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THE LAW OF UKRAINE

On the System of Depository Record-keeping of Securities

This Law sets out the legal framework of the operation of the depository system in Ukraine, the procedure for registering and proving rights to and under issue-grade securities in the system of depository record-keeping of securities, and the procedure for making settlements under legal transactions in issue-grade securities.

Chapter I. GENERAL PROVISIONS

Article 1. Definitions

1. In this Law, the following definitions shall apply:

1) global certificate — a document that contains information about a securities issue, which is formalized by the Central Securities Depository (CSD) after the emission is complete, based on documents provided by the issuer and the list of which shall be determined by the Securities and Stock Market National Commission (hereinafter the “Commission”), shall be safeguarded by the CSD and is the grounds for the safekeeping and record keeping of the securities and of the issuer’s obligations as regards the relevant issue of securities;

2) cash settlement – transfer of funds by the method established by law;

3) correspondent depository – a foreign depository or an international clearing depository institution that acts as a customer of the CSD on the basis of the established correspondent securities relations;

4) depository activities — activities of professional participants of the depository system of Ukraine with respect to providing securities custodian and record-keeping services, servicing the assumption, termination and transfer of rights to securities, rights under securities and their restrictions in securities accounts of depository institutions, issuers, correspondent depositories, depositors and clearing entities;

5) depository system of Ukraine — the whole range of depository system participants and legal relations between them with respect to keeping records of securities, rights to securities and rights under securities and their restrictions set out in the system of depository record-keeping of securities, and making settlements under legal transactions in securities;

6) substantial holding in the CSD — direct and/or indirect ownership by one person (excepting the GOU and the NBU) alone or jointly with other persons of 5 percent or more of the authorized capital of the CSD;

7) backup copy of the register of holders of registered securities – the register of holders of registered securities prepared by the CSD by the method established by the Commission to be safeguarded by the CSD and disclosed by it solely in the events specified by law;

8) corporate transactions of the issuer — the issuer’s transactions related to the issuance, buy-out, split, consolidation, conversion, retirement, cancellation of securities, payment of income from securities, as well as related to the termination of the issuer, a change in the amount of the issuer’s authorized capital, and other transactions from the list set forth by the Commission ;

9) nominee holder of securities (nominee holder) – the CSD registered with the depository of another country or with an international clearing depository institution as an entity in whose account record is kept of securities owned by CSD customers and their depositors or a correspondent depository registered with the CSD in the record keeping system of securities as an entity in whose account record is kept of securities owned customers (depositors) of said correspondent depository.

10) rights to securities — property rights to securities (ownership right, other property rights as provided by law)

11) rights under securities — rights that arise from the obligation of the issuer under securities placed by the issuer (the right to participate in the general meeting of shareholders, the right to receive income, other legal rights);

12) professional participants of the depository system of Ukraine — the CSD, the NBU depository of government securities, and depository institutions;

13) register of holders of registered securities — a list of owners of registered securities, prepared by the CSD as of a certain date, as required by law, with the indication of the number of securities owned by them, par value and type of securities, and other information determined by the Commission;

14) register of persons possessing rights under registered securities – list of persons possessing rights under registered securities of a certain issue by a certain issuer put together in line with the legislation by the CSD as of a certain date, specifying the amount of securities, type (kind, class) of securities, rights under securities and their amount owned by each owner, and other information as determined by the Commission;

15) settlements under legal transactions in securities – fulfillment of mutual obligations under legal transactions in securities through a transfer of funds and/or transfer of rights to securities and rights under securities and/or termination of obligations based on the results of netting.

16) settlements based on the “securities delivery versus payment” principle — a mechanism of settlement of transactions in securities by way of a transfer of securities and/or transfer of rights to and under securities immediately after the relevant transfer of funds.

17) settlement in securities - transfer of securities and/or transfer of rights to and under securities by the method prescribed by law.

18) temporary global certificate — a document that contains information about a certain issue of securities offered for placement, which shall be issued by the CSD for a period of securities issue based on documents filed by the issuer, the list of which is determined by the Commission as grounds for recording the securities and the issuer’s obligations under said securities;

19) participants of the depository system of Ukraine — professional participants of the depository system of Ukraine, correspondent depositories, clearing institutions, stock exchanges, settlement banks, issuers, securities traders, asset managers, and depositors.

The terms “control” and “related party” are used with the meanings specified in the Tax Code of Ukraine.

The terms “clearing” and “netting” are used in the meaning specified in the Securities and the Stock Market law of Ukraine.

Article 2. Legislation on the Depository System of Ukraine

1. The legislation on the depository system of Ukraine consists of the Civil Code of Ukraine, this Law, the Law of Ukraine “On Securities and Stock Market”, other laws of Ukraine and regulations of the Commission.

2. If an international treaty of Ukraine ratified by the Verkhovna Rada of Ukraine sets out provisions other than those contained in this Law, the provisions of this international treaty shall prevail.

Article 3. Kinds of Depository Activities and Their Combination

1. The following types of depository activities may be carried out in Ukraine:

- 1) Depository activities of the CSD;
- 2) Depository activities of the NBU depository of government securities;
- 3) Depository activities of a depository institution;
- 4) Custody of assets of collective investment institutions;
- 5) Custody of assets of pension funds.

2. Depository activities of a depository institution may be combined with the custody of assets of collective investment institutions and the custody of assets of pension funds.

Activities mentioned in items 4 and 5 of Part 1 of this Article may not be carried out by the CSD.

Depository activities of a depository institution may be combined with trading in securities or banking.

Combining depository activities with other types of activities, except for those specified herein, shall be prohibited.

3. Depository activities of the CSD and of the NBU depository of government securities may be combined with clearing activities.

It is possible to combine kinds of depository activities on the condition that they are carried out by separate units of a depository institution in the manner prescribed by the Commission.

Article 4. The System of Depository Record-keeping of Securities

1. The system of depository record-keeping of securities is a set of entries on issue-grade securities (kind and type, par value and quantity, restrictions on trading or exercise of rights under securities, etc.) in securities accounts; on issuers, holders of registered securities, managers, pledgees, other persons given appropriate rights with respect to securities; entries that contain

information that makes it possible to identify issue-grade securities and persons mentioned and other information as provided by law (hereinafter “the system of depository record-keeping”).

Requirements for the list of documents to be filed by the issuer with the CSD as well as the procedure for formalizing and keeping records of global certificates, temporary global certificates and their details shall be set by the Commission.

2. The fact of obtaining and terminating rights to securities and rights under securities shall be subject to registration in the depository record-keeping system. Restrictions on rights to securities and rights under securities shall be registered in the system of depository record-keeping.

Requirements for information to be entered in the system of depository record-keeping shall be set by the CSD with the endorsement from the Commission.

Article 5. Securities Accounts

1. A depositor’s securities account shall be opened for the security holder, co-owners of securities, or notary to whose deposit securities are credited (hereinafter “the depositor”) by the depository institution under a securities account servicing agreement.

The securities account servicing agreement shall be entered into by and between the depositor and the depository institution; under this agreement, the depository institution, in the manner prescribed by the Commission, shall keep records of rights to securities and restrictions of the rights to and under securities owned by the security holder (if securities are credited to the notary’s deposit, then – to a respective creditor).

In the course of opening the depositor’s securities account, the depository institution shall assign a security holder code to holders in the manner prescribed by the CSD and agreed with the Commission.

A depository institution shall open own securities account to keep the record of the rights to securities and restrictions of rights to and under securities owned by the institution. This account shall be opened on the basis of an order of the respective depository institution and shall be treated as the securities account of a depositor.

2. A depository institution’s securities account where record is kept of securities (other than government securities) shall be opened for the depository institution by the CSD, based on a depository agreement.

The depository agreement shall be entered into between the depository institution and the CSD, and the CSD shall, in the manner prescribed by the Commission, keep records, in the depository institution’s security account, of securities the rights to which and the rights under which belong to depositors of such depository institution (if securities are credited to the notary’s deposit, then – to a respective creditor) and the depository institution itself with respect to securities owned by it.

3. A government securities account of the depository institution shall be opened for the depository institution by the NBU government securities depository on the basis of a depository agreement.

The depository agreement shall be entered into between the depository institution and the NBU government securities depository, under which the latter, in the manner prescribed by NBU and agreed with the Commission, keeps record in the securities account of government securities the rights to and under which belong to depositors of said depository institution (if securities are credited to the notary’s deposit, then – to a respective creditor) and to the depository institution itself, if securities are owned by it.

4. An issuer's securities account shall be opened for the issuer (excepting the issuer of government securities) by the CSD, based on a securities issues servicing agreement.

The securities issues servicing agreement shall be entered into by and between the issuer and the CSD and, in accordance with this agreement, the CSD shall, in the manner prescribed by the Commission, keep records of the issuer's securities, rights under securities and shall service corporate transactions of the issuer. The CSD shall not provide services to the issuer regarding the organization and conduct of general shareholders meeting (excepting the draw-up of the registered securities holders, sending out notification of the meeting to shareholders, or informing them on changes in the matters on its agenda and on the voting results at the meeting).

5. The securities account of the issuer shall be opened for the issuer of government securities by the NBU government securities depository based on a government securities issues servicing agreement.

The government securities issues servicing agreement shall be entered into by the government securities issuer and the NBU government securities depository under which the NBU government securities depository will keep record, in the manner prescribed by NBU and agreed with the Commission, of government securities, rights under same, and shall service the issuer's corporate operations.

6. A securities account of a correspondent depository shall be opened by the CSD base on the corresponding relations agreement. The correspondent relations agreement shall be entered into by and between the correspondent depository and the CSD and, in accordance with this agreement, the CSD shall, in the manner prescribed by the Commission, keep records, in the securities account, of the correspondent depository's securities placed in the territory of Ukraine, rights to which and rights under which belong to clients (depositors) of the correspondent depository, and/or a correspondent depository of a foreign country or an international clearing depository institution shall, in the CSD's securities account, keep records of securities placed outside Ukraine, with rights to which and rights under which belonging to depositors of depository institutions. The correspondent relations agreement shall also lay down the procedure for transferring cash between the CSD and the correspondent depository in the event of corporate transactions of the issuer and in other cases provided by law.

7. A securities account of the entity that carries out clearing activities (except for the CSD) under on-exchange transactions in securities (other than government securities) shall be opened for such entity by the CSD based on an agreement on servicing an entity that carries out clearing activities.

The agreement on servicing an entity that carries out clearing activities shall be entered into by and between such person and the CSD, and, under this agreement, the CSD, in the manner prescribed by the Commission, shall keep, in the securities account of an entity that carries out clearing activities, records of securities (other than government securities) used by such person to create a system of risk management and of guarantees for obligations under securities agreements (other than government securities).

8. A securities account of an entity performing clearing activities (excepting the NBU government securities depository) shall be opened for said entity by the NBU government securities depository based on an agreement on servicing an entity that carries out clearing activities.

The agreement on servicing an entity that carries out clearing activities shall be entered into by and between such an entity and the NBU government securities depository, and, under this agreement, the NBU government securities depository, in the manner prescribed by the NBU and agreed with the Commission, shall keep, in the securities account of an entity that carries out clearing activities, records of government securities used by such person to create a system of risk management and of guarantees for obligations under government securities agreements.

9. Requirements for agreements mentioned in Parts 1, 2, 4, 6 and 7 of this Article shall be established by the Commission.

Requirements for agreements mentioned in Parts 3, 5 and 8 of this Article shall be established by the NBU and agreed with the Commission.

The CSD shall set out the method for opening and maintaining accounts of depository institutions, clearing entity, issuers, correspondent depositories and entities engaged in clearing activities and other additional accounts and subaccounts that are necessary to keep record of securities, rights to and under securities, as well as restrictions thereto, funds, and obligations under transactions in securities. .

Special features of the opening, maintaining and closing the accounts of depository institutions, issuers, correspondent depositories, and entities performing clearing activities shall be established by the Commission.

Article 6. Depository Record-keeping

1. Depository record keeping of securities shall be record keeping of securities, of rights to and under securities, and of restrictions thereof in the securities accounts (hereinafter – depository record keeping).

Depository record keeping of securities in the system of securities depository record keeping shall be performed by their amount, without specifying the individual features of said securities (their series, number etc.).

The record keeping of rights to securities shall be performed exclusively by depository institutions and correspondent depositories, while that of securities and rights under securities shall performed exclusively by the CSD.

2. Making changes to the depository record keeping system with regard to a specific holder shall be performed exclusively by depository institutions in the manner prescribed by the Commission and based on:

the information provided by the CSD, - in the event of executing a securities transaction (excepting government securities) on a stock exchange;

the information filed by the NBU government securities depository, in the event of executing a transaction in government securities on a stock exchange;

an order by the depositor, - in the event of executing an off-exchange securities transaction;

an order or another documents (in cases prescribed by the Commission) sent by the depositor, - in the event of imposing or lefting a restriction on securities or rights to securities as regards the rights of said depositor;

documents specified by the Commission, - in the event of heritage, legal succession or in other cases as prescribed by the Commission;

the ruling of a court of law or decision of another government agency or its authorized officer empowered by law.

