

РОЗДІЛ 4. ФІНАНСИ, БАНКІВСЬКА СПРАВА, СТРАХУВАННЯ ТА ФОНДОВИЙ РИНОК

ANALYSIS OF FOREIGN EXCHANGE OPERATIONS OF BANKS ON THE MARKET OF UKRAINE DURING THE WAR

АНАЛІЗ ВАЛЮТНИХ ОПЕРАЦІЙ БАНКІВ НА РИНКУ УКРАЇНИ В ПЕРІОД ВІЙНИ

The article defines the shocks to which the domestic banking system has been exposed in recent years. At the beginning of the full-scale military invasion of Russia, the currency market of Ukraine found itself in a state of paralysis and destabilization due to a significant shock demand for foreign currency from the population. However, during the first 2–4 weeks, the National Bank of Ukraine managed to stabilize the situation and restore the basic functions of foreign currency circulation for residents. The shortage of currency during this period forced the monetary authorities to resort to devaluation of the hryvnia against the US dollar and the euro. Although the pace of this devaluation now seems somewhat exaggerated, an important result of 2022 was the provision of citizens' access to cards of international payment systems and the possibility of converting cashless hryvnia into foreign currency at an acceptable rate. Banks were managed during the organization of their activities. The mechanisms of the National Bank of Ukraine's support of the domestic banking system have been studied. The structure of currency transactions and the market is analyzed through the prism of determining the influence of the state of war on its change. The influence of the amount of cash currency brought to Ukraine by banks and private transfers of labor migrants through unofficial channels on the situation with the hryvnia exchange rate is considered separately. The key trends to which the foreign exchange market has been exposed over the past year have been established, and the measures introduced by the National Bank to stabilize it are given.

Keywords: banking system, currency market, refinancing, liquidity, martial law, lending, assets, profitability.

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У статті визначено яким потрясінням піддавалась вітчизняна банківська система протягом останніх років. Встановлено, що після часткового відновлення після карантинних обмежень ustalений порядок роботи банківської сфери змінився через введення Президентом України воєнного стану. На початку повномасштабного військового вторгнення росії валютний ринок України опинився в стані паралічу та дестабілізації через значний шок попит на іноземну валюту з боку населення. Проте протягом перших 2–4 тижнів Національний банк України зумів стабілізувати ситуацію та відновити базові функції обігу іноземної валюти для резидентів. Дефіцит валюти в цей період змусив монетарну владу вдаватися до девальвації гривні щодо долара США та євро. Хоча темпи цієї девальвації нині здаються децю завищеними, важливим результатом 2022 року стало забезпечення доступу громадян до карт міжнародних платіжних систем і можливості конвертації безготівкової гривні в іноземну валюту за прийнятним курсом. Проаналізовано сутність нормативних документів, прийнятих в перші дні війни, виокремлено ключові положення, якими керувались банки під час організації своєї діяльності. Досліджено механізми підтримки Національним банком України вітчизняної банківської системи. Проаналізовано структуру валютних операцій та ринку крізь призму визначення впливу воєнного стану на його зміну. Проаналізовано динаміку зміни обсягів кредитування суб'єктів господарювання окремо по групах банків та усіх загалом. У перші місяці після початку повномасштабної військової агресії росії було проаналізовано причини девальвації гривні щодо долара США та євро. Значну увагу приділено впровадженню валютних обмежень Національним банком України для стабілізації ринку в умовах кризи. Досліджено динаміку офіційного та готівкового курсів гривні до долара США, а також перехід Національного банку України від плаваючого до фіксованого валютного курсу. Окремо розглянуто вплив обсягів готівкової валюти, завезеної до України банками, та приватних переказів трудових мігрантів через неофіційні канали на ситуацію з курсом гривні. Встановлено ключові тенденції, яким піддавався валютний ринок за останній рік та наведено заходи, які запроваджував Нацбанк для його стабілізації.

Ключові слова: банківська система, валютний ринок, рефінансування, ліквідність, воєнний стан, кредитування, активи, прибутковність.

Problem statement. The functioning of the foreign exchange market in a country where a large-scale war is taking place creates a demand for special regulation by the monetary and economic authorities, which must ensure financial stability, as well as the possibility of uninterrupted settlements to support the export and import of goods and services [1].

The absence of stabilizing factors in the foreign exchange market during a war can lead to a decrease

in demand for the national currency, and to the dysfunction of the national currency in terms of fulfilling the role of money in the circulation process. The relationship between the functionality of the emission mechanism of the country's central bank, public debt, inflation and exchange rate stability indicates that the topic of the stability of the national currency exchange rate to the main world reserve currencies is a central aspect of stabilizing the financial system in developing

markets [5]. This issue is especially relevant during such a destabilizing factor for the economy as war [2].

