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**Изменения в сегменте криптовалют России под влиянием
международных санкций**

Аннотация. В статье представлены основные тенденции развития рынка криптовалют в России в условиях международных санкций, которые серьезно повлияли на экономическую среду. Проведен детальный анализ влияния санкционной политики на поведение участников рынка, включая инвесторов, трейдеров и бизнеса, а также изменения в законодательстве, регулирующем оборот криптовалют. Оценены возможности использования цифровых активов как инструмента обхода санкций, что стало особенно актуальным в условиях экономической изоляции. Статья также исследует вопросы адаптации рынка к новым экономическим реалиям, которые включают динамику, структуру и географию криптовалютного сектора. Кроме того, акцентируется внимание на проблемах регулирования, необходимого для создания безопасных условий функционирования криптовалют в стране, что может способствовать легализации и интеграции цифровых активов в экономику.

Ключевые слова: криптовалюты, регулирование, финансовые рынки, санкции, международные отношения, законодательство, цифровые активы.

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**Changes in Russia's cryptocurrency segment under the influence of
international sanctions**

Abstract. The article presents the main trends in the development of the cryptocurrency market in Russia in the context of international sanctions, which have seriously affected the economic environment. A detailed analysis of the impact of the sanctions policy on the behavior of market participants, including investors, traders and businesses, as well as changes in the legislation regulating the circulation of cryptocurrencies, is carried out. The possibilities of using digital assets as a tool for circumventing sanctions, which has become especially relevant in the context of economic isolation, are assessed. The article also examines the issues of market adaptation to new economic realities, which include the dynamics, structure and

geography of the cryptocurrency sector. In addition, attention is focused on the problems of regulation necessary to create safe conditions for the functioning of cryptocurrencies in the country, which can contribute to the legalization and integration of digital assets into the economy.

Keywords: cryptocurrencies, regulation, financial markets, sanctions, international relations, legislation, digital assets.

The proliferation of cryptocurrencies has been growing rapidly over the past few years. According to various sources, there were already more than 420 million cryptocurrency users at the beginning of 2023. The speed of introduction of cryptocurrencies into our lives is quite high. To understand this, we should visually consider the dynamics of cryptocurrency user growth for 2022 (Fig. 1) [1]:

