

# Alternative Financial Infrastructures in Russia

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## 1 Introduction

Russia's recent innovations in financial infrastructures, especially in the payment sector, have attracted some scholarly attention. Using a wider perspective on global processes, many authors (de Goede and Westermeier, 2022; Nölke, 2022; Shagina, 2023; Fantacci and Gobbi, 2024) have examined the interconnections between the creation of new systems for financial transactions and the politicization of the established, Western-dominated systems, like the payment systems Visa and Mastercard, or the financial messaging system SWIFT (Society for Worldwide Interbank Financial Telecommunications) (see also Nölke, this volume). With a narrower focus on the alternative systems that were created in the Russian payment and banking infrastructure, Gusev (2016) has explored the history of payments in Russia and the chain of political decisions that can explain the creation of the new system. The political motivations behind the establishment of the new systems with regard to the aims of foreign policy and regional integration have been discussed by

Gricius (2020). Gorshkov (2022) has examined more concretely the new systems' relation to overall trends in cashless payment popularity in Russia, while, for example, Kochergin and Iangirova (2020) have looked at their long-term prospects. Between those two strands of research, Mishura and Ageeva (2022) focus on newly created infrastructures in the context of financialization and contemporary Russian authoritarianism (Mishura and Ageeva, 2022).

The present chapter adopts a similar focus as Mishura and Ageeva (2022) as it attempts to understand these structures as expressions of processes resulting from and reinforcing channels projecting infrastructural power. Concretely, the chapter discusses the consumer payment systems of the Mir payment cards and the Faster Payment System (FPS), as well as the plans for the creation of the Russian Central Bank Digital Currency (CBDC), the digital ruble.

Section 2 introduces the conceptual background for the case study. Section 3 discusses the case's historical context and the origins and antecedents of the Central Bank of Russia's (CBR's) interventions in

the financial infrastructures of the country. Section 4 addresses the development and nature of the newly created structures and discusses their ramifications in the framework of infrastructural power. Section 5 attends to the criticism of and controversies around the CBR's policies in this regard, examines the way that the CBR is constituted as a state institution through the project, and discusses the implications of these processes for the future distribution of power within Russia's political economy.

## 2 Theoretical Perspective: Infrastructural Power in Contemporary Russia

Infrastructural power denotes a way to project power indirectly and diffusely (see Chapter 1, this volume). In this vein, this section discusses the creation of payment infrastructures since the Soviet Union dissolved as a process connecting Russia's legislative and executive powers, the financial regulator, and large state-owned as well as private companies. Michael Mann differentiates between despotic and infrastructural power of states. The latter he describes as "the capacity of the state to actually penetrate civil society, and to implement logistically political decisions throughout the realm" (Mann, 1984, p. 189). Unlike despotic power, infrastructural power does not mean a control of civil society,<sup>1</sup> but the capacity to influence its activities by centrally coordinating them. While being analytically autonomous from one another, the two dimensions of power can coexist and mutually reinforce each other. The infrastructural power of an authoritarian state can mean a further monopolization of social power in the hands of the state and help enforce despotic control over the civil society and potential opposition groups emanating from it. The infrastructural power of states emanates from a need for territorially centralized coordination which cannot be provided by the civil society and is understood to be more effective from a functional perspective. Tendencies of militarization of

the economy can lead toward an increased reliance on a more active coordinating role of the central state (Mann, 1984).

Coombs (Chapter 4, this volume) argues that the concept of infrastructural power can be understood in three ideal types: instrumental, communicative, and network forming. Distinguishing these types helps to extend the possible perspectives informed by the concept and allows a fuller understanding of state–society relations with regard to the financial sphere. Instrumental infrastructural power is the ability of state institutions to intervene in the markets and contribute to the shaping of their workings and outcomes. Communicative infrastructural power refers to the state actors', especially central banks', explanations of their policy to the public. It entails the safeguarding of public trust in the institution's competence to exercise its instrumental infrastructural power and its commitment to its declared policy goals. Network-forming infrastructural power describes the ability of the state to penetrate institutions that are of a hybrid state–civil character (Coombs, this volume).

