



RESEARCH ARTICLE

The Impact of the New Economic Sanctions of the Collective West Countries on the Russian Banking Sector

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ARTICLE INFO	ABSTRACT
Received: May 23, 2024 Accepted: Jun 20, 2024 Keywords Russia banking sector Economic sanctions Western countries The Ukrainian conflict SWIFT	The article examines the new sanctions of the countries of the collective West against the banking sectors of Russia, the impact of sanctions on banks and clients of banks in Russia, as well as measures of support for the banking sector by the Russian government under sanctions pressure. New restrictions and sanctions were introduced against the Russian banking sector in 2022, which are many times greater in scale than the sanctions imposed in 2014 and subsequent years. The measures themselves were also unprecedentedly harsh. Since the sanctions were imposed, many foreign banks have simply stopped cooperating and closed correspondent accounts of Russian banks. Most often, this behavior is not due to legal restrictions, but is more related to concerns about the imposition of fines and other measures of influence. Banks' concerns are understandable: there are already precedents for bringing to justice violations of sanctions regimes. Russian clients also face difficulties in passing the compliance procedures of foreign banks. So, when making payments through correspondent accounts, such banks request additional information confirming that the operation does not fall under sanctions restrictions, while often indicating a fairly short time for execution, and if they are violated, they simply "deploy" the operation. Such restrictions entail a serious risk of violation by the parties of their obligations, delays in payment and non-fulfillment of contracts.
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INTRODUCTION

To begin with, let's give some general information about the sanctions to illustrate the restrictions that apply to Russia. In addition to the fact that sanctions against Russia were imposed by the United States, Canada, the European Union, Australia, New Zealand, some countries, and international organizations have tacitly joined the sanctions requirements and restrictions. For example, after the introduction of anti-Russian sanctions, the Bank of Israel instructed the country's domestic banks to check their clients for being included in the EU and US sanctions lists. Israeli banks were also allowed to refuse service to Russian clients subject to sanctions. In addition, Israeli banks require their clients to provide proof of the origin of funds and confirmation of notification to the Russian tax inspectorate about the opening of a foreign account and about movements on it (Kovaleva, Korsacheva, Vasilyev, 2022; Jam et al., 2013).

Without delving into the specifics of each of the legal systems, EU and US sanctions against Russia can be divided into two main groups:

- personal sanctions against Russian citizens and companies, including a ban on transactions, freezing of assets, a ban on actions "bypassing" sanctions, a ban on entry, etc.
- sectoral sanctions against certain sectors of the economy, including a ban on the supply of certain types of equipment, a ban on lending for certain time periods, a ban on investing in securities and related services.

Not only the counterparty himself, but also anyone from his group of persons may be under sanctions. For example, US sanctions apply to persons directly listed on the sanctions list (SDN List), as well as to persons belonging to sanctioned persons by 50% or more (Ataeva, 2022; Rashid et al., 2023). EU sanctions are interpreted even more broadly. Thus, blocking (personal) EU sanctions apply not only to persons directly listed in the sanctions lists, but also to persons controlled by such "toxic" persons. At the same time, control may arise from a variety of relationships between the parties, including the terms of the agreements concluded.

Foreign banks have been most affected by the sanctions, as Russian banks are not directly affected by the sanctions. It is the foreign bank that will not miss the payment and "deploy" the entire operation if, in its opinion, there is any connection with the sanctioned persons or prohibited sectors of the economy. Often, it is easier and safer for a bank to refuse to conduct a transaction, citing mysterious internal procedures and compliance policies, than to understand in detail the applicability of sanctions restrictions to a specific operation.

DISCUSSION

Perhaps the 21st century will present humanity with an alternative: either it will become the century of constructive conflict resolution, or it will be the last century in the history of civilization (Valova, 2021).

In 2021, the Russian economy, having barely recovered from pandemic restrictions faced unprecedented general conflict in international economic relations (sanctions, embargoes, tariff protectionism) (Krupnov, 2021). On March 8, 2022, the Russian Federation became the world leader in the number of sanctions imposed against it. The total number of sanctions is approximately 6,000. At the same time, on March 15, the European Union announced the next, fourth package of restrictions.

