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Ukraine IP-FSS Project National Securities & Stock Market Commission: Technical Assistance Assessment and Coordination

23 May , 2016

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1. Background

The National Securities and Stock Market Commission (NSSMS) has been a weak institution since its initial inception as the State Securities and Stock Market Commission (SSMCS) in 1995, and as the NSSMC in 2011. The NSSMC has been underfunded and short of qualified staff. Most recently, there was a wholesale change in the leadership of the NSSMC in early 2015; to date, the new leadership has shown a strong commitment to reform.

There is very little in the way of real local capital markets activity in Ukraine today. Companies are for the most part in poor financial conditions, the banking system is largely bankrupt, there is almost no new securities issuance, secondary market trading is often fictitious, the National Bank holds most of the government securities, and the institutional investor base is undeveloped. The fictitious trades are used for money laundering, misrepresenting financial positions, tax avoidance, and capital flight. These conditions exist against a backdrop of a transition economy that has been deteriorating since 2008, an unstable political environment, and a continuing armed conflict in the east of the country.

In addition to new leadership in the NSSMC, there are also enthusiastic department heads. The Commissioners are all fluent in English, which helps them engage international investors and the donor community. Unfortunately, English Language skills, commitment to reform and enthusiasm for developing staff are not sufficient to develop a viable securities commission. The NSSMC commissioners have relevant experience, but they have not been regulators. The low salaries provided by the NSSMC make it difficult to attract and retain (especially the most highly qualified) staff. The salaries in many cases are as little as USD 150 per month. Naturally, institutional knowledge often departs with staff. Most of the staff below department heads do not speak English, which decreases the effectiveness of international technical assistance.

The capital market infrastructure in Ukraine is highly fragmented. There are two central securities depositories, numerous stock exchanges, and hundreds of commodity exchanges. The fragmentation results in reduced liquidity and a reduction in profitability of the capital markets players.

Ukraine is one of the few countries that is not a signatory to the International Organization of Securities Commissions [Multilateral Memorandum of Understanding](#) (IOSCO MMOU). This is because the NSSMC is unable to gather information and share the information with other governments (which is important in Anti-Money Laundering/Counter Terrorist Financing efforts). There is a draft law which enhances the NSSMC financial and operational independence and, if enacted, would allow the NSSMC to become a signatory.

The NSSMC IT systems are primitive and vertical in nature and do not communicate with each other or with market participants. Because the systems cannot analyze data, the limited analysis performed currently is done manually. Given the limited analysis and enforcement capabilities of the NSSMC, the result is that the market is largely unregulated by default.

In addition, the fate of the National Commission for the Regulation of the Financial Services Market (NCRFSM) has not yet been determined. The NCRFSM is the regulator for insurance, pension funds, and other non-bank financial market participants not regulated by the NSSMC. There is a draft law would dissolve the NCRFSM and give its functions to the NBU and the NSSMC. The draft law has been waiting for

a considerable period of time to be introduced for consideration by the Parliament, raising question on whether it will be passed. The NCRFSM is already the smallest and weakest of the financial market regulators in Ukraine. The markets that should be regulated by the NCRFSM have little oversight.

There are also foreign exchange controls that inhibit investment. There is a draft law on derivatives, now in parliament, that has been years in the making. The NSSMC is currently receiving technical assistance to develop a draft law on bond holders' rights.

2. Current Technical Assistance Needs

The NSSMC is not able to perform its regulatory duties because of a lack of capacity within the NSSMC's systems, staffing, legislation, and regulations. The capital markets infrastructure is fragmented and inefficient. All of these need to be remedied, and are mostly under the purview of the NSSMC. In meetings with NSSMC departmental staff, several technical assistance needs were identified, as summarized in Appendix B). There is clearly room for all donors in Ukraine to coordinate provision of technical assistance for the NSSMC.

The key priorities in risk-based supervision are to: a) train NSSMC staff in how to conduct examinations and analyze the results; and b) establish a mechanism to examine all issuers so that the NSSMC can create a baseline to understand where the issuers lie in the continuum.

Financial, trade and corporate reporting by market participants and issuers. The key priorities are to: a) determine which issuers are viable concerns; and b) establish a system for public dissemination of data on issuers.

Other monitoring/surveillance activities. Key priorities in this area are to: a) complete trading platform consolidation phase of capital markets reform; and b) develop a surveillance system for the remaining trading platform. If there is no substantial consolidation, the NSSMC will need to consider a regime where each trading platform conducts the surveillance and reports the results to the NSSMC (otherwise, the NSSMC would need a different surveillance system for each trading platform that had a different system).

