FINANCIAL STRATEGY UA

National Bank of Ukraine

Ministry of **Finance** of Ukraine

NATIONAL SECURITIES AND STOCK MARKET COMMISSION

DEPOSIT GUARANTEE FUND

STRATEGY OF UKRAINIAN FINANCIAL SECTOR DEVELOPMENT

Supported by:

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USAID Financial Sector Reform Activity

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CONTENTS

ABBREVIATION

The following abbreviations are used in this Strategy of Ukrainian Financial Sector Development (Strategy):

API	- Application Programming Interface
BIS	- Bank for International Settlements
CRR / CRD	- Capital Requirements Regulation / Capital Requirements Directive
CRS	- Common Standard on Reporting and Due Diligence for Financial Account Information, common reporting standard developed by OECD
ERP	- Enterprise Resource Planning
IAIS	- International Association of Insurance Supervisors
IDD	- Insurance Distribution Directive
IOPS	- International Organisation of Pension Supervisors
IOSCO	- International Organization of Securities Commissions
ISDA	- International Swaps and Derivatives Association

ABBREVIATION

MAD	- Market Abuse Directive
MAR	- Market Abuse Regulation
MIC	- Military-industrial complex
MID	- Motor Insurance Directive
MiFID	- Markets in Financial Instruments Directive
MiFIR	- Markets in Financial Instruments Regulation
NPL	- non-performing loans
Solvency	- the EU's comprehensive regulatory approach to ensuring solvency of insurance companies
State Treasury	- State Treasury Service of Ukraine
SSoSC	- State Service of Special Communications and Information Protection of Ukraine
SFSU	- State Fiscal Service of Ukraine
SFMSU	- State Financial Monitoring Service of Ukraine
EU	- European Union

ABBREVIATION

ECB	- European Central Bank
CMU	- Cabinet of Ministers of Ukraine
CIPS	- Comprehensive Information Protection System
IMF	- International Monetary Fund
MoJ	- Ministry of Justice of Ukraine
MoEc	- Ministry of Economy of Ukraine
MoEn	- Ministry of Energy of Ukraine
MoY&S	- Ministry of Youth and Sport of Ukraine
MoEdu	- Ministry of Education and Science of Ukraine
MoRel	- Ministry of Reintegration of Temporarily Occupied Territories of Ukraine
MoSP	- Ministry of Social Policy of Ukraine
MoF	- Ministry of Finance of Ukraine
MoDT	- Ministry of Digital Transformation of Ukraine

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ABBREVIATION

SME	- Small and medium enterprises
IFRS	- International Financial Reporting Standards
NBU	- National Bank of Ukraine
NBFI	- Nonbank financial institution
NCFS	- National Commission for the State Regulation of Financial Services Markets
OECD	- Organisation for Economic Cooperation and Development
EEPO	- Entrepreneurship and Export Promotion Office
BEPS Action Plan	- an action plan to counteract base erosion and profit shifting
PFU	- Pension Fund of Ukraine
SEP	- System of Electronic Payments of the National Bank of Ukraine
SCMU	- Secretariat of Cabinet of Ministers of Ukraine
DGF	- Deposit Guarantee Fund
SWF	- Sovereign Wealth Fund of Ukraine

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I. CURRENT STATE OF THE UKRAINIAN FINANCIAL SECTOR

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1. **The full-scale war started by russia in February 2022 led to occupation of Ukrainian territory, destruction of infrastructure, disruptions of supply chains, massive migration, and deep economic and financial crisis, and will have long-term adverse consequences for the financial sector.** Ukraine's economy contracted significantly in 2022, with its real GDP falling by 29.1% – the largest annual decline in the country's history. The most severe economic losses were incurred in the first months of the war: the 14.9% decline in Q1 2022. Financial market participants suffered serious losses due to disruptions of their operations caused by the war. However, the success of the Defense Forces of Ukraine, emergency measures taken by the government and the National Bank of Ukraine (NBU), and support from international partners helped stabilize the macroeconomic situation. As a result, economic activity started to gradually recover as supply chains were restored, companies relocated, occupied territories were liberated, and a part of migrants returned. Security risks are expected to start to subside next year, which will boost economic growth to 4.3% in 2024 and 6.4% in 2025. The de-occupation of territories and full unblocking of Black Sea ports are expected to help increase industrial production and harvests, and a partial return of migrants will spur domestic demand.

2. **Even as the war grinds on, inflation developments in Ukraine remain under control, the inflationary pressure has stabilized in recent months, and a moderate decline in inflation is forecast for 2023.** In order to maintain macroeconomic stability during the war, the NBU changed the principles it follows in its monetary policy. In order to avoid uncontrolled depreciation and capital outflows, the NBU temporarily fixed the exchange rate and implemented FX restrictions supporting the FX market by its interventions. In June 2022, the central bank hiked its key policy rate from 10% to 25% so as to stop the deposit flight from the banking system and increase the attractiveness of the national currency. In late July 2022, the official UAH/USD exchange rate was devalued by 25%. The devaluation, together with the adjustment of FX restrictions, a gradual increase in market rates following the key policy rate hike in June, and the launch of the grain corridor helped ease the pressure on the FX market, which decreased the strain on the NBU's foreign exchange reserves.

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However, despite these measures, the FX market still needs interventions as it is not able to self-balance, and as businesses and households are creating high demand for foreign currency. To this end, the NBU continues to cover shortages of foreign currency on the market and sticks to the fixed exchange rate policy. As soon as the situation allows, the NBU intends to gradually move to a more flexible exchange rate, ease FX controls, and return to the inflation targeting regime.

3. **International support plays a key role in financing the budget of Ukraine. State budget parameters were revised several times in 2022 due to the uncertainty caused by the war.** The budget deficit – set by the law at UAH 1.5 trillion (around 32% of GDP) – was mainly covered by international assistance and grants, which accounted for more than a half of budget financing. Another quarter of funding came from the NBU. However, considering the adverse effect of monetary financing on the FX market and prices, the government stopped relying on the NBU’s monetary financing starting in 2023. In the state budget approved for 2023, expenditures exceed revenues almost twofold, with a deficit of around 21% of GDP (equivalent to USD 35.5 billion at the current exchange rate). The main expenditures concentrate on security and defense needs and social protection. In order to finance the large deficit, Ukraine expects to receive material international financial assistance. In October 2022, the NBU and the Ministry of Finance joined forces to revitalize the domestic debt market with the aim of abandoning the monetary financing of the budget in 2023. The central bank stepped up efforts to clamp down on gambling businesses' unlawful tax evasion schemes, which involved the banks. In the months that followed, these measures contributed to a significant increase in tax revenues. Changes were adopted regarding the automatic exchange of financial information with other countries (including the Common Reporting Standard/CRS), which are aimed at revealing individuals’ funds abroad in order to ensure they duly comply with tax requirements.

At the start of the full-scale war, the NBU transferred to the state budget the entire portion of its distributable profit for 2021 in the amount of almost UAH 19 billion, opened special accounts for raising funds to support the Armed Forces of Ukraine and provide humanitarian assistance, and conducted direct purchases of government bonds in order to avoid a collapse of public finances and ensure the financing of critical government expenditures on security and social needs (UAH 400 billion in 2022).

In line with the decision of the National Security and Defense Council *On Forced Seizure in Ukraine of Property Owned by Russian Federation and Its Residents* and the respective ordinance of the Cabinet of Ministers of Ukraine, in late 2022 the Deposit Guarantee Fund (DGF) transferred the equivalent of UAH 17 billion to the special fund of the State Budget from accounts of Prominvestbank PJSC and IR BANK JSC – the banks with russian capital and subsidiaries of russian banks in Ukraine under liquidation by the DGF based on the NBU decision to revoke banking licenses and liquidate the banks, adopted on 25 February 2022, the second day of the full-scale invasion.

