UKRAINE'S BANKING SECTOR ALIGNMENT WITH THE EU

Executive Summary

Ukraine's banking system has undergone substantial transformation in the past decade. While structural reforms have made progress, significant gaps still exist with EU standards—especially in digital compliance, NPL management, AML enforcement, and supervisory integration. With a focused roadmap and coordinated support, Ukraine can bridge these divides by 2028.

Introduction: Ukraine–EU Financial Integration

Following the 2014 EU–Ukraine Association Agreement and 2022 EU candidate status, banking sector reform has become a national priority. Alignment with the EU's **Single Supervisory Mechanism (SSM)**, **Capital Requirements Directive (CRD)**, and **Basel III** forms the cornerstone of this transition.

European Union Launches New Twinning Project to Support National Bank of Ukraine in Non-Bank Financial Oversight

14 May 2025 | 16:48

The Ukrainian financial system has shown exceptional resilience amid the ongoing unprovoked Russian aggression. This strength has been bolstered by the continued legal, regulatory, and supervisory reforms led by the National Bank of Ukraine (NBU) and other relevant authorities.

As part of the European Union's support for Ukraine's resilience and EU membership aspirations, a new EU-funded Twinning project was officially launched on 14 May 2025. This initiative aims to assist the NBU in adopting risk-based supervision practices aligned with EU standards. The project will also help promote the safe and effective development of non-bank financial institutions, which play a vital role in post-war economic recovery and integration with EU and global financial systems.

Ukraine's Banking Sector Alignment with the EU

Governor of the NBU, Andriy Pyshnyy, emphasized:
"Ukraine is working towards EU membership within the shortest timeframe possible. At the NBU, we recognize the responsibilities this entails and are fully committed to accelerating the integration of Ukraine's financial system with the EU. This Twinning project and the knowledge exchange with EU partners will provide essential support—especially in further reforming the non-bank financial sector."

Henrik Huitfeldt, Head of Section at the EU Delegation to Ukraine, added:
"Non-bank financial entities are key to Ukraine's resilience and future recovery. They contribute to a financial environment that supports liquidity and attracts investment for a sustainable and inclusive economy. Harmonizing Ukraine's regulatory framework with EU financial standards is a vital element of its reform and integration process."

EU-funded Twinning project was officially launched on 14 May 2025

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Javier Castillo Garcia, Deputy Director General at the DGSFP, noted:
"Our institution offers significant added value to this project. We bring extensive expertise, including our recent work on the Solvency II Directive during Spain's EU Council Presidency. Our experienced insurance inspectors, many of whom have contributed to previous Twinning initiatives, will share their deep regulatory and supervisory knowledge."

According to project leads Mr. Damian Jaworski and Mr. Sergiy Khudiyash, the work will focus on developing risk assessment methodologies, supervisory tools, and staff training in line with EU legislation. The goal is to improve early detection of market risks and reduce unnecessary regulatory burdens for market participants.

Twinning is an EU tool for fostering cooperation between public institutions in Member States and partner countries. These projects aim to deliver concrete institutional reforms through shared expertise and experience between administrations.

REGULATORY COMPLIANCE & BASEL III GAPS

Case Snapshot: As of mid-2025, Ukraine has adopted most Basel III capital and liquidity rules—but lacks full implementation of:

- Pillar 2 (internal risk controls and stress testing)
- Output floors for capital calculations
- Pillar 3 public disclosures
- Harmonization with CRD V/CRR II, especially group supervision and recovery planning

National Bank of Ukraine Introduces New Capital Rules and Special Requirements for Systemically Important Banks
15 May 2015

The new capital buffers, which are added on top of the minimum capital ratio, are designed to strengthen banks' resilience by providing an extra cushion to absorb potential shocks and reduce the risk of insolvency. Their implementation is planned to begin on 1 January 2020.

- The capital conservation buffer will be gradually increased between 2020 and 2023, rising by 0.625 percentage points each year, eventually reaching 2.5%, in line with Basel Committee recommendations. Banks are expected to accumulate this buffer during periods of economic growth to help absorb losses during downturns.

The countercyclical buffer is intended to curb the build-up of systemic risks during credit booms. Its level will be set between 0% and 2.5%, based on macroeconomic conditions and credit trends, and will only be introduced after comprehensive risk assessments during periods of stable economic growth.