3. Entering changes to the depository record keeping system regarding settlements of securities transactions (excepting government securities) on exchanges shall be performed exclusively by the CSD by the method prescribed by the Commission on the following grounds:

a stock exchange report, - in the event of a transaction in securities (other than government securities) cleared by the stock exchange or by the CSD;

a clearing institution report, - if this institution is engaged in clearing transactions in securities (other than government securities) executed at a stock exchange;

The CSD shall confirm receipt of such reports by the method and by the deadline prescribed by the Commission.

Changes into the depository record keeping system regarding the entire issue of securities shall be introduced exclusively by the CSD by the method established by the Commission on the following grounds:

a report by the securities issuer, - in the event of corporate operations by the issuer, excepting placement of securities on a stock exchange. The CSD shall confirm receipt of such reports by the method and by the deadline prescribed by the Commission;

the ruling of a court of law or decision of another government agency or its authorized officer empowered by law.

4. Changes into the depository record keeping system regarding the entire issue of government securities and on-exchange transactions with government securities shall be introduced exclusively by the NBU government securities depository by the method and by the deadline prescribed by the NBU and agreed with the Commission on the following grounds:

a stock exchange report, in the event of a transaction in government securities on the exchange and if said transaction is cleared by the exchange or by the NBU government securities depository;

a clearing institution report, - in the event this institution clears transactions in government securities executed on a stock exchange;

a report by the government securities issuer, - in the event of corporate operations by the issuer, excepting placement of securities on a stock exchange.

The NBU government securities depository shall confirm receipt of information specified in paragraphs 2 and 3 of this section by the method and by the deadline prescribed by the NBU and agreed with the Commission.

5. The record of restrictions of rights to and under securities shall be kept in the depository record keeping system by the CSD by numbers, without any break down by owners of securities whose rights have been restricted.

6. In the event of imposing restrictions on the rights to and under securities, the owner of such securities shall file the relevant information and supporting documents with the depository institution where his/her securities account has been opened.

In the event of imposing or lifting restrictions on the rights to and under securities regarding the entire issue, the court or another government agency or its authorized officer empowered by law shall provide the relevant decision to the CSD.

7. The procedure for filing the order and other documents provided in Parts 2-4 and 6 of this Article, requirements for their content (except for requirements for a court decision) and the procedure for registering them in the system of depository record-keeping shall be set by the Commission.

The documents mentioned above as grounds for changes to the depository record keeping system shall be kept for ten years after the date of their receipt but for no less than the term of the respective account.

8. The depository institution shall be required, no later than within one business day of the date of receipt of the depositor's order and other documents, in cases prescribed by law, to report on admitting the order or to provide a well-grounded answer about refusal to carry out the order. If the order is accepted, the depository institution shall make changes to the system of depository record-keeping in keeping with the requirements of the order.

If a depository institution gets a report from the CSD on the results of settlements of securities transactions executed at a stock exchange by the depository institution depositors or on their behalf,

the depository institution shall make changes in the relevant securities accounts of the depositors by the end of the business day in which said report has been sent by the CSD.

Article 7. Making changes to the depository record keeping system regarding seizure of securities or other restrictions of rights to and/or under securities of a concrete holder by the decision of a court or of another authorized governmental agency.

1. Any seizure of securities or other restrictions of rights to and/or under securities of a concrete holder (concrete holder restrictions) shall be imposed (established) and lifted (cancelled) by the method established by law, a court, another government agency or its authorized officer empowered by law.

In the event of imposing or lifting a concrete holder restriction, the court, another government agency or its authorized officer empowered by law shall submit the relevant decision to the depository institution which has opened a securities account for the SCD.

2. The depository institution shall make changes in the depository record keeping system as regards the imposition of a concrete holder restriction by the end of the business day in which said decision has been received, excepting cases specified in part 3 herein.

3. In the presence of a restriction of rights to securities imposed by the order of the securities owner for sale of said securities in a stock exchange, the depository institution shall postpone until the next business day changes to the depository record keeping system as regards the imposition of the concrete holder restriction.

The depository institution shall report to the CSD on receipt of the relevant decision of the court, another government agency or its authorized officer empowered by law on the concrete holder restriction within the same business day of receipt.

4. Based on the stock exchange report on the transactions executed on the exchange in securities (other than government securities), within the same business day of such information receipt:

the CSD shall impose restrictions on securities regarding which the depository institution received the relevant decision of the court, another government agency or its authorized officer empowered by law on the concrete holder restriction, - in the event of the report received contains no information about a transactions executed in said securities. The CSD shall inform the depository institution about the actions performed;

the CSD shall inform the depository institution about the exchange report containing information on execution of a transaction in securities regarding which the depository institution received the relevant decision of the court, another government agency or its authorized officer empowered by law on the concrete holder restriction, - in the presence of such information.

5. On the following business day after receipt of reports specified in section 4 herein, the depository institution shall:

impose restrictions on securities regarding a concrete holder in his securities account, - in the event of receipt of information specified in paragraph 2 of section 4 herein;

postpone the relevant decision of the court, another government agency or its authorized officer empowered by law on the concrete holder restriction, - in the event of receipt of information specified in paragraph 3 of section 4 herein.

6. The depository institution shall inform the court, another government agency or its authorized officer empowered by law about the steps taken as a result of the relevant decision receipt to impose the concrete holder restriction, within the same business day of its receipt.

Article 8. Proof of Rights to Securities and Rights under Securities

1. The proof of rights to securities and rights under securities that exist electronically and their restrictions at a certain point in time shall be the book record in securities accounts of a depository institution.

2. The documentary proof of rights to and under securities in a securities account shall be a securities account statement issued by the depository institution at the depositor's request or in other cases provided in the securities account servicing agreement.

2. The securities account statement shall not be a security and its transfer from one person to another shall not be a legal transaction in securities and shall not lead to the transfer of rights to securities and rights under securities.

3. Requirements for the securities account statement shall be set by the Commission.

Chapter II. PROFESSIONAL PARTICIPANTS OF UKRAINE'S DEPOSITORY SYSTEM

Article 9. The CSD

1. The CSD shall ensure the establishment and operation of the system of depository record-keeping of securities.

There may be only one CSD in Ukraine.

Only a legal entity that has obtained the CSD status in the manner prescribed by this Law shall have the right to use the words "Central Securities Depository", "CSD" and derivatives from them.

2. The CSD shall be a legal entity that operates in the form of a joint public company under the Law of Ukraine "On Joint Stock Companies", taking into account peculiarities provided by this law. A joint stock company shall obtain the CSD status on the date of the registration of the CSD Rules, in the manner prescribed by the Commission.

3. The State, the National Bank of Ukraine, professional stock market participants and their associations, as well as central depositories of other countries or international clearing depository institutions shall be shareholders of the CSD.

Individuals shall not be shareholders of the CSD.

In the event that a shareholder forfeited the right to carry out professional stock market activities, including in the event that its license is revoked, it shall be required to sell shares owned by it, in compliance with requirements of law, within no more than one year after the date of forfeiture of said right. If this requirement is not complied with, such shareholder shall be deprived of the right to vote at the general meeting of shareholders of the CSD, and the votes that it owns shall not be counted in determining a quorum of the general meeting of shareholders and in counting votes at the general meeting of the CSD.

Should the CSD authorized capital stake of a shareholder-professional stock market participant or their association, together with related parties, exceed 5%, this entity shall not vote directly or indirectly, in full or in part, by the shares exceeding the 5% threshold.

In the event of the Commission finding incompliance with this rule, within two weeks of this finding the Commission shall appoint an authorized person to vote by the shares exceeding the 5% threshold.

The authorized person shall be appointed from among persons proposed by the CSD for the period it takes bring the stake of the shareholder, including the related parties, in line with section 3 of this article.

During voting, the authorized person shall act in the interests of qualified and reasonable governance of the CSD.

Decisions of the CSD general shareholders meeting shall have no legal effect if approved in violation of the requirements of this section.

In the authorized capital of the CSD, the stake of:

one shareholder together with related parties should not exceed 5 percent;

the State together with the National Bank of Ukraine should be no less than 25 percent + 1 share. The body that will manage the state-owned stake in the authorized capital of the Central Securities Depository shall be determined by the Cabinet of Ministers of Ukraine.

The CSD shall not be liable for the obligations of shareholders and clients. In the event that shareholders or clients commit illegal actions, no sanctions that restrict their rights may be applied to the CSD or its bodies.

Shareholders shall not be liable for the obligations of the CSD. In the event that the CSD or its shareholders commit illegal actions, no sanctions that restrict their rights may be applied to its other shareholders.

4. To ensure that its functions are performed, the CSD, with the endorsement from the Commission, may be a founder and shareholder of legal entities. It shall be prohibited for the CSD to be a founder and shareholder of professional market participants (except for a clearing entity) and of legal entities whose organizational and legal form includes full material responsibility.

The procedure for calculating the capital adequacy requirement for the CSD, minimum amount of the regulatory capital of the CSD, other restrictions on its activities shall be determined by the Commission.

5. Before the start of depository activities, the CSD shall register with the Commission the CSD Rules that lay down the procedure for providing CSD's services related to depository activities, the procedure for performing CSD's transactions in the system of depository record-keeping, the procedure for exercising supervision and control over depository institutions and contain other details determined by the Commission.

The CSD Rules and amendments to them shall be subject to registration with the Commission in the manner prescribed by it, following the Antimonopoly Committee consent.

The minimum amount of the authorized capital of the CSD should be paid in cash and should be at least UAH 250 million.

To obtain the CSD Status, a legal entity should have appropriate equipment, specifically, computers with relevant software, separate communication channels, premises in accordance with requirements set by the Commission.

Software and hardware of the CSD must be adequate to the nature and volume of its transactions and ensure its uninterrupted operation. The CSD must have main and back-up complexes of software and hardware. And hardware should be owned by the CSD.

6. The CSD exclusive competence shall constitute:

1) crediting securities to the system of depository record-keeping and withdrawing securities because of their repayment and/or cancellation;

2) record keeping of rights under securities in the depository record keeping system;

3) custody of global securities and temporary global certificates;

4) securities numeration (codification) according to international standards;

5) compiling registers of holders of registered securities and registers of persons having rights under securities, and making electronic backup copies of registers;

6) compiling a list of persons authorized to provide to issuers a register of holders of registered securities and a register of persons having rights under registered securities;

7) crediting income and other payouts under the issuers transactions to accounts of depository institutions and correspondent depositories for subsequent transfer by depository institutions to accounts of depositors or for payouts to depositors by other methods specified in the agreement, as well for further transfer by correspondent depositories to persons entitled to income and other payouts in line with the laws of a foreign country;

8) opening and maintaining securities accounts for issuers, depository institutions, corresponding institutions and persons that carry out clearing activities;

9) maintaining the securities account of a depository institution that terminated its depository activities or whose relevant license is cancelled for offences in the securities market or in other case prescribed by the Commission; keeping in custody documents, data bases, copies of data bases, archives of data bases of the depository institution, information about those of its depositors that have not closed their securities accounts as prescribed, and securities recorded in their accounts, and submitting information on the state of such accounts as provided by law;

10) setting forth single unified set of rules to represent and transfer data on securities record keeping and transfers, servicing issuers' corporate actions, and other information entered into the depository record keeping system;

11) introducing, within its competence, international standards on matters of depository activities;

12) exercising control over depository institutions with respect to their depository activities, in the manner and within limits set forth in this Law.

The CSD may exercise other legal powers.

7. The method of setting tariffs of fees for the CSD services shall be set by the Commission with the Antimonopoly Committee of Ukraine consent.

8. The net profit of the CSD shall be used solely to ensure its development and lower its fees.

9. The CSD shall be required, in the manner and within the time prescribed by the Commission, to make its performance public. The CSD shall report its performance at the Commission meeting in the manner prescribed by the Commission, and to report on correspondent agreements entered into with correspondent depositories (foreign depositories or international depository clearing institutions).

10. The CSD shall be required to conduct an annual audit of its performance in accordance with international standards on auditing.

11. The CSD may open and maintain deposit, current and correspondent accounts of issuers, entities that carry out clearing activities, depository institutions, their depositors and correspondent depositories to transfer cash in cases provided by this Law.

To support its business activities, the CSD may open current and other accounts with banks. Cash related to settlements under legal transactions in securities and cash related to payments of income from securities when debt securities mature or when the issuer performs other corporate transactions and cash of the guarantee fund shall be recorded separately from the CSD's own funds. Such funds cannot be foreclosed to ensure the settlement of obligations of the CSD as a business entity.

Article 10. Guarantees of Noninterference in the CSD's Activities

1. Interference of governmental agencies or their officers in the performance of functions and exercise of powers of the CSD shall be prohibited, except as provided by this law.