The understanding of the latter network-forming type of infrastructural power relies on Mitchell's (1991) argument that the state cannot be posited as an entity separate from society. The separation between state and society must rather be understood as a result of structural effects which constitute the state through a political process that takes place within the network of institutions of a potentially hybrid state–society character. The boundary of the state in this hybrid space is set by the exercise of state power itself.

The Bank of Russia, as the central agent that implements innovations in financial infrastructures, is entangled in the wider processes of power that shape both politics in Russia in general and the nature of the Russian state in particular. Especially concerning the post-Soviet period, scholars have often underlined the significance of interpersonal networks and rivalries between differing elite factions (Kononenko and Moshes, 2011; Viktorov, 2015; Viktorov and Kryshchanovskaya, 2023). Those networks form an integral part of the state. At the same time, they are not limited to

the state, but are also located outside of state institutions, especially at the nexus between the state and business (Kononenko, 2011, p. 6). Even though the beginning of Putin's presidency in the year 2000 marked the beginning of the end of relatively unchecked, independent oligarch influence in politics, the significance of the networks and the rivalries between them have not declined (Kryshtanovskaya and White, 2011).

With regard to the Bank of Russia, the relevance of networks also takes effect concerning the CBR's functionaries. The appointment of the former minister of economic development, Elvira Nabiullina, as the Bank's governor in 2013 hinted at closer ties between the regulator and the government (Johnson, 2018). The appointment of Nabiullina was followed quickly by legislation that significantly expanded the CBR's mandate and its regulatory competencies (Johnson, 2018, pp. 113–114). Still, Nabiullina's network affiliation has sometimes been located around the comparatively liberally perceived former president Medvedev (Kryshtanovskaya and White, 2011, p. 36; Johnson, 2018), and the CBR has long been considered a stronghold of economic liberalism (Johnson and Köstem, 2016; Bluhm, 2024) within the wider tendencies to develop Russia into a state-controlled capitalist system via a steady increase of state ownership and control throughout the economy (Vernikov, 2014). In the context of Russia's escalation of hostilities in Ukraine since 2014, the CBR's policy has repeatedly exhibited alignment with the government's foreign policies, for example, when it withdrew around US\$100 billion in US Treasury bills from the US Federal Reserve in the context of the annexation of Crimea in 2014, anticipating possible sanctions on the reserves (Johnson and Köstem, 2016). Since Putin's first term in office, the CBR has increasingly been pursuing policies to enhance monetary sovereignty. This enabled it to lessen the impact of financial sanctions and aid the executive's foreign policy ambitions (Sahling, 2024).

The significance of networks for politics in Russia has to be taken into account

to understand the way network-forming infrastructural power affects state–society relations. The hybridity of state–society relations is naturally less pronounced in the authoritarian state-capitalist context than in the more liberal, democratic context that Braun (2020) studied. Nevertheless, it plays a role with regard to the relations within the elites and between different power networks. The cashless payment systems that are the focus of this chapter constitute a special infrastructure within the wider infrastructure of the market where state and society actors interact and compete. The nature of this interaction and competition in the area of payment infrastructures has been radically altered in Russia since 2014.

### 3 Payment Infrastructures and State Power in Early Post-Soviet Russia

After the end of the Soviet Union, a fierce competition between Russian banks ensued as each fought to establish a leading national payment system, substituting international card payment brands. From 1992 on, the first Russian card brands emerged alongside the existing, but poorly developed acceptance network for Visa and Mastercard (Guseva and Rona-Tas, 2014, pp. 159–161). During the 1990s, the competition in the Russian market for card payments took place primarily among domestic brands, rather than against foreign competitors. The fierce competition between potential providers of a domestic solution that led to this fragmentation had been stimulated by discussions about the need for a domestic alternative to the international payment networks that had been going on since the early 1990s. Apart from arguments regarding cost efficiency and technological considerations, nationalistic arguments in favor of a domestic system referred to the need for independence from foreign-owned infrastructure (Guseva and Rona-Tas, 2014, pp. 158, 162).

