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**Financial Sector
Rehabilitation Program
for Ukraine**

FY11 Annual Report

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I. EXECUTIVE SUMMARY

The [Financial Sector Development Project](#) (FINREP) aims to assist Ukraine in rebounding from the economic and financial crisis and establish a sound financial sector. FINREP has four overall objectives:

1. Strengthen the legal and regulatory environment for a stable, transparent, and resilient financial sector;
2. Enhance the capacity of financial sector institutions to implement reforms and raise performance to international best practices;
3. Assist vulnerable Ukrainians with financial relief and awareness, and increased demand for responsive financial intermediation and government intervention through increased consumer protection and financial education/awareness;
4. Expand the domestic securities market to mitigate financial stress and broaden the financial base beyond banking.

FINREP is implemented in close coordination with a wide range of Ukrainian partners, including the Government of Ukraine and profile ministries, the Verkhovna Rada of Ukraine, the National Bank of Ukraine (NBU), the Securities and Stock Market National Commission (SSMNC), the Financial Services Regulator (FSR), the Pension Fund of Ukraine (PFU), the State Property Fund (SPF), and the Deposit Guarantee Fund (DGF). In addition, project partners include private financial market associations, self-regulatory organizations, academia, media and consumer groups. In its first year, FINREP coordinated its activities in the financial sector with USAID's Capital Markets Project (CMP), which ended in October 2010. Selected CMP activities in capital markets/pension reform have been transferred successfully to FINREP.



FINREP is implemented by Booz Allen Hamilton Inc., Bankworld Inc., Cardno Emerging Markets USA Ltd., and Financial Markets International, Inc. (FMI), all U.S.-based consulting firms.

Key Accomplishments of Year 2

FINREP achieved excellent results in Year II despite the challenging Ukrainian political, economic and financial environment. Highlights of work plan achievements for the year are summarized in the table below:

Work Plan Activities	Highlights of achievements
Legal and Regulatory Reform of Financial Markets	<ul style="list-style-type: none"> ▪ 9 laws adopted, 17 draft laws completed related to banks, banking, bankruptcy, valuation, securities, pension reform and consumer protection ▪ 43 financial sector supervisors trained (22 female, 21 male) ▪ 400 financial sector professionals trained in international

	<p>standards (221 female, 209 male)</p> <ul style="list-style-type: none"> Working Group on Pension reform supported
Disclosure and Transparency	<ul style="list-style-type: none"> ESCRIN implemented and used by 139 firms for reporting
Institutional Capacity Building	<ul style="list-style-type: none"> 10 material improvements in infrastructure of institutions 19 training and educational events attended by 2028 professionals (757 female, 1266 male) 7 international study tours attended by 41 professionals (21 female, 20 male)
Financial Education and Consumer Protection	<ul style="list-style-type: none"> Conducted consumer financial literacy survey 7 (6 in regions) conferences on findings of financial literacy survey attended by 378 professionals (184 female, 194 male) 1 roundtable on international financial consumer protection attended by 112 professionals (51 female, 61 male) 1 conference on financial services and consumer protection attended by 95 professionals (43 female, 52 male) Published analysis of consumer financial protection Initiated course to train youth in financial literacy
Communication/Outreach	<ul style="list-style-type: none"> 33 (6 in regions) media roundtables, seminars and press conferences held on financial sector issues attended by over 150 journalists attended the LFD events last year, resulting in 188 TV broadcasts, 313 printed media publications and 2590 web mentions related to financial sector issues. Over 30 articles on financial sector issues based on input from FINREP professionals

Some of the key accomplishments for this year include:

Coordination with WB, IMF, and other donors. FINREP continues to play a key role in coordinating its technical assistance with key IFIs, especially the International Monetary Fund and World Bank, on the development of financial instruments, the government securities market, the Deposit Guarantee Fund, and the creation of a central securities depository. The project is the primary source of information on the government securities market through its weekly publication *Focus* which reaches over 100 subscribers and semi-annual reviews of GoU debt policy. FINREP regularly responds to IMF requests for information on issues related to the financial sector.

ESCRIN/Disclosure. FINREP continues to support the Electronic Disclosure System (ESCRIN) for publicly traded companies. ESCRIN is an on-line data base based on the EDGAR system used in the US. It is an important vehicle to increase business transparency and reduces the opportunities for insider trading and market manipulation. ESCRIN enables publically traded companies a means to enter directly all business and financial results into the data base thereby providing all investors and the SSMNC the same financial and business information at the same time. Since its introduction in early 2011, approximately 139 large, publicly listed joint stock companies are reporting through ESCRIN, and have filed over 645 quarterly and ad hoc reports. FINREP will continue to assist issuers in the next year in using the electronic filing system for company information, and the SSMNC to enhance the ESCRIN functional and analytical capabilities.

Foreign Currency Instruments. The SSMNC requested technical assistance by FINREP advisors in in foreign currency risk management and hedging. During the past year, FINREP provided guidance, outlining a roadmap to permit foreign currency hedging and foreign exchange transactions in Ukraine under a more liberal currency regime. This advice was well received by both the SSMSC and the NBU. In the next year, FINREP expects to continue to provide advice on foreign currency risk management and hedging, and will also support a joint IMF/EBRD initiative on drafting a new derivatives law. This law will support greater trading of financial futures (interest rates and currency), and also facilitate commodity futures for the agricultural sector.. Supporting the agricultural sector contributes to global food security since Ukraine is a major producer of wheat and other commodities.

Government Debt Market Development.

The effort to establish a market for repurchase / reverse repurchase (repo) agreements gained momentum during this year and represents a key means of generating liquidity in the financial system. Repos are a mechanism to preserve a stable financial system and avoid financial crisis. FINREP played a major role in working with securities market participants, the banking community, and government regulators to try to forge consensus on a master agreement to govern classic repo transactions as well as provide other guidance



to generate a business environment that is favorable to repo transactions. FINREP has advanced the understanding of REPOs through two conferences and educational events attended by 178 professionals (73 female, 125 male) and an international study tour to London in April 2011 for two senior officials from the National Bank of Ukraine. The conference discussed “The Repo Market – Applications in Today’s Market”.

Pension Reform and Pillar II. Pension reform as a means of addressing the GoU debt crisis was one of the key IMF conditions for its loan agreement to the GoU. FINREP played a major role in the passage of the Law “On Pension Reform Legislative Measures (#7455)” by providing key technical assistance to two Verkhovna Rada of Ukraine committees on this legislation, the Committee on Finance, Banking, Taxation and Customs Policy and the Committee on Affairs of Pensioners, Veterans and Disabled Persons. FINREP was invited to participate in the parliamentary hearings on the legislation held by the Verkhovna Rada of



Ukraine. FINREP also provided legal comments on the provisions of the Law which deal with Pillar II implementation, and most of its comments were incorporated into the final version which was approved in September 2011. (Note: In Ukraine, Pillar I represents the government funded pension insurance similar to the US's social security system; Pillar II is a mandatory pension system funded through private asset firms; and Pillar III is a voluntary pension system accumulated through private pension funds.)

FINREP also supported the public education activities of the GoU in explaining the legislation to the population. For example, FINREP organized a conference in for 154 (93

female, 61 male) regional journalists to educate them on the topic, and as a result achieved nationwide, informed coverage of this critical issue for financial stabilization and for a more equitable distribution of benefits. FINREP also assisted key decision makers to understand international aspects of pension reform by sending two delegations of six representatives each from the FSR, PFU, MLSP, MoE, and the Cabinet on two study tours to Latvia and Estonia to attend an International Conference on Private Mandatory Pension Reform (Pillar II & III Pension Seminar) entitled "Options for Post-Retirement Phase and New Reform Directions in Privately Funded Systems."

International Financial Reporting Standards

(IFRS). FINREP worked closely with the MoF, SSMNC and FSR in support of IFRS adoption. It also continued its close cooperation with the Ukrainian Federation of Professional Accountants and Auditors (UFPAA) to facilitate understanding and implementation of the IFRS by the Ukrainian accounting community. In May 2011, FINREP and UFPAA organized a conference on "International Experience with IFRS and IFRS implementation in Ukraine", which featured the participation of three international experts from Europe and was attended by 125 (78 female, 47 male) industry participants. FINREP has also supported roundtables on practical issues in IFRS implementation such as the roundtable "Action Plan for Introducing the International Financial Reporting Standards (IFRS) in Ukraine in the Context of the Adoption of Legislative Changes" was attended by 69 (44 female, 25 male) participants. As Ukraine implements the IFRS as its national standard for financial industry (banking sector, insurance, and public joint stock companies) beginning January 2012, MOF will continue to rely on FINREP's support - maintaining a web-based resource dedicated to the IFRS national implementation in Ukraine, promoting the standards among the public at large, and organizing training events together with other industry associations.



numerous shortcomings with regard to protection of the rights of users of financial services, and aligning it with international practices. FINREP also participated in the Working Group

Laws Passed With FINREP input:

1. On Amending the Joint-Stock Company law
2. On Amending Certain Legislative Acts of Ukraine (regulation of banks activities)
3. On Amending Securities and Stock Market law (increased disclosure of information)
4. On Amending Certain Laws of Ukraine (consolidated supervision)
5. On Amendments to the Tax Code of Ukraine and Certain Legislative Acts
6. On the Amendment of Certain Legislative Acts of Ukraine Regarding the Resolution of Legal Relations between Creditors and Financial Services Consumers
7. Tax Code of Ukraine
8. On Pension Reform Legislative Measures
9. On Amending the Law of Ukraine on Accounting and Financial Reporting in Ukraine

Legal and Regulatory Reform. FINREP

drafted portions of/provided comments to on over 29 major draft laws of which nine related to the financial sector were adopted in the past year. FINREP also posted on its web site legislative updates on the most important developments in the Verkhovna Rada of Ukraine and its expert working groups related to the financial sector. FINREP provided extensive comments on the Creditor and Consumer Rights Law, pointing out its

tasked to draft a new law on asset valuation, reviewed and commented on new ownership disclosure regulations for the NBU that will serve as implementing regulations for the recently passed Law on Disclosure of Ultimate Controllers of Banks, a structural benchmark under the IMF-Ukraine Stand-By Agreement, and provided significant arguments within the SSMNC Working Group on the Depository Law against the GoU's approach to the depository system.

Financial Literacy and Financial Consumer Protection.

Financial consumer education is key to increasing consumers' understanding of financial instruments and contributes to their trust in financial institutions especially after the devastating impact of the financial crisis in 2008. FINREP launched several financial consumer protection initiatives during the past year. The project conducted the first-ever national survey of financial literacy and consumer awareness, "Financial Literacy and Awareness in Ukraine", polling 2,000 individuals across Ukraine, and held public discussion roundtables based on the survey in six Ukrainian cities attended by 378 (184 female, 194 male) participants. FINREP commissioned two studies related to consumer finance "Financial Services Consumer Protection in Ukraine: A Legal Analysis," and "Consumer Lending in Ukraine: Surveying the Landscape." These two studies formed the basis of an international roundtable held at the Verkhovna Rada, with the participation of 120 high level representatives from the GoU, members of Parliament, representatives of leading NGOs, banks, and academic experts. FINREP also signed a protocol with the Banking University of the National Bank of Ukraine to develop a course on financial literacy targeted at Ukrainian youth between the ages of 16 and 20.



Public Communications and Outreach.

The Project continued its public outreach on financial market issues. FINREP conducted 12 roundtables, seminars and workshops that drew 922 participants. FINREP also supported 33 (6 in the regions) media roundtables, seminars and workshop organized by its partner, the League of Financial Development. These events organized by the League of Financial Development focused on a wide range of financial reform topics presented by

panels drawn from a wide range of experts from the financial and private sector as well as government and are typically attended by several TV stations and 15 journalists. Overall, these media roundtables were attended by 150 journalists last year, resulting in 188 TV broadcasts, 313 printed media publications and 2590 web mentions related to financial sector issues. With this initiative, FINREP is providing information and training to journalists to increase their ability and awareness to provide reliable information on the financial sector. Improving the media's ability to competently report on financial sector issues is a key element of the project's public communication and outreach campaign. In addition, over 30 articles, presentations or interviews featuring FINREP staff or consultants were published in the local media on capital markets, pension, depository, and consumer protection issues. This year, FINREP also produced a documentary for the NBU on the significance and importance of money, in support of their PR and information campaign, and a documentary on USAID's support for the establishment of a functioning capital market in Ukraine. Public

communication, especially enhancing the capabilities of the media to report accurately on financial sector issues, remains an important aspect of a lasting legacy for FINREP and serves as a major means of establishing public confidence in the financial system as well as increases transparency.

Gender Engagement. FINREP remains committed to enhancing gender participation and awareness of the financial sector rehabilitation. Overall, approximately 40% of attendees for all public events are women. More specifically, women account for approximately 47% of all attendees for conferences and roundtables, 35% for all training and educational events and 51% for all international educational study tours. FINREP will continue to encourage the participation of women in all its tasks and events in the next year.

Key Issues and Challenges

Ukraine continues to remain impacted by the financial crisis. Forbes Magazine recently ranked Ukraine as the 4th worst economy in the world, and, quoted the U.S. State Department in saying that the reason for the country's poor economic performance is "complex laws and regulations, poor corporate governance, weak enforcement of contract law by courts, and particularly corruption." (<http://www.forbes.com/sites/danielfisher/2011/07/05/the-worlds-worst-economies/>).



Transparency International in its 2011 Corruption Perception Index recently ranked Ukraine 152 out of 182 on its corruption index. (<http://cpi.transparency.org/cpi2011/results/>). These findings are corroborated by the International Finance Corporation in its report on the investment climate in Ukraine from October 2011 ([http://www.ifc.org/ifcext/uspp.nsf/AttachmentsByTitle/Ukraine-IC-Report_Nov2011/\\$FILE/Ukraine-IC-Report_Nov2011_ENG.pdf](http://www.ifc.org/ifcext/uspp.nsf/AttachmentsByTitle/Ukraine-IC-Report_Nov2011/$FILE/Ukraine-IC-Report_Nov2011_ENG.pdf)). In this report, the IFC notes that Ukraine is not meeting its untapped economic potential because of its over-regulated and cumbersome business and investment climate with its many cases of ingrained graft and corruption. At the same time, Ukraine's dependence on commodity exports makes it highly susceptible to adverse global economic or financial market developments.