4. **Ukraine's financial sector reform, which was actively supported by international financial institutions, contributed to macrofinancial stabilization and strengthened the ability of regulators and financial market participants to withstand the effects of crises.** The reforms specified by the *Comprehensive Program for the Development of Ukraine's Financial Sector until 2020* and the *Strategy of Ukrainian Financial Sector Development until 2025*, which were implemented by financial sector regulators, were aimed at overcoming systemic problems in the financial sector and building a fully functional, market-driven competitive environment in line with European Union (EU) standards. In particular, over the past several years, the NBU and its international partners were working on development and implementation of new capital and liquidity regulations that comply with the European CRD/CRR system, aiming to bolster financial stability and resilience of the Ukrainian banking system. In May 2023, a survey was held among representatives of the financial sector, which identified the main risk factors: the war against russia, corruption, the work of law enforcement bodies and the judicial system, fraud and cyber threats, and factors related to economic activity and asset value, as well as collateral quality. In the new conditions, when asset quality deteriorates due to the effects of the

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war and liquidity and insolvency risks rise, the implemented financial regulation reforms turned out to be especially timely and relevant. The strategy of financial sector development should be based on the current context, take into account high risks and uncertainty, and factor in the effects of the russian invasion on the environment in which the financial system operates. Therefore, the NBU is updating the Strategy of Ukrainian Financial Sector Development.

5. **Ukraine is facing a challenge to implement political reforms required to join the EU, including reinforcing the rule of law, fighting corruption, and countering money laundering.** In June 2023, Ukraine started the process of joining the Organisation for Economic Co-operation and Development. In addition, the country stepped up its cooperation with international financial institutions. Cooperation with international partners and organizations is especially important for development of the mechanisms and the strategy for Ukraine’s reconstruction, and should be based on the principles of accountability and transparency. Ukraine’s commitments toward its partners requires to increase the anti-corruption efforts in Ukraine. In March 2023, Ukraine received GRECO’s positive interim report on anti-corruption action assessment. However, already by the end of 2023, Ukraine must show progress in restoring the requirements to declare assets and ensuring an effective anti-money-laundering regime based on risk assessment.

6. **The banking system has been successfully resisting the wartime challenges thanks to the significant resilience margins, the NBU’s timely reaction, and many-year joint work on reforming the sector.** The banks are providing services without interruption, maintaining their networks, and increasing their capital, while also preserving their operational efficiency and profitability. The banking network worked even despite the power outages. The safety margins they have accumulated is contributing to financial stability, reinforcing the banks' resilience to the further challenges of a protracted war, and preparing them for the full recovery of lending. Despite the losses caused by the war, the banks were profitable in 2022, and in 2023 their profits

increased. High net interest margins and operational efficiency are inherent in banks of all classic business models: corporate, retail, and universal. This has been made possible, in particular, by the banks' coordinated efforts, a timely response by the NBU, and years of joint work on reforming the banking sector since 2015. As a result, the banks came into the crisis with a solid capital and liquidity cushion. They were operationally stable and efficient, and had contingency plans ready.

7. **Banks suffered significant damages from the war.** Banks' losses from the destruction of real estate reached UAH 750 million by the end of 2022. According to the NBU's estimates, the losses of banks from the war may increase to 20% of the pre-war operating portfolio. The banks will use their capital to cover these losses. To evaluate the actual state of the banking sector, the NBU has launched a resilience assessment of the banks and the banking system. As the banks' capital cushions significantly exceeded the minimum required levels before the start of a full-scale war, the banks have a solid margin of safety. Bank losses will increase, but most banks will be able to absorb them through profits and capital reserves.

8. **During the war, the role of state-owned banks enhanced.** Amid high war risks and considerable uncertainty, state-owned banks are supporting lending, including to state-owned enterprises, maintaining accounts for government payments, and providing access to banking services through the widest of the branch networks. This leads to a sizeable increase in the share of state-owned banks across all of the key indicators of the banking system. Such growth is justified in times of deep crisis, but it poses high risks to competition in the banking market during the recovery period. Accordingly, the strategies of state-owned banks need to be updated to address the key shortcomings of their operations, and to prepare most of them for privatization after the end of the hostilities.

9. **In the face of missile attacks, blackouts, and hostilities, the deposit guarantee system was able to demonstrate its resilience and effectiveness.** 2022 was a year of hard work and quality changes for the DGF in the context of a full-scale war on

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the territory of Ukraine: a temporary full reimbursement of deposits for the period of martial law was introduced to protect depositors and prevent the outflow of funds from banks; the total guaranteed amount of reimbursement paid out during 2022 is UAH 5.8 billion; 4 banks were placed under the DGF administration, more than UAH 4.4 billion was allocated for settlements with creditors of banks liquidated by the DGF; OSCHADBANK JSC became a new DGF participant, and now all banks have equal conditions for participation in the guarantee system. In 2022, the amount of deposits covered by the guarantee increased by UAH 375.9 billion or 55.6% to UAH 1,051.5 billion, including due to the status of Oschadbank JSC as a DGF member, where the amount of deposits was UAH 169.8 billion as of January 2023. The number of depositors in the banks participating in the DGF is 65.4 million individuals. As of 1 January 2023, the total assets of the DGF participants amounted to UAH 2,716.9 billion, net assets were UAH 2,353.6 billion, total assets provisions were UAH 363.3 billion, total liabilities were UAH 2,135.0 billion, and equity amounted to UAH 218.5 billion. For the reporting year, the consolidated annual financial result was UAH 24.7 billion. In April 2022, the DGF introduced remote payouts to depositors of insolvent banks. The guaranteed amount of reimbursement paid out during the reporting year by four DGF agent banks that introduced such remote payouts amounted to UAH 1.6 billion. The share of online payments of the guaranteed amount of reimbursement was 28% of the total amount of all payments. In 2022, the DGF held more than 1,650 open e-auctions in the Prozorro.sale system, while after the start of russian military aggression in Ukraine on 24 February 2022, the sale of banks' assets (property) was suspended and in fact resumed only in the summer of 2022. In line with the Law of Ukraine No. 2180-IX, the DGF's liabilities under the remaining bills of exchange (including accrued interest) issued in 2015 and 2016 in exchange for domestic government debt securities held by the Ministry of Finance of Ukraine were terminated in full. After the termination of the liability under the bills of exchange, the DGF, following the decision of the DGF Executive Directorate, will transfer to the State Budget of Ukraine funds within the amount of the DGF's terminated liabilities under the bills of exchange of UAH 45,741 million and interest that could be accrued until 2031, in the total amount not exceeding UAH 62,543 million.

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10. **Demand for loans from households and businesses weakened significantly during the war.** A drop in economic activity will have a lasting negative effect on corporate and household income. This will also lead to a decrease in demand for financial services. The destruction of the energy and other civil infrastructure and a slower economic recovery are increasing the credit risk. In 2022, businesses received loans almost exclusively within the framework of the "Affordable loans 5-7-9%" program: its share in the net hryvnia corporate portfolio reached 26%. Market lending will resume only with the recovery of the economy. In wartime, the NPL ratio in the banking sector of Ukraine rose to 39.1% as of 1 June 2023.

11. **The further development of the nonbank financial market requires legislative changes to bring the regulatory environment into line with international standards.** In 2021, adopted were the Law of Ukraine *On Financial Services and Financial Companies*, significantly updating the legislation in the area of regulating the financial services markets, and the Law of Ukraine *On Insurance,* changing systemically the approach to regulation and supervision of the insurance market and facilitating its recovery and further development. New wording of the Law of Ukraine *On Credit Unions* was adopted in July 2023. The main provisions of the laws will come into effect on 1 January 2024. To ensure their implementation, it is necessary to develop a number of new legal acts. The comprehensive regulation of market relations involves the implementation of the IAIS, IOPS, and IOSCO international standards, as well as the requirements of EU regulations, including Solvency II, MiFID II and MiFIR, MAR and MAD, CRR and CRD, BRRD, IDD and Motor Insurance Directive. To date, the issues of creating a deposit guarantee system for credit union members and implementing the procedure for withdrawing insolvent credit institutions and life insurers from the market remain unresolved. The nonbank financial services sector provides no guarantee system for life insurance agreements. The main problems with the development of nonstate pension and public investment funds continue to be the low financial capacity of individuals to participate in nonstate pension and co-investment systems, coupled with weak consumer confidence in these financial

markets. The full functioning of the funded pension system will gradually increase the level of social protection for people of retirement age, while producing a strong domestic long-term investment resource that will help increase investment in the domestic economy.

