

Control over advance payment under import contracts strengthened

The Resolution of the National Bank of Ukraine «On Peculiarities of Certain Currency Transactions» No. 124 dated 23 February 2015 came into force on 24 February 2015. The NBU imposed strict control over advance payment under import contracts. Thus, all transactions for over USD 50,000 are subject to verification (previously – over USD 100,000).

From now, prior to allowing any advance payment under the import contract over USD 50,000 (or the equivalent amount in any other currency at the NBU official currency exchange rate on the effective date of agreement), the banks will have to obtain the NBU's approval. This restriction is not applicable to import transactions where payment is made under a documentary letter of credit. However, the documentary letter of credit shall be approved by a first-grade bank (at least investment grade) according to one of the leading world rating agencies (Fitch IBCA, Standard & Poor's, Moody's).

Bank transactions associated with advance payment under import contracts of customers for more than over USD 500,000 (or the equivalent amount in any other currency at the NBU official currency exchange rate on the date of the agreement) shall be performed exclusively through a documentary letter of credit. In such a case, the documentary letter of credit shall be approved by a bank which has an investment-grade rating or above.

The abovementioned restrictions shall also apply in cases where advance payment is made in foreign currency under import contracts executed with one and the same non-resident, if the overall amounts under such contracts exceed USD 50,000 and USD 500,000 respectively within one calendar month.

In the event if the overall value of the import contract is not specified, the aforementioned restrictions shall apply, if the transferred amounts under such contract, starting from the effective date of the Resolution No. 124, exceed USD 50,000 or USD 500,000 respectively.

Furthermore, the banks shall be prohibited from purchasing foreign currency on behalf of its customers, if customer's credit funds are used for this purpose. This requirement is not applicable to individuals that purchase foreign currency for the purposes of repayment of consumer loan to the bank.