

# THE LAW OF UKRAINE ON THE NATIONAL BANK OF UKRAINE

*(as amended as of December 1, 2005)*

## Section I. GENERAL PROVISIONS

### Article 1. Terms and Definitions

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

"banking metals" shall denote gold, silver, platinum, platinum-group metals purified (refined) to the highest international standards of fineness, both in ingots (bars) and powder, provided with the quality certificates, as well as coins made of the precious metals;

"banking regulation" shall denote one of the functions of the National Bank of Ukraine consisting in establishing a system of ratios (norms) which regulate banks' activities, determine the basic principles of banking, procedures of banking supervision, responsibility for the banking legislation violation;

"banking supervision" shall denote the system of control and energetic ordered actions of the National Bank of Ukraine aimed at meeting by the banks and other persons supervised by the National Bank of Ukraine the requirements of the laws of Ukraine and the established standards (ratios), in order to ensure stability of the banking system and protect the bank depositors' and creditors' interests;

"currency values" shall denote the material objects determined by Ukraine's laws on foreign exchange regulation as means of monetary and financial relations;

"open market" shall denote 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 a market are received by securities' holders, but not by the issuers thereof. As a rule, it is used by the central banks for the purposes of sale and purchase of the short-term government securities in order to regulate the money supply. The investment of funds in the national economy increases as a result of the purchase and reduces as a result of the sale;

"currency position" shall denote the ratio between bank's claims and liabilities in a foreign currency. If they are equal, the position is deemed closed, if not it is deemed open. The open position is deemed short if the amount of liabilities in the

sold currency exceeds the amount of claims, and long if the amount of claims in the purchased currency exceeds the amount of liabilities;

"monetary policy" shall denote a set of actions in the sphere of currency circulation and crediting aimed at regulation of the economic growth, suppression of the inflation and securement of stability of the monetary unit of Ukraine, employment of the population and equilibrium of the balance of payments;

"monetary substitute" shall denote any instruments in the form of cash facilities (token money) different from the monetary unit of Ukraine and not issued by the National Bank of Ukraine, manufactured in order to effect payments in the process of economic turnover, but for the currency values;

"exchange rate policy" shall denote the policy of regulating the foreign exchange rate by means of sale and purchase of foreign currency;

"discount rate policy" shall denote an increase or reduction of the rate of interest on credits by the National Bank of Ukraine in order to regulate the demand for and the supply of the loan capital;

"gold and foreign exchange reserve" shall denote Ukraine's reserves indicated in the balance sheet of the National Bank of Ukraine, including the assets recognized as international assets by the international community and designed for international settlements;

"creditor of last resort" shall, as a rule, denote the National Bank of Ukraine, to which a bank or other credit institution may apply for refinancing in case of exhaustion of the other refinancing opportunities. The National Bank of Ukraine shall be entitled, but not obliged, to grant credits for refinancing of the bank, unless this is associated with risks to the banking system;

"treasury bills" shall denote the debt securities issued by the state through its authorized bodies, which shall be 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 entitling them to obtain financial income or other property rights as may be according to the terms and conditions of the issue of them;

"metal accounts" shall denote the accounts opened by the authorized banks of Ukraine to register transactions with the banking metals;

"fundamentals of monetary policy" shall denote a set of variable financial indicators enabling the National Bank of Ukraine to regulate the currency circulation and crediting of the national economy by means of monetary

instruments (facilities and methods), in order to ensure stability of the monetary unit of Ukraine as a monetary pre-requisite for the economic growth and to maintain a high level of employment of the population;

"discount rate of the National Bank of Ukraine" shall denote the percentage commission taken by the National Bank of Ukraine for the refinancing of commercial banks by purchasing the bills of exchange prior to their term of payment and deducted from the nominal (face) amount of the bill of exchange. The discount rate shall be the lowest among the refinancing rates and serve as a benchmark for the price of money;

"official publication of the National Bank of Ukraine" shall denote a special publication designated as official by the National Bank of Ukraine and registered according to the established procedure, where the regulations of the National Bank of Ukraine shall be published, as well as informational, analytical, statistical and other materials, reviews of the state of Ukraine's banking system, foreign exchange and financial markets, etc.;

"official exchange rate" shall denote the exchange rate officially set by the National Bank of Ukraine as the authorized body of the state;

"balance of payments" shall denote the ratio between the amount of pecuniary revenues obtained by the country from abroad and the amount of payments effected by it abroad during a certain period. The balance of payments shall include the settlements related to foreign trade, services, non-commercial transactions, yield from capital investments abroad, trade in licenses, freight and servicing of vessels, tourism, upkeep of diplomatic and trade representations and missions abroad, money transfers of certain persons, payments to other countries under loans, etc. The balance of payments shall include the capital movement: investments and loans;

"reserve position with the International Monetary Fund (hereinafter referred to as IMF)" shall denote 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 the member country in the form of the IMF loans and the balance on Account No. 2 of the IMF, which shall not exceed 0.1% of the member country's quota;

"refinancing rates of the National Bank of Ukraine" shall denote the percentage commission for the loans granted to commercial banks which are established by the National Bank of Ukraine in order to influence the currency circulation and crediting. The National Bank of Ukraine shall establish the discount and lombard rates;

"special drawing rights (SDR)" shall denote the international reserve asset created by the IMF in addition to the existing international reserve assets, which is a basket of five currencies, whose make-up shall be revised every five years. The value of the special drawing rights is determined on a daily basis;

"price stability" shall denote keeping the pricing system at a certain level by means of maintaining a stable exchange rate of the monetary unit of Ukraine;

## **Article 2. Legal Framework for Activities of the National Bank of Ukraine**

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

The management bodies and the headquarters of the National Bank shall be located in the City of Kyiv.

## **Article 3. Authorized Capital**

The National Bank shall have the authorized capital being the state property.