12. **Despite the full-scale war, payments were made without interruptions**, which prevented high demand for cash and preserved the banks' liquidity. The volume of cashless transactions is increasing, and the range of financial transactions carried out remotely is expanding. The full-scale war has created difficult conditions for proper operation of the payment infrastructure. At the same time, the coordinated actions of the NBU, the DGF, banks, and nonbank financial institutions (hereinafter referred to as "NBFI") maintained stability of the payment infrastructure that continues to operate effectively today providing timely payments, settlements, and seamless customer access to payment services, as well as to their funds, and savings. The enactment of the Law of Ukraine *On Payment Services* in 2022 marked a major event in oversight for modernizing and innovating the payment market. As of 1 April 2023, the new generation of the System of Electronic Payments of the National Bank of Ukraine (SEP) was launched. Transition to the new SEP generation is an important technological condition of quality development of the Ukrainian payment infrastructure. In particular, in light of Ukraine's EU Candidate Status, the regulator continues effort towards joining the Single Euro Payments Area (SEPA).

13. **The infrastructure of capital markets and organized commodity markets remains inefficient and underdeveloped.** On 1 July 2021, Law of Ukraine *On Amendments to Certain Laws of Ukraine on Streamlining Investment and Implementing New Financial Instruments* No. 738-IX dated 19 June 2020 came into force intended to improve operation of Ukrainian capital markets and outline the state policy for harmonizing the Ukrainian legal framework with the international investment regulation. Since the full-scale invasion of the aggressor, stock market transactions have been significantly restricted (except for transactions with war

bonds) until August 2022. As of today, most restrictions have been lifted (except for currency restrictions and transactions involving entities related to the aggressor country). At the same time, transactions with corporate securities are occasional in organized capital markets, and more than 95% of transactions are with government securities. Efficient mechanisms in place for attracting investment (both domestic and foreign) both in the private and public sectors are a key prerequisite for Ukraine's rapid and effective postwar recovery. Also, further implementation of EU acquis in Ukrainian law as part of the obligations under the EU-Ukraine Association Agreement is underway and acquiring the EU candidate status on the path to full membership.

14. **Development of new technologies improves access to financial services in the banking and nonbank segments of the financial market.** In April 2022, the DGF introduced remote payouts to depositors of insolvent banks under DGF administration. To promote the more active use of electronic means of payment, the NBU plans to ensure the further development of infrastructure and to promote financial literacy. The development of innovative technologies in accordance with changes in the preferences of financial services consumers, the spread of virtual service channels, personalized financial services, and mobile solutions, the development of open banking, and the expansion of cooperation between traditional financial institutions and FinTech companies will help ensure the needs of clients are better met. They will also prompt regulators and DGF to take a more flexible and proactive approach to regulating and overseeing a wider range of financial market participants. Further drafting comprehensive amendments to regulations of the National Securities and Stock Market Commission (NSSMC) on depository services, financial instruments trading, and the operation of organized market operators will expand innovations in financial services rendered by professional participants of the capital market. The above changes will improve application of the latest mobile technologies in services provided by professional participants to their customers so that investors receive the option to invest in capital market instruments. At the same time, equal conditions for competition between all financial market participants must be put in place. The possibility of regulatory arbitrage must be eliminated, and compliance with international financial monitoring standards must be ensured.

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The purpose of financial ecosystem participants is to meet the needs of customers (households, businesses, and the state). As they perform their activities and pursue their goals, customers require the use of various financial services. The consumers of financial services are precisely the focus of all participants in the financial ecosystem, as creating conditions for its efficient operation is the main task of the entire financial sector. In pursuit of that goal, financial ecosystem participants interact with each other and create up-to-date services and products for consumers. The success of the entire ecosystem depends on the coordinated and mutually beneficial work of the participants, which is based on openness and respect for each other’s interests.

There are **six major groups** of financial ecosystem participants:

1. **Providers of financial services** are financial institutions. In cases expressly defined by special laws, financial services can also be provided by other legal entities or branches of foreign legal entities that have the right to provide such services in accordance with the legislation of Ukraine.

2. **Financial service users** are financial institutions’ customers (households, businesses, and the state).

3. **Investors** include international and national investors in the domestic financial sector and economy.

4. **Providers of infrastructure and technologies** are companies and government institutions that provide services, products, and solutions to financial service providers and other financial sector participants, enhancing their value proposition to the consumers (payment systems, payment service providers, cash collection / processing / storage, IT developers, telecommunication operators, postal operators, Central Depository, Central counterparty, organized market operators, trade repository, virtual asset market players, FinTech companies, DLT providers).

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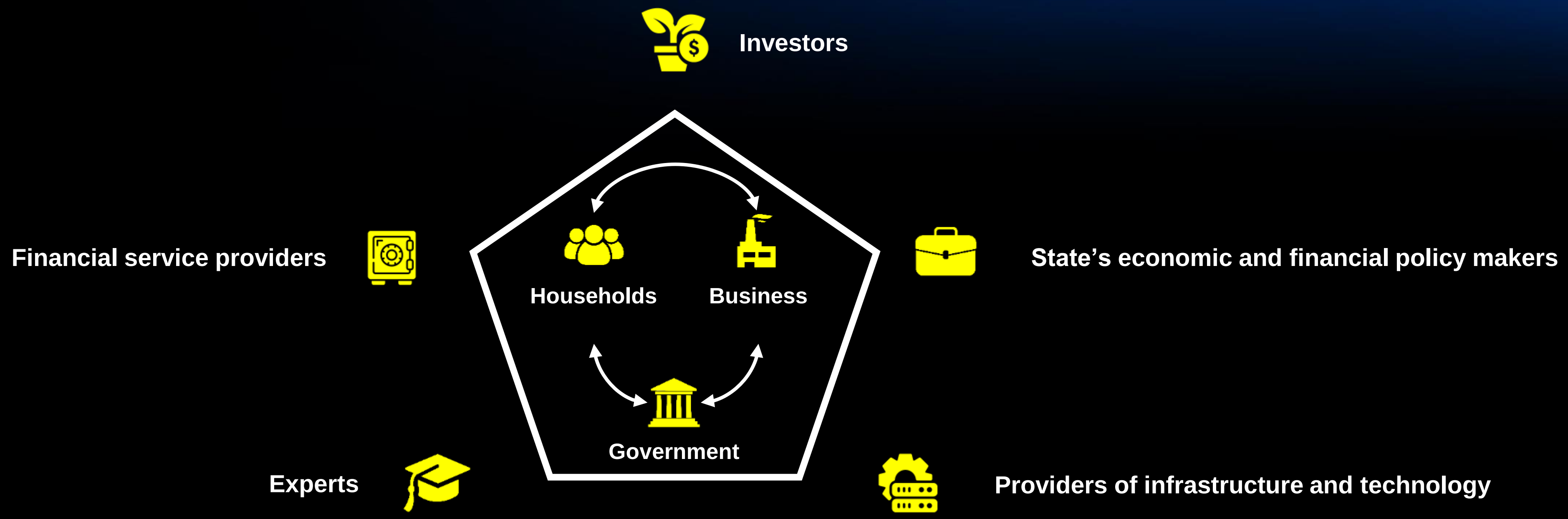
5. **Policy makers in charge of economic and financial policy** are representatives of legislative, executive, and judicial branches of government that create an effective legal framework for all participants of the financial market.

6. **Experts** are market participants and government institutions that, through their services and decisions, create the basis for the professional development of ecosystem participants (international financial institutions, diplomatic corps, central banks, financial regulators and supervisors of other countries' financial institutions, professional associations of the financial sector, academics and researchers, educational institutions, rating agencies, journalists from the expert mass media, the media, opinion leaders and influencers, industry associations, business associations and consulting companies).



