

Dear Readers,

We present the seventh edition of Project Twinning Newsletter. It contains interviews with two Component Leaders and traditionally description of missions and other Project activities.



INTERVIEW WITH PAWEŁ ŁYSAKOWSKI
MS COMPONENT LEADER FOR COMPONENT 5(E)
Head of Normalisation and Standardization Division,
Payment System Department, Narodowy Bank Polski.

Paweł Łysakowski, graduated from SGH, Warsaw School of Economics (Master of Economics, specialization in management). He joined the central bank in 2005. Paweł is responsible for cooperation with banking sector in payment standards and conducting countrywide educational and communication programmes promoting cashless transactions. His special task is also to maintain bank's and bank accounts numbering principles in Poland. Paweł is an observer at the Polish Bank Association working groups and representative in the EU Forum of national SEPA coordination committees at the European Commission level. At the Polish Standard Organisation (local equivalent of ISO) Paweł is Vice Chairman of Technical Committee 271 – Banking and Banking Financial Services (equivalent of ISO TC 68). Before joining the central bank he was engaged in various interbank development projects including e-signature, clearing and settlement areas. Paweł has extensive experience in the implementation and coordination of development projects in the Polish payment system in the areas of clearing and security.

**Which component are you responsible for?
What is the reason to have it included in the
Twinning Project?**

Ukraine, which obtained the status of an EU candidate country in June 2022, is facing a long and complex path of reform. Joining the EU entails the acceptance of the rules of the Common Market, also in terms of payment services, as well as in-depth preparation for implementing these principles in practice. Moreover, due to the current difficult situation, Ukraine needs solutions which will provide its citizens staying currently outside its borders, e.g. on EU territory, with a possibility of efficient and cheap money transfers. Participation in the SEPA (Single Euro Payments Area) system can offer such capabilities. Our component is aimed to familiarize experts of the National Bank of Ukraine (NBU) with these principles, thus the name of the component – "Approaching SEPA". Ukraine's willingness to become a member country of the system as early as possible is an additional argument for the Twinning Project experts to bring additional support. SEPA is a complex solution based on uniform principles, a legal framework and technical components. SEPA facilitates non-cash transactions, lowers



transaction costs and saves time. These are crucial factors for Ukraine in its present situation. I believe that the expertise of other member states may constitute valuable help in the process of efficiently implementing SEPA principles by Ukraine. Experts assigned to the component include representatives of central banks of Belgium, Croatia, Lithuania and Poland, as well as an expert from a Polish clearing house.

What were the criteria for the selection of institutions participating in this Twinning Project?

Being aware of the NBU's needs, we tried to create a team of experts who could share a wealth of experience in implementing SEPA. I would like to add that there is no single harmonized approach to adopting SEPA. Every country has its own path, taking into consideration its capabilities and the level of development of its financial and payment systems. However, the differences in the approach to implementing SEPA are primarily due to whether the given country has adopted the euro or retained the national currency. Also, models for task division and the scope of cooperation between financial system institutions vary from country to country. Specialists from EU countries are willing to share their expertise in this domain within the framework of the Twinning Project. The Ukrainian partners will, therefore, have the opportunity to familiarize themselves with both the experience of countries participating from the beginning in establishing SEPA area principles (including euro area countries and non-euro countries alike) – and those which joined the system much later. We hope that the exchange of experience with experts from the countries engaged in this twinning cooperation will allow Ukraine, a country in the process of acquainting itself with SEPA principles, to find the optimal path for the

adoption of new solutions. Being aware of the NBU's needs, we tried to create a team of experts who could share a wealth of experience in implementing SEPA. I would like to add that there is no single harmonized approach to adopting SEPA. Every country has its own path, taking into consideration its capabilities and the level of development of its financial and payment systems. However, the differences in the approach to implementing SEPA are primarily due to whether the given country has adopted the euro or retained the national currency. Also, models for task division and the scope of cooperation between financial system institutions vary from country to country. Specialists from EU countries are willing to share their expertise in this domain within the framework of the Twinning Project. The Ukrainian partners will, therefore, have the opportunity to familiarize themselves with both the experience of countries participating from the beginning in establishing SEPA area principles (including euro area countries and non-euro countries alike) – and those which joined the system much later. We hope that the exchange of experience with experts from the countries engaged in this twinning cooperation will allow Ukraine, a country in the process of acquainting itself with SEPA principles, to find the optimal path for the adoption of new solutions.

