



Board of the National Bank of Ukraine

RESOLUTION

2 January 2019

Kyiv

No. 1

On Approval of the Regulation on the Structure of the Foreign Exchange Market of Ukraine and Rules and Procedure for Trading in Foreign Currency and Investment Metals in the Foreign Exchange Market of Ukraine

Under Articles 6, 7, 15, 28, 44, 45, 46, 48, and 56 of the Law of Ukraine *On the National Bank of Ukraine*, for the purpose of meeting the requirements of the Law of Ukraine *On Currency and Currency Operations*, the NBU Board has **resolved as follows**:

1. To approve the Regulation on the Structure of the Foreign Exchange Market of Ukraine and Rules and Procedure for Trading in Foreign Currency and Investment Metals in the Foreign Exchange Market of Ukraine.

2. Following the official publication, the Open Market Operations Department (Serhii Ponomarenko) shall communicate to the banks of Ukraine the information on the approval of the Resolution.

3. The Resolution shall come into force on the same day that the Law of Ukraine *On Currency and Currency Operations* goes into effect.

Governor

Yakiv SMOLII

ID. 40

APPROVED
Resolution of the Board of the
National Bank of Ukraine
No. 1 dated 2 January 2019

Regulation on the Structure of the Foreign Exchange Market of Ukraine and Rules
and Procedure for Trading in Foreign Currency and Investment Metals in the Foreign
Exchange Market of Ukraine

I. General Provisions

1. The Regulation establishes the structure of Ukraine's Foreign exchange market, the terms and conditions of trade and the rules for trading foreign currency and investment metals on Ukraine's foreign exchange market.

2 For the purposes hereof, the terms shall have the following meanings:

1) currency swap transactions mean currency transactions under the agreement, the terms of which provide for the purchase (sale, exchange) of foreign currency/investment metals with its/their reverse sale (purchase, exchange) at a certain date in the future with fixing the conditions of these transactions while signing the agreement

2) currency forward transactions mean currency transactions under the forward agreement, the terms of which provide for effecting the transaction later than on the second business day following the day when the agreement was signed

3) Foreign exchange market of Ukraine means a set of relationships in the field of trade in currency assets in Ukraine between the participants of the foreign exchange market of Ukraine (hereinafter - market participants), between market participants and

their clients (including nonresident banks), between market participants and the NBU, as well as between the NBU and its clients

4) recognized manufacturers mean precious metal refineries - recognized suppliers to the London Precious Metals Market that are listed on a special list of precious metal refineries registered with the London Precious Metals Association (LBMA) or on the list of precious metal refineries that are members of the London Platinum and Palladium Market (LPPM)

5) foreign currency/investment metals purchase means transactions of purchasing foreign currency/investment metals for hryvnia

6) license means a license issued by the NBU for currency transactions of trading currency assets in cash or a general license for currency transactions, provided it has not expired after the enactment of the Law of Ukraine *On Currency and Currency Operations*

7) international foreign exchange market means a set of relationships in the area of trade in foreign currency and investment metals outside Ukraine between banks and foreign counterparties

8) coins made of precious metals (hereinafter referred to as coins) are:
domestic coins and foreign coins with fineness not lower than: for gold - 900, for silver - 925, for platinum and palladium - 999

investment coins of Ukraine, i.e. gold coins of 999.9 fineness, silver coins of 999.9 fineness, and platinum coins of 999.5 fineness that are intended for investment and savings purposes

9) highest fineness of investment metals in ingots and powder means the fineness not lower than: for gold - 995, for silver - 999, for platinum and palladium – 999.5

10) exchange of foreign currency/investment metals means a transaction of purchase/sale of one foreign currency for another foreign currency, one investment for another investment metal or for a foreign currency

