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European Strategic Autonomy and the Cross-Border Payments Market in the Era of Deglobalization

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European Strategic Autonomy and the Cross-Border Payments Market in the Era of Deglobalization

Abstract

Persistent reliance of European financial institutions on non-EU payment networks highlights a critical vulnerability in the Union's financial architecture. In an era of deglobalisation, sanctions warfare, and contested multilateralism, access to cross-border payment infrastructures may become a vector of geopolitical leverage. This in-depth analysis explores this emerging risk and argues that, while long-term strategies should aim at strategic autonomy, extending the extra-territorial reach of EU law could strengthen systemic resilience in the interim.

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LIST OF ABBREVIATIONS

BU	Banking Union
CMU	Capital Markets Union
EPI	European Payments Initiative
FDI	Foreing Direct Investments
OFAC	Office for Foreing Assets Control
SIU	Savings and Investments Union
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TARGET	Trans-European Automated Real-time Gross-settlements Express Transfer

EXECUTIVE SUMMARY

Over the past decade, and increasingly over the past few years, the assumption that global economic integration would naturally support stability and security has been increasingly challenged. The EU's continued dependence on non-EU payment networks, particularly Visa and Mastercard, represents a structural vulnerability for both European banks and the Union's financial sovereignty. In an era of deglobalisation and economic coercion, access to cross-border payment infrastructures can no longer be assumed.

The exclusion of Russian and Belarusian banks from global payment networks in 2022 demonstrated, with unprecedented clarity, that payment systems can operate as instruments of geopolitical leverage, and that disconnection can occur rapidly and with far-reaching systemic effects. While it is not suggested that measures similar to those imposed on Russia or Belarus are politically plausible *vis-à-vis* the EU, the legal, institutional, and political mechanisms that enable the use of financial and technological chokepoints as tools of statecraft do exist in the U.S. Under existing U.S. statutory and executive powers, access to critical, U.S.-headquartered payment rails could, in principle, be restricted, conditioned, or discouraged, whether through executive action (e.g., OFAC measures under IEEPA), legislative instruments (e.g., CAATSA-style mandates), or anticipatory compliance pressure by private actors responding to political signalling. Recent shifts toward more "sovereigntist" U.S. legislative agendas further increase strategic uncertainty.

This paper examines these risks, situating them within broader trends of deglobalisation and the weakening of multilateral soft-law coordination, including standards issued by non-treaty-based international bodies such as the Basel Committee. As consensus-driven global governance becomes more fragile, the Union must explore pathways to strengthen its payment resilience while preserving openness. The contribution of this paper is not to predict coercive action, but to analyse the structural conditions under which vulnerability could materialise and to assess policy options to mitigate that risk.

The paper assesses three complementary pathways. In the long run, a digital euro could, if widely adopted, reduce reliance on foreign private card schemes and reinforce the EU's monetary and technological sovereignty — though technical governance, adoption incentives, and ecosystem development require time, coordination, and political consensus, making this a medium-to long-term solution. A second long-term pathway involves cross-border banking consolidation: scaling EU financial institutions through deeper BU and corporate-law integration is a necessary precondition for the emergence of European payment champions capable of competing globally — yet legal, supervisory, and political barriers to meaningful consolidation remain substantial.

As a bridging and risk-mitigating strategy, we argue that the EU should also consider leveraging the extraterritorial reach of its law. The Union has, for some time now, relied on its market size and regulatory capacity to project its standards globally (the "Brussels effect"), particularly in priority domains such as data protection, sustainability, and digital regulation. A similar approach could be adapted to the payments sector by extending targeted obligations — for example, non-discriminatory service provision and operational continuity — directly to non-EU payment providers with significant business presence or operational footprint in the EU. While this approach cannot eliminate dependence, it can rebalance

asymmetric interdependence and strengthen the Union's geopolitical bargaining position by raising the costs of politically motivated disruption.

Together, these approaches suggest that enhancing EU payment autonomy requires a layered strategy combining long-term structural transformation with shorter-term regulatory safeguards.

1. INTRODUCTION

Over the past two decades, digital payments have become increasingly widespread, with a sharp acceleration during the COVID-19 pandemic. Lockdowns in most countries boosted e-commerce and, consequently, digital payment adoption.

Non-cash payments involve a complex chain of actors operating at different stages of the transaction process. In order to make a payment other than using cash, which is handed over by the buyer to the seller of goods and services in a physical location, several actors are involved at different stages of a complex process. In most cases, the transaction involves two main players: banks, which manage customers' accounts, and global card networks such as Visa and Mastercard, which provide the payment rails on which transactions are processed. Even in the most advanced mobile payment systems, a 2024 OECD report shows that these traditional infrastructures remain integral to the process.

The systems can be staged (i.e., requiring an initial action such as loading funds or processing payments at a physical location, before the digital wallet can be used) or pass-through (i.e., enabling direct transactions without holding funds, by passing payment details to card networks or banks for processing), depending on the underlying payment instrument. Regardless of the model, both types of wallet systems ultimately rely on traditional infrastructures. Pass-through mobile wallets — the most widespread — store credit or debit cards and bank account details but do not hold funds themselves. In practice, this means that digital wallets still rely on the same card and bank infrastructures that have long formed the backbone of retail payments. This model remains central to the processing, clearing, and settlement of most mobile and broader retail payment transactions. Staged wallets still rely on traditional infrastructures to load funds — typically from bank accounts or cash deposits at authorized locations.

Additionally, although specialised payment operators (such as PayPal or Electronic Money Institutions) have gained market share and in some cases created closed-loop ecosystems, their operations ultimately depend on the banking system: initial funding and withdrawals almost always involve a bank account. At the interbank level, payment settlements occur through both public systems (such as TARGET within the Eurosystem) and private global networks (such as SWIFT).

Dominant positions can therefore emerge across several layers of the payment ecosystem: in customer–intermediary relationships (where banks remain central), in access to payment instruments, and in the credit/debit card market. This study focuses primarily on the latter, where European banks rely overwhelmingly on two U.S.-based issuers (Visa and Mastercard, but to some extent also on American Express). These companies handle the majority of cross-border card transactions in Europe, and no European alternatives seem currently capable of replacing them at least in the short term.

While the oligopolistic structure of this market is not inherently problematic from a competition perspective, it raises broader concerns. Antitrust and consumer-protection frameworks (for example, the

PSD2[1] and the proposal for a PSD3[2]) can address abuses of dominance or unfair practices, but two more structural issues warrant attention.

First, the combination of payment data held by card networks with the vast troves of consumer information controlled by Big Tech companies could grant them unprecedented market power — potentially comparable to the U.S. industrial trusts of the late nineteenth century that prompted the adoption of the Sherman Act of 1890. As the founders of American antitrust law recognised, such concentration of economic power can ultimately threaten democratic governance itself.