In recognition of their significant influence on financial stability, systemically important banks will be subject to additional requirements. From 1 January 2019, these banks must maintain:

An instant liquidity ratio (H4) of no less than 30%;

A single counterparty exposure limit (H7) of no more than 20%.

Additionally, beginning 1 January 2020, a systemic importance buffer will be introduced for these institutions, with levels set between 1% and 2%, depending on each bank's level of systemic relevance.

Further adjustments under Resolution No. 312 include a revised approach to monitoring related-party transactions. The existing limits on insider lending (formerly H9 and H10) are being replaced with a new H9 ratio, which regulates overall exposure to related

Governance & Risk Supervision Alignment

Ukraine's Financial Sector Development Strategy (2020–2023)

Subtitle: **Implemented by the NBU, NSSMC, MoF, and DGF**

Duration
3.5 Years of Strategic Implementation
(Jan 2020 – mid-2023)

Key Participants

NBU – National Bank of Ukraine

NSSMC – National Securities and Stock Market Commission

MoF – Ministry of Finance

DGF – Deposit Guarantee Fund

(+ Former Financial Services Commission – liquidated in 2020)

Goals of the Strategy

Align with EU standards (CRD, Basel III)

Fulfill EU–Ukraine Association Agreement commitments

Guide reform & modernization of the financial sector

Progress Achieved

47% of the roadmap implemented

Despite:

RU Russian full-scale invasion

🌍 COVID-19 pandemic

Development Process

2019: Strategy drafted by interagency team (200+ experts)

2 rounds of public discussion

16 Jan 2020: Strategy signed

26 Dec 2019: Approved by NBU Board (Decision №1010)

18 Mar 2021: Revised (Decision №97)

Outcome

Strategy officially **terminated**

Replaced by a **new roadmap** focused on:

Resilience during war Post-war reconstruction

INFRASTRUCTURE & EU PAYMENT SYSTEM INTEGRATION

Ukraine Advances in Aligning Its Payment Systems with the EU

Ukraine is steadily moving toward greater integration of its national payment systems with the European Union, with a particular focus on joining the **Single Euro Payments Area (SEPA)**. The country's core payment infrastructure, **SEP-4.0**, now functions round-the-clock and supports both retail and instant transactions. In parallel, Ukraine is adopting the **ISO 20022** messaging standard, a key step toward compatibility with European systems.

A dedicated roadmap for SEPA accession has been developed with the backing of the **National Bank of Ukraine (NBU)** and the **EU4PFM** (EU for Public Finance Management) initiative. Despite this progress, some technical and regulatory hurdles remain—most notably, integrating with **TARGET2**, the EU's real-time gross settlement (RTGS) system.

Current Progress

SEP-4.0:
Ukraine's electronic payment platform now operates 24/7, enabling real-time and retail payments across the country.

ISO 20022 Migration:
Ukraine is in the process of switching to this global standard for financial messaging, which will align its payment systems with those used in the EU.

SEPA Accession Plan:
A structured plan is in place for Ukraine's future participation in SEPA, led by the NBU and supported by the EU4PFM program.

Remaining Challenges

- TARGET2 Integration:
  Joining the EU's RTGS system involves complex technical steps, including setting up Dedicated Cash Accounts (DCAs) and fully complying with TARGET2's operational framework and real-time settlement rules.

Key Takeaways

- Ukraine is actively modernizing its financial infrastructure to meet EU standards.
- The launch of SEP-4.0 and transition to ISO 20022 are major milestones toward SEPA participation.
- Technical integration with TARGET2 remains a significant, ongoing challenge.

AML/KYC Capacity and Regulatory Literacy

Ukraine strengthened its AML regime via:

- Law No. 361-IX (2020), aligned with FATF standards
- Creation of risk-based customer scoring tools
  However, staffing shortages in rural branches, inconsistent use of automated alerts, and lack of certified AML compliance officers persist.

The Importance of Evaluating Ukraine's Financial Monitoring System

- The growing misuse of financial institutions for money laundering and the financing of terrorism has highlighted the urgency of assessing the effectiveness of Ukraine's current financial monitoring system. This includes evaluating the adequacy of existing regulations, especially given the increasing use of shadow payment schemes, the expansion of illegal financial channels, and new challenges posed by cryptocurrencies and digital financial services.
- The purpose of this research is to review and organize Ukraine's legal and regulatory framework in this area, and to measure how effectively the current financial monitoring system functions. The analysis uses methods such as statistical review, classification, generalization, and synthesis.
- Several macro-level factors influence the development of financial monitoring, including social, political, economic, and ethical conditions. However, determining how effective anti-money laundering (AML) and counter-terrorist financing (CTF) measures are remains difficult. Often, there's a lack of correlation between the scale of enforcement and the actual reduction in offenses—partly due to limited pre-disclosure information on suspicious transactions.

