



UKRAINE: SELF-ASSESSMENT AGAINST IOPS PRINCIPLES OF PRIVATE PENSION SUPERVISION

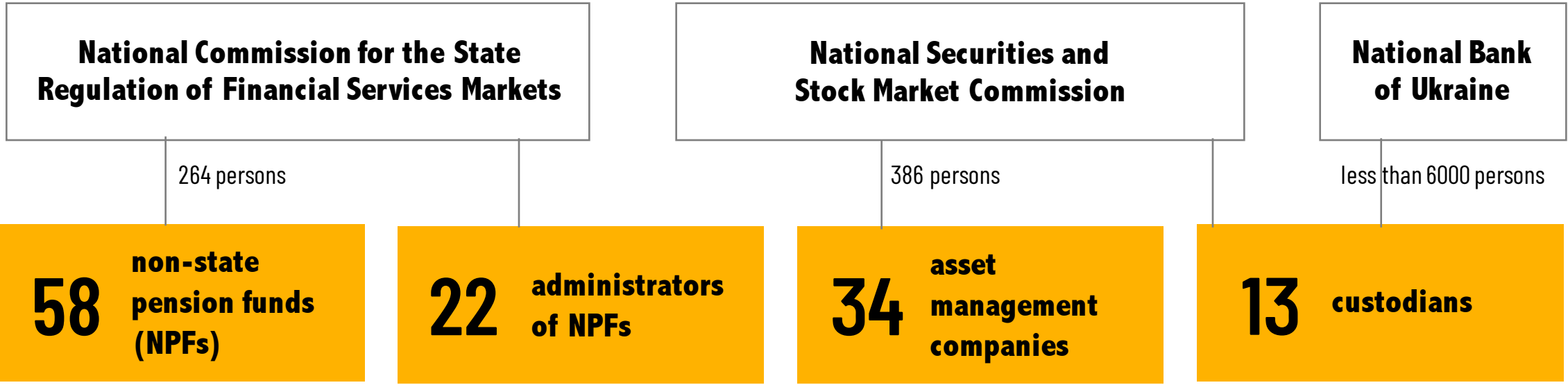
Timur Khromaev, the Chairman of the National Securities and Stock Market Commission

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SYSTEM OF NON-STATE PENSION PROVISION - THE THIRD PILLAR

The system of non-state pension provision is the third pillar of the pension system. Its development has been carried out **since 2004** after the adoption of the Law of Ukraine on Non-State Pension Provision. The basis of such system is non-state pension funds(NPFs) operating in accordance with the principles of **define contributions**.

Activities of NPFs and their administrators are generally supervised by the **National Commission for the State Regulation of Financial Services Markets (NCSRFSM)** which regulates financial services market. At the same time, the activities of asset management companies and custodians are supervised by the **National Securities and Stock Market Commission(NSSMC)**.



SYSTEM OF NON-STATE PENSION PROVISION - THE THIRD PILLAR

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The number of participants of the 3rd pillar (thb persons)

841 **1,99%** in relation to the total population



The total value of pension assets (million euro)

73,3 **0,08%** in relation to GDP



The investment portfolio of pension funds

45% bank deposits **40%** government bonds



The size of non-state pension funds (million euro)

1,34 average **38** max.



SELF-ASSESSMENT: SUMMARY

The self-assessment against IOPS Principles of Private Pension Supervision was performed by the NSSMC and the NCSRFSM and based of assessment of legislation and operational processes of regulators

Principle	Fully	Broadly	Partly	Not
1: Objectives				
2: Independence				
3: Adequate Resources				
4: Adequate Powers				
5: Risk Orientation			NCSRFSM	NSSMC
6: Proportionality and Consistency				
7: Consultation and Cooperation				
8: Confidentiality				
9: Transparency				
10: Governance				

TOTAL



SELF-ASSESSMENT: KEY NOTES FOR EACH PRINCIPLE



GENERAL

supervision is split between two regulators – the NSSMC and the NCSRFSM. None of them has responsibility in such conditions



INDEPENDENCE

lack of long-term financing and dependence on decisions of the government and other state bodies. Legislation doesn't provide funding for the regulators by a levy on supervised entities



ADEQUATE RESOURCES

financing of the regulators is extremely inadequate and unpredictable



POWER

essential limitations in examination, investigation, access to the information and enforcement



STAFF

initial qualifications, obtaining new skills or new education is largely limited due to the financial resources



CONFIDENTIALITY

the implementation of proper information security system requires stable funding and legal clarity



TRANSPARENCY

no procedures for independent review of the internal decisions of the regulator

SELF-ASSESSMENT: PRINCIPLES #5, #6

Legislation does not provide clear rules for application of consistent and proportionate measures

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RISK ORIENTATION



almost no mechanisms and guidelines, which would contribute to the implementation of a risk-based approach



low requirements for the financial statements of NPFs, requirements for portfolio structure (investments limitations) are general. Prudential requirements only for AMC



no risk assessments by using a risk-based model or measuring the degree of risk insecurity by each regulated entity



regulators are gradually implementing of the EU legislation in areas on prudential supervision and corporate governance

PROPORTIONALITY AND CONSISTENCY



lack of powers to supervise activities in accordance with the results of risk assessment



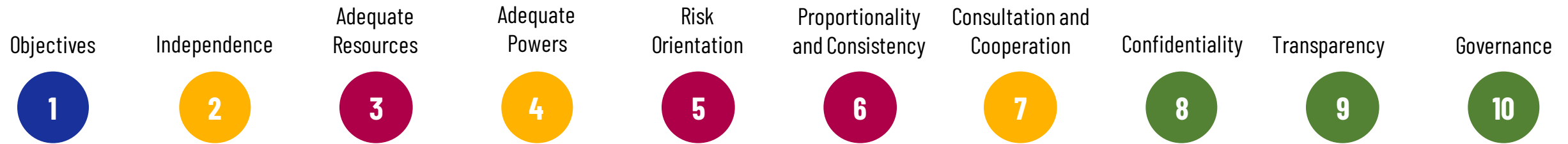
lack of options for possible sanctions for misconduct of professional participants



lack of legal clarity in protection of professional sensitive information received within cooperation with foreign counterparties

NEXT STEPS. VISION

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Self-assessment and further improvement of regulations in accordance with the IOPS and IOSCO Principles will provide a reliable financial sector and build a effective pension system

