

# **LAW OF UKRAINE**

## **On the National Bank of Ukraine**

With amendments introduced by  
Laws of Ukraine  
No. 1458-III of 17 February 2000,  
No. 1658-III of 20 April 2000,  
No. 1919-III of 13 July 2000,  
No. 2121-III of 7 December 2000,  
No. 2740-III of 20 September 2001,  
No. 2922-III of 10 January 2002,  
No. 1416-IV of 3 February 2004,  
No. 3163-IV of 1 December 2005,  
No. 639-VI of 31 October 2008,  
(changes introduced by Law of Ukraine No. 639-VI of 31 October 2008  
were valid till 1 January 2011),  
No. 800-VI of 25 December 2008,  
No. 835-VI of 26 December 2008,  
No. 1131-VI of 17 March 2009,  
No. 1533-VI of 23 June 2009,  
No. 1608-VI of 21 August 2009,  
No. 2388-VI of 1 July 2010,  
No. 2457-VI of 8 July 2010,  
No. 2478-VI of 9 July 2010,  
No. 2856-VI of 23 December 2010,  
(the amendments introduced by subparagraph 2 of paragraph 21, Section I of Law of Ukraine  
No. 2856-VI of 23 December 2010, are valid till 1 January 2012),  
No. 3024-VI of 15 February 2011,  
No. 3394-VI of 19 May 2011,  
No. 3828-VI of 6 October 2011,  
No. 4395-VI of 9 February 2012,  
No. 4452-VI of 23 February 2012,  
No. 5042-VI of 4 July 2012,  
No. 5103-VI of 5 July 2012,  
No. 5178-VI of 6 July 2012,  
(the amendments introduced by subparagraph 10 (5) and (6) of paragraph 4, Section VI  
of Law of Ukraine No. 5178-VI of 6 July 2012,  
become valid from 1 January 2013, taking into account the amendments  
introduced by Law of Ukraine No. 5518-VI of 6 December 2012;  
the amendments made by subparagraph 10 (1-4) and (7-17) of paragraph 4, Section VI of Law of  
Ukraine No. 5178-VI of 6 July 2012, become valid from 12 October 2013),  
No. 5284-VI of 18 September 2012,  
No. 5285-VI of 18 September 2012,  
No. 5411-VI of 2 October 2012,  
No. 5463-VI of 16 October 2012,  
No. 5480-VI of 6 November 2012,  
No. 5518-VI of 6 December 2012,  
No. 399-VII of 4 July 2013,  
No. 1586-VII of 4 July 2014,  
No. 1702-VII of 14 October 2014,  
No. 78-VIII of 28 December 2014,  
No. 80-VIII of 28 December 2014

(as amended by Law of Ukraine  
No. 217-VIII of 2 March 2015),  
No. 213-VIII of 2 March 2015,  
No. 541-VIII of 18 June 2015

(the amendments made by Section I paragraph 4 subparagraph 5 of Law of Ukraine No. 541-VIII  
of 18 June 2015 become valid from 1 January 2016),

No. 629-VIII of 16 July 2015,  
No. 889-VIII of 10 December 2015,  
No. 911-VIII of 24 December 2015,  
No. 1670-VIII of 6 October 2016,  
No. 1774-VIII of 6 December 2016,

(changes provided for in Law of Ukraine No. 4050-VI of 17  
November 2011 will not be introduced. Law of Ukraine  
No. 4050-VI of 17 November 2011 has been abolished by  
Law of Ukraine No. 889-VIII of 10 December 2015)

Provisions of the fifth part of Article 5 of this Law were acknowledged consistent with the  
Constitution of Ukraine (constitutionally acceptable)

(according to decision of the Constitutional Court of Ukraine No. 13-пп/2010 of 11 May 2010)

See additionally  
constitutional petition of the President of Ukraine  
of 19 October 2009

(It has been established that from 1 January 2007, the  
maximum pension or monthly permanent alimony  
(including allowances, charges, additional pensions, special  
pecuniary aid, pensions for rendering great services to  
Ukraine and other additional surcharges to pensions  
established by law) granted (recalculated) in 2006-2007  
according to this Law shall not exceed 12 minimum old-age  
pensions as specified by the first indent of part 1, Article  
28, of the Law of Ukraine *On State Pension Insurance Plan*  
according to Law of Ukraine No. 489-V of 19 December  
2006)

(It has been established that in 2007 the semiretired  
pensioners, subject to this Law, granted an anticipated old-  
age pension (according to subparagraph “d”, paragraph 1,  
Article 26, of the Law of Ukraine *On Employment of  
Population*, paragraph “c” of part 2, Article 12, of the Law  
of Ukraine *On General Provisions with regard to Further  
Operation of the Chornobyl Nuclear Power Plant and  
Conversion of the Damaged Fourth Power Unit of the NPP  
into an Ecologically Safe System* and Article 21 of the Law  
of Ukraine *On Fundamentals of Social Protection of Labor  
Veterans and Other Senior Citizens*) during the period  
before reaching the pension age, defined by law for  
respective category of persons, shall not be paid according  
to Law of Ukraine No. 489-V of 19 December 2006; this

provision stipulated by Article 98 of the mentioned law has been acknowledged inconsistent with the Constitution of Ukraine (constitutionally unacceptable) according to decision of the Constitutional Court of Ukraine No. 6-пп/2007 of 9 July 2007)

(It has been established that in 2007 the old-age pension in accordance with this Law shall be granted only after acquirement of the pension age prescribed by Article 26 of the Law of Ukraine *On State Pension Insurance Plan*, according to Law of Ukraine No. 489-V of 19 December 2006, this provision stipulated by Article 103 of the Law of Ukraine of 19 December 2006, has been acknowledged inconsistent with the Constitution of Ukraine (constitutionally unacceptable) according to decision of the Constitutional Court of Ukraine No. 6-пп/2007 of 9 July 2007)

## **Section I. GENERAL PROVISIONS**

### **Article 1. Terms and Definitions**

The terms and definitions used herein shall have the following meaning:

**Investment Metals** mean gold, silver, platinum, platinum-group metals affined to the highest international standards, both in ingots and powder, provided with quality certificates, as well as coins made of precious metals;

**Banking Regulation** means one of the responsibilities of the National Bank of Ukraine consisting in establishing the system of standards which regulate banks' activities, determine basic principles of banking, procedures of banking supervision, responsibility for the banking legislation violation;

**Banking Supervision** means the system of control and active ordered actions of the NBU aimed at ensuring the banks and other entities, subject to the NBU supervision, compliance with the laws of Ukraine and the established ratios, in order to ensure stability of the banking system and protect the bank depositors and creditors interests;

**Currency Valuables** mean the material objects determined by Ukraine's laws on currency regulation as a means of foreign exchange and financial relations;

**Open Market** means the market where the securities purchase and sale transactions are effected between the persons, who are not the primary lenders and borrowers, provided that the proceeds from the sale of securities in such market are received by securities' holders, but not the issuers thereof. It is used by central banks for the purposes of sale and purchase of the short-term (as a rule) government securities in order to regulate the money supply. The investment of funds into the national economy increases as a result of the purchase and reduces as a result of the sale;

**Currency Position** means the ratio between bank's claims and liabilities in each foreign currency and in each investment metal. If they are equal, the position shall be deemed closed, otherwise it shall be deemed open. An open position shall be deemed short if the amount of liabilities in the foreign currency and investment metals exceeds the amount of claims, and long if the amount of claims in the foreign currency and investment metals exceeds the amount of liabilities;

**Monetary Policy** means actions in the area of money supply and credits aimed at ensuring stability of the monetary unit of Ukraine by way of applying the means and techniques specified herein;

**Monetary Liabilities** denote the currency in circulation, financial claims to the NBU except the NBU's liabilities to the Cabinet of Ministers of Ukraine and international financial organizations;

**Monetary Substitute** means any documents in the form of monetary objects different from the monetary unit of Ukraine, issued by a body other than the NBU and manufactured in order to effect payments in the process of the economic turnover, but for the currency valuables;

**Foreign Exchange Policy** means the policy of regulating the foreign exchange rate by means of sale and purchase of foreign currency;

**Discount Foreign Exchange Policy** means the increase or reduction of the rate of interest on credits by the NBU in order to regulate the demand for and the supply of the lending capital;

**Gold and Foreign Exchange Reserve** means Ukraine's reserves indicated in the balance sheet of the NBU, including the assets recognized as international assets by the international community and designed for international settlements;

**Creditor of Last Resort** means the NBU, to which a bank may apply for refinancing in case of the exhaustion of other refinancing opportunities;

**Treasury Bills** mean debt securities issued by the state through its authorized bodies which are distributed exclusively on a voluntary basis among the natural persons and legal entities and testify to the funds paid in by their owners to the budget and entitle them to obtain financial income or other property rights according to the terms and conditions of the securities issue;

**Metal Accounts** mean the accounts opened by authorized banks of Ukraine to register transactions with the investment metals;

**International Standards of Auditing** mean the documents adopted by the International Federation of Accountants defining the audit standards;

**International Standards for the Professional Practice of Internal Auditing** mean the standards adopted by the Internal Auditing Standards Board and approved by the Supervisory Board for Professional Practices;

**International Financial Reporting Standards** mean the documents adopted by the International Accounting Standards Board determining the standards of accounting and financial reporting;

**Unrealized Gain/Loss** means the gain/loss resulting from revaluation of the financial assets and liabilities, monetary gold and banking metals, as well as the gain/loss resulting from purchase of foreign currency, monetary gold and banking metals under the condition that such transactions are conducted at a rate other than the official exchange rate;

**Key Policy Rate of the National Bank of Ukraine** is a monetary instrument the NBU uses to set a reference point for banks and other money market participants with regard to the deposit and lending rates;

**Record-Keeping Systems** mean relations on creating, processing, storage and transfer of information between the public authorities, financial institutions and other legal entities in the course of implementation of the state projects;

**Official Publication of the National Bank Of Ukraine** means a printed publication of the NBU registered as appropriate;

**Official Exchange Rate** means the currency (foreign exchange) rate officially set by the NBU as an authorized body of the state;

