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## LEGAL STATUS AND PRACTICE OF COMPLEMENTARY CURRENCY IN RUSSIA

Anastasia Ljovkina

## LEGAL STATUS AND PRACTICE OF COMPLEMENTARY CURRENCY IN RUSSIA<sup>°</sup>

Anastasia Ljovkina

*Professor,*

*Department of Economic Security, system analysis and control,  
Tyumen State University*

*In fasi di crisi finanziaria e shock economici esterni, le monete complementari (CC) possono svolgere un ruolo cruciale come strumento di scambio compensativo. Le monete complementari possono potenzialmente avere positivi effetti socio-economici ma questo dipende dalla struttura e dalle condizioni d'uso che, a loro volta, sono influenzate dal quadro giuridico nazionale. Il presente articolo, che combina esame dottrinale e casistico, si concentra sull'analisi delle contraddizioni che esistono tra la disciplina delle monete complementari e i bisogni sociali sottostanti prendendo ad esame il contesto finanziario russo. La ricerca delle interazioni economiche con il quadro regolativo rivela la spinta costruttiva delle monete complementari come strumento di sviluppo locale. Tuttavia, emerge altresì l'esigenza di fugare i dubbi sulla legittimità delle monete complementari nel sistema giuridico russo per coglierne appieno le potenzialità nel perseguimento degli obiettivi di sviluppo sostenibile.*

*In circumstances of financial crises and external economic shocks, complementary currencies (CCs) play a crucial role as a compensatory exchange instrument. CC's potential for positive social-economic effects is defined by its design and conditions of using which, in their turn, substantially depend on their national legal status. This article focuses on the analysis of contradictions between the legal status of CCs and existing social needs in using them. The analysis of law regulating the Russian finance system allowed to identify a legal framework of using CCs in local economic practice. This doctrinal research was combined with a case study of the existing practice of using CCs revealed a reasonable social request for CCs. Thus, research of economic interactions as a part of social life in the current legal context allowed to reveal the actual constructive social needs in CCs as a legal tool of local exchange which conflicts with the current legal system and should be considered in its further development. At first, it requires the unambiguous legitimacy of CCs in Russia. Expanding the effective practice of using CCs in Russia needs a participative system of developing legal frameworks considering the interests of all economic agents for the common goals of sustainable development.*

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<sup>°</sup> Double blind peer-reviewed paper.

## 1. Introduction

Money is a multi-aspect phenomenon studied at the intersection of economic and legal sciences. A broad economic interpretation of money includes all the means that can fulfill any functions of money and narrow economic interpretation implies only those instruments that can fulfill the main function of money - a means of circulation.

National Monetary Law bases on the main idea of money which is discursive. In particular, under Islamic law, money is regarded as a mere means of exchange, devoid of any value in itself, as opposed to the Western legal tradition which considers it a store of value.<sup>1</sup>

In the legal context, money is only those instruments to which the ability to fulfill the functions of money has been given in the prescribed manner by a state or a group of states, that is, by a carrier of monetary sovereignty. The legal category for money in the legal sense is legal tender. Other instruments that can fulfill the economic functions of money, but are not legal tender consider to be negotiable monetary instruments.

Depending on the national concept of legal tender and the history of developing a centralized or de-centralized monetary system, specific current national monetary law defines the legal status of complementary currencies (CCs).

CCs are widely used all over the world to solve the complex tasks of local communities' sustainable development but still, there is not enough government and social support to gain maximum benefit of CCs usage. CCs have a wide variety of specific forms and designs stipulated by their purposes to satisfy the specific current social needs in a resource exchange that cannot be satisfied by the traditional monetary system.

CCs aimed to enhance the resilience of local communities, increasing the level of economic activity, trust, and cooperation among its users<sup>2</sup>. B. Lietaer, G. Hallsmith, and J. Blanc demonstrate how vibrant, healthy, sustainable local economies flourish through implementing such innovative practices as time banks, systems of barter and exchange, and local currencies<sup>3</sup>. B. Lietaer

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<sup>1</sup> BORRONI, *A Sharia-compliant payment system within the Western world*, Ianus 2014, 67 - 110.

