

FINANCIAL
FORTRESS UKRAINE

STRATEGY



National Bank
of Ukraine

Main Functions of the National Bank of Ukraine. Who We Are, What We Do, and How We Do It

The National Bank of Ukraine (NBU) issues the hryvnia, conducts unified state policy in the area of cash circulation, and regulates and supervises banks and nonbank financial institutions in Ukraine. The NBU is a special central government body. Its legal status, tasks, functions, powers, and organizational principles are laid down in the Constitution of Ukraine, the Law of Ukraine On the National Bank of Ukraine, and other Ukrainian laws.

The NBU's main objectives:

- ensuring price stability
- promoting financial stability
- facilitating sustainable economic growth.

Acting under its mandate, the NBU is performing the role of the financial ecosystem's architect and is oriented toward supporting the economy as much as possible.

The NBU is reaching the set targets by conducting its monetary policy, regulating operations of financial institutions, arranging cash circulation, controlling the payment and settlement system, and protecting the rights of financial services consumers. Moreover, the NBU is a key participant in the national financial system and cooperates with international financial institutions in order to develop the country's financial infrastructure and attract foreign investment. Fulfillment of these tasks is an important factor in ensuring the sustainable development of the Ukrainian economy and its integration into the global economic system.

Setting Strategic Goals: External Context (1)

In its analysis of the external environment, the NBU focused on relevant political, economic, social, and technological trends that will play a decisive role in the development of Ukraine's economy and financial system in the coming years. In developing the Strategy, the NBU identified and took into account the following factors:

Political context:

- Determining the conditions for the end of the war is Ukraine's prerogative. Continued diplomatic, military, and political support from NATO countries is an important element for victory.
- From the onset of Russia's full-scale hostilities across Ukraine, dozens of governments around the world implemented unprecedented sanctions against the aggressor state. An urgent need exists for coordinated actions of all authorities of Ukraine and foreign states in order to ensure the effective imposition of sanctions and control over their implementation.
- The ability of the international coalition to support Ukraine's resistance might weaken over time – especially if China or other big global players will not be decisive enough in their position toward Russia.
- Ukraine officially gaining the EU membership candidate status and the Ukrainian government's political commitments enable the implementation of vital reforms.
- The full-fledged completion of the anti-corruption and judicial reforms is the cornerstone of post-war recovery.
- The attention shifts away from financing the post-war recovery to covering urgent needs of budget deficit financing. It becomes obvious that too much attention is paid to seizing Russian property and reparations, instead of understanding the architecture of Ukraine's economic recovery.

Economic context:

- The war waged by Russia has inflicted great losses on the economic potential, citizens, and businesses of Ukraine. Entire sectors and regions that used to be important for generating Ukrainian exports were ruined or blocked. A decline in the country's population undermines the post-war recovery.
- Ukraine's budget remains heavily dependent on international financial assistance. The year 2024 may become a turning point in the capability to help Ukraine in the wake of the consequences of the global recession and the pandemic.
- Ukraine's foreign policy is aimed at increasing interaction with the European Union in order to obtain membership. Moreover, special attention is paid to cooperation with the International Monetary Fund and other international financial institutions.
- Transactions with virtual assets are growing popular, prompting the state to develop an optimal regulatory framework in this area.
- Transparency of financial transactions and the level of social responsibility of households are increasing.
- Global investment in production and modernization of weapons is on the rise.

Setting Strategic Goals: External Context (2)

Social context:

- The large-scale migration abroad results in a decline in the labor force in Ukraine.
- The aging of the population and shortage of skilled workers might require changing the labor legislation and redesigning the pension system.
- A deterioration in the quality of education in the years of quarantine restrictions during the pandemic and due to the outbreak of the full-scale war is causing an urgent need for improving educational programs for future economically active population.
- The war, which leads to a decrease in life expectancy and quality, highlights the need to complete the medical reform and introduce the full-fledged medical insurance.
- An rise in unemployment and a decrease in household income requires developing an effective policy to ensure social protection and improve living standards.
- The number of persons in need of special care and social protection is growing during the war and will continue to grow after the war.
- Social and economic structure of some regions has changed due to the massive internal migration of Ukrainians.

Technological context:

- The growing capability of abstract thinking by the artificial intelligence (AI) enables the development and implementation of new technologies LegalTech and RegTech, which automate compliance processes and help quickly adapt to legislative changes.
- The development of AI technologies across the globe will spur demand for automating various production and servicing processes within organizations. Cloud computing and artificial intelligence will become an important driver for new technology.
- Military technology is growing rapidly. Due to the war, Ukraine has acquired extensive expertise in testing and using modern weapons and military equipment, as well as in resisting cyber threats.
- The green transition creates new opportunities for the development of new industries, such as autonomous vehicles, hydrogen energy, and distributed power generation. This encourages an increase in demand for sustainable financing of projects in these areas.
- Air attacks, cyber attacks, and the loss of staff might affect the stability of financial services providers. The digitalization of institutions' processes and reducing the number of branches might make financial services less accessible for consumers, raising the need for hryvnia cash.

Internal and external factors that determine strategic goals (1)

The NBU's strategic goals cannot be defined without considering a number of factors that influence economic conditions in the country and directly the NBU as the regulator of bank and nonbank financial institutions. The swot analysis has been used to assess internal and external factors that influence the NBU's activities. It is important to analyze these factors in order to identify threats and challenges the NBU is facing when drawing up its Strategy in wartime. This will help improve the central bank's work and ensure the effectiveness of its operations for the benefit of the country.