As far as you know, were SEPA-related topics included in earlier Twinning Projects?

Topics concerning the common financial market are of interest for many Eastern European countries. SEPA-related issues were discussed e.g. during earlier Twinning Project for Georgia, in the context of broadly understood payment systems. However, the current project features a much broader and detailed approach. This is due to the level of progress Ukraine has made in adjusting its legal system to EU regulations.



What are the biggest difficulties surfacing in the course of the project?

The biggest difficulty is the inability to meet other participants in person. Topics raised during the meetings often require in-depth discussions, and the online formula, in my opinion, makes such an exchange highly problematic. Moreover, on account of the war, sometimes we have technical problems with establishing a connection. From my personal point of view, I am saddened by the situation of our Ukrainian colleagues while, at the same time, I am full of admiration for their current work.

Do you think that the NBU is going to reach its goals?

Our Ukrainian partners are very committed to the project and very determined to reach their goals. Of course, SEPA is a complex project with many constitutive elements and their implementation in the Ukrainian payment system will require a lot of additional work. Making Ukrainian entities part of SEPA in real terms will also depend on political action. We hope that our expertise will help our Ukrainian colleagues reach their goals. I wholeheartedly wish them success.



INTERVIEW WITH ARSEN MAKARCHUK

NBU LEADER FOR COMPONENT 5(E)

Director of the Strategy and Development Department, National Bank of Ukraine.

Arsen held a number of key positions within the NBU, including the Chief of Office of the NBU Board (2018-2020). Since 2020 Head of Strategy and Development Department. The main tasks of this department include, inter alia: strategic development of the new strategic framework based on value proposition approach and the new institutional strategy, development of the strategy of the National bank of Ukraine till 2025, improvement of the project management methodology, project portfolio management and optimization. Graduated from Lviv State University of Internal Affairs, Master of Laws (LLM), V. Koretskyi Institute of State and Law of the National Academy of Sciences of Ukraine, Kyiv (PhD in Law), International

Management Institute (MIM), Kyiv., (MBA in Public Administration). Arsen has vast experience in strategic planning and implementation of organizational and structural changes.

Ukraine's Joining SEPA project started in the summer of 2022, months after the outbreak of russia's unprovoked full-scale war of aggression against Ukraine. How much of a priority is this task in such conditions?

Indeed, the NBU started working on Ukraine's Joining SEPA project when russia's military aggression against Ukraine had already begun. We were and continue to be inspired by the



Armed Forces of Ukraine, who are resolutely repelling the Russian invaders and enabling us to continue working. In view of this, we must do our utmost to introduce a national recovery plan and promote our country's development. However, the launch of the new project was not a result of ad-hoc decision making. The NBU had already done preliminary work to study the possibilities for such integration, including the experience of the EU member states. At the country level, a number of steps had also been taken to implement the EU acquis and achieve progress in the implementation of international standards, namely:

- The Law of Ukraine On Payment Services had been adopted that implemented the requirements to Directive (EU) 2015/2366 (PSD2) On Payment Services on the Internal Market dated 25 November 2015, which amended Directives 2002/65/EC, 2009/110/EC, and 2013/36/EC, and Regulation (EC) No. 1093/2010, and which repealed Directive 2007/64/EC.
- The Law of Ukraine On Prevention and Counteraction to Legalizing (Laundering) the Proceeds from Crime, Terrorism Financing, and Financing the Proliferation of Weapons of Mass Destruction, which implemented the provisions of Directive (EU) 2015/849, had been passed.
- IBAN had been introduced into the payment infrastructure of Ukraine.
- Work is currently underway to introduce the System of Electronic Payments 4.0 (RTGS) based on the ISO 20022 standard. This work is scheduled to be completed by April 2023.

