Financial Stability Council
Report on Activities

(August 2019 – July 2020)

National Bank of Ukraine

MINISTRY OF FINANCE OF UKRAINE

ФГВФО

Kyiv 2020

Foreword

Over the reporting period, the Financial Stability Council (Council hereinafter) worked further on maintaining financial stability in Ukraine, while reacting to the challenges posed by the outbreak of the COVID-19 crisis.

Situation with budget execution in 2020 was very challenging in view of measures related to quarantine restrictions. Thanks to active cooperation of institutions represented at the Council and support from the IMF and other international sponsors, fiscal and debt risks were mitigated.

The Council approved plans to resolve non-performing exposures at state-owned banks to promote clearing off accumulated NPLs from the banks' balance sheets. The plans provide for the NPL ratio reduction in state-owned banks' portfolios to 31% in 2023 from current 66%. That is a UAH 300 billion cut in absolute terms.

In June 2020, risks emerged that the Law on personal deposit guarantee system will be declared unconstitutional. Such a decision would put out of the legal field the whole deposit guarantee scheme, as well as procedures for bank resolution and liquidation. Prolonged examination of the case at the Constitutional court would add to legal uncertainty. Therefore, the Council urgently established a working group charged with development of an action plan to mitigate potential risks to financial stability.

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Composition of the Financial Stability Council[1]

Co-chairpersons of the Council:

Oksana **Markarova** *(until 4 March 2020)* Sergii **Marchenko** *(from 30 March 2020)*	– Minister of Finance of Ukraine
Yakiv **Smolii** *(until 3 July 2020)* Kyrylo **Shevchenko** *(from 20 July 2020)*	– Governor of the National Bank of Ukraine (NBU)

Members of the Council:

Tymur **Khromaev**	– Head of the National Securities and Stock Market Commission (NSSMC)
Ihor **Pashko** *(until 1 July 2020)*	– Head of the National Commission for the State Regulation of Financial Services Markets (NCFS)
Svitlana **Rekrut**	– Managing Director of the Individuals' Deposits Guarantee Fund (DGF)
Kateryna **Rozhkova**	– First Deputy Governor of the National Bank of Ukraine
Yuri **Geletiy** *(until 22 July 2020)*	– Deputy Minister of Finance of Ukraine for European Integration

[1] As of July 2020

Key issues considered by the Financial Stability Council

The Council held five meetings between August 2019 and July 2020.

1. Overview of systemic risks

The National Bank of Ukraine presented an overview of current risks and their change at regular Council meetings (Table 1).

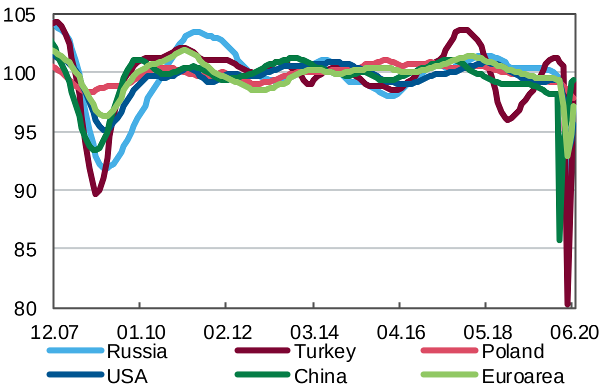
Table 1. Evolution of systemic risks

	2019		2020	
	Q3	Q4	Q1	Q2
Global economy	↗	→	↗	↗
External demand	↗	→	↗	→
Economic conditions	↘	→	↗	↗
Public finance	↗	↗	↗	↗
FX market	↘	→	↗	→
Geopolitics	↗	→	→	→

Note:
Evaluation of change of risks. Arrows up – higher risks; arrows down – lower risks.

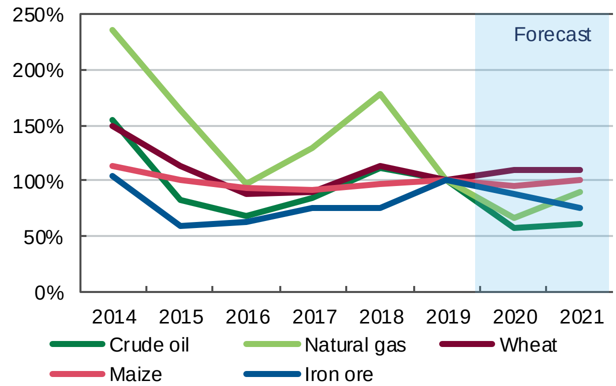
Global economy. In H2 2019, growth in global trade halted, and economic growth of all Ukraine's trading partners decelerated, primarily due to USA-China trade conflict. In early 2020, global economy growth recovered. However, a recession started in China in February, and from mid-March spread to the rest of the world. The IMF expects world economy contraction of over 5% in 2020 (worse than in 2008-2009) *inter alia* a fall of 7.1% in the EU. The Fed and the ECB responded to recession risks in 2019 by cutting policy rates. With the start of the COVID crisis, the Fed and the ECB expanded quantitative easing programs and relaxed regulatory requirements, and the Fed further cut the policy rate. Capital started to flow out of emerging markets. In Q2 2020, first signs of recovery emerged: leading indicators trended up in several regions.

Figure 1. OECD's composite leading indicators (CLI)* for major trading partners of Ukraine



* CLIs are designed for early identification of turn of business cycle (six to nine months prior to the turn). Readings above 100 indicate expected growth, below 100 – economic contraction.
Source: OECD.