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

The revenues of the National Bank budget and, if necessary, the State Budget of Ukraine shall be sources of its authorized capital.

## **Article 4. Economic Independence**

The National Bank shall be an economically independent body that may pay the expenses for the account of own revenues within the limits of the approved budget and, in the cases provided for hereby, also at the expense of the State Budget of Ukraine.

The National Bank shall be a legal entity with separated property that is the matter of the state property right and is in the full economic competence of the National Bank.

The National Bank shall not be responsible for the liabilities of the government bodies; the government bodies shall not be responsible for the liabilities of the National Bank, except for their voluntary assumption of such obligations.

The National Bank shall not be responsible for the liabilities of other banks; the other banks shall not be responsible for the liabilities of the National Bank, except for their voluntary assumption of such obligations.

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

The National Bank, its institutions, branches and representative offices shall have a seal with the National Emblem of Ukraine and their respective names.

### **Article 5. Income and Expenses**

Getting profit shall not be an objective of the National Bank's activity.

The planned income and expenses of the National Bank shall be indicated in the budget of its income and expenses. The income and expenses budget shall ensure the ability of the National Bank to exercise its functions as stipulated by the Constitution of Ukraine and hereby.

In case upon the year balance there is an excess of the budget income over the budget expenses approved for the current financial year, the National Bank shall include the surplus in the State Budget of Ukraine for the year following the reporting year to cover the budget deficit, whereas the excess of expenses over the income shall be compensated at the expense of the State Budget of Ukraine for the year following the reporting year.

Formation of funds and reserves of the National Bank to cover the financial risks related to exercising its functions shall be carried out according to the regulations approved by the Council of the National Bank of Ukraine.

### **Article 6. Principal Function**

According to the Constitution of Ukraine, the principal function of the National Bank is to ensure stability of the monetary unit of Ukraine.

To exercise its principal function, the National Bank shall foster stability of the banking system and, within its competence, the price stability.

### **Article 7. Other Functions**

The National Bank shall exercise the following functions:

1. to determine and implement the monetary policy in accordance with the Fundamentals of Monetary Policy developed by the Council of the National Bank of Ukraine;
2. to issue the national currency of Ukraine on a monopoly basis and to organize its circulation;
3. to act as the creditor of last resort for banks and to organize the refinancing system;
4. to establish the rules of conducting banking transactions, accounting and reporting, protection of information, funds and property of banks;
5. to organize and to provide the methodological support to the system of monetary, crediting and banking statistical information and the statistics of the balance of payments;
6. to determine the system, procedure and forms of payments, including the interbank ones;
7. to determine the areas of development of modern electronic banking technologies, to establish, coordinate and control creation of the electronic payment facilities, payment systems, banking automation and banking information protection facilities;
8. to exercise banking regulation and supervision;
9. to keep the State Register of Banks, to license banking activities and transactions in the cases envisaged by law;
10. to keep the official register of the identification numbers of payment card issuers of the national payment systems;
11. to carry out certification of the auditors that are to audit banks, provisional administrators and liquidators of banks;
12. to compile, analyze and forecast the balance of payments;
13. to represent 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 the central banks;

14. to exercise foreign exchange regulation within the competence specified by a special law, to establish the procedure of effecting transactions with foreign currency, to organize and exercise foreign exchange control over banks and other credit institutions which are in possession of a National Bank's license to conduct exchange transactions;
15. to ensure accumulation and custody of the gold and foreign exchange reserves and conduct of transactions with them and banking metals;
16. to analyze the state of monetary, financial, pricing and currency relations;
17. to organize collection and transportation of bank notes, coins and other values, to issue licenses for the right of collection and transportation of the bank notes, coins and other values;
18. to implement the national policy of protection of state secrets within the system of the National Bank;
19. to take part in training of the personnel for Ukraine's banking system;
20. to determine the particular features in functioning of the banking system of Ukraine in case of the state of war or the emergency state, to organize the mobilization preparation of the National Bank system;
21. to make proposals, according to the established procedure, with regard to legislative settlement of the issues related to exercising of the National Bank of Ukraine functions;
22. to prepare the methodological support on the issues of safekeeping, protection, use and disclosure of the information constituting the banking secrecy;
23. to exercise other functions in the sphere of finances and crediting within its competence determined by law.

## **SECTION II. GOVERNING BODIES OF THE NATIONAL BANK**

### **Article 8. Governing Bodies**

The governing bodies of the National Bank shall be the Council of the National Bank of Ukraine (hereinafter - the Council of the National Bank) and the Board of the National Bank of Ukraine (hereinafter - the Board of the National Bank).

## **Article 9. Powers of the Council of the National Bank**

The Council of the National Bank shall:

- 1) develop, pursuant to the state economic program and the basic parameters for economic and social development of Ukraine, the Fundamentals of Monetary Policy by September 15 and present them to Verkhovna Rada of Ukraine for information, exercise control over the Fundamentals of Monetary Policy implementation;
- 2) analyze the impact of the monetary policy of Ukraine on the social and economic development of the country, develop proposals on amending this policy;
- 3) approve the Standing Order of the Council of the National Bank;
- 4) approve the budget of revenues and expenditures of the National Bank and submit to the Verkhovna Rada and Cabinet of Ministers of Ukraine, by September 1 of the current year, the projected indicators of the budget balance to be included in the draft State Budget of Ukraine for the following year;
- 5) make a decision on increase of the authorized capital of the National Bank;
- 6) specify the audit company for auditing the National Bank, consider the auditor's conclusion and approve the balance sheet of the National Bank, publish the annual balance sheet of the National Bank in the official press;
- 7) approve, annually, by July 1, the report on implementation of the National Bank's budget as well as distribution of profit of the reporting financial year;
- 8) approve decisions of the Board of the National Bank on participation in international financial organizations;
- 9) submit recommendations for the Board of the National Bank within the Fundamentals of Monetary Policy concerning the following:
  - methods and forms of forecasting the macro-indicators for economic and social development of Ukraine, as well as monetary policy;
  - certain monetary and regulatory measures and their impact on economic and social development of Ukraine;