Today, the impact of sanctions is felt not only by the banking sector of the Russian Federation, which was targeted by the main package of sanctions, but also by ordinary citizens of Russia who use their services every day (Ryazantsev, Rakhmonov, 2023). Among the first sanctions that the European community wanted to implement were sanctions against Mastercard and Visa, two American payment systems serving customers around the world. If this were possible, the Russian banking system would face very serious economic consequences. After all, more than 67 percent of Russians use these two types of cards. But the implementation of these sanctions is impossible, as on March 27, 2014, Russian President Vladimir Putin made a statement that our country needs to work on its own closed system of bank cards, taking an example from the Asian bank. Immediately after that, on April 25, the State Duma adopts amendments to Federal Law No. 161-FL "On the National Payment System", which prescribes Mastercard and Visa to ensure the smooth operation of their data centers in Russia, and if problems arise, such as a shutdown due to sanctions, inform the Central Bank.

Immediately after the events in Ukraine, which began on February 24, the ruble exchange rate rapidly rolled down. On March 1, 2022, a week after these events, the dollar stood at 93.5589 and the euro 104.4772 at the official exchange rate of the Central Bank of the Russian Federation. The ruble reached its historical minimum by March 11, when the dollar at the official exchange rate of the

Central Bank of the Russian Federation stood at 120.3785, and the euro at 132.9581 (Kanval Polyakova, Kozhanchikova, 2022). Despite the rapid normalization of the exchange rate, such fluctuations of the ruble did not pass unnoticed and without consequences for people. In February, Russians in banks withdrew more than 1.2 trillion rubles from their accounts and deposits, the Central Bank estimated. This was the largest outflow of funds since 2008. At the same time, customers of Russian banks began to have problems withdrawing cash from ATMs: huge queues and empty ATMs. The result of this whole situation was the Central Bank's increase in the key rate to 20 percent, which led to a sharp increase in bank deposit rates. After increasing the key rate, Sberbank, VTB and Gazprombank announced that Russians had deposited more than 3 trillion rubles in a week (Shavaliyeva, 2022).

One of the most serious sanctions strikes against Russian banks was their disconnection from the SWIFT system. SWIFT is the world's largest international financial messaging system that allows for fast and secure data exchanges on money transfers, payments, and securities exchanges via a special SWIFTNET network operating on a similar principle as the Internet. By the end of April 2022, several major Russian banks, including VTB, Otkritie, Novikombank, Prosmvyazbank, Sovcombank, had already been disconnected from the SWIFT system. Disconnection from SWIFT deprived these banks of the operational ability to both send money abroad and receive it from there. Thus, a bank disconnected from SWIFT is unable to fully perform its functions to ensure international banking operations. This applies to both business clients and individuals (Titova, Korkishko, Rybina, 2022).

It should also be borne in mind that even those Russian banks that have not been removed from the SWIFT system have faced several serious difficulties with making transfers abroad. The most important disadvantage, in my opinion, was the increase in the timing of operations and the number of refusals in them. According to Rosbank, the transfer time has increased by a total of five to ten days. At the same time, in case of cancellation or refusal of the transfer by European banks, the explanation of the reason is not disclosed. Such conditions are primarily due to increased control over Russian banks by foreign organizations, which now conduct random checks of transfers in manual mode.

From all the above, it can be concluded that now the Russian banking sector is under severe economic and social sanctions from the European community. Many former partners refuse to work with Russian banks, money transfers between organizations are difficult, and many legal entities and individuals are blocked. All these actions create strong pressure on our banking sector, which will be very difficult for banks to cope with without the help of the state.

RESULTS

The banking sector has become one of the priority goals of the sanctions pressure on the Russian economy (Rakhmonov, 2021). New restrictions and sanctions were introduced against the Russian banking sector in 2022, which are many times greater in scale than the sanctions imposed in 2014 and subsequent years. The measures themselves were also unprecedentedly harsh. For example, some banks have been disconnected from the international interbank information transfer and payment system SWIFT. In addition, the international payment systems Visa and Mastercard have suspended their work in Russia.