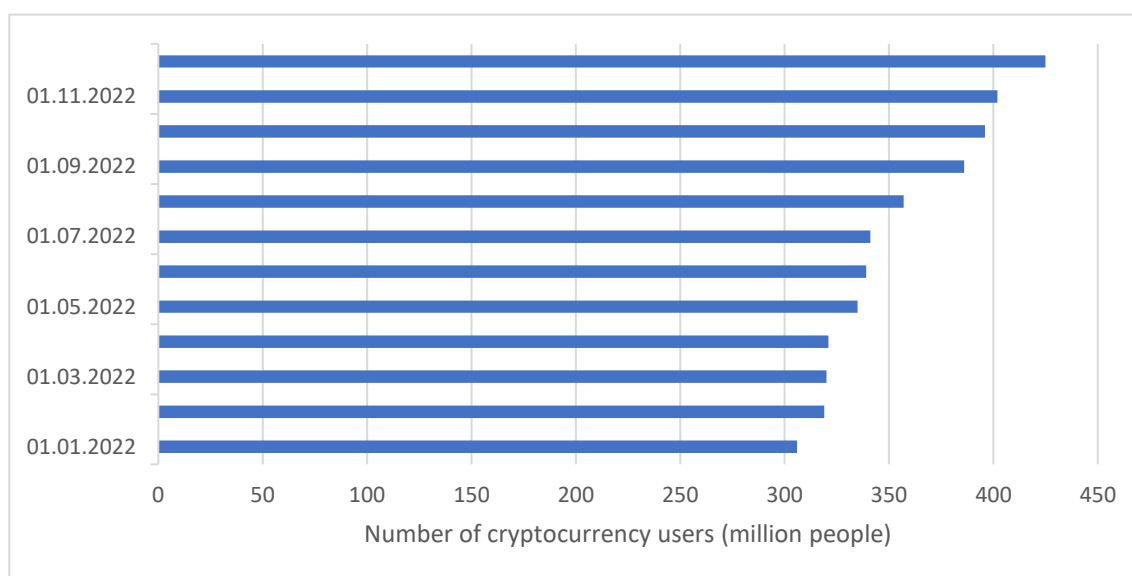


Figure 1 - Growth dynamics of cryptocurrency users

As you can see from the chart, the absolute increase in cryptocurrency investors for 2022 was almost 120 million. This is a pretty good figure, considering also the continuous growth in the number of users throughout the year. For comparison, the population of Russia, which is the largest country in the world, is 146 million people at the beginning of 2023.

To understand the trends in the development and implementation of cryptocurrencies in our lives, we should also consider the dynamics of cryptocurrency market capitalisation, which is measured by the market value of all issued coins (Fig. 2) [2]:

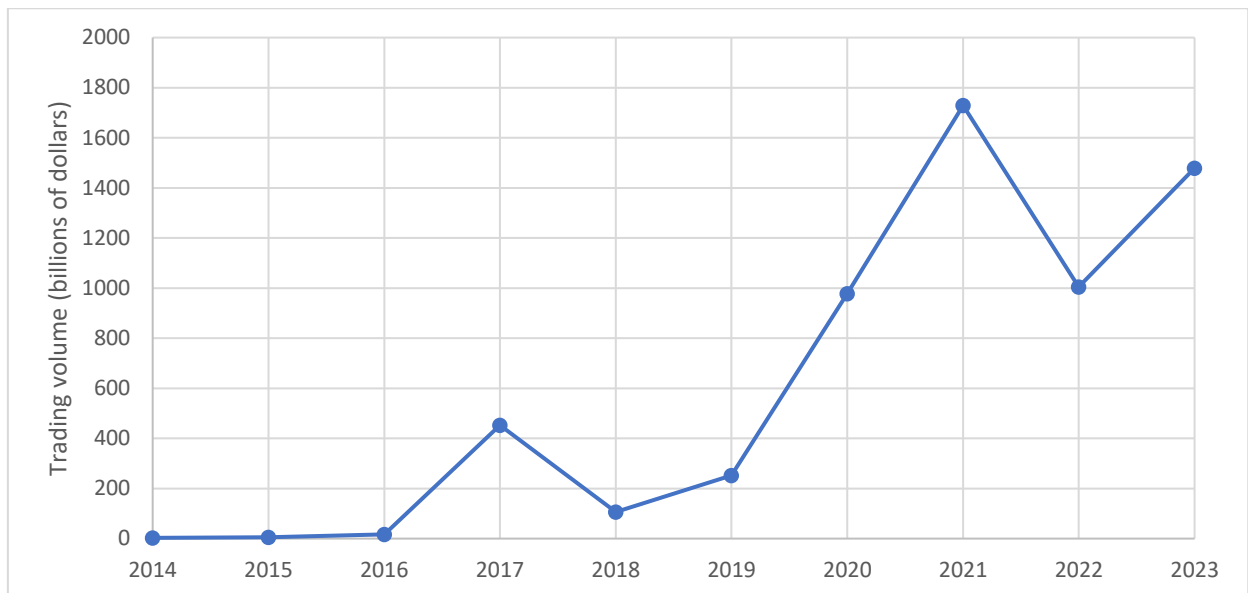


Figure 2 - Market capitalization of the cryptocurrency market for 2014-2023

The graph shows a significant growth in the volume of coins issued in recent years, reflecting the huge interest in these assets, primarily based on their use as an investment instrument and medium of exchange.

Many countries, such as Germany, USA, Japan, Italy, Canada, have already legalised cryptocurrency at the legislative level as a payment instrument. With their help, banks, commercial enterprises and other large structures can pay among themselves. In Russia, digital assets were treated with caution until 1 October 2019. The Central Bank still maintains the position that cryptocurrency transactions are considered suspicious. The concept of digital currency was first established on 31 July 2020 in the Federal Law 'On Digital Financial Assets, Digital Currency and on Amendments to Certain Legislative Acts of the Russian Federation' dated 31.07.2020 N 259-FZ. According to this law, digital currency is recognised as a set of electronic data contained in an information system, which is offered or can be accepted as a means of payment that is not a monetary unit of the Russian Federation or a foreign state [3].