The race to establish a dominating domestic network left the payment market

highly fragmented, as the state had neither the capacities to develop an integrated solution itself, nor the capability to enforce cooperation in the sector (Guseva and Rona-Tas, 2014, pp. 162–163; Kochergin and Iangirova, 2020). The infrastructural power of the state, both in its instrumental and in its communicative varieties, was insufficient to facilitate the coordination within civil society that would have been needed to create a common national system. Although it was declared politically desirable, the objective to develop a national payment system to overcome this fragmentation could not be achieved. Even though the impact of the 1998 financial crisis on the banking sector pushed the Russian banks toward some degree of cooperation, the international brands had become the dominant players in the market (Guseva and Rona-Tas, 2014, pp. 162–163). By 2003, their market share surpassed the share of the plethora of payment systems provided by Russian banks (Guseva and Rona-Tas, 2014, p. 158).

From 2010 on there were efforts to create a multifunctional identity card. This was meant to combine medical insurance information and information on federal and municipal services with a payment function. The largest and majority state-owned Russian bank, Sberbank, became the main shareholder of the company created to develop the card and the payment function was to be based on Sberbank's own payment system, Sbercard. Even though the payment function was not the project's focus, it was meant to promote cashless payment to facilitate payments for government services and social transfer payments and to help fight corruption. Even though the project was ultimately unsuccessful due to exploding implementation costs and a lack of user acceptance (Gusev, 2016), it shows how the potential of cashless payment was connected early on to the prospect of further regulatory innovations that would significantly enhance the reach of the state through such infrastructures.

Sovereignty concerns about possible US access to Russian data and the danger of relying on foreign systems led to legislative initiatives to limit the role of foreign providers on the Russian payment market in 2011. The proposed law initially contained requirements to store reserves inside Russia as potential collateral in case of service disruptions and to store payment data exclusively inside Russia. With the more liberal part of the government being more critical about those requirements, and in the face of strong US lobbying against it, those provisions were ultimately removed from the proposal (Gusev, 2016; *The Guardian*, 2010). The consolidated state still took measures to advance the creation of a national card payment system. In 2013, the CBR published a brief outline of a strategy to develop a national payment system in its regular bulletin. The need for such a system was justified by the potential for development regarding both the domestic economy and integration into the global economy (Bank of Russia, 2013, p. 32). According to the outline, the CBR's role in the payment system should be enhanced, while the banking system should serve as the institutional basis of the payment system and competition in the sector should be safeguarded. The "single retail payment space" that should be created within the Russian Federation should subsequently be extended to the Eurasian Economic Community and the Commonwealth of Independent States,<sup>2</sup> thus facilitating cross-border transactions in the national currencies. Also, the supervision of the CBR over foreign payment service providers active in Russia should be strengthened (Bank of Russia, 2013).

In contrast to the 1990s, the proposed national solution now had to be introduced into a situation in which the dominance of the international brands was already established. Writing in 2014, Guseva and Rona-Tas described the new situation as an uphill battle and pointed out that "[i]f [...] the Kremlin succeeds in challenging the hegemony of Visa and MasterCard, it would be

a tribute to the power of the state to redraw development trajectories set in motion by a path-dependent logic” (Guseva and Rona-Tas, 2014, p. 164). What was unforeseeable at that point in time was the way in which the international reactions to Russia’s foreign policy after 2014 aided the state in breaking those path dependencies.

