



**COMPREHENSIVE
PROGRAM OF UKRAINIAN
FINANCIAL SECTOR
DEVELOPMENT
UNTIL 2020**

Kyiv, 16 January 2020

NBU TOP Accomplishments in Reforming the Financial Sector



Enhanced institutional capacity and internal transformation of the central bank



Monetary policy on inflation targeting and transition to a flexible exchange rate regime



Banking sector recovery



Currency Liberalization and Repealing Obsolete Legal Framework



Responsibility of bank owners and management



Independent supervisory boards of state-owned banks

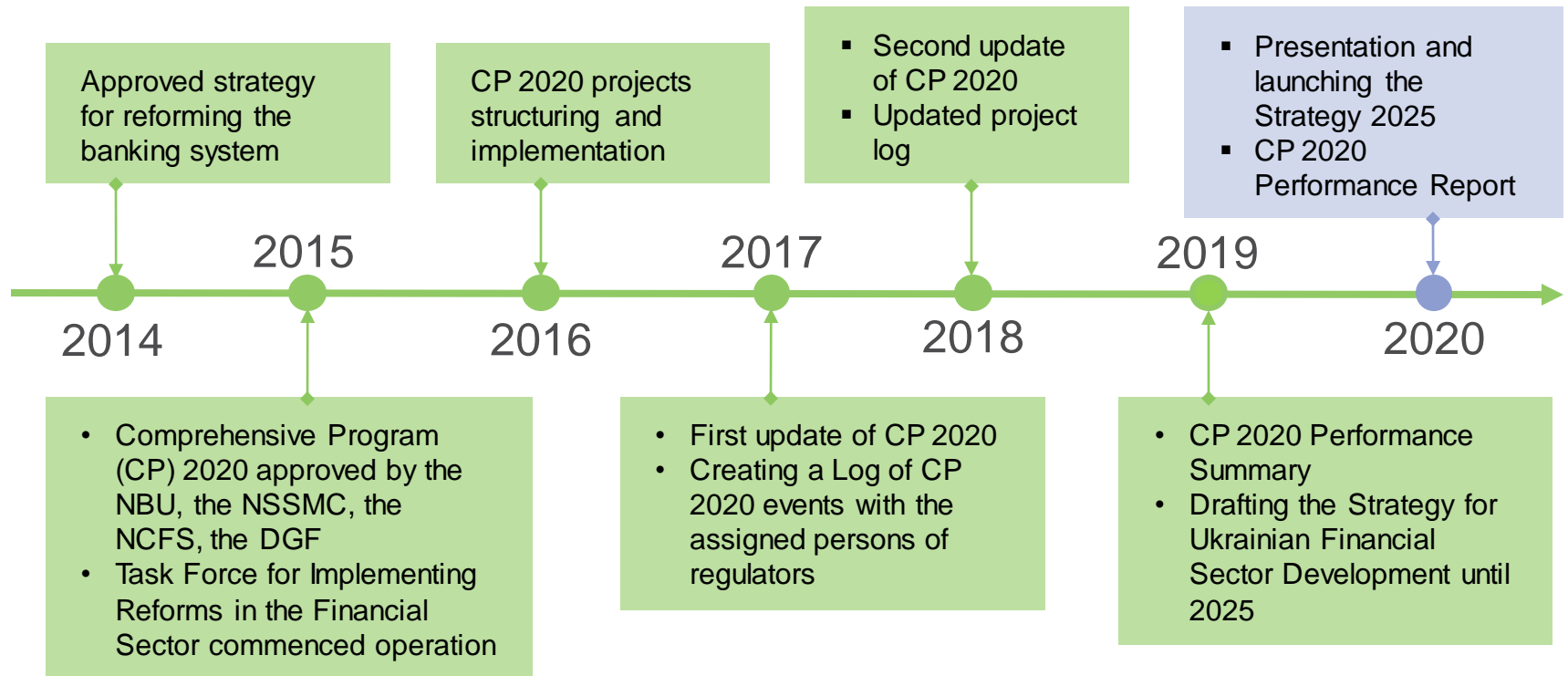


NBU risk-based supervision and advanced financial monitoring



NBU Bank ID for remote identification

In 2015 the Comprehensive Program 2020 was an instrument to coordinate actions of regulators for reforming and developing the financial sector



