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Currency Control & Banking Rules

FX restrictions, bank accounts and cross-border payments

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Ukraine 101: Monthly Legal Basics
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Outline

A practical overview of current FX restrictions, bank account operation and bank compliance requirements for companies doing business in Ukraine

- Regulatory framework
- Ukraine’s wartime FX regime
- Permitted and sensitive payments
- Bank accounts and bank compliance
- Practical payment checklist
- Options for company financing

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Regulatory Framework: Where the Rules Come From

Cross-border payments are regulated through several layers — from general currency law to temporary wartime restrictions and bank-level compliance checks

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From Currency Liberalisation to Wartime Controls

Ukraine's general currency freedom principle remains the legal starting point, but martial law restrictions changed the practical payment logic

Martial law restrictions →

Normal FX logic

Payment is generally allowed unless restricted

- *Contractual obligation is the starting point*
- *Treasury executes payment based on commercial documents*
- *Restrictions operate as exceptions*

Wartime FX logic

Cross-border payment must fit a permitted category

- *Contract alone is not sufficient*
- *NBU rules must allow the payment*
- *Bank compliance becomes a practical gatekeeper*

Commercially due ≠ bank-executable

Sources: Law of Ukraine "On Currency and Currency Transactions"; NBU Resolution No. 18 "On Operation of Banking System under Martial Law".

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How to Analyse a Payment Before Sending It to the Bank

Payment feasibility should be checked before the payment instruction is submitted

PROCESS FLOW

01 **Parties** Payer/Recipient → 02 **Purpose** Contractual basis → 03 **Currency** Cross-border/FX purchase → 04 **NBU permission** Permitted category → 05 **Bank file** Supporting documents → 06 **Compliance risks** AML/Sanctions/UBO

Do not promise a payment term before checking whether the payment can actually be executed

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Key NBU Payment Restrictions

Each cross-border payment should be classified before it is submitted to the bank

Payment type → NBU rule → Bank documents

01 Import of goods
Goods/Supply-related payments

02 Import of services
Operational services

03 Profit repatriation
Dividends/Distributions

04 Financing payments
Loans/Interests/Group financing

05 IP and high-scrutiny fees
Royalty/Consulting/Marketing/Management

06 Settlement deadlines
Export/Import prepayments

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Import Payments: Goods and Services

Import payments are generally more manageable, but banks still expect a clear and consistent document file

Goods

- *Supply contract*
- *Invoice*
- *Customs declaration / delivery documents*
- *Goods, price and payment purpose consistency*

Services/Works

- *Service agreement*
- *Invoice*
- *Act of services / deliverables*
- *Clear business need and service description*

Permitted ≠ automatic

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Sensitive Payments to Non-Residents

Not all non-resident payments are reviewed by banks in the same way

More standard

- *Current operational payments*
- *Clearly documented services*
- *Arm's length third-party payments*

Higher scrutiny

- *Consulting/marketing/ management fees*
- *Royalties and IP fees*
- *Related-party service charges*

Special rules

- *Dividends/profit distributions*
- *Loan repayment and interest*
- *Shareholder/intra group financing*
- *Pre-war obligation*

Sensitive payment = stronger documents + clearer business rationale

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Profit Repatriation and Other Non-Trade Payments

Some non-trade payments are now possible, but usually only within specific NBU conditions, limits and bank review

Payment type	Current practical rule	What to check
Dividends	Repatriation possible for dividends accrued for 2023 and later periods, within the general monthly limit of EUR 1 million equivalent	Period of dividends, monthly limit, shareholder, anti-circumvention criteria
Royalties / IP fees	Should be checked separately under the permitted payment categories and bank practice	License agreement, IP rights, beneficiary, economic rationale
Management / consulting fees	Possible where they qualify as permitted service payments, but often reviewed carefully	Deliverables, act of services, business purpose, related-party nature
Related-party charges	Usually, higher scrutiny even if commercially justified	Substance, pricing, group relationship, supporting documents

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External Loans, Interest and Intragroup Financing Payments

Payments under external loans should be reviewed separately, because the answer depends on the loan date, type of payment and source of FX

New external loans	More flexible regime may apply to loans received from abroad after 20 June 2023
Interest on new loans	FX purchase for interest payments is generally more manageable, subject to NBU conditions
Principal on new loans	Repayment depends on the minimum use period and other conditions
Old external loans	Servicing remains more sensitive; interest may be possible under specific rules
Intragroup financing	Related-party nature increases bank scrutiny and documentation requirements

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Bank Accounts in Ukraine: Opening and Operation

Opening a bank account is only the first step. Banks continue to monitor the client and its transactions during the relationship

Checks continue

Account opening

- *Corporate documents*
- *Tax registration details*
- *UBO and ownership structure*
- *Directors and authorised signatories*
- *Expected business activity and transaction flows*

Account operation

- *Transaction-by-transaction monitoring*
- *Payment purpose review*
- *FX restrictions check*
- *AML and sanctions screening*
- *Requests for updated documents*

Source: NBU Resolution No. 162 dated 29 July 2022 approving the Instruction on opening and closing accounts by payment service providers.