In recent months, the GoU's commitment to reform the economy and stabilize the financial sector appears to have weakened. The IMF – Ukraine Agreement remained effectively suspended (no disbursements were made this year to date) and reform of the pension system to address the fiscal deficit remained behind schedule – the law was only signed by the President in early September. An IMF assessment mission, originally scheduled for August, was postponed until October due to lack of progress on measures to end government subsidies.

After halting steps toward a more flexible exchange rate system, the National Bank of Ukraine is now resorting to administrative procedures and restrictive measures to defend the currency. The government primary securities market essentially ceased to function, mainly because the GoU refused to pay market rates on government debt. A long sought goal of USAID in capital markets development – the creation of a majority private sector owned central securities depository - came under serious threat of government takeover via nationalization. While there is no apparent commitment to resolving the troubled bank issue

in a transparent manner in line with international practices, the draft law for establishing enhanced banking resolution powers for the Deposit Guarantee Fund (DGF) was nonetheless registered with the Verkhovna Rada of Ukraine in October 2011.

FINREP therefore operates under the following conditions:

- A weakening of the GOU’s commitment to resolve problem banks, address non-performing loans, or correct structural weaknesses in bank oversight;
- General deterioration of the business and financial environment due to the impact of the weak global financial and economic situation on the local financial markets and economy;
- Increased political interference in key regulatory bodies such as NBU, SSMNC, FSR;
- Lack of confidence of IMF in the GoU to implement major structural economic reform required as conditions for its financial assistance;
- Continued lack of public knowledge about and therefore confidence in the financial sector;

Despite this challenging operating environment, FINREP continues to make excellent progress in specific areas. FINREP has used its and USAID’s considerable understanding of the local players and the complexity of the environment to remain flexible and work with those most committed to change. This approach has served USAID well and almost all deliverables within the annual work plan were achieved. Some of the key areas where FINREP has made good progress and expects to continue to build on in the coming year are:

1. Consumer protection and financial literacy.

FINREP will build on the good support in this critical area that has a significant impact on all users of the financial system. FINREP will continue its collaboration with the NBU to develop a financial literacy curriculum targeting youth between the ages of 16 and 22 as well as explore educational efforts targeting younger children and pensioners. FINREP is currently commenting on



proposed consumer financial protection laws and will continue to work with a local NGO to promote improved consumer financial protection. In addition, public communication and outreach will continue to try to improve the capabilities of the media to report on issues related to the financial sector as well as enhance a broader understanding among the public of the benefits and risks of a functioning financial sector.

2. Development of Financial Instruments.

FINREP can continue to support the development of derivatives and other financial futures. The NBU, SSMNC as well as the IMF and EBRD are all interested in developing derivatives, especially agricultural derivatives. FINREP contributes to this development and believes that agricultural derivatives offer a solid starting point since there is general consensus as well as commitment. Such instruments would provide a significant benefit for the economic development of Ukraine (hedging and risk management) that impact a large sector

while also establishing a foundation for future development of derivatives in such areas as currency and interest rates.

- 3. Pension Reform.** The passage of the law reforming pensions has a significant impact on especially those under the age of 35 who need to understand the impact of the implementation of pillar II. This will require continued public communication and assistance to develop reliable pension investment protection mechanisms.
- 4. Partnership between DGF and FDIC.** With the recent introduction of the law on enhanced powers for the DGF, FINREP can offer assistance to enhance the unique partnership between the DGF and FDIC as well as prepare the DGF for its enhanced powers. This represents significant support to achieving World Bank and IMF objectives as well as offers enhanced bank resolution capabilities that will benefit all of those who use the financial system. An important aspect of supporting this change will be assisting with a public communication strategy to enable the importance of this new entity to be more widely understood.
- 5. International Financial Reporting Standards.** Ukraine adopted IFRS as its national standard for financial industry (banking sector, private pensions, insurance companies, and public joint stock companies) to be in line with international practices and to introduce greater transparency into this area. Beginning in January 2012, these standards will become mandatory. The MOF is committed to these international standards and intends to rely heavily on FINREP's support to promote these important international standards. FINREP will maintain a web-based resource dedicated to the IFRS and organize training events leveraging the resources with industry associations.

USAID has stood out as the key donor in financial sector reform over the past two decades. As part of this continued effort, the U.S. Embassy, World Bank, EU Delegation, EBRD, American Chamber of Commerce and the IMF regularly turn to FINREP for coordination and consultation on critical matters related to the financial sector such as government debt, bank supervision, troubled bank resolution, creditors and consumer rights, valuation of assets, deposit guarantee mechanism, capital markets and derivatives development, and pension reform.

II. PROGRESS ON THE YEAR 2 WORK PLAN

FINREP achieved most of the expected deliverables outlined in the work plan under the guidance of the new Chief of Party. FINREP’s achievements under the work plan included:

FINREP Achievements Summary Year 2

Work Plan Activities		Highlights of Deliverables	
Legal and Regulatory Reform of Financial Markets			
Banking and Financial Sector	Monitor/Comment on Banks and Banking, Bankruptcy and law “On Protection of Creditors’ and Financial Services Consumers’ Rights “	Regular updates as to Status and Proposed Changes	✓
	Banks and Banking Law Amended to reflect “real owners”	IMF/WB reissue comments before the second reading	✓
Valuation and Accounting Legislation	Support preparation of amendments to Law of Ukraine on Valuation of Property, Property Rights and Professional Activities in Ukraine	<ul style="list-style-type: none"> ▪ Hold Public Roundtable Discussion on Draft Amendments to Law ▪ Revise Draft Proposed Amendments following public comment ▪ Work with Rada on Passage of Law 	✓
	Prepare Concept Paper on implementation program for IFRS, IAS, and internationally compliant audit opinions with suggested Action Plan.	<ul style="list-style-type: none"> ▪ Concept Paper prepared and vetted with counterparts ▪ Public Roundtable Discussion held on Concept Paper ▪ Concept Paper sent to Prime Minister 	✓
	Monitor / comment on Accounting Law to implement IFRS, IAS, and international audit opinions, including amendments to Auditing Law where necessary.	<ul style="list-style-type: none"> ▪ Amendments prepared and discussed with MoF, SSMNC and FSR. ▪ Public Roundtable discussion with Accounting and Auditing market professionals 	✓
Capital Markets	Central Depository Law (Monitor / Prepare Recommendations)	Draft amendments to Law to support one Central Depository	✓
	Comment on draft Regulations and proposed amendments to selected articles in JSC Law	Selected Regulations and proposed amendments to the Law drafted and submitted to the SSMNC	✓
	“Law on Securities and Stock Market” to ensure disclosure of real owners of company in compliance with Data Protection Law effective January 2011	Amendments prepared and sent to SSMNC Coordination with Rada, if necessary	✓

Work Plan Activities		Highlights of Deliverables	
Pension Reform	Draft Law to “Implement the Mandatory Accumulation System” for Working Group under MOLSP.	<ul style="list-style-type: none"> Support Working Group with well-reasoned arguments for proposed amendments based on international experience Amended Draft Law submitted to the Rada for passage in the second reading Hold sessions for the Rada Committee on amendments to Draft Law 	✓
	Comment and provide recommendations on the Draft Law “On Mandatory State Pension Insurance” to unify retirement ages for men and women, increase years of contributory service, and other items.	<ul style="list-style-type: none"> Draft Law submitted to the Rada Hold sessions for the Rada Committee on the substantive changes to the Draft Law 	✓
	Propose amendments to the “Law of Ukraine on Non-State Pension Provisions.” Including strengthening regulatory oversight.	<ul style="list-style-type: none"> Draft changes submitted to the Verkhovna Rada for passage in the second reading. 	✓
Disclosure and Transparency			
	Support training for State Property Fund on international valuation methods and membership in the International Valuations Standards Council.	<ul style="list-style-type: none"> Develop and implement certification training Support Council annual membership for State Property Fund 	✓
	Sponsor, for MoF and regulators, public roundtable discussion of action plan with market participants including accounting firms on conversion to IFRS, IAS and international audit opinions.	<ul style="list-style-type: none"> Roundtable held and consensus reached on tentative concept and action plan. 	✓
	Support ESCRIN implementation by SSMNC (training, technology, manuals updated, regulation drafting)	<ul style="list-style-type: none"> Training and staff manual on how to review and comment on disclosure documents Manuals updated Ad hoc response to key issues in ESCRIN as it is implemented. 	✓
	Preparation of an internationally compliant Informational Prospectus/Annual Report for Non-State Pension Funds to permit electronic filing	<ul style="list-style-type: none"> Preparation of the Draft Informational Prospectus/Annual Report Support FSR Roundtable with NPF representatives 	✓
Institutional Capacity Building			
National Bank	NBU Training on Risk including Credit Risk, Credit Portfolio Risk,	<ul style="list-style-type: none"> Training manual on credit and 	✓

Work Plan Activities		Highlights of Deliverables	
of Ukraine	Liquidity Risk, Market Risk and Operational Risk Management including implementation of BASEL III.	other related risk developed <ul style="list-style-type: none"> Two Training Programs held 	
	NBU Training on XBRL, FINREP and COREP Reporting Format requirements.	Training Program held for NBU staff with necessary handout materials	✓
	NBU Training on BankExec International Simulation	Trainings	✓
DGF Paybox with Enhanced Powers	Prepare Assessment of Information Technology needs for DGF with recommendations for enhancements and purchase of IT equipment subject to USAID approval.	<ul style="list-style-type: none"> Written IT Assessment Necessary IT Equipment Approved by USAID Equipment Purchased and Installed at DGF 	✓
	Support legal drafting of implementing Regulations for the transformation of the DGF to a “paybox with enhanced powers.”	Approximately 30 Regulations Drafted and Submitted to DGF	✓
	Support English translations of key documents, meetings with international programs etc.	Ad hoc translations completed	✓
	Plan study tour to FDIC (USA) and/or DGF in Turkey Support study tours/training	Program planned, budgeted and approved by USAID Mission.	✓
	Prepare assessment of DGF training needs including recommended program for both short-term and long-term training needs with the emphasis on enhanced powers based on FDIC (USA) operations	Prepare assessment on DGF training needs. Based on assessment recommendations support a minimum of 3 training program.	✓
SSMNC	Support for implementing prudential regulation and risk management systems	Risk management TA	✓
	International Training at the SEC in Washington DC or other appropriate venues	Attendance at Training April 2011	✓
	Support for assessing financial instruments	Analysis of derivatives law	✓
All Ukrainian Securities Depository (AUSD)	Monitor development of merger/acquisition of AUSD and NDU Depositories	<ul style="list-style-type: none"> Consult with AUSD on Alternative Acquisition Models Assist in Analysis of Best Acquisition Model for the transaction 	✓
	Assist AUSD/NBU in developing international clearance and	Consult with AUSD on alternative venues	X

Work Plan Activities		Highlights of Deliverables	
	settlement services for Government securities.	Provide international advisors when required.	
	Assist AUSD/NBU in developing services for repo transactions.	Internationally compliant procedures adopted if necessary	
Financial Services Regulator	Hold training programs for FSR Pension Staff and Non-State Pension Fund industry personnel both before and after adoption of the amendments to the Law and support FSR drafting of implementing regulations for “Law on Non-State Pension Provisions”	Two training sessions held: one for FSR Staff and one for NPF market participants	X
MoF/Bank Recapitalization	Support privatization of nationalized banks, based on international standards of valuation for banks.	Program Developed based on WB “least cost “ standard and vetted with Counterparts	✓
	Study Tour for Bank Recapitalization Department to Sweden/ USA	Program Developed and approved by USAID	✓
MoF/ Department of GOU Debt	Prepare assessment of the repo market for government domestic securities in Ukraine and facilitate classic repo and reverse repo operations with standardized agreement tailored to Ukraine with haircuts, counterparty risk, market prices for collateral, etc.	Draft assessment of Ukrainian program with recommendations and regulations for effective repo program, including training.	✓
	Assist MoF and primary dealers to implement market based issuance and related procedures for government debt	Program drafted including implementing regulations for MoF	✓
	Prepare assessment and enhanced procedures for public debt management program in Sovereign Debt Department of MoF	<ul style="list-style-type: none"> ▪ Assessment completed with recommendations vetted with MoF ▪ Procedures codified in internal regulation 	✓
	Support international training for MoF staff	<ul style="list-style-type: none"> ▪ Financial Support for Attendance World Bank Program 2011 ▪ OECD Global Public Debt Management 	✓
	Increase primary dealer to maximum permitted to expand the government debt market	Paper coordinated with MoF on increasing the size of primary dealers to further develop the market.	✓
	Prepare Concept paper to permit others, not only banks, to be	Concept paper and implementing regulations drafted to expand the	✓

