



TESIM

Technical support to the implementation
and management of ENI CBC programmes

UKRAINIAN BANKING SYSTEM OPERATION DURING MARTIAL LAW IN UKRAINE

Summary of the Resolution of national Bank of Ukraine
No 18 dated 24 February, 2022 (with amendments)

5 March 2022

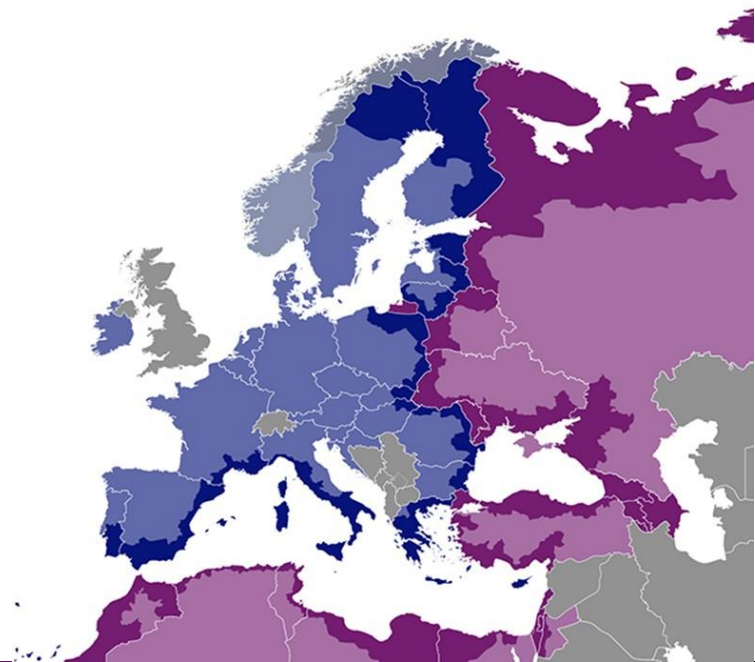


Table of Contents

1. Background	2
2. Banking system of Ukraine during martial law	2
3. Translation of Resolution N° 18	3



1. Background

On February 24, 2022, martial law was declared in Ukraine due to Russia's military aggression. Due to martial law, the National Bank of Ukraine introduced additional regulation concerning bank transfers and operations with foreign currency.

Regulation of banking operations in Ukraine is carried out in accordance with the current legislation, as well as the resolution of the National Bank of Ukraine № 18 of February 24, 2022 (hereinafter – Resolution № 18). The following section provides a summary of the specifics of the banking system as they relate to the beneficiaries of ENI CBC programmes.

2. Banking system of Ukraine during martial law

According to paragraph 2 of the Resolution № 18, 2022, **the banking system continues to operate** and provide the needs of the economy of Ukraine, with certain restrictions.

Restrictions have been imposed on payments from Ukraine to abroad (paragraph 14 of Resolution № 18). These restrictions do not apply to government payments, payments related to covering the needs of the Ukrainian army, payments for goods of critical imports, other payments that are made based on special permission of the National Bank of Ukraine.

Payments to Ukraine from abroad are not prohibited. They are credited to the account of Ukrainian recipients without restrictions.

The Resolution № 18 prohibits any banking transactions with Belarus and Russia.

The foreign exchange market operates with some restrictions. However, **both legal entities and individuals can exchange foreign currency for hryvnias.**

Beneficiaries of ENI CBC programmes:

1. **may receive payments in foreign currency from abroad;**
2. **may exchange foreign currency for hryvnia and make payments in hryvnia on the territory of Ukraine. Therefore, the Ukrainian Lead Beneficiaries may transfer the grant received to other Ukrainian beneficiaries**
3. **are not allowed to transfer foreign currency abroad unless these transactions are related to providing for the needs of the Ukrainian army.**

3. Translation of Resolution N° 18

RESOLUTION

of the Board of the National Bank of Ukraine No. 18

On operation of the banking system during martial law (as amended by Resolutions of the Board of the National Bank of Ukraine No. 21 dated February 24, 2022, and No. 26 dated March 1, 2022 No. 30)

According to Article 7 of the Law of Ukraine "On the National Bank of Ukraine", to ensure reliability and stability of the banking system functioning, the Board of the National Bank of Ukraine decides:

1. The Board of the National Bank of Ukraine ensures its work in accordance with the Law of Ukraine "On the National Bank of Ukraine", the Regulations of the Board of the National Bank of Ukraine in a special period, approved by the decision of the Board of the National Bank of Ukraine on August 21, 2019 № 606-rsh, regulatory and administrative acts of the National Bank of Ukraine.