To address this, the study proposes an **integrated effectiveness assessment** using a **weighted summation method**, which allows for identifying weak spots in the current system. The findings point to the need for stronger coordination, especially under martial law.

Key Recommendations:

- Adopt **artificial intelligence** to detect suspicious financial transactions.
- Use **machine learning** for better predictive analysis.
- Strengthen oversight of **cryptocurrency operations**.
- Enhance monitoring of transactions potentially linked to **international terrorism**.
- Develop robust tools to combat **financial crime**.

STRENGTHENING UKRAINE'S FINANCIAL MONITORING: CHALLENGES AND MODERN SOLUTIONS

Financing Tools to Support Ukraine's Private Sector

I. Risk Mitigation Instruments

a) Political Risk and War Insurance

Several global institutions are providing insurance to reduce the risks of investing in Ukraine:

- **DFC–MIGA Partnership**: In 2021, the U.S. International Development Finance Corporation and the World Bank's Multilateral Investment Guarantee Agency created a joint group to coordinate political risk insurance for Ukraine.
- **MIGA Support**: In 2023, MIGA provided up to $9.2 million in war risk insurance for a warehouse project in Lviv, developed by Dragon Capital.
- **EBRD Ukraine Recovery Guarantee Facility**: Offers insurance focused on trade and logistics to support business resilience in war conditions.
- **Private War Insurance Initiatives**: Insurance companies like Marsh and Lloyd's, with the Ukrainian government, offer war risk coverage for shipping in the Black Sea. Marsh is also exploring war insurance for aviation.

b) Trade Credit Insurance

Several countries are supporting their businesses working in Ukraine:

- **Poland (KUKE): Provides insurance to Polish and foreign businesses operating in Ukraine to protect against nonpayment and support investment financing.**
- **France (Bpifrance): Offers insurance for French companies involved in Ukraine's reconstruction.**
- **UK (UKEF): Works with Ukraine to offer war risk insurance for British exporters and investors. The UK also supports the EBRD's new war insurance program.**
- **MIGA and IFC: MIGA pledged $20 million in trade finance guarantees. This boosts the IFC's Ukraine trade finance program from $200 million to nearly $300 million.**
- **UK Support to IFC's ERA Program: The UK has contributed $30 million to help strengthen Ukraine's energy security.**

Risk Mitigation Instruments

c) Loan Portfolio Guarantees

To boost access to finance for small businesses:

- **DFC Guarantee to Bank Lviv**: A $15 million, 10-year loan guarantee will help the bank expand SME lending. More projects are being prepared with USAID's help.
- **IFC and EU Commission**: Providing €200 million in risk financing for Ukrainian SMEs and banks.
- **Germany's Guarantees**: In 2023, Germany extended guarantees to cover interest and transfer risks on loans provided by German companies to their Ukrainian subsidiaries. So far, 14 firms are using this scheme, which covers up to €280 million.

Ukraine's financial monitoring system faces growing pressure amid rising risks of money laundering, shadow financial schemes, and terrorism financing. These challenges have been intensified by the spread of cryptocurrencies and digital financial services, which current regulations struggle to fully address.

A recent study examined the effectiveness of the financial monitoring framework, revealing both achievements and gaps. While regulatory progress has been made, enforcement remains inconsistent, and the link between stricter controls and real-world results is not always clear. This is partly due to limited information available before suspicious activity is uncovered.

To improve oversight, the study introduces a method for calculating an integrated performance indicator—a tool that helps identify weak points in the system. Based on this analysis, researchers recommend several improvements, including:

- Introducing AI and machine learning to track and analyze transactions;
- Enhancing monitoring of cryptocurrency markets;
- Strengthening controls on terrorist financing;
- Improving inter-agency coordination, especially under martial law conditions.

These steps are essential not only for protecting Ukraine's financial system, but also for aligning with international standards and safeguarding national security.