#### 4 The Creation of Infrastructural Power over and through Payments

After Russia’s annexation of Crimea following the mass mobilizations that led to the resignation of Ukraine’s pro-Russian president Yanukovich in 2014, the European Union and USA imposed far-reaching sanctions on Russia. Apart from diplomatic and sectoral economic sanctions, the successively imposed measures also entailed targeted sanctions against selected institutions and individuals (Fischer, 2015; Kluge, 2019). The resulting disruptions in the cashless payment services provided by Visa and Mastercard impelled the Russian government to act. Already in March 2014, the two companies had suspended servicing cards issued by four Russian banks that were subjected to US sanctions due to their ties to Russian individuals who were blacklisted by the USA because of proximity to the Russian government. Visa and Mastercard were obliged to avoid any dealings with entities under US sanctions (BBC, 2014). For the same reason, the two companies suspended all their services in Crimea (Reuters, 2014).

These developments gave the political impetus for a significant exercise of instrumental infrastructural power on the payment market in the form of a law commanding the creation of a national card payment system within a year. This law contained the central features of the 2011 proposal, which had ultimately been discarded. Even though services were restored for two of the Russian banks after some days (Petroff, 2014), this law was signed about a month

after the initial suspension. Apart from the creation of the domestic payment system, the legislation explicitly outlawed future suspension of services by international payment companies. To ensure some compensatory recourse in such a case, international payment providers were required to make a security deposit at the CBR to cover possible liabilities (RIA Novosti, 2014; *The Guardian*, 2014).

The CBR, as the agent of this infrastructural intervention, was given the momentum to start realizing the agenda that had already been outlined in the above-mentioned payment system development strategy in 2013, the year prior to the geopolitical fallout. It was bestowed with the task of simultaneously limiting the power of foreign payment services in the Russian market and creating the domestic alternative. To this end the joint-stock company National System of Payment Cards (NSPK), entirely owned by the CBR, was set up in 2014. While the setup foresees future sales of stocks, the CBR must retain the voting majority and a directing role in the company’s management (AO “NSPK,” 2023a; [Interfax.ru](https://www.interfax.ru), 2017). The NSPK’s Operations and Payment Clearing Centre (OPCC) was created first to facilitate the implementation of the requirement in the 2014 legislation that transaction data generated by any payment system active in Russia must be processed within its jurisdiction. In early 2015, domestic card transactions by the Visa and Mastercard systems started being processed through the NSPK’s OPCC, as was also required by the law passed in 2014. Providers with a small market share compared to Visa and Mastercard were shifted to the OPCC in 2016 (*The Guardian*, 2014; Kochergin and Langirova, 2020).

Martijn Konings had earlier argued, based on the US context, that financial crises catalyzed an extension of state power through the expansion of regulatory competencies (Konings, 2010). The case of Russia’s post-2014 policies on payment infrastructures

shows how geopolitical crises can have a similar effect. The institutions erected by the 2014 legislation were supposed to solve the problem of exposure to international sanctions by getting around foreign payment systems while simultaneously avoiding dependence on a nonstate infrastructure, which could narrow the scope of state power (Mann, 2012, p. 59; Braun, 2020; Braun and Gabor, 2020).

The disruptions in the services of the international payment cards revealed a potential void in Russia's financial infrastructure and an urgency to act that gave momentum to the extension of CBR's instrumental infrastructural power in the most literal sense. This way the state could also take up its objectives regarding a wider array of governance infrastructures. Unlike in 2005, payment was now the central feature and selling point.

