

## HARMONIZATION OF ECONOMIC AND LEGAL MECHANISMS FOR DEEPENING EU-UKRAINIAN RELATIONS

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**Abstract.** The policy of Ukraine for the establishment and development of relations with the European Union began in 1993, was carried out all the years of Ukraine's existence, and received intensive deepening with the beginning of the formation of an international treaty – the Association Agreement, which includes a list of legal, social, economic, and technical regulations, and Deep and Comprehensive Free Trade Area (DCFTA), in 2014 and its final signing in 2017. Political and economic objectives of the Agreement are of fundamental importance to the future of both Ukraine and the whole European region. The political goal is to implement European standards on the territory of Ukraine. This implies the introduction of fundamental European values, namely democracy, rule of law, respect for human rights and the standards of the European security system. The Agreement does not foresee membership in the European Union, however, does not exclude such an opportunity in the future. The economic goal is to help to modernize the Ukrainian economy by expanding trade volumes with the EU and other countries, as well as reforming economic regulation mechanisms in line with the best European practices. Subject to the improvement of the business climate, Ukraine will become attractive for foreign and domestic investment for further production for export to the EU and other markets of the world. Harmonization of standards and European regulations has become a much more important process than the fulfilment of strictly technical requirements and underlies the introduction of effective governance without corruption. In the process of harmonization of interaction, an adaptive institutional mechanism was formed (the highest level – annual Summits; the key coordinator is the Association Council, consisting of members of the Council of the European Union and members of the European Commission, and members of the Cabinet of Ministers of Ukraine; the level of operational coordination – the Association Parliamentary Committee, which includes members of the European Parliament, representatives of the Verkhovna Rada of Ukraine, and the Civil Society Platform; in order to coordinate processes on the territory of Ukraine, the Ukrainian government has introduced a few supervisory committees and commissions). The harmonization of the economic aspect of the mechanism has been determined in solving issues of openness of markets for duty-free import from Ukraine in April 2014, obtaining a visa-free regime with the EU, abolishing export-import tariffs, implementing European technical standards for food safety, phytosanitary norms, competition policy, service provision, and public procurement policy. The issues of further deepening of relations include a review of the terms for the introduction of regulations and legislative provisions before their actual implementation, stabilization of financial and economic processes in the country, and further development of democratic values and social institutions.

**Key words:** deepening EU-Ukrainian relations, EU-Ukraine Agreement, DCFTA, foreign policy, economic relations, harmonization mechanism.

**JEL Classification:** O19, F15, F42, R50

### 1. Introduction

International financial and political relations between Ukraine and the European Union were launched in December 1991, when the Minister of the EU Presidency – the Netherlands – officially recognized the independence of Ukraine on behalf of the European Union.

Ukraine's policy on the formation of relations with the European Union is based on the Law of Ukraine

“On the Principles of Internal and External Policies” (dated 01.07.2010). According to Article 11 of this law, one of the fundamental principles of Ukraine's foreign policy is “ensuring Ukraine's integration into the European political, economic, legal space in order to become a member of the EU” (Analytical note, 2015).

At the same time, Ukraine's intention to build relations with the EU on the principles of integration

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was announced much earlier. So, in the Resolution of the Verkhovna Rada of Ukraine as of 02.07.1993 "On Main Directions of Foreign Policy of Ukraine" Ukraine first declared its own European integration aspirations. In order to maintain stable relations with the European Communities, Ukraine has entered into Partnership and Cooperation Agreement, the implementation of which was the first stage of promotion to the associate and subsequently to its full membership in this organization" (Association Agenda, 2014).

Following the Revolution of Dignity, which was held in Ukraine in 2014, the Verkhovna Rada of Ukraine adopted the Resolution "On Confirmation of Ukraine's Course on Integration into the European Union and Priority Measures in this Field" as of 13.03.2014, which also confirmed the irreversibility of Ukrainian course on European integration, which aim is to become a member of the European Union.

The deepening of relations between Ukraine and the European Union (EU) has resulted from the formation of an international treaty – the Association Agreement, which includes a list of legal, social, economic, and technical regulations, and Deep and Comprehensive Free Trade Area (DCFTA). Most of the provisions of the Association Agreement and the DCFTA are of a purely technical nature, and its signing in 2014 was an act of strategic and geopolitical importance in the history of Ukraine.