Article 11. The Charter of the CSD

1. The charter of the CSD shall contain details of its location, the amount of authorized and reserve capital, rights and obligations of shareholders, the charter amendment procedure, the competence of the CSD bodies, and other details prescribed by the Civil Code of Ukraine and other laws.

Article 12. The State Registration of the Charter (Amendments to the Charter) of the CSD

1. The state registration of the charter (amendments to the charter) of the CSD shall be carried out in the manner prescribed by law, after the charter is endorsed by the Commission.

2. To have the charter (amendments to the charter) endorsed, the CSD shall file with the Commission:

1) a request to endorse the charter (amendments to the charter) in the form required by the Commission;

2) minutes of the general meeting attested in the manner determined by the Commission;

3) a notarized copy of the charter (amendments to the charter) of the CSD;

4) copies of Commission-prescribed documents necessary to identify persons through whom indirect control over the CSD is exercised;

5) documents identified by the Commission that make it possible to make a conclusion about:

business reputation of a legal entity-shareholder and of members of the management and supervisory boards and of all persons through whom the CSD will exercise indirect control, in the form as established by the Commission;

the financial situation of a legal entity-shareholder and of all persons through whom the CSD will exercise indirect control;

sufficiency of the shareholders' assets to pay in their contribution to the authorized capital;

6) documents that confirm that shareholders have paid for their shares in full;

7) information on the ownership structure of the CSD and of the shareholder having substantial holding in the CSD, as required by the Commission;

8) a copy of the temporary registration certificate of a shares issue;

9) information about the organization chart and specialist in place, as well as of the equipment, hardware, software, and space meeting the requirements of the Commission, in the form as established by the Commission;

10) the permission of the Antimonopoly Committee of Ukraine for the concentration, and the previous concentration opinions;

11) a copy of the payment document as proof of payment of the fee set by the Commission for the endorsement of the charter (amendments to the charter) of the CSD.

A person who files the documents for the endorsement of the charter (amendments to the charter) of the CSD shall be required to prove its authority.

3. Regarding shareholders-foreign legal entities, the CSD shall file with the Commission, in addition to the documents specified in section 2 herein, the following documents:

1) a copy of the decision of the authorized governing body of the foreign legal entity to participate in the CSD;

2) a written permission for the foreign legal entity to participate in the CSD issued by an authorized controlling authority of the country where the central office of the foreign legal entity is registered, if this country's legislation requires this permission, or a written assurance of the foreign legal entity about an absence in that country's law of the requirements to obtain said permission;

3) an extract from the commercial, banking, judicial register or another official document confirming the registration of the foreign legal entity in the country of its headquarters' registration;

4) a copy of the foreign auditor opinion confirmed by a Ukrainian audit firm of the financial situation of the foreign legal entity as of the end of the last full calendar year.

Documents specified in this section shall be notarized at the place of issue and legalized as required by law, unless specified otherwise by international treaties ratified by the Verkhovna Rada of Ukraine.

Documents in a foreign language shall be accompanied by a notarized Ukrainian translation.

4. The Commission, in the manner prescribed by it, shall endorse the charter (amendments to the charter) or refuse to endorse it within two months after the date of receipt of documents mentioned in sections 2 and 3 of this Article. If it is necessary to check information on foreign individuals or legal entities details of which are included in the ownership structure of the CSD, the documents consideration period may be extended to four months.

5. The Commission shall have the right to:

Receive information necessary for making a decision on the endorsement of the charter (amendments to the charter) of the CSD from governmental agencies and other persons as provided by law;

Require the applicant to rectify shortcomings in filed documents during the documents consideration period (without extending it).

6. In the event of filing documents that are not complete or prepared with violations of requirements set by the Commission, the documents shall be returned within one month without consideration.

7. In the event of endorsing the CSD charter (amendments to the CSD charter), the title page of the charter (amendments to the charter) shall be certified with the signature of an authorized person of the Commission, with the seal attached to it.

Article 13. Grounds for a Refusal to Endorse the Charter (Amendments to the Charter) of the CSD

1. The Commission shall have the right to refuse to endorse the charter (amendments to the charter) of the CSD if:

1) the documents contain false information;

2) the documents are not in compliance with laws or regulations of the Commission;

3) business reputation of a shareholder-legal entity and members of its management and supervisory bodies, or that of persons through whom indirect control over the CSD is exercised does not meet the requirements set forth by the Commission;

4) the financial condition of a shareholder – legal entity or entities through which indirect control over the CSD is exercised does not comply with requirements set forth by the Commission;

5) the shareholder has no own funds to make a contribution to the CSD authorized capital;

6) the ownership structure of the CSD and/or of the shareholder that assumes substantial holding in the CSD does not comply with the Commission's requirements for its transparency.

7) the home country of the foreign legal entity information on which is included in the ownership structure of the SCD fails to ensure compliance with international standards in the area of prevention of and counteraction to legalization (money laundering) of criminal gains and financing terrorism.

2. The Commission shall have no right to refuse to endorse the charter (amendments to the charter) for reasons other than those in Part 1 of this Article.

Article 14. Bodies of the CSD

1. Bodies of the CSD are: the general meeting of shareholders, the supervisory board, the management board, the inspection commission, and the council of participants.

Members of the supervisory board of the CSD shall be elected by the general meeting by cumulative vote.

The inspection commission of the CSD shall be elected by the general meeting of its shareholders from among shareholders or their representatives in the manner prescribed by law.

The chairman and members of the management board of the CSD shall be appointed by the general meeting of its shareholders.

An advisory body called the participants' council shall be created at the CSD to take into account and protect the interests of the depository system participants.

The participants' council shall be composed of depository institutions, clearing institutions and stock exchanges.

The method of creation and operation of the participants' council shall be set forth by the bylaw on the participants' council to be approved by the general shareholder meeting.

2. The competence of the general meeting of shareholders and the management board of the CSD shall be outlined in this Law, the Joint Stock Company law, and the charter of the CSD.

The rules and internal documents specifying the relations of the CSD with its customers, as well as amendments thereto shall be approved by the CSD supervisory board and registered with the Commission in conformity with the procedure established by the Commission.

3. Representatives of self-regulatory organizations of professional stock market participants, representatives of clearing institutions and stock exchanges shall be invited to attend meetings of the supervisory board and general shareholder meetings of the CSD and shall have the advisory vote right.

Article 15. Appointment of the Temporary Administrator of the CSD

1. The Commission shall have the right to make a decision to appoint a temporary administrator of the CSD in the event:

- 1) of a violation by the CSD of the Commission's legal requirements;
- 2) that the CSD has not been performing its obligations under agreements for three (3) consecutive business days or within the prescribed period of time has not entered into an agreement, as required by Article 23, Section 2 of this Law;
- 3) of the arrest or taking effect of the conviction for criminal actions committed by officers of the CSD;
- 4) the CSD or its officer taking actions to hide accounts, any assets, registers, reports or other documents;
- 5) of an unfounded refusal of the CSD to submit the documents or information, as provided by law, to authorized persons of the Commissions;
- 6) of a public conflict among executives of the CSD;
- 7) of the submission by the CSD's supervisory board or the management board of the request to appoint a temporary administrator;
- 8) of indications of financial instability in accordance with criteria set by the Commission.

The decision mentioned above may also be made by the Commission in other cases provided by law or regulations of the Commission.

2. Information on the appointment of a temporary administrator shall be posted at the day of his appointment on the official website of the Commission and published within three days in the Uriadovy Courier Newspaper or Holos Ukrayiny Newspaper.

3. The Commission shall organize, coordinate and control the activities of the temporary administrator and give mandatory instructions.

Article 16. The Temporary Administrator of the CSD

1. Appointed as temporary administrator of the CSD may be:

- an independent expert (under an agreement);
- an employee of the Commission.

Appointed as temporary administrator may be a person with high professional and moral qualities, impeccable business reputation, full higher education degree in economics or law, a certificate that gives the right to carry out professional activities involving securities in Ukraine and experience necessary to perform the functions of a temporary administrator in compliance with requirements set by the Commission.

At any point in time, the Commission shall be entitled to relieve the temporary administrator of his obligations if his activities do not comply with the prescribed requirements.

In the event that an independent expert is appointed temporary administrator, he and the Commission shall enter into an agreement the master form of which shall be approved by the Commission.

Remuneration of the temporary administrator – independent expert as well as that of specialists engaged by the temporary administrator (to ensure that his powers are exercised) shall be paid in accordance with agreements entered into with them and using the cash of the CSD.

2. Appointed as temporary administrator of the CSD may not be a person who:

- 1) is a creditor, a related party or a shareholder of the CSD;

2) has a criminal record that was not expunged in the manner provided by law, or is an accused in a criminal case.

3. The temporary administrator shall have no right to:

1) accept, directly or indirectly, any services, gifts or other valuables from persons interested in taking any actions related to the appointment of the temporary administrator;

2) use or allow for the use of assets that the temporary administrator is entitled to control, in its best interest or in the best interest of third parties;

3) disclose information on keeping records of securities if this is not related to the exercise of the powers of the temporary administrator.

4. A failure to exercise or poor exercise by the temporary administrator of his powers that caused losses to the CSD or other securities market participants shall be the grounds for relieving him of his duties and provide full indemnity for the losses sustained at its own cost.

5. On the date when the Commission decides to appoint a temporary administrator, the powers of the CSD bodies shall be transferred to the temporary administrator.

On the date when the Commission decides to terminate the powers of the temporary administrator of the CSD, the powers of the CSD's bodies shall be restored.

Legal transactions performed by the management board of the CSD after the appointment of the temporary administrator shall be null and void.

6. The temporary administrator shall terminate its activities on the date when the Commission decides to relieve him of his duties.

Article 17. Depository operations of the NBU government securities depository

1. The special features of the NBU government securities depository's depository and clearing operations with government securities shall be set forth by the Commission and agreed with the NBU.

Article 18 . Depository Institutions

1. A depository institution is a legal entity that is established and operates as a joint stock company or limited liability company and, in the prescribed manner, has obtained a license to carry out depository activities of a depository institution.

Depository activities of the depository institution shall be an exclusive type of activities, except for the combination with other types of activities in the case provided by Article 3 of this Law.

Based on the agreement to provide the register of holders of registered securities, a depository institution shall be entitled to provide services to securities issuers in keeping with this Law and the Joint Stock Company law of Ukraine.

The depository institution shall be entitled, on the basis of the relevant agreement, to provide additional services to securities issuers for information support on stock market matters and for corporate governance.

In cases provided by law, depository activities of a depository institution may be carried out by the National Bank of Ukraine.

2. To obtain a license to carry out depository activities of a depository institution, a legal entity should have an authorized paid-in-cash capital of at least UAH 7 million.

In the authorized capital of the depository institution, the stake of another depository institution, a securities trader or an institutional investor shall not exceed 5 percent.

Minimum regulatory capital requirements for the depository institution and other restrictions on the activities of the depository institution shall be determined by the Commission, and for the depository institution that is a bank – by the Commission with the endorsement from the National Bank of Ukraine.

3. To carry out depository activities, the depository institution should have appropriate equipment, specifically, computers with relevant software, separate communication channels, premises in accordance with requirements set by the Commission.

4. Within three months after the date of receipt of the license to carry out depository activities, the depository institution shall enter into a depository agreement with the CSD, and the NBU government securities depository. A failure to enter into such agreement shall be the grounds for revoking the license.

5. The Commission shall set additional requirements for depository institutions that mitigate the risks of professional activities in the stock market.

6. The method of setting maximum tariffs of fees for the CSD services shall be set by the Commission with the Antimonopoly Committee of Ukraine consent.

Article 19. The Settlement Bank

1. The settlement bank for the CSD is a bank or the National Bank of Ukraine, with which the CSD has entered into an agreement on making cash settlements under legal transactions in securities and to ensure payments: income from securities, income when debt securities mature, and when the issuer performs other corporate transactions.

For entities that carry out clearing activities (except for the CSD), the settlement bank is a bank or the National Bank of Ukraine, with which the entity that carries out clearing activities has entered into an agreement on making cash settlements and which makes cash settlements under securities agreements concluded on a stock exchange.

2. The settlement bank shall be required to maintain separate records of cash received for making cash settlements under securities agreements concluded on the stock exchange.

Chapter III. ACTIVITIES IN THE DEPOSITORY SYSTEM OF UKRAINE

Article 20. Depository Activities of the CSD

1. By the method set forth by the Commission and in keeping with the depository assets received, the CSD shall carry out activities that include the depository record-keeping and servicing of the transfers of securities placed in Ukraine and beyond and the issuer's corporate transactions in securities accounts of clients.

The clients of the CSD shall include issuers, depository institutions, correspondent depositories and institutions performing clearing entity activities.

Depository assets for the CSD shall include bearer global certificates of securities and temporary global certificates of securities, certificates of immobilized bearer securities and records in securities accounts of the CSD at depositories of foreign countries and at international clearing depository institutions.

Depository assets of the CSD shall not be subject to claims as regards the liabilities of the CSD as a business subject.

The CSD may make settlements under legal transactions in the manner prescribed by Article 21 of this Law.

