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Russia Finance Ministry Announces Forex Deposit Auctions to Ease U.S. Dollar Shortfall

By The Moscow Times

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Russia's Finance Minister Anton Siluanov and Russia's Central Bank Governor Elvira Nabiullina take their places for a family photo after a meeting of G-20 finance ministers and central bank governors during the IMF-World Bank annual meetings in Washington, Oct. 10, 2014.

Russian Finance Minister Anton Siluanov said Wednesday that his ministry would hold its first foreign exchange deposit auction in early November.

The forex deposit auctions are intended to address a shortage of dollars and euros among Russian banks and companies shut out of international capital markets due to Western sanctions over the Ukraine crisis.

"The start will be in early November," Siluanov told reporters. "Not everything at once, but gradually."

Siluanov said his ministry had not yet discussed the volume of foreign currency deposits to be auctioned and did not elaborate on the criteria for banks wishing to participate in the auctions.

Combined with falling oil prices, the shortage of foreign currency among Russian banks and companies has driven the ruble sharply lower against the euro and dollar in recent weeks. The ruble has shed some 20 percent against the dollar this year, including 6.5 percent in the last month alone.

Russia's Central Bank has spent over $13 billion defending the ruble since the start of October. Balance of payments data for the first nine months of the year shows that investment inflows fell to the tune of $125 billion, and even turned negative due to repayments of existing debts outweighing new inflows.

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