Capital Markets Infrastructure (CMI). The EBRD has funded a CMI study that identified gaps in the CMI and provided a road map for closing the gaps. The EBRD has pledged to fund the implementation of the road map over a two-year period if the NSSMC meets project milestones. This includes improvement of post trade efficiency and CMI consolidation. Unfortunately, the EBRD is already eight months behind schedule in providing this TA, due to internal EBRD hold ups.

Enforcement and investigations, examinations of market participants, ethics (internal), surveillance (issuer reporting system; complaints, tips and referrals; market surveillance program; development of a risk based supervision program; and case management tracking). The US Securities and Exchange Commission (SEC), under funding from USAID, is planning to provide technical assistance in these areas. The core form of assistance will be formal training to NSSMC by seasoned SEC senior executives. The SEC has also agreed for its experts to be available on a remote basis and have onsite missions to Kyiv on ad-hoc basis, expected two-weeks to a month per year.

Commodity Market Development: The US Commodity Futures Trading Commission (CFTC), funded by USAID, is expected to provide technical assistance on developing commodity futures markets. The first CFTC expert is scheduled to visit Ukraine as part of the next SEC visit in June. This should provide for an assessment of problems in the commodity futures markets and ways to overcome the problems. Engagement with the CFTC expert has not been confirmed beyond the initial trip with the SEC.

The IMF is providing policy advice that will impact legislation, compliance with IOSCO principles, and the Ukrainian IMF Program. The IMF had planned to provide technical assistance on **prudential supervision**, but has to date been unable to find a suitable expert in this area. Prudential supervision goes hand in hand with the Capital Requirement Regulation and the Capital Requirement Directive. This is a key area, and, if the IMF is not able to deliver, it is essential that another donor take the lead.

The NSSMC completed a self-assessment of its compliance with IOSCO Principles. Since that time, the IMF and SEC have been providing technical assistance for the NSSMC to implement changes that will lead to compliance with the principles. **Of the 37 IOSCO Principles, the NSSMC needs additional technical assistance for 12 of them** (the NSSMC is already in compliance with 11 principles; for 12 of the principles, the NSSMC is currently receiving technical assistance; and two are no longer relevant to the NSSMC). The 12 principles requiring assistance include: credit rating agencies and other entities that provide analytical or evaluative services; collective investment schemes and hedge funds; market intermediaries; trading platforms; transparency of trading; and systemic risk (see Appendix C for a summary of technical assistance needs relating to IOSCO Principles).

Information Technology (IT). IT system upgrade is necessary for the NSSMC to be able to perform its duties. The current IT system is inefficient, vertical within NSSMC departments, does not communicate across departments and does not communicate externally (i.e., with market participants). A new IT system will need to be developed, as there are no off-the-shelf IT systems that can meet all of the NSSMC needs, and there are off-the-shelf components that could be incorporated into the IT system upgrade. The NSSMC has drafted an RFP that describes the tasks the new IT system will be required to perform. The EBRD has identified a funding source to help with a “zero phase” of the IT system project. Beyond this small assistance, however, no funding has been identified. It is possible that several donors could provide smaller amounts of technical assistance to support the project that collectively will be meaningful.

The NSSMC has also made recent requests for several areas of assistance from USAID in the following areas: **surveillance and case management systems to complement the technical assistance being provided by the US SEC; governance; website development; data storage; IT system upgrade; and pension fund management.**

3. Issues / Problems encountered

3.1.1. NSSMC Issues

The NSSMC has a very limited budget. The NSSMC is currently surviving in part thanks to the assistance of the donor community. Staff wages are as low as USD 150 per month. There is a lack of capacity at lower levels in the NSSMC. Most departments do not even have sufficient equipment (computers, scanners, printers). There is insufficient IT capability in the NSSMC. This prevents the NSSMC from conducting market surveillance and analyzing data.

The draft law on the NSSMC includes self-funding parameters that would assist in addressing funding issues.

3.1.2. GOU Issues

Important legislation is slow to move. The derivatives law that finally passed a first reading has been in development for several years. The draft law for the NSSMC has been in the Presidential Administration for a long time – without passage, becoming a signatory to the IOSCO MMOU is not possible. GOU agencies do not always coordinate/cooperate properly. Political instability has led to a slowdown in the reform process government wide.