As of 05.05.2022, 20 Russian banks were sanctioned: [Shavaliyeva, 2022]

- | | |
|----------------------------|--------------------------------|
| ➤ Sberbank; | ➤ Ural Bank for Reconstruction |
| ➤ Alfa-Bank; | and Development; |
| ➤ Sovcombank; | ➤ SMP Bank; |
| ➤ External Commercial Bank | ➤ Transcapitalbank; |
| (VTB); | ➤ Investtorgbank; |
| ➤ Promsvyazbank; | ➤ Novikombank; |

- | | |
|---------------------|-------------------------------|
| ➤ "Otkrytie"; | ➤ Credit Bank of Moscow; |
| ➤ Gazprombank; | ➤ Industrial Savings Bank; |
| ➤ Rosselkhoznadzor; | ➤ Commercial Savings Bank; |
| ➤ Russia; | ➤ Black Sea Development Bank; |

The sanctions imposed in 2022 against Russian banks can be roughly divided into two categories – sectoral sanctions and blocking ones.

Banks that have fallen under sectoral sanctions face restrictions on attracting financing, working with debt instruments with a maturity of more than 14 days, and placing new issues of shares.

Blocking sanctions are the most severe in nature and aim to isolate sanctioned banks from the international financial market, as well as, if possible, freeze their assets. The source of these sanctions is the SDN list, a special list maintained by OFAC (The Office of Foreign Asset Control), the Office of Foreign Assets Control under the U.S. Department of Defense. OFAC places individuals and legal entities on this list who, in the opinion of the United States, act against US foreign policy and sanctions policy. As mentioned above, the goal is isolation from the international financial market and the US financial system. Since the US economy is quite large within the framework of the international business market, inclusion in this list makes it extremely difficult to participate in international transactions, as well as making settlements in US dollars. This list is regularly published on the website of the U.S. Treasury Department¹. If a bank is included in this list, this also means for it a ban on settlements in dollars with any American counterparties and the freezing of its assets in the United States, a ban on the purchase of foreign shares and currency through brokers and subsidiaries of credit institutions of these banks. It should also be mentioned that after the appearance of a legal entity/individual in the SDN list, it can also be included in similar lists of other Western countries.

In 2022, a total of 9 Russian banks were included in the SDN list²:

- | | |
|------------------|---------------------|
| ➤ Sberbank; | ➤ Sovcombank; |
| ➤ VTB; | ➤ Novikombank; |
| ➤ Alfa-Bank; | ➤ Transcapitalbank; |
| ➤ Promsvyazbank; | ➤ Investtorgbank. |
| ➤ "Otkrytie"; | |

In addition, a number of banks have been disconnected from the SWIFT system. The purpose of disconnecting from the system is to limit the access of Russian banks to instant and uninterrupted transactions provided by SWIFT. As a result, banks have to deal with each other directly, which leads to delays, increased transaction costs, which ultimately reduces revenues. It should be noted that under the influence of the sanctions of 2014, the Bank of Russia developed and implemented a national system for the transmission of financial messages – SPFS, which allowed to mitigate the effect of disabling SWIFT for transactions conducted within the country.

The following banks have been disconnected from the SWIFT system³:

- | | |
|--------|-----------------|
| ➤ VTB; | ➤ Bank Rossiya; |
|--------|-----------------|

¹ United States Department of the Treasury official website [Electronic resource] Available at: <https://home.treasury.gov/> (Accessed: 08.05.2022).

² Specially Designated Nationals and Blocked Persons List 9 May 2022 [Electronic resource] Available at: <https://www.treasury.gov/ofac/downloads/sdnlist.pdf> (Accessed: 10.05.2022).

³ Specially Designated Nationals and Blocked Persons List 9 May 2022 [Electronic resource] Available at: <https://www.treasury.gov/ofac/downloads/sdnlist.pdf> (Accessed: 10.05.2022).

- | | |
|---|---|
| <ul style="list-style-type: none"> ➤ Promsvyazbank; ➤ "Otkrytie"; | <ul style="list-style-type: none"> ➤ Sovcombank; ➤ Novikombank. |
|---|---|

In addition to the sanctions pressure, internal and macroeconomic factors had a negative impact on the financial sector. So, in February 2022, there was a sharp collapse in the ruble exchange rate, an increase in inflation, a reduction in bank liquidity, as well as an increase in the outflow of funds from bank current and term accounts.

To prevent panic withdrawals from accounts, uncontrolled price increases, and protection of bank deposits, the Bank of Russia decided on February 28, 2022, to raise the key rate to 20% per annum (Kovaleva, Korsacheva, Vasilyev, 2022).

