

APPROVED

By Resolution of the NSPK JSC Supervisory Board

dated 06 February, 2015

(Minutes No. 7 dated 09.02.2015)

National Payment Card System

Development Strategy

I. General Provisions

1. The development strategy (hereinafter referred to as the Strategy) of the National Payment Card System (hereinafter referred to as NSPK) has been developed in accordance with Federal Law No. 161-FZ "On the National Payment System" dated 27 June 2011, reviewed by the National Financial Board of the Bank of Russia (Minutes No. 4 dated 30 September 2014) and approved by the NSPK Council Board (Minutes No. 2 dated 22 January 2015).

2. NSPK serves to ensure safety, convenience, and availability of payment cards and other electronic payment instruments provided to customers by the NSPK participants in accordance with the NSPK Rules (hereinafter – the national payment instruments).

3. The Strategy will be carried to effect by the NSPK operator in collaboration with the Bank of Russia, interested governmental bodies of the Russian Federation and professional associations of the retail payment services market participants.

4. The Strategy has been developed based on the current conditions of the payment services retail market of the Russian Federation:

a) Retention of a significant share of cash payments, despite the high rates of growth of the number and volume of transactions made with payment cards and other electronic payment instruments (hereinafter - EPI);

b) A significant share of ATM cash withdrawals in the total number of card transactions;

c) Need to improve transparency of the pricing mechanisms in the retail payment services market, and to enhance the Russian population's confidence in using payment cards and other EPI;

d) The dominant role of international payment systems on the Russian retail payment services market;

e) Lack of a single and specialized operational and payments clearing centre at the national level providing payment card and other EPI money transfer services.

II. Goals, Objectives and Principles of the NSPK Development

5. The NSPK development goals are to ensure efficient, uninterrupted and available money transfer services in the Russian Federation for the national and international payment instruments in the situation of competition with the existing payment systems, and to enhance user confidence in cashless payments.

6. The above NSPK development goals will be implemented through the realization of two NSPK functions envisaged by the law:

- . Provision for money transfers with the use of national payment instruments;
- . Provision of payment infrastructure services for international payment card transactions made on the territory of the Russian Federation.

7. The main tasks that need to be completed for the realization of the above goals include:

- a) Setting up of an independent national operating platform for processing of international payment card and national payment instrument transactions on the territory of the Russian Federation;
- b) Organization of operational, processing and clearing interaction between the market participants when processing money transfer transactions made with international payment systems' cards and the national payment instruments;
- c) Issuance of the national payment instruments;
- d) Promotion of the NSPK products and services on the international market.

8. The above tasks shall be completed on the basis of the following principles:

- a) Building of the NSPK IT platform that would ensure independence of the national payment system's operator from the international payment systems and foreign IT solutions providers during its setting-up and further development and operation;
- b) Provision of NSPK services in accordance with the NSPK rules and in observance of the relevant international standards;
- c) Priority use of competitive Russian domestic technologies ensuring the development of the national payment instruments, including data protection technologies;
- d) Uninterrupted provision of a wide range of convenient and available payment services;
- e) Promotion of NSPK products and services outside of the Russian Federation, including cooperation with international payment systems and payment systems of other countries;
- f) Ensuring the possibility to use the national card payment infrastructure for money transfers made on the territory of the Russian Federation with other payment systems' cards in accordance with the NSPK rules;
- g) Development and promotion of innovative money transfer technologies and instruments for broad-purposes use on the territory of the Russian Federation.

III. Strategy Implementation Activities

9. As part of building an independent operational platform for processing of transactions made with international payment cards and the national payment instruments on the territory of the Russian Federation, the following shall be performed:

- a) Activities required to ensure the operation of the Operating and Payment Clearing Center (hereinafter the OPCC), including its interfacing with the NSPK participants' infrastructure;
- b) Activities ensuring the provision by the OPCC of processing services to the NSPK participants for transactions made with international payment cards and the national payment instruments on the territory of the Russian Federation, including routing of messages, transaction authorization, payments

clearing, interaction with the Settlement Center, dispute resolution between the NSPK participants, preparation of reporting for the NSPK participants and regulatory agencies;

c) Activities required for the functioning of the anti-fraud system when performing transactions made with national payment instruments;

d) Activities required for the organization of interaction between the NSPK participants and partners and the OPCC;

e) Activities ensuring the compliance with the requirements established by the Bank of Russia as agreed with the Government of the Russian Federation, regarding information technologies used by the nationally important payment systems, including usage of the prescribed share of software developed by Russian organizations, the requirements for licensing agreements, the requirements for payment card material media, including integrated chips, as well as data protection requirements.

10. Activities pertaining to the issuance of national payment instruments will include:

a) Setting up of the business models of NSPK as the national payment system operator and the development of the national payment instruments' product range;

b) Development and implementation of the NSPK payment application;

c) Setting standards for the design, numeration and production of NSPK payment cards;

d) Development of a supporting services package;

e) Setting up rules and compliance procedures;

f) Enabling the NSPK participants' customers to use the cards issued in accordance with the NSPK rules when making cashless payments and withdrawing cash everywhere across the Russian Federation;

g) Enabling the NSPK participants to provide their customers with national payment instruments for getting salaries, pensions, social welfare, educational allowances, scholarships and military compensations paid out of the budget system of the Russian Federation and the state non-budget funds.