2. The CSD shall be prohibited from disposing of securities that it keeps records of or from taking any other actions involving such securities, except for actions taken under agreements that it entered into pursuant to Article 5 of this Law.

The conclusion of agreements mentioned in Article 5 of this Law does not lead to the transfer of rights to securities and rights under securities to the CSD.

3. The CSD shall provide continuous backing up and custody of the system of depository record-keeping in the manner and within the time prescribed by the Commission.

Article 21. Depository Activities of the Depository Institution

1. By the method set forth by the Commission and in accordance with the depository assets received from the CSD, a depository institution shall carry out activities including the depository record-keeping and servicing of securities transfers, and the issuer's corporate transactions in securities accounts of depositors and own securities account in which rights to and under securities owned by such a depository institution are recorded.

Depository assets for the depository institution shall be securities credited by the CSD to the securities account of such depository institution.

Depository assets of a depository institution shall not be subject to claims as regards the liabilities of the depository institution as a business subject.

2. The depository institution shall be prohibited from disposing of the depositor's securities or taking any other actions with respect to securities, except for actions that are taken on the order of the depositor in cases provided by the agreement on opening a securities account.

The conclusion of the depositor securities account servicing agreement does not lead to the transfer of rights to securities and rights under securities to the depository institution.

Article 22. Custody of Assets of Collective Investment Institutions and Custody of Assets of Pension Funds

1. Custody of assets of collective investment institutions and custody of assets of pension funds shall be done by the depository institution in the manner and in cases prescribed by law.

2. Custody of assets of pension funds of a newly created by the National Bank of Ukraine corporate non-state pension fund shall be carried out by the National Bank of Ukraine in the manner prescribed by law.

Article 23. Settlements under Legal Transactions in Securities

1. Settlements under legal transactions in securities performed on stock exchanges shall be carried out on the DVP basis no later than on the third business day from the execution date of the relevant contract as an unconditional bank transfer of:

Cash by the CSD or a entity that carries out clearing activities or a settlement bank in the manner prescribed by the National Bank of Ukraine with the endorsement from the Commission;

securities by the CSD to customers in the manner prescribed by the Commission.

Rights to and under securities by depository institutions to depositors' accounts by the method prescribed by the Commission;

Rights to and under securities by correspondent depositories to their customers' (depositors') accounts in keeping with the legislation of a foreign country.

The exhaustive list of grounds for refusal to transfer securities and/or rights to and under securities shall be compiled by the Commission. The exhaustive list of grounds for refusal to transfer funds shall be compiled by the NBU and agreed with the Commission.

Settlements of transactions in securities (excepting government securities) executed on a stock exchange shall be deemed completed exclusively following the receipt by the CSD of a report from depository institutions on their having transferred rights to and under securities in depositor securities accounts on the basis of information from the CSD about the results of settlements of transactions in securities executed on a stock exchange.

The CSD shall notify the entity performing clearing activities (unless these are performed by the CSD) on the completion of settlements of transactions in securities (excepting government securities) by the method and in the timeframe prescribed by the Commission.

The actual completion of settlements of transactions in government securities executed on a stock exchange shall be established by the method prescribed by the NBU.

2. To ensure that transactions in securities (except for government securities) executed on the stock exchange are honored, the CSD, within three months of the date of receipt of a relevant offer, the CSD shall be required to enter into an agreement with:

1) a clearing entity to make settlements in securities (except for government securities) based on clearing results - in the event that the clearing activities are carried out under transactions in securities (except for government securities) executed on the stock exchange, by the clearing institution based on a respective agreement with the stock exchange;

2) a stock exchange to make settlements in securities (except for government securities) based on clearing results (- in the event that the clearing activities are carried out transactions in securities (except for government securities) executed by the stock exchange.

3) a clearing institution to make cash settlements - in the event that the clearing activities are carried out under transactions in securities (except for government securities) executed on the stock exchange, by the clearing institution under the relevant agreement with the stock exchange and provided this institution does not perform cash settlements;

4) a stock exchange to make cash settlements - in the event that the clearing activities are carried out under transactions in securities (except for government securities) by the stock exchange and provided the stock exchange does not perform cash settlements.

Requirements to the respective agreements shall be set forth by the Commission.

3. To ensure settlements of transaction in government securities executed on a stock exchange, the NBU government securities depository shall enter the relevant agreements with the stock exchange or an entity performing clearing activities of on-exchange transactions in government securities within three months of the respective offer.

4. An entity performing clearing activity under on-exchange securities contracts shall comply with the DVP principle and shall guarantee settlement based on the results of netting.

5. Based on the agreement entered into with the issuer, the CSD may ensure that the issuer redeems debt securities and may receive income from securities (excepting government securities) to a separate current account for further cash transfers to accounts of depository institutions and correspondent depositories. Depository institutions and correspondent depositories shall credit this

cash to accounts of securities holders. Such cash shall be neither the property nor the income of the CSD, depository institutions and correspondent depositories.

Cash received from issuers for securities (excepting government securities) shall be credited in the manner and within the time prescribed by the Commission.

6. Off-exchange securities transactions shall settle either by the DVP method or by another method.

Off-exchange securities transactions settled by the DVP method shall be based on the relevant orders by a transfer of:

funds by the CSD or by an entity performing clearing or by a settlement bank by method prescribed by the NBU and agreed with the Commission;

securities by the CSD to depositors' accounts by the method prescribed by the Commission;

rights to and under securities by depository institutions to depositors' accounts by the method prescribed by the Commission;

rights to and under securities by correspondent depositories to their customers' (depositors') accounts in keeping with the legislation of a foreign country.

Securities transactions executed off-exchange by methods other than DVP shall settle by the method specified in the relevant transaction in compliance with the legislation.

7. The procedure for making securities transfer during securities settlements under transactions in securities shall be set out by the Commission, and the procedure for cash transfer – by the National Bank of Ukraine and agreed with the Commission.

8. Seizure of assets or funds of an entity performing cash settlements of on-exchange transactions in securities and other financial instruments in its accounts; seizure and of funds and other material valuables of legal entities or natural persons with an entity performing cash settlements of on-exchange transactions in securities and other financial instruments shall exclusively require the resolution of a government enforcement officer or a court ruling on payment of funds or seizure of assets by the method established by law. Lifting of funds or assets seizure shall be performed based on the relevant resolution of a government enforcement officer or a court ruling.

No seizure shall be permitted of accounts of an entity performing cash settlements of on-exchange transactions in securities and other financial instruments.

Article 24. Interaction of Members of the Depository System of Ukraine with Respect to the Securities Issue

1. In the manner and within the time prescribed by the Commission, the securities issuer shall be required to file with the CSD documents for the issue of a temporary global certificate and information on the person authorized to give to the issuer the register of holders of registered securities and the register of persons having rights under registered securities (hereinafter “the authorized person”), this person being chosen in accordance with Article 25 of this Law.

2. In the event that an issue of securities is offered for sale, the CSD, within one (1) working day of the date of depositing of the temporary global certificate and information mentioned in Part 1 of this Article, shall credit all securities of this issue to the securities account of the issuer. In case of an additional issue of shares the information specified in section 1 herein shall not be required.

3. In the event that the securities issuer or underwriter orders to transfer the placed securities from the account of the issuer to the securities account of the depository institution, where the account of the depositor-first holder is opened, and such depository institution orders to transfer to

its account the respective quantity of rights to securities, this transfer shall be done by the CSD within one working day.

At the same time, the depository institution where the account of the depositor-first holder is opened shall give the CSD such order within one working day only provided that the first holder orders to credit to his account the rights to the respective quantity of securities and documents that prove that the first holder have purchased the respective quantity of securities from the issuer.

4. The depository institution shall credit the rights to the respective quantity of securities to the securities account of the depositor-first holder within one working day of the date of their transfer by the CSD to the securities account of such institution, with a subsequent restriction of trading in these securities for a period until the CSD receives a global certificate formalized by the issuer based on the results of the registration of the securities placement report with the Commission.

After the information on lifting the restriction of trading in securities of the respective issue is received from the CSD, the depository institution shall cancel the restriction of trading in securities whose ownership is recorded in accounts of their depositors-first holders.

5. Specific features of record-keeping of securities during the period from issuing them to registering the securities placement report with the Commission, including in the event of their placement on a stock exchange, shall be set out by the Commission.

6. In the event that securities are placed on a stock exchange, information about depositors-first holders shall be disclosed to the CSD by the stock exchange in the manner prescribed by the Commission. The stock exchange shall be responsible for completeness and reliability of information disclosed to the CSD.

7. Special features of documenting and depositing the global certificate and the temporary global certificate of the issue of securities of a collective investment institution, as well as the record keeping method of said securities shall be established by the Commission.

Article 25. Compiling of Register of Holders of Registered Securities and of register of persons having rights under registered securities.

1. In cases established by legislation, exercising the rights under issue-grade securities shall be on the basis of the register of persons having rights under such securities. .

2. The register of holders of registered securities and the register of persons having rights under such securities shall be compiled solely by the CSD.

3. Procedure for compiling the register of holders of registered securities and the register of persons having rights under such securities, including the procedure for interaction of depository institutions with the CSD as regards the register compiling shall be determined by this Law and regulations of the Commission.

4. An issuer of registered securities shall be obliged to enter into the agreement on providing the register of holders of such securities and the register of persons having rights under such securities (hereinafter – ‘register agreement’) with an authorized person chosen by him. The authorized person may be a depository institution or the CSD.

The issuer may enter into a register agreement with the CSD, if the CSD has been chosen as the authorized person and if the terms and method of providing the register have been specified in the issue servicing agreement.

Requirements to a register agreement shall be subject to approval by the Commission.

5. A register of holders of registered securities and the register of persons having rights under securities shall be compiled in the event of receiving an instruction from an issuer and in other cases established by the Commission.

An issuer or another person entitled to receive a register of holders of registered securities and the register of persons having rights under securities shall give, in cases established by the Commission, an instruction to an authorized person as regards the provision of a register of holders of registered securities and the register of persons having rights under such securities and determine the date of transaction which requires such register (the date of record).

To conduct a general shareholder meeting of a stock company, the register of persons having rights under its registered securities shall be compiled as of 12 midnight three working days prior to the general shareholder meeting date set by the method set forth by the Commission.

6. In case a depository institution is an authorized entity that received an instruction to provide a register of holders of registered securities and/or register of persons having rights under registered securities, it shall give an instruction to the CSD to compile a register of holders of registered securities and/or register of persons having rights under registered securities of a respective issuer.

The CSD shall compile a register of holders of registered securities and/or register of persons having rights under registered securities and submit it to a depository institution with which the issuer has an agreement on providing a register of holders of registered securities. The depository institution, after receipt of a register of holders of registered securities and/or register of persons having rights under registered securities, pursuant to an agreement, shall provide the issuer with the register of holders of registered securities and/or register of persons having rights under registered securities according to the procedure set by such agreement, in line with the requirements established by the Commission.

No depository institution shall be entitled to amend the register of holders of registered securities and/or register of persons having rights under registered securities, as compiled by the CSD.

7. In case the CSD is an authorized person that received an instruction to provide a register of holders of registered securities and/or the register of persons having rights under registered securities, it shall compile the aforementioned register and/or the register of persons having rights under registered securities and submit it to an issuer according to the procedure established in such agreement, meeting the requirements set by the Commission.

8. The CSD shall compile the register of holders of registered securities and/or register of persons having rights under securities in line with the data received from depository institutions and correspondent depositories generated by them in conformity with records in securities accounts of their depositors (customers) as of 24 hours of the record keeping entries date in compliance with the method established by the Commission

9. Procedure for replacement of an authorized person shall be established by the Commission.

Powers shall be deemed transferred from one authorized person to another from the date of incorporating respective changes into the list of authorized persons in the CSD.

The CSD shall submit, at the written request from the Commission, the information on the list of authorized persons.

Procedure for maintaining the list of authorized persons by the CSD shall be established by the Commission.

10. The CSD shall make backup copies of the registers of holders of registered securities by the method and in the timeframe specified by the Commission.

11. Backup copies of holders of registered securities shall be provided by the CSD exclusively in conformity with the resolution of the Commission or a court ruling demanding that

the CSD does so, including for such purpose as reinstatement of the rights to and/or under securities, to be specified is the relevant resolution of the Commission or the court ruling. This information shall be provided by the CSD exclusively to the persons specified in the above resolution or ruling. In all other events CSD shall refuse to provide backup copies of holders of registered securities.

The method to provide backup copies of holders of registered securities shall be established by the Commission.

12. The CSD shall make sure steps are taken to ensure confidentiality of the information in the backup copies of holders of registered securities. Persons guilty of violating the confidentiality of said information shall be liable under law.

Article 26. Placement of Securities in a Notary Deposit

1. For the purpose of fulfilling obligations to a creditor, a debtor may put securities in a notary deposit in cases envisaged by legislation.

