



NATIONAL BANK OF UKRAINE

**Transformation of the NBU:
The Big Bang practice**

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What unites these 2 pictures?



These products were produced by the NBU in 2013



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What is this building for?



This is a regional library of one of two universities, which were on the balance sheet of the NBU



In which shape have we found the financial sector in 2014?

VERY WEAK ECONOMY

- Military aggression and annexation
- Dependent on the commodities
- Weak government institutions with no civil society trust
- Rule of law
- Corruption

TIGHT MONETARY POLICY

BANKING IS NOT A BUSINESS

- Fragmented system:
- 185 banks (MkS of 80 smallest banks less than 5%)
- Bank is a part of the value chains of the corporate sector
- Loss making during last 5 years
- UBO are not transparent

**STRUCTURAL BANKING
SECTOR REFORM**

CENTRAL BANK IS A BIG OLD BUILDING

- 11.8 ths employees - 85% of staff members work > 10 years
- 25 regionally decentralized offices
- Top bureaucracy level
- Weak decision making system
- Critically minimal level of NBU's accountability

**CENTRAL BANK
TRANSFORMATION**

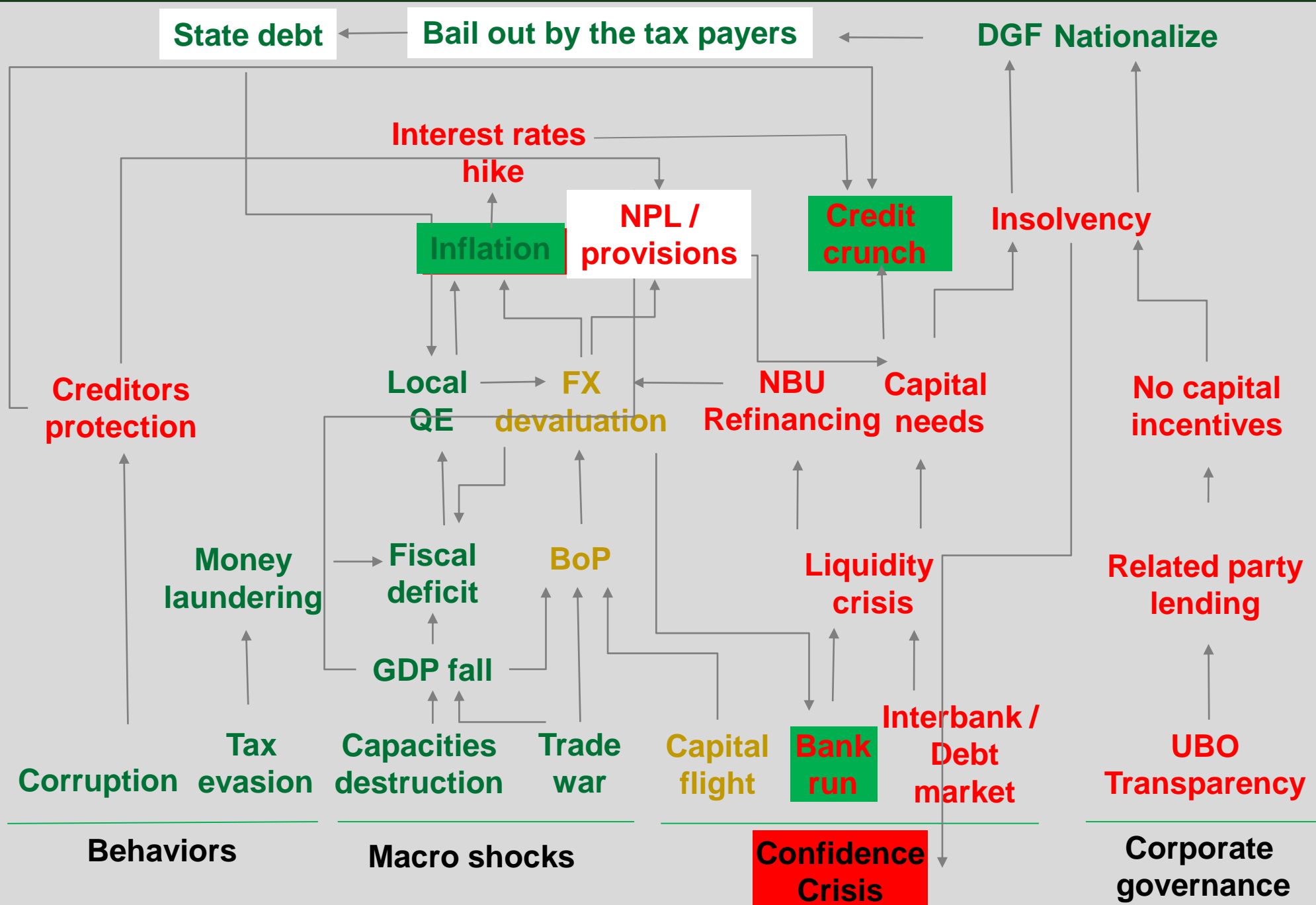


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Euromaidan revolution was a spark to start the financial sector reform and the Central Bank transformation



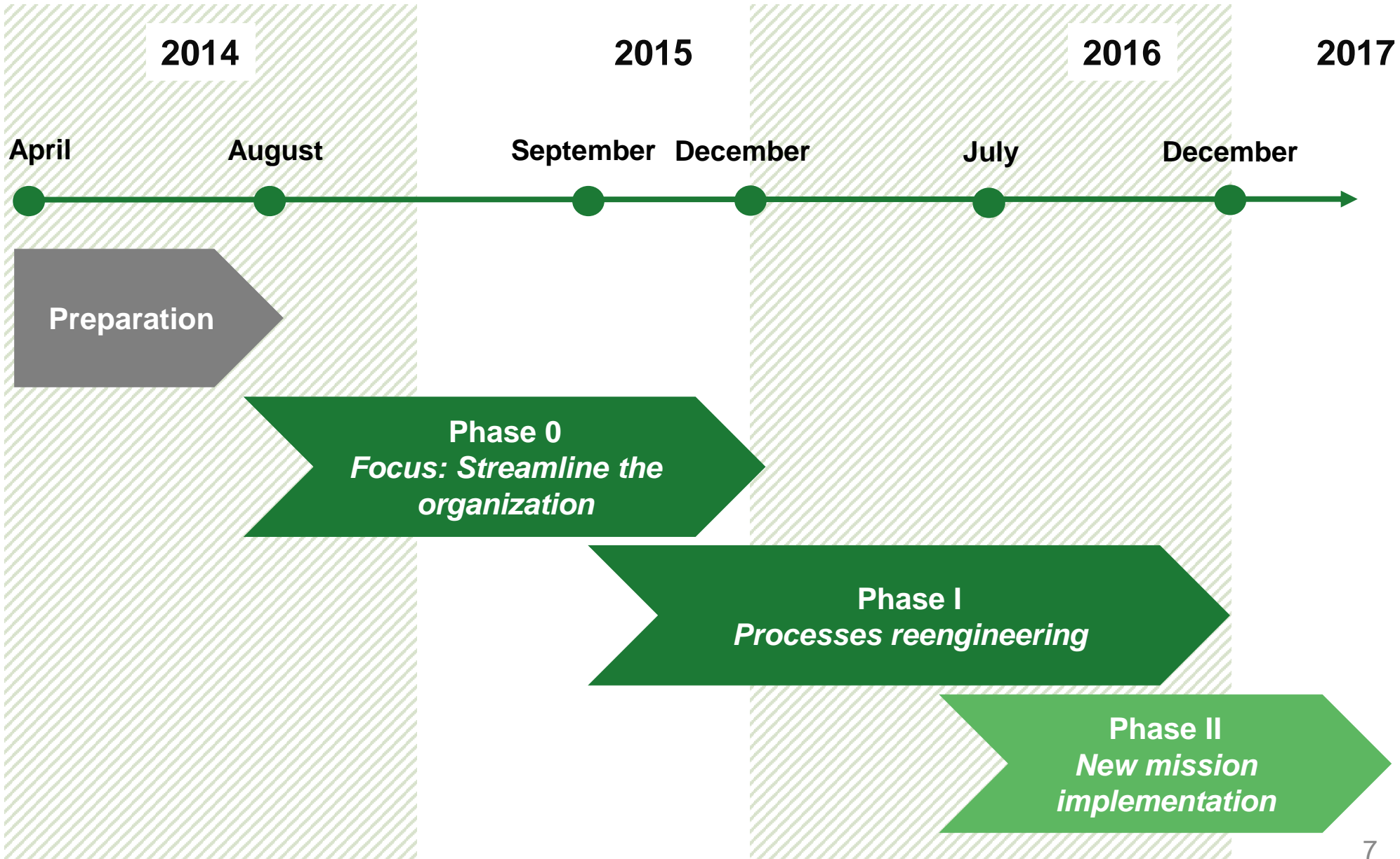
Central NBU's office is located 400 meters up from the "Independence Sq"





