

On Approving the Regulation on the Procedure for Converting Physical Registered Shares Issue into Book-Entry Form

(entitled as prescribed by the Securities and Stock Market State Commission in its Resolution of September 14, 2004, No. 398, as amended by the Securities and Stock Market State Commission in its Resolution of August 29, 2008 No. 955)

**Resolution of the Securities and Stock Market State Commission
of June 30, 2000, No. 98**

**Registered with the Ministry of Justice of Ukraine
on October 12, 2000 No. 706/4927**

As amended by the Securities and Stock Market State Commission in its Resolutions of September 14, 2004 No. 398, August 29, 2008 No. 955

Pursuant to Section 13, Article 8 of the Law of Ukraine “On State Regulation of Securities Market in Ukraine”, the Securities and Stock Market State Commission **HAS RESOLVED, THAT:**

1. Approve the Regulation on the Procedure for Converting Physical Registered Shares Issue into Book-Entry Form.

(Section 1 as stated in SSMSC Resolution of September 14, 2004 No. 398, as amended in accordance with SSMSC Resolution of August 29, 2008 No. 955)

2. Delete Section 2

(in accordance with SSMSC Resolution of September 14, 2004 No. 398)

3. Delete Section 3

(in accordance with SSMSC Resolution of September 14, 2004 No. 398)

4. Delete Section 4

(in accordance with SSMSC Resolution of September 14, 2004 No. 398)

5. Delete Section 5

(in accordance with SSMSC Resolution of September 14, 2004 No. 398, in view of this, consider Sections 6 - 8 as Sections 2 – 4 respectively)

2. Task the Office of Securities Market Regulation and Development (O. Kolesnik) to ensure that this Resolution is registered with the Ministry of Justice of Ukraine.

3. Task the Office of Organizational Support (Yu.V. Lysko) to publish the Resolution in the prescribed manner.

4. Task First Deputy Chairman M.Volkov to control the implementation of this Resolution.

Commission Chairman

O. Mozgovi

Minutes of the Commission Meeting of June
6, 2000 No. 26

APPROVED
by the Securities and Stock Market State
Commission in its Resolution of June 30,
2000 No. 98

Registered
with the Ministry of Justice of Ukraine
October 12, 2000, No. 706/4927

Regulation on the Procedure for Converting Physical Registered Shares Issue into Book-Entry Form

(entitled as prescribed in SSMSC Resolution of August 29, 2008 No. 955)

This Regulation is developed pursuant to Section 7, Section 13 of Article 8 of the Law of Ukraine “On State Regulation of Securities Market in Ukraine”, Articles 4 and 5 of the Law of Ukraine “On National Depository System and Specificities of the Computerized Securities Circulation System of Ukraine”, Regulation on Depository Activities approved by SSMSC in its Resolution of October 17, 2006 No. 999 and registered with the Ministry of Justice of Ukraine on November 27, 2006 under No. 1238/13112, Regulation on the Procedure for Maintaining Registers of Registered Securities Owners approved by SSMSC in its Resolution of October 17, 2006 No. 1000 registered with the Ministry of Justice of Ukraine on January 22, 2007 under No. 49/13316, and prescribes an order of actions of depository system participants in making the decision by the issuer to dematerialize registered shares.

(the first paragraph of the preamble as amended
by SSMSC in its Resolution of September 14, 2004 N. 398,
and its Resolution of August 29, 2008 No. 955)

This Regulation shall apply to securities depositories, custodians, register holders, securities owners and issuers with respect to shares.

(the second paragraph of the preamble as amended in accordance with
SSMSC Resolution of September 14, 2004 No. 398)

1. GENERAL PROVISIONS

1.1. Terms: "book-entry securities", "securities issue", "global certificate", "securities depository" (hereinafter “depository”), "depositor", "agreement on opening a securities account", "physical form of securities”, “securities custodian” (hereinafter “custodian”), "nominal holder", "securities accounts", "register of owners of registered securities", "registrar", "securities certificate" are used in this Regulation as defined in the Law of Ukraine “On National Depository System and Specificities of the Computerized Securities Circulation System of Ukraine”.

1.2. Terms: "share", "issuer", "a security" are used in this Regulation as defined in the Law of Ukraine "On Securities and Stock Market".

