

EBCI | Vienna Initiative



Banks firmly behind Ukraine financial sector reform programme at Vienna Initiative forum

Key stakeholders meet in Brussels

International and local banks active in Ukraine threw their weight behind the country's financial sector reforms at a meeting of the Vienna Ukraine Financial Forum in Brussels on Friday.

The banks welcomed the Ukrainian authorities' commitment to banking sector reform and urged swift implementation of a programme set out by the National Bank of Ukraine.

The comments came on the second meeting of the Vienna Initiative Ukraine Financial Forum that was established to help preserve the stability of the financial system in Ukraine and to support the Ukrainian authorities' reform programme.

Discussions focussed on the key challenges facing Ukraine's banking sector now, including the implications of volatile foreign exchange rates, issues surrounding the quality of banking assets and the banks' capital positions, the disruption to banks' business from the situation in Eastern Ukraine and Crimea, the serious issue of non-performing loans and how to address constraints to new lending.

The meeting in Brussels brought together officials from the National Bank of Ukraine (NBU), representatives from the banking sector, including commercial banks with local and foreign shareholders, officials from the International Monetary Fund, the European Bank for Reconstruction and Development, the World Bank Group, the European Investment Bank and the European Commission. The ECB participated as an observer.

Deputy Governor of the NBU Oleksandr Pysaruk made the following comment: "Despite the challenging macroeconomic situation, the NBU management team is committed to the reform programme developed as part of the 2020 banking strategy and IMF-supported programme, and discussed during the June and present Vienna Initiative forums. The NBU is currently running a comprehensive financial market reform, in particular a package of measures aimed at improving current corporate governance in banks and strengthening the protection of creditor rights. We welcome

the presence of the foreign banking groups in Ukraine, and we look forward to their continued contribution to the country's economic development."

Speaking after the conference, Commissioner for European Neighbourhood Policy and Enlargement Negotiations, Johannes Hahn, said "Today's Financial Forum on Ukraine provided an excellent opportunity for a frank and productive discussion among policy makers, supervisors, commercial banks and international financial institutions on the challenges the financial sector is facing in Ukraine. Events like this one make a valuable contribution to identifying the key actions and reforms needed to address these challenges, and ways to support them through enhanced cooperation with the EU and international financial institutions."

The commercial banks in the country expressed full support for the programme set out by the National Bank of Ukraine, and encouraged the authorities to carry it out comprehensively and urgently, as well as to ensure the NBU's full operational independence.

They expressed their readiness to firmly engage in the implementation of the reforms, and stressed the importance of strong sanctions for fraud and inappropriate bank behaviour such as related-party lending. Banks stand ready to expand lending to support the real economy as reforms progress and economic conditions improve. They also welcomed the opportunity provided by the forum to engage in constructive dialogue on the critical issues concerning the sector.

The first meeting of the Vienna Initiative forum for Ukraine took place in Kiev on 5 June.

The Vienna Initiative was originally developed during the height of the global financial crisis to support the stability of the financial sector in Central and Eastern Europe. More recently it has focused on fostering home and host country coordination in support of stable cross-border banking, and has sponsored banking forums in a number of countries. The success of its role during the crisis led to the application of the model to Ukraine in the aftermath of recent political and economic developments.

There is a joint common interest among the banks operating in Ukraine, the Ukrainian authorities and the IFIs to have a regulatory environment conducive to bank stabilisation in order to resume lending and create the conditions for a sustainable economic growth going forward.

A third forum is planned to be held at the National Bank of Ukraine in the spring of 2015.