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LAW OF UKRAINE

ON NON-STATE PENSION PROVISION

As passed by the Parliament of Ukraine on July 9, 2003

As amended by the Laws of Ukraine:

- “On Amending Some Legislative Acts of Ukraine” #3201-IV on 12/15/05

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This Law shall determine legal, economic and organizational grounds for the non-state pension provision system in Ukraine and shall regulate legal relationship arising from activities in the non-state pension industry.

SECTION I: GENERAL PROVISIONS

ARTICLE 1: DEFINITION OF TERMS

In this Law,

- Administrator of a non-state pension fund (hereinafter referred to as “the Administrator”) means a legal entity that administers non-state pension funds on conditions of this Law;
- Annuity means periodical pension payments payable at defined intervals until the onset of a certain event specified by a pension contract;
- Open-end pension fund means a non-state pension fund in which any individual irrespective of place and nature his/her employment may participate;
- Contributor to a non-state pension fund (hereinafter referred to as “the Fund Contributor”) means an individual paying pension contribution on behalf of a participant by transferring money to the non-state pension fund pursuant to the terms and conditions of a pension contract;
- Capital (equity capital) means the difference between the total assets value of a legal entity and the value of its liabilities to third parties;
- Activities in the non-state pension industry mean a set of organizational and legal actions that are aimed at providing non-state pensions to individuals;
- Activities in asset management mean professional activities defined by the legislation on the securities and stock market;
- Lifetime pension (lifetime annuity) mean pension payments payable by an insurance company under a lifetime pension insurance contract during the entire life of an individual once he/she has reached the retirement age;
- Custodian of a pension fund (hereinafter referred to as “the Custodian”) means a bank which is responsible for safekeeping of securities and meets requirements of this Law;
- Investment policy declaration means a document which determines investment policies of a non-state pension fund;
- Individual pension account means a non-state fund participant’s personified account that is maintained within the personified record keeping system according to the procedure determined by this Law for the purpose of accounting pension money accumulated to participant’s benefit;
- Asset management company (asset manager) means a legal entity engaged in professional activities in asset management on the basis of a relevant license for such activities;
- Corporate pension fund means a non-state pension fund that is founded by a legal entity – employer – or a group of legal entities – employers. Employers-payers may affiliate with a corporate pension fund. Only individuals who have/had employment relationship with employers contributing to a corporate pension fund are eligible for participation in this fund;
- Non-state pension fund (hereinafter, “the Pension Fund”) means a legal entity which is set up in accordance with this Law, has the status of a not-for-profit organization (not a business partnership), operates and carries out its activity exclusively for the purpose of accumulating pension savings of the fund’s participants (with further management thereof) and effects pension payments to the participants of this fund according to the procedure determined by this Law;

- Lump sum pension payment means one time pension payment payable according to the procedure and in cases stipulated by the Law;
- Pension payment means a monetary payment to a non-state pension fund participant or his/her heirs payable out from participant's money accumulated in a non-state pension fund and accounted in his/her individual pension account in cases stipulated by this Law;
- Pension scheme means a document defining conditions and procedure for non-state pension provision of fund participants;
- Pension contract means an agreement between a pension fund and its contributor under which non-state pension provision of fund's participant(s) is to be exercised according to a specified pension scheme;
- Pension assets mean assets of a pension fund, insurance company or bank formed in compliance with the Law from which pension payments are to be effected;
- Pension deposit accounts mean deposit accounts of individuals that are opened with banks in order to accumulate pension savings on conditions established by this Law;
- Pension money means the total of pension fund liabilities to its participants or that of an insurance company to insured individuals under lifetime pension insurance contracts or that of a bank to contributors to pension deposit accounts;
- Pension for a defined period means periodic pension payments payable during a specified period according to the procedure and in cases stipulated by the Law;
- Personified record keeping means collection, processing, systematization and storage of information on participants in the non-state pension provision system as specified by the pension legislation and this Law, as well as information on their eligibility for pension payments from savings accumulated in behalf of individuals and for calculating the amount of such payments;
- Affiliated person of a legal entity (hereinafter referred to as "the Affiliated Person"):
 - Legal entity that exercises control over a respective legal entity, or is controllable by a respective legal entity, or is under joint control with such a legal entity;
 - Individual or members of his/her family who exercise control over a respective legal entity. The members of such individual's family shall include his/her spouse, children or parents of both individual and his/her spouse, as well as a spouse of any children or parents of the given individual;
 - Official of a corresponding legal entity who is authorized to take legal actions on behalf of this entity aimed at the establishment, alteration or termination of legal relationship, as well as family members of such official.

For purposes of this Law, exercising control means: (a) retaining the largest interest (shareholding, block of shares) of at least 20 percent in the charter capital of a legal entity directly or through affiliated individuals or legal entities or (b) controlling majority votes in the legal entity's governing body. For an individual, the total value of an interest in the authorized capital of the legal entity (numbers of votes in the governing body) shall be determined as the total of corporate rights that belongs to such individual, members of his/her family, and legal entities that are controlled by such individual or his/her family members;

- Occupational pension fund means a non-state pension fund that is founded by an association of legal entities (employers), association of individuals (including trade union associations) or individuals related on the occupation basis. Only individuals related on the basis of professional activities specified in the Charter of the pension fund are eligible to participate in this fund;
- Reserve fund means a fund formed in compliance with this Law and Ukrainian laws regulating economic activities by the administrator, asset management company for the purpose of covering

possible losses incurred by pension fund participants and insured persons as a result of poor performance, wrongdoings or violations of the law by concerned entities in the non-state pension industry;