(Section 1.2, Chapter 1 as amended in accordance with SSMSC Resolutions of September 14, 2004 No. 398 and of August 29, 2008 No. 955)

1.3. Terms: "register holder" is used in this Regulation as defined in the Regulation on the Procedure for Maintaining Registers of Registered Securities Owners approved by SSMSC in its Resolution of October 17, 2006 No. 1000 registered with the Ministry of Justice of Ukraine on January 22, 2007 under No. 49/13316.

(Section 1.3, Chapter 1 as amended in accordance with SSMSC resolution of August 29, 2008 No. 955)

1.4. The following terms are used in this Regulation with the meanings specified:

Dematerialization of the share issue (hereinafter "dematerialization") means a set of actions to convert the share issue into a book-entry form;

(the second paragraph of Section 1.4, Chapter 1 as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

Date of termination of the register of owners of registered securities (hereinafter "the register termination date") means a date determined by the issuer as required by this Regulation after which no actions will be taken in the system of the register of owners of registered securities.

1.5. Section 1.5, Chapter 1, is deleted.

(in accordance with SSMSC Resolution of September 14, 2004 No. 398)

1.6. Section 1.6, Chapter 1, is deleted.

(in accordance with SSMSC Resolution of September 14, 2004 No. 398, in view of this, consider Sections 1.7 - 1.12 as Sections 1.5 - 1.10, respectively)

1.5. Transactions performed by depository institutions with respect to the dematerialization of share issue are considered as depository transactions in securities (depository transactions).

(Section 1.5 of Chapter 1 as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

1.6. Transactions performed by register holders with respect to the dematerialization of the registered share issue are considered as register transactions in securities.

(Section 1.6 of Chapter 1 as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

1.7. After the global certificate is deposited, the share issue formalized by this certificate shall be recorded solely as accounting entries in securities accounts at custodians or the depository.

(Section 1.7 of Chapter 1 as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

1.8. After the date of depositing the global certificate, the shares of the dematerialized issue are not allowed to trade using securities certificates.

(the first paragraph of Section 1.8 of Chapter 1 as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

Such certificates are to be withdrawn and destroyed in the manner provided by current law.

1.9. The owner of the securities of the issue to be dematerialized, before the date of termination of the register of such issue, shall have the right to dematerialize independently the shares that he owns at the custodian of his choice.

(the first paragraph of Section 1.9 of Chapter 1 as amended in accordance with SSMSC Resolution

Securities accounts of securities owners registered, at the date of termination of the register of such issue to be dematerialized, in the register of owners of registered securities shall be opened and maintained at the custodian based on the agreement on opening securities accounts for owners that is entered by and between the issuer and custodian as required by this Regulation.

Securities accounts are opened and maintained, shares in these accounts are kept at the expense of the issuer until the agreement on opening a securities account is reentered by and between the securities owner and the custodian.

(the third paragraph was added to Section 1.9, Chapter 1, in accordance with SSMSC Resolution of September 14, 2004 No. 398)

1.10. With the aim of protecting the interest of the State in the course of privatization, the issuer shall notify the appropriate authority (that acts as an owner of the shares of such issuer in the course of privatization) of the receipt of the certificate of the book-entry issue registration no later than 10 working days after the date of receipt of such a certificate.

1.11. In converting the physical shares issue into a book-entry form, the issuer must take the following actions:

Adopt a resolution on converting the issue of physical registered shares into a book-entry form (hereinafter “the dematerialization resolution”);

Enter an agreement on servicing the issue with the custodian, selected as required by this Regulation, who will service the shares issue to be dematerialized, and an agreement on opening securities accounts with the custodian, selected as required by this Regulation, where the issuer opens securities accounts for owners of the shares of the issue to be dematerialized;

Publish a dematerialization notice in one of the official printed periodicals of the Securities and Stock Market State commission and notify personally every owner, registered in the register of owners of registered securities, in the way specified in the dematerialization resolution;

Replace in the SSMSC the certificate of physical registered shares issue registration with a certificate of book-entry shares issue registration;

Ensure that the servicing of the physical shares issue is terminated by the register holder in the system of register of owners of registered securities for that issue;

Ensure that the register of owners of registered securities and the record-keeping of ownership rights to book-entry shares are transferred to the custodian;

Ensure that the custodian opens securities accounts for owners of registered securities of the issue to be dematerialized.

