



Ukrainian Association of Investment Business

UAIB

Investment Funds Industry in Ukraine

*Regulatory Aspects
(recent amendments)*

July 2015,
Kyiv



New legislation & Amendments in force

(1) The Law of Ukraine On Collective Investment Institutions

5080-VI (as of **5 Jul 2012**) & 20+ implementing Regulations of NSSMC

(2) The Law On the Depository System of Ukraine

5178-VI (as of **6 Jul 2012**)

(3) National Securities and Stock Market Commission (NSSMC)

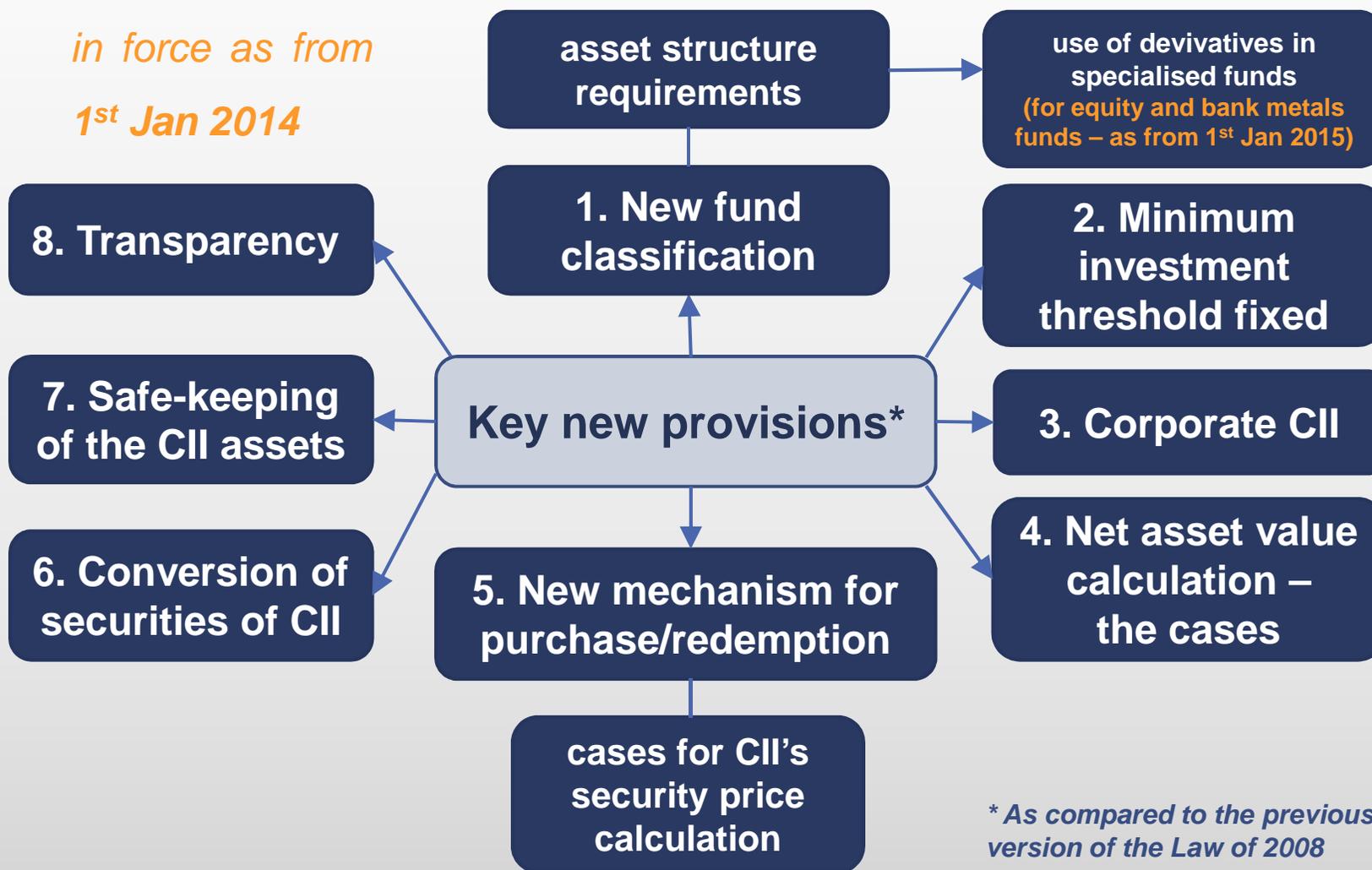
Regulations (as of 2012-14):

- ▶ Prudential Supervision, Risk Management
- ▶ Regulations on Foreign Securities Trading in Ukraine
- ▶ Other Regulations and Orders of NSSMC and other state authorities of Ukraine...



