

**ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM
JUNE 21–23, 2012**

**Realizing Russia's Potential
REALIZING THE NATIONAL PROJECT 'UNIVERSAL ELECTRONIC CARD'
Round Table**

JUNE 23, 2012 — 10:00–11:15, Pavilion 8, Hall 8.2, Innovation Hall

**St. Petersburg, Russia
2012**

Moderator:

Ivan Oskolkov, Head of the Department for Innovation Development and Corporate Governance of the Ministry of Economic Development of the Russian Federation

Panelists:

Vladimir Elokhin, General Director, Scientific Instruments

Ivan Gromov, Chairman of the Committee on IT and Communications,
Administration of St. Petersburg

Boris Kim, Chairman of the Board of Directors, Qiwi

Andrei Suvorov, Director of Corporate Computing Department, IBM East Europe and Asia Ltd

Arkady Trachuk, General Director, Goznak

Nikolai Ulyanov, President, Universal Electronic Card JSC

Front row participants:

Petr Darakhvelidze, Business Development Director, WebMoney

Ayrat Gaskarov, Vice-President, Sberbank of Russia JSC

Vladimir Milosh, Director of the Payment Directory, Bank Saint Petersburg OJSC

Roman Prokhorov, Advisor of the First Deputy Chairman, Central Bank of the Russian Federation

I. Oskolkov:

Good morning to everyone participating in today's event! I wish you a good last day of the St. Petersburg International Economic Forum and a good Saturday. Today is a fantastic day in St. Petersburg, I strongly recommend you take part in the city events, not only in those which are going on here, at the Lenexpo complex.

Today we are to talk about the fate of the Universal Electronic Card project, or, as the organizers have called it in English, the 'National Project Universal Electronic Card'. I do not know if they had in mind an analogy with the national projects programme which exists in the Russian Federation, but it sounds catchy enough. I hope that our event will produce an adequate, measurable result, both for the participants in the discussion and for those who are present here.

I will say a few words about my view of this project. I have participated in this project in the Ministry of Economic Development from the very beginning. Its realization has been progressing quickly for around two and a half years already, but it has not been without problems. The law which was adopted and which came into force two years ago introduced the concept of the universal electronic card, and opened up the prospects for identification cards, which are intended to be part of the project. The phase we have now reached in the realization of the project is the implementation phase; perhaps not the simplest. The impetus was provided by the adoption of section six of the law, On the Organization and Provision of State and Municipal Services, which described the standards and requirements of the cards, and of those involved in the process of launching the cards. This impetus has run dry today, in our opinion, and it is now necessary for those involved in the project, the federal territories, commercial stakeholders and federal authorized organizations to set the project in motion again through their activity, their energy. It always happens like this: institutional change precedes law enforcement.

The question which I would like all participants in this discussion to answer in their presentations is: how do you rate the development of the project? Where is it at – is it dying away? Is it a 'backburner' trend, as the finance experts describe a process which is going neither forwards nor backwards? Or is it gathering energy before

shooting forwards, and the project will develop further and attain its goals, and perhaps even attain goals beyond those initially set out?

The second question which I would like to ask participants to discuss is, what are the drivers of the project today? What, in your opinion, respected colleagues, will help to formulate the dynamic of this project, without which it is hard to conceive that anyone will be interested in it? Let us try to analyse this, let us try to bring together the opinions of various parties in the implementation of the project. I am purposefully saying nothing about the details, purposefully not talking about how the project is doing now, what the card is right now and what it should be in our opinion. I would like it if participants would try to express their opinions, abstracting away from the position of the law.

In my opinion, the card has a future only if the impetus which the government has provided with the help of the law does not remain the main or the only impetus behind it. It has a future only when there is adequate demand for it, when the sum of the possibilities it offers to citizens, participants in the process, and those who will produce the applications, outweighs the risks, costs, and expenditure which the launch of the card carries for all participants.

Colleagues, I have a big favour to ask: that presentations stick to the schedule and speakers try to keep to five minutes, and that they touch upon the questions which I have asked.

I suggest Mr. Ulyanov begins, a person who is responsible, including from the financial perspective, to the shareholders of this project, that is the shareholders of the federal authorized organization. Mr. Ulyanov, what is your view? What do you consider to be important? Please go ahead.

N. Ulyanov:

Thank you.

To begin with, I would like to say a few words about where the project arose from, why the idea came about for the creation of a universal card. Mr. Sobyenin and Mr. Gref were the first ideologists: they decided to bring together the social cards from

different regions into a unified standard, they became the initiators of this project and gave it a positive impetus. Social cards existed regionally, and various benefits were recorded on them. Every region had its own system, there was no coordination, citizens from one region could not access their benefits, even federal benefits, in a different region, and so on. So they came up with a good idea to unify and standardize the process.