The losses Ukraine has suffered as a result of its political decisions are prohibitively large in terms of territory, economy and, above all, human life, but so far, the country's resoluteness to succeed remains steady.

Political and economic objectives of the Agreement that are of fundamental importance to the future of Ukraine as an independent and secure European state are completely understandable. The political goal is to deepen the implementation of the "European choice" of Ukraine. This implies the introduction of fundamental European values, namely democracy, rule of law, respect for human rights and the standards of the European security system. The Agreement does not provide for membership in the European Union, but this possibility is not excluded in the long run.

The economic goal is to help to modernize the Ukrainian economy by expanding trade volumes with the EU and other countries, as well as reforming economic regulation according to best European practices.

Subject to the improvement of the business climate, Ukraine will become attractive for foreign and domestic investment for further production for export to the EU and other markets of the world.

The Agreement regulates the modernization of Ukraine by bringing standards and regulations in line with EU standards, which in general are in line with international best practice. Harmonization of standards and European regulations is a much more important

process than the fulfilment of purely technical requirements and it underlies the introduction of effective governance without corruption.

The EU has almost fully opened its market for duty-free imports from Ukraine in April 2014. For a number of products, transitional periods are used. This means opening up more export opportunities for the Ukrainian economy. Gradually during several years, starting from January 2016, Ukraine cancels its import tariffs for EU countries.

The Association Agreement and the Deep and Comprehensive Free Trade Area (DCFTA) Agreement will enable Ukraine to become one of the medium or large economies of the EU with a highly developed and diversified industrial structure.

The technical requirements for entry into the EU market are high and rigorous, however, they are applied professionally and fairly without any (unlike other) geopolitical manipulations.

Financial support, including EU grants and loans or investments from European financial institutions, is provided through investment and technical support in the event of high adaptation costs.

The provisions of the Agreement and the DCFTA are numerous and complex, therefore, Ukraine and the EU will have to go through the complex path of process-oriented structural changes.

The mechanism for fulfilling obligations is rather flexible due to the procedures for extending the terms and amending the list of legislative acts subject to mutual consent of the Parties.

The authors determined the purpose of a detailed consideration of legal, economic mechanisms for harmonizing standards and regulations for deepening EU-Ukrainian relations and identifying the most optimal ways for mutually beneficial development.

## 2. The methodology of research

The Association Agreement between the European Union (EU) and Ukraine is a comprehensive treaty covering Ukraine's political and economic relations with the EU. The trade section of the Agreement provides for the establishment of Deep and Comprehensive Free Trade Area (DCFTA), which is an important component of the agreement as a whole.

The Agreement was initialled in March 2012 and would have to be signed at the EU Summit in Vilnius in November 2013. But at the last moment, President Yanukovich has decided not to sign it, which caused the political events on Maidan, and subsequently Russia's aggression in the form of the annexation of Crimea and the hybrid war in the east of the Donbas. The signing of the Agreement took place in two stages later. Initially, the political part (in March 2014, Prime Minister Arseniy Yatsenyuk) and then the economic part (in June 2014, newly elected President Petro Poroshenko) were signed.

The Verkhovna Rada of Ukraine and the European Parliament ratified the Agreement in September 2014, and the EU member states, except for the Netherlands, – during 2015 and early 2016. In the Netherlands, the ratification process was interrupted by the negative result of the referendum, which took place on April 6, 2016. However, the temporary application of the Agreement remains unchanged. The Netherlands (and hence the EU as a whole) completed the ratification on May 30, 2017.

The provisional application of the Agreement began in November 2014, in addition to the DCFTA, the “provisional” application of which began in January 2016, after a one-year delay at the request of Russia. The final version of the Agreement came into force on September 1, 2017 (EU-Ukraine, 2017).

The Agreement is a “mixed agreement” (that is, it contains provisions within the competence of the EU Member States), all EU member states have also ratified it in accordance with their national legislation and procedures.

In order to avoid delays in ratification, the EU and Ukraine have agreed to apply large parts of the Agreement on an “interim basis.” This applies to most of the provisions that fall within the competence of the EU.