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NBU Transformation project structured into 3 main stages





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New team came to manage the financial sector reform and NBU turnaround



Key factor for successful transformation is people

So we have started transformation with new top hires from the commercial sector



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The main target of the internal transformation is building the NBU institutional capacity to perform its core function

Phase 0 plan

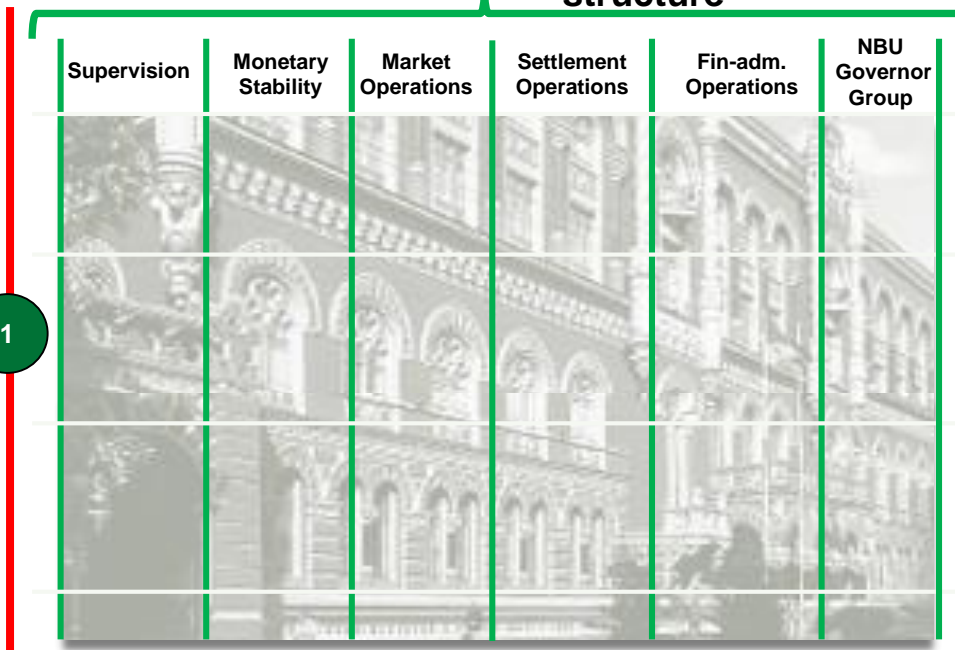
Definition of core functions

Removal of non-core functions

- ✓ NBU has been focused on the mandatory functions according to the Law
- ✓ TV channel, Banking Academy, University, and 10 other non-core functions have been transferred, reorganized, or closed in 2015

New functional organizational structure

- ✓ 9 Committees created to improve management decisions
- ✓ Organizational structure focused on 6 functional blocks
- ✓ NBU Board reformed, size decreased to 6 members