**Safeguarding Valuables and Facilities** means arrangement and implementation in practice by the NBU of the protective actions with regard to the selected and belonging to the NBU buildings, structures, territories, means of transportation, currency valuables, securities and other movables and immovables to prevent or stop unlawful acts with regard to them, to secure their inviolability and integrity, to stop unlawful access to them of the third parties, as well as to safeguard personal security, life and health of the NBU employees;

**Balance of Payments** shows a relationship between amount of payments into and out of a country over a specific period of time. The balance of payments covers payments related to international trade, services, noncommercial transactions, revenues from international investments, trade in licenses, freight and service of vessels, tourism, upkeep of diplomatic and trade missions abroad, money transfers of individuals, repayment of loans to other countries, etc. The balance of payments includes the capital flows: investments and loans;

**Realized Gains/Losses** mean the gains/losses resulting from the revaluation on disposal of revalued financial assets and liabilities, monetary gold and investment metals;

**Reserve Position with the International Monetary Fund (IMF)** means the claims of a member country to the IMF which are defined as a difference between the quota and IMF's holdings in the currency of the member country less the IMF holdings received by a member country in the form of the IMF loans and the balance in IMF No. 2 Account, which shall not exceed 0.1% of the member country's quota;

**Refinancing Rates of the NBU** mean the interest rates (expressed in percentage terms) on loans granted to banks which is set by the NBU in order to influence the money turnover and crediting;

**Special Drawing Rights (SDR)** mean an international reserve asset, created by the IMF in addition to the existing international reserve assets; the value of SDR is based on a basket of five currencies; currency composition of the basket is revised every five years. The value of SDR is calculated on a daily basis;

**Financial Stability** is a state in which the financial system is able to efficiently and smoothly fulfil its key functions, i.e. the financial intermediation and arrangement of payments, contributing in this way to sustainable economic growth, and is resistant to adverse effects of crises on economy;

**Price Stability** means retaining purchasing power of domestic currency by maintaining low and stable rates of inflation measured by the Consumer Price Index over the medium term perspective (from 3 to 5 years);

**Associated Person, Business Reputation, Qualifying Holding** shall have the meaning ascribed to them in the Law of Ukraine *On Banks and Banking*.

## **Article 2. Legal Basis for the NBU Activities**

The National Bank of Ukraine (hereinafter referred to as the NBU) is the central bank of Ukraine, a special central body of the state administration, whose legal status, objectives, functions, powers and organization principles shall be determined by the Constitution of Ukraine, this Law and other laws of Ukraine.

The city of Kyiv is the principal place of business of the National Bank of Ukraine Council (NBU Council), Board (NBU Board) and Head Office.

### **Article 3. Authorized Capital**

The NBU shall have the authorized capital owned by the state.

The authorized capital shall amount to UAH 10 million. It may be increased by a decision of the NBU Council.

A part of the NBU's unallocated profit and, if necessary, the State Budget of Ukraine shall be sources of its authorized capital.

### **Article 4. Economic Independence**

The NBU shall have economic independence as an authority using its own revenues and, in cases provided for hereby, the State Budget of Ukraine, to cover its expenses within approved administrative expense budget.

The NBU shall be a legal entity with separated property that is the subject to the public property rights and is allocated to the NBU under the terms of its full economic control.

The NBU shall not be liable for or assume the commitments of government bodies; the government bodies shall not be liable for the NBU's commitments, unless they voluntarily assume such a commitment.

The NBU shall not be liable for or assume the commitments of other banks: other banks shall not be liable for the NBU's commitments, unless they voluntarily assume such a commitment.

The NBU may open its institutions, branches and representative offices in Ukraine, as well as representative offices abroad.

The NBU, its institutions, branches and representative offices shall have a seal with the Coat of Arms of Ukraine and their respective names.

### **Article 5. Budget of Administrative Expenses**

The NBU shall prepare an annual budget for its administrative expenses sufficient for the NBU to carry out its functions specified herein and in the Constitution of Ukraine.

The NBU's administrative expenses budget shall include estimated expenses, in particular depreciation charge, provisions for impairment of assets and investments to support NBU's activities, as well as NBU Council members' remuneration with a detailed break down by amount, positions and payment frequency.

The NBU shall represent the income and expenses, determine the profit (loss) and compile the financial reporting in accordance with the international financial reporting standards.

The NBU creates general reserves to cover its losses, revaluation reserves to cover unrealized losses and other reserves to finance investments supporting NBU's activities.

In case of insufficiency of funds in the general reserves the excess of the NBU expenses over its income shall be compensated from the State Budget of Ukraine for the year following the reporting one.

## **Article 5<sup>1</sup>. Distributable Profit**

The NBU activities shall not be profit-oriented.

The NBU defines its distributable profit as a portion of profit net of unrealized gains. The NBU's unrealized gains are recognized in a revaluation reserve.

A gain becoming realized in the following periods is recognized in the distributable profit of the respective reporting periods.

The NBU shall compensate the amount of excess of the unrealized loss over the revaluation reserve amount at the expense of current year profit and, if it is not sufficient, at the expense of general provisions.

Upon validation by an external auditor and approval by the NBU Council of the NBU's annual financial statements, the NBU shall use distributable profit to create general provisions at the level of 10 percent of the NBU's monetary liabilities.

The NBU Council may also decide to use the distributable profit to create the reserves for financing investments that support the NBU operation (up to 2 percent of the NBU's monetary liabilities) and for the NBU's authorized capital increase.

After the part of distributable profit has been used for the purposes defined in paragraphs five and six of this Article, the rest of distributable profit shall be transferred to the State Budget in full.

The NBU shall not transfer to the State Budget of Ukraine the portion of distributable profit that exceeds the one declared in the audited financial statements approved by the NBU Council.

## **Article 6. Primary Objective**

According to the Constitution of Ukraine, the primary objective of the NBU is to ensure stability of the monetary unit of Ukraine.

When exercising its function, the NBU shall consider achievement and maintenance of price stability in the country to be its priority.

The NBU shall promote, within the limits of its authority, financial stability, including stability of the banking system, without prejudice of the objective set forth in the second part of this Article.

The NBU shall also promote sustainability of the economic growth and support the economic policy of the Cabinet of Ministers of Ukraine provided that it does not prevent the NBU from attainment of the aims determined in the second and third parts of this article.

## **Article 7. Other Functions**

The NBU shall also be responsible for:

- 1) defining and implementing monetary policy in line with the Monetary Policy Guidelines developed by the NBU Council;
- 2) solely issuing the domestic currency of Ukraine and to organizing its circulation;
- 3) acting as the creditor of last resort for banks and making the refinancing system available;

- 4) setting for banks the rules of conducting banking transactions, accounting and reporting, protection of information, funds and property of banks;
- 5) supporting establishment of the system of monetary, crediting and banking statistical data and the balance of payments statistics and creating its methodology;
- 6) regulating the operation of payment and settlement systems in Ukraine, defining the procedures and modes of payments, including interbank ones;
- 7) shaping the development of modern electronic banking technologies, establishing payment and accounting systems, promoting their smooth and efficient operation, and ensuring development of payment and record-keeping systems created by the NBU; controlling the creation of payment instruments, banking automation systems and banking data protection systems;
- 8) banking regulation, as well as individual and consolidated supervision;
- 9) approval of banks' charters and amendments to them; licensing banking business and transactions, as permitted by applicable law; maintaining the State Register of Banks and the Register of Audit Firms, which are certified to audit banks;
- 10) keeping the official register of the identification numbers of issuers of the payment cards for the payment systems of the country;
- 10<sup>1</sup>) preliminary eligibility assessment of the persons to be engaged in the insolvent bank resolution process and compiling a list of eligible persons;
- 11) paragraph 11 of Article 7 excluded;
- 12) paragraph 12 of the first part of Article 7 excluded;
- 13) representing Ukraine's interests in the central banks of other states, international banks and other credit institutions where the cooperation takes place at the level of central banks;
- 14) foreign exchange regulation within the competence specified by a special law, establishing the procedure for transactions in foreign currency, foreign exchange control over commercial banks and other financial institutions licensed by the NBU to conduct FX transactions;
- 15) accumulation and safekeeping of the gold and foreign exchange reserves and conducting transactions with reserves and investment metals;
- 16) analysis and forecast of macroeconomic, monetary, foreign exchange and financial indicators, including compilation of the balance of payment;
- 17) collection and transportation of banknotes, coins and other values, granting licenses for collection and transportation of banknotes, coins and other values;
- 18) implementing the national policy of state secrets protection within the NBU system;
- 19) taking part in the training of personnel for Ukraine's banking system;
- 20) defining how Ukraine's banking system operates under a martial law or a state of emergency; emergency preparedness of the NBU system;



- 21) initiating in accordance with the procedure established by law the proposals regarding legal regulation of the issues related to the NBU functions;
- 22) methodological support for keeping, protection, use and disclosure of banking secrets;
- 22<sup>1)</sup> exercising its powers in the area of custodial accounting;
- 22<sup>2)</sup> accounting and custody of the securities and valuables transferred to the NBU which have been confiscated (arrested) in favor of the state and/or such that have been declared ownerless; for this purpose the NBU may open the securities accounts with the depository institutions;
- 23) exercising other functions in the area of money and finance within its statutory mandate;
- 24) paragraph 24 of Article 7 was excluded;
- 25) establishing the procedure of routing, clearing and mutual settlements between participants in the payment system against the transactions conducted in Ukraine with use of the payment cards issued by the resident banks;
- 26) establishing the Certification Authority for registration and attestation of the opened keys and accreditation of the centers for certification of the keys, and determining the procedure of use of the electronic signature including the electronic digital one within the banking system of Ukraine and by the subjects of transfer of funds;
- 27) issuing licenses to the non-banking financial institutions intending to become participants in the payment systems to transfer funds without opening accounts and revoking the licenses according to laws;
- 28) keeping the register of payment systems, settlement systems, participants therein and operators of services within the payment infrastructure;
- 29) oversight of the payment and settlement systems;
- 30) exercising the state regulation and supervision in the area of anti-money laundering, counter terrorist financing and financing of proliferation of weapons of mass destruction over the resident non-banking institutions which are payment organizations and/or members / participants of the payment systems as to provision of a money transfer service under appropriate licenses, issued among others by the NBU (except for money transfer by mail operators);
- 31) financial system stability analysis.