- Employer means the owner of an enterprise, institution or organization irrespective of its ownership and activities or a body authorized by such owner; self-employed individuals using hired employees under the current legislation;
- Employer-payer to a corporate pension fund (hereinafter referred to as “the Employer-Payer”) means an employer who recognizes the charter of an existing corporate pension fund, is willing to pay contributions on behalf of its employees to this fund based on a contract concluded with the Board of this pension fund;
- Self-regulatory organization of non-state pension fund administrators means a not-for-profit organization (not a business partnership) set up for the purpose of establishing professional standards of activities in administering non-state pension funds, protecting and representing interests of its members and participants of non-state pension funds;
- Insurance company means an insurer who has obtained a license for life insurance;
- Participant in the non-state pension provision system means an individual on behalf of whom pension contributions are paid to a pension fund, insurance company or in a pension deposit account with a bank and who is eligible for the non-state pension provision on terms and conditions specified by a pension contract, insurance policy or agreement on opening the pension deposit account under this Law;
- Non-state pension fund participant (hereinafter referred to as “the Fund Participant”) means an individual on behalf of whom contributions to a non-state pension fund are paid;
- Net value of a pension contribution unit means the rated value of a pension contribution unit that is calculated by dividing the net pension asset value of a pension fund by the total number of pension asset units as of a day of calculation. The net value of the pension asset unit will be assumed UAH 1 as of the day of receipt of the first pension contribution by the pension fund;
- Net pension asset value means the difference between the net value of pension fund assets as of a day of calculation and total liabilities of a pension fund to be satisfied as of the day of calculation.

ARTICLE 2: NON-STATE PENSION PROVISION SYSTEM

1. The non-state pension provision system shall be a component of the accumulation pension provision system that is based on voluntary participation of individuals and legal entities except cases specified by laws in forming pension savings so that participants in the non-state pension provision system could receive pension payments which would supplement benefits from the mandatory state pension insurance system.
2. The following entities shall be subjects of the non-state pension provision system:
 - Non-state pension funds;
 - Insurance companies which have concluded lifetime pension insurance contracts, disability or death insurance contracts;
 - Banks which have concluded agreements on opening pension deposit accounts;
 - Contributors and participants in non-state pension funds;
 - Contributors to pension deposit accounts;
 - Individuals and legal entities who/which have concluded lifetime pension insurance contracts, disability or death insurance contracts;
 - Founders of pension funds;
 - Employers – payers of contributions to corporate pension funds;

- Self-regulatory organizations of service providers in the non-state pension system;
 - State supervisory and auditing agencies in the area of non-state pension provision;
 - Pension fund administrators;
 - Asset management companies (asset managers);
 - Custodians;
 - Auditors;
 - Persons providing advisory and intermediary services under this Law;
3. Non-state pension provision shall be exercised by:
- 1) Pension funds through conclusion of pension contracts between pension fund administrators and contributors to these funds pursuant to this Law;
 - 2) Insurance companies through conclusion of lifetime pension insurance contracts, fund participant's disability or death insurance contracts pursuant to this Law and insurance legislation;
 - 3) Banks, pursuant to this Law and banking legislation, through conclusion of contracts for opening pension deposit accounts to accumulate pension savings within the amount needed to cover losses of deposits by the Individual Deposits Guarantee Fund as specified by the legislation.

ARTICLE 3: LEGISLATION ON NON-STATE PENSION PROVISION

The legislation on non-state pension provision shall consist of this Law, legislation on the mandatory state pension insurance, Laws of Ukraine “On Insurance”, “On Banks and Banking Activity”, “On Securities and Stock Exchange”, “On Collective Investment Institutions (Mutual and Corporate Pension Funds)”, “On Securities and Stock Exchange”, “On State Regulation of the Securities Market in Ukraine”, “On Financial Services and State Regulation of Financial Service Markets”, other laws and regulations issued under this Law.

ARTICLE 4: PRINCIPLES OF THE NON-STATE PENSION PROVISION SYSTEM

1. The non-state pension provision system will be operated based on the following principles:
 - 1) Legislated definition of terms and conditions of the non-state pension provision;
 - 2) Interest of individuals in the non-state pension provision;
 - 3) Free will of legal entities, individuals, associations of individuals, and associations of legal entities to set up pension funds;
 - 4) Voluntary participation of individuals in the non-state pension provision system and free choice of a pension payment type except for the cases stipulated by this Law;
 - 5) Free will of an employer to pay contributions to the non-state pension provision system on behalf of its employees;
 - 6) Economic incentives for an employer to pay contributions on behalf of its employees to the non-state pension provision system;
 - 7) Impossibility for an employer to groundlessly refuse to pay contributions to the non-state pension provision system on behalf of its employees once the employer has begun to pay such contributions;
 - 8) Equality of all participants of a pension fund who take part in one pension scheme;
 - 9) Segregation of pension assets belonging to participants of a pension fund from assets of the founders and employers-payers of the pension fund, administrator, asset management companies, and insurance companies for the purpose of preventing bankruptcy of a pension fund;
 - 10) Linking of pension benefits to the value of pension assets in the individual pension account of a fund participant or insured person;
 - 11) Guarantees of the exercise by individuals of rights granted thereto, as specified by this Law;
 - 12) Proper and efficient use of pension money;

- 13) State regulation of fees to service providers in the non-state pension provision system;
- 14) Liability of subjects of the non-state pension provision system for violation of the rules specified in this Law and other laws;
- 15) State regulation and monitoring of activities in non-state pension provision system.

ARTICLE 5: AUDITS IN THE SPHERE OF NON-STATE PENSIONS

1. Pension funds, administrators, asset management companies, custodians, insurance companies, and banks rendering services in the sphere of non-state pension provision shall be subject to regular audits at minimum once a year. The costs of such audits shall be covered by legal entities subject to audits. Results of the audits shall be published according to the procedure specified by this Law.

2. An audit shall be performed by an auditor who has a permit to provide audit services and for whom provision of audit services is an exclusive activity pursuant to the legislation.

An audit shall be conducted in compliance with legislation and based on a contract concluded between an auditor and a legal entity subject to audit.

The same auditor may not audit two and more legal entities providing services to the same pension fund. The auditor may not audit pension provision entities and the above legal entities should this auditor or its founder(s) retain interest (shareholding, block of shares) in the charter capital of these (legal) entities or their founder(s).

The State Commission on Regulating Financial Service Markets shall set requirements to auditors of legal entities being subjects of the non-state pension provision system.

3. When filing annual reports with the State Commission on Regulating Financial Service Markets and State Commission on Securities and Stock Market, administrators and asset management companies will also provide these agencies with copies of auditors' conclusions in the prescribed form.