Work Plan Activities		Highlights of Deliverables	
	primary dealers	program of primary dealers to allow other market professionals participate in the primary market distribution network.	
	Create program and facilitate quarterly meetings of primary dealers with MoF and NBU.	<ul style="list-style-type: none"> ▪ Program drafted and vetted with NBU and MoF ▪ 4 Quarterly Meetings Sponsored 	✓
	Public Debt Law	Procedures drafted to release publicly firm prices for market by primary dealers.	✓
	Develop program for daily collection and publication of market price information from primary dealers, a “quote sheet.”	Procedures drafted to insure daily market prices disclosed by primary dealers in government debt market a daily “quote sheet.”	...
	Prepare draft of procedures for a firm price quotation for government securities on secondary market and implementing legislative changes.	Prepare draft paper on procedures and regulations on the UA exchanges requiring firm prices on the secondary market.	...
	Prepare a draft repo development regulation including a recommended draft program for effective MoF cash management of Single Treasury Accounts with repurchase (Repo) operations	Regulation drafted including program, which is vetted with MoF	✓
Ministry of Labor and Social Policy / Pension Fund Ukraine	Provide technical assistance and training on mandatory accumulation system key issues	Training Courses and Concept Papers	✓
	Assist MOLSP to develop implementation schedule for Pillar II Mandatory Accumulation System	Draft Implementation Action Plan for vetting and approval of MOLSP	✓
Self-Regulatory Organizations (SSMNC)	Based on critical needs support Ukrainian Association of Investment Business (UAIB) Professional Association of Registrars and Depositories (PARD) and Association of Ukrainian Stock Traders (AUST)	Support annual conferences on major developments in the Ukrainian market affecting members of SROs. Recommendations on delegation of authority	✓
Financial Education and Consumer Protection			
	Implement program for mortgage borrowers, credit card users, consumer credit users, on rights and responsibilities of creditors.	Information program established for consumers	✓
	Program outreach to journalists, including: <ul style="list-style-type: none"> ▪ “Ask the Financial Expert” newspaper column ▪ Roundtables*/Press Club Meetings for Journalist 	<ul style="list-style-type: none"> ▪ Monthly Questions and Answers Prepared timely ▪ Hold roundtables on key subjects affecting the financial 	✓

Work Plan Activities	Highlights of Deliverables	
(bi-monthly) <ul style="list-style-type: none"> ▪ Training of Journalist on Key Topics (Monthly) 	sector <ul style="list-style-type: none"> ▪ Sponsor training for journalist on key issues 	
Development of an on-line Financial Education Tool Kit which will include: brochures, pamphlets, glossary of financial terms, calculators and interactive test covering key financial issues.	Financial Tool Kit designed and posted on website with “How to Use Manual”	✓
Prepare Pension Reform Articles, Spot Announcements for TV and Radio, public events	Minimum of six (6) articles, and three (3) spot announcements for TV and radio prepared.	✓
With partners, develop standardized contracts for mortgages, credit cards, consumer finance.	Draft Mortgage Agreement Prepared and vetted with banks and NBU, Ministry of Justice and others	...
Prepare review of consumer protection laws, regulatory framework, institutions and NGO actions. Evaluate and select NGO partners for financial consumer outreach.	Assessment prepared with recommendations for key areas for technical assistance.	✓
Support GOU involvement in consumer protection and financial literacy, including International Conferences	Conference participation, round tables	...
Families and Finance Pilot Project	Develop program for parents and children on basic financial competence	...
Consult with and develop when requested Communication Strategies for NBU, DGF and other key financial sector counterparts.	Upon request, develop tailored communication strategies for key counterparties	✓
Communications/Outreach Strategy		
Prepare comments and implementation recommendations for Ministry of Economy “Strategy for Financial Sector of Ukraine Reform and Development through 2015” and sponsor roundtable discussion for Ministry of Economy.	Recommendations prepared and vetted with MoE	✓
Develop MOLSP “hotline” to act as “Outreach” to carry financial literacy messages on Pillar II, Pillar III (net asset value, etc).	<ul style="list-style-type: none"> ▪ Messages developed for the year ▪ Training manual developed and updated routinely 	X
Hold public events on results of Financial Literacy Survey and related Focus Group Results, including a training seminar for education of regional journalist as continuation of public outreach.	Held a public presentation with Kyiv and regional journalist on results of the survey.	✓

✓ - Completed

... - Ongoing process

X - Postponed until the coming year

Objective 1: Legal and Regulatory Reform of Financial Markets

Legal and regulatory reform is a fundamental component that is cross-cutting activity, supporting the work and objectives of other FINREP tasks to support the financial sector. FINREP’s strategy for this objective is to target key laws, amendments and regulations that can have a significant impact on the financial sector for comment to ensure they represent international best practices. To implement this strategy, FINREP regularly monitor legislative and regulatory developments in the financial markets, participate in working groups to draft new



laws or regulations on banking and finance, and provide advice and counsel on legal aspects that may impact financial markets. FINREP performs its activities in close collaboration with USAID funded Commercial Law Center, the American Chamber of Commerce, the IMF, World Bank and other donors. FINREP has been able to make good progress in achieving this objective and provided substantive commentary on 29 laws of which nine were adopted. This is an area where FINREP has established a reputation as a provider of valued objective advice based on international experience and practices.

Disclosure of Real Owners. Beginning in late June, 2011, FINREP assisted the NBU with drafting regulations to implement bill #3024-VI “On the Introduction of Amendments to Certain Laws of Ukraine Concerning the Regulation of the Activity of Banks” of February 15, 2011. This law was of key importance to the IMF, the World Bank, and USAID as part of the effort to bring greater transparency to the public disclosure of the “real owners” of Ukrainian banks. Law #3024-VI contains a new, broader definition of “substantial participation” in a bank as well as extensive new requirements governing the acquisition of, and the disclosure of information about, substantial participation. Substantial or essential participation refers to a shareholder threshold which triggers legal requirements: According to the Law # 3024 a legal person or individual who intends directly or indirectly acquire 10, 25, 50 or 75% of banks’ stock is required to inform the National Bank of Ukraine three months prior to such acquisition and obtain the NBU’s approval for such acquisition.) FINREP has made detailed comments on successive drafts of the extensive regulations needed to implement Law #3024-VI. As a result of FINREP advice, major improvements to the regulations were secured including the standard of what constitutes transparency in a bank’s ownership structure, enhancement of requirements for disclosure of information about a bank’s ownership structure on its website, levying fines on non-bank legal entities for failure to comply with the rules for acquisition of substantial participation in a bank and more consistent use of term “substantial participation”.

Draft Law On Protection of Creditors’ and Consumers’ Rights. FINREP was actively involved with the Draft Law “On Amendments to Certain Laws of Ukraine regarding Settlement of Legal Relations between Creditors and Financial Services Consumers” (Draft Law #7351). FINREP’s goal was to ensure that this draft law and related laws contain effective tools for protection of consumers of financial services and strike a better balance between creditors’ and consumers’ rights. FINREP’s reservations about this law were shared by NGOs and IFIs, who concurred that the legislation erred on the side of creditor rights over consumer rights. Laws governing financial consumer protection are still being refined and

FINREP will continue to support legislative change for the protection of consumer rights in the coming year.

Pension reform: Pillar II in the draft law on pension reform. FINREP provided technical assistance to the GoU on pension reform, particularly in its review and commentary on the draft law “On Measures to Support Reform of the Pension System” (#7455). This law amends the social solidarity system (e.g., a through gradual increase of the eligibility age for pensions for women, the number of years required to obtain the maximum pension, the minimum age required to obtain a pension etc.) and also introduces a mandatory accumulation system for younger workers (Pillar II). FINREP provided detailed comments on the draft law, focusing on aspects of implementation of Pillar II, including the participation of Non-State Pension Funds (NPFs), to Verkhovna Rada of Ukraine committees on this legislation, the Committee on Finance, Banking, Taxation and Customs Policy and the Committee on Affairs of Pensioners, Veterans and Disabled Persons, and to the Ministry of Social Policy. The Project proposed in its suggestions to increase the amount of regulatory capital of the Accumulation fund custodian, to reduce administration costs, to use IFRS by institutions of the systems of accumulation pension provision, to enlarge powers of FSR in supervision in Pillar II as well as offered recommendations to amend the Code of Ukraine on administrative violations and the Criminal Code of Ukraine as regards responsibility of pension system entities.

The approved law is #3668. It passed the Verkhovna Rada in July, and entered into force on October 1, 2011, except for provisions relating to the second Pillar. The law states that the second Pillar will be introduced from the year in which there is no deficit in the Pension Fund of Ukraine’s budget.

SUCCESS STORY: BANK TRANSPARENCY

Ukrainian tax-payers paid \$16.4 billion to bail out the banks in 2009-2010. Sadly, much of the bailout money cannot be accounted for by the banks. The international financial community required greater financial disclosure by bank owners as a condition of assistance. USAID, the IMF, and the World Bank have all championed transparency of bank ownership. Working collaboratively with the NBU, FINREP took the lead role in drafting the law and writing the implementing regulations. As a result of FINREP advice, major improvements to the regulations were secured:



- Information will be disclosed to the public on individual bank’s websites and the NBU’s website.
- Information disclosed about a bank’s ownership structure must include a detailed schematic representation of ownership and inter-related parties.
- The NBU can levy heavy fines on non-bank legal entities for failure to comply with the rules for acquisition of substantial participation in a bank.
- Inconsistencies in the meaning of the term “substantial participation” in NBU regulations were eliminated, so that banks must disclose ownership information.

On February 15, 2011, the *Law on Amending the Law on Banks and Banking* was passed by the Verkhovna Rada (“Ultimate Controllers of Banks”), providing extensive new requirements governing the acquisition of, and the disclosure of information about, bank ownership. If there is another banking crisis, Ukrainian’s will know the names of those being bailed out and increased transparency through disclosure of ownership will temper risky lending decisions.

Objective 2: Disclosure and Transparency

Disclosure to the market of material information about financial, business, and other events is essential to the integrity and smooth functioning of capital markets. Disclosure includes not only the idea of timely and wide dissemination of information, but also the concept of the quality and accuracy of the information. FINREP's strategy is to focus on a few key areas that can increase financial transparency. As part of implementing this strategy, FINREP focused its activities on working with the securities depository system, implementation of ESCRIN by the SSMNC,



valuation of assets, and assistance in moving Ukraine to international standards for financial accounting, auditing, and reporting. FINREP has made good progress in this area such as in the implementation of ESCRIN which is now used by approximately 139 large, publicly listed joint stock companies are reporting through ESCRIN, and have filed over 645 quarterly and ad hoc reports. FINREP has also been active in contributing to an effort of USAID, IMF and the World Bank to prevent the GoU from creating a nationalized Central Securities Depository. Outlined below is a representative sample of the work performed in this functional area.

Central Securities Depository. USAID and the World Bank have long supported the development of a majority private-sector-owned central securities depository as a foundation for capital markets development in Ukraine. This effort came to fruition in the form of the All-Ukrainian Securities Depository (AUSD), an effective and transparent institution with balanced representation from market participants and the state, which requires no funding from the state budget, and enjoys the trust of the market. The GoU agreed with the IMF that it would create a central securities depository through the merger of the two licensed securities depositories in Ukraine: the AUSD and a much smaller depository, the National Depository of Ukraine (NDU). However, over the course of past the year the GoU decided to pursue a central securities depository through a merger of NDU with the depository functions of the NBU, creating an entity more likely to be subject to political interference.

AUSD is owned by banks, brokers, exchanges and the NBU. In turn the government owns 86% of a much smaller depository, the NDU. NDU has proposed to acquire AUSD in a merger that would value AUSD equal to NDU. Through its role as regulator of banks, the NBU has pressed the banks to vote in favor of a new Supervisory board of AUSD. NBU aims to have a new Supervisory board approve the merger on equal terms that are not fair to existing AUSD shareholders.

FINREP has been outspoken in expressing its opinion that the creation of a central depository through a merger of NDU and the NBU would be detrimental to improving investor confidence in Ukraine as a transparent and safe place for investments, especially for international investors. FINREP has supported AUSD to be the basis of the creation of a central single depository. FINREP prepared a Fact Sheet on a Central Security Depository and a legal analysis of the depository situation. It voiced its concern in a press conference that highlighted the GoU's attempts to exclude the All-Ukrainian Securities Depository (AUSD), and it has provided background information to journalists; and monitored the situation closely for USAID and the IFIs.

In addition, On October 11, FINREP met with AUSD board members to recommend that both companies hire a major international firm to perform valuations. FINREP recommended that even if NDU does not participate a valuation of AUSD would clarify for the shareholders how an equal merger is not in their interest. On October 17, the AUSD issued a tender for a valuation firm (prepared by FINREP), based on a transparent process. FINREP met with all four major firms (Deloitte, Ernst & Young, KPMPG, and PwC) and amended the tender in order to attract maximum participation. On October 27, the tender committee (including one representative of AUSD and a FINREP advisor) met and considered four offers, and selected KPMG for valuation and PwC for an audit. FINREP immediately began working with AUSD management and KPMG to accelerate due diligence and to maximize the valuation result.



Continued Support for ESCRIN. FINREP supports Ukraine’s adoption of international standards and best practices of disclosure established by the International Organization of Securities Commissions (IOSCO), the Organization for Economic Cooperation and Development (OECD), and relevant EU Directives. ESCRIN helps Ukraine move toward internationally accepted standards of disclosure and allows the financial information that issuers file electronically to become public immediately on the regulator’s website

free of charge. FINREP developed the system, supported registration and efforts to obtain a formal Certificate of Compliance. As of September 30, 2011, 645 reports from 139 issuers have been received through ESCRIN, including 224 Quarterly reports for the first two quarters of 2011). FINREP’s activities in support of the system included direct telephone and email consultations for issuers on the features of the system, in coordination with the SSMNC; advice to the SSMNC IT department on ESCRIN administration and software architecture and improvements to the ESCRIN client software to make data entry and submission easier for users.

Valuation Advice to the State Property Fund, Deposit Guarantee Fund, and Ministry of Finance. The existing methodology for valuation of assets in place in Ukraine is generic and does not fit the specific requirements for the valuation of financial assets such as those held by banks. With the take-over of problem banks and the increased level of assets in government liquidation, the SPF, MoF and DGF requested that FINREP assist with the improvement of the present valuation framework. Improving this framework as an important step to inform the processes of restructuring troubled banks; preparing bank assets or an entire institution for privatization/sale; and allowing the agencies to pursue an orderly wind down that maximizes the recovery value for the state. FINREP’s recommendations address three major areas: (1) Regulatory and implementation issues governing both the valuation methodologies and valuator profession; (2) improvement of methodology and national standards for valuation in line with International Valuation Standards; (3) institutional and organizational strengthening of the valuation market SROs in line with best international practice as well as the market for distressed banking assets and the process for sale and management of distressed assets. The recommendations were well received and will be considered by the stakeholders as they move forward.