Second, the current geopolitical environment magnifies the risks associated with Europe's dependence on non-EU payment infrastructures. As the ECB noted as early as 2014, excessive reliance on non-European solutions and technologies is undesirable. Beyond privacy and anti-money-laundering concerns, dependence on a few non-European intermediaries exposes the EU to potential disruptions, cyber vulnerabilities, and external political pressures.

Three geopolitical developments have further intensified these vulnerabilities. First, Russia's invasion of Ukraine and the subsequent sanctions have demonstrated that access to payment networks can become a tool of economic coercion. Second, recent U.S. policy trends illustrate a broader assertion of economic sovereignty: a liberal stance toward Big Tech and digital innovation coexists with an increased use of executive powers and statutory restrictions to advance domestic strategic interests. Third, the erosion of multilateralism has weakened the capacity of global soft law mechanisms — such as the Basel Committee — to ensure coordination and regulatory convergence.

Against this backdrop of deglobalisation, access to financial and payment infrastructures can no longer be taken for granted. This in-depth analysis explores this emerging risk and argues that while long-term strategies should aim at achieving strategic autonomy, the extension of the EU's regulatory reach could serve as a transitional measure to reinforce systemic resilience.

The analysis is structured as follows: Chapter 2 analyses the nature of money, the role of public and private money, and the structure of the payments market. Chapter 3 examines the geopolitical factors threatening European sovereignty in cross-border payments — including sanctions, U.S. legal instruments, and the weakening of multilateral standards. Chapter 4 identifies possible policy responses, distinguishing between long-term strategies for achieving strategic autonomy and shorter-term measures to strengthen resilience. Chapter 5 concludes.

[1] Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (OJ L 337, 23.12.2015, pp. 35–127).

[2] Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on payment services and electronic money services in the Internal Market amending Directive 98/26/EC and repealing Directives 2015/2366/EU and 2009/110/EC (COM/2023/366 final).

2. MONEY, PAYMENT MEANS, AND ISSUES RELATED TO THE CROSS-BORDER PAYMENTS MARKET

The question "*What is money?*" has long proved difficult to answer. Since ancient times, academics have been debating its nature.

While the term "money" is used in everyday language, its meaning varies depending on the context or the scientific discipline involved (legal, economic, philosophical). A commonly accepted definition describes money as everything that, within a given country and period, is accepted as a means of payment and thus serves as a medium for trade, a unit for account, and a store of value. This broad definition provides a useful starting point. In practice, however, only a functional definition of money — one based on its purposes and uses — proves truly workable. A 1960 paper by Spiros Simitis[3] concluded that "there is no legal definition of money". What money is can only be determined by its properties: "Money is a function. Physicality is a possible, but not necessary, accompaniment to money. Purchasing power is the expression and epitome of the function of money".[4] According to philosopher John Searle "[m]oney is a social institution based on the collective intentionality of human beings".[5]

In modern financial markets, legal obligations are settled using two forms of money: public money and private money. Public money consists of banknotes and coins, legal tender that must be accepted for settlements under national laws. For these reasons public money is defined as "fiat money". Furthermore, public institutions guarantee price stability through monetary policy. This means that there is a public entity, the central bank, which uses public and private tools to reduce value fluctuations, thereby protecting price stability — i.e., purchasing power of fiat money — over time.

A key example of private money is bank deposits, which customers can access via payment instruments such as ATMs, debit or credit cards, or bank transfers. These are made available by the bank as part of a contractual relationship known as a "bank account". As a general rule, having a bank account means that the client deposited a certain amount of money (cash or through a bank transfer from another bank account) with a specific bank. The bank could also provide financial provisions in the form of a loan to the client. However, banks are not the only intermediaries offering private money; payment institutions, which are specialised intermediaries, such as Electronic Money Institutions (EMI), also offer it. These are firms that provide one or more payment services but are not banks. Furthermore, postal offices also offer payment services in many countries. The difference between banks and other intermediaries offering payment services is that the latter allow clients to use the payment tools they issue only if the client has made a prior provision, typically in the form of a cash deposit. These intermediaries then convert the cash (fiat money) into other forms of money, such as electronic money. Nevertheless, the deposited money remains the client's property, and there are legal safeguards to ensure reimbursement in fiat money upon the client's request. In all cases, entities that issue these values as a means of payment are subject to

[3] Simitis S. (1961), 'Bemerkungen zur rechtlichen Sonderstellung des Geldes', in Archiv für die civilistische Praxis, Bd 159, 406-466, at 466.

[4] Id.

[5] Searle J. (2018), 'What is Money', in Money and Its Deceptions, at 5 *et seq*.

public control and other rules designed to ensure their conversion into legal tender at face value. This promotes public confidence in the instrument.

Technological innovation has given rise to new products on the private money market: crypto-assets. In reality, these products cannot function as money in the strict sense or can only do so to a limited extent. The first and best-known crypto-asset was bitcoin, which appeared on the internet in October 2008 and was created using the pseudonym Satoshi Nakamoto. Bitcoin is a digital asset, also known as a token, that is transferred from one person to another using blockchain technology, the most well-known example of Distributed Ledger Technology (DLT). DLT is an open, distributed computerised register that securely and permanently stores transactions between two parties. Blockchain/DLT platforms are networks of nodes that share distributed data structures to which transaction information can be added according to rules shared by participants. Essentially, it is a continuously growing list of records, called blocks, which are linked and secured using cryptography.

Bitcoin's disruptive innovation is decentralisation: anyone with a computer can record and verify transactions on the blockchain. Therefore, it is possible to transfer bitcoin between individuals without the need for intermediaries. Despite its name, Bitcoin lacks the defining features of money. It is rarely used as a means of payment, largely because it is not widely accepted in commercial transactions due to its volatile value. Unlike banknotes, there is no public entity that protects its value over time. Similarly, there is no public entity that supervises the intermediary that issues the instrument used as currency, as is the case with bank deposits, to guarantee the return of the deposited amount. For this reason, Bitcoin is mostly held as a speculative investment rather than used as a medium of exchange. Its value depends exclusively on demand and limited supply because the computer protocol designed by Nakamoto sets a maximum supply limit of 21 million units. Bitcoin has no intrinsic value, nor does it refer to assets that generate income streams, such as the shares or bonds of a company that carries out economic activities and can produce profits.