The State Commission on Regulating Financial Service Markets, National Bank of Ukraine, and State Commission on Securities and Stock Market will have the right, within their competence, to audit a pension fund, administrator, asset management company, custodian, insurance company, and bank that provide services in the non-state pension provision system, on their own or with involvement of an auditor. The costs of such audits may not be covered by an entity being audited.

SECTION II: NON-STATE PENSION PROVISION THROUGH PENSION FUNDS

ARTICLE 6: NON-STATE PENSION FUNDS. TYPES OF NON-STATE PENSION FUNDS

1. Non-state pension funds shall be set up based on a decision of the founders. Setting up a non-state pension fund may not aim at receiving profit for further distribution between/among its founders.

2. Non-state pension provision shall be an exclusive activity for pension funds. Pension funds may not carry out activities which are not envisaged by this Law.

3. Assets of a pension fund (pension assets) shall be formed from contributions to the pension fund (pension contributions) and investment return on pension contributions.

4. By type, pension funds may be set up as open-end pension funds, corporate pension funds, and occupational pension funds.

Pension funds shall be prohibited to modify their type specified by the charter of a pension fund once they have been registered with the State Commission on Regulating Financial Service Markets of Ukraine.

5. Pension funds may affiliate with existing pension fund of the same type. Besides, pension funds of the same type may merge. It is prohibited to reorganize any pension funds by division or offshoot as well as takeover or merger of pension funds of different types.

6. A pension fund shall have its own name that specifies the type of the fund, contains the phrases “non-state pension fund” or “pension fund”, and differs from the names of any other pension funds set up in Ukraine.

The words “non-state pension fund” or “pension fund” may not be used in the names of legal entities set up pursuant to other laws except for the Pension Fund of Ukraine and its bodies as well as enterprise, institutions, and organizations governed by the Pension Fund of Ukraine.

7. The Board of a pension fund (hereinafter referred to as “the Fund Board”) shall be its only governing body.

8. To ensure its operation, a pension fund shall use services of individuals/entities specified by this Law based on relevant contracts to be concluded with these individuals/entities by the Board of the pension fund.

9. A pension fund may not assume any obligations which are not related to activities in the non-state pension provision. The pension fund shall not be liable under obligations of third parties and may not transfer its liabilities to its participants and third persons unless this is stipulated by this Law.

10. A pension fund shall not be liable under obligations of the State, and the State shall not be liable under obligations of the pension fund, which shall be provided for in every pension contract.

11. A legal entity funded from the State Budget of Ukraine or local budgets may be the founder of a corporate pension fund or pay contributions to existing pension funds only when setting up of such funds or payment of pension contributions is envisaged by Ukrainian laws or local rada’s decisions. Such legal entities may not set up open-end pension funds. Contributions paid by any contributor to any pension fund shall not be a state or local government property.

12. Pension funds may not be declared bankrupt and liquidated under the bankruptcy legislation. Non-state pension funds shall be set up, operated, and liquidated under this Law.

ARTICLE 7: NON-STATE PENSION FUND PARTICIPANTS AND CONTRIBUTORS

1. An individual on whose behalf pension contributions are paid to a non-state pension fund and who is or will become eligible for pension payment from this fund shall be a participant of this fund.

Ukrainian citizens, foreign citizens, and people without citizenship may be participants of a pension fund. Individuals shall participate in any non-state pension fund on a voluntary basis. An individual may participate in a number of pension funds of his/her choice.

Pension payments may be paid to a participant or his/her heir.

2. An individual / legal entity paying pension contributions to a non-state pension fund on behalf of a participant under the pension contract shall be a contributor to this pension fund.

Contributors may include the participant him/herself, spouse, children, parents, his/her employer or a professional association of which the participant is a member.

Participants of any pension fund may be simultaneously contributors to this pension fund.

Participants of an open-end pension fund may remain its participants after payment of pension contributions on their behalf has been terminated.

3. A participant shall be the owner of accumulated pension contributions paid on his/her behalf and investment return on these contributions (including negative return) and dispose this money according to the present Law.

Information on the amount of pension money due to each participant shall be shown on the individual pension account of each pension fund participant maintained in the personified record keeping system.

4. Terms and conditions of participants' non-state pension provision will be established in the form of pension schemes being an integral attachment to the pension fund charter.

ARTICLE 8: FOUNDERS OF NON-STATE PENSION FUNDS

1. An open-end pension fund may be founded by a single legal entity or a number of legal entities with allowance for restrictions defined by Article 6, Part 11 of this Law.

A corporate pension fund may be founded by a single employer being legal entity or a number of employers being legal entities with whom employers-payer may affiliate.

Occupational pension funds may be founded by associations of employers being legal entities, associations of individuals including trade unions (trade union associations) or occupation-related individuals.

2. An employer may become a payer to an existing corporate pension fund based on an agreement of participation in the pension fund should: (a) the employer recognizes the charter of this corporate pension fund; (b) relevant amendments have been made to the collective employment agreement if any; and (c) the employer have notified the State Commission on Regulating Financial Service Markets of its participation in the pension fund.

3. Only employers which have been operating without loss for at least one fiscal year except cases when an employer was reorganized may be founders or employers-payers of a corporate pension fund.

4. An employer willing to become a payer to an existing corporate pension fund shall enter into agreement with the Board of this fund on participation in the pension fund. Such agreement shall include the following essential provisions:

- Full name and location of governing bodies (legal addresses) of contracted parties;
- Subject of the agreement;
- Rights and responsibilities of the parties;
- Information proving employer's compliance with requirements to corporate pension fund founders specified by this Law;
- Procedure for modifying terms and conditions of the agreement;
- Terms and conditions for early termination of the agreement.

5. Neither custodian nor auditor of an open-end pension fund may be founders of this fund. Founders or employers-payers of a corporate or occupational pension fund may not be the custodian, auditor, and asset manager of this fund; nor may they be the administrator of this fund except for cases envisaged by this Law.

A bank or asset management company which has set up a corporate pension fund may administer and manage assets of this fund should it have obtained relevant licenses according to the established procedure.