Technologically, this is a complicated problem, as we see now with the example of electronic government. The Ministry of Communications and Mass Media is experiencing difficulties with ministries and departments, each of which has established its own information systems over decades, investing money, effort, and resources. They are good information systems, but the problem is that they were not connected in any way to each other. In the implementation of the Universal Electronic Card project we were faced with the problem of creating unified standards and exchange protocols, just as the Ministry of Communications and Mass Media had been.

The ideology behind this project is simple: we wanted to make a card which was practical for the citizen, and we hope that we have succeeded in this. What do we mean by this? We mean the possibility for any citizen to receive a whole range of state, municipal, and commercial services in electronic form, at any time, in any place. Any place does not just mean cash machines close to the user, but also in their own home, with access to a special card reader, or on a beach in Miami, via a mobile phone with access to the internet. Regarding the extent of the services covered: the unified standards of the universal electronic card allow it to connect to a limitless number of service providers. We are grateful to companies such as Qiwi, CyberPlat, Sberbank, as well as to the Federal Treasury, who have already given us access to a range of services, which they are offering to citizens.

I will say a few words about technological implementation. In order to make this card, we tried to collect together the best of the international know-how which existed at the point when we started the project. A chip was developed, which was certified to EMV standards and to Russian cryptography standards. What were the

benefits of this? It allowed us to use Western technologies, payment technologies, such developments as Global Platform, Java Machine, and other essential technologies at the same time, in order to load new applications onto the card remotely. This is something new, in essence, which 99% of existing cards do not have. The card does not have a fixed selection of applications; the selection constantly increases and expands. Applications which for some reason have been discredited can be deleted without the consumer noticing at all. The consumer puts the card in the reader in order to receive another service, and at this point, the necessary new applications are automatically downloaded. A unique chip has been created, we are grateful to such companies as Mikron and Atlas-Kard for this.

In the creation of the card itself, as a protected, polygraphic product, our partner was Goznak, which completed a colossal amount of work in order to make this card from materials which had only been used in the West before, and were not used in this country. A large amount of work lay in building the chip into the card, learning how to personalize the card, the ID application, and the payment application. I hope that Arkady Trachuk, who is present here today, will talk later about how this work went.

The universal electronic card has already been created, it exists, the information systems it uses have already been deployed in the field, and we are ready for a full deployment of these cards.

We are grateful to our partners, such as Sberbank, Uralsib and Ak Bars Bank. We are grateful to the companies which developed the unique information system – BPC, ARMADA, and PEAK-Systems. We are grateful to IBM for creating the new generation servers.

I. Oskolkov:

We will give the floor to them, Mr. Ulyanov, you do not speak for them.

N. Ulyanov:

The implementation of such information systems without this kind of server would be impossible. We are grateful to integrated services companies, such as Sberbank, Qiwi, CyberPlat, and the Federal Treasury.

I will return to answering the questions. The future of the universal electronic card. Probably, the universal electronic card will become an identity document in the near future, which will enable the reliable authentication and identification of a citizen, and also a document on which all of the important services citizens require can be found. The card is intended to include driving licences, pension certification, health insurance policies, vehicle insurance policies, for example, fishing licences, and many other things. We believe that, in terms of the volume and extent of services, the card will become the most comprehensive of all existing cards, because it integrates the services of anybody who wants to associate themselves with it. For the time being, we see that this includes the overwhelming majority of services provided in electronic format.

The future of the universal electronic card is as an ID document containing rights, policies and so forth, that at the same time allows the user to pay for any state services more securely, more reliably, and more conveniently than with existing cards.

Regarding the drivers of the project, Mr. Oskolkov and I have slightly divergent opinions. I have a deep conviction that the project was created as a public–private partnership, it is necessary that the government not only monitors its development, but also provides assistance. Government influence and assistance are imperative for the coordination of the various kinds of ill-matched organizations which have participated in the infrastructure of the project: regions, federal and regional government authorities, banks, and a huge number of service providers.

I. Oskolkov:

Thank you very much, Mr. Ulyanov.

If we take the bare bones of your answers to the questions, in your opinion the main driver is government participation in this project.

N. Ulyanov:

One of the drivers.

I. Oskolkov:

A key driver, let us put it that way. If I understood your vision of the card correctly, it is an identification document, which can identify a citizen wherever necessary.

And now I, provocatively, want to ask Arkady Trachuk to speak: let him answer the questions raised. The card is an identification document, and an electronic one at that, which means, in my opinion, it does not necessarily need to be plastic, because there are enough media of this kind; there are a variety of forms it could take. Mr. Trachuk, you were actively associated with the project through your organization, the well-known Goznak. Where and how far do you see the future of the card, what is it? Perhaps this is a question which is not just about manufacturing, but personalization?

A. Trachuk:

Thank you, Mr. Oskolkov.