Further development of the financial sector will continue in line with the respective Strategy until 2025 drafted by key regulators and stakeholders of the financial market

Key CP 2020 tasks– solving the issues accumulated in the past and ensuring stable development of the financial sector in Ukraine

Approved by:

- **NBU Resolution No. 391 dated 18 June 2015** (amended by Resolution No. 304 dated 31 May 2018)
- **NSSMC Decision No. 931 dated 30 June 2015** (amended by decision No. 363 dated 1 June 2018)
- **DGF Decision No.074/18 dated 30 May 2018**
- **NFSC Ordinance No. 1367 dated 11 June 2015** (as revised No. 777 dated 24 May 2018)



CP 2020 scope of events reached covered the entire financial market and focused on three directions

Meeting core KPIs of the Comprehensive Program of Ukrainian Financial Sector Development until 2020 (1/2)

	1 January 2015	1 January 2020	2020
Consumer price inflation (Annualized CPI, %)	24.9%	4.1%	5% ± 1 pp
International Reserves (USD billion)	7.5	25.3	As per the economic program under the agreement with the IMF
Share of cash in the economy (M0/GDP)	17.8%	9.2% ¹	≤9.5%
Banking sector concentration index (HHI)	564.41	1007,63	≥800
Share of cashless settlements ²	25.0%	49.7%	55%
POS terminals per 1 million people ³	4.7	8.0	11,0
Dollarization of loans and deposits ⁴	46.1%	39.0% ⁵	≤40%

¹ Data as of 1 October 2019; ² The share of cashless transactions within the total volume of payment card operations as of 1 October 2019; ³ Ratio of the number of POS-terminals to the population (thousand pieces/million persons) as of 1 October 2019; ⁴ Data as of 1 October 2019; On bank deposits (loans) of residents (except for other banks and the NBU); ⁵ Data as of 1 December 2019.

Meeting core KPIs of the Comprehensive Program of Ukrainian Financial Sector Development until 2020 (2/2)