As such, starting the new initiative was a logical thing to do on the way to the NBU's strategy implementation regarding integration with the European payment landscape. It will ensure that the interaction of Ukrainian businesses with the EU market is simplified

and that it contributes to optimization of the cost of remittances sent from the countries of the euro area due to the launch of cross-border transfers via SEPA for financial services consumers and business entities.

At the NBU, you are the leader of Twinning Component 5(E) Approaching SEPA. With the benefit of hindsight and interim results, how would you outline the success of this component?

We are lucky to work with a very professional team of experts from Poland, Lithuania, Croatia, and Belgium. Given the successful working experience from other components within the framework of Twinning, we had no doubts that the effective cooperation will rise to the challenges faced by the NBU. But the efficiency of this component has really outstripped our expectations. I am impressed by how dedicated and motivated each member of the EU Twinning team of experts is. This is not just the work of top-level experts, but also a clear motivation for obtaining a desired result. It is shared by each of the team members. We were able to build a really amiable atmosphere during the missions that allowed to hold honest and open discussions. On the one hand, it has enabled us to get detailed information on the EU central banks' experience with SEPA. On the other hand, it has provided us with essentially individual recommendations from our colleagues from EU Twinning regarding practical steps on the way to integration into SEPA payment systems.

How has Twinning Component 5(E) Approaching SEPA contributed to the NBU?

First and foremost, I would like to extend my gratitude to EU Twinning partners from Narodowy Bank Polski, Lietuvos bankas, and all the STEs involved in Twinning Component 5(e) Approaching SEPA missions for their support amid dire times.



Thanks to Paweł Łysakowski, Dariusz Lewandowski, Robert Klepacz, and Piotr Maziarz from Narodowy Bank Polski, as well as Grzegorz Leńkowski from KIR, we have received not only comprehensive information about Poland's experience on its way to joining SEPA, but also real-life cases that feature a successful involvement of national payment service providers and practical advice to ensure effective integration and implementation of said plan.

At the same time, Martynas Rajuncius and Tomas Karpavicius from Lietuvos bankas have impressed us with their deep understanding of the specifics of Ukraine's payment landscape and meaningful explanations regarding the current payment architecture in SEPA. In addition, they have come up with recommendations that should be taken into account when developing a target integration scheme.

It is also worth mentioning that Marijana Gašpert, Mirela Benko, and Iva Kopecki from Hrvatska Narodna Banka, who have told us about the challenges that Croatia faced on its way to joining SEPA and were always eager to discuss important topics both during and in between the missions, have given some comprehensive answers to the questions sent by the NBU.

Undoubtedly, this narrative about the experts with whom the NBU team had a great honor to meet would not have been complete without Patrick Heyvaert from the National Bank of Belgium, who provided relevant information

on the SEPA payment landscape and the architecture of payment clearing mechanisms, and who was also always open to dialogue during the missions.

How would you describe the progress made and the tasks that still need to be delivered?

When we embarked upon Ukraine's Joining SEPA project, we had a long list of questions, the answers to which had to be found in short order.

Figuratively speaking, we drove onto a narrow back road that did not allow us to shift into high gear on the way to SEPA. At present, thanks to the missions within Twinning Component 5(E) Approaching SEPA, we have a clear grasp of how to get on the freeway that will allow us to speed up as we progress towards our goal.

We can already come up with a target scheme for integration into SEPA payment systems and hold a dialogue with Ukrainian market participants with the intent to build a common vision of further progress on the path to integration with the European payment landscape due to the information obtained. Going forward, as part of the final mission of Twinning Component 5(E) Approaching SEPA, we are willing to demonstrate our efforts to colleagues in order to get feedback and adjust the drafted plan of Ukraine's accession to SEPA.

Upon request of the interviewee, his original spelling has been preserved in order to reflect the current usage of English in Ukraine.