6. Founders of any pension fund and or employer-payers of a corporate pension fund may be founders of the asset management company and professional administrator with whom this pension fund has concluded relevant contracts.

7. A legal entity may simultaneously be a founder of at most one corporate or one occupational pension fund. This legal entity may set up one or more open-end pension fund.

8. If a pension fund has been set up by a number of founders, one of the founders may withdraw therefrom according to the procedure specified by the pension fund charter by notifying the other founders and fund participants, on behalf of whom the founder have paid contributions, at least six month prior to the withdrawal.

An employer-payer of a corporate pension fund may terminate payment of pension contributions to the fund through termination of the agreement on participation in the pension fund by notifying the State Commission on Regulating Financial Service Markets and fund participants six months prior to the termination of this agreement.

An employer's decision on withdrawal from the founders of a pension fund or termination of the agreement of participation in a pension fund shall be included in the collective employment agreement if setting up of the pension fund or employer's participation in the pension fund was envisaged by the collective employment agreement.

9. If one of the founders of a corporate pension fund withdraws or employer-payer of a corporate pension fund terminates the agreement of participation in this fund, the participants of such fund, who are employed by this founder or employer-payer, shall lose their right to be participants in such corporate pension fund.

Such participants shall, within three months of the day of receiving notification of their employer's withdrawal from the pension fund founders or employers-payers, provide the administrator of this fund with an application specifying another pension fund, insurance company or bank, where a pension deposit account will be opened, to which the participants' pension money is to be transferred. In addition to the application, the participants shall provide a copy of the pension contract concluded with this fund.

In the absence of such application fund participant's pension money shall be transferred to another pension fund at the choice of the fund administrator who shall send notifications of such transfer to both participant and State Commission on Regulating Financial Service Markets of Ukraine.

10. If an employer withdraws from the founders or employers-payers of a corporate pension fund, such employer shall be bound to pay pension contributions under the previously concluded pension contracts that were due for the time prior to the day of its withdrawal from the pension fund founders or employers-payers.

ARTICLE 9: CHARTER OF A PENSION FUND

1. A pension fund shall act on the basis of the charter which must meet the requirements of this Law. The pension fund charter shall be subject to approval by the fund founders. The charter may be amended by the pension fund board on agreeing on with the founders.

In the course of setting up a corporate or occupational pension fund, the charter of this fund shall be approved by its founders upon agreeing on with representatives of labor collectives of respective legal entities in regard to the pension scheme.

Affiliation of an employer-payer with a corporate pension fund shall not require amending the pension fund charter.

2. The charter of the pension fund may establish only those conditions and rules of the non-state pension provision that are in line with this Law, other laws, and regulations issued under this Law.

3. The charter of a pension fund shall include:

- 1) Full and short (if any) name, the fund type (open-end, corporate or occupational) and location of its Board (legal address);
- 2) Information on the founders of the fund, including their location (legal address);
- 3) Procedures for amending and terminating pension schemes;
- 4) Procedures for approving and amending the investment policy declaration of the fund;
- 5) Procedures for concluding pension contracts;
- 6) Rights and responsibilities of the fund; procedures for exercising fund's right and responsibilities; rights and obligations of the founders, employers-payers, contributors and participants of the pension fund;

- 7) Procedures for calling and conducting a meeting of founders (including conducting a meeting through a survey) and drafting the agenda of the meeting; competence of the meeting;
 - 8) Authorities of the pension fund board; procedures for setting up and functioning of the board; calling meetings of the board; qualification requirements to members of the board;
 - 9) Conditions of acquiring the status of a pension fund participant;
 - 10) Conditions of paying contributions to the pension fund;
 - 11) Procedures for using pension assets of the fund;
 - 12) Types of allowed expenses associated with pension fund operation;
 - 13) Procedures for keeping personified records of non-state pension fund participants and reporting; procedures for preparing statements of individual pension accounts and distributing these statements to participants;
 - 14) Procedures of liquidation and reorganization of the pension fund;
 - 15) Conditions under which the pension fund may select and replace its administrator, asset management company, and custodian together with specification of actions aimed at protecting rights of the fund participants;
 - 16) Procedure for disclosing information on the pension fund operation to the public;
 - 17) Procedure for amending the charter of the pension fund;
 - 18) Procedure for founders withdrawal;
 - 19) Other provisions not conflicting with the legislation.
4. Amendments and modifications of the pension fund charter may not worsen conditions for pension security of participants.

The State Commission on Regulating Financial Service Markets shall not register amendments and modifications of charters of pension funds which do not meet requirements of this Law.

5. The board of the pension fund shall file amendments and modifications of the pension fund charter for registration in accordance with the same rules which are set for the registration of pension funds within seven business days of the day of approval of such amendments and modifications.

ARTICLE 10: INVESTMENT POLICY DECLARATION OF A PENSION FUND

1. The Investment Policy Declaration of a pension fund shall be developed and approved by the board of the pension fund pursuant to this Law.

The investment policy declaration of a pension fund shall be subject to registration with the State Commission on Regulating Financial Service Markets within 60 calendar days of registering the pension fund. The administrator shall submit a copy of the registered investment policy declaration to the State Commission on Securities and Stock Market within five business days of its registration.

If the board of the pension fund lacks professionals in the area of investments, the board shall be obligated to involve investment consultants into development of the investment policy declaration. Services of such consultants shall be paid at the expense of the founders of the pension fund.

2. The investment policy declaration shall identify investment policies of the pension fund and specify basic lines of pension asset investment and investment limits subject to general investment limits and requirements determined by this Law.

The investment policy declaration shall be binding for investment managers and custodian of the given pension fund.

3. The board of the pension fund shall make annual analyses of investment performance and decide on feasibility of revising the investment policy declaration with allowance for investment managers' proposals.

4. The State Commission on Regulating Financial Service Markets in agreement with the State Commission on Securities and Stock Market shall set forth the rules for drafting and requirements to

the investment policy declaration as well as procedures for registering and amending the investment policy declaration.

ARTICLE 11: REGISTERING A PENSION FUND

1. The responsibility for registering a pension fund and issuing the license shall rest with the State Commission on Regulating Financial Service Markets.