Good morning to everyone participating in this round table. First of all, I will talk about the current status of the project: the stage which the universal electronic card project has reached today means that we can organize both the launch and the personalization of the card, the technological guidelines are fully prepared. With our colleagues, we have already conducted a whole series of tests on the universal electronic card. These are not just words; this is the actual state of affairs.

The main aim of the project is not to issue a few tens of thousands of cards across the country. It is necessary to create a card for which there really is a demand. The moderator has posed very good questions about the future drivers of growth, raising people's interest, and the strategic prospects of this card. I would like to return to Mr. Oskolkov's question about identification, which we come up against every day. Our main form of identification is the civil, internal passport. We show our passports

when we get on a plane, when we sit on the train, when we arrive at work, I carry my passport every day, it is necessary to use it every day.

Government services are migrating to a significant extent onto the web, that is the basic strategy. The question arises, how do we fulfil the task of identification on the web? The current model, which has been approved by the relevant legal statutes, predetermines the use of the pension insurance number (SNILS) as the basic identifier. Apart from the pension number, every one of us has a tax identification number, and an identification number for their obligatory health insurance policy; that is not a comprehensive list of identifiers, there are quite a few of them. The universal electronic card is the point at which all identifiers can be gathered together, and which will allow the citizen to gain access to any kind of state services, both in physical and electronic forms. On the other hand, this card does not abolish the use of departmental identifiers. When necessary, you can receive services using, for example, your tax identification number to access the website of state tax services and verify arrears, or carry out other actions. I believe that the universal electronic card will open new opportunities, which did not previously exist. Would it be possible to use another medium? It would be possible, but there is international experience, which was analysed in the context of implementing this project, and in the context of the work on open government. Today, most countries have gone down the road of national ID in the form of a plastic card with an electronic carrier of information, including electronic signatures, which enables legally significant interaction between the individual and the state. I believe that this path is inevitable for us, the universal electronic card could become the basis for the creation of a national identification document, which would also include the function of legally significant interaction between the individual and the state.

There is another point, which I would like to draw your attention to. The implementation of a national ID with a payment application is an innovative approach. There are no mass examples which have been implemented in other countries. It is possible to find rather a lot of arguments against it; I do not want to focus on these now. There is also a significant quantity of arguments for it,

especially those which Mr. Ulyanov listed. I think that the discussion of the arguments for it is interesting here, at this round table, and in future also at various expert forums, in the context of open government, and in society as a whole. I will say that this is interesting for me personally; I think that it is the right thing to do and it needs to happen.

I. Oskolkov:

Thank you very much, Mr. Trachuk.

We are starting a trend: already, two speakers have shown the direction in which the project should be developed – as universal identification. There were some important words about legal significance in the interaction between citizen and state. This aspect not only affects the state, however: legal significance is often required in interactions between citizens and corporate entities, and between one citizen and another. Probably, the range of issues is wider. An important point is also the security of these relationships – it is imperative to take that into consideration. Those who work with the project on a day-to-day basis understand that this is almost a leitmotif to what is going on. Every step in the development of the project, without question, is analysed in light of the additional risks for the citizen. I very much wish that, firstly, everyone understands this, and secondly, that everybody understands that this is reflected both in the dynamic and in the process as a whole of developing the project.

We have been talking about the future of the project, but have said practically nothing about its implementation. I want to ask my colleague from the Administration of St. Petersburg to speak. Ivan Gromov is here, Chairman of the Committee on IT and Communications. Mr. Gromov, what is your vision of how federal districts will participate in the project?

Another question: have we done the right thing in allotting the key role in the implementation of the project to the federal districts? I know that there are different opinions on this subject. Please also touch upon the questions which I asked earlier.

I. Gromov:

Yes, Ivan, thank you very much for giving me the floor. I would like to greet all participants and guests of the round table.

I would like to outline my personal position as a citizen of the Russian Federation and my position as the Chairman of a government body. The UEC – the shortened name of the card we are discussing – according to my deep conviction, is a technological breakthrough in the interaction between citizens and the state, as well as in the interaction between one citizen and another. We must run to meet this with great strides; but as a government official, I see that we are plodding along very slowly, in a disorganized fashion. The single, unique concept which we placed at the foundation of the project in our country keeps slipping from our grasp.

The two previous speakers mentioned that the idea united the use of commercial applications, applications connected to the identification of a particular citizen, and methods of communication between the citizen and the state. I believe that a pivotal element is precisely the identification of a particular citizen, at a particular time, in a particular place with the use of one particular document. We are, of course, going down the right path when we try to add bonuses for the citizen, so that use of the card is convenient, in order to increase people's motivation to use this tool. The Federal Migration Service is the regulator for the identification of citizens. The first task which the managers of UEC must solve with our help, with the help of local officials, who can also report their position to the country's leadership, or to the leadership of individual departments, is an agreement that the UEC should become an identification document. That is the most important stage in the country-wide implementation of the card. You will have understood already that I am an active advocate of this way forward, I believe that it is necessary to do this in as short a timeframe as possible. I am responsible for the digitization of a particular entity, and I understand the privilege I have as the person given the task of launching, of bringing to life, electronic services for citizens. I want to nudge everyone present here forwards, so that we do what is necessary more quickly.