<sup>2</sup> FAMA ET AL., *Rethinking Money, Rebuilding Communities: A Multidimensional Analysis of Crypto and Complementary Currencies*, *Partecipazione E Conflitto* (13) 2020, <http://sibasese.unisalento.it/index.php/paco/article/view/21992> (last visited Apr 25, 2020)

<sup>3</sup> HALLSMITH ET AL., *Creating Wealth: Growing Local Economies with Local Currencies* (New Society Publishers) (2011); BLANC, *Free Money for Social Progress: Theory and Practice of Gesell's Accelerated Money*, *The American Journal of Economics and Sociology* (57), 469–483, <https://www.jstor.org/stable/3487118> (last visited Feb 17, 2020)

considers that “communities break down whenever non-reciprocal monetary exchanges replace gift exchanges”<sup>4</sup> and focuses on developing local currencies which support the reciprocal relationships in communities and compensate for the scarcity of national currency. CCs are considered to be one of the instruments of creating economically viable cities based on a fierce commitment to the power of the community<sup>5</sup>. G. Bazzani noted the ability of CCs to favor community prosperity through collective actions<sup>6</sup>. Increased collective actions stimulate both people-to-people and business-to-business contacts and partnerships, developing shared values and consolidated efforts towards common prosperity. Thus, CCs favor developing more resilient communities not only by the social-effective effects of its implementation but also by its method and inherent nature based on trust and collective action of people.

In general, CCs are seen as an effective instrument to create a social-economic wealth of resilient communities<sup>7</sup>. CCs are conventional local money used at some territory for a long time or situationally (temporarily) as an alternative to fiat money exchange tools. Usually, CCs are issued to meet the current needs of the people and businesses in the context of an economic crisis or difficult economic situation in some particular territories.

Nevertheless, there is an ambiguous attitude of the state and society towards issuing and using CCs. B. Lietaer explains these ambiguous attitudes to CCs by misunderstanding the effects of local or complementary currencies which “solve problems that would otherwise be too expensive for the state.”<sup>8</sup> This ambiguous attitude stipulates a well-known gap existing between the legal framework and the practical uses of CCs. Although many legal studies

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<sup>4</sup> LIETAER, *The Future of Money: Creating New Wealth, Work and a Wiser World*, Dallas (Texas), 2001.

<sup>5</sup> PHILLIPS ET AL., *Sustainable communities: creating a durable local economy*, UK, 2013.

<sup>6</sup> BAZZANI, *Money as a Tool for Collective Action*, in *Partecipazione E Conflitto* (13), 2020, 438–461, at: <http://siba-ese.unisalento.it/index.php/paco/article/view/21996> (last visited Apr 25, 2020)

<sup>7</sup> SEYFANG, *Community currencies: Small change for a green economy*, in *Environment and Planning* 2001 (33), 975–996; DITTMER, *Local currencies for purposive degrowth? A quality check of some proposals for changing money-as-usual*, in *Journal of Cleaner Production*, 2013, 40; GARCÍA-CORRAL ET AL., *Complementary Currencies: An Analysis of the Creation Process Based on Sustainable Local Development Principles*, in *Sustainability* (12), 2020, 5672, <https://www.mdpi.com/2071-1050/12/14/5672> (last visited Oct 4, 2021)

<sup>8</sup> CRYPTOCURRENCIES AS A KIND OF COMPLEMENTARY CURRENCIES, <https://www.if24.ru/bernar-lietar-kriptoalyuty/> (last visited Apr 24, 2020)

identify this gap<sup>9</sup>, there is little research aimed at finding the fundamental solution of legitimizing CCs as a constructive social practice, necessary for the sustainable development of local communities. Current CCs' research is to some extent in a trap of a "vicious circle". Current monetary rules of issuing and regulating CCs prevent main contemporary monetary approaches to recognize and legitimate them<sup>10</sup> making them difficult to study in legal and interdisciplinary research. At the same time, there is an urgent need in the complex investigation of the CC phenomenon for developing the theoretical base of contemporary monetary approaches and legal rules for monetary systems in compliance with sustainable development goals<sup>11</sup> as a monetary ecosystem has developed in recent years transforming the concept of money and its status quo<sup>12</sup>. This research aimed at revealing the contradictions between the legal status of CCs and existing social needs in using them. Understanding these contradictions required to apply two approaches for solving relevant research tasks: "black-letter law" – for descriptive analysis of legal rules and identifying a formal legal framework for CCs and "law in context" – for empirical research of social problems of using CCs in the current legal context.