After the adoption of this law, the situation in the sphere of digital assets in Russia began to change for the better, but there was still no revolutionary leap, as the law still introduced restrictions on payment for goods or services with digital currencies. It is reported that a draft federal law on digital currencies has now been developed, which will make certain adjustments in this area, but will still maintain a ban on most cryptocurrency transactions.

Despite the legislative difficulties, the growing interest in cryptocurrencies continues. However, with the start of a special military operation in February 2022, Russia has faced a large wave of sanctions from Western countries that have affected almost every sector of the country's economy. The most serious restriction for the financial sector was the disconnection of Russian banks from the international payment system SWIFT, which made international settlements and financial transactions quite difficult. Directly for the Russian cryptocurrency market, the following consequences can be highlighted:

- restricting access to international exchanges;
- freezing digital assets and transactions;
- creation of illegal ways to exchange and trade cryptocurrencies;
- growing general interest in cryptocurrencies as a means of circumventing sanctions.

Here it is important to dwell on the last point: the growing interest in cryptocurrencies as a means of circumventing sanctions. The disconnection of Russian banks from the SWIFT international payment system raises the acute question of finding alternatives for transferring funds abroad. There is one alternative - Raiffeisenbank. It is noteworthy that no sanctions have been imposed against this bank and at the moment it is the only one that performs transfers abroad. However, human psychology and in general the situation in the country always requires several alternatives, among which he chooses the most favourable for himself. For example, the same Raiffeisenbank carries out transfers only in euros, respectively, if people keep money in rubles or other currencies, a commission is paid for currency conversion, as well as for its sending abroad. Accordingly, when sending large amounts of money, a rather large commission is paid, which makes the use of this option irrational and unprofitable.

In such a situation, cryptocurrency becomes the most favorable alternative for a Russian citizen. And we are talking not only about the usual transfer of money abroad, but also the purchase of cryptocurrency by importers for the purchase of goods or services through cryptocurrency exchanges or exchangers. In this case, proper regulation of cryptocurrency transactions and digital currency in general by the Russian government authorities, as well as legalization of transactions related to the purchase or sale of cryptocurrency could be a good step towards improving foreign economic activity under the current sanctions.

There are certain difficulties here that cannot be overlooked. First of all, it is the high volatility of cryptocurrencies. The price of any cryptocurrency changes every second, which naturally complicates the process of settlements with counterparties or transfers abroad. In addition, actions with transactions bypassing the present sanctions can also be monitored and stopped. This possibility still exists, even though decentralized financial systems are well protected and anonymous. The only possible solution to this problem may be the use of intermediary services (mixers), which significantly complicate the identification of parties carrying out transactions [4]

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Of course, the above risks are also associated with technical and operational complexities, which is an obstacle for individuals and legal entities that do not have relevant experience and knowledge in this area. Currently, there is a solution to all the mentioned problems related to the use of cryptocurrency as a payment instrument. For example, the problem of volatility of traditional cryptocurrencies can be solved by using stablecoins, the value of which is tied to fiat currency or precious metals, as well as by hedging risks.

The problem of legal and legislative regulation of digital assets, the solution to which lies with the state, remains particularly urgent and requires major revisions. Shifts in this area may provide a strong impetus to the use of cryptocurrencies as a payment instrument.

