

Payment Sovereignty Italy



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Outline

This assessment analyzes the resilience of Italy's electronic payment infrastructure against two stress scenarios

Scenario 1

A geopolitical/commercial shutdown of international card networks

Scenario 2

A prolonged, nationwide power outage

Scenario 1: Visa & mastercard Switch Off their Networks

A geopolitical/commercial shutdown of international card networks

A prolonged, nationwide power outage

In this scenario, international card networks abruptly cease operations in Italy due to geopolitical friction or cyber-warfare. The electricity grid and internet infrastructure remain fully functional.

Resilience & Fallback Capabilities

Italy possesses a highly resilient domestic card network operated by Bancomat. Unlike many nations that rely on Visa/mastercard, the majority (80%+ or 37m) of debit cards issued in Italy are co-branded with PagoBancomat for domestic use.

- **POS Terminals:** F2F payments would transition immediately to PagoBancomat routing as most natively process domestic Bancomat protocols. As long as the physical card possesses the PagoBancomat logo, transactions will clear domestically.
- **ATMs:** Domestic cash withdrawals via the Bancomat network would function regularly.

The Saving Grace:
Bancomat /
PagoBancomat

The Critical Failure Point:
Credit Cards &
e-Commerce

- **Credit & Premium Cards:** Italian credit cards overwhelmingly run on Visa or Mastercard rails. These would become useless plastic overnight.
- **e-Commerce:** Most Italian e-commerce depends on international card PANs. Online retail would halt immediately, except for platforms accepting Bancomat Pay (an A2A mobile solution run by Bancomat), SCT/SCTinst and Satispay (a wallet with significant adoption)

Acquirers &
Issuers

Critical Sectors:
Supermarkets &
Transport

- **Acquirers:** Major domestic acquirers (e.g., Nexi) would experience an overnight shift in volume toward domestic Bancomat rails.
- **Issuers:** Issuers (banks) would face unprecedented customer support volumes due to failed international credit card transactions.

- **Supermarkets:** Largely unaffected since over 80% of domestic debit cards use the PagoBancomat rail at the Point of Sale (POS).
- **Transport:** Digital ticketing via apps linked to credit cards or Apple Pay/Google Pay (if tokenized with a Visa/Mastercard backend) would fail. However, buying physical tickets at automated booths using Bancomat debit cards or cash would remain operational

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Vulnerabilities

Stakeholder	Exposure	Vulnerability Level	Primary Mitigation
Acquirers (e.g., Nexi)	Infrastructure is fine, but international transaction will drop revenue.		Re-route traffic via domestic interbank rails.
Supermarkets	High traffic volumes but POS systems accept local cards.		- Enforce PagoBancomat, Satispay. - Alternativey cash-only lanes.
Banks (Issuers)	Extreme pressure on customer desks; credit card lines frozen.		Transition users to PagoBancomat debit.
e-Commerce	Online checkout systems accepting ICS will freeze without card processing.		Swiftly pivot to: - SCT/SCTinst - Bancomat Pay - Satispay.
Transport	Ticket purchases with ICS will halt.		Physical tickets at automated booths can be bought with Bancomat debit cards or cash

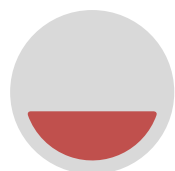
Scenario 2: Five-day National Power Outage

A geopolitical/commercial shutdown of international card networks

A prolonged, nationwide power outage

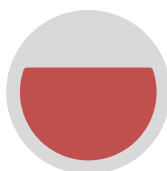
In this catastrophic scenario, a severe blackout knocks out the power grid for 5 consecutive days, and along with it mobile networks and internet services nationwide.

Resilience & Fallback Capabilities



The Core Reality: Digital Death

- Telecom towers and bank data centers run out of backup generator fuel within 24 - 48 hrs
- All electronic payment systems – including Bancomat, mobile wallets, apps, and SEPA transfers – will experience a complete blackout.

