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Fostering Open Strategic Autonomy through international collaboration, sound regulatory oversight and innovative legal frameworks.

Sparked by increased geopolitical tension, the EU has progressively striven towards greater strategic autonomy and resilience with the aim of reducing dependencies on other countries and foreign providers. Strategic autonomy has become one of the European Commission's most important policy guidelines in recent years, with Member States committing to this for the long term with the Resilient EU2030 programme. It is expected that increasing autonomy and strengthening the EU's position as a global player will remain highly relevant for the next European Commission mandate.

Mastercard is convinced that promoting open strategic autonomy through international collaboration and public-private partnerships, while ensuring sound regulatory oversight and innovative legal frameworks, can form the basis for Europe's prosperity.

We fully support and understand the need for greater resilience and autonomy. In fact, we firmly commit to Europe and its values and have supported European businesses and citizens through our expertise and offering in payments and beyond for over 50 years. However, we emphasise that resilience should not be simply interpreted as locally designed as like-minded global companies bring much value to Europeans and are crucial for supporting the robustness of the European Single Market whilst strengthening the security of the Digital Economy. To exemplify this, the international card schemes support the Strong Customer Authentication (SCA) system, which is mandatory for accessing payment accounts online and initiating an electronic payment transaction under the Second Payment Services Directive (PSD2). Moreover, Mastercard enhance Open Banking by facilitating connectivity between Third-Party Payment Service Providers (TPP) and Payment Service Providers (PSP) and support the European PSPs with products like click-to-pay, formulating a competitive response against the BigTech companies moving into the European payment market. This is vital as the entrance of BigTech to the European payments market carries risks, e.g., market dominance, privacy issues, and algorithmic discrimination.

Supply chain management is key to improving Europe's resilience

Global trade and economy are keys to wealth worldwide, and innovation occurs globally. For Europe's resilience and open strategic autonomy, it is essential to remain open for international companies committing to European values and the common goal of driving Europe's economy forward. It is crucial for the EU to maintain its competitiveness while managing mutual dependencies and increasing the level of autonomy at the same time.

As there is no positive correlation between the geographic proximity of a company's origins and its safety and/or resilience, selecting European-born support structures by default would risk technological fragmentation and be counterproductive to Europe's ambitions to decrease dependencies and increase its economic power. Instead, the EU should focus on nurturing global supply chains whilst optimising their resilience by detecting, among others, geopolitical and cyber risks and making educated, evidence-based decisions. Such collaboration enables the EU to protect European businesses and citizens from potential external risk factors and determine the best course of action in the evolving geopolitical context and rapid digital shift. Companies can play a pivotal role in detecting and mitigating potential risks to supply chains through data. However, to ensure a high level of security for all European supply chains, it is pivotal for the EU to collaborate with the industries to create a legislative framework and standards to prevent fragmentation within the EU market. For instance, cybercrime is a major threat to any industry and is not bound by geographical borders. Thus, the most efficient responses to cybercrime are often global, and companies with global reach, hence, with access to global cybercrime data, significantly contribute to the security of the Digital Economy.

Initiatives such as the digital euro, designed to strengthen the euro's international role and introduce a digital European currency to complement cash, will only succeed in reaching their full potential if the best suitable technologies are harnessed for their support and distribution. Hence, to remain globally competitive, the technologies supporting Europe's open strategic autonomy should not be limited to European-born solutions if better international alternatives are available, as this would likely result in a disadvantage in the global market. Furthermore, the private sector's contribution to supporting initiatives such as the digital euro can be vital for their success, as their practical expertise and solutions often have a major role in creating a convenient and effortless customer journey for the users, which in turn bolsters the uptake of innovative services. Therefore, we encourage the EU to establish further public-private partnerships (PPPs) to support greater open strategic autonomy and resilience of the European economy.

Updating the oversight framework

The European payments ecosystem is highly vibrant – never in history has a generation of EU citizens had more options and choices of digital payments (3-party, 4-party, and domestic card schemes, Buy-Now-Pay-Later, invoice, cash on delivery, instant payments, etc.), and new payment methods, e.g., crypto, tokenisation and Central Bank Digital Currencies (CBDCs) are entering the market. The rapidly evolving digitalisation and global connectedness have resulted in increasing complexity of the markets and technologies. To foster a secure, innovative, inclusive, and convenient digital economy, the oversight framework must be fit to facilitate new technologies, lift barriers to cross-border operations, incentivise interoperable and integrated services.

We applaud the EU for taking steps in the right direction, such as the proposal for a framework for financial data access (FIDA), as ultimately, developing clear rules prioritising strong consumer protections, stability, and regulatory compliance whilst avoiding unnecessary legislative complexity is essential for enabling secure and more efficient payment and commerce applications through such technologies. Furthermore, ensuring harmonisation between horizontal and vertical regulation should be prioritised, e.g., the interplay of the PSD2 and GDPR has not been seamless, ultimately requiring the European Data Protection Board to update the related guidelines. With this in mind, for the EU to be successful in increasing Europe's competitiveness, it is essential that the rules, e.g., SCA and Open Banking, etc., are applied in the same way across the member states, as this will enable businesses, including SMEs, to scale up and grow. Therefore, it is vital that the competent authorities are equipped with the resources and capacity to fully understand the markets and technologies. Furthermore, as the payments market develops, it is important to update the existing oversight framework, e.g., SIPS, PISA, and DORA.

While developing rules and standards for tomorrow's payments, it is vital to work closely with the industry, holding practical experience and expertise as well as data on innovative solutions, to address these innovations promptly and make the most effective decisions to support innovation whilst managing potential risks. Thus, we encourage the EU to embrace the benefits of PPPs.

The EU must remain a global standard-setter

It is vital to strengthen international cooperation and consensus on digital governance issues to foster a secure, innovative, inclusive, and convenient digital economy. We are convinced that the EU should continue setting future-proofed interoperable and open security standards and liaising with international partners to make them global, as successfully established in several aspects, such as the processing of personal data under the GDPR. We believe that optimising the security of global supply chains and establishing international standards for them is in the interest of the functioning of these value chains and can foster the participation of all business types and sizes, as fractioned standards and legislation between jurisdictions require an additional investment of funds and resources from the companies to comply with the different rules applied for the same action. In this regard, industries and global companies can also play a pivotal role in applying the EU-born standards globally, thus streamlining them across the globe and fostering a level playfield in Europe and beyond. Therefore, working closely together with the industries can support the global application of the European market rules and standards. To exemplify, Mastercard has made the GDPR, as well as encouraged streamlining best practices for products and services in the EU market, a global standard in conducting business.