Strengths

- Stable banking system; lessons learned from the previous financial crisis
- Sustained high trustworthiness and reputation of the NBU among international partners
- Institutional independence; collegial decision making
- Opportunities for further development of the NBU's analytical expertise
- Experience of implementing remote work during the COVID-19 pandemic and the war
- The banks being prepared to manage cyber threats; acquired expertise
- Innovative financial solutions (remote identification and verification, new generation of SEP, reporting, etc.)

Weaknesses

- Significant political pressure and elevated expectations for the NBU to act outside its functions
- Internal bureaucracy and weak corporate culture
- Low financial literacy among users of financial services
- Weak development of bank lending and insurance markets
- Major impact of the war on the nonbank financial market
- Underdeveloped equity market in Ukraine
- Uncompleted structural reforms in Ukraine, including the judicial reform
- Weak protection of creditor rights
- High dependence of Ukraine's budget on international financial assistance

Internal and external factors that determine strategic goals (2)

Opportunities

- New players entering the bank market (and later the nonbank market as well) amid the future economic recovery
- Rapid economic recovery and financial sector growth
- Privatization of state-owned banks
- Ukrainian banks entering the European market (Poland, the Czech Republic, etc.)
- Resumed private business interest in the equity market
- New financial and security solutions based on blockchain technologies
- Staff cuts on the Ukrainian IT market opens an opportunity window for hiring experienced specialists to the NBU
- High expertise of employees

Threats

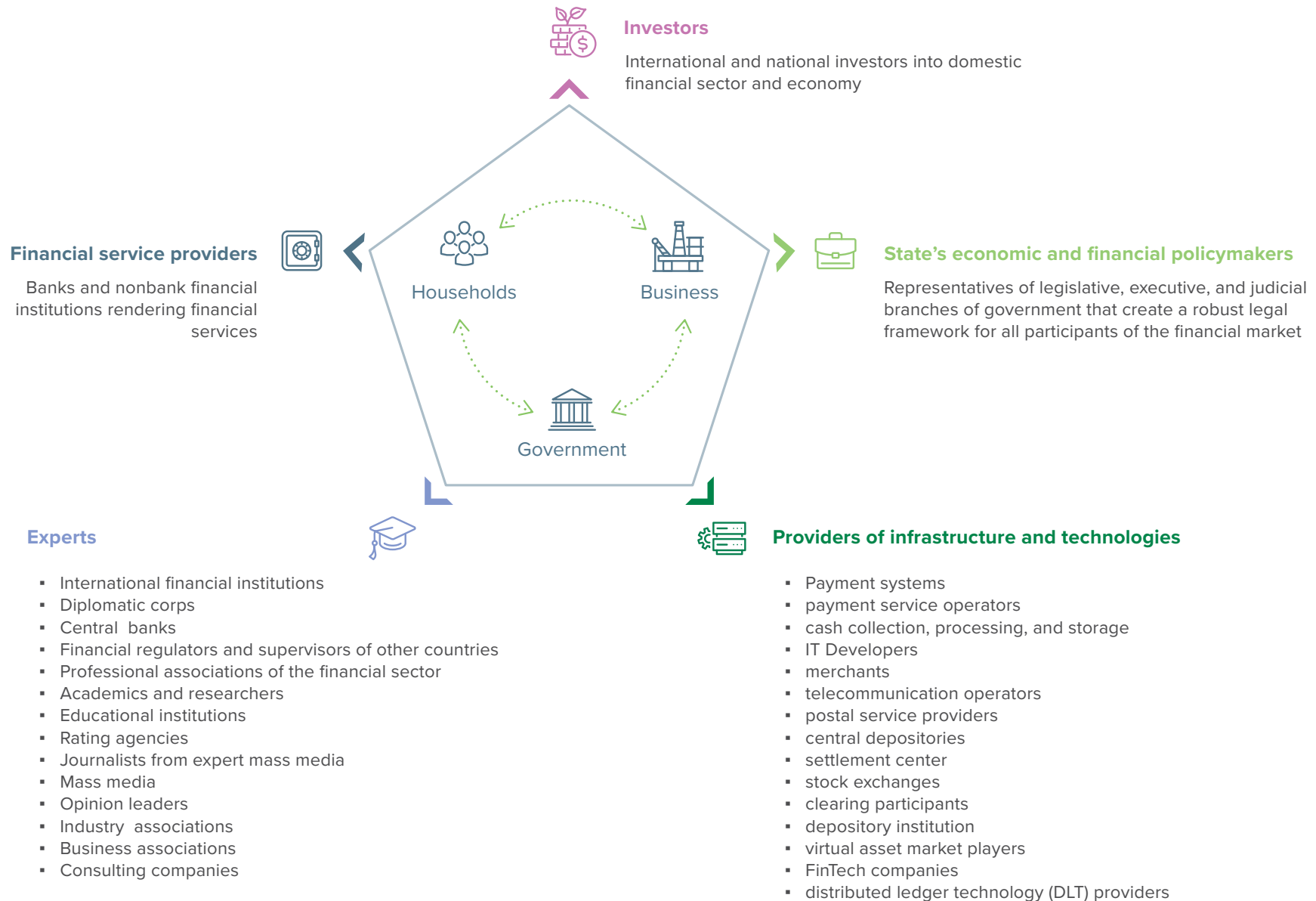
- Prospects of increasing the share of state-owned banks in the banking system's assets
- Deterioration in the quality of loan servicing
- Persistently low propensity of the banks to attract long-term resources from households
- Significant pressure on the NBU's monetary mandate
- Loss of NBU's institutional independence
- Increase in the economy's debt burden
- Expansion of state preferential lending programs, which would put pressure on budget expenditures
- High competition for professionals; potential loss of highly qualified staff