11) margin trading transactions means cashless transactions (without physical delivery for investment metals) that imply offsetting two liabilities on purchasing and selling one foreign currency for another foreign currency/hryvnia (investment metal for another investment metal/foreign currency) and are performed without physical delivery in the foreign exchange market of Ukraine or international foreign exchange market aimed at making profit on the exchange rate change or risk hedging

12) reversal transactions mean transactions of returning the relevant amounts in domestic or foreign currency to the client in case of client's refusal to perform a currency exchange transaction

13) investment metals powders are gold, silver, platinum and palladium in the form of powdered substances (granules, sponge), packed in glass ampoules, plastic jars or bags marked by a recognized manufacturer

14) sale of foreign currency/investment metals is a transaction of selling foreign currency/investment metals for hryvnia

15) foreign currency exchange bureau (hereinafter - currency exchange bureau) is a structural unit opened by a bank, a nonbank financial institution, a postal operator for the purpose of trading currency assets in cash

16) certificate of quality of investment metals in ingots and powders is an official stamp (brand, trademark) or a written document of a recognized manufacturer, a Ukrainian manufacturer certifying an investment metal fineness and identifying the name of the recognized manufacturer or a Ukrainian manufacturer

17) the system of confirmation of transactions in the foreign exchange market of Ukraine (hereinafter - the Transaction Verification System) is a complex of organizational and technical means, which ensures the verification of agreements for the purchase/sale of foreign currency and investment metals for hryvnia signed between the NBU and banks or between banks

18) forward agreement is a standard document certifying the obligation of a person to purchase (sell) foreign currency/investment metals at a certain time and on certain terms in the future, with the fixation of the prices of such sales during the conclusion of such an agreement. The forward agreement may provide for delivery of the underlying asset (foreign currency/investment metals) through its alienation or settlements without delivery.

Other terms used in this Regulation shall be used in the meanings defined by the Ukrainian laws and the NBU's rules and regulations.

3. The Regulation shall apply to transactions with derivative financial instruments (derivatives), with foreign currency or investment metals being their underlying assets.

4. Provisions of the Regulation do not cover e-money transactions.

5. The participants of the foreign exchange market of Ukraine (hereinafter - market participants) are:

- 1) banks that have received a banking license
- 2) nonbank financial institutions that have received a license
- 3) postal operators that have received a license.

6. Trade in foreign currency and/or investment metals in the foreign exchange market of Ukraine shall be allowed exclusively to the NBU and market participants (or through such entities).

II. Procedure for the NBU's trading in foreign currency and investment metals

7. The NBU trades in foreign currency and/or investment metals in order to perform its tasks set by the Ukrainian law.

The procedure for and the terms of NBU's foreign exchange interventions shall be determined by an NBU's regulation.

8. The NBU is entitled to perform foreign currency swap transactions with banks.

The procedure for such transactions shall be determined by an NBU's regulation.

The NBU is entitled to perform foreign currency swap transactions with international financial organizations.

9. The NBU shall purchase and sell investment coins of Ukraine in line with the procedure established by NBU regulations covering the organization of manufacturing and issuance of investment coins in Ukraine.

III. Procedure for Trading in Noncash Foreign Currency and Investment Metals without Physical Delivery

10. Banks shall perform:

1) purchase, sale, and exchange of foreign currency and/or investment metals in the foreign exchange market of Ukraine and/or at the international foreign exchange market

2) their own transactions of foreign currency/investment metals trading within the established limits for the open foreign exchange position

3) transactions with investment metals of the highest fineness in ingots and powder with certificates of quality, as well as with coins

4) purchase and sale of investment metals without physical delivery on behalf of corporate clients (except banks) for cashless hryvnia using only the current accounts

5) trading in investment metals in international markets with recognized manufacturers (or their representatives), legal entities engaged in the manufacture (coinage) of coins from precious metals (or their representatives) and nonresident banks.

6) margin trading transactions with foreign counterparties (own transactions and transactions on behalf of clients). Banks shall perform such transactions only with foreign banks and/or foreign nonbank financial institutions, provided the institution has the right to trade in foreign currencies/investment metals in accordance with the laws of the country of incorporation and is subject to supervision of the relevant authorities supervising foreign financial institutions.

