

The Kremlin attempts to take control of Russia's cryptocurrency market

Iwona Wiśniewska

The Russian authorities are working on draft legislation to comprehensively regulate the domestic cryptocurrency market. The bill, originally expected to enter into force on 1 July 2026, is awaiting its second reading in the State Duma and will most likely take effect this autumn. The delay stems from ongoing disputes over the detailed rules governing the trading of these assets within Russia and their use in cross-border settlements.

The draft legislation reflects the government's intention to establish control over Russia's rapidly expanding, highly decentralised and largely anonymous digital asset market. At the same time, the Kremlin is allowing Russian entities considerable freedom to use cryptocurrencies for cross-border trade settlements, thereby supporting their efforts to circumvent Western financial sanctions.

The process of regulating Russia's cryptocurrency market

For more than five years, the Kremlin has sought to establish a legal framework for the digital asset market. However, until now, the rapid growth in the adoption of cryptocurrencies has largely taken place beyond the state's control. The 2020 Law on Digital Financial Assets and Digital Currency merely defined cryptocurrencies and recognised them as transferable property rights, thereby permitting their purchase, sale and mining. At the same time, it prohibited their advertising and use as a means of payment in Russia. To date, the only area the Russian government has successfully regulated is cryptocurrency mining. In 2024, it introduced a register of miners, established rules governing access to the electricity required for mining operations and set out the tax regime for the sector.

In addition, in 2024 the Central Bank of Russia (CBR), under the so-called experimental legal regime established in 2020, authorised selected participants in Russia's foreign trade, including major exporting companies and banks, to settle transactions with counterparties in third countries using cryptocurrencies.

The draft law 'On Digital Currency and Digital Rights', currently under consideration in parliament, is intended to regulate areas that have so far remained outside the scope of existing legislation, primarily cryptocurrency trading. The bill passed its first reading in the State Duma in April 2026, but numerous amendments were subsequently proposed, slowing its progress through parliament. The Russian government still expects to complete the legislative process during the spring parliamentary session, which ends on 21 July, allowing

the law to enter into force in the autumn of 2026.

An attempt to establish control over the domestic market

The draft law, prepared by the CBR in consultation with the government, takes a highly restrictive approach to the use of cryptocurrencies in the domestic market. The CBR is seeking to establish almost complete control over this sector. Under the proposed legislation, licensed entities would be authorised to maintain records of digital assets (acting as digital custodians), operate cryptocurrency trading platforms, exchange cryptocurrencies for fiat currencies (those backed by trust in their issuer, typically a national central bank, such as the rouble, the US dollar or the Chinese yuan) and process cross-border cryptocurrency settlements on behalf of clients. In practice, digital assets could be held in Russia only through licensed custodians, such as banks or brokers, which would manage the private keys required to access those assets. The new infrastructure is modelled on the securities market, where an intermediary always stands between the investor and the assets. Parliament is also debating whether to allow at least some digital assets to be held in private, non-custodial wallets, which give users direct control over their private keys and funds, as requested by investors. The CBR is open to this arrangement, provided that the assets are held outside Russia and without using its financial infrastructure, such as domestic bank accounts. However, it remains unclear how this provision will be applied in practice – this will be determined by the implementing regulations.

The CBR is set to effectively become the principal regulator of the cryptocurrency market. Its responsibilities will include maintaining registers of licensed entities, deciding on their registration and deregistration, setting regulatory requirements for market participants and monitoring compliance. However, the scope of the CBR's powers has sparked considerable controversy, particularly as many key aspects of the regulatory framework, such as the list of cryptocurrencies permitted for organised trading and the maximum purchase limits for non-qualified investors, will be determined not by the primary legislation but by the implementing regulations to be drafted by the CBR in the coming months. Cryptocurrency mining will be the only segment to remain outside the CBR's remit. The Federal Tax Service will retain oversight of this area and continue to maintain the register of cryptocurrency miners and mining infrastructure operators.

The new legislation will also maintain the ban on using digital currencies to pay for goods, works and services within Russia. At the same time, it will legalise their use in cross-border settlements. The authorisation to settle cross-border transactions using cryptocurrencies, currently limited to a narrow group of entities, will be extended to all participants in Russia's foreign trade.

Russia's cryptocurrency market and its development

Several factors have driven the growing adoption of cryptocurrencies in Russia, most notably low public trust in the state, Western financial sanctions and the Kremlin's aggressive policy towards the West.

Russia's weak protection of property rights and low levels of trust in state institutions and banks have fuelled the growing adoption of cryptocurrencies among private individuals, who have been actively purchasing them for a decade. The Russian Ministry of Finance estimates the number of cryptocurrency holders at around 20 million people, or nearly 15% of the country's population. Consequently, cryptocurrencies have become an important means of holding wealth outside the Kremlin's jurisdiction.