International Financial Reporting Standards. FINREP provided the Ministry of Finance with its comments and recommendations to a draft law “On Amending Legislative Acts in

Sphere of Accounting Policy”, that included a requirement for private pension funds to also prepare and disclose financial reporting in compliance with International Financial Reporting Standards (IFRS). This law includes a definition of IFRS and a requirement for banks, publicly owned companies and insurance companies to prepare and submit financial reports in compliance with IFRS. Since passage of the law, FINREP worked closely with the MoF, SSMNC and FSR in support of regulatory efforts to implement an action plan for IFRS adoption, scheduled to be officially implemented on January 1, 2012.

Objective 3: Institutional Capacity Building

FINREP’s strategy for this objective is to develop specific elements of major financial sector entities to enable them to understand and work toward improving the financial sector. In implementing this strategy, FINREP works with a number of key financial sector institutions with the goal of improving their operational capacities to deal with problem banks, to require more financial disclosure and transparency, to secure more stable sources of funding, and to protect financial services consumers.

Given the wide area this objective can encompass, FINREP provides very selected and targeted technical assistance in line with its work plan to develop the institutional capacity of the following institutions: NBU, DGF, SSMNC, AUSD, FSR, MoF, Ministry of Labor and Social Policy, PFU and FSR. Much of this work is focused on providing access to and an understanding of international best practices for representatives of these respective organizations. Many of the training and educational events conducted by FINREP focused on representatives from these entities. Over the past year, FINREP conducted 16 major training and educational events that were attended by 1755 (612 females, 1143 males) professionals on such topics as resolution of problem banks, repos and derivatives, government debt strategies and pension reform. In addition, FINREP supported 6 targeted international study tours for 41 (18 female, 13 male) professionals from these entities.

National Bank of Ukraine

FINREP has made good progress in cooperation with the NBU in the area public communications, an important area for the NBU as it focused its attention on communicating to the financial services industry and the general public information about its function and about the importance and impact of the financial sector on economic growth. FINREP has also established an excellent cooperation with the NBU in the important area of consumer financial literacy and more recently, developing a curriculum targeting youth. Some of the specific areas of assistance to the NBU are:

Assistance to SSMNC and NBU on Foreign Exchange Risk Management. FINREP advised the SSMNC and NBU on several aspects of foreign currency risk management and hedging. Working with the SSMNC, NBU, and industry representatives, FINREP prepared a roadmap to permit foreign currency hedging and foreign exchange transactions in Ukraine under a more liberal currency regime. FINREP has also been providing advice and assistance to the NBU on such issues as repos and general use of derivatives. For example, FINREP conducted an educational event on repos attended by 41 (23 female, 18 male) NBU representatives and another on derivatives that was attended by 26 (16 female, 10 male) on derivatives to increase their understanding of these financial instruments and their international use. FINREP expects to continue its work on repos and, especially, on the use of derivatives in the coming year.

Cooperation with the NBU on Financial Education. FINREP and the NBU Banking University signed a Protocol on Cooperation to develop and implement a course on Financial

Literacy aimed at 16 to 20-year old Ukrainian students. The course will assist Ukraine's younger generation to develop the skill sets to become educated financial services consumers, and enable them to understand practical aspects of finance and act responsibly in a modern financial system. FINREP and the NBU Banking University are also working together to persuade the Ministry of Education of Ukraine to include this new course in the obligatory educational program. As part of this effort, FINREP held a workshop with the NBU and the Banking University in August to discuss the goals and purposes of a financial education program; course content and syllabus; the development of teaching materials, approaches, and methods; textbook outline and writing responsibilities; work plan for implementing the pilot projects; and monitoring and evaluation. FINREP and NBU agreed on the concept for the course structure and delivery, and the teaching materials to be developed. FINREP and the NBU will continue to coordinate on the development and implementation of the course in the coming year.

Assistance to the Communications Department of the National Bank. FINREP provided support to the National Bank of Ukraine to further develop its communications function. The Project supported two seminars for regional NBU offices on public communications and outreach techniques. FINREP also co-organized an industry roundtable at which the NBU explained its new foreign currency hedging techniques that was attended by 211 (136 female, 75 male) industry representatives. FINREP is also supporting NBU in developing its new communications strategy by providing the results of a national survey on awareness of and attitudes toward the NBU, and also the results of interviews with elite NBU clients.

Deposit Guarantee Fund

Assistance to the DGF was initially assumed to be an area of significant institutional capacity development. As part of a restructuring of the financial, regulatory and deposit guarantee systems, legislation was to be introduced in December 2010 to the Verkhovna Rada of Ukraine to transition from the NBU to the DGF the responsibilities for provisional administration, resolution of financial institutions and liquidation. This law was not submitted as planned. FINREP nonetheless supported the DGF with capacity building since the DGF plays an important role as the guarantor of deposits and the development of the DGF capabilities is an important element of the World Bank Group's agenda for financial sector reform. As part of these efforts, FINREP sponsored international study tours to the Savings Deposit Insurance Fund of Turkey for seven senior DGF officials (3 female, 4 male), a study tour to Sweden for one DGF representative to understand the practices employed by the Financial Supervisory Authority and made it possible for two representatives to attend the international Deposit Guarantee Fund meeting in the Czech Republic.



FINREP also funded the purchase of Oracle software and hardware to improve the DGF's information and payment systems. This will enable the DGF to implement a new online automated payment system for depositors when a bank fails. The Oracle Database is one of the most advanced systems available on the market for performing both bank resolution and liquidation, and pay-out coverage functions to depositors. It is also used by the FDIC. The introduction of the automated payment system will help to protect the rights of depositors

through accurate personal identification records in the database and of reducing the existing "window" between the time the bank has been closed and the first payment is made to depositors.

In addition, FINREP has coordinated closely with the World Bank. It is facilitating a long-term partnership between the DGF and the FDIC in the United States – both organizations signed a Memorandum of Understanding on January 12, 2011 and a Protocol of Cooperation on May 4, 2011, with the intent to transfer knowledge of a leading deposit insurance institution – the FDIC – to the DGF, to help the DGF more effectively perform its functions in line with the best international practices and the new mandate in bank resolution.

State Securities Commission (SSMNC).

FINREP provided information on international best practices for mitigating foreign currency risk and recommendations for risk management. This advice included realigning the regulatory framework for open foreign exchange positions with best international practices; developing hedging mechanisms and a forward exchange market; strengthening the framework for exchange rate determination; and establishing an increasingly flexible policy on foreign exchange rate activity for Ukraine. An area of particular interest was in methods to improve the capabilities of commercial / industrial exporters and importers to manage their foreign in currency exposure and international best practice by the International Swaps and Derivatives Association (ISDA).

In this work, FINREP coordinated closely with IMF, World Bank, IFC, and EBRD. FINREP also supported participation of six (2 female, 4 male) SSMNC professionals at the UAIB Conference on "Professional Asset Management," supported the participation of four (1 female, 3 male) SSMNC professionals at the 14th International Forum of Capital Market Participants organized by the PFTS Stock Exchange in September in Alushta, and sponsored the participants of six (one female, five male) SSMNC professionals at a training offered by U.S. Securities and Exchange Commission International Institute for Securities Market Development in Washington, DC, in April.

FINREP also made available an advisor who provided comments on draft law "On Amending Securities and Stock Market Law (regarding Information Disclosure)", the draft Law "On Amending the Joint-Stock Company Law (regarding Improvement of the Mechanism of Joint-Stock Companies' Activities)", the draft Law "On Amendments to Certain Laws of Ukraine Regarding Improvement of Self-Regulatory Organizations on the Stock Market", and expert opinion on the draft "Guidelines on the organization and operation of the risk management system by professional stock market participants" approved by SSMSC Resolution #1892 in December 2010. The advisor also developed a draft law on Derivatives, which has however not yet been shared with the SSMNC.

The advisor also developed a program for a training seminar on prevention, investigation and prosecution of insider trading and market manipulation on Ukrainian Capital Market. This program was proposed to, and accepted by, the SSMNC in October and will be implemented in year 3.

The advisor also developed a memorandum on options for FINREP assistance to the SSMNC regarding consolidated supervision and prudential supervision.

Financial Services Regulator (FSR).

FINREP provided advice in the area of implementation of International Financial Reporting Standards for non-banking financial institutions. The main areas of collaboration consisted of

working with the Task Force on the accounting reform for non-banking financial institutions; engaging FSR staff in events organized by FINREP in the area of financial consumers' rights protection; advising on pension reform; advising on IFRS implementation and providing a study on the requirements in EU member countries related to the submission of financial reporting by Non-State pension funds.

Ministry of Finance.

FINREP provided the MoF with international best practices and experiences related to the development of government securities markets such as the underperformance of planned domestic borrowing by the GoU, increased debt repayment pressure during the final quarter of the calendar year (October through December), and the need for rotation of primary dealers based on their performance in order to increase the effectiveness of primary dealer system. FINREP also worked closely with the State Budget Stabilization Working Group under the MoF that incorporated several proposals prepared by FINREP into the Law of Ukraine "On Amending Budget Code of Ukraine and Other Legal Acts of Ukraine" that regulate certain issues pertaining to the public debt.

The MoF also requested assistance in adopting improved cash management techniques, specifically to invest balances of single treasury, and currency accounts to offset debt servicing costs. FINREP provided Purchase/Repurchase (Repo) advice on repo market functioning to MoF, NBU, USAID/US Embassy and three stock exchanges. Repo market development is beneficial not only to the GoU, which receives an efficient liquidity management tool and reduces its borrowing costs, but also to market participants who have an additional possibility to manage their cash efficiently.

FINREP has also developed a draft MoF procedure for placement of idle single treasure account balances on a competitive basis through exchanges, including model contracts and templates for auction announcements and schedule. FINREP continued on designing a master repo agreement with market participants in line with best practices, while taking into account the existing legal and regulatory framework, as well as introducing classic repos with haircuts and margin maintenance.

FINREP supported a study tour for five MoF and 1 DGF representative (4 female, 2 male) to Stockholm, Sweden, in November 2010 to study Sweden's experience in resolving troubled banks during the financial crises. FINREP also sponsored the participation of two (1 female, 1 male) MoF officials in a June 2011 World Bank annual workshop on Designing Government Debt Management Strategies in Vienna, Austria.

Pension Fund of Ukraine and Ministry of Labor and Social Policy

Reform of the pension system as a means to reduce GoU debt remained one of the main conditions of the IMF loan conditions. In the past year, FINREP continued its close collaboration with the PFU. FINREP assisted the Ministry of Labor and Social Policy in preparation of materials for the Working Group meetings on Pillar II implementation. Specifically, FINREP reviewed presentations and draft protocols of the Working Group meetings prepared by the Ministry of Labor and Social Policy, provided information on international experience regarding service providers' fees, government guarantees and ceilings on the investment of assets in various asset classes in the Mandatory Accumulation System, etc. As part of its support to the PFU to prepare for introduction of pension reform effort, FINREP supported one PFU official and two Ministry of Labor and Social Policy officials to participate on a study tour to Latvia and Estonia to study Pillar II pension reform issues as well as attend an international conference on Private Mandatory Pension Reform

(Pillar II & III Pension Seminar) "Options for Post-Retirement Phase and New Reform Directions in Privately Funded Systems" organized by the World Bank in cooperation with NASDAQ OMX, the world's largest exchange company with trading, technology and public company service capability spanning 6 continents.. Given the passage of the pension reform, FINREP expects to continue to collaborate with the PFU and MoLSP in the coming year.

SUCCESS STORY: PENSION REFORM

Ukraine's pension system in 2009 had a deficit equivalent to over 18% of GDP. The ratio of workers to retired persons is projected to drop below 1:1 by 2015. Recognizing this impending crisis, the International Monetary Fund made pension reform a major conditionality of Ukraine's economic adjustment program.

Given the urgency of this issue, FINREP worked closely with the Ministry of Labor and Social Protection to evaluate the policy options open to Ukraine, drawing on international experience. FINREP prepared comparative analyses of selected pension systems in terms of retirement age, contribution period, payment amounts, dependency ratios, and other relevant indicators to buttress the case for reform. FINREP also distributed this information widely to the media and the general population..

A critical aspect of FINREP assistance was the legal drafting assistance to formulate a law that balanced preserving the social safety net with fiscal viability into the future. Key elements of the pension law passed in September 2011 are:

- A progressive increase over a 10 year period of the retirement age for women from 55 to 60;
- For men, the retirement age was increased to 62 progressively by 2016;
- Each person age 35 or less would be enrolled in the Mass Accumulation System (MAS), acquiring a "second" individual pension account, into which contributions made to the government pension system will be deposited.
- The minimum service contribution period to receive a pension was raised from 5 years to 15.

In the law that passed, over 90% of FINREP's legislative recommendations were included.

Objective 4: Financial Education and Consumer Protection

An important component of FINREP is improving financial literacy and consumer protection for Ukrainians. Improving awareness and understanding of financial issues and services, as well as consumer rights, is a first step to re-building public trust in the financial sector. In order to improve financial education and consumer awareness among Ukrainians, FINREP is employing a strategy that features: 1) basic investigation and research on financial literacy, the legal and regulatory framework for consumer protection, and financial institution practices regarding consumer services and credit; 2) support for roundtables and seminars to discuss these issues, aimed at financial journalists, government officials, and financial industry leaders; 3) developing and disseminating educational materials on a broad range of practical financial topics for general audiences; 4) supporting (with the NBU) the development of curricula and course materials targeted at the 16-20 age group; 5) selected study tours to build support for financial literacy and consumer protection in Ukraine; and 6) efforts to support NGO and other private initiatives. The strategy also includes efforts to engage the Ukraine's regions in the dialogue on the need for financial education and consumer protection. The following provides an overview of the main tasks performed by FINREP to achieve this objective.