(Section 1.11 is added to Chapter 1 in accordance with SSMSC Resolution of August 29, 2008 No. 955)

1.12. The issuer shall publish a dematerialization notice in one of the official printed periodicals of the Securities and Stock Market State Commission and notify personally every owner registered in the register of owners of registered securities, in the way specified in the dematerialization resolution, no later than 10 (ten) calendar days after the date of adoption of the dematerialization resolution.

The notice shall include:

Details of the issue of physical registered shares with respect to which the dematerialization resolution is adopted (excerpt from the minutes) – kind of securities (with the indication of the type of securities); data from the issue registration certificate (registration date, the authority that issued the certificate, international identification number of securities, par value of a share of this issue, number of shares in this issue, total par value of shares in this issue;

The note that the statement of the securities account opened at the securities custodian shall be proof of ownership rights to book-entry shares;

Information about a register holder that maintains the register of owners of registered securities (full and short (if available) name as stated in the foundation documents, EDRPOU identification code, location as stated in the registration documents; telephone, fax; last name, first name and middle name of a chief executive officer, details from a legal entity registration certificate: series, number of the entry, date of the state registration of the legal entity, the authority that issued the certificate; information about a license to carry out professional activities in the stock market – depository activities, specifically the maintaining of the register of owners of registered securities – license number, date of issue, the authority that issued the license, license validity period);

Details of a depository that will service the shares issue with respect to which the dematerialization resolution was adopted (name, EDRPOU identification code, details from a legal entity registration certificate: series, number of the entry, date of the state registration of the legal entity, the authority that issued the certificate; location, telephones of the contact person, information about a license to carry out professional activities in the stock market – depository activities, specifically depository activities of a securities depository);

Details of a custodian where the issuer is going to open securities accounts for shareholders (name, location, telephones of the contact person, EDRPOU identification code, details from a legal entity registration certificate: series, number of the entry, date of the state registration of the legal entity, the authority that issued the certificate; information about a license to carry out professional activities in the stock market – depository activities, specifically depository activities of a securities custodian);

Date of the register termination;

Caveat that prohibits any actions in the system of the register of owners of registered securities of the dematerialized issue after the date of the register termination;

Information about the need for the shareholder to enter with the custodian into the agreement on opening a securities account;

Information about the right of the owner of securities of the issue subject to dematerialization to dematerialize his shares independently before the register termination date at a custodian of his choice.

(Section 1.12 is added to Chapter 1 in accordance with SSMSC Resolution of August 29, 2008 No. 955)

2. ADOPTION OF THE DEMATERIALIZATION RESOLUTION

2.1. The dematerialization resolution shall be adopted by the general meeting of the joint company.

The dematerialization resolution shall be formalized in the minutes that must contain:

Details of the issuer: full and short (if available) name as stated in the foundation documents, EDRPOU identification code; details from a legal entity registration certificate (series, number of the entry, date of the state registration of the legal entity, the authority that issued the certificate); location as stated in the registration documents, mailing address; telephone, fax; list of the issuer's officers who have the rights to act on behalf of the issuer without a proxy;

Details of the issue of physical registered shares with respect to which the dematerialization resolution is adopted (excerpt from the minutes) – kind of securities (with the indication of the type of securities); data from the issue registration certificate (registration date, the authority that issued the certificate, issue registration number); international identification number of securities, par value of a share of this issue, number of shares in this issue, total par value of shares in this issue;

Details of a depository that will service the shares issue with respect to which the dematerialization resolution was adopted (name, EDRPOU identification code, details from a legal entity registration certificate: series, number of the entry, date of the state registration of the legal entity, the authority that issued the certificate; location, telephones of the contact person, information about a license to carry out professional activities in the stock market – depository activities, specifically depository activities of a securities depository);

Details of a custodian where the issuer is going to open securities accounts for shareholders (name, location, telephones of the contact person, EDRPOU identification code, details from a legal entity registration certificate: series, number of the entry, date of the state registration of the legal entity, the authority that issued the certificate; information about a license to carry out professional activities in the stock market – depository activities, specifically depository activities of a securities custodian);

Number and percentage of shareholder votes that voted in the general meeting;

Number and percentage of shareholder votes that voted in favor of the dematerialization resolution;

Register termination date.