The synergy of the key players of the financial ecosystem becomes even more important in maintaining the country's financial sustainability and ensuring the financial inclusion of citizens amid a war

A financial ecosystem comprises all financial market participants and other parties that interact simultaneously on a cooperative and competitive basis in order to create and provide financial products and services. The financial ecosystem has been exposed to significant wartime challenges: attacks on bank branches, blackouts, layoffs,

cyber-attacks, reduced demand for products and services, and elevated uncertainty. That is why the synergy and interaction of the participants of the financial ecosystem is more important than ever for preserving Ukraine's financial stability during the war and post-war recovery.

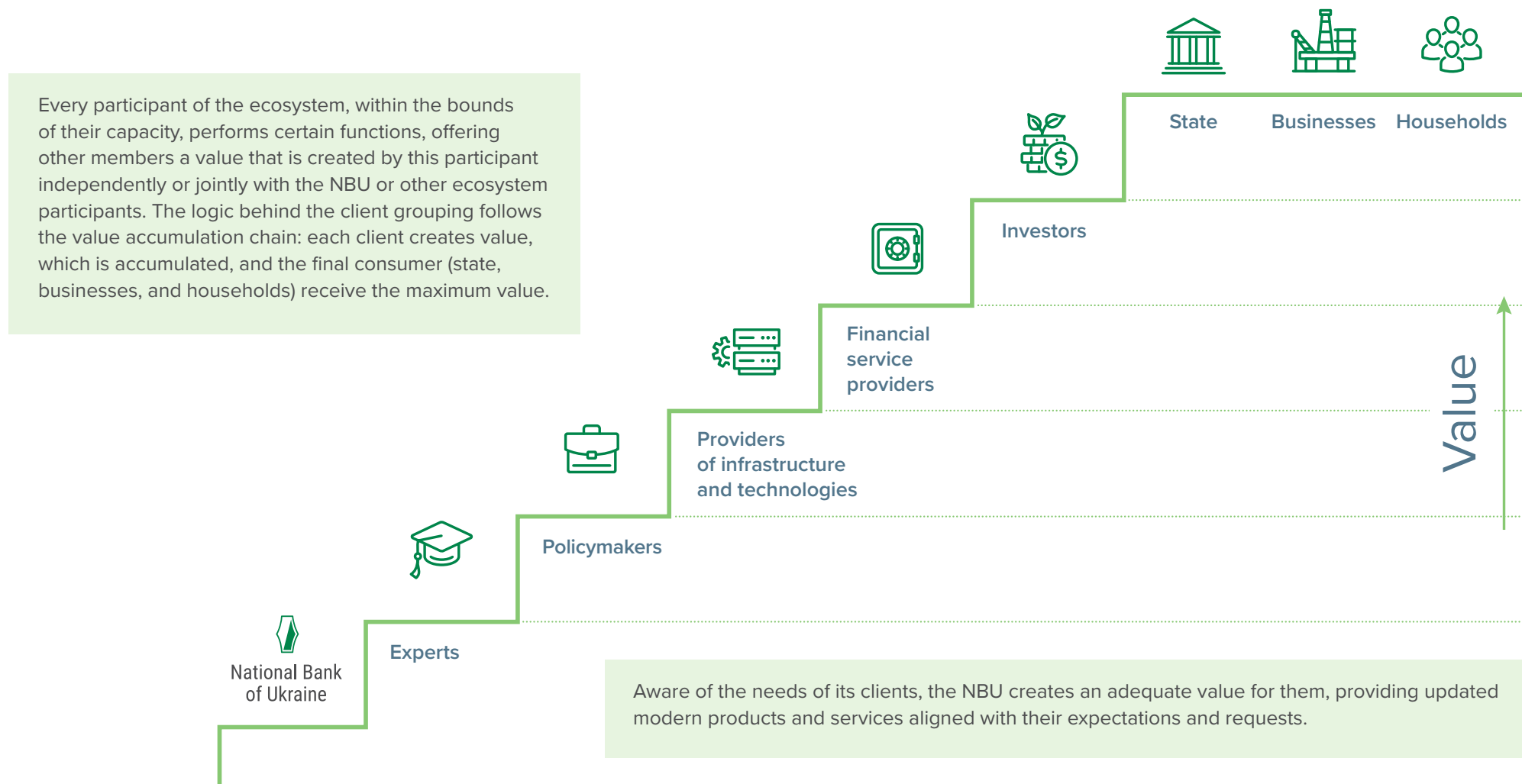
Financial ecosystem key players



Financial ecosystem and NBU clients

In pursuing its mission, the NBU works to ensure that the needs of its customers are met (maximization of value). Each of the eight NBU's groups has its own needs, which are determined by the nature of their

activities, areas of interest, the group's role in the financial ecosystem, and current changes spurred by the global and local trends:



NBU's strategic idea

The Vision and Mission were tailored to the challenges of military aggression.

