

MasterCard Looking for Russian Partner to Avoid Billion-Dollar Security Payment

By [The Moscow Times](#)

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MasterCard said Tuesday it was seeking a Russian partner to process payments made within the country, a move that could help it bypass new rules imposed on foreign card companies in the wake of Western sanctions over the Ukraine crisis.

Its main competitor, Visa, meanwhile, reiterated its position that the obligation to pay a hefty security deposit to the Central Bank — the most onerous of the new requirements — was "unworkable."

Both companies considered quitting Russia after President Vladimir Putin signed the rules into law in early May but said they would stay after officials showed a willingness to relax the requirements.

The Finance Ministry, the Central Bank and local bankers have criticized the law, which was passed after Visa and MasterCard stopped serving several Russian banks targeted by recent Western sanctions and forms part of a plan to develop a national payment system to reduce Russia's reliance on the West.

MasterCard said Tuesday it had launched a tender to find a partner to perform clearing, authorization and settlement services for its Russian operations and that the partner should have a processing centre within Russia — another of the new requirements.

"We share the goal of the Russian government to decrease the volume of cash turnover in favor of electronic transactions," Ilya Ryaby, director of MasterCard in Russia, said in a statement.

Visa welcomed a move to delay until October the obligation to pay quarterly security deposits of 25 percent of a card company's average daily turnover in Russia to the Central Bank but said the requirement was still "unworkable and goes beyond what we are willing to do."

Morgan Stanley analysts estimated in a report in May that Visa and MasterCard would be required to post about \$1.9 billion and \$1 billion in collateral, respectively, once the rules take effect.

They said the overall earnings impact would be limited if they were to leave Russia, given that the country accounts for less than 4 percent of both companies' revenues globally.

Awaiting Amendments

Amendments to the deposit rules are due to be discussed in Russia's lower house of parliament later this week, and analysts expect a compromise solution to be reached.

Between them, Visa and MasterCard account for more than 90 percent of the credit and debit cards issued in Russia, meaning that their exit would seriously complicate the lives of many ordinary Russians.

Although in terms of revenues Russia remains a minor market for both companies, the country's credit card system is developing fast and its 140 million population could offer greater growth potential than developed countries.

Deputy Finance Minister Alexei Moiseyev said the law would likely be amended so the government would be able to waive the requirement to demand security deposits from international card companies if certain conditions were met.

"The work of international [payment] systems through a Russian services provider provides the notion of uninterrupted services and could fall under a rule to cancel the security deposit," Moiseyev said.

A spokesman for Visa declined comment on whether the company also planned to find a Russian partner to comply with the new rules. The Central Bank, which is still interpreting how the rules will be implemented, also declined comment.

See also:

[Russian Regulator Renews Pressure on Visa and MasterCard](#)

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