Figure 2. World commodity prices*, 2019 = 100%

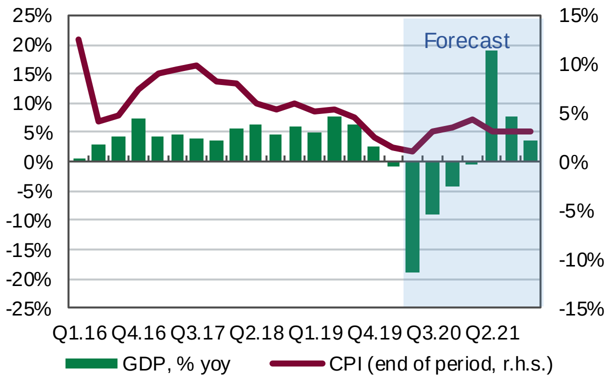


* Crude Oil - crude oil Brent; Natural Gas - Russian Natural Gas border price in Germany; Iron Ore - China import Iron Ore Fines 62% FE; Wheat, Maize - FOB prices on US markets.
Source: IMF, World Economic Outlook, April 2020

External demand. From February 2020, weak global demand pushed down international prices for most commodities, except for iron ore and cereals. Iron ore prices were below local highs of July 2019, but remained relatively high. Steel prices fell in Q4 2019 – Q1 2020; later on, a gradual price recovery is expected, including thanks to Chinese economy returning to growth. Oil prices fell to their lowest since 2008-2009 but later returned to growth, inter alia due to OPEC+ efforts and thanks to gradual recovery of economic activity since end-Q2.

Economic conditions. Total demand dynamics, more upbeat economic sentiment, and expected softening of monetary policy inspired better expectations in early 2020. With the outbreak of the COVID crisis, the NBU substantially revised its forecast for 2020. Expected GDP fall under the baseline scenario will be around 6%. The strongest negative impact materialized in Q2. The current crisis is unusual as there is no devaluation pressure and inflation hike.

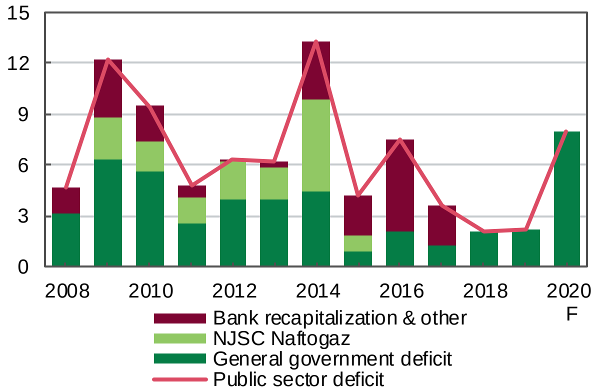
Figure 3. Change in GDP and consumer price index (CPI), % yoy



** NBU forecasts, NBU Inflation Report, July 2020. CPI estimation for Q2 2020 are based on May results.*

Source: NBU, State Statistics Service of Ukraine.

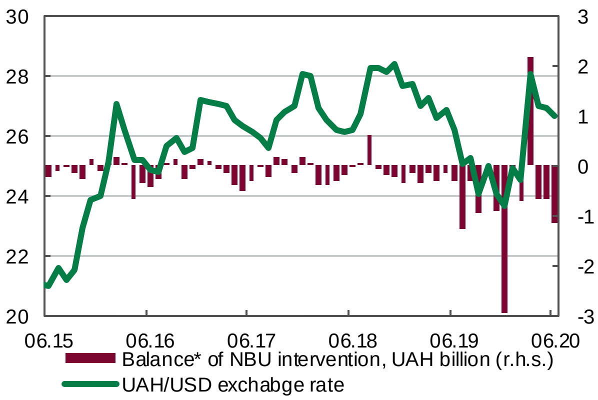
Figure 4. Broad public sector deficit, % GDP



Source: NBU Inflation Report, July 2020.

Public finance. With the beginning of the crisis, public finance came under pressure due to the measures to fight COVID fallout and high debt repayments in May. However, thanks to external financing and domestic funding, the government accumulated considerable funds to cover future debt repayments and to support economy.

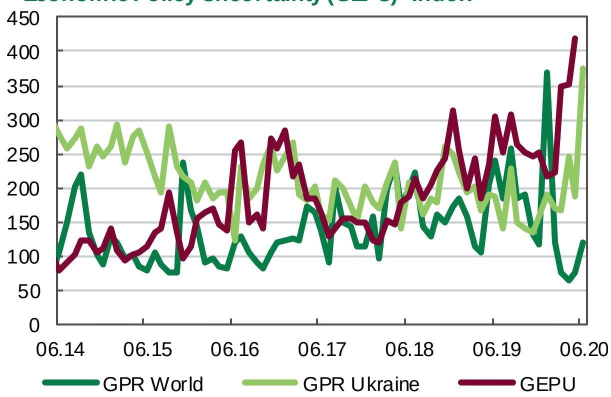
Figure 5. Dynamics of the foreign currency market.



** Negative readings indicates net currency purchase.*

Source: NBU.

Figure 6. Geopolitical Risk (GPR)[2] Index and Global Economic Policy Uncertainty (GEPU)[3] Index



Source: Dario Caldara and Matteo Iacoviello; Davis, Steven J.