2. Banks continue to operate with the restrictions defined by this resolution.

3. To limit cash withdrawal from the customer account in the amount of 100,000 UAH per day (not including the payment of wages and social payments), except for enterprises and institutions ensuring the implementation of mobilization plans (tasks), the Government and special permits of the National Bank without charging and withdrawal of commissions.

4. Perform non-cash payments without limitations.

5. Prohibit cash withdrawal from the client's account in foreign currency in the amount exceeding the equivalent of UAH 30,000 per day (withdrawal is performed without accrual or withdrawal fees), except for cash withdrawal in foreign currency from the accounts of:

1) enterprises and institutions, ensuring performance of mobilization plans (tasks), the Government of Ukraine and on the basis of certain authorizations of the National bank of Ukraine;

2) in branches, branches of banks located in territories under threat of occupation by the aggressor/occupying state (the issue is carried out within the account balance if there are cash on hand at the branch/branch office). The decision on disbursement of such funds shall be made by the manager of the branch/office of the bank.

(Item 5 in the wording of Resolution Board of the National Bank of Ukraine No. 30 of March 01, 2022)

6. Payments of the Government shall be made without limitations pursuant to the legislation on the special period.



6¹. The Ministry of Defence of Ukraine carries out from the accounts opened with the National Bank of Ukraine transactions to transfer funds in hryvnia/foreign currency in Ukraine/abroad to ensure national security and defence, support the Armed Forces of Ukraine and perform other tasks of the Ministry of Defence of Ukraine determined by Ukrainian legislation, including purchase of foreign currency for such purposes, without submission to the National Bank of Ukraine documents confirming the grounds/obligations for such transactions. Such transactions are carried out on the basis of the payment order/order to purchase foreign currency. The Ministry of Defense of Ukraine ensures the independent verification of agreements (contracts) and other documents confirming the operations described in the first sentence of paragraph 6 with the requirements of Ukrainian legislation. 1 of this Resolution, for compliance

(supplemented by new paragraph 6¹ in accordance with the Decision of the Board of the National Bank of Ukraine of February 28, 2022 No. 26)

7. Support ATMs with cash without restrictions.

8. To ensure that bank branches operate in an uninterrupted mode in the absence of a threat to life and health of the population.

9. Provide access to safe deposit boxes in an uninterrupted mode.

10. NBU carries out cash backing without restrictions.

11. NBU carries out blank refinancing of banks to maintain liquidity with no limit on the amount for up to 1 year with the possibility of prolongation for another 1 year.

12. Authorized institutions are prohibited from trading in foreign currency on behalf of clients, except for:

1) the sale by clients of foreign currency in cash/non-cash form to banks, as well as in cash form to non-bank financial institutions and to the postal service operator. The foreign currency purchased by non-bank financial institutions and postal operator during the operational day, including the balances of purchased foreign currency in the cash offices of such institutions at the time of adoption of this Decision, shall be credited to their own accounts with banks no later than the next working day;

2) trade in foreign currency performed by banks with other banks on swap terms, foreign financial institutions, the National Bank of Ukraine, international financial organizations, of which Ukraine is a member, and international financial organizations, under agreements with which Ukraine has undertaken to ensure the legal regime provided to other international financial organizations (hereinafter - IFI);

3) foreign currency exchange transactions between banks within Group 1 of the Foreign Currencies and Bank Metals Classifier approved by Resolution of the Board of the National Bank of Ukraine No. 34 of February 4, 1998

(as amended by Resolution of the Board of the National Bank of Ukraine No. 269 of April 19, 2016);

4) purchase of foreign currency for the purpose of foreign exchange transactions specified in paragraph 14 of this Resolution;

5) when the bank purchased foreign currency from another bank at the rate specified according to provisions of paragraph 2 /3 of item 121 of this Resolution, exclusively for its further sale to a client for the purpose of conducting foreign exchange transactions mentioned in item 14 of this Resolution.

(paragraph 12 as amended by the Resolution of the Board of the National Bank of Ukraine of March 1, 2022 № 30).