7) foreign currency/investment metals trading on the client's order at the rate and in the amount ordered by the client in client's request or instruction, with the procedure for the transaction set in the agreement between the bank and the client.

8) currency swap transactions in the foreign exchange market of Ukraine:
in foreign currency with the NBU
in foreign currency and investment metals with other banks, bank clients and international financial organizations in the foreign exchange market of Ukraine

9) currency forward transactions in the foreign exchange market of Ukraine with other banks and bank clients.

11. Banks shall be obliged to use the means of the Transaction Verification System in cases determined by the NBU.

When purchasing/selling foreign currency/investment metals in the foreign exchange market of Ukraine, the banks shall decide whether they will use the Transaction Verification System to confirm the agreements on purchase/sale of foreign currencies/investment metals (save for investment coins of Ukraine) signed with other banks.

The NBU shall set the operating procedure for the Transaction Verification System in its regulation.

IV. The Procedure for Trading Cash Foreign Currency and Investment Metals with Physical Delivery

12. Trade in foreign currency cash (currency exchange transactions) shall be effected by authorized institutions. Trade in investment metals with physical delivery shall be effected only by banks.

13. The currency exchange transactions include:

1) purchase of foreign currency cash for hryvnia cash from resident and nonresident individuals

2) sale of foreign currency cash for hryvnia cash to resident and nonresident individuals

3) exchange of foreign currency cash of one foreign state for the foreign currency cash of another foreign state.

14. The transactions of trade in investment metals with their physical delivery include:

1) purchase of bank metals for hryvnia cash from resident and nonresident individuals

2) sale of investment metals for hryvnia cash to resident and nonresident individuals

3) exchange of one investment metal for a different investment metal with its physical delivery or for foreign currency cash.

15. The bank shall perform currency exchange transactions and transactions with investment metals on the basis of a banking license.

16. Nonbank financial institutions and postal operators (hereinafter nonbanks) shall perform currency exchange transactions on the basis of a license.

17. In accordance with this Regulation and the Ukrainian law and considering the list of transactions specified in Section IV paragraphs 13 and 14 hereof, a bank or an nonbank shall develop and approve internal regulations covering such transactions, which shall include:

1) the procedure for currency exchange transactions and investment metal transactions

2) the procedure for setting the purchase and sale rates of cash foreign currencies and investment metals for hryvnia cash

3) the procedure for execution and issuance of documents accompanying the foreign exchange transactions and investment metal transactions

4) the procedure for replenishing foreign currency cash and hryvnia stocks of bank's or nonbank's stand-alone units and currency exchange bureaus

5) the description of the accounting model used for accounting foreign exchange and investment metal transactions

6) the procedure for interaction between bank's or nonbank's stand-alone units and currency exchange bureaus in the course of currency exchange and investment metal transactions

7) the internal control framework for currency exchange and investment metal transactions.

18. Banks and nonbanks in the course of currency exchange transactions, transactions with bank metals shall:

1) carry out documentary registration of each currency exchange transaction, transaction with bank metals

2) ensure timely reflection of currency exchange transactions, transactions with bank metals in their accounting

3) ensure proper internal control over currency exchange transactions, transactions with bank metals;

4) create safe conditions for work with cash and its storage

19. Banks/nonbanks shall ensure the availability of software with functionality allowing control over the volume of transactions at cash desks within banks/nonbanks.

20. Banks/nonbanks shall start the work of a currency exchange bureau after registering of an electronic fiscal device (hereinafter - EFD) by the state authority responsible for the tax and customs policy and notifying the NBU.

21. nonbanks, their standalone units and currency exchange bureaus shall start their activities and have the right to effect currency exchange transactions:

1) after registering the EFD with the state authority responsible for the tax and customs policy

2) provided there is a document confirming the ownership or at least one-year lease (sublease) of the premises, where the standalone units and currency exchange bureaus are located.

