The Moscow Times
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Visa to Lose Millions from Tighter Russian State Control on Payment Systems

By The Moscow Times

October 30, 2014



Russia moved to force U.S.-based Visa and MasterCard to operate through a local partner after they cut services to some Russian banks.

Visa could lose up to $70 million next year due to a sanctions-inspired law requiring foreign payment systems to relocate their transaction processing to Russia, news agency Interfax reported on Thursday.

Russia moved to force U.S.-based Visa and MasterCard, which dominate Russia's payment market, to operate through a local partner after they cut services to some Russian banks to comply with sanctions on Moscow over the crisis in Ukraine.

"We expect to lose a part of revenues of approximately $50 million by the end of the fiscal year [Sept. 30]," Visa's CEO, Charles Scharf, was quoted by Interfax as saying in a telephone

conference. That number will likely increase to $70 million over the full year, Scharf said.

Earlier this year Morgan Stanley estimated Visa's annual revenues in Russia at $350-$470 million, or 3-4 percent of its global revenue.

In May, President Vladimir Putin signed a law that set the stage for creating a Russian national payment system and demanded huge security deposits from foreign payment systems to stay in the country.

After a series of negotiations, Visa and MasterCard were given the choice between processing transactions via the national system or paying a security deposit of $2.9 billion before the deadline of March 2015.

The as yet unmade national payment system could be built in the first quarter of next year, Central Bank deputy head Olga Skorobogatova told Interfax earlier this month.

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