As a result, deposit rates showed record growth, which made it possible to stop panic withdrawals and resume their inflow to term ruble deposits, as well as stabilize the demand for cash. In addition, lending by commercial banks has almost completely stopped, as there has been a significant increase in loan rates, stricter requirements for borrowers and credit conditions in general.

According to the Central Bank of the Russian Federation, economic activity has deteriorated significantly, and many enterprises have encountered difficulties in production and logistics. In this regard, the Bank of Russia forecasts a decline in GDP in the coming quarters. The most pronounced are inflationary risks. Annual inflation is expected to be around 20% in 2022. At the same time, the Bank of Russia expresses the hope that by 2024 inflation will return to 4% per annum (tab. 1).

In addition, the Bank of Russia has taken several other measures to support the banking sector and the economy, namely⁴:

- Continuous provision of cash and non-cash liquidity by the Bank of Russia to the banking sector;
- Conducting currency interventions. It is worth noting that this tool is limited in efficiency and volume, since the foreign assets of the Bank of Russia were frozen. Nevertheless, the government's decision to introduce the mandatory sale of 80% of export earnings had a positive impact on the stabilization of the foreign exchange market;
- Banks have the right not to overestimate their investments in securities, as well as foreign currency assets and liabilities in order to calculate mandatory standards;
- It was recommended to restructure loans, not to impose penalties and fines. Also, banks have the right not to worsen the assessment of the financial situation of borrowers and the quality of debt service and others.

Then, on April 29, 2022, the key rate was lowered to 14%, which indicates the stabilization of the banking sector and the economic situation (Aidiev, 2022). Although economic conditions remain extremely difficult and unfavorable, the risks of financial and price stability have stopped increasing. Also, at the same time, the government's decision to transfer payments for gas in rubles had a positive effect on the ruble exchange rate and contributed to its strengthening, which reduced the rate of price growth.

In general, for a more detailed view of the possible direction of economic movement, you can refer to Table 1.

⁴ Statement by the Chairman of the Bank of Russia Elvira Nabiullina following the meeting of the Board of Directors of the Bank of Russia on February 28, 2022 [Electronic resource] Available at: <http://www.cbr.ru/press/event/?id=12729> (Accessed: 08.05.2022).

Table 1: Medium-term forecast of the Bank of Russia⁵

Indicator (increase in% compared to the previous year, unless otherwise indicated)	2021	2022	2023	2024
Inflation, in %, December to December of the previous year	8,4	18,0-23,0	5,0-7,0	4,0
Inflation, on average for the year, in% compared to the previous year	6,7	18,2-20,9	6,8-10,4	4,1-4,6
The key rate, on average for the year, in % per annum	5,7	12,5-14,0	9,0-11,0	6,0-8,0
Gross domestic product	4,7	-(8,0-10,0)	-(3,0)-0,0	2,5-3,5
- in %, IV quarter to IV quarter of the previous year	5,0	-(12,5-16,5)	4,0-5,5	1,0-2,0
Final consumption costs	7,2	-(5,5-7,5)	-(1,5-4,5)	2,0-3,0
- households	9,5	-(8,5-10,5)	-(2,0-5,0)	3,0-4,0
Gross accumulation	8,9	-(30,5-34,5)	11,5-15,5	5,5-7,5
- fixed capital	6,8	-(16,0-20,0)	0,5-4,5	3,0-5,0
Export	3,5	-(17,0-21,0)	-(4,0-8,0)	-(1,0)-1,0
Import	16,9	-(32,5-36,5)	-(2,5)-1,5	2,0-4,0
Money supply in the national definition	13,0	5-10	9-14	8-13
Requirements of the banking system for the economy in rubles and foreign currency	13,9	-(1)-4	8-13	9-14
- to organizations	10,7	0-5	9-14	8-13
- to the population, including	22,0	(-4)-1	7-12	13-18
Residential mortgage loans	26,7	10-15	10-15	10-15

According to the latest estimates of the Bank of Russia, annual inflation as of April 22, 2022 amounted to 17.6%⁶. According to the baseline scenario, annual inflation is expected to rise to 18-23% in 2022, followed by a decrease to 5-7% per annum in 2023 and to 4% in 2024.

Along with the decrease in the key rate, deposit rates began to decrease, however, commercial banks still adhere to strict lending conditions. It is also expected that in 2022 the key rate will drop to 11.7%.