### **Article 7<sup>1</sup>. Measures to Ensure Stability of the Banking System**

When banking system shows signs of unsustainability or threats to stability of banking and/or financial system of the country exist, the NBU shall be empowered to determine temporary special mode of regulation and supervision of banks or other entities subject to the NBU inspections, including special regime of liquidity support, application of prudential ratios, formation and use of loan loss provisions; to introduce restrictions on banks' activities, including to limit or ban withdrawals from current and deposit accounts of individuals and legal entities, as well as to limit or temporarily ban foreign exchange transactions in the territory of Ukraine, in particular export, transfer or remittance abroad of foreign exchange assets.

The signs of unsustainability of the banking system or arising threats to banking and/or financial stability of the country shall be acknowledged in the respective decision of the Financial Stability Council, powers whereof are defined by the Presidential Decree.

## **Section II. PROCEDURE OF FORMING THE NBU COUNCIL AND ITS POWERS**

### **Article 8. Tasks of the NBU Council**

In accordance with the Constitution of Ukraine, the main tasks of the NBU Council is to develop the Monetary Policy Guidelines and exercise control over monetary policy implementation.

The NBU Council shall oversee the NBU's internal control system.

### **Article 9. Powers of the NBU Council**

The NBU Council shall:

- 1) elaborate the Monetary Policy Guidelines on the basis of the NBU Board proposals, publish them in the official editions and submit them annually till 15 September to the Verkhovna Rada of Ukraine for referential use;
- 2) exercise control over monetary policy implementation;
- 3) analyze the effect of the monetary policy of Ukraine on the social and economic development of the country, develop proposals on amending this policy;
- 4) approve each year before 15 September of the current year the budget of income and expenditures of the NBU for the following year;
- 5) submit to the Verkhovna Rada of Ukraine and Cabinet of Ministers of Ukraine each year by 1 April information on the portion of forecasted profit available for distribution for the current year;
- 6) decide on directing the profit available for distribution to increase the NBU authorized capital and form reserves which are the source of investment financing to support the NBU activities;
- 7) approve the Rules and Regulations of the NBU Council of Ukraine, regulations on the Audit Committee and other working bodies of the NBU Council;
- 8) decide on the increase of the authorized capital of the NBU;
- 9) define procedure and frequency of internal audits of the NBU structural units and approve annual audit plan and regulation on internal audit unit;
- 10) before 1 November of the reporting year, approve an audit firm selected to perform the annual audit of the NBU financial statements based on the results of procurement procedure pursuant to the Law of Ukraine *On Public Procurement*;
- 11) contemplate the auditor's report and, before 30 April in the year after the reporting year, approve financial statement of the NBU, report on Administrative Expense Budget of the NBU and allocation of distributable profit for the reporting year; publish the NBU's annual financial statement approved by the NBU Council at the official web-site of the NBU;

12) approve decisions of the NBU Board on participation of the NBU in the international financial organizations;

13) assess the NBU Board progress in implementation of the Monetary Policy Guidelines and in other areas where decisions are binding for the NBU Board; make recommendations to the NBU Board on:

methods and forms of forecasting macro-level indicators for economic and social development of Ukraine, as well as monetary policy;

certain monetary and regulatory measures and their effect on economic and social development of Ukraine;

the policy of exchange rate formation and foreign exchange regulation;

development of the banking system and certain normative acts on banking activity;

improvement of the system of payments;

other issues which are within the jurisdiction of the NBU Council;

14) submit recommendations to the Cabinet of Ministers of Ukraine on the effect of the government borrowings and taxation policy on the monetary and credit sector of Ukraine;

15) approve the methods of remuneration determination for the Governor of the NBU and his/her deputies submitted by the NBU Board;

16) establish the Audit Committee and other working bodies of the NBU Council, define their composition and chairpersons;

17) appoint and dismiss Head of Internal Audit;

18) appoint and dismiss First Deputy and Deputies of the NBU Governor at the proposal of the NBU Governor;

19) oversee the activities of the Internal Audit;

20) approve the methods of remuneration calculation for the NBU Council members, except the NBU Governor. The annual fees of an NBU Council member cannot be higher than four times the maximum salary of an NBU Board member.

In case of repeated non-observance or improper fulfillment by the NBU Board of the NBU Council decisions which are binding for the NBU Board according to this Law, the NBU Council is entitled to appeal to the NBU Governor or to the Verkhovna Rada of Ukraine stating its opinion.

## **Article 10. Constitution of the NBU Council**

The NBU Council consists of the NBU Board members that are appointed by the Verkhovna Rada of Ukraine and the President of Ukraine. The Verkhovna Rada of Ukraine appoints seven NBU Council members through its resolution. The President of Ukraine appoints four NBU Council members by presidential decree. The NBU Governor of Ukraine is appointed by the Verkhovna Rada of Ukraine, with his/her candidacy proposed by the President of Ukraine, and is a member of the NBU Council.

The candidates to be approved by the Verkhovna Rada of Ukraine shall be discussed at a special open session of the relevant Committee of the Verkhovna Rada of Ukraine, which provides the Verkhovna Rada of Ukraine with its recommendations.

The member of the NBU Council shall be a citizen of Ukraine permanently residing in Ukraine and having formal higher education in economics, finance or law, or academic degree in these fields as well as experience of work of not less than 10 years in the legislative bodies or on managerial positions in other state authorities and the state agencies ensuring implementation of the state financial, economic or legal policies, or on managerial positions in international financial organizations, or on managerial positions in a banking institution, or else the scientific research experience in the field of finance, economics or laws, and having irreproachable business reputation, in particular having no outstanding conviction, i.e. such that would not have been cancelled and quashed in accordance with the procedure established by the law.

The following persons cannot be members of the NBU Council: representatives or members of the Cabinet of Ministers of Ukraine, (former) heads or deputy heads of public authorities and other government bodies (if they left office less than a year ago); those authorized to perform the state's functions or local authorities' functions; heads or deputy heads of enterprises, institutions or organizations; leaders of political parties; top members of political parties; senior officials; and qualifying owners in a legal entity that provides financial services and is subject to the NBU supervision.

In order to be appointed the NBU Council members, prospective candidates must prove that they meet the requirements specified in paragraph 3 and 4 of this article.

The NBU Council members hold office for seven years, except the NBU Governor whose term in office is limited by his/her tenure as governor. The NBU Council members cannot serve more than two consecutive terms.

Appointments and dismissals of the NBU Council members should not prevent the NBU Council from holding its meetings in line with the requirements of Article 11, paragraph 4 of this Law.

An NBU Council member is dismissed if his/her term of office has expired, or:

- 1) a resignation letter has been submitted, stating the reasons for the decision;
- 2) a court decided to declare the person legally incapable;
- 3) the NBU Council member's activities do not comply with the law or he/she has lost the irreproachable business reputation;
- 4) he/she has unreasonably failed to attend two consecutive council meetings;
- 5) he/she has failed to perform their duties, including due to poor health, for four months running;
- 6) finding of the fact that such a person has submitted inadequate information to be appointed a member of the NBU Council;
- 7) circumstances arise preventing an NBU Council member from fulfilling his/her duties, as set forth in parts 3 and 4 of this Article.

If a council member dies, or if a court declares a council member missing or dead, as applicable, their term of office is deemed expired from the day of their death, as stated in their death certificate, or from the day the court decision that declares them missing or dead comes into force.

The President of Ukraine may dismiss the members of the NBU Council appointed by him/her by a relevant Decree indicating causes of the dismissal.

The Verkhovna Rada of Ukraine may dismiss the members of the NBU Council appointed by the Verkhovna Rada of Ukraine via a relevant Resolution on the initiative of the relevant Committee of the Verkhovna Rada of Ukraine indicating causes of the dismissal.

The powers of the NBU Governor as a member of the NBU Council shall be early terminated in case of his/her resignation or dismissal for other reasons specified hereby.

The NBU Council members, apart from the NBU Governor, receive remuneration from the NBU. The amount of the remuneration payable to NBU Council members is proposed by the NBU Board, and is subject to approval of the NBU Council.

The remuneration received by a NBU Council member must be disclosed in the NBU annual financial statements.

The NBU defrays the expenses that NBU council members incur in line of their duty, as set forth in the NBU Council Regulation.

The materials and equipment required by the NBU Council and its bodies are paid for out of the NBU's administrative expenses.

### **Article 11. Working Procedures of the NBU Council**

The NBU Council acts on the basis of the NBU Council Regulation.

The NBU Council must meet at least ten times a year.

The extraordinary sessions of the NBU Council shall be convoked by the Chairman of the NBU Council upon his/her initiative or by the NBU Council upon an urgent request of at least one third of its total membership, as well as on the demand of the NBU Governor. The members of the NBU Council shall be notified of the session at least five days in advance. The Procedure of the preparation to the extraordinary session of the NBU Council shall be defined by the NBU Council Regulation.

Six NBU Council members constitute a quorum.

The sessions of the NBU Council shall be presided by the Chairman of the NBU Council or, in case of his/her absence, by the Deputy Chairman according to the Regulations.

The decisions shall be taken by a simple vote of the majority of the total number of attending members of the NBU Council. Each member of the NBU Council shall have one vote.

Chief administrators of central government bodies, representatives of enterprises, scientists and other specialists may be invited to attend sessions of the NBU Council.

The members of the NBU Board may take part in the activities of the NBU Council with the right of the consultative (deliberative) vote.

### **Article 12. Chairman and Deputy Chairman of the NBU Council**

The Chairman of the NBU Council shall be elected by the NBU Council for a period of three years.

The NBU Governor may not be elected the Chairman of the NBU Council.

The Chairman of the NBU Council shall:

- organize sessions of the NBU Council and chair the sessions;
- convene extraordinary sessions upon his/her initiative or upon an urgent request of at least one third of the total number of the members of the NBU Council, as well as on demand of the NBU Governor;
- inform, as set forth in the NBU Council Regulation, the Ukrainian President or the Verkhovna Rada of Ukraine of any reasons for the dismissal of the NBU Council members that they appointed;
- exercise other powers and functions according to the NBU Council Regulation.

