
War prompts Ukraine to adopt new foreign exchange rate

On 21 July 2022, the National Bank of Ukraine (**NBU**) introduced new changes to Resolution “*On the Operation of the Banking System Under Martial Law*” No. 18 and took the long-awaited step of increasing the official fixed UAH-USD exchange rate by 25% to UAH 36.5686 for USD 1.

Background

The outbreak of war in Ukraine had prompted the NBU to introduce restrictions on foreign exchange transactions and renew strict capital controls in Ukraine. The restrictions included introduction of a fixed exchange rate of UAH to USD. The fixed exchange rate was primarily used for purchase of foreign currency needed for critical imports and certain military supplies. This fixed exchange rate existed for over five month, but changes in the economic situation necessitated new steps to renew the Ukrainian economy and restore exports and other operations needed to ensure economic resilience and survival.

This new official fixed exchange rate introduced on 21 July largely reflects the existing foreign exchange market. It is expected that this adjustment of the exchange rate will gradually improve competitiveness of Ukrainian exporters, minimise speculative behaviour of market participants, and preserve the resilience of the Ukrainian economy during the ongoing Russian military invasion of Ukraine, which causes enormous damage and financial losses daily.

In addition to the updated fixed currency exchange rate, the NBU has implemented, among others, the following amendments to the Resolution:

- set a monthly limit for payment transactions abroad with Ukrainian payment cards in the amount of UAH 100,000 (in the equivalent) from all the client bank accounts opened in the national currency. At the same time, payments from accounts opened in foreign currencies can be conducted without any limits;
- reduced a monthly limit on P2P cross-border transfers using Hryvnia cards issued by Ukrainian banks by residents from UAH 100,000 (in the equivalent in foreign currency) to UAH 30,000 (in the equivalent foreign currency);
- allowed an individual to purchase and deposit foreign currency to the individual's bank account with the same bank for at least three calendar months, without the right of early termination within the monthly limit of UAH 50,000 (in the equivalent foreign currency) per one bank;

- updated the existing limit for cash withdrawals from bank accounts in Hryvnia abroad from monthly to weekly. A withdrawal of UAH 12,500 (in the equivalent foreign currency) is allowed per week. In fact, the total monthly withdrawal amount remains unchanged at UAH 50,000.

The above changes to the Resolution are already effective starting from 21 July 2022.

For more information on the Resolution, its provisions and how it can affect your business and daily operations, contact your CMS partner or local CMS expert:



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