

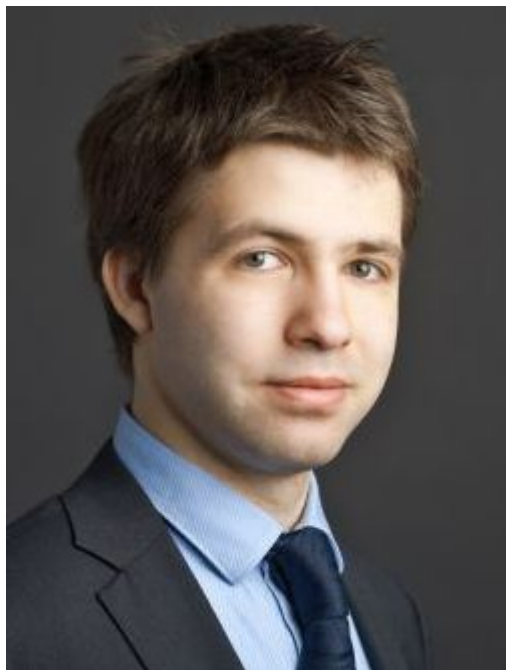
# Legal Highlights: Identify Yourself: How Has the Russian Online Payment Framework Changed?

By [Alexander Muravin](#)

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What should online retailers and customers do in order to comply with the law?

Most Internet shops allow payments via Webmoney, BitCoins or local e-currencies, such as Yandex.Money. Effecting payments through these instruments provides obvious benefits for customers: convenience and timeliness, anonymity and security of payments, which do not require transfer of bank card data. It is no surprise, therefore, that CEO's of some Russian banks have said recently that the bank would compete with big Internet companies, the likes of Google, Alibaba, Amazon and Yandex. But how does the future reality, if it materialises, fit into the existing legislative framework?

Federal Law No. 161-FZ "On the National Payment System" ("Law on the National Payment System"), which came into effect in 2011, established the regulatory framework for circulation of and settlement payments using e-currencies.

The recent amendments to the Law on the National Payment System and to the Federal Law "On Combating Money-Laundering and Financing of Terrorism", apart from the political motivation, significantly changed the regulatory framework for online payments and affected both online retailers and customers. Some e-customers do not welcome "identification" novelties, suspecting the government authorities of exercising excessive control over individuals and data collection.



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**New Limitations for Customers**

Internet-retail is one of the fastest growing segments in the trade sector. Each year, more and more new services and products come on to market in web-based format, competing with classic brick and mortar retail models. The government evidently wishes to spotlight Internet-business and ensure transparency of payments with e-currencies. The idea behind the proposed amendments was to ensure the payer's real identity (rather than e-mail address or nickname) and enable easier authorisation, compared to electronic signatures. A new method of simplified identification for e-wallet holders has been introduced, allowing e-customers to be identified remotely by a credit institution (bank or payment system operator) by means of:

- physical attendance with passport or other form of ID;
- personal data submitted electronically, including passport/ID and mobile phone number;
- authorisation within the unified identification system by electronic signature.

In addition, customer data can be verified using the information held by existing Russian budget entities, such as the Pension Fund, Medical Insurance Fund and the Federal Immigration Service.

**When Is Identification Required?**

It is easy to test whether or not identification is required. You should bear in mind the questions below. Should the answers to these questions be positive, the e-customer will have to obtain authorisation.

## **Test 1. Does the Purchase Cost More Than RUB 15,000 (USD 430)?**

If goods are obtained from a Russian e-retailer by a Russian e-customer (so called "intra-Russian" payment) to a sum of over RUB 15,000 (USD 430), authorisation is required. If the purchase costs under RUB 15,000 (USD 430), no authorised e-wallet is needed (e.g., one registered with identification of its owner).

For instance, to buy an expensive TV set costing over RUB 15,000 with e-money, you will probably have to identify yourself in accordance with the new regulations.

## **Test 2. Is Your Counterparty a Non-Russian Retailer?**

Russian e-customers should authorise themselves by either of the above methods to certify payment for products or services to non-Russian retailers, no matter how big the payment. Since most ordinary e-shoppers are rather cautious about giving out their personal data, the authorisation requirement may prevent some of them from buying products abroad.

For example, if a TV set is purchased from any German retailer, authorisation is required, even if it costs less than RUB 15,000.

It is our strong belief that the purpose of this development is to support the ongoing trend of limiting imports of consumer goods, which caused the collapse of the postal and customs services last winter.

## **Legislative Amendments to the Limits for Simplified Identification**

One might ask what the benefits of identification are. Customers who have undergone simplified identification have higher "spending limits" on their e-wallets. The daily turnover limit has been raised to RUB 60,000 (approx. USD 1,700) and monthly to RUB 200,000 (USD 5,700). These sums are a lot more flexible and seem to satisfy the reasonable needs of regular shoppers.

## **New Limitations for Retailers**

Another restriction limits the opportunities for self-employed e-retailers manufacturing self-designed apparel, posters, etc. and selling it via personal web-shops or big e-stores like Etsy.com. In particular, a non-personalised e-wallet cannot be used to accept payments from individuals.

## **How Should Business Proceed Within the New Legal Framework?**

Let us hope that these new regulations will develop convenient methods for identifying e-wallets in Russia, in contrast to going to a bank with a passport. Payment system operators and banks, on the other hand, are now bound to establish authorisation systems that permit ID recognition.

Since the effective regulations do not prohibit engaging authorisation-agents, it may become common to outsource customer personalisation procedures to third-party contractors. Otherwise, banks / payment system operators will lose significant payment processing commissions.

The effective legislation is silent on its extra-territorial application. This might provide a certain loophole for foreign e-money operators that do not have a legal presence in Russia but conduct business with a Russian customer.

Those customers who are reluctant to submit their personal data will most likely use foreign payment instruments for processing their purchases in stores worldwide.

It is believed that these amendments will have a positive effect on transparency of Internet payments. Now it is clear that, on the one hand, the new identification procedure is targeted on reducing the likelihood of anonymous payments being used to finance terrorism or launder money; on the other hand, without the identification procedure, ordinary customers seem to meet unreasonable barriers to, for instance, making payments to foreign e-shops or even to pay for Skype services.

\* Goltsblat BLP is the Russian practice of Berwin Leighton Paisner (BLP), an award-winning international law firm headquartered in London and with offices operating in major commercial and financial centres throughout the world — Moscow, Abu Dhabi, Beijing, Berlin, Brussels, Dubai, Frankfurt, Hong Kong, Paris and Singapore.

The firm has a team of 100 Russian, English and US law qualified lawyers based in Moscow and over 800 lawyers in the other international offices.

Goltsblat BLP currently has over 700 clients among the major international investors operating in Russia, including 23 Fortune 500 companies.

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