The NBU's activities demonstrate that the NBU is capable of working under any circumstances, unites the participants of the financial ecosystem to ensure Ukraine's financial defense, strengthens Ukraine's capacity on its way to victory, ensures price and financial stability amid the war, and comprehensively contributes to the country's recovery.



VISION

The National Bank of Ukraine is a modern, innovative, open, and independent central bank that is able to execute its mandate at all times, is a leader in the development of the financial ecosystem, cares about financial services consumers, is integrated into the European community of national central banks, and enjoys trust of the public and international partners.



MISSION

To ensure price and financial stability and promote sustainable economic development in order to enhance Ukraine's capacity on its way to Victory and during post-war recovery.

A new value has been added to the NBU's existing 5 core values. The new one is focused on bringing the victory closer.

VALUES



Patriotism

We act in the interests of the public and the state



Professionalism

We are effective, we strive for excellence, we create a favorable environment for innovations, development, and the spread of new ideas



Integrity

We are honest and responsible, always upholding business ethics standards



Transparency

We are open, consistent and logical in decision making



Partnership

We support dialogue and partnership, respect diverse ideas and opinions, have a shared vision, and enjoy public trust, and we work together to implement the NBU's mission



Support

We support Ukrainian defenders and are setting the stage for the inclusive recovery and sustainable development of the national economy

The new challenges require the NBU to update its strategic development objectives and increase the flexibility of its planning methodology

When planning a strategy, the factors behind the Russian invasion's impact on the conditions of the financial system's functioning should be taken into account. To successfully implement the NBU's Vision and Mission amid current conditions and to live up to the expectations of customers, the NBU's strategic objectives should take into account the challenges that arise in two areas: resistance to Russian aggression, and Ukraine's recovery. In view of this, the measures envisaged by the Strategy are roughly divided into two focuses:

the indicators to the end of the "resistance focus." When the appropriate preconditions of the external environment are created, the list of the Strategy measures and indicators of their implementation will be revised with an emphasis on the "recovery focus" with the next update of the document.

What we observe today is that the high level of uncertainty and volatile environment require flexibility in planning and the use of implementation

Focus 1 ("resistance focus")	The short-term measures aimed at ensuring stability and preventing a deterioration of the situation in the financial system and the economy in general, including the use of tools to control inflation and the hryvnia exchange rate, maintaining the banking system, etc.
Focus 2 ("recovery focus")	The medium-term measures aimed at introducing transformations that will form the basis for future reconstruction and growth of the economy, for example: reducing bureaucratic barriers, enhancing transparency and competitiveness of the environment, attracting investments, etc.
Focus 1 and Focus 2	The medium-term comprehensive measures are aimed at ensuring stability and further recovery, and development. Some of the key deliverables will be implemented in the short term.

With elevated uncertainty and increased risks, the establishment of indicators of the achievement of long-term strategic goals is not appropriate, as such achievement is contingent on relevant macroeconomic and other preconditions, the timeline of which cannot be reliably forecasted. To that end, we anchor the approximate values of

tools to respond more quickly and effectively to changes. Amid this uncertainty, we plan a zone of certainty ("resistance focus" and "recovery focus") and devise alternative action plans in advance in any scenario ("Alternative Plans").

NBU's strategic goals are focused on ensuring the price and financial stability, support of the country's efforts for victory

I. Sustainable hryvnia	II. Financial stability	III. Financial system is operating for the country's recovery	IV. Modern financial services	V. Effective central bank
Price stability and exchange rate sustainability	Balanced regulation and supervision oriented to development	Responsible financial market	Financial market as a digital fortress	NBU's voice
	Sustainable and efficient banking system	Developed credit market	Virtual assets and NBU's digital currency: clear regulation to ensure the monetary sovereignty	Development of the NBU's institutional relations with stakeholders
	Insurance market is cleaned up and ready to support the recovery	Developed insurance services market	Digital financial services as part of the digital country	International cooperation and experience exchange
	Nonbank financial and payment market: transparent and technological	Developed capital markets infrastructure	Technological development of the financial market	European integration of the financial sector
	Reliable and sustainable financial market infrastructure	Financial literacy of the population and entrepreneurs	Sustainability, effectiveness and customer-oriented approach to cash circulation	Effective operating activities
		Barrier-free financial system	Power banking 2.0	Digital transformation
				Human capital is the main asset
1 initiative	5 initiatives	6 initiatives	6 initiatives	7 initiatives

■ Focus 1. Resistance
 ■ Focus 2. Recovery and Development

I. Sustainable hryvnia (1)

Objective I holds a special place in the Strategy. The NBU's core function is safeguarding the stability of the Ukrainian currency, especially in wartime. The implementation of this function is ensured by the adoption of the respective policy for the NBU's daily operating activities in view of the macroeconomic circumstances under which the tactical decisions are to

be made. The NBU is moving forward with the strategy to gradually ease and lift FX restrictions introduced at the beginning of the war, transition to a floating exchange rate regime, and return to the monetary policy of inflation targeting.

