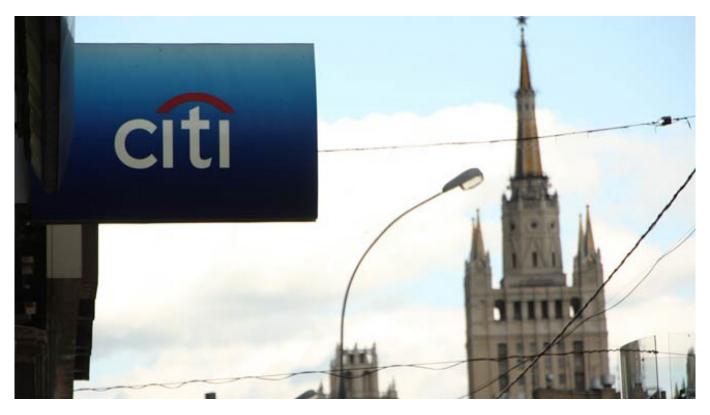


Government Wants Foreign Banks in National Payment System

By Peter Hobson

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A Citibank branch in Moscow, one of the many foreign banks in Russia.

Foreign banks should be allowed to directly participate in the creation of Russia's national payment system, the government said Friday.

But, lest this undermine the hopes of legislators aiming to liberate the country from foreign provision of payment services, it also suggested that the payment system's uninterrupted service be required by law.

Legislators should consider "the possibility of direct involvement in Russia's payment system of foreign banks and foreign financial organizations that act as central payment clearing agents," the government said in a document published on its website.

In proposed amendments to legislation being considered in the State Duma, the government said the inclusion of the ruble in the list of currencies serviced by U.S.-based international

payment system CLS should be prioritized.

CLS, or Continuous Linked Settlement, is a specialized financial institution based in New York that provides settlement services on the foreign exchange market. International payments can be made in currencies on its list without having to convert them into dollars or any other convertible currency.

The government also said the legislation should create a new joint stock company 100 percent-owned by the Central Bank that would operate the Russian payment system.

Visa and Mastercard currently dominate Russia's payment systems market, servicing about 90 percent of transactions. A long-dormant plan to create a local rival to these companies was jolted into life last month when sanctions imposed by the United States on Russia after its annexation of Crimea resulted in Visa and Mastercard suspending services to three banks.

Supporters of a national payment system say it would curb the ability of foreign states to sabotage Russia's financial system.

The legislation passed its first reading in the Duma on April 4.

The government called on legislators to "toughen the accountability of payment system operators, and add to the legislation a demand that the operator of a payment system be obliged to guarantee the system's uninterrupted operation under rules set by the Central Bank." The material liability of operators should be increased, the document said.

On Wednesday, a Cabinet meeting decided that a new company run by the Central Bank would develop Russia's payment system within 6 months, using technology from existing domestic payment systems, including Universal Electronic Card and Zolotaya Korona.

The meeting also determined that Russian banks would create an interbank network able to guarantee that transactions could be processed in the event of sanctions.

Read more:

Central Bank to Create National Payment System From Scratch

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