- the policy of exchange rate formation and foreign exchange regulation;
  - development of the banking system and certain enactments (subordinate legislation acts) on banking;
  - improvement of the payment system;
  - other issues which are within the jurisdiction of the Council of the National Bank in accordance with laws;
- 10) submit recommendations to the Cabinet of Ministers of Ukraine on the impact of the government borrowings and taxation policy on the monetary and crediting sector of Ukraine;
- 11) in order to ensure the implementation of the Fundamentals of Monetary Policy have the power of suspensive veto on certain decisions of the Board of the National Bank concerning the following issues:
- a) diversification of the National Bank assets and their liquidity;
  - b) limits of the off-balance liabilities;
  - c) formation of reserves and cover of the financial risks;
  - d) procedure for income allocation to the state budget of Ukraine;
  - e) minimum amount of the gold and foreign exchange reserves;
  - f) other issues under its competence.

The Council of the National Bank is not authorized to provide recommendations on the appointment or dismissal of the National Bank Governor and members of the Board of the National Bank, as well as to give the personal assessment of the activities of particular officials of the National Bank.

The Council of the National Bank shall assess the activities of the National Bank Board relative to implementation of the Fundamentals of Monetary Policy and to other issues, the solution whereof is binding for the Board of the National Bank.

In case of repeated non-observance or improper fulfillment of the National Bank Council decisions by the National Bank Board, which are binding for the Board according to this Law, the Council of the National Bank is authorized to address the Governor of the National Bank or Verkhovna Rada of Ukraine and the

President of Ukraine setting forth its position.

## **Article 10. Panel and Make-Up of the Council of the National Bank**

The Council of the National Bank shall consist of the members appointed by the President of Ukraine and Verkhovna Rada of Ukraine. The Governor of the National Bank appointed by Verkhovna Rada of Ukraine on the recommendation of the President of Ukraine shall be a member of the Council ex officio.

The member of the Council of the National Bank shall be a citizen of Ukraine having formal higher education in economics or finance or academic degree in the fields above as well as experience of regular work in the legislative bodies or on managerial positions in the central executive bodies of Ukraine, or in a banking institution, or else the scientific research experience in the field of economics or finance.

The President of Ukraine shall appoint, by a relevant Decree, seven members of the Council of the National Bank.

Verkhovna Rada of Ukraine shall appoint seven members of the Council of the National Bank by means of adoption of a relevant Resolution.

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

The regular appointment of the members of the Council of the National Bank shall take place not later than three months before the expiry of the run of office of the members of the Council of the National Bank appointed for the previous term.

The run of office for the members of the Council of the National Bank shall be seven years, save the Governor of the National Bank, being the member ex officio with the run of office of his/her own.

Powers of the members of the Council of the National Bank shall be terminated due to the expiry thereof or in case of:

- a) member's own initiative, subject to his/her written request;
- b) termination of their citizenship or departure from Ukraine to a permanent place of residence;
- c) coming into effect of a court sentence resulting from commission of a crime;

d) death or a court's decision to declare the person dead or missing.

In the cases stated by sub-paragraphs a)-d) above of part eight of this Article, the appointment of a new member of the Council of the National Bank may be permitted before the end of one-year period from the appointment of the member who has left the Council of the National Bank.

Powers of the appointed Council of the National Bank may be early terminated in case the President of Ukraine has impeached credibility thereof or Verkhovna Rada of Ukraine has voted non-confidence due to the fact that implementation of the Fundamentals of Monetary Policy has failed to ensure stability of the monetary unit of Ukraine by the overall year-end results. In such a case, both the President and Verkhovna Rada shall dismiss their representatives respectively and appoint the new panel of the Council of the National Bank.

The President of Ukraine may dismiss the members of the Council of the National Bank appointed by him/her via a relevant Decree but not earlier than in one year after the date of appointment.

Verkhovna Rada of Ukraine may dismiss the members of the Council of the National Bank appointed by it via a relevant Resolution on the initiative of the relevant Committee of Verkhovna Rada of Ukraine but not earlier than in one year after the date of appointment.

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

The members of the Council of the National Bank shall exercise their functions unpaid on a voluntary basis. The members of the Council of the National Bank shall be reimbursed for their expenses incurred in connection with exercise of their duties according to the Standing Order of the Council of the National Bank.

The internal organization issues related to the activities of the Council of the National Bank, its office work procedures and other issues shall be determined by the Standing Order to be approved at a session of the Council.

The Council of the National Bank shall be accommodated and its organizational/material support shall be ensured by the National Bank for account of its budget expenses.

## **Article 11. Working Procedures of the Council of the National Bank**

Sessions of the Council of the National Bank shall be held at least once per quarter.

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

The sessions of the Council of the National Bank shall be competent in case of presence of at least ten members of the Council.

At the sessions of the Council of the National Bank the Chairman of the Council of the National Bank shall preside or, in case of his/her absence, the Deputy Chairman according to the Standing Order.

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

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

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

## **Article 12. Chairman and Deputy Chairman of the Council of the National Bank**

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

The Chairman of the Council of the National Bank shall: - organize

sessions of the Council of the National Bank and chair them;

- convene the 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 Council of the National Bank, as well as on demand of the Governor of the National Bank;

- exercise other powers and functions according to the Standing Order of the Council of the National Bank of Ukraine.

The Chairman of the Council of the National Bank shall have a deputy elected by the Council of the National Bank for a three year period.

The Deputy Chairman shall replace the Chairman in case of absence of the latter or his/her disability to exercise his/her powers, and shall exercise the powers and functions of his/her own according to decisions of the Council of the National Bank.