Despite these issues, Bitcoin has become fairly widespread, and other entities have created similar products based on DLT. These are stablecoins, which are electronic values issued against reserves including assets such as sovereign securities and bank deposits. They seek to ensure the stability of the token's value. However, despite this feature, stablecoins are an inefficient substitute for money and, in our opinion, are likely to spread as a means of payment only in a limited way. Even stablecoins — though backed by reserves and theoretically stable — can fluctuate in value. For example, the most commonly used reserve is U.S. government bonds. However, if interest rates in the U.S. rise for monetary policy reasons, the value of government bonds issued with a lower yield in the intermediary's portfolio may decrease, thus reducing the value of the money available to customers who invested in that financial product. In short, stablecoins remain closer to investment assets than to true money. The distinction from public currency is even more evident when considering the projects launched by the ECB and under study by the European Parliament for a digital euro.[6] Regardless of its technical characteristics, which are still being defined by European institutions, the digital euro will be a digital version of cash issued and guaranteed by the Eurosystem. It will be legal tender, and the legal system will ensure it is exchanged at

[6] *See infra* Chapter 4, par. 4.1.

par with other legal tender instruments. Five digital euro will always be convertible into a five-euro banknote. Monetary policy carried out by the central bank will ensure stability in its value (purchasing power) over time, as is the case today with paper banknotes.

Another issue that could hinder the adoption of crypto assets, including stablecoins, as a means of payment is that many countries have lax or non-existent rules and public controls over intermediaries in this sector.[7] The EU has introduced the Markets in Crypto-Assets Regulation (MiCAR) to govern this sector.[8] The U.S. introduces rules, such as the so-called Genius Act,[9] to govern these intermediaries. Although not very strict, this act ensures minimum standards of transparency in the financial statements and operations carried out by these intermediaries. It is also worth noting that Tether, the world's most widely used stablecoin and founded by two Italians, was originally incorporated in the British Virgin Islands and has recently announced plans to relocate to El Salvador,[10] a jurisdiction with relatively light oversight and regulation for financial intermediaries. This increases the possibility of managerial misconduct or even fraud, which can undermine savers' confidence in the instrument and reduce its potential use and dissemination as an accepted means of payment.

Bank-based payment instruments are widely used as substitutes for legal tender, largely because they benefit from an implicit State guarantee. This guarantee is based on special rules that establish public control over banking activity and reduce the possibility of bank failure. Furthermore, if a bank were to fail, there are many forms of public intervention that could be implemented, including State aid. The reason for this is straightforward: banks are vital to modern economies. They finance the real economy and contribute to growth. Conversely, losses incurred by intermediaries such as crypto-asset issuers are unlikely to benefit from the same kind and degree of public support and interventions, unless they cause financial instability.

Some data supports this statement: as of October 2025, the net circulation of euro banknotes (i.e., legal tender, excluding coins) in the euro area amounted to approximately €1,592 billion.[11] As of September 2025, the total stock of bank deposits held by households and corporations in the euro area was approximately €13,238 billion.[12] Currently, at least the latter figure far exceeds that of the most widely used stablecoins. Indeed, while the total market capitalisation of cryptocurrencies worldwide is around

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7 See European Systemic Risk Board (2025), 'Report on stablecoins, crypto-investment products and multi-function groups', https://www.esrb.europa.eu/pub/pdf/reports/esrb.report202510_cryptoassets.en.pdf?347510c016928b8c2f74825965cd20a9 (highlighting the risks that stablecoins pose to financial stability).

8 Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (OJ L 150, 9.6.2023, pp. 40–205).

9 Guiding and Establishing National Innovation for U.S. Stablecoins Act, Pub. L. No. 119-27, 139 Stat. 419, 12 U.S.C. 5901 et seq. (2025).

10 The move was reported by the press in January 2025. See, e.g., Maccioni F. (2025), 'Crypto firm Tether and its founders finalizing move to El Salvador', Reuters, https://www.reuters.com/technology/crypto-firm-tether-its-founders-finalising-move-el-salvador-2025-01-13/.

11 See European Central Bank Data Portal, Series BKN.M.U2.NC10.B.ALLD – Net circulation – Value of all banknotes in circulation, euro, Euro area, Monthly.

12 See European Central Bank Data Portal, Deposits, total – stocks (Corporations) and European Central Bank Data Portal, Deposits, total – stocks (Households).

$3.7 trillion (though in the first three months of 2025 it declined to $2.8 trillion),[13] the global stablecoin market is worth only around $300 billion,[14] with Tether representing the largest share.[15]

This data should be considered alongside the fact that credit cards are the most widely used payment method offered by banks to their customers for use overseas. Furthermore, the incumbent international card network providers have long-held durable market power in many jurisdictions. Data from the ECB indicate that card payments are the main electronic payment method in the EU; international card schemes accounted for approximately 61% of euro area card transactions in 2022; the domestic market share of national card schemes is declining; the EU relies heavily on non-EU solutions to operate card payments, including both card schemes and processors.[16] According to the OECD, "Mastercard and Visa are incumbent card network providers in many jurisdictions" and "[a]s of Q1 2024, the two companies account for an estimated 80% of all payment processing outside China".[17] Furthermore, "[a]s part of their cross-border expansion and to accommodate tourists visiting China, since 2023, WeChat and Alipay have separately partnered with Visa and Mastercard to offer mobile payment services".[18] At the national level, some domestic card schemes exist, but they typically rely on partnerships with Visa or Mastercard for cross-border interoperability. The oligopolistic position of the two large U.S. companies, Visa and Mastercard, may be concerning. As mentioned in the introduction, if we are only concerned with competition issues in the presence of a legally achieved oligopoly, a number of traditional and less traditional antitrust tools, such as market investigations, may be deployed to limit possible abuses by the dominant players. However, as we will discuss in more depth,[19] this dominant market position at a time of deglobalisation and international crises in many regions may create new problems that traditional legal instruments may be unable to address.

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13 Aerts S. (2025), 'Just another crypto boom? Mind the blind spots', Financial Stability Review, May 2025, at 86, https://www.ecb.europa.eu/press/financial-stability-publications/fsr/pdf/ecb.fsr202505~0cde5244f6.en.pdf.

14 See European Systemic Risk Board (2025), 'Crypto-assets and decentralised finance', at 9 https://www.esrb.europa.eu/pub/pdf/reports/esrb.report202510_cryptoassets.en.pdf.

15 Id.

16 ECB (2025), 'Report on card schemes and processors', https://www.ecb.europa.eu/pub/pdf/other/ecb.reportcardschemes202502~1614226b0a.cs.pdf.

17 OECD (2025), 'Competition in mobile payment services', OECD Roundtables on Competition Policy Papers, No. 324. The OECD reports quote for those data: Statista (2022), Market share of global general purpose card brands, https://www.statista.com/statistics/278970/share-of-purchase-transactions-on-global-credit cards/.