The agreement creates a comprehensive institutional framework that plays an extremely important role in the monitoring and implementation of certain provisions of the Agreement. Annual EU-Ukrainian summits receive additional, ever clearer legal frameworks that did not exist before.

The highest level of political dialogue is confirmed at the summits, which set out general rules for the implementation of the Agreement, as well as an opportunity to discuss any bilateral or international issues of mutual interest. The last Ukrainian-EU summit took place on 12-13 July 2017 (for the first time since the ratification of the Association Agreement). The discussion was devoted to the importance of ambitious reforms, especially in the fight against corruption, the introduction of the EU visa-free regime for Ukrainians, and the conflict in the East of Ukraine (Emerson, Movchan, 2018).

Below the summit level, the key institution is the Association Council, consisting of members of the Council of the European Union and members of the European Commission, on the one hand, and members of the Cabinet of Ministers of Ukraine, on the other hand. The Association Council meets at least once a year at ministerial level and is the main institution monitoring the application and implementation of the Agreement. In addition, the commission considers any other key issues relating to the relationship between the two parties. Since the entry into force of the Agreement, the Association Council met four times. At its last meeting on December 8, 2017, the EU and Ukraine welcomed the progress made in implementing a comprehensive

reform program, assessed the steps taken to implement the Association Agreement, and emphasized the need to intensify efforts to implement reforms. In particular, the Association Council considered and discussed ways of further development of reforms that were jointly developed by the EU and Ukraine within the Association Agenda, welcoming the successes in decentralization, the reform of public administration, the adoption of the electoral code and the privatization law in the first reading (EU-Ukraine, 2017).

The Association Council may make “binding” decisions when provided for in accordance with the Agreement. This means that the EU (and its member states) and Ukraine are obliged to implement these decisions. In addition, it may issue non-binding recommendations, such as the “Association Agenda” document, which details the implementation process. Both the decision and the recommendations are taken with the consent of the parties (European Parliament, 2009).

The scope of decision-making powers is rather limited since the joint organization can only make decisions that fall within its competence under the Agreement. The Association Council receives assistance from the Association Committee consisting of representatives of the parties at the level of senior officials that, in turn, receives assistance from the specialized subcommittees (EU-Ukraine, 2015).

At its first meeting, 15.12.2014, the Association Council approved the personal regulations, as well as the regulations of the Association Committee and subcommittees. In addition, Subcommittees on Justice, Freedom and Security and on Economic and Other Sectoral Cooperation were created. In accordance with the Agreement, a Trade Committee has already been established to consider all issues related to the DCFTA, supplemented by several subcommittees (for example, on Customs Cooperation and on Trade and Sustainable Development). Finally, the Agreement established the Parliamentary Association Committee, which includes members of the European Parliament, representatives of the Verkhovna Rada of Ukraine and the Civil Society Platform (EU-Ukraine, 2015).

### 3. Results and discussion

After the political events of Maidan during 2013-2014, Ukraine returned to the goal of becoming a truly democratic state, which was confirmed by democratic parliamentary and presidential elections. However, there is an urgent need to further improve the functioning of democratic institutions. The Association Agenda demands, among other things, the creation within the constitutional reform of an effective system of checks and balances between the branches of power and the strengthening of local self-government and regional authorities. In 2016, the first part of the constitutional reform was adopted – judicial reform.

However, important constitutional changes related to decentralization remain blocked by the Verkhovna Rada. In addition, the distortion of certain political decisions is of concern over the influence of non-transparent groups of interests both in the parliament and in the government.

The success of the anticorruption policy is a prerequisite for the overall success of the Agreement and the economic future of Ukraine. Many heads of the Association contribute to this goal, for example, in terms of transparency of government procurement, however, the Ukrainian government needs to solve a number of key issues related to the functioning of the judicial system and the prosecutor's office and several anticorruption institutions. There are also problems of forming the real political force at the highest level in relation to the implementation of anti-corruption policy in specific situations.

