

National Payment Card System as an Important Factor of Economic Security of Russia

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Abstract – The article is devoted to the Russian National payment card system (NSPK) and its role in ensuring the national security of Russia. The main reasons for the increase of risks in the sphere of national security are considered, the main risks for the economy of the country are studied, the characteristic of the National payment card system is given, the difference of this system from other international payment systems is considered. On the basis of the analysis, conclusions are drawn about the prospects for the development of the NSPK and its impact on the national security of the Russian Federation in the future.

Keywords – national payment card system, NSPK, Visa, MasterCard, SWIFT, national security, economic security, payment system, Bank of Russia

I. INTRODUCTION

As a result of the strengthening of new centres of economic growth and political influence in the world there is a qualitatively new geopolitical situation. On the world stage, tensions between states have escalated, and the vulnerability of all members of the international community to new challenges and threats has increased. The global economic crisis continues. The struggle for resources and political influence is intensifying. In the process of struggle, countries use various tools to put pressure on their opponents: threats of military invasion, trade barriers, sanctions, etc. In such conditions due to the emergence of new and aggravation of existing threats, the purposeful activity to ensure the economic security of the country and its citizens is of particular importance. Economic independence, i.e. the ability to normal economic development with significant adverse changes in the external economic conditions of this development, is the basis of the sovereignty of any country, the basis of its national security.

National security is a state of protection of individuals, society and state from internal and external threats, which allows ensuring constitutional rights, freedoms, decent quality and standard of living of citizens, sovereignty, territorial integrity, sustainable development, defence and security of the state [2].

The purpose of this article is to analyze one of the most important aspects of national security – the problem of ensuring the effective operation of the national payment

system. In particular, the author intends to consider the specifics of building an independent payment card system, the main objectives of such a system and its role in the country's economy.

II. RESULTS AND DISCUSSION

Ensuring national security does not only mean strengthening defence capabilities. It is also scientific, technological and socio-economic development. Economic security plays a special role in the national security system. The economy is the basis for politics, law, and other elements of the superstructure. Economic security is a category that characterizes the state of the economy, which provides sustainable economic growth, optimal satisfaction of social needs, good governance and protection of economic interests at the national and international levels.

In Russia, with the beginning of market reforms, due attention was not paid to the problems of economic security. The policy in this area was more declarative than applied and systemic. Only in 1996 the Decree of the President of the Russian Federation of 29.04.1996 N 608 “About the state strategy of economic security of the Russian Federation (Basic provisions)” was adopted. Meanwhile, ensuring economic security and countering the factors threatening it is one of the most important tasks of modern Russia. Without economic security, it is almost impossible to solve any of the challenges facing the country, both domestically and internationally [2].

The instability of the monetary, financial and credit systems is an obvious threat to Russia's economic security. Inattention to the organization and structure of its own financial system naturally led Russian Federation to excessive dependence on the situation on the international financial market.

The threats to economic security also include disproportions in the development of basic industries, unbalanced budget policy, etc. Serious risks of economic security are associated with the problems of the banking sector, in particular, with the deterioration or imperfection of the payment system.

Payment system is a set of procedures provided with the appropriate infrastructure for the transfer of funds from one

subject of the economy to another. From a legal point of view, payment systems do not transfer funds, but debt. Placing his or her funds in a financial institution, the client essentially lends them to the institution, and his order to transfer funds indicates that now the institution owes not him (her), but another client.

The payment system in this context refers to the non-cash circulation of funds, the desire to maximize which is common to all governments, since the non-cash circulation of funds is not extracted from the economic turnover, and there is no need to service the money supply [5].

In the current circumstances, the modern payment system is an important tool for sustainable financial and economic development of the country. It has high requirements in the field of ensuring the efficiency, reliability and security of payments.

Currently, there are a number of threats in Russia that arise at the level of the payment system, which can affect national security and destroy financial and economic stability.

Thus, the Russian economy continues to maintain a large share of transactions using cash. In this regard, the state can not fully control the monetary circulation, which leads to the expansion of the shadow sector, tax evasion, the formation of material conditions for the strengthening of crime and terrorism [3].

According to the World Bank, the share of the shadow economy in Russia is 43 % of GDP. At the end of 2018, the number of employed in the informal economy amounted to 23.4 % of the total number of employed. Such high levels of the shadow economy are associated with cash flows. Illegal trade and corruption involve the transfer of cash from hand to hand. Also, a large segment of the shadow market is tax evasion [8].

In recent years, the Bank of Russia (Central Bank) is restructuring the monetary policy of the state in such a way as to achieve a decrease in cash turnover [1]. Thus, measures have been taken to regulate cash limits for organizations, to force companies to pay wages using bank cards. At the same time, it should be taken into account that non-cash payments by themselves do not guarantee the legality and transparency of economic relations.