The black-letter (doctrinal) legal research of primary sources was used to identify the main legal rules of the financial and monetary system in Russia concerning issuing and using CCs, and, therefore, formal possibilities and obstacles of using CCs in local communities. Finding contradictions between the current legal framework and existing social needs implies looking at the situation from both points of view: law and the social problem itself. The "Low in context" approach implies seeing the problem from the point of "social": social needs, behavior, interests, etc. This approach implies law becomes problematic both in the sense that it may be a contributor to or the cause of the social problem<sup>13</sup>. A case study method applied in a line with this

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<sup>9</sup> LIETAER & DUNNE, *Rethinking money: how new currencies turn scarcity into prosperity*, Oakland, California, 2013.

<sup>10</sup> FARE & OULD AHMED, *Why Are Complementary Currency Systems Difficult to Grasp within Conventional Economics?*, in *Interventions économiques* 2017, at <http://journals.openedition.org/interventionseconomiques/3960> (last visited Oct 4, 2021)

<sup>11</sup> VON WEIZSÄCKER & WIJMAN, *Come On!: Capitalism, Short-termism, Population and the Destruction of the Planet*, New York, NY, 2018.

<sup>12</sup> ARCINIEGA GIL ET AL., *A legal analysis of complementary and virtual currencies for sustainable economic development A legal analysis of complementary and virtual currencies for sustainable economic development*, 1st International Conference on Law, International Business and Economic Development (ICLIBED-2019), Nov 2019, Danang, Vietnam.

<sup>13</sup> MCCONVILLE & CHUI (eds), *Research Methods for Law, II ed.*, Edinburgh, 2007.

approach focused on the analysis of empirical data of using CCs: reasons of issuing CCs, legal obstacles of using them, design development, and social-economic effects. Two currently known cases of using CCs in Russia were analyzed: the case of Kolions (Russia, village Kolionovo) and the case of Shaimuratiki (Russian, village Shaimuratovo). The analysis of the existing practice of using CCs focused on revealing obstacles for gaining maximum social-economic effects from using CCs for communities' sustainable development, especially shortcomings of the legal framework for using CCs. The combination of "black-letter law" and "law in context" approaches involves finding gaps in the current legal framework which overcoming may sufficiently contribute to the solution of social-economic problems of communities' sustainable development. needs and current legal framework

## **2. Basic Rules of monetary system in Russia**

### **2.1 The National currency**

The legal foundations of the monetary system of the Russian Federation are determined by the Constitution of the Russian Federation, the Civil Code of the Russian Federation, and the federal laws of the Russian Federation.

The Constitution is the basic law of the state, a special regulatory legal act, which has the highest legal force. The Constitution of the Russian Federation (Art.2) states the main national values, the highest values are considered a person, his rights and freedoms. Recognition, observance, and protection of the rights and freedoms of man and citizen is the duty of the state<sup>14</sup>. Article 71, paragraph "ж" defines the frames and scale of government regulation of the national monetary system and financial policy. According to the Art.71, the government of the Russian Federation has to: establish the legal foundations of a national market and pricing policy framework; manage financial, currency, credit, customs, money issue, federal economic services, including federal banks. According to Article 75, of the Constitution of the Russian Federation, the only legal money/currency of the Russian Federation is the ruble, and money emission is carried out exclusively by the Central Bank of the Russian Federation.

The government of the Russian Federation and Central Bank are the main bodies responsible for the monetary policy of the Russian Federation.

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<sup>14</sup> CONSTITUTION OF RUSSIAN FEDERATION. ARTICLE 75., <https://gosuslugi-online.ru/novaya-konstitucziya-rf-2020/> (last visited Apr 23, 2020)

According to the Constitution, the protection and stability of the ruble are the main functions of the Central Bank of the Russian Federation, which it performs independently of other government bodies. The implementation of a unified financial, credit, and monetary policy in the Russian Federation is a responsibility of the national government according to the Art. 114 of the Constitution. State Duma initiate federal laws regulating issues of financial, currency, credit, customs, and monetary emission, which are subject to mandatory approval by the Council of the Russian Federation.