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

- due to expiry of their runs of office;
- 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 Council of the National Bank, the elections to this (these) position(s) shall be held according to the procedure prescribed hereby.

### **Article 13. Decisions of the Council of the National Bank and the Suspensive Veto**

Materials (records) of sessions of the Council of the National Bank shall be issued in the form of Minutes of Meetings and Decisions and signed by the chairman of the session.

The decisions of the Council of the National Bank with regard to the Fundamentals of Monetary Policy and on the issues covered by paragraphs 4-8, 11 of Article 9 hereof shall be mandatory for the Board of the National Bank.

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

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

Should the Council of the National Bank apply the suspensive veto to an individual decision of the Board, such a decision shall become effective only if confirmed by two thirds of the total number of members of the Board of the National Bank and not later than within five days after the date of the veto. In case such a decision has not been confirmed by two thirds of the total number of the members of the Board of the National Bank within the specified term, it shall be considered as failed to become effective. If a decision of the Board of the National Bank has become effective prior to the application of the suspensive veto with regard thereto, such a decision shall be suspended for the period of suspensive veto consideration by the Board of the National Bank.

The decisions of the Council of the National Bank shall be subject to publication, unless these decisions contain national, banking or official secrets under the law.

The members of the Council of the National Bank shall be prohibited to disclose the national, banking or official secrecy they have become aware whereof in connection with the exercise of their powers under the Standing Order.

#### **Article 14. Functions of the Board of the National Bank**

According to the Fundamentals of Monetary Policy, the Board of the National Bank 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 National Bank.

#### **Article 15. Powers of the Board of the National Bank**

The Board of the National Bank shall: 1. take

decisions:

- on the economic means and monetary methods required to implement the Fundamentals of Monetary Policy according to the decisions of the Council of the National Bank taken with regard to these issues and the necessity to ensure the stability and the purchasing power of the national currency;
- on the emission of Ukraine's currency and the withdrawal of bank notes and coins from the circulation;

- on changing the interest rates of the National Bank;
- on diversification of the assets of the National Bank and the liquidity thereof;
- on limits of the off-balance liabilities of the National Bank;
- on formation of the reserves and cover of the financial risks of the National Bank;
- on distribution of profits and procedure for income assignments to the State Budget of Ukraine;
- on the minimum amount of the gold and foreign exchange reserves of the National Bank;
- on setting the limits of transactions in the open market effected by the National Bank;
- on the list of securities and other values qualifying as collateral (pledge) under the credits of the National Bank;
- on the conditions of admission of the foreign capital to Ukraine's banking system;
- on establishment of the economic ratios for banks;
- on the amount and formation order of the mandatory reserves (provisions) of banks;
- on application of the enforcement measures to the banks and other persons whose operation is inspected by the National Bank pursuant to the Law of Ukraine "On Banks and Banking";
- on establishment and closing down of enterprises and institutions of the National Bank;
- on participation in the international financial organizations;
- on the purchase and sale of the property to support the activities of the National Bank.

2. submit the annual report of the National Bank, the draft budget of revenues and expenses for the next year and other documents and decisions to the Council of the National Bank for approval in accordance with Article 9 hereof;

submit, at the request of the Council of the National Bank, for information the accounting, statistic and other data on activity of the National Bank and banking system of Ukraine necessary to perform the tasks thereof;

3. determine the organizational principles and structure of the National Bank, approve the regulations (standing orders) of structural subdivisions and institutions of the National Bank, Charters (by-laws) of its enterprises, the procedure of appointment of the managers of the subdivisions, enterprises and institutions;
4. approve the personnel arrangements of the National Bank and the forms of labour remuneration;
5. specify the procedure of granting licenses for banking transactions to banks, licenses to conduct some banking transactions to legal entities, as well as other licenses and permits in the cases stipulated by law;
6. issue the enactments, regulations and other subordinate legislation acts of the National Bank;
7. approve the Standing Order of the Board of the National Bank;
8. exercise the functions prescribed by Articles 3, 23, 28, 60 and 64 hereof, as well as other functions ensuing from the main objective of the National Bank.

## **Article 16. Panel of the Board of the National Bank**

The Governor of the National Bank shall be at the head of the Board of the National Bank.

The panel of the Board of the National Bank (both the personnel of the members and the number thereof) shall be approved by the Council of the National Bank subject to the suggestion of the Governor of the National Bank.

The Deputy Governors of the National Bank shall be the members of the Board of the National Bank ex officio.



## **Article 17. Working Procedures of the Board of the National Bank**

The procedure of organizing and holding sessions of the Board of the National Bank shall be determined by its Standing Order.

## **Article 18. Appointment and Dismissal of the Governor of the National Bank**

The Governor of the National Bank shall be appointed by Verkhovna Rada of Ukraine subject to the suggestion of the President of Ukraine by the majority of the constitutional membership of Verkhovna Rada of Ukraine for the period of five years.

Should Verkhovna Rada of Ukraine fail to appoint the candidate proposed by the President of Ukraine, the issue of managing the National Bank and the procedure of nominating a new candidate shall be regulated by the Law of Ukraine "On Temporary Discharge of Obligations by the Officials Appointed by the President of Ukraine upon Consent of Verkhovna Rada of Ukraine or by Verkhovna Rada of Ukraine subject to the Suggestion of the President of Ukraine". The same candidate may not be suggested more than twice.

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

- 1.term of office expiry;
- 2.affirming conviction of offence by the court;
- 3.resignation for political or personal reasons submitted in writing to and accepted by the President of Ukraine;
- 4.death or a court's decision to declare dead or missing;
- 5.termination of the citizenship or departure from Ukraine to a permanent place of residence;
- 6.upon request of the President of Ukraine within his / her constitutional competence.