A pension fund shall acquire the status of a legal entity and the right to carry out activities in non-state pension provision effective the time of registration with the State Commission on Regulating Financial Service Markets and receipt of the relevant license.

2. In order to register a pension fund, its founders shall provide the following documents to the State Commission on Regulating Financial Service Markets:

- 1) Application for registering the pension fund in the form prescribed by the State Commission on Regulating Financial Service Markets;
- 2) A copy of the decision on setting up the pension fund (minutes of a assembly in case of multiple founders or resolution of founder's authorized body in case of a single founder);
- 3) Certified copies of the memorandum of association and other founders' documents (by a notary);
- 4) Charter of the pension fund;
- 5) Information on founders' executives and affiliated persons of the pension fund in the form prescribed by the State Commission on Regulating Financial Service Markets of Ukraine;
- 6) Audit-verified data on financial and economic performance of the founders for the last fiscal year and as of the last reporting date prior to the day of submitting documents for the registration.

3. The State Commission on Regulating Financial Service Markets may check documents filed by the founders of the pension fund as to their compliance with legislation and the accuracy of information contained therein. If needed, it may require to furnish supplementary documents and explanations. A decision on registering the pension fund shall be made within 30 calendar days of the day of submission of all documents specified by this Article.

4. The State Commission on Regulating Financial Service Markets may reject registering a pension fund should the documents filed by the pension fund and information in these documents not comply with this Law.

5. In case of rejection to register a pension fund within the period stipulated by this Law, the State Commission on Regulating Financial Service Markets shall provide a written notice, obligatorily justification of the reasons for the rejection together with a list of obligatory actions aimed at eliminating the revealed shortcomings.

6. Founders of a pension fund may eliminate the revealed shortcomings or file additional documents and information with the State Commission on Regulating Financial Service Markets within 30 calendar days of receipt of a registration denial notice.

Upon elimination of the shortcomings or filing of additional information, the State Commission on Regulating Financial Service Markets shall make a decision on registering the pension fund within 30 days.

7. Rejection or failure to register a pension fund within the period defined by this Law may be challenged by the founders of the pension fund in court. Losses caused by the wrongful rejection of registration or failure to register shall be covered pursuant to the current legislation.

ARTICLE 12: ESSENTIAL CONDITIONS FOR COMMENCEMENT OF NON-STATE PENSION FUND OPERATION

1. The founders of a pension fund shall form the pension fund board within three months of the pension fund registration.

2. The pension fund board must conclude contracts:
 - For administering the pension fund – with an administrator having a license for administering pension funds;
 - For managing pension fund assets – with an asset management company or another entity which has obtained a license for asset management from the State Commission on Securities and Stock Market;
 - For custodian services – with a custodian.

Pension funds shall be prohibited to conclude pension contracts and collect pension contributions prior to meeting requirements of this Article.

3. Procedures under which the administrator will provide information on the compliance with the requirements as to the conclusion of the contracts specified in Part 2 of this Article will be determined by the State Commission on Regulating Financial Service Markets.

4. In the event of failure to comply with the requirements of this Article, the State Commission on Regulating Financial Service Markets shall make a decision on canceling the registration of a pension fund in question.

ARTICLE 13: BOARD OF THE PENSION FUND

1. The board of a pension fund shall be set up to ensure current operations of the pension fund and address major issues arising from its activity.

The board shall consist of at least five persons out of whom the Chairman and Secretary of the board shall be elected by a majority vote.

2. Board members of any fund shall be elected for three years with an option to be reelected for a subsequent term from among persons who:

- 1) Are legally competent;
- 2) Meet the qualification requirements determined by the State Commission on Regulating Financial Service Markets and pension fund charter;
- 3) Have not been convicted of willful crimes;
- 4) Have not held for the last seven years senior managerial positions at legal entities that were declared bankrupt or were subject to the forced liquidation procedure at the time this person held such senior managerial position;
- 5) Are not affiliated persons of other members of the fund board.

A member of the board may give up his authorities before expiration of his/her term of office on his/her own.

3. Candidates for membership in the fund board who are representatives of the founders and employers-payers of a corporate pension fund shall be appointed by the founders and employers-payers of the corporate pension fund and obtain their board member mandates at the meeting of the fund founders unless the State Commission on Regulating Financial Service Markets sends a substantiated written denial within 30 days of submitting the list of fund board members.

The corporate pension fund charter or resolution of founders meeting shall determine the number of representatives each founder and employer-payer may delegate to the fund board. One person may represent multiple founders (employers-payers).

4. The right for representation in the fund board of an employer-payer which has affiliated with an existing corporate pension fund shall be realized during the next election of board members.

5. Authorities of a member of the fund board may be terminated:

- 1) If his/her term of authority is expired;
- 2) If the founder represented by the given board member has withdrawn from the fund;

- 3) By a relevant decision of the founders meeting at the request of the founder (employer-payer) represented by this member on the board;
 - 4) If the member of the board has voluntarily filed with the chairman or the secretary of the fund board a letter of resignation from the board;
 - 5) If the court has found the member incapable;
 - 6) If the member of the board is pleaded guilty and court judgment is effective;
 - 7) If the member of the board is recognized missing or deceased;
 - 8) If conditions specified by Part 2 of this article are not met;
 - 9) If a member of a corporate pension fund is pleaded guilty in withdrawal of the license for administering a corporate pension fund granted to a single founder which made a decision on self-administration;
 - 10) At the written request for withdrawal or reelection of the fund member sent by at least 25 percent of the total number of pension fund participants;
 - 11) In case the death of a fund board member.
6. The founders meeting may decide to establish a fee to members of the pension fund board which will be financed by the founders and employers-payers of the pension fund.
7. Organizational and technical support of the activity of the fund board including the holding of founders meetings shall be provided by the pension fund administrator. The administrator shall finance such support from revenues received under the contract for the pension fund administration.
8. The administrator shall notify the State Commission on Regulating Financial Service Markets of setting up the fund board and modifications in its composition within seven business days of adoption of the relevant decision.
9. Members of the pension fund board might appeal a decision on termination of their authorities in the event specified by Part 5, Item 9 of this Article with the State Commission on Regulating Financial Service Markets within two months of the day of such decision. Should members of the fund board not agree with a decision of the State Commission on Regulating Financial Service Markets on this matter they may appeal it with the court.

