



National Bank
of Ukraine

From “War on Cash” to War and Cash

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NBU transforms itself and changes its strategy regarding cash

Internal transformation of NBU

- 5 regional branches instead of 25
- 4K FTEs instead of 11K FTEs
- same DG responsible for cash and payment systems
- Cashless Economy one of strategic goals

New market policies and initiatives

- partially-delegated model of cash management instead of fully controlled
- 3 times lower cash transaction cap
- additional/higher fees for cash-related services of NBU
- new regulatory framework
- financial literacy initiatives
- remote identification and verification
- pilot project on CBDC
- NBU's RTGS system (SEP) 23/7/365
- cybersecurity



Cashless Economy is one of the NBU's strategic goals since 2015

While ensuring that consumers remain free to choose how to pay, the National Bank of Ukraine sees cashless economy as its strategic goal



Promoting Economic Recovery and Growth

- 01 Maintaining macroeconomic stability
- 02 Resuming lending to the economy
- 03 Developing the financial services market
- 04 Developing the capital markets' infrastructure



Digital Finance as a Driver for Digitalization of the Economy

- 05 Developing cashless economy
- 06 Improving the level of financial inclusion
- 07 Developing innovations in the financial sector
- 08 Cybersecurity of the financial sector



Institutional Development and Operational excellence of the NBU

- 09 Improving the operational efficiency
- 10 Partnership and communication with stakeholders
- 11 Digital transformation
- 12 Best employer

NBU hoped for the best, but prepared for the worst

NBU level



- Business continuity and disaster recovery plans updated
- Decentralized storage of strategic cash reserves
- Close monitoring of cash stock held by authorized banks
- Network of cyber security teams
- Back-up sites up and running
- Additional cash storage sites prepared

Banks & NBFIs



- Encouraged to reduce cash stock in certain regions
- Permitted to recirculate worn banknotes in certain regions
- Instructed on how to damage cash in case of emergency
- Systemically important ones required to report on BCPs update and back-up sites readiness

People



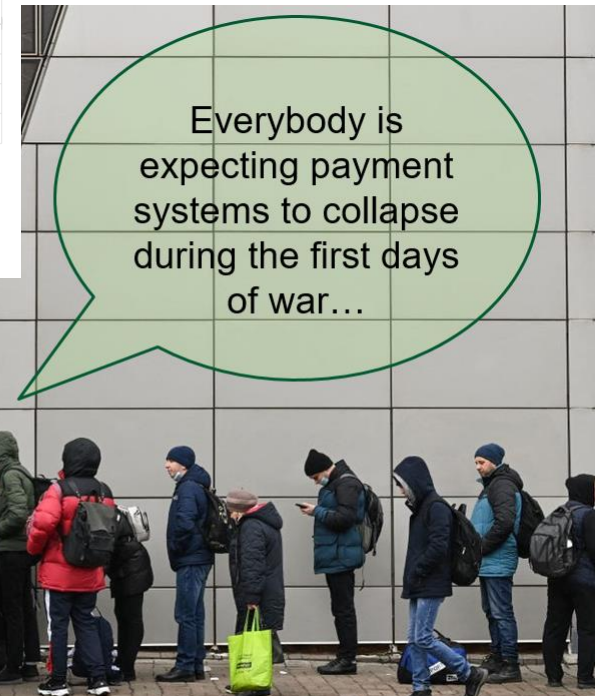
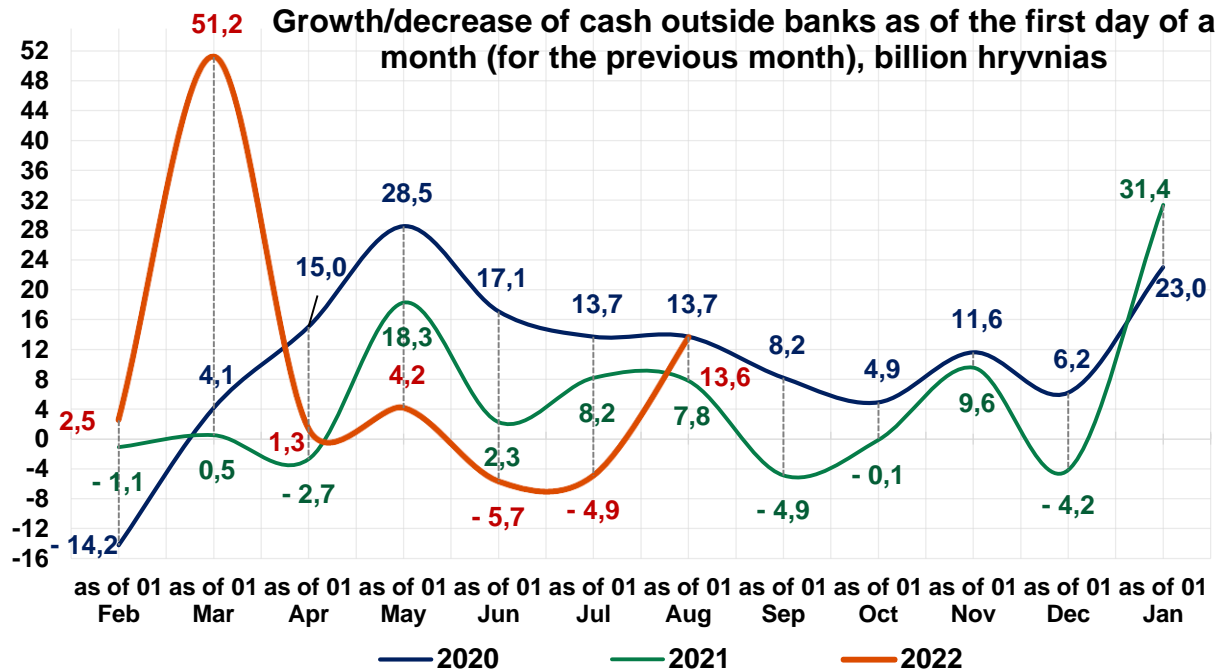
- Instructed to have both cash (small bills) and cards in their emergency bags



