

subject of an investigation by the American Department of Commerce into **alleged “dumping”** of Ukrainian steel in the United States. In general, the commercial climate in Ukraine remains quite difficult: Ukrainian markets are far from **transparent**, the regulatory regime is **onerous**, and contract **enforcement** can be difficult.

*Task:*

1. Read and translate the text.
2. Put questions to the text in written form.
3. Give synonyms to the emphasized words.
4. Retell the text and discuss it with your groupmates.

## **2.3. OPENING A BANK ACCOUNT IN UKRAINE**

Ukraine has **implemented** a strict regime for regulation of banking procedures and U.S. companies will have to meet a variety of demanding legal and administrative **requirements** when they establish banking relationships there. These requirements have made banking **cumbersome**. Nevertheless, a number of Western and local banks offer services to U.S. and other foreign companies doing business in Ukraine.

The process for opening a bank account in Ukraine is regulated by the May 1996 National Bank of Ukraine’s (NBU) instruction “On the Procedure of Opening Accounts in the National or Foreign Currency of Ukraine.” Holders of hard currency accounts must also have another account denominated in hryvnia, the Ukrainian currency. The process of opening an account is **complicated** and somewhat **intrusive**, and requires documentation from your state government. An account permitting international transfers requires a **license** from the NBU. Nearly 100 Ukrainian banks are **authorized** to deal in foreign currency. Credit Lyonnais, currently the only Western bank licensed in Ukraine, will be joined by America’s Chase Manhattan and Commerzbank AG of Germany.

### **TYPES OF ACCOUNTS**

Several types of bank accounts are authorized under the NBU instruction. There are two categories – one for legally resident **entities** and one for those that are not fully resident in Ukraine. Resident entities are entitled to maintain “settlement”, “current,” “loan,” “deposit,” and “budget” accounts. The settlement account is used to make payments that are allowed in the account holder’s charter. It can also be used to **transfer** funds to and from foreign entities. Companies usually open at least two settlement accounts, one in a hard currency, and another in

hryvnia. Current accounts are essentially the same as settlement accounts but are intended for use by non-commercial entities. Loan accounts are for administering borrowed or loaned funds. The deposit account is used as saving account. The budget account is for receiving funds from Ukrainian government authorities.

Two types of accounts are specifically intended for non-resident entities. The “N” account is for non-resident representative offices. It can be used only for maintenance of the office. It cannot be used to conduct business (no contracts, international transfers, or exchanges). The “P” account is used by permanent representative offices that do not exist as a separate legal entity. It is similar to the settlement account, but cannot be used for exchange or capital transactions.

Opening an account is relatively inexpensive, the cost depending on the bank and the type of account. Hard currency accounts can cost up to \$ 150. Fees for opening hryvna accounts are lower.

### TRANSFERRING FUNDS

International transfers have become a standard practice and generally take one to three business days. Many banks in Ukraine have correspondent relations with banks in the United States. U.S. banks can transfer funds to a Ukrainian recipient, assuming that the recipient has a hard currency account and is authorized to receive foreign funds. Fees vary, from Ukraine Bank which charges 2% on transfers. Once they have reached their destination, 50% of the transferred funds must be converted into local currency and placed in a hard currency account.

Transferring funds from Ukraine is more complicated. For imports, documentation supporting a foreign purchase is required. For **repatriated** profits, a 15% tax is levied.

The Ukrainian Government encourages the use of wire transfers for domestic transactions. Although the system has some shortcomings, it is generally more secure and less costly than using cash.

Various restrictions apply to the withdrawal of funds from a bank account. There is a monthly limit on the amount of cash that can be withdrawn and the purposes for which it can be used. NBU regulations also specify when companies can withdraw funds from their accounts. Many companies report only being able to take funds from their accounts for payroll, travel and necessary fees. Banks are authorized to refuse withdrawals they **deem** to be “unjustified”.

### *Task:*

I. Look at the terms in the left-hand column. Match each one with its correct definition in the right-hand column.