

13.12.2024

Russians To Start Using Digital Roubles In Summer Of 2025

Less than in a year Russia will launch wide-scale use of the digital rouble. This is evidenced by proposals to amend laws, submitted by the Central Bank to the Ministry of Finance of the RF.

By July 2025 all large banks will have to provide their customers with opportunities to transact in digital roubles, including receipt of funds in digital format and their transfer between accounts.

The Bank of Russia is also prepared to discuss with regulated entities development of a common mobile app for digital rouble use. Are there any threats posed by the use of the “third form” of money, and will Russia fall into “digital dependence”, as Russians are being spooked in the social media?

The digital rouble is called the “third form” of money, following cash and non-cash forms, which holds promise to become the most convenient settlement format for transactions. It could be used for instant transactions, and in some cases even when no internet connection is available. Using the digital rouble will be as comfortable as our habitual e-wallets or mobile apps, which have been around for a long time.

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A new testing phase for the “third form” of money in Russia began on September 1. The Bank of Russia operates the platform which will hold digital roubles and register digital rouble transactions. Before start of the fall, only customers of 12 banks, participating in the regulator’s project since August 2023, could perform transactions in test mode. But starting from September, the test run was expanded from 600 to 9 thousand Russians. The total number of companies, taking part in the pilot testing, also rose from 22 to 1,2 thousand entities.

Let us remind you, that as of August 1, 2024 there are 318 operating credit and financial institutions with a banking license in Russia, and 221 bank holds a universal license, 97 banks hold basic licenses. Initially the document of the Central Bank, published on September 12, stated that only the largest banks would operate the “third form” of money. Other entities, regulated by the Central Bank — banks holding universal licenses — will get an opportunity to keep improving their technical systems for digital rouble processing up to July 1, 2026. For the rest, this period will be extended to July 2027.

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In early October the Association of Banks of Russia (ABR) adressed the regulator, stating its concern with high costs of IT upgrades for use of the “third form of money”. Analysts say that quotations for software (SW) upgrade from developers show, that commercial banks may need from ₽85 million to ₽150 million to implement required systems. Since implementation of the digital rouble will be mandatory for all banks, then small and medium credit institutions could face expenses of the scale “which is disparate with the scale of their business”.

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In that respect, the ABR asked the regulator to consider options for reducing expenses for banks. The CBR responded to this query in November and stated that it was prepared to discuss development of a common mobile app for digital rouble transactions.

Along with banks, points of sales will also have to set up digital infrastructure. They will be required to provide for digital rouble payments over the very same timelines as banks. And the larger the company, the faster it will have to launch relevant services. For instance, companies with revenues of over ₽30 million will have to implement all required SW from the middle of 2025, organizations with ₽20 million in revenues — from July 2026, all the rest— from the second half of 2027.

“Shopping in digital roubles will use a universal QR code, based on the National Payment Card System (NPCS), cutting out additional expenditures for banks and retail and service companies”, — underlines the reply by the regulator.

It is obvious that the regulator is satisfied with digital rouble testing results: in the end of 2023 it was reported that there had been over 900 thousand transactions made in 11 Russian cities during the pilot test phase.

Commenting on the project in April 2024, Elvira Nabiullina, Chairman of the CBRF, empasized that it would take from five to seven years to switch over to mass use of the “third form of money” by private citizens. However, today we could imagine changes in people’s lives brought by the digital rouble: analysts, researchers, lawyers and financiers answer frequently asked questions.

What will real-life payment in digital roubles look like?

According to Segei Solovykh, head of IC Fontvielle high net worth customer service division, a parallel could be drawn between digital roubles and the Faster Payments System (FPS). Both projects are implemented and supervised by the Central Bank, but via the system of commercial banks. The FPS has become a complementary function in applications of financial and credit institutions. “I think it will be similar for digital roubles as well, — says the expert. — An e-wallet with these roubles will be reflected as a standalone account, for example, and it could be used for transfer of funds from it to other customer accounts, which hold non-cash, and non-digital roubles. A user won’t see any difference between the latter whatsoever. The differences will mostly be manifested in legal and technology spheres”.

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It is planned that in future digital roubles could be used for offline payments as well, which will, by all means, expand the geography of the “third form” of money. It is possible that for this purpose a standalone digital wallet or applications, not associated with any specific commercial bank, will be created, assumed the expert.

“Digital roubles will be implemented in stages, — continues Sophia Glavina, head of “Digital Economy” program at the RUDN Institute of World Economy and Business. — At the initial stage it is most likely the following options will be available: each person will have an opportunity to get an electronic wallet for keeping and using digital roubles. It could be a standalone application or it could be integrated with existing banking applications”.

Digital roubles could be transferred between wallets, used to pay for goods and services and to withdraw cash at ATMs. Naturally, it will be possible to convert digital roubles into cash and the other way around through bank accounts. But it is worthy of being noted: use of the digital rouble will be restricted in terms of receiving bonuses, cashback and account balance interest, according to official statements by the regulator. This will be a notable difference, making traditional rouble “forms” more attractive.

As Alexander Safonov, professor at the Financial University under the RF Government, points out, introduction of the digital rouble will require having a digital wallet in your smartphone, registered at a special information platform of the Central Bank. However, it could not be done without commercial banks as intermediaries. These banks will provide access to personal digital currency wallets, just as it is done today through electronic applications of private banks. Decisions on using the digital rouble will be made by customers on their own, and for now this is a voluntary format. Digital rouble transfers will be free of charge for private citizens. Goods or sevices could be paid for by scanning seller’s transaction QR code at the cash register”.