In the event of securities placement in a notary deposit, the title to the securities and rights granted by the securities shall arise with a creditor under the obligation. A notary shall be obliged, according to the statutory procedure, to inform a creditor about the securities being placed on the notary deposit.

Securities placed in a notary deposit may be encumbered in cases envisaged in law.

2. Book-entry securities shall be placed in a notary deposit by way of crediting the rights of the creditor to the securities and his rights under the securities to a separate account opened by a notary with a depository institution and marked as “a notary deposit”.

Paper form securities shall be placed in a notary deposit by way of serving a certificate of such securities to a notary.

3. Securities placed in a notary deposit shall not be taken into consideration when voting and determining the quorum of the general meeting of shareholders of such securities issuer. Dividends and other income from securities placed in a notary deposit shall be transferred to the notary and shall be owned by the creditor.

Chapter IV. DISCLOSURE AND PROTECTION OF INFORMATION CONTAINED IN THE DEPOSITORY RECORD-KEEPING SYSTEM

Article 27. Information Contained in Depository Record-Keeping System

1. Information contained in the depository record-keeping system shall be confidential, protected by law and shall not be subject to disclosure except for cases envisaged in Article 28 of this Law.

2. Owners of information contained in the depository record-keeping system shall include:

A depositor of a depository institution — with regard to information contained on his account opened with a depository institution;

An issuer — with regard to information contained in its securities account opened with the CSD and also with regard to information from the register of holders of registered securities of such issuer;

A depository institution — with regard to information contained in its account opened with the CSD;

A correspondent depository — with regard to information contained in its account opened with the CSD;

The CSD — with regard to information contained in its account opened with a depository of another country or an international depository and clearing institution which is not a resident of Ukraine;

an entity performing clearing activities – with regard to information contained in its account opened at the SCD.

3. Information contained in the depository record-keeping system shall be provided to the owner of said information or his representative in cases provided by law.

Article 28. Access to Information Contained in Depository Record-Keeping System

1. Information contained in the depository record-keeping system shall be provided by depository institutions at written requests of:

1) court;

2) prosecution bodies of Ukraine, Security Service of Ukraine, Ministry of Internal Affairs of Ukraine, tax militia – with regard to transactions in accounts of a concrete legal entity or an individual during a certain period of time solely in the course of criminal or investigative proceedings;

3) bodies of the Antimonopoly Committee of Ukraine – with regard to information about holders of securities, transactions in accounts of holders of securities when considering applications or cases on the breach of legislation on the protection of economic competition and in other cases as provided by law;

4) bodies of the State Tax Service of Ukraine – with regard to taxation of transactions performed in accounts of a concrete legal entity or an individual within a certain period of time;

5) a specially authorized body of executive power on financial monitoring – with regard to additional data on a financial transaction which became an object of financial monitoring;

6) bodies of the State Enforcement Department — during enforcement proceedings relating to the information about the status of an account of a concrete legal entity or an individual and about transactions in its securities account for a specific period;

7) the Commission regarding information about holders of securities, their accounts and relevant securities transactions of said holders;

8) the National Bank of Ukraine regarding information on holders of securities issued by banks and, in accordance with the NBU law, regarding the information about government securities.

9) the National commission on performing the State regulation in the area of financial services within the scope of its powers pursuant to the Law of Ukraine On Financial Services and State Regulation of Financial Services Markets - with regard to the data on holders of securities issued by respective financial institutions;

10) notary offices (notaries) or diplomatic missions and consular institutions of Ukraine in foreign countries – with regard to the data on securities accounts of deceased holders.

2. A written request of governmental agencies specified in Items 2-10 of Section 1 of this Article to provide information on legal entities and individuals shall:

1) be drawn up on the letterhead of a prescribed form of a respective governmental agency;

2) be submitted with a signature of the head (deputy head) of a respective governmental agency or its regional office with a coat-of-arms seal affixed;

3) contain the provided by this Law grounds for obtaining this information and references to the statutory provisions based on which a governmental agency or its regional office is entitled to receive it.

3. A depository institution shall be prohibited to provide any information on depositors of other depository institutions, except for providing a register of holders of registered securities and a register of persons having rights under registered securities according to the procedure set in Article 25 of this Law and in other events as provided by law.

4. The method and timeline for depository institution to provide information provided in section 1 herein shall be established by the Commission, in compliance with the requirements of law.

5. The CSD shall disclose information contained in the depository record keeping system regarding the amount of securities of a certain issue of a concrete issuer in the account of a concrete customer of the CSD as of a given date, regarding transactions in securities of a certain issue of a concrete issuer in the accounts of CSD customers over a given period, and regarding the list of CSD customers in whose accounts were recorded securities of a certain issue of a concrete issuer as of a given date, in the following events:

1) under a court's ruling;

2) upon the demand of Ukraine's Prosecutor offices, the State Security Service of Ukraine, the Ministry of Interior of Ukraine, and the tax police exclusively within a criminal case or during an investigative case;

3) offices of the Antimonopoly Committee of Ukraine and of the Commission in cases provided by law.

6. Persons guilty of violation of the procedure for disclosure and use of the information contained in a depository record-keeping system shall be liable in accordance with law.

Article 29. Non-disclosure of Information Contained in Depository Record-Keeping System by Professional Participants of the Depository System of Ukraine

1. Professional participants of the depository system of Ukraine shall ensure non-disclosure of information contained in the system of depository record-keeping by means of:

1) restricting the circle of persons having access to the specified information;

2) arrangement of a special document flow in the depository record-keeping system;

3) application of hardware and software to prevent unauthorized access to the carriers of such information.

2. Employees of a professional participant of the depository system of Ukraine when appointed to a position shall provide a written statement of obligation not to disclose information contained in the depository record-keeping system.

Article 30. Electronic Document Flow and Safekeeping of Electronic Data in Depository System of Ukraine

1. In the depository system of Ukraine, professional participants of the depository system of Ukraine shall use an electronic documents flow and an electronic digital signature in accordance with legislation.

2. The use of electronic document flow shall ensure the security of data contained in the depository record-keeping system in order to prevent the commission of illegal acts with such information.

3. The electronic documents flow, filing and destruction procedure used by professional participants of the depository system of Ukraine shall be established by the Commission.

Chapter V. STATE REGULATION, SUPERVISION AND CONTROL IN THE DEPOSITORY SYSTEM OF UKRAINE

Article 31. State Regulation in Depository System of Ukraine

1. State regulation in the depository system of Ukraine shall be exercised by the Commission and other government agencies within the scope of their powers determined by law.

2. The Commission shall exercise state regulation in the depository record-keeping system in accordance with the Law of Ukraine On State Regulation of Securities Market in Ukraine, this Law and other legislative acts.

For the purpose of state regulation of the depository system of Ukraine the Commission shall:

establish requirements to the CSD operations and its interrelations with participants of the depository system of Ukraine;

determine types of accounts opened and maintained in the depository record-keeping system and also establish requirements to them;

Establish procedure for opening and maintaining securities accounts and also the procedure for performing transactions and types of the transactions performed by the CSD and depository institutions in securities accounts;

Establish the procedure for and terms and form of the CSD reporting about its activity to the Commission;

Establish the requirements for the form and contents of and procedure for the information disclosure by the CSD about its activity;

Establish the requirements for the contents of the CSD bylaws;

Establish the procedure for crediting securities to the depository record-keeping system when issuing and withdrawing securities due to their redemption and/or cancellation;

Pass other regulations in cases envisaged by legislation.

Article 32. Licensing of Professional Participants of the Depository System of Ukraine

1. To perform each type of depository activity of professional participants of the depository system of Ukraine the Commission shall issue an individual license, except for the depository activity of the CSD.

A license to perform the activity of a depository institution shall be issued to banks that have a respective permit of the National Bank of Ukraine according to the procedure established by the Commission.

2. In the event that the National Bank of Ukraine carries out depository activities of a depository institution, such activities shall be carried out by the National Bank of Ukraine

without obtaining a respective license, in the manner prescribed by the Commission, with the endorsement of the National Bank of Ukraine.

Article 33. Exercising Control by the CSD

1. In order to ensure the depository record-keeping system formation and operation the CSD shall exercise the following powers of control:

1) establish the form, contents, terms of and procedure for the depository institutions' filing information about their operation to the CSD;

2) conduct regular check-ups of the depository institutions' compliance with the ratio of their depository assets to the rights to securities credited to the depositors' securities accounts (depository balance);

3) suspend a depository institution's transaction in case of detecting the depository balance violation by the depository institution;

4) instruct a depository institution to remedy the depository balance violation.

Article 34. Liability for Violation of this Law

1. Persons guilty of violation of this Law shall be held liable in accordance with law.

Chapter VI. FINAL AND TRANSITIONAL PROVISIONS

1. This law takes effect within six months of the CSD Regulations registration with the National Commission, but no later than within 18 months of its publication, except for Chapter II of this law, paragraphs 2-7 of item 9, paragraphs 6-156 of item 16, section 4 as regards the creation of the CSD, depository institutions and clearing institutions, as well as Items 5-7, 9, 10 of this Chapter, which take effect on the publication date of this law.

2. Prior to bringing the legislation in line with this law, those legislative and regulatory acts that have been passed before this law taking effect shall apply as long as they do not run counter to this law.

3. The Law of Ukraine "On the National Depository System and Special Features of Electronic Circulation of Securities in Ukraine" (*Vidomosti Verkhovnoyi Rady*, 1998, # 15, pg. 67; 2003, # 36, pg. 277; 2004, # 2, pg. 6, # 38, pg. 474, pg. 475; 2005, # 42, pg. 465, # 48, pg. 481; 2006, # 22, pg. 199; 2007, #33, pg. 440; 2008, # 50—51, pg. 384; 2010, # 38, pg. 505; as amended by the law of Ukraine #3610-VI of 7/7/2011) shall be terminated on the effective date of this law.

4. Amend the following legislative acts of Ukraine:

1) add to the first sentence in section 1 of article 66 of the Criminal-procedural code of Ukraine, following the words "by the Banks and banking law of Ukraine", the words: " , demand from the CSD information contained in the securities depository record keeping system, by the method and in the amount set forth by the Depository record keeping law of Ukraine";

2) the Code of Ukraine on administrative violations (*Vidomosti Verkhovnoyi Rady, Ukrainian SSR*, 1984, supplement to # 51, pg. 1122):

amend articles 163⁶ and 163¹⁰ to read as follows:

“Article 163⁶. Failure to submit documents whose submission is required by the depository system legislation of Ukraine .

Failure by an officer of a depository institution’s depositor to provide an excerpt from the securities account or any other documents whose submission is required by the depository system legislation of Ukraine, —

shall carry a penalty in the amount of 200-300 untaxed individual incomes”;

“Article 163¹⁰. Incompliance with the procedure of making changes in the system of securities depository record-keeping.

Incompliance of an officer of the CSD or of a depository institution with the procedure of depository operations that led to a loss of data in the securities depository system, as well as failure to make changes or inserting knowingly false changes to the depository record-keeping system — shall carry a penalty in the amount of 500-1,000 untaxed individual incomes”;

add article 163¹³ to the Code that shall read as follows:

“Article 163¹³. Incompliance with the procedure of approving a decision to replace a person authorized to provide the register of holders of registered securities.

Incompliance with the procedure of making a decision to replace a person authorized to provide the register of holders of registered securities, if committed by an officer of the issuer, —

shall carry a penalty in the amount of 500-1,000 untaxed individual incomes”;

in article 244¹⁷, replace the numerals ‘163¹¹’ with numerals ‘163¹¹, 163¹³¹’;

3) the Commercial Code of Ukraine (*Vidomosti Verkhovnoyi Rady Ukrainy*, 2003, # 18—22, pg. 144):

in article 163:

paragraph 2, Section 1 shall read as follows:

“A security shall be the document of the established form with relevant details that certifies pecuniary or other property rights, shall specify the relations of the security issuer (an entity that issued the security) and the person having rights under the security and envisions the performance of obligations under the security, as well as the possibility of a transfer of rights to and/or under the securities to other persons”;

Section 3 is to be omitted;

Section 9 of article 164 is to be omitted;

Section 3 of article 360 shall read as follows:

“3. The activities of a stock exchange shall be exclusively to organize execution and settlement of securities and other financial instruments buy and sell contracts. A stock exchange shall not perform the functions of a depository”;

4) the Civil Code of Ukraine (*Vidomosti Verkhovnoyi Rady Ukrainy*, 2003, # 40—44, pg. 356):

in article 194:

Section 1 shall read as follows:

“1. A security shall be the document of the established form with relevant details that certifies pecuniary or other property rights, shall specify the relations of the security issuer (an entity that issued the security) and a person having rights under the security and envisions the performance of

obligations under the security, as well as the possibility of a transfer of rights to and/or under the securities to other persons”;

Section 2 is to be omitted;

Section 3 of article 195 is to be omitted;

article 197 shall read as follows:

“Article 197. Rights to securities and rights under securities

1. A person that has purchased a security shall be simultaneously assigned the totality of rights certified by this security (rights under the security), except for cases specified by law or in a legal transaction.

