bank business models and market fragmentation continue to block integration? Here, the principal obstacle is political and commercial coordination, not just technology since Europe already has much of the technical plumbing. Hence, the focus should be on aligning incentives across banks, governments, merchants and regulators to agree and work towards a single, widely accepted scheme.

Europe's Payment Landscape – Visa, Mastercard and Domestic Networks

Visa and Mastercard evolved into global networks by successfully addressing the two-sided market challenge of simultaneously expanding merchant acceptance and consumer adoption.[10] In contrast, many European banks continued to rely on nationally focused card schemes that remained fragmented across Member States, limiting the emergence of a unified network. As their card usage expanded with European financial liberalisation and cross-border commerce, banks had a strong economic incentive to connect to established global card networks rather than co-finance a joint European network, especially because Visa and Mastercard had already offered broad merchant acceptance, trust, and interoperability that consumers expected in international transactions.

Naturally, over time, these network effects became self-reinforcing and gained further scale advantages that made it harder for domestic alternatives to expand beyond national borders. Although, Europe did preserve some strong domestic systems like Cartes Bancaires, Dankort, Bancontact and others but they largely remained national in scope [11] and often relied on co-badging or partnerships with international card schemes to enable seamless cross-border acceptance.[12] Consequently, Europe's dependence reflects not a single policy failure but a cumulative effect of fragmented market structures and the global reach and established network effects of Visa and Mastercard that became embedded in everyday financial infrastructure.

This distinction is important. Although these domestic schemes did not evolve into pan-European networks, they demonstrate that locally governed payment infrastructures can deliver efficient, trusted retail payment services at scale within their home markets. France's Cartes Bancaires, Denmark's Dankort, Germany's Girocard, Belgium's Bancontact and Portugal's Multibanco remain important national card schemes within their respective domestic markets. However, these schemes operate primarily at the national level, with cross-border card transactions generally being executed through international card schemes. Together, they demonstrate that nationally governed payment systems can remain effective domestically while facing limitations in achieving pan-European reach.[13]

The experience of these national schemes highlights an important distinction between domestic success and pan-European scalability. Their performance demonstrates that effective governance, close cooperation between issuers and acquiring banks, and strong merchant acceptance can sustain efficient payment systems within national markets. Their principal limitation has been less one of technical capability than of scale and cross-border interoperability. Designed primarily around national market structures, settlement arrangements, and regulatory environments, these schemes have generally depended on co-badging to provide seamless cross-border acceptance. As a result, despite their domestic success, no single national scheme has been able to evolve into a genuinely pan-European alternative without substantially deeper institutional and market integration.

Renewed Debate on a Pan-European Payment Network

Efforts to create a pan-European scheme have been attempted with the European Payments Initiative (EPI).[14] Initially launched in 2020, the initiative sought to develop a unified payment ecosystem encompassing a digital wallet, account-to-account instant payments, and a pan-European payment solution capable of reducing reliance on international card schemes. However, in early 2022, the project encountered a massive crisis when 20 member banks withdrew from the initiative. This collective exit, which included all Spanish participant banks and Germany's Commerzbank and DZ Bank stemmed from severe disagreements regarding multibillion-euro infrastructure funding and fragmented commercial governance.

Faced with a collapse of its original card-based blueprint, the remaining 13 backers officially abandoned the physical card scheme and pivoted the initiative's focus entirely toward account-to-account (A2A) instant payments and a digital wallet.[15] [16] This pivot completely altered the EPI's trajectory. Rather than building new systems from scratch, the EPI Company shifted from 'build' to a 'coalition and acquisition' strategy.

In late 2023, the consortium successfully finalised the multi-million-euro acquisitions of the Dutch payment systems iDEAL and the Luxembourg-based technology provider Payconiq International. By leveraging the existing infrastructure and market experience of these established platforms, the remaining member banks, alongside new shareholders, resolved their commercial disputes. This restructuring paved the way for the successful 2024 launch of Wero, a unified European digital wallet designed to streamline person-to-person (P2P) and consumer-to-merchant (C2M) instant transactions.[17] [18] [19]

Apart from their 'struggle to align on common standards',[20] member banks continued to derive considerable value from established partnerships with Visa and Mastercard that already offered extensive international acceptance.[21] Moreover, building a new payment network requires substantial upfront investment in merchant acceptance, acquiring infrastructure, consumer adoption, and brand recognition, while the benefits increase only as participation expands.