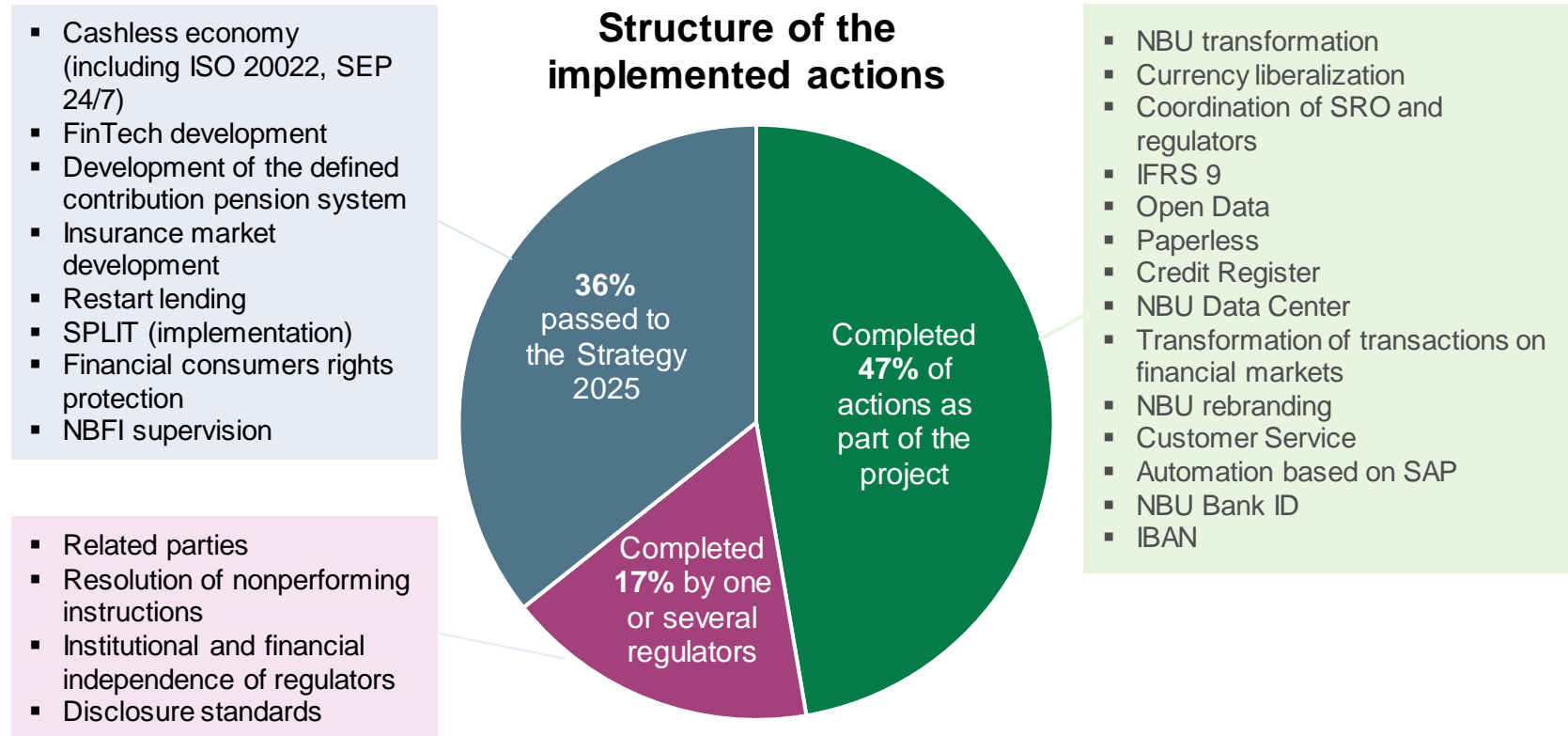
	1 January 2015	1 January 2020	2020
Level of nominal interest rates on new loans in domestic currency ¹	17.6%	19.9%	≤12%
Loan-to-deposit ratio (gross loans)	156%	99.8% ²	≤110%
Level of insurance penetration ³	1,4%	1.4% ⁵	0.75%
Share of eligible assets in insurers' total assets ³	47% ⁶	73.2% ⁵	At least 60%
Pension system's tier II assets ⁷	0%	0%	At least 2%
Assets of public collective investment vehicles ⁸	0.1%	0.1%	At least 10%



The lag in the development of the defined contribution pension system and the crowdfunding market is attributed to the delay in the adoption of laws

¹ Average weighted rates on new loans to residents (except for other deposit corporations) year-on-year, as of 1 November 2019, %. ² Data as of 1 December 2019. ³ The share of insurance payments without incoming reinsurance/GDP. ⁴ The share of eligible assets within total insurers' assets. ⁵ Data as of 1 October 2019. ⁶ Data as of 1 January 2016. ⁷ Ratio of assets to the payroll of participants to the pension system tier 2; ⁸ Ratio of assets of public collective investment vehicles to GDP.

64% of work under CP 2020 has been accomplished or at least by one regulator



CP 2020 performance over five years

- **47%** of all actions were completed
- Actions implemented at least by one regulator **17%**
- Some **36%** of the projects will migrate to CP 2025 (mostly those planned from the outset to be completed in or after 2019)

DASHBOARD: Comprehensive program implementation progress (1/4)