Description of missions and other events of the Project during December 2022 – February 2023



Component 1A

The expert mission, which took place on **14–15 December 2022** in on-line format, was carried out in the form of a training session which was dedicated to SREP process and SREP implementation and was particularly focused on:

- overview of the SREP process in EU,
- evaluation and assessment of Business Model under SREP,
- evaluation and assessment of Internal Governance under SREP,
- macroprudential aspects of NPLs,
- SREP module on Credit Risk;
- SREP module on Concentration Risk.

Participants had vivid discussions during Q&A sessions dedicated to the above mentioned topics, exchanged with their views and observations. The results of discussions held with the NBU counterparts were further used by STEs to define the scope of issues for the next mission in January as well as the draft working plan for January-March 2023.

The next expert mission in that component was held on **11–12 January 2023**. During the mission, the NBU colleagues made a presentation of the draft regulation "On Approval of the Regulations on the Procedure for Risk Assessment and Setting of Increased Values of Economic Standards for Banks by the National Bank of Ukraine" which was followed by a discussion about principles and methodology to assess risks, evaluate mitigation measures and calculate additional capital. STEs raised questions which were followed by clarifications and explanations from the NBU colleagues, and provided their comments and recommendations to the draft regulation. The NBU representatives presented a recent SREP framework with the package of updated documents and took note of further developments needed in that area

based on experts' views and observations expressed. The NBU counterparts also provided STEs with explanations and comments on the existing NBU regulations for stress testing, stress testing practices as well as practices in risk management. All that was followed with Q&A session and exchange of views on the proposals provided by the experts.

The general objectives of the expert mission, which was carried out on **8–9 February 2023**, were as follows:

- to review the NBU's approaches to conducting stress tests of banks as part of the assessment of bank resilience and determining the required level of capital adequacy (as part of the discussion of the draft law on determining increased standards for banks based on the results of the SREP);
- to exchange views and observations;
- to finalize recommendations for the NBU SREP regulations setup.

The package of documents defining SREP process (at present, consisting of 8 regulations and referred to as SREP regulations setup) was reviewed and discussed with the NBU staff.

All regulations were enhanced or drafted, and most of them already approved, within the Project duration. The observations and recommendations provided by experts within the Project were considered both when preparing new documents and revising and expanding the existing ones. The NBU staff prepared and submitted for discussion an act regulating approaches to assessing the stability of banks, including stress tests and calculation of the required level of capital ("Description of the model of stress tests of banks, baseline and adverse macroeconomic scenarios, limit values of the regulatory capital



adequacy ratio (N2), core capital adequacy ratio (N3)). During the meeting main provisions of the document were reviewed, the NBU colleagues provided explanations and answers to the questions raised. After reviewing and discussing the above-mentioned SREP regulation setup, the assessment was made by STEs that SREP process described by the NBU regulations, to a large extent, could be considered to be compliant with the EBA SREP Guidelines. It was agreed that the final comments and recommendations for further SREP enhancement would be prepared in a few weeks and agreed in writing.

The final expert mission in Component 1A was held on **8 March, 2023**.

It was mostly dedicated to the discussion of the NBU draft regulation on ILAAP. The draft of the document was prepared based on the recommendations and comments provided by the experts during previous meetings and discussions. During that mission, STEs provided additional recommendations which would enable the NBU supervisory team to finalize the document in line with the best European practice and relevant EU regulating documents.

Experts also provided their recommendations on the evaluation of Settlement Risk and made a presentation on stress-test practice. Participants of on-line meeting had a vivid Q&R session and exchanged with their views on all remaining issues relevant to the content of that Component.

A visit to Lietuvos bankas, which was carried out on **21–22 February 2023**, was aimed at sharing practical aspects of implementation and functioning of different supervisory tools and methodologies, including SREP methodology focused on ICAAP and ILAAP, approaches for organizing and implementing SREP process in Lithuania.

