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# Ukraine's \$11.4 billion bank robbery

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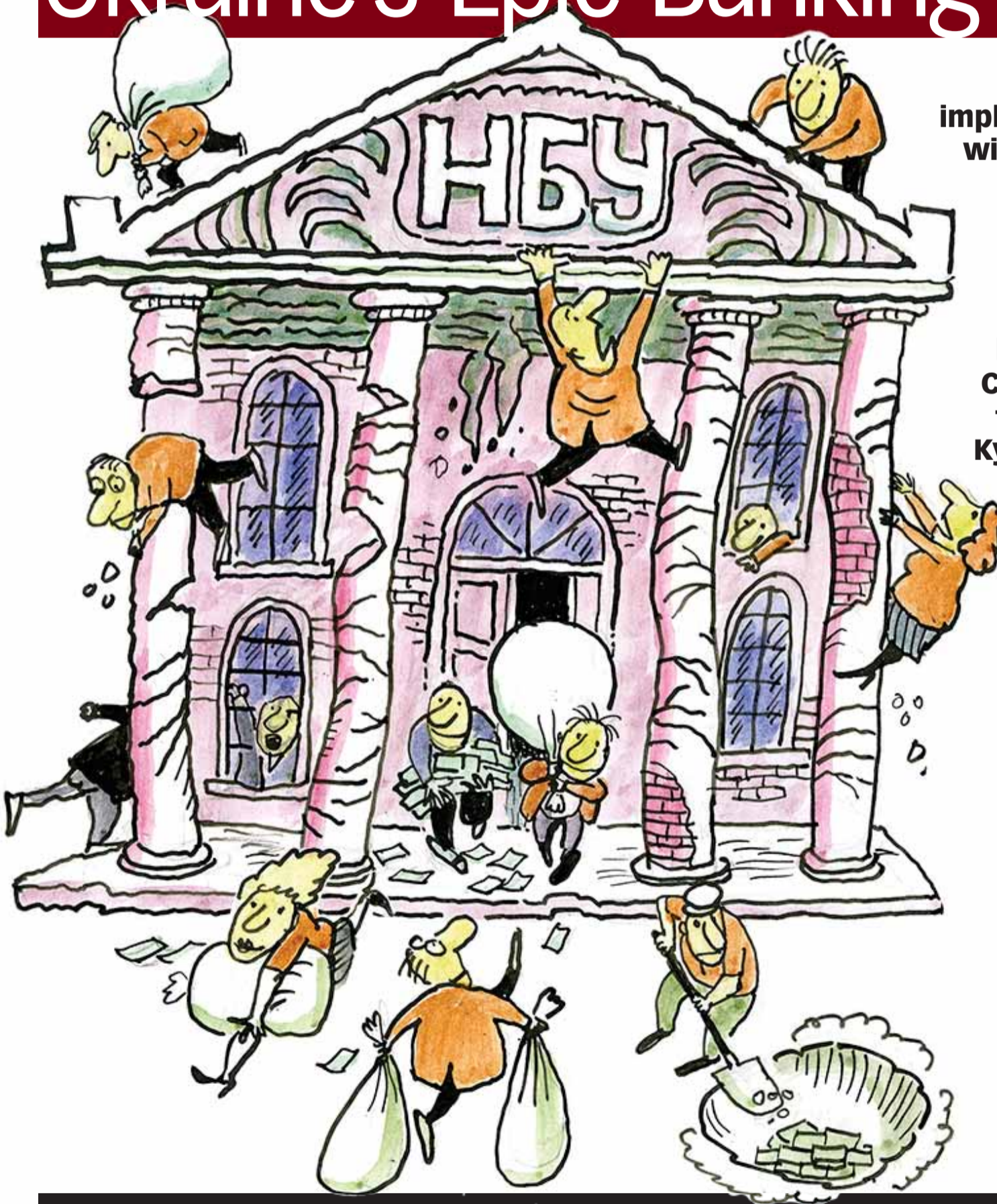
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INDEPENDENCE. COMMUNITY. TRUST

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## Ukraine's Epic Banking Disaster



Ukraine's banking sector imploded on greed and fraud, with losses of at least \$11.4 billion since 2008. Yet no one has been convicted of financial crime and authorities are moving slowly to recover the lost money in civil courts. Can it happen again? Read this special edition of the Kyiv Post and today's Legal Quarterly supplement on banking.



The Kyiv Post's 10<sup>th</sup> Legal Quarterly is devoted to the banking industry. A special Business Focus inside expands on the theme. Special coverage is on pages 6-11. The cover, by artist Anatoliy Vasilenko, depicts the historically troubled National Bank of Ukraine that Governor Valeria Gontareva is trying to right.

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# Parubiy's political journey from revolutionary to Rada speaker

BY **OLGA RUDENKO**  
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Twice a month, Andriy Parubiy makes one of the longest commutes in Ukrainian politics.

He travels for seven hours by car between Kyiv, where since April he has been parliament speaker, and his family home in Lviv in western Ukraine, where his wife and daughter live. He hasn't bought or rented a home in Kyiv, preferring for the last nine years to live in a parliament-funded hotel room.

Although a veteran of Ukrainian politics since 1988, Parubiy was rarely in the political limelight. He came to prominence during the EuroMaidan Revolution, but paid a dear price for it: As commander of the self-organized defenders of the protesters camp, he saw dozens of his comrades shot dead by riot police and unidentified snipers.

"I always have a feeling that I should have died with them," Parubiy says in a subdued voice as he sits in a back room of his office on the second floor of the Verkhovna Rada, Ukraine's parliament.

His days now are a far cry from the EuroMaidan routine. His office of several rooms is typical for a top-level official: spacious, impersonal, with eggshell-paint walls and dull landscape paintings. A glossy white iMac towers over his desk, while a much smaller, inexpensive-looking black laptop peeks out from behind it.

Parubiy has only been here since April, when he became speaker of the Rada, succeeding Volodymyr Groysman, who became prime minister. Before that, Parubiy occupied the cozier office of a deputy speaker on the same floor.

He has his interview with the Kyiv Post in the back room, which has only a sofa and a few chairs.

It was in this room, Parubiy said, that he first heard the suggestion that oligarchs be appointed as govern-



Speaker of Ukrainian parliament Andriy Parubiy talks to the Kyiv Post in his office in Verkhovna Rada on June 21. (Anastasia Vlasova)

nors in several oblasts in 2014. Back then he was outraged by the idea.

## Oligarch influence

Today, he probably hears of oligarchs more than ever, but if he's still outraged, he doesn't show it. Reports by Ukrainian media suggest that some of the most notorious oligarchs, including billionaire Ihor Kolomoisky, retain their influence on parliament. But Parubiy says that they don't impair the reform work.

"I have reason to believe that some oligarchs have representatives in the Verkhovna Rada," he says. "But at the same time, this parliament hasn't failed a single test in the fight with the oligarchy."

He said that he met Kolomoisky two years ago, but has never been in contact with him since he became deputy speaker in 2014. He sidesteps a question about the alleged influence of oligarchs on Vidrodzhennya, 23 lawmakers who sometimes vote with the governing coalition on key issues.

"Every other decision by parliament has a different mosaic of support," he says. "It would be unfair to say that every time there's some sort of horse-trading behind it. It would be unfair to speak about things I don't know about."

## Defining moment

Parubiy was a 13-year-old boy in Lviv, when one day his father called him up to the attic of their house.

There, making sure they weren't overheard, his father told him a great, exciting secret: Everyone in their family used to be in the Ukrainian Insurgent Army.

The army, known as UPA, was a resistance movement fighting against the Soviets in western Ukraine. By

the end of the 1950s, the resistance had been defeated. Many of its members were exiled in Siberia - including relatives of Parubiy.

For a teenager in 1984, learning about the family's ties to a resistance movement was a watershed moment, and a patriotic awakening. In a way, Parubiy was ready to continue the cause of the UPA: He was sure that one day he would have to fight a war for Ukraine's independence.

Then independence came, bloodlessly, in 1991.

But that formative episode could explain why as a professional politician, Parubiy so readily threw himself into the revolutions of 2004 and 2013-2014, taking on grueling roles such as a commander of protesters' defense fighters, while his peers were just making speeches from the stage.

Moreover, the future revolutionary was an obsessive reader who grew up in the literary worlds of O. Henry, Mark Twain and, especially, Jack London - whose stories championed fortitude and courage in harsh circumstances.

## Branded a radical

Parubiy started his political career as an anti-Soviet activist in the last years of the doomed union. In 1991, he co-founded the Social-National Party. Thirteen years later it was rebranded as Svoboda, a nationalist party that was briefly a force in the Ukrainian parliament in 2012-2014.

Parubiy left the party even before it became Svoboda, but the labels of nationalist and radical have stuck. Some publications go as far as accusing him of sympathizing with Nazism - which he strongly denies.

"They don't have anything on me, so the only thing they can do is hyperbolize my patriotism," he says.

His early political career, the 1990s and early 2000s, was spent in Lviv, serving on the city and oblast councils.

He participated in the 2004 Orange Revolution, which overturned the fraudulent election of Viktor Yanukovich and brought Viktor Yushchenko to the presidency. In 2007 he was elected to parliament with Yushchenko's party Nasha Ukrayina (Our Ukraine).

But over the years his political position has changed: he first switched from Nasha Ukrayina to former Prime Minister Arseniy Yatsenyuk's Front for Change, then to Yulia Tymoshenko's Batkivshchyna, and finally, after the EuroMaidan Revolution, he ended up with Yatsenyuk again in the People's Front. After the party's success in the 2014 election, he was made deputy speaker of the Verkhovna Rada.

After the revolution, he spent five months as the head of the National Security and Defense Council, confronting the challenges of the early period of Russia's war against Ukraine.

"When I was saying, ever since the 1990s, that Russia was the main threat to Ukraine, they called me a radical," Parubiy says.

Now his dream is to see Ukraine join both NATO and the European Union. Then, he says, the country will be safe and he could retire and write adventure books for teenagers.

## Today's challenges

On July 5, the Verkhovna Rada will start its last two-week period of daily meetings before taking a summer recess in mid-July.

Drama is expected in these next days of plenary meetings: Lawmakers will be asked to lift immunity from prosecution from lawmaker Oleksandr Onishchenko, who is suspected of embezzling money from a state enterprise. His arrest is sought by prosecutors. Parubiy said he expected parliament to support the decision.

Another key decision is about to be postponed until the next session - the law on elections in the occupied territories of the Donbas. The elections are part of the Minsk peace deal, but top Ukrainian officials, including Parubiy, argue that elections are impossible until there is a full ceasefire. Russian-backed separatists in Donetsk have threatened to hold elections themselves if parliament doesn't pass the law before summer break.

And away from the Rada, other troubles hang over Parubiy. Every day, as he walks the short distance to parliament from the Kyiv Hotel, where he has lived in the same room since 2007, he is reminded of the EuroMaidan protesters killed in this street and nearby.

No one has faced justice for these murders. Parubiy blames incompetent and possibly corrupt prosecutors for sabotaging the cases.

"I feel like I will never make peace with that," he says. "But if we had to go through it again... It was the right thing to do. No one knows what would have happened if we hadn't stopped Yanukovich." ■

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# Two new parties form as liberal camp splits

BY OLGA RUDENKO  
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A large group of liberal politicians, activists, and former top officials critical of the country's current leadership are finally making an attempt to bring a reform-minded, liberal, democratic government to power.

But they aren't forming just one new political party. They're forming two. And the split hasn't been clean.

Leading liberals, like Sergii Leshchenko, Mustafa Nayyem, Viktor Chumak, Vitaliy Kasko and many others had long been expected to unite into a new party. But the group has now split in two over disagreements about leadership. Some from the liberal camp said they wanted to limit the influence of Odesa governor and ex-president of Georgia Mikheil Saakashvili on the new party. The rest, on the contrary, wanted to center the new force around him.

## Jumping the gun

After Saakashvili, his associates, and like-minded politicians and officials toured Ukraine with their Anti-Corruption Forums early in the year, no one doubted that a new party was in the making.

It was at these forums that Saakashvili, a former classmate of President Petro Poroshenko, who was recruited by the head of state in 2015 to take the helm of the turbulent Odesa Oblast, began to speak critically of his patron's policies.

Talk of a new party was rife in the ensuing months. It rose in volume in early spring, as the parliament coalition broke up and the previous government teetered and fell, threatening an early election. But a political crisis has since been staved off, and the shaky coalition in parliament is saved - at least for the moment.

Nevertheless, the participants in Saakashvili's forums and like-minded activists were scheduled to meet in Kyiv on June 29 to talk about a new party.

But a day earlier around a dozen members of the movement held a separate meeting, excluding supposed allies like Leshchenko and Nayyem, and announced they were starting a party without them.

The rest of the liberal camp was taken by surprise.

"They did it to outpace us," Leshchenko said. "They knew about our meeting and met a day earlier, on purpose."

## The Saakashvili factor

According to Leshchenko, the reason for the split is that he and several of his supporters didn't want the new party to be centered around one leader - Saakashvili.

Chumak, one of the founders of the party that announced its creation on June 28, says that Saakashvili was the one who had inspired it.

"This whole thing wouldn't be happening without Saakashvili," Chumak said. "He will be supporting us."