[2] https://www2.bc.edu/matteo-iacoviello/gpr.htm
[3] http://www.policyuncertainty.com/global_monthly.html

FX market. Throughout 2019, Ukrainian hryvnia strengthened on the back of a moderate current account deficit and capital inflow. Higher demand for foreign currency appeared with the spread of pandemics since mid-March 2020, however, it subsided already in April.

Geopolitics. In H2 2019 – early-2020, tensions remained high because of potential disorderly Brexit scenario or indefinite postponement of the Brexit, partisan political tensions in the USA, escalation between NATO and Turkey, unrests in Latin America. From March 2020, pandemics and its impact on global economy and policy of leading countries became the key risk drivers. Geopolitical conflicts abated for a short while. However, global economic policy uncertainty reached new record highs. Conflict in the east of Ukraine remains, settlement prospects are unclear.

Box 1. Risks and key recommendations of financial stability councils/ committees around the world (impact of COVID-19)

The Council's Secretariat followed systemic risks identified by international and national financial stability committees / councils, as well recommendations they made. Since March 2020, COVID threats overshadowed the risks that were identified in H2 2019 and early 2020 (like disorderly Brexit, potential escalation of trade wars, primarily between USA and China, increasing real estate prices in a number of jurisdictions, high corporate and household debt burden in advanced countries).

Figure 7. Key decision and recommendations of financial stability committees / councils in response to coronacrisis

Releasing capital buffers and restrictions on dividend distribution	• releasing countercyclical buffer (FPC, HCSF) or systemic risk buffer (FSC PL) • restrictions on dividend and bonus distribution (ESRB, FPC, HCSF, FSC PL)
Easing regulatory burden	• canceling stress tests for 2020 (FPC) • postponing implementation of recommendations on best practices on mortgage credit risk management (FSC PL)
Enhanced monitoring of liquidity risks	• enhancing liquidity stress tests (ESRB) • mitigating procyclicality of liquidity requirements (ESRB) • enhancing monitoring of liquidity risks of insurers (ESRB) • enhancing monitoring of liquidity risks from margin calls (ESRB)
Enhanced monitoring of economic situation and condition of financial institutions, assessing anticrisis policy responses	• monitoring of outcomes of anticrisis measures (ESRB, FPC, FSC Pl, FSC SW) and implementation of anticrisis agreements (FSB) • monitoring of the crisis impact on SMEs (FSC SW) • analysis of migration of securities from investment to non-investment grade (ESRB) • study of new risks stemming from the crisis (FSB)
Coordinating policy responses and information sharing	• at the international level (ESRB, FSB) • broader cooperation with non-member jurisidctions (FSB) • at the national level (FSC SW)
(for banks) Maintain lending to real economy	• FSC PL, FSC SW

Note:
FSB – G20 Financial Stability Board; ESRB – European Systemic Risk Board; FSOC – Financial Stability Oversight Council (USA); FPC – Financial Policy Committee of the Bank of England; HCSF – High Council for Financial Stability (France); FSC PL – Financial Stability Committee (Poland), FSC SW – Financial Stability Council (Sweden).

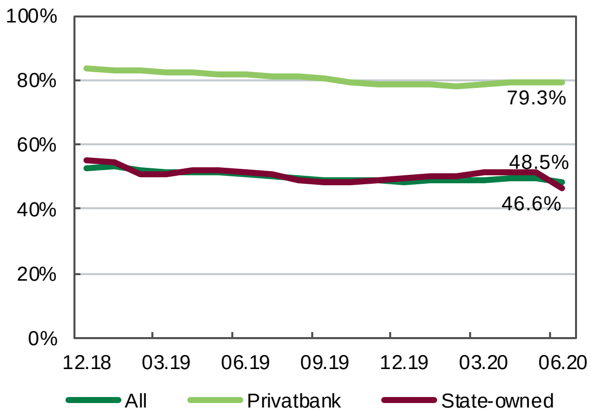
An important discussion point was transition from LIBOR to market-based benchmark rates (FPC, FSB). FSB recommended regulators and financial institutions to make use of flexibility built into existing financial standards and to ensure uninterrupted access to financial resources for businesses and households that experience temporary difficulties because of COVID. FSB also urged them to ensure of availability of liquidity where required within the system. Among other interesting discussion topics of those bodies, it is worth noting FPC debates on risks related to spread of financial services based on cloud technologies.

2. Resolution of non-performing exposures at state-owned banks

The cutting back on non-performing loan (NPL) portfolios, mostly legacy ones, goes on. In 2019, state-owned banks resolved UAH 40 billion worth of NPLs.

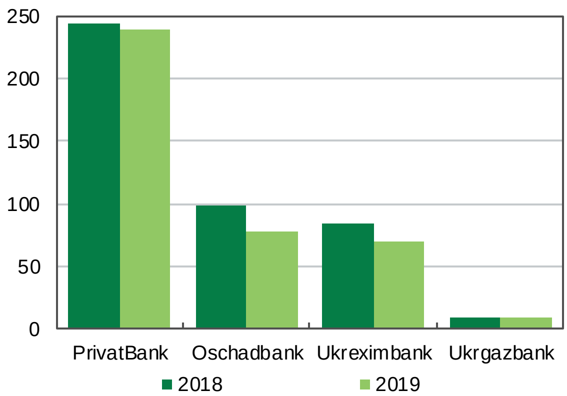
However, the pace of reduction was not satisfactory. Therefore, the state-owned banks developed action plans for NPL resolution in line with updated Guidelines for strategic reform of state-owned banks. Cabinet of Ministers of Ukraine promoted clearing of balance sheets of state-owned banks through its regulation on resolution instruments (Regulation "On certain aspects of non-performing exposure management at state-owned banks" of 15 April 2020).