3.1.3. External Issues

Donors have cooperated among each other and supportive of the NSSMC. The IMF has been providing significant assistance, but the IMF's reluctance to discuss its technical assistance efforts (due to confidentiality issues surrounding the IMF program) makes it difficult for donors and the NSSMC to coordinate related technical assistance needs. The World Bank currently has no plans to provide assistance to the NSSMC.

4. Recommended action items

The key to address the NSSMC needs in the near term is to ensure donor coordination in the provision of technical assistance to maximize the effectiveness and impact of the limited assistance funds. The following recommendations focus on how to maximize the impact of the external support to the NSSMC:

- Enhance management of technical assistance efforts by migrating from EXCEL-based to a MS-PROJECT-based management tool. This will allow the NSSMC management to better assess the demands that external technical assistance is placing on the NSSMC staff and to determine the when to schedule both training events and onsite visits from technical assistance advisors. At the same time, this can provide donors a better picture of how their assistance is fitting into the NSSMC schedule of competing demands. NSSMC will need a full-time technical assistance project manager as assistance programs ramp up.
- Seek to have a seasoned securities and exchange professional with broad knowledge of developed regulatory environments embedded in the NSSMC. The NSSMC needs such a professional that can be onsite and available on a daily basis. This would allow the NSSMC staff at all levels to reap the benefits of the professional's knowledge and minimize delays and missteps in reforms due to any delayed response from remote experts.
- Integrate appropriate experts in risk-based supervision, reporting for market participants and issuers, and surveillance into the technical assistance program to complement other technical assistance activities.
- Follow up on technical assistance for prudential supervision. If the IMF does not deliver, another donor will need to take the lead.
- Facilitate accelerated consolidation of post trade and trading platforms in order to increase investor comfort and market liquidity and allow NSSMC market surveillance.
- Ensure that appropriate experts in areas of IOSCO compliance are integrated into the technical assistance program.

Appendix A- List of Meetings

Organization	Meeting Participants	Position
NSSMC	Khromaev	Chairman
NSSMC	Butsa	Commissioner
NSSMC	Tarabakin	Commissioner
NSSMC	Panchenko	Commissioner
NSSMC	Yushkevich	Head of International Department
NSSMC	Rafalska	Head of Reporting and Prudential Supervision Dept.
NSSMC	Misura	Dept. for Market Control/Abuse/Sanctioning
NSSMC	Fomenko	Head of IT Dept.
NSSMC	Kurochkina	Dept. for Regulation of Depositories and Clearing Houses
NSSMC	Ustenko	Dept. for Regulation of Securities Traders and Stock Exchanges
NSSMC	Zbarazhska	Internal Audit Division
NSSMC	Tymoshuk	Head of HR/Anticorruption Dept.
NSSMC	Martynenko	Head of Legal Dept.
NSSMC	Ostapchuk	Deputy Head of Law Enforcement Dept.
NSSMC	Libanov	Head of Capital Market Strategy Dept.
NSSMC	Papaika	Head of Corporate Governance and Corporate Finance Dept.
SMIDA	Tsodikov	Director of IT
NBU	Selekhman	Open Markets Operations, Government Securities Placement

EU-Finstar	Calhoun	Chief of Party
EBRD	Takacs	Associate Director, LC2
GIZ	Sattler, Ventsel	Project Coordinator
EU	Mudruk	Financial Sector Program Coordinator
IMF	Skreb, Fontaine	TA Coordinators
USAID	Berezhna, Gonyea	Project Manager, Head of Office of Economic Growth
World Bank	Vardanyan	Financial Sector Manager
US CFTC (conference call)	Piccoli	Deputy Director, Office of International Affairs
US SEC (conference call)	Birdwell	Deputy Director, Office of International Affairs
Brockhausen, Beratung und Compliance GmbH	Brockhausen	Founding Partner