Sergii Leshchenko (L) and Mustafa Nayyem, lawmakers with the Bloc of President Petro Poroshenko, talk in the Verkhovna Rada on May 20, 2015. (UNIAN)

Saakashvili, however, can't take an active role in the new party, as his newly-acquired Ukrainian citizenship doesn't give him the right to run for parliament for another four years.

Some argue that the ambitious Georgian will instead use the new party to win himself the highest position that a new citizen can take - prime minister.

And that could well be popular with voters: Political consultant Volodymyr Fesenko, the head of the Penta political research firm, says that the promise of Saakashvili as prime minister is the trump card of the new party.

"Of course they will campaign on it," Fesenko said. "It's the strategy that was successfully used by the People's Front and Arseniy Yatsenyuk in 2014, and before that by Yulia Tymoshenko. They need Saakashvili."

According to Chumak, the split was also driven by differing views on the future party's ideology.

"They want to be liberals, while we want a compromise between liberalism and socialism," Chumak said. "In a country so poor, pure liberalism will never win. We want to engage a broader audience."

## Paying for change

The "Saakashvili party" will be registered by October, according to Chumak. Among its founders are politicians and ex-officials that have run afoul of the current leadership of the country.

Chumak was a lawmaker with the Poroshenko Bloc faction in parliament, but was expelled from parliament for criticizing the bloc. Kasko and Davit Sakvarelidze were deputies of the prosecutor general and investigated corruption in the prosecutor's office. Both were fired, and became the subjects of criminal investigations themselves.



Odesa Oblast Governor Mikheil Saakashvili speaks at an Anti-Corruption Forum on Dec. 23 in Kyiv. (Anastasia Vlasova)

Another member, Denys Brodskiy, is a well-known HR professional who in 2014 agreed to lead the reform in the State Agency of Public Service, but quit a month later after a quarrel with then Prime Minister Yatsenyuk.

Chumak said that the new party would be funded by donations from "normal, non-oligarch businesses." He said that before the party was announced - and before the split - he had already had some 30 meetings with business owners who want to support the party.

"We need to form a pool of donors who will pay for change - not for places on a party list," Chumak said, referring to the common practice of Ukrainian businessmen of buying their way onto party lists, and thus into parliament, so as to enjoy political influence and immunity from prosecution.

## Window for cooperation

Chumak also said that he still expects the other group of liberals to join the new party.

there still was space for cooperation with their breakaway former partners.

"Our differences are in our methods, not our goals," Nayyem wrote in a post on Facebook on June 29.

But instead of giving up their positions and joining the "Saakashvili party," the excluded activists are forming one of their own.

Over a dozen of them are joining forces with Democratic Alliance, a grassroots party led by Vasyl Gatsko. Democratic Alliance was registered in September 2011, but has only ever won two seats - on the Kyiv City Council in 2014.

With the help of the activists that didn't fit into Saakashvili's new force, Gatsko will rebrand and relaunch Democratic Alliance as a "new" party of right-wing liberals.

The core of the rebranded party includes lawmakers Leshchenko, Nayyem, Svitlana Zalishchuk, Victoria Ptashnyk, and an activist Valeriy Pekar. Some of them were members of an unofficial parliamentary alliance of progressive lawmakers called the EuroOptimists.

On June 29, the group invited several dozen potential members of the party to a closed meeting in Kyiv. Since it will be based on Democratic Alliance, their "new" party will not have to undergo the registration process, unlike Chumak's party.

The first party convention will take place on July 9.

But it may be a while before the new parties see the verdict of the voters, as the next scheduled election isn't for three years. However, with a flimsy coalition ruling in parliament, there is still an outside chance of an early election.

In an interview with Ukrainian television's 112 channel earlier in June, Leshchenko said that a right-wing liberal party could win 10 percent of the vote in a parliamentary election - double the 5 percent minimum that a party needs to win seats in the Verkhovna Rada. Gatsko is even more optimistic: He thinks it could come first.

"There's no point in doing it if we're not doing it to win," Gatsko said. ■



Then-Ukrainian prosecutors Davit Sakvarelidze (L) and Vitaly Kasko at a meeting of the Verkhovna Rada's anti-corruption committee on July 16. (Volodymyr Petrov)---

Editorial

# Banking mess

This is clearly the best National Bank of Ukraine in the nation's history. Governor Valeria Gontareva's team wins the award hands down for professionalism, strategy, responsiveness and transparency.

But for all the justified praise, let's be honest: it wasn't a high bar and these central bankers still need to be more transparent about how they regulate the sector and clean up the mess they inherited -- one that has caused at least \$11.4 billion in losses since 2008.

The Gontareva group could also use a dose of humility and adopt a less defensive stance, although she and her team have been unfairly attacked in oligarch-owned media.

While people don't blame this NBU for the collapse of the banking sector, the institution still appears to be a group of insiders running the sector for insiders, rather than the public that always pays the price for fraud and mismanagement.

One simple fact shows what a den for thieves Ukraine's banking sector had been: Before the post-revolution changes in 2014, not even the central bank -- the supposed regulator -- knew who owned most banks.

Regulation was weak under President Viktor Yushchenko, the former central bank chief, and became even weaker under President Viktor Yanukovich, whose decision to flee for Russia on Feb. 22, 2014, must have been motivated not only by the EuroMaidan Revolution but also because he knew the financial house of cards he created was collapsing. President Petro Poroshenko is no innocent here -- he spent more than 10 years on the central bank's governing board between 1999 and 2012.

Another simple fact shows that this fraud could happen again: Nobody has been punished in criminal or civil court despite \$3 billion in taxpayer-insured losses and \$5.2 billion in uninsured losses plus another \$3.2 billion in unrepaid refinancing loans due the central bank.

Admirably, laws now require transparency in bank ownership, legal responsibility by bank owners for fraud and stronger regulations to prevent related-party -- or insider -- lending, the preferred method of stealing.

But these are not enough.

Criminal prosecutions are required - and don't give us the excuse that more than 3,000 cases were sent to the General Prosecutor's Office and nothing happened. Of course, nothing happened. The 18,000-member prosecution service protects corruption rather than punishes it. Gontareva should have used her clout to push lawmakers to create special teams of financial crime prosecutors, investigators and courts. She would have run into resistance, of course, because many of those with deadbeat loans are members of parliament.

The NBU is not the only party to blame. With the criminal avenue is blocked, authorities from the state-financed Deposit Guarantee Fund should have filed many more civil lawsuits seeking seizure of assets and civil judgments. If things keep going this way, the nation will be lucky to recover 5 percent of the lost or stolen loot.

The banking regulators are also hiding behind "banking secrecy" is a sacred commandment. The public's right to know how this debacle happened and who is to blame outweighs secrecy claims.

Therefore, the central bank and Deposit Guarantee Fund should publish a public registry of deadbeat borrowers. It should also publish a public registry of all loans taken out by state-owned banks Oschadbank and UkrExImbank, historical piggy banks for politicians.

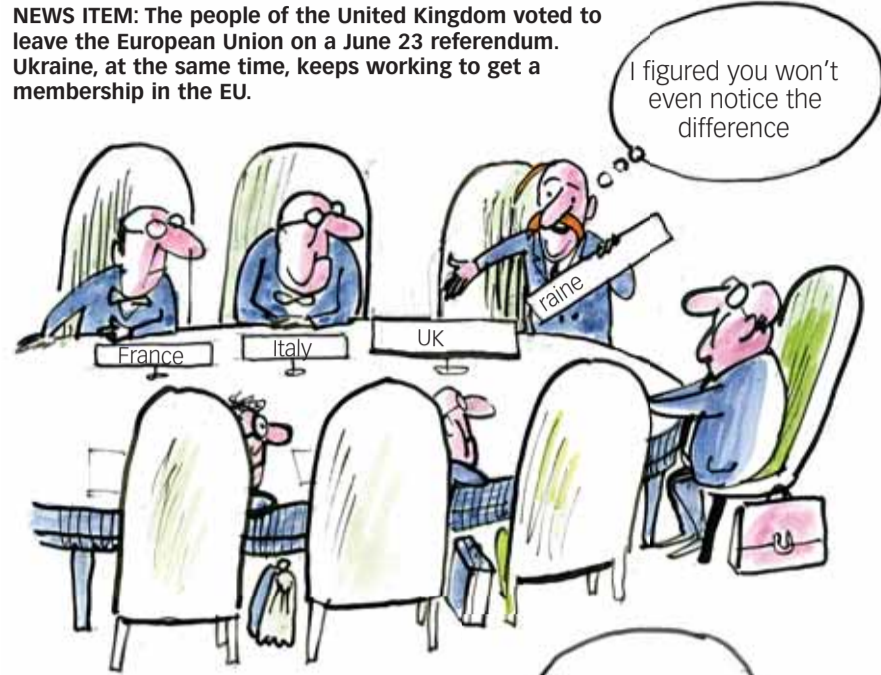
Additionally, the central bank should be more transparent about the refinancing conditions that existing banks are receiving. For instance, with billionaire Igor Kolomoisky's PrivatBank accounting for 20 percent of the sector's assets of more than \$50 billion, we would imagine his portfolio of non-performing loans and related-party insider lending are quite high. The public deserves to know this - and also whether he or any other bank got favored treatment in refinancing.

Also, the tsunami of banking failures that took 77 out of 180 banks out of the market exposed critical flaws in the lengthy process of liquidating insolvent banks -- gaps that allowed many insiders to fleece sinking banks because regulators acted too weakly, too slowly and not in unison. Such crimes only increased the public's costs. Stronger, swifter action is needed to prevent looting in the future, even if it means stronger legal powers for regulators.

Unless those who commit bank fraud are convicted or have their stolen assets seized, this fraud can and will happen again.

In the meantime, we welcome NBU moves toward risk-based supervision and hope that the shakeout in the sector continues. It seems clear that the nation's current economy cannot support much more than the top 20 banks which constitute 88 percent of the sector today.

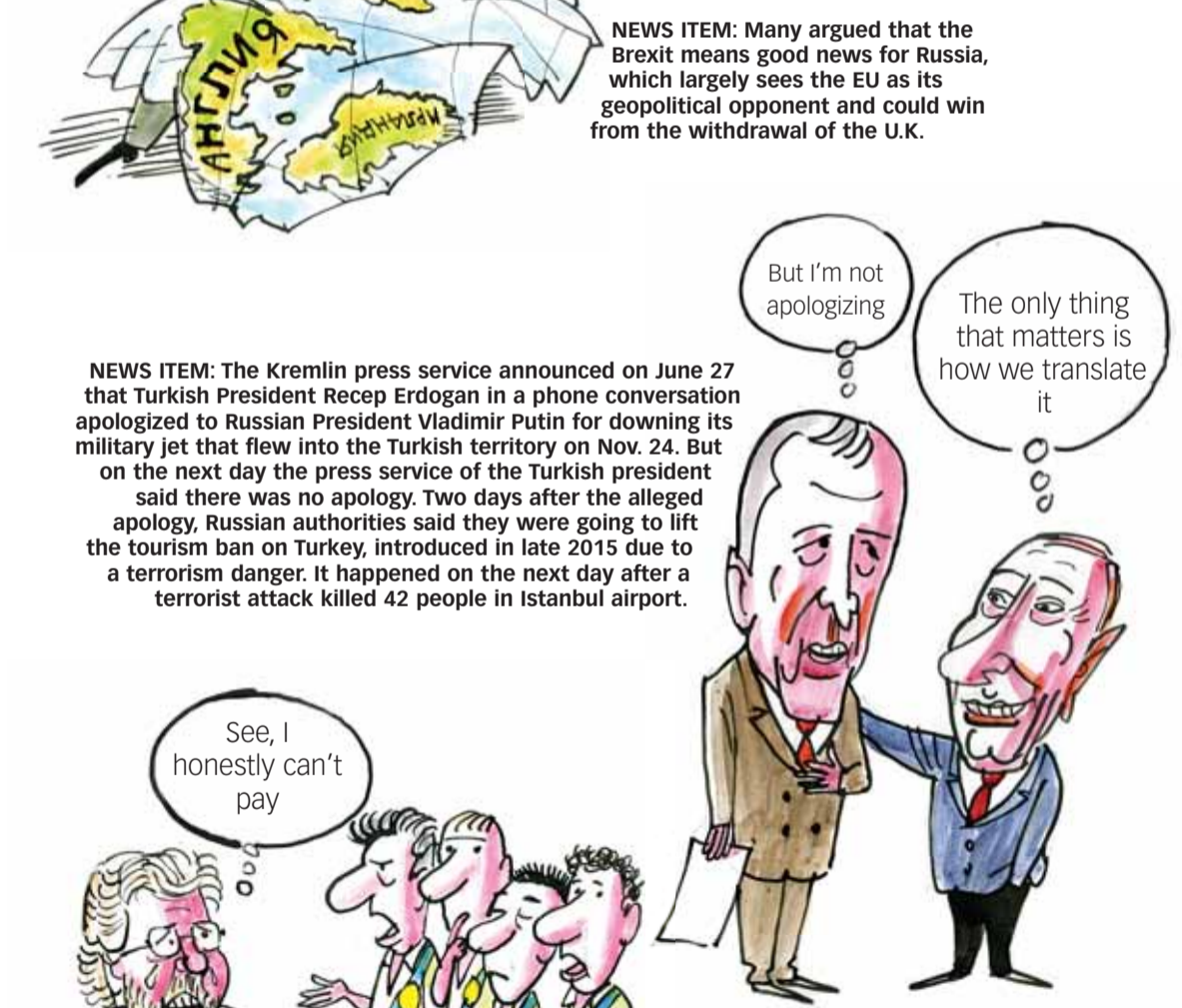
**NEWS ITEM:** The people of the United Kingdom voted to leave the European Union on a June 23 referendum. Ukraine, at the same time, keeps working to get a membership in the EU.