Figure 8. Share of NPL in banks' portfolios



** Excluding PrivatBank.*
Source: NBU.

Source 9. Volume of NPLs in portfolios of state-owned banks, UAH billions



Source: Ministry of Finance of Ukraine.

In late June, the Council considered and adopted NPL resolution plans presented by state-owned banks under condition that these plans are updated with regard to Council's recommendations.

The plans approved by the Council provide for reduction of NPL portfolio of state-owned banks by UAH 305 billion over the next three years.

To achieve this objective, the banks will write off the balance sheets NPLs that are 100% provisioned for. It is worth noting that writing off does not mean debt forgiveness – banks will further work on debt recovery. Moreover, banks will restructure viable loans, foreclose collateral and sell it, sell NPLs and or cut them through claim assignment.

Approval of action plans on NPL resolution means that Ukraine met one of benchmarks in its cooperation with the IMF.

Council's position. To approve NPL resolution plans presented by state-owned banks under condition of implementation of recommendations made by the Council members.

3. Strategy of Ukrainian Financial Sector Development until 2025

In January 2020, Member institutions of the Council signed and started to implement Strategy of Ukrainian Financial Sector Development until 2025. This Strategy is a successor of Comprehensive program for financial sector development until 2020. The suggested approach ensures further advance of reforms and development of Ukrainian financial sector in line with the best international practices, as well as implementation of Ukraine-EU Association Agreement and meeting international commitments that Ukraine undertook.

Financial regulators and ministries concerned developed the Strategy in March-December 2019. They held two rounds of public consultations with representatives of financial market, industry associations, public and international organizations, and experts. In December 2019, the Council established a working group (Committee) for the Strategy implementation – the Financial Development Committee. The Committee first met in January 2020 (see Box 2 on Financial Development Committee).

The Strategy is being implemented through individual measures (projects) stipulated in roadmap, in line with project management principles. The abovementioned Committee will update the Strategy.

The Strategy outlines five strategic areas: financial stability, macroeconomic development, financial inclusion, financial market development, and innovation development. Each area has its own strategic objectives and benchmarks.

Figure 10. Objectives of the Strategy of Ukrainian Financial Sector Development until 2025

Financial Stability
- Effective regulation of the financial sector and improvement of supervisory approaches (enhanced institutional capacity and independence of regulators)
- Transparent financial sector (open information sharing, BEPS)
- Financial sector's resilience to challenges (control over credit risks, preventing liquidity deficit, caps on exposure concentration)
- Increasing the quality of corporate governance and risk management in the financial sector

Macroeconomic development
- Ensuring the sustainability of public finances (policy coordination within budget process, debt sustainability, and mitigation of fiscal risks)
- Support of lending to the economy (support to SMEs, promoting lending to farmers against land as collateral)
- Protection of the rights of creditors and investors (enhancing efficiency of court procedures and execution)
- Ensuring conditions for raising long-term funding for the economy

Financial inclusion
- Enhancing the accessibility and rate of penetration of financial services (promoting payment infrastructure development)
- Enhancing the protection of consumer rights in financial services (introduction of market conduct regulation for financial market players)
- Improving the financial literacy of the general public

Financial market development
- Promoting nonbank financial services markets
- Effective infrastructure of capital markets
- Introducing liquid markets for financial instruments and mechanisms/instruments of mitigating the risks of financial transactions
- Integrating Ukraine's financial market into global finance

Innovation development
- Developing the open architecture of the financial market and oversight
- Developing the FinTech market, digital technologies, and regulator platforms
- Developing SupTech&RegTech
- Developing the e-economy

There will be two streams of work on the Strategy: implementation of the roadmap and strategy update. Under the Strategy implementation, several projects have been initiated, training on project management has been offered, and reports are being collected. In order to update the Strategy, the development team collects on regular basis suggestions from market participants, experts and authorities. There is a procedure for a quarterly review of the suggestions.

One of the first steps on the Strategy implementation in the area of innovation development. In particular, the NBU approved in July 2020 Strategy for FinTech development in Ukraine until 2025. The Strategy aims at sustainable innovation development, promoting Cashless economy, and upgrading financial literacy of business and households. The document structures and works out in detail trends for financial innovations for the next five years. The key elements of the Strategy are:

- Development and implementation of a concept for a fully-fledged regulatory sandbox for quick tests of innovative projects;
- Improving financial literacy and inclusion for businesses and households;
- Launching of an academic base with a focus on open banking.

Overall, the Strategy implementation should ensure a transparent, competitive, sustainable high-tech financial sector in five years. This way, the sector will drive sustainable and inclusive development of Ukrainian economy and promote higher household wealth through effective accumulation and distribution of financial resources in the economy.

Council's position. To establish Financial Stability Committee as a focused working group on strategic development, planning, and coordination of positions on development and implementation in Ukraine of decisions related to financial services markets development. To approve terms of reference and personal composition of the Committee.

Box 2. Financial Development Committee

In May 2019, the NBU, the National Securities and Stock Market Commission (NSSMC), the National Commission for State Regulation of Financial Services Markets (NCFS), the Deposit Guarantee Fund (DGF), and the Ministry of Finance signed a Memorandum of understanding and cooperation on development and implementation of Strategy of Ukrainian Financial Sector Development until 2025 (the Strategy). In line with the Memorandum, an Executive Committee made of representatives of signing authorities was to be established to ensure the Strategy implementation. On 13 December 2019, the Council decided to establish a working group (Committee) on financial development. Each signing institution delegated two representatives to the Committee. NBU Governor chairs the Committee. Key objectives of the Committee are:

- Identifying guidelines and priorities of the Strategy implementation;
- Promoting coordinated implementation of measures outlined in the Strategy; ensuring monitoring of implementation thereof;
- Reviewing offers on planning measures on financial sector development.