CONSUMER PROTECTION: GAPS & OPPORTUNITIES

Context:

- The ongoing conflict has significantly impacted Ukraine's economy, financial systems, and consumer rights.
- The government and international partners have prioritized maintaining financial stability, transparency, and support for vulnerable consumers.

Key Developments and Actions:

- Digital and Remote Services:
- Ukraine accelerated the development and deployment of digital platforms (including complaint portals) launched in 2024 to ensure consumers can access services remotely amidst wartime disruptions.
- Digital tools facilitate complaint submissions and dispute resolutions without needing physical presence, crucial during conflict.

Financial Literacy Campaigns:

- International partners like USAID and EBRD are actively supporting financial literacy initiatives, particularly targeting vulnerable groups affected by war (e.g., internally displaced persons).
- These campaigns aim to help consumers understand their rights in a disrupted economy, including credit, insurance, and banking services.

Regulatory Adjustments & Support Policies:

- Ukrainian authorities, including the NBU, have temporarily relaxed some regulations to provide relief to borrowers and prevent massive defaults.
- Enhanced consumer protection measures focus on transparency, especially in credit and loan products, to protect war-affected populations from exploitation.

Reform Efforts on Hold or Accelerated:

- While some reforms like the full implementation of EU-like complaint systems have been delayed initially due to the war, there's a focus on consolidating and expanding existing digital channels and support mechanisms.

International Assistance:

- Continued cooperation with EU institutions and international donors to reinforce consumer rights protections amid the crisis.

Initiatives include funding and technical support for digital infrastructure and awareness campaigns for consumers.

GAPS & OPPORTUNITIES

Impact:

- Consumer protection mechanisms are more critical than ever as economic hardships and instability increase risks of fraud and exploitation.
- The war has slowed certain reforms but has also prompted a shift toward digital, remote, and more resilient consumer services.

1. **Revitalizing Ukraine's Economy: A Call for Innovative Private Sector Support**
2. To ensure Ukraine's economic stability, especially amid ongoing challenges, both Ukraine and its international allies must develop practical and creative strategies that strengthen the private sector. Success will depend on collaborative, flexible approaches that involve local stakeholders and private businesses. Development and financial institutions have an important role to play by applying new tools to support existing enterprises in the near term while fostering an investment-friendly climate in the longer term.
3. Ukraine holds considerable business potential. It offers a large, skilled, and cost-effective workforce, abundant raw materials, and growing access to the EU market. Despite skepticism from some investors who view Ukraine mainly through a humanitarian lens, the long-term investment prospects are strong—particularly in light of the country's EU integration path.
4. This analysis was authored by Romina Bandura, Ilya Timtchenko, and Austin Hardman from the Center for Strategic and International Studies (CSIS) in Washington, D.C., and supported by the Japan International Cooperation Agency. It draws on insights from a private CSIS expert roundtable on innovative financing for Ukraine held on November 30, 2023.
5. The report reflects the authors' perspectives and does not represent official positions of CSIS or its partners.

NPL CASE STUDY: OSCHADBANK

Background:

Oschadbank carried ~50% NPL ratio in 2020. In partnership with EBRD, it launchec workout unit in 2022. By 2024:

NPLs dropped to 23%

3 major bad loan portfolios sold to foreign investors

A debt recovery training center was established in Kyiv

Takeaway:
Replicable for other state-owned banks like Ukreximbank.

Strategic Outlook for Oschadbank and Ukraine's Banking Sector in 2025

Based on a special joint project by NV and The Economist

As a new year approaches, it's natural for people and institutions to look ahead ar try to anticipate what lies ahead. Yet today's global and national uncertainties ma forecasting more difficult than ever. Many goals set at the end of 2021 were disrupted or delayed. We expect 2025 to be no less volatile—but planning remain essential to stay prepared for future challenges.

For instance, Oschadbank's Supervisory Board recently approved a new strategic roadmap for 2024–2028. This reflects the dramatic changes both in Ukraine's financial sector and in the bank's evolving role. The full-scale war has deeply impacted every aspect of life in Ukraine, and our institutional plans must adapt accordingly.

This is the second strategic plan adopted during my time as CEO of Oschadbank. It development illustrates how our Supervisory Board's long-term vision continues t evolve. As one of the key state-owned financial institutions, Oschad's strategy alsc reflects the broader transformation underway in Ukraine's banking system.