The next level of regulating issuing and circulation of money is the Civil Code. The Civil Code of the Russian Federation is a main federal law of the Russian Federation that regulates civil law relations, having priority over other federal laws and other regulatory legal acts in the field of civil law. According to the Art. 140 of the Civil Code of the Russian Federation, the Ruble is a legal tender, which must be accepted at face value throughout the Russian Federation<sup>15</sup>.

The next level of currency legal regulation is federal laws. The Federal Law on the Central Bank of the Russian Federation is the main document regulating the activities of the Central Bank of the Russian Federation. Article 27 of the Federal Law on the Central Bank of the Russian Federation states that the official monetary unit (currency) of the Russian Federation is the ruble. One ruble consists of 100 kopecks. The introduction of other monetary units and the issue of monetary surrogates in the Russian Federation are prohibited. Article 29 of the same Federal Law says that “The issue of cash (banknotes and coins), the organization of their circulation and withdrawal from circulation on the territory of the Russian Federation are carried out exclusively by the Bank of Russia. Banknotes and a Bank of Russia coin are the only legal means of cash payment in the Russian Federation. Their falsification and illegal manufacture are punishable by law”<sup>16</sup>.

Thus, the introduction and issue of other money in the Russian Federation is not allowed by the Constitution of the Russian Federation. Issuing and using CCs which does not have the characteristics and functions of the legal national currency is not considered in the Constitution. At the same time the Federal Law of the Central Bank which directly prohibits issuing “other monetary units” and “monetary surrogates” sets a sufficiently tighter legal framework for using CCs.

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<sup>15</sup> CIVIL CODE OF THE RUSSIAN FEDERATION (2019), <http://docs.cntd.ru/document/9027690> (last visited Apr 23, 2020)

<sup>16</sup> FEDERAL LAW ON THE CENTRAL BANK OF THE RUSSIAN FEDERATION (2020), <http://docs.cntd.ru/document/901822004> (last visited Apr 23, 2020)

## 2.2 The legitimacy of other types of currency in Russia

Monetary transactions in the legal currencies of other countries are traditionally regulated by the Currency Regulation Law. Digital trends made sufficient adjustments to the financial market and required new Federal Laws regulating transactions using cryptocurrency. Since the beginning of the second decade of our century “digital cash” has begun to have a major impact on the global, national, and local economies. The first important steps towards the official settlement of cryptocurrencies were taken in March 2013 when FinCEN asserted that virtual assets should be equated with fiat money and controlled in the same way<sup>17</sup>. FinCEN Guidance accumulated rules and interpretations of common business models involving convertible virtual currencies<sup>18</sup>.

In Russia, the process of legalization of cryptocurrency stretched over several years and continues. In October 2017, a meeting was held in Sochi (Russia) to find a solution to regulate the cryptocurrency market which laid the basic ideas for a future bill<sup>19</sup>. In May 2018, the State Duma of the Russian Federation approved in the first reading three laws aimed at regulating cryptocurrencies: “On Digital Rights”, “On Digital Financial Assets”, and “About crowdfunding.” Federal Law of March 18, 2019, N 34-ФЗ “On Amendments to Parts One, Two and Article 1124 of Part Three of the Civil Code of the Russian Federation” is a normative act that creates the basis for regulating relations in the digital economy of Russia. The law enacted on October 1, 2019, fixed the basic definition of “digital law”, legalized the processing of big data, and smart contracts got a green light<sup>20</sup>. Draft Federal Law On Digital Financial Assets obliges ICO to have a registration in state institutions, as well as the signing of agreements with each investor. According to this regulatory document, cryptocurrency exchanges for fiat are possible only through authorized exchange operators, who will

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<sup>17</sup> Application of FinCEN’s Regulations to Persons Administering, Exchanging, or Using Virtual Currencies | FinCEN.gov, <https://www.fincen.gov/resources/statutes-regulations/guidance/application-fincens-regulations-persons-administering> (last visited Apr 25, 2020)

