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Sanctioned Russian 'Defense Bank' Promsvyazbank to Launch Cross-Border Trade Transfers

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Sergei Kiselev / Moskva News Agency

Russian state-controlled "defense bank" Promsvyazbank has announced the launch of a service of cross-border settlements for international trade contracts with any country, the Vedomosti and Kommersant business dailies reported.

As followed closely by bne IntelliNews, many Chinese and Turkish banks have cut ties with their Russian counterparts since the so-called strangulation sanctions introduced by the Office of Foreign Assets Control (OFAC) in December.

Nearly one in four Russian exporting companies experience difficulties with foreign settlements and the government is experimenting with settling international trade with cryptocurrencies.

While details and payment mechanisms set up by PSB are not disclosed, the cross-border

settlement service will reportedly be implemented through a company specially created by the bank.

However, it is not clear in what capacity PSB wants to participate in cross-border settlements, given that it is one of the most sanctioned Russian banks officially servicing the Russian military-industrial complex.

Some of the analysts surveyed by Kommersant believe that PSB's project could be based on cryptocurrency and blockchain. They also assume that the new entity set up by PSB could be unaffiliated with the bank and be registered outside Russia to avoid sanctions.

PSB is a systemically important bank, and at the beginning of February 2022 was the seventh-largest Russian bank in terms of capital.

Formerly owned by bankers Dmitri and Alexei Ananyev, it was one of the largest private banks bailed out by the CBR in 2017. In 2019 it had all its toxic assets removed. The Finance Ministry turned the post-clean-up PSB into a state-controlled "defense bank" exclusively servicing the military and industrial complex and shielding the rest of the banking sector from possible Western sanctions.

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