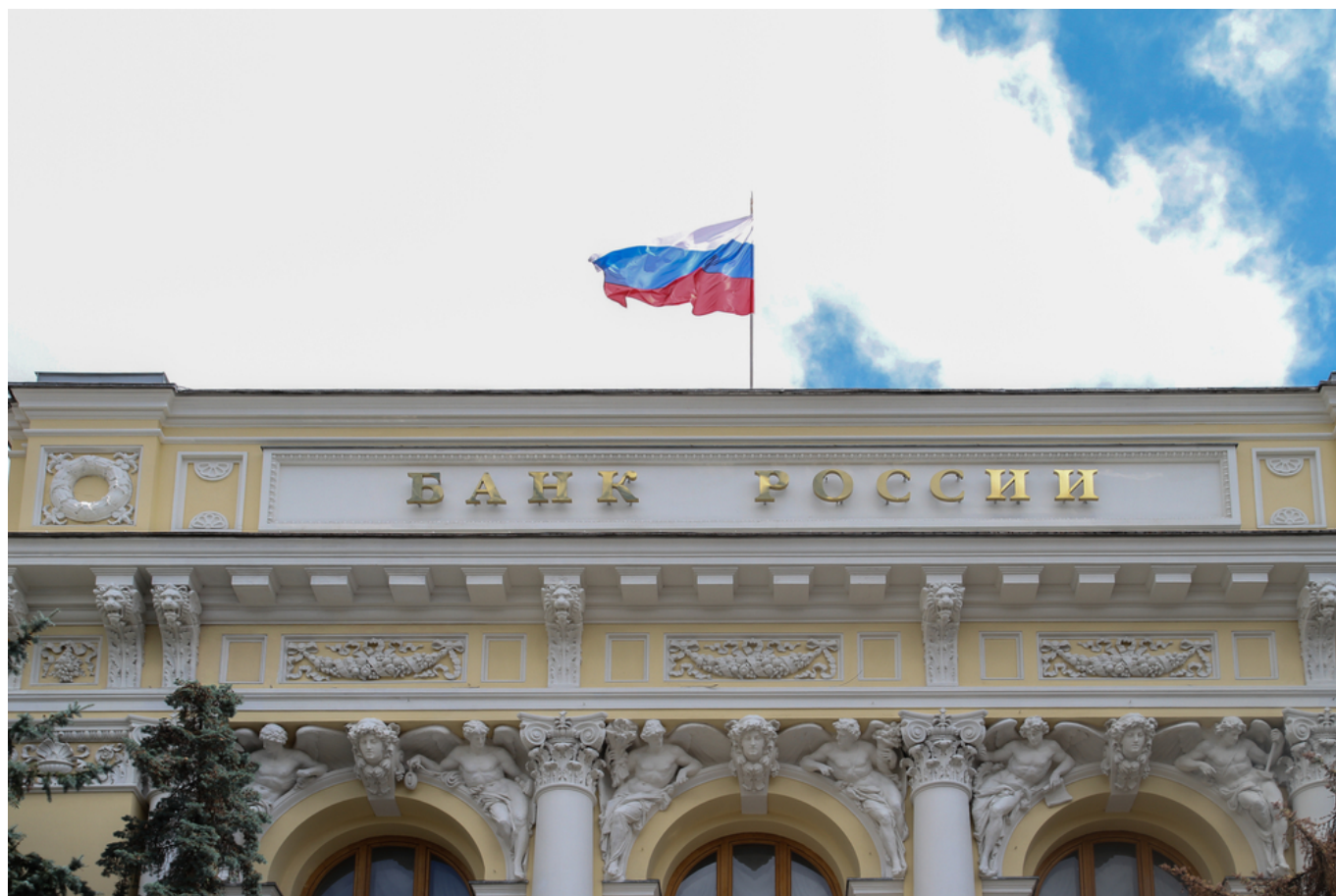




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The digital ruble - a means of control, but also capital redistribution



Russia announced the successful pilot release of the digital ruble on August 15. According to the announcement, as the initial step, it will start selectively within the limited group of several Russian banks, including significant ones.

Since everything in Russia is covered in myths and lies, no one knows the actual state of affairs related to Russia's readiness to release or initiate something like digital currency.

Russian attempt to release digital currency could fail initially, but this would definitely be hidden from the public, just as Russia has been hiding all other failures. Even if Russia fails during its first attempt, Russia seems dedicated to deploying digital rubles.

The digital ruble initiative, just like anything else introduced by the Russian government or the Russian leading stakeholders such as the Central Bank, has several parallel objectives.

