

# Rostec Suggests Using Russian Pension Funds to Implement 'Big Brother Law'

Telecommunications companies to each pay 3 billion to 4 billion rubles annually to replenish fund.

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Denis Abramov / Vedomosti

Rostec believes that building the infrastructure required to implement Russia's new anti-terror legislation would be a “profitable investment for the Pension Fund of Russia (PFR).”

The Industry and Trade Ministry suggested to President Vladimir Putin that the National Informatics Center (NIC), a Rostec subsidiary, be entrusted with implementing the law requiring the storage of phone and Internet communications that was authored by State Duma Deputy Irina Yarovaya and Senator Viktor Ozerov.

The ministry is confident that the NIC is up to the task, that this option will save money by

centralizing a range of technical requirements, and that it will allow phone operators to simply pay a regular fee for the service rather than footing the bill for developing the costly data storage facility themselves.

Major phone operators would have to pay 3 billion rubles (\$46 million) to 4 billion rubles (\$61 million) per year, totaling 95 billion rubles to 105 billion rubles over five years, Rostec Acting CEO Vladimir Artyakov said in a letter to Industry and Trade Minister Denis Manturov, according to two sources close to Rostec.

The so-called “Yarovaya Law” states that as of July 1, 2018 Russian telecom operators and Internet service providers must store all of their customers’ traffic – calls, letters, files, and conversations – for up to six months, with the government to name the exact period later. They must also store a record of the fact of such communications for three years. Federation Council president Valentina Matvienko wrote to Russia’s “big four” mobile operators – MTS, Megafon, Vimpelcom and Tele2 – informing them that the creation of such a data storage system would cost them 2.2 trillion rubles (\$33.8 billion).

Rostec representatives declined to estimate how much the new data storage system might cost, but suggested it would be “many times cheaper than figures previously reported in the media.” A Rostelecom representative said it is impossible to calculate those costs until the government formulates the associated by-laws.

In its letter to the ministry, Rostec proposed “using market-based instruments” to finance the development of the unified data storage facility. It added that, because “major, highly solvent companies” would be using the service, funding the development could be a “reliable and profitable investment for the Pension Fund of Russia (PFR).”

Rostec was probably referring to pension assets rather than to the operating funds of the PFR itself, said Pension Fund representative Marita Nagoga. They are distributed almost equally between the Private Pension Fund (NPF) and Vneshekonombank (VEB). Nagoga explained that the PFR itself has only two types of expenditures – payouts for pensions and benefits, and its own operating expenses. Only the Finance Ministry and Central Bank have the authority to invest pension assets in projects, she said.

No decision has yet been made regarding which fund to tap, although the NPF is a distinct possibility, one source close to Rostec said. Current Russian law allows leaders to use pension assets to make even relatively risky investments, but putting that money in a unified data storage facility is a safe bet because wealthy telecom operators will finance its operations, one source said.

Rostec and Industry and Trade Ministry representatives declined to comment on the possibility of using pension assets to fund the project.

As of late June 2016, VEB was managing a little less than one-half of all pension savings in Russia, or 1.8 trillion rubles. (The NPF manages more than 2 trillion rubles.) Most of that total – 40.8 percent, or 748.9 billion rubles – is invested in Finance Ministry securities, while another 37 percent, or 680.2 billion rubles, is placed in securities issued by Russian

companies.

Replenishment of the savings portion of Russians' pensions was suspended in 2014. Prior to that, the PFR handed over pension savings to either the NPF and private asset management companies – by decision of the insured – or else, by default, to VEB. Management companies currently handle approximately 33 billion rubles in pension savings, investing them according to official PFR rules that require each of them to formulate an investment declaration, said Capital management company CEO Vadim Soskov. In the 13 years that these private companies have been investing pension savings, the government has never issued direct orders that those firms purchase a particular security, Soskov said.

A VEB representative said the bank had not received any request to support the project connected with the Yarovaya law. The Central Bank, Finance Ministry, and presidential spokesman Dmitry Peskov did not respond to inquiries.

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