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Russia Expands Crypto Network to Circumvent Sanctions

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Russia has developed a crypto-driven network of payment systems that appears designed to evade Western sanctions imposed in response to its war in Ukraine. The assessment comes from blockchain analytics firm Chainalysis, which says Russia has cultivated a “shadow crypto economy” in recent years to sidestep financial restrictions imposed by the United States and its allies.

The report identifies a particular cryptocurrency, known as A7A5, that has been used extensively by Russian businesses to carry out transactions outside conventional banking channels. According to Chainalysis, the token has processed more than \$51.1 billion in transactions since its issuance through the end of July.

A7A5 is reportedly backed by the Russian ruble and was traded on a relatively small group of cryptocurrency exchanges, many with documented connections to Russia. Among these, Garantex, a platform linked closely to Russian entities, became a target of US sanctions in 2022. In 2024, Garantex employees launched Grinex, another exchange reportedly intended to circumvent existing sanctions. This platform has also been sanctioned by the United States this week.

The cryptocurrency itself is issued by Old Vector, a Kyrgyzstan-based entity backed by Russia's state-owned Promsvyazbank. Old Vector has similarly been targeted by US financial penalties. Chainalysis notes that A7A5 transactions largely occur during standard business hours, with trading volumes dropping over weekends, suggesting the currency is primarily used for corporate exchanges rather than retail transactions.

“These trading patterns suggest that A7A5 is primarily being used by businesses operating Monday through Friday, which would align with Russia's legislative goals of facilitating cross-border transfers for Russian businesses via cryptocurrency,” the report stated.

Recent amendments to Russia's cryptocurrency legislation have formalised mining and cross-border crypto payments, analysts say. Chainalysis interprets these changes as part of a strategic effort to establish an alternative financial infrastructure capable of bypassing sanctions.

“The emergence of the A7A5 network sanctioned today further illustrates how Russia is operationalising these alternative payment rails,” the report said. “Backed by sanctioned Russian institutions, A7A5 is providing a new, crypto-native avenue to circumvent the tightening sanctions regime. Time will tell if A7A5 will expand to a broader retail market.”

Since the invasion of Ukraine in 2022, Russia has increasingly turned to alternative assets, such as gold and cryptocurrency, to mitigate the effects of international sanctions. Officials from Russia's financial regulatory authorities reported in July that the country's cross-border transactions were rising with partners in the Middle East, Southeast Asia, and Central Asia, while Russia's share of global trade in both crypto and gold has grown.

Experts warn that the expansion of such crypto networks could pose challenges for global regulatory and financial monitoring systems. By channelling business transactions through digital currencies and exchanges linked to sanctioned entities, Russia may be reducing the impact of restrictions designed to pressure its economy.

Despite these developments, analysts emphasise that the full extent of Russia's shadow crypto economy remains unclear. While A7A5 and related platforms illustrate the Kremlin's ability to explore alternative financial avenues, wider adoption across retail markets is not yet evident.

The unfolding situation underscores the growing role of cryptocurrencies in international finance and geopolitics. Regulators in the United States and allied countries continue to adapt sanctions frameworks and monitoring practices to address these emerging digital payment networks.

As Russia deepens its use of alternative assets and cross-border crypto transactions, the international community faces an evolving challenge in enforcing financial measures. Monitoring these networks remains critical to understanding the effectiveness of sanctions and the broader economic strategies adopted by states facing international restrictions.