<sup>18</sup> APPLICATION OF FINCEN’S REGULATIONS TO CERTAIN BUSINESS MODELS INVOLVING CONVERTIBLE VIRTUAL CURRENCIES | FINCEN.GOV, <https://www.fincen.gov/resources/statutes-regulations/guidance/application-fincens-regulations-certain-business-models> (last visited Apr 25, 2020)

<sup>19</sup> Vladimir Putin held a meeting on cryptocurrencies and blockchain in Sochi, <https://bits.media/putin-provedet-v-sochi-vstrechu-po-kriptovalyutam-i-blokcheynu/> (last visited Apr 24, 2020)

<sup>20</sup> FEDERAL LAW OF MARCH 18, 2019 NO. 34-FZ FEDERAL LAW ON AMENDMENTS TO PARTS ONE, TWO, AND SECTION 1124 OF THE THIRD PART OF THE CIVIL CODE OF THE RUSSIAN FEDERATION., <http://www.kremlin.ru/acts/bank/44088> (last visited Apr 24, 2020)



need to have a wallet<sup>21</sup>. Federal Law dated July 31, 2020, No. 259-FZ "On digital financial assets, digital currency" officially defines digital currency and cryptocurrency as one of the types of digital currency. The Law states that cryptocurrency has no material embodiment, thus, it is not a monetary unit. Cryptocurrency, like any other digital currency, is recognized as property. Transactions in cryptocurrency are processed with the help of a special address based on blockchain technology. According to the definition in this Law, cryptocurrency is mining and exchanging based on blockchain technologies. The first cryptocurrency was bitcoins, which were issued 12 years ago. However, Legal Regulation has only now legalized digital currency. Now using blockchain technology is far wider than just mining and exchanging cryptocurrencies. It is used for transferring and exchanging different types of units, including any type of CC. The current law on digital currency does not consider the fast development of blockchain technologies and financial actives. In particular, it does not clarify the legal status of CCs.

Nevertheless, CCs can be recognized as a type of digital currency which defined in the Law as a set of electronic data (digital code or designation) contained in the information system, which is offered and (or) can be accepted as a means of payment that is not a national, foreign or international legal monetary.

Thus, the current national legislation of the Russian Federation prohibits issuing and circulation of CCs as money/legal tender but does not limit the usage of CCs as a digital currency that can fulfill all functions of money.

### 3. Cases of using CCs in Russia: analysis in the current legal context

#### 3.1. Shaimuratovo

CC Shaimuratiki was issued in May 2010 by the initiative of economist R. Davletbaev. This CC was designed on the principles of Gezellian money. In 2010, Saimuratovo farm was on the verge of bankruptcy because of the economic crises of 2008 and the drought of 2010. The prior purpose of using Shaimuratiki was to facilitate the exchange of resources in the situation of the lack of fiat money<sup>22</sup>. CC was issued in the form of the commodity coupons

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<sup>21</sup> DRAFT FEDERAL LAW ON DIGITAL FINANCIAL ASSETS, [https://www.minfin.ru/ru/document/?id\\_4=121810-proekt\\_federalnogo\\_zakona\\_o\\_tsifrovyykh\\_finansovykh\\_aktivakh](https://www.minfin.ru/ru/document/?id_4=121810-proekt_federalnogo_zakona_o_tsifrovyykh_finansovykh_aktivakh) (last visited Apr 24, 2020)

<sup>22</sup> DAVLETBAEV, *Alternative financial systems. Shaimuratiki - an economic miracle*, 2015, <https://youtu.be/qcgKsUM9vGY>

which could be exchanged on any commodity in the Shaimurat stores in compliance with the current legislation in the Russian Federation. Nevertheless, despite the official usage of Shaimuratiki only as commodity coupons, they were banned by the court in January of 2012. The conclusion of the prosecutor's office was based on the violation of Civil law which forbids to replace salaries with commodity coupons (Prosecutor's Office of the Republic of Bashkortostan, 2012).

