
One First Step Towards Ruble Convertibility?

Description

“The Bank of Russia, in order to ensure a balance of supply and demand in the domestic precious metals market, will buy gold from credit institutions at a fixed price starting from March 28, 2022. The price from March 28 to June 30, 2022 inclusive will be 5 thousand rubles per 1 gram, ” the press service of the Central Bank informed.”

<https://www.banki.ru/news/lenta/?id=10963561>

This is only a bid price price, not an ask price, between March 28th and June 30th. Gold can be sold to the central bank at that price in ruble, but nowhere does it say that the central bank has to do this without limit. The price is also significantly below the current spot price. This is not pegging the currency to gold, as that would require an explicit guarantee that rubles could be exchanged for gold at a fixed price, an ask price, the very opposite of what the Russian central bank is doing.

This IS NOT fixed convertibility, as that would require a fixed price for “on demand” conversion of rubles to gold. The central bank is buying gold at a fixed price, not selling at it. There is no fixed price convertibility.

Machine Translation:

From Monday, (Ed. Note – March 28, 2022) the Central Bank of the Russian Federation will resume buying gold from banks, while the precious metal will be purchased at a fixed price – it is scheduled for the next three months, follows from a message on the regulator’s website.

“In order to balance supply and demand in the domestic market of precious metals, the Bank of Russia will buy gold from credit institutions at a fixed price from March 28, 2022. The price from March 28 to June 30, 2022 inclusive will be 5 thousand rubles per 1 gram,” the press service of the Central Bank informed.

The regulator emphasizes that the established price level allows for a stable supply of gold and the smooth functioning of the gold mining industry this year.

After the specified period, the purchase price of gold can be adjusted taking into account the emerging balance of supply and demand in the domestic market.

Earlier, on March 15, 2022, the Central Bank suspended the purchase of gold from credit institutions to enable them to meet the demand of the population for this asset. The regulator then noted an increased demand from the population for the purchase of physical gold bullion, due, in particular, to the abolition of VAT on these transactions. In addition, Russian President Vladimir Putin signed a law allowing banks to sell gold bars to citizens for foreign currency.

The US this week expanded its anti-Russian sanctions list to include gold from CBR reserves, and the UK followed up by clarifying that its sanctions on transactions with Russian reserves extend to gold transactions. The Bank of Russia, commenting on the new sanctions, emphasized that all gold from the gold and foreign exchange reserves is located on the territory of the Russian Federation.