18 OECD, *supra* note 17, at 48.

19 See *infra* Chapter 3.

3. GEOPOLITICAL RISKS TO EUROPEAN SOVEREIGNTY IN THE PAYMENTS MARKET

Over the past decade – and, even more prominently, over the last few years – the assumption that global economic integration would naturally promote stability has been profoundly challenged. Trade wars, tariffs, and unilateral sanctions have signalled a shift away from liberal globalization toward a world structured by strategic competition and economic coercion. In this new environment, access to financial and payment infrastructures can no longer be taken for granted. The recent exclusion of Russian and Belarusian institutions from major international payment networks, for instance, has demonstrated that such disruptions are not merely hypothetical.[20] Against this backdrop, it is worth examining how legislative and executive instruments in the U.S. could, intentionally or incidentally, affect European banks and payment providers,[21] given the EU's enduring dependence on U.S.-based networks and technologies.[22]

3.1. The exclusion of Russia and Belarus: payment networks as geopolitical instruments

The sanctions imposed by the U.S. and the EU against Russia and Belarus have resulted in the *de facto* exclusion of many of their financial institutions from the international payment system.

Since 2014, the U.S. has maintained an expanding web of sanctions against Russia, initially imposed after the annexation of Crimea and broadened following the full-scale invasion of Ukraine in 2022.[23] These measures, coordinated closely with the EU and other allies, have targeted key sectors of the Russian and Belarusian economies, including financial services, leading to the exclusion of many banks from international payment systems. In the U.S., sanctions are based on national emergency authorities granted to the President by Congress in the *National Emergencies Act*[24] and the *International Emergency Economic Powers Act*,[25] exercised through a series of Executive Orders (E.O.s), beginning with E.O.s 13660, 13661, 13662, and 13685 (2014) and continuing with E.O.s 14024 (2021, amended in 2023 by E.O. 14114), 14065, 14066, 14068, and 14071 (2022). These orders authorize the OFAC to designate individuals and entities, block property, and prohibit U.S. persons from engaging in transactions with sanctioned actors.

On February 22, 2022, the Secretary of the Treasury, in consultation with the Secretary of State, issued a Determination Pursuant to Section 1(a)(i) of E.O. 14024, which brought the financial services sector within the E.O.'s scope. Following this determination, OFAC designated major Russian banks under E.O. 14024, thereby triggering the blocking of their property and interests in property and prohibiting U.S. persons from conducting transactions involving those institutions. In response, and in coordination with allied

[20] See *infra* par. 3.1.

[21] See *infra* par. 3.2.

[22] See *supra* Chapter 2.

[23] For an overview on the U.S. sanctions on Russia see Congressional Research Service (2024), 'U.S. Sanctions on Russia: Legal Authorities and Related Actions', Report 48052.

[24] National Emergencies Act, Pub. L. No. 94-412; 90 Stat. 1266; 50 U.S.C. 1601 et seq. (1976).

[25] International Emergency Economic Powers Act; Pub. L. No. 95-223; 91 Stat. 1625; 50 U.S.C. 1701 et seq. (1977).

sanctions measures and within hours of each other, Visa[26] and Mastercard[27] announced the suspension of all their operations in Russia.

In parallel, the EU adopted unprecedented restrictive measures targeting Russia and Belarus' financial sectors. Most notably, Council Regulation (EU) 2022/345,[28] adopted on 1 March 2022, introduced Article 5h in Council Regulation (EU) No 833/2014,[29] prohibiting the provision of SWIFT financial messaging services to seven major Russian banks as of 12 March 2022. This measure, complemented by Council Decision (CFSP) 2022/346,[30] effectively excluded these institutions from the main international communication channel for cross-border payments. The same prohibition was introduced via Council Regulation (EU) 2022/398 of 9 March 2022,[31] which amended Regulation (EC) No.765/2006,[32] for specified Belarusian banks. With the recent 18th package of sanctions, adopted in July 2025, the EU expanded the prohibition to provide specialized financial messaging services into a full transaction ban, effectively preventing EU banks and other economic operators from carrying out any transactions with designated Russian[33] and Belarusian[34] banks.

Collectively, these measures have had system-wide effects, severing the links between Russian and Belarusian financial institutions and the Western financial infrastructure, including payment networks and correspondent banking channels. This large-scale disconnection demonstrates that access to retail payment systems is not merely a technical matter but a domain of geopolitical leverage: when governments impose sanctions, private intermediaries may be compelled — formally or informally — to execute them, severing financial connections in real time. The cases of Russia and Belarus thus offer powerful precedents for understanding how dependence on foreign-controlled payment infrastructures can translate into strategic vulnerability.

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26 Visa (2022), 'Visa Suspends All Russia Operations', Press Release, March 5, 2022, https://usa.visa.com/about-visa/newsroom/press-releases.releaseId.18871.html.

27 Mastercard (2022), 'Mastercard statement on suspension of Russian operations', Press Release, March 5, 2022, https://www.mastercard.com/us/en/news-and-trends/press/2022/march/mastercard-statement-on-suspension-of-russian-operations.html.

28 Council Regulation (EU) 2022/345 of 1 March 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 63, 2.3.2022, pp. 1–4).

29 Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 229, 31.7.2014, pp. 1–11).

30 Council Decision (CFSP) 2022/346 of 1 March 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 63, 2.3.2022, pp. 5–7).

31 Council Regulation (EU) 2022/398 of 9 March 2022 amending Regulation (EC) No 765/2006 concerning restrictive measures in view of the situation in Belarus and the involvement of Belarus in the Russian aggression against Ukraine (OJ L 82, 9.3.2022).

32 Council Regulation (EC) No 765/2006 of 18 May 2006 concerning restrictive measures against President Lukashenko and certain officials of Belarus (OJ L 134, 20.5.2006, pp. 1–11).

33 See Article 5h of Council Regulation (EU) 833/2014 of 31 July 2024 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 229, 31.7.2014, pp. 1–11), as amended by Council Regulation (EU) 2025/1494 of 18 July 2025 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L, 2025/1494, 19.7.2025).

34 Article 1zb of Council Regulation (EC) No 765/2006 of 18 May 2006 concerning restrictive measures against President Lukashenko and certain officials of Belarus (OJ L 134, 20.5.2006, pp. 1–11), as amended by Council Regulation (EU) 2025/1472 of 18 July 2025 amending Regulation (EC) No 765/2006 concerning restrictive measures in view of the situation in Belarus and the involvement of Belarus in the Russian aggression against Ukraine (OJ L, 2025/1472, 19.7.2025).

3.2. How U.S. legal instruments could shape the global payment networks

In recent years, the use of interdependencies, including financial and technological, as tools of statecraft has become a defining feature of the new geopolitical landscape. Against this background, it is not implausible to imagine scenarios in which the U.S. — whether for reasons of foreign policy, security, or domestic politics — could restrict or condition the operation of payment networks on which EU banks depend. The precedent of Russia and Belarus' exclusion from parts of the global financial system in 2022 demonstrates both the feasibility and the effectiveness of such measures.

The U.S. possesses multiple legal and operational levers that could, in principle, be used to restrict or condition EU banks' access to critical payment infrastructure. These levers could operate mainly through two routes: (i) executive-branch sanctions and regulatory action, either under or outside existing emergency authorities (which can be implemented rapidly), and (ii) affirmative congressional legislation that would compel or forbid specific corporate behaviours (which can create binding statutory obligations).

