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**IMMEDIATE  
ATTENTION**

EBD/97/50

May 5, 1997

To: Members of the Executive Board

From: The Secretary

Subject: **Ukraine—Acceptance of Obligations of Article VIII, Sections 2, 3, and 4,  
and Request for Approval of Exchange Restriction**

It is not proposed to bring the attached paper to the agenda of the Executive Board for discussion unless an Executive Director so requests by the close of business on Thursday, May 8, 1997. In the absence of such a request, the draft decisions that appear on page 2 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Mr. Laurens (ext. 36534) or Mr. Leckow (ext. 34799) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:  
Department Heads



INTERNATIONAL MONETARY FUND

UKRAINE

**Acceptance of Obligations of Article VIII,  
Sections 2, 3, and 4, and Request for Approval of Exchange Restriction**

Prepared by the European II, Legal, Policy Development and Review, and  
Monetary and Exchange Affairs Departments

Approved by John Odling-Smee, François Gianviti,  
Jack Boorman, and Manuel Guitián

May 2, 1997

In the attached communication, the authorities of Ukraine formally notified the Fund of Ukraine's acceptance of the obligations of Article VIII, Sections 2, 3, and 4 of the Fund's Articles of Agreement with effect from September 24, 1996. Since that time, staff have consulted extensively with the authorities to clarify whether Ukraine continues to maintain any exchange measures subject to Fund jurisdiction, and the authorities' intentions with regard to these restrictions.

The Ukrainian authorities have made extensive progress in liberalizing Ukraine's exchange system. However, staff identified two outstanding exchange restrictions: (i) a restriction arising from the operation of the "loro" accounts of nonresident banks; and (ii) a restriction arising from limitations imposed on the transferability of balances maintained on the hryvnia and foreign exchange settlement and deposit accounts of nonresident individuals.<sup>1</sup>

Upon the elimination of these measures, Ukraine will maintain an exchange system that is free of restrictions on payments and transfers for current international transactions. The Ukrainian authorities have enacted the amendments to their exchange controls necessary to eliminate these two restrictions. The restriction arising from the rules governing the operation of the "loro" accounts of nonresident banks was eliminated on May 1, 1997, when the necessary amendments to Ukraine's exchange controls became effective. The restriction arising from the rules governing the operation of the accounts of nonresident individuals will be eliminated by the end of May when the necessary changes to Ukraine's exchange controls are registered with the Ministry of Justice. Pending its elimination, this measure remains subject to approval

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<sup>1</sup>Ukraine also continues to impose restrictions for security reasons against Iraq in compliance with the relevant resolutions of the United Nations Security Council. The Ukrainian authorities are in the process of notifying the Fund of this measure in accordance with the procedure set out in Decision No. 144-(52/51).

under Article VIII, Section 2 (a). Consequently, the staff would recommend approval of this measure until May 31, 1997.

The following decisions are proposed for adoption by the Executive Board:

**Acceptance of the Obligations of Article VIII**

The Fund notes with satisfaction that, with effect from September 24, 1996, Ukraine has accepted the obligations of Article VIII, Sections 2, 3 and 4 of the Articles of Agreement.

**Request for Approval of Exchange Restriction**

Ukraine imposes an exchange restriction, subject to approval under Article VIII, Section 2 (a), arising from the rules governing the operation of hryvnia and foreign exchange settlement and deposit accounts of nonresident individuals. In view of the circumstances of Ukraine, the Fund approves the retention of this measure until May 31, 1997.

Attachment

NATIONAL BANK OF UKRAINE

9 Institutska St. Kyiv, 252007, Ukraine  
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September 23, 1996

Dear Mr. Camdessus:

It is my pleasure to inform you that Ukraine has removed all remaining restrictions on payments and transfers for current international transactions effective of September 24, 1996, and hereby accepts the obligations of Article VIII, Sections 2, 3, and 4, of the IMF's Articles of Agreement. I look forward to continuing excellent cooperation between the IMF and Ukraine.

With best regards.

Sincerely,

/s/

Victor Youshchenko  
Governor  
National Bank of Ukraine

Mr. Michel Camdessus  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431