At its first meeting, the Committee considered roadmap for the Strategy implementation, including distribution of measures between areas and responsible institutions.

The Committee also established a communication platform, taking on board market representatives and relevant experts. On 15 May 2020, the Committee held an on-line meeting of the consultation platform. Nearly 50 representatives of the NBU, NSSMC, NCFS, DGF, Ministry of Economy and Ministry for Digital Transformation, as well as from industry association attended the meeting. Participants discussed the following issues:

- Implementing project management approaches while implementing the Strategy and organizing reporting;
- Reviewing suggested updates to the Strategy (under regular update of the action plan);
- COVID-19 impact upon the Strategy.

4. Risks stemming from potential declaring unconstitutional the Law on personal deposit guarantee system

In June 2020, the Constitutional court of Ukraine, for the first time since 2016, returned to active examination of constitutional appeal by the Supreme Court of Ukraine No. 4/1868(15) of 7 August 2015. The Supreme Court inquired whether the Law of Ukraine "On personal deposit guarantee system" (Law hereinafter) was in line with provisions of Ukrainian Constitution. The appeal aims to recognize the Law unconstitutional. The appeal questions DGF mandate, as the authors of the appeal believe that the Law vests the DGF with mandate and functions of a state authority. They also believe that the Fund is not an authority under the Constitution.

If the Constitutional Court satisfies the appeal in full, the institution of deposit guarantee system, as well as bank resolution and liquidation procedures will be instantly put out if the legal field. Potential consequences of such ruling would be:

- Destruction of insurance scheme for majority of deposits
- Evasion of responsibility by bank owners and related parties who caused bank failures. The DGF will have to wrap up its work in foreign jurisdictions on search for assets siphoned off the banks by ex-owners and bank related persons and on drafting charges against these persons. Therefore, the ex-owners will own the funds they siphoned off and recovery for creditors and depositors will not be possible
- The state will suffer at least UAH 113 billion of direct losses – that is the money that the DGF has to repay on loans (interest included) it took from the state to compensate for guaranteed deposits
- There will be grounds to contest legally any asset purchase agreement for anyone, from ex-owners of the bank to dishonest borrowers. This will be a devastating blow to Ukraine's investment reputation
- Rendering impossible implementation of EU acquis provisions on bank regulation, including introduction of early warning system allowing early identification of problems that could cause bank failure and taking respective mitigation measures.

The most adverse scenario is cancelling the Law as a whole from the date of the Constitutional court ruling publication. However, cancellation of the Law with a lag is also an adverse scenario as it gives rise to legal uncertainty and provide ex-owners of failed banks with arguments for litigations.

Council's position. To establish urgently a working group charged with developing an action plan for mitigation for potential financial stability risks should the Constitution court of Ukraine make an unfavorable ruling on the case. The working group will comprise of the National Bank of Ukraine, Ministry of Finance of Ukraine, and Deposit Guarantee Fund.

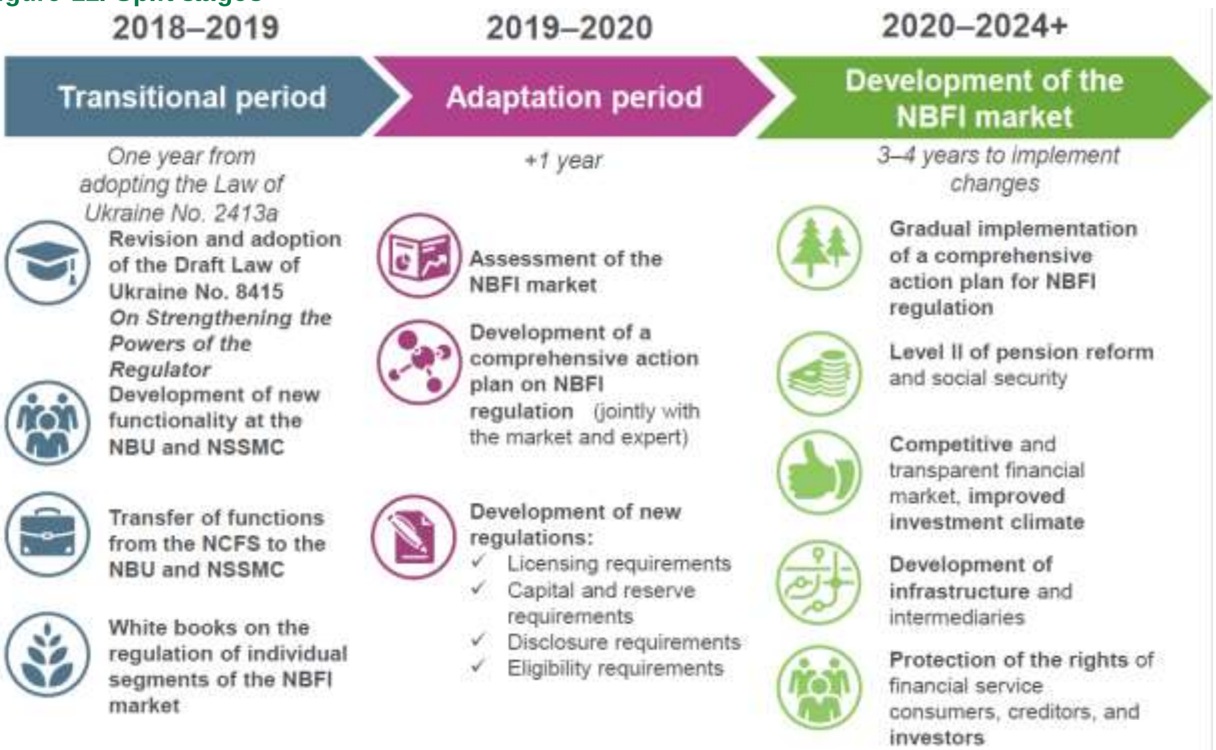
Split and its impact on financial stability

