



National Bank
of Ukraine

Ukrainian government bond and FX market: CBL-NBU link details

Kyiv, October 2019



Operational details of CBL-NBU link

Purchase on the secondary* market (cross-border)

- ✓ Purchase from a local bank**
- ✓ Purchase from other non-resident
- ✓ Transfer from non-resident's own account opened with a local custodian to CBL's account (no change of beneficial owner)

OTC
FOP
only



- Funds transfer (UAH/foreign currency - FCY):
- ✓ from own FCY account opened abroad
 - ✓ through CBL correspondent UAH account opened with a local agent bank (Citibank Ukraine)
 - ✓ from own UAH account opened with local bank

Sale on the secondary market (cross-border)

- ✓ Sale to a local bank**
- ✓ Sale to other non-resident
- ✓ Transfer from CBL's account to the non-resident's own account with a local custodian (no change of beneficial owner)

OTC
FOP
only



- Funds transfer (UAH/ foreign currency - FCY):
- ✓ directly to the own FCY account opened abroad
 - ✓ through CBL correspondent UAH account opened with a local agent bank (Citibank Ukraine)
 - ✓ to the own UAH account opened with a local bank

Coupon/redemption proceeds are transferred through CBL correspondent account with local agent bank (Citibank Ukraine)

Transactions in CBL system

- ✓ Securities are tradable Free of Payment or Against Payment in any of the CBL eligible currencies and not limited to UAH
- ✓ Participation of the Ukrainian broker is not required
- ✓ No bridge transactions with Euroclear

* purchase at primary market is available only with local custody account

** for this option non-resident should establish relations with a local bank (KYC)

Operational details of CBL-NBU link

FX

Buy/sell operations - through:

- ✓ CBL correspondent account with the local agent bank - Citibank Ukraine (exchange rate is negotiated with CBL's treasury)
- ✓ account of investor's broker (non-resident) opened with a local bank (exchange rate is negotiated with non-resident broker)
- ✓ Investor's own account opened with a local bank (exchange rate is negotiated with the local bank treasury)

Interest/redemption proceeds - through CBL correspondent account with the local agent bank (Citibank Ukraine)

Capital controls & restrictions

Documents required to repatriate UAH revenue from sale of the bonds to a local counterparty (submitted to the local bank):

- ✓ statement of securities account*
- ✓ copy of the respective buy/sell agreement

* Statement of securities account is not required if payment is performed through CBL correspondent account with local agent bank – Citibank Ukraine

No additional documents needed to repatriate coupon/redemption proceeds – payment is processed automatically to CBL's correspondent UAH account with local agent bank (Citibank Ukraine)

Proceeds can be freely reinvested from CBL correspondent account with local agent bank – Citibank Ukraine

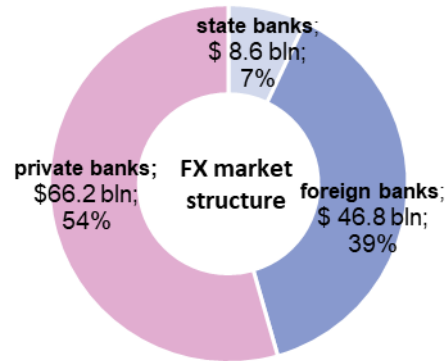
! Borrowing from residents in UAH is permitted for the period of not more than 14 business days for the purpose of local government bonds purchase

Taxation

- ✓ **Legal entities:** 0% on coupon/redemptions proceeds, in case non-resident sells bonds to resident from 0% to 15% on capital gain acc. to double taxation treaty
- ✓ **Non-resident to non-resident:** no taxes

Ukraine's FX market

Structure of FX market (January-September 2019)



- 76 banks-traders
- Top 20 banks account 85%
- Capital control for banks liberalized



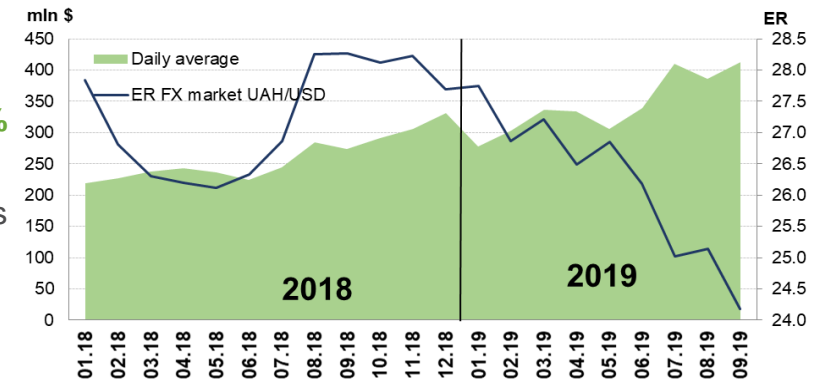
3LOOMBERG Matching REUTERS

FX market volume

Volume:

- 9 month 2019 YoY volume of interbank transactions ↑ by 43%
- 3Q 2019 daily avg interbank transactions volume reached **\$401m**

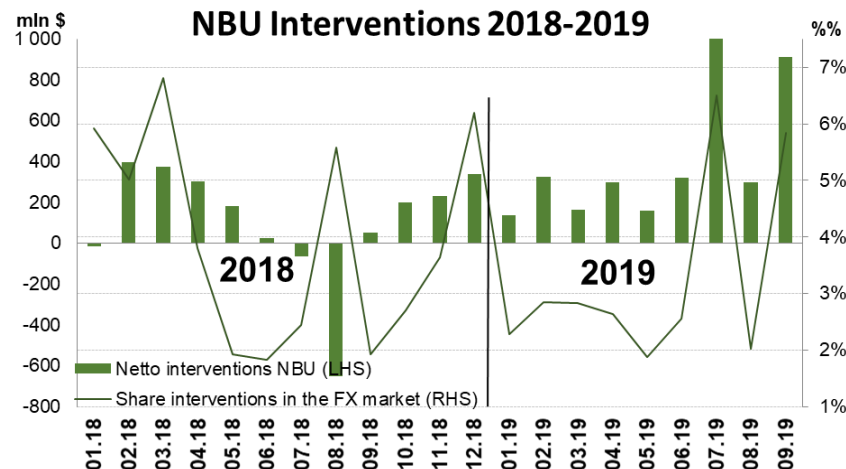
Daily average volume of Ukraine's FX market



NBU participation

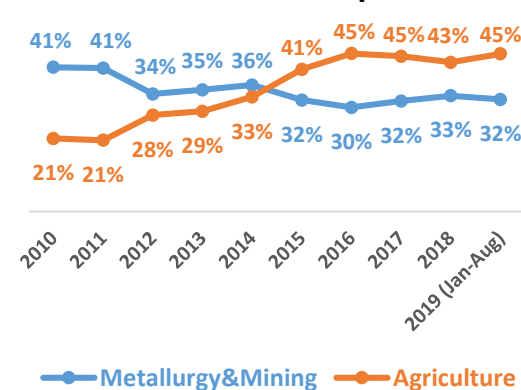
FX interventions targets:

- FX reserves accumulation (up to \$30m daily as of 01.10.2019)
- ER fluctuations smoothing