Board

Department

Unit

Desk

Hierarchy reduction

- ✓ Implemented - hierarchy levels reduced from 11 to 4

Network optimization

- ✓ ROs removed during 4Q2015
- ✓ Cash management function retained

Staff number optimization

- ✓ Staff numbers reduced from ~11,800 to 5,310

Centralizing via Divizionalization

- ✓ Core functions centralized at HO level
- ✓ One Bank One Balance

Re-engineering processes

- ✓ Complete re-mapping of processes and functions is underway

Reform begins at home: our ambition to reform the banking and financial sectors have been driven by ambitious reforms here at the NBU



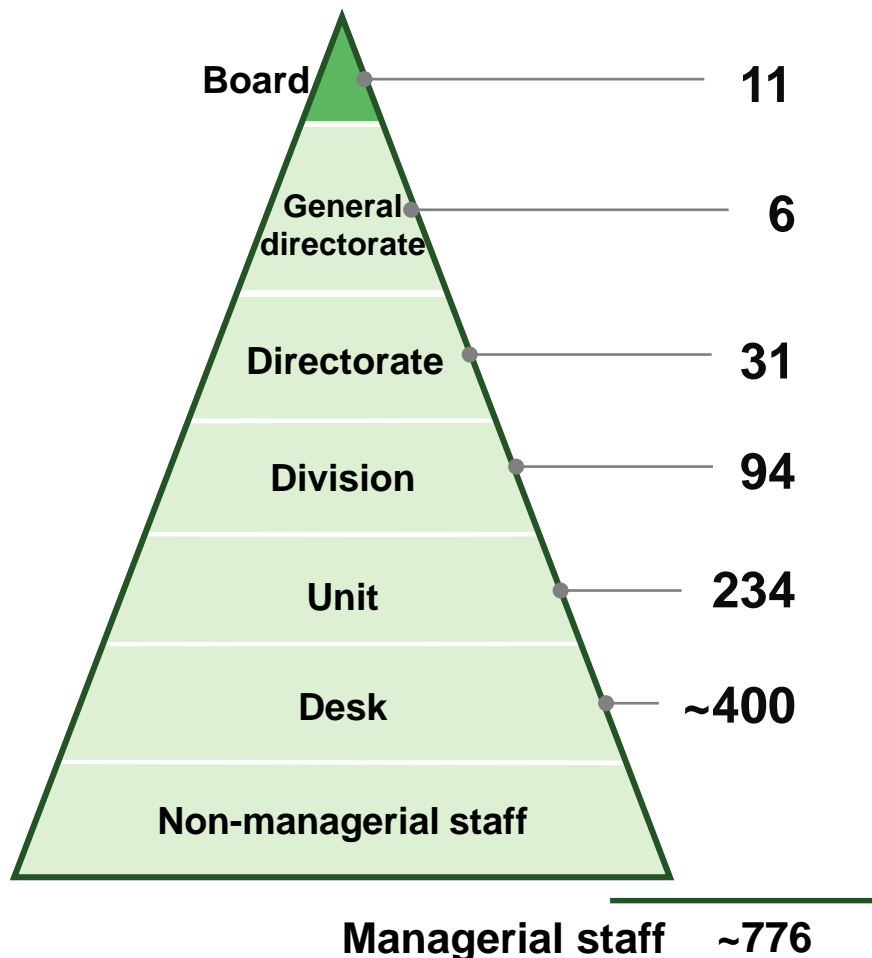
But in fact the focus is on the 4 main topics we considered relevant

	MANDATE	CULTURE	DECISION MAKING	DATA
FROM	<ul style="list-style-type: none">▪ Fx pegging▪ (Weak ?) banking supervision	<ul style="list-style-type: none">▪ Hierarchical▪ Decentralized▪ Silos	<ul style="list-style-type: none">▪ Weak & Slow▪ Not transparent▪ Politically driven▪ “bossy”	<ul style="list-style-type: none">▪ Excessive▪ Silos▪ Decentralized▪ Not used
TO	<ul style="list-style-type: none">▪ Price stability▪ Financial stability (Twin Picks)▪ Economic growth	<ul style="list-style-type: none">▪ Professional▪ Open▪ Democratic	<ul style="list-style-type: none">▪ Research / Analytical based▪ By engaged and empowered staff▪ Real life▪ Transparent and understandable	<ul style="list-style-type: none">▪ Big data▪ One data▪ Open data