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The Strategy addresses the present and future needs of the representatives of all financial ecosystem groups – both financial service consumers and key players involved in the creation of these services – and contributes to the fulfillment of the Ukrainian financial sector’s mission and its perfect standing in the future.

VISION OF THE UKRAINIAN FINANCIAL SECTOR

The financial sector of Ukraine is stable, efficient, competitive, integrated into the global environment, and capable of meeting challenges, developing, and contributing to the recovery of the Ukrainian economy.

The mission outlines the path towards achieving the vision of Ukraine’s financial sector.

MISSION OF THE FINANCIAL SECTOR OF UKRAINE

The regulation of the financial sector ensures the accumulation, distribution, and circulation of financial resources on the basis of financial stability, inclusion, cybersecurity, and the spread of cutting-edge technology to promote the recovery of Ukraine's economy and support the well-being of its people.

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The Strategy includes five goals: macroeconomic stability, financial stability, financial system operates for the country`s recovery, modern financial services, and the institutional capacity of regulators and the DGF. Each goal has strategic initiatives and measures designed to achieve it.

The implementation of the Strategy and the achievement of specified strategic goals will create conditions for strengthening Ukraine’s potential as it fights its way towards victory, contribute to the recovery of the economy from the consequences of the full-scale war, ensure macroeconomic and financial stability, and lay the groundwork for the sustainable and dynamic development

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of the country’s financial sector and its competitiveness amid progress towards EU accession and integration into the global financial space. This will ensure that:

- clients’ needs for affordable, quality financial services are met;
- clients have seamless access to their funds and savings;
- credit financing for the economy comes with lower costs and longer maturities;
- overall competitiveness of the Ukrainian economy rises.

Achieving the Strategy’s vision and mission will be ensured through the implementation of a number of interrelated initiatives and measures aimed at promoting the comprehensive development of Ukraine’s financial sector. The efforts envisaged by the Strategy correspond to the following **basic principles**:

- Coordination – Regulatory decisions must be coordinated and take into account the actions of other regulators to prevent regulatory arbitrage and financial sector imbalances. There is a single center for coordination and monitoring of the Strategy’s implementation.
- Consistency – The Strategy establishes a coordinated set of activities that create synergies to achieve the goals of the state and the financial sector.
- Flexibility – The implementation of the Strategy’s actions is carried out while taking into account changes in the external environment that may lead to the revision of individual initiatives or measures of the Strategy.

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- Efficiency – Proposed solutions are implemented in the shortest possible timeframe with reasonable use of necessary resources.
- Transparency and accountability – The implementation of the Strategy is accompanied by reporting.
- Stability – The Strategy’s measures are aimed at strengthening the financial sector’s resilience to internal and external shocks.
- Adaptability – The implementation of initiatives is carried out while taking into account the need to strengthen the effectiveness of all channels of transmission of regulatory decisions.
- The rule of law, the fight against corruption, and efforts to prevent and combat the financing of terrorism and the laundering of proceeds from crime.

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FEATURES OF FUTURE UKRAINIAN FINANCIAL SECTOR

The vision of the financial sector is presented below, as well as the regulatory steps taken to implement the vision of this Strategy.

MACROECONOMIC STABILITY

The NBU has begun, subject to appropriate conditions, to take steps towards loosening FX restrictions, transitioning to a more flexible exchange rate, and returning to inflation targeting.

The effective and reliable operation of the government and the domestic bond market ensures higher investor demand for, and overall confidence in, domestic financial instruments.

The return to meeting the needs of the state budget through higher tax revenues, which will be driven by economic growth, the unshadowing of businesses, and the reduction in the cost of loan servicing, will help narrow the budget deficit.

An updated medium-term strategy of public debt management and wartime debts restructuring are being implemented.

The second level of the funded pension system has been initiated in Ukraine. Its introduction, combined with levels I and III of this pension system, has provided social guarantees and financial stability to Ukraine's pension system, contributed to the development of the Ukrainian capital markets, and provided the economy with long-term financial resources.

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Long-term savings are becoming popular among Ukrainians. Consequently, long-term reserves for future investments are being formed in the economy.

Macroeconomic stability has been preserved during the war and will be sustained after the war ends. The financing of large-scale recapitalization programs has begun.

FINANCIAL STABILITY

The financial sector’s regulators and the DGF coordinate their efforts applying the approaches based on uniform principles to conduct the effective individual and consolidated oversight of financial sector participants, exert a regulatory impact, conduct proportionate regulation, ensure transparency, promote competition, and control concentration in the financial market. The Action Plan to remove regulatory arbitrage is being implemented. The most important issues for financial stability that require joint efforts are considered at the meetings of the Financial Stability Council, a platform for discussions and approval of arrangements on further actions.

Financial stability is primarily ensured through a comprehensive analysis of systemic risks to financial stability and through macroprudential policy measures to deal with such risks. Particular attention is drawn to early identification of problems in financial institutions and early intervention, supervision of financial groups, assessment of risks in accordance with the supervisory audit and assessment process and prudential standards that are in line with the requirements of EU acquis, including CRD/CRR. The reform of the requirements for bank capital has been completed.

The independent asset quality review (AQR) has been conducted. Regular assessments of banks’ and the banking system’s resilience are conducted. The interdepartmental action plan to resolve nonperforming loans (NPLs) is being implemented.

The supervision of activities of insurance market participants and credit unions has been strengthened. The insurance market is becoming more transparent and competitive due to the NBU's monitoring of insurers' ownership structure, improving of corporate governance and their compliance with prudential requirements set by law, in particular those related to ensuring financial resilience and capital adequacy.

The regulation of the financial sector has been brought in compliance with EU standards for licensing, supervision, application of corrective actions, restoring the operation of financial institutions, and their insolvency settlement.

The deposit guarantee system for credit union members and the system of contributions under life insurance agreements have been established, as has the guarantee system for defined contribution pension schemes. Mechanisms to compensate investments into securities have been put in place, which will increase the users' interest in financial services of those institutions. In compliance with European standards, mechanisms of credit institutions insolvency settlement have been launched. This enabled depositors and other creditors to more quickly access their funds in credit institutions that have certain problems in operational activities.

The financial sustainability of the DGF and the deposit guarantee system has been ensured, as has their replenishment to target levels. It allowed for gradually increasing the amount of guaranteed reimbursement and its approximation to European standards.

The corporate governance of domestic companies, in particular those in which the state holds a significant stake, has been brought into compliance with the standards. The assessment of collective suitability of the banks' supervisory boards (including those of state-owned banks) has been held on a regular basis, and so has the efficiency assessment of the corporate governance system in banks.

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The vision of state-owned banks in wartime and after the war has been updated. It is focused on a gradual reduction of the state's share in such banks. The strategies of the specialized state-owned NBFIs have been approved. The corporate governance in those institutions is transparent and based on the international standards of corporate governance. Being the owner of a major share of bank assets, the state started the process of the state-owned banks privatization.

The systems of the NBFI corporate governance and internal control were established in compliance with the NBU's requirements using a risk-based approach and proportionality principle.

A system for combating and preventing capital market offenses has been established in accordance with the requirements of EU directives, in particular the MAR and MAD. The system effectively prevents and stops capital market fraud.

In order to mitigate risks in financial markets and protect the rights of investors at the legislative level, regulation of the activities of rating agencies and benchmark administrators has been brought into line with EU standards.

On capital markets the mechanism of sanation and resolution of investment firms and other professional participants of capital markets have been introduced in line with BRRD Directive and other EU acts. The market has been clearing itself of dormant joint-stock companies. The problem of shareholders failing to fulfil their obligations has been being solved.

Regulation and supervision in the field of preventing and counteracting the legalization (laundering) of the proceeds of crime, the financing of terrorism, and the financing of the proliferation of weapons of mass destruction are carried out in accordance with international standards on AML, including FATF, IMF, MONEYVAL recommendations, and EU laws. The requirements and procedure for efficient application of sanctions (restrictive) laws have been unified and legally formalized.

The OECD's BEPS Action Plan has been implemented under its Enhanced Cooperation Program with Ukraine.

