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Card Processing Coming Onshore

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International credit card companies seem willing to fulfill the whims of State Duma deputies. Soon card transaction processing will take place within the country.

The controversial bill on the national payment system restricts the transfer abroad of information about Russian citizens' card transactions. This radically changes the modus operandi of two of the most popular payment systems: MasterCard and Visa.

Normally, when a card is used a signal from the automated teller machine or payment terminal goes directly to a processing center, and from there to the bank that issued the card. MasterCard has its main processing center in St. Louis, Missouri, and a reserve one elsewhere — outside of Russia. Visa has four centers, all outside Russia.

MasterCard is already building a local processing center, a source close to the system and several bankers told Vedomosti.

The center may cost MasterCard about $20 million, one of the sources said. This is almost half

the system's annual profit in Russia. To keep the market, the company is prepared to spend such an amount, a source told Vedomosti.

MasterCard declined to comment. Spokespeople earlier announced that the company is prepared to fulfill the requirements of the law, despite the expense.

Its rival hopes that the law will be adopted in a different form. "We currently don't have any definite plans for organizing local processing in Russia," Visa spokeswoman Karina Grosheva said. "We will decide how to do business within Russia when the national payment system law is passed."

Both credit card giants created subsidiaries in Russia last year. The idea of domestic processing may partially solve alleged issues of national security — and this could be accomplished through a deal with Visa or MasterCard, so that they pay for the processing centers — not the taxpayers, a state banker said.

The entire project of the national payment system and universal electronic card — which President Dmitry Medvedev promised that citizens will begin receiving next year — will cost from 165 billion rubles ($5.8 billion), according to Economic Development Minister Elvira Nabiullina, to 450 billion rubles, according to German Gref, president of Sberbank, which is the principle stakeholder in the universal electronic card.

Even if a MasterCard processing center is located in Russia, the probability of an information leak is almost zero, said Maxim Emm, audit department director at Informzashchita. Processing systems use special secure algorithms of calculation at all the data's destinations.

Before Canadian firm Research in Motion gave the intelligence services the electronic keys to decode e-mail messages in 2008, the company's Blackberry wireless devices could not work with Russian operators' SIM cards, and the Federal Security Service had prohibited the phones to be officially imported.

Local law enforcement agencies are allowed to listen to users' conversations and read their messages, and devices that encrypt information must obtain FSB certification.

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