There are direct questions regarding the card itself. We are constantly talking about how society is moving forwards, that digitization is developing with great strides; we know that at the moment we have international passports, which contain biometric data. I believe that the universal electronic card as an identification document should contain the maximum amount of citizens' biometric data, in order to lay the right foundations, which will allow us subsequently to clearly and properly regulate a series of interactions between citizens in various areas of their lives.

A critical question, in my opinion, relates to the integration of the universal electronic card and those services provided by Rostelecom products. We understand that the Federal Law 210-FZ, which regulates the transfer of a huge quantity of state services to electronic form, is now actively in effect. This programme was built on the basis of the large-scale integrator which is Rostelecom. I am convinced that Rostelecom's growing participation in the Universal Electronic Card company is a trend which needs to be supported, we need to push you towards each other. Everybody has long understood that we are moving towards a simplification of procedures, to finding ways to help citizens to access state services. If our UEC becomes the identifier we all hope it will, and carries within it the elements of an electronic digital signature, then it will allow us to take the foundations which were laid in 210-FZ to a different level. Our citizens will stop going to state institutions in person, they really will receive the whole range of state services without leaving their own flat, house, or wherever they happen to be at that particular time. This is the cornerstone of what the managers of UEC need to think about.

I have a whole list of questions connected to what we are doing, and how we are doing it, in implementing the electronic card programme. They are related to the technical aspects of this process; but in our discussion we are raising fundamental questions. For me personally, as a manager, the technical side of implementation is not unintelligible, I do not see complications, stoppages, or blockages. But in front of me, as an official, there are two vectors. The first is the use of budget funds, both federal and from my own region, to launch this project. The second important direction in which I can go is towards public-private partnership, based on the

principles of open competition. In this particular situation, I believe that the regional government must lay the necessary initial foundations which will allow electronic cards to be launched. It should then develop the project and set up a process to put it out to tender, in order to create a public–private partnership. There is a huge quantity of financial institutions which are prepared to independently invest in these projects. It is no secret that a long line of banks are at the doors of my Committee, actively asking for the opportunity to finance this programme, to do everything for us, to relieve us of the complications related to going through the channels within our own government and proving the necessity of this project. The banks are offering to do everything at their own cost. I am against such an approach, where we hand over complete control to private funds. I believe that the regional budget should actively participate in creating the initial foundation for the universal electronic card. As a result, it will be possible to bring this to the market as a good financial model, which yields returns. It is an excellent financial instrument, which allows the stakeholders to make money, which can be invested into the creation of the best possible infrastructure for issue of the cards, and for adding and removing applications and funds.

I will draw a line under my presentation. As the leader of this area for the regional government, I will be the main lobbyist for this project in St. Petersburg. Solve two principal problems for me and I will be able to launch this project in the city to a relatively short and clear deadline. This project has real benefits for real citizens, I see only positives with the use of the UEC for any citizen.

That is it, probably not completely to the point.

I. Oskolkov:

Thank you, Mr. Gromov. It is in fact very much to the point, as far as I understood, you evaluate the regions as having the key role in this project. Your questions are also clear. I think that the near future of the project is down to these questions: without solving them, we will not get far.

Again, a small provocation, colleagues, please excuse me: ID, the card and ID, the use of the card as an electronic passport. It is clear what is implied by coordination with the Federal Migration Services: for the card this is a critically different format in terms of its issue. Issuing our paper passport today is a completely different story, a different process, different from the way in which it is intended that this card will be issued. I think that it is possible and necessary to combine these things.

Colleagues, I would like to move to a different topic now. If our card is a passport, how possible will it be to include on this card the application which the law requires it to have, the payment application? I mean any payment application: personal, national, international, MasterCard, Visa. How will this be possible? Are these concepts not mutually exclusive?

On the one hand to have the card as a passport, and on the other, to have a payment application on the same chip. Boris Kim, Chairman of the Board of Directors of the Qiwi Group, I invite you to answer this question.

B. Kim:

Thank you.

Ivan and I discussed this law a few years ago at the expert level, I liked it a lot, but I had an idea which I did not express openly: it seemed to me to be a fantasy, a benign wish. A few years have gone by and I am sitting here next to Ivan, reading a press release about how the company Qiwi has taken the first step towards collaborating with UEC. What seemed to me to be fantastical and unrealistic has become a reality. The legislative basis for this important infrastructural step came about earlier; that does not happen often either in our country or abroad. I think we need to thank the Ministry of Economic Development for bringing about this legislative basis. The next step is for market participants, for government bodies. We often do not value what the government does to create the conditions for the development of business.

