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Bank of China Halts Payments With Sanctioned Russian Lenders – Kommersant

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A woman walks outside a Bank of China branch in Beijing. **Wu Hao / EPA / TASS**

The Russian division of the Bank of China has suspended operations with Russian lenders sanctioned by the United States in order to avoid being hit with secondary sanctions, the Kommersant business newspaper reported Monday, citing industry insiders.

The Bank of China's Russian division — which specializes in yuan payments between Russia and China — is the second-largest Chinese banking subsidiary in the country with 592.4 billion rubles ($6.7 billion) in assets as of spring 2024, according to Kommersant.

Experts who spoke to the newspaper said the lender's decision to suspend payments with sanctioned local banks would likely increase fraud risks given the subsequent shift to opaque intermediaries to process payments between Russian and Chinese entities.

"This is not very good news for the Russian market," an anonymous industry insider was

quoted as saying by Kommersant. “There will be additional costs both in time and the price of processing payments.”

“But the most important problem is that payments go beyond the banking sector, resulting in the state having less control,” the source added.

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Kommersant’s report comes two weeks after the U.S. widened sanctions against Russia to include targeting foreign financial institutions that continue to do business with any individuals or entities sanctioned by Washington.

The Bank of China did not respond to a request for comment, the newspaper said.

Reuters reported last week that an alternative payment channel for business between China and Russia was set up after President Vladimir Putin visited Beijing in May.

According to that report, the new payment scheme involves smaller regional banks located near the Russian-Chinese border. The workaround will allow Moscow to “fly below the U.S. sanctions radar” for a time, Reuters said, as the U.S. Treasury Department reportedly works to target smaller banks that help the Russian military.

China has become Russia’s most important economic partner since the Kremlin launched its full-scale invasion of Ukraine in February 2022, with trade surging between the two countries.

The Chinese yuan is now used to settle more than a third of all Russian exports, up from 0.4% before the full-scale invasion, according to Russia’s Central Bank.

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