Central to this is the "Mir" payment card system, which has been operated by the NSPK since 2015 (AO "NSPK," 2023a) and has been expanded thanks to strong governmental support. After the first cards were issued in December 2015, the payment system was primarily promoted via mandatory schemes for recipients of transfer payments or workers in state or municipal institutions. In 2017, it was made mandatory to use Mir cards for any recipient of regular government payments ([Interfax.ru](https://interfax.ru), 2017; *TASS*, 2017). To sustainably expand the Mir system, the promotion efforts spread beyond initiatives directed to recipients of government funds. As a result of those initiatives, the number of card holders had increased significantly while turnover remained low since the target group was less likely to both use cashless payment methods and have high incomes at their disposal (Kochergin and Iangirova, 2020). Banks as well as high-turnover retail stores and service businesses in Russia were eventually obliged to accept Mir cards at their ATMs and for payments, respectively ([Interfax.ru](https://interfax.ru), 2017). Additionally, the use of Mir was promoted through a variety of other campaigns, not only in the public sector. Many businesses have offered cashback

schemes or reduced prices in connection with the use of Mir cards (AO "NSPK," 2023b). The CBR plans to extend the use of such promotional campaigns in cooperation with commercial banks and retail and service providers (Bank of Russia, 2021b, p. 23). Such campaigns bolster the instrumental infrastructural power of the CBR since they entail a significant chain of influence inside the privately dominated retail market. The decisions involved in the creation of such agreements potentially have strong effects on the competitive position of market participants.

The development and propagation of the national payment system also provided a chance to advance other infrastructural projects in synergy with Mir card payments, as already envisioned in the initiative with Sberbank after 2010. Apart from the promotional campaigns with retailers and service providers, several regional projects introduced multifunctional cards that incorporated a function of payment through the Mir system. Mainly situated in the western part of Russia, these regional projects distributed citizen cards combining a payment function with, for example, identification and electronic signature functions, information about health and social insurance policies, and a payment mechanism for public transportation (Kochergin and Iangirova, 2020). The CBR expects "that NSPK will participate in the development of mechanisms for the provision of state, municipal, social and other services to simplify the interaction of households with the government agencies [...]" (Bank of Russia, 2021b, p. 23). An example of this is the development of a unified system for the cashless payment of transportation fees based on a processing system created by the NSPK (Transport NSPK, 2023). Campaigns through which multifunctional campus cards were issued to university students and the regional resident cards are to be expanded, and it is envisioned that a Unified Resident Card that incorporates various nonfinancial functionalities will be created (Bank of Russia, 2021b, p. 23). This opens up a variety of possibilities regarding



the indirect and diffuse projection of state power vis-à-vis the citizens.

Another project that presents even further-reaching possibilities in this regard is the Russian CBDC, the digital ruble. It started its testing phase with a group of banks and a limited circle of clients in August 2023 and is supposed to be gradually introduced until it is used broadly in 2025 (Bank of Russia, 2023). The digital ruble is described as a third form of money, next to cash and the noncash money in bank accounts (Bank of Russia, 2020, p. 3). It aims to decrease transaction costs and, especially for remote areas of Russia, contribute to better financial inclusion (Bank of Russia, 2021a, p. 7; 2022c, p. 115). It is supposed to provide an alternative to the use of private digital currencies and should help reduce illegal activities (Bank of Russia, 2020, p. 10; 2022a, pp. 2, 20–24, 29). Innovations based on the digital ruble are also expected to benefit the state. The traceability of the coins will enable the government to determine on what kinds of goods digital government funds are allowed to be spent. In the initial communication regarding the project, a function designed to color the digital ruble was suggested. Digital rubles that the government pays for public procurement or other government contracts would be marked for a specific area of transactions and therefore blocked for spending for unintended purposes using smart contracts (Bank of Russia, 2020, pp. 15–16; 2021a, p. 19; 2022c, p. 115). Since that original communication, the CBR announced both that this provision will not be realized (RBK Crypto, 2023) and, later, that the question concerning the coloring function will again be considered at later stages of the implementation of the CBDC (Interfax.ru, 2023).