(1) The Law On Collective Investment Institutions 5080-VI

*in force as from
1st Jan 2014*



** As compared to the previous version of the Law of 2008*



(2) The Law On the Depository System of Ukraine

in force as from 11 Oct 2013

▶ **Central Depository**

- register of all securities issuances and transactions;
- electronic form only → **liquidation of the ‘registrators’**
(the documentary form)

▶ **Central Clearing House**

- the only organisation for settlement and clearing in Ukraine –
licensed by the NSSMC;
- under control of **the NBU** – licensed as **a bank**



(3.1) Prudential Supervision, Risk Management

The Law 5042 as of 4 Jul 2012 **(in force as from 1 Jan 2013)**:

▶ Prudential Supervision by NSSMC over AMC and CII

– additional reporting by AMC to NSSMC (**daily**, monthly) –

Regulation 1 on Prudential Norms of Asset Management

as of 9 Jan 2013 **(as amended in Jul 2014 – less administrative burden on AMC)**

▶ Risk Management and Internal Audit

– internal rules of AMCs to introduce **Risk Management System to be adopted in 2014-15**

○ **NSSMC Regulations are being amended & drafted...**



(3.2) Foreign Securities Trading in Ukraine

- ▶ NSSMC Regulation On the Admission of Securities of Foreign Issuers to Trading in Ukraine 1692 **as of 22 Nov 2012** – issuers with assets in Ukraine only
- ✓ 1st admission **on 14 Jan 2014** – equities of Ukrproduct Group;
- ✓ 2nd admission **on 7 Oct 2014** – GDRs of MHP S.A.;
- ✓ both traded at the **Ukrainian Exchange (UX)** **as from 2 Feb 2015**
- ▶ NSSMC Regulation On Approval of the List of Foreign Stock Exchanges, Where Foreign Securities Must Be Listed to Be Admitted to Trading in Ukraine 1754 **as of 10 Sep 2013** – **69** SEs globally

BUT

...the **currency liberalization** by the NBU is still needed;

... the National (Central) depository needs to establish **correspondent relations with foreign depositories** (Currently those are established with Clearstream and OeKB in the EU)



Key Draft Laws & Regulations

- ▶ **NSSMC Drafts On Investor Compensation Schemes – recurring initiatives **to involve the AMC & CII****

(as of June 2015, there are a few drafts of the NSSMC and MPs in Verkhovna Rada)
- ▶ **NSSMC Draft Law On Amending Some Laws of Ukraine Concerning the Definition of Qualified Investors – **even more rigorous rules for such investors as compared to retail ones****

(as of 13 Mar 2014 – no way forward since then)
- ▶ **Legal acts implementing the Association Agreement (AA) between the EU and Ukraine...**



The EU Legislation to be implemented according to the AA with the EU

During 4-6 years since the AA signing date (27 June 2014)

the Directives and the respective Regulations to be implemented:

1. **UCITS (IV)** (2009/65/EC) – **6 Directives & Regulations**
2. **MiFID (I)** (2004/39/EC)
3. **Prospectus Directive** (2003/71/EC)
4. **Transparency Directive** (2004/109/EC)
5. **ICSD** (1997/9/EC)

+ Implementing Directives & Regulations – overall **24** legal acts concerning investment funds & securities*

** Also 13 Directives on banking and 5 ones on insurance and pensions*



Regulatory framework changes expected

- The **AA implementation** – close work of UAIB with NSSMC on drafting...
- **Pension reform** – huge prospects of **occupational pensions** but *when finally introduced?* (Is being planned for the 2017...)
- Increased **tax burden** for CII retail investors (investment profit taxation has come in line with income taxation) **BUT** **foreign investors' income on the government & municipal bonds have become exempt from tax** as from 27th May 2015*

** Previously it used to be taxed at 15% rate.*



Thank you!

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