As a standard those objectives are:

- A leverage of one Russian clan over the other rival clan(s) within the Kremlin's hallways or among various Russian interest groups, the so-called Kremlin towers, which are at constant friction and confrontations, sometimes even bloody.
- An instrument that would enable the Kremlin to gain more control. This is significant because this is regularly the principal legend presented to the Kremlin and a guarantee that the Kremlin would like and support the initiative. The Kremlin and Putin need to see that this initiative would help gain more control over Russia and the Russian people.
- A populist and fake legend that would enable the Russian propaganda lackeys to sell this initiative to the Russian public as a significant achievement of the Russian Federation and Vladimir Putin's brilliant leadership.

A war between

favoured bankers

A personal vendetta against the head of Sberbank, Herman Gref, was probably the main reason Elvira Nabiullina, the Russian Central Bank governor, has been lobbying for the initiative related to the Russian digital ruble.

Elvira Nabiullina has long been in mortal combat with Herman Gref and the Sberbank he is runs. This clash of the Russian financial titans has been ongoing for years.

Herman Gref, the CEO of Sberbank, even though initially from Putin's team, unlike most people elevated by Putin to the federal government from the mayor's office of Saint Petersburg, is among very few who have demonstrated characteristics of brilliant management skills, which are not typical for the most people from the Putin's team.

Under Gref's management, Sberbank has transformed into an advanced and digitalised bank, something which other Russian state-controlled entities have not demonstrated.

Rosneft and Gazprom, also managed by 2 of Putin's sidekicks brought from Saint Petersburg, are perfect examples of the inefficiency and corruption of Putin's team.

Because of Sberbank's magnitude and involvement in the Russian economy (this bank holds nearly 50% of the market share), Sberbank is more than just a bank in Russia. Sberbank is like a grand bank for all Russian people, particularly those subsidised by the Russian government.

Russian people have confidence in Sberbank. Most of them have a bank account with this Russian bank. Russian pensioners trust Sberbank, and many, even today, call this bank Sberkassa, a Soviet name for Sberbank.

Because of Sberbank's issuance of numerous credit cards (at one point, it even sabotaged the Central Bank Faster Payments System SBP), it was satisfied with its own in-house remittances between Sberbank users and not

in a hurry to begin offering outside (SPBs) service to its clients.

The Faster Payments System (SBP) was a significant project by the Central Bank's subsidiary – the National Payment Card System JSC – and Sberbank's reluctance to join or sell SPB was a painful blow to the Central Bank.

Privileges for the Central Bank

Gref and his Sberbank are too large and efficient for Nabiullina to digest and subvert. In a way, Sberbank is more than just a bank in Russia; it is a financial instrument of the Kremlin that enables it to impact the Russian economy and to take care of the Kremlin's main base – those in Russia who depend on government salaries and pensions.

Elvira Nabiullina was happy to assist with the digital ruble, which amongst other things, would move some financial services currently provided by Sberbank into the area of responsibility of the Central Bank.

According to the announcement, only the Central Bank will maintain the Russian digital ruble. No Russian bank will get a hold of the issue and maintenance of the Russian digital ruble.

We can soon expect the digitalisation of some bank transactions, including governmental payments and compensations, for example, the provision of pensions.

This will move payments from Sberbank to the Central Bank and provide more influence to the Central Bank and automatically reduce the exposure and influence of Herman Gref and Sberbank.

The Kremlin wants to control the outflow of capital

The ongoing war between Gref and Nabiullina could explain why Sberbank has not been

included in a trial pilot project to test the digital ruble, in spite of the fact that other significant Russian banks such as Alfa Bank, VTB, Gazprombank, Promsvyazbank and Sovcombank are among 14 chosen banks to test the digital ruble.

At a time when the Kremlin is struggling to control capital outflow from Russia and when the skyrocketing Ruble-USD exchange rate is already causing uncertainty in Russian business circles and the financial market, convincing gerontocrats and hawks within the Kremlin of the necessity of releasing the digital ruble was undoubtedly not too difficult.

The Kremlin needs to calm the Russian business elite down and find a way to restrict speculative hard currency exchange transactions by Russian traders and banks.

Additionally, the Kremlin needs to further restrict unauthorised capital outflow from Russia.

No one should doubt that the Kremlin clearly understands that instead of controlling all banks in Russia, it is much easier to control just one entity – the Central Bank.

The Central Bank will be responsible for the Russian digital ruble and all transactions with the Russian digital ruble. All the Kremlin needs to do next is to define which transactions and operations are to be performed in the country using only the Russian digital ruble.