As for GDP, according to the forecasts of the Bank of Russia, the decline in 2022 will be about 8-10%, which is an extremely significant reduction, considering that during the pandemic GDP decreased by

⁵ Mid-term Economic Review of the Bank of Russia 2022-2024 [Electronic resource] Available at: http://www.cbr.ru/Collection/Collection/File/40964/forecast_220429.pdf (Accessed: 08.05.2022).

⁶ Press release of the Bank of Russia [Electronic resource] Available at: http://www.cbr.ru/press/pr/?file=29042022_133000Key.htm (Accessed: 08.05.2022).

only 2.6%. It is expected that by 2023 the Russian economy will be able to move to a gradual recovery because of structural adjustment, followed by growth in 2024 in the range of 2.5 to 3.5% (tab. 1).

If we consider the dynamics of economic activity, there has been a decrease in business and consumer activity. Although consumer demand increased at first, due to panic and expectations of a shortage of some goods, then it decreased, and the population began to show an increased propensity to save. Thus, in 2022, final consumption expenditures among households are projected to fall by 8.5-10.5%, while this indicator is expected to grow only in 2024.

The sanctions have significantly affected exports and imports of the Russian Federation, thereby causing a significant reduction in these indicators. So, in 2022, exports have already fallen by 17-21%, while imports decreased by 32.5-36.5% (Shevtsova, 2022). As noted earlier, this is due to the termination of trade relations with Russia by Western countries, a ban on the export of certain goods and raw materials to Russia, difficulties with logistics and payments, as well as the imposition of an embargo on imports from Russia of energy resources and some other categories, while Russia has also imposed retaliatory restrictive measures. Attention should be paid to the gap between the rate of decline in exports and imports – exports are declining more slowly than imports, which, in general, is a positive factor.

When considering the requirements of the banking system for the economy, it is possible to unambiguously conclude that credit activity has decreased. The most significant reduction occurred in the field of consumer lending. So, if in 2021 this category showed an increase of 21%, then in 2022 there will be a decrease of 4%. The increase in requirements for legal entities and mortgage loans decreased by about 2 times compared to 2021 (Shevtsova, 2022).

In April 2022, the Bank of Russia published statistics for March 2022 on the banking sector, which makes it possible to consider the impact of sanctions in the short term⁷. In general, not enough time has passed for them to affect the performance of banks. So, if there was a significant shock in the last week of February, the situation in the Russian banking sector stabilized significantly in March. Ruble deposits of the population increased, the outflow of foreign currency deposits slowed down significantly by the end of the month, and even a slight increase was observed in early April. State funds have increased significantly, due to which the banks' need for additional liquidity has decreased. Let's take a closer look at individual aspects of banks' activities:

Lending.

The corporate portfolio decreased by RUB 171 billion compared to the previous month and amounted to RUB 55,373 billion, which corresponds to a decrease of 0.3% (Fig. 1).

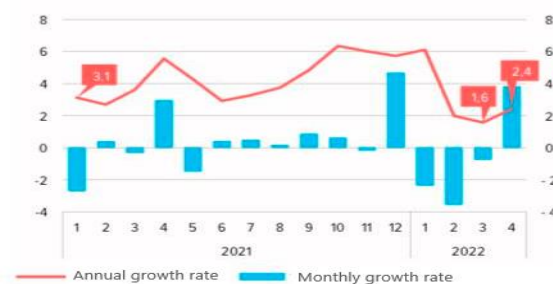


Figure 1. – Dynamics of corporate loans⁸

⁷ On the development of the banking sector of the Russian Federation in March 2022 [Electronic resource] Available at: http://www.cbr.ru/Collection/Collection/File/40940/razv_bs_22_03.pdf (Accessed: 10.05.2022)

⁸ On the development of the banking sector of the Russian Federation in March 2022 [Electronic resource] Available at: http://www.cbr.ru/Collection/Collection/File/40940/razv_bs_22_03.pdf (Accessed: 10.05.2022)

This was probably caused by an increase in rates after the glue rate was raised to 20%, as well as a more cautious approach by banks to choosing borrowers amid growing uncertainty about the financial stability of companies. According to the estimates of the Bank of Russia, the volume of new loans has decreased by about a third. In the future, it is expected that corporate borrowers will be supported by the Government of the Russian Federation's state programs of concessional lending to backbone enterprises (industry, trade and agro-industrial complex), providing loans in the amount of about 1.4 trillion rubles⁹.

