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TRANSFORMATION OF FOREIGN EXCHANGE MARKET REGULATION IN WARTIME

The foreign exchange market is a set of institutions and mechanisms of monetary, currency and credit direction, which in their interaction ensure the movement of currency values between economic entities on the basis of organizational and legal norms under the influence of supply and demand at the national and international levels.

Currency regulation is the activity of the National Bank of Ukraine and, in cases established by the Law of Ukraine on Currency and Currency Operations, of the Cabinet of Ministers of Ukraine, aimed at regulating the implementation of currency operations by entities of currency operations and authorized institutions.

The modern foreign exchange market is characterized by the presence of a wide range of regulatory institutions, which include:

– relevant state bodies;

– a system of international financial organizations and agreements operating on an interstate basis, as well as a system of currency risk insurance [7].

The legislative and regulatory framework for regulating the foreign exchange market in Ukraine is:

– The Law of Ukraine "On Currency and Currency Operations" [7];

– Resolution of the NBU Board dated 02.01.2019 No. 1 "On approval of the Regulation on the structure of the foreign exchange market of Ukraine, the conditions and procedure for trading in foreign currency and bank metals on the foreign exchange market of Ukraine" [1];

– Resolution of the NBU Board dated 02.01.2019 No. 5 "On approval of the Regulation on protective measures and determining the procedure for carrying out certain transactions in foreign currency" [2];

– "Resolution of the NBU Board No. 18 dated February 24, 2022 "On the operation of the banking system during the period of martial law" [4];

– Strategy for easing currency restrictions, transitioning to greater exchange rate flexibility and returning to inflation targeting dated June 29, 2023 [6].

Therefore, the foreign exchange market is characterized by a high level of regulation of all the most important segments.

According to Article 2 of the Law of Ukraine "On Currency and Foreign Exchange Transactions", foreign exchange regulation is based on a number of principles, namely [7]:

– freedom to conduct foreign exchange transactions, which provides for: the right of individuals and legal entities – residents to conclude agreements with residents and (or) non-residents and fulfill obligations related to these agreements, in national currency or in foreign currency, including opening accounts in financial institutions of other countries;

– the right of individuals and legal entities – residents to acquire currency values, assets abroad, and to move currency values across the customs border of Ukraine;

– the introduction of restrictions and protective measures exclusively on the grounds and in the manner prescribed by law, in order to ensure the stability of the financial system and the balance of payments equilibrium of Ukraine;

– prevention of unlawful and unjustified state intervention in foreign exchange transactions;

– risk-orientedness, transparency, adequacy and effectiveness of currency regulation, which is implemented through: focus on ensuring financial stability, economic and social development; compliance of protection measures, terms of their introduction and volumes of currency restrictions related to them with the scale and structure of systemic risks that threaten financial stability;

– justification for the introduction and extension of the term of protection measures; temporary nature of the action of protection measures;

– accountability and publicity of the National Bank of Ukraine during the introduction of protection measures, extension of their term, assessment of the effectiveness of the application of protection measures;

– priority of less discriminatory currency regulation instruments over more discriminatory ones and proportionality of the application of such instruments; priority of market currency regulation instruments over administrative ones;

– independence and marketability of currency regulation, which provides for: exchange rate flexibility;

– independence of the National Bank of Ukraine in the formation and implementation of currency and monetary policy within the limits specified by law.

On February 24, when martial law was introduced throughout Ukraine, the National Bank of Ukraine promptly adopted the Resolution of the Board No. 18 of February 24, 2022 "On the operation of the banking system during the period of martial law" [4], which established a number of restrictions for the operation of the entire banking system.

– suspension of the foreign exchange market of Ukraine, except for transactions on the sale of foreign currency by clients;

– the official exchange rate is fixed as of February 24, 2022;

– restriction on cash withdrawals from a client's account in the amount of UAH 100 thousand per day;

– the issuance of cash from client accounts in foreign currency is prohibited;

– introduction of a moratorium on cross-border currency payments;

– the execution of expenditure transactions by servicing banks on the accounts of residents of the state that carried out armed aggression against Ukraine was suspended;

– suspension of electronic money issuing banks from issuing electronic money, replenishing electronic wallets with electronic money, and distributing electronic money;

– and others.

Among the transactions for which banks were allowed to purchase foreign currency for the purpose of conducting certain currency transactions related to investment or business activities, the following can be distinguished [4]:

– purchase of critical import goods;

– availability of a separate permit from the NBU;

– transfer of funds to a foreign investor in connection with the payment of income on domestic government bonds of Ukraine after April 1, 2023.

Other cases provided for by Resolution No. 18 mainly regulate the payment of payments to individuals or individual industries in clearly defined cases, which does not affect the conduct of business activities in general.

Gradually, the NBU supplemented or amended these restrictions, taking into account the latest changes from September 16, 2023, the situation with currency transactions and cash settlements has changed.

On June 29, 2023, the National Bank of Ukraine approved the Strategy for Easing Currency Restrictions, Transitioning to Greater Exchange Rate Flexibility, and Returning to Inflation Targeting [6].

Since January 14, 2026, the National Bank of Ukraine has been easing a number of currency restrictions and clarifying the features of currency regulation in order to support the work of Ukrainian businesses.

Firstly, the opportunities of companies are expanding within the framework of stimulating currency liberalization

Secondly, domestic sellers and manufacturers of goods will be able to transfer currency to accounts of individuals in foreign banks to reimburse funds for returned / undelivered goods

Thirdly, the features of the regulation of currency transactions are being clarified.

The easing of currency restrictions was approved by Resolution of the Board of the National Bank of Ukraine No. 2 “On Amendments to the Resolution of the Board of the National Bank of Ukraine No. 18 dated February 24, 2022” [5], and the clarification of currency regulation was approved by Resolution of the Board of the National Bank of Ukraine No. 3 “On Amendments to the Resolution of the Board of the National Bank of Ukraine No. 67 dated May 14, 2019” [3].

Both resolutions were adopted on January 13, 2026 and entered into force on January 14, 2026.

State currency regulation is an objective economic necessity, which is due to the deepening of Ukraine's integration into the global economic space and the development of international cooperation.

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