## **Article 19. Duties and Authorities of the Governor of the National Bank**

The Governor of the National Bank:

1. shall manage the activities of the National Bank;
2. shall act on behalf of the National Bank and represent its interests without commission in relations with the governmental bodies, banks, financial and credit institutions, international organizations, other institutions and organizations;
3. shall preside at the sessions of the Board of the National Bank;
4. shall sign minutes, resolutions of the Board of the National Bank, orders and instructions, as well as agreements concluded by the National Bank;
5. shall allocate responsibilities among Deputy Governors of the National Bank;
6. shall issue administrative acts mandatory for all officials, enterprises and institutions of the National Bank;
7. shall take decisions on other issues related to the National Bank activities, other than those falling within the exclusive competence of the Council of the National Bank and the Board of the National Bank hereunder;
7. shall be personally responsible to Verkhovna Rada of Ukraine and the President of Ukraine for the National Bank activities.

#### **Article 20. Deputy Governors of the National Bank**

The Governor of the National Bank may have one first deputy and *three* deputies to be appointed and dismissed by him/her subject to the consent of the Council of the National Bank.

#### **Article 21. Appointments and Dismissals of the Department Directors**

The Directors of departments of the National Bank shall be appointed and dismissed by the Governor of the National Bank according to the labour legislation of Ukraine.

### **SECTION III. ORGANISATIONAL BASIS AND STRUCTURE OF THE NATIONAL BANK**

#### **Article 22. Structure of the National Bank**

The structure of the National Bank shall be built on the basis of centralization with vertical subordination.

The system of the National Bank shall comprise the central office, branch offices (regional departments), clearing houses, the Bank Note Printing and Minting Works, Banknote Paper Mill, the State Treasury of Ukraine, the Central Vault, specialized enterprises, banking educational establishments and other structural units and subdivisions required to support the National Bank activities.

Within the framework of the laws in force, the National Bank shall independently decide the issues of organizing, establishing, closing down and re-organizing the structural subdivisions and institutions of the National Bank and its enterprises, and approve their respective charters (by-laws) and regulations (standing orders).

For the purposes of collecting and protecting its valuables and facilities, the National Bank shall have the internal security service weaponed with combat firearms.

### **Article 23. Status of Branch Offices**

The branch offices (branches, regional departments) of the National Bank shall not enjoy the legal entity status and may not issue regulatory documents, they shall act on behalf of the National Bank within the framework of the powers granted by the latter. The tasks and functions of the branch offices of the National Bank shall be determined by the Regulations (Standing Orders) approved by the Board of the National Bank.

## **SECTION IV. MONETARY POLICY**

### **Article 24. Fundamentals of Monetary Policy**

The Fundamentals of Monetary Policy shall rely on the basic criteria and macroeconomic indicators of the national economic development program and the Major Parameters of the Economic and Social Development of Ukraine for the period in question, including predicted indicators of the gross domestic product, inflation, state budget deficit and sources of its compensation, the balances of payments and trade, all approved by the Cabinet of Ministers of Ukraine.

The National Bank shall inform Verkhovna Rada of Ukraine of the major lines of the monetary and exchange rate policy developed by the National Bank for the next year and a longer term.

### **Article 25. Means and Methods of the Monetary Policy**

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

1. determining and regulating the reserve requirements for commercial banks;
2. interest rate policy;
3. refinancing of commercial banks;
4. management of gold and foreign exchange reserves;
5. transactions with securities (excluding those confirming corporate rights), in the open market, the treasury notes included;
6. regulating the import and export of capital;
7. issue of its own debt liabilities and transactions with

them. **Article 26. Reserve Requirements** The National Bank shall establish the reserve requirements for banks. At that:

1. the amount of the reserve requirements for banks shall be fixed as uniform as a percentage of the total amount of the funds in the national and foreign currency attracted by the bank;
2. for different types of liabilities different reserve requirements may be established;
3. the decision to increase the amount of the reserve requirements shall come into effect not earlier than 10 days after its publication.

### **Article 27. Interest Rates**

The National Bank shall establish the procedure for setting the discount and other rates of interest for its transactions.

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

The National Bank shall provide for the management of the gold and foreign exchange reserves of the state by effecting currency interventions by means of purchase and sale of currency values in foreign exchange markets in order to

regulate the national currency exchange rates against foreign currencies, as well as the total money demand and supply in Ukraine.

### **Article 29. Open Market Transactions**

The open market transactions of the National Bank shall involve the purchase and sale of treasury notes and other securities (excluding those confirming the corporate rights) as well as the debt liabilities designated by the Board of the National Bank.

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

The National Bank 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**

The Cabinet of Ministers of Ukraine shall keep the funds of the State Budget of Ukraine as well as the non-budgetary funds at the National Bank on the State Treasury accounts.

The conditions and procedures of servicing the funds of the State Budget of Ukraine shall be stipulated by the agreement between the National Bank and the State Treasury of Ukraine.

## **SECTION V. CASH CIRCULATION MANAGEMENT**

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

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

The issue and circulation of other monetary units and the use of money substitutes as payment instruments on 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 National Bank relating to Cash Circulation**

In order to organize the cash circulation, the National Bank shall

provide: 1. manufacturing and safekeeping of bank notes and coins;

2. creation of reserve funds of bank notes and coins;
3. setting of the face values, security features, payment attributes and design of the bank notes and coins;
4. establishment of the procedure for replacing the damaged bank notes and coins;
5. establishment of the rules for putting into circulation, storage, transportation, withdrawal and collection of cash;
6. establishment of the procedure for cash operations of banks, other financial institutions, enterprises and organizations;
8. setting of the requirements to technical safety and security measures for banking institutions' premises.

#### **Article 34. Emission**

The National Bank shall have the exclusive right to put the hryvnia and small coins into circulation (emission), to provide their circulation and withdrawal.