Publication of Financial Literacy and Consumer Protection Survey. FINREP completed and published “Financial Literacy and Awareness in Ukraine: Facts and Findings.” This survey is based on the results of the national survey that encompassed 2,000 respondents from all regions of Ukraine. It provided the first in-depth information on and analysis of the Ukrainian population and its use of financial services. The results of this survey were presented in Kiev to an audience of 148 people (70 female, 78 male) and in the major cities of 6 regions, Lviv, Simferopol, Odesa, Kharkiv, Zaporizhzhya and Donetsk where the total audience amounted to 230 (114 female, 116 male) participants. Since this was the first presentation of such information, interest among participants was high. In addition 500 copies of the final edition of the publication were distributed to key financial sector stakeholders, including the NBU, the President’s Administration, the Verkhovna Rada, the Secretariat of the Cabinet of Ministers of Ukraine, the Ministry of Economy, the Ministry of Finance, the Ministry of Social Policy, the SSMSC, the FSR, and 182 commercial banks.

Consumer Finance Studies. FINREP commissioned two studies related to consumer finance: “Consumer Lending in Ukraine: Surveying the Landscape“ and “Financial Services Consumer Protection in Ukraine: Legal Analysis.” The first study analyzes existing consumer finance practices by banking institutions that focuses on transparency (the level of disclosure by banks of prices, terms, conditions, and risks of various financial products), privacy (consumer data protection and credit rating agencies), choice (nature of competition, selling and advertising of financial products, industry practices), and redress (codes of conduct, industry practices on complaints, collection agencies, etc.) that provides insights to the nature of banking services, which account for 96% of the financial sector.

The study “Financial Services Consumer Protection in Ukraine: Legal Analysis” analyzes the legal/regulatory regime for financial services consumer protection in Ukraine focusing on existing laws on financial consumer protection and their shortcomings, issues related to the court adjudication and arbitration tribunals, regulatory and enforcement difficulties at the NBU, FSR, and SSMSC, and the overall institutional framework for financial consumer protection. FINREP organized a public forum entitled “Ukraine: Financial Services and Consumer Protection” attended by 112 (51 female, 61 male) representatives from the financial services industry, regulatory bodies, educational institutions, international donor organizations and consumer rights groups who discussed the legal framework for financial services consumers in Ukraine, and whether consumer rights are protected sufficiently.

Through these education and outreach efforts, FINREP performs an important role in the financial literacy arena.

Development and Dissemination of Educational Materials on Financial Literacy. FINREP developed and disseminated a number of educational materials and toolkits on its website (http://www.finrep.kiev.ua/structure/finedu/education_en.php) designed to enable consumers understand and make financial choices. The objective of this educational outreach was to provide consumers with easy-to-use, easily understandable educational material about key financial matters in the form of on-line toolkit includes brochures, booklets, calculators, tests, quizzes and is accessible for free in printer- and reproduction-friendly formats. Subjects included in the tool-kit were mortgage and consumer lending as well as car loans. For example, the brochure “Reading and Understanding a Mortgage Contract” provides a sample text of a mortgage loan agreement and highlights terms and conditions that a potential borrower needs to know. The “Mortgage Glossary” explains in simple language the key concepts and terms that a consumer needs to understand when considering buying real estate or taking on a mortgage loan. The Mortgage Calculator enables potential borrowers to estimate mortgage loan cash flows, real rate of interest and real price of the loan.

FINREP's surveys and studies on consumer financial literacy as well as the development of the curriculum and educational program being developed in collaboration with the NBU on financial literacy targeting youth between the ages of 16 and 22 generated strong interest such that the project was able to proceed faster than originally anticipated

On August 8, 2011, FINREP and the NBU Banking University signed a Protocol on Cooperation to develop and implement a course on Financial Literacy aimed at Ukrainian secondary school students. The course will assist Ukraine's younger generation to develop the skill sets needed to become informed financial services consumers, and enable them to understand practical aspects of finance, and act responsibly in a modern financial system. In September, FINREP engaged a number of academics to prepare the text book for the students, the handbook for the teachers and workbooks. The expected completion date for the course materials is December. Initial trainings for school teachers will be launched in December with the goal to receive feedbacks and tailor the course materials to the reality of Ukrainian schools, especially in the area of teaching skills aimed to skills development, as opposite to knowledge-concentrated didactical approaches currently employed. During February/March 2012, the pilots will start in about 15 schools in five regional cities: Kyiv, Lviv, Kharkiv, Cherkassy, and Donetsk, covering about 500 10th grade students. The pilot training will allow FINREP to evaluate efficiency of the proposed course and fine-tune curriculum and materials. We expect the course development efforts to be complete by July 2012. Nation-wide implementation is scheduled for the academic year 2012-2013. FINREP's ultimate goal is for the Ministry of Education of Ukraine to include this new course in the obligatory educational program.

Support for NGOs Research and Outreach on Financial Consumer Issues. FINREP concluded an agreement with the consumer protection NGO "Nash Zahyst" to perform a legal analysis of contractual risks for financial services consumers in current, standard consumer loan agreements, and to develop a model template agreement. Nash Zahyst is a leading Ukrainian non-governmental advocacy organization in the area of consumer financial literacy. Its goal is to protect vulnerable populations from false or deceptive lending practices. Nash Zahyst experts serve in committee working groups of the Verkhovna Rada of Ukraine on financial consumer protection, and are frequently quoted by the media. Nash Zahyst led a coalition of ten NGOs that commented and made proposals to the draft Law of Ukraine "On Amending Some Legislative Acts of Ukraine on Protection of the Rights of Creditors and Financial Service Consumers."

Nash Zahyst's work with FINREP started in September with the collection loan agreements, including both pre- and post-signing documents, and communications of creditors with customers, and perform a legal analysis of the materials collected with a focus on bank loan provisions and their conformity with Ukrainian legal requirements for contract terms and disclosures to users of financial services. In the coming year, Nash Zahyst will identify agreements that do not comply with the provisions of the effective legislation; and/or carry potential risk exposure for banks' customers, and will develop a list of risks for bank customers including objective risks and non-compliance with relevant legislation, and develop a model template agreement for consumers of financial services. The information collected and the recommendations developed will be presented at a series of workshops to representatives of the banking community, NGOs and other interest groups

Objective 5: Communications and Public Outreach

The financial crisis deeply undermined the general public's trust in the financial institutions of Ukraine. FINREP has worked to restore this trust through its technical work and by promoting its work and best international practices through outreach and communications.

Assistance to the GoU in Pension Reform Promotion

FINREP actively supports communication efforts of the GoU in promotion of the Pension Reform. On February 1, 2011 FINREP co-organized with the Ministry of Labor and Social Policy a conference on pension reform for journalists. 130 journalists from 26 oblasts of Ukraine, including 30 media representatives from the capital attended this special training session where GoU officials responsible for pension reform (Ministry of Labor and Social Policy, Pension Fund of Ukraine, FSR, SSMSC) explained new pension legislation and GoU steps in pension reform implementation. Deputy Prime Minister and Minister of Social Policy Serhiy Tigipko took questions from journalists for over 2 hours during this event. FINREP provided the journalists with background analyses and materials about pension system. Following the conference, journalists produced over 100 stories on pension reform for TV, print and on-line media.

Publishing on the Government Securities Market: FOCUS. FINREP prepares a weekly analytical publication on the government debt market and other important financial issues - FOCUS. FOCUS provides discussion and analysis of Ukrainian government debt markets. The publication, which is issued in both English and Ukrainian, has a distribution of over 100 subscribers including major Ukrainian and foreign banks, investment companies, exchanges and traders, media and GoU officials. In September 2011, **Cbonds.info**, a leading source of information on debt markets in CIS countries, requested permission to post *Focus* on its web site. This is testimony to the professional quality of the market analysis provided by FINREP advisors.

Cooperation with the League of Financial Development. FINREP cooperates with the League of Financial Development, a non-for-profit organization that holds events for journalists of the financial press to increase awareness on key policy issues and generate improved reporting about financial issues. FINREP supports the League of Financial Development (LFD) because of its strong reputation in the financial community, especially among the major banks, and the media. The LFD has a capable, professional team with a strong network in the financial sector. It has worked extensively with other donor organizations such as the EBRD, IFC, IMF and World Bank. LFD roundtables are widely covered by the media (5 TV channels and 15 journalists on average cover each roundtable).



Through its partnership with LFD, FINREP- has strengthened the quality and quantity of information generated by the media on financial issues, thereby building the media's capacity as a provider of financial education. With FINREP's support, the League of Financial Development has held 33 public media roundtables, seminars and press conferences on financial sector issues. Panelists are drawn from a diverse range of experts from the private, financial and public sector. Topics over the last year have included:

- “Currency and Legal Risks for the National Security: How Far-Reaching Are Consequences of Foreign Currency Lending Being Challenged in Court?”
- “New Version of the Law on Creditors’ and Borrowers’ Rights Protection: Who Will Win and Who Will Lose?”
- “Bad Assets Bank: Is this Decision a Good One for Ukraine?”
- “Creating the Central Securities Depository: Which Way for Ukraine?”
- “Why the Economy Still Lacks Loans?”
- “The Public Debt and Balance of Payments: How Serious Are Threats to Financial Stability without the IMF Help?” (for more details please see Appendix 4)

150 journalists attended the LFD events last year, resulting in 188 TV broadcasts, 313 printed media publications and 2590 web mentions related to financial sector issues.

SUCCESS STORY: CONSUMER FINANCIAL LITERACY

FINREP conducted the first national opinion/knowledge survey of financial literacy and awareness to diagnose the problem this past year, polling over 2,000 individuals nationwide. The survey revealed that the average Ukrainian consumer of financial services is worryingly uninformed about a subject that governs their daily life and their financial present and future:

- More than 60% of the respondents considered themselves to be financially literate, **but less than a quarter** of those surveyed could correctly answer **five out of seven** questions necessary to be able to manage one’s finances;
- Only 7% of the population knew the maximum amount of individual deposits in a bank that are guaranteed by the state, and only **3% could explain a floating rate of interest**;
- Out of fifteen questions asked about financial knowledge and consumer rights, **only 2% could answer ten or more questions correctly**.
- If a dispute arises between a consumer and a financial institution, **only 16.5% believe that the conflict will be resolved to their satisfaction**.

FINREP addresses all key elements of financial literacy. It has created and distributed financial education materials written in plain language aimed at the average citizen. It has undertaken path-breaking analytical studies in consumer financial literacy and financial consumer protection;. Together with the Banking University of the National Bank of Ukraine FINREP has developed a pilot educational project targeting 16 – 20 year old students. This project will assist this target group in gaining the financial life skills they need to function in modern Ukraine. This course will be launched as a pilot in the coming year.

III. FINANCIAL REPORT (ACCRUALS)

Period: October 2010 through September 2011

Task Order Ceiling Price		Amount Obligated	Amount Expended	% Expended of Obligation
\$ 12,392,734		\$ 12,392,734	\$7,497,300	60%
Resource Type	LOE Days Budgeted	LOE Days Expended	Amount Budgeted	Amount Expended
Expatriate Labor	3,364	2,827	\$ 3,585,081	\$2,912,379
TCN / CCN Labor	11,950	5,460	\$ 4,370,804	\$1,510,475
Total	15,314	8,288	\$ 7,955,885	\$4,422,854
ODCs			\$ 4,436,849	\$3,074,445
GRAND TOTAL			\$ 12,392,734	\$7,497,300

The FINREP task order's *Workdays Ordered* table established 3,364 days of LOE for Expatriate advisors and 11,950 for TCNs and CCNs, or a total of 15,314.

As of the end of contract year two, 2,827 of the Expatriate LOE and about 5,460 of TCN/CCN LOE was expended, meaning that the project is close to reaching the Expatriate workdays ordered ceiling; at the same time, we have spent only about a third of the originally anticipated LOE pool for TCNs/CCNs.

While project spending overall is on track, the project is spending less on LOE than anticipated, and conversely, more on ODCs. On October 7, 2011, FINREP therefore submitted a request to modify the task order budget such that the project will be able to access additional ODC funds at the expense of LOE funds, with the overall ceiling remaining unchanged. Booz Allen will be submitting a budget realignment later this year.

