

National Bank of Ukraine tightens foreign currency rules in Ukraine

On 20 August 2014, the National Bank of Ukraine (the "NBU") introduced additional currency control measures aimed at stabilising the national currency. The new rules took effect on 21 August 2014 and will remain effective until 21 November 2014.

All foreign currency proceeds to be converted into Ukrainian hryvnia

The new rules require each Ukrainian company to convert 100 percent of any foreign currency proceeds it receives into Ukrainian hryvnias (UAH). Previously such requirement applied to only 50 percent of such foreign currency proceeds. Ukrainian banks must convert the foreign currency no later than the next business day after the funds are received by the client.

As before, a limited number of transactions are exempted, namely when the foreign currency is received:

- by the state of Ukraine or as a part of a transaction guaranteed by the state of Ukraine;
- from certain international finance organisations or under loans provided in accordance with certain international treaties;
- under international technical assistance projects registered in Ukraine;
- by non-resident banks on foreign currency correspondent and deposit accounts opened with Ukrainian banks;
- by an agent and such amount is to be further transferred to a principal;
- by residents on off-shore accounts opened on the basis of an NBU licence; or
- as a result of a mistaken transfer.

Key issues

- 100 percent of FX proceeds to be converted into UAH
- Extension of 90-day rule for transfer of FX proceeds and goods/services to Ukraine
- Additional mechanism for the NBU to monitor suspicious banking transactions

Extension of 90-day rule for transfer of foreign currency proceeds and goods and services to Ukraine

The new rules extend the requirement that Ukrainian companies ensure that payments from abroad for goods and services are transferred into Ukraine within 90 days after the date that the goods are exported or the services delivered.

Suspicious transactions

The new rules also give the NBU the right to monitor transactions through Ukrainian banks and require Ukrainian banks to suspend transactions which the NBU believes are being made for an unlawful purpose or not in good faith. The grounds under which the NBU may exercise such rights are very broadly drafted and as such give the NBU incredibly wide powers to stop or suspend transactions.

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