A			NBU	NSSMC	NCFS	DGF	MoF	NABU
Ensuring stability of the financial sector	A.1	Free competition	F	F	F	F		F
	A.2	Currency market liberalization	I		E			
	A.3	Related parties	H	E	E			
	A.4	Solvency and liquidity	G	G	E			
	A.5	Systemically important financial institutions	H	F	F			
	A.6, B.5	New supervision	G	E	E			
	A.6/1	<i>NBFI supervision</i>		F	F			
	A.6/2	<i>Bank and NBFI licensing</i>	H					
	A.7, B.12	Harmonizing and simplifying reporting	F	F	F			
	A.7/1	<i>IFRS 9¹</i>	H					H
	A.7/2	<i>BEPS Action Plan implementation</i>	F				F	
	A.8	AML	F	F	F		F	
	A.9	Cashless economy						
	A.9/1	<i>Converting to ISO20022/ Developing SEP¹</i>	F					
	A.9/2	<i>Developing NPS PROSTIR¹</i>	F					
	A.9/3	<i>Payment market infrastructure and oversight¹</i>	F					
	A.10	Corporate governance	G	G	E			
A.10/1	State-owned banks development strategy	G				G		
A.11	Protecting creditors' rights (Restart Lending)	G	G	G			G	
A.11/1	<i>Resolution of nonperforming instructions</i>	I	F	F				

DASHBOARD: Comprehensive program implementation progress (2/4)

A			NBU	NSSMC	NCFS	DGF	MoF	NABU
	A.11/2	Protecting funds of nonbank financial institutions		E	I			
	A.11/3	Resumption of mortgage lending	F					
	A.11/4	Personal bankruptcy	G					G
	A.12	Infrastructure for troubled asset management	F		F	F	F	F
	A.12/1	Securitization of assets	C	C				
	A.13	Derivatives and other FIs	F	F				
	A.13/1	Crop receipts		E				E
	A.14	Developing the second level of the defined contribution pension system		F				
	A.14/1	Streamlining laws on regulating pillar 3 pension system			F			
	A.15	Stimulating development of the financial sector	F	F	F			
	A.15/1	Developing the financial leasing ¹			F			
	A.15/2	Stimulating development of the nonbank lending market			F			
	A.16	Developing the FinTech market	C	C	C			
	A.17	NBU Credit Register	I					
	A.18	Developing the insurance services market			F			
	A.18/1	Development of insurance intermediaries			F			
	A.19	Consolidation and development of the capital market infrastructure	F	F				
	A.20	Rating agencies		E				
	A.21	Harmonizing taxation of the financial sector instruments		E	E	E	E	
	A.22	Improving performance of the banking system	G					G
	A.23	Early intervention and insolvency resolution	E			D		

Ensuring stability of the financial sector

DASHBOARD: Comprehensive program implementation progress (3/4)

B			NBU	NSSMC	NCFS	DGF
Building institutional capacity of regulators	B.1	Institutional and financial independence of regulators	I	F	F	I
	B.2	Enhance internal control of regulators	H	F	F	
	B.3	Regulators' corrective measures	H	F	F	
	B.4	Regulators' transformation	H	G	F	
	B.4/1	International market of money production	E			
	B.4/2	Redistribution of regulators' functions (SPLIT)	G	G	G	
	B.4/3	<i>Reforming the regulatory function</i> ¹	E			
	B.5, A.6	New supervision	G	E	E	
	B.6	Internal control	G	G	G	
	B.7	Communication of regulators with consumers and stakeholders	H	H	H	I
	B.7/1	<i>New NBU website</i> ¹	I			
	B.7/2	<i>NBU rebranding</i> ¹	H			
	B.8	Abuse in the financial sector	G	E	E	
	B.9	Effectiveness of problem assets management by the regulators and the DGF	F	F	F	F
	B.10	Coordination between regulators	D	D	D	
	B.11	Coordination of SRO and regulators		I	I	
	B.12, A.7	Harmonizing and simplifying reporting	F	F	F	
	B.13	IT Development	G	G	G	
	B.13/1	<i>Electronic workflow</i> ¹	I	G	G	
	B.13/2	<i>Bank ID system</i> ¹	G			
13/3	<i>Data processing and storage center</i> ¹	E				
B.13/4	<i>NBU E-Archive</i> ¹	G				

DASHBOARD: Comprehensive program implementation progress (4/4)

C	Consumer and investor rights protection		NBU	NSSMC	NCFS	DGF	FST	project
			C.1	Financial literacy of the population	E		C	I
C.2	NSSMC information disclosure standards	I	I	F				
C.3	Exercise of investors' rights		F					
C.4	System of consumer rights protection in financial services	G	F	F	I			
C.4/1	<i>Establishing the financial ombudsman institution ²</i>						F	

That is how we know each performance stage of each project and can facilitate each stage.

