

Visa, MasterCard Must Find Russian Partner to Avoid Paying Security Deposit

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The Russian government has officially declared the conditions that will allow international payment systems Visa and MasterCard to continue business in Russia without paying the massive security deposit that had threatened to shove them out of the country.

To avoid paying the security deposit and fines for interruption of service, the companies must find a Russian payment system deemed "of national importance" to process their transactions by Oct. 31, according to a decree signed by Prime Minister Dmitry Medvedev on July 15 and published Tuesday on the government's website.

This solution to the standoff was floated by Central Bank chief Elvira Nabiullina at a banking conference earlier this month.

Reuters reported previously that MasterCard had already begun searching for a Russian partner to help it circumvent the law.

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The denial of service set off a movement spearheaded by President Vladimir Putin to end Russia's dependence on foreign payment systems, which culminated in a law signed by Putin in May that laid the groundwork for the creation of a national payment system to replace foreign players.

The law would also have forced international payment systems to submit a hefty security deposit to the Central Bank in order to continue operating in Russia. Morgan Stanley analysts at the time estimated that the joint deposit for Visa and MasterCard could amount to \$2.9 billion, which is five times more than their annual revenues in Russia.

The law set off a flurry of negotiations and proposals on ways to keep Visa and MasterCard, who together process about 90 percent of transactions in Russia, from leaving the market altogether.

Also on Tuesday, the government published the requirements that payment systems will have to fulfill to be considered "of national importance" — a status that will exempt them from having to submit a security deposit.

At least 25 percent of the payment infrastructure, applications and software that the systems use must be developed by Russian organizations and provided under contracts lasting at least five years, among other requirements.

As of Tuesday, only one Russian payment system had received this status — the National Settlement Depository, a part of the Moscow Stock Exchange group.

Nabiullina said at the end of June that the national payment system will be created within six months, ITAR-Tass reported.

See also:

[New U.S. Sanctions Won't Affect MasterCard, Visa's Russian Operations](#)

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