



STRATEGY OF UKRAINIAN FINANCIAL SECTOR DEVELOPMENT UNTIL 2025

Presentation for the 16 January 2020 event

To ensure the harmonious development of the financial sector, its regulators have signed a memorandum of coordination towards a common goal



MINISTRY OF
FINANCE OF
UKRAINE



Promoting sustainable
economic growth in
Ukraine

Ensuring
macrofinancial stability

Improving the reliability
and adaptability of the
financial system



Achieving EU standards in
the financial market

Increasing confidence
in the financial market

Coordination of regulators until 2025 is reflected in the Strategy of Ukrainian Financial Sector Development

The Strategy of Ukrainian Financial Sector Development is a unique document that not only combines the setting of regulatory policy vectors and the identification of strategic goals, but also provides a roadmap for the implementation of these plans.

Strategy highlights:

- Current state of Ukraine's financial sector
- Outlook: vision and mission
- Strategic objectives for 2025, expected deliverables
- Implementation roadmap
- Ukraine's international commitments in financial services

Section I outlines the current condition of the financial sector and identifies trends and issues

Context that shaped the new strategy

- Macrofinancial stabilization after financial sector reform in 2014–2019
- Clean banking sector and stock market; improved regulation of the markets for nonbank financial institutions (NFIs)
- Institutionally independent and capable NBU and Deposit Guarantee Fund (DGF)
- E-signature and the system for collecting and processing reporting documents and information through electronic channels

Trends

- Competition in the bank and nonbank segments is rising
- The volume of cashless transactions is growing; the list of remote financial transactions is expanding

Problems

- Restrained competition due to a large market share of state-owned banks
- The need to bring the NFI markets closer to international standards of operation
- Insufficient protection of creditor rights, and the unresolved problem of NPLs
- Inefficient and underdeveloped infrastructure of capital markets and organized commodity markets, with low transaction volumes
- Fragmented and underperforming state support for lending to the real economy (including small and medium-sized banks (SMBs))
- Low contribution of NFIs to economic growth

Section II defines the vision and mission of the financial sector: the outlook on the future condition of the financial sector and its role in the Ukrainian economy