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FINANCIAL SYSTEM OPERARATES FOR THE COUNTRY’S RECOVERY

Insurance against military and political risks was put in place. The new Strategy of Export Credit Agency is underway. Trade funding options for businesses are expanding. Legal amendments were adopted to foster the development of electronic crop receipts, documents of title, including warehouse receipts, etc.

Instruments for funding the military-industrial complex are undergoing development.

Public confidence in the financial sector has been strengthened. Financial literacy has been increased. To improve their wellbeing, individuals are actively and consciously using modern financial instruments.

The Sustainable Finance Development Policy is implemented, regulations to improve transparency of financing instruments for ESG project were introduced.

Safeguards of bondholders' rights were enhanced and procedures for registering bond issue were improved.

State programs for concessional financing are targeting developing diversified small and medium-sized businesses (SMEs), veteran business programs, startups, as well as development of transport and energy infrastructure, and gradually reconstruction of housing.

Financial sector participants and borrowers are finalizing debt settlement and restructuring efforts. Business entities are open to new projects and development based the expert-oriented model.

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As a result, the growth of revenues in the economy in the new export-oriented model contributes to a sustainable balance of payments, increases budget revenues, and allows Ukraine to cover its recovery needs without direct international aid.

A positive legal opinion was issued on conformity of Ukrainian legal framework with the GMRA & ISDA terms and conditions.

The NBU provided full compliance of Ukrainian laws regarding operation of clearing, settlement, and depository systems with the provisions of EU acquis.

The procedure for issuing SME securities was simplified, as well as the process of issuing unlisted securities.

The securitization mechanism for financial and other assets was introduced. Collective investment activities are carried out in line with European operating standards. Also, “classic” investment funds – UCITS, money market funds, venture capital funds, and hedge funds – were introduced. The regulation of crowdfunding was introduced. Financial instruments emerged targeting Islamic investors in the domestic capital markets.

Ukraine has signed the IOSCO Memorandum, thus facilitating the integration of the domestic market into global financial markets, making it possible to use international assistance to combat the abuse of capital markets, and reducing investor and state losses from cross-border offenses.

Taxation of capital markets and organized commodity markets was streamlined and now facilitates citizens engagement in investment (in particular, through the introduction of a special regime for investment accounts).

II. FUTURE VISION AND MISSION OF UKRAINE’S FINANCIAL SECTOR

MODERN FINANCIAL SERVICES

All segments of the financial market have been cleared of problematic institutions. Customer confidence in market participants has been restored. Ukraine joined the Single Euro Payments Area (SEPA). Open-banking standards were implemented.

The virtual asset market is regulated in accordance with European requirements.

Remote identification technologies for providing financial services are undergoing improvement. Platforms for innovative financial solutions (Regulatory Sandbox) are being developed.

Control of cyber defense in the financial sector and counteraction to cyber attacks at the early stages were introduced. Zero tolerance approach for russian and belarus software was introduced. Further transition to electronic document flow between market entities, state authorities, and DGF continues. Unified databases, information security rules, and a procedure for data exchange between databases, including through APIs were developed and implemented. Open and consolidated registers that combine information from alternative sources, a unified platform for regulators and the DGF for sharing information and data collected in the course of regulation, supervision, and control of financial institutions are up and running. Electronic operation practices are being introduced for authorities governing businesses.

INSTITUTIONAL CAPACITY OF REGULATORS AND THE DGF

Financial market regulators and the DGF created and are updating organizational resilience plans (key business processes

II. FUTURE VISION AND MISSION OF UKRAINE'S FINANCIAL SECTOR

continuity), ensuring resilience of critical infrastructures, holding training and testing of critical infrastructure resilience to vulnerabilities, sharing information on cyber incidents internally and with other critical infrastructures, implementing project management methodologies, continuously upgrading processes, and developing staff competencies on an ongoing basis.

An initial progress evaluation of EU acquis implementation in particular in the financial services sector was conducted to detect inconsistencies that need to be addressed as part of Ukraine's accession to the EU. Based on this, proposals were prepared for participating the preparation of the National Program for EU Law Implementation in Ukraine regarding financial services and company law.

In terms of integrating to the EU's single internal financial service market, the NBU implemented the EU acquis following the revision of the EU-Ukraine Association Agreement. Proper communication with the European Commission is provided to conduct annual evaluation of Ukraine's progress within the EU enlargement package concerning the negotiated chapters on the financial sector.

An NBU representative office (or coordination platform) is established for the NBU's cooperation with the ECB, as well as for representation of regulators in the European Commission and European supervisory authorities (EBA, ESMA, and EIOPA). The regulators set up an expert center for sharing experience with international partners, and together with the EU central banks and the ECB, they created a platform to engage best practices to facilitate European integration processes.

The DGF has established institutional cooperation with deposit guarantors and insurance guarantee systems of EU member states and their associations in the process of harmonizing the legal framework with EU directives regarding deposit guarantee and resolution of financial institutions.

FINANCIAL STRATEGY UA

III. GOALS, OBJECTIVES, AND METHODOLOGY OF UKRAINE’S FINANCIAL SECTOR DEVELOPMENT STRATEGY

III. GOALS, OBJECTIVES, AND METHODOLOGY OF UKRAINE'S FINANCIAL SECTOR DEVELOPMENT STRATEGY

The implementation of reforms in the financial sector will contribute to enhancing Ukraine's capacity on its way to victory, supporting Ukrainian defenders, and laying the groundwork for post-war recovery and sustainable development of the national economy. The strategy's focus is on ensuring the reliable and stable operation of Ukraine's financial system at all times, integrating Ukraine's financial sector with Europe's, and achieving an internal market regime with the EU in financial services. The strategy will contribute to further enhancing regulation and supervision in the financial sector. Provided that macroeconomic conditions are favorable and stable, a gradual liberalization of financial markets and a return of monetary policy to the inflation targeting regime with a floating exchange rate is expected. The NBU also intends to unwind, in a gradual, coordinated, and safe manner, the emergency prudential measures introduced in the financial sector at the outset of russia's large-scale invasion of Ukraine, and to use special contingency plans to respond to potential future shocks in the financial sector.

The Strategy aims to ensure macrofinancial stability, promote sustainable economic growth in Ukraine, make the financial system more reliable and technologically advanced, achieve EU standards on the financial market, build up trust in the financial market, and implement the EU-Ukraine Association Agreement and other international agreements Ukraine is a party to. It is important to ensure the integrity of the financial system of Ukraine, a sufficient level of international reserves, the stability of the exchange rate, an appropriate level of liquidity and stability of financial institutions, and balanced protection of the rights of creditors, consumers, and investors.

The Strategy aims to implement five strategic goals: macroeconomic stability, financial stability, the financial system operates for the country's recovery, modern financial services, and the institutional capacity of regulators and the DGF. Each goal has from three to seven strategic initiatives:

III. GOALS, OBJECTIVES, AND METHODOLOGY OF UKRAINE'S FINANCIAL SECTOR DEVELOPMENT STRATEGY

GOAL I. Macroeconomic stability	GOAL II. Financial stability	GOAL III. Financial system operates for the country's recovery	GOAL IV. Modern financial services	GOAL V. Institutional capacity of regulators and the Deposit Guarantee Fund
1.1. Sustainable hryvnia	2.1. Harmonization of regulatory approaches	3.1. Support and development the economy	4.1. Development of infrastructure for digital financial services	5.1. Ensuring uninterrupted operation of regulators and the DGF
1.2. Sustainable public finances	2.2. Balanced regulation and supervision oriented on development of financial institutions	3.2. Development of sustainable financing	4.2. Automation and paperless technologies in provision financial services	5.2. International cooperation
1.3. Reinforcing the long-term sustainability of the pension system	2.3. Balanced regulation and supervision oriented on development of capital markets	3.3. Developed capital markets infrastructure	4.3. Regulation of virtual assets	5.3. Improving the operational efficiency of regulators and the DGF
	2.4. Sustainable and capable capital markets	3.4. Introduction of new financial instruments and improvement of existing ones	4.4. Digital defense of the financial sector	5.4. Integral and comprehensive IT infrastructure for public authorities
	2.5. Development of state-owned financial institutions	3.5. A responsible and inclusive financial market	4.5. Financial infrastructure recovery	5.5. Increasing the institutional capacity and financial independence of regulators and the DGF
	2.6. Creation of a comprehensive system for recovery and resolution of failed participants	3.6. Recovery of the financial sector		
	2.7. Enhancing sustainability and efficiency of guarantee schemes for deposit and investment			

Table *Goals and Strategy's initiatives*

III. GOALS, OBJECTIVES, AND METHODOLOGY OF UKRAINE’S FINANCIAL SECTOR DEVELOPMENT STRATEGY

With elevated uncertainty and increased risks, the establishment of indicators of the achievement of long-term strategic goals is not appropriate, as such achievement is contingent on relevant macroeconomic and other preconditions, the timeline of which cannot be reliably forecasted. This is the reason why the Strategy includes a list of key indicators that are important for the short-term period amid war. When the appropriate preconditions of the external environment are created, the list of the Strategy indicators of their implementation will be added with the next update of the document.