The previous strategy, covering 2021–2024, was approved just before the invasior (October 2021). Its main goal was to prepare the bank for full or majority privatization by 2025. However, martial law and the war forced us to pause that plan.

New Priorities in the 2024–2028 Strategy

A major part of Oschadbank's lending portfolio has been driven by government support programs for individuals and small businesses. But these programs are no permanent. The new strategy prioritizes building long-term partnerships with international financial institutions to replace state subsidies with sustainable external funding.

A new focus of the strategy is supporting Ukraine's economic recovery. Unlike in 2021, this is now a top priority for Oschad and the entire banking sector.

Ukraine's financial sector has an unprecedented opportunity to lead the country's recovery. But this requires bold steps: technological innovation, strong complianc a people-first approach, and commitment to ESG values.

Cross-Border Banking Challenges

Ukraine's Evolving Cross-Border Finance Landscape

Initial Disruption and Emergency Measures

Immediately following the Russian invasion, virtually all forms of lending to Ukraine ceased, except for urgent financial aid funneled directly to the government to help stabilize the economy. The National Bank of Ukraine (NBU) responded by introducing strict currency controls, effectively freezing most cross-border payments.

Nearly three years later, although financing has not returned to pre-war levels, the ecosystem of lenders and regulatory responses has evolved to better support the country's needs.

New Sources of Capital

As often seen in crisis situations, international financial institutions (IFIs) stepped in when private financing retreated. Since 2022:

- The EBRD has committed over €4.5 billion to Ukraine.
- The IFC has invested $1.6 billion—more than double its typical annual support before the war.

Meanwhile, several foreign governments have provided large-scale financial assistance directly to Ukraine and have also launched private sector support initiatives. These are commonly run through export credit agencies (ECAs) or national development banks, offering solutions such as:

- Credit guarantees for banks
- Trade finance for SMEs
- Long-term funding for major projects

On the private side, most lenders have shifted their focus to managing current exposures—renegotiating terms, deferring payments, or restructuring debt—rather than issuing new loans. In limited cases, they've returned to the market under the protection of government-backed guarantees, which help shield them from wartime risks.

REGULATORY ADJUSTMENTS TO ENCOURAGE INVESTMENT

In recognition of the need to revive foreign investment and support reconstruction, the NBU has taken a more adaptive stance, particularly in regard to funding from institutional investors.

- **Projects backed by reputable IFIs are now allowed greater freedom in terms of cross-border repayments and servicing—an effort to encourage continued institutional involvement.**
- **For private lenders, the rules remain stricter. They may receive interest payments on pre-war loans (under specific conditions), but principal repayments are still limited.**
- **However, since June 2023, a special regime for "new money" private lending allows repayment and servicing—provided the funds come from abroad. Loans financed using local capital are not eligible for repayment abroad.**
- **Borrowers under this regime must follow the agreed repayment schedule strictly, with early repayment restrictions in place.**
- **The NBU has also reintroduced a maximum interest rate cap (including all service fees) of 12% per annum, adding another compliance consideration for private lenders.**

Looking Ahead

- **The future of cross-border finance in Ukraine will be shaped largely by the war's progression and the scale of recovery efforts. In the short term, public and institutional lenders will remain the dominant providers of capital due to ongoing security and risk concerns.**
- **That said, even with foreign backing, one of the most pressing challenges is the limited availability of well-structured, investment-ready projects. To fully unlock the potential of international financing, Ukraine must develop bankable ventures supported by strong legal frameworks and sound business cases.**

Collaboration will be essential. Businesses, policymakers, and regulators must work together to:

Create a transparent regulatory environment

Design attractive, secure investment opportunities

Align cross-border financing with Ukraine's long-term recovery goals

Only through such a coordinated approach can Ukraine tap into the full potential of global finance and lay the groundwork for sustainable reconstruction.

Anton Korobeynikov
Sayenko Kharenko Law Firm
March 25, 2025

Digital Banking, Cybersecurity & GDPR

Ukraine Approves 2025 Cybersecurity Strategy Action Plan

On March 7, the Cabinet of Ministers of Ukraine adopted a resolution approving the 2025 action plan for implementing the national Cybersecurity Strategy.
The updated plan, prepared by the State Service of Special Communications and Information Protection of Ukraine, outlines key priorities and tasks to be carried out during the year. These focus on strengthening Ukraine's cyber resilience across five main areas:

- Enhancing legal and regulatory frameworks for cybersecurity;
- Advancing the organizational and technological capabilities of the national cybersecurity system;
- Expanding international cooperation on cyber defence and security;
- Implementing a risk-based approach to cybersecurity in critical infrastructure and government institutions;
- Improving the national system for cybersecurity training and capacity-building.