**NEWS ITEM:** On June 24, Russian parliament adopted a package of laws known as the Bills of Yarova after their initiator lawmaker Iryna Yarova. The bills, labeled by media "the harshest legislation in post-Soviet history," enable the authorities to revoke Russian citizenship for working for international organizations or for failing to report certain crimes, and to send people to jail for social media posts.



**NEWS ITEM:** Many argued that the Brexit means good news for Russia, which largely sees the EU as its geopolitical opponent and could win from the withdrawal of the U.K.



**NEWS ITEM:** The Kremlin press service announced on June 27 that Turkish President Recep Erdogan in a phone conversation apologized to Russian President Vladimir Putin for downing its military jet that flew into the Turkish territory on Nov. 24. But on the next day the press service of the Turkish president said there was no apology. Two days after the alleged apology, Russian authorities said they were going to lift the tourism ban on Turkey, introduced in late 2015 due to a terrorism danger. It happened on the next day after a terrorist attack killed 42 people in Istanbul airport.



**NEWS ITEM:** Football club Dnipro was banned from the European championships for one season because of the club's salary debt to its former coach. The Dnipro owner, billionaire oligarch Ihor Kolomoisky argued that the club needs to stop paying high salaries for bad results, citing the recent failure of the national team at the UEFA Euro 2016 in France, where several members of Dnipro played.

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**Reformer of the week****Gizo Uglava**

Gizo Uglava, the first deputy head of the National Anti-Corruption Bureau, has overseen the launch of the bureau jointly with its chief, Artem Sytnyk.

Uglava oversaw an anti-corruption drive in Georgia as a deputy prosecutor general from 2009 to 2012, and seeks to transplant these practices into Ukraine.

The bureau on June 29 searched the house of Konstantyn Kulik, the chief military prosecutor of the war zone, and filed a notice of suspicion against him in an unlawful enrichment case.

Earlier this month, the bureau also submitted a request to parliament to arrest lawmaker Oleksandr Onyshchenko, who is accused of running a \$3 billion (\$120 million) embezzlement scheme.

The National Anti-Corruption Bureau and anti-corruption prosecutors have since arrested 11 other suspects in the embezzlement case.

— Oleg Sukhov

**Anti-reformer of the week****Viktor Danylyshyn**

Viktor Danylyshyn, a Kyiv Administrative District Court judge, is infamous for, on dubious grounds, exempting from dismissal under the lustration law several top officials who served under ex-President Viktor Yanukovich.

The Civic Lustration Committee said last week that the Higher Qualification Commission for Judges would vet Danylyshyn and two other judges of his court, Ihor Kachur and Volodymyr Keleberda. Kachur and Keleberda have also ruled in favor of lustrated officials.

Danylyshyn and yet another judge of Kyiv's Administrative District Court, Bohdan Sanin, could themselves be subject to lustration because they banned rallies in Kyiv during the 2013-2014 EuroMaidan Revolution. Sanin has become the court's official spokesman, Radio Liberty reported on June 29.

Pavlo Vovk, head of the court, is also controversial because of his meetings with lawmaker Oleksandr Hranovsky, an ally of President Petro Poroshenko who is accused of interfering with the judicial system.

— Oleg Sukhov

**VOX populi**

WITH NATALIE VIKHROV



A group of members of parliament and former prosecutors, including Vitaliy Kasko, have announced they will be forming a new political party. Meanwhile, lawmaker Sergii Leshchenko of the Bloc of President Petro Poroshenko announced the creation of a new democratic political force in Ukraine this week.

**Does the nation need new political parties because the old ones are so discredited?****Serhiy Syrovatka**

PR consultant

Timing is good, but even if they win the election, here most parties that win elections aren't

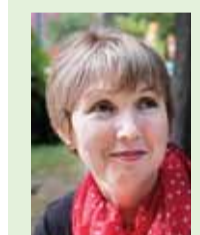
trusted. The old parties have discredited the notion of parties, so these people, as soon as they become parties, will lose trust from the Ukraine people. The question is, will they be able to do anything?

**Bohdan Herasimow**

IT administrator

"In my opinion, people are currently choosing the best option out of the not so good

options that exist. In terms of new parties, we need to change the overall concept, instead of details. You can create new parties and that might distract people from the general mess in the parliament but I don't think it would change anything..."

**Olha Babash**

HR manager

"I think it's not a good time to form new parties. We need to unite. We need to get behind one idea. The parties we have

now have been around for a long time, so I trust them."

**Maksym Kolyadenko**

Ph.D. student

"I think it's timely. I don't trust the old parties. There is no trust in the old parties."

**Marucia Maruzhenko**

Marketing

"I don't think it's a good time to start new political parties because there is war

in Ukraine... I don't trust the old parties, I think they've discredited themselves. The old parties need to stop discrediting themselves and do something good, but we don't need new parties."

# Ukraine's corruption sullies ties with West

**SERGII LESHCHENKO**

The honeymoon between Ukraine and the West has ended. Sluggish reforms and a failed fight against corruption have done their job: Europeans are tired of our country.

The main problem lies in the fact that Europe's fatigue from Ukraine is influencing the internal processes of Germany, the undisputed leader of the European Union. German Chancellor Angela Merkel is forced to deal with the growing dissatisfaction with sanctions against Russia on her own.

In June, the second most important person in German politics, Foreign Minister Frank-Walter Steinmeier, called for reconciliation with Moscow. This statement indicates a split in the local elite, which will automatically lead to further loss in Ukraine's position. Steinmeier turned out to be incapable of dealing with reality when his party of Social Democrats rapidly began losing support amid increasing strength of the left-wing and anti-migrant party Alternative for Germany. In order to reverse this, the Social Democrats began incorporating more pro-Russian rhetoric of their opponents. Also, Steinmeier continues to be influenced by his former boss, the ex-chancellor Gerhard Schröder, who now works at Gazprom.

The next elections to the Bundestag will take place in about a year. Ukraine has joined the list of issues of the election, forcing Europeans to increasingly wonder why they must sacrifice economic interests when Kyiv proves incapable of meeting expectations. Why should taxpayers in Baden-Württemberg be forced to provide financial support to the incompetent Ukrainian government, which isn't ready to fight corruption and collect its due from its oligarchs?

In addition, Berlin is frustrated with Ukraine's foot-dragging on the implementation of the Minsk agreements. Torn apart by internal problems, German leaders would like to close at least one front—the Ukrainian one. They make pleas to bring Minsk to life in order to convince voters of their effectiveness.

Ukraine fatigue, now weighed upon the Germans, will last a while. The political situation will not be getting any better. In half a year, Steinmeier will probably run for the German presidency, and in order to strengthen his support among leftist pro-Russian forces, he'll only increase his anti-Ukrainian rhetoric. After that, Germany will turn to the election campaign to the Bundestag, and the



German Chancellor Angela Merkel talks to Ukrainian Prime Minister Volodymyr Groysman ahead of a joint press conference at the chancellery in Berlin on June 27. (AFP)

question of relations in the Berlin-Moscow-Kyiv triangle will become key in the positions the parties take. If the Social Democrats create a coalition with the left forces and the Greens, a shift in the whole German political line towards Russia will be guaranteed.

Besides Germany, France will also hold presidential elections next year. A change of the Dutch government is possible as well. Right now, pro-Ukrainian forces lead these countries, even if it doesn't always seem this way from Kyiv. With a departure of President François Hollande in the midst of Nicolas Sarkozy's pro-Russian rhetoric and the direct financing of Marine Le Pen from Russia, Ukraine may find itself in a new reality in which pro-Russian groups dominate key European nations.

The only ones that deserve to be blamed for this are the president, parliament and our government, which have proven incapable of waging open war against corruption. Instead, Ukraine celebrates the anniversary of the beginning of "deoligarchization" with an unprecedented swindle.

In the energy sector, billionaire Rinat Akhmetov and other figures receive additional profit thanks to absurd coal pricing: a quotation in Rotterdam along with the cost of delivery to Ukraine. The reality though is that the coal is coming from the occupied territories of Donbas and going to the thermal power stations of eastern Ukraine, with-

out going to Rotterdam or even Odesa. Like this, about \$1 billion will go to Akhmetov and other schemers sitting under the wing of the lawmaker Ihor Kononenko.

A cooling of relations with the West would mark the point of no return for the current Ukrainian government, simply because it has nowhere else to borrow money for survival. The help of Brussels and Washington on the anti-corruption front would be priceless if it were used to punish criminals and if hard sanctions were imposed against shady figures.

When Berlin became a center of culture and music after German reunification in the 1990s, it was often described as "poor but sexy"—say, even though we're poor, we're cool. Just as this, honesty must absolutely become "sexy" in Ukrainian politics. Such are the laws of history: Ukrainian thieves aren't lucky to live in the era of social networking, online publications and total transparency. It's only a matter of time before they're doomed to fall. The generational change will happen much faster than it may appear to those who love to reach into the pockets of the state.

Sergii Leshchenko is a lawmaker with the Bloc of Petro Poroshenko and a former journalist. This op-ed was originally published in Russian in *Novoye Vremya* magazine and reprinted with permission. Translation by Thomas Phillipoff. ■

# Banking

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# CEO: Oschad will not be politicians' piggy bank

BY ILYA TIMTCHENKO  
TIMTCHENKO@KYIVPOST.COM

Andriy Pyshnyy, the CEO of state-owned Oschadbank, Ukraine's second largest bank, says that his goal is to make the bank profitable again.

That would be quite an accomplishment, considering the bank's history of recording only losses. Nevertheless, Pyshnyy says that if everything goes well, the bank will make a Hr 300-400 million (\$12-16 million) net profit this year.

The main reason for the bank's poor performance is that it has been a pocket bank for lawmakers for years, just like the other two state banks in Ukraine, Ukreximbank and Ukrzazbank.

While former President Viktor Yanukovich was in office, the bank was financially drained by people such as Yanukovich himself, Serhiy Arbuzov, Yuriy Kolobov, Oleksander Leshynsky, and Andriy and Serhiy Klyuyev, the bank's CEO said.

But some say it developed a reputation as the prime minister's "piggy bank" while Ukreximbank catered more to the friends of the president in power.

## Political deadbeats

Pyshnyy, a former member of parliament, says that the previous administration didn't work to develop the state bank at all.

"They abandoned it," Pyshnyy said during an interview with the Kyiv Post on June 6.

He said that 96 percent of the bank's credit portfolio was placed with big corporate businesses and that successive administrations had not invested in its various branches across the country.

"Most of the corporate loans that were given out were currency credits," resulting in about a fifth of the bank's loans becoming problematic in the wake of the crash of the hryvnia.

Pyshnyy said that Oschadbank has already sent a number of cases to law enforcement agencies on borrowers who did not repay loans.

These include: Urozhay, an agriculture company in Sloviansk that owes around Hr 2 billion; Pivdenzahidshlyahbud and Stroyuplavleniye No. 813, road construction companies that together owe at least Hr 1 billion; and Kreativ, an agroholding company which must repay more than \$300 million.

But these are only some of the cases on Oschadbank's long list of deadbeat loans. Pyshnyy will not talk about some of the cases, such as that of Bank Mykhailovskiy, referring to



An Oschadbank employee serves a customer at one of its Kyiv branches. The bank's CEO, Andriy Pyshnyy, says that a strategy to make the state bank profitable will concentrate on smaller businesses and better customer service. (Kostyantyn Chernichkin)

bank secrecy. The now-defunct Bank Mykhailovskiy, owned by Viktor Polishchuk, is believed to have borrowed money from the state bank to build the Gulliver shopping mall, located in the center of Kyiv.

Pyshnyy refused to say if his bank gave any loans to build the Gulliver mall and whether Polishchuk repaid them. Polishchuk has been accused by National Bank of Ukraine Governor Valeria Gontareva of falsifying the bank's balance sheet by Hr 1.1 billion and said that he and the bank's CEO, Igor Doroshenko, face five years in prison if convicted of fraud. However, despite more than \$11.4 billion in bank losses stretching back to 2008, nobody has been prosecuted for bank fraud. Attempts to reach Polishchuk or Doroshenko were unsuccessful.

"There are questions that I cannot discuss because of banking secrecy," Pyshnyy said.

## Publicizing 'blacklist'

The Kyiv Post asked whether the bank would be willing to provide a list of deadbeats so that taxpayers would know why their money is being used to refinance a state bank.

"Why not?" Pyshnyy said. "I think that we could collaborate with our colleagues from the National Bank of Ukraine on this... I think this blacklist would be a proper evaluation and response."

The central bank carried out an inspection over

almost six months, completely analyzing the credit portfolio of the bank to see whether there were any abuses.

"As a result, all of the information regarding possible abuses that were identified are at present with the regulator," Pyshnyy said. "And all of the corresponding statements for each such case where there were offences have been submitted to law enforcement."

## Bank remodeling

But to become profitable again, Pyshnyy doesn't want to wait until all of the court cases are settled. Instead, he is remodeling the bank to make it look more European and more customer service oriented.

One of his first decisions was to give a Western image to the bank, investing in branding, and to make relatively quick-fix changes, such as buying 1,000 payment terminals and installing them at at least 320 bank branches.

