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Russian State Banks Strive to End Reliance on Visa, MasterCard

By The Moscow Times

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Mikhail Zadornov, VTB24 chief, said the banks have been busy creating interhost connections to guarantee baseline services.

Two of Russia's biggest banks, state-owned Sberbank and VTB24, are taking measures to protect their clients against possible credit card malfunctions if Visa and MasterCard abandon Russia in the face of a draconian new law.

For the past 1 and 1/2 months, the banks have been busy creating interhost connections to guarantee baseline services, VTB24 chief Mikhail Zadornov told RIA Novosti on the sidelines of the St. Petersburg International Economic Forum on Thursday. Some 270 of Russia's almost 900 banks have already established such connections between them, he added.

Visa and MasterCard, which process 90 percent of payments in Russia, have been reassessing

their position in Russia after a law, passed in earlier this month, required them to put down a $2.9 billion security deposit with Russia's Central Bank starting from July 1.

Interhost connections need no participation of a payment system, any card can be processed directly between an issuing bank and an acquiring bank either at ATM or a cash machine. In April, the Central Bank demanded that banks establish interhost connections after MasterCard and Visa demonstrated their ability to cause financial chaos by cutting services to two Russian banks sanctioned by the U.S. in March

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