2. There shall be bearer, registered or order securities.

The rights to a security and the rights under a security in paper form shall belong to:

1) a holder of securities (bearer securities);

2) a person specified in the security (registered securities);

3) a person specified in the security who may exercise said rights in person or via an authorized person specified in his/her order (order security).

3. Special features of assigning rights to and under securities shall be established by law or by a legal transaction”;

in article 389, add the words “circulating in paper form” following the words “bearer securities”;

add Section 3 to article 598 shall read as follows:

“3. Special features of terminating obligations under securities buy-sell agreements entered into on a stock exchange shall be established by the legislation ”;

5) item 17 of article 11 of the Militia law of Ukraine (*Vidomosti Verkhovnoyi Rady Ukrainy*, Ukrainian SSR, 1991, # 4, pg. 20; *Vidomosti Verkhovnoyi Rady Ukrainy*, 1992, #36, pg. 526; 2001, #40, pg. 193; 2002, #17, pg. 117; 2003, #29, pg. 4233, #30, pg. 247; 2005, #10, pg. 187; 2007, #15, pg. 194; 2009, #10-11, pg. 137, #32-33, pg. 487, #36-37, pg. 511; 2010, #31, pg. 414; as amended by the law of Ukraine #3665-VI of 7/5/2011) shall be complemented with a sentence to read as follows: “Information contained in the securities depository record keeping system shall be received from the CSD and depository institutions by the method and in the amount specified in the Depository record keeping law of Ukraine”;

6) item 1 of section 1 of article 20 of the Prosecutor’s office law of Ukraine (*Vidomosti Verkhovnoyi Rady Ukrainy*, 1991, #53, pg. 793; 1993, #50, pg. 474; 2001, #44, pg. 233; 2002, #17, pg. 117; 2003, #23, pg. 247) shall be complemented with a sentence to read as follows: “Information contained in the securities depository record keeping system shall be received from the CSD and depository institutions by the method and in the amount specified in the Depository record keeping law of Ukraine”;

7) item 3 of section 1 of article 25 of the State Security Service law of Ukraine (*Vidomosti Verkhovnoyi Rady Ukrainy*, 1992, #27, pg. 382; 2000, #10, pg. 79; 2002, #17, pg. 117; 2003, #15, pg. 109, #45, pg. 357; 2004, #32, pg. 394; 2006, #14, pg. 116; as amended by the law of Ukraine #3266-VI of 4/21/2011) shall be complemented with a sentence to read as follows: “Information contained in the securities depository record keeping system shall be received from the CSD and depository institutions by the method and in the amount specified in the Depository record keeping law of Ukraine”;

8) item “b” of section 2, article 12 of the law of Ukraine “On the organizational and legal foundations of counteraction to organized crime” (*Vidomosti Verkhovnoyi Rady Ukrainy*, 1993,

#35, pg. 358; 2002, #17, pg. 117; 2003, #27, pg. 209; 2011, #23, pg. 160) shall be complemented, following sentence 2, with a sentence to read as follows: “Information contained in the securities depository record keeping system shall be received from the CSD and depository institutions by the method and in the amount specified in the Depository record keeping law of Ukraine”;

9) the law of Ukraine “On the State regulation of the securities market in Ukraine” (*Vidomosti Verkhovnoyi Rady Ukrainy*, 1996, # 51, pg. 292; 2005, # 42, pg. 465, pg. 466; # 16, pg. 134, #31, pg. 268; 2009, # 23, pg. 278; 2010, # 29, pg. 392; 2011, #31, pg. 304; as amended by the laws of Ukraine #3265-VI and # 3267-VI of 4/21/ 2011, # 3306-VI of 4/22/2011 and #3610-VI of 7/7/2011):

article 4:

Items 7—9, 11 of Section 1 shall read as follows:

“7) depository activities of a depository institution shall be the activities of depository record-keeping and servicing of the placement, circulation of securities as well as the issuer’s operations as regards the securities placed by it on the securities accounts of its depositors;

8) collective investment institutions’ assets custody activities shall be the activities of keeping custody of collective investment institutions’ assets (documents confirming title to assets of collective investment institutions), servicing collective investment institutions’ operations, and exercising control over their activities in the events and by the method specified by law;

9) pension fund assets custody activities shall be the activities of servicing a pension fund in line with the Non-State Pension Provision Law of Ukraine”;

“11) clearing activities - activities to identify obligations subject to performance under contracts in securities and other financial instruments (including by netting), prepare documents (information) for making settlements, create a system of guarantees for performing obligations under contracts in securities and other financial instruments, and organize the conduct of settlements under legal transactions in securities and other financial instruments”;

Item items 9 and 11 of Section 2, article 7 shall read as follows:

“9) shall establish the method and grant licenses to engage in securities market activities, as well as revoke said licenses for failure to comply with the securities legislation”;

“11) shall establish, with NBU consent, special features of granting licenses to banks for securities market operations, as well as special features of NBU operations on the securities market”;

in Section 1 of Article 11:

Items 9 and 10 shall read as follows:

“9) failure by the CSD or a depository institution to comply with the procedure of depository operations that led to a loss of data in the securities depository record-keeping system, as well as failure to make changes or inserting knowingly false changes to the depository record-keeping system —

shall carry a penalty in the amount of 5,000-10,000 untaxed individual incomes.

Identical violations committed again within 12 months, —

shall carry a penalty in the amount of 10,000-50,000 untaxed individual incomes;

10) incompliance by the issuer with the method of making a decision to replace a person authorized to provide the register of holders of registered securities and the register of persons having rights under registered securities and/or the method of entering into an agreement to provide a register of holders of registered securities and the register of persons having rights under registered securities —

shall carry a penalty in the amount of 5,000-10,000 untaxed individual incomes and a ban on amending the records of securities of the issuer's relevant issue of securities in the depository record-keeping system”;

add Item 13 to this Section shall read as follows:

“13) failure by a depository institution to provide a depositor with an excerpt from the securities account or any other documents as stipulated by the legislation on the depository system of Ukraine, —

shall carry a penalty in the amount of up to 1,000 untaxed individual incomes.

Identical violations committed again within 12 months, —

shall carry a penalty in the amount of 500-1,000 untaxed individual incomes”;

10) the law of Ukraine “On the National Bank of Ukraine” (*Vidomosti Verkhovnoyi Rady Ukrainy*, 1999, # 29, pg. 238; 2000, # 42, pg. 351; 2002, # 5, pg. 30, # 17, pg. 117; 2006, # 12, pg. 100; 2009, # 14, pg. 181; 2010, # 49, pg. 570; 2011, #36, pg. 362):

add items 22¹ i 22² to article 7 shall read as follows:

“22¹) shall perform, in line with its competence, powers in the depository record-keeping area;

22²) shall ensure the record-keeping and custody of securities and other valuables transferred to him that were confiscated (seized) for the benefit of the state and/or recognized abandoned, and may open securities accounts with depository institutions for this purpose#;

add the words “shall determine a list of functions to manage the operations of its corporate non-State pension fund, and the method of performing said functions” in item 3 of section 1, article 15 following the words “enterprises and institutions”;

section 9 of article 42, section 1 shall be omitted;

add the words “excepting the cases specified by law” following the word “institutions” in item 1 of section 1, article 71;

11) In the Law of Ukraine on Banks and Banking (*Vidomosti Verkhovnoyi Rady Ukrainy*, 2001, # 5-6, pg. 30; 2006, #35, pg. 296; 2011, # 4, pg. 20; #19-20, pg. 142, #36, pg. 362; as amended by the law of Ukraine #3394-VI of 5/19/2011) shall read as follows:

amend Article 47, Section 4 to read as follows:

“Only a bank shall be allowed to provide banking services, except for current client accounts opening and maintaining services that may be provided by persons that make settlements under legal transactions in securities”;

12) in the law of Ukraine “On collective investment institutions (unit and corporate investment funds)” (*Vidomosti Verkhovnoyi Rady Ukrainy*, 2001, # 21, pg. 103; 2009, #16, pg. 218):

add the words “about keeping custody of assets of a corporate investment fund” following the words “by the custodian” in section 6 of article 11;

the words “by keeping a register of holders of investment certificates” shall be omitted in section 7 of article 25;

in paragraph 3 of section 5, article 27, the words ‘depository activities’ shall be replaced with the words “activities of keeping custody of assets of collective investment institutions”;

in section 3 of article 44, the words “its registration in the register of holders of registered securities of a CII or crediting of registered securities of a CII into the account of their owner with the custodian” shall be replaced with the words “crediting to the securities account of the owner of rights to the relevant amount of CII securities”;

amend the name of section VIII to read as follows:

“Section VIII.

CUSTODY OF CII ASSETS. RECORD KEEPING OF HOLDERS OF CII SECURITIES”

in article 50:

add the word “issuable” to sentence 1 following the word “form”;

amend section 2 to read as follows:

“ICI assets custodian may be a depository institution holding a license to engage in collective investment institution assets custody activities. To obtain a license to engage in collective investment institution assets custody activities, a depository institution shall have paid-in authorized capital in cash in the amount no less than UAH 25 million”;

amend article 54 to read as follows:

“Article 54. Record keeping of holders of CII securities.

Record keeping of holders of CII securities shall be performed in compliance with the depository system of Ukraine legislation”;

in sections 2 and 5 of article 55, replace the words “the National depository system of Ukraine legislation” in all declensions shall be replaced by “the legislation on the depository system of Ukraine” in the appropriate declension;

in article 57, the words “custodians and registrars of holders of ICI registered securities” shall be replaced by the words “and custodians”;

the word “registrar(s)” shall be omitted throughout the text of this law;

in the law of Ukraine “On payment systems and money transfers in Ukraine” (*Vidomosti Verkhovnoyi Rady Ukrainy*, 2001, # 29, pg. 137; 2003, #38, pg. 319; 2004, #1, pg. 23; 2011, #9, pg. 57; #19-20, pg. 142; #60, pg. 2404):

add Article 4¹ to read as follows: “Article 4¹. Settlement Transactions of Persons That Make Settlements under On-Exchange Transactions in Securities and other financial instruments”.

4.1. Persons that make cash settlements of on-exchange transactions in securities and other financial instruments shall be the CSD or a stock exchange or a clearing institution performing cash settlements under said transactions, in cases specified by law.

4.2. For settlement operations, persons that perform cash settlements of on-exchange transactions in securities and other financial instruments may open and maintain correspondent accounts with the National Bank of Ukraine and current (correspondent) client accounts in hryvnias and foreign currency.

4.3. Settlements under legal transactions in securities and other financial instruments shall be made in a non-cash form, in accordance with rules set forth in regulations of the National Bank of Ukraine, based on paper or electronic payment documents.

4.4. Persons that make cash settlements under on-exchange transactions in securities and other financial instruments may use, as payment documents, money orders, payment requests, requesting orders, and other payment instruments used in international banking practices.

Payment instruments shall be duly formalized and contain information about their issuer, payment system where they are used, legal grounds for performing a settlement transaction, and, generally, the holder of the payment instrument and the beneficiary, value date, and other information necessary to complete the settlement transaction.

4.5. In performing a settlement transaction, persons that make cash settlements under on-exchange transactions in securities and other financial instruments shall verify the authenticity of the document.”

paragraph 1 of item 6.1 and item 6.3 of article 6 shall read as follows:

6.1. Banks and entities performing cash settlement of securities transactions shall have the right to open accounts for residents of Ukraine (legal entities, their detached units, individuals), non-residents of Ukraine (legal entities, representative offices of legal entities in Ukraine, and individuals)”;

Amend Section 6.3 of Article 6 to read as follows:

“6.3 The procedure for banks and persons that make cash settlements under on-exchange transactions in securities and other financial instruments to open accounts and their regimes shall be determined by the National Bank of Ukraine. Conditions of opening an account and special features of its operation shall be prescribed in the agreement to be entered into by and between the bank or the person that makes cash settlements under on-exchange transactions in securities and other financial instruments and a client – account owner.”

Amend paragraph 1 of item 7.1, sub-items 7.1.2 and 7.1.3 of item 7.1 in Article 7 to read as follows:

“7.1 Banks shall be entitled to open deposit, current, and correspondent accounts for their clients. Persons that make cash settlements under on-exchange transactions in securities and other financial instruments shall be entitled to open current accounts for their clients.”

“7.1.2 Current account – an account opened by a bank or a person that makes cash settlements under on-exchange transactions in securities and other financial instruments for a client on a contractual basis to keep cash and perform settlement and cash transactions using payment instruments as provided in the contract and required by law.

7.1.3. Correspondent account – an account opened by a bank to another bank for international transfers.

Correspondent accounts shall be opened through banks opening correspondent relations by the method to be established by the NBU and based on the relevant agreement.

Entities performing cash settlements under on-exchange transactions in securities and other financial instruments shall be entitled to open correspondent accounts to legal entities specified by law and by method established by the NBU”;

amend sections 11.1 and 11.2 of article 11 to read as follows:

11.1. The system of electronic payments of the National Bank of Ukraine (SEP NBU) is a state system of interbank settlements and settlements of other persons that perform cash settlements under on-exchange transactions in securities and other financial instruments and that are granted access to SEP.