First, the President — acting through Treasury and OFAC under the *International Emergency Economic Powers Act* and the *National Emergencies Act* — can issue executive orders or authorize OFAC directives and designations that block specified persons and prohibit U.S. persons from dealing in their property. Blocking listings and sectoral determinations (like the 22 February 2022 financial-services determination) give the executive branch the capacity to sever U.S.-based rails (including services provided by U.S.-headquartered financial firms or U.S. subsidiaries) from targeted counterparties quickly.

Additionally, even outside the framework on emergency authorities, the President is still allowed to issue executive orders, which — though not enacted by Congress — direct the actions of federal agencies and officials.[35] Executive orders cannot, by themselves, create new criminal liabilities or directly bind private actors unless they rely on existing statutory authority. Rather, they function through the administrative apparatus: agencies implement them under delegated powers such as those provided by the *International Emergency Economic Powers Act* or other statutes. The current administration has made extensive use of such orders on a wide array of policy areas, some of which have affected private actors, including large law firms.[36] Of course, executive orders do not exist in a vacuum. They cannot override federal law and may be repealed by a subsequent order, superseded by Congress legislation, or invalidated by a court if they exceed presidential authority. Nevertheless, they exert substantial indirect influence, signalling enforcement priorities, shaping agency guidance, and creating strong anticipatory compliance incentives for companies seeking to align with expected policy direction. In practice, major financial and technology firms might tend to adjust their operations pre-emptively to avoid regulatory friction or reputational exposure, meaning that even without formal prohibitions, an E.O. can have immediate behavioural and market effects.

Second, Congress can enact (and has enacted) statutes that constrain the options available to both the executive and private actors. A notable example is the *Countering America's Adversaries Through*

[35] Epps D., Clarke C. (2025), 'The Practice of Executive Constitutionalism', Virginia Law Review, 111, forthcoming.

[36] On this subset of executive orders see Noah L. (2026), 'Transactional Governance and the Weaponization of Executive Orders', Michigan State Law Review, forthcoming.

Sanctions Act (CAATSA) of 2017,[37] which codified and expanded U.S. sanctions on Russia, Iran, and North Korea, limiting the executive's ability to lift them unilaterally. The Act also authorised the imposition of so-called "secondary sanctions" on non-U.S. entities that engage in significant transactions with designated persons, thereby exposing them to potential restrictions on access to U.S. markets or the U.S. financial system. While not directly prohibiting such dealings, these provisions effectively compel global firms — including financial intermediaries — to align with U.S. sanctions policy in order to preserve their access to U.S. markets.

CAATSA therefore illustrates how Congress can transform policy preferences into binding legal constraints that shape private actors' cross-border conduct. In principle, a similar legislative approach could be used to require, or at least strongly incentivize, U.S.-based payment networks to suspend services to specified foreign institutions. Because many key payment infrastructures are U.S.-incorporated or rely on U.S.-regulated technology, such measures could, in practice, restrict or condition EU banks' access to these systems.

A further, though indirect, precedent of this legislative assertiveness can be seen in the *PROTECT USA Act of 2025*.[38] Introduced in both chambers of Congress, the bill seeks to prohibit U.S. companies deemed "integral to the national interests" of the U.S. from complying with certain foreign sustainability due-diligence regulations. While unrelated to financial sanctions, the bill illustrates a broader "sovereigntist" trend in U.S. policy-making: the use of domestic legislation to insulate U.S. firms from the extraterritorial reach of EU law[39] — and, specifically, to that of the CSDDD[40] — and to discourage alignment with non-U.S. legal regimes. This political posture could, in principle, extend to the financial domain — where Congress or the executive might condition or restrict the participation of U.S.-based payment providers in systems perceived to conflict with U.S. strategic or regulatory objectives.

Finally, even short of formal prohibition, the posture of the U.S. can create intense compliance and reputational pressure on private vendors and correspondent banks, prompting voluntary de-risking or suspension of services to avoid exposure. The 2022 Russia experience shows how legal prohibitions plus compliance risk and commercial prudence led private intermediaries to cut or curtail services on a large scale.

Together, these instruments underscore that the U.S. retains both the legal capacity and, increasingly, the political disposition to use economic interdependencies as leverage. To be sure: this is not to suggest that the EU could realistically be subjected to measures comparable to those imposed on Russia or Belarus. Rather, the point is that the underlying legal and institutional architecture that enables such actions does exist, and that recent "sovereigntist" and protectionist trends in U.S. policy-making indicate a willingness to deploy economic tools for strategic purposes. In this sense, the combination of legal

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[37] Countering America's Adversaries Through Sanctions Act, Pub. L. No. 115-44, 131 Stat. 886, 22 U.S.C. 9401 et seq. (2017).

[38] *See* PROTECT USA Act of 2025, S.985, 119th Congress (2025-2026); PROTECT USA Act of 2025, H.R.4279, 119th Congress (2025-2026).

[39] On which see *infra* Chapter 4, par. 4.3.

[40] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (OJ L, 2024/1760, 5.7.2024).

authority and political precedent implies that EU payment autonomy may be vulnerable not only in extra-EU transactions, but also in cross-border intra-EU[41] and even domestic payments.[42]

3.3. Deglobalisation and the weaknesses of international standards based on soft law initiatives

One of the most tangible consequences of the current geopolitical landscape and of the associated deglobalisation trends is the weakening of international standards based on soft law initiatives. The term 'soft law' originated in legal commentary on regulatory standards adopted by international bodies that were not established on the basis of a treaty between States, and which therefore cannot be considered a source of supranational law. The most well-known example of this is the Basel Committee's agreements on bank capital. This committee comprises the governors of the central banks of countries belonging to the Bank for International Settlements (BIS), which is based in Basel. Originally established in 1930 to promote cooperation between central banks (primarily to manage the war reparations imposed on Germany by the Treaty of Versailles), it is an institution of international cooperation with no regulatory powers over states. Following the crisis of the German bank Herstatt in 1974 and the resulting problems with the international payment system, the Governors of the Central Banks of the G-10 countries, who sit on the BIS Council, developed rules on capital requirements for banks. These rules now constitute the main instrument for supervising banks in the developed world. But how did this group of men, who meet every four months in Basel, manage to establish a regulatory standard that has been adopted, with few exceptions or adaptations, not only by member countries — in Europe, capital agreements are regularly transposed into directives and regulations — but also by a large number of non-member countries? In our opinion, there are two explanations. Firstly, there is a strong cultural bond that unites public servants who speak a common language and have shared studies and professional experiences, despite coming from different countries with different legal systems, some based on common law and others on civil law. These people belong to the same "cultural club" and represent institutions characterised by a high degree of political independence and technical expertise. The second reason is linked to the historical context in which the Basel capital requirements standards were established. Since the early 1970s, the world has experienced a reduction in trade barriers, resulting in globalisation and multilateralism in the management of relations between countries emerging. Consider the frequency of G7 meetings, the brief existence of the G8 with Russia and meetings between emerging economies such as the BRICS (Brazil, Russia, India, China and South Africa).