Soon there will be

internet and mobile banking services as well.

When it comes to long-term goals, the bank has prepared a rigorous modernization plan for the next two years in collaboration with global audit firm PriceWaterHouseCoopers.

The strategy, which was approved in February 2015, consists of 100 projects, a third out of which are already completed, and most of which will be completed by the end of this year, Pyshnyy said.

But the overall scale of the changes required at the bank is massive.

"We're basically doing open heart surgery on a bank with 4,500 branches, 32,000 employees, working on the front line of the war in the east, and solving problems that have to do with the damage done to the bank by the occupation and annexation of Crimea," Pyshnyy said.

## Russia factor

Oschadbank lost at least \$600 million due to Russia's annexation of Crimea alone. Pyshnyy expects the figure to be much higher once a more detailed estimate is performed.

"Altogether the losses in Crimea were worth 30 percent of our capital, which the state had to compensate -- and it did," Pyshnyy said.

Because of Russia's war, non-performing loans and the hryvnia devaluation, the state bank had to be refinanced. During the last six months the bank has returned more than Hr 15 billion of its refinancing credit, out of a Hr 20 billion liabilities portfolio, the CEO said.

"For the first time since 2008, the bank has started to return refinancing credits," Pyshnyy said. He said he expects to pay everything back ahead of schedule.

## Retail, business loans

One of the reasons for the bank's current success is that it is putting a lot of effort into rebooting its retail banking business, where small- and medium-sized enterprises are a priority.

"About a year ago you had to wait up to 30 days in some cases in order to open an account. Today, our key performance indicator is 24 hours," Pyshnyy said.

The bank would like to expand its lending program for smaller businesses, especially in the agriculture and energy efficiency sectors. In collaboration with the government, the state bank is giving out "warm-credits" to Ukrainians to heat insulate their apartments to reduce energy use. The loans can be subsidized by up to 40 percent by the government.

But today, Ukraine's smaller businesses account for no more than 10 percent of the country's gross domestic product -- far less than in typical developed economies.

To fix this, there must be more educational and socially-oriented programs in working with smaller businesses to expand Ukraine's middle class, Pyshnyy said.

Some bankers in the Ukrainian market say that state banks like Oschadbank should concentrate on retail and savings banking, and not engage in corporate banking at all.

But while he is planning to place more of an accent on smaller businesses, Pyshnyy is not prepared to cut out the corporate banking services altogether.

"Oschadbank should work as a successful commercial bank, with an accent on small and medium business, and with the maximal commercial effectiveness in its branches," Pyshnyy said. "Don't pigeonhole us."

## State vs. private

Pyshnyy says that there is no major difference between state and private banks.

"Right now they are mainly different because they have different systems of corporate administration."

The corporate administration of a Ukrainian state bank is formed by a 10-person supervisory board. Five of the members are appointed by the prime minister and the rest by the president.

"But from the point of view of the mission and goals, Oschadbank should not be different at all," Pyshnyy said. "Why? Because our function is to make money."

He also says that it is a common misconception that the bank receives money from the state budget to pay its salaries, rent office space and give out as credits. In reality, as the owner of the bank, the Ministry of Finance can refinance it through the state budget by issuing bonds.

The government fulfills the same obligations as any shareholder, he said. "It doesn't matter if it's privately owned or state-owned."



Oschadbank CEO Andriy Pyshnyy speaks with the Kyiv Post on June 6. (Volodymyr Petrov)

# Russian banks in Ukraine: Why are they still here?

BY YULIANA ROMANYSHYN  
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Even though Russia's war against Ukraine is in its third year, banks with Russian ties have managed to avoid sanctions in this nation, unlike other Russian-owned businesses.

The seven Russian banks in Ukraine own nearly 15 percent of the banking sector.

Four of them – VTB, Prominvestbank, Sberbank and Alfa Bank – are among the top 20 banks in the country in assets, according to the National Bank of Ukraine.

This makes them important enough for regulators not to want to kick out, in defiance of protests about their presence by Ukrainians.

Several branches of Russian banks have been attacked by nationalist groups since the war began. Ukrainians have also actively removed deposits from Russian-owned banks, prompting some of them to re-brand to not overtly advertise their ties to Russia.

National Bank of Ukraine Governor Valeria Gontareva, for one, doesn't see a problem with Russian-owned banks operating in Ukraine. She says they are needed for financial stability, but would obey any order from the National Security and Defense Council to shut them down.

"VTB is facing very specific sanctions. It doesn't prohibit them from operate locally. They have their correspondent accounts in the USA and Europe. The prohibitions prevent them from borrowing on the international markets more than 90 days," Gontareva told the Kyiv Post. "To prevent financial instability, we treat them equally with all other banks. Of course, we are regulators, not political animals here. If our security council decides these banks should not be on our territory, we will react accordingly."

## No effect from sanctions

The strongest include VTB, Prominvestbank and Sberbank, with its subsidiaries VS Bank and BM Bank. All were launched with Russian state capital. Two other strong players are Alfa Bank and Forward Bank, which were set up with private Russian capital.

Despite their obvious Russian roots, they weren't subject to the Ukrainian sanctions introduced in September 2015, as they are registered as Ukrainian enterprises. European Union and U.S. sanctions also don't apply to the subsidiaries.

"Legally they are registered as subsidiaries of Russian banks, and, in some cases, as subsidiaries of international banks, like Alfa Bank (belonging to Russian billionaire Mikhail Fridman's ABH Holdings, registered in Luxembourg), so sanctions do not apply to them," said Inna Zvyagintseva, an analyst at Adamant Capital.

But that doesn't mean these banks are in the clear, as the European Union and U.S. sanctions often apply to their parent banks based in

Russia, said Sergey Fursa, an investment banker at Dragon Capital. "The sanctions may influence the possibility of their parent banks in Russia to refinance them," he said.

Russian journalist Karina Orlova reported on June 24 in The American Interest that Andrey Kostin, the CEO of VTB, this month met with members of the U.S. Congress and Barack Obama's administration to discuss sanctions imposed on Russia, and VTB in particular. VTB is the largest Russian bank, 60.9 percent of which belongs to the Russian government.

In Ukraine, at the behest of the central bank, these banks' parent companies have increased their authorized capital. After being fully capitalized in 2016, the indebtedness of the banks with Russian state capital decreased by 12 times compared to 2015, the central bank reported recently.

For instance, the Ukrainian branch of Russia's biggest bank, Sberbank, doubled its capital to \$328 million in 2016. According to Sberbank's press service, this was done by converting previously received interbank loans into authorized capital.

"The Russian banks are now fully capitalized. If you look at their balances, they just have loans and capital, and very few obligations," NBU Deputy Governor Kateryna Rozhkova told online news website Liga.net on June 1.

## Too big to nationalize

Financial institutions with Russian state capital are subject to controls by the NBU, Gontareva said in parliament on Feb. 5, because of the war. Besides being made to increase capitalization, banks with Russian capital have been subject to stress tests and reviews since mid-2014.

"Today, in the banks with Russian state capital, there is Hr 26 billion (\$1.04 billion) on the accounts of commercial customers, and Hr 22 billion (\$880 million) on the accounts of private entrepreneurs.... We cannot nationalize 15 percent of our banking system," Gontareva said.

## Stay or leave?

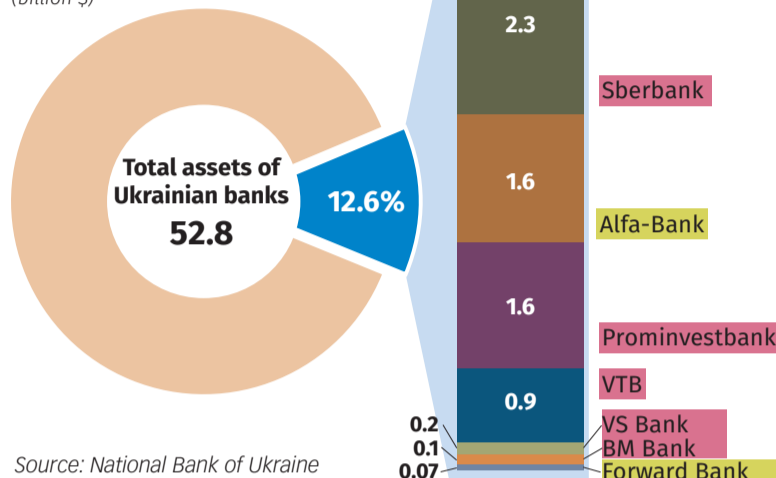
Still, doing business in a country where many citizens now have a dim view of anything Russian is not an easy task for these banks. Some, like Sberbank and Forward Bank, have rebranded to de-Russify themselves (Sberbank used to be Sberbank of Russia, and Forward Bank used to be Russian Standard Bank.)

The only Russian bank to fail during the economic upheaval in Ukraine was Petrocommertz-Ukraine and that may have been as much to do with bad management and its opaque ownership structure as any other factor.

The bank previously belonged to Russia's Petrocommertz, which was launched by Russia's Lukoil oil company.

However, the bank underwent a murky change of ownership in March 2015 and was declared insol-

Ukrainian banks with Russian capital ranked by assets (as of April 1)  
(billion \$)



Source: National Bank of Ukraine

Despite Russia's war against Ukraine, Russian-owned banks are operating without restrictions in Ukraine and account for 12.6 percent of the sector's estimated \$52.8 billion in assets, according National Bank of Ukraine.

vent by the central bank in April 2016. An interim administration was appointed, and the bank is to be liquidated over the next two years.

Other Russian banks, like VTB, plan to sell and get out. The problem is there are no buyers.

"Of course, everyone wants to sell their banks and forget about Ukraine, but currently they have no ready buyers," said Fursa. He added that simply closing their Ukrainian subsidiaries is not an option for them, as it would be a very severe blow to their reputations.

## What's in a name?

One stark sign of the harsh business climate in Ukraine for Russian-owned banks is the attacks suffered by some bank branches following Russia's annexation of Ukraine's Crimean peninsula.

In recent incidents, the offices of Alfa Bank and Sberbank were trashed in Lviv and Kyiv by mobs of nationalists on Feb. 20 – the second anniversary of the mass murder of EuroMaidan activists by snipers from behind police lines in Kyiv.

But less radical Ukrainians have been showing their disapproval simply by taking their business elsewhere: Over two years, the share of individuals' deposits in Ukrainian banks with Russian capital has decreased from 9.3 percent to 5.8 percent, while for companies it has dropped from 8.3 percent to 3.3 percent, the central bank reported on April 20.

Sberbank tried to stanch the outflow of deposits by rebranding, and to a certain extent, it worked. After dropping the "of Russia" from its name in November 2015 and undergoing recapitalization, the bank halted the decline.

"At one point at Sberbank there was an outflow of deposits – people were taking out their money for political reasons, and the bank had problems with liquidity," said Adamant Capital's Zvyagintseva. "But after additional refinancing, the situation is stable now, and they have retained

much better than the competition," Sberbank of Russia CEO German Gref said in a recent statement.

Some of that competitors does plan to leave. After reporting a loss of \$180 million in 2015, VTB has declared it is looking for a buyer for its subsidiary in Ukraine.

"Of course, working here is quite difficult for them," the central bank's Rozhkova said. "But I do understand that they're trying to find investors. Moreover, there are investors who are interested in them."

Meanwhile, one of the banks with Russian private capital, Alfa Bank, is strengthening its position in Ukraine. In a recent asset exchange between its holding company, Alfa Group's ABH Holdings, and Italy's UniCredit Bank, Alfa Bank took control of UniCredit Bank subsidiary UkrSotsbank, while UniCredit Bank got a 9.9 percent stake in Alfa-Bank's share capital.

The deal made Alfa Bank the fourth biggest bank in Ukraine in terms of assets, after Privatbank, Oshchadbank and Ukreximbank.

But Alfa Bank's strengthening might be a special case.

The bank is unlikely to come under Russia-related sanctions as it has no official Russian affiliation. Its parent, Alfa Group, is registered in Luxembourg. It claims to be an international banking group, with subsidiaries in Belarus and Kazakhstan.

The other Russian banks can't claim such status, and will have to sit out the crisis in Ukraine until the economy recovers and potential investors start to raise their heads, Zvyagintseva said.

"In the next couple of years, they will have to work here. They're not going to disappear," she said. ■

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# BG Bank steals from sinking ship

BY YULIANA ROMANYSHYN  
ROMANYSHYN@KYIVPOST.COM

The last months of existence were busy for scandal-plagued BG Bank.

It was hemorrhaging money with a complicated ownership structure that many trace to ex-Party of Regions lawmaker Artem Pshonka, the son of fugitive ex-Prosecutor General Viktor Pshonka. Both of them fled Ukraine shortly after their patron, ex-President Viktor Yanukovich, did. Both Pshonkas are wanted on criminal charges for abuse of office.

But someone got rich on the way out — and authorities gave them plenty of time, at least six months, to do so.

The National Bank of Ukraine declared it a problematic bank in the summer of 2014 and put it under its supervision. A temporary administrator from the Deposit Guarantee Fund was appointed in November 2014. It was shut down for good on Feb. 26 2015.

There was nothing left to save by then.

By this time, BG Bank sold domestic state bonds worth \$4.7 million for just \$350 and allegedly stole a €3.5 million out of a €4.6 million loan from the European Investment Bank assigned to it from the Ministry of Finance. It was meant to pay for an overhead transmission line.

