



**FINANCIAL SERVICES INDUSTRY WEEKLY**

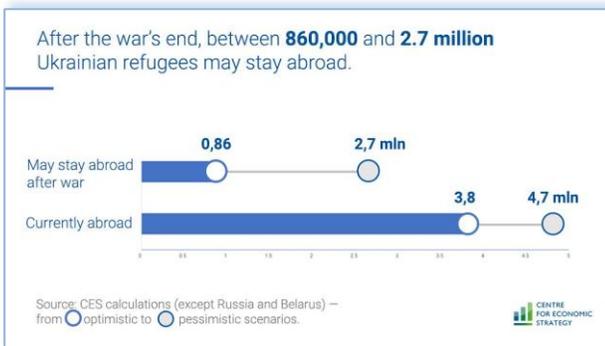
**2023: ISSUE 8** February 19 - February 25

**FOLLOW UP ON THE NEWS**

- Reuters: On February 20, 2023, shares of Raiffeisen Bank International were down 7.6% after it received a request for information from the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) to "clarify payments business and related processes maintained by RBI in light of the recent developments related to Russia and Ukraine". Raiffeisen's shares have dropped 34% in value since before the invasion of Ukraine.
- Reuters: HSBC takes USD 300 M hit on Russia business sale, says deal on track for first-half 2023.
- On February 23, The Verkhovna Rada approved the President's Decree to apply sectoral economic sanctions to Russian financial institutions for a period of 50 years to all banks registered and located in the Russian Federation (including the Central Bank of Russia), non-bank credit organizations, payment systems operators, professional stock market participants, insurance companies, investment funds, and other financial institutions that are registered and provide services in Russia.

**MACRO INDICATORS**

- Centre for Economic Strategy: After the war, between 860,000 and 2.7 million Ukrainian refugees may remain abroad. This may cause an up to 7.71% drop in Ukraine's GDP.



- Naftogaz estimates its war-related losses at > USD 1 B.
- Ministry of Digital Transformation: As a result of the year-long Russian invasion, Ukraine's telecom industry suffered losses of > USD 2.5 B.



- In January 2023, the profit of Ukrainian banks increased by 2.1 times compared to January 2022. Solvent banks' revenues increased by 55% compared to January 2022 and amounted to UAH 38.7 B, while their expenses increased by 35% to UAH 24 B.
- Since the start of the war, >140,000 businesses have been opened/registered through Diya, of which >136,000 are private entrepreneurs.

**TOP EVENTS**

- IMF: An Extended Fund Facility estimated at \$16 billion is being negotiated with Ukraine. The IMF and the financial authorities will meet for negotiations on March 8-10. One of the priorities of IMF-Ukraine cooperation is to assist Ukraine during its accession to the EU. Although the IMF does not normally provide full credit programs to countries caught in a military conflict, it will make an exception given the scale of the war and its significance for the world.
- On February 24, 2023, the World Bank announced USD 2.5 B in additional grant financing for Ukraine. The grant provides direct support to Ukraine's budget under the World Bank's Public Expenditures for Administrative Capacity Endurance in Ukraine (PEACE) Project, to maintain essential services and core government functions amid the on-going war.
- On February 21, 2023, The MoF auctioned off UAH 9.5 B worth of war bonds (mostly at 19.07% per year for 2 years).
- During the business week of February 13-17, the NBU sold USD 660 M and bought USD 5 M on the interbank foreign exchange market.
- Prime Minister of Japan Fumio Kishida announced a new package of financial support for Ukraine in the amount of USD 5.5 B.
- On February 20, 2023, the Tax Committee of the Verkhovna Rada supported the government's draft law on the abolition of the simplified taxation system for private enterprises (2% tax) from July 1, 2023.
- Since the start of the 5-7-9 affordable loans program 54,625 loans have been issued for UAH 171.68 B). Last week, state banks concluded 9 credit agreements in the amount of UAH 70.1 M.
- Interfax Ukraine: Ukrzaliznytsia (Ukrainian Railways) will receive a \$25 million grant from the WB to purchase and build container platforms.

## TOP TRENDS

- The EBRD will invest ~USD 25 M to become the 35% owner of Lviv Industrial Park M10 developed by Tomas Fiala's Dragon Capital. M10 is located 60 km from the Ukrainian-Polish border and will provide new industrial and logistical storage facilities necessary to ensure sustainable humanitarian and economic activity in Ukraine both during the war and during the post-war reconstruction period. In 2022, the EBRD directed EUR 1.7 B to Ukraine and mobilized another EUR 200 M through partner banks.



- Office of the President: Ukraine is working with international partners (including BlackRock and J.P. Morgan) on the formation of a development bank/fund.
- In 2022, Metinvest reduced the production of finished products by 62%, while its steel smelting fell by 69% compared to 2021. Since February 24, 2022, Metinvest suspended all production activities in Mariupol, Avdiivka and Zaporizhzhia, (Azovstal Plant, MMK Ilyicha Plant, Avdiivsk Coke Plant, and Zaporizhzhya Coke Plant).
- The Cabinet of Ministers has approved the procedure for conducting e-auctions for large scale privatization to make the process more transparent, competitive, and efficient.
- The SPF is preparing for privatization three large enterprises in Zaporizhzhia: Zaporizhsky Titanium-Magnesium Plant, Silicon Polymer Plant, and Zaporizhsky Industrial Aluminum Plant.
- Interfax Ukraine: The Cabinet of Ministers proposes to simplify the terms of loan repayment for IDPs from warzone/occupied regions, as well as for the people who still live in these territories.
- LUN: In 2022, the new housing construction in Ukraine fell by 38% (vs. 2021).

## CLOSER LOOK

### Excerpts from the Interview with the NSSMC Chairman, Ruslan Magomedov on Virtual Assets, MiCA, and New Financial Instruments in Ukraine

- NSSMC will cooperate with the NBU on drafting the regulations about crowdfunding on the basis of the Regulation (EU) 2020/1503.'

- 'NSSMC is currently working on harmonizing Law #3637 'On Virtual Assets' with the EU's Markets in Crypto-Assets (MiCA) Regulation. Moreover, the concept of taxation of the virtual assets market has already been developed by the NSSMC.'



- 'International crypto exchanges are interested in entering the Ukrainian market. NSSMC is getting ready for licensing them (10 crypto asset services as defined in Article 3 of MiCA Regulation).'
- 'NSSMC has been working on mortgage securitization, covered bonds, personal investment accounts, pension reform.'

## FSR PROJECT NEWS

- FSR will support the Digital Lending Conference organized by UAFIC bringing together key stakeholders of the financial technology market on March 10 in Kyiv. More details at <https://dl.fintechua.org/>



- Follow FSR on Instagram at <https://www.instagram.com/fsruaproject/> to get updates on financial literacy activities and digital finance.

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