



Cryptoruble Rejected in Favor of a Supranational Cryptocurrency

OE Watch Commentary: In preparing to meet the deadline set by President Putin to have the regulatory framework for both “traditional” cryptocurrencies and the cryptoruble in place by 1 July 2018, the Central Bank (CB) and Ministry of Finance (MinFin) have submitted a bill for review, which they discussed at a meeting of the Public Council on 28 December 2017. The accompanying articles provide insight into their proposal, which favors creating a supranational digital currency instead of a cryptoruble.

According to the first article, both the First Vice-Chair of the CB Olga Skorobogatova, and the Deputy Minister of Finance Aleksey Moiseev, declared the creation of a cryptoruble not to be worthwhile. They quickly turned to selling the positive side of their recommendation, namely, that Russia look at creating a supranational digital currency that would work across the EurAsian Economic Union (EAEU) or within the framework of Brazil-Russia-India-China-South Africa economic union known as BRICS.

The rest of the meeting was dedicated to a discussion of how to regulate “real” cryptocurrencies. According to the third article, the CB considers them not to be viable forms of payment, while the MinFin adds they could be treated as a form of property and could be used to trade for other property, i.e. not “buying” and “selling” per se.

As they try to thread this regulatory needle, the Deputy Minister of Finance discussed the other highlights of the part of the bill on regulating “classic” cryptocurrencies. According to the second article, he suggested this “other form of property” would be called a “token” and that tokens would be “mined” and that “miners” would be considered entrepreneurs and their activity would be taxed as such. Moiseev emphasized, however, that the part about taxing miners was not in this bill, but would be worked out in the future.

According to the second article, the bill also suggests a stock market approach, in which the market/trading house would need a license, but says nothing about the circulation of cryptocurrencies themselves.

Given the lack of concrete decisions and the suggestion to scrap the President’s idea of the cryptoruble, which Putin publicly announced Russia would issue, we will likely not know the fate of any cryptocurrency until the actual law is passed. Certainly, the importance of the cryptoruble and of regulating all cryptocurrencies cannot be understated as the President aims at a fourth term in March 2018, in conjunction with the Digital Economy project which was announced last year. **End OE Watch Commentary (Hall)**

“... the Bank of Russia is looking at the possibility of introducing a supranational digital currency within the framework of BRICS or the Eurasian Economic Union (EAEU).”

Source: “ЦБ в 2018 году начнет обсуждение единой цифровой валюты с партнерами по ЕФЭС и БРИКС (In 2018 the Central Bank Will Start Discussions about Creating a Unified Digital Currency with Its Partners in the EAEU and BRICS),” *Interfax.ru*, 28 December 2017. <http://interfax.ru/business/593815>

“It does not seem altogether justified, from the perspective of macroeconomics and the population, to introduce a national digital currency. The idea that seems to us worth discussing with our colleagues is introducing a digital currency in the EAEU or within the framework of BRICS,” said Skorobogatova.

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On Thursday [December 28, 2017], the Deputy Minister of Finance Aleksey Moiseev said he does not consider creating a cryptoruble in Russia to be worthwhile.

Source: “Крипторубль пошел на повышение. Минфин представил законопроект о цифровых активах (The cryptoruble Has Been Promoted. The Ministry of Finance Presented a Bill about Digital Assets),” *Kommersant.ru*, 28 December 2017. <https://www.kommersant.ru/doc/3512307>

At the Public Council December 28, the Deputy Minister of Finance Aleksey Moiseev presented the key elements of the bill on regulating digital financial assets. Among them – the definition of a digital asset (token) as an “other property”, mining (creating tokens) as an entrepreneurial activity, as well as using a stock market for digital assets transactions.

Source: “Ольга Скоробокатова: ЦБ РФ не признает криптовалюты расчетным или платежным средством (Olga Skorobogatova: The CB RF Does Not Consider Cryptocurrencies a Means of Payment),” *Bitsmedia*, 28 December 2017. <https://bits.media/news/tsb-rf-ne-priznaet-kriptovalyuty-raschetnym-ili-platezhnym-sredstvom/>

The Ministry of Finance suggests defining cryptocurrency as a “different form of property” rather than a form of payment/settlement. You would not be able to buy anything with them, but you would be able to obtain cryptocurrency and exchange it for other property. At the same time, according to Skorobogatova, the Bank of Russia is looking at the possibility of introducing a supranational digital currency within the framework of BRICS or the Eurasian Economic Union (EAEU).