  Speaking about the decision, Oleh Nemchinov, Minister of the Cabinet of Ministers, emphasized the growing scale and sophistication of cyber threats targeting Ukraine's communications and information systems—many of which directly threaten national security and defence. According to him, these rising threats require robust, coordinated, and technically advanced responses to secure the digital infrastructure of the state.
- To support the implementation of this year's cybersecurity goals, the State Budget for 2025 allocates UAH 468.8 million to relevant agencies and institutions involved in executing the strategy.

This action plan is part of a broader framework set by the Cybersecurity Strategy of Ukraine for 2021–2025, initially approved by Presidential Decree on August 26, 2021. That strategy identifies cybersecurity as a central pillar of Ukraine's national security. Following up on this, the National Security and Defence Council adopted an implementation decision in December 2021, which was formalized by Presidential Decree on February 1, 2022. The framework requires that specific cybersecurity measures be reviewed and approved on an annual basis, along with performance indicators for their implementation.

REGULATORY COOPERATION WITH EU BODIES

Ukraine collaborates with:

European Banking Authority (EBA) as an observer

SSM/ECB for supervisory knowledge sharing

IMF/World Bank for legislative review
Still, there is no formal supervisory college structure or resolution mechanism alignment yet in place.

Ukraine collaborates with various EU bodies through different agreements and programs, including the Eastern Partnership, the Association Agreement, and the Deep and Comprehensive Free Trade Area (DCFTA). Specific areas of cooperation include customs and tax policy, energy security, and regional development through the Conference of Regional and Local Authorities for the Eastern Partnership (CORLEAP).

EU-Ukraine Association Council: Key Highlights from the 10th Meeting

Today, Marta Kos, European Commissioner for Enlargement, took part in the 10th meeting of the EU-Ukraine Association Council, representing the European Commission. The session was led by Kaja Kallas, High Representative of the Union for Foreign Affairs and Security Policy and Vice-President of the European Commission, on behalf of the EU, and Ukrainian Prime Minister Denys Shmyhal.

The Council discussed the implementation of the Association Agreement and reviewed the current status of EU-Ukraine relations. This marked the tenth such meeting since the agreement came into force in 2016. Commissioner Kos reaffirmed the EU's continued and unwavering support for Ukraine and acknowledged the major achievements made since the last Council meeting on 20 March 2024.

EU Support for Ukraine

At the meeting, Commissioner Kos underscored the EU's role as Ukraine's largest and most reliable financial backer, providing essential aid for state functions, reconstruction, and long-term reforms. Since the beginning of Russia's full-scale invasion, the EU, along with its Member States and European financial bodies, has allocated nearly EUR 144 billion in humanitarian, economic, military, and refugee assistance.

She also stressed the importance of the Ukraine Facility, underpinned by the Ukraine Plan, as the primary tool for rebuilding and modernising Ukraine. To date, the EU has already disbursed EUR 19.6 billion under this plan, with up to EUR 9 billion more expected in 2025, contingent upon Ukraine's reform progress. Moreover, through the G7's Extraordinary Revenue Acceleration (ERA) initiative, the European Commission has provided an additional EUR 5 billion in macro-financial support, with the remaining EUR 13 billion to be released in monthly instalments this year — reflecting the EU's commitment to frontloading support.

Boosting Trade and Connectivity

Despite the challenges posed by the war, trade between the EU and Ukraine has continued to grow for the fourth year in a row. Commissioner Kos highlighted the significance of the bilateral road transport agreement and praised the Joint Committee's approval of mutual recognition for smart tachographs — developments that are set to strengthen trade links by improving transport infrastructure and efficiency.

Towards the EU Single Market

Commissioner Kos reaffirmed the EU's determination to ensure that Ukraine benefits from the Association Agreement to gradually integrate into the EU's Single Market before formal accession. She noted tangible progress in several areas, such as:

- The Agreement on Conformity Assessment and Acceptance (ACAA),
- Extension of the "Roam Like At Home" regime to Ukraine,
- Preparations for Ukraine to join the Single Euro Payments Area (SEPA) schemes.