VISION OF UKRAINE'S FINANCIAL SECTOR

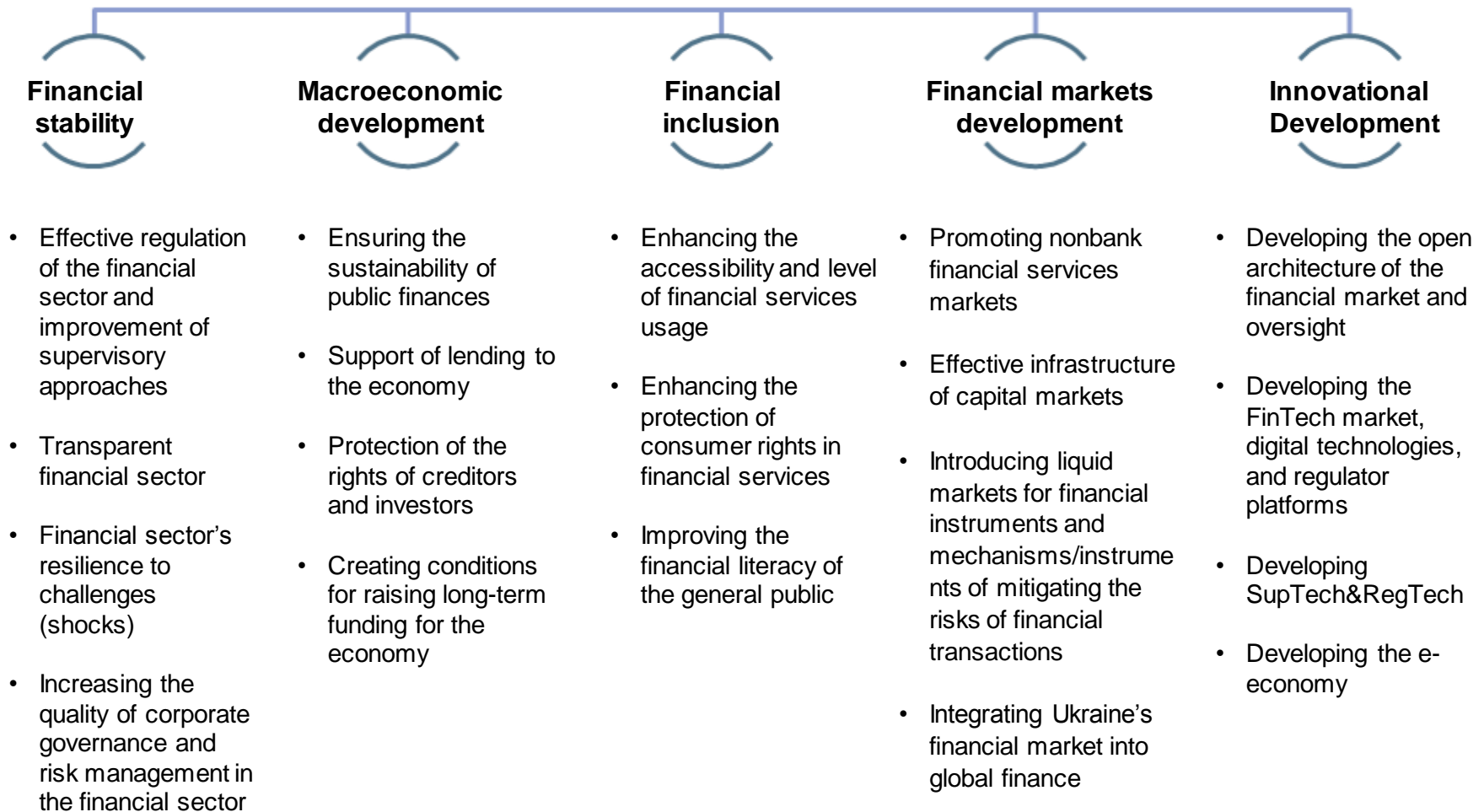
The Ukrainian financial sector is internationally integrated, effective, sustainable, competitive, and dynamic. It ensures that Ukraine's economic growth is stable and inclusive



MISSION OF UKRAINE'S FINANCIAL SECTOR

The Ukrainian financial sector drives the stable and inclusive development of Ukraine's economy and helps improve people's welfare by ensuring the effective accumulation, distribution, and circulation of financial resources in the economy

Section III sets top-level strategic directions and goals for the development of the Ukrainian financial sector until 2025



Section IV provides a detailed Roadmap for the achievement of the 2025 Strategy's goals: 74 measures are identified, which are broken down into 268 separate actions



Developing the open architecture of the financial market and oversight



Deoffshorization/unshad owing of the economy BEPS and voluntary disclosure of earnings



Proportionality of regulatory requirements Harmonization of regulatory approaches and standardsj



Capital markets development Integrating hryvnia financial instruments into global finance



Development of technologies and their implementation in:
- Supervision (RegTech, SupTech, compliance)
- financial market (FinTech, remote channels, cashless, integration of market players)



Proportionality of regulatory requirements Harmonization of regulatory approaches and standardsj



Sustainable fiscal position



Accessibility of financial services Inclusion, financial literacy



Market conduct standards



Lending development



e-Government



Demonopolization



Dedollarization

Section V describes the coordination of the Strategy's measures with Ukraine's international legal commitments

Association with the EU

The strategy provides for the **implementation of 45 of the EU's 69 financial sector regulations** envisaged by the Association Agreement