Another threat to the national security of the country is the dependence of the national payment system on the international payment systems Visa and MasterCard, as well as the SWIFT system. This applies to both cross-border and domestic currency transfers.

A significant number of transactions in foreign currency within the country are carried out using foreign correspondent accounts and SWIFT system. In December 2014, the Bank of Russia developed a system that allows banks to pay in SWIFT format using correspondent accounts of the Central Bank. This step made it possible to secure transfers within the country in case of Russia's disconnection from SWIFT. However, the dependence of international payments on this system continues.

At the legislative level, work is underway to ensure the disclosure of information about the foreign accounts of

Russian citizens and international trade operations [9]. However, the payment system itself is highly dependent on the SWIFT system, whose members connect to the system directly and exchange messages with foreign banks directly. This reduces the possibility of control by the Bank of Russia.

The admission of foreign payment systems to the Russian market has led to the weakening of the Russian state's control over economic turnover. The openness of the Russian domestic banking market and the possibility of using accounts outside the Russian Federation stimulate capital outflows and uncontrolled financial transactions. This happens despite the functioning of the payment system of the Bank of Russia and the fact that a large part of the payments goes through this payment system.

In addition to material benefits, foreign payment systems have the ability to influence the Russian payment market.

In the context of economic security and independence of the state it is impossible not to mention another aspect – information security. Using processing centres located outside the Russian territory when making payments, foreign payment systems accumulate information about the volume of transactions, their economic component, and account holders. There is no guarantee that this information will not be used to the detriment of the interests of the Russian Federation.

Another important component is jobs, which obviously can not be provided to citizens of Russia on condition of servicing payments through foreign operators of payment infrastructure services.

However, the most serious threat to the national security of the country is that these systems can be used as a tool of political pressure.

In the 1990-ies some local payment systems operated in Russia. They carried out transactions within the regions. The largest Russian systems of that time were “STB-card” and “Union Card”. In 1993, Sberbank has created its own payment system “Sberkart”, and by 2000 it had provided 3 million cards. One of the well-known payment systems “Golden Crown” was also created in 1993.

Plastic cards issued within these systems were unique and were served only in the terminals of issuing banks, which accordingly required the development of infrastructure for servicing. The lack of unification and the resulting market fragmentation prevented these systems from taking root everywhere, and they were squeezed out of the market by larger and more streamlined systems.

The first attempt to create a national, rather than local, payment system was made by the Bank of Russia in 1996 by a working group of 20 specialists, including representatives of the Bank of Russia, the Association of Russian banks and major Moscow banks. The pilot project of National payment system creation was presented. The implementation of this project would require 5,000,000 USD. However, the project did not receive proper approval at the Government level, although approval was received for partial funding in the amount of 50% from the International Monetary Fund [5].

It should be noted that until 2011, the Russian Federation did not have a properly systematized legislative framework that could regulate the activities of payment systems, but only a number of disparate laws.

In 2011, an attempt to exclude the participation of foreign organizations in interbank settlements was connected with the attempt of the Russian Government to create a Universal electronic card. This card had to perform functions of both payment and identification means at once, including functions of the bank card, the passport of the citizen, policies of pension and medical insurance. As part of the project, Sberbank has created the payment system "PRO100", designed to serve universal cards and has all the chances to become a national one, as the appropriate infrastructure has been created. However, the scale and complexity of the project did not allow it to be realized [5].

The difficulties faced by the Russian economy, as well as the significant level of its dependence, demonstrated in 2014, accelerated the process of creating a national payment system.

In March 2014, after the US imposed sanctions against Russia in connection with the Ukrainian crisis, the international payment systems Visa and MasterCard stopped servicing cards of several Russian banks in retail outlets and ATMs of the international network.

As a response, the Russian authorities amended the Federal law "On the national payment system" in order to transfer payments within Russia to the domestic infrastructure and information systems.

On 29 April 2014, the Federation Council approved the law on the establishment of the national payment card system NSPK. NSPK is operational and payment clearing centre for processing operations on bank cards in Russia and the operator of the national payment system Mir. NSPK JSC is 100 % owned by the Central Bank of the Russian Federation [5].

The NSPK was established in three stages [4].

In the first stage (until the end of the first quarter of 2015) the following measures have been taken: arrangements for activities of NSPK operator, establishment of NSPK technology platform, creation of operational and payment clearing centre (OPCC), development and approval of NSPK rules, tariff policy, arrangement of interaction with the Bank of Russia to implement the functions of the clearing centre, as well as interaction with participants of the market of payment services.

The key results of the first stage were:

1. Creation of NSPK technological base;
2. Creation of OPCC;
3. Adoption of the rules and the tariff policy of NSPK;
4. The adoption of NSPK clearing centre functions by the Central Bank.