The UEC, in my opinion, is a very difficult and complicated infrastructural project. It is good that the company which is engaged in its implementation is collaborating not

only with traditional financial institutions, but also with such young, alternative players as Qiwi. What we have done, which we published on the eve of the Forum in a press release, is the first step for us. That is, the use of our payment portals for the construction of the UEC infrastructure.

In answer to Ivan's first question, I will say that we are at the very beginning, at the bottom of the s-curve, and very fast growth is ahead of us. Why do I believe in the prospects of this project? It solves concrete problems. Firstly, as pathetic as it sounds, it closes the gap between citizen and state. A citizen who goes into a state institution wants to receive some kind of service, and has the right to receive it in a simple, convenient, and inexpensive form. I believe that calling this a 'national project' is not an exaggeration by any means, it is, to the fullest extent, a nationwide project.

On the infrastructural level, this project solves the problem of digital identification. Everything in this world is gradually migrating to digital formats, and our documents are following this trend: passport, proof of social security, and so on. We are greeted with a huge number of problems which are now being discussed rather actively in the West at the expert level. We are taking absolutely concrete, practical steps towards solving these problems.

On a narrower level, in the context of the law about the national payment system, for those in the financial market, the UEC solves the problem of remote identification, which plays a key role for us. I listed this problem third, but it is no less important than the first two, because solving the problem of remote identification is closely linked to the questions we are now actively discussing at the regulatory level. For example, how do we ensure the move from cash transactions, which predominate in the Russian economy, to cashless transactions? If we make remote identification secure and legally significant, then this move will be less painful. We will create conditions in which it will be convenient for people to pay remotely using cashless means, and we will not have to drive them to this through administrative means, for example by limiting the sums for cash transactions, which would create additional inconveniences.

I will answer Ivan's last question. The Qiwi payment system is actively moving away from its physical incarnation, like many things in this world. We still have 120,000 terminals across Russia, and we will not forget this infrastructure, we will actively develop it, including together with the UEC. But the trend is leading to a situation where cash payments, like every other service, are migrating onto the 'cloud'. This is not a physical medium, and formats such as the card's wallet do not have any decisive significance. The wallet remains on the plastic card, or on the SIM card of the operator. On the whole, the trend is towards migration of services onto the cloud, so that they are independent of hardware and software, so that a person can receive services whenever and wherever he or she wants. A wallet, in cloud services as well as its physical counterpart, lacks just one important element. We have managed to put coupons, bonuses, loyalty cards, and money onto cards; but one element is missing which we all carry around with us: there is no passport, no form of ID. We, the market players – I think that Petr Darakhvelidze from WebMoney will confirm this – look with hope to the UEC as our partner, which can solve this problem, so that we will be able to include ID in our digital cloud wallets.

I have a final comment relating to drivers of growth. I believe in market drivers of growth. It is all very simple, in my opinion: the product which is to become the UEC must be convenient for the consumer and beneficial for business, then it will be a success.

I. Oskolkov:

Thank you, Boris.

Your answers were basically as follows: we are on the brink of growth. The market is interested in this, and the key driver is the interest of private market players. It is entirely possible to combine ID with payment services; it is possible to use ID in carrying out payment services, that is a shift which, in my opinion, could provide results. The convergence in one chip of two IDs, state-related and payment-related, is a dead end, to implement the cryptographic 'frills' is very complicated from the

perspective of information security, it would be rather difficult. If we are going to also use the state ID in commercial services, then everything becomes possible.

Colleagues, we have touched upon the question of ID, not a simple question, not only from the perspective of creating the hardware for ID on the chip, but also from the perspective of the way in which we draw up information, when we are thinking up requirements. Vladimir Elokhin is here, the General Director of Scientific Instruments, a company which plans to be a regional centre for the personalization of universal electronic cards. Mr. Elokhin, briefly, in a few words, how do you see the current situation?

V. Elokhin:

Thank you, Mr. Oskolkov.

With your permission, I will very briefly touch upon the technological implementation process. It was briefly touched upon in the previous presentations. Those present should understand what a serious proposition the card is in terms of technology, what modern technologies are being used in order to ensure the very high level of security of this card. Security from counterfeits, and from disclosure of personal details.

Our enterprise collaborated successfully with Goznak and Voskhod, and Atlas on the biometric overseas passport programme, which has a lot in common with both the ideology and the way the universal electronic card has been constructed. I would like to present here a full picture of the card, touching upon the levels of protection which have been introduced and on how we will create the physical contents, the personalization of the cards, the blank cards, which have already been furnished with the chip mentioned here.

Modern laser personalization technology was used in the creation of the card, in other words an image and all personal details are engraved onto the plastic by laser. Today, the international community acknowledges this means of inscription as offering the highest protection from counterfeits. Here all of the listed personal details are inscribed, the chip is electronically coded, and all applications are

installed. The chip has a cryptographic security system; for a series of banking applications a magnetic strip is used.