Therefore, an important task for the central bank during the action of a permanent destabilizing factor is the availability of algorithms for practical stabilization of the exchange rate, avoidance of panic moods, taming inflation and inflationary and negative exchange rate expectations. At the same time, exchange rate stability should not be an end in itself, and the exchange rate of the national currency to the main world reserve currencies should correspond to the state of the trade and payment balance. The study of algorithms for stabilizing the foreign exchange market during such a destabilizing factor as war is not widespread in the economic literature due to the lack of empirical data. However, such an analysis has practical value, since every foreign exchange market regulator must be aware of the need to have a plan of action in unforeseen circumstances, in particular in war conditions [6].

Analysis of recent research and publications.

Given the novelty of the chosen direction of research, the circle of scientists, journalists and analysts who have disclosed it is quite limited. In particular, a significant contribution to the detailed study of the procedure for the functioning of domestic banking in the foreign exchange market during the war was made by Dadashova P., Gudzenko N.M., Fedoryshyna L., Koval N., Moiseyev V. and others. In addition, the disclosure of the research topic was carried out by specialists from the National Bank of Ukraine and the Ministry of Finance of Ukraine.

Formulation of the article's objectives. The purpose of the article is to analyze the currency operations of banks in the Ukrainian market during the war.

Presentation of the main material of the study.

The National Bank of Ukraine is easing a number of currency restrictions, which will support the work of domestic producers and improve the conditions for conducting business in Ukraine. At the same time, the changes will not have a significant impact on exchange rate dynamics and the level of international reserves.

The currency liberalization measures, which come into effect on December 21, cover a number of areas.

First, the ban on the purchase and sale of banking metals is being relaxed.

Taking into account the appeal of the business community and a thorough analysis of the potential impact of such a decision on the foreign exchange market, the National Bank allows legal entities and individual entrepreneurs to buy and sell banking metals without physical delivery for non-cash hryvnias.

Starting from December 21, businesses will be able to carry out relevant operations under the following conditions: the need to carry out the operation is

justified by the production activities of such companies (the business is engaged in the production of jewelry); companies/entrepreneurs were engaged in activities in the field of jewelry production before the start of the full-scale invasion, which is confirmed by relevant documents.

Such changes will ensure the stable operation of domestic manufacturers in the jewelry industry, reduce the volume of imports of finished jewelry, and also reduce pressure on business production costs due to the ability to directly purchase raw materials [3].

Secondly, permission to purchase foreign currency for the operator of nuclear facilities is being expanded.

The NBU has provided for the possibility of purchasing currency by the operator of nuclear facilities without taking into account the balances of funds in foreign currency received no later than October 31, 2024 within the framework of proceeds under a loan agreement with a non-resident creditor, the guarantor of which is a foreign export credit agency / a foreign state through a person authorized by it / a foreign person whose participants include a foreign state.

The purpose of such changes is to maintain uninterrupted supplies of nuclear fuel, which is important for the operation of nuclear power plants, and accordingly for the energy security of Ukraine.

Thirdly, the NBU continues to unify approaches to the payment of coupons on Eurobonds by Ukrainian businesses.

In addition to the currently available options, the NBU updated the rules that allow Ukrainian companies to reimburse non-residents for expenses incurred through the payment of coupons on Eurobonds. The rules are optimized so that all Ukrainian companies that raised funds to finance projects in Ukraine through the issuance of Eurobonds have the same opportunities to reimburse non-residents [5].

Such transfers can only be made at the expense of one's own foreign currency, subject to the fulfillment of a number of conditions specified in the NBU resolution. The changes will not have a negative impact on the foreign exchange market, but will instead increase the likelihood of new capital inflows into Ukraine.

The above-mentioned changes were made by the Resolution of the Board of the National Bank of Ukraine dated December 20, 2024 № 155 "On Amendments to the Resolution of the Board of the National Bank of Ukraine dated February 24, 2022 №. 18" and come into force on December 21, 2024.

In 2024, thanks to the easing of currency restrictions, Ukrainian businesses were able to service some of the coupon payment transactions on Eurobonds. Domestic enterprises have the opportunity, in particular: to repay the principal and interest on "new" loans from non-residents (received

after June 20, 2023); to pay overdue interest on «old» external loans (received before June 20, 2023), accumulated for the period from February 24, 2022 to April 30, 2024 (inclusive), within the limit of EUR 1 million per quarter, and scheduled interest payments made from May 1, 2024 – without any limit on the amount; pay dividends abroad in excess of the established limit of 1 million euros per month in order to ensure the payment of the next coupon payments or to compensate for already paid coupon payments on Eurobonds (subject to compliance with a number of requirements and at the expense of one's own foreign currency).