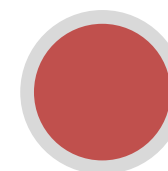


The Sovereign Fallback: Cash (with Tight Friction)

Cash becomes the exclusive medium of exchange.

However, distributing and accessing cash faces critical bottlenecks including:

- **ATMs:** ATMs require electricity and network connectivity; they will go dark instantly.
- **Bank Branches:** Closed due to lack of security systems, lighting, and internal ledger access.
- **CIT (Cash-in-Transit):** Armored car companies cannot safely transport or account for funds without digital logging systems and fuel-pump availability.



Critical Sectors Impact

Supermarkets will face logistical crises:

- Electronic inventory systems will fail.
- Most large supermarkets would be forced to close within 36 hours due to process cash manually at scale without a working cash register.

Transport:

- Urban transit (Metro lines, electronic turnstiles) will shut down completely.
- Trains, including high-speed rail (Trenitalia/Italo) will halt.
- Regional buses might accept physical cash, assuming gas stations can pump fuel using emergency generators.

Scenario 2: Five-day National Power Outage

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Vulnerabilities

Stakeholder	Exposure	Vulnerability Level	Primary Mitigation
Banks & Issuers	Total operational shutdown after generator fuel depletes.		Reverting to battery/island-mode backups.
Merchants	Interruption to retail checkouts Inability to calculate tax, check inventory, or accept digital payments.		• Transition to manual cash boxes • Temporary store closures.
Supermarkets	Interruption to retail checkouts Perishable food spoilage; Logistical gridlock.		• Transition to manual cash boxes • Temporary store closures.
Transport	Rail networks halt completely.		Day 1: Emergency deployment of manual physical ticketing. Day 2-5: Complete systemic shutdown; emergency free transit

Strategic Actions Required to Rebuild Resilience

A geopolitical/commercial shutdown of international card networks

A prolonged, nationwide power outage

To free the Italian economy from foreign dependencies, the Bank of Italy, the government, and the broader financial sector must develop existing infrastructures and mandate their use.

Mandate A2A payments

- Accelerate the market penetration of **Bancomat Pay** and **SEPA Instant Credit Transfers** (bolstered by EU Regulation 2024/886) in a way similar to PIX in Brazil (proved success story).
- This ensures a fully sovereign digital payment rail with ability to displace non-EU payment networks entirely.

Accelerate EuroPA POS Penetration

- Provide incentives to Italian merchants to integrate **Euro Payment Alliance**-compatible **QR codes** at **physical cash registers** nationwide
- Promote a standard cross-border mobile checkouts for tourists and local citizens alike.

Support D€ Offline Capabilities

- Actively collaborate with the ECB on the deployment of the **Digital Euro**.
- Ensure its design prioritizes true **offline peer-to-peer capabilities** using hardware-secured chips on smartphones or smart cards, allowing transactions to **clear locally** without a live internet connection.

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To boost reliability from power outage, the Bank of Italy, the government, and the broader financial sector must implement targeted systemic upgrades.

Deferred/Offline" POS Card Processing

- Update national POS terminal infrastructure to allow secure, **deferred offline authorization** for small essential transactions (e.g., under €50 for groceries).
- Transactions would be stored securely on the encrypted POS terminal chip and batched to the acquirer once connectivity is restored.

Critical Infrastructure Fuel Reserves

- Mandate that primary banking **data centers**, critical **telecom nodes**, and large **cash-distribution hubs** maintain a minimum of 7 days of independent power generation capacity (island-mode operation).

Sustain the Cash Cycle

- Legally protect the role of physical **cash**.
- Create a national regulatory framework that obligates major supermarkets and pharmacies to maintain **manual, paper-based business continuity plans** so they can legally trade basic goods during an extended electronic blackout **without generating real-time fiscal receipts**.



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Insightful Contributions

