New rules tighten the Central Bank’s control over payment services

Foreign electronic payment services providers face registration and information disclosure requirements.

Before its summer break the Russian Duma adopted two laws¹ that introduce rules for so called

- providers of payment applications;
- payment aggregators;
- foreign providers of payment services;
- operators of foreign payment systems; and
- information exchange operators,

under which the provision of electronic payment services in Russia will become significantly more burdensome, as discussed below.

Payment applications providers

Russian and foreign legal entities that provide software to clients of Russian banks for processing card payments will have to disclose information to clients using their services as well as to the Central Bank; in particular they will have to inform clients about fees charged for the use of the payment application. Payment applications can only be used if the provider has no access to information that allows it to identify the client.

Russia’s Central Bank will maintain a list of companies that provide payment applications.

Payment aggregators

The activity on (i) verifying the identity of clients in accordance with anti-money laundering legislation, (ii) provision of software and/or hardware

for accepting payment cards, and (iii) participating in the transfer of monetary funds to merchants in payment card transactions, is now defined as payment aggregation and requires its provider to have the status of a banking payment agent, which implies registration in Russia and compliance with a number of additional requirements depending on the type of service rendered. For example, payment agents may be required to open a special bank account in Russia for processing monetary transfers. Russia’s Central Bank will maintain a list of such payment aggregators.

**Foreign payment systems**

Operators of foreign payment systems that do not have a subsidiary in the Russian Federation will only be able to work with Russian banks if they establish a branch office in Russia and register with the Central Bank. The new rules empower the Central Bank to establish requirements for the rules of such foreign payment systems, for their risk management, for the protection of information, and for anti-money laundering measures.

In addition, the new rules prohibit excluding or suspending the participation of a Russian bank in the Russian payment system in connection with the termination or suspension of its participation in a foreign payment system.

**Foreign providers of payment services**

The Russian Central Bank will maintain a list of foreign organizations, which have the right to carry out transfers of monetary funds and/or other operations using electronic payment methods in their country of registration, that are permitted to work with Russian credit institutions. In order to provide electronic payment methods to Russian residents in Russia, and support Russian residents' transactions abroad, a foreign organization will need to participate in a foreign payment system registered with the Russian Central Bank.

**Operators of information exchange services**

The Central Bank will also maintain a list of Russian and foreign organizations that provide information exchange services between Russian credit institutions and their clients and/or between the credit institutions and foreign providers of payment services when electronic payment methods are used. Such operators face new requirements and a ban on the unilateral termination (or suspension) of services.

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