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What are key benefits and risks of digital rouble use?

Digital roubles can make financial transactions faster and more convenient, more secure and available to all strata of the population. According to Sophia Glavina, digital money could be pre-programmed: for example, social support money could be programmed to be used for specific expenditures only. Or, for instance, this mechanism could ban sales of alcohol to underage children at its program code level, without any bypass opportunities. There are also views that this will reduce corruption volumes, because money, allocated by the state for national projects, will also be traceable.

“But at the same time there is yet another risk, — warned the economist. — Digital roubles could be used for strengthening control of the state over financial transactions of its citizens. Use of digital roubles could lead to leaks of financial transaction data of Russians”.

In Safonov’s opinion, the key upside of the digital rouble is complete transparency of its transactions. Each rouble has its own unique code, and its movements from any holder could be traced. “If, for example, the Ministry of Finance allocates a specific amount for state employee payroll expenses, and an organization uses a part of this amount for different purposes, then this transaction could be interrupted at any stage and money could be re-routed for its designated use”, — explained the researcher. The second important advantage of the digital money is the fact that these are impossible to countefeit, and this means complete control over issue of the national currency. Conceivably, complete replacement of regular cash money by digital currency could kill the criminal sphere of counterfeiting, meaning production of counterfeit currency. The third important plus of the digital rouble is that its circulation will cost less. And for the Russians, the introduction of the “third form” of money will primarily bring security. If someone swindles such money from a person, then it would take only a few mouse clicks at a Central Bank computer to return funds to the owner’s wallet, pointed out the professor.

How will introduction of digital roubles affect the Russian banking system?

The banking community is eyeing the regulator’s experiment with great caution, which is evidenced by the ABR letter as well. And IT experts widely believe that implementation of a new payment tool will definitely bring losses, because under its current concept the innovation would drive customers away from banks, linking their settlements directly to a cash settlement center of the regulator, bypassing commercial banks. “It will make a big difference for banks, because they will turn from holders of customer money into plain providers of digital signals from customers to the CBRF, which will keep the register of all digital

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roubles", — says Sergei Mendeleyev, CEO of EXVED.

What effect will digital roubles have on Russia's economy?

Digital roubles could accelerate transactions and make them cheaper, thus stimulating economic activity. In Sophia Glavina's opinion, they could make financial services more accessible to the population, especially to those who have no access to traditional banking services. The Central Bank will be able to improve control over the money supply and steer its monetary policy. But there are downsides too. "Digital roubles could reduce demand for deposits, which may have a negative impact on the banking system, — pointed out the expert. — Use of digital roubles could lead to leaks of private customer financial transactions. In case of a massive outflow of funds from banks into digital roubles, there may be a risk of financial instability".

At the same time it should be recognized that creation of a national digital currency is the imperative of our era and a global trend. "All similar currencies of this class, the so-called Central Bank Digital Currencies, appeared in many countries of the world almost simultaneously, — continues the discussion Timur Aitov, Chairman of the Committee for Financial and Information Security of the Council of the Commerce and Industry Chamber of Russia. — The goal of this process is simple and clear — to accelerate settlements, to make them cheaper and easier, to take them into real-time mode. Let me remind you, we do not yet have this mode now, and if we, let's say, pay for goods at a store by card, then the money will actually get into the seller's account in about three days". Introduction of the digital rouble should be welcomed, because cross-border settlements will be simpler as well, subject to the caveat that today it is not always possible to participate in operations of special platforms, designed for this purpose, because there are still certain sanction restrictions in place, but there will be no issues within the country.

"For the economy this would be an opportunity to reduce or increase money supply, thus it will be easier for the state to manage the national currency exchange rate, — says Polina Gusyatnikova, senior managing partner at PG Partners law firm. — Moreover, there will be an opportunity to allocate social transfers like benefits, targeted payments etc., in an expedited and more efficient way".

Will public sector employees be forced to use digital roubles?

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The state will stimulate the transition, but it will not require everyone to start using the digital currency from July 1, 2025. “There is no such requirement and there won’t be any, — emphasized Gusyatnikova. — Transition to digital currency will be gradual, just like in the case with non-cash settlements, when the public switched over to these gradually, having evaluated their convenience and advantages. Considering the fact that now over 70% of the population use non-cash settlements one way or another, transition to preferred use of electronic digital wallets could happen faster, literally over 3-5 years, assured the legal expert.

“Generally, I do not see any specific reason for discussion and “scary stories”: 99% of Russians won’t even notice this switchover to the “third form of money”, trust me, — Mendeleyev says confidently. — Obviously, there is no reason to be concerned about getting pensions and benefits in digital roubles. Rather the opposite, if there is a nonzero probability of bakruptcy and issues with withdrawal of funds for a commercial bank, then nothing of the kind could happen to the digital rouble, at least while there is the Central Bank and Russia. And various “scary stories” about the “digital concentration camp” are made up by either incompetent people or by provocateurs”.

The use of digital roubles will only be possible if the population is loyal to the concept, and this will not be so in the first years of the system’s implementation. “Digital roubles have their specific advantage — specific conditions could be “embedded” into them: targeted use of money, enabling control of expenditures in line with their purpose, — points out Sergei Solovykh**.** — For example, maternal capital could only be spent on what is directly specified in the federal law”. However, this would require wide-scale roll-out of the digital rouble and loyal attitude of the population.

According to Yulia Kuznetsova, investment advisor, it is unlikely that the authorities will “force” the Russians to switch over to the digital rouble. People will just at some point in time after the launch of the digital currency realize and understand that this is very convenient.

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