



Written by [Luis Miguel](#) on March 7, 2022

Reality Hits: Crypto Bends to Anti-Russian Sanctions

The Russia-Ukraine conflict has put cryptocurrencies' libertarian principles to the test, as major exchanges have begun to comply with sanctions on Russia despite rhetoric claiming they would not interfere with the ostensibly free, borderless digital financial system.

Last month, Ukraine asked exchanges to freeze any accounts belonging to Russians. Major exchanges defiantly refused. A spokesperson for the U.S.-based exchange Coinbase [said](#):

“At this time, we will not institute a blanket ban on all Coinbase transactions involving Russian addresses. Instead, we will continue to implement all sanctions that have been imposed, including blocking accounts and transactions that may involve sanctioned individuals or entities.”

“Our mission is to increase economic freedom in the world,” the spokesperson went on. “A unilateral and total ban would punish ordinary Russian citizens who are enduring historic currency destabilization as a result of their government’s aggression against a democratic neighbor. We remain vigilant as this invasion evolves and are deeply committed to playing our part.”

“To unilaterally decide to ban people’s access to their crypto would fly in the face of the reason why crypto exists,” said a spokesperson for Binance, the world’s largest crypto exchange.

Johnny Lyu, CEO of the crypto exchange KuCoin, similarly told CNBC that the company considered itself “a neutral platform” that would not do anything beyond what is legally required, adding it didn’t support “actions that increase” tensions.

Despite the public declarations, the exchanges have been quietly implementing the sanctions.

In a Friday [blog post](#), for instance, Binance CEO Changpeng Zhao said the company applies the same sanctions rules as banks.

Other major exchanges have also affirmed that they would comply with American and European sanctions but would not go beyond what the law obliges.

NBC News [notes](#) that experts “have said that Russian President Vladimir Putin won’t be able to use virtual currency to evade sanctions on a large scale, because even at \$2 trillion the crypto market isn’t big enough and crypto exchanges have compliance departments dedicated to catching money laundering.”

“We have a number of sophisticated tool sets that allow us to understand who are sanctioned individuals, sanctioned nations, be able to track cryptocurrency and fiat deposits and withdrawals, and



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make sure that we block those users, as we have been doing since our inception,” said Brett Harrison, president of exchange FTX.US.

Last week, Senator Elizabeth Warren (D-Mass.), along with three other Senate Democrats, sent a letter to Treasury Secretary Janet Yellen seeking assurances that Putin would be unable to use digital coins to get around sanctions.

“Cryptocurrency can allow financial criminals, drug dealers, and tax cheats to move money around in the shadows — potentially opening the door for Putin and his cronies to evade the economic sanctions that serve as the centerpiece of the international response to Russia’s invasion of Ukraine,” Warren said in a statement.

“Financial regulators need to address this urgent threat to ensure that crypto doesn’t undermine our national security,” she added.

Republicans have expressed concerns about crypto as well.

“Cryptocurrency is rearing its ugly head here,” Senator Lindsey Graham (R-S.C.) said this week following a classified briefing on the Russia-Ukraine conflict. He likewise worried Russia could be using crypto to evade sanctions.

Jerome Powell, a Republican who chairs the Federal Reserve, has regularly called for new laws to regulate the cryptocurrency industry in the United States.

Crypto advocates have pointed to the challenges being faced by Russian citizens who had no voice in Putin’s invasion of Ukraine.

“If you’re a middle-class Russian right now and your entire financial system has been seized and blocked, is it legitimate for you to be able to put \$100 or \$1,000 of your savings into a crypto hard wallet that you could take with you if you’re leaving the country with the clothes on your back?” asked Ryan Selkis, CEO of Messari, a crypto research and data firm.

Even crypto technology designed to add greater security from government seizures is now harder to come by in Russia.

According to NBC:

People who own cryptocurrency can add layers of security to make government seizures more difficult, including storing their coins offline in a device known as a “cold wallet” or “hard wallet.” People can then take those devices around the world.

But for Russians who might want to obtain such a device now, even that has become more difficult.

“We are not delivering into Russia,” said Kristýna Mazánková, a spokesperson for Satoshi Labs, which says it has sold more than 1 million of its Trezor crypto wallet. She said the company halted shipments immediately after the imposition of sanctions.

Crypto skeptics have long been pushing for more stringent laws, and the recent events in Ukraine may only make the passage of such laws more likely.



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