Obtaining a visa-free regime with the EU, in the first place, was to introduce a comprehensive action plan for the general liberalization of the visa regime. In December 2015, the European Commission recommended the introduction of a visa-free regime, which began in July 2017. This was the most positive achievement for both parties, as for Ukraine, in terms of implementing the EU requirements, and so for the EU itself, given the extreme political sensitivity of all aspects of border management and migration policy (European Parliament, 2017).

Cancellation of tariffs is the classical economic basis for establishing a free trade area. The EU has largely weakened the market access restrictions in April 2014 by granting Ukraine "autonomous trade preferences" and abolishing 94.7% of its import duties. According to the terms of the full-time provisional application of the DCFTA, which began on January 1, 2016, Ukraine should gradually abolish its customs duties on imports from the EU for seven years. These measures initially had only limited impact on exports from Ukraine to the EU due to the cessation of production in the occupied territories, logistical problems, and a downward price trend in the world commodity markets. However, recently, exports to the EU have grown rapidly, jumping by 30% in 2017. At the same time, the EU share in Ukrainian exports and imports increased due to a sharp decrease in trade volumes with Russia. The structure

of exports to the EU has shifted towards machines and equipment, fats and oils, ready-made food products, and products of animal origin (Emerson, Movchan, 2018).

The use of duty-free tariff quotas for agricultural products has increased as Ukrainian producers gradually solve problems related to the requirements of food safety and the weak demand for their products.

The main sector for which special protection measures have been introduced is the automotive industry of Ukraine, which will continue to be blocked by the growth of imports from EU countries up to 15 years. This has increased additional costs from consumers but it is planned to intensify the development of Ukrainian production in the short-term. The Agreement contains provisions relating to antidumping measures, subsidies, and special protective measures to secure the importing state's economy against serious damage or threat of such damage. Earlier, the EU widely applied antidumping duties to Ukrainian steel and bulk chemical products, however in the last 2017-2018 such measures are much less common. In October 2017, the EU introduced a final antidumping duty on imports of steel products from Ukraine and a number of other countries. There are certain problems of Ukraine's inconsistent trade policy with some violations of the provisions of the DCFTA (EU-Ukraine, 2017).

The DCFTA also includes important measures to ensure fast and efficient customs services. Ukraine is gradually complying with its legislative obligations in accordance with the new Customs Code, most provisions of which comply with the requirements of EU legislation. Nevertheless, the main task for border posts on the borders with the EU remains to work without delays and corruption.

Adoption of European standards for industrial, agricultural, and food products is extremely important for modernizing and improving the competitiveness of the economy. Ukraine has defined a strategy aimed at eliminating technical barriers to trade with the EU by bringing its legislation in line with the EU main directives and adopting a very large number of EU standards. In the agro-food sector, Ukraine is launching a comprehensive strategy for the implementation of EU sanitary and phytosanitary standards (Decision, 1/2014).

Table 1

**Priority principles of rule of law and foreign policy**

Section of the Agreement	Efficiency of implementation
1.1. Political institutions	Active creation of new institutional structures, the presence of structural weaknesses and the influence of oligarchs
1.2. Human rights	The human rights standards are being actively developed, structural adjustments are introduced into the legislation (except for the occupied territories)
2.1. Judiciary	Institutional reforms have a limited result
2.2. Corruption	To create active positive legislative and institutional shifts, there is not enough political freedom
2.3. Movement of persons	Liberalization of the visa regime is a major positive step
3. Foreign policy and security	The EU overwhelmingly supports Ukraine, continuing political and economic sanctions

Source: compiled by the authors based on EU-Ukraine (2015); EU-Ukraine (2017)

Table 2

**Deepening economic relations and free trade area**

Section of the DCFTA Agreement	Efficiency of implementation
4. Market access for goods	Significant growth in the export of goods in the EU, there are certain violations of the DCFTA
5. Trade protection measures	The EU has introduced an anti-dumping duty on some steel products
6. Customs services	Slow improvement of legislation, which in practice is not always effective and corrupt
7. Technical standards	Preparation for ACAA negotiations is in progress. Harmonization of EU standards and regulations slowed down in 2016–2017
8. Food Safety (SPS)	An integrated SPS strategy is implemented, vital for the agro-food sector; the expansion of individual access to the EU market for products of animal origin at the level of products and companies
9. Services	Ukraine is more liberal than the EU, so the approximation of legislation to EU requirements is slow
10. Public procurement	Significant progress has already been made, but some rules of the new legislation contain risks of levelling or reversal
11. Intellectual property rights	Legislation has been improved, but the weak practicality of its application causes dissatisfaction on the part of the EU and the USA
12. Competition policy	Improvement of the statutory framework has not yet been reflected in the definition of the practical effectiveness of the antimonopoly policy
13. Statistics	The statistical system is actively developing, closer to the EU requirements