The Chairman of the NBU Council shall have a deputy elected by the NBU Council from among its members for a three year period.

The Deputy Chairman shall replace the Chairman in case of absence of the latter or his/her disability to implement his/her powers, and shall carry out his/her powers and functions according to decisions of the NBU Council.

The Chairman or the Deputy Chairman of the NBU Council may be dismissed during the run of their office for the following reasons:

- due to expiry of their tenure;
- upon his/her own initiative, subject to an application in writing;
- in case of a persistent failure to exercise his/her duties on medical grounds during four months.

In case of termination of the powers of the Chairman or Deputy Chairman of the NBU Council, the elections to this (these) position(s) shall be held according to the procedure prescribed hereby.

### **Article 13. Decisions of the NBU Council**

Materials of sessions of the NBU Council shall be issued in the form of the Minutes of Meetings and Decisions and signed by the chairman of the session.

The Monetary Policy Guidelines and any decisions taken by the NBU Council regarding the issues specified in Article 9 paragraphs 3, 4, 6, 8 - 10, 12, 15, 17, 18, 20 of this Law are binding for the NBU Board.

The recommendations of the NBU Council shall be considered by the NBU Board within five working days. On the basis of such consideration, the NBU Board shall be obliged to send a substantiated reply to the NBU Council.

The NBU Council shall not be entitled to interfere in the operative activity of the NBU Board.

The fifth part of Article 13 has been excluded

The decisions of the NBU Council shall be disclosed, unless these decisions contain national, banking or professional secrets under the law.

The members of the NBU Council shall be prohibited to disclose the national, banking or professional secrets they have become aware of in connection with the exercise of their powers under the Regulation.

## **Article 13<sup>1</sup>. Audit Committee**

The NBU Council shall establish the Audit Committee tasked with assessing the reliability and effectiveness of NBU internal controls, and the completeness and authenticity of the NBU's financial reporting.

The Audit Committee is to be an advisory executive body of the NBU Council, and will act on the basis of resolution approved by the NBU Board.

The Audit Committee may be comprised of the NBU Board members, as well as independent experts. Independent experts must have a master's degree or a PhD in economics, finance, or law, must have worked in one of these areas no less than ten years, and have an immaculate business reputation, including no criminal record that has not been expunged or removed from official records, as applicable.

Independent experts are subject to the restrictions specified in Article 10 paragraph 4 and in Article 65 paragraph 1 of this Law.

The Audit Committee may not consist of more than five members.

The Audit Committee must meet at least ten times a year.

## **Section III. ORGANISATION AND STRUCTURE OF THE NBU**

### **Article 14. Functions of the NBU Board**

According to the Monetary Policy Guidelines, the NBU Board shall ensure implementation of the monetary policy by means of appropriate monetary instruments and other means of banking regulation, organize exercise of the other functions in accordance with Articles 6 and 7 hereof and manage the activities of the NBU.

### **Article 15. Powers of the NBU Board**

The NBU Board shall:

1. take decisions on:

submitting proposals to the NBU Council on elaboration of the Monetary Policy Guidelines;

economic means and monetary methods required to implement the Monetary Policy Guidelines according to the decisions of the NBU Council taken with regard to these issues and the necessity to ensure the stability and the purchasing power of the domestic currency;

banking regulation and supervision;

refinancing system;

determination and implementation of the exchange rate policy, foreign exchange regulation and management of the gold and foreign exchange reserves;

operation of the systems of payments and organization of settlements;

issuing Ukraine's currency and the withdrawal of banknotes and coins from the circulation;

setting and changing key policy rate and other NBU rates;

diversification of the NBU assets and their liquidity;

limiting off-balance liabilities of the NBU;

formation of the reserves and covering the financial risks of the NBU;

minimum amount of the gold and foreign exchange reserves of the NBU;

setting the limits to transactions on the open market effected by the NBU;

list of eligible collateral against the credits of the NBU;

conditions of admission of the foreign capital to Ukraine's banking system;

setting economic ratios for banks;

amount and procedure of creating reserve requirements for banks;

applying sanctions to banks and other entities that are subject to inspections by the NBU, as set forth in the Law of Ukraine *On Banks and Banking*, as well as other Ukrainian laws;

establishment and closing down of enterprises and institutions of the NBU;

participation in international financial organizations;

purchase and sale of the property to support the activities of the NBU;

setting fee for the services rendered in accordance with laws (performed transactions);

Article 15, paragraph 1(1)(24) has been deleted

declaring a bank a problem bank;

financial capacity of an accepting bank to meet obligations to the depositors and other creditors;

establishing the NBU Board committees;

on delegating some of its powers to the NBU Board committees specified in Article 17, paragraphs 4 and 5;

2) submit the NBU's annual financial statements, estimates of NBU administrative expenses for the next year, as well as other documents and decisions to the NBU Board for approval, as set forth in Article 9 of this law; provide to the NBU Board, at its request, accounting and statistical data, as well as any other data related to the operation of the NBU and the banking system to enable the NBU Board to perform its tasks;

3) make decisions regarding the NBU's structure; approve resolutions on the central bank's structural units (apart from resolutions about the internal audit unit) and institutions, charters of the NBU enterprises, rules for appointing heads of the central bank's structural units (except for the chief audit executive), institutions and enterprises; and defines the functions of its corporate private pension fund, as well how these functions are to be executed;



- 3<sup>1)</sup>) approve appointments and dismissals of the managers of the NBU core functions;
- 3<sup>2)</sup>) draw up a list of NBU structural units that perform the NBU core functions;
- 4) approve the NBU staff listing and the forms of labor remuneration;
- 5) elaborate and submit to the NBU Council for approval the calculation methodology for remuneration of the NBU Governor and his/her deputies;
- 6) specify the procedure of granting the banking licenses to the legal entities intending to engage in banking as well as the licenses to other legal entities in the cases stipulated by law;
- 7) issue the regulations and other subordinate legislation acts of the NBU;
- 8) approve the Regulation on the NBU Board;
- 9) make decisions regarding the remuneration of NBU Council members (other than the NBU Governor) and submit the decision to the NBU Council for approval;
- 10) exercise other powers which are not regarded as the powers of the NBU Governor and NBU Council by this Law.

The NBU Board, within its powers, bears joint responsibility for NBU actions. The NBU Governor is accountable to the Ukrainian President and the Verkhovna Rada of Ukraine for the NBU's actions.

### **Article 16. Constitution of the NBU Board**

The NBU Board is a joint body consisting of six members: the NBU Governor, the first deputy governor, and four deputy governors.

The NBU Governor shall be at the head of the NBU Board.

### **Article 17. Functioning of the NBU Board and Its Committees**

The rules for preparing and holding NBU Board meetings are set forth in an NBU Board Regulation.

NBU Board decisions are taken by a simple majority vote. Each Board member has one vote. When the votes are equally divided, the NBU Governor may cast the deciding vote.

Four Board members constitute a quorum.

The NBU Board may decide to establish the Committee on Banking Supervision and Regulation and Payment System Oversight, and to charge it with banking regulation and supervision. Among other things, the NBU may allow the committee take action to influence (apply sanctions to) banks and other entities that are subject to inspection by the NBU, apart from the action specified in Article 73, part 1 (11 1 - 13) of the Law of Ukraine *On Banks and Banking*.

The NBU Board may decide to establish the NBU Assets and Liabilities Management Committee, and to charge it with managing its assets and liabilities, including Ukraine's foreign exchange reserves, as well as with monitoring risks arising from, and profits or losses incurred from, transactions with NBU assets and liabilities.

### **Article 18. Appointment and Dismissal of the NBU Governor**

The NBU Governor shall be nominated by the President of Ukraine and appointed by the Verkhovna Rada of Ukraine for the period of seven years.

The NBU Governor cannot serve more than two consecutive terms.

The NBU Governor shall be a citizen of Ukraine permanently residing in Ukraine and having formal higher education in economics or finance, or academic degree in these fields as well as experience of work of not less than 10 years in the legislative bodies or on managerial positions in other state authorities and the state agencies ensuring implementation of the state financial, economic or legal policies, or on managerial positions in international financial organizations, or on managerial positions in a banking institution, or else the scientific research experience in the field of finance, economics or laws, and having irreproachable business reputation, in particular having no outstanding conviction, i.e. such that would not have been cancelled and quashed in accordance with procedure established by the law.

A person cannot be appointed the NBU Governor, if he/she has a representative capacity or is a (former) head of public authorities and other government bodies (if he/she left office less than a year ago); or is a leaders of political party or a member of the governing bodies of a political party, or is a chief or a member of the governing board of a legal entity (except for the NBU), or owns directly or indirectly of shares (stakes) of a legal entity. During his/her tenure the NBU Governor shall suspend membership in any political party.

In order to be appointed the NBU Governor, a candidate for the post shall submit the evidence of his/her compliance with the requirements set forth by the third and fourth parts of this Article.

Should the Verkhovna Rada of Ukraine fail to appoint the candidate proposed by the President of Ukraine, the procedure of nominating a new candidate shall be regulated by the Law of Ukraine *On Temporary Discharge of Obligations of Officials Appointed by the President of Ukraine upon Consent of the Verkhovna Rada of Ukraine or by the Verkhovna Rada of Ukraine subject to Nomination by the President of Ukraine*.

The same candidate may not be nominated more than twice.

The NBU Governor shall be dismissed by the Verkhovna Rada of Ukraine upon request of the President of Ukraine in the following cases:

- 1) his/her tenure has expired;
- 2) he/she has submitted a resignation letter, stating the reasons for the decision, if the resignation has been approved by the President of Ukraine;
- 3) he/she has been prosecuted and sentenced in a court of law;
- 4) he/she has been declared incapable by a court;
- 5) his/her citizenship is terminated or he/she leaves Ukraine to take up permanent residence abroad;
- 6) his/her business reputation has been compromised;
- 7) the fact of misrepresentation by him/her when appointed the NBU Governor has been discovered;
- 8) his/her death or court declaring him/her dead;
- 9) his/her failure to perform duties, including due to poor health, for four months running;

10) circumstances arise that make it impossible for the person to be the NBU Governor (according to parts 3 and 4 of this Article).