11. Activities aimed at promoting NSPK's products and services on the international market will include:

a) Issuing of co-badging payment cards with international payment systems to provide barrier-free opportunities for cardholders of NSPK participants to perform cashless payments and cash withdrawals both in the Russian Federation and abroad in accordance with the NSPK rules;

b) Entering into partnership agreements with payment systems of other countries for mutual servicing of the national payment instruments, and creating a single retail payments zone in cooperation with member countries of the Eurasian Economic Union and of other intergovernmental organizations with the Russian Federation participation;

c) Attracting foreign participants in order to expand the sphere of services for the national payment instruments, as well as potential issue of the national payment instruments outside of the Russian Federation.

12. The Bank of Russia is the NSPK settlement center for money transfers made with both international payment cards and the national payment instruments.

13. The long-term sustainable market position of NSPK will be achieved through the creation, launch and promotion in the market of both up-to-date and advanced payment products and services.

14. During the realization of the Strategy, the key role of the NSPK operator is to create legal, technological, infrastructural and institutional conditions favorable to the NSPK participants, equipment

and software suppliers, merchants and other stakeholders, for the introduction of up-to-date and high-potential payment products and services into the market with the account of the NSPK goals and objectives. To perform such a role the NSPK operator will develop, support and maintain the payment system's rules, recommendations, intellectual property deliverables, and organize collaboration with the professional community.

15. The emergence of advanced payment products and services should allow the NSPK participants and the Russian population to use modern payment services for their national payment instruments (including those based on contactless and mobile money transfer technologies) in the conditions of operational NSPK independence and technological security. Up-to-date payment products must ensure competitiveness of the NSPK product line versus the international payment systems in the short and medium term perspective.

16. Actions aimed at creating conditions for the launch and promotion of high-potential advanced products in the market by the NSPK participants must ensure NSPK's competitiveness in the long-term perspective.

17. The list of up-to-date payment products and services includes:

- a) Payment cards issued to customers by the NSPK participants in accordance with the NSPK rules (payment (debit), credit, pre-paid);
- b) Contactless money transfers and online payments via the Internet;
- c) Processing of transactions made with the national payment instruments and international payment cards, including interaction with the NSPK participants' infrastructure and the Bank of Russia;
- d) Prevention of and response to unauthorized and fraudulent transactions made with the national payment instruments.

18. Advanced and high-potential products and services include:

- a) Modern ways of cardholder authentication;
- b) Innovative payment apps media and ways to make them available to cardholders;
- c) High-tech software and hardware suites for money transfers made with the national payment instruments;
- d) National loyalty programs;
- e) Instant (real-time) money transfers between NSPK participants' customers;
- e) Other products and services in demand in the payment services market.

19. The realization of the strategy and launch to the payment services market of up-to-date and advanced convenient products and services shall contribute to solving the following federal objectives:

- a) Increase the share of cashless payments;
- b) Determine the national money transfer security standards;
- c) Ensure the safety and security of the Russian citizens' money;
- d) Encourage long-term money savings on bank accounts;
- e) Increase financial literacy of Russian citizens;
- f) Reduce the cash economy sector;

g) Change the structure of the Russian payment services market so as to lessen its dependence on the international payment systems, to boost technological development and to increase the availability of products of the local payment systems.

IV. Stages and Deadlines for the Strategy Implementation

20. It is envisaged that the Strategy will be realized in three stages.

During the first stage (until the end of Q1 2015), it is planned to set up the national card payment system's operator and its technological platform, set up the operations and payment clearing centre, work out and approve the NSPK rules and fee policy, collaborate with the Bank of Russia and other payment services market participants on issues pertaining to the Bank of Russia performing the function of the NSPK settlement centre. The key result of the first stage should be the capability of the Operations and Payment Clearing Centre to provide payment services related to transactions made with international payment cards to the market participants, and connection of market participants to the OPCC.

During the second stage (Q1 2015 – Q4 2015) a set of actions will be taken to launch and develop the national payment instruments. The key result of this stage should be issue of the NSPK own payment card.

The third stage (2016 - 2018) will be devoted to saturation of the NSPK product line with up-to-date payment products and services, their promotion and acceptance anywhere across the territory of the Russian Federation, and the promotion of the national payment instruments and NSPK services on the international market. The key result of this stage should be a multi-functional line of NSPK payment products and services, allowing NSPK to compete with the international payment systems.

21. The key indicators of the Strategy realization at the end of these three stages (by the end of 2018) shall be:

a. A substantial share of the national payment instruments in the total volume of domestic money transfer transactions.

b. The reach of at least 85% of bank customers who receive salaries, pensions, social welfare, study allowances and military compensations out of the budget system of the Russian Federation and the state non-budget funds with the use of the national payment instruments.

22. Upon completion of the Strategy stages described in paragraph 20, it is envisaged to determine measures for further provisioning the NSPK product line with advanced payment products and services to ensure NSPK's competitiveness in the long-term.