The cash shall circulate in the form of paper bank notes and metal coins. The total amount of the issued bank notes and coins shall be specified in the accounts of the National Bank as its liabilities.

The bank notes and coins shall be the direct liabilities of the National Bank and shall be backed by all its assets.

#### **Article 35. Circulation of Bank Notes and Coins**

The hryvnia (bank notes and coins) as the national currency shall be the only legal tender on 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 payment, for crediting accounts, deposits, letters of credit, as well as for transfers.

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

The National Bank shall establish and publish the official exchange rate of hryvnia against foreign currencies.

In order to regulate the exchange rate of hryvnia against foreign currencies, the National Bank 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 National Bank in accordance with the foreign exchange regulation laws of Ukraine.

The National Bank 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 Bank Notes and Coins**

The worn and damaged bank notes of Ukraine shall be accepted and exchanged free of charge for the new ones by the National Bank and banks of Ukraine without any limitation of the amount and term of such a replacement.

The specific features and procedure of determining the validity (fitness to further circulation) of the bank notes, as well as the procedure of exchange of the worn and damaged bank notes shall be established by the National Bank.

### **Article 39. Withdrawal of Bank Notes and Coins from Circulation**

The National Bank, banks of Ukraine are obliged to withdraw the counterfeit, faked and invalid (unfit for further circulation) bank notes and coins.

The procedure of withdrawing such bank notes and coins shall be established by the National Bank and regulated by relevant enactments and subordinate legislation acts.

The National Bank and banks shall not be obliged to reimburse for the destroyed, lost, counterfeit, faked and invalid bank notes and coins.

The National Bank shall officially notify of the withdrawal of bank notes and coins of Ukraine from the circulation through the mass media.

The manufacture of counterfeit bank notes for the purposes of their issue into circulation or the issue thereof into circulation shall carry the penalty according to

the legislation of Ukraine.

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

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

The National Bank shall establish rules, forms and standards of settlements of the banks, other legal entities and natural persons 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 National Bank shall ensure execution of the inter-bank settlements through its institutions, grant permissions for the inter-bank settlements by means of direct correspondent relations of banks and their own payment systems.

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

The National Bank shall establish standards and rules of accounting and reporting complying with the requirements of legislation of Ukraine and mandatory for the banks.

## **SECTION VII. TRANSACTIONS OF THE NATIONAL BANK**

### **Article 42. Types of National Bank's Transactions**

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

1. to grant credits to commercial banks to maintain the liquidity at a rate not lower than the refinancing rate of the National Bank and in accordance with the procedure specified by the National Bank;
2. to grant credits to the Insurance Fund of Personal Deposits on collateral of securities at a price not lower than the inflation adjustment index for a period of up to 5 years;
3. to conduct the discount transactions with the bills of exchange and cheques according to the procedure specified by the National Bank;
4. to purchase and sell securities in the secondary market according to the procedure stipulated by the legislation of Ukraine;
5. to open its own correspondent and metal accounts with foreign banks and



- keep accounts of the correspondent banks;
6. to purchase and sell currency values in order to exercise monetary regulation;
  7. to store banking metals, as well as to purchase and sell banking metals, precious metals and stones and other valuables, the memorial and investment coins made of precious metals in the domestic and foreign markets without quotation and licensing;
  8. to distribute the gold and foreign exchange reserves independently or through the banks authorized by it to conduct foreign exchange transactions, to perform operations with the 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 banks not lower than category A;
  9. to accept state securities and other valuables for safekeeping and management;
  10. to issue warranties and guarantees according to the regulations approved by the Council of the National Bank;
  11. to keep the account of the State Treasury of Ukraine free of charge and without charging the interest;
  12. to carry out operations on state debt servicing, involving placement of the state securities, their repayment and payment of the yield thereof;
  13. to keep the personal accounts of employees of the National Bank;
  14. to keep the accounts of international organizations;
  15. to withdraw, in indisputable manner, the funds from accounts of its clients according to the legislation of Ukraine, courts' decisions included.

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

The National Bank is entitled to charge fees for the services rendered (transactions performed) pursuant to the laws as well as to establish the amount of such payments.

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

The National Bank is 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 the agreements between the National Bank and foreign central banks.

## **SECTION VIII. ACTIVITIES OF THE NATIONAL BANK WITH REGARD TO OPERATIONS WITH CURRENCY VALUES**

### **Article 44. Powers in the Field of the Foreign Exchange Regulation and Control**

The National Bank shall act as an authorized state institution when applying the laws of Ukraine on foreign exchange regulation and foreign exchange control.

The following issues shall fall within the competence of the National Bank in the field of the foreign exchange regulation and control:

1. issue of subordinate legislation acts on foreign exchange transactions;
2. issue and withdrawal of licenses, control (including through planned and casual inspections) over activities of banks, legal entities and individuals (residents and non-residents) that have received National Bank`s license for conducting foreign exchange transactions with regard to meeting by them the requirements of currency (foreign exchange) legislation;
4. establishment of the open currency position limits for banks and other institutions which purchase and sale the foreign currency.
5. application of the enforcement measures to banks, artificial and natural persons (residents and non-residents) for violation of the rules of foreign exchange regulation and control by them.

### **Article 45. Organization of the Foreign Exchange Market**

The National Bank shall determine the structure of the foreign exchange market of Ukraine and organize the trade in currency values therein pursuant to the laws of Ukraine on the foreign exchange regulation.

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

The National Bank shall implement the discount and exchange rate policy and apply the foreign exchange restrictions, if necessary.

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

The National Bank shall pursue the exchange rate policy on the basis of regulation of the exchange rate of Ukraine's monetary unit versus the 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**

In order to ensure the internal and external stability of Ukraine's monetary unit, the National Bank 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 bank notes and coins or funds on accounts abroad;
- securities (except for shares) paid in a foreign currency;
- any other internationally recognized reserve assets, provided that their reliability and liquidity are guaranteed.

