



Questions Surrounding the Cryptoruble

OE Watch Commentary: Several cryptocurrencies are already traded and mined within Russia, without any official legal status. This raises various questions regarding the future of cryptocurrencies in general and the announced cryptoruble in particular. The accompanying passage discusses some of these questions. The passage is from a website titled *Kripto-ruble.ru*, and is written by the site's owner, who registered the website on 15 October 2017, the very day that President Putin announced plans to issue the cryptoruble.

According to the author, although the official opinion on cryptocurrencies and blockchain technology appears to have moved towards acceptance, there are still many unknowns. The author suggests that the government is attempting to harness a technology that has become popular precisely thanks to its chaotic, unregulated and decentralized nature. And while the cryptoruble has yet to be officially issued, it has already had a significant impact on the buzz in Russia surrounding the cryptomarket.

The author emphasizes the party line insistence that while some blockchain technology may be good, there is a difference between Russian technology and foreign technology. According to the Minister of Communications and Mass Media, Nikolay Nikiforov, mining of the cryptoruble may be allowed, but that mining cannot be based on foreign cryptography technologies, so Russia must create its own. In an update on developments, Nikiforov added that the technology part is almost worked out and, pending the approval of the Central Bank of the Russian Federation (CB RF) and the Ministry of Finance (MinFin), they would move on to phase two of the project. President Putin has ordered the government to come up with a legal framework by June 2018.

Article 75 of the Constitution of the Russian Federation states, "The monetary unit of the Russian Federation is the ruble. Monetary emission is carried out exclusively by the Central Bank of the Russian Federation. The introduction and emission of other monies within the Russian Federation is not allowed." In considering the juxtaposition between this and the pace at which the project appears to be progressing, the author concludes, as have many other cryptocurrency experts, that the cryptoruble will not be considered currency or cryptocurrency in the traditional sense of the word. To avoid having to change the Constitution, which would require a referendum, the government and the CB RF may decide to treat the cryptoruble as some other financial instrument, such as stocks.

Even if it is treated as money, as the author suggests, it is difficult to predict what the affect will be on average Russians. Considering that the emissions will be controlled by the government, according to the author, the exchange rate will be precisely what the CB RF sets it at. This national cryptocurrency may help large companies optimize their cash flow and its use may be limited, for all intents and purposes, to business. On the other hand, given the recent excitement in Russia over Bitcoin and other cryptocurrencies, there may be a run on the cryptoruble and, depending on how the CB RF handles it, its value could skyrocket. As Dmitriy Marinichev, Internet Ombudsman of the RF stated at the Open Innovations forum 16-18 October, it will take a while to work out the legislation, until a comprehensive solution can be found for all the potential problems surrounding the cryptoruble. As the author notes, Marinichev calls this a transitional period for the Russian cryptoeconomy. **End OE Watch Commentary (Hall)**

"While we're developing the digital economy, we won't get anywhere by prohibiting things."

- Nikolay Nikiforov, Minister of Communications and Mass Media of the Russian Federation

Source: "Крипторубль: что это такое, можно ли купить, когда выпустят и как заработать? (The cryptoruble: What is it, can you buy it, when will they issue it, and how can you make money with it?)," *Kripto-ruble.ru*, first published on or around 17 October 2017, subsequently updated on or after October 24, 2017. <https://kripto-rubl.ru>

It is presumed that the Russian cryptoruble will be released as soon as possible, literally within several months after the plans for its development were confirmed. The problem is, it's not exactly clear which direction they should work in. That's why the process of development and infusion of this technology may drag on for a while. Experts presume the cryptoruble may take hold in Russia in ten years, however, what we don't know right now is where, exactly, it will be used. Right now the Central Bank of Russia is only looking at a new kind of currency, so [any] government decision made regarding this issue might be contradictory [emphasis added]...

[Nikolay Nikiforov, Minister of Communications and Mass Media of the Russian Federation:] "While we're developing the digital economy, we won't get anywhere by prohibiting things."



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Open Innovations Forum and Technology Show Logo, 10 July 2015.

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