III. GOALS, OBJECTIVES, AND METHODOLOGY OF UKRAINE'S FINANCIAL SECTOR DEVELOPMENT STRATEGY

Indicators of the Strategy implementation for the short-term period amid Ukraine's resistance to russian aggression:

1. Consumer Price Index (CPI) is less than 15%.
2. NBU conducted a resilience assessment that included AQR and stress-testing of banks.
3. Insurance against military and political risks was put in place.
4. Draft Law of Ukraine *On Implementing a Comprehensive System of Insolvent Institutions' Recovery, Resolution and Market Withdrawal* (BRRD Directive) was registered.
5. New tools of NPL resolution are available.
6. Retaining the spread between hryvnia-to-dollar cash and official exchange rates at less than 5%.
7. A roadmap for the restoration of financial services provision in liberated areas has been drafted as part of the plan to liberate Ukrainian territory.
8. Legislation on the virtual assets market has been adopted.
9. Financial and institutional capacity of the National Securities and Stock Market Commission has been ensured.
10. Legislative regulation of investment accounts has been introduced.
11. The legal framework for rating agencies operation has been brought into line with EU requirements.

III. GOALS, OBJECTIVES, AND METHODOLOGY OF UKRAINE'S FINANCIAL SECTOR DEVELOPMENT STRATEGY

The specifics of the Strategy's methodology are due to uncertainty amid which it was developed. In this regard, flexibility is one of the main principles of strategic planning and subsequent implementation of measures. The Strategy is designed to remain valid indefinitely, until planned measures are completed. It will be revised in the event of significant changes in external factors. In addition to direct measures that will be provided for in the Strategy, it may also contain references to measures specified in other strategic documents (reference measures).

The Strategy takes into account the challenges that arise in two areas: resistance to russian aggression, and Ukraine's reconstruction. With this in mind, the measures envisaged by the Strategy are roughly divided into focuses:

- Focus 1: "Resistance" includes short-term measures aimed at ensuring stability and preventing a deterioration of the situation in the financial sector and the economy in general.
- Focus 2: "Recovery" includes medium-term measures aimed at introducing transformations that will form the basis for future reconstruction and growth of the economy, for example: reducing bureaucratic barriers, enhancing transparency and competitiveness of the environment, attracting investments, etc.
- Focus 1 and Focus 2 are the medium-term comprehensive measures aimed at ensuring stability, further recovery, and development. Some of the key deliverables will be implemented in the short term.

The Working Group on Financial Development within the Financial Stability Council (hereinafter "the Committee") is the monitoring and controlling body for the Strategy implementation. The deputy heads of the financial sector regulators and the Deposit Guarantee Fund will participate in the Committee. The First Deputy Governor of the NBU will coordinate its activity. In accordance with a protocol decision of the Financial Stability Council, the Committee's functions were updated in May 2023. Through the unified center for monitoring and control over the implementation of the Strategy, the NBU will coordinate the activity of members, determine joint areas of implementation of projects, and apply a transparent decision-making mechanism and uniform standards of project management. Committee meetings will be held on a regular basis.

IV. DECOMPOSITION OF GOALS OF THE UKRAINE’S FINANCIAL SECTOR DEVELOPMENT STRATEGY

IV. DECOMPOSITION OF GOALS OF THE UKRAINE'S FINANCIAL SECTOR DEVELOPMENT STRATEGY

To implement the vision and attain the Strategy's goals the responsible institutions shall implement a wide range of initiatives and measures. In order to achieve the macroeconomic stability in Ukraine both in the times of resistance to the russian aggression and during the consequent reconstruction of the country the following measures will be implemented:

Initiatives	Measures	Responsible parties	Focus
1.1. Sustainable hryvnia	1.1.1. Implementation of the strategy for easing FX restrictions, transition to greater exchange rate flexibility and return to inflation targeting[1]	NBU	Focus 1
1.2. Sustainable public finances	1.2.1. Developing a medium-term strategy of public debt management and ensuring its implementation[2]	MoF, NBU	Focus 1
	1.2.2. Ensuring the development of municipal bonds, including green and social bonds	NSSMC, MoF	Both Focuses
	1.2.3. Enlargement of the range of government bonds	MoF	Focus 1
	1.2.4. Approval of National Revenue Strategy for 2024–2030	MoF	Focus 1
1.3. Enhancing long-term sustainability of the pension system	1.3.1. Ensuring full-fledged operation of the compulsory defined contribution pension insurance in Ukraine (pillar 2 pension system)	NSSMC, MoSP, PFU, NBU, DGF	Both Focuses
	1.3.2. Improving the defined contribution pension insurance (pillar 3 pension system)	NSSMC, NBU, DGF	Both Focuses
	1.3.3. Professional defined contribution pension insurance	MoSP, NSSMC, DGF	Both Focuses

Table *Initiatives and Measures on Attainment of Goal I*

[1] Implementation of a measure or its part is provided for by other strategies.
[2] Idem.

IV. DECOMPOSITION OF GOALS OF THE UKRAINE'S FINANCIAL SECTOR DEVELOPMENT STRATEGY

To ensure the financial stability the government authorities responsible for implementation shall apply the following strategic measures:

Initiatives	Measures	Responsible parties	Focus
1	2	3	4
2.1. Harmonization of regulatory approaches	2.1.1. Improvement of supervisory functions, synchronization and prevention of regulatory arbitrage (harmonization of macro and micro regulation, supervisory procedures)[3]	NBU, MoF, SFSMU, NSSMC, DGF, SFSU	Focus 1
2.2. Balanced regulation and supervision aimed at development of financial institutions	2.2.1. Updated regulation and supervision of banks[4]	NBU	Focus 1
	2.2.2. Regulation and supervision aimed at development of NBFIs[5]	NBU, NSSMC, DGF	Focus 1
	2.2.3. Improvement of corporate governance in financial sector	NBU	Focus 1
	2.2.4. Resolving the problem of bad assets	NBU, DGF	Focus 1
	2.2.5. Ensuring efficient mechanisms of information disclosure based on IFRS XBRL taxonomy	NSSMC	Both Focuses
2.3. Balanced regulation and supervision aimed at development of capital markets	2.3.1. Building the effective system of supervision (monitoring) of activities of capital market participants	NSSMC, NBU	Both Focuses
	2.3.2. Improving the system of information disclosure by issuers	NSSMC	Focus 1

[2] Idem.
[4] Idem.
[5] Idem.