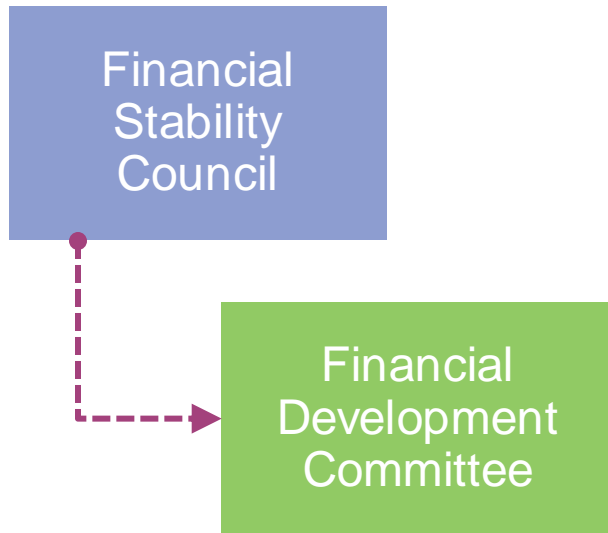
Major directives to be implemented: CRD IV, CRR, BRRD, DGSD, PSD2, Solvency II, MiFID II, MiFIR, CSDR, MAR, MAD, EMIR, UCITS, IORPs, AML

Implementation of best practices

International standards and commitments will be implemented, including

- standards of the Basel Committee on Banking Supervision
- principles of financial market infrastructure (PFMI)
- OECD principles, FATF recommendations, MONEYVAL
- BEPS plan, FATCA
- standards of the International Association of Insurance Supervisors (IAIS)
- standards of the International Organization of Securities Commissions (IOSCO)

Strategy Implementation Control Tool – Financial Development Committee of the Financial Stability Council



- Committee meets no less than four times a year
- Strategy implementation reports are filed on a quarterly basis

Composition of the Committee

- NBU Governor (Head of Committee)
- Minister of Finance
- Head of NSSMC
- Head of the National Commission for the State Regulation of Financial Services Markets
- DGF Managing Director
- NBU Deputy Governor
- Deputy Minister of Finance
- Objectives NSSMC Member
- Member of the National Commission for the State Regulation of Financial Services Markets
- DGF Deputy Managing Director

Objectives

- identifying directions and priorities for the implementation of the Strategy of Ukrainian Financial Sector Development until 2025
- facilitating the coordinated implementation of the measures stipulated in the Strategy of Ukrainian Financial Sector Development until 2025; monitoring the effectiveness of their implementation
- consideration of proposed action plans for financial sector development



Annexes


Main areas of focus of coordinated efforts

	<h2>Financial stability</h2>	<p>The financial system serves as a high-tech driver of the development and unshadowing of the economy by acting as a financial intermediary and through the transmission mechanism of corporate governance and market conduct standards</p>		
<p>Improving the model of financial sector regulation</p>	<p>Increasing the institutional capacity and independence of regulators and the DGF</p>	<p>Harmonization of regulatory requirements, and international cooperation</p>	<p>Developing the supervision and oversight of the financial sector, and combatting abuse</p>	<p>Improving the deposit guarantee system, and the resolution of insolvent financial institutions</p>
<p>Increasing the openness of information sharing between financial sector regulators, government agencies, and financial service providers</p>	<p>BEPS Action Plan implementation in Ukraine</p>	<p>Joining the international system for the exchange of financial account information</p>	<p>Ensuring control over credit risks</p>	<p>Increasing the requirements for the resilience of professional stock market participants</p>
<p>Preventing liquidity shortages</p>	<p>Restriction of risk concentration</p>	<p>Managing the systematic impact of distorted incentives and ensuring competition</p>	<p>Increasing the level of corporate governance of financial sector participants</p>	<p>Strengthening the system for the internal control of financial sector participants</p>
	<p>Improving the efficiency of the investor rights enforcement system</p>		<p>Introducing social and environmental responsibility</p>	