Strategic initiatives

1.1. Price stability and exchange rate sustainability

Measures to achieve the goal

- 1.1.1. Development of the strategy of return to inflation targeting, currency liberalization, and a shift to a flexible exchange rate.

- 1.1.2. Gradual easing and cancelling of FX restrictions.

- 1.1.3. Gradual transition to a flexible exchange rate.

- 1.1.4. Refocusing monetary policy on inflation.

I. Sustainable hryvnia (2)

Indicators of Objective I attainment for the Resistance focus	
Indicator of a strategic goal attainment	Value as of the end of Resistance focus*
Change in consumer price indices, %	<15%
Increase in hryvnia retail term deposits (with at least 3 months' maturity)	☑
Increase of the weighted average term of hryvnia retail term deposits	☑
Retaining the spread between hryvnia-to-dollar cash and official exchange rates	<5%
Increase in volumes of interbank FX trading (no NBU)	☑
Approval of the strategy of return to inflation targeting, currency liberalization, and a transition to a flexible exchange rate	☑

Risks and alternative plans
<p>Risk:</p> <ul style="list-style-type: none"> ▪ considerable increase in security risks ▪ substantial reduction of international reserves ▪ cash gaps over 30 days ▪ insufficiency of international aid resulting in uncovered budget deficit and reduction of international reserves ▪ substantial complication of export logistics
<p>Alternative plan:</p> <ul style="list-style-type: none"> ▪ maintaining or increasing the key policy rate ▪ longer maintenance or tightening of administrative restrictions on the foreign exchange market ▪ extending the bridge funding terms ▪ intensifying the cooperation with donors ▪ prioritization of government expenditures ▪ enhancing the measures on the structural liquidity management

* since the date of the NBU Strategy publication; the Resistance focus provides for the occurrence of certain conditions (completion of active military actions)

II. Financial stability (1)

The final goal of the NBU's macroprudential policy is to ensure financial stability, meaning a condition of the financial system that enables it to perform properly the core functions – financial intermediation and the

conduct of payments – and efficiently counteract crisis developments. This task is especially important in wartime.

Strategic initiatives

2.1. Balanced and development-oriented regulation and supervision

Measures to achieve the goal

- 2.1.1. Development and implementation of the comprehensive approach to the analysis of intersectoral relationships and risks of the financial sector as a whole.

- 2.1.2. Harmonization of macroprudential and microprudential requirements without regulatory arbitrage.

- 2.1.3. Updating approaches to the regulation of activities of banks and nonbank institutions in the area of sanctions implementation.

- 2.1.4. Improving approaches to risk-based supervision.

- 2.1.5. Enhancing sustainability and efficiency of the household deposit guarantee schemes.

- 2.1.6. Development of supervisory tools for risks analysis and assessment.

- 2.1.7. Creation of the integrated supervision platform.

■ Focus 1. Resistance ■ Focus 2. Recovery and Development

II. Financial stability (2)

Strategic initiatives

2.2. Sustainable and efficient banking system

Measures to achieve the goal

- 2.2.1. Assessing banks' resilience.

- 2.2.2. Control of compliance with capital increase/restructuring plans.

- 2.2.3. Development and implementation of the strategy of work with NPLs.

- 2.2.4. Resumption of prudential requirements and cancellation of temporary restrictions.

- 2.2.5. Enhancing the efficiency of corporate governance.

- 2.2.6. Implementation of European prudential requirements.

- 2.2.7. Implementation of the BRRD.

II. Financial stability (3)

Strategic initiatives

2.3. Insurance market is cleaned up and ready to support the recovery

Measures to achieve the goal

- 2.3.1. Implementation of risk-oriented supervision.

- 2.3.2. Ensuring transparency of ownership structures.

- 2.3.3. Enhancing control over compliance with prudential requirements.

- 2.3.4. Preparing updated legislation on MTPL.

- 2.3.5. Development of new prudential requirements, requirements for corporate governance and risk management (SOLVENCY II).

- 2.3.6. Introduction of new reporting requirements.

- 2.3.7. Updating requirements for actuarial activities.

II. Financial stability (4)

Strategic initiatives

2.4. Nonbank financial and payment market: transparent and technological

2.5. Reliable and sustainable financial market infrastructure

Measures to achieve the goal

- 2.4.1. Introducing the updated risk-based supervision of nonbank financial services providers.

- 2.4.2. Introducing the proactive risk-based supervision on the payment market.

- 2.4.3. Improving supervision in the area of AML using a risk-based approach (including payment services providers).

- 2.4.4. Introducing digitalization requirements [non-cash, process automation (including in the area of AML and sanctions laws), reporting, electronic workflow].

- 2.4.5. Development of new reporting for participants of nonbank financial services market for supervisory purposes.

- 2.5.1. Increasing national security by expanding the use of PROSTIR NPS.

II. Financial stability (5)

Indicators of Objective II attainment for the Resistance focus

Indicator of a strategic goal's attainment	Value as of the end of the Resistance Focus
Cross-sectoral risks within the financial sector (including AML risks, virtual assets risks) were analyzed and systematized	☑
The assessment of sustainability that includes AQR and assessment of banks' viability was conducted and its results published	☑
New tools of NPL resolution are available	☑
The roadmap for renewal of prudential requirements is prepared (taking into account the results of the sustainability assessment) and being implemented	☑

Risks and alternative plans

- if the financial system's risks materialize, the implementation of measures to conduct risk analysis and enhance supervision will reach its maximum speed
- if the risks materialize, measures to introduce new enhanced regulatory requirements will be postponed
- if the adoption of draft law stalls, regulations within the NBU's powers will be developed to regulate critical issues.