Table *Initiatives and Measures on Attainment of Goal II*

IV. DECOMPOSITION OF GOALS OF THE UKRAINE'S FINANCIAL SECTOR DEVELOPMENT STRATEGY

1	2	3	4
2.3. Balanced regulation and supervision aimed at development of capital markets	2.3.3. Introducing the requirements for reporting by financial institutions to regulators in line with EU standards	NSSMC	Both Focuses
	2.3.4. Corporate governance and reform of regulation of capital market participants	NSSMC, NBU	Both Focuses
	2.3.5. Clearing dormant participants from the market	NSSMC	Both Focuses
2.4. Sustainable and capable capital markets	2.4.1. Harmonizing the taxation system of capital markets	NSSMC	Focus 1
	2.4.2. Introducing special long-term and medium-term investment accounts	NSSMC, NBU	Focus 1
	2.4.3. Improving activities in joint investments	NSSMC	Both Focuses
	2.4.4. Improving the legal framework on efficiency and functionality of rating agencies	NSSMC	Both Focuses
	2.4.5. Ensuring the functioning of an effective system of combatting capital market fraud, including offenses related to manipulation and Ponzi schemes	NSSMC	Both Focuses
	2.4.6. Improving the system of prudential standards and capital requirements for professional capital market participants in line with EU requirements	NSSMC	Both Focuses
2.5. Development of state-owned financial institutions	2.5.1. Updating the development strategy of the state banking sector and the Fund for Entrepreneurship Development to ensure the macrofinancial stability and reduction of the state's share. Updating individual state-owned banks' strategies	MoF	Focus 1

Table *Initiatives and Measures on Attainment of Goal II*

IV. DECOMPOSITION OF GOALS OF THE UKRAINE'S FINANCIAL SECTOR DEVELOPMENT STRATEGY

1	2	3	4
2.5. Development of state-owned financial institutions	2.5.2. Enlargement of mechanisms for the financial support of institutions	DGF, NBU	Focus 1
	2.5.3. Ensuring the financial resilience of state-owned banks, including by conducting independent AQRs	NBU, MoF	Focus 1
	2.5.4. Updating the strategies of Ukrfinzhytlo, Derzhmolodzhytlo, and ECA to take into account the interests of the state and the needs for rapid reconstruction and economy development	MoEc, NBU	Focus 1
2.6. Creation of a comprehensive system for recovery and resolution of failed institutions	2.6.1. Implementation into the domestic legislation of the provisions of EU laws on sanation and resolution of financial institutions[6]	NBU, DGF, MoF, NSSMC, MoDT, MoJ, other authorities concerned	Both Focuses
	2.6.2. Creation of the system of sanation and resolution of investment firms and other professional market participants	NSSMC	Both Focuses
2.7. Enhancing sustainability and efficiency of guarantee schemes for deposits and investments	2.7.1. Implementation into the domestic legislation of the provisions of EU laws on introducing the mechanisms of investments conversion into securities	NSSMC	Both Focuses
	2.7.2. Introduction of a deposit guarantee system for members of credit unions and guaranteed payouts under life insurance agreements	DGF, NBU	Focus 2
	2.7.3. Introducing a guarantee system for defined contribution pension insurance	NSSMC, DGF, NBU	Focus 2
	2.7.4. Guarantee system sustainability	DGF, NBU, CMU, MoJ, MoF, other authorities concerned	Both Focuses

[6] - Те саме.

Table *Initiatives and Measures on Attainment of Goal II*

IV. DECOMPOSITION OF GOALS OF THE UKRAINE'S FINANCIAL SECTOR DEVELOPMENT STRATEGY

Financial system should become a driver for the post-war economic recovery and provides for the following strategic initiatives and measures:

Initiatives	Measures	Responsible parties	Focus
1	2	3	4
3.1. Supporting and developing the economy	3.1.1. Introducing insurance against military and political risks[7]	MoE, NBU, the Ministry of Energy	Both Focuses
	3.1.2. Loan programs to support businesses and create conditions for upgrading production and logistical infrastructure[8]	MoE, NBU, MoF	Focus 1
	3.1.3. Assistance and development of priority sectors of the economy and exporters	MOE	Фокус 1
	3.1.4. Creating instruments to finance the military-industrial complex	NSSMC	Both Focuses
	3.1.5. Optimizing the issuing of securities	NSSMC	Both Focuses
	3.1.6. Recovery and development of the real estate market[9]	MoE, NBU, MoDT, MoF/SFSU, NSSMC	Both Focuses
	3.1.7. Protection of creditors' and investors' rights[10]	NSSMC, NBU, MoJ, DGF, SPFU	Both Focuses
	3.1.8. Establishing the National Investment Fund for state-owned enterprises	NSSMC	Both Focuses
3.2. Development of Sustainable Finance	3.2.1. Revising the sustainable finance development policy[11]	NBU	Both Focuses
	3.2.2. Developing tools to counter greenwashing	NSSMC	Both Focuses

[7] Idem. [8] Idem.
[9] Idem. [10] Idem.
[11] Idem.

Table *Initiatives and Measures on Attainment of Goal III*

IV. DECOMPOSITION OF GOALS OF THE UKRAINE'S FINANCIAL SECTOR DEVELOPMENT STRATEGY

1	2	3	4
3.2. Development of Sustainable Finance	3.2.3. Introducing social bonds and sustainable development bonds	NSSMC, MoF	Both Focuses
	3.2.4. Introducing ESG disclosure frameworks	NSSMC	Both Focuses
	3.2.5. Introducing an ESG rating system	NSSMC	Both Focuses
3.3. Developed capital market infrastructure	3.3.1. Improving the efficiency of capital markets infrastructure in line with EU requirements[12]	NSSMC, NBU	Both Focuses
	3.3.2. Implementation of the IOSCO Principles for Financial Market Infrastructures (PFMI)[13]	NSSMC, NBU	Both Focuses
	3.3.3. Consolidation of accounting infrastructure	NBU	Focus 2
	3.3.4. Implementation of the provisions of EU laws to introduce benchmarks into the domestic legislation	NSSMC	Both Focuses
	3.3.5. Expanding the use of alternative mechanisms for raising households' funds for venture capital investment and financing	NSSMC	Both Focuses
3.4. Introduction of new financial instruments and improvement of existing ones	3.4.1. Introduction of covered bonds	NSSMC	Both Focuses
	3.4.2. Creating securitization mechanism in Ukraine	NSSMC, NBU	Both Focuses
	3.4.3. Introduction of electronic agricultural receipts as nonissue securities	NSSMC	Both Focuses
	3.4.4. Introduction of documents of title, including warehouse receipts	NSSMC	Both Focuses
	3.4.5. Improving legal support for transactions related to derivative contracts	NSSMC, NBU	Both Focuses

[12] Idem.
[13] Idem.

Table *Initiatives and Measures on Attainment of Goal III*

IV. DECOMPOSITION OF GOALS OF THE UKRAINE'S FINANCIAL SECTOR DEVELOPMENT STRATEGY

1	2	3	4
3.4. Introduction of new financial instruments and improvement of existing ones	3.4.6. Recovery of the corporate bond market	NSSMC	Focus 1
	3.4.7. Introduction of Islamic financial instruments	NSSMC	Focus 2
	3.4.8. Development of cross-border capital market products[14]	NBU, NSSMC	Both Focuses
3.5. A responsible and inclusive financial market	3.5.1. Ensuring a barrier-free and inclusive financial sector[15]	NBU, NSSMC	Both Focuses
	3.5.2. Developing the regulation of market behavior of financial services market participants[16]	NBU, NSSMC	Both Focuses
	3.5.3. Introduction of regular disclosure of information on ties to aggressor states and their satellites	NSSMC	Focus 1
	3.5.4. Simplifying remote customer engagement and servicing by professional capital market participants	NSSMC	Focus 1
	3.5.5. Reliable digital services	NBU	Both Focuses
	3.5.6. Improving information disclosure based on electronic reporting standards[17]	NBU	Both Focuses
	3.5.7. Enhancing the financial literacy of households and entrepreneurs[18]	NBU, DGF, NSSMC, central government authorities, EEPO, banks	Both Focuses
3.6. Recovery of the financial sector	3.6.1. Creating mechanisms to help the financial sector compensate for damages inflicted by russia	MoJ, MoF, NBU, NSSMC, DGF	Focus 1

[14] Idem. [15] Idem.
[16] Idem. [17] Idem.
[18] Idem.

Table *Initiatives and Measures on Attainment of Goal III*

IV. DECOMPOSITION OF GOALS OF THE UKRAINE'S FINANCIAL SECTOR DEVELOPMENT STRATEGY

Despite the war, the technological development of financial services continues as it is a prerequisite for financial inclusion and cybersecurity.

