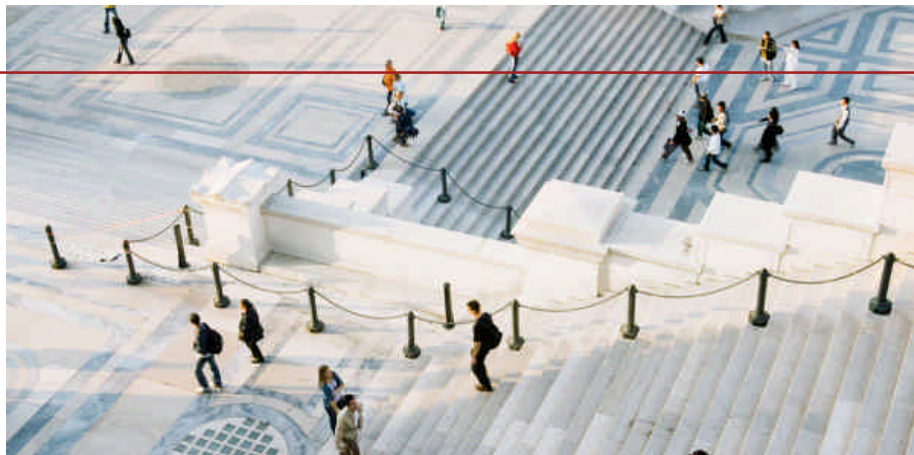


Flash Report

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Increased scrutiny on currency payments



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NBU to pressure banks regarding payments to non-residents

On 2 December 2014, the National Bank of Ukraine (the “NBU”) issued a letter* describing indicators of “sham” transactions (i.e., lacking sufficient substance) involving foreign currency. This is likely to further disrupt the ability of companies to make payments abroad. The letter is not legally determinative, but commercial banks are likely to comply with it and likely to be even more reluctant to perform certain transactions.

In the NBU’s view, the major operations which may be recognised as “sham”, include payments:

- when it is difficult to determine the price of goods/services/works under the agreement or when they do not have a fixed market price (e.g., **consulting, audit, legal services, royalty, other IP rights**, etc.);
- of debts (assignment of right of demand) under certain loan agreements;
- for shares (including low liquidity) and participatory interests of Ukrainian companies at a price significantly higher than their nominal value;
- for supply of goods to the territory of Ukraine when the manufacturer is not a supplier of goods and/or recipient of funds;
- **of dividends to foreign investors.**

Commercial banks will be required to prepare a summary re every instance and maintain it. This is to be provided to the NBU upon request.

We will continue to monitor the situation and keep you updated on the issue.

**The Letter of the NBU No. 48-404/71535 of 02 December 2014*