Clearly, therefore, these types of instruments have played a very effective role in an era of globalisation and the opening up of world trade. However, their ability to create a level playing field internationally in terms of financial rules and common standards capable of ensuring global financial stability is declining

[41] The dependence discussed here concerns retail, card-based payments. This is analytically distinct from bank-to-bank-transfers (e.g., within the SEPA framework), which do not rely on Visa or Mastercard infrastructures and would therefore not be directly affected by disruptions involving these card schemes. However, a separate point of vulnerability may arise through reliance on SWIFT for certain non-SEPA cross-border transfers, should U.S. authorities be able to influence SWIFT's compliance posture.

[42] For instance, in Member States without a domestic card scheme — or where domestic schemes nonetheless heavily rely on infrastructure, software, or processing capabilities owned or controlled by U.S entities — a U.S.-mandated service disruption could affect everyday domestic payments, not only cross-border transactions.

alongside the era of multilateralism. National political demands are increasingly successful in blocking or limiting the adoption of national regulations that align with the standards set in these multilateral forums. Examples of this include the first Trump administration's decision to relax Basel banking supervision rules for certain intermediaries, in the belief that this would promote economic growth, and the long time it took EU Institutions to implement the Basel III Accords following the global financial crisis of 2008–10.

4. FOSTERING STRATEGIC AUTONOMY AND RESILIENCE IN THE EU PAYMENT SYSTEMS

4.1. Digital Euro

One of the main objectives of the project, which has been under consideration by the ECB for several years and involves the issuance of digital euro, is to increase the competitiveness and independence of the EU's strategic autonomy and monetary sovereignty from non-European payment service providers. This digital form of single currency would respond to evolving payment habits, such as the declining use of cash among younger people, while ensuring the inclusivity and confidentiality of transactions.

According to the ECB's proposal,[43] which is currently being studied by the European Parliament and the Council,[44] the digital euro would be free to use and would have legal tender status, meaning it would be accepted by law and have a constant nominal value. As the ECB has the exclusive right to authorise its issuance, digital euro credits are 'central bank' liabilities. The legal basis for this is Article 133 TFEU, which empowers the European Parliament and the Council to lay down, through the ordinary legislative procedure, the measures necessary for the use of the euro as a single currency. EU Institutions are drafting a Regulation that would compel businesses to accept the digital euro, with justified and proportionate exceptions, and set a maximum level of fees charged by payment service providers (PSPs), including banks, electronic money institutions, and other authorised intermediaries.

The digital euro will therefore be a digital version of cash, issued and guaranteed by the Eurosystem. It will be legal tender, so the legal system will make sure it is exchanged at the same value as other forms of legal tender money. Five digital euro will always be convertible into a five-euro banknote. The ECB's monetary policy will ensure its stability in value (purchasing power) over time, as is the case with paper banknotes today (the concept of a 'monetary anchor').

To facilitate its use, the digital euro will be used in conjunction with a bank deposit or deposit with another authorised intermediary. In practice, an electronic wallet will be opened with a supervised intermediary, such as a bank. Banks should be required to provide basic digital services to their customers upon request.

The wallet can be loaded via a transfer from a current account or a cash deposit and can then be used to make payments in digital euro. Amounts received in digital euro can be stored in the wallet up to a maximum limit or transferred manually or automatically to a current account. They can also be withdrawn in cash. Digital euro payments can be made by accessing the wallet via a mobile app. There is also the option of using a physical card, which is particularly beneficial for people who have difficulty managing a

[43] The ECB produced many documents on this topic; see, for example, the ECB webpage dedicated to the Digital euro (https://www.ecb.europa.eu/euro/digital_euro/html/index.en.html#know). For the current stage of the project see Cipollone P. (2025), 'Stablecoins and Monetary sovereignty', 18 October 2025, https://www.ecb.europa.eu/press/key/date/2025/html/ecb.sp251018~5280b1c98b.en.pdf; Cipollone P. (2025), 'Innovating for stability: central bank money in the digital era', 30 September 2025, https://www.ecb.europa.eu/press/key/date/2025/html/ecb.sp250930_1~10880b6083.en.html.

[44] Proposal for a Regulation of the European Parliament and of the Council on the establishment of the digital euro (2023/0212/COD).

digital wallet. For offline use, physical proximity between the user and the seller of goods and services is required, as with cash today.

Given these technical and operational characteristics, it is conceivable that the digital euro could become a widely used payment method rather than merely a substitute for cash. In this scenario, the digital euro would significantly enhance the resilience and security of Europe's payment systems. By providing an alternative to existing card schemes, such as those operated by Visa and Mastercard, the digital euro would reduce European dependence on foreign payment systems. This would, in turn, contribute to ensuring the EU's strategic autonomy in an era of deglobalisation and emergence of new conflicts between states.

Some technical issues, such as user privacy requirements and compliance with anti-money laundering regulations, could be resolved at a technical level, thereby reducing political resistance to its introduction into the European legal system. Clearly, this is a complex project involving the overcoming of political obstacles, making it a medium-term solution. Recent statements by the President of the ECB suggest a timeframe of about two years. In an era where technology is having an accelerating impact on citizens' lives, this is a considerable amount of time. Additionally, the adoption of the digital euro alone would not be sufficient to provide a viable long-term alternative to traditional card schemes. This goal can only be achieved if the digital euro becomes a credible and widely adopted substitute for card payments. However, this may take longer than two years, as ensuring its widespread adoption and acceptance across various sectors of the economy would require significant time and coordination.

4.2. Cross-border banking consolidation

While the dependence of European banks on U.S. payment networks is often examined in technological or regulatory terms, its roots are also structural. A necessary precondition for the emergence of a European payment network capable of competing with global incumbents such as Visa and Mastercard is the existence of a genuinely cross-border banking sector.[45] Yet, despite over a decade of integration initiatives — the BU, the CMU, and, more recently, the SIU — the European banking landscape remains predominantly national. Fragmentation continues to prevent banks from pooling their resources and investing at the scale required to develop shared infrastructures. The absence of large, pan-European banking groups thus translates into a persistent inability to establish credible European alternatives to the U.S. card networks.

The BU itself cannot yet be regarded as a fully integrated market.[46] Some of its key components remain incomplete: not only, notably, the third pillar on a European deposit insurance,[47] but also a harmonised framework for the resolution of small-and-medium-sized banks.[48] The challenge goes beyond

[45] While the creation of large cross-border banks could facilitate the development of a unified European payment network, it is important to note that cross-border consolidation among banks is not the sole route to achieving this goal. As the EPI demonstrates, domestic banking groups could also establish payment schemes that only include domestic players.