APPENDICES

Appendix 1: Work Plan Status: Year II

Work Plan October 2010 to September 2011

Activity Description	2010			2011						Deliverable	Status of Deliverable					
	10	11	12	1	2	3	4	5	6			7	8	9		
A. Administrative																
1. Strategy, Synergy Development, Management															Work Plan and PMP	Work Plan and PMP approved by USAID
2. Administration															Monthly Budgets	
3. Quarterly Reports	X			X				X					X		Quarterly Reports	Submitted
4. Weekly Highlights															Weekly	On-time
5. Liaison with IMF, WB and EU															Regular Coordination	Ongoing
6. Annual PMP Update	X														Annual	Needs revision
B. Legal and Regulatory Reform of Financial Markets																
1. Banking and Financial Sector																
a) Monitor/Comment on Banks and Banking Law															Regular updates as to Status and Proposed Changes	Ongoing monitoring
b) Banks and Banking Law Amended to reflect "real owners"															IMF/WB reissue comments before the second reading	Adopted by Rada; FINREP assisted NBU to draft regulations
c) Monitor/Comment on Bankruptcy Law															Regular updates as to Status and Proposed Changes	Cooperating with CLC
d) Monitor/Comment on Draft Law "On Protection of Creditors' and Financial															Regular updates as to Status and Proposed Changes	Completed. FINREP submitted

Activity Description	2010					2011					Deliverable	Status of Deliverable		
	10	11	12	1	2	3	4	5	6	7			8	9
Services Consumers' Rights														comments to Rada committees
2. Valuation and Accounting Legislation														
a) Support preparation of amendments to Law of Ukraine on Valuation of Property, Property Rights and Professional Activities in Ukraine													<ul style="list-style-type: none"> Hold Public Roundtable Discussion on Draft Amendments to Law Revise Draft Proposed Amendments following public comment Work with Rada on Passage of Law 	Reports of Expatriate consultants completed and submitted to SPF, DGF, MoF.
b) Prepare Concept Paper on implementation program for IFRS, IAS, and internationally compliant audit opinions with suggested Action Plan.													<ul style="list-style-type: none"> Concept Paper prepared and vetted with counterparts Public Roundtable Discussion held on Concept Paper Concept Paper sent to Prime Minister 	Concept paper completed. Action Plan implemented. Roundtable held. Comments provided to MoF
c) Monitor / comment on Accounting Law to implement IFRS, IAS, and international audit opinions, including amendments to Auditing Law where necessary.													<ul style="list-style-type: none"> Amendments prepared and discussed with MoF, SSMNC and FSR. Public Roundtable discussion with Accounting and Auditing market professionals 	FINREP commented on MoF draft Law in January.
3. Capital Markets														
a) Central Depository Law (Monitor / Prepare Recommendations)													Draft amendments to Law to support one Central Depository	Completed participation in SSMNC working group

Activity Description	2010					2011					Deliverable	Status of Deliverable		
	10	11	12	1	2	3	4	5	6	7			8	9
														on new depository law
b) Monitor/Comment on draft Regulations and proposed amendments to selected articles in Joint Stock Company Law including (1) cancellation of mandatory dividends, and (2) others TBD														<ul style="list-style-type: none"> Selected Regulations and proposed amendments to the Law drafted and submitted to the SSMNC New updates posted on website
c) “Law on Securities and Stock Market” to ensure disclosure of real owners of company in compliance with Data Protection Law effective January 2011.														<ul style="list-style-type: none"> Amendments prepared and sent to SSMNC Coordination with Rada, if necessary Completed
4. Pension Reform														
a) Draft Law to “Implement the Mandatory Accumulation System” for Working Group under MOLSP.														<ul style="list-style-type: none"> Support Working Group with well-reasoned arguments for proposed amendments based on international experience Amended Draft Law submitted to the Rada for passage in the second reading Hold sessions for the Rada Committee on amendments to Draft Law Pension Law signed in September. Participating in MLSP working group on Pillar II implementation..
b) Comment and provide recommendations on the Draft Law “On Mandatory State Pension Insurance” to unify retirement ages for men and women, increase years of contributory service, and other items.														<ul style="list-style-type: none"> Draft Law submitted to the Rada Hold sessions for the Rada Committee on the substantive changes to the Draft Law Completed. FINREP submitted comments to GoU ministries, Committees of Rada.

Activity Description	2010			2011						Deliverable	Status of Deliverable			
	10	11	12	1	2	3	4	5	6			7	8	9
c) Propose amendments to the “Law of Ukraine on Non-State Pension Provisions.” Including strengthening regulatory oversight.													<ul style="list-style-type: none"> Draft changes submitted to the Verkhovna Rada for passage in the second reading. 	Proposals submitted to FSR; being reviewed by MoF.
C. Disclosure and Transparency														
1. Support training for State Property Fund on international valuation methods and membership in the International Valuations Standards Council.													<ul style="list-style-type: none"> Develop and implement certification training Support Council annual membership for State Property Fund 	Training held.
2. Sponsor, for MoF and regulators, public roundtable discussion of action plan with market participants including accounting firms on conversion to IFRS, IAS and international audit opinions.													<ul style="list-style-type: none"> Roundtable held and consensus reached on tentative concept and action plan. 	4 Roundtables held. IFRS conference held in May 2011. Kick-off roundtable on implementation held in July
3. Support ESCRIN implementation by SSMNC (training, technology, manuals updated, regulation drafting)													<ul style="list-style-type: none"> Training and staff manual on how to review and comment on disclosure documents Manuals updated Ad hoc response to key issues in ESCRIN as it is implemented. 	ESCRIN functioning: 139 companies have submitted 645 reports through ESCRIN.
4. Preparation of an internationally compliant Informational Prospectus/Annual Report for Non- State Pension Funds to permit electronic filing													<ul style="list-style-type: none"> Preparation of the Draft Informational Prospectus/Annual Report Support FSR Roundtable with NPF representatives 	No progress with FSR

Activity Description	2010			2011						Deliverable	Status of Deliverable					
	10	11	12	1	2	3	4	5	6			7	8	9		
D. Institutional Capacity Building																
1. National Bank of Ukraine																
a) NBU Training on Risk including Credit Risk, Credit Portfolio Risk, Liquidity Risk, Market Risk and Operational Risk Management including implementation of BASEL III.															<ul style="list-style-type: none"> Training manual on credit and other related risk developed Two Training Programs held 	Completed in 3 rd quarter
b) NBU Training on XBRL, FINREP and COREP Reporting Format requirements.															<ul style="list-style-type: none"> Training Program held for NBU staff with necessary handout materials 	No demand.
c) NBU Training on BankExec International Simulation															Trainings	Evaluating BankExec training module
2. DGF Paybox with Enhanced Powers																
a) Prepare Assessment of Information Technology needs for DGF with recommendations for enhancements and purchase of IT equipment subject to USAID approval.															<ul style="list-style-type: none"> Written IT Assessment Necessary IT Equipment Approved by USAID Equipment Purchased and Installed at DGF 	Review completed. FINREP procured Oracle database software and related hardware: \$100,000. Transfer pending.
b) Support legal drafting of implementing Regulations for the transformation of the DGF to a “paybox with enhanced powers.”															<ul style="list-style-type: none"> Approximately 30 Regulations Drafted and Submitted to DGF 	Completed.

Activity Description	2010			2011						Deliverable	Status of Deliverable			
	10	11	12	1	2	3	4	5	6			7	8	9
c) Support English translations of key documents, meetings with international programs etc.													<ul style="list-style-type: none"> Ad hoc translations completed 	Ongoing
d) Plan study tour to FDIC (USA) and/or DGF in Turkey Support study tours/training		X		X			X		X				<ul style="list-style-type: none"> Program planned, budgeted and approved by USAID Mission. 	Completed
e) Prepare assessment of DGF training needs including recommended program for both short-term and long-term training needs with the emphasis on enhanced powers based on FDIC (USA) operations													Prepare assessment on DGF training needs. Based on assessment recommendations support a minimum of 3 training program.	No progress on passage of DGF Law
3. SSMNC														
a) Support for implementing prudential regulation and risk management systems	ONGOING											Risk management TA	Meetings held and concept paper prepared.	
b) International Training at the SEC in Washington DC or other appropriate venues							X						Attendance at Training April 2011	Completed.
c) Support for assessing financial instruments													Analysis of derivatives law	Final report presented to NBU, SSMNC, banks. Supporting development of repos, drafting of new derivatives law.
4. All Ukrainian Securities Depository (AUSD)														
a) Monitor development of merger/acquisition of AUSD and NDU Depositories	ONGOING											Consult with AUSD on Alternative Acquisition Models Assist in Analysis of Best Acquisition	Supporting best practices in Ukrainian depositories Distributed	

Activity Description	2010			2011						Deliverable	Status of Deliverable			
	10	11	12	1	2	3	4	5	6			7	8	9
													Model for the transaction	Up-Dates to IFIs.
b) Assist AUSD/NBU in developing international clearance and settlement services for Government securities.								X					Consult with AUSD on alternative venues Provide international advisors when required.	Depends on resolution of depository controversy
c) Assist AUSD/NBU in developing services for repo transactions.													Internationally compliant procedures adopted if necessary	Depends on resolution of depository controversy
5. Financial Services Regulator														
Hold training programs for FSR Pension Staff and Non-State Pension Fund industry personnel both before and after adoption of the amendments to the Law and support FSR drafting of implementing regulations for “Law on Non-State Pension Provisions”													Two training sessions held: one for FSR Staff and one for NPF market participants	Delay in adopting pension legislation
6. MoF/Bank Recapitalization														
a) Support privatization of nationalized banks, based on international standards of valuation for banks.													Program Developed based on WB “least cost “ standard and vetted with Counterparts	Completed.
b) Study Tour for Bank Recapitalization Department to Sweden/ USA													Program Developed and approved by USAID	Completed
7. MoF/ Department of GOU Debt														
a) Continued Enhancement of Debt Management Strategy														
1. Prepare assessment of the repo market for government domestic securities in													Draft assessment of Ukrainian program with	Two conferences on repo market

Activity Description	2010						2011						Deliverable	Status of Deliverable
	10	11	12	1	2	3	4	5	6	7	8	9		
Ukraine and facilitate classic repo and reverse repo operations with standardized agreement tailored to Ukraine with haircuts, counterparty risk, market prices for collateral, etc.													recommendations and regulations for effective repo program, including training.	development. Translated master agreement. Meetings with partners held.
2. Assist MoF and primary dealers to implement market based issuance and related procedures for government debt													Program drafted including implementing regulations for MoF	Commentary on GoU debt strategy provided.
3. Prepare assessment and enhanced procedures for public debt management program in Sovereign Debt Department of MoF													Assessment completed with recommendations vetted with MoF Procedures codified in internal regulation	Completed. 13 issues of FOCUS published.
4. Support international training for MoF staff													<ul style="list-style-type: none"> ▪ Financial Support for Attendance World Bank Program 2011 ▪ OECD Global Public Debt Management 	Two MoF staff trained at WB conference.
b) Primary Dealers Government Debt Market Development														
1. Increase primary dealer to maximum permitted to expand the government debt market													Paper coordinated with MoF on increasing the size of primary dealers to further develop the market.	Report assessing public debt auction completed.
2. Prepare Concept paper to permit others, not only banks, to be primary dealers													Concept paper and implementing regulations drafted to expand the program of primary dealers to allow other market professionals participate in the primary market distribution network.	Completed.

Activity Description	2010					2011					Deliverable	Status of Deliverable		
	10	11	12	1	2	3	4	5	6	7			8	9
3. Create program and facilitate quarterly meetings of primary dealers with MoF and NBU.													Program drafted and vetted with NBU and MoF 4 Quarterly Meetings Sponsored	Regular meeting of the dealer community and the regulator held
c) Develop enhanced procedures for primary government debt														
1. Public Debt Law													Procedures drafted to release publicly firm prices for market by primary dealers.	Comments provided on Budget Code as it applies to public debt
2. Develop program for daily collection and publication of market price information from primary dealers, a "quote sheet."													Procedures drafted to insure daily market prices disclosed by primary dealers in government debt market a daily "quote sheet.."	In process
d) Development of Secondary Market for Government Debt														
1. Prepare draft of procedures for a firm price quotation for government securities on secondary market and implementing legislative changes.													Prepare draft paper on procedures and regulations on the UA exchanges requiring firm prices on the secondary market.	In process.
2. Prepare a draft repo development regulation including a recommended draft program for effective MoF cash management of Single Treasury Accounts with repurchase (Repo) operations													Regulation drafted including program, which is vetted with MoF	Completed.
8. Ministry of Labor and Social Policy / Pension Fund Ukraine														
a) Provide technical													Training Courses and	Analytical

Activity Description	2010			2011						Deliverable	Status of Deliverable			
	10	11	12	1	2	3	4	5	6			7	8	9
assistance and training on mandatory accumulation system key issues													Concept Papers	studies and materials delivered to MLSP & PFU
b) Assist MOLSP to develop implementation schedule for Pillar II Mandatory Accumulation System													Draft Implementation Action Plan for vetting and approval of MOLSP	Implementation schedule completed
9. Self-Regulatory Organizations (SSMNC)														
Based on critical needs support Ukrainian Association of Investment Business (UAIB) Professional Association of Registrars and Depositories (PARD) and Association of Ukrainian Stock Traders (AUST)	ON-DEMAND												Support annual conferences on major developments in the Ukrainian market affecting members of SROs. Recommendations on delegation of authority	Supported PFTS Capital Markets Forum.
E. Financial Education and Consumer Protection														
1. Implement program for mortgage borrowers, credit card users, consumer credit users, on rights and responsibilities of creditors.													Information program established for consumers	Completed contract for analysis of credit contracts and development of market template
2. Program outreach to journalists, including: <ul style="list-style-type: none"> “Ask the Financial Expert” newspaper column Roundtables*/Press Club Meetings for Journalist (bi-monthly) Training of Journalist on Key Topics (Monthly) 													<ul style="list-style-type: none"> Monthly Questions and Answers Prepared timely Hold roundtables on key subjects affecting the financial sector Sponsor training for journalist on key issues 	4 Roundtables held by League of Financial Development in quarter.
3. Development of an on-line Financial Education Tool Kit which will include: brochures, pamphlets, glossary of financial terms, calculators and interactive test covering key financial issues.													Financial Tool Kit designed and posted on website with “How to Use Manual”	Numerous postings . Pension and mortgage calculator.
4. Prepare Pension Reform													Minimum of six (6)	Additional

Activity Description	2010			2011						Deliverable	Status of Deliverable			
	10	11	12	1	2	3	4	5	6			7	8	9
Articles, Spot Announcements for TV and Radio, public events													articles, and three (3) spot announcements for TV and radio prepared.	interviews and articles published on pension reform
5. With partners, develop standardized contracts for mortgages, credit cards, consumer finance.													Draft Mortgage Agreement Prepared and vetted with banks and NBU, Ministry of Justice and others	In progress. Contract study complete.
6. Prepare review of consumer protection laws, regulatory framework, institutions and NGO actions. Evaluate and select NGO partners for financial consumer outreach.													Assessment prepared with recommendations for key areas for technical assistance.	Two studies completed.
7. Support GOU involvement in consumer protection and financial literacy, including International Conferences													Conference participation, round tables	Trip to Poland rescheduled. Roundtable held with Rada on consumer protection laws.
8. Families and Finance Pilot Project													Develop program for parents and children on basic financial competence	Preparing materials for NBU dissemination aimed at children and pensioners. Developing course with NBU Banking University.
a) Consult with and develop when requested Communication Strategies for NBU, DGF and other key financial sector counterparts.	ON-DEMAND												Upon request, develop tailored communication strategies for key counterparties	Surveys contracted for NBU. 3D tour of money museum in progress.

