



## FINANCIAL MARKET DEVELOPMENT



U.S. Helps Bring Transparency to Ukraine's Stock Market by Introducing the Electronic Disclosure System. (Photo: Courtesy of FINREP)

### THE CHALLENGE

Ukraine's economic crisis exposed the legal, regulatory and institutional weaknesses in the financial sector. The implementation of international standards in the banking, capital market and pension sectors are necessary to encourage domestic and international investment, achieve stable economic growth and build confidence in financial markets.

### OVERVIEW

USAID programs work to build a strong financial sector that is regulated by politically and financially independent entities, supported by industry best practices, integrated with international standards, and trusted by Ukraine's citizens and the investor community. USAID's support for Ukraine's financial sector includes the development and implementation of new laws, regulations, and financial market infrastructure. USAID currently plays a key role in the international donor effort to mitigate the adverse impact of the financial crisis and strengthen the financial sector.

### OUR PROGRAMS

#### Financial Sector Development Project (FINREP)

The \$12.4 million, three-year Financial Sector Development Project (FINREP) is helping Ukraine recover from the economic crisis and establish a transparent and resilient financial system. FINREP is critical to the multi-donor effort to strengthen Ukraine's financial sector and advance the broader economic reform agenda of the current Government of Ukraine. FINREP is helping improve Ukraine's regulatory system and financial institutions, and increase the public's financial literacy. FINREP supports improved operations at the Deposit Guarantee Fund, the Pension Fund of Ukraine, the Ministry of Finance (particularly in the market for government securities), securities and financial services regulators, and the National Bank of Ukraine. In addition, project partners include private financial market associations, self-regulatory organizations, academia, media and consumer groups.

#### Business Investments and Loans

The Western NIS Enterprise Fund (WNISEF) is an investment fund capitalized with \$150 million by the U.S. Government in 1994 to promote expansion of a wide array of private enterprises in Ukraine, Moldova and Belarus. The Fund provides capital and management tools for its companies.

### PROGRAM HIGHLIGHTS

#### Financial Sector Development Project (FINREP)

- USAID supported the passage of the internationally compliant *Law on Securities and the Stock Market*, which introduced enhanced shareholder protection, and corporate governance norms and disclosure principles.
- USAID supported the passage of the *Law on Disclosure of Ultimate Controllers of Banks*, which mandates full transparency of bank

## PROGRAM OBJECTIVES

- Enhance regulatory capacity for effective oversight and supervision of financial institutions.
- Improve financial market infrastructure and implement internationally recognized standards of disclosure and transparency.
- Assist Ukrainian consumers through increased consumer protection and financial education/awareness.
- Support pension reform that addresses the needs of citizens.
- Expand the domestic securities markets to mitigate financial stress and broaden the financial base.
- Encourage investment and attraction of equity capital for the region.

## IMPLEMENTING PARTNERS

### FINREP:

Booz Allen Hamilton, Inc. with Bankworld, Inc., Cardno Emerging Markets USA Ltd., and Financial Markets International, Inc. (FMI)

### Business Investments and Loans:

Horizon Capital/WNIS Enterprise Fund

**For more information, please contact USAID/Ukraine Development Outreach & Communications, tel. (+380-44) 537-4600 or visit <http://ukraine.usaid.gov> or <http://www.facebook.com/USAIDUkraine>**

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ownership records, setting the stage for consolidated supervision of financial institutions, thus moving Ukraine towards international markets.

- USAID supported the National Bank of Ukraine with the development of new financial instruments, supervision, foreign currency and hedging, and external communications. USAID also jointly designed a Financial Literacy course for youth age 16-20 and established an on-going dialogue with the media on financial issues attended by over 150 journalists, resulting in 188 TV broadcasts, 313 printed media publications and 2,590 web mentions on financial sector issues.
- USAID supported the Ministry of Finance develop the domestic debt market to reduce foreign currency exposure and improve financial intermediation. USAID also facilitated implementation of International Financial Reporting Standards as the national industry standard, training of accounting professionals and regulators, and Ukraine's collaboration with international accounting bodies.
- USAID supported the Ministry of Labor and Social Policy, lawmakers and market professionals to develop pension legislation vital to reduce the budget deficit. USAID also organized high-level debates on pension issues, supported a hot-line for pension questions, and conducted a series of op-ed interviews on pension reform in local and international press.
- USAID supported Ukraine's Deposit Guarantee Fund transition to bank resolution management through training, technology upgrades, and partnerships with the U.S. and Turkish deposit insurance funds.
- USAID established the securities depository system in Ukraine, which safeguards Ukrainian assets and processes securities transactions.
- USAID introduced the modern Electronic Disclosure System for public companies, promoting transparency, accountability, and disclosure of financial and business information (over 600 companies).
- USAID trained Ukrainian regulators on capital market oversight and enforcement, risk-based supervision of private pension funds, and international financial reporting standards.
- USAID completed three ground-breaking studies on financial literacy/consumer awareness, consumer protection in financial services and credit, and consumer finance practices, which galvanized public and private support for a comprehensive nationwide financial education program and increased consumer protection.

## Business Investments and Loans

- The Western NIS Enterprise Fund has invested \$165 million in 118 companies employing 24,200 people and provided training to hundreds of local managers in finance, accounting, marketing, sales and management.
- The Fund attracted an additional \$502 million in equity capital via the Emerging Europe Growth Fund I & II.