At the second stage (2015), a set of measures aimed at launching and developing national payment instruments was implemented. A key result of this phase became national

payment card Mir, the release of which, in accordance with the action plan, started in December 2015. Logo and the name of the card were selected in the result of the national competition. First card-issuing banks have become Gazprombank, MDM Bank, RNCB, Bank Russia, Svyaz-Bank, Binbank, SMP Bank. The national payment card is accepted throughout Russia and allows users to perform all standard operations: withdraw cash, pay for purchases in retail networks, make contactless and mobile payments. In 2015, all domestic Visa and MasterCard transactions were fully transferred to NSPK processing [6]. Cards of international payment systems began to function in the Crimea.

At the third stage (2016-2018), measures were taken to saturate the NSPK product line with relevant payment products and services, to promote and develop them in the Russian Federation, as well as NSPK services on the international market. The key result of this stage was the creation of a multifunctional product line of payment products and services, which allows NSPK to be competitive with international payment systems.

On July 1, 2016, the amendments to the Federal law No. 161-FZ of 27.06.2011 "On the national payment system" came into force. According to these amendments the operators of payment infrastructure services, not only located, but also performing all functions in the territory of the Russian Federation, must be involved in money transfer operations within the payment systems. Exceptions are cases of cross-border money transfers. In addition, the operators of payment infrastructure services are prohibited to transfer information to the territory of a foreign state on money transfers made in the territory of the Russian Federation, and to provide access to this information from the territory of that state.

Promising direction for the development of the Russian national payment card system is using the Mir card abroad through the implementation of co-branding programs with international payment systems. Mir-Maestro, Mir-JCB, Mir-AmEx and Mir-UnionPay cards are already issued [7].

As of December 2018, 392 banks joined the Mir payment system, 152 of which are issuers of these payment cards [4].

The main purpose of the NSPK is to ensure effective, uninterrupted and affordable provision of services for the transfer of funds within the Russian Federation using national and international payment instruments in competition with existing payment systems, increasing user confidence in non-cash payments.

Currently there are two main functions of the NSPK in Russia:

1. Implementation of money transfers using national payment instruments.
2. Provision of payment infrastructure services for money transfers carried out on the territory of the Russian Federation using international payment cards.

The author has conducted comparative analysis of rules in accordance with which NSPK and Visa function. The following features of NSPK have been identified. The payment infrastructure within the NSPK is represented by two

agents. The functions of the operational centre and the payment clearing centre are performed by NSPK JSC independently, the functions of the settlement centre and the central clearing centre are performed by the Bank of Russia. Visa needs to draw operators of payment infrastructure services and may not exercise these functions independently. If we compare the forms of payment used within these payment systems, then the Visa has payments by payment orders, payments by collection orders, payments in the form of money transfer at the request of the recipient of funds (direct debit), e-money transfer, and NSPK has money transfers using international payment cards. In accordance with the rules, the activity of NSPK is limited to the performance of operational and clearing centre functions. But, summarizing the comparison, we can say that NSPK aims to provide independence and security of money transfers on the territory of Russia.

The author believes that further successful development of NSPK is possible only if the following principles are observed:

1. Construction of IT-platform, ensuring the independence of the NSPK operator from the international payment systems and providers of IT-solutions.
2. The services in strict accordance with the rules of the NSPK and international standards.
3. Priority application of competitive Russian technologies (including the field of information security) ensuring the development of national payment instruments.
4. Promotion of NSPK products and services outside the Russian Federation, including in cooperation with international payment systems and local payment systems of foreign countries.
5. Ensuring the possibility of using NSPK infrastructure by participants of foreign card payment systems on the territory of the Russian Federation in accordance with the NSPK rules.
6. Development and promotion of innovative technologies and methods of money transfers for wide application in the territory of the Russian Federation.

III. CONCLUSION

Thus, the national payment card system is a key factor in ensuring the security of the national payment space of Russia, as well as the main element of the economic system of the country as a whole. Consequently, any negative change in this system can lead to a disruption of economic stability, and vice versa, its safe and smooth functioning will ensure the progressive economic development of Russia.

NSPK development strategy aims to bring convenient, relevant and promising payment products and services to the market of retail payments. This strategy should contribute to

the solution of the following tasks in the field of national security:

- increase in the market share of non-cash payments;
- definition of national security standards for money transfers;
- ensuring safety and security of money of the Russia's population;
- stimulation of long-term monetary savings of the population on bank accounts;
- structural changes in the Russian market of retail payment services, leading to a decrease in its dependence on international payment systems, as well as technological development and increased availability of local payment systems' products.

The emergence of relevant payment products and services should allow NSPK participants and the population of Russia to use modern payment services using national payment instruments (including contactless and mobile technologies for the transfer of funds) in the conditions of operational independence and technological security of NSPK. Current payment products should ensure the competitiveness of the NSPK product line in relation to international payment systems.

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