

Harmonization of Ukrainian legislation to EU requirements in the financial sphere



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Ukraine began harmonizing its legislation with the European norms and regulations after signing an Association Agreement with the EU in 2014. The main goal of the commitments undertaken to adapt the Ukrainian legislation to the norms and regulations of the EU in the financial services sector concerning the implementation of Basel II and Basel III standards as well as the implementation of Eurodirectives in the field of the stock market, insurance, infrastructure of the financial services market and payment services.

Harmonization goals

- ⦿ introduction of principles of effective oversight of the financial sector;
- ⦿ improving the requirements for corporate governance of financial institutions;
- ⦿ strengthening international cooperation with foreign regulators of financial markets under international standards;
- ⦿ enhancing the protection of rights of investors in joint investment institutions;
- ⦿ development of the banking market, securities market, insurance market, payment services and market infrastructure.

Banking sector requirements

- ◎ principles of effective banking supervision of the Basel Committee on
 - capital buffers,
 - liquidity indicators,
 - leverage ratios,
 - new capital structures,
 - capital adequacy,
 - capital to cover operational and market risks, etc.;
- ◎ increasing the level of corporate governance in banks;
- ◎ the quality of corporate governance in banks;
- ◎ risks associated with the internal management mechanisms of banking institutions.

Implementation of requirements in the stock market

- ◎ the formation of a single market for financial instruments;
- ◎ the creation of generally accepted principles for the operation of an organizationally formalized segment of the stock market of Ukraine.

Insurance market

- ⦿ regulation of insurance and reinsurance activities;
- ⦿ regulatory requirements for the risk management system.

Funded pension provision

- ⦿ monitoring the financial condition of the institution and assessing the ability of the institution to fulfill all contractual obligations;
- ⦿ compliance with minimum standards of due diligence;
- ⦿ setting strict standards for oversight;
- ⦿ effective management of labor pension schemes;
- ⦿ harmonization of the provisions of current Ukrainian legislation with the Directive's requirements on the activities of labor pension institutions and their supervision.

Laws in the field of financial markets over 2020-2021

◎ **Laws passed:**

Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Concerning Improving Tax Administration, Eliminating Technical and Logical Discrepancies in Tax Legislation";

Law of Ukraine "On Capital Markets and Organized Commodity Markets " ;

Law of Ukraine "On Payment Services".

◎ **Registered bill drafts:**

"On the National Securities and Exchange Commission ";

"On insurance".

There is a need to accelerate implementation of the following:

- ⦿ mechanisms of responsibility for violation of legislation on securities;
- ⦿ establishing requirements for the governing bodies of investment firms;
- ⦿ establishing the procedure and conditions for issuing licenses to investment firms;
- ⦿ setting operational requirements for investment firms;
- ⦿ the size and forms of liability for violation of the requirements for information disclosure in the stock market;
- ⦿ ensuring the development of a mechanism to prevent manipulation in the stock market;
- ⦿ establishing the procedure and terms for disclosing insider information by issuers;
- ⦿ establishing uniform requirements for the professional competence of insurance intermediaries;
- ⦿ improvement of the accumulative pension system taking into account the EU requirements;
- ⦿ establishing uniform criteria for investment rules for managers of labor pension schemes, etc.

Conclusion

- The underdeveloped infrastructure of financial markets makes the Ukrainian economy extremely vulnerable. There are risks associated with a sharp outflow or inflow of foreign capital, with currency risks, increased dependence on international financial crises.
- Developed financial markets provide well-developed infrastructure, so adapting legislation to the European standards is crucial albeit considering local realities.
- Currently, regulatory adaptation in financial markets is taking place according to the approved schedule.

**Thank you
for your attention!**