

NBU restrictions on Crimea and Russian currency

In its Regulation No. 699 of November 3, 2014 (effective as of November 5, 2014) the National Bank of Ukraine has established certain restrictions on investment activity in the Crimea, as well as the use of the Russian currency (RUB).

In its Regulation No. 699 the National Bank states that residents may not invest in investment properties located (registered) within the territory of Crimea. In addition, the regulator has established that, for the purposes of applying the NBU's legal acts, persons who are located (registered/permanently residing) within the free economic zone of "Crimea" are equal to non-residents, and contracts entered into by subjects of Crimea and subjects located (registered/permanently residing) within the rest of Ukraine shall be regarded as documents used in the place of foreign trade agreements when applying the NBU's legal provisions.

Thus, transfers and payments originating from the mainland of Ukraine to the territory of the Crimean peninsula and vice versa shall be performed in line with the National Bank of Ukraine's regulations regarding the transfer of funds to/from other countries.

Moreover, the National Bank has prohibited the execution of any loan and deposit transactions in Russian rubles within the mainland of Ukraine. According to Regulation No. 699 transactions in Russian rubles within the mainland of Ukraine are prohibited, namely:

- procuring funds under bank deposit contracts, including increasing the amount of a deposit placed before the Law of Ukraine "On the Creation of a Free Economic Zone of "Crimea" and Specifics of Economic Activity on the Temporarily Occupied Territory of Ukraine" took effect (this came into force on September 27, 2014), as well as the prolongation of such contracts;
- providing lending including overdraft facilities or prolonging contracts concluded before the Law on Free Economic Zone of "Crimea" took effect.

Another restriction enacted by the National Bank is a ban on transporting cash funds in Russian rubles across the administrative border between Ukraine and the Crimean peninsula. However, this restriction does not apply to private individuals who can carry an amount not exceeding the equivalent of UAH 10,000 with them, if declared verbally to a customs officer.