(Section 2.1, Chapter 2, as stated in SSMSC Resolutions of September 14, 2004 No. 398, of August 29, 2008 No. 955)

2.2. The issuer shall take actions to replace the certificate of physical registered shares issue registration with a certificate of book-entry shares issue registration no later than 30 (thirty) calendar days after the date of the dematerialization resolution.

(Section 2.2 Chapter 2 as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398, as stated in SSMSC Resolution of August 29, 2008 No. 955)

2.3. The issuer shall determine the register termination date that must be set no sooner than 45 (forty-five) calendar days before and no later than 60 (sixty) calendar days after the date of the certificate of book-entry shares issue registration.

(Section 2.3 Chapter 2 as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

2.4. Within 5 (five) working days after the date of obtaining the certificate of book-entry shares issue registration, the issuer shall provide the register holder with:

(the first paragraph of Section 2.4, Chapter 2, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

Details of the issue to be dematerialized, the depository and the custodian in accordance with Section 2.1 of this Regulation, and contact telephones of the latter with references to resolutions of the relevant body of the issuer on converting the issue into a book-entry form (excerpt from the meeting minutes);

Order to prepare the register of owners of registered securities as at the register termination date;

Copy of the certificate of book-entry shares issue registration.

(the fourth paragraph of Section 2.4, Chapter 2, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

2.5. No later than 10 (ten) days prior to the register termination date, the issuer shall enter into:

an agreement on servicing the securities issue with the depository of his choice, selected pursuant to Section 2.1 of this Regulation;

an agreement on opening securities accounts for owners who are registered in the register of owners of registered securities with the custodian of his choice, selected pursuant to Section 2.1 of this Regulation.

2.6. Section 2.6, Chapter 2, is deleted.

(Section 2.6, Chapter 2, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398,
Deleted in accordance with SSMSC Resolution of August 29, 2008 No. 955,
in view of this, consider Section 2.7 as Section 2.6)

2.6. Before the register termination date, the custodian specified in Section 2.1 of this Regulation and nominal holders, if they do not have a securities accounts at the depository where the dematerialization is performed, must open a securities account at this depository.

3. REGISTER TERMINATION

3.1. At the register termination date, based on the instructions from the issuer given pursuant to Section 2.4 of this Regulation, the register holder stops any actions in the register system and prepares the register of owners of registered securities (list of owners and nominal holders of registered securities) as at this date. The register should not include information about owners of registered securities who are clients of nominal holders.

3.2. Within 5 (five) working days after the register termination date, in the presence of the issuer's authorized representative, the register holder shall transfer the register prepared as at the register termination date to the custodian with whom the issuer has entered into the agreement on opening securities accounts for owners.

3.3. The transfer of the register prepared as at the register termination date to the custodian shall be documented in the acceptance and transfer statement that outlines the transfer of:

the register of owners of registered securities prepared as at the register termination date in a paper form, in three copies. The register to be transferred must be stitched through, paginated and attested with the signature of the officer and seal of the register holder;

the register of owners of registered securities prepared as at the register termination date in an electronic form on a magnetic carrier and its back-up copies on an additional magnetic carrier in the format agreed upon with the custodian;

in the event that the owner's shares are encumbered with obligations – copies (attested by the register holder) of all documents that are the basis for encumbering shares.

(the fourth paragraph of Section 3.3, Chapter 3, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

The Acceptance and Transfer Statement shall be signed by chief executive officers or authorized representatives, attested with the seals of the registrar, issuer, and custodian, and prepared at least in five copies. The Acceptance and Transfer Statement shall be given to the registrar, the issuer, the depositor with whom the issuer has entered into the agreement on servicing the issue of securities to be dematerialized and the National Depository of Ukraine, one copy for each party. The date of signing this Statement shall be the date of transferring the register by the register holder.

3.4. Section 3.4, Chapter 3, is deleted.

(in accordance with SSMSC Resolution of September 14, 2004 No. 398, in view of this, Sections 3.5 - 3.9 are considered as Sections 3.4 - 3.8)

3.4. Within 10 (ten) working days after the date of transferring the register by the register holder, the custodian shall provide the National Depository of Ukraine, as specified in Section 3.3 of this Regulation, with: the register of owners of registered securities prepared as at the register termination date in an electronic form, in the format agreed upon with the National Depository of Ukraine, and one paper copy of this register and the Acceptance and Transfer Statement.