11.2. A prerequisite for making a cash transfer through SEP NBU is the establishment by a bank or another entity mentioned in section 11.1 herein that is granted access to SEP of the correspondent relations with the National Bank of Ukraine by opening a correspondent account with the National Bank of Ukraine.

14) in the law of Ukraine “On the Non-State pension provision”” (*Vidomosti Verkhovnoyi Rady Ukrainy*, 2003, # 47—48, pg. 372; as amended by the laws of Ukraine #3610-VI of 7/7/2011 and #3668-VI of 7/8/2011):

paragraph 10 of part 1, article 1 shall read as follows:

“pension fund custodian (hereinafter referred to as ‘custodian’) — the National bank of Ukraine or a bank holding the relevant license and engaged in the pension fund assets custody”;

paragraph 2 of part 1, article 44 shall read as follows:

“holding a license of the Securities and Stock Market National Commission (Commission) to engage in pension assets custody activities”;

item 1 of part 3, article 45 shall read as follows:

“1) revocation of the National Commission license to engage in pension assets custody activities”;

15) in part 2 of article 99 of the law of Ukraine “On Mandatory State pension insurance” (*Vidomosti Verkhovnoyi Rady Ukrainy*, 2003, # 49—51, pg. 376; as amended by the law of Ukraine #3668-VI of 7/8/2011):

amend section 1 to read as follows:

1) to hold a license granted by the NBU and a license granted by the Commission to engage in pension fund assets custody activities”;

in section 3 the words “to engage in the professional depository activities of a securities custodian” shall be replaced with the words “to engage in the pension fund assets custody activities”;

16) in the Securities and the Stock Market law (*Vidomosti Verkhovnoyi Rady Ukrainy*, 2006, # 31, pg. 268; 2008, # 50—51, pg. 384; 2009, #17, pg. 236, # 49, pg. 733; 2010, # 34, pg. 486, # 38, pg. 505; 2011, #10, pg. 65, #23, pg. 160; as amended by the law of Ukraine #3610-VI of 7/7/2011):

add the following paragraphs to section 1:

“clearing shall be the determination of mutual obligations under transactions in securities and other financial instruments, including by netting;

netting shall be full or partial termination of obligations under transactions in securities and other financial instruments through offsetting the obligations or by another method set forth by the clearing rules. As of the date of the netting, the term of performing the obligation shall be deemed to be due;

a system to manage risks and guarantees, entities performing clearing activities shall be a set of measures to minimize the risk of failure to perform or failure to perform in time obligations emerging under transactions in financial instruments;

clearing participants shall be securities brokers to whom an entity performing clearing activities set forth requirements under transactions in financial instruments executed by clearing participants on their own behalf and at own cost and/or on their own behalf and on their customers’ instruction”.

in article 2:

the words “registrars and custodians” in paragraph 4, section 2 shall be replaced with the words “depository institutions”;

add part 4 to this article to read as follows:

“Unless the law specifies otherwise or unless one of the parties to a contract mandates otherwise, off-exchange securities transactions shall not require notarial certification”.

in article 3:

parts 1-4 shall read as follows:

“1. A security shall be a document of the established form with relevant requisites that certifies pecuniary or other property rights, determines the relations of the security’s issuer (an entity that has issue the security) and a person having rights under this security, and envisions carrying out obligations under the security, as well as the possibility of transfer of the rights to and/or under the security to other persons.

2. Non-issuable securities shall exist exclusively in paper form and shall only be issued in the form of order or bearer’s securities.

3. Securities shall be broken down in book entry and paper form securities.

A book entry security shall be an entry in a securities account at the Central securities depository (CSD).

A documentary security shall be a security’s certificate, which is a securities’ blank carrying the description of the securities type and the requisites as specified by the legislation.

4. By the form of issue, securities shall be bearer’s or order securities.

Rights to securities and rights under securities circulating in paper form shall belong to:

its bearer (bearer’s securities);

a person named in the securities (registered securities);

a person named in the security that may exercise such rights personally or appoint by own order a representative to do so on his/he/its behalf (order securities).

Order securities shall circulate exclusively in paper form.

The title to the rights to and under book entry securities shall belong to the owner of the relevant securities account (or to the relevant creditor is said securities are credited to a notary’s deposit).

An issuer of bearer’s securities shall have no access in the securities depository record-keeping system to any information on their owners in any form, excepting the situations specified by the National Commission.

An issuer of bearer’s securities shall be entitled to have access to information about owners of registered securities from the securities depository record-keeping system in the form of a register of owners of registered securities.

Bearer’s securities shall circulate exclusively in a book entry form.

Issue-grade bearer’s securities may be converted to a book entry form by way of depositing said securities on the securities accounts at the CSD (immobilized securities) in line with the procedure established by the National Commission. Issue-grade bearer’s securities in the book entry form shall not be converted to the paper form”;

article 4 shall read as follows:

“Article 4. Transfer of rights to and under securities

1. The person acquiring the right to a security shall be assigned simultaneously the entirety of all rights certified by the security, (rights under the security), except for cases specified by law or by a legal transaction.

The period when rights to and under securities belong to different persons shall be established by law or by a legal transaction.

Any reduction to the rights to or under securities may only be set in the events and by the method specified by law.

2. Rights to and under a bearer's security in documentary form shall be transferred by way of handing said security to the acquirer.

Rights to and under a bearer's security in book entry form shall be transferred by the method established for transfer of rights to registered securities.

Transfer of rights to immobilized bearer's securities and exercising of rights thereunder shall be require mandatory identification of the holder by the depository institution maintaining the holder's securities account.

No register shall be drawn up of bearer's securities' holders.

3. Rights to and rights under registered securities shall be transferred to another holder by way of a transfer of said securities to a securities account of the acquirer by the method established by the law of Ukraine "On the securities depository record-keeping".

The issuer shall receive information about owners of registered securities in the form of holders of registered securities' registry. Ownership of registered securities shall be transferred and rights thereunder shall be exercised with mandatory identification of the owners by the depository institution maintaining the owners' securities accounts.

4. Title to an order security shall be transferred to an acquirer by writing an endorsement on the security. The endorsement may be a blank one, with no name of the acquirer that owns the rights under the security, or an order one, stating the name of the acquirer that owns the rights under the security.

5. Special features of a transfer of rights to and under securities shall be specified by the Commission and by a legal transaction";

add a new section to article 5 to read as follows:

"5. Income shall be paid on issued securities by the method specified in the legislation on the depository system of Ukraine";

in article 16:

add the words "rights to securities and" following the words "record-keeping" in paragraph 1, part 1 of the article;

add a new paragraph to part 2 to read as follows:

"clearing activity";

in part 3:

add the words "(excepting professional activities of the CSD) following the words "the stock market";;

add a new paragraph to this part to read as follows:

"Professional activities of the CSD shall be conducted in accordance with the CSD rules registered with the the Securities and Stock Market National Commission by the method specified by law";

Add articles 19¹—19⁸ to this law to read as follows:

“Article 19¹. Clearing activity

1. Clearing activity (clearing) - an activity to identify mutual obligations under legal transactions in securities and other financial instruments (including by setting off obligations (netting)), to create a system to guarantee settlement of contracts in securities and other financial instruments, and to organize settlement of securities trades.

2. A clearing entities may be a stock exchange, a clearing institution engaged in clearing activities, the CSD, and the NBU depository of government securities.

3. The minimal amount of the authorized capital of an applicant by the end of the quarter preceding the date of filing an application for a license to engage in clearing activities shall be at least UAH 25 million.

4. Requirements to the minimal amount of regulatory capital of a clearing entity, as well as other restrictions of its operations shall be established by the National Securities and Stock Market Commission.

Article 19². Creation of a clearing institution

1. A clearing institution shall be incorporated and shall operate in the joint stock company or a limited liability company. This entity shall acquire the status of a clearing entity from the date of being granted a license to engage in clearing activities.

2. The authorized capital of a clearing institution shall be paid in cash funds.

3. In order for a clearing institution to engage in clearing activities shall have proper equipment, in particular hardware and relevant software, dedicated communications channels and space that meet the requirements specified by the the Securities and Stock Market National Commission.

4. Within three months of obtaining the clearing activities license, a clearing institutionshall enter into:

1) an agreement to settle trades in securities other that government securities after clearing with the CSD;

2) an agreement to settle trades in government securities after clearing with the NBU depository of government securities

3) an agreement to make cash settlements after clearing with the CSD if the clearing entity performs clearing under transactions in securities (other than government securities) but does not perform cash settlements;

4) an agreement to make cash settlements after clearing with the NBU depository of government securities if the clearing entity performs clearing under transactions in government securities but does not perform cash settlements;

5) an agreement for clearing services with at least one stock exchange.

Requirements to the above agreements shall be established by the the Securities and Stock Market National Commission.

A clearing institution shall not clear securities until it has entered into the above agreements.

5. The Securities and Stock Market National Commission may set additional requirements to clearing institutions to limit the risks of professional activities in the stock market.

6. The words “clearing institutions” and their derivatives shall only be used by legal entities that have been incorporated and are operating in accordance with the requirements of this law.

Article 19³. Engagement in clearing activities

1. A stock exchange, the CSD, the NBU depository of government securities or a clearing institution shall engage in clearing activities on the basis of a license granted by the Securities and Stock Market National Commission and in keeping with the procedure established by the Securities and Stock Market National Commission.

Clearing activities under securities contracts entered into at a certain stock exchange shall be performed by an entity licensed to engage in clearing activities.

2. Clearing activity shall be an exclusive type of professional securities market operations, except for its combination with the depository operations of the CSD, the NBU depository of government securities or trade organizer operations, provided such types of operations are performed by stand-alone units.

3. To carry out clearing activities, a stock exchange, a clearing institution or the CSD shall register the following internal documents (bylaws) with the Securities and Stock Market National Commission by the method and by the deadline established by the Securities and Stock Market National Commission:

- 1) clearing rules;
- 2) a policy in internal audit (control) organization and performance;
- 3) a policy that lays down the system to manage risks and guarantees, specifying the types of risks, the method of their calculation, the measures to mitigate risks, and the method and conditions to apply them.

4. Grounds for a refusal to register the bylaws of an entity that carries out clearing activities and amendments thereto shall be:

- 1) incompliance of the documents submitted for registration with the legislative requirements, including the Securities and Stock Market National Commission regulatory acts;
- 2) failure to submit complete documents, the presence of incomplete or inaccurate information therein;
- 3) incompliance of the amount of the authorized capital as specified by law.

Article 19⁴. Clearing rules

1. The rules of clearing shall include:

- 1) requirements to clearing participants;
- 2) the method of performing clearing activities with or without a central counterparty participation;
- 3) the procedure, the terms of admittance of obligations to clearing, and the requirements to said obligations;
- 4) the rights and obligations of an entity that carries out clearing activities and of clearing participants;
- 5) the procedure of keeping record of rights and obligations under transactions in securities and other financial instruments and of their termination;
- 6) the method of an entity that carries out clearing activities reporting the results of clearing and settlements to clearing participants;

7) the method for the clearing entity to report to the CSD on the CSD customers and their depositors as regards transfers of securities and/or rights to and under securities as a result of clearing of obligations under on-exchange transactions in securities after each trading session (except cases when the clearing is performed by the CSD);

8) the description of measures to mitigate risks of default or failure to perform properly the obligations under transactions in securities and other financial instruments based on one of the risk mitigation mechanisms as specified by part 2 of this article;

9) the description of the information protection system;

10) other provisions in line with this law and with other laws.

The Securities and Stock Market National Commission may set forth additional requirements to clearing.

2. Mechanisms to mitigate risks of default or failure to perform properly the obligations under stock exchange contracts shall be:

mandatory pre-depositing and provisioning of funds or of other financial instruments in accordance with the method established by the National Commission;

partial (or no) pre-depositing and provisioning of funds and securities or of other financial instruments, with a mandatory creation of a system for risk and guarantees management including the creation of a guarantee fund at the cost of clearing participants and of other participants of the depository system in accordance with the method established by the National Commission.

Funds, securities and other financial instruments contributed by clearing participants to the guarantee fund as a surety to perform the obligations under stock exchange contracts in accordance with the method established by the National Commission with NBU consent shall be accounted in separate current accounts and securities accounts opened for an entity that carries out clearing activities.

3. Additional requirements to the clearing rules shall be set forth by the Commission.

Article 19⁵. Organization of clearing

1. An entity that carries out clearing activities shall clear only those obligations admitted for clearing by the method and on the terms specified in the clearing rules.

2. The method of clearing of securities contracts, as well as the method of control over clearing activities shall be established by the National Commission.

Article 19⁶. Central counterparty.

1. To perform its functions, the central counterparty shall be a legal entity performing clearing activities that assumes mutual rights and obligations of parties to securities transactions whose obligations have been admitted to clearing and acts as the buyer for each seller and as the seller for each buyer.

