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Ukraine Set for IMF Support After Approving Anti-Kolomoisky Banking Law

New law opens door for $5.5 billion in loans from IMF.

By Ben Aris for bne IntelliNews

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PrivatBank, previously controlled by Kolomoisky, was nationalized in 2016 **Anton Belitsky / TASS**

Ukraine's parliament, the Verkhovna Rada, has adopted the so-called anti-Kolomoisky bank law in a final reading Wednesday that bans the return of failed banks to their former shareholders. The new law clears the way for Kiev to sign off on a new International Monetary Fund (IMF) deal.

The IMF has insisted on the bill as a precondition to giving Ukraine a new loan agreement that the government desperately needs if it is to meet its debt obligations this year and have enough money to deal with the economic shock caused by the coronavirus pandemic.

The law is designed to prevent powerful oligarch Ihor Kolomoisky from retaking control of PrivatBank, which was nationalized in 2016 when the National Bank of Ukraine (NBU) found it

had a $5.5 billion hole in its balance sheet. Kolomoisky and his partners had looted the bank using shell companies and fake loans but have not been held accountable.

Kolomoisky has since mounted a campaign in the courts to have the bank returned to his ownership, or at least to have the state pay $2 billion in compensation. The NBU has accused Kolomoisky by name of mounting attacks on its staff in a "terror" campaign.

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Ukrainian President Volodymyr Zelenskiy has struggled to get the bill passed as several deputies in his own faction who are associated with Kolomoisky rebelled and refused to vote for it.

Kolomoisky pulled out all the stops to block the bill. Deputies associated with Kolomoisky introduced more than 16,000 amendments after it was passed in the first reading in a dramatic midnight Rada session March 30.

Those amendments would have taken five months to debate until the Rada passed a new law that changed the procedures and allowed the deputies to vote on the amendments in bulk.

The final bill was supported by 270 MPs, well ahead of the necessary 226 votes for the law to pass.

"Good news. Let's see what Kolomoisky does next," Timothy Ash, senior sovereign strategist at BlueBay Asset Management, wrote Wednesday in a short note immediately after the Rada's decision.

Ukrainian Prime Minister Denys Shmyhal said Wednesday that Kiev hopes the IMF will provide the first tranche under a new program within weeks.

"We hope that by the end of May we will reach the signing of the documents and will receive the first tranche of money," Shmyhal said during an hour of questions to the government in the Rada, news agency Interfax reported. "Today we are ... close to signing the memorandum."

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