

# LEGAL ALERT

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*This publication is not a legal advice and provides only general information about the changes in Ukrainian banking legislation.*

*In order to avoid any risks prior to making any decisions related to information contained in this publication, please, seek legal counsel.*

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## Topic of the issue:

### **THE NATIONAL BANK OF UKRAINE PROLONGED FOR ANOTHER THREE MONTHS THE DEMAND REGARDING COMPULSORY SALE OF A PART OF FOREIGN CURRENCY PROCEEDS, AS WELL AS THE REDUCED TERMS OF ITS RETURN.**

With the Resolution of the Management Board "On Change of Terms of Settlements under Operations of Export and Import of Goods and Introduction of Compulsory Sale of Proceeds in Foreign Currency" No. 270 dated 12 May 2014 (the "Resolution No. 270") the NBU established that settlements for operations of export and import of goods, established by the Law of Ukraine "On Order of Execution of Settlements in Foreign Currency", must be executed within a term not exceeding 90 calendar days.

Further, the Resolution No. 270 provides the demand regarding compulsory sale on the interbank currency market of Ukraine of a part of foreign currency proceeds received from abroad in favor of legal entities which are not authorized banks, individual-entrepreneurs, foreign representative offices (except for official representative offices), accounts in authorized banks to conduct joint activities without establishing a legal entity, as well as foreign currency proceeds to accounts of residents, opened outside of Ukraine on the basis of individual license of the NBU. Such demand regarding compulsory sale of proceeds in foreign currency applies to the foreign currencies of the first group of the NBU Classifier of Foreign Currencies and Bank Metals and the Russian rubles (RUB). It is also established that the compulsory sale of part of foreign currency proceeds shall be executed by banks without the instruction of the client and no later than on the business day following the day of crediting such proceeds to the clearing account.

At that, the volume of foreign currency proceeds, subject to compulsory sale on the interbank currency market of Ukraine, including directly to the NBU, will be established by a separate regulation of the NBU. As of today such separate regulation of the NBU is the Resolution of the Management Board No. 271 dated 12 May 2014, which establishes that 50% of the foreign currency proceeds are subject to compulsory sale, while the remaining 50% of the foreign currency proceeds shall remain at the disposal of residents and may be used by the latter in accordance with the currency regulation rules.

With the Resolution No. 270 the regulator also introduced the demand for compulsory sale on the interbank currency market of Ukraine of proceeds in foreign currency from outside of Ukraine in favor of individuals (both residents and non-residents) in the sum of or exceeding the equivalent of UAH 150 000 per month. Such demand regarding compulsory sale of proceeds in foreign currency applies to the foreign currencies of the first group of the NBU Classifier of Foreign Currencies and Bank Metals and the Russian rubles (RUB).

NBU established that banks must execute compulsory sale of foreign currency proceeds without instruction of the client and no later than the business day following the day of crediting such proceeds to the analytical account. At that, banks shall credit the UAH equivalent to the current bank account of the beneficiary no later than on the business day following the execution of compulsory sale.

The Resolutions No. 270 and No. 271 came into force on 20 May 2014 and will remain effective until 20 August 2014.

As we informed previously, the above measures were initially introduced by the NBU for the term of 6 months in November 2012 (NBU Resolutions No. 475, 476 and 479 dated 16 November 2012) and renewed in May 2013 (NBU Resolutions No. 163 and 164 dated 14 May 2013) and November 2013 (NBU Resolution No. 453 dated 14 November 2013 and No. 457 dated 15 November 2013). In Fall of 2012 the NBU received the right to impose for up to 6 months the demand regarding compulsory sale of part of foreign currency proceeds by entities engaged in foreign economic activities, as well as the possibility to change the terms of settlements for export and import operations (Law of Ukraine "On Introduction of Amendments to Certain Legislative Acts of Ukraine Concerning Broadening Instruments of Influence on the Money-Credit Market" No. 5480-VI dated 6 November 2012).

*We would be happy to answer any of your questions on banking activity in Ukraine, should the need arise.*

**Kind regards,**  
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