



By: Tomorrow's Affairs Staff

Collapse of the Russian card payment system Mir – Searching for a copy of a copy



Russia's attempt to use its national card payment system, Mir, to avoid international financial sanctions, is no longer sustainable, even according to Russia. A copy of this copy has been sought, in a frantic attempt to maintain a semblance of normality in Russia's financial dealings with the world.

Moscow and Ankara are working on an alternative to replace the Russian payment system Mir, Russian Ambassador to Turkey Aleksey Yerkhov said on Thursday.

There is no confirmation of these announcements from the Turkish side, given that the plans were reported only by the Russian media. It is probably just an encouraging story for the public in Russia.

It is similar to the earlier announcement from the head of the Russian-Turkish Business Council, Alexey Yegarmin, who said that an "alternative" payment system between the two countries should appear by summer.

Going on vacation becomes impossible

Russia has clearly been making an effort to find a loophole in the functioning of interstate finances, particularly towards Turkey, because the summer tourist season is approaching.

Many Russians have been making holiday plans, and Turkey is one of the few remaining destinations where they can physically travel.

The Turkish hospitality industry is also interested in welcoming Russian guests, because last year they were the most numerous. Germans were the first, with around 3.8 million tourists in Turkey in the first 9 months.

Payments through the Russian payment system Mir somehow worked in Turkey last summer.

However, banks have stopped accepting payments through Mir, since Vladimir Komlev,

director of the MIR Payment System operator NSPK, was placed on the list of persons under US sanctions.

This decision by the US Treasury Department made the otherwise small number of countries that accepted the Mir system to be reduced by 90%.

In other words, the personal sanctions against Vladimir Komlev "killed" the Kremlin's project to counter Western financial sanctions and remain on the international financial market.

Along with Turkish banks, banks in Egypt, Kazakhstan, Kyrgyzstan and other Central Asian countries also cancelled cooperation through the Russian Mir payment system.

Today, it is possible to do business through Mir only with partners in Belarus and partially in Armenia.

Nobody wants to be exposed to indirect sanctions

In 2014, Russia created the National Payment Card System Joint Stock Company (NSPK) in an attempt to amortise Western sanctions that had been gradually imposed on it due to the annexation of Crimea.

Although it never managed to establish its payment system on the international financial market, Moscow did not give up, even when the global companies Visa and MasterCard left Russia at the start of the aggression against Ukraine, and Russia was excluded from the telecommunications financial system SWIFT.

Moscow is out of touch with reality, which has also been shown by the Ministry of Finance's plans from last September which estimated that the number of countries that accepted the Mir card would be increased to 20 by 2025, and to 35 countries by 2030.

This projection was given at the same time as the Russian card market fell by 90% overnight due to US sanctions against the Director of

NSPK.

It is not at all realistic that Russia's position on the international financial market will improve, despite its attempts to find a loophole through which it could bypass sanctions.

Its financial products are toxic and there is no economy that will accept cooperation within the framework of the Mir system, or any alternative, because that would immediately represent participation in the violation of sanctions.

Possible panic demand for foreign currency

The expectations of Russian officials that they will find an alternative to Mir with Turkey are therefore without any basis.

They are just a reflection of the great concern of the establishment because they will soon face the dissatisfaction of millions of Russians who will not be able to go on vacation without worrying about how they will pay their expenses.

There is no solution, nor is it possible to find one in the next few months. All those who intend to travel to Turkey or elsewhere - those better-off Russians - will feel, perhaps for the first time, that their country is isolated. And that is bad for supporting the war campaign against Ukraine.

For the country, an even worse alternative, which will be a last resort for many, is for hundreds of thousands of Russians to start withdrawing dollars and euros from their accounts in a short period of time, or to exchange rubles for Western currencies, because that would be the only way to finance their holiday.

The demand for foreign currency in Russia would increase drastically in a short period of time, which will have an even more unfavourable effect on the exchange rate of the already weakened ruble.

At the same time, the state will barely be ready to sell large amounts of hard currency through the banks it controls, which could easily lead to the ruble not being exchangeable.

This summer, for the first time in Russia, hundreds of thousands of people, who are used to vacationing abroad, will remain "trapped".

They will stay at home furious, because for the first time, they will face a wall that the state has assured them is non-existent.