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Russia Using Crypto in Chinese and Indian Oil Trade – Reuters

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Art Rachen / unsplash

Russia is using cryptocurrencies in its oil trade with China and India to dodge Western sanctions, Reuters reported Friday, citing four sources with direct knowledge of the matter.

Russia passed crypto mining legislation in August 2024, ending years of regulatory limbo. The country has reportedly tested cross-border crypto payments as it seeks an alternative to the U.S. dollar to settle international trade deals.

After initially rejecting the idea of cryptocurrencies, the famously conservative Russian Central Bank eventually softened its stance on the potential use of cryptocurrency as a recognized means of payment.

This month, the Central Bank launched an experimental legal framework that would allow "highly qualified" investors to trade cryptocurrencies but stopped short of recognizing cryptocurrency as legal tender.

Reuters' report is the first to suggest that Russia is using crypto for oil trade.

Unspecified Russian oil companies are using bitcoin, ether and stablecoins such as Tether to "smooth the conversion of Chinese yuan and Indian rupees to Russian rubles," Reuters said, citing its anonymous sources.

While transactions supported by crypto are still a small part of Russia's overall oil trade, they are reportedly growing.

Reuters noted that Iran and Venezuela are already allegedly using cryptocurrencies to avoid using the U.S. dollar for energy transactions.

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One Russian trader's crypto transactions with China could amount to "tens of millions of dollars per month," a Reuters source familiar with the trader's operations said.

"In an example of how the trade works, a Chinese buyer of Russian oil pays a trading company acting as a middleman in yuan into an offshore account," Reuters' sources said, adding that "the middleman converts this into crypto and transfers it to another account and from there, it is sent to a third account in Russia and converted to rubles."

Russia has been increasingly hard-hit by tough U.S. sanctions that have affected trade and caused partners from Turkish and Chinese banks to pull out of Russia in 2024 due to fears of being hit by secondary sanctions.

The Kremlin has been hunting for alternative payment means, but even the switch to the Chinese yuan has proven inadequate. The Central Bank acknowledged last year that sanctions-related payment delays had become a significant challenge for the economy.

This week, U.S. President Donald Trump allowed the expiration of the U.S. Treasury Office of Foreign Assets Control (OFAC) General License 8L, which previously permitted foreign companies to process payments for Russian energy resources through sanctioned Russian banks.

Depending on further sanction developments this could further complicate settlements for Russian energy trade and increase demand for alternative methods such as cryptocurrencies.

At last year's BRICS summit in Kazan, President Vladimir Putin featured a new BRICS Pay digital currency that could be used to settle commodities trades among members of the economic alliance. However, analysts say the appearance of the cryptocurrency is still several years away.

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