

Position Paper for the Economic and Financial
Committee (ECOFIN)
Agenda Item: Regulating the Crypto Ecosystems
Country: The Russian Federation
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In 2020, Russia was the number 11 economy in the world in terms of GDP, the number 13 in total exports, the number 21 in total imports, the number 78 economy in terms of GDP per capita and the number 43 most complex economy according to the Economic Complexity Index (ECI). According to Russia, cryptocurrency transactions can be legalized but their usage as a payment for goods and services should be prohibited. The goal of issuing cryptocurrencies is to provide convenient means of payment which can be potentially beneficial for investment purposes and make it possible to anonymise payments and circumvent regulatory restrictions by eliminating intermediaries and transferring the function of verification of conducted transactions to the distributed ledger system. Crypto assets have the potential to generate efficiencies in financial services but also give rise to risks that central banks would need to address. The rapid growth of the crypto ecosystems may possess poor operational, cyber risk management, and governance frameworks. The Russian Federation thinks that cryptocurrency adoption may pose serious risks to the country's economy and financial stability since they are unbacked. As the Russian ruble is not a reserve currency, Russia cannot apply a soft approach in this area and ignore rising risks.

Crypto asset growth has been volatile, and associated financial stability risks in some emerging markets and developing economies that are rising. According to the International Monetary Fund the total value of crypto assets was 3 trillion USD in November 2021 then decreased to 1 trillion USD in July 2022, stating a high volatility. It should be noted that the legalisation of cryptocurrencies as a means of payment is technically possible in the countries that do not pursue independent monetary policies. In particular, El Salvador where the official currency is the US dollar recognised Bitcoin as legal tender in September 2021. However this should not be seen as a reason for other countries to recognise cryptocurrencies a legal . The virtual currency law of The Russian Federation defines cryptocurrency as “an aggregate of electronic data capable of being accepted as the payment means, not being the monetary unit of the Russian Federation or a foreign state, and as investments.” This law has prohibited Russians from using cryptocurrency as a payment method but did not ban crypto trading or mining in the country. The Central Bank of Russia called for a crypto ban, however, the Ministry of Finance opposed that stance, calling for regulation instead of a complete ban.

The Russian Federation advocates for an UN-sanctioned policy that improves the regulation of cryptocurrency by the governments or central banks. Cryptocurrencies are a matter of serious concern among foreign regulators and international organisations. Most countries are in the grey zone about currencies, however, governments should make tighter regulations. The Bank of Russia believes it essential to enhance the monitoring of risks associated with cryptocurrency investment. In order to attain this goal a series of regulations is mandatory.

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