The NBU Governor shall continue discharge of duty up to assumption of office by the newly-appointed Governor save the cases prescribed in paragraphs 2-10 of the eighth part of this Article.

The NBU Governor must report about his/her performance during his/her tenure as governor at a plenary session of the Verkhovna Rada of Ukraine, which will decide whether or not to accept his/her resignation, as set forth in paragraphs 2 of the eighth part of this Article.

In case of dismissal of the NBU Governor on the ground specified in paragraphs 2-10 of the eighth part of this Article, temporary discharge of duty of the NBU Governor shall be carried out in accordance with the Law of Ukraine *On Temporary Discharge of Obligations of Officials Appointed by the President of Ukraine upon Consent of the Verkhovna Rada of Ukraine or by the Verkhovna Rada of Ukraine subject to Nomination by the President of Ukraine*.

## **Article 19. Duties and Authorities of the NBU Governor**

The NBU Governor shall:

- 1) govern the NBU within his/her powers, as set forth in this law;
- 2) act on behalf of the NBU and represent it in relations with the public authorities, banks, financial and credit institutions, international organizations, other institutions and organizations;
- 3) preside at the sessions of the NBU Board;
- 4) sign protocols, NBU Board resolutions, orders and instructions, as well agreements that are entered into by the NBU;
- 5) nominate candidates for appointment as the NBU deputy and initiate their dismissal by the NBU Council, assign duties to the NBU deputy governors;
- 6) issue bylaws that are binding for all the NBU staff members, its enterprises and institutions;
- 7) request, at an NBU Council meeting, an unscheduled internal audit of NBU structural units.
- 8) paragraph 8 of Article 19 was excluded

## **Article 20. NBU Deputy Governors**

The NBU Governor has five deputy governors, including one first deputy governor. All NBU deputy governors are appointed and dismissed by the NBU Council at the suggestion of the NBU Governor.

NBU deputy governors hold office, as long as the NBU Governor, who proposed they be appointed, stays in office. The NBU deputy governors should be appointed and dismissed in a way to ensure the NBU Board quorum at all times, as set forth in Article 17, part 3 of this Law.

NBU deputy governors cannot serve more than two consecutive terms.

A citizen of Ukraine meeting the requirements stipulated in the second part of Article 10 hereof may be appointed as an NBU deputy governor.

A person cannot be appointed the NBU deputy governor, if he/she has a representative capacity or is a (former) head of public authority and other government body (if he/she left office less than a year ago); or is a leaders of political party or a member of the governing bodies of a political party, or is a chief or a member of the governing board of a legal entity (except for the NBU and other legal entities where the participation of NBU representative in governing bodies is required by the law or a portion of shares (stakes) are state-owned), or owns directly or indirectly of shares (stakes) of a legal entity. During his/her tenure the NBU deputy governor shall suspend membership in any political party.

In order to be appointed as deputy governors, candidates must prove that they meet the requirements specified in parts 4 and 5 of this Article.

Candidates who meet the requirements specified in parts 4 and 5 of this Article are appointed as deputy governors by the NBU Council.

An NBU deputy governor shall be dismissed in the following cases:

- 1) his/her tenure has expired;
- 2) a resignation letter has been submitted, stating the reasons for the decision;
- 3) he/she has been prosecuted and sentenced in a court of law;
- 4) he/she has been declared incapable by a court;
- 5) his/her business reputation has been compromised;
- 6) the fact of misrepresentation by him/her when appointed the NBU deputy governor has been discovered;
- 7) his/her death or court declaring him/her dead;
- 8) his/her failure to perform duties, including due to poor health, for four months running;
- 9) circumstances arise preventing an NBU deputy governor from fulfilling his/her duties, as set forth in parts 4 and 5 of this Article.

A decision whether or not to dismiss a deputy governor is taken by the NBU Council, as set forth in part 8(2) of this Article, after the deputy governor gives a report about his/her performance in office.

A deputy governor whose term of office has expired is required to hold office until a new deputy government is appointed.

## **Article 21. Excluded**

The title of Section III has been excluded

## **Article 22. Structure of the NBU**

The structure of the NBU shall be based on the principle of centralization with vertical subordination.

The NBU consists of the Head Office, standalone units and legal entities that have been established by the NBU to support its operation, and that solely perform the NBU's statutory duties and functions.

Article 22, part 3 has been excluded

The NBU may establish its own armed security unit to provide protection when transporting valuables, and to guard its valuables and buildings. The security unit may, within its powers specified in this Law, use unarmed physical force, special defensive equipment, as well as resort to the use of firearms, as set forth in Article 12; Article 13, part 1; Article 14, part 1(1,3), parts 2 and 3; Article 15, part 1(2,3,5,6) and parts 3 and 4, Article 15-1 of the Law of Ukraine *On Militia*.

### **Article 23. Excluded**

## **Section IV. MONETARY POLICY**

### **Article 24. Monetary Policy Guidelines**

The Monetary Policy Guidelines (MP Guidelines) shall set the medium-term targets for the NBU activities with the purpose of accomplishing its objects as determined by Article 6 hereof.

The NBU Council prepares the MP Guidelines taking into account suggestions made by the NBU Board.

The MP Guidelines are developed on the basis of the macroeconomic indicators provided by the Cabinet of Ministers of Ukraine and the NBU, as well as any other relevant information.

The NBU informs the Verkhovna Rada of Ukraine of the MP Guidelines and Ukraine's monetary conditions in accordance with the procedure set forth in this Law.

Article 24, part 5 has been excluded

### **Article 25. Monetary Policy Instruments and Methods**

The major economic instruments and methods of the monetary policy shall be the regulation of money supply through:

- 1) setting and regulating reserve requirements for banks;
- 2) interest rate policy;
- 3) refinancing of banks;
- 4) management of gold and foreign exchange reserves;
- 5) open market operations with securities (excluding corporate rights), treasury notes included;
- 6) regulating the capital import and export;
- 7) introduction of obligatory sale of a portion of earnings in foreign currency for the period of up to six month;
- 8) changing the settlement periods for transactions on exports and imports of goods;
- 9) issuing own debt instruments and operations with them.

The NBU shall be entitled, but not obliged, to grant credits for refinancing of the bank, unless this is associated with risks to the banking system.

## **Article 26. Reserve Requirements**

The NBU shall establish the reserve requirements for banks. The following shall apply to the reserve requirements:

- 1) they shall be fixed as a percentage of the total amount of deposit liabilities of a bank in domestic and foreign currency; the percentage shall be the same for every bank;
- 2) different reserve ratios may be set for different types of liabilities;
- 3) a decision to increase a reserve ratio shall come into effect no earlier than 10 days after its publication.

## **Article 27. Interest Rates**

The NBU shall establish the procedure for setting the key policy rate and other interest rates on its operations.

## **Article 28. Gold and Foreign Exchange Reserves Management**

The NBU shall manage the gold and foreign exchange reserves of the state through currency interventions (purchase and sale of currency in foreign exchange markets) in order to regulate the domestic currency exchange rate against foreign currencies, as well as the total money demand and supply in Ukraine.

## **Article 29. Open Market Operations**

Open market operations of the NBU, including those with a premium or discount, shall involve the purchase and sale of treasury notes, as well as other securities (excluding corporate rights) and debt instruments designated by the NBU Board.

## **Article 30. Regulation of Import and Export of Capital**

The NBU shall, in compliance with the laws of Ukraine on foreign economic activities and the system of foreign exchange regulation and control, regulate the import and export of capital.

## **Article 31. Funds of the State Budget of Ukraine and Local Budgets**

The Cabinet of Ministers of Ukraine, Council of Ministers of the Autonomous Republic of Crimea, local state administrations, executive agencies of respective local councils shall keep the budget funds at the NBU on an account opened for the central government agency implementing the state policy in the area of treasury services for budget funds unless otherwise is stipulated by the Budget Code of Ukraine.

The conditions and procedures of servicing the budget funds shall be stipulated by the agreement between the NBU and the central government agency implementing the state policy in the area of treasury services for budget funds. The NBU shall render its services to the central government agency implementing the state policy in the area of treasury services for budget funds free of charge.

## **Section V. CASH CYCLE MANAGEMENT**

### **Article 32. Monetary Unit**

The monetary unit of Ukraine shall be the hryvnia equal to 100 kopiikas.

The issue and circulation of other monetary units and the use of money substitutes as payment instruments in the territory of Ukraine are prohibited.

No official ratio between the hryvnia and gold or other precious metals shall be established.

### **Article 33. Powers of the NBU relating to Cash Circulation**

In order to organize cash circulation, the NBU shall do the following:

- 1) manufacture and keep safe banknotes and coins;
- 2) create reserve stocks of banknotes and coins;
- 3) select denominations of banknotes and coins, their security features, fitness for use criteria and design; and impose restrictions on the use of security features and fitness attributes and on reproduction of banknote and coin design elements;
- 4) establish the procedure for replacing the damaged banknotes and coins;
- 5) set rules for issuing in circulation, processing, safekeeping, collection, transporting, withdrawal from circulation and destruction of cash;
- 6) set cash operations rules for banks, other financial institutions, enterprises and organizations;
- 7) set the requirements to technical safety and security measures for banking institutions' premises.

### **Article 34. Issue of Cash**

The NBU shall have the exclusive right to put the hryvnia and small coins into circulation, to organize their circulation and withdrawal.

Cash shall circulate in the form of (paper) banknotes and (metal) coins. The total amount of the issued banknotes and coins shall be recorded in the accounts of the NBU as its liabilities.

Banknotes and coins shall be direct liabilities of the NBU and shall be backed by all its assets.

### **Article 35. Circulation of Banknotes and Coins**

The hryvnia (banknotes and coins) as the domestic currency shall be the only legal tender in the territory of Ukraine; it shall be accepted by all natural persons and legal entities without any limitation all over the territory of Ukraine for all modes of payments, for crediting accounts, deposits, letters of credit, as well as for transfers.

### **Article 36. Hryvnia Exchange Rate**

The NBU shall set and publish the official exchange rate of hryvnia against foreign currencies.

