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For detailed information, please, contact author:

Oleksander Plotnikov
Counsel, Head of Banking and Finance Practice
Oleksander.Plotnikov@arzinger.ua
Phone: +38 044 390 5533
75, Zhylyanska Str., Kyiv 01032, Ukraine

Topic of the issue:

THE NATIONAL BANK OF UKRAINE (THE "NBU") HAS EXTENDED MOST OF RESTRICTIONS ON FOREIGN CURRENCY MARKET

On September 3, 2015 the NBU passed the Resolution No. 581 "On Regulating the Situation on the Monetary and Currency Markets of Ukraine" (hereinafter, the "Resolution No. 581") and Resolution No. 582 "On amendments to some regulations of the NBU" (hereinafter, the "Resolution No. 582", and Resolution No. 581 and Resolution No. 582 together, the "Resolutions")

Resolution No. 581 has introduced the following liberalization of rules:

- the sum of withdrawing cash in foreign currency from current and deposit accounts of clients at cash desks and ATMs is increased up to **UAH 20 000** per day for one client in at the official rate of the NBU. This requirement applies to cash withdrawals in Ukraine or abroad regardless of the number of accounts the relevant client has with one bank;
- withdrawing cash in UAH at cash desks and ATMs is permitted up to **UAH 300 00** per day for one client;
- Authorized banks are allowed to remove export operations of clients from the currency control based on documents confirming set-off of the obligations in currency which is not subject to mandatory exchange for UAH. The amount of such liabilities should not exceed USD 500,000 per one contract;
- The requirement for compulsory exchange of revenues in foreign currency shall not apply to funds returned by a foreign bank within two days.

Most of other restrictions have been extended:

- ban on early repayment under loan agreements between Ukrainian borrowers and foreign creditors;
- foreign cash may be sold to one person within one business day only in an amount not exceeding the equivalent of **UAH 3,000** within one bank;
- an individual may transfer foreign currency abroad under current currency non-trading operations:
 - without any confirming documents from a current foreign currency account or without opening such an account – in the amount not exceeding the equivalent of **UAH 15,000** within one business day;
 - from a current foreign currency account – in the amount exceeding the equivalent of **UAH 15,000**, however, not more than **UAH 150,000** per month. These restrictions do not apply to transactions put on the exclusive list contained in Resolution No. 581.

- early repayment of deposits in foreign currency shall be allowed only in national currency at the foreign currency exchange rate of the authorized bank on the transaction day;
- for the purchase of foreign currency on the interbank currency market, funds in UAH should be first transferred to a separate analytical bank account, from where they can be transferred for the purchase of foreign currency no later than on the fourth banking day following the receipt of UAH in that account;
- cash withdrawal in Ukraine via electronic payment means (cards) issued by residents or non-residents is permitted only in UAH;
- it is prohibited to purchase foreign currency and transfer it abroad:
 - i. in case of sale of securities of Ukrainian issuers outside stock exchanges;
 - ii. in case of sale of corporates rights in legal entities (except for those in the form of shares), or reduction of authorized capitals of legal entities, or in case of cassation of membership in legal entities;
 - iii. to pay dividends to a foreign investor abroad – *the previous ban did not cover dividends on securities traded on stock exchanges*;
 - iv. based on individual licenses issued by the NBU (except where transactions are carried out based on individual licenses for the placement of currency values in accounts outside Ukraine issued by the NBU to legal entities and for the transfer of foreign currency from Ukraine by resident guarantors (sureties) within obligations secured by a guarantee (surety) under a loan provided by an international financial institution or with participation of a foreign export and credit agency, in other cases provided that the aggregate sum of relevant transactions does not exceed USD 50 000 during one calendar month on the basis of the individual license issued by the NBU).
- The NBU doesn't provide the registration of the following: changes to the agreement on receiving by a resident (except of the authorized banks) the credits/loans in foreign currency from a non-resident, which involve substitution of the creditor/debtor thereunder; agreement on receiving by a resident the credits/loans in foreign currency from other resident in case of set-off of the obligations by the resident-creditor to non-resident thereunder. The authorized banks are prohibited to submit documents to the NBU to provide the registration in the abovementioned cases. The NBU may render a separate decision on performing the registration in the abovementioned cases if the borrower(s) and/or the creditor(s) are business entities connected by control relations in the respective obligation.

Also, Resolution No. 581 extends the effect of the requirement for settlements in export and import transactions within **90 days** and mandatory sale of foreign currency proceeds in the amount of **75%**.

Apart from that, the following restrictions imposed on banking transactions have been prolonged:

- banks are not allowed to provide loans in national currency to clients, if property rights for foreign currency funds in bank accounts are provided as security for performance thereunder;
- a bank may not purchase foreign currency on behalf of a resident client (other than an individual) that has foreign currency funds placed in current and deposit accounts with the same and/or other banks. Such a client shall use its own funds in foreign currency to perform its obligations in foreign currency. However, there are funds that shall not be taken into account and they are listed in the Regulation No 581. Noteworthy, that the NBU allowed not to take into the account the balances of funds at the clients' accounts in the authorized banks in the currency of the 3-d group of foreign currency and bank metals classifier

Resolution No. 581 became effective on September 4, 2015 and will remain in force till December 4, 2015.

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

Kind regards,

Oleksander Plotnikov

Counsel, Head of Banking and Finance Practice at Arzinger
Tel. +38 044 390 55 33
Oleksander.Plotnikov@arzinger.ua