22. The payment devices used by nonbanks for currency exchange transactions shall comply with the requirements to the EFDs established by the Law of Ukraine *On the use of electronic fiscal devices in trade, catering and services* and by Resolution No.149 of the Cabinet of Ministers of Ukraine dated 2 March 2016 *On Requirements to Fiscal Functions of the Electronic Fiscal Devices for Certain Areas of Application*.

23. Banks and nonbanks shall not have the right to carry out currency exchange transactions at cash desks of nonbanks and their separate subdivisions, and at currency exchange bureaus of banks and nonbanks:

1) without using EFD

2) in case of EFD failure

3) in case of a temporary power outage.

In the event of the EFD failure or a temporary power outage, nonbanks, their standalone units, and currency exchange bureaus of banks and nonbanks shall have the right to use a back-up EFD at the cash desk. In this case, a report shall be filled out and signed by the manager who is responsible for the work of the cash desk of a nonbank, its standalone units, and currency exchange bureaus and by a representative of the EFD maintenance provider. Any newly installed EFD shall be registered with a local office of the state authority responsible for the work of the cash desk of the nonbank in line with the procedure established for its initial registration.

The requirements of Section IV Paragraph 30 hereof shall apply to payment devices used by nonbanks for currency exchange transactions.

24. To ensure smooth operation of cash desks of standalone units and currency exchange bureaus, banks and nonbanks shall have the right to independently set the amounts of cash advances (if applicable) in foreign currency and hryvnia and shall provide them with funds in accordance with the established amounts before the beginning of the business day, including weekends and holidays.

nonbanks commencing their activities in trading currency assets in cash shall replenish cash desks of standalone units and currency exchange bureaus with foreign currency no later than on the tenth day after they start currency exchange transactions.

25. Banks and nonbanks shall set the maximum amount of foreign exchange and hryvnia balances at cash desks of standalone units of nonbanks and currency exchange bureaus of banks or nonbanks for off-hours in the amounts, which would ensure their work during a business day. The currency assets balances may exceed the established maximum amount on weekends and holidays.

26. Currency assets balances exceeding the maximum amount set for a business day are subject to collection on that day, while those exceeding limits set for weekends and holidays shall be collected not later than the next business day of a bank or a nonbank.

For the currency exchange bureaus open twenty four-seven, the end of the business day shall be the beginning of the operating (business) day of a bank or a nonbank.

27. The following documents shall be stored at the cash desk of a standalone unit of a bank, a nonbank, and a currency exchange bureau of a bank or a nonbank:

1) a copy (excerpt) of the order (instruction) of a nonbank about opening of a standalone unit of a financial institution or opening of a currency exchange bureau of a bank or a nonbank signed by the head of a nonbank or a bank, comprising a list of transactions effected at the cash desk

2) a copy of the document confirming the ownership or a lease (sublease) of the premises, where the standalone units and currency exchange bureaus are located

3) a copy of the order (excerpt from the order), other document of a bank or a nonbank setting the amount of cash advance payments in foreign currency and hryvnia for a standalone unit of a bank or a nonbank and an exchange bureau of a bank or a nonbank, as well as the maximum amount of foreign currency cash balances.

28. Banks and nonbanks shall ensure that the cash desk premises of the banks or nonbanks (other than the national postal operator), their standalone units, and the currency exchange bureau comply with the requirements of the NBU's regulations covering security issues.

29. Banks and nonbanks shall equip the cashier's workplace in such a way that the client could watch the cash counting.

30. The cashier of the cash desk of a standalone unit of a nonbank and a currency exchange bureau must have a document certifying his/her identity and/or a service certificate at the workplace.