The NBU team was given a short review of the organizational structure of Lietuvos bankas, with

a particular focus on the prudential units and the specifics of their interaction, the methods and frequency of obtaining information from banks, the process of banks assessment and supervisory programs (enforcement measures and recommendations) based on SREP results. Supervisory approaches to assess banks' ICAAP and ILAAP (processes and reports) as well as practical aspects for P2R and P2G determination were also presented. The mission provided an overall understanding of the approaches to the supervision process in accordance with EBA procedures and methodologies. The exchange of practical experience enabled the NBU team not only to compare the approaches of Lietuvos bankas with the current approaches of the NBU, but also consider the possibility of introducing new approaches in the supervisory process and helped understand what practical aspects and implementation features should be taken into account.

Component 2B

The mission, which was carried out on **24–25 January 2023** in on-line format, was dedicated to further support of the NBU in developing the functional specification of the model for processing instant payments in Ukraine. During the mission, the NBU colleagues made a comprehensive presentation on the details of the draft functional specification of the Ukrainian Instant Payment System prepared by the NBU team based on previous discussions, information and expertise provided by the experts, main requirements and business processes for the selected model for processing instant payments in Ukraine. The presentation was followed by the discussion of general comments to the draft of Ukrainian IPS functional specification provided by STEs and representatives of the Krajowa Izba Rozliczeniowa (KIR SA) and Giro Zrt. During a lively Q&A session, participants of the on-line meeting discussed additional questions prepared by the NBU with respect to the draft of Ukrainian IPS functional specification.



A visit, which was held on **14–17 February 2023**, was aimed at getting the NBU colleagues acquainted with the instant payments architecture in Poland and Hungary.

During the visit to Poland, experts of Narodowy Bank Polski provided the NBU team with extensive information about the Bank's structure, functions of Payment Systems Department, a review of Polish payment market, particularly the role of instant payments systems and their peculiarities, future plans and challenges. The NBU representatives also visited the Head-office of KIR SA, Warsaw, where they were presented with the information about the role of the national clearing house in the payment market of Poland and the practical aspects of functioning of instant payment system Express Elixir. Experts also shared the information about the future plans of development of systems of KIR SA. During the visit of the NBU team to Hungary, experts of Magyar Nemzeti Bank presented the information about its structure, the role and specific features of the GIRO instant payments system in the Hungarian payment market. The NBU representatives discussed the initiatives of introduction of instant payments system in Ukraine with experts of the Division of payment infrastructure and payments of MNB. They also discussed in detail practical aspects of functioning of the GIRO Instant Payments System, its liquidity management, the model of interaction between the system and its participants, participation of non-bank payment services provides, future plans and prospects of development of payment systems in Hungary. The NBU representatives also visited the Head-office of GIRO Zrt., Budapest, and familiarized themselves with the role of that automated clearing house in the Hungarian payment market as well as practical aspects of functioning of GIRO Instant Payments System.

Component 3C

The mission in that Component, which was carried out on **23–24 January 2023** in on-line

format, was dedicated to further enhancement of the NBU systematic approach to strategic planning and process management. During the mission, a MS Component Leader from Lietuvos bankas and NBU Component Leader for Component 3C discussed in detail the open issues and preparations for the forthcoming events, particularly, the Expert forum on strategic management in public institutions. Then the participants of the meetings discussed issues related to process management, in particular:

- ◆ process management maturity assessment,
- ◆ CBOK 4.0 impact on methodology changes,
- ◆ automation initiatives at Lietuvos bankas.

They also held a thorough discussion of STEs' recommendations in the area of process management (KPI, documentation, architecture).