The transfer of the register to the National Depository of Ukraine shall be documented in a relevant acceptance and transfer statement.

3.5. The depository, the custodian, and the National Depository of Ukraine shall ensure due safekeeping of documents received from the register holder and specified in Sections 3.3, 3.4 of this Regulation, as required by current law.

(Section 3.5 Chapter 3 as amended in accordance with SSMSC Resolution of August 29, No. 955)

3.6. The registrar shall transfer the register if the issuer pays for the services of the register system maintenance and transfer, unless otherwise provided by the agreement on maintaining the register of owners of registered securities.

3.7. The register holder that maintained the register of owners of registered securities of the issue to be dematerialized shall be responsible for safekeeping, for five years after the date of transferring the register to the custodian, supporting documents on the basis of which it made changes to the register system.

(the first paragraph of Section 3.7, Chapter 3, as amended in accordance with SSMSC Resolution of August 29, 2008 No. 955)

The register holder that maintained the register is required, for five years after the register transfer date, to present supporting documents that were a basis for making changes to the register system or provide copies of such documents to authorized representatives of the National Depository of Ukraine, the issuer, the custodian to whom the register was transferred, and to those who were registered in the register before the register transfer date, at their request and to public authorities within their competence defined by current Ukrainian law.

(the second paragraph of Section 3.7, Chapter 3, as amended in accordance with SSMSC Resolution of August 29, 2008 No. 955)

3.8. Within 10 (ten) working days after the safekeeping period specified in Section 3.7 of this Regulation expired or after the date of expiry (cancellation) of the license to carry out professional activities in the stock market – depository activities, specifically maintaining the register of owners of registered securities or the license to carry out professional activities in the stock market – depository activities, specifically maintaining one's own register of owners of registered securities, the register holder shall transfer for long-term safekeeping to the National Depository of Ukraine supporting documents that served as a basis for making changes to the register system. The transfer shall be documented in a relevant acceptance and transfer statement.

(Section 3.8, Chapter 3, as amended in accordance with SSMSC Resolution of August 29, 2008 No. 955)

4. DEPOSITING THE GLOBAL CERTIFICATE AND CREDITING TO THE ACCOUNT THE SECURITIES OF THE ISSUE TO BE DEMATERIALIZED

4.1. Within 3 (three) working days after the date of transferring the register by the register holder, the issuer must execute the global certificate of the issue to be dematerialized as required by current law and file with the depository the following documents:

Global certificate of the issue to be dematerialized;

Copy of the certificate of the registration of the shares issue to be dematerialized, attested by the authority that issued the certificate or notarized;

(the third paragraph of Section 4.1, Chapter 4, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398, as stated in SSMSC Resolution of August 29, 2008 No. 955)

Order to credit to the account the shares of the issue to be dematerialized;

(the fourth paragraph of Section 4.1, Chapter 4, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

Order to remit the shares bought out by the issuer;

(the fifth paragraph of Section 4.1, Chapter 4, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

Order to remit shares to the securities accounts of stock custodians;

(the sixth paragraph of Section 4.1, Chapter 4, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

Original copy of the acceptance and transfer statement prepared together with the custodian and specified in Section 3.3 of this Regulation;

Copy (attested by the issuer) of the agreement with the custodian on opening a securities account for owners.

4.2. Within 3 (three) working days after the issuer files the documents specified in Section 4.1 of this Regulation, the depository shall deposit the global certificate and remit shares to the custodians' and the issuer's accounts.

(Section 4.2, Chapter 4, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398, of August 29, 2008 No. 955)

4.3. Within five days after the date of depositing the global certificate, the issuer shall ensure that the register holder receives a copy of the global certificate attested by the depository with the indication of the date of its depositing.