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

The gold and foreign exchange reserve shall be replenished by the National Bank by means of:

1. purchase of the monetary gold and the foreign currency;
2. obtaining income from transactions with foreign currencies, banking metals and other internationally recognized reserve assets;

3. attraction of currency funds by the National bank from international financial organizations, central banks of foreign states and other creditors.

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

1. sale of currency in the financial markets to pursue the monetary policy, including the exchange rate policy;
2. expenses under transactions with foreign currency, monetary metals and other internationally recognized reserve assets.

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

#### **Article 50. Non-Sale Foreign Exchange Income and Losses**

The income and losses of the National Bank related to re-evaluation of the assets and liabilities represented in the form of the banking gold and foreign currency, special drawing rights, owing 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 income and losses shall be balanced by a corresponding amount on a special reserve account for re-evaluation of the foreign exchange reserve on the balance sheet of the National Bank;
2. said net income and losses shall not be taken into consideration (accounted), when calculating the annual income of the National Bank.

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

#### **Article 51. Accountability**

The National Bank shall be accountable to the President of Ukraine and Verkhovna Rada of Ukraine within their constitutional jurisdiction.

The accountability shall mean the following:

1. appointment to the position and dismissal from the position of the Governor of the National Bank by Verkhovna Rada of Ukraine upon suggestion of the President of Ukraine;
2. appointment and dismissal of a half of the members of the Council of the National Bank by the President of Ukraine;
3. appointment and dismissal of a half of the members of the Council of the National Bank by Verkhovna Rada of Ukraine;
4. report of the Governor of the National Bank to Verkhovna Rada of Ukraine about the National Bank`s activities;
5. furnishing with information on the situation in the money market of the country the President of Ukraine and Verkhovna Rada of Ukraine twice a year.

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

The National Bank 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 Programme.

Upon the request of the Cabinet of Ministers of Ukraine, the National Bank shall furnish the former with information of monetary processes.

Upon the request of the National Bank, the Cabinet of Ministers of Ukraine, ministries and other central bodies of executive power shall provide the information affecting status of the balance of payments.

The National Bank shall support the economic policy of the Cabinet of Ministers of Ukraine, unless such a policy is detrimental to the stability of the monetary unit of Ukraine.

The Governor of the National Bank 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 Board of the National Bank with the right of deliberative vote.

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

Any interference of the legislative and executive bodies or their officials in the exercise of functions and powers of the Council of the National Bank or the Board of the National Bank shall be prohibited, except within the limits stipulated by this Law.

### **Article 54. Granting Credits to the State**

It shall be prohibited to the National Bank to grant direct credits both in national and foreign currency to finance the expenditures of the State Budget of Ukraine.

## **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 National Bank shall exercise the functions of banking regulation and supervision within the limits and pursuant to the procedure prescribed by the laws of Ukraine.

The National Bank shall exercise permanent supervision of meeting by banks, their subdivisions, 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 artificial and natural persons, the requirements of banking laws as well as the regulations and economic ratios issued or established by the National Bank. The National Bank shall not carry out inspections and revisions of the financial and economic activities of the persons specified hereinabove in this Article.

### **Article 56. Enactments, Regulations and Subordinate Legislation Acts of the National Bank**

The National Bank shall issue the enactments, regulations and subordinate legislation acts 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 natural persons.

These legal acts of the National Bank shall be issued in the form of resolutions of the Board of the National Bank, as well as instructions, statutes, provisions, rules

and regulations approved by resolutions of the Board of the National Bank. They shall not contradict the laws of Ukraine and other legislative acts of Ukraine and shall not be used retroactively, except they mitigate or cancel responsibility pursuant to the laws.

The subordinate legislation acts of the National Bank are subject to the mandatory registration by the Ministry of Justice of Ukraine and shall enter into force in compliance with the legislation of Ukraine.

These legal acts of the National Bank may be appealed pursuant to the procedure established by the legislation of Ukraine.

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

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

For preparation of the banking and financial statistical data and for the analysis of the economic situation, the National Bank shall have the right to obtain the necessary information from the government bodies and institutions of local government as well as from the economic entities of all forms of ownership.

The obtained information shall not be disclosed, except in the cases prescribed by the legislation of Ukraine.

### **Article 58. Economic Ratios**

In order to protect interests of depositors and creditors, and ensure the financial reliability of the banks, the National Bank 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, as well as over the interest rate and currency (foreign exchange) risks.

The National Bank 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 National Bank shall determine the amounts, procedures for formation and utilization of the reserves (provisions) of banks to cover possible credit-associated losses, as well as provisions to cover the currency (foreign exchange), interest rate and other risks of the banks.

The reserves for cover of possible financial risks and for insurance funds of personal deposits shall be created at the expense of the income before taxation pursuant to the legislation of Ukraine.

**Article 60.** (excluded)

### **Article 61. Powers Related to the Exercise of Supervisory and Regulatory Functions**

The National Bank shall exercise the state regulation of banking activities in the forms prescribed by the Law of Ukraine “On Banks and Banking” both directly by itself and through a banking supervision authority established by it.

**Article 62.** (stale)

### **Article 63. Restriction of Requirements of the National Bank**

The National Bank 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 National Bank.

## **SECTION XI. EMPLOYEES OF THE NATIONAL BANK**

### **Article 64. Status of Employees of the National Bank**

The terms of employment, dismissal, labour remuneration, provision of leaves, official duties and rights, the system of disciplinary penalties, social protection of employees of the National Bank shall be defined by the Law of Ukraine "On the Public Service".

The employees of the National Bank shall be officials and maintenance personnel of the National Bank. The officials of the National Bank shall be deemed the persons directly involved in exercise of the functions of the National Bank and occupying the positions provided for by the Personnel Arrangements.