This shows that the possibility to use the digital ruble to determine the spending of funds received from the government is not only technically feasible but also a probable future way to extraordinarily extend the state's coordination capabilities toward the market and society as whole. Technically, transactions in digital rubles should be

carried out via a digital ruble platform provided by the CBR (Bank of Russia, 2021a, pp. 8–10). This way, all transactions can potentially become subject to surveillance by the CBR. This could allow the state to use the provided infrastructure for very targeted repression and lead to a unprecedented synthesis of infrastructural with despotic power capabilities.

## 5 Infrastructural Power in Conflict with the Banking Sector

The CBR underlines that the digital ruble is designed in a way that should uphold the existing mode of interaction between customers and commercial banks (Bank of Russia, 2021a, pp. 8–9). It is expected that the digital ruble will partially substitute other forms of money, negatively affecting liquidity and increasing volatility in the banking sector. A shock to the banking system is nevertheless not expected because it is assumed that the adoption of the money will be gradual (Bank of Russia, 2021a, pp. 25–26; 2022c, p. 119). Simultaneously, competition in the banking sector to attract or retain clients with better services and lower costs would be increased (Bank of Russia, 2020, pp. 3, 7–8, 16; 2022c, p. 120; Grishenko et al., 2021).

In the course of developing the digital ruble, the CBR took into account the potential for conflicts with banks. In the communication on the topic, the process of gathering and incorporating feedback from the industry is prominently depicted (Bank of Russia, 2020, p. 40; 2021a, pp. 3–6; Skorobogatova and Zabotkin, 2021). Criticism from other parts of the banking sector nevertheless ensued. Commercial bank representatives expressed concerns that the digital ruble would constitute a direct competition to the established banking system. Apart from the risk of causing an outflow of funds from the banking system, the digital ruble could also endanger the position of the CBR as the independent regulator of the financial market (Kasarnovski and Koshkina, 2021). Representatives of smaller banks expressed

concerns about a possible monopolization of payment services in the hands of large banks (Tosunyan, 2020; Buylov, 2023).

A somewhat similar controversy had arisen earlier with regard to the regulatory support for the NSPK's payment networks. Additionally to the Mir payment system, the NSPK had created the SBP, which was launched in January 2019 and enables instant payments using mobile phone numbers or QR codes, irrespective of the participants' bank affiliation (Bank of Russia, 2021b, pp. 6–7). In October 2019, all banks that were systemically significant with regard to market share were obliged by law to service the new system (Yeremina and Astapenko, 2019; Bank of Russia, 2021b, p. 7), a step that has not been taken with regard to Mir (Zarutskaya and Dubrovina, 2023). While most of the banking sector praised this decision, the biggest Russian Bank, the majority state-owned Sberbank, which accounts for about 60% of card transfers, initially refused to join the SBP and only did so after the imposition of penalty payments (Buylov, 2019). Sberbank has been creating its own system to transfer funds via telephone number. The head of Sberbank, German Gref, has repeatedly spoken out about the involvement of state-sponsored instruments in the financial market, for they would naturally create monopolies and skew the field of competition (Yeremina and Astapenko, 2019). In an interview in June 2023, Gref also called for more competition in the payment sector and argued for either creating a structure parallel to the NSPK or privatizing it. Sberbank would not be able to develop such a system itself. The state should rather provide instruments for the banks to do so (Gref, 2023). Also, representatives of the majority state-owned VTB and the private Tinkoff Bank expressed interest in taking part in the creation of an alternative system (Zarutskaya and Dubrovina, 2023).

Such criticism is acknowledged by CBR representatives but rejected by pointing out the concerns of the Russian state. In an interview with the newspaper *Kommersant*

in 2021, the first deputy governor of the CBR and head of the NSPK's supervisory board, Olga Skorobogatova, argued that the instruments created were infrastructural contributions and as such to be categorically distinguished from the banks' commercial activities involving client interaction. These new infrastructures would rather contribute to creating the conditions for fair competition among the commercial banks. A future privatization – when further development goals, especially with regard to the Mir system, are accomplished – was possible, provided the return on the initial investment is guaranteed. Also, the building of this infrastructure has been a matter of national sovereignty. A possible privatization would have to take the “interests of the state” into account (Skorobogatova, 2021). In response to calls in 2023 for the creation of a competing structure to the NSPK, the governor of the Bank of Russia, Elvira Nabiullina, expressed the same position, arguing that the NSPK as a private monopoly “will not be better than a state monopoly, because the services will be developing the interests of the private shareholders [...]. This would hardly be a development of a nationwide infrastructure [...].” (Zarutskaya and Litova, 2023).