III. Financial system operates for the country's recovery (1)

The NBU contributes to the recovery of the economy, the country's reconstruction, a return to steady rates of economic growth, and supports the economic policy of the Cabinet of Ministers of Ukraine and measures aimed at increasing the country's defense capability. At the same time, the regulator fosters the development of the financial market, the accessibility of financial services and the responsibility of market participants; enhances the transparency of banks and nonbank

financial institutions; ensures the protection of consumer rights in financial services; and contributes to raising the financial literacy of the public. The issue of sustainable development, with special attention to compliance with global ESG standards over the long term, have not gone without attention. The National Bank of Ukraine provides barrier-free access to financial services for people with disabilities, both at financial institutions' branches and remotely.

Strategic initiatives

3.1. A responsible financial market

Measures to achieve the goal

- **3.1.1.** The development of the regulation of market conduct for banks and nonbank financial institutions (except for institutions acting in the stock market).

- **3.1.2.** Updating mechanisms for supervising compliance with the laws and regulations on consumer protection in the provision of financial services.

- **3.1.3.** Implementation of mechanisms for banks to disclose information on their customers' relations with the state committing armed aggression against Ukraine with the aim of further analysis and a possible response.

- **3.1.4.** Implementation of the sustainable finance policy.

III. Financial system operates for the country's recovery (2)

Strategic initiatives

3.2. A developed credit market

Measures to achieve the goal

■ 3.2.1. Taking steps to develop mortgage lending.

■ 3.2.2. Promoting trade financing development.

■ 3.2.3. Protecting creditors' rights.

■ 3.2.4. Expanding the functionality of the NBU Credit Register.

■ 3.2.5. Arranging the technological access of financial market participants to information from state registers.

3.3. Developed insurance services market

■ 3.3.1. Setting up a mechanism for insurance against military and political risks.

■ 3.3.2. Development of risky types of insurance.

■ 3.3.3. Resetting the life insurance market.


■ Focus 1. Resistance ■ Focus 2. Recovery and Development


III. Financial system operates for the country's recovery (3)

Strategic initiatives


3.4. Developed capital market infrastructure


Measures to achieve the goal


 **3.4.1.** Raising the operational efficiency of the central elements of infrastructure.

 **3.4.2.** Developing mechanisms aimed at attracting national and foreign investors.


3.5. Financial literacy of the population and entrepreneurs

 **3.5.1.** Approval and implementation of the National Strategy for Financial Literacy Development.

 **3.5.2.** Development and update of the frameworks for financial competences, educational programs, and training and methodological support.

 **3.5.3.** Coverage of various target population groups and all oblasts of Ukraine* with educational events.

 **3.5.4.** Digitalization of financial education.

 **3.5.5.** Expanding the mechanisms for monitoring the level of financial literacy of households.

 **3.5.6.** Development of the NBU Money Museum projects.



* The plan is to bring educational events to those oblasts of Ukraine where the security situation allows.



III. Financial system operates for the country's recovery (4)



Strategic initiatives

3.6. Barrier-free financial system

Measures to achieve the goal

-   **3.6.1.** Ensuring barrier-free access to financial services for people with disabilities at financial institutions' branches.

-   **3.6.2.** Implementing inclusive standards during remote provision of financial services.

-   **3.6.3.** Updating financial sector regulations to meet the needs of people with disabilities.

III. Financial system operates for the country's recovery (5)

Indicators of Objective III attainment for the Resistance focus		Risks and alternative plans
Indicator of strategic goal attainment	Value as of the end of the Resistance Focus	
The concept of insurance against military and political risks is approved	☑	Risks: <ul style="list-style-type: none"> ▪ uncertainty, protraction of war, suspension of operations ▪ emerging tasks with higher priority ▪ lack of consensus to approve decisions, including with other stakeholders, in particular the position of the Cabinet of Ministers of Ukraine and the Ministry of Economy of Ukraine, which alters substantially / makes inappropriate / makes further engagement of the NBU impossible.
Detection of the covert presence of the aggressor state	☑	
Growth of lending to support business	☑	
Increase in the mortgage loans portfolio	☑	
Insurance penetration, % of GDP	>1% GDP	
Proportion of life insurance in the total received amount of net insurance premiums, %	>13%	Alternative plan: <ul style="list-style-type: none"> ▪ extend the terms for the implementation of the initiatives ▪ discontinue the NBU's participation in the initiatives.
Compliance with PFMI-IOSCO standards	>71%	

IV. Modern Financial Services (1)



The full-scale war poses new challenges to the financial system, including continued operation in the face of hostilities and blackouts. The cybersecurity of the financial system, access to cash, and rapid resumption of access to financial services on the de-occupied territories are of paramount importance. The full-scale war increased demand for and development of technologies for online financial services. Digitalizing


processes, and introducing new technologies for administrative and financial services, and the growing preference for cashless payments have contributed to the transition of numerous financial transactions into the virtual space. Despite increasing cashless payments in times of the full-scale war, the cash in circulation in absolute terms grows faster in times of crisis than in peaceful years.