Appendix B – Departmental Technical Assistance Needs

Analysis Questions	Legal drafting needs to comply with EU standards	Organizational Structure/Strategic Planning help for department or division	Business process optimization help needed for department or division	Topics for internal trainings/seminars for department or division	Information System needs for department or division
Department					
Market Control/Abuse/ Sanctioning	<p><u>Price Manipulation and Insider Info Division</u></p> <ul style="list-style-type: none"> Monitoring the trading systems of the exchanges; Price manipulation investigations; Inspecting the market participants <p><u>Financial Monitoring Division</u></p> <ul style="list-style-type: none"> Need international experience in the area of financial monitoring (identification, verification, and investigation in case is there are suspicions in money laundering) 	<p><u>Price Manipulation and Insider Info Division</u></p> <ul style="list-style-type: none"> Some help needed for Strategic Planning specifically <p><u>Financial Monitoring Division</u></p> <ul style="list-style-type: none"> Need for cooperation with anti- money laundering units of regulators in other countries to be able to acquire their experience for strategic planning Need more experience in combatting money laundering for organizational structure assistance 	<p><u>Price Manipulation and Insider Info Division</u></p> <ul style="list-style-type: none"> Need help in setting the procedure for selecting companies to be inspected; development of risk matrix <p><u>Financial Monitoring Division</u></p> <ul style="list-style-type: none"> Help with developing automatic risk-oriented approach to scheduling inspections to fight money laundering 	<p><u>Price Manipulation and Insider Info Division</u></p> <ul style="list-style-type: none"> Methods of spotting and proving price manipulations and insider trading <p><u>Financial Monitoring Division</u></p> <ul style="list-style-type: none"> Performing onsite inspections, organizing supervision process. Supervision and control in financial monitoring. Use of securities in money laundering. Methods of fighting money laundering. 	<p><u>Price Manipulation and Insider Info Division</u></p> <ul style="list-style-type: none"> Need to have an integrated database for the entire Commission with a component on on-site inspections <p><u>Financial Monitoring Division</u></p> <ul style="list-style-type: none"> Need a module that will enable our division to automatically analyze and filter out such activities of the market participants that have characteristics of money laundering i2 Analyze (developed by IBM)
Department of Regulation of Depositories and Clearing Houses	<p><u>Monitoring Division</u></p> <ul style="list-style-type: none"> Need translations of EU legislation on financial instruments, documents of IOSCO <p><u>Supervisory Division</u></p> <ul style="list-style-type: none"> Need help with drafting regulations related to supervision of depositories. <p><u>Licensing Division</u></p> <p>No help is needed</p> <p><u>Methodology Division</u></p> <p>No help is needed</p>	<p><u>Monitoring Division</u></p> <p>No help needed</p> <p><u>Supervisory Division</u></p> <p>No help needed</p> <p><u>Licensing Division</u></p> <ul style="list-style-type: none"> Need some help with strategic planning <p><u>Methodology Division</u></p> <p>No help needed</p>	<p><u>Monitoring Division</u></p> <ul style="list-style-type: none"> Need IS and electronic document circulation system. IS should be able to handle large amounts of data coming from the companies <p><u>Supervisory Division</u></p> <p>No help needed</p> <p><u>Licensing Division</u></p> <ul style="list-style-type: none"> Need an IS tool that would enable stock market monitoring <p><u>Methodology Division</u></p> <p>No help needed</p>	<p><u>Monitoring Division</u></p> <ul style="list-style-type: none"> Analysis of financial statements prepared using IFRS. Methodology of supervision. Risk management system implementation. <p><u>Supervisory Division</u></p> <ul style="list-style-type: none"> In-depth knowledge on collecting, storing, modeling, and analyzing large amounts of data. Generation of interactive reports. Trainings related to Depository and Clearing activities. <p><u>Licensing Division</u></p> <ul style="list-style-type: none"> IFRS requirements to financial reporting. Derivatives. Commodity exchanges vs financial markets. Compliance while performing professional activities. Trainings on the use of IT/IS. <p><u>Methodology Division</u></p> <ul style="list-style-type: none"> Financial market infrastructure principles (EU countries). Implementation of a risk management system / payment settlement system. 	<p><u>Monitoring Division</u></p> <ul style="list-style-type: none"> The IS needs to be able to communicate with the depositories, Central Depository and Processing Center. It must be able to help in licensing, monitoring, and supervision. Need electronic document circulation system. Need to be able to analyze and automate report/document processing. Need a central data warehouse. <p><u>Supervisory Division</u></p> <ul style="list-style-type: none"> Need IS tools to analyze and automate the process of supervision over depositories with the help of visual reports generated in accordance with the signals/indicators defined by the NSSMC's analysts. <p><u>Licensing Division</u></p> <ul style="list-style-type: none"> Need IS that will integrate all departments of the Commission and other executive government agencies. It also should be able to interact with regulators in EU. IS tool to monitor the stock market. Software that would enable interaction with EU regulators. <p><u>Methodology Division</u></p> <ul style="list-style-type: none"> Electronic document circulation system.
Department of Regulation of Mutual Funds and Institutional Investors	<p>Gap analysis is needed to understand whether Ukrainian legislation is compliant with the Key Investor Information Directive. Need assistance with implementation of higher requirements to prospectuses of issues of shares of mutual funds.</p>	<p>Road map to implement UCITs-related Directives. Need help with a strategy to stimulate development of open mutual funds on the basis of the existing investment funds for strategic planning</p>	<p>No help needed</p>	<ul style="list-style-type: none"> Control and monitoring of UCITs, venture funds, and investor protection. Participation of self-regulating organizations in licensing and monitoring of market participants. 	<p>Licensing of asset management companies. Registration of mutual funds (including their prospectuses, etc.). Monitoring and control over market participants (including risk diversification).</p>
HR Department	<p>Development and improvement of the procedure to regulate conflicts of interests. Need to have a process of official certification about the absence of conflict of interest at various levels of the Commission hierarchy.</p>	<p>Need help with changes to the organizational structure due to new strategic goals of the NSSMC.</p>		<ul style="list-style-type: none"> Modern educational technologies for professional development Trainings in design and development of interfaces for web-applications and websites English classes Ethics classes Public speaking classes For more, See summary of needs for this department. 	<p>HR and anticorruption tools intergraded in the IS.</p>

