

Proposed bill would impose 10% currency exchange charge in Ukraine

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The possibility floated by some Party of Regions members appears nothing more than a bit of gamesmanship with almost zero chance of becoming law

KYIV, July 24, 2013 (UBO) - Members of Ukraine's parliamentary majority said they are drafting a bill that would impose a 10% charge on foreign currency operations, the RBK-Ukrayina news site reported on July 22, citing an anonymous source. Alerting its clients via an online communication yesterday, Concorde Capital said the change is planned for Jan. 1, 2014 and wouldn't be imposed on deposits and interest income in foreign currencies, repayments of foreign currency loans and remittances. Concorde analyst Alexander Paraschiy added: "As we expected, politicians are returning to the idea of scaring off the population from foreign currency purchases with a charge on such operations. At the end of 2012, a similar story floated about the possible approval of a 15% charge for foreign currency sales became among the factors in reducing household demand for foreign currency. Given that a new devaluation wave is expected on the markets in September, politicians have resumed telling their horror stories with the hope they will succeed again. "We hardly expect this initiative will become law. Firstly, such a move will demonstrate to Eurobond holders that IMF cooperation is definitely closed – a signal that the administration of President Viktor Yanukovich does not want to send having only USD 23.1 bln in gross reserves (2.6 months of future imports). "Secondly, this decision would be utterly unpopular for common people who store their savings in foreign currencies. "Thirdly, such a law would make the black currency market flourish, cutting out the official banking system from inflows while outflows would probably continue."

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