According to the NBU Depository, during 2024, the Government of Ukraine raised UAH 497,806.9 million, USD 2,728.1 million, and EUR 754.9 million from the placement of government bonds at auctions. UAH 245,437.9 million, USD 2,476.6 million, and EUR 918.3 million were used to repay domestic government debt securities during this period.

During 2024, the Ministry of Finance's borrowings on the domestic debt market exceeded payments on domestic government bonds by UAH 255,626.8 million in equivalent, in particular in December by UAH 35,783.8 million in equivalent. The rollover of investments in government bonds at the end of 2024 is 155% of the nominal value in all currencies at the current official exchange rate.

In total, from the beginning of the full-scale war until December 31, 2024, the government raised UAH 1,051,982.6 million, USD 8,345.4 million, and EUR 2,468.0 million at primary auctions, and UAH 674,809.8 million, USD 8,612.3 million, and EUR 2,168.9 million were used to repay government bonds.

The domestic debt market was activated thanks to the joint efforts of the government and the National Bank of Ukraine.

In particular, the National Bank has provided banks with the opportunity to cover part of their required reserves with benchmark government bonds from a list determined by the NBU and has gradually expanded the relevant list. In addition, the NBU has allowed non-residents to transfer funds received from interest payments on government bonds abroad after April 1, 2023, provided that they comply with the minimum continuous period of ownership of government bonds until the moment of receiving interest [4].

For its part, the government offers rates for government bonds at market levels. In December 2024, the maximum yield on government bonds placed at auctions was 16.5% per annum in hryvnia. Government bonds denominated in US dollars and euros were not placed in December.

The active operation of the domestic debt market is important for ensuring macro-financial stability. On the one hand, it is a safeguard against emission

financing of the budget deficit, and on the other hand, it is an important tool for improving the maturity of funds in the banking system, minimizing risks for the foreign exchange market and price stability [7].

We have gone through the second year of a full-scale war in a row without emission financing. The record volume of government borrowing on the domestic debt market – almost UAH 640 billion in equivalent compared to last year's UAH 566 billion – together with the strong support of international partners made it possible to finance the budget deficit. The high quality of interaction between the fiscal and monetary authorities confirms our ability to adequately overcome the challenges of the new year 2025.

We remind you that today everyone can join the purchase of military bonds and support the financial stability of Ukraine. Below are detailed statistics of the NBU Depository as of January 1, 2025 exclusively regarding military government bonds placed at auctions. The largest volume of these securities is concentrated by banks – primary dealers.

The second largest is the portfolio of military bonds owned by citizens and businesses of Ukraine. As of January 1, 2025, it amounted to: UAH 92,375.4 million, or 27.6% of the total volume of purchased hryvnia-denominated military government bonds (as of December 1, 2024, UAH 86,861.6 million, or 29.8%); USD 1,625.1 million, or 56.4% of the total volume of military government bonds denominated in USD (as of December 1, 2024, USD 1,483.4 million, or 51.5%); EUR 245.8 million, or 43.7% of the total volume of government bonds denominated in EUR (as of December 1, 2024, EUR 163.6 million, or 29.1%) [10].

The total portfolio of military bonds owned by individuals and legal entities as of January 1, 2025 amounted to UAH 171.4 billion in equivalent compared to UAH 85.4 billion in equivalent as of January 1, 2024 – a twofold increase.

The volume of military bonds of the domestic state loan owned by non-residents as of January 1 amounted to UAH 7,472.7 million, USD 30.2 million and EUR 0.1 million [9].

On March 22, 2022, the National Bank began publishing statistics of the NBU Depository on military bonds on a weekly basis. Since the beginning of 2023, the National Bank has switched to monthly publication of relevant releases as of the first day of the month. You can view previous data using the tag military government bonds.

Conclusions. In the process of research, it was substantiated that banks contribute to the effective implementation of the functions of the foreign exchange market by performing their own, specific to their foreign exchange activities functions. Based on the generalization of the theoretical views of scientists regarding the functions of banks in the foreign exchange market, the following were distinguished:

intermediary, which combines the actions of the second-level functions (payment and settlement, credit and investment, savings and capital formation and conversion); transformational (the transformation of the terms and volumes of borrowed and placed foreign exchange resources is carried out; transformation of foreign exchange risk) and regulatory and control, the action of which is associated with the need for banks to regulate and control client and own foreign exchange operations. The interpretation of the concept of bank activities in the foreign exchange market was clarified: in a broad sense, these are managerial actions of bank personnel aimed at the effective implementation of operations with foreign exchange values to obtain profit, taking into account the interests of bank partners, as well as the requirements of regulators regarding the procedure for conducting operations; In a narrow sense, a bank's currency activity is the business processes of carrying out transactions with currency values. To improve the currency activity of banks, a structural and functional scheme has been developed that will contribute to more effective regulation of the bank's currency risks.

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