Main areas of focus of coordinated efforts

	Macroeconomic development	Ensuring sustainable and quality economic growth at its potential level when inflation is low. The financial and banking system performs the function of financial intermediation effectively. Creating a favorable business environment		
Pursuing a sound fiscal policy and coordination in a budgeting framework	Ensuring debt sustainability and reducing fiscal risks	Development of the domestic market for government securities	Support of lending to SMEs	Adapting IFIs' quasi-equity instruments for use in Ukraine
Encouraging lending to agricultural businesses, including farms, against security of land	Syndicated lending development	Reducing barriers to mortgage lending	Export promotion	Stimulating the development of the nonbank lending market
Building infrastructure to effectively manage problem assets	Improving the framework for ensuring compliance with obligations	Improving the efficiency of judicial proceedings and the enforcement of court rulings	Establishing of alternative ways to resolve disputes	Introducing level II of the pension system
	Improving the laws on the regulation of level III of the pension system, and raising the efficiency of private pension funds	Building and regulating crowdfunding platforms and raising venture capital	Introducing the regulation of and establishing a national investment fund	

Main areas of focus of coordinated efforts

	Financial inclusion	To improve their wellbeing, individuals are actively and consciously using modern financial instruments	
Promoting the development of payment infrastructure for cashless transactions, including in rural and remote areas	Creating conditions for the development of remote channels to sell financial services	Developing and implementing the regulation of the market conduct of financial players	
Ensuring the transparency of information on financial services and products	Protection of depositors and investors	Holding informative and educational events for different target audiences	

Main areas of focus of coordinated efforts

	Financial market development	hryvnia financial instruments have been integrated with the global financial markets		
Deregulation of markets for nonbank financial services (except for the securities market) with a low level of risks	Development of the insurance services market	Enhancing the use of financial leasing by legal entities	Enhancing the use of credit unions by business entities	Advancing the protection of trustors of construction investment funds
Ensuring the provision of tax incentives and harmonizing the taxation of financial sector instruments	Introducing the comprehensive assessment of the competitiveness of Ukraine's markets for bank and nonbank financial services	Improving the settlement and clearing infrastructure of capital markets and organized commodity markets	Gradual implementation of international standards for the operation of capital markets infrastructure, particularly the CSDR, EMIR, MIFID II, MIFIR, and PFMI requirements	Ensuring the upgrade, consolidation, and development of the stock-exchange and depository infrastructure of capital markets and organized commodity markets
Ensuring the development of the institution of nonbank financial sector intermediaries	Ensuring the development of the institution of rating agencies	Introducing new and developing existing financial instruments	Establishing liquid markets for financial instruments and mechanisms/instruments for mitigating the risks of financial transactions	Introducing the institution of and developing a market for asset securitization
	Facilitating the trading in hryvnia financial instruments in international markets	Integrating Ukraine's financial market into European finance and expanding international cooperation	Harmonization of Ukrainian laws with EU laws on transactions with investment metals	

Main areas of focus of coordinated efforts



Innovative development

Digital without limits (digital society, cybersecurity, internet, digitalization, access to information, communications)

Alignment of Ukrainian laws on payment services with EU regulations	Introducing new payment standards and formats (ISO 20022)	Promoting the development of new technologies for payments and money transfers	Developing NPS PROSTIR	Ensuring the development of digital technology, computer-aided design, big data analysis, blockchain, automation, robotics, and AI
Exploring the possibility of issuing the e-hryvnia, a digital currency of the central bank	Encouraging the implementation of innovative technologies in compliance	Introducing innovative tools for data exchange between the NBU, other state institutions, and financial market participants	Encouraging regulators to use up-to-date IT technologies	Improving information disclosure based on electronic reporting standards
Expanding market participants' access to public registers	Development of the NBU's remote identification system BankID and online financial services	Introducing a remote transactions system in contribution pension provisioning and crowdfunding	Development and use of cloud technologies, development of IT infrastructure	Spreading the use of paperless technologies

More about the Strategy