The invocation of the interests of the state when justifying the policy on financial infrastructures in the CBR's communication raises the risk of undermining the regulator's communicative infrastructural power. As Coombs (this volume) argues, the infrastructural basis of a central bank's communicative power rests on steady public communication based on scientific methods to achieve a certain credibility of its expertise and policy choices. As the CBR increasingly positions itself as a state actor needing to safeguard state interests against the commercial banks, even the state-owned ones, it potentially jeopardizes such supposedly apolitical credibility. As already indicated by the CBR's policies in the context of the annexation of Crimea in 2014 and the ensuing sanctions against Russia, the CBR is drawn closer to the government executive



and away from its former position as a beacon of economic liberalism compared to other Russian state organs.

Supposedly to somewhat mitigate the risk of losing its credibility by engaging in political discourse, the CBR tries to avoid such discourse in its official publications. In the development strategy for the national payment system, geopolitical factors are merely mentioned as a feature of growing importance in international relations that is beyond the CBR's sphere of influence but affects its work (Bank of Russia, 2021b, p. 31). At the same time, the invocation of the regulator's role in safeguarding national sovereignty places it in a currently very significant ideological power network of a meaning system (Mann, 2012, p. 7) positioning Russia in an existential struggle against a supposedly hostile West. This is line with tendencies of verticalization throughout the entire political structure since the beginning of Putin's presidency. This indicates that the severely risen capability of the CBR to exert infrastructural power instrumentally makes its less reliant on the infrastructural character of its communication in this regard. At the same time, the pronounced self-positioning of the CBR as a state actor hints at how the network-forming infrastructural power of the presidency went hand in hand with this development.

The conflicts with the banking sector indicate that the projection of network-forming infrastructural power is not limited to the relation between the state and the CBR. Mishura and Ageeva (2022, p. 1123ff.) argue that Russia's financial sector is increasingly shaped into a "financial vertical" in which financial flows are controlled by the state using quasi-monopolistic financial institutions, mostly banks. This happens alongside an increase of banks' role in society which entails an expanding market share for the largest banks and a growing role for state-controlled banks. Financialization and the ascent of new financial technologies incentivize and facilitate the further strengthening of quasi-monopolistic state-related

structures (Mishura and Ageeva, 2022). The discussions surrounding the CBR's role in the market show that this to some extent also applies to the state-owned enterprises in the financial sector. Despite the state's role as a majority shareholder, these institutions are market actors with some degree of leverage in their operational decision-making. With the entrance of the CBR into the payment market and, with the digital ruble, allegedly also into the banking market, the state insulates itself from possibly restricting influences that could emanate from different, especially rather economically liberal, elite factions in some of the state-controlled financial enterprises. The boundary between the state and the market was shifted by a strengthening of elite networks closer to the state's power center at the expense of more peripheral networks within the elites. The position of the CBR as a state agency was further strengthened not only in relation to the private sector, but also in relation to other elite actors in the economy at the nexus between the state and the private economy.

## 6 Conclusion

After Russia's invasion of Ukraine in February 2022, the significance of the Mir payment system became strikingly obvious, as Western payment card providers fully withdrew from the Russian payment market. Visa and Mastercards which have been issued outside of Russia stopped working inside the country, and cards issued by Russian banks are no longer serviced abroad. The Mastercard statement clarified that, due to legal requirements established after the first distortions in card services in the context of the imposition of sanctions in response to Russia's annexation of Crimea in 2014, the company has no ability to block domestic transactions using Mastercard-branded cards (Mastercard, 2022; Visa Inc., 2022). The CBR announced that the domestic payment functions and customers' funds connected to Mastercard and Visa cards would not be affected by the

sanctions due to their processing via NSPK (Bank of Russia, 2022b).