The Expert forum on strategic management in public institutions was hosted by the NBU on **2 February 2023**. Representatives from the central banks of Poland, Lithuania, Portugal, and the OECD took part in the meeting to share their experience on strategic planning, business process management, and performance management with Ukrainian public institutions. More than 100 participants from 15 institutions represented Ukraine at the forum. The Expert forum was opened by welcome speeches of the Component leaders introducing the event, its purpose and expectations from it. Then seven presentations were delivered by prominent speakers on the following topics:

- ◆ "Implementation of the strategy of the National Bank of Ukraine in war time" and sharing the process of strategic development at NBU while war started;
- ◆ "Futures and foresight – tools for strategic institutional planning in public sector" where the speaker touched very important issues of current development of innovations in different areas of public sector and the main drivers for it;



- "Focusing on Development of Financial Sector in Response to Geopolitical Turbulence" which presented practical case of Lietuvos bankas on strategic goals in capital market development;
- "Strategic institutional planning – key challenges for consideration" which emphasized the importance of implementation of strategies, and not only the preparation of strategic documents;
- "Strategic Planning and Tools in Poland's Preparation for the EU Membership" in which familiarized the audience with Polish experience, practical aspects and key elements which should be taken into account and followed when organizing the whole process of EU membership;
- "Strategic development – key lessons on strategic planning and performance management in the United States of America" which got acquainted the participants with the construction of the process of selecting strategic priorities in the USA and its major elements;
- "A risk appetite framework for Central Banks" where the audience was given an overview of the framework for strategic risk assessment and management used in Bank of Portugal.

During the panel discussion, a survey was conducted among the forum participants to get familiar with their vision of strategic development and practical cooperation between Ukrainian government agencies. Based on this feedback, the NBU would continue to work on the updated Strategy for Ukrainian Financial Sector Development until 2025. The participants of the event also discussed the application of the foresight approach in public administration and shared their practical experience in using specialized strategic planning tools such as the OECD/SIGMA Strategy Toolkit, OPSI Toolkit Navigator, and others. The recommendations provided during the discussions would contribute

to updating the methodology of medium-term strategic planning in Ukrainian public institutions, taking into account the short-term priorities of their work.

Component 4D

The general objective of the mission, which was carried out on **13 December 2022** in on-line format, was to continue the discussion on various aspects of preparations for the Expert forum for the central banks of the Eastern Partnership and candidate countries to be held at the beginning of February 2023 in Poland. The discussion was focused on the following issues:

- thematic scope of the agenda,
- categories of participants and types of institutions they are to represent,
- list of panelists to be invited; potential scope and structure of their interventions;
- possible visibility activities;
- organizational and technical issues.

As a result of the mission, the date of the forum was set (February 7, 2023), the draft agenda and the venue of the meeting (Warsaw) were agreed as well as the list of potential speakers and moderators. Visibility activities accompanying the forum were discussed and preliminary decisions were taken in this respect.

A visit to Lietuvos bankas, which was carried out on **18–19 January 2023**, pursued the aim of sharing practical aspects of international cooperation, including European Integration issues. In particular, the NBU's team was informed about the responses of Lietuvos bankas to the challenges on different stages of European integration in terms of prioritization of goals and process management. Practical information regarding the EU law transposition process was shared, as well as aspects of cooperation with the ECB SSM, EBA, EIOPA, and ESCB/Eurosystem were discussed. Organizational changes of LB and structural changes of the international relations units were also presented. In addition, LB colleagues



shared their experience in the preparation for the Baltic Executive Directorship period at the IMF showing how effectiveness of processes and division of responsibilities could successfully compensate limited resources. The practical cases of coordination and preparation for international events were discussed and the approach for technical assistance was described. The mission gave the NBU team an overall understanding of scope of international division's work in a central bank of the EU member state, which would allow the NBU to be more prepared within the process of Ukraine's accession to the EU.

The Expert forum for the central banks of the Eastern Partnership and candidate countries was held on **7 February 2023** in Warsaw. The event was attended by experts from central banks of Ukraine, Moldova, Georgia, Montenegro, Albania, Turkey, the Northern Macedonia, as well as representatives of EU Member States' central banks of Poland, Lithuania, Croatia, Germany, Belgium, Spain, Sweden, and the European Commission. The main objective of the event was to discuss challenges and best practices of strengthening the international cooperation function of central banks with a special focus on the European Integration. The event was also dedicated to promoting the achievements of the activities performed within the Component 4.