ARTICLE 14: AUTHORITIES OF THE PENSION FUND BOARD

1. The fund board shall act in compliance with the procedure specified in the charter of the pension fund and, pursuant to the requirements of this Law. In particular, it shall:
- 1) Report on activities of the pension fund to the founders meeting;
 - 2) Register modifications of the fund pension schemes agreed on with the founders (with allowance for the requirements of Article 9, Part 1, Paragraph 2) with the State Commission on Regulating Financial Service Markets;
 - 3) Approve the investment declaration policy and amendments thereof;
 - 4) Elect the chairman and a secretary of the fund board from among the board members;
 - 5) Conclude contracts on behalf of the fund with the administrator, asset management company or another duly licensed entity, custodian, and auditor of the pension fund;
 - 6) Review reports on the activity of the administrator, asset management company, custodian and pass decisions on these reports;
 - 7) Approve information on the financial status of the pension fund that is subject to disclosure in compliance with the procedure defined in this Law, and consider conclusions of an auditor;
 - 8) Monitor proper use of pension assets;
 - 9) Consider disputes arising between the pension fund and its participants and/or contributors;
 - 10) Address other issues attributed by the charter of the pension fund to the authority of its board.

Issues and matters attributed by this Law and the charter of the pension fund to the authorities of the fund board may not be delegated to executive bodies of the fund founders, professional administrator or any other entities.

2. The chairman of the fund board shall organize activities of the board in compliance with this Law and pension fund charter and on behalf of the fund shall personally sign documents specified in this Law. Such documents may also be signed by his/her instruction by a person authorized by the Chairman.

3. The fund board shall be entitled to exercise its authority if more than half its members take part in the Board sitting.

If the half or less than the half the total number of the board members of the chairman of the board shall call an extraordinary meeting of the fund founders.

4. Should reorganization of the professional administrator, asset management company or custodian lead to violation of the requirements established by this Law in respect to affiliated persons the fund board shall replace this service provider with another service providers complying with the legislation on affiliated persons.

ARTICLE 15: MEETING OF THE PENSION FUND BOARD

1. Meetings of the fund board shall be called by the chairman of the board at minimum once a quarter.

The chairman of the board shall call the meeting of the board within five business days in the following cases:

- 1) Issues falling within the competence of the fund board have arisen;
- 2) The fund board has received from state agencies exercising regulation and supervision in the non-state pension industry a notification of revealed violations by entities contracted under Article 12, Part 2 or revocation of licensed granted to these entities;
- 3) At least one third of board members have requested for calling a meeting;
- 4) Early termination of contracts with the pension fund administrator, asset management company, custodian or auditor;
- 5) At least ten percent of pension fund participants have requested in writing for calling the board meeting;
- 6) In other cases as provided for by the charter of the pension fund.

Persons who have requested for the meeting the fund board may be represented by other individuals at the meeting.

Representatives of the pension fund administrator, asset management company, custodian, and auditor shall be invited to participate in the board meeting if the meeting is supposed to analyze performance of the pension fund.

2. The meeting of the fund board shall be considered legitimate if more than a half of the total number of its members participate in the meeting.

Decisions of the fund board shall be adopted by a majority vote of the board members participating in the meeting. Should there be a tie in the vote of the board members, the board chairman shall have a casting vote.

The fund board must make a decision on issues included in the agenda at the request of fund participants.

3. Minutes of a meeting of the fund board shall be signed by the chairman or a person authorized by the chairman and secretary of the fund board and will be provided to the founders of the pension fund, administrator, asset management company, custodian and other persons affected by such decisions within three business days of the day of the meeting.

Decisions of the fund board passed within the scope of its authority shall be binding on the founders, employers-payers, contributors, and participants of the pension fund, administrator, asset management companies, and custodian.

ARTICLE 16: MEETING OF PENSION FUND FOUNDERS

1. Meetings of pension fund founders will be held at minimum once a year. The day, time and place of a meeting will be announced by the fund board by providing written notice to all fund founders not later than twenty days prior to the scheduled day of the meeting.

The pension fund charter shall specify the procedures for drafting the agenda of the meeting, convening and holding the meeting as well as competence of the meeting with due regard to the requirements of this Law.

Fund participants constituting at least ten percent of the total number of fund participants may demand convening of an extraordinary meeting of founders at which decision must be made on issues proposed for consideration at such meeting.

2. A meeting pension fund founders shall be considered legitimate if more than a half of the total number of fund founders participate in this meeting.

If a meeting of pension fund founders does not occur two times in row because of the meeting incompetence due to absence of sufficient number of founder representatives, the responsibility for making decisions on issues in the agenda of this meeting shall rest with the State Commission on Regulating Financial Service Markets of Ukraine.

The obligatory issue on the agenda of the meeting of founders shall be election of new members of the fund board to replace those whose authorities have been terminated.

3. The competence of the meeting of founders shall cover:

- 1) Approving modifications of the pension fund charter related to pension schemes;
- 2) Approving results of the pension fund operation;
- 3) Deciding on calling pension fund board members to account;
- 4) Hearing reports of the pension fund rada and making decisions on reelection of pension fund board members;
- 5) Addressing other issues attributed to the competence of the founders meeting by the pension fund charter.

4. Meeting of pension fund founders may be also conducted through a survey, if this is envisaged by the pension fund charter, according to the procedure established by the State Commission on Regulating Financial Service Markets of Ukraine.

5. All pension fund participants will be informed of the decisions adopted at the pension fund founder meeting on issues included in the agenda in the manner prescribed by the pension fund charter.

ARTICLE 17: LIQUIDATION OF A PENSION FUND

1. A pension fund shall be liquidated::

- 1) By decision of its founders;
- 2) By decision of legal successors of the founders in cases specified by Article 20, Part 9 of this Law.