Critics say that the central bank failed to prevent the fraud, which should have been visible.

The final buyer of the domes-

tic state bonds turned out to be Investment Capital Ukraine, the finance group formerly owned by National Bank of Ukraine Governor Valeria Gontareva.

Nashi Hroshi, a team of investigative journalists which televises its findings, showed how BG Bank conducted that financial transactions and where the money went.

The Bank of Georgia sold BG Bank in 2011. After that, it twice went through rebranding, changing its name from Pershiy to BG Bank.

## State bonds fraud

In October 2014, BG Bank was owned by a chain of offshore companies registered in Cyprus.

In the same month, a new management was introduced, but served only for 15 days.

Chairman Andriy Osypenko and his deputy Vadym Dratver, who had no previous experience in banking, conducted a handful of transactions.

One of them stands out: Buying domestic state bonds for \$4.7 million and then selling them to a private company for \$350. The bonds were resold several times and ended in the Investment Capital Ukraine finance group, co-founded by Gontareva. She left in 2014 to become central bank governor and was not involved with the company during this transaction.

"We should get to the bottom of the problem — those weren't some random people from the street who came and bought securities for a ridiculous price," Oleksiy Mushak, a lawmaker with the Bloc of President Petro Poroshenko told the Kyiv Post.

The stock exchange company Terra Invest was the first buyer, getting the state bonds from BG Bank for \$350, or a 0.007 percent of their price.

Terra Invest resold the bonds for \$6,000 to Kalyna Trade, a company with a founding capital of just \$180 that is conducting wholesale trade of fruits, grain and other goods. In its turn, Kalyna Trade sold the bonds for \$4.5 million to the Investment Capital Ukraine.

The ICU conducted the transaction through the Settlement Center. According to the Managing Director Kostyantyn Stetsenko, ICU has never done business with Kalyna Trade.

Acting Deputy Chairman of the central bank Kateryna Rozhkova said to the journalist of Nashi Hroshi that the resale of the state bonds "has violated all the existing rules," but they didn't stop it.

Valentyna Dyka, the central bank curator assigned to BG Bank, was responsible for monitoring



Ex-Party of Regions lawmaker Artem Pshonka, son of ex-Prosecutor General Viktor Pshonka, in parliament on June 20, 2013. The Pshonkas, close allies of ousted President Viktor Yanukovich, are in exile and wanted on suspicion of financial crimes. (UNIAN)

## BG Bank dirty path to liquidation



### February 2014

The bank's unofficial owner, Artem Pshonka, son of the fugitive Prosecutor General Viktor Pshonka, flees Ukraine



### June-August 2014

The bank, which works under a curator from the National Bank, introduces limits on cash withdrawals and transactions with cards. The bank can not take deposits.



### September 2014

BG Bank receives a loan of €4.6 million from European Investment Bank, signed by the Deputy Finance Minister Vitaliy Lisovenko



### October 2014

Bank sells assets — land, real estate, and domestic state bonds of \$4.7 million for \$350



### November 2014

An interim administration takes over.



### February 2015

The bank is declared as insolvent.



### February 2018

BG Bank is liquidated.

Sources: Nashi Hroshi investigative TV Show, National Bank of Ukraine, Finance Ministry

and reporting all suspicious transactions. But Dyka didn't notify the central bank about the sale. Soon, she resigned from the central bank.

The central bank says it didn't pay attention to the bond sale immediately because BG Bank had no restrictions on working with securities. By the time that the National Bank noticed the sale, the transaction had noticeably changed the BG Bank's balance significantly for the worse.

The authorities have opened three criminal proceedings against BG Bank employees who carried out these transactions. The investigators refused to reveal the names of the defendants, appealing to the secret pre-trial investigation. The only one known case is against bank's former deputy chairman, Dratver, who is wanted for abuse of power.

## Losing the state debt

Back in 2012, when BG Bank was in better shape, the Finance Ministry under Yanukovich appointee Yuriy Kobolov, now a fugitive from Ukraine on corruption charged, selected it to be the recipient of a €4.6 million loan from the European Investment Bank. The loan was meant to allow the state-owned Ukrenergo to build a new overhead transmission line.

It got the money in July 2014,

when BG Bank was already in trouble and had been placed under NBU restrictions. It had had limits on cash withdrawals for several weeks and banned from accepting deposits, and had a curator assigned by the central bank.

Despite signs of imminent collapse, current Deputy Finance Minister Vitaliy Lisovenko directed the loan to the BG Bank. Several months later, the bank went bankrupt, and the loan was gone.

Ukrenergo got only €1.1 million out of promised €4.6 million before the BG Bank collapsed. The company expects the rest to be compensated by the state in 2016. Lacking €3.5 million is already budgeted, thus, Ukrenergo waits as soon as it comes through "the bureaucratic procedures."

Before directing the money to the BG Bank, Lisovenko asked the central bank if the bank could fail, but the central bank refused to respond, citing the bank secrecy, according to National Bank of Ukraine spokesman Leonid Muzykus.

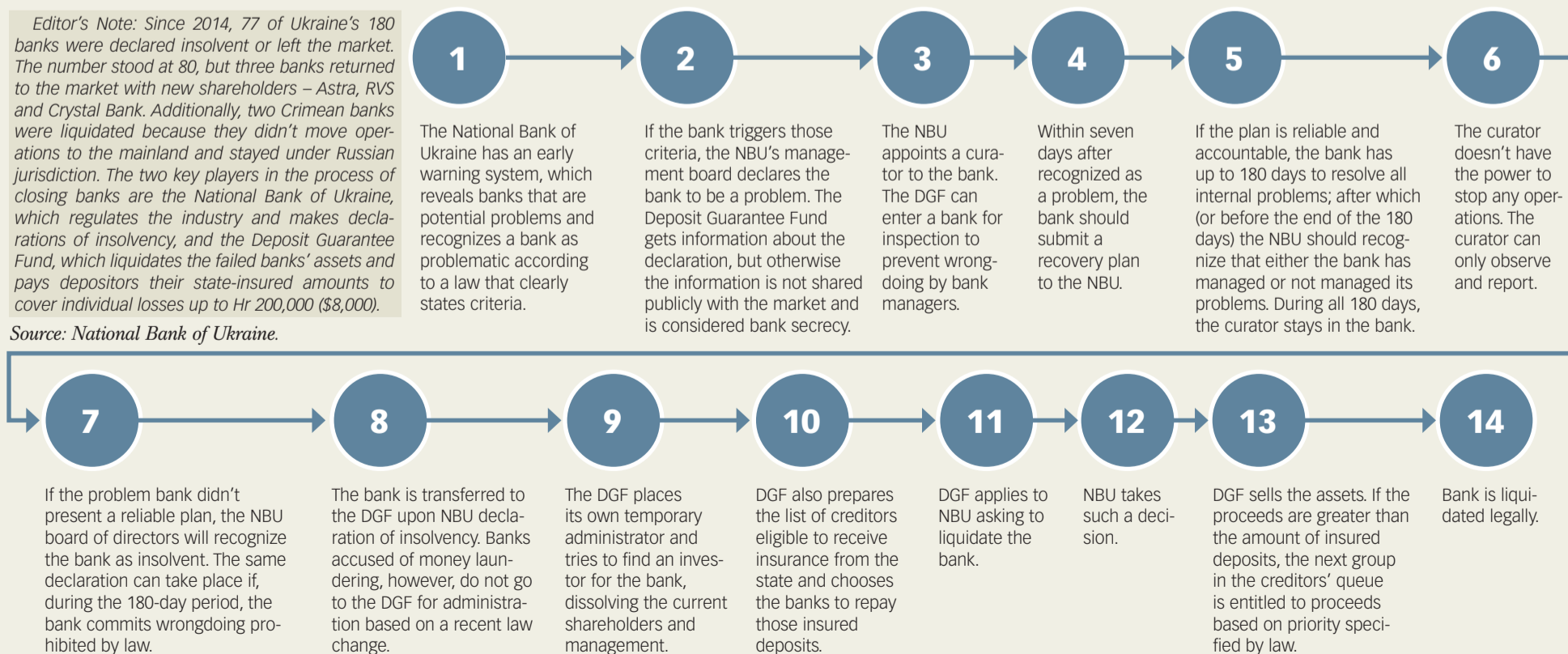
Lisovenko refused to comment on the matter.

Although the BG Bank was declared insolvent in February 2015, nearly 17 months later it is still undergoing the liquidation process. ■

## The process of closing banks in Ukraine

Editor's Note: Since 2014, 77 of Ukraine's 180 banks were declared insolvent or left the market. The number stood at 80, but three banks returned to the market with new shareholders — Astra, RVS and Crystal Bank. Additionally, two Crimean banks were liquidated because they didn't move operations to the mainland and stayed under Russian jurisdiction. The two key players in the process of closing banks are the National Bank of Ukraine, which regulates the industry and makes declarations of insolvency, and the Deposit Guarantee Fund, which liquidates the failed banks' assets and pays depositors their state-insured amounts to cover individual losses up to Hr 200,000 (\$8,000).

Source: National Bank of Ukraine.





# How Bakhmatyuk emptied banks and got away with it

BY OLENA SAVCHUK  
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Depositors in the failed banks of Ukrainian agricultural tycoon Oleg Bakhmatyuk say they were robbed.

At least \$108 million belonging to 15,000 depositors in Bakhmatyuk's VAB bank disappeared after the bank collapsed in November 2014. Those whose savings exceeded the state guaranteed insurance sum of Hr 200,000 (\$8,000) seem to have no chance of seeing their money returned.

But Bakhmatyuk's representatives say he and his firms are victims of a vendetta by the National Bank of Ukraine. Central bank representatives are out to destroy Bakhmatyuk's businesses, they say.

But the deposit owners aren't giving up.

While the Ukrainian authorities were largely inactive, the bank's clients brought actions against Bakhmatyuk in courts across Ukraine and abroad, trying to recover their savings.

"The money wasn't burned in the bank," says Irena Ross, a representative for a group of VAB clients. "It was just stolen."



Oleg Bakhmatyuk

## Egg-and-poultry empire

Bakhmatyuk, a 41-year-old Ukrainian agricultural tycoon, had an estimated net worth of \$138 million and was the 28th richest Ukrainian, according to a Forbes ranking earlier this year.

Much of that wealth appears to come from London-listed egg producer Avangardco, a subsidiary of his agricultural holding UkrLandFarming.

Avangardco, based off the first poultry factory Bakhmatyuk bought in 2003 in western Ukraine, yielded \$200 million from a 2010 initial public offering.

Meanwhile, Bakhmatyuk's empire in Ukraine was booming, particularly following his 2011 purchase of VAB bank. Within two years, he bought more than 20 agriculture companies, including a leading national distributor of crop protection products, Rise, and the sugar refineries of agricultural firm Dakor, all for an estimated \$140 million. His land bank increased to 650 hectares. All the growth turned UkrLandFarming



VAB deposit owners rally in front of the National Bank of Ukraine on Jan 21, 2015. Protesters demanded that the central bank rescue and nationalize VAB, which was declared insolvent two months earlier. (Ukrinform)

into the biggest agrarian holding on the Eurasian continent.

Since then, Bakhmatyuk has not fared as well – as part of this wave of expansion, Bakhmatyuk tried his hand on the U.S. market in February 2011. He bought century-old poultry processing factory Townsends Inc. in North Carolina for \$24.9 million. That didn't go well: He closed the factory in 2012, saying the U.S. poultry market was oversaturated.

Nearly 130 American chicken farmers sued Bakhmatyuk for the failed venture. They claim that they borrowed to build chicken houses, expecting that the Ukrainian investor would fulfill a three-year contract with them.

UkrLandFarming has had to postpone its own IPO on the London and Hong Kong stock exchanges multiple times because of Ukraine's economic crisis.

## Bank buster

But Bakhmatyuk's failure in the banking sector is far more serious than his poultry follies.

In January 2014, Kyiv attorney Arsen Marinushkin entrusted his savings to VAB bank, which specialized in crediting the agricultural sector.

The institution, owned by Bakhmatyuk since 2011, was rated 16th biggest in the country at the time.

But like many other financial institutions in Ukraine, the key shareholder appears to have used his bank as a wallet. The scheme involved setting up a bank, collecting money deposits from the population, and then loaning money to affiliated firms.

"Our bank vacuumed up deposits from everyone, but gave loans only to the business of one person, Oleg Bakhmatyuk," Marinushkin told the Kyiv Post.

Similar schemes have destroyed many banks in Ukraine, starting from 2014.

The Ukrainian economy and banking system were hit by Russia's annexation of Crimea and the war in eastern Ukraine. Bakhmatyuk's businesses also reeled from a 30 percent drop in global grain prices.

"As a result of insider lending, these firms were not returning loans, and when the bank was recognized as troubled, he started siphoning off assets and the bank failed," Marinushkin said.

According to the National Bank of Ukraine, related party lending boomed in both of Bakhmatyuk's

banks: VAB and Finansova Initsiatyva (Financial Initiative), which he founded in 2004.

Valeria Gontareva, the NBU governor, said in an interview on Oct. 2, 2015, that the banks had 64 percent and 96 percent of their loan portfolios infected by insider lending, respectively.

Bakhmatyuk's representative, Ihor Petrashko, UkrLandFarming's deputy CEO, denies this, saying that VAB's portfolio had less than 30 percent insider credits.