These self-reinforcing network effects make it difficult for new entrants to compete with established incumbents, whose large installed user and merchant bases create significant barriers to entry. Consequently, several major banking groups either withdrew from or reduced their participation in the EPI as commercial uncertainty and substantial investment requirements conflicted with near-term business priorities. The experience of the EPI therefore suggests that the principal obstacles to establishing a pan-European payment scheme have been less technological than institutional, commercial, and governance-related, requiring sustained coordination.

Against this backdrop, several developments have renewed interest in establishing a pan-European payment alternative. On the geopolitical front, financial sanctions imposed following Russia's invasion of Ukraine, including the exclusion of certain Russian banks from SWIFT and the suspension of Visa and Mastercard operations in Russia highlighted how reliance on internationally governed payment infrastructures can create operational and strategic vulnerabilities.[22] [23]

At the same time, the payments landscape has evolved considerably. The growing ubiquity of instant payments infrastructures, tokenisation, QR-code payments, and digital wallets has reduced some of the technical barriers to delivering interoperable cross-border payment services. In parallel, the debate surrounding the digital euro has reinforced broader policy discussions about Europe's strategic autonomy in payments. Although a CBDC would not replace existing card networks, the European Central Bank (ECB) has argued that it could strengthen the resilience of Europe's payment ecosystem and complement private-sector payment solutions.[24] Taken together, these developments have made the prospect of a pan-European payment solution more credible than it was a decade ago. Nevertheless, the commercial and institutional challenges discussed earlier remain significant, meaning that improved technological feasibility alone is unlikely to guarantee widespread market adoption.

The Real Challenge is Political Rather than Technological

From a technological perspective, many of the fundamental building blocks for a pan-European payment solution already exist. The Single Euro Payments Area (SEPA) has harmonised euro-denominated credit transfers and direct debits across participating countries, while the expansion of instant payment infrastructures has significantly improved the technical feasibility of real-time cross-border payments.[25] At the same time, several national payment schemes have demonstrated that secure, scalable, and reliable retail payment processing can be delivered within domestic markets.

The more significant challenges lie in institutional coordination, commercial incentives, and governance. European banks continue to operate within predominantly national business environments, with varying revenue models, strategic priorities, and commercial partnerships. Consequently, collective investment in a pan-European payment network requires overcoming coordination problems that do not arise solely from technology. Member States likewise do not always share identical policy priorities. Countries with successful domestic schemes have an incentive to preserve existing infrastructure, while others place greater emphasis on deeper European integration and reducing dependence on non-European payment providers.

Moreover, merchants generally seek lower payment acceptance costs but also value reliability, consumer acceptance, and cross-border functionality. Consequently, they are unlikely to adopt a new scheme unless it offers clear commercial benefits without reducing convenience. Likewise, banks considering a shift away from established international card schemes must weigh high investment costs, operational risk, uncertain returns, and the difficulty of building merchant acceptance at scale. These incentives are reinforced by the economics of payment networks, where strong network effects create major barriers to entry.[26]

Lastly, governance is another obstacle. A genuine pan-European payment network would require consensus on ownership, decision-making, standards, and funding across jurisdictions. Without clear commitments and long-term strategic alignment combined with short-term profit incentives, technical solutions will remain fragmented. In effect, a pan-European scheme is less an engineering challenge than a test of the EU's governance capacity to build credible, binding coalitions among stakeholders whose immediate priorities differ.

Potential Future Outlook

The preceding analysis suggests three broad trajectories for the future of European retail payments. The most ambitious would be the creation of a fully integrated pan-European payment scheme supported by sustained political commitment, coordinated investment, and broad market adoption. While such an outcome would strengthen Europe's strategic autonomy, it would require an unprecedented level of cooperation among banks, merchants, regulators, and Member States. A more realistic prospect is a hybrid model in which national payment schemes become increasingly interoperable through shared standards, improving cross-border usage while preserving domestic strengths. Lastly, absent stronger coordination, however, the most likely outcome is the continuation of the current landscape, with Visa and Mastercard retaining their dominant position while Europe relies on incremental regulatory reforms and initiatives such as the digital euro to mitigate strategic dependence.

Europe already possesses the technical foundations, and successful national schemes needed to support a pan-European payment network. The remaining challenge is collective action: aligning commercial incentives, securing merchant participation, and establishing governance that reconciles national interests with European objectives. If the EU can sustain this political and institutional commitment, it may yet overcome the coordination failures that constrained earlier initiatives such as the EPI. Ultimately, the success of a European alternative to Visa and Mastercard will depend less on technological capability than on Europe's ability to coordinate political, commercial and institutional interests across borders.

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