

Enhanced liability of bank related persons

The amendments in relation to liability of bank related persons introduced on 02 March 2015 became effective on 08 March 2015.

The amendments increased liability of bank managers, owners (final beneficiaries) and bank controllers over matters that affect the financial state of a bank.

In particular, amendments to the Code of Ukraine on Administrative Offences and the Criminal Code of Ukraine were introduced which deal with breach of acts of the National Bank of Ukraine, including submission of false (incomplete) reports on the quality of assets, transactions with bank related persons, performance of risky transactions.

In addition, administrative liability for actions that resulted in designation of a bank as a problematic one, and criminal liability for actions that resulted in designation of a bank as a problematic one, if this caused significant pecuniary damage to the state or a creditor, were introduced. Such actions are punished by restraint of freedom for a term between 1 to 5 years or imprisonment for the same term with a fine between UAH 85,000 (approx. USD 3,630) and UAH 170,000 (approx. USD 7,260) and disqualification to hold certain positions or engage in certain activities for up to 3 years.

The amendments also established material liability of bank related persons for losses incurred by a bank due to a fault of such persons. If loss to a bank was caused due to actions or inactions of a bank related person, and another bank related person directly or indirectly obtained material benefit from that, both such persons shall be jointly and severally liable for the damage caused to a bank.