"VAB bank had \$135 million insider loans issued to UkrLandFarming," Petrashko said. "There were no direct credits with Finansova Initsiatyva,

but it held the bonds of our group."

But in spite of this, the NBU issued more than Hr 10 billion (\$400 million) in stabilizing loans to Bakhmatyuk's two banks until their collapse. The NBU declared VAB insolvent on Nov. 20, 2014, one month after reaching a temporary refinancing deal with Bakhmatyuk.

Finansova Initsiatyva bank went into temporary administration on June 23, 2015. The NBU had given Finansova Initsiatyva more in loans than the bank had lost due to deposit flight.

## Asset recovery

According to the VAB depositors, Bakhmatyuk did not use the government loans to stabilize the banks or pay back deposits, but rather used the refinancing for more related party lending.

According to the state registry of court rulings, at least nine companies with links to the UkrLandFarming empire have been sued by VAB bank's liquidator for not servicing debts worth a total of \$126 million.

For instance, the state-financed Deposit Guarantee Fund sued Ukrkhlipprodukt for the return of a \$12.8 million loan that it took from VAB bank in January 2014. The founders of the company include Extrar Holding Ltd., an offshore company that often appears in the list of founders of VAB bank's delinquent debtors. It is also one of the founders of Yugtranzitservis-Agroprodukt, which has Bakhmatyuk listed as its main beneficiary.

## Blame game

The office of UkrLandFarming in the outskirts of Kyiv serves as the brains for the agricultural giant.

It was there that Ihor Petrashko,

more Bakhmatyuk on page 11

## World in Ukraine: United States

Coming in the July 8 edition of the Kyiv Post

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# Bereshchenko: Trade auctions still non-transparent

BY ILYA TIMTCHENKO  
TIMTCHENKO@KYIVPOST.COM

The Deposit Guarantee Fund's Yuliya Bereshchenko is finding it tough to sell assets in Ukraine.

The head of the fund's asset management and sales, Bereshchenko says that much remains to be done to ensure assets sales are conducted in a transparent and efficient way. The reasons are clear: the legal system functions poorly, and the changes in legislation that would provide for more transparency in the banking system have become bogged down in bureaucracy.

## Trading platforms

Today there are 32 electronic trading platforms authorized by the fund to sell the assets of the 77 banks that are undergoing liquidation. But these trading platforms function in different ways, and often serve as tools for manipulating the auction process.

"We receive a lot of complaints from potential investors, who claim the trading platforms sometimes manipulate the electronic bidding process," Bereshchenko told the Kyiv Post in a recent interview.

Sometimes these platforms refuse to register potential buyers in an auction, disable their ability to raise their bid during an auction, or cancel the auction altogether. In May alone, Bereshchenko received 11 complaints from bidders about unfair treatment.

Before she took the job, asset

sale information was not disclosed publicly, but only made available to selected trading platforms, which were given two weeks to find a buyer. Then these trading platforms would receive an asset for sale on the basis of a letter stating why the buyer wanted to purchase an asset.

"We believe that such disclosure of information is obviously non-transparent, and we cannot appoint a trading platform (only) on the basis of a letter of intent to buy," Bereshchenko said. "It frequently happened that I would receive letters about the same assets from different trading platforms."

"We're looking at setting up more strict criteria for such trading platforms," Bereshchenko said. "Unfortunately, this is a very complex subject." For example, each of the trading platforms has its own software and technical capabilities, which makes it difficult for the fund to be consistent with the sales process.

## Some progress

But Bereshchenko's team does have some progress to report. Whereas earlier the law required a minimum of only 10 days after the auction was announced to perform due diligence on assets, now there is a set minimum of 21 days between the date of the sale announcement and the actual auction. This gives the opportunity for each potential buyer to sign a non-disclosure agreement, register for the auction, and perform due-diligence.



Yuliya Bereshchenko, head of the Deposit Guarantee Fund's asset management and sales department, speaks with the Kyiv Post on June 16. (Anastasia Vlasova)

Banks must now also provide information about assets, especially details about loans, such as their collateral. Larger assets require more detailed presentations. The information is then posted on the fund's website. The only information that cannot be disclosed is the identity of the borrower whose loan is being auctioned.

## Bureaucracy delays

All the same, these changes could have happened much faster.

The process of changing the rules is very bureaucratic, and takes a very long time. For example, it took the Justice Ministry two months to approve some relatively simple changes to asset sale regulations. "We actually didn't expect that a small document would take such a long time," Bereshchenko said. "This is one of the key problems in Ukraine."

## Due diligence

But then there is the problem of setting up due diligence for the sale of assets.

Right now, the process requires lawyers and potential buyers to examine physical documents. In Western countries, the information is provided through virtual data rooms – secure websites providing access to potential buyers to asset documentation after they sign a non-disclosure agreement, Bereshchenko said.

Her department has started to prepare for such a practice: Since mid April, the fund has obliged all banks to at the very least to scan all of their documents and send them to the fund. She hopes that soon there will be virtual rooms.

## Bidding options

Some are also questioning the actual bidding process. Typically there are three different ways to sell assets during an auction. Currently the fund uses the Dutch auction method, where the bidders start with a high price and then reduce their bids (in 1-percent bid increments). The English auction is the reverse – bidders start low and bids increase. The

third version is a sealed-bid process, where a bidder makes a single offer that is then compared with those of their competitors.

"For certain assets it is believed that a sealed bid process is better than an auction, because not everyone likes the 1-percent bid increment," Bereshchenko said. She says that the fund is currently looking into that option, as the sealed-bid method has yet to be implemented in Ukraine.

## Ultimate buyers

Meanwhile, many worry that the assets will simply get back into the hands of the original owners, or to Ukrainian or Russian oligarchs. According to British economist Tim Ash, Ukraine should not rush into selling the assets of banks that are undergoing liquidation for precisely this reason.

But Bereshchenko says that it is impossible to ultimately trace to whom the fund sells its assets, and that a transparent process is almost impossible due to poor legislation.

"I respect Tim a lot... but he's not a practitioner, and he doesn't know the legal framework in Ukraine, and how weak it is," Bereshchenko said. "The problem is that in a weak legal

system, the borrower is always stronger than the lender... It's not possible in the Ukrainian legal framework to make sure that bad borrowers are prohibited from buying back the assets."

In most countries, she said, the potential buyer signs a legal document stating that they are not the borrower or a related party. "Moreover, sellers are obliged to perform a 'know your customer' procedure – due diligence on potential buyers."

But Bereshchenko says this is not likely to happen any time soon. "It took the central bank several years even to fix the problem of performing 'know your customer' on the owners of banking institutions. Implementing it for businesses and borrowers in Ukraine is an enormous task, and it will take years."

In the moment, it is often the case that after the assets are sold, an intermediary company will sell them back to the original borrower in two to three months, she said.

"Whoever thinks that anyone in Ukraine can be sure that (original) borrowers don't buy back their assets (is wrong)," Bereshchenko said. "So far there are no restrictions for who can buy these assets." ■

## COURT OF BRESCIA SPECIAL DEPARTMENT FOR BUSINESS MATTERS

The Court sitting in private, consisting of:  
Dr. Stefano Rosa, Chairperson;  
Dr. Paolo Bonofiglio, Judge;  
Dr. Vincenza Agnese, Reporting Judge;

met on the withdrawal of the reservation approved in suit No. 4849/2016 of the registry upon a motion of Ergolines Lab S.r.l. contrary to the ruling of 05.03.2016, in which the bailiff dismissed the appeal in accordance with Article 700 of the Civil Procedure Code and Article 2598 of the Commercial Code, filed by Ergolines Lab S.r.l. against T.L. Industrial Supplies s.r.l. and Eval Machinery s.r.l.

### Therefore

Granting the motions referred to in the preamble, the Court resolved as follows:

- To place a ban on the use by T.L. Industrial Supplies s.r.l. and Eval Machinery s.r.l. of the reference list, alphanumeric codes, as well as promotional materials relating to Ergolines activities and transferred to the execution of the current agreement for professional cooperation.
- To impose a fine of EUR 10,000.00 payable by the defendants in full for each violation of this ruling and of EUR 500.00 for each day of violation of permanent criminal nature, effective on the fifteenth day following the notification of the ruling.
- To prescribe the publication of the title and the regulatory part of this ruling by T.L. Industrial Supplies s.r.l. and Eval Machinery s.r.l. in the newspaper Corriere della Sera, in the Belarusian newspaper Sovetskaya Belorussia and in the Ukrainian newspaper Kyiv Post in printed form and once online in the manner prescribed for the publication of announcements of judicial decision;
- To prescribe the publication of the title and the regulatory part of this ruling by T.L. Industrial Supplies s.r.l. and Eval Machinery s.r.l. on the home pages of their websites within ten days and with an English translation;
- To authorize the plaintiff take the necessary action to recover damages from the opposing parties in the case of their non-compliance with subparagraphs c) and d) within ten days of notification of the ruling;
- To recover total trial expenses of EUR 7,150.00 and EUR 881.57 of the compensation to cover the costs exceeding global total expenditure of 15% and court costs, if necessary, from T.L. Industrial Supplies s.r.l. and Eval Machinery s.r.l. jointly.

Hereby reported.  
Brescia, April 29, 2016

Chairperson /signed/

/Seal: Deposited in the Court Registry, Brescia, May 13, 2016, Court Clerk,  
Alessandro Gatta /signed//

## The Great Bank Robbery of Ukraine

Hr  
74 billion  
(\$3 billion)

**Insured losses**  
This is the amount the taxpayer-financed Deposit Guarantee Fund has paid out to individuals who lost their money in liquidated banks since 2014. The maximum individual payout is Hr 200,000 or \$8,000.

Hr  
130 billion  
(\$5.2 billion)

**Uninsured losses**  
The number from the Deposit Guarantee Fund comes from an accepted creditors claim registry, filed by uninsured depositors (over Hr 200,000 in losses), corporate entities, etc. These non-insured deposits will be paid out from proceeds received from the sales of assets of failed banks. Payouts are made according to priorities set out by law. As of June 1, there is an approved registry for 57 liquidated banks. Uninsured individual depositors claimed Hr 33 billion and corporates claimed Hr 97 billion.

Hr  
81 billion  
(\$3.2 billion)

**Unrepaid refinancing loans**  
This is the amount of money that bankers or former bankers owe the National Bank of Ukraine for refinancing loans from the central bank, dating back at least to 2008, when Viktor Yushchenko was president.

Hr  
285 billion  
(\$11.4 billion)+

**Total losses**  
The losses are likely to grow as more banks are liquidated and more claims for financial losses are filed. The bank losses amount to more than 10 percent of Ukraine's expected gross domestic product in 2016. The actual dollar value of the losses is higher, since some of the unpaid loans were taken out when the exchange rate was Hr 5/\$1. Now the rate is Hr 25/\$1.

Source: National Bank of Ukraine, Deposit Guarantee Fund of Ukraine.

# Bakhmatyuk's customers keep trying to get their money back

Bakhmatyuk from page 9

the deputy CEO of Bakhmatyuk's flagship holding, scheduled an interview with the Kyiv Post.

The holding has just clinched a number of successful restructuring deals with Deutsche Bank, Russian Sberbank, and the U.S. and European export credit agencies for debts totaling \$1.6 billion, Petrashko said.

But Bakhmatyuk is having his fiercest fight at home, with the central bank.

On May 18, the courts arrested all of Bakhmatyuk's property at the request of the central bank. The NBU sued the egg tycoon for the return of a \$50 million refinancing loan, which was issued under the personal assurance of VAB's owner. In two

weeks the arrest was lifted. The central bank appealed against the court ruling.

Petrashko accused the central bank of behaving unreasonably.

"The position of the NBU comes down to stifling all other creditors, but returning their own money," he said. "This is being done with one goal: to ruin the company."

Petrashko denied that any insider companies have any court cases against them over non-performing loans. He said that UkrLandFarming is in talks with VAB bank's liquidator on restructuring the \$135 million worth of insider loans that affiliated businesses took in VAB before it went into administration.

According to Petrashko, it was impossible to save the banks because the central bank refused to delay the deadline to increase authorized capital, restructure NBU loans, and reduce the share of insider credits.

The bank got in trouble after nearly 60 percent of clients stopped servicing their

loans due to the devaluation of the national currency, the hryvnia, Petrashko said. The reserve funds were eating into the regulatory capital of the bank. It would have been unrealistic, he said, for shareholders of any big banks to find nearly half a billion dollars in October 2014 to increase authorized capital, as the central bank required.

But it remains unclear why Bakhmatyuk signed the VAB rescue plan and received the \$50 million loan from the NBU if he knew that he would not be able to meet his commitments.

Petrashko says this was because of the unexpected deterioration in economic conditions as well as the national currency's devaluation against the dollar. He assumes this was encouraged by the NBU, which was allegedly aiding former President Viktor Yanukovich to take his money out of the country.

"At that time the vision was different," he said. "We did not expect this scale (of devaluation). As you know, the statistics come with a delay... The memorandum (rescue plan) was violated not by the shareholder, but by the NBU."

Another bank, Finansova Initsiatyva, was taken out of the market for "purely political" motives, Petrashko said. While the VAB had many nonperforming loans in Donetsk and Luhansk Oblasts as well as inherited credits from the previous owner, Finansova Initsiatyva had more insider credits, which the owner serviced, he said.

