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Major Chinese Bank Halts All Settlements With Russia – Vedomosti

February 07, 2024



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A key Chinese bank used by Russian importers has stopped all settlements with Russia, setting the stage for a "logistics collapse" in the coming weeks, the business daily Vedomosti reported Wednesday, citing anonymous businesspeople and financial consultants familiar with the matter.

Chouzhou Commercial Bank, which became the main transaction channel for Russian importers after the invasion of Ukraine, reportedly notified clients last week that it was terminating relations with all Russian and Belarusian organizations.

With Chinese New Year scheduled for Feb. 10-17, an "almost imminent logistics collapse" will hobble exports to Russia at least until March, one of Vedomosti's sources was quoted as saying.

There is "very little chance" that Russian imports from China would resume after the public holiday, said Pavel Bazhanov, an expert in Chinese law.

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Chouzhou Commercial Bank's transactions stopped across major payment systems, including SWIFT, China's CIPS and Russia's SPFS, one of Vedomosti's sources was quoted as saying.

Legal expert Bazhanov said the Chinese cross-border payment systems PingPong and Xtransfer have also halted settlements.

"Even if the movement of money through national systems isn't visible to the Americans or Europeans, it's all clearly reflected in the reporting that Western counterparts may demand from the bank," another source was quoted as saying.

Russia's Central Bank, the People's Bank of China and Chouzhou did not respond to requests for comment, according to Vedomosti.

Later on Wednesday, the Kremlin acknowledged that Russian companies were having problems with Chinese banks.

"We have a close dialogue with our Chinese friends and, of course, we will solve all the problems that arise," Kremlin spokesman Dmitry Peskov told reporters in a briefing call Wednesday.

In December, Washington threatened to cut off access to its financial system for foreign banks linked to companies that support Russia's defense industry.

Beijing has not joined Western sanctions against Russia in response to its invasion of Ukraine, and some of the country's largest banks meanwhile have extended billions of dollars worth of credit to Russia since the start of the war.

China has, nevertheless, largely complied with Western sanctions.

AFP contributed reporting.

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