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Analysis Questions	Legal drafting needs to comply with EU standards	Organizational Structure/Strategic Planning help for department or division	Business process optimization help needed for department or division	Topics for internal trainings/seminars for department or division	Information System needs for department or division
Law Enforcement Department	<p><u>Division of Law Enforcement Initiation</u> No help is needed</p> <p><u>Division for Control Over Commission Regulations/Orders</u> No help is needed</p>	<p><u>Division of Law Enforcement Initiation</u> No help is needed</p> <p><u>Division for Control Over Commission Regulations/Orders</u> No help is needed</p>	<p><u>Division of Law Enforcement Initiation</u> No help is needed</p> <p><u>Division for Control Over Commission Regulations/Orders</u> No help is needed</p>	<p><u>Division for Control Over Commission Regulations/Orders</u></p> <ul style="list-style-type: none"> • Training on how to avoid conflict with companies 	<p><u>Division of Law Enforcement Initiation</u></p> <ul style="list-style-type: none"> • Need a new register of violation cases as a part of the new IS that should contain all info from all divisions of the Commission, so all the info about any company could be extracted (license, licensed staff members, court cases, etc.) <p><u>Division for Control Over Commission Regulations/Orders</u></p> <ul style="list-style-type: none"> • Single database of court cases of the Commission. • Single depository of all regulations and rulings of the Commission. • More recent version of MS Office, OCR software for character recognition from scanned docs.
Department of Regulation of Securities Traders/Stock Exchanges	<p>Help with developing basic regulations in accordance with EU Directives related to the activities of securities traders/stock exchanges (especially regulations related to the listing requirements).</p>	<p>Help with improving the process of supervision over traders/stock exchanges for strategic planning efforts. For organization structure, need help with optimal use of human resources at the Commission. Some responsibilities have to be reassigned.</p>	<p>Help with optimization of business processes related to internal Commission communications (info exchange between departments/divisions and its analysis) in order for the Commission to quickly react to the external events (for example, to the stock market events).</p>		<ul style="list-style-type: none"> • IS should be able to obtain administrative data from traders/stock exchanges, help with license issuance, document verification, help with generation of statistical reports, integrate all registers in the Commission • Modern software for stock exchanges (trading platform) to which the Commission should have access in order to monitor the market and contracts, development of OTC trading platform which would enable Commission to receive info about OTC contracts in real time and enable internal record keeping about securities traders. Deployment of software that would store data about market participants that include licensing info, ownership structure, business reputation of the owners and key staff members.
Department of Strategy of Stock Market Development	<p><u>Division for Adaptation of Legislation to EU Requirements</u></p> <ul style="list-style-type: none"> • Need help with translations of the most recent versions of EU legislation (with amendments). Some existing translations are done poorly. <p><u>Division of Program and Educational Documents of Stock Market Development</u></p> <ul style="list-style-type: none"> • Need help with development of EU compliant legislation <p><u>Division of Stock Market Statistics</u></p> <p>No opinion</p>	<p>Strategic Planning help needed across all divisions</p> <p><u>Division for Adaptation of Legislation to EU Requirements</u></p> <ul style="list-style-type: none"> • Need help with stages of adaptation of all relevant legislation <p><u>Division of Program and Educational Documents of Stock Market Development</u></p> <ul style="list-style-type: none"> • Need advice on provision of administrative services on stock market taking into account international experience <p><u>Division of Stock Market Statistics</u></p> <ul style="list-style-type: none"> • Need help with development of statistical indicators on the status and development of the stock market; need methodology for developing such indicators. Need help with preparation of presentation materials. 	<p><u>Division for Adaptation of Legislation to EU Requirements</u></p> <p>No help needed</p> <p><u>Division of Program and Educational Documents of Stock Market Development</u></p> <ul style="list-style-type: none"> • Trainings and seminars about efficient management taking into account international experience <p><u>Division of Stock Market Statistics</u></p> <p>No opinion</p>	<p><u>Division for Adaptation of Legislation to EU Requirements</u></p> <ul style="list-style-type: none"> • Need trainings on practical experience with implementing MIFID II, Fin instruments markets Directives; • Directive on coordination of laws and regulations on UCITS, on AIF managers, on credit rating agencies, and other laws/regulations. <p><u>Division of Program and Educational Documents of Stock Market Development</u></p> <ul style="list-style-type: none"> • Training on administrative services on stock markets. • Stock market regulation in EU countries. • Training on cooperation with other government agencies. Training on prevention of market abuse <p><u>Division of Stock Market Statistics</u></p> <ul style="list-style-type: none"> • Development of statistical indicators on the status and development of the stock market. Methodology for developing such indicators. • Cooperation and process of info exchange between government institutions. 	<p><u>Division for Adaptation of Legislation to EU Requirements</u></p> <ul style="list-style-type: none"> • Access to legal database 'Liga Zakon' (Ukr laws) <p><u>Division of Program and Educational Documents of Stock Market Development</u></p> <ul style="list-style-type: none"> • Improvement of the registers of market participants. <p><u>Division of Stock Market Statistics</u></p> <p>No opinion</p>
Department of Fin Reporting and Prudential Supervision	<p>Need advice on the existing methodologies for sampling from the market participants to analyze their auditor's opinions and financial reports. Need expert advice on stock market abuse identification based on indirect indicators based on financial reports. Help with preparing legislation related to auditing, financial reporting, and accounting. Developing changes to the existing NSSMC regulations regarding the auditor's opinions in order to comply with EU Directives.</p>		<p>Need help with developing requirements for auditor's opinions.</p>	<ul style="list-style-type: none"> • Need a training session on analysis of the auditor's opinion. • Need a training about cooperation between regulators from EU countries, so better coordination and cooperation between financial regulators in Ukraine can be achieved. • Trainings on auditing, financial reporting, and accounting. International experience in accounting, financial reporting and auditing in relation to the stock market. 	