Strategic initiatives



4.1. Financial market as a digital fortress


Measures to achieve the goal

-   **4.1.1.** Ensuring zero tolerance for russian and belarus software.

-  **4.1.2.** Implementing Basel technological standards (comply with the standards of continuity and cyber security or else suspend operations).

-   **4.1.3.** Developing the NBU's Cybersecurity Center

-   **4.1.4.** Implementing legal and regulatory requirements and monitoring cyber security of the financial sector

-  **4.1.5.** Regulating the use of cloud services by banks and NBFIs.


IV. Modern Financial Services (2)


Strategic initiatives


4.2. Virtual assets and NBU's digital currency: clear regulation to ensure the monetary sovereignty

4.3. Digital financial services as part of the digital country


Measures to achieve the goal

 **4.2.1.** Implementing a pilot project to issue and test the NBU's digital currency (the e-hryvnia) and deciding on the feasibility of issuing the e-hryvnia on a large scale.

 **4.2.2.** Assessing the systemic impact and developing mechanisms to regulate stablecoins and fiat gateways.

 **4.3.1.** Strengthening reliability, security, and accessibility of the NBU's BankID System by bringing it in line with the requirements set for electronic identification schemes with a medium level of trust.

 **4.3.2.** Developing the infrastructure of public keys and electronic trust services

 **4.3.3.** Improving and developing remote identification and verification to receive financial services by tightening security of remote identification and verification models

IV. Modern Financial Services (3)

Strategic initiatives

4.4. Technology development of the financial market

Measures to achieve the goal

-  **4.4.1.** Strengthening cooperation with market participants for development of RegTech in Ukraine.

-  **4.4.2.** Streamlining regulation and promoting cashless payments, payment instruments, and electronic money.

-  **4.4.3.** Introducing instant payments in Ukraine.

-  **4.4.4.** Developing NBU SEP.

-  **4.4.5.** Implementing open-banking standards.

-  **4.4.6.** Ukraine's joining the SEPA.

-   **4.4.7.** Developing the Platform for Innovative Financial Solutions (Regulatory Sandbox)

-  **4.4.8.** Developing the electronic workflow (Paperless) in financial sector 2.0.


IV. Modern Financial Services (4)


Strategic initiatives

4.5. Sustainability, effectiveness and customer-oriented approach in cash circulation


4.6. Power Banking 2.0: infrastructure repairs in de-occupied areas

Measures to achieve the goal

 **4.5.1.** Introducing innovations and advancing the cash cycle model.

 **4.5.2.** Ensuring high-quality and sufficient cash in circulation.

 **4.5.3.** Developing the cash circulation infrastructure.

 **4.6.1.** Ensuring proportionality between banks and nonbank financial institutions in Ukraine (in de-occupied areas in particular), and increasing the number of mobile ATMs and branches in de-occupied areas.

 **4.6.2.** Providing the cash-back-at-checkout service in de-occupied areas.

IV. Modern Financial Services (5)

Indicators of Objective IV attainment for the Resistance focus

Indicator of a strategic goal attainment	Value as of the end of Resistance focus
Migration program to secure code was approved, inventory of the software of banks and critical processing centers was conducted	Program approved
Satisfaction rate of cash replenishment requests from banks (CIT companies) and authorized banks	≥ 80%
Reviewing the existing cash circulation model to improve its efficiency and customer focus, implementing an upgraded model; providing regions with equal banking infrastructure	☑
Cash availability for the public in de-occupied areas	☑

Risks and alternative plans

- **Risk:** There is no state authority verifying the bank code or critical processing centers. Ceasing the software inventory.
 - **Alternative plan:** Considering with the Ministry of Digital Transformation of Ukraine the risks of transitioning away from or abandoning russian and belarus software; licensing association with Ukrainian providers.
-
- **Risk:** Lack of required denominations, suspension of PMW and CV (high risks associated with cash delivery, occupation of the region).
 - **Alternative plan:** Replacement with other denominations, disposal of worn-out cash, providing cash from other regions, engaging authorized banks, ordering cash production abroad.
-
- **Risk:** Refusal to comply with the NBU's requirements to allocate bank branches in de-occupied areas. >50% of bank branches that closed during the occupation have not reopened in de-occupied areas; continued shelling of the de-occupied areas; closure of bank branches in settlements where the population has moved from the temporarily occupied territories.
 - **Alternative plan:** encouraging market participants.

V. An effective central bank (1)

NBU activities such as ensuring uninterrupted operations, and maintaining of internal processes are also key to organizational resilience and critical infrastructure, and cybersecurity has become increasingly efficient. The development of international cooperation, and relations with important

during the war. Team cohesion, a high-quality expert stakeholders, and timely and accessible communications are crucial to environment, digital transformation, the optimization, and automation at the country level.

Strategic initiatives

5.1. Voice of the NBU

Measures to achieve the goal

■ 5.1.1. Strengthening the intensity of external communications.

■ 5.1.2. Transforming the style of communications with the audience, taking into account the inclusion of the general public among the priority target audiences, and a clearer distribution of messages across communication channels.

■ 5.1.3. Revising the concept of brand development.

V. An effective central bank (2)

Strategic initiatives

5.2. Development of the NBU's institutional relations with stakeholders

Measures to achieve the goal

- 5.2.1. Introducing a mechanism for the identification, verification, and reputational monitoring of stakeholders.