The Central Counterparty shall be entitled to participate in exchange trading without a license for activities in the stock market – securities trading activities.

2. The invalidity of a transaction, obligations under which are terminated as a result of netting shall not lead to the invalidity of legal transactions performed in the course of netting and netting results.

3. Capital adequacy requirements to an entity that performs clearing activities and acts as the central counterparty shall be set by the Securities and Stock Market National Commission.

The words “central counterparty” and their derivatives shall be used only by those legal entities that have been incorporated and are operating in keeping with the requirements of this law.

4. The Securities and Stock Market National Commission shall be entitled to set additional requirements to an entity that performs clearing activities and acts as the central counterparty.

Article 19⁷. Guarantees of non-interference in the operations of an entity that performs clearing activities

1. There shall be no interference in the operations and powers of an entity that performs clearing activities, other than in the situations specified by law.

2. The Securities and Stock Market National Commission shall be entitled to approve a decision on the appointment of a provisional administrator of a clearing entity in the event of:

1) an entity that performs clearing activities commits two or more violations within one year of legitimate requirements of the Securities and Stock Market National Commission;

2) the entity that performs clearing activities fails to guarantee the performance of obligations under securities contracts and settlement of securities trades for three business days;

3) a guilty verdict taking effect as regards criminal acts in commercial operations or official duties committed by managers of the entity that performs clearing activities;

4) the entity that performs clearing activities or its officer making steps to conceal accounts, any assets, registries, reports and documents;

5) ungrounded refusal by the entity that performs clearing activities to file documents or data envisaged by the legislation;

6) the clearing house filing a petition to appoint a temporary administration and in the other situations specified by law.³ The information on the appointment of the provisional administrator shall be placed by the Securities and Stock Market National Commission on the appointment date on its official web site and, within three days, in *The Uraidovyi Coureer* or *The Holos Ukrainy* newspapers.

4. The the Securities and Stock Market National Commission shall organize, coordinate and controls the work of the provisional administrator and issues compulsory instructions.

Article 19⁸. The provisional administrator of a clearing entity

1. The provisional administrator of a clearing entity shall be:

an independent expert (contracted);

an employee of the Securities and Stock Market National Commission.

Acting as a provisional administrator shall only be individuals with high professional and moral qualities, unblemished business reputation, a diploma in economics or law, and the practical experience needed to perform the functions of a provisional administrator.

The Securities and Stock Market National Commission shall have the right to recall the provisional administrator if he fails to comply with the established requirements.

Should an independent expert be appointed a provisional administrator, the Securities and Stock Market National Commission shall sign a contract with the independent expert, the form of the master agreement being approved by the Securities and Stock Market National Commission.

The provisional administrator–independent expert, as well as specialists hired by provisional administrator to perform his functions shall be paid in line with their contracts at the clearing institution cost.

The provisional administrator shall terminate its operations on the date of Commission decision to recall the provisional administrator.

2. Acting as a provisional administrator shall not be a person that:

1) is a creditor, a related party or a shareholder (participant) of a clearing entity;

2) has a criminal record that has not been officially removed or expunged as required by law or stands charged in a criminal case.

3. The provisional administrator shall not:

1) accept, directly or indirectly, any services, gifts or other valuables from persons interested in any actions related to the appointment of the provisional administration;

2) dispose or permit to dispose of any property that the temporary administrator is empowered to control, in his own interests or in the interests of third parties;

3) disclose any information about the clearing activities, unless in relation to the performance of the responsibilities of a temporary administrator.

4. A provisional administrator’s failure to perform or to perform properly his/her duties causing losses to the clearing entity or to other securities market participants shall be sufficient grounds to terminate the provisional administrator and to recoup the losses in full.

5. The powers of the general meeting, the supervisory board, the management board, and those of the other bodies of the clearing entity shall be assumed by the provisional administrator since the appointment date.

All transactions entered into by the management board of the clearing entity following the appointment of a provisional administrator shall be voided”;

in part 1 of article 20m the words “including clearing and settlement” shall be replaced with the words “engaging in clearing activities on the basis of a separate license”;

add a new paragraph to part 2 of article 21 to read as follows:

“Eligible to be a participant (shareholder) of a stock exchange, in addition to securities brokers, shall also be a clearing entity”;

add part 3 to article 24 to read as follows:

“3. Within three days of obtaining its license to engage in stock exchange trading organization, a stock exchange shall enter into:

1) an agreement with the CSD or a clearing entity to provide clearing services in the event when a stock exchange does not carry out clearing activities under securities contracts (other than government securities) executed on the exchange;

2) an agreement to clear government securities contracts with the NBU government securities depository or a clearing entity if a stock exchange does not clear government securities contracts executed on said exchange;

3) an agreement on performing cash settlement after clearing with the CSD, if the stock exchange performs clearing activities under stock market contracts in securities (other than government securities) but does not perform cash settlements;

4) an agreement to perform cash settlement after clearing with the NBU government securities depository if the stock exchange does clearing of government securities contracts but does not do cash settlements.

Requirements for the agreements specified in this section shall be established by the Securities and Stock Market National Commission.

A stock exchange shall not engage in securities trade organizer activities until it has entered in the above agreements”.

Add new paragraphs to art 1 of article 25 to read as follows:

“performing clearing of contracts in securities and other financial instruments, which, in particular, specify the consequences of a default or of terminating the contracts, as specified in part 3 of article 24 in this law, if the stock exchange performs clearing activities on the basis of the relevant license;

interacting with a clearing entity to clear contracts in securities and other financial instruments, which, in particular, specify the consequences of a default or of terminating the contracts, as specified in part 3 of article 24 in this law, if the stock exchange does not perform clearing activities”;

interacting with the CSD to exchange information about securities contracts (other than government securities) executed on the stock exchange at the end of each trading session”;

in article 26:

paragraph 2 of part 2 shall read as follows:

“Trade organizers may perform clearing activities under contracts in securities and other financial instruments entered into on the relevant trade organizers”;

parts 3 and 4 shall be omitted;

in part 5, the words “except for the activities of maintaining registered of holders of registered securities of collective investment institutions in the events specified by law” shall be omitted;

in item 7 of part 1 and in item 6 of part 2 of article 28, the words “or with the registrar — on maintenance of the holders of registered securities registry, except for cases when securities ownership record is kept by the issuer in keeping with the legislation or is these are bearer’s securities” shall be omitted;

article 42 shall read as follows:

“Article 42. Disclosure of information contained in the securities depository record-keeping system.

1. Information contained in the securities depository record-keeping system shall be disclosed in the events and by the method specified in the law of Ukraine “On the securities depository record-keeping system”.

In the Joint Stock Company law (*Vidomosti Verkhovnoyi Rady Ukrainy*, 2008, # 50-51, pg. 384; 2011,#22, pg. 151, #29, pg.272, #35, pg. 344):

amend section 5 of article 30 to read as follows:

5. To pay dividends, a company shall transfer dividends to the CSD in conformity with the depository system of Ukraine legislation to be credited to the accounts of depository institutions and correspondent depositories for subsequent remittance by the depository institutions to depositors’ account or to pay depositors otherwise as specified I the agreement, and for further remittance by the correspondent depositories to persons entitled to income and other payouts in accordance with the legislation of a foreign country”;

section 2 of article 35 shall be dropped;

18) in the law of Ukraine “On the enforcement service” (*Vidomosti Verkhovnoyi Rady Ukrainy*, 2011, # 19-2, pg. 142):

in section 3 of article 20, the word ‘depositories’ shall be replaced with the words ‘depository institutions’;

in section 3 of article 20, the words ‘securities depositories’ shall be replaced with the words ‘depository institutions’.

5. Within six months of the promulgation of this law, the Securities and Stock Market National Commission shall draft and approve:

- 1) the procedure to transfer securities to the CSD for depository services;
- 2) the procedure and terms to issue a license for a depository institution to engage in depository activities, to renew licenses, and to issue duplicates and copies of licenses;
- 3) the procedure and terms to issue a license to engage in clearing activities, renew a license, and issue its duplicate or copy;
- 4) the procedure to transfer information contained in the holders of registered securities registry to the depository record-keeping system;
- 5) the procedure to register securities that have been registered prior to this law taking effect, as well as the procedure to transfer such securities’ issues to the depository record-keeping system;
- 6) the procedure of making backup copies of holders of registered securities registries;
- 7) the procedure for the CSD and depository institutions to engage in depository activities;
- 8) the method of clearing activities;
- 9) the licensing terms to engage in professional stock market activities — depository activities by depository institutions and clearing activities.

6. Licenses issued by the Securities and Stock Market National Commission to engage in depository activities of a securities depositories, depository activities of a securities custodian, holders of registered securities registry maintenance and clearing and settlement activities prior to the promulgation of this law shall be valid through the date of this law taking effect.

Starting from the promulgation date of this law, the Securities and Stock Market National Commission shall not grant licenses to engage in depository activities of a securities depositories, depository activities of a securities custodian, holders of registered securities registry maintenance and clearing and settlement activities.

Starting from the promulgation date of this law, the Securities and Stock Market National Commission shall ensure revocation of licenses to engage in depository activities of a securities depositories, depository activities of a securities custodian, holders of registered securities registry maintenance and clearing and settlement activities.

Starting from the promulgation date of this law, the Securities and Stock Market National Commission shall have the right to issue licenses to engage in depository activities of a depository institution, collective investment institution assets custody activities, pension fund assets custody activities and clearing activities to become valid on the date of this law taking effect.

7. Prior to this law taking effect, registrars and custodians holding licenses for their relevant activities shall bring their operations in line with the provisions of this law and file with the Securities and Stock Market National Commission the documents required to get a new license.

The State registration of amendments to the founding documents of a legal entity that held, prior to the promulgation of this law, a license to engage in depository activities of certain types and the issue of new licenses to said legal entities due to the passage of this law shall be free of charge.

8. The decision to transfer depository servicing of government securities to the CSD may be approved not earlier than two years after this Law takes effect, after which the function of the government securities depository shall be assumed by the CSD.

The method of said transfer and the system of information exchange between the NBU and the CSD shall be developed by the Securities and Stock Market National Commission and agreed with the NBU.

Once the decision has been approved to transfer depository servicing of government securities to the CSD and the transfer effected, the provisions of the legislation regarding the activities of the NBU government securities depository shall be terminated.

9. Starting from the promulgation date of this law, the issuer of issue-grade securities shall only select non-documentary (book-entry) form of issuing said securities.

Within three months of the Securities and Stock Market National Commission registration of the CSD Regulations, issuers of issue-grade securities shall ensure their conversion to the book-entry form and shall enter into an agreement with the CSD to service their issue of securities.

Registered issue-grade securities whose issue has been registered prior to the promulgation date of this law may circulate in paper (documentary) form until the date of this law taking effect.

10. Certificates of registered securities issued prior to the date of this law taking effect shall certify the rights under registered securities until these certificates are exchanged for excerpts from the relevant securities account in keeping with the requirements of this law. The exchange shall be performed free of charge and valid for an indefinite period in keeping with the procedure established by the Securities and Stock Market National Commission upon request by holders of registered securities or by their representatives to a depository institution of the issuer's choice.

The exchanged certificates of registered securities shall be transferred to the CSD and retired from circulation. The CSD shall make public the information about the retired certificates of registered securities in keeping with the procedure established by the Securities and Stock Market National Commission.

Should an owner of documentary securities have no certificate of said securities, they shall be credited to securities accounts of a depository institution in the form of the relevant entry in the holders of registered securities' registry system, with an excerpt from the securities account being issued to their owner.

11. A holder of dematerialized securities shall be required to approach a depository institution chosen by the issuer and enter with it into an agreement on servicing a securities account on its own behalf or transfer rights to and under the securities to his own account opened at another depository institution.

In the event that the holder of securities fails to enter with the depository institution chosen by the issuer into an agreement on servicing a securities account on its own behalf within one year of this law taking effect or fails to transfer his rights to and under the securities to his own account opened at another depository institution, the securities of said holder (entitling him to participation in the issuers bodies) shall not be taken into account when determining the quorum and when taking a vote at the issuers' bodies.

The restrictions as regards taking into account such securities when determining the quorum and when taking a vote at the issuers' bodies shall be set forth by a depository institution at the

depository record keeping system within one business day of the expiry of the deadline specified in paragraph 2 of this section.

Said restrictions shall be cancelled by the depository institution within one business day of the holder entering into an agreement with the depository institution to service his securities account.

Special features of depository record keeping of securities, of rights to and under the securities of holders that failed to comply with the requirements of paragraphs 1-2 of this section and the method of imposing and lifting the restrictions specified in paragraph 2 of this section shall be determined by the Securities and Stock Market National Commission.

12. The Cabinet of Ministers of Ukraine and the National Bank of Ukraine shall make sure that the Government stake in the authorized capital of the CSD is reduced by the end of 2014 to no less than 25% + 1 share.

Chairman
Verkhovna Rada of Ukraine