The authorized institutions fulfill the operations of purchase by order of the clients (as permitted by sub-points 1 and 4 of point 12 of this resolution) and sale of foreign currency without payment: (paragraph 1 of Article 121 in edition of the Resolution of the Board of the National Bank of Ukraine of March 1, 2022, #30) in US dollars - at the rate that can deviate by no more than 1% from the official exchange rate of the National Bank of Ukraine, which is effective on the day of transaction; (paragraph 121 (2) of clause 121 with the amendments introduced by the Resolution of the Board of the National Bank of Ukraine of March 1, 2022 № 30) in other foreign currencies - at the exchange rate, which can deviate by no more than 1% from the official exchange rate, which is determined based on the official UAH/USD exchange rate, on the day of performance of the operation as well as information on foreign currency exchange rates to US dollar (or US dollar to foreign currencies) at the international currency markets, which are received via trade and information systems as of the moment of performance of the operation". (Paragraph 3 of Article 12¹ was amended by the Resolution of the Board of the National Bank of Ukraine of March 1, 2022 № 30)

(amended by the new paragraph 12¹ in accordance with the Resolution of the Board of the National Bank of Ukraine of February 24, 2022 № 21)

12¹ The authorized institutions purchase foreign currency in cash from the clients:

1) in U.S. dollars which is valid on the day of the official transaction;

2) in other foreign currencies at the exchange rate of the National Bank of Ukraine, which is determined based on the official exchange rate of UAH to USD that is valid on the day of performance of the operation, as well as the information about foreign currencies flow rates to US dollar (or US dollar to foreign currencies) at the international currency markets, which are received via trade information systems as of the moment of setting the state exchange rate.

(amended by the new paragraph 12 2 according to Resolution No. 30 of the Board of the National Bank of Ukraine of March 1, 2022)

13. To record the official rate of UAH to foreign currencies, the official rate of UAH to special deposit rights, and the cost of bank metals at the levels at which they were valid on February 24, 2022. Until a separate decision to cancel the application of the indicative value of the exchange rate of UAH to USD according to the agreements established in the currency market of Ukraine at 12.00.

(paragraph 13 with the wording of the Decree of the Board of the National Bank of Ukraine of February 24, 2022, No. 21).

14. Authorized institutions are prohibited from making cross-border transfers of foreign currency **from** Ukraine on behalf of clients, except in cases of implementation:

- 1) banks' own operations, including settlements with international payment systems;
- 2) residents' import operations for purchases and goods of critical imports under the list approved by the Cabinet of Ministers of Ukraine;
- 3) MFO currency transactions, including MFO representative offices, as well as currency transactions of residents and non-residents involving transfer of funds in foreign / national currency for the purpose of settlements with MFO or its representative office;
- 4) currency transactions by residents and non-residents for mobilization and other activities (needs) stipulated by the laws of Ukraine regulating relations in the sphere of national security and defense;
- 5) operations on payment of costs for treatment in medical institutions of foreign countries, payment of costs for transportation of patients, payment of costs associated with the death of people abroad (transportation costs and costs for lodging);
- 6) transfers based on certain permits (decisions) of the National Bank of Ukraine, adopted on the basis of appeals of the Cabinet of Ministers of Ukraine, ministries and other state bodies of Ukraine;
- 7) transfers in favor of diplomatic missions, consular offices of Ukraine abroad.
- 8) payments abroad using electronic means of payment or use of electronic means of payment for receipt of cash.

(paragraph has been supplemented by new sub-point 8 according to Resolution of the Board of the National Bank of Ukraine No. 30 of March 1, 2022) (paragraph 14 as amended by Resolution of the Board of the National Bank of Ukraine No. 21 of February 24, 2022)

14¹. The authorized agencies shall exercise currency oversight for currency transactions allowed by paragraph 12(4) and paragraph 14 of this resolution in a simplified form without conducting additional analysis of documents (information) on currency transactions, sources of funds, which are used to carry out these operations, and other measures provided for by the Regulation on the Procedure for Analysis and Verification of Documents (Information) on Currency Transactions by Authorized Bodies, approved by Resolution No. 8 of the Board of the National Bank of Ukraine of September 02, 2019 (as amended).

(supplemented by new paragraph 14¹ according to the Resolution of the Board of the National Bank of Ukraine No. 30 of March 01, 2022)

15. To abolish additional transactions by the servicing banks on the accounts of residents of the state which engaged in military aggression against Ukraine.