The agenda of the forum comprised the following issues:

1. Overview of the Component 4 and its main achievements;
2. Preparations for the membership of the EU/ ESCB – role of the central bank (first panel);
3. Technical cooperation in a new geopolitical reality (second panel).

The Component Leader and his NBU counterpart made an overview of the Component 4, its characteristics, main goals, benchmarks and achievements. The next panel was devoted to the issue of preparations for

the membership of the EU and the European System of Central Banks. The discussion covered preparation for and participation in accession negotiations and the main achievements and challenges on the path to the EU and the ESCB seen from the perspective of the central bank. During the second panel discussion, the NBU speakers presented the bank's approaches and priorities in technical cooperation issues given the new geopolitical reality. The expert forum proved to be a very useful platform for sharing practical experience and information among a wide range of participants from central banks of candidate countries, associated countries and Member States. Presentations were comprehensive and informative, discussions – open and inspiring. Most of discussants shared a widespread view that the EU institutions should consider offering additional support mechanisms for Ukraine on its EU membership path. For instance, the ESCB could be engaged in an EU-funded programme for the NBU similar to the one offered for the Western Balkans.

The Expert forum was the final, "crowning" event in Component 4.

Component 5E

The expert mission which took place on **17–18 January 2023**, in on-line format, was further dedicated to the support to the NBU in the early phase of approaching SEPA.

During epy on-line meetings with the NBU colleagues, the experts made an introductory presentation on access of Account Servicing Payment Service Providers to European Union Clearing and Settlement Mechanisms. The presentation was focused on a scheme reachability requirements and the solutions allowing to achieve SEPA Scheme reachability. The solution of achieving SEPA pan-European reach (STEP2-T system) was presented on the basis of the Polish example, as well as pros and cons of other possible solutions on achieving access to STEP2-T system. Experts



also delivered detailed information on liquidity management for processing of SCT and SCT Inst payment orders, charges and fees for processing of SEPA payments.

The NBU representatives presented information on the progress of the project of implementation of SEPA payments in Ukraine. The discussion focused on challenges concerning introduction of SEPA payments by commercial banks in Ukraine.

STEs presented a detailed information on card payments solutions and cards standards in the European Union, payments innovations, in particular, regarding SEPA schemes and standards relevant for payments. An overview of innovations on SEPA (SEPA Proxy Lookup scheme, SEPA Request-to Pay Scheme, SEPA Payment Account Access Scheme, standards for Mobile initiated SEPA (instant) credit transfer) focusing on description, standardization issues and status were provided.

STEs discussed plans to implement SEPA with the NBU experts and gave their suggestions and remarks.

The fourth mission in that Component was held on **27–28 February 2023** in on-line format. During on-line meeting with the NBU, STEs made a presentation "Instant SEPA payments - Remarks to EC legislative proposal" and provided information on ongoing works on EC proposal on amendments to Regulation 260/2012 (SEPA end-date). The EU Presidency proposals, suggestions and clarifications, as well as opinions of chosen banking representatives (Polish Banks Association, European Banking Federation and European Central Bank) were presented in detail. Experts also focused on gaining access to TARGET system with detailed information on the architecture of TARGET platform and services offered on it. STEs answered questions raised by the NBU experts on timeframe of processing euro instant payments as well on requirements on TARGET accession. The NBU colleagues,

in their turn, provided information on ongoing process of adherence to SEPA and broadening SEPA geographical scope to Ukraine including obligations and opportunities of Ukraine–EU integration. Experts discussed proposals regarding the ways to achieve connectivity to European payment infrastructure and advised Ukrainian experts to consider the use of the intermediation service provided by one of the commercial banks. There were two possible solutions considered by the Ukrainian experts to achieve access to SEPA infrastructure: the first option was to create own Ukrainian CSM but with no complete clarity so far as to how to make it compliant with SEPA and provide liquidity in euro, and the second option – to connect to the European infrastructure through an EU intermediary.

