

## Overview of Martial Law Currency Restrictions

Following the introduction of martial law in Ukraine, the National Bank of Ukraine (the "NBU") imposed overarching restrictions on cross-border payments from Ukraine. The principal regulatory framework governing these restrictions is set out in NBU Resolution No. 18, dated 24 February 2022 ("Resolution No. 18"). This briefing provides a high-level summary of the key currency control regulations. The list of exemptions is not exhaustive, as Resolution No. 18 provides for numerous targeted exemptions.

It is important to note that the NBU has gradually relaxed specific currency controls over recent years. As such, the applicability of particular restrictions should always be verified against the regulatory position in effect at the relevant time.

### General rule

Generally, during martial law, Ukrainian companies are prohibited from making cross-border payments unless such payments are specifically exempted. Some of these exemptions permit the conversion of the local currency into a foreign currency to fund a payment. In contrast, others allow payments only when made using the company's own foreign currency funds (for example, export proceeds).

### Exemptions

#### 1. International Financial Institutions (IFIs)

Payments to IFIs (including repayment of "old" and "new" loans, payment of dividends, etc.) are generally exempted from the NBU restrictions.

#### 2. Export Credit Agencies and Development Finance Institutions<sup>1</sup> (ECAs and DFIs)

Repayment of loans provided by non-resident lenders is allowed if such loans are supported (by way of lending, insurance, guarantees or suretyships) by an ECA, DFI or IFI. However, in case of ECAs and DFIs, early repayment, including as a result of acceleration, is permitted only for loans disbursed after 20 June 2023.

#### 3. Syndicated Loans with IFIs and "A"-Rated Foreign Banks

Repayment of loans and other payments specified in the relevant loan agreement is allowed if such loan is granted by a syndicate of lenders that includes a foreign bank and at least one IFI. Ukrainian borrower could pay under such loans to foreign banks participating in the financing, provided that these banks have a credit rating of "A" according to Standard & Poor's or Fitch Ratings / "A2" according to Moody's Investors Service.

#### 4. Other Lenders (including Private International Banks or Intra-Group Loans)

- (a) Loans disbursed to a Ukrainian borrower before 20 June 2023

Repayment of principal under such loans is prohibited. Payment of interest is subject to the following conditions:

- (i) Interest became due on or after 24 February 2022;

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<sup>1</sup> An institution qualifies as an DFI if it: (x) is directly owned by a foreign state, (y) is controlled by a foreign state through a state-owned bank; or (z) has been formally authorised by a foreign state to engage in development finance or finance a specific project.

- (ii) There were no overdue obligations as of that date;
  - (iii) Interest overdue as of 1 May 2024 may be paid up to EUR 1,000,000 per loan per calendar quarter<sup>2</sup>;
  - (iv) Payments are not funded by borrowings from residents.
- (b) Loans disbursed to a Ukrainian borrower after 20 June 2023

Repayment of principal and interest is permitted if:

- (i) Payment is made no earlier than the contractual due date<sup>3</sup>;
  - (ii) The total loan cost (including interest, fees, and charges) does not exceed 12% per annum;
  - (iii) Repayment of principal in the first year must be made exclusively from the borrower's own foreign currency funds.
- (c) Starting from 6 August 2025, the NBU has permitted early repayment (whether voluntary or upon demand) of loans previously restricted from such

repayment, by converting the loan into equity.

## 5. Payments under Suretyships and Guarantees

- (a) Payments by a resident guarantor<sup>4</sup> (surety) under a guarantee (suretyship) are permitted only where the borrower is a Ukrainian resident, and the guaranteed obligation arises under an agreement payment under which is permitted during martial law (i.e. if the transfer of funds by the Ukrainian debtor to the foreign creditor is allowed during martial law, then a resident guarantor (surety) is also allowed to make payments under guarantee/suretyship to a foreign lender).
- (b) A resident may reimburse a non-resident which in its capacity as a guarantor, surety, pledgor, or insurer for the resident has discharged an obligation of such resident, provided that payments under the principal obligation of such resident are backed by an IFI, ECA or DFI.

## 6. Debt Service Reserve Accounts (DSRA)

Replenishment of DSRA is permitted where contractually required under a loan agreement with an IFI or DFI, provided that the holder of the DSRA is the borrower under an IFI or DFI loan agreement.

<sup>2</sup> Interest due after 30 April 2024 is not subject to this cap.

<sup>3</sup> Early repayment or contractual amendments to provide for the earlier repayment dates are prohibited.

<sup>4</sup> Arguably, the requirement for the borrower being a Ukrainian resident should not apply to IFIs, but in the view of the clarification letter issued by the NBU to American Chambers of Commerce Ukraine on 10 June 2024, this issue should be further analysed and/or confirmed with the relevant account bank and/or the NBU.

## 7. Local Banks' Transactions

Ukrainian banks are permitted to make cross-border payments for the purposes of their own banking operations (including settlements with international payment systems), except when the operations involve lending to non-residents (other than foreign banks and other financial institutions).