Our hopes were not fulfilled



Because of uncertainty people still turn to cash



Joint efforts to keep financial market stable – national level

NBU level

- Regulation 18 – FX and other restrictions and limits
- Regulation 42 – allowing banks to use cloud solutions
- Daily/weekly meetings with CEOs, COOs, CIOs of SOBs
- NBU temporarily operates from back-up location
- All limits on cash payout to banks lifted
- Cash handling requirements to banks relaxed: no limits on ATM refills; no cap on cash stored in vaults
- Free of charge for payouts to the Armed Forces of Ukraine

Banks & NBFIs

- Extend validity period of payment cards
- Permitted not to submit some statistical reports
- Use cloud solutions extensively
- No acquirer fee or reduced to 0.6%
- Payment systems lowered interchange fee to 0.3% (temporarily was not charged for some MCC codes)

People & Retailers

- Encouraged to use payment cards
- Informed that ATMs are replenished without limits
- Assured that payment systems keep their uninterrupted operation.
- Reminded that daily limit on cash withdrawal is high - UAH100K

Cash transportation is challenging during wartime



- Many kilometers of roads have been ruined as a result of Russian attacks



- 43% of armored vehicles have been submitted to for the needs of the Armed Forces



- Many of the employees, especially those who have military background, enrolled in the Armed Forces and the Territorial Defense of Ukraine



