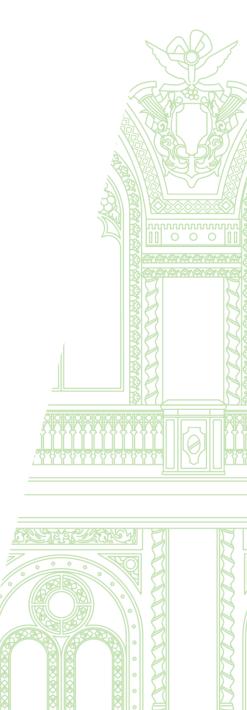


Financial inclusion: Fintech potential in Ukraine

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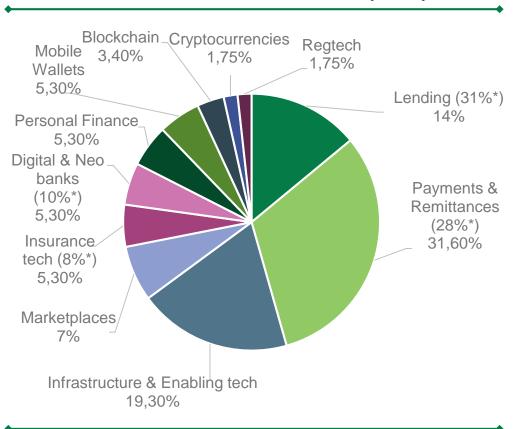


Fintech in Ukraine: continuous growth tendency

. Maturity of the Market FINHUB 40% of the companies were started prior to 2015. More than 60% of the FinTech startups were founded within the last three years. About 84% of FinTech companies have already launched services and products, and 16% are in the startup phase. **BRDO** DRUMA ---PAYFORCE VOLT24 **mtax** Check Dom alt>bank RHAMPIND USTARTER Credit (plus) INSOCT Smart Data ПОЗИНАЙКО AMOCDEDIT Distributed ewa paycore 10 Lab Treeum PayLasti-c W WIDEUP Alfa Protection CONTROL **W** moneyveo. IN PROCARD **Bintels** GLOBALMONEY iPay.ua =FORPOST A FONDY **MAXI** electrum @ agency 21 unitybars portmone.com Startup Network **LEOGAMING** easy pay (1) IGAMA COREZOID **S** tachcard MO Cash MOSST TYME 2014 1991 2002 2006 2008 2009 2012 2013 2015 2016 2017

Payment and money transfers innovations are leading on the Ukrainian financial market

Outlook of Ukrainian fintech (2018)

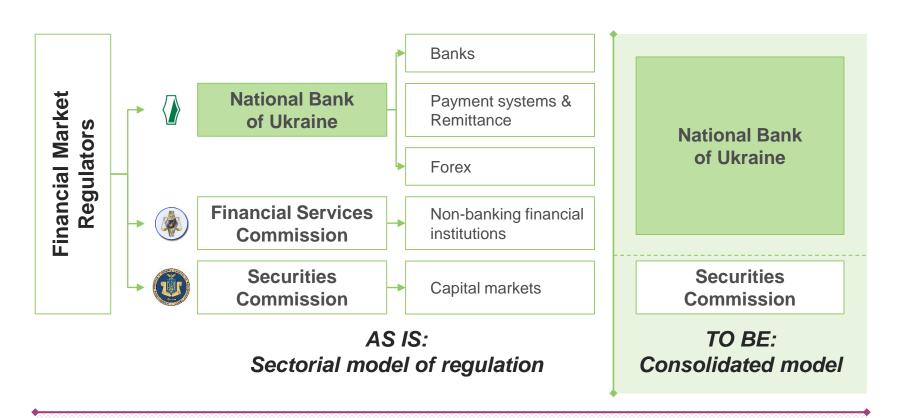


^{*} With comparison to share of respective categories in global outlook

Despite slight
differences in
proportions with global
fintech Ukrainian fintech
cluster develops in the
same manner
addressing same needs
of financial services
consumers

However there are some peculiarities for fintech development

Ukrainian financial market regulatory model: current situation and perspective



Fintech is present almost in each segment of Ukrainian financial market, the leading segment is non-banking financial sector.

