



Crypto-Detour around Anti-Russian Sanctions

OE Watch Commentary: The recent rise in popularity of blockchain technology has led many to consider it for conducting business outside the international SWIFT banking system, making sales and purchases in some cryptocurrency instead of in a recognized fiat currency, such as US dollars or euros. In response to Russia's annexation of Crimea in 2014, Great Britain suggested excluding Russia from SWIFT as a form of sanctions; today, however, the technology exists for Russian businesses to find a way around such an obstacle.

While the SWIFT leadership argued that excluding Russian banks would actually harm SWIFT itself, the author of the accompanying article suggests that SWIFT criticized blockchain out of fear that its own system and substantial influence in the world could be displaced.

According to the article, the anonymity afforded by Bitcoin or other cryptocurrencies would likely not be possible using a government-owned, government-regulated, or government-created blockchain platform, and therein lies the rub. In fact, this idea has been discussed for quite a while, always coming back to using cryptocurrencies as understood in the "classic" meaning, i.e. decentralized and anonymous, not in the sense it has been (mis) applied in the term 'cryptoruble'.

As the author notes, it has been suggested that the Kremlin could see cryptocurrencies as a way around Western sanctions, especially in the financial sector. In February 2017, Internet Ombudsman Dmitry Marinichev suggested letting all legal entities – both individuals and companies – register in Crimea, conduct operations using Bitcoin, and convert them into rubles. This has the potential to attract entrepreneurs. According to Marinichev, this would "give Crimeans the opportunity to be part of the worldwide financial system while also avoiding sanctions and prohibitions on moving capital."

Not coincidentally, in June 2017, the Russian Ministry of Finance suggested allowing cryptocurrency transactions in Crimea as a way to increase foreign tourism. Of course, creating a 'Black Silicon Valley' is a risky proposition: as the author notes, while no one can prohibit blockchain operations, regulators across the world could collectively decide not to recognize them. **End OE Watch Commentary (Hall)**

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Source: Вера Соколова, "Криптообход антироссийских санкций (Crypto-Detour around Anti-Russian Sanctions)," *SVPressa*, 1 September 2017. <https://svpressa.ru/blogs/article/180575/>

In Russia the interest in blockchain started after sanctions were introduced. As is well known, a significant part of the measures have to do specifically with the financial sector and limits opportunities for banks and companies who come under the sanctions to attract lines of credit, especially for the long term.

Moreover, the threat of tightening these measures up to and including excluding banking institutions from the SWIFT system is always hanging over the country's head. On August 25, it became known that that's exactly what happened with two banks in Crimea – RNBK and Tempbank. Although they stated that the exclusion had no effect on them because they work only in Russian and use a domestic [funds] transfer system, no one can guarantee that one of the bigger banks won't be the next in line.

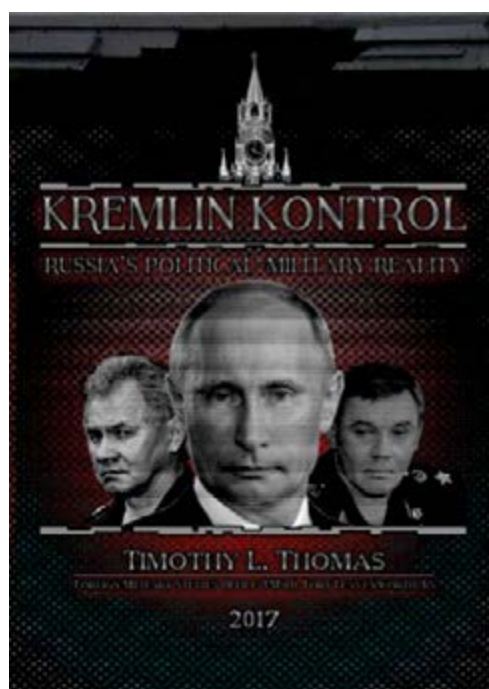
It's no coincidence that the majority of Russian financial institutions, up to and including the government's Sberbank, don't operate on the peninsula – the threat of sanctions is too great. Blockchain and its potential would help solve the problem of attracting the investments to the peninsula that it so needs, and getting around those limitations.

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Of course, if it's the government using blockchain, there will be no anonymity, but in the case of Crimea, the type of anonymity Bitcoin or other cryptocurrencies afford is exactly what advocates of this plan are counting on.

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KREMLIN KONTROL by TIMOTHY L. THOMAS

In 2016 Russian President Vladimir Putin and Chief of the General Staff Valery Gerasimov instituted sweeping changes that have reorganized the country's security forces and reestablished the nation's military prowess. This study, *Kremlin Kontrol*, aims to describe how control over the security services and the military have hastened those changes.

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