I will very briefly say something about the equipment which our enterprise is launching for the full personalization of the electronic card. Here you can see a desktop system. A block of blank cards is loaded onto it, in accordance with the tasks which are carried out on the computer. The output is a personalized card, which is ready to be given to the citizen. The previous model had average productivity, this model can produce up to 500 cards per hour, it is made up of two units: a unit for electronic personalization and a unit for laser personalization.

Such systems allow us to establish regional personalization centres, which can carry out the whole cycle of issuing cards, in collaboration with federal executive authorities and the regional authorities. The outline for implementation is as follows: the system provides cryptographic protection of information, protection of personal details, and the instalment of all applications. It must be said that, at the cost of the flexibility of the hardware, it could be scalable in terms of productivity and adapted to the setup of different regions. St. Petersburg could experience demand for 5 million potential cards, whereas other regions will need a substantially lower quantity. The system which we are presenting is a commercial product, which could be, and will be, we hope, used in the implementation of projects in the regions. It will allow us to substantially increase the competitive environment for issuing the cards. As I said already, this process is a key one.

In conclusion, I would like to touch upon the questions which were posed by the Moderator, regarding the future of the card. Having developed this hardware, we were proceeding on the basis of its prospects, and we are sure of the future. Our certainty is based on our participation in the biometric overseas passports programme, which has now been successfully implemented and is fully functioning, but which initially provoked certain doubts.

It seems to me that Mr. Ulyanov's idea about broadening the functionality of the card is very constructive; there is great potential in this.

I will add that clients are coming to us as producers of personalization equipment, for example for the production of departmental identification documents: identity verification for military services personnel, or students, and so forth. That is a very important application, a very important trend, and we will support it.

I. Oskolkov:

Thank you very much.

It seems to me that the presentation of the last speaker underlined that interest in the private sector in the development of infrastructure, interest in the issuing of cards, in the distribution of applications, should be a driver of development.

The next speaker is Andrei Suvorov, Director of the Corporate Computing Department of IBM for East Europe and Asia. Anticipating his presentation, I would like to say that IBM has associated its brand with our project. I think that we will be moving together in this, and part of the risk of developing the project now lies with our honoured partners. I hope that they also understand this. I am certain that they evaluated the prospects of the project when entering into it, and that is precisely why they are here. Please go ahead.

A. Suvorov:

Good morning, ladies and gentlemen, good morning, future owners of universal electronic cards. My name is Andrei Suvorov, I have worked for IBM for eight years. Over this time I have been responsible for relatively major projects for our most valued clients. Today I would like to answer the two questions which Ivan has posed. The first I will answer at the beginning of my presentation, the second at the end.

I say with certainty that there is a future. In the context of creating infrastructure with the Universal Electronic Card company, we are already thinking about the future today. That is a good thing: it does not often happen that companies starting their business draw up the entire architecture and move forwards gradually. On this level,

UEC is a very interesting client for us. We are thinking about what will happen in a few years. From the perspective of reliability and scale, there really is a future.

Today I would like to briefly give you two theories, 'the science of success, from IBM and Andrei Suvorov', and is there a lucrative future for the universal electronic card? Over the 101 year history of our corporation, we have always collaborated with major clients, including in the payments field, not on the principles of a client–vendor relationship, but on the principles of partnership. A whole subdivision, called the Institute for Business Value reveals trends in what will be important for our clients in the future. One of our recent collaborative works shows that the leadership of major companies sees a relatively fast move from selling products according to demographic indicators to selling on the basis of behaviour, and on the basis of client demands. Today, around 60% of managers confirm that sales are based precisely on the demographic principle.

Such a report is rather interesting, I have a few examples with me. This trend shows that in the near future, the most successful companies will generate a personalized approach to serving their customers. Within the company, we plotted this trend back in 2005, and have since made very significant investments, around USD 14 billion, in buying various companies on the market. Today, the corporation has created the most powerful mathematics department among private companies, in order to provide a personalized approach to major clients.

All of this is, in a word, analysis. I will bring out two themes which are very interesting. The first is predictive analysis, and the second is situational analysis in real time. It is this which allows companies such as UEC to earn money from a relatively large category of its clients.

The first part is predictive analysis. I have a small example. Roland Garros and IBM have been in partnership for a rather long time. This year, for the first time, everybody who wished to subscribe to services, so players and their training staff, up until the match – I underline, not after, but before the match – was able to receive a certain report, which outlined, in the current circumstances, for the current match, certain recommendations which gave players a high possibility of scoring

additional points. Regarding examples which have applied significance in the financial world, I can say that at the moment we are conducting a series of pilot projects. At the moment when a transaction is completed, it is important to understand where the transaction is taking place, through what channel, by which I mean service channels, which of your clients it is, and even the time at which they are trying to complete the transaction. I would like to remind you of Ivan's example about the beach and one very good city. If the client is not in Russia, but in some other place, for this particular point in time, a completely different selection of products is generated compared with when the person is at home in St. Petersburg or in Moscow.