After entry into force of a court decision, the second scheme of using Shaimuratiki was developed. Formally, the CC was sold like "gift cards" in the Shaimurat stores and could be bought for part of a salary. Essentially, nothing changed in the real usage of the commodity coupons. However, from the legal point of view, the system of applying Shaimuratiki changed radically. Shaimuratiki was removed from the focus of Russian labor legislation. In the sphere of labor relationships, the employer fulfilled his obligation to pay salaries to employees. And the commodity coupons were sold in the field of civil relationships. Employees bought Shaimuratiki on account of their future salary. The second scheme of applying the commodity coupons confirmed its viability. The director of the Shaimurat farm successively won four lawsuits which were initiated by the local government to ban the usage of the commodity coupons. The last ban on the coupons was lifted in 2015 by the Supreme Court of Bashkiria. The court decision was "it is not forbidden to issue and use commodity coupons in circulation, however, it is forbidden to replace salaries with commodity coupons"<sup>23</sup>. Thus, the second scheme of using Shaimuratiki met legal requirements and, in fact, allowed to exchange labor for goods.

Due to the using Shaimuratiki agricultural business in Shaimuratovo was saved. In its turn, it provided the survival and prosperity of the local community in crises times<sup>24</sup>. But the courts distracted a lot of time and efforts of entrepreneurs and members of the community to prove the legacy of using CCs, decreased trust in Shaimuratiki among local citizens, and increased fears of other entrepreneurs and communities in repeating similar experiments with CCs. Nevertheless, sufficient positive social-economic effects of using CCs in the local community as commodity coupons attracted a lot of attention from some progressive economists and entrepreneurs.

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<sup>23</sup> SUPREME COURT OF THE REPUBLIC OF BASHKORTOSTAN. DECISION NO. 33-124 (2013), <https://sudact.ru/regular/doc/4emrAuBMtKWt/>

<sup>24</sup> LJOVKINA & LJOVKIN, *Bashkir Wörgl: Succesfsful Farm Rescue. Implementing Gesell Money in the Shaimurat Farm, Russia, in Partecipazione E Conflitto Conflitto*, 2020 (13), <http://siba-ese.unisalento.it/index.php/paco/article/view/22001> (last visited Jul 14, 2020)

### 3.2. Kolionovo

CC Kolion was issued by farmer M. Shlyapnikov in 2014 to facilitate the exchange of goods and resources between neighbors, partners and to provide investment and preorders. The situation in Kolionovo was similar to Shaimuratovo: a crisis of local businesses and devastating the village in the situation of the lack of fiat money.

Kolions are secured by real farm goods (potatoes, geese, seedlings, etc.). At first, they were in paper form. The circulation of Kolions allowed Shlyapnikov to save the agricultural business in the village by activating the exchange of goods, services, labor, and assets with the use of CC. The local community began to trust Kolions, and use it widely including the transactions with neighboring villages. It led to a wide range of synergetic positive social, economic and social-psychological effects: the growth of local businesses, increased employment and income of local people, investing in local business, improving local infrastructure, decreases debts of people and businesses.

However, Kolions faced serious legal obstacles. On 3d June 2015, the state court concluded that Kolions "posed a threat to the unity of the financial system of the Russian Federation, also posed a threat to the monopoly of the Russian Federation on the issue of money and disoriented the population in the conditions of economic crisis"<sup>25</sup>. Considering the final court decision and new trends of increasing transactions in cryptocurrency, M. Shlyapnikov in 2016 transferred Kolions into a virtual space issuing tokens Kolions (KLN) based on a blockchain platform.

The first wide crowdfunding campaign in KLN brought him more than 500,000 USD \$ of investment in one month. On July 4th, 2017 the farm of M. Shlyapnikov paid the first dividends to new KLN holders. The success of digital CC motivated local citizens to experiment with some other forms of Kolions on the WavesPlatform platform – Kolion Plus (loyalty bonuses for the payments in KLN), “time records” (the working)<sup>26</sup>, and even local additional pension funds<sup>27</sup>.