151. Defend:



1) transferring funds to the accounts of persons for orders initiated by using electronic payment instruments accepted by the participants of the international payment systems that carry out their activities on the territory of the Russian Federation and the Republic of Belarus;

2) to accept in Ukraine electronic payment means (including transfers, settlements and invoices) issued by the participants of the international payment systems which carry out their activities on the territory of the Russian Federation and the Republic of Belarus.

(amended by new paragraph 151 in compliance with Decree No. 30 of the Board of the National Bank of Ukraine of March 1, 2022)

16. The procedure for issuance of electronic keys, replenishment of electronic commissions with electronic money, distribution of electronic keys was prohibited for recipient banks.

17. Authorized agencies are prohibited from carrying out any currency transactions:

1) with the use of Russian rubles and Belarusian rubles;

2) where the participant is a legal or natural person who has a local location (registered/permanently resides) in the Russian Federation or the Republic of Belarus;

3) to fulfill the obligations to legal entities or individuals having local location (registered/residence) in the Russian Federation or the Republic of Belarus.

(Amended by the new article 17 according to the Decree of the Board of the National Bank of Ukraine of February 24, 2022 No. 21)

171. Recommend that banks, as a first priority, implement encashment of retail business entities under the following conditions:

1) provision of supervision of the encashment brigades by security forces with the use of belligerent armor, including the territorial defense forces;

2) on the condition of unconditional acceptance by this subject of state in payment of electronic payment devices in all trade outlets.

(New paragraph 171 was added by Resolution of the Board of the National Bank of Ukraine of March 1, 2022, No. 30)

18. The National Bank of Ukraine will constantly carry out operations on the purchase and sale of U.S. dollars with banks. Such transactions are carried out on condition of current account without limitation of the amount in the period from 9.00 to 15 a.m. via the functions of trading and information systems Refinitive and Bloomberg, or (if it is not possible to use the functions of trading and information systems Refinitive and Bloomberg) via telephone call on the terms of advance payment from the bank. To carry out the operation specified in paragraph 18 of this decree, the bank must contact the National Bank of Ukraine via the functions of commercial and information systems Refinitive and Bloomberg or by phone numbers, the National Bank of Ukraine notifies the bank by a separate notification) specifying the amount of USD sale, which should be a multiple of USD 500,000.



The exchange rate of the operation on:

1) purchase of euro by the National Bank of Ukraine from the banks shall be determined as the value of the indicator calculated on the basis of information on official exchange rate of UAH to USD effective on the day of performance of such operation and the BFIX quotation of USD to EUR, rounded off to 4 decimal places;

2) sale of euro by the National Bank of Ukraine to the banks shall be determined as the value of the indicator calculated on the basis of information on official exchange rate of UAH to USD effective on the day of performance of such operation rounded off to 4 decimal places BFIX rate of the US dollar against the euro means the value of the weighted average rate BGN (Bloomberg Generic Price) of the US dollar against the euro on the spot market, which is calculated using the Bloomberg Trading Information System as of 10:00 (Kyiv time) on the day of settlement.

(supplemented by new item 18¹ in accordance with Resolution of the Board of the National Bank of Ukraine No. 30 of March 1, 2022)

19. Banks shall have the right to sell foreign currency to customers on account of their own foreign currency position to fulfill their own obligations under credit agreements (including interest) to banks.

(amended by new paragraph 19 according to Resolution of the Board of the National Bank of Ukraine No. 21 of February 24, 2022)

20. EXCEPT.

(supplemented by new item 20 according to Resolution of the Board of the National Bank of Ukraine No. 21 of February 24, 2022, item excluded according to Resolution of the Board of the National Bank of Ukraine No. 30 of March 01, 2022)

20¹ . Residents and non-residents have the right to perform operations on transferring funds in foreign currency on the territory of Ukraine and from abroad to the special account of the National Bank to collect funds for support of the Armed Forces of Ukraine.

(supplemented by new paragraph 20¹ according to the Resolution of the Board of the National Bank of Ukraine No. 26 of February 28, 2022)

21. During martial law, other normative and legal acts of the National Bank of Ukraine shall be effective to the extent not contradicting this resolution.

(supplemented by new paragraph 21 according to the Decree of the Board of the National Bank of Ukraine No. 21 of February 24, 2022)

Control of the implementation of this Resolution shall be entrusted to the Deputy Chairmen of the National Bank of Ukraine Y.V. Matuzka, Y.I. Geletiya and O.V. Shaban.

The Resolution shall come into force on the date of adoption.

Chairman Kirill Shevchenko