

*This publication is not a legal advice and provides only general information about the changes in Ukrainian banking legislation.*

*In order to avoid any risks prior to making any decisions related to information contained in this publication, please, seek legal counsel.*

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## Topic of the issue:

## **THE NATIONAL BANK OF UKRAINE INTRODUCED NEW RESTRICTIONS FOR CURRENCY TRANSACTIONS**

With its Resolution No. 124 dd. 23 February 2014 (Resolution No. 124) the NBU has established new restrictions for currency transactions, in particular:

- 1) It is prohibited for banks to purchase foreign currency by clients' orders for funds borrowed by clients in Hryvnia;
- 2) It is prohibited for banks to make advance payments (prepayments) in foreign currency for import of goods under foreign economic contracts the total price of which exceeds USD 50,000 (or equivalent in any other foreign currency at the official exchange rate of the NBU on the day of contract conclusion), if the NBU notifies the bank that it does not approve such payments; Approved payments shall be performed not earlier than on the fourth banking day after the making an entry on such payments in the register by the bank. In order to obtain an approval for such payments, banks are obliged to create a respective register which shall be submitted to the NBU per e-mail along with scan copies of documents constituting the basis for conduction of such transactions.

This ban does not apply to import transactions carried out by residents with payments in form of a commercial letter of credit complying with requirements set forth in paragraph 3) below.

- 3) Advanced payments (prepayments) in foreign currency for import of goods under foreign economic contracts the total price of which exceeds USD 500,000 (or equivalent in any other foreign currency at the official exchange rate of the NBU on the day of contract conclusion) shall be made only in form of a commercial letter of credit complying with the following requirements:
  - The letter of credit shall be confirmed by a bank rated by one of the global credit rating agencies (Fitch IBCA, Standard & Poor's, Moody's) as a first-class bank (not lower than the investment class);
  - Foreign currency may be purchased only in order to confirm the letter of credit (provide cash cover) or to pay for services rendered by non-resident banks participating in the transaction with the letter of credit;
  - The letter of credit shall be paid after receipt of documents and confirmation of their proper execution.

Resolution No. 124 came into force on 24 February 2015 and is valid for an indefinite period of time.

In addition, Resolution No. 130 dd. 24 February 2015 prohibits banks to purchase foreign currency till 27 February 2015.

*We would be happy to answer any of your questions on banking activity in Ukraine, should the need arise.*

**Kind regards,**

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