



National Bank
of Ukraine

Ukrainian government bond and FX market: CBL-NBU link details

Kyiv, May 2019



Operational details of CBL-NBU link

Purchase on the secondary* market (cross-border)

- ✓ Purchase from a local bank**
- ✓ Purchase from other non-resident
- ✓ Transfer from non-resident's own account opened with a local custodian to CBL's account (no change of beneficial owner)

OTC
FOP
only



- Funds transfer (UAH/foreign currency - FCY):
- ✓ from own FCY account opened abroad
 - ✓ through CBL correspondent UAH account opened with a local agent bank (Citibank Ukraine)
 - ✓ from own UAH account opened with local bank

Sale on the secondary market (cross-border)

- ✓ Sale to a local bank**
- ✓ Sale to other non-resident
- ✓ Transfer from CBL's account to the non-resident's own account with a local custodian (no change of beneficial owner)

OTC
FOP
only



- Funds transfer (UAH/ foreign currency - FCY):
- ✓ directly to the own FCY account opened abroad
 - ✓ through CBL correspondent UAH account opened with a local agent bank (Citibank Ukraine)
 - ✓ to the own UAH account opened with a local bank

Coupon/redemption proceeds are transferred through CBL correspondent account with local agent bank (Citibank Ukraine)

Transactions in CBL system

- ✓ Securities are tradable Free of Payment or Against Payment in any of the CBL eligible currencies and not limited to UAH
- ✓ Participation of the Ukrainian broker is not required
- ✓ No bridge transactions with Euroclear

* purchase at primary market is available only with local custody account

** for this option non-resident should establish relations with a local bank (KYC)

Operational details of CBL-NBU link

FX

Buy/sell operations - through:

- ✓ CBL correspondent account with the local agent bank (ER is negotiated with CBL's treasury)
- ✓ account of investor's broker (non-resident) opened with a local bank (ER is negotiated with non-resident broker)
- ✓ Investor's own account opened with a local bank (exchange rate is negotiated with the local bank treasury)

Interest/redemption proceeds - through CBL correspondent account with the local agent bank

Capital controls & restrictions

Documents required to repatriate UAH revenue from sale of the bonds to a local counterparty (submitted to the local agent bank):

- ✓ statement of securities account
- ✓ copy of the respective buy/sell agreement

No additional documents needed to repatriate coupon/redemption proceeds – payment is processed automatically to CBL's correspondent UAH account with local agent bank

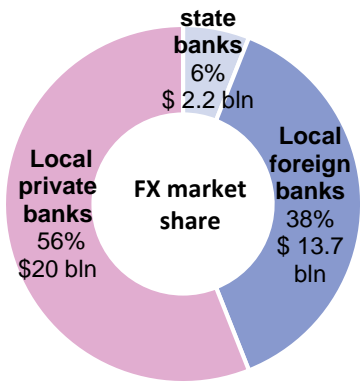
! Borrowing from residents in UAH is currently restricted but is considered to be relaxed

Taxation

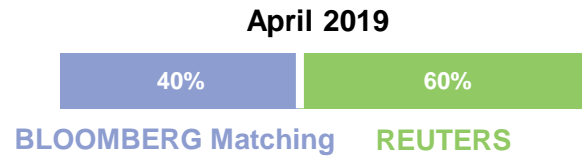
- ✓ **Legal entities:** 0% on coupon/redemptions proceeds, in case non-resident sells bonds to resident from 0% to 15% on capital gain acc. to double taxation treaty
- ✓ **Non-resident to non-resident:** no taxes

Ukraine's FX market

Structure of FX market (1Q 2019)



- 77 banks-traders
- Top 20 banks account **81%**
- Capital control for banks liberalized
- FX position $\pm 5\%$ of reg. capital (\$5.1 bn as of 01.04.2019)

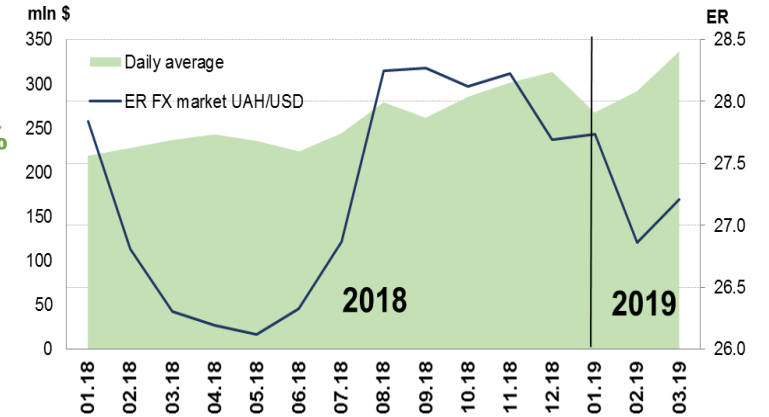


FX market volume

Volume:

