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Topic of the issue:

THE NATIONAL BANK OF UKRAINE HAS EXTENDED EFFECT OF RESTRICTIONS ON CURRENCY TRANSACTIONS AND HAS INTRODUCED ADDITIONAL MECHANISMS TO STEADY THE UKRAINIAN CURRENCY MARKET

On March 3, 2015 the NBU passed its Resolution No.160 “On Regulating the Situation on the Monetary and Currency Markets of Ukraine” (hereinafter, the "Resolution No. 160").

In fact, the Resolution extends the effect of the following restrictions on currency transactions (put into effect by NBU Resolution dated December 1, 2014 No. 758):

- 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. 160.

- Withdrawing cash in UAH at cash desks or ATMs is permitted in the amount of up to **UAH 150,000** per day for one client;

- 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;

- Withdrawing cash in foreign currency from current or deposit accounts at cash desks or ATMs is permitted in the amount not exceeding the equivalent of **UAH 15,000** per day for one client at the official exchange rate of the NBU on the transaction day.

This requirement applies to cash withdrawals in Ukraine or abroad regardless of the number of accounts the relevant client has with one bank;

- 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).

Also, Resolution No. 160 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, some additional restrictions are imposed on banking transactions:

- 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, the following funds shall not be taken into account:
 - v. funds in a client's account, with property rights to such funds being pledged under a pledge agreement;
 - vi. funds that had been placed in deposit accounts before the Resolution came into effect;
 - vii. funds placed in account(s) with a bank qualified as an insolvent one and undergoing a temporary administration procedure or pending liquidation.

Resolution No. 160 became effective on March 4, 2015 and will remain in force till June 3, 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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