For example, this could cover speculative buy/sell transactions related to USD, EUR and other hard currencies.

The Kremlin wants more loyalty

The introduction of the Russian digital ruble could be regarded as more feasible for Putin and the Kremlin, who enjoy obstructing, prohibiting, and imposing strict and repressive initiatives and restrictions on the Russian people. This is because it is becoming increasingly difficult for the Kremlin to maintain the required level of loyalty from the

stakeholders of Russian banks.

Therefore, it is much easier and safer for the Kremlin to deprive Russian banks of any possibility of violating the Kremlin's injunctions and regulations instead of monitoring and controlling all Russian banks, all account holders and even tax officers who always leave room for the well-known Russian corruption.

However, the desire of the Kremlin to use the Russian digital ruble as an additional mechanism for limiting some activities in the Russian financial market is just the tip of the iceberg.

In reality, the Kremlin already has instruments to control everything in Russia, even though those instruments are more difficult to implement than transactions with the digital ruble.

Even today, the Russian clearing house and its branches are controlled by the Central Bank. All Russian banks notify tax authorities of new bank accounts, while the Central Bank already monitors all payments and transfers in the country.

Apart from the Central Bank, even tax authorities could block and freeze any or all bank accounts in Russia almost instantly. No court order is required.

Therefore, the Kremlin needs the Russian digital ruble not just to monitor and control everything related to the movement of Russian currency (and foreign as well) in Russia.

Knowing how Putin and the people around him are thinking, one must look for direct benefits of the Russian digital ruble for Putin and those around him.

Means of deprivatisation

Putin will not do anything unless he sees lucrative opportunities for himself and those close to him because he is no different from his other corrupt team members obsessed

with embezzlement.

Putin could use the Russian digital ruble possibly to orchestrate indirect deprivatisation in the near future.

Wealthy Russians could be an additional target of the rage and grievances of the unfortunate Russian majority.

The framework for that very feasible deprivatisation organised by Putin could be relatively simple.

First, the Russian government could spin some attractive and fake stories on why the digital ruble is excellent and how it detached from the dollar and other Western currencies hostile to Russia.

The Russian government could say that the Russian digital ruble is safe and supported by the value of Russian natural resources. The Russian patriotic majority, particularly those sharing communist and nationalist views, would love the idea of the Russian currency supported by Russian natural resources.

To tie up the Russian digital ruble to Russian natural resources, the Kremlin could impose legislation that would commence tokenisation using the Russian digital ruble of all significant Russian oil/gas and metallurgy companies, most of which are now privately owned by the Russian oligarchs.

After the tokenisation is complete, most, if not all, Russian oligarchs would become nominal owners of their assets because tokens would be stored at the Central Bank's digital infrastructure.

The actual owner of those Russian companies would be the one who controls the Russian digital ruble and the tokens used to denominate the value of Russian companies.

Redistribution of capital

Of course, one can say that Russian oligarchs are now the nominal owners of their assets.

This is generally true. But first, Putin does not enjoy complete control of all Russian assets yet.

And secondly, Putin loves processes and procedures which legitimise his crimes because he was always preoccupied with making his crimes appear legitimate from the Russian legislative standpoint.

Putin wants to be the legitimate owner of Russia, and he has been rapidly moving in that direction. He knows well that he needs legal cover to seize the assets from the Russian oligarchs in a sophisticated manner which would also greatly please the Russian majority as his main base.

No matter what Russian propaganda claims about the Russian digital ruble, the core purpose of this initiative is to seize control over the economy and redistribute capital and ownership among those close to Putin.

Apart from obscurantist and superstitious notions that everything digital has been imposed by Satanists, the Russian digital ruble would have no effect on the most vulnerable and devoted base of pensioners and federal employees.

Moreover, the Russian digital ruble could be a financial instrument similar to the American food stamp and used similarly by Russian pensioners and impoverished people, enabling them to buy some basic food supplies at fixed prices.

However, Russians who have savings and assets should be on alert. The Russian digital ruble would deprive them of their money and property so that the Kremlin would have more capital to finance the war.

This is most definitely the main reason why the Kremlin agreed to allow Elvira Nabiullina to push aside Herman Gref.

The Kremlin is becoming frustrated and paranoid. It urgently needs money to seize more control over the Russian collapsing economy.

It needs the money not to fix the economy, but to deprive Russian people of freedom, to squeeze out money and assets from the wealthy as much as it can and use that money to finance the war because the outcome of that war directly intertwines with the survival of Putin and those corrupt hardheads around him.