Administrative Reform and Governance Cooperation

She welcomed steps toward establishing a dedicated Public Administration Reform Sub-committee and a Joint Consultative Committee between Ukraine and the EU's Committee of the Regions. These bodies aim to deepen collaboration in governance, public administration, and decentralisation reforms.

Public Health Collaboration

On the sidelines of the Council meeting, Commissioner Kos observed Ukraine sign the Joint Procurement Agreement for medical countermeasures. The agreement, in place for over ten years, is a key mechanism for coordinating EU responses to cross-border health emergencies.

Strengthening Defence and Space Partnerships

Commissioner Kos outlined several initiatives aligning Ukraine's defence industry more closely with the EU, including:

The Act in Support of Ammunition Production (ASAP),

The recent opening of the EU Defence Innovation Office in Kyiv,

She also welcomed Ukraine joining parts of the EU Space Programme, including the Copernicus Earth observation initiative and components dealing with space weather and near-Earth objects.

LESSONS FROM THE €57M UKRAINIAN ARMS LAUNDERING CASE: STRENGTHENING FINANCIAL CRIME COMPLIANCE THROUGH E-LEARNING

The recent freezing of €57 million linked to the laundering of proceeds from Ukrainian arms sales—uncovered across Monaco, France, and other jurisdictions—highlights the growing complexity of financial crime in geopolitically sensitive sectors. This case serves as a powerful reminder of the need for robust financial crime compliance systems, particularly within the defence industry and when dealing with politically exposed persons (PEPs).

Key Lessons for AML Compliance

The case, investigated with the support of Eurojust and authorities from three countries, revealed how illicit funds were layered and hidden through high-value assets like luxury real estate. It demonstrated how sophisticated actors exploit weak compliance controls, especially in cross-border financial environments and sectors vulnerable to corruption.

In this case, a PEP—specifically, the child of a Ukrainian defence company owner—was found to have laundered hundreds of millions of euros over more than a decade. This involved red flags such as:

- **Unusually large or inconsistent transactions**
- **Complex, opaque company structures**
- **Movement of funds and assets across multiple jurisdictions**

These red flags highlight the critical importance of enhanced due diligence, continuous monitoring, and regular staff training to detect and prevent financial crime.

Why Continuous AML Training Matters—Especially in High-Risk Sectors

For financial institutions, especially those serving high-net-worth or high-risk clients, AML compliance must be more than a checkbox—it must be a deeply embedded practice. Defence-related transactions, in particular, demand a higher level of scrutiny.

That's where e-learning becomes a powerful tool.

ıe Role of AML E-Learning in Today's Compliance rategies

odern AML/CFT e-learning programmes are essential in eparing staff to recognize and respond to emerging financial ime risks. These digital modules offer:

- Consistency: Delivering standardized training that aligns with current regulations across global teams.
- Flexibility: Quickly adapting to new threats, such as evolving laundering techniques or regulatory changes.
- Measurability: Assessing employee understanding through quizzes and knowledge checks—providing proof of readiness for regulatory audits.

By integrating tailored e-learning into daily workflows, institutions move from passive compliance to active prevention, ensuring staff can identify and act on warning signs in real-time.

Conclusion

- As Ukraine advances on its path toward EU integration, aligning its banking sector with European standards remains a strategic priority. This process demands a comprehensive transformation—not only in regulatory frameworks but also in institutional capacity, governance, risk management, and technological infrastructure.
- Bridging the gaps with EU banking norms, particularly Basel III and the Capital Requirements Directive, will require sustained legislative efforts, supervisory reforms, and enhanced coordination between Ukrainian and European authorities. Ukrainian banks must also accelerate reforms in digitalisation, cybersecurity, anti-money laundering practices, and consumer protection to meet the expectations of the Single Supervisory Mechanism.
- While there has been visible progress, challenges remain in areas such as non-performing loans, cross-border operations, and the overall readiness of personnel to implement EU directives. Continued support from the Ukrainian government, international financial institutions, and EU partners will be crucial to ensure a stable, transparent, and resilient banking system that can fully integrate into the European Single Market.
- The transformation of Ukraine's banking landscape is not only about regulatory alignment—it is a foundational pillar for broader economic resilience, investor confidence, and the country's successful European future.

For further inquiries, insights, or collaboration opportunities, please visit our website or reach out directly:

www.sam-ukr.com