2026: THE YEAR OF EUROPEAN SOVEREIGNTY IN PAYMENTS?

The issue of European sovereignty has been on everyone's mind recently. Among its many dimensions, sovereignty in retail digital payments is often cited as an urgent gap to be filled. In fact, two-thirds of digital payments in the Eurozone rely on non-European providers, mainly American. The situation is not uniform, with marked differences from one country to another. Sovereign solutions are available in 14 EU countries, representing 77% of the population; in 13 countries, there is no alternative to International Card Schemes (ICS). However, this situation is not inevitable, and 2026 could well be the year when a European alternative takes off and reaches critical mass.

The introduction of the euro in 1999 established European monetary sovereignty, resulting from the merger of former national competences within the Eurosystem, in accordance with the provisions of the treaties. It greatly harmonised payments within the Union, but without establishing European sovereignty at all levels of the retail payments chain: indeed, apart from interbank transfers and, to some extent, clearing platforms, the infrastructures have remained either national or operated by non-European actors present in several countries.

Nature abhors a vacuum, and so the solutions offered by the American giants Visa and Mastercard, with their critical mass and international networks, and in the absence of a European alternative, have become the norm, along with Apple Pay, Google Pay and Ali Pay. Their dominance does not undermine European sovereignty in monetary matters, but it does weaken it when it comes to payments: although their activities in Europe are strictly regulated by European Union law, the governance of these networks remains in the hands of foreign companies.

WHAT IS THE LINK BETWEEN PAYMENT INFRASTRUCTURES AND SOVEREIGNTY?

Economic literature generally analyses the role of instruments and infrastructures in the efficiency and stability of payment systems separately. However, as it does not address these issues from the perspective of sovereignty, it offers an incomplete framework for understanding contemporary issues. Yet, payment sovereignty depends both on the nature of money and the infrastructures on which it circulates.

Let us first return to the nature of money. Central bank money (banknotes and coins) is the ultimate asset into which other forms of money – bank deposits or electronic money – are convertible at par, ensuring the stability of the system. However, this anchoring role does not imply that it is the most widely used means of payment (King, 2001), even if this may be the case for certain uses. In all advanced economies, this role as the dominant means of payment is fulfilled by commercial bank money, which is more flexible, more abundant and better suited to everyday needs.

This anchor obviously only applies to regulated currency and not to unsecured private instruments, such as crypto-assets, including stablecoins, whose value depends on underlying assets and governance mechanisms beyond the control of the central bank. In this respect, stablecoins sometimes raise concerns about monetary sovereignty and payment sovereignty. Their development must be monitored, but the main safeguard lies in regulation (notably MiCA[1]) and in the robustness of European infrastructures, as well as in the provision of alternatives offering a version of bank money adapted to distributed ledger technology (DLT) infrastructures and tokenised markets.

As for payment infrastructures, the abundant literature devoted to them – notably at the BIS, in particular the Committee on Payments and Market Infrastructures (CPMI), and the IMF – covers their resilience, efficiency and governance. However, it rarely links them to the issue of sovereignty, which makes it less useful i in understanding the current challenges.

When considering these two dimensions together – the nature of money and the infrastructures that enable it to circulate – one thing becomes clear: payment sovereignty requires them to be aligned. Neither the instrument alone nor the infrastructure alone is sufficient to ensure this. Thus, a commercial-bank euro circulating on non-European infrastructures does not guarantee payment sovereignty. Conversely, a European infrastructure – even if it is innovative and based on DLT – does not create any sovereignty if the instrument circulating on it is not denominated in euros or issued by a European Union operator.

International experiences illustrate this complementarity. India strengthened its autonomy by launching Unified Payments Interface (UPI) in 2016, an open public infrastructure on which instruments denominated in rupees circulate. In November 2020, Brazil introduced PIX, which has become a national standard for payments in reais. China consolidated UnionPay in 2002, well before developing its digital yuan (2020, in pilot phase). In all of these cases, infrastructure was the decisive lever, but it only produced sovereignty because it circulated the national currency under local governance.

TOWARDS REGAINED PAYMENT SOVEREIGNTY

Several initiatives began to fill the European gap in payments from 2024 onwards. Wero is a joint instant payment service initially covering Germany, Belgium and France, based on a sovereign underlying (SCT Inst or instant transfer) enabling payments between individuals (P2P). It is available to both individuals and merchants, directly from banking applications. It allows payments to be made or received in a matter of seconds in all participating countries and is free of charge for individuals. Before it was introduced, the European Union had no truly common infrastructure designed, managed and operated by European operators for retail payments. In one year, this solution, supported by the European Payments Initiative (EPI), which comprises some 15 European banks and payment institutions, has attracted more than 48 million users and processed EUR 13 billion in payments.

Further key milestones are planned for 2026: expansion into e-commerce and then physical points of sale, and the integration of new countries, including the Netherlands and Luxembourg. Wero will then cover markets accounting for 60% of electronic payments in the EU.

1 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.

Finally, the EPI is working on a partnership to build interoperability with Europe's leading mobile payment solutions namely Bizum in Spain, BancoMat Pay in Italy, MB Way in Portugal and Vipps MobilePay in the Nordic countries. In total, the collaboration between these payment solutions and the EPI would cover nearly 130 million Europeans.

At the same time, several European banks are continuing their work on tokenised bank deposits, which will enable them to offer a version of bank money adapted to DLT infrastructures and tokenised markets. These tokenised deposits align with the existing monetary model and will support innovation without undermining bank financing.

If 2026 confirms the success of Wero, the challenge taken on by several European banks to jointly build a truly European payments infrastructure, capable of ensuring the efficient circulation of existing money, will be on the verge of being met and European payment sovereignty will be established.

In the real economy, as in the monetary sphere, major advances are achieved not only due to innovations made directly available to users, but also to the infrastructure – sometimes spectacular, sometimes discreet – that makes them possible and enhances their impact. There is no reason why these crucial infrastructures should not be created by coalitions of private operators, as was the case with the railway networks in 19th-century Europe.

References:

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