The decision on liquidating the pension fund shall be subject to approval by the State Commission on Regulating Financial Service Markets. Such approval shall be given should all commitments regarding payment of pension contributions to this fund and commitments regarding administration of fund assumed under pension contracts have been met.

The decision on liquidating a corporate pension fund shall come in force on the condition that the collective employment agreement has been amended accordingly should it provide for setting up the corporate pension fund by the employer.

2. The pension fund shall be liquidated in case of:

- 1) Onset of circumstances specified by Article 20, Part 10 of this Law;
- 2) Liquidation of all founders of the pension fund without succession;
- 3) Termination of participation in the pension fund by all its participants;

3. In the event of making a decision to liquidate the pension fund, the fund board shall notify of such decision all fund participants, administrator, asset manager(s), custodian, and State Commission on Regulating Financial Service Markets within a timeframe specified by the State Commission on Regulating Financial Service Markets. In so doing, the board shall also notify all fund participants of the beginning and completion days of the liquidation.

Based on the decision on liquidating the pension fund, the board of the fund shall identify a single current account of the pension fund and open a special liquidation deposit account with the custodian in which all funds from other fund accounts and revenues from selling fund assets will be channeled. All other accounts of the fund will be closed.

4. Costs associated with activities of the pension fund liquidation commission will be covered by the pension fund founders according to the procedure specified by the founders meeting.

5. The State Commission on Regulating Financial Service Markets of Ukraine shall specify the procedure for setting up the liquidation commission, its composition and authorities as well as the procedure for liquidating each pension fund.

ARTICLE 18: TRANSACTIONS WITH PENSION ASSETS IN THE PROCESS OF LIQUIDATING A PENSION FUND

1. Upon the receipt of the notification of liquidation of the fund, a participant must send to the liquidation commission a written instruction with indication of a new pension fund, insurance company or pension deposit account to which his/her pension money needs to be transferred. The fund participant shall provide, together with such written instruction, a copy of the pension contract concluded with the new pension fund, insurance contract concluded with the insurance company of his/her choice or agreement for opening a pension deposit account. A written instruction must be sent by the fund participant within the timeframe determined by the State Commission on Regulating Financial Service Markets of Ukraine.

2. In the event of concluding a pension contract with another pension fund, insurance contract with a chosen insurance company or agreement for opening a pension deposit account, the fund participant shall be obligated to provide that pension fund, insurance company or bank with a copy of the pension contract of the pension fund that is subject to liquidation. After the transfer of pension money of the participants of the fund that is subject to liquidation to other pension funds, insurance companies or in pension deposit accounts, their pension contracts with this fund shall be deemed to have been terminated.

3. In the event of liquidating a pension fund, pension money of its participants shall be transferred to other pension funds, insurance companies or in pension deposit accounts pursuant to the liquidation balance sheet of the fund and in compliance with the procedure specified by the State Commission on Regulating Financial Service Markets.

Amount of pension money due to each fund participant shall be calculated in proportion to their account balances as of the day of complete sale of pension fund assets. At the completion of the period during which participants of the fund subject to liquidation may file their applications, all money in the special deposit account shall be transferred in the current account of such fund whereupon the special deposit account shall be closed.

The transfer of pension money to other pension funds, insurance companies or in pension deposit accounts shall be made in the monetary form by transfer from the current account of the pension fund, which is subject to liquidation.

4. Pension money shall be transferred as specified by fund participant's instruction mentioned in Part 1 of this Article on approval of the liquidation balance sheet of the pension fund by the State Commission on Regulating Financial Service Markets within one month of the commencement of the pension fund liquidation processes.

When selling pension fund assets in securities within the specified timeframe might lead to considerable devaluation of these assets, the State Commission on Regulating Financial Service Markets of Ukraine may authorize the liquidation commission to transfer in the first place pension money of those participants who have reached the retirement age and extend the period of transferring pension money of other fund participants.

Together with transfer of pension money, the administrator shall send a report on transactions shown in participant's individual pension account to the pension fund, insurance company or bank chosen by the participant.

5. If a fund participant has failed to provide a written instruction within the established timeframe his/her pension money shall be transferred to an open-end pension fund identified by the liquidation commission on terms and conditions specified by the State Commission on Regulating Financial Service Markets.

ARTICLE 19: CANCELING REGISTRATION OF A NON-STATE PENSION FUND

1. A pension fund shall be deemed to have been liquidated as of the time of cancellation of its registration by the State Commission on Regulating Financial Service Markets and withdrawal of its license.

The registration of a pension fund shall be cancelled on the basis of the report of the completion of the liquidation of the pension fund filed with the State Commission on Regulating Financial Service Markets, on condition that all settlements with the fund participants have been fully effected via complete transfer of all pension money of its participants to other pension funds, insurance companies, in pension deposit accounts or lump sum payments in the cases envisaged by this Law.

2. In the event of liquidating the pension fund the procedure for satisfying claims of contributors, participants, and creditors of the pension fund shall be determined based on a decision of the State Commission on Regulating Financial Service Markets.

3. The statutory limitation of action may not be applied to claims of the pension fund participants.

ARTICLE 20: SPECIFIC ASPECTS OF SETTING UP AND OPERATION OF CORPORATE AND OCCUPATIONAL PENSION FUNDS

1. Individuals will pay contributions to corporate and occupational pension funds on a voluntary basis. A collective employment agreement may stipulate mandatory establishment of a corporate pension fund or mandatory contributions to other pension funds payable by employers.

2. The right to participate in a corporate pension fund shall be given to all hired employees of a legal entity - employer that has set up or become a payer of contributions to such fund. Employers may not restrict in any way rights of the employees to participate in a corporate pension fund.

3. Occupational associations of employers or individuals may not restrict in any way the right of individuals to participate in pension funds of any type.

4. An employee or member of an occupational association may refuse to pay contributions to a corporate or occupational pension fund at his/her expense.

5. In an employer pay pension contributions on behalf of its employees, such employer shall conclude pension contracts with a pension fund of its choice.

The employer may set the same rate of pension contributions for all employees as percentage of their wages or use a progressive rate scale linked to employees' wage and/or duration of service at the given enterprise. In so doing, the rate of contributions must be same for each identified group of employees.