In September 2019, the parliament of Ukraine adopted the Law "On certain amendments to laws of Ukraine on improved function of state regulation of financial services markets". This Law provided for the so-called split – liquidation of the National Commission for State Regulation of Financial Services Markets (NCFS) and splitting its mandate on regulation of the financial services markets between the National Bank and the National Securities and Stock Market Commission (NSSMC). In particular, the NBU took over regulation of insurance, leasing, and factoring companies, credit unions, pawnshops, and credit bureaus, while the NSSMC became regulator of private pension funds and building funds. This Law marks the transition from sectoral to more efficient integrated regulation model. Therefore, Ukrainian system for supervision and regulation of financial sector will be more in line with global trends (see Box 3. Framework for financial sector supervision in Ukraine and across the world).

The ultimate split goal is ensuring solvent, sustainable, competitive market for non-bank financial services in Ukraine with proper protection of consumers of these services and clients of financial institutions. This requires the following steps:

- building of integrated model for regulation and supervision of financial markets
- developing non-bank financial sector in line with best international practices, EU association agreement, and international commitments of Ukraine
- rebuilding trust in non-bank financial institutions
- enhancing protection of rights and interests of consumers of financial services
- developing financial instruments and financial market infrastructure.

Figure 11. Split stages

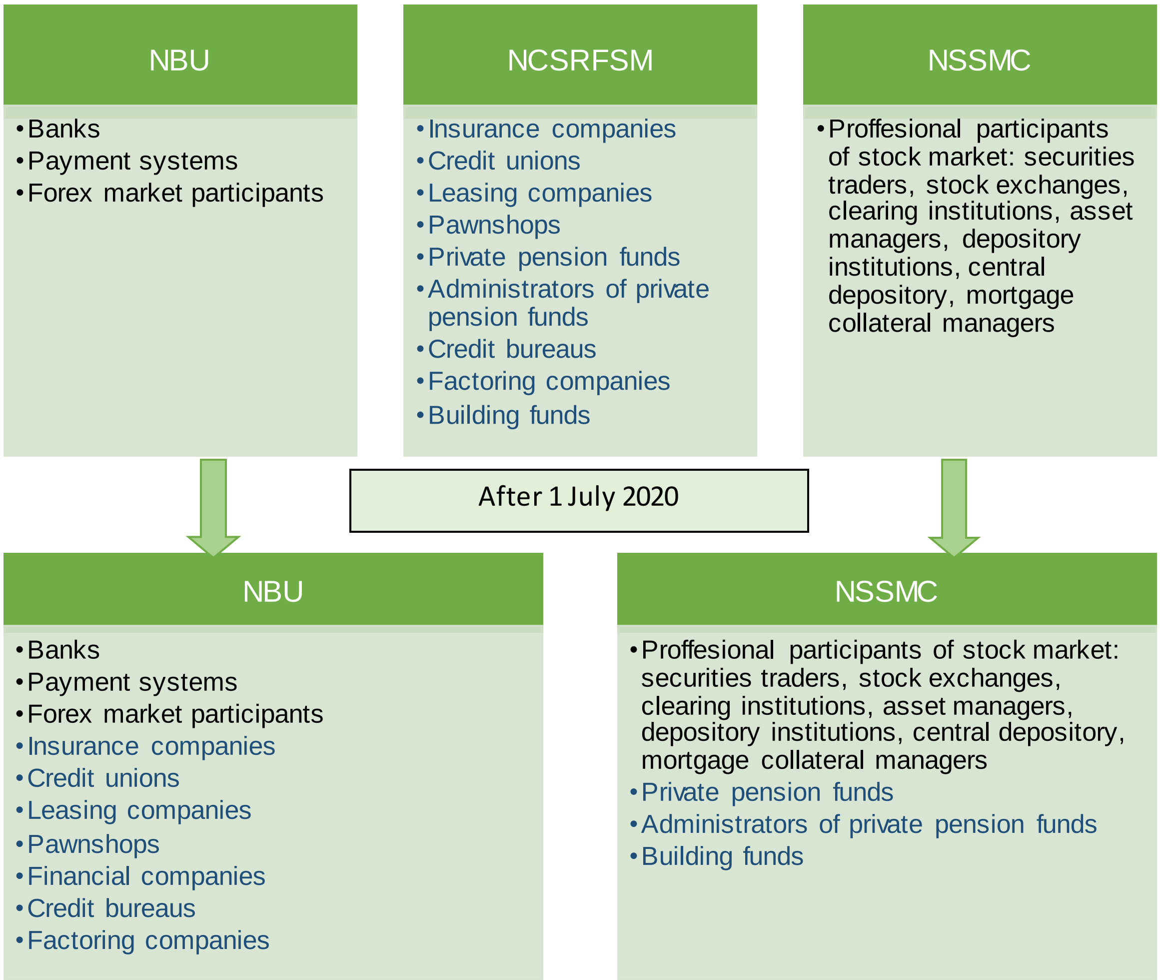


** NBFI – non-bank financial institutions.*

Regulators ensured smooth transition of supervision from NCFS to NBU and NSSMC. The first transitional period is coming to its end: NBU and NSSMC have operational dedicated units for NBFIs, white books were published for insurance companies, credit unions, financial companies, factoring, pawnshops, and financial leasing. Draft laws on financial services, credit unions, insurance companies, and financial companies are at different stages of completion. The NBU adopted "transitional" regulations in the areas of licensing and registration, supervision, inspections, sanctions, and reporting.

From now on, the second adaption period will continue. Regulators plan gradual introduction of proportionate risk-oriented approach to supervision and regulation of non-bank financial institutions, enhance their transparency, and strengthen consumer rights protection. For certain market segments, new draft laws are to be developed based om best international practices. Introduction of new principles of regulation will be gradual and will last for at least three years. Prior to that, wider public discussion will take place, involving all stakeholders.

Figure 12. Changes in mandates for regulation and supervision over financial institutions



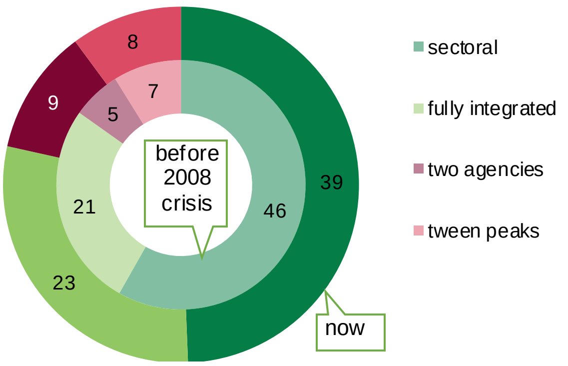
Box 3. Framework for financial sector supervision in Ukraine and across the world