4.4. After receiving the copy of the global certificate from the issuer, the register holder, within the following working day, is required to file, with the regional office of the Securities and Stock Market State Commission at the location of the issuer, a notice that should contain the following:

(the first paragraph of Section 4.4, Chapter 4, as amended in accordance with SSMSC Resolution of August 29, 2008 No. 955)

Name, EDRPOU code and location of the register holder;

(the second paragraph of Section 4.4, Chapter 4, as amended in accordance with SSMSC Resolution of August 29, 2008 No. 955)

Name, EDRPOU code and location of the issuer;

(the third paragraph of Section 4.4, Chapter 4, as amended in accordance with SSMSC Resolution of August 29, 2008 No. 955)

Name, EDRPOU code and location of the depository where deposited is the global certificate of the share issue to be dematerialized;

(the fourth paragraph of Section 4.4, Chapter 4, as amended in accordance with SSMSC Resolutions of September 14, 2004 No. 398, of August 29, 2008 No. 955)

Date of depositing the global certificate;

Registration number of the global certificate.

4.5. In the event that the copy of the global certificate is not received from the issuer within 20 (twenty) working days after the register termination date, the register holder is required, within the following working day, to file, with the regional office of the Securities and Stock Market State Commission at the location of the issuer, the notice that that should contain the following:

(the first paragraph of Section 4.5, Chapter 4, as amended in accordance with SSMSC Resolution of August 29, 2008 No. 955)

Name, EDRPOU code and location of the register holder;

(the second paragraph of Section 4.5, Chapter 4, as amended in accordance with SSMSC Resolution of August 29, 2008 No. 955)

Name, EDRPOU code and location of the issuer;

(the third paragraph of Section 4.5, Chapter 4, as amended in accordance with SSMSC Resolution of August 29, 2008 No. 955)

Register termination date;

Information that the copy of the global certificate has not been received from the register holder within 20 (twenty) working days after the register termination date.

5. OPENING SECURITIES ACCOUNTS BY THE ISSUER FOR OWNERS OF REGISTERED SHARES OF THE ISSUE TO BE DEMATERIALIZED

(Chapter 5 is entitled as prescribed in SSMSC Resolution of August 29, 2008 No. 955)

5.1. To ensure that records of ownership rights to shares of the issue to be dematerialized are kept in securities accounts at the custodian, the issuer must enter with such custodian into an agreement on opening securities accounts for owners registered in the register of owners of registered securities as at the register termination date.

(Section 5.1, Chapter 5, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

5.2. The agreement on opening securities accounts for owners that is entered into by and between the issuer and the custodian shall contain the obligations of the issuer and the custodian that are set forth in this Regulation.

5.3. For the purpose of opening securities accounts for owners and crediting to these accounts the shares owned by owners, the issuer must, no later than three days after depositing the global certificate of the issue, instruct the custodian to open securities accounts and credit shares to these accounts.

(Section 5.3, Chapter 5, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

5.4. The custodian shall fulfill such instructions of the issuer regarding securities accounts opened in accordance with the agreement specified in Section 5.1 of this Regulation:

- a) on opening securities accounts for owners;
- b) on crediting shares to securities accounts;

(subsection b of the first paragraph of Section 5.4, Chapter 5, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

c) before entering into an agreement with the owner – on making changes to details of the securities owner (only regarding an owner who has less than one percent of the shares of the issue).

(subsection "c" of the first paragraph of Section 5.4, Chapter 5, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

To make changes to the details of his securities account opened by the issuer, the owner who has one percent or more of the shares of the issue to be dematerialized must give the custodian due instructions and the securities account application.

(the second paragraph of Section 5.4, Chapter 5, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

The custodian must fulfill the issuer's instructions specified in subsections "a", "b" no later than two months after such instructions are received.

5.5. Before the owner and the issuer enter into the agreement on opening a securities account, the custodian, with the respect to servicing the securities account, shall:

Keep shares in the owner's securities account;

(the second paragraph of Section 5.5, Chapter 5, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

Provide the first statement of the securities account;

Make changes to the details of the securities owner;

Credit the income in the form of securities remitted by the depository to the owner's securities account;

Perform unconditional management actions with respect to the securities account;

Fulfill the instruction of the owner's successor regarding the remittance of shares from the successor's securities account to the successor's account.

(the seventh paragraph of Section 5.5, Chapter 5, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

Securities accounts shall be opened and maintained, and shares in these accounts are kept at the expense of the issuer before the agreement on opening a securities account is reentered into by and between the securities owner and the custodian.