Another significant trend under sanctions was the increase in the number of transactions on domestic exchanges. Figure 3 shows a graph depicting the dynamics of the transaction index on domestic Russian exchanges and global exchanges [5]:

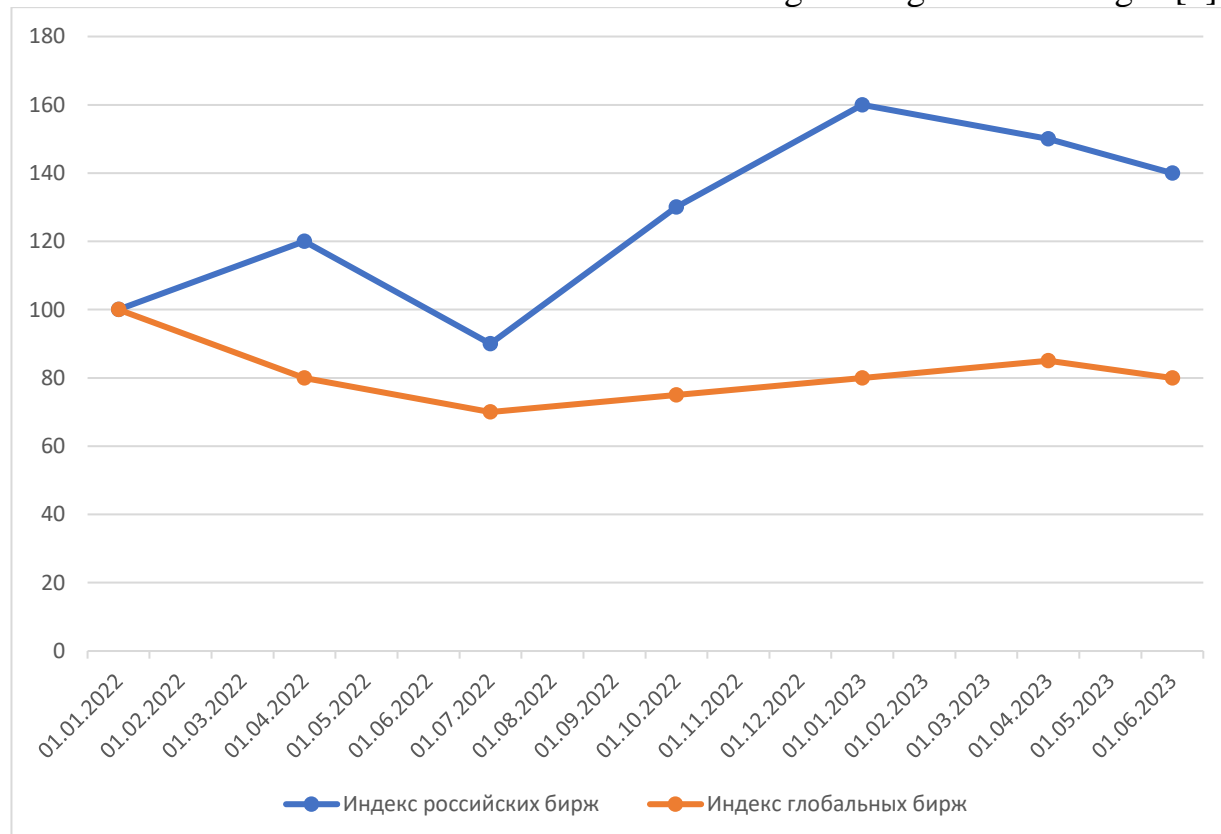


Figure 3 - Transaction Index Dynamics on Global and Russian Exchanges

The graph shows a significant increase in the index of Russian exchanges between January and April 2022, just during the period of the start of the special military operation and the subsequent package of sanctions against Russia. Compared to the global exchanges, whose index shows relative stability, the

domestic exchanges show an increase in the number of transactions, suggesting that Russians are becoming more interested in using domestic exchanges for transactions. In any case, such measures become forced, which unwittingly affects the dynamics of the index itself.

Thus, although cryptocurrencies present great opportunities for Russians, their use is associated with certain risks and difficulties. The development of cryptocurrency infrastructure and strengthening their role in the Russian economy will require significant efforts on the part of both the government and private individuals and legal entities. Accordingly, for the Russian Federation, the adoption of cryptocurrencies as a full-fledged payment and investment instrument will require considerable time, as well as full-fledged actions on the part of the entities themselves.

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