- 5.2.2. Creating a tool for targeted campaigns aimed at achieving the NBU's goals through influencing stakeholders.

- 5.2.3. Creating a mechanism for measuring the level of satisfaction of key stakeholder groups with the effectiveness of interactions.

- 5.2.4. Implementing joint initiatives with the Ukrainian government aimed at improving the investment climate in Ukraine.

- 5.2.5. Proactive interaction with stakeholders as part of the implementation of the NBU Strategy and post-war recovery programs in Ukraine.

V. An effective central bank (3)

Strategic initiatives

5.3. International cooperation and experience exchange

Measures to achieve the goal

- **5.3.1.** Establishing representation of the NBU at the ECB and the European Commission.

- **5.3.2.** Continuing program cooperation with international organizations and associations.

- **5.3.3.** Enhancing the NBU's role in international organizations, of which the NBU and Ukraine are members, including promoting the NBU's joining other international organizations.

- **5.3.4.** Promoting the NBU as a technical assistance provider, including establishing an NBU expert center for international partners.

- **5.3.5.** Creating a platform for the ECB and central banks of the EU member states to share their best practices with the NBU.

V. An effective central bank (4)

Strategic initiatives

5.4. European integration of the financial sector

Measures to achieve the goal

- 5.4.1. Initial assessment of the EU acquis implementation progress.

- 5.4.2. Participation in the preparation of the National Program for EU Law Implementation in Ukraine.

- 5.4.3. Revision and implementation of the NBU Europe an integration Action Plan.

- 5.4.4. Establishing a centralized terminology management system based on the terminology of Ukrainian legislation regulating the financial services market, the relevant EU acquis, and NBU regulations.

V. An effective central bank (5)

Strategic initiatives

5.5. Effective operating activities

Measures to achieve the goal

- **5.5.1.** Improving approaches to NBU process management by optimizing and automating processes.

- **5.5.2.** Implementing the ECB's accounting and reporting methodologies and requirements at the NBU.

- **5.5.3.** Improving the cost and equity management process.

- **5.5.4.** Effective operating activities.

- **5.5.5.** Implementing green standards.



- **5.5.6.** Developing operational risks management and business continuity management processes.


V. An effective central bank (6)


Strategic initiatives


5.6. Digital transformation of the NBU

Measures to achieve the goal


-   **5.6.1.** Increasing the NBU's computing power.



-  **5.6.2.** Increasing the corporate cloud capacity.



-  **5.6.3.** Data Governance.



-  **5.6.4.** Ensuring the cyber-resilience of the NBU.

5.7. Human capital is the basic asset of the NBU

-  **5.7.1.** Improving the motivation system, including performance bonuses and non-financial incentives.

-   **5.7.2.** Engaging qualified applicants to fill vacancies in NBU units.

-   **5.7.3.** Developing the competencies of employees.

-   **5.7.4.** Developing and supporting corporate culture.

 Focus 1. Resistance  Focus 2. Recovery and Development

V. An effective central bank (7)

Indicators of Objective IV attainment for the Resistance focus

Indicator of a strategic goal attainment	Value as of the end of Resistance focus
Level of NBU credibility	not less than 60%
Comprehensive plan for EU integration in the financial sector	revised
Performing specific NBU functions using the latest automation technologies	100%
Increasing the employees' workplace mobility	65%
Satisfaction with the incentive package	>70%

Risks and alternative plans

Risks:

- Delayed implementation of measures due to the length and complexity of the legislative process
- Deteriorating relations with stakeholders for reasons beyond the NBU's control
- Absence of agreed position of all units on approaches to communications with stakeholders
- Termination of program cooperation with international organizations for reasons beyond the NBU's control
- Internal resistance
- Low staff competence
- Noncompetitive working conditions
- Insufficient resources
- Reasonable deadline extension
- Procurement and supply chain disruptions

Alternative plans:

- Revision of deadlines for implementation of some measures
- Improvement of internal approaches to institutional cooperation
- Development of additional cooperation programs with international organizations
- Prioritization of processes
- Use of available resources
- Anti-crisis management
- Creating competitive working conditions
- Attractive incentive package
- Support for existing infrastructure

The main risks that could adversely impact the NBU's implementation of its Strategy

The war brings high uncertainty that may affect macroeconomic environment, the stability of the financial system, and therefore the implementation of the NBU's Strategy. Considering the military and political drivers, as well as rapid technological and social changes in the world, the NBU needs to identify relevant risks and be ready to act amidst various types of threats in order to pursue its Vision and Mission.

The main identified risks include:

- long-term hostilities spreading to other territories or countries
- international partners losing trust in Ukrainian institutions and reducing military and economic assistance
- cooperation with international partners weakening, and negotiations on EU accession failing to start
- structural reforms in the country slowing
- Ukraine's economy becoming exhausted: unemployment rising, and budget deficit and balance of payments growing unpredictably
- the government making initiatives that may hinder the achievement of monetary goals by the NBU
- the reintegration of temporarily occupied territories is taking longer than expected
- a crisis breaking out in the global financial market, potentially causing a global recession
- a post-war demographic crisis taking place, there being insufficient resources for implementing planned changes
- confidence in the NBU and financial institutions weakening.



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