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Whitepaper

The Gradual Displacement of Local Bank Cards in Payment Systems – A Plea for Economic Rationality, Fair Competition, and Market Diversity

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Introduction

Europe's payment landscape is undergoing a profound transformation. Local debit card systems — such as Germany's girocard, France's Carte Bancaire, Denmark's Dankort, the Netherlands' Maestro (formerly PIN), Italy's PagoBANCOMAT, Belgium's Bancontact, Portugal's Multibanco, Finland's BankAxept, or Norway's BankAxept — are increasingly being pushed aside. This is not due to a lack of popularity with consumers or businesses. On the contrary, these cards are deeply trusted, economically efficient, and functionally reliable. Instead, what we are witnessing is a deliberate marginalization, driven by international card schemes and reinforced by altered incentive structures among issuing banks.

Both consumers and businesses appreciate local bank cards for good reason: they offer low transaction fees, robust security, straightforward processing, and broad acceptance. Especially in retail, service industries, and public institutions, they have served as the backbone of cost-effective, transparent electronic payments.

To ensure that such cards could also be used abroad, many national schemes introduced co-badging with international brands (such as Maestro, V Pay, or Visa Debit). Domestically, payments were routed via the local (and cheaper) network, while cross-border transactions were processed through the international brand — a seemingly ideal compromise.

However, international card organizations have since deprioritized or outright opposed the continuation of co-badging. The reason is straightforward: processing transactions through their own networks yields significantly higher revenues, to the detriment of merchants, consumers, and ultimately overall economic efficiency. Co-badging has become commercially undesirable from their perspective.

Simultaneously, many issuing banks are moving away from local schemes in favor of cards that rely exclusively on international networks. This shift increases costs for merchants, diminishes consumer choice, and shifts financial benefits from national networks to globally dominant players. The loss of local acceptance infrastructures also poses serious risks for the autonomy and competitiveness of Europe's payments ecosystem.

Unlike domestic card schemes, which are typically operated by national banking associations or cooperative structures, international card systems rely on license-based and interchange fee models. It is therefore unsurprising that many banks now issue new cards exclusively under Visa or Mastercard branding, thereby locking transactions into higher fee structures.

For instance, a German girocard cannot be accepted by an Italian merchant unless it includes a co-badge with an international brand — because the girocard system is accessible only via the German banking network infrastructure. Foreign acquirers and processors typically lack technical and contractual access. Without cross-border interoperability, acceptance fails — even when both consumer and merchant are willing.

To preserve the economic benefits of domestic systems while enabling broader usage, policymakers and payment service providers must enable national schemes to be accepted abroad without relying on co-badging. This would allow a German tourist in Portugal to pay for coffee with their girocard — without needing an international brand. Achieving this requires interoperable European infrastructure and a regulatory framework that promotes local schemes rather than phasing them out.

This shift becomes even more concerning when it comes to business accounts. Cards issued to commercial account holders are typically classified as "Commercial Cards." These are explicitly excluded from the EU Interchange Fee Regulation (IFR, Regulation EU 2015/751), which caps consumer debit card interchange at 0.2% and credit cards at 0.3%. For commercial cards, no such cap exists. This exposes merchants to fees exceeding 3% — a crushing burden in sectors like grocery retail, where profit margins often hover between 1–2%.

A simple example highlights the issue: a 100€ purchase paid via a commercial credit card may incur 3€ in fees. This represents most or all of a merchant's margin. As a result, businesses face the unpleasant choice of absorbing the cost, rejecting certain card types, or charging surcharges — where legally allowed.

Adding to the challenge, services like cashback — allowing customers to withdraw cash at the register—are becoming less feasible. International cards impose high transaction costs that make such services financially unviable for many merchants.

While international cards offer benefits in tourism-heavy locations or luxury retail, their wholesale adoption across sectors is rarely justified. Cards such as AMEX, Diners Club, or Discover serve a niche clientele. Accepting them makes sense where customer expectations match high-value service. But pushing all transactions onto high-fee systems undermines small businesses and distorts the broader payments ecosystem.

Future Outlook and Strategic Options

Local bank card systems can survive — if political will, economic awareness, and technological openness converge. These systems should be understood as digital public goods that uphold fair market conditions and foster payment diversity.
A strong push for Merchant Choice Routing — allowing merchants to choose how a transaction is routed when multiple networks are present on a card—could restore competition. Moreover, national network operators should be permitted to enable cross-border acceptance of local cards independently of international brands.

A European-level acceptance framework — potentially under the European Payments Initiative (EPI) — could solve the current interoperability impasse. The goal would be a SEPA-like, standardized infrastructure offering open access to all stakeholders.

What Can Merchants and Consumers Do?

- Consumers should demand local card options from their banks and prefer them for domestic transactions. Avoiding co-branded cards, when international use is unnecessary, sends a clear signal.
- Merchants should audit their payment setups and negotiate routing preferences with their service providers. Providers supporting domestic schemes and transparent pricing should be prioritized.
- Trade associations can raise awareness through information campaigns about the real cost of card acceptance and the hidden pitfalls of international-only models.

Policy and Industry Recommendations

For Policymakers:

- Mandate disclosure of interchange fees by card type (including commercial cards)
- Introduce technical interoperability standards across domestic card schemes in the EU
- Legally guarantee fair access to local networks for all acquirers
- Provide incentives for developing EPI or equivalent European solutions
- Permit acceptance of local cards abroad without requiring co-badging

For Banks and Payment Providers:

- Open domestic networks to cross-border usage within the EU
- Offer clear, transparent pricing for merchants — especially for commercial cards

- Support Merchant Choice Routing by default
- Educate consumers about the benefits of local card use

Executive Summary for Merchants

- Local bank cards (e.g., girocard, Carte Bancaire, Bancontact) offer low fees, regulatory simplicity, and robust local infrastructure.
- These systems are being displaced by international brands due to profitability interests, not consumer demand.
- Commercial cards are exempt from fee caps and can cost merchants over 3% per transaction.
- Cashback and other value-added services are increasingly unviable under international card cost structures.
- Merchants should scrutinize contracts, negotiate routing, and choose service providers that support local networks.
- Cross-border acceptance of domestic cards without co-branding is both technically and politically achievable.
- A future with diverse, fair, and cost-effective payment options depends on preserving local schemes and promoting European interoperability.

Conclusion

The decline of local card systems is not inevitable — it is the result of strategic decisions made in the absence of countermeasures. These systems are vital for maintaining competition, ensuring fair pricing, and securing sovereignty in digital payments. Preserving them is not a nostalgic endeavor; it is a rational, forward-looking policy imperative. Abandoning local schemes in favor of costly, opaque, and globally concentrated alternatives benefits only a few — and imposes invisible costs on businesses, consumers, and society at large.