Activity Description	2010					2011					Deliverable	Status of Deliverable		
	10	11	12	1	2	3	4	5	6	7			8	9
F. Communications/Outreach Strategy														
1. Prepare comments and implementation recommendations for Ministry of Economy “Strategy for Financial Sector of Ukraine Reform and Development through 2015” and sponsor roundtable discussion for Ministry of Economy.													Recommendations prepared and vetted with MoE	No demand from the MoE
2. Develop MOLSP “hotline” to act as “Outreach” to carry financial literacy messages on Pillar II, Pillar III (net asset value, etc).													<ul style="list-style-type: none"> ▪ Messages developed for the year ▪ Training manual developed and updated routinely 	Delay in passage of pension law.
3. Hold public events on results of Financial Literacy Survey and related Focus Group Results, including a training seminar for education of regional journalist as continuation of public outreach.													Hold a public presentation with Kyiv and regional journalist on results of the survey.	Completed. Publication disseminated; seminars in all major Ukrainian cities//regions

Appendix 2: PMP Update: Year II

Expected Results	Indicator (Indicator Definition & Unit of Measure)	FY11		FY12 / End-of-Project		Data Source	Frequency of Collection
		Target	Result	Target	Result		
Program Area: 4.3 Financial Sector							
Program Element: 4.3.1. Financial Sector Enabling Environment							
PROJECT OBJECTIVE 1: Strengthened legal and regulatory environment for a stable, transparent, and resilient financial sector							
Component 1.1. Financial Sector Restructuring, Transparency and Dispute Resolutions							
1. Key financial sector laws, amendments, resolutions essential to the financial-sector rehabilitation program drafted and adopted	Number of key financial sector laws, amendments, resolutions essential to financial-sector rehabilitation program drafted and adopted Unit: # of Laws	4	5	8		Parliament	Annually
	Number of regulations drafted and adopted Unit: # of Regulations	4	6	8		NBU SSMSC FSR	Annually
2. Internationally recognized Financial Sector Standards are adopted	Number of internationally recognized financial sector standards adopted as a result of USG assistance Unit: # of adopted standards	6	3	10		NBU SSMSC FSR	Annually
Component 1.2. Supervision – Financial Regulators							
1. Increased Ukraine's Financial Regulatory System Rating Score	Rating increase on Financial Regulatory System Rating Score for Ukraine Unit: Score	2.0	Information is not available	3.5		EIU Index for Ukraine	Annually
2. Developed Regulators' monitoring tools to implement enhanced risk-based supervision over banking sector	Number of offsite surveillances/monitoring tools and procedures developed at NBU Unit: # of surveillance/ monitoring tools	3	n/a, due to the NBU policy	4		NBU SSMSC FSR	Annually
3. Banking sector supervisors trained in int'l standards on market monitoring, surveillance and inspection of troubled institutions	Number of supervisors trained in international standards Unit: # of trained supervisors	10	26	50		FINREP	Annually
Component 1.3. Capacity Building – Deposit Guarantee Fund (DGF)							
1. Improved the DGF to reduce market risks (See scorecard of DGF improvement - Attachment 1)	Number of material improvements in the DGF that reduce market risks Unit: # of material improvements	8	6	10		DGF FINREP	Annually
Program Area: 4.3 Financial Sector							
Program Element 4.3.2: Financial Sector Capacity							
PROJECT OBJECTIVE 2: Enhance capacity of financial sector institutions to implement reforms and raise performance to international best practices							
Component 2.1. Capacity Building – Financial Institutions and Associations							
1. Banking sector professionals trained in international standards in the areas of corporate governance and operational and financial disclosure	Number of trained professionals in international standards Unit: # of trained financial sector professionals	500	591	600		FINREP	Annually
	Number of females trained in international standards Unit: # of trained financial sector females	300	347	350		FINREP	Annually
2. Ukraine increased its WEF-GCR 'Soundness of Banks' Score	Score increase of WEF-GCR "Soundness of Banks" Unit: WEF-GCR "Soundness of Banks" Score	5.0	3.4	5.5		WEF-GCR report	Annually
Component 2.2. Capacity Building – Judiciary							

Expected Results	Indicator (Indicator Definition & Unit of Measure)	FY11		FY12 / End-of-Project		Data Source	Frequency of Collection
		Target	Result	Target	Result		
1. GOU stakeholders and bankers are prepared to introduce an adjudication process that supports prompt and fair dispute settlement associated with bank resolution	Training program for judiciary is designed Unit: Y/N	Y	Y	Y		FINREP	Annually
	Number of pilot projects to demonstrate implementation of fair and efficient adjudication process supported to resolve disputes associated with bank resolution Unit: # of pilot projects	3	n/a, due to the NBU policy	6		FINREP	Annually
2*. Improved adjudication process that supports fair dispute settlement associated on the specifics of the pension legislation application following the implementation of the new Law on the Pension Reform	Number of Administrative Court judges trained on the specifics of the new Law on Pension Reform to demonstrate implementation of fair and efficient adjudication process supported to resolve disputes associated with pension reform Unit: # of Administrative Court judges trained			150		FINREP NSJU	Annually
	Number of females trained in the specifics of the new Law on Pension Reform Unit: # of trained Administrative Court females			80		FINREP NSJU	Annually
Program Area: 4.3 Financial Sector							
Program Element 4.3.2: Financial Sector Capacity							
PROJECT OBJECTIVE 3: Assist vulnerable Ukrainians with financial relief and awareness, and increase demand for responsive financial intermediation and government intervention							
Component 3.1. Debt Restructuring for Vulnerable Households							
1. Reduced non-performing loan ratio	Percentage of non-performing loan ratio: number of non-performing loans/ total number of loans Unit: % non-performing loans	10%	11%	5%		NBU AUB UNIA	Annually
2. Increased households deposits	Percentage increase of households deposits to GDP ratio Unit: households deposit to GDP ratio	25%	25.3%	26%		NBU MoF	Annually
Component 3.2. Financial Literacy and Public Outreach							
1. Increased public confidence in financial institutions	Percentage increase in confidence in financial institutions: number of people polled with confidence in financial institutions / total number polled Unit: % people with confidence in financial institutions	30%	n/a, due to the NBU policy	40%		Poll	Annually
2. Improved financial literacy levels of vulnerable households	% increase in financial literacy among vulnerable households: # of vulnerable households surveyed exhibiting financial literacy / total number of vulnerable households surveyed Unit: # of low-income people surveyed exhibiting financial literacy	25%	n/a, due to the NBU policy	35%		Survey	Annually
3. Increased financial literacy of the vulnerable group category of Ukrainians in debt restructuring strategies	Number of people trained in debt restructuring strategies Unit: # of trained people	200	n/a, due to the NBU policy	300		FINREP	Annually
4.* Improved awareness of regional policy makers, consumer protection group and media on consumer protection issues	Number of regional events for policy makers, consumer protection group and media Unit: # of regional events	10	12	5			Annually
Component 3.3. Pension Reform							
1. Pension Reform and Pillar II implemented (See scorecard of Pension Reform and Pillar II implementation – Attachment 2)	Number of material improvements in Pension Reform and Pillar II implementation Unit: # of material improvements	2	5	9		Parliament, MOSP, FINREP	Annually
Program Area: 4.3 Financial Sector							
Program Element 4.3.2: Financial Sector Capacity							
PROJECT OBJECTIVE 4: Expand the							

Expected Results	Indicator (Indicator Definition & Unit of Measure)	FY11		FY12 / End-of-Project		Data Source	Frequency of Collection
		Target	Result	Target	Result		
domestic securities markets to mitigate financial stress and broaden the financial base							
Component 4.1. Government Securities Market							
1. Improved domestic government securities market infrastructure (See attached scorecard of improvement of government securities market – Attachment 3)	Number of material improvements in the domestic government securities market infrastructure Unit: # of material improvements	3	3	5		MoF NBU AUSD	Annually
2. Increased Ukraine's outstanding government debt securities ratio to GDP	Percentage increase of government debt securities to GDP ratio: government debt securities to GDP ratio in current year – Government debt securities to GDP ratio last year / government debt securities to GDP ratio last year) Unit: % increase of government debt securities to GDP ratio	6%	29.1%, due to the GoU/MoF policy	10%		MoF	Annually
3*. Ukraine's outstanding government domestic debt securities ratio to total government debt	Percentage of domestic government debt securities to total government debt Unit: % domestic government debt securities to total government debt ratio	40%	42.9%	40%		MoF	Annually

*Alternate indicators, suggested by FINREP

Attachments

Attachment 1: Scorecard of DGF Improvement	
1. Concept paper for transition to DGF extended powers approved	1 point
2. Institutional development plan approved	1 point
3. Draft DGF Law submitted to the Rada	1 point
4. Draft DGF Law passed first reading	1 point
5. Draft DGF Law became effective	1 point
6. 25+ new DGF regulations drafted	1 point
7. 25+ regulation approved by DGF Administrative Board	1 point
8. DGF IT system updated	1 point
9. DGF new organizational structure introduced	1 point
10. DGF training & twinning program launched	1 point
TOTAL POINTS/IMPROVEMENTS	10

Attachment 2: Scorecard on Pension Reform and Pillar II implementation	
1. Concept paper for Pension Reform (including the introduction of Pillar II) approved	1 point
2. Draft Pension Reform Law approved by the Cabinet of Ministers and submitted to the Rada	1 point
3. Draft Pension Reform Law approved by the Rada Committee	1 point
4. Draft Pension Reform Law passed first reading	1 point
5. Draft Pension Reform Law became effective	1 point
6. Implementation schedule for the Pillar II introduction developed	1 point
7. Regulatory acts to implement the Law on Pillar II introduction developed	1 point
8. Recommendations on key Pillar II implementation issues (asset management, investment declaration, accounting/auditing) provided	1 point
9. Public education campaign on Pillar II launched	1 point
TOTAL POINTS/IMPROVEMENTS	9

Attachment 3: Scorecard of government securities market infrastructure Improvement	
1. Institute of primary dealers introduced and functional	1 point
2. Ministry of Finance Risk management unit established	1 point
3. Regular T-bill issuance in place	1 point
4. Ministry of Finance liquidity management operations introduced	1 point
5. Correspondent relations between AUSD depository and NBU depository for government securities established	1 point
TOTAL POINTS/IMPROVEMENTS	5

Appendix 3: Study Tours

Study Tours, FINREP Year 2

#	Dates	Educational Event	Location	Num.	Names of Participants
1	November 7-10, 2010	Study tour for Ministry of Finance of Ukraine (MoF) and Deposit Guarantee Fund (DGF) officials to Stockholm to study Sweden's experience in resolving troubled banks during financial crisis	Stockholm, Sweden	6 + 2 from FINREP	<ul style="list-style-type: none"> ▪ Ms. Tetyana Sysoyeva, Director, Department for State Participation in Bank Capitalization, MoF ▪ Mr. Oleksandr Dubrovin, Deputy Director, Department for State Participation in Bank Capitalization, MoF ▪ Ms. Polina Kostetska, Deputy Director of Department for Financial Services Market Development Policy, MoF ▪ Ms. Oksana Karpenko, Deputy Head, Bank Surveillance Division, Department for State Participation in Bank Capitalization, MoF ▪ Mr. Oleksandr Kryvoruchko, Chief Specialist, Research and Analysis Division, Department for State Participation in Bank Capitalization, MoF ▪ Ms. Natalia Lapaieva, Head of Strategy and Fund Transformation Department, DGF ▪ Mr. Volodymyr Vysotskyi (FINREP) ▪ Ms. Alina Chernomaz (FINREP)
2	December 1-3, 2010	Study tour of Ukraine's Deposit Guarantee Fund (DGF) officials to Turkey to study experience of Turkey's Savings Deposit Insurance Fund	Istanbul, Turkey	7	<ul style="list-style-type: none"> ▪ Mr. Olenchuk Andrii, First Deputy Executive Director of the Deposit Guarantee Fund (DGF) ▪ Mr. Tretiak Volodymyr, DGF ▪ Ms. Servetnyk Iryna, DGF ▪ Ms. Raievska Tetiana, DGF ▪ Mr. Khoruzhyi Sergii, DGF ▪ Ms. Lapaieva Nataliia, DGF

#	Dates	Educational Event	Location	Num.	Names of Participants
					<ul style="list-style-type: none"> ▪ Mr. Naboka Sergii, DGF Translator
3	January 26-29, 2011	Study tour to Czech republic for DGF – participation at Depository Guarantee Fund meeting	Prague, Czech Republic	2	
4	February 28 – March 3, 2011	Study tour to Brazil for GoU officials to investigate the practice of pre-harvest financing mechanisms in Brazil and their possible introduction into Ukraine	Sao Paolo, Brazil	10	<ul style="list-style-type: none"> ▪ Mr. Anatolii Rozghon, Director of Agrarian Markets Department, Ministry of Agrarian Policy and Food of Ukraine (MinAgPol) ▪ Mr. Oleksandr Kravtsov, Chief of Department of Finance, MinAgPol ▪ Mr. Oleksandr Demydov, Chief of Department of Crops Market, MinAgPol ▪ Mr. Kuzmenkov Oleksii, Chief of Department, MinAgPol ▪ Ms. Olga Verkhovska, Deputy Chief of Department of the Civil Law & Entrepreneurship, Ministry of Justice ▪ Mr. Volodymyr Klymenko, President of Ukrainian Grain Association ▪ Ms. Svitlana Mityagina, Chief of Division of Laws on Land Issues, Agriculture and Environment, Ministry of Justice ▪ Mr. Viktor Andriievskyi, Director of Agrarian Markets Development Institute ▪ Mr. Gennadiy Novikov, Director of Agrarian Union of Ukraine ▪ Mr. Oleksandr Mytchenok, Adviser to DPM Serhiy Tigipko
5	March 20-26, 2011	Study tour for GoU officials to Estonia and Latvia is to familiarize the	Tallinn, Estonia & Riga, Latvia	6 + 1 from FINREP	<ul style="list-style-type: none"> ▪ Mr. Sergii Rybak, Deputy Minister of Finance of Ukraine ▪ Ms. Valentyna Nykytenko,

