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Putin Softens Deadline on Visa, MasterCard Security Deposit Payments

By The Moscow Times

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Under an earlier law, Visa and MasterCard would have had to transfer transaction processing to a domestic partner or pay the security deposit by the end of this month.

President Vladimir Putin has signed a law giving Visa and MasterCard a five-month reprieve on paying a massive security deposit to Russia's Central Bank, in effect setting a deadline for the creation of Russia's much-touted national payment system, which is poised to take over processing of the foreign systems' transactions.

Under an earlier law, Visa and MasterCard would have had to transfer transaction processing to a domestic partner or pay the security deposit by the end of this month. The amendments were signed by Putin on Wednesday and published Thursday on the government's legal information website.

The two companies, which together process about 90 percent of payments in Russia, inadvertently set off a movement to end Russia's dependence on foreign payment systems

when they halted service to two Russian banks in March to comply with U.S. sanctions imposed following Russia's annexation of Crimea.

Spearheaded by Putin, the initiative culminated in May with a law that laid the groundwork for the creation of a national payment system and would have required international systems to submit a security deposit worth the equivalent of two days of transactions processed in Russia to the Central Bank in order to stay in the country.

Morgan Stanley analysts estimated at the time that the joint deposit could amount to $2.9 billion, or five times more than Visa and MasterCard's joint annual revenues in Russia. Following a series of negotiations, amendments were passed allowing the companies to avoid the deposit so long as they found a domestic player to take over processing of their transactions.

The new national payment system increasingly appears to be the government choice to take over Visa and MasterCard's transactions. Central Bank deputy head Olga Skorobogatova said earlier this month that Visa, MasterCard and other international payment systems had agreed to work on transferring transaction processing to the new national system, Interfax reported.

A center for processing international payment systems' transactions within Russia could be built in the first quarter of next year, Skorobogatova said.

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