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Visa, MasterCard to Create Russian Operator

By The Moscow Times

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Visa and MasterCard in a meeting with top officials Friday offered to create a Russian payment system operator to take over their Russian operations, sidestepping punitive legislation that had threatened to force them off the market.

Finance Minister Anton Siluanov and First Deputy Prime Minister Igor Shuvalov met with representatives of the two U.S. payment systems, who service 90 percent of payments in Russia, at the St. Petersburg Economic Forum on Friday, Interfax reported.

At the meeting, Visa and MasterCard proposed within 6 months to build a working relationship with domestic payment systems and within 18 months to create a Russian company to handle their country operations, Siluanov was quoted by Interfax as saying.

MasterCard's general director in Russia Ilya Ryaby said that the companies had received "preliminary approval" for their initiatives, but that the ultimate decision will depend on the approval of President Vladimir Putin.

Behind the turmoil is a law passed earlier this month that would require the payment systems to put down a combined $2.9 billion security deposit — some five times more than the companies' combined annual revenue in Russia — with the Central Bank starting from July 1. The aim of the legislation is to guarantee uninterrupted service of payments in Russia and prevent a repeat of events in March, when Visa and MasterCard unilaterally halted services to two Russian banks after they were sanctioned by the U.S. government.

If it goes into force as planned, the legislation would create a huge financial burden for the two companies.

"[Visa and MaterCard] have problems with the implementation of the law," Siluanov said after Friday's meeting. "They are prepared to work in Russia within this law, but the issue of creating a Russian operator representing Visa and MasterCard will take time, and until then they are ready to work with existing transaction systems."

The companies appeared committed to remaining in Russia: "No matter what, we are staying," Ryaby said. Andrew Torre, head of Visa in Russia, was quoted by Interfax as saying the company was prepared to work in Russia. "It was a very productive meeting, and we hope that a compromise will be found," he said.

See also:
Visa, MasterCard Cut Preliminary Deal With Officials to Stay in Russia

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