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Anti-Crisis Law Comes Into Force

On November 5, 2008 the law "Priority Measures to Prevent Negative Effects of the Financial Crisis and to Change Several Ukrainian Legislative Acts" (Anti-Crisis Law) came into effect.

The Anti-Crisis Law aims to guarantee economic security of the state and to minimize losses in Ukraine's economic and financial systems resulting from the financial crisis affecting the industrialized world by:

- Creating a stabilization fund in the state budget with surplus earnings obtained from privatization of state property in 2008 and 2009 and placement of state securities. According to the Anti-Crisis Law, the stabilization fund should be used for:
  - financing of long-term national infrastructure, investment and innovative projects;
  - reducing borrowing costs for small and medium-sized business projects to increase employment;
  - promoting domestic consumption and the export of domestic products; and
  - supporting construction including mortgages.

- Introducing a special procedure for bank capitalization that shortens the time necessary for Ukrainian banks to form or increase share capital.

- Prohibiting banks from distributing their net profits (accrual and payments of dividends, repatriation of profits) if the bank has certain negative financial indices.

- Guaranteeing the return of individual bank deposits up to an amount of 150,000 hryvnias (approximately US$25,950).

The Anti-Crisis Law will remain in effect until "final settlement of the financial and economic situation in Ukraine" (except for Sections 4 and 5, Unit 2 of the Anti-

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Crisis Law, introducing a special regime of taxation in the field of agriculture and forestry; these sections will take effect on January 1, 2009) but no later than January 1, 2011.

NBU Restricts Speed for Withdrawing Investment From Ukraine

The National Bank of Ukraine (NBU) introduced changes to the Foreign Currency Trading Procedure and Conditions Policy No. 281 of August 10, 2005, lengthening the time required to purchase foreign currency for the purpose of repatriating income and other funds received from investment activities in Ukraine. The changes came into force on November 4, 2008.

According to the new procedure, authorized Ukrainian banks must first transfer the funds in the Ukrainian national currency, the hryvnia, to a separate analytical account. Funds for the purchase of foreign currency may be transferred from the analytical account only on the sixth day after the hryvnia funds were received in the analytical account.

NBU Lifts the Limitation on Interest Rates for Long-Term Loans Granted by Nonresidents to Ukrainian Residents

The NBU issued Regulation No. 294 of September 25, 2008, under which the limitations on interest rates for loans granted by nonresidents to Ukrainian residents will apply only to loans whose term does not exceed one year. The new maximum interest rate is 11 percent per annum (for both fixed and floating interest rates). If the loan term is more than one year, there are no limitations to the maximum interest rate to be established for the loan. Regulation No. 294 came into effect on October 27, 2008.

If you have any questions regarding these changes, please contact your primary Squire Sanders contact or one of the lawyers listed in this alert.

The contents of this update are not intended to serve as legal advice related to individual situations or as legal opinions concerning such situations. Counsel should be consulted for legal planning and advice.

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