

SUCCESS STORY: Ukraine Adopts New Sound Regulations for Credit Unions



Olha Maksymchuk, Member of Ukraine's National Commission for the State Regulation of Financial Services Markets, presents World Council of Credit Unions President and CEO, Brian Branch, with a plaque for WOCCU's assistance in helping them draft new financial norms within the framework of USAID CAP Project. Kyiv, December 2019. (Source: CAP Project)

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"The approval of the new regulations marks the specific commitment to international credit union standards...With this empowering approach to regulation, credit unions will drive inclusive and sustainable development of a prosperous Ukraine," said Andrew Price, WOCCU Vice President of Advocacy, one of CAP's key international experts engaged in the process.

As a next step, it is expected that the CAP Project and its pool of international experts will support the Regulator to draft recommendations for implementation of the new standards for credit unions and support monitoring of the process. The standards will set the stage for strengthening, consolidation, safety, and sustainability of the market as credit union supervision transitions to the new Regulator, the National Bank of Ukraine, in July 2020.

December 2019 - Sound regulations are essential for the safety and sustainability of a country's financial sector and build the foundation for long-term growth. In Ukraine, regulations, including financial standards for credit unions, had not been updated since 2004 and thus did not adequately reflect the current credit union market conditions or the context of global financial market development. Initiated back in 2017 by the National Commission for the State Regulation of Financial Services Markets (current sector Regulator), the process of revising the regulations for Ukrainian credit unions was completed in November 2019. Ukraine's Ministry of Justice approved the new regulations on November 27, 2019 under No 1186/34157. After the regulation is published on December 13, 2019, it will enter into force on March 13, 2020.

From the early stages in 2017, experts from World Council of Credit Unions supported the revision process through the USAID Credit for Agricultural Producers (CAP) Project. Significant effort went into developing the new regulations through a collaborative consultation process with the Regulator and market participants. The CAP Project team was instrumental in this process, not only providing expertise, but also facilitating a constructive dialogue among various stakeholders, including the Regulator, industry associations, and individual credit unions.

The thorough process was necessary to ensure the new regulations and financial norms provided a sound framework for the market and adhered to international and European Union (EU) standards. Specifically, the new standards:

- bring internal controls and accounting standards in line with international cooperative principles;
- strengthen capital and liquidity standards in line with Basel III reforms, but proportionately tailored for credit unions; and
- enhance regulatory reporting and oversight by the prudential regulator.