In order to regulate the exchange rate of hryvnia against foreign currencies, the NBU shall use the gold and foreign exchange reserves, purchase and sell securities, establish and change the refinancing rate and make use of other instruments of regulating the money supply in circulation.

## **Article 37. Convertibility of Hryvnia**

The conditions and the procedure of conversion (exchange) of hryvnia for a foreign currency shall be established by the NBU in accordance with the foreign exchange regulation laws of Ukraine.

The NBU shall not restrict the rights of participants in the foreign exchange market to effect the transactions with foreign currency guaranteed to them by law.

## **Article 38. Procedure of the Replacement of Worn and Damaged Banknotes and Coins**

Worn and damaged banknotes and coins of Ukraine shall be accepted and exchanged free of charge for the new ones by the NBU and commercial banks of Ukraine without any limitation of the amount and term of such a replacement.

The specific features and procedure of determining the fitness of banknotes, as well as the procedure of exchange of worn and damaged bank notes and coins shall be established by the NBU.

## **Article 39. Withdrawal of Banknotes and Coins from Circulation**

The NBU and commercial banks of Ukraine shall be obliged to withdraw the counterfeit, faked and unfit banknotes and coins.

The procedure of withdrawing such banknotes and coins shall be established by the NBU and stated in the relevant regulations.

The NBU and commercial banks shall not be obliged to reimburse for the destroyed, lost, counterfeit, faked and invalid banknotes and coins.

The NBU shall officially notify of the withdrawal from the circulation of banknotes and coins of Ukraine through the mass media.

The manufacture of counterfeit banknotes for the purposes of their issue into circulation or the issue thereof into circulation shall carry the penalty according to the laws of Ukraine.

# **SECTION VI. ORGANIZATION OF SETTLEMENTS AND ACCOUNTING**

## **Article 40. Regulation of Settlements**

The NBU shall establish rules, forms and standards of settlements of the banks, other legal entities and individuals in the economic turnover of Ukraine by using both the paper and electronic documents as well as the payment instruments and cash, coordinate organization of the settlements, issue permissions for clearing operations and settlements.

The NBU shall ensure the interbank settlements through its institutions, grant permissions for interbank settlements by means of direct correspondent relations of banks and their own payment systems.

The NBU shall establish the procedure for exchange of the information messages and for clearing of transactions conducted in the territory of Ukraine.

## **Article 41. Regulation of Accounting**



The NBU shall set for the banking system the binding standards and rules of accounting and financial reporting complying with the requirements of the laws of Ukraine and international accounting standards.

## **Section VII. OPERATIONS OF THE NBU**

### **Article 42. Types of NBU's Operations**

In order to exercise its functions, the NBU may effect the following transactions:

- 1) grant loans to banks to maintain their liquidity at a rate not lower than the refinancing rate of the NBU and in accordance with the procedure specified by the NBU;
- 2) grant loans to the Deposit Guarantee Fund on the terms and conditions determined by the NBU regulations;
- 3) conduct the discount transactions with the bills of exchange and cheques according to the procedure defined by the NBU;
- 4) purchase (with the exception of purchase from the issuer) and sell securities according to the procedure stipulated by the laws of Ukraine. The restriction established hereby shall not apply to the purchase of securities from the issuer in the cases envisaged by paragraph 3, Part 2, Article 71 hereof;
- 5) open its own correspondent and metal accounts with foreign banks and keep accounts of the correspondent banks;
- 6) purchase and sell currency valuables in order to exercise monetary regulation;
- 7) store investment metals, as well as purchase and sell the investment metals, precious metals and stones and other valuables, commemorative and bullion coins made of precious metals in domestic and foreign markets without quotas and licenses;
- 8) place the gold and foreign exchange reserves directly or through banks, authorized by the NBU to conduct foreign exchange transactions, to perform operations with gold and foreign exchange reserves of Ukraine with the banks, whose rating according to the classification of international rating agencies meets the requirements to the top banks not lower than category A;
- 8<sup>1)</sup> Article 42(1)(8<sup>1)</sup> has been deleted
- 9) Article 42 (1)(9) has been deleted
- 10) issue warranties and guarantees according to the regulations approved by the NBU Council;
- 11) keep the account of the central government agency implementing the state policy in the area of treasury services for budget funds free of charge and without charging the interest;
- 12) carry out state debt servicing, including the placement of state securities, their repayment and payments of the yield thereof;
- 13) keep the personal accounts of the NBU employees;
- 14) keep the accounts of international institutions;

15) charge, on an uncontested basis, the accounts of its clients according to the laws of Ukraine, including upon court order;

16) keep accounts of the Deposit Guarantee Fund;

17) interact directly with the Central Securities Depository with the purpose of supporting the NBU transactions with securities;

18) establish direct correspondent relations with the international depositories in order to exercise the monetary policy and state debt management functions with the purpose of depositing the external debt government bonds in the foreign depositories;

19) ensure clearing and settlements under deals in the financial markets through participation in the establishment and regulation of activities of the Settlement Centre servicing the agreements in the financial markets, including through possibility of its liquidity support according to the procedure established by the NBU;

20) maintain the data base of the agreements entered into in the financial market according to the procedure established by the NBU.

The NBU shall also be entitled to effect other transactions required to ensure the exercise of its functions.

The NBU is entitled to charge fees for the services rendered (transactions performed) pursuant to the laws.

### **Article 43. Participation in International Organizations**

The NBU shall be entitled to take part in the formation of capital and activities of international organizations under international treaties, to which Ukraine is a party, as well as according to agreements between the NBU and other central banks.

## **Section VIII. NBU OPERATIONS WITH CURRENCY VALUABLES**

### **Article 44. NBU's Authority in Foreign Exchange Regulation and Control**

The NBU shall act as an authorized public authority when applying the laws of Ukraine on foreign exchange regulation and control.

In the field of the foreign exchange regulation and control, the NBU shall be authorized to:

1) issue regulations on foreign exchange transactions;

2) issue and withdraw licenses, to control (including through planned and casual inspections) activities of banks, legal entities and individuals (residents and non-residents) that obtained NBU's license for foreign exchange transactions with regard to their compliance with the foreign exchange laws;

3) set a limit on the open FX position of the banks and other institutions that purchase and sell foreign currency;

4) establish a procedure of mandatory sale and amount of the earnings in foreign currency subject to the mandatory sale;

- 5) change the terms of settlements for export and import of goods;
- 6) apply the enforcement measures to banks, legal entities and individuals (resident and non-resident) for violation of the rules of foreign exchange regulation and control.

### **Article 45. Foreign Exchange Market**

The NBU shall determine the structure of the foreign exchange market of Ukraine and organize the trade in currency valuables pursuant to the laws of Ukraine on the foreign exchange regulation.

### **Article 46. Discount and Foreign Exchange Policy**

The NBU shall implement the discount and foreign exchange policy and apply the foreign exchange restrictions, if necessary.

The NBU shall pursue the discount policy by altering the key policy rate of the NBU to regulate the flow of capital and to balance the payment liabilities, as well as to adjust the exchange rate of Ukraine's currency against the foreign currencies.

The NBU shall pursue the exchange rate policy on the basis of regulation of the exchange rate of Ukraine's currency to foreign currencies by means of purchase and sale of the foreign currency in the financial markets.

### **Article 47. Composition of the Gold and Foreign Exchange Reserve**

To ensure the internal and external stability of Ukraine's monetary unit, the NBU shall have the gold and foreign exchange reserve consisting of the following assets:

- monetary gold;
- special drawing rights;
- reserve position in the IMF;
- foreign currency in the form of banknotes and coins or money in accounts abroad;
- securities (except for shares) paid in foreign currency;
- any other internationally recognized reserve assets, provided that their reliability and liquidity are guaranteed.

### **Article 48. Replenishment and Use of the Gold and Foreign Exchange Reserve**

The gold and foreign exchange reserve shall be replenished by the NBU from:

- 1) the purchase of the monetary gold and foreign currency;
- 2) the income from transactions with foreign currencies, investment metals and other internationally recognized reserve assets;
- 3) the foreign exchange funds received from international financial institutions, other central banks and other creditors.

The gold and foreign exchange reserve shall be used by the NBU for the following purposes:

- 1) sale of currency in the financial markets to pursue the monetary policy, including the exchange rate policy;
- 2) expenses arising from foreign exchange transactions, monetary metals, other internationally recognized reserve assets, as well as transactions that support the NBU's operation and not exceeding estimates of the NBU's administrative expenses;
- 3) repayment of foreign exchange funds to international financial organizations, other central banks and other creditors by the NBU including interest for the use of such funds and other respective charges;
- 4) participation in capital and activities of international organizations according to Article 43 hereof.

The gold and foreign exchange reserve shall not be used for granting credits and guarantees and other commitments to residents and non-residents of Ukraine.

### **Article 49. Safekeeping of the Gold and Foreign Exchange Reserve**

The NBU shall be the sole custodian of the national gold and foreign exchange reserve, as well as of precious metals, stones and other valuables belonging to the state.

### **Article 50. Excluded**

### **Article 50. Non-operating Foreign Exchange Gains and Losses**

The NBU's gains and losses from the re-evaluation of assets and liabilities represented in the form of gold, foreign currency and special drawing rights, due to changes in the foreign currency exchange rates and the price for gold, shall be taken into consideration and set off as follows:

- 1) net foreign exchange gains and losses shall be balanced by a corresponding amount on the special reserve account for re-evaluation of the foreign exchange reserve on the balance sheet of the NBU;
- 2) said net gains and losses shall not be taken into consideration (accounted), when calculating the annual income of the NBU.

## **Section IX. RELATIONS WITH THE PRESIDENT OF UKRAINE, VERKHOVNA RADA OF UKRAINE AND CABINET OF MINISTERS OF UKRAINE**

### **Article 51. Accountability**

The NBU shall be accountable to the President of Ukraine and the Verkhovna Rada of Ukraine within their constitutional authority.

