



## NEWS

**New U.S. sanctions target the only bank handling European payments for Russian gas. But the effects will go beyond the energy sector.**

4 cards · 12:40 pm, November 26, 2024

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## 1

# What happened?

On November 21, the U.S. Treasury Department announced a major new sanctions package targeting Russia's financial sector. The agency added 50 banks to its list<sup>(1)</sup> of individuals and entities that American companies are prohibited from doing business with. By far the most significant addition to the list was Russia's Gazprombank, along with its subsidiaries in Hong Kong, Luxembourg, Switzerland, South Africa, and Cyprus.

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## 2

# Why is this such a big deal?

Since the early weeks of the full-scale war in Ukraine, Gazprombank has served as a crucial "gateway to the world" for Russian business and the government. In March 2022, Vladimir Putin decreed that buyers of Russian gas from "unfriendly" countries would have to pay in rubles — and through Gazprombank. After the U.S. imposed sanctions on the Moscow Exchange, the payment process was slightly adjusted, but Gazprombank remained the authorized institution for handling gas payments.

Experts are divided on whether the new sanctions will make it impossible for Gazprombank to maintain its “gateway” role, but it appears likely that payments (and, by extension, gas exports) could be disrupted, at least temporarily.

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#### BACKGROUND

Following U.S. sanctions, Gazprombank warns UnionPay card clients traveling abroad: ‘Bring cash’

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U.S. imposes sanctions against Russia’s Gazprombank

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**Making bank** How Gazprombank’s Luxembourg subsidiary has made record profits since Russia’s full-scale invasion of Ukraine

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### 3

## So are all the concerns about the Gazprombank sanctions related to gas trade?

Not all of them. As industry expert Sergey Vakulenko, a senior fellow at the Carnegie Russia Eurasia Center, wrote on Telegram, until November 21, Gazprombank was one of the few major Russian banks (along with subsidiaries of foreign giants like Raiffeisenbank) not directly affected by U.S.

sanctions — and it served as an important “payment gateway” for the entire Russian economy.

Among other things, the bank had been issuing cards for the Chinese payment system UnionPay. However, the project was shut down immediately after the sanctions were imposed, and the cards already issued have stopped working in at least nine countries, including China, Turkey, the UAE, Qatar, and Germany. Given the limited options for cross-border payments, the loss of each subsequent method for transferring money abroad is a significant blow to Russian citizens and businesses.

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## 4

**But UnionPay cards weren't exactly widespread among Russians. Are there other, more tangible consequences of these sanctions for ordinary citizens?**

Beyond the long-term risks to gas trade — which, despite declining volumes after the break with key European customers, remains a crucial source of budget revenue and economic stability for Russia — the sanctions are also having an immediate impact by increasing pressure on the ruble. On

November 25, the official exchange rate of the dollar surpassed 103 rubles for the first time since March 2022. Economists surveyed by Reuters noted that OFAC sanctions against Gazprombank are one of the factors contributing to the ruble's current weakness.

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Explainer by **Meduza**.

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## **(1) The SDN List**

The SDN List, or Specially Designated Nationals and Blocked Persons List, is maintained by the U.S. Treasury's Office of Foreign Assets Control (OFAC). It includes individuals and entities subject to economic sanctions. Those on the list have their assets blocked, and U.S. persons are generally prohibited from conducting business with them.

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