Analysis Questions	Legal drafting needs to comply with EU standards	Organizational Structure/Strategic Planning help for department or division	Business process optimization help needed for department or division	Topics for internal trainings/seminars for department or division	Information System needs for department or division
IT & Document Circulation Department					Integrated IT system that can communicate across all departments internally and with appropriate market participants externally. Internally, all departments need more modern hardware and software.
Department of Corporate Governance and Corporate Finance	Need help with drafting regulations related to security issuance (prospectuses, etc.) and regulations on information disclosure.		No help needed	MS Office trainings (Excel, Power Point)	<ul style="list-style-type: none"> • The new IS should have the register of the securities issuers; • Need to be able to visualize the data received from company reports; • Need the system of stock market monitoring to be implemented.
Internal Audit Division				<ul style="list-style-type: none"> • Trainings on internal audit practices (organization of the audits, documenting the audits) • Trainings on how to build the internal control system in government agencies • Study tour to Poland to observe internal auditing functions 	

Appendix C – IOSCO Principles with Unmet Technical Assistance Needs

#	Principle	Implemented	TA Needed?	TA Provider	Priority: Low(L)- Medium(M)- High(H)
1	The responsibilities of the regulator should be clear and objectively stated.	Y	N		
2	The regulator should be operationally independent and accountable in the exercise of its functions and powers.	N	N	IMF	
3	The regulator should have adequate powers, proper resources and the capacity to perform its functions and exercise its powers.	N	N	IMF	
4	The regulator should adopt clear and consistent regulatory processes.	Y	N		
5	The staff of the regulator should observe the highest professional standards including appropriate standards of confidentiality.	Y	N		
6	The Regulator should have or contribute to a process to monitor, mitigate and manage systemic risk, appropriate to its mandate.	Y	N		
7	The Regulator should have or contribute to a process to review the perimeter of regulation regularly.	Y	N		
8	The Regulator should seek to ensure that conflicts of interest and misalignment of incentives are avoided, eliminated, disclosed or otherwise managed.	N	Y	IMF/SEC	
9	Where the regulatory system makes use of Self-Regulatory Organizations (SROs) that exercise some direct oversight responsibility for their respective areas of competence, such SROs should be subject to the oversight of the Regulator and should observe standards of fairness and confidentiality when exercising powers and delegated responsibilities.	N	N		
10	The Regulator should have comprehensive inspection, investigation and surveillance powers.	N	Y	IMF	
11	The regulator should have comprehensive enforcement powers.	N	Y	IMF	
12	The regulatory system should ensure an effective and credible use of inspection, investigation, surveillance and enforcement powers and implementation of an effective compliance program.	N	Y	IMF	
13	The regulator should have authority to share both public and non public information with domestic and foreign counterparts.	N	Y	IMF	
14	Regulators should establish information sharing mechanisms that set out when and how they will share both public and non-public information with their domestic and foreign counterparts.	N	Y	IMF	
15	The regulatory system should allow for assistance to be provided to foreign regulators who need to make inquiries in the discharge of their functions and exercise of their powers.	N	Y	IMF	
16	There should be full, accurate and timely disclosure of financial results, risk and other information that is material to investors' decisions.	N	Y	IMF	
17	Holders of securities in a company should be treated in a fair and equitable manner.	N	Y	IMF	
18	Accounting standards used by issuers to prepare financial statements should be of a high and internationally acceptable quality.	Y	N		
19	Auditors should be subject to adequate levels of oversight.	NR – to MOF	N		
20	Auditors should be independent of the issuing entity that they audit.	NR – to MOF	N		
21	Audit standards should be of a high and internationally acceptable quality.	Y	N		
22	Credit rating agencies should be subject to adequate levels of oversight. The regulatory system should ensure that credit rating agencies whose ratings are used for regulatory purposes are subject to registration and ongoing supervision.	N	Y		M
23	Other entities that offer investors analytical or evaluative services should be subject to oversight and regulation appropriate to the impact their activities have on the market or the degree to which the regulatory system relies on them.	N	Y		H

#	Principle	Implemented	TA Needed?	TA Provider	Priority: Low(L)- Medium(M)- High(H)
24	The regulatory system should set standards for the eligibility, governance, organization and operational conduct of those who wish to market or operate a collective investment scheme.	N	Y		M/H
25	The regulatory system should provide for rules governing the legal form and structure of CIS and the segregation and protection of client assets.	Y	N		
26	Regulation should require disclosure, as set forth under the principles for issuers, which is necessary to evaluate the suitability of a CIS for a particular investor and the value of the investor's interest in the CIS.	N	Y		M/H
27	Regulation should ensure that there is a proper and disclosed basis for asset valuation and the pricing and the redemption of units/shares in a CIS.	N	Y		M/H
28	Regulation should ensure that hedge funds and/or hedge funds managers/advisers are subject to appropriate oversight.	N	Y		M/H
29	Regulation should provide for minimum entry standards for market intermediaries	Y	N		
30	There should be initial and ongoing capital and other prudential requirements for market intermediaries that reflect the risks that the intermediaries undertake	N	Y		H
31	Market intermediaries should be required to establish an internal function that delivers compliance with standards for internal organization and operational conduct, with the aim of protecting the interests of clients and their assets and ensuring proper management of risk, through which management of the intermediary accepts primary responsibility for these matters	N	Y		H
32	There should be procedures for dealing with the failure of a market intermediary in order to minimize damage and loss to investors and to contain systemic risk	N	Y		H
33	The establishment of trading systems including securities exchanges should be subject to regulatory authorization and oversight.	N	Y		The HIGHEST priority
34	There should be ongoing regulatory supervision of exchanges and trading systems which should aim to ensure that the integrity of trading is maintained through fair and equitable rules that strike an appropriate balance between the demands of different market participants.	Y	N		
35	Regulation should promote transparency of trading.	N	Y		M
36	Regulation should be designed to detect and deter manipulation and other unfair trading practices.	Y	N		
37	Regulation should aim to ensure the proper management of large exposures, default risk and market disruption.	N	Y		M/H