The second part of our bright and lucrative future is situational analysis in real time. Here, our consumers will be the banking sector, by which I mean the financial sector which UEC is connected to, and state services. We already have clients and a unique commercial platform has been created which allows us to analyse a large quantity of in-memory data sources. All existing storage systems require saving information, conducting clean-up, and building reports. There are many areas of application, in which data becomes out of date as soon as it is created and entered into the system. For example, if you want to fight corruption in the big...

I. Oskolkov:

Andrei, the time limit.

A. Suvorov:

These are two fields where we are seeing serious improvements. Returning to the second question about drivers. The drivers here, in our opinion, are market drivers. On the technological level, we see the role of UEC as a company which will coordinate integration with external solutions suppliers from the perspective of business models, as an aggregator of services. If UEC succeeds in creating an open ecosystem – and here there are two principles, connection speed and transparency – then any start-up or company will be able to offer their services as

required by the client. This will be a very successful project, we are very pleased to be participating. We share the risk and are investing our intellectual resources.

I would like to thank Mr. Ulyanov one more time.

I. Oskolkov:

Thank you.

Colleagues, we have our front row participants. I know, and I see by their expressions that they have something to say. I have a big favour to ask: if you could take literally 30 seconds to give us your thoughts. One or two points and, if possible, touch upon the questions we have been discussing.

I will start with Roman Prokhorov. Your view as a regulator of payment systems. How do you see it now, after today's meeting: are payment systems on the card more than simply an ideology? Please go ahead.

R. Prokhorov:

Good morning everyone. I am sitting with my back to you, so I will be as brief as possible.

It is not a secret that the UEC includes two components: identification, which we have talked about rather a lot today, and payment. The payment component is regulated by the law on the national payment system, which I hope you all know about. From July 1, an important component of this law comes into force. The Bank of Russia will begin registering payment systems. Accordingly, we expect the registration of the universal electronic card as a payment system.

From the perspective of the law on the national payment system, I would like to draw your attention to the stipulated gradation of payment systems for determining their social, systemic significance. I assume that the payment component of the UEC will be socially significant; accordingly, it will draw heightened attention from the regulator.

Regarding the noted points of danger or security of the card for citizens, in the legislation on national payment systems, which comes into force in December this

year, a very important thing is stipulated: compensation for disputed transactions, regardless of whether the citizen has reported the disputed transaction or not. Within 24 hours, the citizen will have the opportunity to report a transaction, and he will be guaranteed compensation. That is a very substantial protection for the citizen: this does not exist in Europe, it is a completely new step. We think that it will be one of the principle drivers of the card market as a whole and, accordingly, of the UEC system.

I will return to the questions which Ivan asked us to touch upon. I will start with drivers. I will cite the example of Belarus: there they have the BelKart system, which, thanks to government support, has secured 44% of the market today. In Ukraine, an analogous attempt was undertaken: a national card system was created. Today it has secured only 3% of the market because there was practically no government stimulus moving it forward. I want to point out that the constituent components are very important, collaboration between government and business is essential, because the project is important for both sides.

In answer to the question about the prospects of the UEC, as a citizen, and as a representative of the private individual, I believe in the UEC, I believed in it from the beginning, because I worked for a long time with Sberbank Russia.

In relation to the position of the regulator, I can say that we are starting to conduct an experiment in Bashkortostan. On the basis of the UEC, part of the corporate application will be implemented, there will be a few services for working with further development.

I. Oskolkov:

Thank you.

Petr Darakhvelidze, Business Development Director, WebMoney. Very briefly, please go ahead.

P. Darakhvelidze:

I will say a couple of words, remarks about identification, although I will probably be the 31st person to talk about this topic. It is unlikely that someone will argue if I say that the legal basis in Russia for identification, authentication, and authorization issues is stuck in the 20th Century. These terms are confused. People are required to walk to the bank or to government offices in person for the simplest of things, and to stand waiting in queues. The example has been cited that at the airport it is necessary to talk to the border guards. Biometric passports exist, and in many airports border crossings occur without the participation of a customs officer or of any other government employees. Telepresence services have been developed and are being used, so that bank accounts can be opened through the medium of video conferencing or other remote technologies. We have discussed what the drivers are for the development of the universal electronic card. If we turn the question up to 180 degrees, the card itself will become a driver of development and legislation, and the law enforcement which stands behind this. That is, from my perspective, the most fundamental value of the project.

I. Oskolkov:

That really is a very important development, because this idea was also present in the impetus which the government wanted to give the project. We thought that we had a quasi-obligation, that private infrastructure would appear in response.