## 8. Dividends Repatriation

- (a) Repatriation of dividends accrued before 1 January 2023 is prohibited, unless the dividends are payable to an IFI.
- (b) Repatriation of dividends accrued after 1 January 2023 is permitted up to EUR 1 million per month, provided that:
  - (i) The company paying dividends has operated for at least 12 months from its date of state registration;
  - (ii) The foreign investor has held shares or corporate rights in such a company for at least 6 months before the payment;
  - (iii) The transfer is made directly to the investor's foreign account or through the Ukrainian depository system.
- (c) Dividend payments linked to *Eurobond* interest are also permitted <sup>5</sup> under conditions:

- (i) The resident is a guarantor/surety for the non-resident's Eurobond coupon obligations;
- (ii) Eurobonds were in circulation as of 10 July 2024 and are listed on a recognised stock exchange;
- (iii) The amount of the transfer is capped at the amount of the scheduled coupon payments due from 10 July 2024;
- (iv) Transfers must be routed through a single Ukrainian bank, with all necessary supporting documentation provided to that bank.

## 9. Political Risk Insurance Contracts

Payments under insurance contracts that cover the risk of loss or damage to assets located in Ukraine as a result of war, hostilities, combat actions, terrorist acts, sabotage, or other consequences of the Russian Federation's armed aggression against Ukraine, provided the insurer has a foreign state among its participants (shareholders or founders).

## 10. Sovereign Guarantee

Payments are allowed for performance of obligations secured by a state guarantee.

<sup>5</sup> Subject to additional conditions, dividends may also be paid within the amount of Eurobond interest already paid before 9 July 2024. Payments permitted only from the payer's own foreign currency funds.

**11. Import Transactions**

Payments are permitted for goods and services delivered after 23 February 2021, including those related to penalties, late payment interest, bonuses, and other costs or losses.

**12. Foreign Court/Arbitration Proceeding Payments**

Legal entities can pay:

- (a) Registration, arbitration, or other court fees;
- (b) Advance payments related to arbitration or litigation. Particularly where such costs are incurred in preparing, filing, or conducting proceedings before international tribunals or foreign courts.

**13. Enforcement Proceedings Against State-Owned Entities**

- (a) Transfers of funds collected from the state, state-owned enterprises, or legal entities wholly owned by the state (with 100% state participation in the share capital) are permitted, provided that such transfers are made under the procedures established by Ukrainian law.
- (b) This includes the purchase of foreign currency by a bailiff using such collected funds, provided the currency is transferred to the claimant's account opened in Ukraine.

**14. Investment-Driven Payments (Own FX Funds Only)**

Residents may carry out foreign currency transactions within the amount of funds invested by foreign investors (from abroad) into their share

capital on or after 12 May 2025 (the so-called investment limit), strictly for the following purposes:

- (a) repayment of loans obtained from non-residents prior to 20 June 2023;
- (b) payment for goods or services imported prior to 23 February 2021; and
- (c) funding the operational expenses of foreign branches, representative offices or other structural units established abroad.

**15. Lease Payments**

Ukrainian legal entities and individual entrepreneurs are permitted to make cross-border payments under lease agreements.

**16. Insurance reimbursements and premiums**

- (a) Payment of reinsurance premiums to foreign reinsurers is allowed. However, payment of insurance premiums to foreign insurers is not expressly addressed in the Resolution No. 18, which can be explained by the general requirement under Ukrainian law that insurance services must be provided by a locally licensed resident insurer.
- (b) Payment of insurance reimbursements to foreign insured parties under insurance and reinsurance agreements is generally permitted, except in cases involving loan insurance and a few other narrow exclusions.

**17. Export and Import Operations**

General rules and settlement deadlines:

- (a) Ukrainian residents are required to complete settlements under export and import contracts for goods and services within a period of no more than 180 calendar days from the date of the relevant transaction.
- (b) The settlement period is calculated from:
  - (i) the date of customs declaration issuance for export transactions; or
  - (ii) the date of prepayment or execution of the relevant cross-border agreement (depending on the applicable case) for import transactions.
- (c) Non-compliance with the prescribed settlement deadlines is subject to a penalty of 0.3% of the amount of the export proceeds, or the value of goods, which have not been received on time, for each day of delay.

## 18. Incentives for Businesses Supporting the Armed Forces

The NBU has introduced a mechanism enabling businesses to exceed existing cross-border transfer limits in proportion to their contributions to support the Ukrainian Armed Forces. Resident legal entities may conduct generally restricted cross-border transactions, such as dividend payments, loan repayments or capital transfers, up to the amount donated (in any currency) to the NBU's special account for military support after 7 August 2025.

## 19. Individual NBU Permits

The NBU may permit other cross-border payments pursuant to an individual permit if all the following apply:

- (a) The payment has been supported explicitly by order of the Cabinet of Ministers of Ukraine;
- (b) The payment poses no risk to Ukraine's monetary or financial stability;
- (c) It aligns with the objectives of price stability, financial soundness, and macro-financial balance during martial law; and
- (d) It complies with the NBU's currency liberalisation strategy.

## Contact details

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