The use of cryptocurrencies increased markedly in 2022, after the West imposed sweeping financial sanctions on Russia in response to its full-scale invasion of Ukraine. These restrictions significantly curtailed the ability of Russian entities to conduct cross-border financial transactions using conventional financial channels. Cryptocurrencies, by contrast, reduced the need to rely on Western financial intermediaries – including SWIFT (the international interbank messaging system), and correspondent banks – when settling transactions with counterparties in third countries. As a result, both the volume and the value of cryptocurrency-based financial transactions increased significantly. New mechanisms emerged outside the existing legal framework to facilitate transactions for Russia's largest exporters and importers. This prompted the government to become actively involved in developing the sector and establishing a comprehensive regulatory framework for it. Consequently, in 2024 selected entities were authorised to use cryptocurrencies for settlements with foreign counterparties. The government now plans to extend this arrangement to all participants in Russia's foreign trade through the draft law currently under consideration in parliament.

At the same time, digital assets have become an important tool for the Kremlin's hostile actions against the West. Even before the full-scale invasion of Ukraine, Russia's security services had begun using cryptocurrencies to finance operations abroad, including intelligence activities, contract killings and acts of sabotage. For example, Smart and TGR, two companies registered in Moscow City, Moscow's main business district, were involved in one of the world's largest illicit schemes for exchanging cryptocurrencies into fiat currencies, which was [dismantled in 2024 by UK authorities in cooperation with international partners](#). This network facilitated transactions worth billions of dollars, including those used to circumvent sanctions, finance espionage operations and launder proceeds from drug and arms trafficking. For years, Moscow City has effectively functioned as a hub for cryptocurrency transactions in Russia and for unofficial cross-border payments. These activities have largely taken place under the patronage of the Federal Security Service (FSB), which regularly monitors the companies based there and has full knowledge of their operations.

As a result of these developments, Russia ranked 10th globally in [the 2025 Global Crypto Adoption Index compiled by Chainalysis](#). The total value of cryptocurrency transactions in Russia reached [\\$376 billion](#) between July 2024 and June 2025, representing a year-on-year increase of 50% and placing Russia first among European countries. This growth was driven primarily by large-value transactions exceeding \$10 million, which surged by more than 85%, and by decentralised finance (DeFi) services based on blockchain technology, which enable counterparties to conduct transactions directly, eliminating the need for intermediaries. The use of DeFi services soared eightfold last year.

Official Russian figures are considerably lower. In February 2026, the Russian Ministry of Finance estimated daily cryptocurrency turnover in Russia at approximately 50 billion roubles (around \$650 million), implying an annual volume of more than \$200 billion. The vast majority of this trading took place on foreign platforms.

According to the CBR's estimates, bitcoin accounts for the largest share of assets held in Russians' digital wallets, reflecting the country's prominent role in mining this cryptocurrency. In 2025, Russia ranked second globally, behind the United States, in bitcoin mining. Since 2018, it has consistently ranked among the world's leading cryptocurrency miners.

Over the past two years, stablecoins have increasingly been used for cross-border settlements. These cryptocurrencies maintain a stable value by being pegged to reserve assets, such as fiat currencies or gold. Among the most widely used is Tether (USDT), a token pegged to the US dollar. Since 2025, the first rouble-pegged token, A7A5, has steadily gained traction. It is issued in Kyrgyzstan by a Russian company co-owned by the state-owned Promsvyazbank, which primarily serves Russia's defence sector. By early 2026, within a year of its initial issuance, its trading volume had exceeded \$120 billion, equivalent to around 15% of the total value of Russia's foreign trade.

An uncertain future for Russia's cryptocurrency market

The draft cryptocurrency law currently under consideration represents an attempt to regulate a market that has been developing outside the Kremlin's jurisdiction for years. It is intended to enable the CBR to establish control over domestic cryptocurrency operations while leaving considerable scope for the use of cryptocurrencies in cross-border settlements.

The Kremlin's objective is to replace the existing decentralised and largely anonymous settlement model with a fully controlled, multi-layered and transparent system. It is still too early to assess how successful this effort will be. The text of the primary legislation and its implementing regulations, which will largely shape its practical application, have yet to be finalised. However, given the experience accumulated by Russian investors over the years and the widespread use of highly anonymous instruments such as DeFi, some entities are likely to remain outside the Russian regulatory framework by continuing to operate on foreign platforms.

Another serious obstacle facing the Kremlin lies in reconciling the introduction of a transparent system based on fully registered digital assets with the need to shield them from Western sanctions. Identifying digital assets as being linked to Russia could expose them to restrictive measures. There is also a risk that excessive regulation of the Russian cryptocurrency market could hamper its further development.