The accountability shall mean the following:

- 1) the NBU Governor is nominated by the President of Ukraine and appointed and dismissed by Verkhovna Rada of Ukraine;
- 2) a half of the NBU Council members is appointed and dismissed by the President of Ukraine;
- 3) a half of the NBU Council members is appointed and dismissed by the Verkhovna Rada of Ukraine;

- 4) the NBU Governor presents to the Verkhovna Rada of Ukraine a report about the NBU's activities;
- 5) the NBU informs the President of Ukraine and the Verkhovna Rada of Ukraine on the situation in the money market twice a year.

The NBU shall on the quarterly basis inform the President of Ukraine, the Cabinet of Ministers of Ukraine and the Parliamentary Committee on Finance and Banking about the non-cash money issued during the respective period, namely:

for the bank refinancing purposes;

for the interventions in the inter-bank foreign exchange market;

for the stock market operations.

The NBU may submit to the President of Ukraine, in accordance with the procedure established by law, proposals on legal regulation of the issues aimed at the exercise of functions of the NBU.

On the annual basis, the NBU shall submit to the President of Ukraine, the Verkhovna Rada of Ukraine and the Cabinet of Ministers of Ukraine the following:

by 15 March, monetary indicators estimated for the next year;

by 1 April, information on the calculation of the part of projected distributable profit to be transferred to the state budget in the current year;

by 1 September, information on the calculation of the projected distributable profit to be transferred to the state budget in the following year.

## **Article 52. Relations with the Cabinet of Ministers of Ukraine**

The NBU and the Cabinet of Ministers of Ukraine shall consult each other on the issues of the monetary policy, development and implementation of the National Economic and Social Development Program.

Upon the request of the Cabinet of Ministers of Ukraine, the NBU shall provide the information about monetary processes and money market.

Upon the request of the NBU, the Cabinet of Ministers of Ukraine, ministries and other central government authorities shall furnish it with the information affecting status of the balance of payments, money market, including the monthly information about the indicators of revenues, expenses and deficit of the State and consolidated budgets, conditions of the state debt and schedule of payments thereunder.

The NBU shall support the economic policy of the Cabinet of Ministers of Ukraine, provided that such a policy is not detrimental to the stability of the monetary unit of Ukraine.

The NBU Governor or, by his/her order, one of the Deputy Governors may take part in sessions of the Cabinet of Ministers of Ukraine with the right of deliberative vote.

Members of the Cabinet of Ministers of Ukraine may take part in sessions of the NBU Board with the right of deliberative vote.

The NBU may submit to the President of Ukraine in accordance with the procedure established by law proposals on legislative settlement of the issues aimed at the exercise of functions of the NBU.

### **Article 53. Guarantees of Non-Interference**

Any interference of the public authorities, other public institutions or their officials, any legal entities or individuals in the exercise of functions and powers of the NBU, NBU Council, NBU Board or the NBU employees shall be prohibited, except for within the limits stipulated by the Constitution of Ukraine and this Law.

The NBU shall report to the public authorities and other public institutions and furnish them with information in the cases set forth by the Constitution of Ukraine and this Law.

All matters related to the NBU functions may only be defined and altered by this Law. Any provision of this Law may only be changed by amending the Law.

### **Article 54. Ban on Lending to the State**

The NBU must not grant loans in the national or foreign currency, both directly and indirectly, through a public institution or other legal entity whose property is state-owned, with the purpose of financing the expenses of the State Budget of Ukraine.

The NBU must not purchase in the primary market any securities issued by the Cabinet of Ministers of Ukraine, a public institution or other legal entity whose property is state-owned.

## **Section X. BANKING REGULATION AND BANKING SUPERVISION**

### **Article 55. Objective and Scope of the Banking Supervision**

The main objective of the banking regulation and supervision shall be the security and financial stability of the banking system and protection of interests of depositors and creditors.

The NBU shall exercise the banking regulation and individual and consolidated supervision over the activities of banks and banking groups, within the limits and in a manner prescribed by the laws of Ukraine.

The NBU shall exercise ongoing supervision over meeting by banks, their divisions, affiliated and related parties of banks on the territory of Ukraine and abroad, bank unions, representative offices and branches of the foreign banks in Ukraine as well as by other legal entities and individuals, the requirements of banking laws as well as the regulations and economic ratios issued or established by the NBU. The NBU shall not carry out inspections and revisions of the financial and economic activities of the entities and individuals mentioned in this Article.

### **Article 56. NBU Regulations**

The NBU issues regulations and administrative documents.

The NBU shall issue regulations within its jurisdiction, binding for the government bodies and institutions of local government, banks, enterprises and institutions regardless of the forms of ownership thereof, as well as for the individuals.

The administrative documents issued by the NBU include internal orders and administrative enactments that are not regulations. Internal orders and administrative enactments are made public and come into force in accordance with the procedure specified by the NBU.

The NBU regulations shall be issued in the form of the NBU Board resolutions, as well as instructions, regulations and rules approved by the NBU Board resolutions. They must not contradict the laws of Ukraine and other regulations of Ukraine and shall not be applied retroactively unless they commute or remit punishment.

The NBU regulations (except for the regulations containing restricted information) that are legislative enactments are drawn up, approved, and made public, as set forth in the Law of Ukraine *On State Policies Regulating Business Activity*.

The NBU regulations (except for the regulations containing restricted information) come into force on the day that they are officially published, unless otherwise specified by the relevant regulation. The NBU regulation is deemed promulgated when its text is for the first time published in full in one of the following periodicals: *Ofitsiyni Visnyk Ukrainy* (Official Herald of Ukraine), *Uriadovyi Kurier* (Government Gazette), *Holos Ukrainy* or posted on the official web site of the NBU.

The NBU regulations that contain restricted information must not be published, and are communicated to the legal entities and households they concern in the manner specified by the NBU.

The NBU regulations that contain restricted information come into force, as set forth in these regulations.

The NBU regulations and enactments can be appealed against, as set forth in Ukrainian law.

## **Article 57. Access to Information**

In order to exercise its functions, the NBU is entitled to obtain free of charge from the banks, bank unions (associations) and legal entities that have obtained a license from the NBU to perform certain banking transactions, as well as from the persons whose activities are supervised by the NBU pursuant to the Law of Ukraine *On Banks and Banking*, the information of their activities and explanations with regard to the obtained information and effected transactions.

In order to be able to produce monetary, financial, balance of payments, international investment position, external debt and banking statistics, deliver an analysis of financial stability, as well as to analyze and forecast macroeconomic, monetary, foreign exchange and financial indicators, the NBU may request that state and local authorities, as well as economic entities, regardless of their form of ownership, provide it, free of charge, with the required information.

The received information is not subject to disclosure, except for cases, envisaged by laws of Ukraine.

## **Article 58. Economic Ratios**

In order to protect interests of depositors and creditors, and ensure the financial reliability of the banks, the NBU shall establish for them the mandatory economic ratios according to the procedure specified by it. These ratios shall ensure the control over the risks related to the capital, the liquidity, granting credits, capital investments, as well as over the interest rate and currency risks.

The NBU shall officially notify of the subsequent changes in the ratios and methods of their calculation not later than one month before they are put into effect.

## **Article 59. Risk Provisions**

The NBU shall determine the amounts, procedures for creating and using the reserves (provisions) of banks to cover their potential loan losses, as well as provisions to cover the currency, interest rate and other risks of the banks.

The reserves against possible financial risks and for the deposit guarantee fund shall be created at the expense of the income before taxes pursuant to the laws of Ukraine.

### **Article 60. Excluded**

### **Article 61. Regulatory Powers**

The NBU shall exercise the regulation of banks' activities in the forms specified in the Law of Ukraine *On Banks and Banking* both directly and through a banking supervision authority established by it.

### **Article 62. Invalid**

### **Article 63. Restriction on the NBU Requirements**

The NBU shall not be entitled to demand from banks to effect transactions or commit other actions which are not envisaged by laws of Ukraine and regulations of the NBU.

## **SECTION XI. EMPLOYEES OF THE NBU**

### **Article 64. Status of the NBU Employees**

The terms of employment, dismissal, granting leaves, job responsibilities and rights, disciplinary action and social protection of the NBU employees shall be defined by the NBU Board in compliance with the employment laws. Temporarily, to 31 December 2017, during their employment at the NBU the NBU employees will receive 85 percent of the awarded pension amount, if the pension exceeds 150 percent of the minimum living wage set for the disabled, but not less than 150 percent of the minimum living wage set for the disabled. Exceptions to this are disabled people who are assigned to the first or second disability group by Ukrainian law, disabled servicemen who are assigned to the third disability group by Ukrainian law, people who have the status of combatants, and people subject to Article 10, paragraph 1 of the Law of Ukraine *On the Status of War Veterans and Their Guaranteed Social Protection*.

The employees of the NBU shall be professional and support staff of the NBU. The professionals of the NBU shall be deemed the persons directly involved in the exercise of the functions of the NBU and occupying the positions provided for by the Personnel Arrangements.

The NBU Board may specify the positions of employment with the labor agreements in the form of a contract.

The support staff of the NBU shall consist of the employees whose duties are not directly concerned with the NBU's functions.

Salary conditions for professionals employed at the NBU are set by the NBU Board on the basis of the labor remuneration laws.

Wages of the support staff of the NBU shall be established by the NBU Board according to the provisions of the labor remuneration laws.



## **Article 64<sup>1</sup>. Legal Protection**

NBU Board and Council members, as well as other staff members, must comply with the NBU Code of Ethics, and seek to avoid conflicts of interests.

NBU Board and Council members, other staff members, and independent experts consulted by the NBU do not bear any responsibility for their actions, or any failure to take action, if they act within the powers and in the manner set forth in the Ukrainian constitution and laws. Any legal action taken against the NBU staff members is deemed a legal action taken against the NBU. If any legal, disciplinary, or criminal action is taken against the NBU Board and Council members, other staff members, and independent experts consulted by the NBU, the NBU provides legal protection to them, among other things, by seeking legal advice from lawyers and other professionals.

Any damages arising from decisions or actions taken, or any failure to take action, by the NBU (staff members or experts consulted), including damages arising from professional errors made by the NBU staff members and/or experts consulted, are covered by the NBU, as applicable, and by insurance companies on the basis of the relevant insurance agreements, if any.