I invite Ayrat Gaskarov from Sberbank to say a couple of words on this theme. Private infrastructure must not only accept the card, it must also read contactlessly what is on the chip. It is possible that then we will move away from plastic as a medium, and in this way the ends will be tied up.

Mr. Gaskarov, how does Sberbank see the future? Just a couple of words, please.

A. Gaskarov:

In supporting this project we, without question, proceeded from the idea that an impressive future awaits it. In support of the previous speaker, I would like to say that the card itself was a generator of everything that now unites us in this hall. Two

years ago, there was an active discussion in this exact place about whether or not it was worth launching this project at all. Today, nobody remembers that we entered into this project from 45 other regional projects which were underway across the country.

I. Oskolkov:

I will remind you that the opponents have not yet joined the project.

A. Gaskarov:

They are close to that final decision. Everything, of course, depends on when we offer this large-scale project to the market, when it begins to take shape. This will happen in the very near future, then we will see those colleagues who are in this hall, but who are not here as opponents, because we do not have a barrier division here, we have a round table, which unites us. Sberbank here, without question, has been and will remain a leader.

I. Oskolkov:

Sberbank confirms its participation?

A. Gaskarov:

The final decision was taken by Sberbank a few years ago, it has not changed.

I. Oskolkov:

I will remind you that the infrastructure for accepting cards at Sberbank...

A. Gaskarov:

It is the broadest, without question.

I. Oskolkov:

It is a very large percentage of the market; I will not say which, so as not to advertise Sberbank. It is clear that without the involvement of those who can create the systems, such as Qiwi, Sberbank, or WebMoney, the project will not get any further.

Colleagues, I must already conclude this discussion. Mr. Ulyanov requested the floor, in order to make a few remarks in answer to what has been said. I think we should give him a minute, as the leader of the project, and after that we will finish.

N. Ulyanov:

I would like to thank everyone for their positive suggestions and responses to our project, and remark once again that this is very important: the card and the associated information systems which have been created represent an absolutely unique project, without analogy anywhere. First of all, it is unique in terms of security, because it is the only card which generates an electronic digital signature by means of a processor, installed into the chip of the card itself, in contrast to all other ID cards, where the electronic digital signature is carried as an applet. This is essential from the perspective of security, and it is precisely for this reason that both the state and commercial service providers believe that the card can be a reliable tool for both authentication and identification.

Secondly, I have a brief comment for Mr. Gromov, regarding Rostelecom. We are conducting fairly deep discussions with Rostelecom, and believe that the presence of Rostelecom...

I. Oskolkov:

The main thing is not to flounder in those depths, Mr. Ulyanov.

N. Ulyanov:

No, no, we will not flounder, and we hope that in the near future we will be able to implement some positive agreements, which already exist. It is important that the shareholders support these.

I. Oskolkov:

It is important that two federal executive organizations, one of which is Universal Electronic Card and the other Rostelecom, manage to come to an agreement.

N. Ulyanov:

Alexei Nashekin, who is supervising this project on behalf of Rostelecom, and I are in permanent, productive contact. I do not want to talk about these agreements, because they must be confirmed by shareholders, but we do not foresee any significant disagreement.

Now about the Federal Migration Services. Together with government representatives, together with Goznak, we are in constant, close contact with the management of the Federal Migration Services, we are constantly discussing with Mr. Romodanovsky the possibility...

I. Oskolkov:

At least leave a little bit of mystery for those present.

N. Ulyanov:

Making the card into an identification document is simple enough. The card is made to international standards and can be used as an identification document not only within the country but also abroad: biometric data could easily be stored on the card. A special area on the chip will be programmed, or to be precise, provided for this, and in the place of a magnetic strip, a machine-readable strip can easily be included, which would be necessary for going through various formalities, including at the border, and so forth. Where the drivers of growth are concerned, I am myself from business and an absolute advocate of the market economy, when I talk about the role...

I. Oskolkov:

Do not change your opinion, Mr. Ulyanov!

N. Ulyanov:

No, no I am not changing it. When I talk about the role of the government, I am talking about the stages preceding distribution. When mass distribution of the card is conducted, and citizens see that the card is good and convenient, it will not be necessary to convince anybody. Now the government and the regions must push the process, in order to bring about this first mass distribution.

I. Oskolkov:

Thank you, Mr. Ulyanov.

That is the accepted logic in our country. Business should play the leading role, but the government is playing the leading role in business. Unfortunately, we sometimes forget that there is an interested party at the end of the line, and that interested party is the citizen. The government can think a lot about the citizen, but it is my deep conviction the best services, the best conditions for citizens will be created when many parties are allowed to provide these services, they will compete with one another, try to outdo each other, then everything will also be good for the citizen.

Colleagues, I hope that our debate – and there really were some debatable points – was substantial.

The time dedicated to this event has, unfortunately, run out. The participants are not going anywhere right now, and you can come up to them to ask any questions.

Thank you very much, we will end here.