"The only issue was liquidity," he said. "Why? Because paying 20 percent interest on the NBU loans required a huge amount of funds. But the central bank refused to restructure the refinancing loans and receive them in full in five or seven years."



A woman protests in front of the Deposit Guarantee Fund on June 21 in Kyiv to demand the return of the money they stored in Mykhailivsky Bank which went bankrupt and closed on May 23. (Anastasia Vlasova)

## Court battles

According to VAB bank's administration, as of June 7, the owners of large deposits won't receive any reimbursement.

The depositors went to courts to retrieve their money. And Marinushkin, who is also a lawyer, managed to win \$401,000 for a client in a case against Bakhmatyuk.

In his lawsuit, he referred to a law adopted in March 2016. It allows bank managers and beneficiaries to be held criminally responsible for bringing an institution to insolvency by their actions, and obliges them to compensate for losses caused by a bank's liquidation.

"The process was a long one because all of the documents that prove that the bank owner violated the law are protected by bank secrecy," Marinushkin said.

At first, he sued the NBU, demanding that the liquidation of VAB bank be declared illegal. But it

soon became clear from documents that the NBU brought to court that the insolvency was the fault of the owner.

So after that, Marinushkin brought an action in the civil court against Bakhmatyuk and requested more documents from the NBU. These were provided at a closed court hearing. According to the lawyer, Bakhmatyuk is filing an appeal.

Ideally, the state law enforcement bodies should bring the beneficiaries of failed banks to justice. But in Ukraine, where rich bank busters have friends in government quarters, deposit owners have to seek compensation for their losses on their own, Marinushkin says.

"All of them are using political immunity," he told the Kyiv Post. "This is obvious. That is why the depositors understand that in the current political reality, bringing any banker to justice is impossible." ■



## Oschadbank CEO has ambitious plans for Ukraine's top state-owned bank

Oschadbank from page 6

### Partial privatization

However, a stake of up to 20 percent in the bank is expected to be privatized in the near future. By the end of the first half of 2018, the government must make a decision about a partial 20 percent privatization of state banks with the participation of international financial organizations such as the European Bank of Reconstruction and Development, and the International Finance Corporation.

And by 2022, the government will decide on whether or not the bank should be fully privatized.

### Early career

Pyshnyy's carrier path at the state bank goes back to 2000, when he was the head of the bank's legal

department. He quickly worked his way up, and by 2003 was the first deputy chairman of the board.

Pyshnyy prepared the first strategy of the development of Oschadbank, when he was the bank's first deputy head back in 2006. The strategy was drawn up together with Ernst and Young under a technical project aided by the World Bank.

"But then Yanukovich happened, and that team that was preparing the strategy for the development of the bank... had to leave the bank."

### Yatsenyuk connection

Some believe that Pyshnyy was appointed by ex-Prime Minister Arseniy Yatsenyuk and worked in his interests. Before he was made the bank's CEO, he represented Yatsenyuk's party bloc.

Yatsenyuk is also the godfather of Pyshnyy's youngest daughter.

But their history goes back even further, when both of them were classmates at university.

But Pyshnyy denies acting in Yatsenyuk's interest. "That's because (the prime minister) doesn't have this kind of power! He doesn't appoint the chairman of the board," Pyshnyy said. "Is it a fact that Yatsenyuk played a major role in my political career? Of course – yes; Is it a fact that he is my ally? Yes; Is it a fact that as prime minister he appointed five people to the supervisory board? Yes."

When asked where he plans to go to back into politics after his contract runs out in 2018, Pyshnyy said he didn't know. "I don't even think about that... I'm concentrating fully on what I'm working on." ■

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Ukrainians celebrate Ivana Kupala night holiday with mystical rituals and pre-Christian traditions on July 6. Check out other entertainment events at [kyivpost.com/lifestyle](http://kyivpost.com/lifestyle).



## Ukrainian artist hits rich artistic seam



Artist Roman Minin, 35, gestures as he talks to the Kyiv Post about his artworks and life in Donetsk region, in Ukraine's coal basin, while sitting in a Kyiv art gallery on June 17. All of Minin's works are dedicated to miners and several have been sold at Sotheby's and Philips auction houses over the past four years. (Anastasia Vlasova)

BY NATALIYA TRACH  
[TRACH@KYIVPOST.COM](mailto:TRACH@KYIVPOST.COM)

Three years ago a work by Ukrainian artist Roman Minin entitled "Plan for Escape from Donetsk Oblast" caused a stir among art connoisseurs and brought him fame in Ukraine and abroad.

The picture looks like a stained glass window in a medieval cathedral, and consists of a series of small paintings that depict scenes from miners' lives in the Donbas, Ukraine's slag heap-dotted, run-down coal basin.

In fact, all of Minin's works are dedicated to miners. "This is the topic I know the best, because I know about miners' lives from my own life, not from liberties or museums," he says.

Minin, 35, was born in the small town of Myrnohrad, formerly known as Dymytriv, 60 kilometers west of Donetsk. All his relatives – parents, grandparents, uncles and aunts – were coal miners. Life in the city revolved around coal mining, he says.

"There were no educational institutions in Dymytriv apart from several vocational schools that trained future miners. People there worked either as miners or as service staff for miners – doctors, cooks, police officers," the artist recalls.

Minin's work is in growing demand from modern art lovers, gallery owners and art collectors around the globe. Over the past four years his works have been regularly sold at Sotheby's and Philips auction houses.

Last year Minin's work "Generator of the Donetsk Subway" was sold at the Sotheby's fine arts auction for a record \$11,498.

It was his professor Viktor Hontarov from Kharkiv State Academy of Design and Arts who strongly recommended that he start painting coal miners. "I immediately understood that miners are my topic. I really like the idea of inventing such an archetype that would become an out-of-time symbol," Minin told the Kyiv Post at an interview in a Kyiv art gallery during the first Ukrainian Art Week, a set of exhibitions and sales, during which he presented his latest works.

It soon it became clear to Minin that the topic would help him reassess his personal life story.

Minin paints miners with brutal

honesty – frequently they are depicted as untidy, stocky men who like to drink and smoke. His works are a striking mix of social realism and Christian iconography. "Miners in the Donbas region live in a society that tries to equalize everybody. Even people who are not predisposed to all these things start smoking and drinking, just so as not to stand out from the masses," Minin says, adding that at the same time miners are bearers of spiritual values - which is why their images are interwoven with Christian iconography.

Historically, the Donbas had closer economic and cultural ties to Russia than to Europe, and "hardly any Donbas dweller visited other

more **Artist** on page 13

### Music Critic

WITH ANNA YAKUTENKO  
[YAKUTENKO@KYIVPOST.COM](mailto:YAKUTENKO@KYIVPOST.COM)

Summer's guide to outdoor music festivals taking place in Ukraine

#### U-park Festival: RHCP, Muse (rock)

Kyiv's U-park Festival isn't a music festival in its traditional sense. There will be no camping and flower crowns. The U-Park is two separate shows that can, however, match some of the better European festivals in their lineup. On July 6, fans will be able to hear the Red Hot Chili Peppers, The Kills, Nothing But Thieves and Ukrainian band The Hardkiss. On July 8, Muse, Hurts, Poets of the Fall and My Vitriol will take the stage

*U-Park Festival. June 6, 8. 4 p.m. Olimpiysky Stadium (55 Velyka Vasylkivska St.). Hr 1,000 – 3,200 for one day, Hr 2,100 – 2,700 for both days*

#### Barrel Music Fest (Ukrainian pop rock)

A rock music festival at the Plyazh Varadero beach complex in the village of Chervony Lyman near the town of Sloviansk in eastern Ukraine will be held on July 8-9. This will be the first music festival in two years in Sloviansk, a battlefield between Ukrainian troops and Russian proxies in April-July 2014. Ukrainian bands Antytila, Braty Hadiukiny and Fontaliza are the headliners. Along with the music performances, attendees will be able to see a biker show, a fire show, volleyball contest and dance to DJ sets.

The festival will be held near a lake, so make sure to take a swimsuit. To get to Sloviansk, one can take a Kyiv-Kostyantynivka or a Kyiv-Sloviansk train, and then a bus to Chervony Lyman.

*Barrel Music Fest. July 8-9. Chervony Lyman (near Sloviansk, Donetsk Oblast). Hr 200-350*

#### Woodstock Ukraine (Ukrainian pop rock)

The annual Woodstock Ukraine charity festival gathers fans of rock music to Svirzh Castle in Lviv region on July 28-30. The first Woodstock festival was held in Bethel, New York in the United States in 1969 and had political overtones – the event was a protest against the Vietnam War.

The festival has a zone for camping with toilets, showers, shops and medical points. The lineup includes Ukrainian bands such as Skryabin, Sinoptik, Fontaliza and others. Entrance is free, but requires registration

more **Music** on page 13

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# It's a summer smorgasbord of outdoor music festivals for all

Music from page 12

at www.woodstock.in.ua.

Woodstock Ukraine. July 28-30. Svirzh Castle (Lviv Oblast). Free

## Hedonism Festival (electronic)

Another music festival for those staying in Kyiv over the summer is the Hedonism music festival on July 29-31, which will take place on Trukhaniv Island, just across the Dnipro River from Kyiv's historic Podil district. The festival features musicians and DJs from Ukraine, Britain and Germany. Three-day tickets cost Hr 470 and are available at www.hedonismfestival.com.

Hedonism Festival. July 29-31. Kyiv, Yuzhny Bereg Kiev (YuBK, Trukhaniv Island). Hr 470

## Atlas Weekend (various)

Atlas Weekend is a three-day festival featuring around 130 musicians performing music of various styles at Natsionalny Ekspozitsionnyi Tsentr Ukrainy (VDNH) on July 8-10.

Prominent Finnish cello metal

band Apocalyptica is among the headliners. The winner of Eurovision Song Contest 2016 Jamala will perform along with SunSay, Sergey Babkin, Druga Rika and many others. A one-day ticket costs from Hr 500 for the fan zone, to Hr 3,000 for a seat at a table. A three-day ticket is from Hr 1,090 (fan zone) to Hr 7,000 (a seat at a VIP table). Camping is available for an additional fee.

Atlas Weekend. Kyiv, VDNH (National Expocenter, 1 Akademika Hlushkova Ave.). Hr 500-7,000

## Fayne Misto (Ukrainian pop rock, electronic)

Fayne Misto, an international music festival, will be held in Ternopil for the third time on July 7-10. Fayne Misto takes place on the territory of the currently-closed Ternopil International Airport, eight kilometers southeast of the city, and has six stages, a parking lot and camping zones. The festival's line-up includes Epolets, Boombox, The Hardkiss, Onuka, Brutto, Antytila and others.

Fayne Misto. July 7-10. Ternopil International Airport. Hr 540-660

## Koktebel Jazz Festival (jazz)

Founded in 2002, the Koktebel Jazz Festival is one of the country's oldest outdoor music festivals. After the Russian annexation of Crimea in 2014, it moved from Koktebel to Zatoka, a town 61 kilometers from Odesa, but kept its name. The lineup includes bands from Britain, Denmark, United States and Ukraine.

To get to Zatoka, take the P-85 highway south from Odesa to Zatoka. Alternatively, take a bus from Odesa Railway station or from Privoz, Odesa's famous market.

Koktebel Jazz Festival 2016. Aug. 25-28. Zatoka (Odesa Oblast). Hr 700

## Zakhid Fest (rock)

The Zakhid Fest annual music festival will be held on Aug. 19-21 in the village of Rodatychi in Lviv Oblast. The festival has three stages, a camping village with showers and toilets, a parking lot, and football and volleyball grounds. One of the festival's headliners is IAMX, a solo musical project of British musician Chris Corner. Other bands performing at the festival are Crystal Castles from Canada, metal band Hollywood Undead from the United States, Oomph! from Germany, and many Ukrainian bands.

A ticket for one day costs Hr 450, and a three-day ticket – Hr 750. A place in the camping costs Hr 200. Tickets are available at www.zaxidfest.com. To get to the festival, take the Lviv-Rodatychi bus from bus station No. 8 in Lviv. To get to Rodatychi by car from Lviv, take the M11 westward, 36 kilometers from central Lviv.

Zakhid Fest. Aug. 19-21. Rodatychi (Lviv Oblast). Hr 450-750

The tickets for the festivals are available at concert.ua, karabas.com and parter.ua.



People pose for a picture at the annual festival Woodstock Ukraine held in Lviv Oblast. (Facebook of Woodstock Ukraine)

## MUSIC FESTIVALS IN UKRAINE THIS SUMMER

Month	Festival Name	Location	Price
July	6-8 U-PARK FESTIVAL	Sports Complex Olimpiyskiy, Kyiv	Hr 1,000 - 2,700
	7-10 Fayne Misto	Ternopil International Airport, Ternopil	Hr 540 - 660
	8-9 BARREL MUSIC FEST 2016	Varadero Beach, Sloviansk	Hr 200 - 350
August	8-10 ATLAS WEEKEND	VDNH, Kyiv	Hr 500 - 7,000
	28-30 WOODSTOCK UKRAINE	Svirzh castle, Lviv Oblast	free
	29-31 HEDONISM	Trukhaniv Island, Kyiv	Hr 470
	19-21 ZAXIDFEST	Rodatychi, Lviv Oblast	Hr 450 - 750
	25-28 Koktebel Jazz Festival	Zatoka, Odesa Oblast	Hr 700

By Stella Shabliovska, Kyiv Post

The Kyiv Post's guide for summer music festivals held in Ukraine. (Stella Shabliovska)

## Coal miners provide inspiration for artist

Artist from page 12

Ukrainian regions, because the whole system was not interested in the popularization of Ukraine," Minin says.