NBU has no mandate to regulate NBFIs and as the result we see significant risks in Fintech presented on this segment, as the other regulator has very poor powers and leverage.

But we work on the SPLIT project in order to establish more effective consolidated model and provide the financial system with effective prudential supervision and risks mitigation.

Fintech Status quo

1 Perception by the public

- Almost 30% of population has no bank account
- Low financial capability of the common consumer
- Less than 20% of the population trust banks

2 Recovering financial system

- Banking system is stable and lending restarts
 - Regulators introduce risk-based supervision and more flexibility in requirements
 (especially in licensing)
- 2

Innovations in financial products/services become popular and involve a number of new clients

4 Risks

- Information transparency: sufficient disclosure requirements to all financial products and services
- Constant cyber-attacks
- Trade-off between policy objectives: how to balance?

3 Challenges

- Fraud or other market abuses, including AML/CFT effective mechanisms of supervision in changing tech environment;
- Financial stability and Regulator's capacity: unsupervised linkages and unexpected business models;
- Overindebtedness: higher access to digital loans

NBU supports the Fintech development as one of the leading drivers for financial inclusion growth, but as the same time consider the challenges and risks – the correct balance should be reached.

NBU is strengthening the policy framework to address arising challenges

Communication platform establishment within the NBU will provide Fintech market participants with the open dialog

By this communication, NBU will learn current innovative market and understand the problems/obstacle for its development, in order to modernize legal frameworks for enabling legal landscape building.

International collaboration

Close cooperation with the central banks in terms of innovations

Agreement signed with the Central bank of Lithuania

Agreement to be signed with the Central bank of Poland

Regulatory tools used for risks mitigation

- The National Financial Inclusion Strategy will be developed and introduced.
 - Priority innovative streams

 (e.g. distance channels of services providing) will be defined in order to than provide it with due support.

Regulatory Sandbox

2

Legal reform

3

- The first step is done establishment of an effective communication platform with the market;
- Some regulatory requirements could be revised, but only if there is a real need for this and for all market players.

Systematic approach

approach

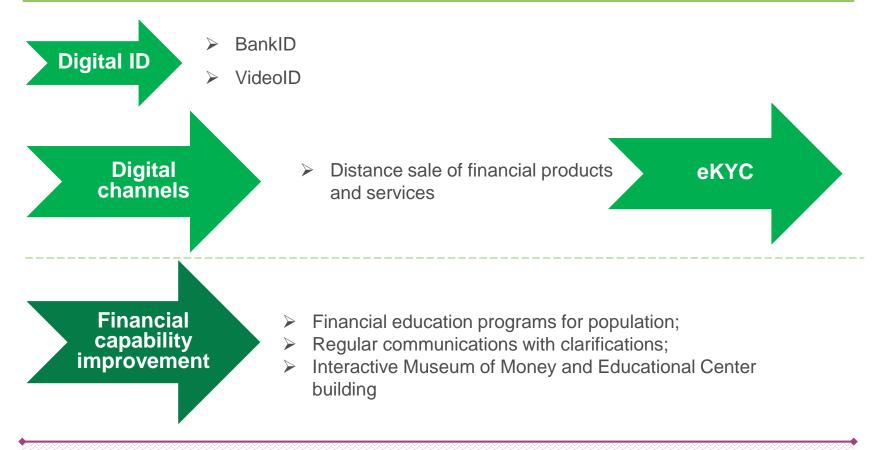
- The modern Cybersecurity center is in the process of building on the basis of NBU;
- Law On Personal data protection amendments will be introduced in order to implement the GDPR requirements.

Data protection

4

- Transparency and disclosure requirements to all financial products and services will be introduced to the market, in line with the G20 principle and respective EU Directives and Regulations;
- To support FinTech startups new Law On Payment services will modify the existing legislation by implementing the PSD2 EU Directive requirements.

Current NBU's priorities for Fintech development support



Fintech is a top stream in enhancement of the financial inclusion in Ukraine and appropriate support from the Regulator is required.

NBU will develop the **National Financial Inclusion Strategy** in order to reach the balance between stimulating the marker development and maintaining the financial stability.



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