Appendix D – NSSMC Current Donor Technical Assistance

Donor	Project	Department	Topic	Area	Status
USAID	FINREP II	Fin Reporting + Prud Superv (Kateryna Rafalska)	XBRL (for fin and prud reporting)	Capital Market Infrastructure	C
USAID	SEC expert missions	Market Control/Abuse/Sanctioning (Oleg Mysiura)	Market Abuse	Supervision	OG
USAID	SEC expert missions	Law Enforcement (Svitlana Moskalenko)	Enforcement	Supervision	OG
USAID	CFTC expert missions	Strategy of Cap Mkt (Maxim Libanov)	Financial Instruments	Market Development	P
GIZ	GIZ expert missions	Market Control/Abuse/Sanctioning (Oleg Mysiura)	Market Abuse	Supervision	OG
GIZ	GIZ expert missions	Law Enforcement (Svitlana Moskalenko)	Market Abuse	Supervision	OG
GIZ	GIZ expert missions	Strategy of Cap Mkt (Maxim Libanov)	Market Abuse	Supervision	OG
GIZ	GIZ expert missions	Reg of Sec Traders and SE (Irina Ustenko)	IS Assessment	IT	OG
GIZ	GIZ expert missions	Reg of Depos + Clearing (Irina Kurochkina)	IS Assessment	IT	OG
GIZ	GIZ expert missions	IT (Yevgeniy Fomenko)	IS Assessment	IT	OG
IMF	IMF expert missions	Market Control/Abuse/Sanctioning (Oleg Mysiura)	Market Abuse	Supervision	OG
IMF	IMF expert missions	Fin Reporting + Prud Superv (Kateryna Rafalska)	Transparency	Supervision	OG
IMF	IMF expert missions	Fin Reporting + Prud Superv (Kateryna Rafalska)	Prudential Supervision	Supervision	F
IMF	IMF expert missions	Strategy of Cap Mkt (Maxim Libanov)	Oper+Fin Indep of NSSMC	Organizational	C
IMF	IMF expert missions	TBA	TBA	TBA	P
IMF	IMF expert missions	TBA	TBA	TBA	P
EBRD	CMI Gap Analysis + Roadmap	Reg of Depos + Clearing (Irina Kurochkina)	CMI Gap Analysis and Road Map	Capital Market Infrastructure	C
EBRD	CMI Consolid 1	Strategy of Cap Mkt (Maxim Libanov)	Upgrade of PostTrade Infrast and Reg	Capital Market Infrastructure	P
EBRD	CMI Regulation	Strategy of Cap Mkt (Maxim Libanov)	Upgrade Posttrade Reg	Capital Market Infrastructure	P
EBRD	CMI Roadmap Impl Stage2	Reg of Sec Traders and SE (Irina Ustenko)	CMI Consolidation	Capital Market Infrastructure	F
EBRD	Govt Bond Mobile Trading	Strategy of Cap Mkt (Maxim Libanov)	Govt Bond Mobile Trading	Market Development	P
EBRD	Derivatives	Strategy of Cap Mkt (Maxim Libanov)	Derivatives	Market Development	C
EBRD	Corporate Bonds	Strategy of Cap Mkt (Maxim Libanov)	Corporate Bonds	Market Development	OG
EU Deleg	EU-FINSTAR	Fin Reporting + Prud Superv (Kateryna Rafalska)	XBRL (for fin and prud reporting)	Capital Market Infrastructure	OG
EU Deleg	EU-FINSTAR	Fin Reporting + Prud Superv (Kateryna Rafalska)	Consolidated Supervision	Supervision	OG
EU Deleg	EU-FINSTAR	Reg of Sec Traders and SE (Irina Ustenko)	Consolidated Supervision	Supervision	OG
EU Deleg	EU-FINSTAR	Reg of Depos + Clearing (Irina Kurochkina)	Consolidated Supervision	Supervision	OG
EU Deleg	EU-FINSTAR	Reg of Mut Inv Funds and Institut Inv (Oksana Symonenko)	Consolidated Supervision	Supervision	OG
EU Deleg	EU-FINSTAR	Strategy of Cap Mkt (Maxim Libanov)	Investment Compensation	Market Development	P
EU Deleg	EU-FINSTAR	Strategy of Cap Mkt (Maxim Libanov)	Strategy for Commission	Market Development	C
EU Deleg	TAIEX	Multiple	Multiple	Supervision	OG
EU Deleg	EU Twinning	Multiple	Multiple	Supervision	F

C = completed; OG = ongoing; P = planned; F = future consideration

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