the Financial Sector Stability Assessment (FSSA) report (IMF Country Report No. 03/340) was considered by the Executive Board on May 14, 2003. The observance of the following standards and codes was assessed: Basel Core Principles for Effective Banking Supervision; Code of Good Practices on Transparency in Monetary and Financial Policies; CPSS Core Principles for Systemically Important Payment Systems; OECD Principles for Corporate Governance; Accounting and Auditing Practices; World Bank's Principles and Guidelines for Effective Insolvency and Creditor Rights System; and AML/CFT Methodology.

A further update mission visited Ukraine between June 11–22, 2007 and July 9–20, 2007. The observance of the following standards and codes was assessed: Basel Core Principles for Effective Banking Supervision; and IOSCO Core Principles of Securities Regulation. An updated Financial Sector Stability Assessment (FSSA) was considered by the Executive Board as part of the 2008 Article IV consultation.

X. ROSCS

A Data ROSC Module was conducted in April 3–17, 2002, and was considered by the Executive Board on August 5, 2003 (IMF Country Report No. 03/256). A Fiscal Transparency Module (experimental) was issued in September 1999, and an update in April 2004 (IMF Country Report No. 04/98).

XI. SAFEGUARD ASSESSMENT

An update safeguards assessment of the NBU was completed on April 16, 2009 in connection with the Stand-By Arrangement that was approved on November 5, 2008. The assessment concluded that the NBU continues to publish externally audited financial statements and has strengthened aspects of its safeguards framework since the 2004 assessment, in particular the internal audit function. However, the ongoing economic crisis has significantly increased the NBU's financial and operational risks and independence has been impaired in the past by ad hoc legislation. A weak governance structure, lack of independent audit oversight, and non-transparent decision-making add further safeguards risks. To address the reputational concerns caused by the non-transparent decision-making, an external review of the NBU's liquidity support and foreign exchange operations during the fourth quarter of 2008 was recommended and subsequently conducted by Ernst & Young Kiev. Enactment of legal revisions were proposed to strengthen independence and the governance structure, provide for independent audit oversight, and ensure consistency in the financial reporting. To safeguard data integrity and compliance with program definitions during the arrangement, the NBU Internal Audit Department agreed to review the monetary data at program test dates and formally report its findings to the Fund.

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International Monetary Fund
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IMF Completes Second Review Under Stand-By Arrangement with Ukraine and Approves US$3.3 Billion Disbursement

The Executive Board of the International Monetary Fund (IMF) completed today the second review of Ukraine's economic performance under the two-year Stand-By Arrangement (SBA), and approved the immediate release of the third tranche under the arrangement equivalent to SDR 2.12 billion (about US$3.3 billion). This will bring total disbursements under the SBA to SDR 7 billion (about US$10.9 billion).

With the completion of this review, the Executive Board also approved the modification of a performance criterion on the fiscal deficit in response to a broadening of the fiscal deficit target to include the deficit of Naftogaz.

The SBA with Ukraine was approved on November 5, 2008 in an amount equivalent to SDR 11 billion (about US$16.4 billion; see Press Release No. 08/271).

Following the Executive Board discussion, Mr. John Lipsky, First Deputy Managing Director and Acting Chair, said:

"Financial stress has eased in recent months and Ukraine's current account is adjusting rapidly. At the same time, the fall in output is more pronounced than expected, which has necessitated further significant policy adjustments. The revised economic program continues to seek to mitigate the effects of the global crisis, restore confidence in the banking system, and preserve fiscal sustainability, while protecting the most vulnerable segments of the population.

"To cushion the impact of the sharper economic contraction and to reflect the imbalances of the state gas company Naftogaz, the revised economic program targets a broadened fiscal deficit. Corrective fiscal measures and structural reforms are a priority to ensure fiscal sustainability and to avoid crowding out of private sector borrowing. The authorities have reduced nonpriority expenditures as well as taken a number of steps to restore viability in the