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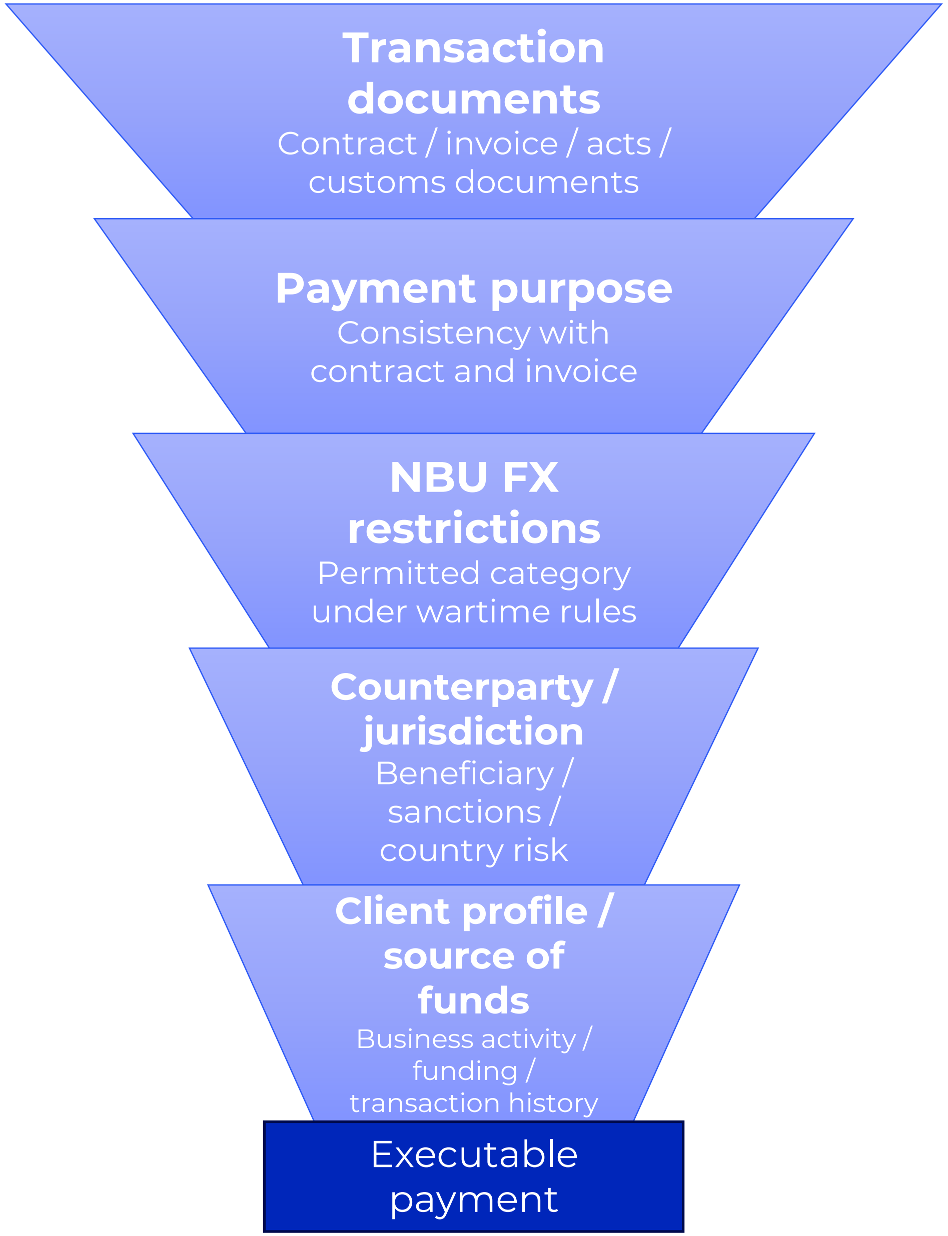
What Banks Check Before Processing Payments

Even if a payment is formally permitted, the bank may delay or reject it if the payment file is incomplete, inconsistent or raises compliance concerns



Practical Payment Checklist for Companies

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1. **Identify the payment category**
   Import, dividend, loan, royalty, service fee, etc.
2. **Check whether FX purchase is required**
   Own FX funds and purchased FX may be treated differently.
3. **Confirm current NBU permission**
   Check the relevant permitted category.
4. **Prepare supporting documents**
   Contract, invoice, acts, customs or delivery documents.
5. **Align payment purpose wording**
   Payment order should match the contract and invoice.
6. **Check settlement deadlines**
   Especially for export and import transactions.
7. **Screen counterparty and jurisdiction**
   Sanctions, UBO, country and related-party risks.
8. **Discuss sensitive payments with the bank**
   Preferably before the payment due date.