STEs also presented in detail:

- ▶ the role of EACHA on payment market as an association of European ACH focused on technical cooperation between clearing houses;
- ▶ practical aspects of participation of KIR S.A. in EACHA association. In addition, an interoperability framework for associated ACHs was explained and an example of KIR S.A. cooperation with other ACH on the basis of EACHA framework was presented;
- ▶ information on ongoing and planned changes in STEP2-T system that might allow for processing of SCT payments in near real time mode;
- ▶ the role of CSM (Clearing and Settlement Mechanism) on processing SEPA payment orders which was explained on the Polish example;
- ▶ the potential ways of connection of Ukrainian infrastructure to European payments infrastructure, as well as advice on the possibility to achieve access to European payment infrastructure using the experience of Croatia;



- information on the Polish solution on processing cross-border SEPA payments, clearing, settlement and legal basis for cooperation between NBP and KIR S.A. regarding the settlement in the TARGET2-NBP system of euro denominated payment orders cleared in the Euro Elixir system, banks charges on payments, ACH profit model and the rules of reimbursement to NBP fees payable for processing of euro denominated payment orders.

Bearing in mind that it was the final mission, STEs offered Ukrainian colleagues further help and support on issues covered by that Component.



Steering Committee Meeting No. 7

The Project's Steering Committee Meeting No. 6 was held on 22 December 2022 in on-line format. During the meeting Interim Quarterly Report No. 6, which covered the period of 1 July 2022 – 30 November 2022, was presented. It was mentioned that the full-scale invasion had still a significant impact on the Project's planned activities during that period.

The presentation contained:

- a detailed description of the activities carried out during the reporting period (seven missions, SCM No.6, two Side Letters),
- relevant statistics on missions and man-days consumed in every component from the start of the Project in October 2020 and during the reporting period,
- a comprehensive information on current achievements of mandatory results and progress review by each sub-component,

- information about the changes in Component 2B with respect to the reduction of man-days, the respective decision to have a full-scale (three day) mission in January 2023 and expected savings in that Component,
- communication and visibility activities during the reporting period which were, again, significantly affected and constricted by current situation,
- conclusions and recommendations.

The Report was supplemented with Financial report for the reporting period, which provided the participants with accumulated financial data of the Project for the period of 1 July 2022 - 30 November 2022, the percentage of budget consumption broken down by components and the Project's accumulated savings which could be available to fund some off-line activities within the Project, if needed.





Then, Rolling Work Plan No. 6 was presented to the participants. The presentation contained information on the following aspects:

- ✦ horizontal issues and activities planned for the remaining part of the Project till 31 March 2023,
- ✦ major activities planned for the forthcoming period in each component, missions and other events to be performed, in on-line format, STEs and the NBU experts to be involved, RTA and RTA Assistants to be working remotely,
- ✦ the focus of activities in each Component including, inter alia: Expert Forum on strategic planning for public institutions in Component 3C, and Expert Forum on best practices in handling EU integration and international cooperation of central banks in Component 4D,
- ✦ quantitative aspects of activities including the percentage of man-days already consumed and planned for each Component till 31 March 2023,
- ✦ information about human resources engaged, with a total number of STEs within the Project reaching 40 and more than 60 NBU experts involved,
- ✦ a brief outline of selected risks with the emphasis that the war continued to be the predominant risk factor,

- ✦ Communication and Visibility related issues and events, in particular, the final event to be held in Poland in March 2023 (the alternative – hybrid or on-line format),
- ✦ the last Steering Committee Meeting planned to be held in Poland in March 2023.

The above information was supplemented with the financial aspects of Rolling Work Plan No.6 for the period until 31 March 2023, total budget planned and estimated accumulated expenses by each category as well as short explanations of budgetary changes related to relocation of some activities and engagement of new experts.

Based on the information and documents presented during Steering Committee Meeting No.7 and discussions held, the Steering Committee Members decided to approve Interim Quarterly Report No. 6 for the period of 1 July 2022 - 30 November 2022 and Rolling Work Plan No.6 for the period of 1 January 2023 - 31 March 2023.