- Some bridges have been ruined deliberately by Ukrainian forces

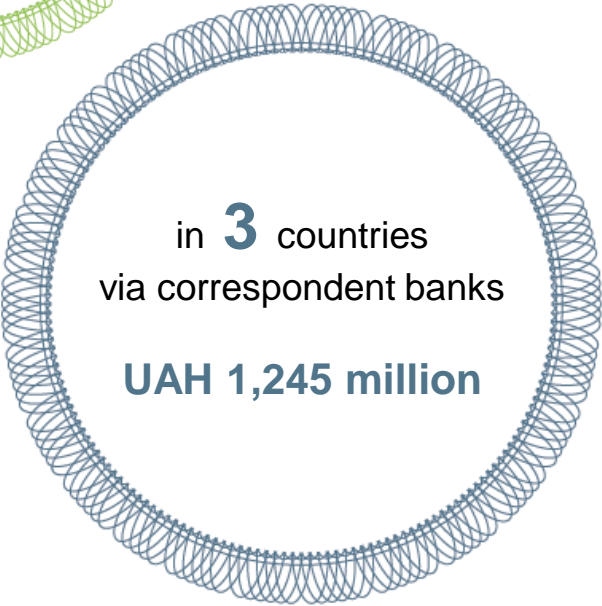
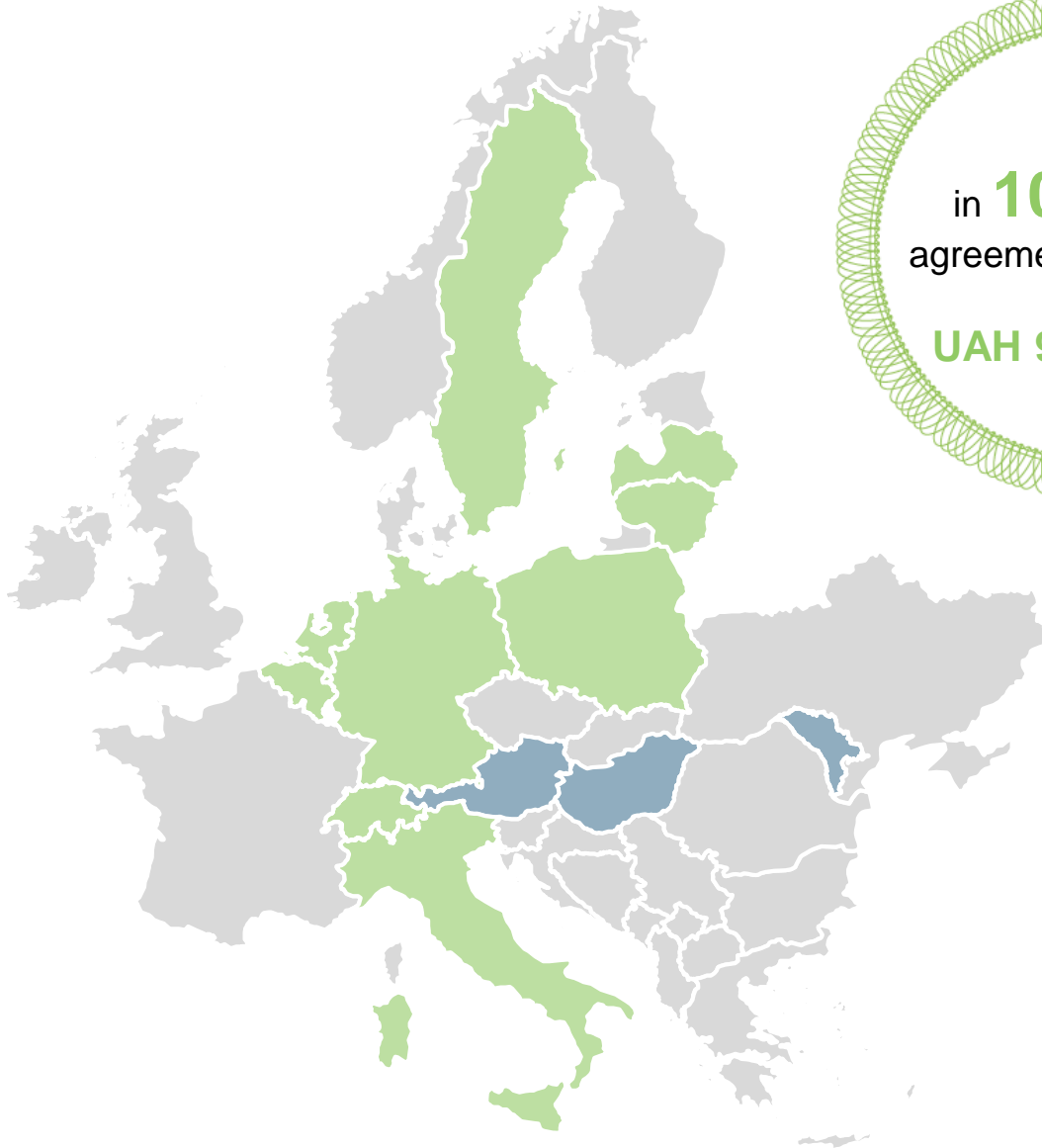
Railway is a primary means of cash transportation since the beginning of the war

Displaced Ukrainians took their hryvnia cash with them

- 7.8 million Ukrainians flee the country
- Not all of them had payment cards or FX
- Exchange either not possible or at the very low rate
- NBU received many requests from individuals, private banks and other central banks regarding hryvnia exchange