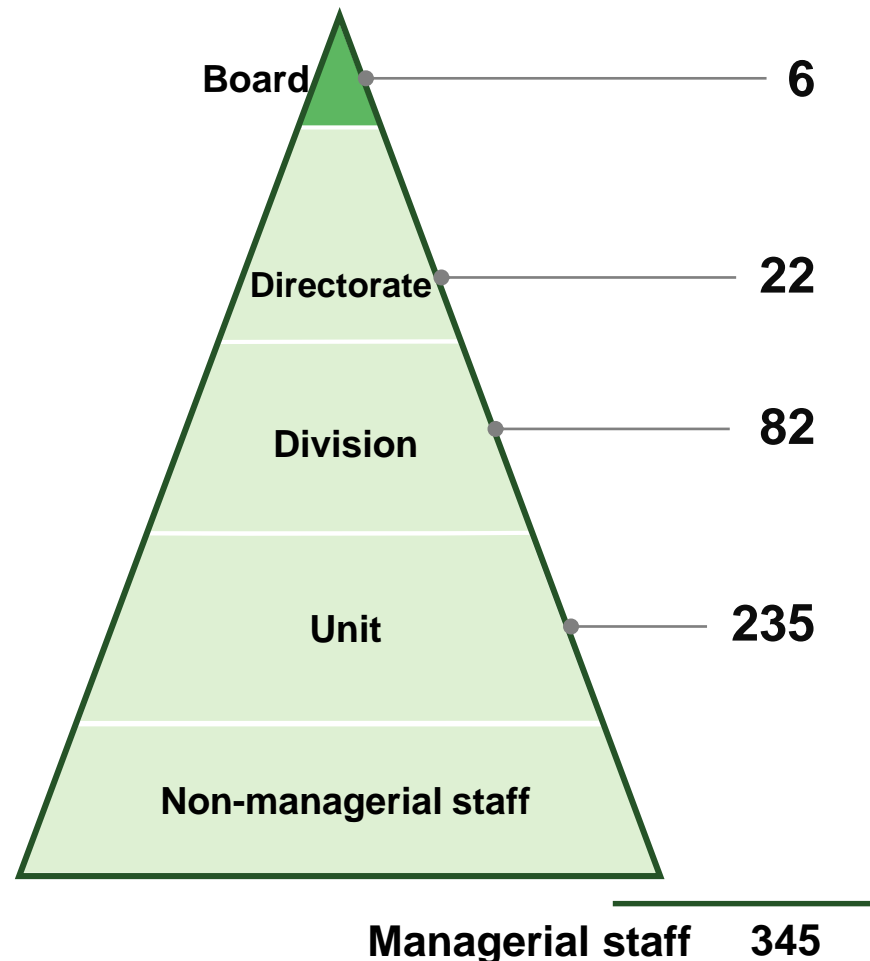


Reducing hierarchy levels improves governance

Old structure



Target structure



The distance between employees and management significantly shortened

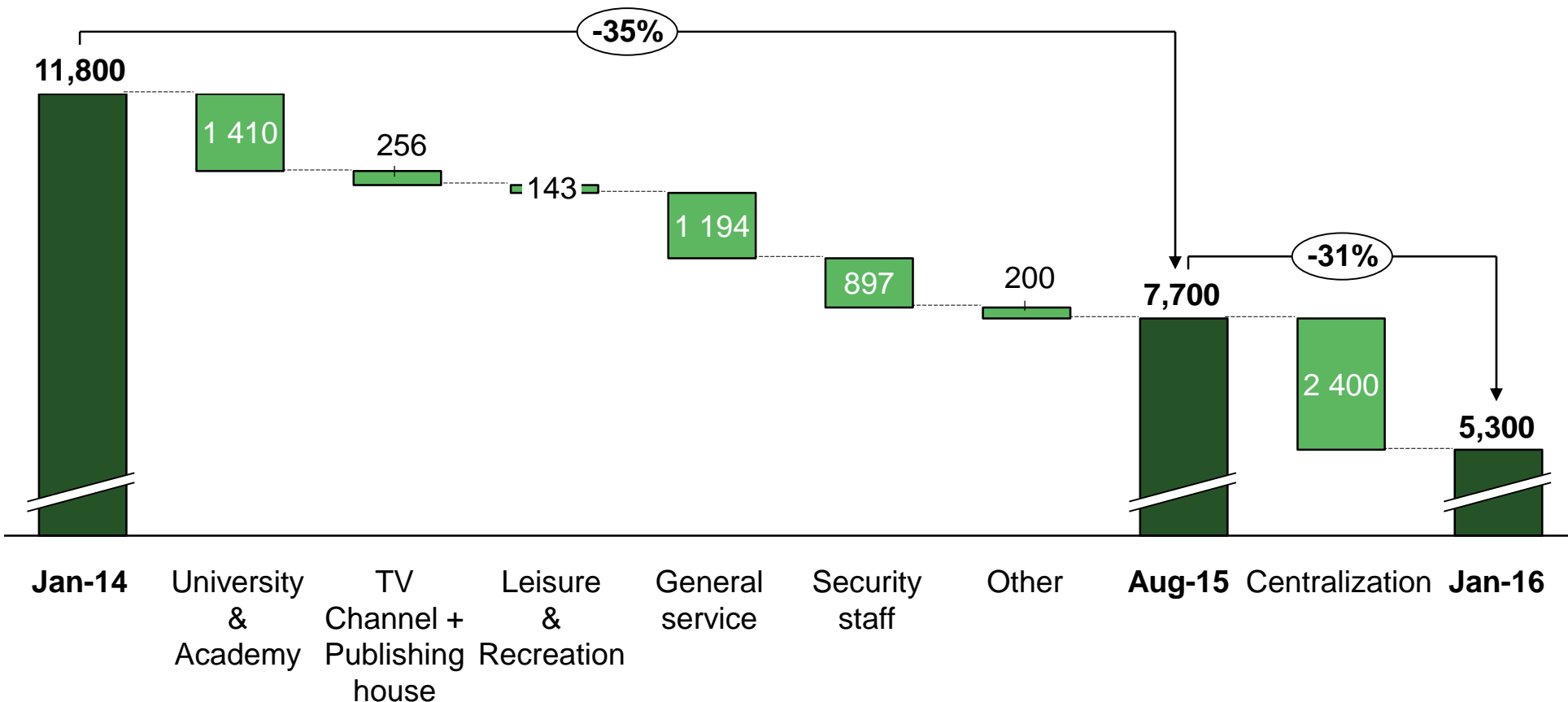


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Exclusion non-core functions and centralization provide a room for a proper rightsizing

Phase 0:
“Streamline organization”

Phase I:
“Processes reengineering”



The organization became much more mobile and focused

Phase I: we focused on the core and support processes to enhance the controls over the quality of the decision making (totally > 30 projects)

External NBU's functions



New credit process



Reporting & Statistics



Cash hubs centralization

Internal developments



Decision making & Committees



Balance sheet centralization



Process mgmt & ICS



Budgeting and procurement



E-document management



HR turnaround

We started a complete Processes reengineering project (from June 2015)

OUR VISION

National Bank of Ukraine is a modern, transparent and independent central bank trusted by the public and integrated into the European community of national central banks.