As for consumer lending, consumer lending contracted by 1.9% in March, after February's growth of 1.2% (Fig. 2).

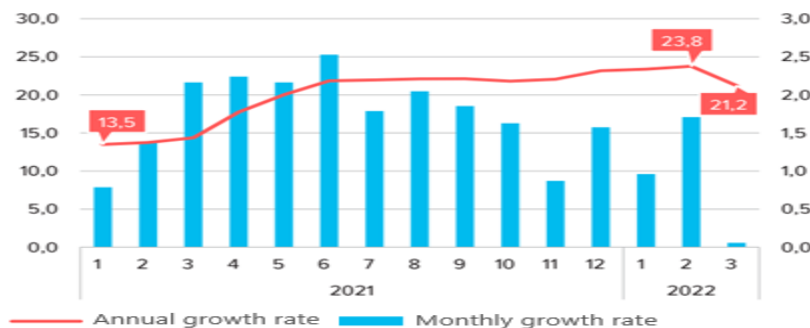


Figure 2. – Dynamics of retail loans¹⁰

Thus, loans to individuals amounted to RUB 25,763 billion (fig. 2). This decrease is due to a sharp drop in demand for loans due to rising interest rates, as well as stricter lending standards by banks, including due to a likely decrease in disposable incomes amid rising prices and overall uncertainty about employment prospects.

Funding.

Funds of legal entities remained virtually unchanged (-3 billion rubles, or 0.01%) after a small inflow in February (+0.4%). At the same time, the dynamics of ruble (+1.1 trillion rubles) and foreign exchange balances (-1.1 trillion rubles, equivalent to 13.2 billion US dollars) was multidirectional, which may be explained by the requirements for the mandatory sale of 80% of foreign exchange earnings and the desire of some companies to fix profits after a strong rise in the dollar exchange rate (Industriev, Tumanyan, 2022).

In March, the population's funds decreased by a moderate 236 billion rubles (-0.7%), which indicates stabilization of the situation after a large-scale outflow in February (-1.2 trillion rubles, or -3.5%). Only foreign exchange balances decreased (-9.8 billion US dollars, or -818 billion rubles in ruble equivalent), while in the second half of the month the outflow slowed significantly, including due to restrictions on currency withdrawals introduced on March 9¹¹. Moreover, in early April, there was a slight increase in foreign currency funds of individuals, although this may partly be due to conversion. Funds in rubles, on the contrary, increased in March (+582 billion rubles) – the increase was provided by term deposits (+2.6 trillion rubles), as citizens sought to have time to place funds on deposits at high rates, and funds in current accounts, on the contrary, decreased by 2.0 trillion rubles (Artemov, Sitnik, 2022).

⁹ Resolutions of the Government of the Russian Federation No. 375 dated 03/16/2022 and No. 393 dated 03/17/2022.

¹⁰ On the development of the banking sector of the Russian Federation in March 2022 [Electronic resource] Available at: http://www.cbr.ru/Collection/Collection/File/40940/razv_bs_22_03.pdf (Accessed: 10.05.2022)

¹¹ The Bank of Russia introduces a temporary procedure for transactions with cash [Electronic resource] Available at: <http://www.cbr.ru/press/event/?id=12738> (Accessed: 08.05.2022)

Public funds increased by 3.2 trillion rubles (+68.4%), mainly in the form of deposits from the Federal Treasury and the constituent entities of the Russian Federation. As of 03/01/2022, the volume of loans from the Bank of Russia showed tremendous growth and amounted to 12 trillion rubles, compared with 3.2 trillion rubles a month earlier (almost a 4-fold increase). This dynamic reflects the efforts of the Bank of Russia to support the banking sector in the first weeks of sanctions pressure. However, by the end of March 2022, considering the inflow of state funds and the stabilization of the situation with client funding, banks reduced their obligations to the Central Bank of the Russian Federation by 7 trillion. Rubles (Rozenberg, 2022).

The number of credit institutions. As of March 31, 2022, there were 365 credit institutions operating in Russia (including 331 banks). In March 2022, there was not a single revocation or cancellation of the license, and at the same time, for the first time in three years, a universal license was issued to a new bank (Badylevich, Verbienko, 2022).