Source: compiled by the authors based on EU-Ukraine (2015); EU-Ukraine (2017)

Subsequently, it will provide high standards for the safety of food products for Ukrainian consumers and will create better opportunities for Ukrainian enterprises to export their products to the EU and to other markets in the world. Progress in the implementation of these two policy areas concerning technical regulations and standards for industrial and agricultural goods is a significant step but not as fast as it was planned.

The competitive and diversified service sector is of great importance for the Ukrainian economy. The Agreement contains detailed elaborated, comprehensive provisions on liberalization commitments and reservations, and the Ukrainian side has a greater scope for liberalization commitments and fewer reservations than the EU.

Within the framework of the Agreement, work is underway to fulfil Ukraine's obligation to bring its legislation in the field of public procurement to the relevant EU directives. The government is already implementing e-procurement that proves to be useful in terms of improving efficiency and reducing the corruption component. The system of intellectual property rights in Ukraine has several disadvantages compared to advanced European and international practices, which is a source of great concern from the EU and the USA. It is expected that these shortcomings will be eliminated in the new legislation that will be adopted and implemented.

Ukraine has already largely brought its competition policy into line with EU standards and international standards. In addition, further legislative and institutional reforms are foreseen.

The financial sector of Ukraine is under strong pressure determined by the need to maintain the stability of the banking system and provide external debt servicing. However, the government and the central bank continue to implement a comprehensive

long-term program to update regulatory acts on the basis of EU legislation as an important component of the overall process of reforming the economy. From the point of view of macroeconomic policy, during the years of its independence, Ukraine has achieved only small success in reforming its economic policy, demonstrating unsatisfactory results, with the exception of periods of very favourable commodity prices (Law of Ukraine №2210-VIII, 16.11.2017).

In 2014-2015, Ukraine experienced a severe economic crisis and suffered infrastructure losses over Russian aggression, which further aggravated the negative consequences of the global economic crisis. Nevertheless, moderate growth resumed in 2016 and 2017 (respectively 2.4 and 2.5%). The EU provides significant financial assistance on various channels, including macroeconomic loans complementary to the IMF funds, as well as budget support and investments from the EIB and the EBRD. In the period of 2014-2020, the amount of this aid may reach 12.8 billion euros (Emerson, Movchan, 2018).

*Prospects and priorities of reforms and approximation of legislation.*

From the above, it follows that many questions will arise as to the terms of approximation and implementation of certain acts of EU legislation, as well as how and when it is necessary to update the list of legislative acts intended for implementation in the financial sphere. Financial regulators (NBU, National Commission for the State Regulation of Financial Services, National Securities and Stock Market Commission) have jointly drawn up a detailed action plan: Comprehensive Program for the Development of Ukraine's Financial Markets until 2020, which includes an obligation under the Agreement with the EU, as well as obligations to others international partners and, of course, takes into account internal needs (Law of Ukraine

Table 3

**Deepening economic cooperation**

Section of the Agreement	Efficiency of implementation
14. Macroeconomics	The macroeconomic situation tends to intensify and recover, but in recent years, the pace has slowed down
15. Financial services	Structural reforms are rapidly developing
16. Transport	Adaptation of legislation and infrastructure restructuring are very slow
17. Power engineering	Diversification of gas supply, reforming in a radical state
18. Environmental protection	Achieving the EU's recommended regulations is not possible within a specific timeframe
19. Digital technology	The ICT sector is developing rapidly but the legislation is very slowly adapting to the EU
20. Consumer protection	Gradual adaptation of legislation; development of institutional capacity
21. Corporate law	Major legislative reforms have been carried out to adapt to EU legislation
22. Agriculture	Limited obligations, controversial land legislation
23. Social policy	The main regulations comply with EU rules and standards
24. Education and culture	A relatively large resource of human capital, although there are certain problems
25. Science and technology	Participation in the program "Horizon 2020"; significant advantages
26. Agencies and programs	Cooperation is on a gradual development
27. Cross-border cooperation	Important projects with Poland, Slovakia, Hungary, and Romania, however, there are some problems with implementation
28. Public society	Establishing NCAs with the ability to protect democratic transformations, but they are under a certain pressure

