

Vladimir Potanin told CoinDesk about the possibilities of digitalization

Nornickel's president Vladimir Potanin told CoinDesk how to present metals as digital assets, how to use distributed databases, and how to offer investors new ways to participate in business.

Palladium coins

"We are trying to digitize all our sales contracts because it looks more efficient, transaction costs are lower and it adds flexibility for our clients," Potanin said. Sometimes Nornickel's clients, like auto companies, might order too much palladium and need to renegotiate their contracts and buy less than they initially ordered. He says that's easier to manage if the contract is tokenized.

"If you don't need a certain amount of material you can split a token in parts and sell it to other clients. And for us, nothing changes: we ship palladium and clients get as much as they need."

The tokens will be backed either by Nornickel's guarantee to ship the actual tons of metal or by special metal accounts in a bank if a buyer doesn't need palladium itself, Potanin adds.

This summer the company [joined](#) Hyperledger, a blockchain consortium led by the Linux Foundation. The token is built on Hyperledger Fabric and supported by IBM. (The tech giant was not able to respond to requests for comment by press time).

Nornickel is also planning to launch a marketplace where its token and similar asset-backed tokens issued by other companies would be traded. Potanin says the palladium token will be available not only to funds and asset managers but also to retail investors:

"For example, you see palladium is going up, but you can't go to Norilsk Nickel and buy palladium for several million dollars," Potanin said. "Say, you have \$500 in your pocket, and you want to bet on the price of palladium. You enter our platform and get a little portion of palladium in a tokenized form."

Not everyone wants to buy into a company when what they really want is exposure to an underlying commodity, Potanin said:

"Exposure to Norilsk Nickel is an exposure to Russia, to mining, to rouble, to executive management of Norilsk Nickel and other entities. Some people like this because the stock of Norilsk Nickel goes up. But some people just don't have expertise to evaluate it."

He used a real estate analogy: "If you want to buy a flat you don't want to buy a share in the construction company."

Asset-backed tokens can be especially attractive for traditional businesses as they may attract money from crypto investors, Potanin said.

“It’s an interesting source of capital with very low transaction costs,” he said. “It might be an interesting way to finance working capital.”

Preston Byrne, a lawyer and astute observer of the blockchain and cryptocurrency fields, believes there will be demand for the kind of commodity speculation Nor nickel is enabling with its tokenized palladium.

“If you’re buying palladium in a vault versus buying shares in Norilsk Nickel, those are different assets with different risk,” Byrne said. “Especially if palladium is stored in Switzerland instead of Russia where you have seen the expropriation of oligarchs if they run afoul of the regime.”

Jurisdiction bets

Nor nickel is preparing to launch the token using entities the company is setting up in the U.S. and Switzerland.

“We decided not to take any reputational risks and to be 100 percent regulated,” Potanin explains. “We’re making sure we’re in alliance with the regulators of both countries. We will need both the U.S. regulators’ decision and FINMA’s approval in Switzerland to launch.”

What’s more, Potanin’s plans go beyond metals.

In Russia Nor nickel is in “very advanced discussions” with the Bank of Russia to launch a pilot project to tokenize other goods, from airplane tickets to shipping containers. (The Bank of Russia did not respond to a request for comment by press time).

Potanin helped write the legislation for digital assets in Russia as a member of a blockchain working group within the [Russian Union of Industrialists and Entrepreneurs](#), a lobbying group formed by the country’s largest industrial players.

The bill is making its way through Russia’s parliament and Potanin is confident it will pass.

“I hope it will go through the parliament without delay, and I understand that I can start my experiment in Norilsk with the frame of this legislation and under the control of our regulator.”

Risks and hopes

Potanin says he is not particularly interested in cryptocurrencies like bitcoin and ethereum and didn’t invest in them. He calls bitcoin “a toy” and “a useful souvenir,” but says the issuance of electronic money should be left to central banks.

“I agree with the American regulator that it is a [commodity](#) and the quality of this commodity — you really do not know if it’s good or not, you buy it at your own risk,” he added.

But he is enthusiastic about the future of asset-backed tokens like the one Nor nickel is preparing, as their usefulness goes beyond speculative value, motivating people to learn about the digitized commodities they will be trading:

“People like different kinds of bets, on football or boxing matches, for example. My idea is to encourage people to bet on something real and to learn something: what’s going on with oil, with metals, with ecological programs, what is the behavior of consumers.”

Given Potanin's high profile (and government connections), some might wonder if Nornickel token projects are an elaborate way to skirt sanctions imposed on Russia by the U.S. and European countries (on the thinking that the tokenized metals markets are less heavily policed than other financial arenas).

But Potanin dismisses the idea. Neither he nor Nornickel has faced any direct sanctions from the West so far.

"For me personally, I don't think it's a good protection because sanctions go much further than your ability to have an account in a bank," he said, adding:

"What makes me really anxious is that people may change and are already changing their attitude towards Russians. Doesn't matter if it's true or not, people start thinking, 'maybe I shouldn't deal with a Russian guy because who knows whether he's under sanctions or what happens to him.'"

He added that he doesn't believe this attitude will stop his blockchain project, though:

"In this system that we have now in the world, digital initiatives, high tech and ecological initiatives are the last ones to be attacked and compromised. It's not a remedy, but I think it's good to go in that direction."

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