If we summarize the information available now, it can be stated with confidence that the Russian economy and the banking sector have faced serious difficulties. Although the Russian economy will benefit from rising commodity prices, which have risen significantly under the influence of the sanctions war between the West and Russia, as well as the recovery of the global economy after the COVID-19 pandemic, the economy is suffering due to financial sanctions. A significant increase in interest rates had a negative impact on lending and commercial banks in general, which has already been noted above. Sanctions against Russian banks are forcing some international companies to abandon operations with Russian companies for fear of violating comprehensive sanctions imposed by several countries. Although there have been no direct restrictions on oil trading, it is reported that refineries, banks, and shipping companies are avoiding the Russian oil market, possibly to avoid the legal and reputational risk associated with doing business in Russia. The increase in the cost of marine insurance has also contributed to an increase in the cost of doing business in Russia. Some major shipping companies have suspended shipments to and from Russia. Other companies either wind down their activities in Russia or stop trading regardless of the sanctions imposed. If many global companies stop trading with Russia, this could lead to a shortage of consumer goods, as well as the main production resources used in Russian production. Most importantly, the reduction in exports of Russian goods is likely to lead to an even greater increase in world commodity prices, which will negatively affect the global economy.

There are two main channels through which the current crisis can affect the global economy - changes in commodity prices and disruption of commodity supply chains. Within a week of the start of the SWO, world prices for oil and natural gas rose sharply, especially for gas in Europe. In addition, prices for basic mineral and food products and resources, including nickel, palladium, wheat, and corn, have increased¹².

Investors are likely to fear that new developments may occur that disrupt commodity trade, including a reduction in purchases of Russian oil and/or gas by European countries, or perhaps Russia's decision to limit or reduce exports of key commodities.

The rise in global commodity prices, if sustained or intensified, is likely to cause accelerated and prolonged high inflation in many countries, especially in Europe. Higher commodity prices may also weaken global economic growth. Prior to its launch, some of the world's leading central banks had already taken a course to tighten monetary policy, which was a reaction to a sharp increase in inflation in many countries. The global economy has not had time to recover from the effects of the

¹² How sanctions impact Russia and the global economy [Electronic resource] Available at: <https://www2.deloitte.com/us/en/insights/economy/global-economic-impact-of-sanctions-on-russia.html> (Accessed: 08.05.2022).

COVID-19 pandemic, and the new sanctions war is leading to even greater destabilization of the macroeconomic situation (Khramova, Rakhmonov, Zorin, 2022).

CONCLUSION

The Russian economy, having barely recovered from pandemic restrictions in 2021, faced unprecedented general conflict in international economic relations (sanctions, embargoes, tariff protectionism) (Rakhmonov, 2023). On March 8, 2022, the Russian Federation became the world leader in the number of sanctions imposed against it. The total number of sanctions is approximately 6,000. At the same time, on March 15, the European Union announced the next, fourth package of restrictions.

Immediately after the events in Ukraine, which began on February 24, the ruble exchange rate rapidly rolled down (Rakhmonov, 2023). On March 1, 2022, a week after these events, the dollar stood at 93.5589 and the euro 104.4772 at the official exchange rate of the Central Bank of the Russian Federation¹³. One of the most serious sanctions strikes against Russian banks was their disconnection from the SWIFT system. Among the first sanctions that the European community wanted to implement were sanctions against Mastercard and Visa, two American payment systems serving customers around the world (Rakhmonov, 2022).

On the part of the United States and other Western countries, they began to monitor and punish any individuals and legal entities for violating non-compliance with the sanctions. So, there has already been a precedent when not an American person was punished for prohibited operations with Russia, but the Chinese military department. As punishment, measures such as asset blocking, a ban on the supply of goods, as well as a ban on foreign exchange transactions in the United States were applied. In this regard, not only companies/citizens of the USA and the EU, but also companies/citizens of other countries, are now thinking about the potential consequences of interaction with Russian sub-sanctioned persons or sectors of the economy, if any part of their assets is in the USA.

New US sanctions against major Russian banks will also affect some customer transactions. But most of the usual banking functionality will remain available. The most reasonable course of conduct for any bank customer is not to make hasty decisions either about withdrawing cash or closing deposits.

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