

NBU tightens control on foreign currency transactions

On September 23, Regulation No. 591 by the NBU (National Bank of Ukraine) "On Amendments to Certain Regulations of the National Bank of Ukraine" (hereinafter, the Regulation) came into effect. Among others, the Regulation introduces a number of significant amendments to the NBU Regulations No. 515 "On Resolving the Situation at the Foreign Currency Market of Ukraine" dated 20 August 2014, and No. 540 "On Imposition of Additional Measures to Stabilize the Monetary and Foreign Exchange Markets of Ukraine" dated 29 August 2014. In particular, the Regulation imposes the following restrictions:

- Mandatory sale of 75% of all income received from abroad by legal entities, individual entrepreneurs, representative offices (except official representative offices); income received to accounts in authorized banks intended for joint activity without incorporation; as well as receipts in foreign currency received to accounts of residents opened outside Ukraine under individual licenses issued by the NBU. Before the Regulation came into effect, 100% of all income in foreign currency was subject to mandatory conversion into the national currency.
- The amount of cash in foreign currency which may be sold to a private person in a bank office during one working day is limited to UAH 3,000 (or approx. EUR 175.00). The previous limit in this regard was UAH 15,000.00 (or approx. EUR 880.00).

At present there is only one exception to this restriction. It covers individual residents who have to meet their obligations in foreign currency to lending banks. In this case, a bank is entitled to sell foreign currency to individuals exclusively in the amount of their obligations. This exception applies only in cases when the bank can control the use of foreign currency in line with its purpose.

At the same time, the Regulation prohibits the following foreign currency transactions:

- payments for import transactions without goods actually entering Ukraine;
- payments pursuant to import agreements, upon expiry of 180 days after the goods have entered Ukraine and passed customs clearance;
- payments to foreign investors resulting from participating interests (except for shares) in Ukrainian companies or for the sale of securities
- issued by Ukrainian entities (other than Ukrainian government bonds) off the stock exchange;
- dividend payments to foreign investors (except for dividend payments for exchange-traded securities);
- foreign currency transactions carried out under individual NBU licenses (other than foreign currency placed in bank accounts outside Ukraine under individual NBU licenses).