The NBU has the statutory right to obtain professional liability insurance and disability insurance for the NBU Board members, as well as for other staff members.

Any compensation paid by the NBU, as applicable, or by insurance companies on the basis of the relevant insurance agreements, if any, for damages arising from decisions or actions taken, or any failure to take action, by the NBU (staff members or experts consulted), including damages arising from professional errors made by NBU staff members and/or experts consulted, does not exempt those found guilty from any disciplinary and/or criminal action that may be taken against them, as applicable.

## **Article 65. Prohibited Activity**

NBU Board and other staff members are subject to the restrictions specified by the anti-corruption law, including the law's provisions with respect to conflicts of interests. A conflict of interests arises when NBU Board, Council, and other staff members have private interests that compromise or may compromise their impartiality and objectivity when performing their duties.

Unless otherwise provided for by law, NBU staff members and their first degree relatives are prohibited from being members of banks' boards of directors, or shareholders of banks and affiliated companies, including those that are banking group members.

## **Article 66. Protection of Secrets**

The NBU officials, both during and after their term of office, are prohibited from disclosing the information, which constitutes the state secret, banking secret, or is of confidential nature and which has come to their knowledge in the course of the performance of their official duties, except for the cases specified by the laws of Ukraine.

## **SECTION XII**

### **MONETARY, FINANCIAL, BALANCE OF PAYMENTS, INTERNATIONAL INVESTMENT POSITION, EXTERNAL DEBT, AND BANKING STATISTICS**

## **Article 67. Definition of Reporting**

In order to exercise the regulatory and supervisory functions, the NBU shall define the forms of reporting (including the consolidated one), as well as the procedure of its compilation and presentation to the NBU, being mandatory for all the business entities, including:

1) for (resident and non-resident) banks that are located in Ukraine, banking groups, banking group members to compile monetary, financial, balance of payments, international investment position, external debt, and banking statistics;

2) for all (resident and non-resident) economic agents to compile balance of payments, international investment position, and external debt statistics, as well as to use foreign exchange controls.

The information provided by banks, non-banking financial institutions, and other economic agents shall not be disclosed except in the cases provided for by Ukrainian law.

The requirements of this article shall not apply to the consolidated statistical information, which shall be openly published by the NBU.

## **Article 68. Publications**

In order to ensure the transparency in the banking business and statistics of the balance of payments, the NBU shall:

1) make public its annual and quarterly balance sheets in its official publications, as well as on its official web site;

2) issue monthly statistical bulletins, as well as other publications in an electronic or printed form;

3) publish in the official publications the current banking information and data on the monetary and banking statistics, provided that such information does not constitute the state or banking secret;

4) provides information on the monetary and banking statistics and statistics of the balance of payments for publication pursuant to the international agreements;

5) ensure informing of public on a monthly basis about the decisions of the NBU Board regarding the interest rates and conditions of conducting transactions with banks and other facts important for the financial market participants as well as about the refinancing and exchange rate policy implemented by the NBU, including:

the loans granted to banks (for a term of more than 30 calendar days) with obligatory reference to the bank's name, loan amount and type, collateral type and date of the respective decision of the NBU;

the currency interventions with obligatory reference to the transaction type (purchase/sale of foreign currency), transaction amount, currency and exchange rate of the intervention.

The NBU makes public information about its activity on its official web site and in its official publications, via press conferences, radio or TV programs, as well as via other statutory means.

The data to be published in the mass media shall be determined by the State Statistics Committee of Ukraine in accordance with the laws of Ukraine.

The NBU shall be the owner of the consolidated information on the monetary and banking activities and specify the regime of access thereto in accordance with the laws of Ukraine. The official banking information shall be possible to use by other bodies in their publications only upon authorization of the NBU or with reference to its official source.

The NBU posts information about the banks' ownership structure and constitution of banking groups on its official web site.

## **SECTION XIII. AUDIT OF THE NBU**

### **Article 69. Internal Auditing**

The NBU shall establish an internal audit department tasked with assessing the effectiveness of risk management, internal controls and governance in NBU structural units, guided by international standards for the professional practice of internal auditing.

The internal audit department will act on the basis of bylaws approved by the NBU Council.

Internal audits of NBU's structural units are carried out in accordance with an annual plan, and in the manner that is approved by the NBU Council, at the suggestion of the Audit Committee.

The NBU Governor may request an unscheduled internal audit of NBU's structural units.

The internal audit department shall maintain independence when auditing the NBU's structural units. The internal audit department must, on a regular basis, report to the NBU Council, the NBU Governor, and the NBU Board about the findings of internal audits of the NBU's structural units.

A chief internal audit executive is appointed by the NBU Council for a period of five years. A chief internal audit executive cannot serve more than two consecutive terms.

A chief internal audit executive must meet the requirements specified in Article 10, part 3, of this Law, and must have worked in the areas of auditing, accounting, or risk management for at least five years.

A chief internal audit executive is also subject to the restrictions set forth in Article 20, part 5, of this Law.

A chief internal audit executive is dismissed by the NBU Council on the basis of the reasons specified in Article 20, part 8, of this Law.

### **Article 70. External Audit**

Audits of NBU annual financial statements, which have been produced according to international financial reporting standards, must be carried out at least once a year by an audit firm that has experience in delivering central bank audits. Audits of NBU annual financial statements must be delivered in compliance with international auditing standards.

Prior to delivering an audit of NBU annual financial statements, the audit firm must be approved by the NBU Council in accordance with a procurement process, as set forth in the Law of Ukraine *On Public Procurement*.

An audit firm cannot audit NBU's annual financial statements for more than five consecutive years.

In monitoring how money is received and spent by Ukraine's state budget, the Accounting Chamber checks how the targets of NBU administrative expenses are met.

## **SECTION XIV. SPECIAL PROVISIONS**

## **Article 71. Restrictions on Activities**

The NBU shall be prohibited from:

- 1) being a shareholder or participating member of the banks or other enterprises and institutions, unless otherwise prescribed by law;
- 2) effecting transactions with real estate, other than those related to supporting the activities of the NBU and its institutions;
- 3) being engaged in the trade, manufacturing, insurance and other activities, which do not relate to the functions of the NBU;
- 4) allotting credits, loans to legal persons and individuals except for the cases prescribed herein.

The restrictions specified in part one of this Article shall not apply to:

- 1) acquiring any rights and assets for the purpose of meeting the NBU debts, subject to alienation of them at earliest possible date;
- 2) the cases specified in Article 42 hereof;
- 3) participating in the capital of other enterprises and institutions supplementing the activities of the NBU;
- 4) production activity of the Banknote Printing and Minting Works, Paper Mill and State Treasury of Ukraine carried out in accordance with the regulations approved by the NBU Board.
- 5) paragraph 5 of part 2 of Article 71 excluded

## **Article 72. Taxation**

The NBU shall pay taxes in accordance with the tax laws of Ukraine.

## **Article 73. Preferential and Unconditional Right**

The NBU shall have preferential and unconditional right to satisfy any mature claim stemming from refinancing of a bank which has been executed in accordance with the established legal procedure.

The NBU exercises this right by debiting, without any right to appeal, the money owed to it from the bank's accounts, selling the property used as collateral for NBU loans, as well as by using the net proceeds raised through such sales to satisfy its claims. The NBU may sell the property that it acquired from banks to recover the money it loaned to the banks with the purpose of supporting the NBU's liquidity, without the approval of other public authorities.

The NBU may also exercise its right to write off indisputably the funds on the correspondent account of a bank in favor of the Deposit Guarantee Fund at a request of the Fund in accordance with the procedure established by the Law of Ukraine *On Household Deposit Guarantee System*.

The first and second parts of this Article shall not apply to the banks declared insolvent that are being resolved by the Fund in accordance with the Law of Ukraine *On Households Deposit Guarantee System*.

## **Article 74. Appealing against NBU Decisions**

Decisions taken by the NBU and its members of staff can only be appealed against in a court of law if the purpose of the appeal is to establish whether or not the decisions were legal.

Appeals do not suspend the execution of the contested NBU decision or action. While considering appeals, courts cannot suspend the execution of NBU decisions or actions, or rule that the NBU performs, or refrains from performing, certain actions.

## **SECTION XV. FINAL PROVISIONS**

1. This Law shall come into effect from the date of its publication with the exception of parts nine and ten of Article 10 hereof which become effective from the date of appointment of the NBU Council in full by the President of Ukraine and Verkhovna Rada of Ukraine.

2. The NBU Council shall be made up within two months after this Law becomes effective. During the formation of the NBU Council, its functions regarding the monetary policy shall be exercised by the NBU Board.

3. The following shall be deemed void:

Sections II and V of the Law of Ukraine *On Banks and Banking* (News of the Verkhovna Rada of Ukraine, 1991, No. 25, p.281); 281);

Resolution of the Presidium of the Verkhovna Rada of Ukraine *On the Charter of the National Bank of Ukraine* of 7 October 1991.

4. The requirements as to qualification of the members of the NBU Council and NBU Governor specified herein shall apply to the persons appointed to the positions of Council members and Governor of the NBU after coming into effect of the Law of Ukraine *On Amendments to Certain Laws of Ukraine regarding the National Bank of Ukraine Activities* of 9 July 2010.

The members of the NBU Council appointed to their positions before coming into effect of the Law of Ukraine *On Amendments to Certain Laws of Ukraine regarding the National Bank of Ukraine Activities* of 9 July 2010 shall continue exercising their powers till expiry of their tenure.

5. The NBU shall during three months from coming into effect of the Law of Ukraine *On Amendments to Certain Laws of Ukraine regarding the National Bank of Ukraine Activities* of 9 July 2010 make up the NBU Board according to the requirements introduced thereby and bring its regulations in line with this Law.

6. The NBU is obliged to allocate money to general reserves, as set forth in Article 5<sup>1</sup> of this Law, until the general reserves in 2014, 2015 and 2016 account for 4%, 7%, and 10% of the NBU's monetary obligations.

The NBU has the right to transfer its profit to the state budget in the first quarter of 2015, but no more than 25% of the annual amount.

**President of Ukraine**

**Leonid KUCHMA**

**Kyiv**

**20 May 1999**

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