

Sanctioned Bank Rossiya to Service \$36Bln Domestic Electricity Market

By [Peter Hobson](#)

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A symbol for the ruble standing outside Bank Rossiya's Moscow office.

correction appended:

Bank Rossiya, sanctioned by the U.S. last month for being the financier of the Russian elite, has been granted the right to service payments on Russia's \$36 billion wholesale electricity market.

The market regulator gave the bank the role in a board meeting on April 10, taking the job away from Alfa Bank, which has serviced the domestic electricity market since 2008, Kommersant reported. The appointment will boost Bank Rossiya's turnover by 10 percent and give it additional revenue of about 4 billion rubles (\$112 million) annually from commission charges, analysts estimated.

Both Bank Rossiya and its principal shareholder, billionaire Yury Kovalchuk, were placed

on the U.S.' sanctions list on March 20, two days after President Vladimir Putin announced that Crimea would be annexed to Russia from Ukraine following a referendum branded illegitimate by Western nations. Bank Rossiya was labeled "the personal bank for senior officials of the Russian Federation" by the U.S. Treasury, while Kovalchuk, a friend of Putin's since the 1990s with a fortune of \$1.1 billion, according to Forbes, was described as one of Putin's "cashiers."

Putin immediately seemed to make the bank's survival a point of principle. All measures of support would be given, he said on March 21, while promising to open an account with the bank.

Market Council, the organization that regulates the electricity market, confirmed the appointment of Bank Rossiya on Monday. The bank was given the right to service payments because it proposed the most advantageous conditions for its payment services, a representative of the regulator said, adding that Alfa Bank will continue to service payments while Bank Rossiya builds up the technological wherewithal to take over.

The question of switching payment service provider was not on the board's agenda, but was added during the meeting, she said.

Market Council oversees a wholesale electricity market that brings together 78 power-generating companies, 245 electricity buyers and four infrastructure companies, according to its website. Total payments on the market amounted to 1.25 trillion rubles (\$35 billion) last year, and will likely grow to 1.3 trillion rubles this year, or the equivalent of 2 percent of Russia's gross domestic product, said Natalya Porokhova of Gazprombank.

Eight of the 22-member board of directors that elevated Bank Rossiya to the position of the market's cashier are government officials appointed by the Cabinet. The remaining 14 places are occupied by representatives of energy producers, buyers and infrastructure operators.

One of these is Alexandra Panina, deputy CEO of huge state-owned energy holding company Inter RAO. Yury Kovalchuk's son Boris has headed Inter RAO since 2009.

By plugging into the domestic electricity market, Bank Rossiya is putting itself beyond the reach of U.S. sanctions. U.S. officials said in March that Bank Rossiya would be "frozen out of the dollar."

A day after the bank appeared on the U.S.'s sanctions list, Visa and MasterCard abruptly stopped providing payment services for the bank.

On March 28, Bank Rossiya — the country's 15th-largest bank with 421 billion rubles (\$12 billion) in assets as of Jan 1, according to rating agency RIA Rating — said it would cease all foreign currency operations and work only with the ruble.

Correction: An earlier version of this article incorrectly said that Visa and Mastercard resumed payment services for Bank Rossiya after blocking the bank on March 21. In fact, Visa and Mastercard did not resume services.

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