

# Mastercard and Visa Bans In Russia Will Lead to Substitutes

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US government sanctions require the world's leading retail-payment networks Mastercard and Visa to stop serving Russian banks listed as Specially Designated Nationals. There are [3.8 billion](#) and [2.6 billion](#) Visa and Mastercard cards, respectively, worldwide. [Three hundred million](#) of them are issued by Russian banks.

The global payment networks went further, blocking all cross-border payments and cash withdrawals on their cards from and to Russia. For example, French Mastercard cardholders won't be able to pay Russia-domiciled merchants in-person or online. Russian Mastercard cardholders won't be able to pay for hotels and restaurants in-person or online or to withdraw cash at ATMs in NYC. American businesses and consumers will be hurt. Pain will be incurred to inflict pain.

However, as former intelligence officer [Ralph Peters observes](#), economic sanctions against bad actors rarely work, at least not on their own. They didn't force North Korea, Iran, Cuba, Syria, Venezuela, or Russia after its first invasion of Ukraine, to bend the knee. Moreover, while sufficiently

tough sanctions will hurt Russia's economy and dictator Vladimir Putin's war machine, they disproportionately hurt the common folk.

But financial sanctions are politically easier than more concrete measures and enable a soft West to feel good about ourselves, like we're doing something.

Only the credible threat of retributive violence deters motivated bad actors. And, in Ukraine the window for deterrence is closed. It's a hot and bloody war. Financial sanctions won't stop Putin's attack helicopters and tanks. Fighting men and arms decide hot wars.

Bearing that in mind, sanctions should be viewed as a supplement not a silver bullet, and be maximal.

There's a downside. The more financial sanctions are used, the less effective they become, the less willing countries will be to rely on US-domiciled payment systems. Well-established payment systems like Mastercard, Visa, and Belgium-based bank association SWIFT work, have global network critical mass, and would be enormously difficult to replace. Nevertheless, kicking bad actors out of them encourages the development of alternatives.

After Putin's 2014 invasion of Ukraine, the US forced Visa, Mastercard, American Express, and PayPal to cut off Crimea. That spurred Russia to launch its long-contemplated national-champion card network Mir and to mandate that foreign payment networks like Mastercard and Visa process

transactions in-country, denying the US Treasury Department the ability to turn off the switch. The Russian central bank's National Payment Card System runs Mir. NPCS also processes all domestic Mastercard and Visa transactions.

Because Russia mandated in-country payment-network processing over which it has control, Mastercard's and Visa's prohibitions won't affect domestic transactions – payments and cash withdrawals by cards issued by banks and used at merchants and ATMs in Russia.

Mir will become Russia's monopoly domestic card network like China UnionPay in the Middle Kingdom.

To work around the global payment networks' cross-border-payment bans, [Russian banks including Sberbank, Alfa Bank, and Tinkoff Bank, are exploring cobranding with CUP](#) for international payments. While CUP's global acceptance network is weaker than Mastercard's and Visa's, it would provide Russian banks and cardholders some relief.

CUP enjoys reciprocal acceptance with the Discover network, which has acceptance parity with Mastercard and Visa in the US. Russian CUP/Mir cardholders could pay at any US Discover merchant. Additionally, CUP has built acceptance abroad by partnering with the same merchant acquirers that provide Mastercard and Visa acceptance.

In line with Mastercard's and Visa's approach, Discover will block CUP cards issued by Russian banks. Additionally, merchant acquirers like Chase, FIS, Fiserv, Global Payments, Stripe, Adyen, US Bank's Elavon,

and Square providing CUP acceptance, must block payments from cards issued by Russian banks, and, to be airtight, for all Russian banks not just those on Treasury's sanctions list.

While no substitute for arms, financial sanctions including restrictions on payments can increase pressure. They should not, however, be deployed as tools of foreign policy casually or often.

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