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Russian Central Bank Says Western Sanctions Are Disturbing Currency Market

By The Moscow Times

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A chain is seen wrapped around a road sign for parking, with the coat of arms of the Central Bank seen on it, near the headquarters of the bank in central Moscow.

A senior Russian Central Bank official said on Tuesday that Western sanctions limiting Russian banks and companies' access to international capital markets were creating "imbalances" on the currency market that were difficult to resolve.

Igor Dmitriev, head of the bank's monetary policy department, also told the lower house of parliament that the bank would continue to limit ruble liquidity for some time as part of measures to ease pressure on the Russian currency, which is down some 25 percent against the dollar this year.

"The situation with the closure of external markets created imbalances on the foreign

exchange market which cannot be overcome quickly," Dmitriev said.

"The deficit of rouble liquidity is with us for a long time, and this is in many ways a normal phenomenon for any central bank, because precisely a structural deficit allows for the situation to be managed."

Russia's Central Bank said earlier this month that it would limit banking-sector ruble liquidity by temporarily cutting the size of its foreign exchange swap operations and it could alter the terms of its repurchase agreements for the same reason.

Ruble liquidity refers to short-term funds that the Central Bank makes available to the banking sector. Limiting it should lend support to the ruble, by reducing funds available for conversion into foreign currencies.

Dmitriev said that demand for the bank's FX repo operations — which has been relatively limited so far — could increase as companies and banks' external debts fall due.

He added that the situation with ruble liquidity was manageable and that the bank offered enough instruments to meet demand for ruble liquidity.

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