In the years since Russia's annexation of Crimea and the subsequent threat of financial sanctions on Russia's use of Western financial infrastructures, the Russian state had accelerated the creation of alternative systems. The perceived urgency of the issue helped to overcome former logjams in this development. Central in this was the foundation of the CBR-owned company NSPK, which today operates the Mir payment system and the SBP. Further, the trial period for the digital ruble, Russia's CBDC, was started.

The concept of infrastructural power, which describes the capability of the state to project power by coordinating activities in and logistically penetrating society (Mann, 1984), helps to understand the ramifications of these developments. Coombs (this volume) argues that the concept of infrastructural power can be extended to communicative and network-forming effects that allow for a wider use of the concept in the understanding of state–society relations in the financial realm.

The seamless domestic functioning of Visa and Mastercard payment cards as sanctions were imposed in 2022 – made possible by the prior investments of the CBR – vindicated the position that such a strong engagement on the part of a state institution was justified. This large-scale state-driven development stands in stark contrast to the early years after the fall of the Soviet Union. Then the state did not possess the capacities to successfully launch such a project despite the goals not only to lessen the vulnerability of Russia's payment sector toward foreign companies but also to make use of regulatory infrastructures that could be built using similar technological channels.

Domestically, the extension of the state via the construction of financial infrastructures was enabled by the consolidation of the state and its enhanced infrastructural power position. This concerned not only the financial means to make the necessary investment but also the heightened control over the CBR. Ensuring the CBR's control over the Mir system served to avoid reliance

on nonstate infrastructures which could limit the power of the state. Conversely, the propagation of the Mir system provided a vehicle to further infrastructural projects envisioned earlier, like the unified resident card, and also to strengthen the state's grip on actors in the private economy. With the digital ruble, an even stronger infrastructural power over the entire economy and population at large is looming.

The creation of the new systems was incited by the constraints imposed by international sanctions. The revitalization of a discourse of national sovereignty and of threats to Russia's geopolitical position led to an entanglement of political and economic considerations and facilitated a strengthening of tendencies toward an authoritarian state-controlled capitalist system. It shortened the perceived distance between the central bank and the state and enabled a significantly stronger state involvement in the payment markets.

One reason for this distance appearing to be diminishing is the fact that representatives of the CBR are defending their involvement in the payment markets against criticism from the banking sector by underlining its role in defending national sovereignty. This is untypical for central bank communication (Coombs, this volume), which derives its credibility, and therefore its capacity to enlist the public, from an ostensibly apolitical, technocratic appearance.

The discussion around the CBR's role as a payment provider and its plans with regard to the digital ruble demonstrate the potential significance of the network-forming effect of infrastructural power, an effect which is obvious in the relationship between the state and the CBR, but also for the relationship between the state and the economy. In this it testifies to the monopolization of social power in the hands of the state and indicates that the boundaries of the state also run through large companies that are controlled by the state as a majority shareholder and that those boundaries are successively shifting outwards.

Overall, the development of financial infrastructures in Russia in recent years

demonstrates the mutually enforcing character of despotic and infrastructural power (Mann, 1984). It also shows how this was intended on part of the state when it lacked the capabilities to generate the needed coordination and how the external shock of the economic sanctions created the need to shift economic policies towards the needs of foreign and security policy.

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## Notes

1. For Mann “civil society” denotes that realm outside of the state where power is exercised through ideological, economic, or military networks but, other than state power, not centrally over the entire territory of the state (1984).
2. Predecessor of the Eurasian Economic Union.

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