31. The market participant shall place the following information at the cash desk of the bank, a nonbank, their standalone units, or a currency exchange bureau, in a place accessible for clients:

1) a copy of the order (instruction) of the bank or a nonbank on the set rates for the purchase and sale of foreign currencies and investment metals. The head of a standalone unit of a bank/nonbank or a person authorized by him, or the cashier of the currency exchange bureau shall certify a copy of such an order (instruction) by his/her own signature

2) a list of currency exchange transactions, transactions with investment metals, which are carried out by the bank, a nonbank, a standalone unit, or a currency exchange bureau

3) a note on the obligatory execution by the cashier of a reversal transaction within 15 minutes after the completion of a currency exchange transaction, if the client requests so, provided the client submits the receipt for the currency exchange transaction/a document printed by the EFD and applied for accounting and registration of currency exchange transactions (hereinafter – EFD settlement document)

4) an excerpt from the order on the establishment of commission fees for performing currency exchange transactions in cash and transactions in investment metals signed by the head of a bank or a nonbank

5) information on the signs of wear of foreign currency banknotes accepted as payment means by banks, nonbanks, and currency exchange bureaus in Ukraine (hereinafter - signs of wear) in line with Annex hereto

6) a name plate with the name and initials of the cashier at the cash desk who performs currency exchange transactions and transactions with investment metals

7) a copy of the banking license or of the currency transactions license/excerpt from the register of entities licensed to perform currency transactions

8) the address of the cash desk of a bank, a nonbank, their standalone unit, and a currency exchange bureau.

Information specified in Section IV paragraph 31 hereof may be additionally placed on electronic devices and shall be consistent with the decisions taken and executed as a paper or electronic document.

32. Banks and nonbanks shall be prohibited from imposing restrictions on the denomination and the issue year of the foreign currency banknotes that are legal tender in the relevant foreign state.

Banks and nonbanks shall accept foreign currency banknotes that fully comply with the samples and descriptions published on the official websites of foreign central/national banks in design and security features and have no signs of wear or acquired one or several signs of wear while in circulation, as specified in Annex hereto.

33. Banks and nonbanks check the signs of a legal tender and authenticity of foreign banknotes using devices (detectors) that provide image enhancement, visualization of UV and IR security features, and magnetic control.

Banks and nonbanks shall replace worn-out foreign banknotes in accordance with the procedure established by the Instruction on Cash Transactions Effected by Banks in Ukraine, approved by NBU Board Resolution No.103, dated 25 September 2018 (with amendments).

34. Banks and nonbanks shall be prohibited from effecting currency exchange transactions with banknotes (notes) and coins of the Central Bank of the Russian Federation with depictions of any maps, symbols, buildings, monuments, archaeological, architectural and historical monuments, landscapes and any other objects located in the territories of Ukraine occupied by the Russian Federation and/or containing texts related to the occupation of the territories of Ukraine by the Russian Federation.

35. Banks and nonbanks perform currency exchange transactions with coins of foreign states on the bank's/nonbank's discretion.

Director
Open Market Operations Department

Serhii PONOMARENKO

APPROVED
Deputy Governor
National Bank of Ukraine
_____ Oleg CHURIY

(signature)

Dated: _____, 2018
(date)

Annex

Regulation on the Structure of the Foreign Exchange Market of Ukraine and Rules and Procedure for Trading in Foreign Currency and Investment Metals in the Foreign Exchange Market of Ukraine (Section IV paragraph 31 subparagraph 5)

Signs of Wear of Foreign Currency Banknotes Accepted by Banks, nonbanks, Postal Operators, and Currency Exchange Bureaus in Ukraine

1. Spots of worn ink (partially de-inked elements) and/or limpness of paper.
2. Stamp impressions, writings, including the ones visible under UV rays, the total area of which does not exceed 200 sq. mm.
3. The total of three spots, up to 5.0 mm each.
4. The total of three tears or cuts, up to 3.0 mm each.
5. The total of four punctures and holes, with a diameter up to 1.0 mm each.