[46] Enria A. (2020), 'Fostering the cross-border integration of banking groups in the banking union', 9 October 2020, https://www.bankingsupervision.europa.eu/press/blog/2020/html/ssm.blog201009~bc7ef4e6f8.en.html.

[47] On which see European Parliamentary Research Service (2024), 'Banking union. Overview and state of play', Briefing PE 757.603.

[48] *See*, e.g., Brescia Morra C., Pozzolo A. F., Vardi N. (2023), 'Completing the Banking Union. The case of crisis management of small- and medium-sized banks', Study Requested by the ECON Committee, PE 741.514.

institutional or regulatory incompleteness. The future of this Union — and, more broadly, of the internal market —depends on the ability to foster the creation of cross-border banking groups and financial conglomerates. Scholars and policymakers increasingly recognize that the limited degree of integration in the EU's banking sector undermines competitiveness:[49] without larger and more diversified institutions, the EU lacks the financial muscle to fund major investments,[50] compete with non-EU conglomerates, and support the green and digital transitions.

However, the creation of such cross-border entities, faces numerous and mutually reinforcing obstacles.[51] Some arise from regulatory divergences among Member States in core areas such as taxation, accounting, and insolvency law; others from inconsistencies within EU banking legislation and related case law.[52] On the prudential side, the prohibition of capital waivers for cross-border groups[53] effectively restricts the free movement of capital within the group and discourages mergers across jurisdictions. Although the CRR formally allows for liquidity waivers,[54] supervisory authorities rarely receive such applications,[55] largely due to national limits on intra-group exposures.

At the same time, other critical elements of the legal framework remain stubbornly national. While the ECB exercises centralised supervisory powers over cross-border groups, corporate law and governance remain fragmented. Rules regulating the duties and liabilities of directors of subsidiaries — particularly when following instructions from a parent company — and, more generally, the notion of the "interest of the group" differ markedly among Member States. These divergences foster legal uncertainty and, in practice, encourage ring-fencing behaviour, especially during periods of financial stress, when national authorities and directors prioritise the solvency of domestic entities over group-level cohesion.

Further structural and economic barriers compound these legal constraints. Many banks continue to display non-negligible degrees of ownership concentration.[56] Control-enhancing mechanisms such as loyalty shares, where not precluded by the breakthrough rule, also may exert a chilling effect on consolidations, and so do the mandatory bid rule and many national laws implementing the Takeover

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49 Letta E. (2024), 'Much More than a Market', https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf.

50 Draghi M. (2024), 'The Future of European Competitiveness', https://commission.europa.eu/document/download/ec1409c1-d4b4-4882-8bdd-3519f86bbb92_en?filename=The%20future%20of%20European%20competitiveness_%20In-depth%20analysis%20and%20recommendations_0.pdf.

51 See, e.g., Felicetti R. (2025), 'Il golden power tra Italia ed Europa. Sovranità senza misura? Dati, analisi, proposte', Analisi Giuridica dell'Economia, forthcoming; Lamandini M., Thomadakis A. (2025), 'One Market, One Vision: How Interstate Consolidation Can Transform Europe's Banking Landscape, Journal of Financial Regulation, 11, 129-135.

52 On the CJEU caselaw relevant for the BU see Brescia Morra C., Annunziata F. (2024), 'The Banking Union and the decisions of the CJEU. Towards a complete legal order?', Study Requested by the ECON Committee, European Parliament, PE 760.253.

53 Article 7 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, pp. 1–337) ("CRR").

54 Article 8 CRR.

55 Praet P. (2018), 'Creating an enabling environment for pan-European banks in the Banking Union', 5 September 2018, https://www.ecb.europa.eu/press/key/date/2018/html/ecb.sp180905.en.html. European Central Bank (2021), 'ECB contribution to the European Commission's targeted consultation on the review of the crisis management and deposit insurance framework', https://www.ecb.europa.eu/pub/pdf/other/ecb.consultation_on_crisis_management_deposit_insurance_202105~98c4301b09.en.pdf.

56 On significant listed entities see Véron N. (2017), 'The governance and ownership of significant euro-area banks', Bruegel Policy Contribution Issue No. 14, https://www.bruegel.org/sites/default/files/wp-content/uploads/2017/05/The-governance-and-ownership-of-significant-euro-area-banks.pdf.

Directive.[57] Indeed, many Member States have exercised the Article 12 opt-out from the board neutrality and breakthrough provisions, thereby preserving defensive measures that entrench existing ownership structures.

Finally, protectionist tendencies have gained strength in the field of investment control, as national FDI screening regimes are increasingly being applied also to intra-EU transactions.[58]

Taken together, these overlapping layers of fragmentation — prudential, corporate, and political — constitute a formidable barrier to the creation of pan-European banking groups. As long as the EU banking sector remains segmented along national lines, no European consortium will have the scale or strategic coherence needed to launch a payment network capable of competing with Visa and Mastercard. Overcoming these structural impediments is therefore not only a matter of financial integration, but a prerequisite for the EU's broader strategic autonomy in payments.

4.3. Leveraging the extraterritorial effects of EU law

The solutions discussed in paragraphs 4.1 and 4.2 offer credible pathways towards strategic autonomy in the field of payments. However, they depend on deep structural transformations — such as the introduction of a digital euro or the emergence of cross-border European banking groups — and will necessarily unfold over the long term. In particular, given the strategic importance of ensuring uninterrupted access of EU financial institutions to vital payment networks, it is equally necessary to strengthen the Union's resilience in the short and medium term.

While the EU has established regulatory frameworks that govern certain aspects of PSPs, such as the PSD2 and the Interchange Fee Regulation,[59] these regulations apply to entities operating within the Union. These regulations demonstrate that the EU has the legal tools to govern specific operational aspects of PSPs within its borders. However, a significant limitation of this approach lies in the ownership and control structure of these companies. While EU subsidiaries are regulated by EU law, their parent companies, headquartered outside the EU, may not be.

This structure introduces a potential extraterritorial challenge: if a foreign government, such as the U.S. government, exerts pressure on the parent company — through sanctions, tariffs, or other political tools — the parent could, in principle, instruct its EU subsidiary to alter its operations in ways that align with the parent company's geopolitical or strategic objectives, rather than EU regulatory standards. In such scenarios, EU regulations applicable to the subsidiaries may prove insufficient to fully protect the EU financial system or its consumers. This is because, despite the local regulatory framework, the decisions taken by the parent company abroad could lead to operational shifts that undermine or even conflict with EU laws.

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[57] Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (OJ L 142, 30.4.2004, pp. 12–23).