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<sup>25</sup> Russian Farmer Alters Rural Economy With Virtual Currency, as Moscow Watches Warily The Wall Street Journal, <https://www.wsj.com/articles/russian-farmer-alters-rural-economy-with-virtual-currency-as-moscow-watches-warily-1524398400> (last visited Aug 17, 2020)

<sup>26</sup> <https://bitcointalk.org/index.php?topic=1848059.msg52143094#msg52143094> BITCOINTALK,

<sup>27</sup> [https://www.facebook.com/permalink.php?story\\_fbid=2054898774580175&id=100001802183805](https://www.facebook.com/permalink.php?story_fbid=2054898774580175&id=100001802183805) PENSION ON THE BLOCKCHAIN, (last visited Aug 19, 2020)

Now Kolions popularity grows in the network of farm suppliers and partners all over the world. Kolions have been already used Kolions with Australian, Greek, and other international partners. Kolionovo ecosystem already includes manufacturers from Moldova, Belarus, China, and Greece<sup>28</sup>.

Thus, the digital form of Kolions allowed their more free, wide, and various using, than Shaimuratiki. Nevertheless, Kolions stayed local currency in its essence and their value has natural growth as they are secured by a liquid inventory of own farm production, in particular by seedlings in the greenhouses, which have a natural value growth in time. Blockchain technology has not changed the nature of Kolions but just incarnated them in the digital world. The value of KLN has been created by the farm enterprise operating in a certain physical space but not in a virtual one.

Thus, according to the current legislation, KLN is a digital financial active, regulated by the Federal Law of April 22, 1996, N 39-FZ "On the Securities Market" which does not clearly define the list of transactions that can be made. Together with that, KLN can be recognized as a digital currency, regulating by 259-FZ "On digital financial assets, digital currency" which prohibits accepting payment for goods, works, and services in digital currency. Thus, the legal conditions for KLN stay unfavorable in Russia.

#### **4. Conclusions**

The increasing complexity of today's social-economic system supposes a more flexible and "natural" approach to the finance system to provide the sustainable development of local communities. The world crisis financial system together with external economic shocks caused by ecological problems, biological threats, natural disasters require the search for legal solutions that meet goals of providing a sustainable exchange of resources, collaborative work and providing mutual help in unfavorable situations.

CCs proved their effectiveness for developing resilient communities in many cases all over the world, and their use is supported by the legal system of many countries. Russian legal system develops traditionally in compliance with the national highly centralized monetary system. The issue of other money in the Russian Federation is not allowed by the Constitution of the Russian Federation. Nevertheless, it is not directly prohibited to issue and use

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<sup>28</sup> Kolionovo ecosystem: <https://kolionovosystem.com/> (last visited Aug 18, 2020)

a complementary currency that does not have the features of the legal national currency.

Shaimuratovo and Kolionovo projects demonstrated high impact both for local and national economies. Both projects had a great impact on rising local agricultural business, which is usually depressed and underdeveloped in Russia, and by creating workplaces in the remote territories. The solution of these two important social-economic problems in Russia (developing agriculture and remote territories) are usually subsidized by the state budget, which is expensive and ineffective in the long-term run. Both studied cases proved the ability of a complementary currency to solve a wide range of social-economic problems, which usually require spending a sufficient amount of tax budget on them through permanent subsidizing<sup>29</sup> and supported the same results of other similar cases<sup>30</sup>. Thus, there is a strong need in using CCs at least for the local communities living in remote territories or the cities/villages in crisis economic conditions.

Investigation of the real cases of using CCs in Russia revealed the sufficient legal obstacles for using CCs which had destructive consequences for developing resilient local communities. The combination of “black-letter law” and “law in context” approaches allowed to find gaps between the actual social request for effective tools of local exchange, considering modern trends and possibilities of new technologies and current legislation.

To bring maximum benefits for the local economies, CCs should be at first legitimized in Russian Federation as a complementary currency, which does not compete with the national currency but can fully function as local money. Expanding the effective practice of using CCs in Russia needs a participative system of developing legal frameworks considering the interests of all economic agents for the common goals of sustainable development. This complex issue requires further interdisciplinary investigations of the system social-economic effects from the changes in national monetary law, tax system, and practice of using CCs; comparative research of the legal status of CCs in different national legal systems; investigating trends of developing local cryptocurrencies and best practices of legitimizing crypto CCs in the national rules of financial, monetary and tax system.

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<sup>29</sup>LIETAER, *The Future of Money: Creating New Wealth, Work and a Wiser World*, cit.

<sup>30</sup> GARCÍA-CORRAL ET AL., *Complementary Currencies: An Analysis of the Creation Process Based on Sustainable Local Development Principles*, cit.