Regulation and supervision over financial sector across the world increasingly tends to concentrate within mandates of fewer regulators. There are several drivers behind the trend.

First, that was a response to the increasing complexity of financial instruments that started to outgrow individual sectors as well as expansion of financial groups that comprised banks, insurance companies, and financial companies. Moreover, many non-bank financial institutions in fact lend, take deposits, and provide banking services, thus playing on the same competitive field with banks. These trends came on the back of increasing global role of non-bank financial institutions.

Second, global financial crisis of 2007-2009 revealed disadvantages of the sectoral model, the most widespread one then. In particular, the crisis highlighted problems in supervision over complex financial instruments and financial conglomerates. Since then, Central and Eastern Europe saw the spread of a model where central banks supervise banks and non-banking financial institutions: in Czech Republic, Slovak Republic, Armenia (since 2006), Serbia, Lithuania (since 2012), Hungary, Russia (since 2013), and Belarus (since 2014). In some other countries of our region (Poland, Latvia, Estonia), a separate financial supervisory authority oversees the whole financial sector.

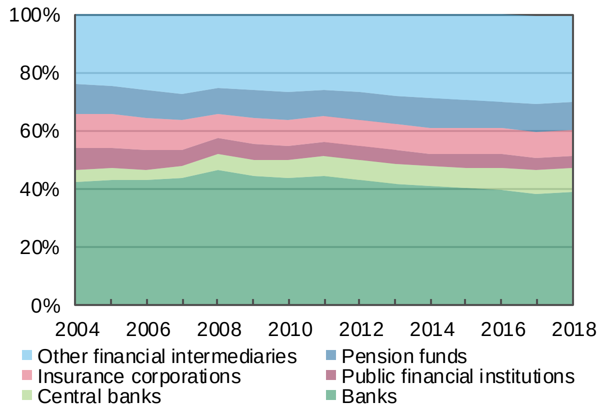
Figure 13. International distribution of financial sector supervision model before and after global crisis*



** Estimation for 79 jurisdictions from various regions. Pre-crisis indicators showed on the inner circle in lighter shade.*

Source: Financial Stability Institute of the Bank for International Settlements (BIS), FSI Insights on policy implementation No 8, Financial supervisory architecture: what has changed after the crisis? By Daniel Calvo, Juan Carlos Crisanto, Stefan Hohl and Oscar Pascual Gutiérrez April 2018.

Figure 14. Evolution of financial sector structure in G20 and the Euro area countries



Source: Financial Stability Board, Global Monitoring Report on Non-Bank Financial Intermediation 2019, 19 January 2020. https://www.fsb.org/2020/01/global-monitoring-report-on-non-bank-financial-intermediation-2019/

The world knows a few models of integrated supervision. The first one, fully integrated, vests all powers for regulation and supervision in the financial sector upon central bank or a standalone financial supervision authority. This approach was first employed in Scandinavian region in late XX century. The second, the so-called twin peaks, presumes that one authority (usually the central bank) prudentially regulates financial sector, while another authority oversees market conduct and ensures consumer rights protection. Australia first introduced this model in 1997. These two models are sometimes jointly termed "megaregulator". There is also a two-agency model, which can be seen as a transitionary from sectoral (where individual regulators supervise individual sectors) to the integrated model. The two-agency model provides for division of mandate between two authorities, one charged with credit institutions and insurers (normally the central bank) and the other with the stock market. This model was introduced in France and Italy.