[58] For example, Germany applies the so-called sector-specific review to non-EU as well as to EU investors (see §§ 60 ff., *Außenwirtschaftsverordnung* (AWV)). The same approach is adopted by France (Article L.151-2, Code monétaire et financier) and, for some sectors (including the financial sector), by Italy (Article 2, par. 5 of Law Decree no. 21 of 2012). See Felicetti, *supra* note 51.

[59] Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions (OJ L 123, 19.5.2015, pp. 1–15).

One possible avenue lies in extending the extraterritorial reach of EU law to non-EU payment service providers operating within the Single Market.

The EU has, for some time, relied on its market size and regulatory capacity to project its standards globally, giving to some of its initiatives an extraterritorial effect.[60] In recent times, this "Brussels effect" seems even more evident across several policy domains, at least in areas that the EU considers as a priority: from data protection (through the GDPR[61]), to sustainability (through the CSDDD and, to some extent, also through the CBAM[62]). More recently, the Union has also applied this approach in digital and technology regulation, as in the DMA[63] and the AI Act,[64] both of which impose obligations on non-EU entities whose products or services significantly affect EU users or markets.

This regulatory approach could provide a useful blueprint for the payments sector. In principle, the same logic underpinning the extraterritorial scope of EU law in areas such as sustainability or privacy could be extended to ensure that foreign payment service providers with a significant business presence or operational footprint in the EU — such as global card networks and digital wallets operators — comply with specific standards relating, for example, to non-discriminatory service provision and operational continuity. Put differently: this would entail the extension of EU legal obligations to the parent companies themselves — an approach akin to that adopted under, for example, Article 2(2) of the CSDDD.

The leverage created by this framework would arise from the potential consequences of non-compliance, which would directly impact the parent company's bottom line and operations. For example, if a parent company were to instruct its subsidiary to shut down or restrict its EU operations in response to external pressures, it could expose itself to significant financial penalties, legal liabilities, and reputational damage in the EU. These consequences would create a strong deterrent against politically motivated disruptions, as they would make such actions much costlier for the parent company and could significantly affect its operations in the EU market.

Such an approach would not, under current market and regulatory conditions, eliminate dependence on non-EU payment infrastructure.[65] Moreover, the third country in which these providers are incorporated might adopt countervailing measures designed to discourage or even prohibit compliance with EU law.

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60 See, e.g., Dover R., Frosini J. (2012), 'The Extraterritorial Effects of Legislation and Policies in the EU and US', Study requested by the European Parliament's Committee on Foreign Affairs, PE 433.701.

61 Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ L 119, 4.5.2016, pp. 1–88).

62 Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism (OJ L 130, 16.5.2023, pp. 52–104).

63 Regulation (EU) 2022/1925 of the European Parliament and of the Council of 14 September 2022 on contestable and fair markets in the digital sector and amending Directives (EU) 2019/1937 and (EU) 2020/1828 (OJ L 265, 12.10.2022, pp. 1–66).

64 Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence and amending Regulations (EC) No 300/2008, (EU) No 167/2013, (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1139 and (EU) 2019/2144 and Directives 2014/90/EU, (EU) 2016/797 and (EU) 2020/1828 (OJ L, 2024/1689, 12.7.2024).

65 A possible regulatory alternative — not analysed in depth here — would involve measures aimed at the localisation and operational control of critical payment infrastructure within the EU. In theory, EU law — for example, under the proposed Payment Services Regulation — could require that core infrastructure necessary for intra-EU payments be fully hosted and operated under EU jurisdiction, potentially supported by emergency or public-interest continuity powers. Whether such approaches would be technically feasible (particularly given the digital and network-dependent nature of payment infrastructure), legally proportionate, and compatible with existing commercial and international obligations lies beyond the scope of this analysis.

This would not be entirely unprecedented: as mentioned,[66] if adopted, the *PROTECT USA Act of 2025* currently pending before Congress would prohibit entities deemed integral to the national interests of the U.S. from complying with any foreign sustainability due diligence regulations.

Nevertheless, if adequately calibrated, subjecting non-EU payment service providers would still offer meaningful benefits. It would provide the Union with a form of regulatory leverage over key global actors, strengthen its bargaining position in the event of political or economic disputes, risks and enhance transparency and accountability in the operation of foreign networks within the Single Market. In short, even if it cannot eliminate dependency, the proposal can mitigate the geopolitical risk discussed in Chapter 3 while transforming a position of vulnerability into one of conditional interdependence, where access to — or continued access to — the EU market entails clear and enforceable obligations aligned with EU interests.

Whether this framework can be implemented effectively in the short term depends largely on the speed of the political process in Brussels. While the political process in Brussels can be slow, the decision to prioritize this regulatory framework could lead to quicker action. If the EU determines that addressing the risks posed by non-EU payment service providers is a political priority, the legal framework could be enacted more swiftly than other longer-term solutions. Compared to the digital euro or cross-border banking consolidation (both of which require significant time for infrastructure development and adoption), this framework could potentially be a faster fix.

[66] Supra par. 3.2.

5. CONCLUSIONS

This study examined the potential risks for European financial institutions stemming from their persistent reliance on non-EU payment networks, particularly given the dominant position of the two major U.S. credit card companies, Visa and Mastercard, in the cross-border payment market. In an era of deglobalisation and sanctions warfare, where multilateral bodies struggle to perform their coordinating role, traditional legal tools such as antitrust enforcement may be insufficient to address the systemic vulnerabilities this dependence creates. Reliance on a limited number of non-European intermediaries exposes the EU to potential operational disruption, cyber threats, and external political pressure.

Ensuring the strategic autonomy of the payment system should therefore be an essential objective for the EU and its Institutions. One avenue lies in accelerating the implementation of the Digital Euro project, despite the political and technical challenges it still faces. Another involves promoting private initiatives such as the EPI and similar efforts to develop pan-European payment solutions. However, these private projects remain hampered by the persistent fragmentation of the EU banking sector, which continues to limit cross-border consolidation and the emergence of genuine European "champions". The comparative analysis of the evolution of the U.S. legal system presented in this in-depth analysis underscores the need and urgency for EU Institutions to address these structural and political barriers.

In the short to medium term, this in-depth analysis suggests extending the extraterritorial reach of EU law to non-EU payment service providers operating within the Single Market as a complementary and pragmatic measure. While this would not eliminate dependence on foreign networks, it could strengthen the Union's regulatory leverage, enhance systemic resilience, and mitigate geopolitical vulnerabilities, representing an incremental – yet meaningful – step towards greater strategic autonomy.

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Persistent reliance of European financial institutions on non-EU payment networks highlights a critical vulnerability in the Union's financial architecture. In an era of deglobalisation, sanctions warfare, and contested multilateralism, access to cross-border payment infrastructures may become a vector of geopolitical leverage. This in-depth analysis explores this emerging risk and argues that, while long-term strategies should aim at strategic autonomy, extending the extra-territorial reach of EU law could strengthen systemic resilience in the interim.

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