№2210-VIII, 16.11.2017; Law of Ukraine "On Consumer Lending" №1734-VIII, November 15, 2016).

In early 2017, the regulators revised the program to postpone the deadlines for implementation from 2019 to 2021 in order to take into account slow progress in adapting legislation and delays in drafting bills. The program was also revised to update the EU legislation that had to be implemented in view of the evolution of the EU legal framework.

A more detailed list of current deadlines set at the beginning of 2017 is given in Table 4. However, further revisions are conducted taking into account the large delays: by February 2018, only three of the ten directives and regulations that were expected to be harmonized in 2016–2018 have been implemented at least partially.

In particular, a new Law on Consumer Lending was adopted in 2016, which largely complies with the Consumer Credit Directive (2008/48/EC). The new law, aimed at facilitating business and attracting investment by securities issuers (2017), contains updated rules on issuance of securities and public securities offerings, information disclosure rules for securities issuers, and regulation of professional securities market participants. It implemented a part of the MIFID/MIFID II rules. The NBU has achieved significant progress in changing banking supervisory regulation that brought it closer to the EU standards.

Despite the underdeveloped financial markets and the slow progress in the implementation of EU standards in Ukrainian legislation, the NBU and the Securities Commission are gradually introducing the latest EU legislation without waiting for the official renewal of the obligations under the Agreement. The Financial Market Development Program of Ukraine contains a schedule for the implementation of current EU financial services legislation, as well as new EU legal provisions such as directives 2015/2366, 2015/849, 2014/59/EC etc.

When the Association Agreement was signed, the regulatory approximation in the financial services sector was scheduled with the ultimate goal of introducing a full regime for the EU internal market.

This would allow Ukrainian banks and other operators of financial services markets to provide services in the EU on the same basis as companies from EU countries. So far, the introduction of such a financial mechanism is not possible, as the EU is close to a centralized model of supervision in the banking sector and other financial services sub-sectors. In the banking sector, the implementation of EU standards could be confirmed by a significant share of subsidiaries of EU banks (among non-state banks). In addition, the obligations under the Association Agreement coincide with the NBU's plans for the implementation of the prudential regulation of Basel III (Resolution NBU, 2015).

#### 4. Conclusions

Summarizing the research, the emphasis is placed on the main points of the formation and development of cooperation processes and the establishment of relations between the EU and Ukraine, as well as the opportunity to deepen such relations on mutually beneficial terms.

The Agreement on association and cooperation between Ukraine and the EU entered into force on September 1, 2017, after the delay in ratification in one of the member states (the Netherlands). It aims to create a common institutional economic, legal, and political interaction mechanism that will ensure monitoring and regulation of the implementation of the Agreement and will create a platform for conducting a mutually beneficial political dialogue.

The temporary application of the ratification of individual standards and interaction regulations began on November 1, 2014, except for the provisions of the

