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E-Commerce Prospering as New Regulations Come Online

By Justin Varilek

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About 90 percent of physical goods bought on the Web are paid in cash. **Vladimir Filonov**

Despite 80 percent growth in domestic electronic payment transactions to 125 billion rubles ($4.2 billion) in 2011, the industry is jostling to maneuver through the changes it faces when regulatory legislation goes into effect on June 30.

The new rules seem to be a "perturbation and contradictory" and full of "technical mistakes," said Viktor Dostov, chairman of the Russia E-Money Association, during an annual news conference Tuesday. "Yet the Association views it as a positive step," he added.

Dostov was referring to the law for a national payment system, regulating all e-money operators and requiring consumers to prearrange identification for any transaction over 15,000 rubles.

To receive identification, consumers must personally go to a bank with their passport and fill

out the necessary paperwork, Dostov said. His industry group represents a consortium of companies: i-Free, WebMoney, Yandex.Dengi, Qiwi, and the organizations the National Partnership of Microfinancing Members, and the National Association of E-Trade Members.

“Why do we need government regulation?” said Yevgenia Zavalishina, general director for Yandex.Dengi, the largest e-payment system using the Internet in the country.

In Europe and America, companies formed a union and are self-regulating, she added.

Tatyana Tsvetkova, business development director for Internet startup investor Fast Lane Ventures, said the law increases competition and attractiveness of the Russian market.

Dostov said the law had eased concerns by large players in the market as well as by foreign companies.

Since the bill was published on June 30, 2011, both Russian Standard Bank and Sberbank announced plans to offer e-money services and PayPal agreed to work in conjunction with Russian Post.

Yet destroying myths about e-commerce, such as the likelihood of being scammed, is one of the main hindrances to expanding e-money use, Dostov said.

For physical goods in particular, Fast Lane Ventures’ Tsvetkova said that in the near future she doesn’t see any large changes, adding that only up to 10 percent of physical goods purchased online are currently paid using any type of card or e-money, such as Yandex.Dengi.

Cash is the only form of payment not regulated by the government, and consumers tend to prefer it, Zavalishina said.

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