The Board of the National Bank shall determine the list of the positions of employees, labour agreements with whom shall be concluded in the form of a contract.



Officials of the National Bank shall be public servants to which the provisions of the Law of Ukraine "On the Public Service" shall apply, unless otherwise is provided hereby.

The issues of functioning of the public service in the National Bank and those of the classification of positions shall be resolved by the Board of the National Bank according to the laws of Ukraine.

Ranks of the public servants of the National Bank, which correspond to the positions of the 1st category, shall be awarded by the President of Ukraine. Other ranks shall be awarded by the Governor of the National Bank.

The maintenance personnel of the National Bank shall consist of the employees, unengaged directly in exercising the National Bank's functions.

Salaries of the National Bank's officials shall be established by the Board of the National Bank according to provisions of the Law of Ukraine "On the Public Service".

Wages of the maintenance personnel of the National Bank shall be established by the Board of the National Bank according to the provisions of the labour remuneration legislation.

#### **Article 65. Prohibited Business**

The Governor of the National Bank, deputy governors, members of the Board of the National Bank, other officials of the National Bank included in the list of positions approved by the Board of the National Bank may not be the people's deputies (members of the Parliament) of Ukraine, members of the Government of Ukraine, as well as be engaged in the business activities (be entrepreneurs) and combine jobs, except for the teaching, scientific research and other creative activities.

Officials of the National Bank are prohibited from becoming members of the managing bodies or shareholders of banks.

The Governor of the National Bank, deputy governors, members of the Board of the National Bank and other officials of the National Bank are prohibited from receiving loans from any other credit institution, with the exception of the National Bank.

#### **Article 66. Pledge of banking secrecy**

Officials of the National Bank are prohibited from disclosing the information, which constitutes the state secret, banking secrecy, or is of confidential nature and which has become known due to exercise of their duties and this provision remains valid even in case of resignation from the National Bank except for the cases prescribed by the laws of Ukraine.

## **SECTION XII. ORGANISATION OF THE BANKING STATISTICS AND STATISTICS OF THE BALANCE OF PAYMENTS**

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

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

1. banks located on the territory of Ukraine (both residents and non-residents), bank unions - for compiling monetary and banking statistics;
2. all business entities (residents and non-residents) - for compiling statistics of the balance of payments and effecting the foreign exchange control.

The information provided by banks and other business entities shall not be disclosed, except for the cases prescribed by the legislation of Ukraine.

The requirements of this article shall not apply to the consolidated statistical information, which is openly published by the National Bank.

### **Article 68. Publications**

In order to ensure the transparency (publicity) in the banking business and statistics of the balance of payments, the National Bank shall:

1. publish the annual and quarterly balance sheets of the National Bank in the periodicals of Verkhovna Rada of Ukraine and the Cabinet of Ministers of Ukraine;
2. issue a monthly statistical bulletin and the magazine “National Bank of Ukraine Herald” (Visnyk Natsional'noho Banku Ukrainy);
3. publish in the official mass-media the current banking information and data on the monetary and banking statistics, provided that such information does

not constitute the state secret or banking secrecy;

4. furnish for publication with the information on the monetary and banking statistics and statistics of the balance of payments pursuant to the international agreements.

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

The National Bank 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 legislation of Ukraine. The official banking information may be used by other bodies in their publications only upon authorization of the National Bank or with referring to the source of its official publication.

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

### **BANK Article 69. Internal Audit**

The National Bank of Ukraine shall control the activities of its structural units by means of the internal audit to be carried out by the auditing department of the National Bank directly subordinate to the Governor of the National Bank.

The comprehensive inspections of the economic and financial activities of structural units of the National Bank shall be carried out at least once a year.

### **Article 70 External Audit**

The Council of the National Bank, not later than on November 1 of the reporting year, shall take a decision on the audit of the National Bank and appoint an auditing firm, which has the corresponding experience, to review the annual balance sheet and issue the auditor's opinion (conclusion). According to the agreement concluded with the auditing firm, the National Bank shall furnish the firm with the reports and information required to perform the audit.

The financial inspection of the National Bank concerning the movement of funds of the State Budget of Ukraine and analysis of the budget implementation shall be carried out by the Accounting Chamber of Ukraine.

## **SECTION XIV. SPECIAL PROVISIONS**

### **Article 71. Restrictions on Business**

The National Bank is prohibited from:

1. being a shareholder or participating member of the banks or other enterprises and institutions;
2. effecting transactions with real estate, other than those related to supporting the activities of the National Bank and its institutions;
3. being engaged in the trade, manufacturing, insurance and other activities, which do not relate to the functions of the National Bank.

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

1. acquiring any rights and assets for the purposes of cover of the debts of the National Bank, subject to alienation of them at earliest possible date;
2. the cases prescribed by Article 42 hereof;
3. participating in the capital of other enterprises and institutions supporting the activities of the National Bank.

## **Article 72. Taxation Procedures**

The National Bank shall pay taxes in accordance with the tax laws of

Ukraine. **Article 73. Prevalent and unconditional right**

The National Bank shall have prevalent and unconditional right to satisfy any mature claim related to refinancing of a bank which has been executed in accordance with the established legislative procedure.

The prevalent and unconditional right shall be used, if stipulated by the agreement, and realized by the National Bank through writing off indisputably the indebtedness from bank accounts and selling other assets, pledged to secure the National Bank claims, and satisfying the claims at the expense of net income from the sale thereof.

## **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 make-up of the Council of the National Bank of Ukraine in full muster by the President of Ukraine and Verkhovna Rada of Ukraine.

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

3. The following shall be deemed invalid:

Sections II and V of the Law of Ukraine "On Banks and Banking" (News of the Verkhovna Rada of Ukraine, 1991, N.25, p.281);

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

President of Ukraine

L.Kuchma

City of Kyiv, May 20,1999

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