

Banking Automation **BULLETIN**



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Commercial cards – a nuanced recovery

Domestic schemes remain strong in key global markets

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It is not often that domestic payment schemes make international headlines

Mir, Russia's domestic payments system, has been in the news in recent days. The reason is Mastercard and Visa's decision to suspend operations in Russia, which sounds dramatic but will have only a modest impact on most Russian cardholders.

While the vast majority of card transactions in Russia are made with Mastercard and Visa branded cards, domestic transactions are processed through NSPK, the national switch which is also behind the establishment of Mir. It is only when these cards are used abroad that they are processed by the international schemes. A second, primarily domestic scheme has been drawn into the discussion, with reports that a number of Russian banks are going to start issuing UnionPay cards. The Chinese scheme UnionPay has been expanding its acceptance globally in recent years, so this would provide Russian cardholders an alternative way of making payments abroad.

This issue of the Bulletin contains a feature article (see page 4) analysing domestic schemes around the world. At the end of 2020, there were 2.4 billion domestic-only payment cards, representing 13% of all cards. As the Mir example shows, however, domestic schemes play an even greater role in many countries, where cards with international branding are often processed by the domestic scheme at home.

Countries with large domestic-only cards markets include Brazil, India, Iran and Japan. In Iran's case it is international sanctions that have forced the situation, but elsewhere there are other factors at play. Governments in some countries are actively encouraging growth of domestic schemes, often in conjunction with financial inclusion or government payments initiatives, but costs are a factor too with issuing and merchant fees typically lower for domestic schemes.

Domestic schemes are conscious of the lack of international acceptance that domestic-only cards present and are taking various actions to address this. Mir has, for example, established acceptance arrangements in a few other countries including Armenia, Belarus and UAE, but the more common solution is dual badging, as this gives cardholders access to a huge global acceptance network, frequently with increased functionality.

Domestic schemes are set to maintain an important role for many years to come, but with most countries not worried about the risk of the international card schemes suspending operations, dual badging is set to grow.

Dominic Hirsch, Editor

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