Table 4

**Deadlines for the implementation of EU legal regulations in accordance with the 2020 Program**

2016-2018
1606/2002 (IAS Regulation, 2016) *
2013/34/EC (Accounting Directive, 2017) *
2009/103/EC (Directive on motor insurance)
2002/92/EC (Directive on insurance mediation)
2003/41/EC (Directive on occupational retirement provision)
2014/51/EC (Omnibus II, 2018)
648/2012/EC (Regulation on the infrastructure of the stock market)
2015/847 (Regulation on information accompanying transfers of funds)
2015/849 (the fourth Directive on the fight against money laundering)
2008/48/EC (Directive on credit agreements for consumers) *
2019-2020
2014/56/EC (amending Directive on audit)
2009/65/EC (UCITS IV)
2007/16/EC (Directive on eligible assets)
2009/110/EC (the second Directive) on electronic money
2003/51/EC (Directive on the modernization of accounts)
537/2014 (Directive on audit)
2009/138/EC (Solvency II)
2013/36/EC (CRD IV)
2014/49/EC (consolidated version of Directive on deposit guarantee schemes)
2014/59/EC (Directive on the regulation of troubled banks)
97/9/EC (Directive on investor-compensation schemes)
2014/57/EC (Directive on market abuses)
596/2014 (Market abuse regulation)
1060/2009 (Regulation on credit rating agencies)
86/635/EC (Directive on bank accounts)
2006/46/EC (Directive on company reporting) *
2007/14/EC (Directive on transparency)
2003/71/EC (Prospectus Directive). 2008/11/EC, 809/2004, 1787/2006, 1289/2008
2004/109/EC (Directive on the transparency of listing companies)
2010/43/EC, 2010/42/EC, 583/2010, 584/2010 (ancillary acts of UCITS)
2014/17/EC (Directive on mortgage lending, 2017) *
2001/65/EC (Directive on fair value)
1569/2007/EC (Equivalence of accounting standards)
91/674/EC (Directive on insurance accounts)
2001/24/EC (Directive on bankruptcy)
2014/65/EC (MiFID 2). 2002/87/EC (Directive on financial conglomerates)
2020–2021
2015/2366 (the second Directive on payment services, 2020)
575/2013 (CRR IV)
2013/36/EC (CRD IV)
98/26/EC (Directive on settlement finality)
2009/44/EC (amending Directive on settlement finality)
909/2014 (Regulation on central securities depositories)
2002/47/EC (Directive on financial collateral arrangements)

Note: \* partially or fully implemented.

Source: compiled by the authors based on *EU-Ukraine (2015)*; *EU-Ukraine (2017)*; *Emerson M., Movchan V. (2018)*

DCFTA, the application of which began only on January 1, 2016. Delay with the DCFTA appeared as a result of a trilateral meeting between the EU, Ukraine, and Russia on September 12, 2014, where a decision was made (under Russian pressure) to postpone the implementation. However, the autonomous trade preferences of the EU (i.e., the unilateral introduction of the tariff section of the provisions on the DCFTA) have been applied during the interim period. Therefore, in general, as a result of delays, the loss of economic and political processes was insignificant. The scope of the temporary application is extremely broad and encompasses almost all of the provisions on the DCFTA and the main sections on general principles, political dialogue, rule of law, and numerous issues regarding sectoral cooperation.

The Supervisory Board of the Association has broad powers to amend the annexes of the Agreement but not its main text. These institutional arrangements began to work after the Association Agreement entered into force.

At the time of executing the Agreement, the financial sector of Ukraine was in a state of financial instability of the banking system and uncertainty about the financial aspects of servicing external debt after the emergence of an artificial financial crisis. However, the Ukrainian government continues to implement a comprehensive long-term program of regulatory modernization of the financial sector, using EU legislation as a basis. The EU and the Association for Deepening Relations consider it an important part of the process of modernizing the economy as a whole.

EU countries recognized that in the process of approximation to the EU standards, the original timetables were too ambitious, and some new EU legal provisions, such as MiFID 2, seemed too complicated for a relatively modest level of development of financial markets in Ukraine. Yet there are good reasons for continuing to adapt the EU's international practices to Ukrainian legislation. The commitment to the Association Agreement can be the basis for improving the situation in the financial, economic, political, and social sectors. Nevertheless, the government of Ukraine must take a fresh look at ways of further reforming the financial sector, taking into account the reduced prospects for providing a complete regime for the domestic market as the ultimate goal of approaching the requirements of the Association Agreement. This may involve increased flexibility in the implementation of commitments under the Association Agreement.

The Agreement has also launched political goal, important for the European region, it is to ensure that Ukrainian democratic institutions adhere to the basic European values. The Agreement provides for close monitoring of democratic institutions, including in the context of the rule of law and human rights. Respect for democratic values is considered in the Agreement so essential that, in the event of their serious violation, the Agreement may be terminated, in contrast to the violation of other regulations.

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