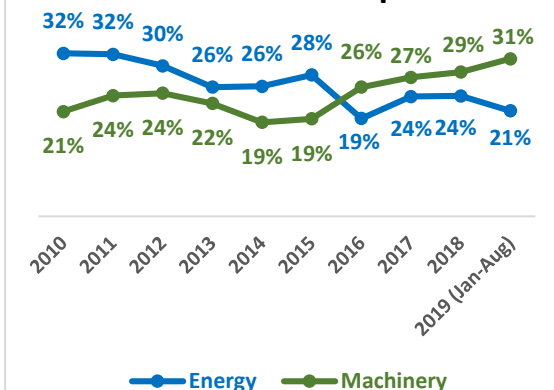


Main supply/demand drivers

Share in total export*

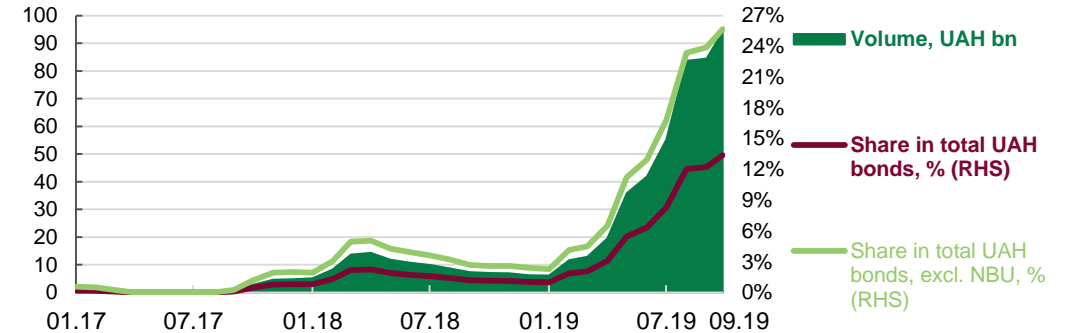
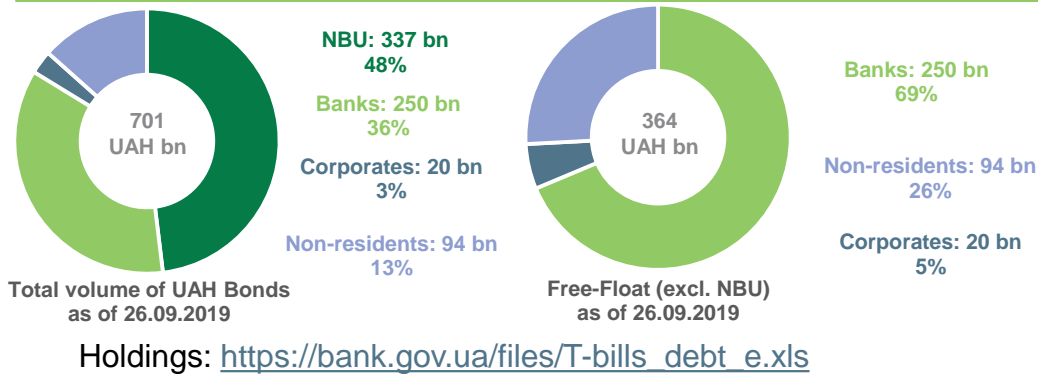


Share in total import

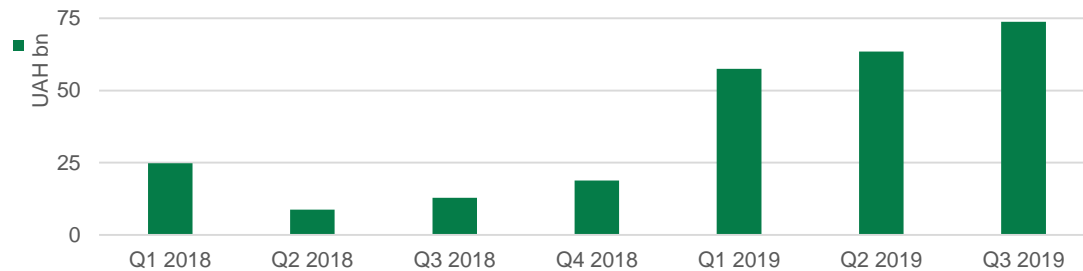


* Seasonality is mainly driven by agriculture production cycle

UAH-denominated Government Bonds

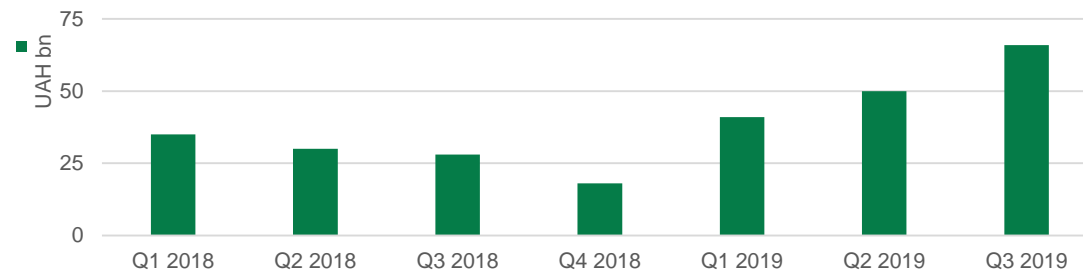


Primary market



- ✓ Weekly auctions on Tuesdays. Settlement T+1 on Wednesdays.
- ✓ 12 primary dealers local banks (<https://mof.gov.ua/en/perelik-pervinnih-dileriv>)
- ✓ Maturities: 3M, 6M, 1Y, 2Y, 3Y and 5Y

Secondary market



- ✓ Mainly OTC-traded recorded at number of local stock exchanges
- ✓ Primary placements take place at international trading platforms – Bloomberg, Refinitiv
- ✓ Secondary market will be concentrated at international trading platform (expected till the end of 2019)