#	Dates	Educational Event	Location	Num.	Names of Participants
		Ukrainian delegation with the experience of these countries in the pension reform			Deputy Chairman of the Pension Fund of Ukraine <ul style="list-style-type: none"> ▪ Mr. Mykola Shambir, Director of Pension Provision Department of the Ministry of Labor and Social Policy of Ukraine (MLSP) ▪ Ms. Valentyna Kudin, Head of the Mandatory and Voluntary Accumulation Pension Provision Department of the MLSP ▪ Ms. Maryna Lazebna, Leading Specialist of Social and Labor Relations, Examination Office, Secretariat of the Cabinet of Ministers of Ukraine ▪ Ms. Liliya Kyrychenko, Leading Specialist of Department of Ministry of Economic Development and Trade of Ukraine ▪ Ms. Oksana Grytsay (FINREP)
6	April 4-14, 2011	U.S. Securities and Exchange Commission 2011 Int'l Institute for Securities Market Development	Washington, D.C., US	6 + 2 from FINREP	<ul style="list-style-type: none"> ▪ Mr. Dmytro Teveliev, Chairman, Securities and Stock Market State Commission (SSMSC) ▪ Mr. Mykola Burmaka, Commissioner, SSMSC ▪ Mr. Oleksiy Petrashko, Commissioner, SSMSC ▪ Mr. Anatolii Amelin, Director of Corporate Relations Department, SSMSC ▪ Mr. Ievgen Voropaiev, Director of Control and Legal Work Department, SSMSC ▪ Ms. Oksana Symonenko, Head of Collective Investment Division, SSMSC ▪ Mr. Viktor Syzonenko (FINREP) ▪ Mr. Volodymyr Padalko (FINREP)

#	Dates	Educational Event	Location	Num.	Names of Participants
7	April 6-7, 2011	The Repo Market – Applications in Today's Market (course on repurchase/reverse repurchase agreements)	London, UK	2 + 2 from FINREP	<ul style="list-style-type: none"> ▪ Mr. Grygoriy Vagis, Deputy Unit Head, Foreign Exchange Reserve and Open Market Transactions, NBU ▪ Mr. Sergii Chechel, Division Head for Investment Operations and Stock Market, NBU ▪ Mr. Paul Roberti (FINREP) ▪ Ms. Alina Chernomaz (FINREP)
8	April 14-15, 2011	Study tour for GoU officials to Estonia to attend the International Conference on Private Mandatory Pension Reform (Pillar II & III Pension Seminar) “Options for Post-Retirement Phase and New Reform Directions in Privately Funded Systems organized World Bank in cooperation with NASDAQ OMX	Tallinn, Estonia	4 + 2 from FINREP	<ul style="list-style-type: none"> ▪ Mr. Andriy Lytvyn, First Deputy Head, State Commission for Financial Services Markets Regulation of Ukraine ▪ Ms. Anastasiia Danovska, Head of Pension Reform Unit, State Pension Fund of Ukraine ▪ Mr. Sergiy Chervanchuk, Advisor to Vice PM of Ukraine Mr. Tigipko, Cabinet of Ministers of Ukraine ▪ Ms. Tetiana Matyukh, Head of Department, Ministry of Labour of Ukraine ▪ Ms. Natalia Goryuk (FINREP) ▪ Ms. Oksana Gritsay (FINREP)
9	May 25-28, 2011	Federal Financial Markets Service (Russia) invited the SSMSC to participate in XII meeting of the Council of Heads and the XV meeting of the Council of Heads of the Authorized Bodies on the Securities Markets Regulation under the Integration Committee of Eurasian Economic Community	St. Petersburg, Russia	1	<ul style="list-style-type: none"> ▪ Ms. Olena Velychko, Deputy Director, Department of Methodology of Securities Market Regulation, Securities and Stock Market State Commission (SSMSC)

#	Dates	Educational Event	Location	Num.	Names of Participants
		(EAEC), to make a presentation on comparative IFRS implementation to the Council of Heads of State Bodies of Securities Markets			
10	June 27 – July 1, 2011	World Bank Treasury organized its annual workshop on Designing Debt Management Strategies at the Joint Vienna Institute (JVI)	Vienna, Austria	2	<ul style="list-style-type: none"> ▪ Ms. Iryna Butenko, Head of Capital Markets Unit, Ministry of Finance ▪ Mr. Denys Khrystoforov, Deputy of Director/Head of Division, Department for Sovereign Debt Management and International Cooperation, Ministry of Finance

Appendix 4: Financial League Roundtable Topics

List of the Public Events under the Framework of Cooperation between the League of Financial Development and the USAID Financial Sector Development Project (FINREP)

(Reporting period: October 2010 - October 2011)

#	Event Format	Dates of Event/Topics of the Conducted Events	Dates of Event	Number of participants			Number of Publications / Stories			
				Speakers and experts	Journalists	Total	TV	Print MEDIA	Internet and news agencies	Total
1	Round tables (Kyiv)	“Problems of the Public Debt Management”	11/11/10	9	18	28	4	11	120	135
2	Round tables (Kyiv)	“Bank System Recapitalization: Ukrainian Reality and International Experience”	11/22/10	16	21	37	5	12	94	111
3	Round tables (Kyiv)	Clients, Banks and the Tax Code: What Can They Expect From Each Other?	11/30/10	10	24	34	8	16	124	148
4	Round tables (Kyiv)	Currency and Legal Risks for National Security: How Far Can Consequences of the Court Appeal of Currency Credits Go?	02/08/11	5	17	22	5	6	81	92
5	Round tables (Kyiv)	Problem Assets Bank – Is It a Good Solution for Ukraine?	03/16/11	12	22	34	8	15	92	115
6	Round tables (Kyiv)	Will Ukraine Complete the Unfinished Constructions Projects?	04/13/11	7	18	25	5	18	78	101
7	Round tables (Kyiv)	Double Dip in Global Financial Crisis: Is Ukraine Ready for It?	05/12/11	7	19	26	4	9	62	75
8	Round tables (Kyiv)	Law on Creditors and Borrowers Protection: Will It Provide Financial Services Consumer Rights Protection?	06/09/11	5	21	26	6	14	91	111

#	Event Format	Dates of Event/Topics of the Conducted Events	Dates of Event	Number of participants			Number of Publications / Stories			
				Speakers and experts	Journalists	Total	TV	Print Media	Internet and news agencies	Total
9	Round tables (Kyiv)	CSD Creation: What Should the "Ukrainian Way" Be?	07/04/11	9	23	32	8	11	45	64
10	Round tables (Kyiv)	Government Debt and Balance of Payments: How Serious are Threats To The Financial Stability Without IMF Support?	09/12/11	6	26	32	4	7	49	60
11	Round tables (Kyiv)	Renewal of Housing Loans: Is It Possible to Make Mortgage Available?	10/06/11	4	16	20	5	5	110	120
12	Round tables (Kyiv)	Inflation, Exchange and Bank Risks: How Can a Ukrainian Protect Himself from Trouble?	10/24/11	5	20	25	6	15	56	77
13	Round tables (Kyiv)	Adjustment of Banking Strategies under European Debt Crisis and Its Impact on the Ukrainian Financial System	11/10/11	4	18	22	4	12	46	62
1	Press club (Kyiv)	Extended Powers of the Deposit Guarantee Fund: How To Make The Banking System More Reliable?	12/02/10	8	23	31	6	4	58	68
2	Press club (Kyiv)	FX Market in Ukraine: Current Status and Prospects for Development	12/17/10	4	18	22	6	6	141	153
3	Press club (Kyiv)	New Language Of The Law On Creditors and Borrowers Protection: Who Will Win And Who	02/14/11	8	25	33	7	11	83	101

#	Event Format	Dates of Event/Topics of the Conducted Events	Dates of Event	Number of participants			Number of Publications / Stories			
				Speakers and experts	Journalists	Total	TV	Print Media	Internet and news agencies	Total
		Will Lose?								
4	Press club (Kyiv)	Active Growth of Consumer Lending: Recovery of the Banking System or Potential Signal of Another Upswing in the Exchange Rate	03/24/11	9	15	24	6	9	45	60
5	Press club (Kyiv)	Banks Transparency: Will Ultimate Controllers of Credit and Financial Institutions be Disclosed?	04/07/11	4	20	24	2	5	55	62
6	Press club (Kyiv)	IMF Funds and FX Stability: Are These Notions Identical?	04/26/11	9	24	33	12	9	127	148
7	Press club (Kyiv)	FX Regulation: Real and Alleged Threats	05/25/11	4	26	30	7	7	89	103
8	Press club (Kyiv)	Why Does the Economy Still Lack Credits?	07/20/11	3	20	23	6	8	56	70
9	Press club (Kyiv)	Lending Resources: How to Fight Deficit of Long and Cheap Hryvnya?	09/21/11	4	19	23	4	6	60	70
10	Press club (Kyiv)	FX Resources: How to Keep Them in the Banking System and Make Them Work for Economy?	11/24/11	3	24	27	8	7	110	125
1	Press club (regions of Ukraine)	How to Stimulate Foreign and Local Capital Investment Into Lviv Region before EURO 2012? Role of the banking sector.	12/06/10	9	19	28	3	6	42	51
2	Press club	Ukraine for Investments: How	11/03/11	12	23	35	3	7	39	49

#	Event Format	Dates of Event/Topics of the Conducted Events	Dates of Event	Number of participants			Number of Publications / Stories			
				Speakers and experts	Journalists	Total	TV	Print Media	Internet and news agencies	Total
	(regions of Ukraine), Odessa	to Stimulate Foreign and Local Capital Investment Into Private and State Projects in the Odessa Region?								
3	Press club (regions of Ukraine), Lviv	Hryvnya, Foreign Currency, Real Estate and Gold: How to Better Protect Savings from a Possible Repetition of Global Crisis?	12/02/11	6	19	25	3	8	29	40
1.	Seminar (Kyiv)	Extended Powers of the Deposit Guarantee Fund: How To Make The Banking System More Reliable?	12/02/10	7	22	30	2	7	32	41
2.	Seminar (Kyiv)	Problem Assets Bank – Is It a Good Solution for Ukraine?	03/16/11	8	20	28	6	8	59	73
3.	Seminar (Kyiv)	Double Dip in Global Financial Crisis: Is Ukraine Ready for It?	05/12/11	6	27	33	7	5	87	99
4.	Seminar (Kyiv)	CSD Creation: What Should the "Ukrainian Way" Be?	07/04/11	6	19	25	4	8	54	66
5.	Seminar (Kyiv)	Lending Resources: How to Fight Deficit of Long and Cheap Hryvnya?	09/21/11	4	22	26	3	9	88	100
6.	Seminar (Kyiv)	Inflation, Exchange and Bank Risks: How Can a Ukrainian Protect Himself from Trouble?	10/24/11	7	22	29	6	11	120	137
1.	Seminar (regions of Ukraine)	Extended Powers of the Deposit Guarantee Fund: How To Make The Banking System More Reliable?	12/06/10	6	27	33	4	4	41	49

#	Event Format	Dates of Event/Topics of the Conducted Events	Dates of Event	Number of participants			Number of Publications / Stories			
				Speakers and experts	Journalists	Total	TV	Print Media	Internet and news agencies	Total
2.	Seminar (regions of Ukraine)	Ukraine for Investments: How to Stimulate Foreign and Local Capital Investment Into Private and State Projects in the Region?	11/03/11	5	20	25	4	8	71	83
3.	Seminar (regions of Ukraine)	Hryvnya, Foreign Currency, Real Estate and Gold: How to Better Protect Savings from a Possible Repetition of Global Crisis?	12/02/11	5	21	26	7	9	56	72
Total						967				3090

Appendix 5: Acronyms Used

AMCHAM - American Chamber of Commerce

AUSD - All-Ukrainian Securities Depository

AUST – Association of Ukrainian Stock Traders

CIS - Commonwealth of Independent States

CMP – The USAID Capital Markets Project

COREP - Common Solvency Ratio Reporting

DGF - Deposit Guarantee Fund

EBRD - European Bank for Reconstruction and Development

ESCRIN - Electronic Disclosure System

FDIC – Federal Deposit Insurance Corporation

FINREP - Financial Sector Development Project

FMI - Financial Markets International, Inc.

FSR - Financial Services Regulator

GDP - Gross domestic product

GoU - Government of Ukraine

IAS – International Accounting Standards

IFI - International financial institutions

IFRS - International Financial Reporting Standards

IFC - International Finance Corporation

IMF - International Monetary Fund

IOSCO - International Organization of Securities Commissions

ISDA - International Swaps and Derivatives Association

JSC - Joint-Stock Company

LFD – League of Financial Development

MoE – Ministry of Economy

MoF - Ministry of Finance

MoLSP – Ministry of Labor and Social Policy

NASDAQ OMX - a United States public company that owns and operates the NASDAQ stock market and eight European stock exchanges in the Nordic and Baltic regions and Armenia under the NASDAQ OMX banner

NBU - National Bank of Ukraine

NDU - National Depository of Ukraine

NGO - non-governmental organization

NPF – Non-State Pension Funds

OECD - Organization for Economic Cooperation and Development

PARD – Professional Association of Registrars and Depositories

PFTS - is a registered by Ukrainian SEC stock exchange. It has been operating since 1997 and currently is the largest marketplace in Ukraine.

PFU - Pension Fund of Ukraine

SEC – Securities and Exchange Commission

SPF - State Property Fund

SRO - Self Regulatory Organizations

SSMNC - Securities and Stock Market National Commission

UAIB – Ukrainian Association of Investment Business

UFPAA - Ukrainian Federation of Professional Accountants & Auditors

WB - World Bank

XBRL - eXtensible Business Reporting Language