Legend

The project status shows the implementation stage:

- A** analyzing the status and its impact on the entire financial sector;
- B** analyzing the international experience and its application for the project;
- C** creating and approving the solution to the issues based on the expertise and modelling the outcome;
- D** discussing the solution with the expert community and adjacent ministries and amending it;
- E** drafting new laws;
- F** adopting new laws;
- G** implementing laws and secondary laws (if necessary);
- H** analysis of expected effects from implementation and possible adjustment of actions;
- I** operation of the system in the new legal framework.

¹ individual project (as part of the Program)

² USAID FST leads the projects

Since 2015, over 50 legal acts were approved for reforming the financial sector

Critical legal acts for this period



Law of Ukraine No. 289-VIII dated 7 April 2015
On Protection of Creditors' Rights



Law of Ukraine No. 2277-VIII dated 6 February 2018
Establishment and maintenance of the NBU's Credit Register



Law of Ukraine No. 2597-VIII dated 18 October 2018
On Code of Insolvency Proceedings



Law of Ukraine No. 542-VIII dated 18 June 2015
Building institutional capacity of regulators



Law of Ukraine No. 2418-VIII dated 15 May 2018
On Attracting Foreign Investments



Law of Ukraine No. 79-IX dated 6 September 2019
On Consolidation the Regulation of the Financial Services Market (Split)



Law of Ukraine No. 629-VIII dated 16 July 2015
On Resolution of Insolvent Banks



Law of Ukraine No. 2473-VIII dated 17 May 18
On Currency



Law of Ukraine No. 1734-VIII dated 15 November 2016
Law of Ukraine No. 122-IX dated 6 September 2019
On Protection of Consumer Rights in Financial Services



Law of Ukraine No. 1414-VIII dated 14 June 2016
On Financial Restructuring



Law of Ukraine No. 2478-VIII dated 3 July 2018
On Resumption of Lending



Law of Ukraine No. 229-IX dated 29 October 2019
Law of Ukraine No. 2102, 2103 dated 2 December 2019
Law amendments on the account of FATCA



Law of Ukraine No. 1983-VIII dated 23 March 2017
Corporate Governance (Squeeze-out and Sell-out)



Law of Ukraine No. 2155-VIII dated 5 October 2017
On Electronic Trust Services



Law of Ukraine No. 2491-VIII dated 5 July 2018
On Improving the Financial Sector Operation



Law of Ukraine No. 1985-VIII dated 23 March 2017
On Simplifying Bank Reorganization and Capitalization Procedures



Law of Ukraine No. 2210-VIII dated 16 November 2017
On Disclosure of Information in the Stock Market and Streamlining Securities Issue



Law of Ukraine No. 2491 dated 6 December 2019
On Financial Monitoring

Key outcomes of the financial sector reform as part of CP 2020

Created conditions for transition to Basel III ratios for banks	Lifted currency restrictions, old Decrees expunged	Introduced new risk management standards at banks	Banks' transition to IFRS 9	Outsourced cash processing model
Approved strategy for reforming the banking system	Introduced electronic signature in the banking system	Commenced cooperation with Clearstream	Improved information disclosure standards	Improved corporate governance of the financial market
Implemented a risk-oriented supervision	Established Credit Register	Improved requirements for professional activity in the stock market and risk management	Enhanced financial monitoring	Improved listing requirements, conduct of stock market audit
Introduced BANK ID	Regulated information security and cybersecurity	Groundwork for banks' conversion to the paperless operation	Tightened requirements to insurer solvency	Commenced functions of consumer rights protection