Do not promise payment terms that may not be executable in practice.

Company financing

Ukrainian legislation during the martial law propose this three financing structures:

01 **Charter Capital Increase** (Equity contribution)

02 **Intercompany loan**

03 **Financial aid**

Although each option enables funding of an entity in Ukraine, they differ significantly in:

- tax treatment
- banking procedures
- currency control implications
- documentary requirements
- flexibility of returning funds to the investor

Choosing the appropriate structure at the outset may significantly reduce execution time and regulatory risks.

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Investment lifecycle

Investment Decision

Select Funding Structure

Corporate Approvals

Bank Compliance Review

Transfer of Funds

Accounting & Tax Treatment

Future Repatriation of Funds

Option 1 – Charter Capital Increase

Best suited for	Advantages
✓ Long-term investment	✓ Strengthens equity
✓ Business expansion	✓ Improves financial ratios
✓ Capitalization of the Ukrainian subsidiary	✓ Demonstrates long-term commitment
✓ Strengthening financial standing	✓ Generally straightforward tax treatment

Limitations:

- requires corporate approvals;
- state registration;
- funds cannot simply be returned to the shareholder.

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Charter Capital Increase
Banking Perspective

Corporate document

- shareholder resolutions
- constitutional documents
- ownership structure
- UBO information.

Transaction Documents

- investment documents
- payment purpose
- source of funds

Compliance Rewiev

Banks assess:

- AML compliance
- sanctions exposure
- legitimacy of the investment
- consistency of documentation

Charter Capital Increase

Tax Consideration

Ukrainian Subsidiary

- ✔ Not subject to Corporate Income Tax
- ✔ Outside the scope of VAT
- ✔ No withholding tax

Foreign Investor

No Ukrainian taxation upon contribution

However, future dividend distributions may trigger:

- withholding tax;
- treaty analysis;
- beneficial ownership review.

Key Practical Point
Once contributed, equity generally cannot be repaid on demand.
Recovery of invested capital usually requires dividends, sale of shares, capital reduction, liquidation.

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Option 2 – Intercompany Loan

Best suited for

- ✔ Working capital
- ✔ Temporary financing
- ✔ Acquisition financing
- ✔ Cash flow management

Key Features

- ✔ Repayment obligation principal remains recoverable
- ✔ Interest may apply
- ✔ Transfer pricing considerations

Typical documentation:

- Loan Agreement
- Repayment Schedule
- Corporate Approvals
- Payment Instructions
- Comercial Rationale

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Intercompany Loan
Banking & Currency Control

- Commercial Purpose
- Repayment Terms
- Source of Funds
- Governing Law
- Consistency of Documents
- Current NBU Restrictions

Enhanced Due Diligence

Banks frequently ask:

- Why is financing needed?
- Why was a loan selected instead of equity?
- How will repayment be funded?
- Does the subsidiary have sufficient cash flow?

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Intercompany Loan
Tax Consideration

Principal

Not taxable

Interest

Potential issues include:

- withholding tax
- treaty relief
- beneficial ownership
- thin capitalization
- transfer pricing

Practical Recommendation
Ensure the interest rate and repayment terms are commercially justifiable and properly documented.

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Option 3 – Financial Aid

Repayable Financial Aid

Temporary financing

Expected repayment

Non-Repayable Financial Aid

Permanent financial support.

Generally similar to a grant.

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Financial Aid
Banking Perspective

- Financial Aid Agreement
- Corporate Approvals
- Explanation of Commercial Purpose
- Source of Funds
- Shareholder Relationship

Common Compliance Questions

- Why is the shareholder providing funding?
- Why is the financing interest-free?
- Will repayment occur?
- Is the arrangement commercially reasonable?

Financial Aid

Tax Consideration

Repayable Financial Aid

Generally:

- Not taxable
- Outside VAT
- Repayment is not taxable

Non-Repayable Financial Aid

Generally:

- Recognised as taxable income
- Corporate Income Tax implications arise
- accounting treatment becomes important

Practical Recommendation
Improper classification may result in additional tax exposure during audits.

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Banking Compliance

KYC

Shareholder structure

UBO

Tax residency

AML

Source of funds;

Sanctions;

Transaction monitoring.

Transaction Review

Agreement

Corporate approvals

Payment purpose

Economic substance

Additional Requests

Group structure

Explanation of transaction

Supporting correspondence

Financial statements

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Key Takeaways

Select the most appropriate funding structure based on your commercial objectives

Assess tax implications before implementing the transaction

Ensure consistency between corporate approvals, transaction documents and payment instructions

Engage with the servicing bank at an early stage to confirm documentary requirements.

Successful funding of a Ukrainian subsidiary requires coordination between:

- Corporate lawyers
- Tax advisors
- Ukrainian banks
- Finance teams
- Foreign investors

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Focus on your core business. We will take care of the rest.

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