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## Martial Law in Ukraine: Banking and Payments Implications

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29 March 2022

On 24 February 2022 (as amended on 21 March 2022) the National Bank of Ukraine (the “**NBU**”) in response to the unprecedented military aggression by the Russian Federation against Ukraine issued guidance on the conditions of the banking system’s operation and foreign exchange market’s functioning under martial law (the “**Resolution**”). This Resolution has implemented a number of relatively strict temporary restrictions with the aim to ensure the unfailing and steady functioning of the country’s financial system during martial law period.

At the same, starting from the beginning of March the NBU has been gradually liberalising these temporary restrictions to stabilise and rebuild the economy of Ukraine, which suffered great losses as a result of unjustified military actions by the Russian Federation. However, as of today, most of the key restrictions are still in effect (although amended and/or clarified), in particular:

1. Cash withdrawals from individual client accounts are limited to UAH100,000 or equivalent amount in foreign currency per day, except for the cases when (i) such a withdrawal is aimed at the payment of salary or social benefits (applicable only to UAH) and (ii) the withdrawal is made in bank branches which are located in areas that are under the threat of occupation by Russia (applicable both to UAH and foreign currency). This limit also applies to withdrawals abroad from foreign currency accounts opened with Ukrainian banks. However, it does not apply to the use of payment cards both in Ukraine and abroad for payments made for goods, works and services. These payments can continue to be carried out without any restrictions.
2. Operations on quasi-cash and P2P transfers are limited to UAH100,000 (or equivalent in foreign currency) per month to prevent capital outflows abroad. This limitation applies to:
  - transfer of funds to the accounts of individuals abroad using the details of the payer's and payee's payment cards (P2P transfers);
  - carrying out transactions with payment cards for the purchase of assets that are directly converted (exchanged) for cash and belong to quasi-cash transactions. Such transactions include replenishment of e-wallets, brokerage or forex accounts, payment of travel checks, purchase of virtual assets and other similar purposes.

It is possible to pay with Ukrainian payment cards for goods and services in retail chains and via Internet without any limitations both in Ukraine and abroad.

3. Banks are prohibited to trade foreign currencies, except, in particular, for the events when foreign exchange trading carried out by banks with other banks on a swap basis or a bank branch is located in the area that is under the threat of occupation by Russia.
4. Banks are also prohibited to make on behalf of their clients cross-border currency payments. The exception from this rule is that such payments can be done, in particular, for the purpose of payments for critical import goods (more detailed information on this subject can be found under the following link - [Cross-border trade with Ukraine continues amid war, martial law - Lexology](#)).
5. Debit operations on the accounts of residents of the Russian Federation / the Republic of Belarus by its servicing banks are terminated. Banks are also prohibited to make operations using Russian and Belarusian rubles.
6. The prohibition to transfer to Ukrainian individuals of any funds initiated with the use of electronic payment instruments which are operating in the Russian Federation and/or the Republic of Belarus.

The Resolution additionally provides for the following measures:

- (i) banks must ensure uninterrupted operation, taking into account the restrictions defined in this Resolution, and provide access to safe deposit boxes in an uninterrupted manner;
- (ii) there are no limitations on non-cash payments;
- (iii) issuance of bank metals from the bank accounts can be done without any restrictions (subject to their availability in a particular bank branch);
- (iv) ATMs are backed by cash without restrictions;
- (v) the NBU performs cash backing without limitations;
- (vi) the NBU performs blank refinancing for banks to maintain liquidity without limitations on the amounts for up to one year, with an extension possibility for one more year;
- (vii) payments by the Government of Ukraine will be made without limitation for the period of the special legislation;
- (viii) the NBU allowed the purchase of foreign currency on a "forward" basis under forward contracts concluded before 23 February 2022 (inclusive) subject to certain conditions.

For more information on how the above Resolution can impact you and/or your company, please contact your CMS partner or local CMS experts.



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