Now he is concerned about the region's future. After the start of the war with pro-Russian separatists in the east of Ukraine, the local authorities still don't have any plans about how to reintegrate the region.

"I'm afraid that when the war ends people who supported pro-Russian separatists might take revenge on those who supported pro-Ukrainian forces, and vice versa," he adds.

Minin's work still remains misunderstood in his native Donbas. In 2007, his exhibition "Miners' folklore" in Donetsk was removed because then-Donetsk mayor Oleksandr Lukyanenko didn't like the picture

"To Mine Face or to Drink" featuring working and drunken miners. Some of the pictures were even thrown out onto the streets during the exhibition. Later, Minin tried to organize a private art exhibition in Donetsk, but once again was unable to do so.

This doesn't seem to bother him now. The artist believes that the people of the Donbas are still not ready to accept his art. "There will be a time when my art will be understood at last, that's why I continue to do what I do," he says.

Minin plans to continue creating artworks dedicated to miners for his whole life. "There will be time when my works become the property of the nation, and the miner's theme will go down in history, along with me," he says. ■






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July 7 – 10



(lordi.fi)

### Fayne Misto music festival

Finnish heavy metal band Lordi, American rock band Crazy Town and Swedish rockers Pain are the headliners of this year's Fayne Misto, an international music festival held near Ternopil. Fayne Misto visitors will see performances by more than 100 Ukrainian and foreign rock, pop, alternative and dance-music bands during the three-day outdoor festival. Street theater performances, lectures on literature and a handcrafts fair also feature in the festival program.

**Fayne Misto international music festival. July 7 – 10. Ternopil international airport (Smykivtsi village, Ternopil Oblast). Hr 540 – 600**

July 6



(UNIAN)

### Ivana Kupala night

Visitors to Ivana Kupala night will have a chance to take part in mystical rituals and pre-Christian Slavic traditions to honor the summer solstice - searching for a fern flower, jumping over a bonfire, and making wreaths. Ukrainian music bands Tik and The Vyo will perform during the celebrations.

**Ivana Kupala night in Pyrohovo (folk ritual reconstruction). July 6. 5 p.m. – 11 p.m. Pyrohovo Museum of Folk Architecture and Life of Ukraine (Pyrohiv village, Kyiv Oblast). Hr 40 - 60**

July 8 – 10



(tuomas.virtainen)

### Rock music festival

Finnish rock band Apocalyptica, Ukrainian bands Vivienne Mort, Brutto, Onuka and many other foreign and local stars top the bill of a three day rock festival in Kyiv. Besides concerts, the organizers offer a street food court and various sport activities for festival visitors.

**Atlas Weekend 2016 rock festival. July 8 – 10. 3 p.m. VDNH Expo Center (1 Akademika Hlushkova St.) Hr 200 – 7,000**

### 'Romeo and Juliet' (British Theater Live)

The Kenneth Branagh Theatre Company offers a modern interpretation of "Romeo and Juliet", William Shakespeare's most famous love story. Scottish actor Richard Madden, best known as Prince Kit in Disney's Cinderella, and British actress Lily James, known for her role as Lady Rose Aldridge in the Downton Abbey drama series, star as Romeo and Juliet.

**"Romeo and Juliet" (British Theater Live). July 7. 9:15 p.m. Multiplex SkyMall (2T Henerala Vatutina av.) Hr 170**



July 7



(Urban Gypsy)

July 7

### Jazz concert

Ukrainian band Urban Gypsy takes to the stage of Kyiv's Caribbean Club with its new jazz program entitled "Balkan Summer Night" inspired by traditional Bulgarian, Serbian, and Macedonian melodies.

**Balkan Summer Night jazz concert. July 7. 8 p.m. – 11 p.m. Caribbean Club Concert-Hall (4 Symona Petliury St.) Hr 80 – 300**

July 2 - 3



(Volodymyr Petrov)

### New car exhibition

Electric cars and all the latest innovations and hybrids from Hyundai, Renault, Toyota, Jaguar, Lexus Porsche and other top automobile manufacturers will be on show at a car exhibition at Kyiv's VDNH Expo Center.

**NewCarsFest (car exhibition). July 2 - 3. 12 p.m. – 8 p.m. VDNH Expo Center (1 Akademika Hlushkova St.) Hr 30 – 60**

# Andriy Shevchenko, Ukraine's ambassador to Canada, talks up closer ties, investment

BY EVELINA IBRAYIMOVA

**OTTAWA, Canada** – The announcement in September that Andriy Shevchenko would become Ukraine's new ambassador to Canada, came as a surprise to many, and not least to the man himself.

Shevchenko, 39, had no background in diplomacy. A former journalist and a seasoned lawmaker, he hesitated to accept. But nine months after relocating to Canada, Shevchenko, an interview with the Kyiv Post in his office in Ottawa, looked to have settled comfortably into his new role, calling it "fascinating."

## Fresh approach

Even though he believes he was an "unorthodox" pick, he understands why he was picked: his experience in communications outweighed his lack of diplomatic experience.

"Diplomacy is changing. Especially nowadays, when we have to foster international support for Ukraine... communications are key," Shevchenko says. "My mission here in Canada is to tell the truth... find powerful, persuasive, candid words to explain what is going on in Ukraine."

Those skills were honed during

Shevchenko's 12 years as a journalist. But his experience in politics comes handy too, he says.

"Politics is the art of forging coalitions. And this is exactly what Ukraine needs right now: building a broad coalition among different interests to support Ukraine's fight for freedom and sovereignty," Shevchenko says.

## Media background

Though it might seem he's been in politics forever, in fact he took this path only in 2006. Before that, he spent 12 years as a journalist and media manager. He worked as a reporter for TV news services, including Voice of America and several major Ukrainian TV channels. In 2003, Shevchenko co-founded Channel 5, Ukraine's first 24/7 TV news channel, owned by President Petro Poroshenko, and came up with its slogan: "The channel of honest news."

In the early 2000s, Shevchenko led the anti-censorship movement of Ukrainian journalists. He participated in the 2004 Orange Revolution of 2004, and the 2013-2014 EuroMaidan Revolution.

He was elected to parliament in 2006 on Yulia Tymoshenko's Batkivshyna Party list and has stuck with the same party ever since.



Ukraine's Ambassador to Canada Andriy Shevchenko and David Johnston, governor general of Canada, on Dec. 14. (canada.mfa.gov.ua)

But the media continued to be Shevchenko's main interest. For five years, he was either head or deputy head of the parliament's Committee for Free Speech, until lawmakers loyal to then-President Viktor Yanukovich removed him.

In 2011, he authored the Bill on Access to Public Information – a crucial law for journalists that opened up data of state agencies.

## Ukraine as priority

Canada, which boasts the largest Ukrainian diaspora and which has been a stalwart ally of Ukraine since the country's birth in 1991, has changed since a new government came to power with the Liberal Party's victory in the 2015 election.

While the previous government marshaled Western efforts to pressure Russia to pull out of Ukraine,

newly appointed Foreign Minister Stephane Dion said he wants to restore a "true dialogue between Canada and Russia." Dion's statement and has been perceived by some as betrayal of Ukraine.

Dion's opposition to the Sergei Magnitsky Law appears even more alarming. The law, named after the lawyer who died of maltreatment in a Russian prison in 2009, imposes sanctions on Russian officials responsible for human rights violations.

Shevchenko said, however, that Canada will remain a staunch supporter of Ukraine, despite Dion's view. Shevchenko also notes that Canada shares a long unprotected border with Russia, just like Ukraine. Russia's ambitious territorial claims in the Arctic, coupled with its increasing military presence, create a threat to the national security of Canada.

One of the key challenges for Shevchenko is that half of Canada's parliament is now comprised of newly-elected members, who are still shaping their priorities. "We need time to create connections and ensure Ukraine stays high on their agenda," Shevchenko said.

Shevchenko said he succeeded in

more **Shevchenko** on page 16

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Please send your CV with a cover letter and list of three references to [Nyurchenko@internews.org](mailto:Nyurchenko@internews.org) and [omaydan@internews.org](mailto:omaydan@internews.org) before July 8, 2016. Only short-listed candidates will be invited for interviews.

This position is contingent upon funding availability.



## Kyiv Post business reporter job opening

The Kyiv Post, Ukraine's English-language newspaper and winner of the 2014 Missouri Honor Medal for Distinguished Service in Journalism, has an opening for a business reporter. The challenging yet highly rewarding position requires in-depth knowledge of Ukraine's business environment, key players and developments in the economy.

Candidates must be fluent in English, Ukrainian and Russian, have exceptional writing and communication skills as well as a strong desire to break news and ethically write compelling stories.

For more details, e-mail Kyiv Post chief editor Brian Bonner at [bonner@kyivpost.com](mailto:bonner@kyivpost.com) and send CV, three writing samples, three story ideas and motivation letter.

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# Ukraine, Canada put finishing touches on free-trade agreement

Shevchenko from page 15

“getting Crimea back into the conversation.” He recalls the latest G7 meeting, where Canada insisted on including in the final statement a reference to possible expansion of sanctions because of Russia’s occupation of Crimea.

## Ukrainian-Canadian ties

Canada’s special relationship with Ukraine is based upon the ties of 1.2 million of Ukrainian-Canadians with their ancestral homeland. Civil society organizations, like the Ukrainian Canadian Congress, are powerful lobbying forces.

In a recent Vyshyvanka Day flashmob organized by Canada-Ukraine Parliamentary Program interns on May 17, dozens of MPs and even Prime Minister Justin Trudeau celebrated Ukrainian culture by wearing traditional embroidery shirts – vyshyvankas – to work.

## Boosting business ties

A priority area Shevchenko is trade and investment relations. His major objective is the signing of the Canada-Ukraine Free Trade Agreement. The agreement will eliminate 98 percent of existing tariff barriers. IT and agriculture will be among the first industries to benefit. The deal is expected to be signed during Trudeau’s Kyiv scheduled for July 11-12.

Although an immediate boost in bilateral trade and investment is

expected, Shevchenko noted that many Canadian companies will still have to be won over. Several firms had a negative experience with Ukraine in the 1990s and 2000s.

“We have to find strong arguments to persuade them it’s worth giving Ukraine a second chance,” Shevchenko said

In anticipation of the trade deal, several hundred Ukrainian and Canadian business representatives and government officials gathered in Toronto on June 20-21 for the “Canada and Ukraine: Open for Business” business forum. The event focused on IT, agriculture, logistics and infrastructure, energy efficiency and renewable energy sources.

## Visa liberalization

A possibility of Canada canceling visas for Ukraine came onto the agenda this year when Ukrainian Canadian Nick Krawetz initiated a House of Commons petition calling for Ukrainians to be granted visa-free travel for up to 90 days.

Krawetz has managed to secure the support of 118 members of parliament and Canadian senators for a resolution calling for visa cancellation.

Shvchenko, however, takes a more realistic view of Ukraine’s chances to gain visa-free travel, estimating that “it will take years, if not decades to achieve.

“But we need to start somewhere,” Shevchenko said. ■

# Canada Day on July 1; anticipation high over July 11-12 Trudeau visit

BY YULIANA ROMANYSHYN  
ROMANYSHYN@KYIVPOST.COM

Canada Day falls on July 1, but the attention in Kyiv is focused on the first official visit of Canadian Prime Minister Justin Trudeau to Ukraine on July 11-12.

Trudeau announced his to visit Ukraine in Toronto in June, at the Canada Ukraine Business Forum in Toronto. The Canadian leader will be in Eastern Europe for the NATO Summit in Warsaw, Poland, after which he will fly in to Kyiv. In Ukraine, Trudeau plans to meet with President Petro Poroshenko and Prime Minister Volodymyr Groysman.

“Canada and Ukraine enjoy a historic friendship forged through generations of shared values and strong relations,” Trudeau said at the forum in June. “By working together in close partnership, Canada will help bring greater security, prosperity, and economic independence to the Ukrainian people.”

Canada is a home to more than 1.3 million people of Ukrainian descent out of a total population of 35 million, while some 1,500 Canadians live in Ukraine. The first wave of Ukrainian immigration to Canada came in 1891 to 1914, while a significant number arrived after the Second World War in 1945.

After Russia invaded and



Canadian Prime Minister Justin Trudeau and U.S. President Barack Obama exit the Hall of Honour on Parliament Hill following the North American Leaders Summit in Ottawa on June 28. (AFP)

annexed the Ukrainian territory of Crimea in 2014, and then fomented an armed conflict in the Donbas, Canada lent strong financial and political support to Ukraine. Its government has imposed sanctions against more than 270 Russian and Ukrainian individuals and entities, according to the Canadian Embassy in Ukraine’s website. Plus, since January 2014, Canada has also

announced it will provide more than \$700 million in much-needed assistance.

Bilateral relations are likely to get a boost from a proposed free trade agreement, negotiations on which started in 2015. There are also proposals for a visa-free travel regime.

Canada Day celebrates the 1867 Constitution Act, which formed the legal basis for the Canadian state. ■

Watch the video “Ukraine. Open for Canada” here:  
<https://www.youtube.com/watch?v=BD9VcMFLT4s>

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