

# EUROPEAN BANKING GUIDE FOR NONPROFITS

## *HOW TO OPEN AND MANAGE AN ORGANIZATIONAL BANK ACCOUNT*



European Center for  
Not-for-Profit Law



**PILnet**



**UKRAINE**

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European Center for  
Not-for-Profit Law

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# 1. OPENING AN ORGANISATIONAL BANK ACCOUNT

## a. What are the requirements to open an organisational bank account?

i. Do organisations have to be physically present in the country to open a bank account? I.e., can they operate in country X but have a bank account in country Y? Is the presence of a statutory representative required or can the presence be fulfilled through an authorization?

Organizations do not have to be physically present (be registered or have significant operations) in Ukraine to open a bank account. The account can be opened by an authorized representative.

ii. Are there specific requirements for CSOs to open accounts by law or asked in practice by the banks (e.g, years of operations, annual turnover, to have director or member of governing body to be national of the country)

There are no specific requirements for CSOs in respect of opening a bank account. Generally, banks in Ukraine require an applicant to submit the following documents (although the list may vary depending on a particular bank):

- articles of association;
- extract from the state register;
- identification documents of authorized individuals concluding the agreement with a bank on behalf of CSOs; and
- power of attorney or other documents authorizing individuals.

iii. Who is authorized/required to open a bank account? Can this be done online, or that person needs to be present in the country?

Bank accounts must be opened by a duly authorized representative of CSOs. As a rule, the authorized representative needs to be physically present at the bank's office.

**iv. What is the process of setting up a bank account? E.g., how long it takes, is there a practice to have an interview in the bank?**

The procedure for opening a bank account is generally similar in all the banks in Ukraine and usually should not last for more than a week. It consists of the documents submission and their further consideration by a bank (sometimes followed by a request to provide additional information and/or documents). Interviews, as part of the process, are not commonly used in practice, although it depends on the practice of a particular bank.

## **2. BANKING ACTIVITIES**

**a. What customer due diligence requirements are in place and what is their impact on civil society organisations' banking activities?**

Banks are strictly obliged under Ukrainian legislation, particularly the [Law “On Preventing and Counteracting to Legalization \(Laundering\) of the Proceeds of Crime, Terrorism Financing, and Financing Proliferation of Weapons of Mass Destruction”](#) (the “Law”), to apply financial security measures to duly assess and monitor their new and already existing clients. In particular, banks shall conduct proper identification and verification of its clients, identify the ultimate beneficial owner(s) of the client, purpose and nature of future operations.

**b. Which internal principles or official (central bank) “suspicious transaction” monitoring criteria are in place affecting the civil society organisations? Is it publicly available?**

The monitoring criteria for the “suspicious transaction” are defined in the Law and are relatively broad in the scope. The Law envisions that financial transactions or attempts to conduct them, regardless of an amount it conducts, is considered suspicious if a reporting entity (e.g., bank) suspects or has reasonable cause to suspect that it is the result of criminal activity, or is related to FT/PF.

There is [Annex No. 20](#) to Resolution No. 65 of the National Bank of Ukraine which provides an extensive list of markers of a

suspicious transaction. However, it is only a recommendation: a reporting entity's suspicion may be based on any ground, which it deems reasonable, with no regard to any official markers.

**c. Do the banks in the country of operations have any restrictions/limitations to bank transactions and transfers to certain jurisdictions (such as high-risk ones).**

**i. If yes, is the list of jurisdictions publicly available?**

Yes, the list of high risk jurisdictions, which require banks in Ukraine to proceed with more advanced financial security measures and caution, is adopted and regularly updated by the Cabinet of Ministers of Ukraine and can be found by following this [link](#).

Additionally, Ukrainian banks are also limited to provide services to companies and individuals placed on the sanctions lists, which can be found under this [link](#).<sup>1</sup>

Finally, Ukrainian banks are prohibited to conduct currency operations, if they (i) involve Russian or Belarusian individuals/entities; (ii) are to be conducted in Russian or Belarusian rubles. Conducting debit operations is also prohibited, if they involve Russian or Belarusian individuals/entities or other entities, 25% or more of which are directly or indirectly controlled by Russian or Belarusian individuals.

**ii. What would be the procedures the bank would follow in this case for their CSO clients?**

Banks would need to follow the general procedure prescribed by the law, which envisions particular measures required if a client or its activities relate to the AML risks (for example, the client has links with a country included in the high-risk jurisdiction).

In practice, banks should:

- collect additional information on the client, its beneficial owner and intended nature of contemplated operations;
- obtain internal approvals from the senior management to enter into relationship with a client; and
- conduct ongoing analysis of transactions undertaken.

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<sup>1</sup> They are not prohibited per se, but limitations may be so significant that they make any actual collaboration between a bank and an entity impossible. The essence of the limitations is determined individually for every sanctioned entity.

### 3. OBLIGATIONS AND REPORTING REQUIREMENTS

**a. Are banks required to provide CSO clients' financial information to CSO regulatory authorities or public officials? If yes, under what circumstances must banks do so, and what types of information must they provide?**

Under Ukrainian legislation, in particular the [Law of Ukraine "On Banks and Banking"](#) (the "Law on Banks"), banks are generally obliged to protect clients' information or so-called "bank secrecy", which includes, among others, information on clients' bank accounts, financial and economic position of clients, and information on commercial activities.

However, there are certain exceptions when banks can disclose clients' private information, in particular when such information is requested upon court decisions or by law enforcement authorities.

In addition, banks are also required to disclose clients' information to the State Financial Monitoring Service of Ukraine, as an appropriate state agency, if there is a justified suspicion<sup>2</sup> that the client's actions might have signs of criminal or fiscal offenses

**b. What obligations do banks have to protect the privacy of clients' information?**

The Law on Banks envisions a relatively wide range of obligations for banks to duly protect clients' private information. The obligations include, in particular:

- limiting the number of persons who have access to the information that constitutes the bank secrecy;
- organizing special handling and processing of the documents containing bank secrecy;
- using technical means to prevent unauthorized access to the electronic and other information carriers.

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<sup>2</sup> Please see point 2(b) above – Annex 20

**c. Are there specific reporting obligations for banks to inform governments on civil society banking in certain circumstances?**

No.

**d. Are you aware of any change in regulation/practice due to the Russian sanctions?**

On 24 February 2022, the Russian Federation launched its illegal, unjustified, and full-scale military aggression against Ukraine, which is still actively ongoing.

This fact led to the unprecedented sanctions imposed on Russia and required the National Bank of Ukraine to partly change the existing banking regulation by way of adopting the [Resolution “On Operation of Banking System under Martial Law” No. 18](#) with temporary restrictions to stabilize the national currency and economy.

The key restrictions include, in particular:

- moratorium on cross-border currency payments subject to certain exceptions;
- cash withdrawals in Ukraine from individual client accounts are limited to UAH 100,000 or equivalent amount in foreign currency per day, except for the cases when (i) such a withdrawal is aimed at the payment of salary or social benefits (applicable only to UAH) and (ii) the withdrawal is made in bank branches which are located in areas that are under the threat of occupation by Russia (applicable both to UAH and foreign currency);
- prohibition to transfer to Ukrainian individuals of any funds initiated with the use of electronic payment instruments which are operating in the Russian Federation and/or the Republic of Belarus; and
- banks are prohibited to make operations using Russian and Belarusian rubles.



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