

Rada approves bill to improve governance of state banks

Ukraine

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KYIV, July 7, 2018 - Ukraine's parliament, the Verkhovna Rada, voted on July 5 to approve the new principles of supervisory board formation for state banks, Concorde Capital informed clients in an online advisory. The bill was supported by 263 lawmakers well beyond the 226-vote majority needed. The adopted law clarifies the definition of state banks, excluding the clause that a state bank is created by the Cabinet. The law also stipulates that the supervisory board of a state bank should consist of nine members, of which six are independent and three are nominated by the president, cabinet and parliament. The position of the board's head can be only occupied by an independent member. The selection of independent board members is performed by an agency with at least ten years of international experience of a bank executives search. Independent board members are approved to their positions by a commission consisting of three representatives of the cabinet, one of the president and one of the parliament. Such changes were a part of a strategy of reform of state-owned banks, presented by MinFin in February, and were aimed at making the banks independent of power brokers. Nowadays, the board of all state banks consists of 15 members, all of which should be Ukrainian citizens, with equal representation of the president, parliament and cabinet. Concorde analyst Alexander Paraschiy added: "This is a positive development, and even an unexpected one, given that previous attempts to adopt such changes failed due to insufficient support from coalition MPs. When the law is implemented, Oschadbank (OSCHAD) and Ukreximbank (EXIMUK) will get a chance to become independent of policy makers in their lending activity, making their balance sheet stronger. Improved corporate governance will bring the banks closer to the entrance of IFIs into their equity, as is assumed by MinFin's strategy. That allows us to remain positive about Oschadbank and Ukreximbank Eurobonds.

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