Figure 15. Advantages of integrated supervision model

After the split, supervision in Ukraine more integrated, with two-agency model being implemented.

Annex

Major results / achievements of the Council over the last two years of its activity

Meeting outcomes (decisions / agreements)	Status
To endorse the roadmap for measures to resolve the DGF insolvency. To establish a working group comprising representatives of DGF, Ministry of Finance and NBU, to approve its composition and terms of reference. *(Council meeting of 20 July 2018)* The working group with support from international experts should consider alternative solutions. *(Council meeting of 22 March 2019)* Upon the examination of DGF debt restructuring options, to endorse the restructuring of the total debt amount. *(Council meeting of 13 December 2019)*	In July 2018, the Council established a working group on implementation of measures to address DGF solvency. The working group came up with several scenarios of addressing of DGF potential insolvency risks. The large amount of depositor payouts following the liquidations of around 100 banks since 2014, coupled with the low recovery rate of assets, have led to the DGF's insolvency. The Ministry of Finance and the DGF, in consultation with the NBU, IMF and World Bank, will prepare a time-bound plan by end-July 2020 to restore the DGF's solvency by end-2021, while maintaining incentives to maximize recoveries from failed banks. The Financial Stability Council will adopt this plan by end-August 2020.
To establish the Council's working group (Committee) on resolution of non-performing loans (NPLs) at state-owned banks and to approve composition and terms of reference of the working group *(Council meeting of 20 July 2018)* To approve and upon consultations with the IMF on the final wording to publish principles for State-Owned Banks on Resolution of Nonperforming Loans (NPLs) *(Council meeting of 20 December 2018)* For the working group (Committee) on NPL resolution at state-owned banks to develop scenario selection criteria and approaches to NPL resolution (restructuring, sale through an auction, write-off) with support from experts from international financial organizations *(Council meeting of 22 March 2019)* To approve the presented action plan on resolution of non-performing exposures at state-owned banks *(Council meeting of 30 June 2020)*	Working group (Committee) on NPL resolution at state-owned banks was established in July 2018. In early-January 2019, the Council published Recommendations (Principles) of Financial Stability Council for State-Owned Banks on Resolution of Nonperforming Loans (NPLs). The Committee developed the principles and the Council approved them in line with commitments to the IMF. Recommendations were supplementary to the Law of Ukraine *On financial restructuring*. They cover only the process of restructuring of large exposures above 5% of regulatory capital of a bank. In June 2020, state-owned banks presented at the Council meeting their action plans on decreasing NPL ratio over the last three years. Upon the consideration, the Council made recommendations and approved the presented plans under condition that banks take into account the recommendations. Approval of the action plans of the state-owned banks on NPL resolution marks meeting of one of the benchmarks in cooperation program with the IMF.
To acknowledge the importance of introduction of a new financial reporting system and to take note of information on introduction of financial reporting system in single XBRL e-format. *(Council meeting of 20 December 2018)*	All regulators signed a Memorandum of understanding on development and introduction of financial reporting system in single XBRL e-format. Regulators also published Taxonomy UA IFRS iXBRL in 2018 and 2019. Financial reporting system site was set up https://frs.gov.ua/. In June 2019, a software package Financial Reporting System was launched in iXBRL format. Cooperation with the EU started on a new technical

Meeting outcomes (decisions / agreements)	Status
	assistance project on development of Taxonomy UA IFRS XBRL for 2020.
To endorse agreements on joining of JSC "Oschadbank" into the deposit guarantee system. The DGF and JSC "Oschadbank" should work on specifics of this joining and present the results at the next Council meeting. *(Council meeting of 13 December 2019)*	Agreement was reached that Oschadbank has to join the deposit guarantee system. The DGF suggested a roadmap for this process.
To recommend the NBU and the NSSMC to develop legal amendments on building funds. *(Council meeting of 13.12.2019)*	Draft legal amendments on investor risks on primary real estate market are to be prepared by the end of 2020 under roadmap for Financial Sector Development Strategy until 2025. In 2021, the NSSMC intends to present draft legal amendments to enhance requirements to building funds managers and operations with real estate.
To establish a working group (Committee) of financial development and to approve its personal composition and terms of reference. *(Council meeting of 13 December 2019)*	Financial Development Committee (working group) was set up in December 2019.
The DGF jointly with the NBU, Ministry of Finance, the systemically important bank, and, if necessary, other organizations and authorities to adjust / update an action plan for event of adverse court rulings against past resolution decisions with regard to adopted Law of Ukraine "On legal amendments on improvement of certain mechanisms of banking regulation". *(Council meeting of 20 May 2020)*	The Council approved a reliable detailed action plan for the case of adverse developments. The plan: (i) is legally valid; (ii) is operationally viable; (iii) promotes financial stability; (iv) minimizes fiscal costs; and (v) mitigates moral hazard. The Council will check the preparedness of interested parties to implement in the course of its regular meetings and will update it as needed in case of material changes.
To establish a working group comprising representatives of the NBU, DGF and Ministry of Finance for development of communications and measures on mitigation of financial stability risks arising in case of an adverse ruling of the Constitutional court of Ukraine (on compliance of the Law of Ukraine "On personal deposit guarantee system" with the Constitution of Ukraine). *(Council meeting of 30 June 2020)*	In June 2020, a working group was established on mitigation of financial stability risks arising in case of an adverse ruling of the Constitutional court of Ukraine.