

RUSSIA PROPOSES BAN ON USE AND MINING OF CRYPTOCURRENCIES

Relevant for: International Relations | Topic: Effect of policies and politics of developed & developing countries on India's interests

Representative image. | Photo Credit: [Getty Images](#)

Russia's central bank on Thursday proposed banning the use and mining of cryptocurrencies on Russian territory, citing threats to financial stability, citizens' wellbeing and its monetary policy sovereignty.

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The move is the latest in a global cryptocurrency crackdown as governments from Asia to the United States worry that privately operated and highly volatile digital currencies could undermine their control of financial and monetary systems.

Russia has argued for years against cryptocurrencies, saying they could be used in money laundering or to finance terrorism. It eventually gave them legal status in 2020 but banned their use as a means of payment.

In a report published on Thursday, the central bank said speculative demand primarily determined cryptocurrencies' rapid growth and that they carried characteristics of a financial pyramid, warning of potential bubbles in the market, threatening financial stability and citizens.

The bank proposed preventing financial institutions from carrying out any operations with cryptocurrencies and said mechanisms should be developed to block transactions aimed at buying or selling cryptocurrencies for fiat currencies.

The proposed ban includes crypto exchanges. Cryptocurrency exchange Binance told Reuters it was committed to working with regulators and hoped the report's release would spawn dialogue with the central bank on protecting the interests of Russian crypto users.

Restrictions on owning cryptocurrency are not envisaged, said Elizaveta Danilova, head of the central bank's financial stability department.

Active cryptocurrency users, Russians have an annual transaction volume of about \$5 billion, the bank said.

The central bank said it would work with regulators in countries where crypto exchanges are registered to collect information about the operations of Russian clients. It pointed to steps taken in other countries, such as China, to curb cryptocurrency activity.

In September, China intensified its crackdown on cryptocurrencies with a blanket ban on all crypto transactions and mining, hitting bitcoin and other major coins and pressuring crypto and blockchain-related stocks.

"For now there are no plans to ban cryptocurrencies similar to the experience of China," Danilova said. "The approach we have proposed will suffice."

Joseph Edwards, head of financial strategy at crypto firm Solrise Group, played down the report's significance, saying no one outside Russia would be losing sleep over it.

"Moscow, like Beijing, is always rattling its sabre over 'crypto bans', but Russia has never been a pillar of any facet of the industry in the same way as China has been at times," he said.

Russia is the world's third-largest player in bitcoin mining, behind the United States and Kazakhstan, though the latter may see a miner exodus over fears of tightening regulation following unrest earlier this month.

The Bank of Russia said crypto mining created problems for energy consumption. Bitcoin and other cryptocurrencies are "mined" by powerful computers that compete against others hooked up to a global network to solve complex mathematical puzzles. The process guzzles electricity and is often powered by fossil fuels.

"The best solution is to introduce a ban on cryptocurrency mining in Russia," the bank said.

In August, Russia accounted for 11.2% of the global "hashrate" - crypto jargon for the amount of computing power being used by computers connected to the bitcoin network.

Moscow-based BitRiver, which operates data centres in Siberia hosting bitcoin miners, said it did not consider a complete crypto ban likely, expecting a balanced position to develop once different ministries have discussed the proposals.

The central bank, which is planning to issue its own digital rouble, said crypto assets becoming widespread would limit the sovereignty of monetary policy, with higher interest rates needed to contain inflation.

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The chips are Intel's first effort in many years in the market and will take on leader Nvidia, which had graphics chips sales of \$9.8 billion in its most recent fiscal year, a 29% increase.

The concept car uses less than 10 kWh of electrical energy to travel 100 km. When translated into fossil-fuel consumption, this is around 1 litre per 100 km.

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