- 1Q 2019 YoY volume of interbank transactions \uparrow by **30%**
- in April 19 daily avg interbanks' transactions volume reached **\$330 mln**

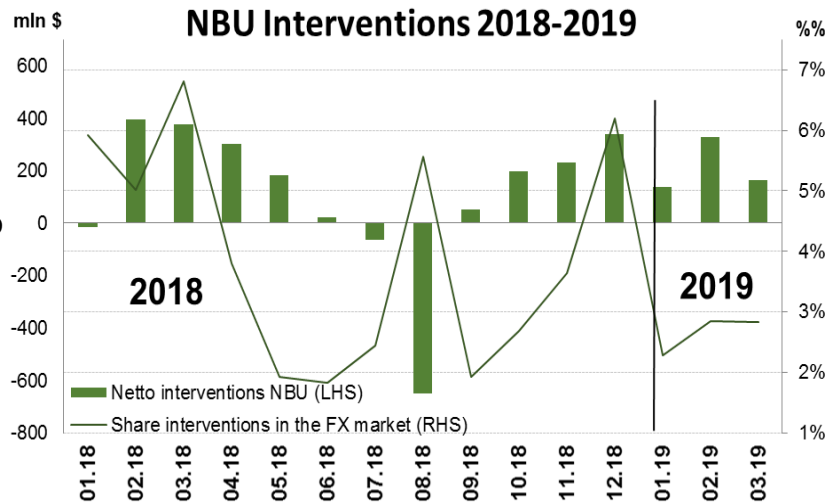
Daily average volume of Ukraine's FX market



NBU participation

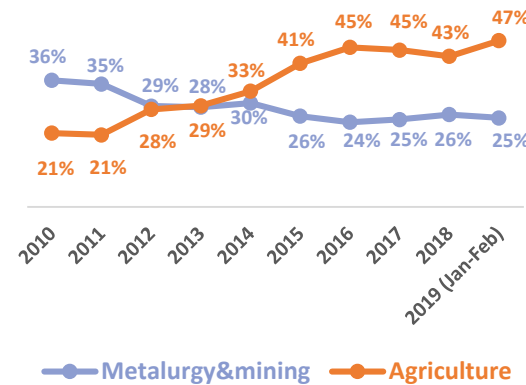
FX interventions targets:

- FX reserves accumulation (up to \$20m daily)
- ER fluctuations smoothing

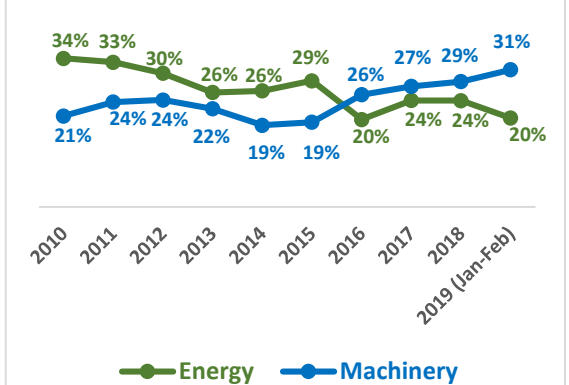


Main supply/demand drivers

Share in total export*

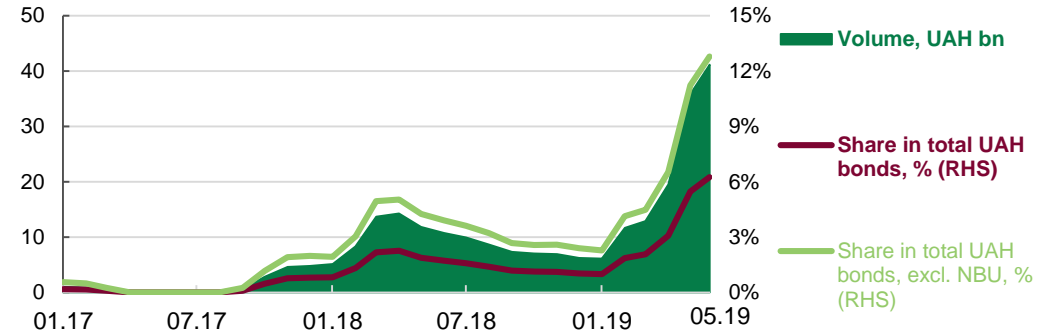
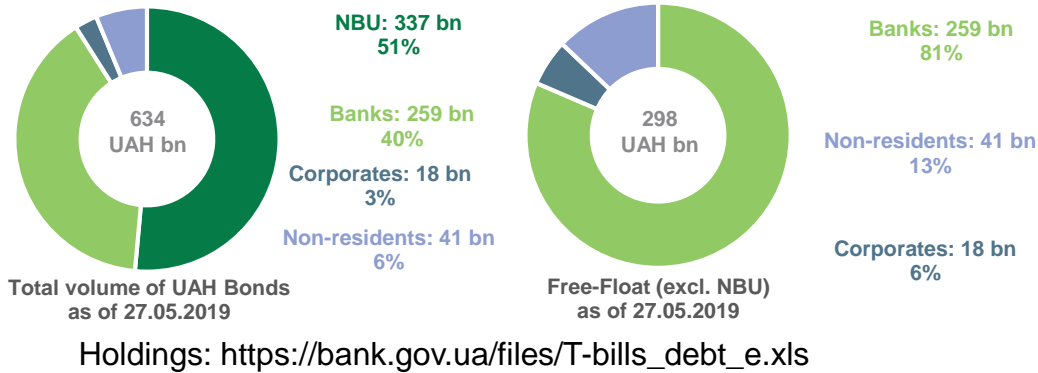


Share in total import

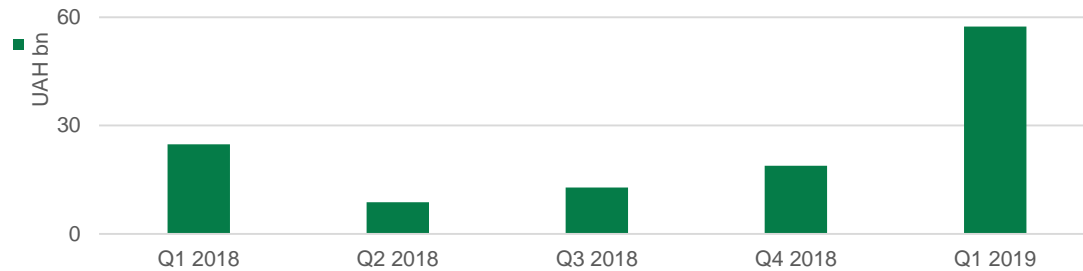


* Seasonality is mainly driven by agriculture production cycle

UAH-denominated Government Bonds

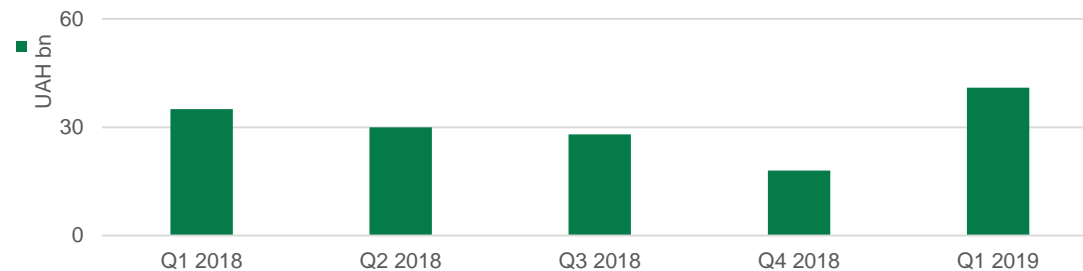


Primary market



- ✓ Weekly auctions on Tuesdays. Settlement T+1 on Wednesdays.
- ✓ 12 primary dealers local banks (<https://www.minfin.gov.ua/en/news/borg/perelik-pervynnykh-dyleriv>)
- ✓ Maturities: 3M, 6M, 9M, 1Y, 1.5Y, 2Y, 3Y and 5Y

Secondary market



- ✓ Mainly OTC-traded recorded at number of local stock exchanges
- ✓ Primary placements will move to international trading platforms – Bloomberg, Refinitiv (expected till the end of Q2 2019)
- ✓ Secondary market will be concentrated at international trading platform (expected till the end of 2019)