Initiatives	Measures	Responsible parties	Focus
1	2	3	4
4.1. Development of infrastructure for digital financial services	4.1.1. Developing e-economy[19]	NBU, NSSMC, DGF, MoE, MoF, MoDT, specialized associations	Focus 2
	4.1.2. Financial infrastructure development[20]	NBU, MoDT, NSSMC, DGF	Both Focuses
	4.1.3. Promoting the development of mobile apps for financial transactions	NSSMC, DGF, MoDT, NBU	Focus 1
	4.1.4. Introducing electronic operation practices for businesses' governance bodies	NSSMC	Both Focuses
4.2. Automation and paperless technologies in provision of financial services	4.2.1. Developing the cashless economy and the open architecture of the financial market[21]	NBU, DGF, MoDT, MoF, MoJ	Focus 2
	4.2.2. Spreading the use of paperless technologies	NBU, DGF, MoDT, NSSMC, CMU, MoJ	Both Focuses

Table *Initiatives and Measures on Attainment of Goal IV*

[19] Idem.
[20] Idem.
[21] Idem.

IV. DECOMPOSITION OF GOALS OF THE UKRAINE'S FINANCIAL SECTOR DEVELOPMENT STRATEGY

1	2	3	4
4.3. Regulation of virtual assets	4.3.1. Introducing regulation and supervision of the virtual assets market	NSSMC, NBU, MoDT	Both Focuses
4.4. Digital defense of the financial sector	4.4.1. Organizing collective (integrated) cybersecurity of the financial sector[22]	NBU, DGF, NSSMC, MoF, MoE, MoDT, State Treasury, SSoSC	Both Focuses
	4.4.2. Improving the reliability of financial services	NBU, MoDT, SSoSC, NSSMC, NABU	Both Focuses
4.5. Financial infrastructure recovery	4.5.1. Financial services in liberated territories[23]	NBU, MoF, MoRel	Both Focuses

In order to attain the previous four goals, special attention should be paid to improving the resilience, efficiency, and development of financial sector regulators and the DGF.

[22] Idem.
[23] Idem.

Table *Initiatives and Measures on Attainment of Goal IV*

IV. DECOMPOSITION OF GOALS OF THE UKRAINE'S FINANCIAL SECTOR DEVELOPMENT STRATEGY

Initiatives	Measures	Responsible parties	Focus
1	2	3	4
5.1. Ensuring uninterrupted operation of regulators and the DGF	5.1.1. Developing plans to ensure organizational resilience (continuity of key business processes) of regulators and the DGF	NBU, NSSMC, DGF, MoF	Focus 1
	5.1.2. Implementation of practices to ensure organizational resilience (continuity of key business processes) of regulators and the DGF, based on international standards	NBU, NSSMC, DGF, MoF	Focus 1
	5.1.3. Implementation of measures to enhance the cyber resilience of information resources of regulators and the DGF	NBU, NSSMC, DGF, MoF	Both Focuses
	5.1.4. Organizing training of personnel involved in the implementation of measures to ensure organizational resilience (continuity of key business processes) of regulators and the DGF, conducting tests on risks and emergency situations response	NBU, NSSMC, DGF, MoF	Focus 1
	5.1.5 Establishing effective cooperation and coordination between regulators and supervised entities in responding to risks and emergency situations	NBU, NSSMC, DGF, MoF	Focus 1
5.2. International cooperation	5.2.1. European integration of the financial sector[22]	NBU, CMU, central government authorities, NSSMC, DGF	Both Focuses
	5.2.2. Ensuring Ukraine's accession to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information	NSSMC	Both Focuses

[22] Idem.

Table Initiatives and Measures on Attainment of Goal V

IV. DECOMPOSITION OF GOALS OF THE UKRAINE'S FINANCIAL SECTOR DEVELOPMENT STRATEGY

1	2	3	4
5.2. International cooperation	5.2.3. Raising the level of international cooperation (including with foreign regulators, EBA, EIOPA, ESMA, and IAIS)	NSSMC, NBU	Both Focuses
	5.2.4. Development of the NBU's relations with international organizations	NBU	Focus 1
5.3. Improving the operational efficiency of regulators and the DGF	5.3.1. Development of project management by regulators and the DGF	CMU, NBU, DGF, NSSMC, MoF	Both Focuses
	5.3.2. Development of competences of regulators and the DGF	NBU, NSSMC, DGF, MoF	Both Focuses
5.4. Integral and comprehensive IT infrastructure for public authorities	5.4.1. Digital transformation of the NBU[25]	NBU	Focus 2
	5.4.2. Implementation of Comprehensive Information Protection System (CIPS) in NSSMC telecommunications systems	NSSMC	Both Focuses
	5.4.3. Upgrading the subsystems for real-time collection and monitoring of information in capital markets	NSSMC	Both Focuses
	5.4.4. Development and implementation of real-time data exchange software (operation and analysis modules)	NSSMC	Both Focuses
	5.4.5. Introduction of data analysis software tools	NSSMC	Both Focuses
	5.4.6. Introduction of the automation subsystem (ERP system) of NSSMC internal business processes	NSSMC	Both Focuses
	5.4.7. Implementing and maintaining the operation of the NSSMC Comprehensive Information System (CIS) and its subsystems	NSSMC	Both Focuses
5.5. Increasing the institutional capacity and financial independence of regulators and the DGF	5.5.1. Ensuring financial independence of NSSMC in line with IOSCO principles	NSSMC	Both Focuses
	5.5.2. Increasing the institutional capacity and independence of the DGF	DGF, NBU	Focus 2

[25] Idem.

Table Initiatives and Measures on Attainment of Goal V

FINANCIAL STRATEGY UA

V. UKRAINE’S INTERNATIONAL OBLIGATIONS IN ACCORDANCE WITH THE STRATEGY OF UKRAINIAN FINANCIAL SECTOR DEVELOPMENT

V. UKRAINE'S INTERNATIONAL OBLIGATIONS IN ACCORDANCE WITH THE STRATEGY OF UKRAINIAN FINANCIAL SECTOR DEVELOPMENT

In June 2022, Ukraine was granted EU candidacy status, which envisages the strengthening of European integration reforms in the country as a whole and in the financial sector in particular. An important aspect of these reforms is implementation of EU acquis into Ukraine's legislation. In order to determine the implementation status of EU acquis, the government adopted Resolution No. 189 *On Approval of Procedure for Initial Assessment of EU Acquis Implementation Progress* dated 28 February 2023 in terms of negotiation sections set by the EU within its enlargement policy. In general, the EU provided Ukraine with about 29,000 EU acquis under 34 negotiation chapters for initial assessment.

A wide range of Ukrainian authorities have been engaged in the assessment, including the representatives of financial sector: NBU, NSSMC, DGF, MoF, MoEc and others.

The initial assessment involves:

- preparation of tables on conformity of the Ukrainian legislation with EU acquis based on a comprehensive analysis of EU acquis by 30 June 2023;
- filling in the self-screening tracker (initial assessment) by 30 June 2023;
- preparation of reports for sections/areas along with proposals for bringing Ukrainian legislation into compliance with EU acquis by 30 August 2023.

V. UKRAINE’S INTERNATIONAL OBLIGATIONS IN ACCORDANCE WITH THE STRATEGY OF UKRAINIAN FINANCIAL SECTOR DEVELOPMENT

The findings of the initial assessment will lay the groundwork for the National Program for EU Law Implementation in Ukraine (hereinafter referred to as “Program”). The Program is expected to be developed by the end of 2023.

In line with the government’s action plan for priority measures for 2023 (CMU Ordinance No. 221 dated 14 March 2023), an initiative to start negotiations regarding Ukraine’s accession to the EU is planned to be taken in December 2023.

Given the magnitude and complexity of the work on the initial assessment of EU acquis implementation status and, based on its findings, the preparation of the Program, Section 5 of the 2025 Strategy is proposed to be updated no earlier than 2024.