(a new eighth paragraph is added to Section 5.5, Chapter 5, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398, in view of this, the eighth paragraph is considered the ninth paragraph)

If the owner of securities of the issue to be dematerialized has a securities account at another custodian, then the custodian where the securities account is opened for such owner by the issuer must remit shares of the issue to be dematerialized from the owner's securities account opened by the issuer to the owner's securities account at the other custodian provided that the owner gives him due instructions and the securities account application.

(the ninth paragraph of Section 5.5, Chapter 5, as amended in accordance with SSMSC Resolution of September 14, 2004 No. 398)

5.6. The depository services not specified in Section 5.5 of this Regulation may be provided by the custodian only after the owner and the custodian enter into the agreement on opening the securities account and the custodian is given documents required by current law.

5.7. While fulfilling instructions set forth in Section 5.4 of this Regulation, the custodian must, at the request of the securities owner take actions specified in Sections 5.5, 5.6 of this Regulation within the time set out in the Regulation on Depository Activities approved by SSMSC in its Resolution of October 17, 2006, No. 999, registered with the Ministry of Justice of Ukraine on November 27, 2006 under No. 1238/13112.

(Section 5.7 as stated in SSMSC Resolution of August 29, 2008 No. 955)

5.8. The custodian that has opened securities accounts for securities owners under the agreement with the issuer and the depository shall have no right to charge owners a fee for performing transactions specified in Section 5.5 of this Regulation.

The issuer pays for the custodian's dematerialization services under the agreement on opening securities accounts for owners that was entered into by and between the issuer and the custodian.

6. STATE CONTROL OVER THE DEMATERIALIZATION PROCEDURE

The State control over the dematerialization procedure shall be exercised by the Securities and Stock Market State Commission and its regional offices as provided by current law.

(Chapter 6, as amended in accordance with SSMSC Resolution of August 29, 2008 No. 955)

Temporary Acting Chief of the Office

O. Dragan

Explanatory Note to the Regulation on Converting Registered Securities Issues into Book-Entry Form

A. Pursuant to Section 2 of Article 7 of the Law of Ukraine “On State Regulation of Securities Market in Ukraine”, the Commission, in accordance with its tasks, shall: 18) develop and organize the implementation of actions intended to prevent the violations of current securities laws in Ukraine.

The Commission has the right to develop and organize actions intended to prevent violations of the final provisions of the Law of Ukraine "On State Regulation of Securities Market in Ukraine" as well as to explain the procedure for applying final provisions.

B. Taking into consideration that the second paragraph of Section 1, Chapter 6, of the Law of Ukraine “On National Depository System and Specificities of the Computerized Securities Circulation System of Ukraine” explicitly provides that the issuers should bring the forms of their securities issues into line with the requirements of the Law within 6 months of its publication, the following should be noted.

The consequences of the issuer’s decision to determine the form of the securities issue and his failure to bring the form of the issue into line with the Law of Ukraine “On National Depository System and Specificities of the Computerized Securities Circulation System of Ukraine” should be deemed a failure of the issuer to comply with the requirements of the Law, specifically the second paragraph of Section 1 of the final provisions.

It should be noted that this problem cries for immediate solution.

Book-entry securities issues facilitate securities trading, make it sound and secure, integrate our country in developed European markets.

In accordance with the G-30 recommendations, a country should maintain book-entry issues of securities as well as the dematerialization process.

The dematerialization is understood in the report as a retirement of certificates or other paper documents of title to securities, after which they go on existing only in the form of accounting or computer records in accounts.

Taking into account the ways of developing our stock market, a gradual transition to a book-entry form of issues is the next step of the market that the Commission should endorse.

For this purpose the Draft Regulation on Converting Registered Securities in Book-Entry Form was developed.

This draft offers issuers the opportunity to convert their securities issues into a book-entry form provided that there is a resolution of the general meeting to convert 100% of the securities issue to be dematerialized.

It is impossible to convert physical bearer securities into a book-entry form, because it is unrealistic for the issuer to collect 100% of all shares of the issue. Shares are in circulation and it is impossible to ensure that 100% of shares are dematerialized. To ignore securities owners that “could not be found” is the violation of shareholder rights and is unacceptable.

In view of the above, the first step to solve the securities dematerialization problem will be to convert the issues of registered securities into a book-entry form.