OUR MISSION

To ensure price and financial stability contributing to the sustainable economic development of Ukraine

OUR VALUES



Patriotism



Professionalism



Transparency



Integrity



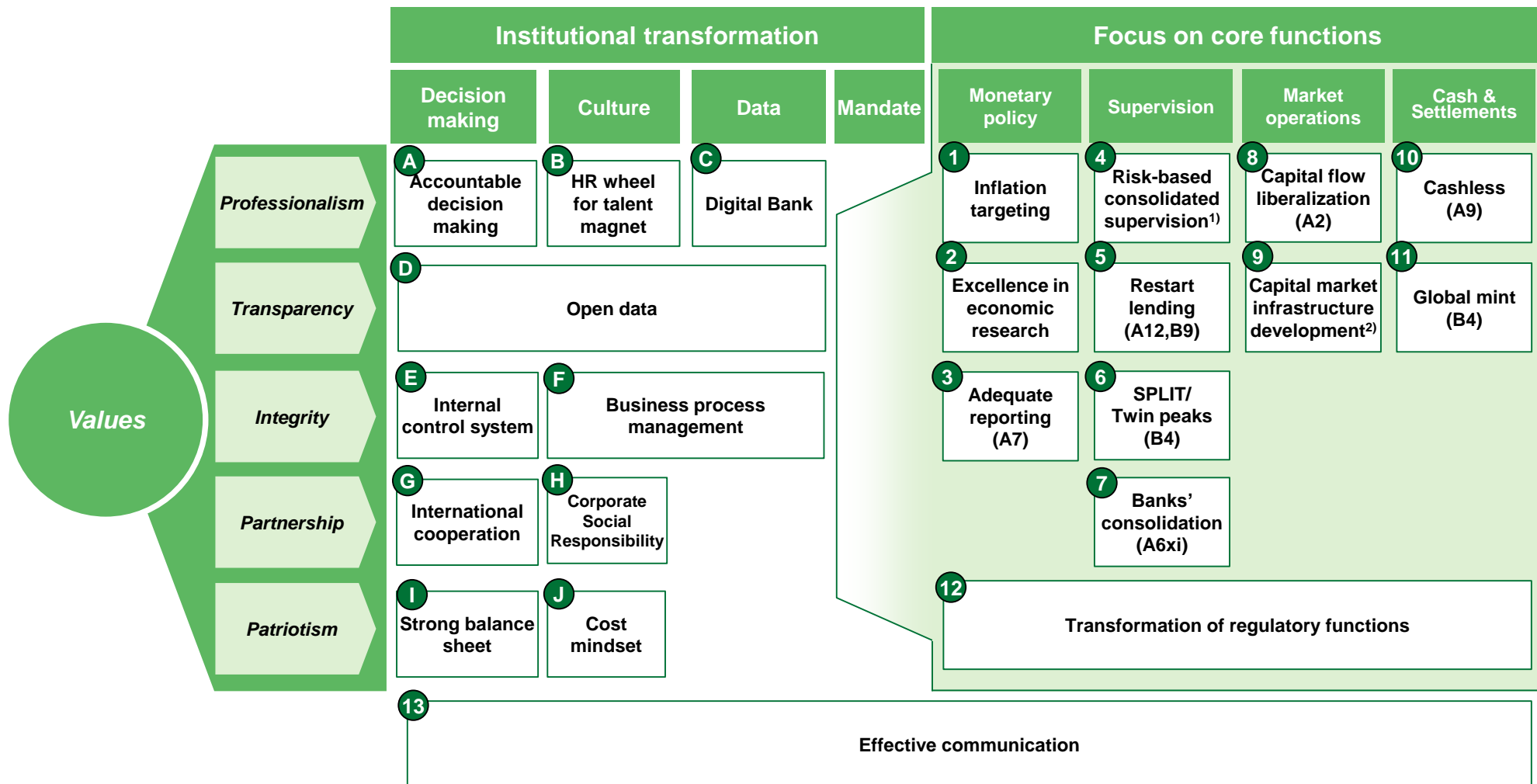
Partnership

NBU – Bank of the Nation



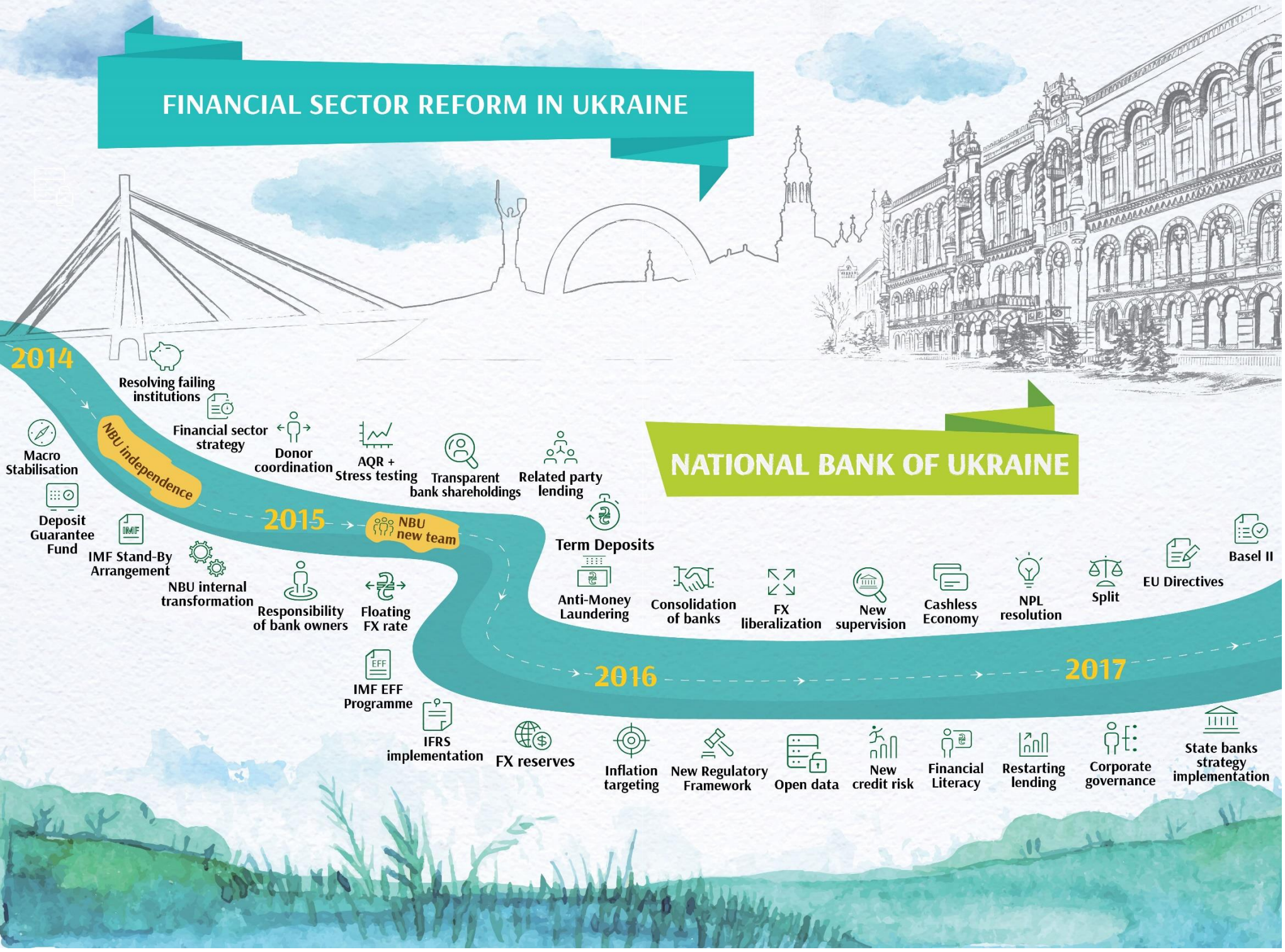
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NBU 2016 Priorities: institutionalization of changes and development of the financial sector



Our 2016 priorities are to focus on our core functions and alongside that, continuing the transformation of the NBU to create a modern, effective central bank focused on its core objectives.

FINANCIAL SECTOR REFORM IN UKRAINE



NATIONAL BANK OF UKRAINE