Two hryvnia exchange solutions were used



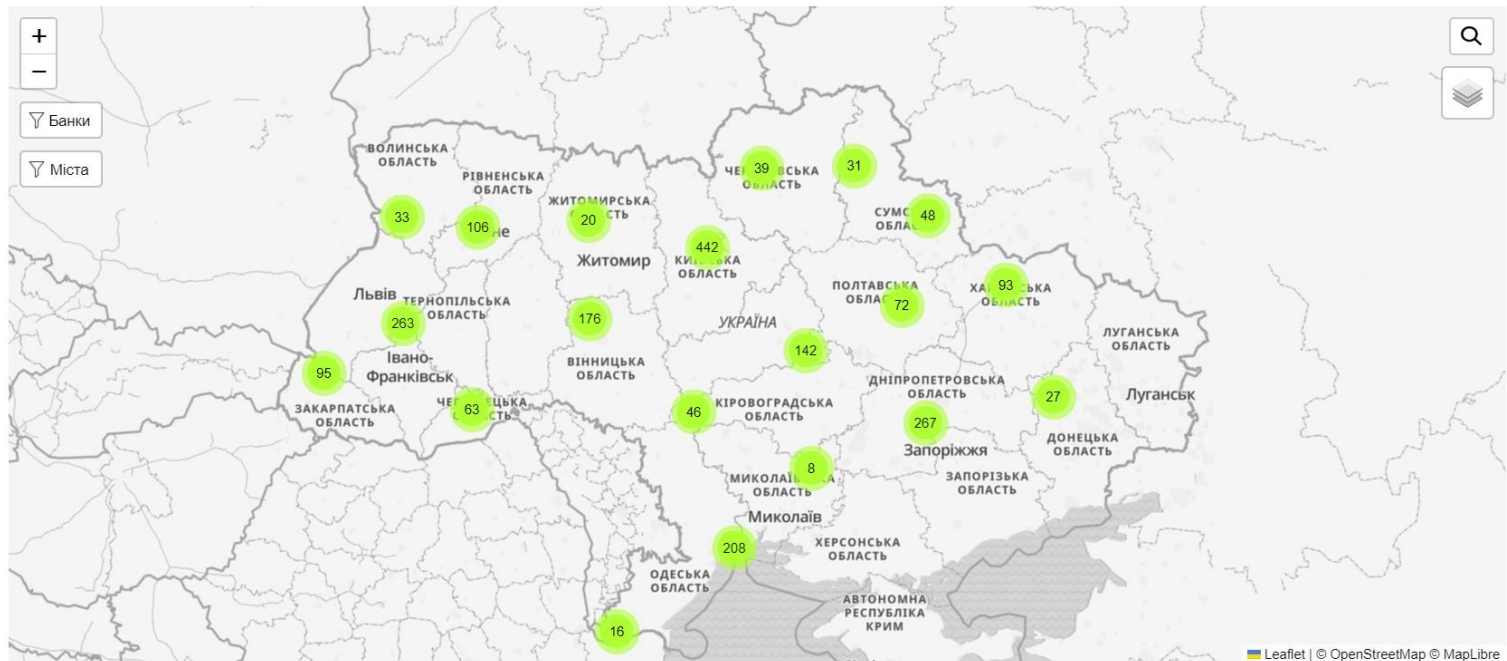
Total purchased amount was much less than expected

Country	Exchanged Amount, UAH	Exchanged Amount/Ceiling
Belgium	10 823 500,00	1,08
Germany	167 311 600,00	11,15
Italy	10 437 000,00	0,70
Latvia	3 242 600,00	1,05
Lithuania	719 300,00	0,07
Malta	161 000,00	0,54
Poland	728 005 100,00	7,28
Sweden	6 020 600,00	1,34
Switzerland	12 870 000,00	1,29
the Netherlands	30 573 600,00	4,08
Total	970 164 300,00	5,53

It was difficult to assess the demand at the beginning of the war, therefore the ceilings that we set for the agreements turned out to be too high.

POWER BANKING

- After another spike of demand for cash in November due to the attacks on energy infrastructure, NBU initiated establishment of **POWER BANKING**
- **2170 bank branches** are ready to provide services in case of blackout (alternative power supply source and internet connection)
- **ATM roaming** means that banks set same cash withdrawal limits for cardholders of other banks as for their own customers



Conclusions

- Cash remains unbeaten as a means of payment during crisis
- Challenges: secure transportation, anonymity
- Ukraine's case is unique because not many countries have fully operational government and central bank during the full-fledged war
- Lessons learned after 2014
- Another key factor of our resilience is overwhelming international support, illustrated among other things by Hryvnia Exchange Scheme





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As of 1 January 2023 cash in circulation grew by 14.1%

- Cash in circulation numbers were volatile in 2022 due to the effects of Russian war of aggression against Ukraine.