Individual being participants in a corporate or open fund may pay supplementary contributions for their benefit on their own without any limitations.

6. Founders of an occupational pension fund may pay pension contributions at their own expense for the benefit of their members – individuals. In so doing, the rate and conditions of such contributions shall be defined according to the procedure specified by Part 5 of this Article.

Individuals – participants in an occupational pension fund shall have the right to make contributions for their own benefit without any limitations.

7. Participation or non-participation of employees in payment of contributions to a pension fund may not be:

- A condition of paying contributions by the employer on behalf of these employees to the pension fund;
- A ground for limiting these employees' rights in respect to their employment relationship with the employer.

8. In case of termination of participation of an individual in a corporate or occupational pension fund or liquidation of the fund, pension money due to this individual may not be withdrawn by contributors to these funds.

9. In case of reorganization of a legal entity that is the founder of employer-payer of a corporate pension fund, the responsibility for paying pension contributions shall be transferred to its legal successor.

In case of a merger of two or more legal entities that had their own corporate pension funds or affiliation of a legal entity with another legal entity for the purpose of setting up a joint corporate pension fund, the existing corporate pension funds of such legal entities shall be reorganized in compliance with the procedure established by the State Commission on Regulating Financial Service Markets.

10. Legal entities which are founders of a corporate or occupational pension fund or employers-payers of a corporate pension fund or a legal entity being a single founder of a corporate pension fund shall have the right to suspend payment of contributions at their own expense for up to one year upon agreement with the State Commission on Regulating Financial Service Markets, having notified the fund participants, professional administrator if any, asset managers, and custodian within seven calendar days of the day of adoption of such decision. Such a decision may not be adopted unless the collective employment agreement is amended accordingly should it envisage payment of pension contributions.

If at the completion of the period specified in the first paragraph of this part of the current article the above legal entities except a legal entity being the single founder of a corporate pension fund fail to make a decision on resuming payment of contributions to the fund at their own expense, such legal entities will withdraw from the fund and notify the State Commission on Regulating Financial Service Markets of such withdrawal. In so doing, they will be subject to requirements of Article 8 of this Law.

Participants of the pension fund may continue payment of pension contributions on their behalf during the period of such suspension.

If at the completion of the period specified in the first paragraph of this part of the current article a legal entity being the single founder of a corporate pension fund fails to make a decision on resuming payment of contributions to its pension fund at its own expense, this pension fund shall be subject to liquidation subject to the requirements of this Law.

This part of the Article shall not be applied to contributions to corporate pension funds which are paid by employers as mandatory supplementary contributions on behalf of certain categories of individuals specified by Ukrainian laws.

11. If an asset management company or bank sets up its corporate pension fund, it shall have the right to administer and manage assets of this a fund provided it has obtained relevant licenses.

SECTION III: ADMINISTERING A NON-STATE PENSION FUND

ARTICLE 21: NON-STATE PENSION FUND ADMINISTRATOR

1. The following entities may act as the administrator of a non-state pension fund:
 - a) Legal entity providing professional services in administering non-state pension funds (professional administrator);
 - b) Single founder of a corporate pension fund which has made a decision on self-administration of this fund;
 - c) Asset management company.

A legal entity willing to carry out activities in administration of pension funds shall be bound to obtain a license for administering pension funds from the State Commission on Regulating Financial Service Markets.

2. Administration of pension funds may be combined only with asset management activity provided the requirements of this Law are met.

The single founder of a corporate pension fund self-administering this fund may not manage assets of pension funds unless it is an asset management company.

3. When a corporate pension fund is set up by the single founder the responsibility for making a decision on self-administration or contracting a professional administration will rest with the founder's owner or its governing body.

If the decision is made on self-administration of a corporate pension fund by its founder the latter shall set up a relevant structural unit.

4. The administrator shall provide services to the pension fund based on the contract for administering the pension fund to be concluded with the pension fund board in writing.

The administrator shall act on behalf of the pension fund and to the best interests of its participants.

5. The contract for administering the pension fund shall include the following essential provisions:
 - 1) Full name and location (legal address) of the governing bodies of the contracted parties;
 - 2) Type of the fund (open-end, corporate or occupational);
 - 3) Subject of the contract;
 - 4) Rights and obligations of the parties thereto;
 - 5) Confidentiality clause;
 - 6) Procedures of filing reports and information;
 - 7) Liability for non-performance or poor performance and violation of the confidentiality requirements;
 - 8) Effective period of the contract;
 - 9) Fee for administering the pension fund (except for cases envisaged by Article 20, Part 11 and Article 30, Part 2 of this Law);
 - 10) Procedure for amending the contract;
 - 11) Conditions of early termination of the contract.

The contract may include other provisions which are agreed by the parties and do not conflict with the current legislation. The investment policy declaration shall constitute an integral attachment to the contract.

6. The administrator shall be responsible for:
 - 1) Keeping personified records of pension fund participants in compliance with this Law and other legislation and regulations;
 - 2) Concluding pension contracts on behalf of the non-state pension fund;
 - 3) Ensuring payment of benefits to pension fund participants in cases envisaged by this Law;
 - 4) Providing the custodian with instructions to transfer funds to pay for services as specified by Article 48 of this Law;
 - 5) Providing agent and advertising services to the pension fund that are related to its activity;
 - 6) Providing information specified by the contract and this Law;
 - 7) Preparing reports as required by this Law and other legislation and regulations on private pensions, keeping the books, and submitting financial reports of the pension fund to relevant bodies of the state executive power and pension fund board.

8. In order to perform its activity, the administrator shall be entitled to found its representative offices, branches, other separated subdivisions in compliance with the current legislation and according to the procedure established by the State Commission on Regulating Financial Service Markets of Ukraine.

ARTICLE 22: REQUIREMENTS TO SETTING UP A PROFESSIONAL NON-STATE PENSION FUND ADMINISTRATOR

1. A professional administrator may be set up by individuals and legal entities including founder of pension funds of any type as a joint stock company or limited liability company according to Ukrainian laws regulating activities of economic entities with allowance for specifics of this Law. A custodian may not be the founder of the administrator of those pension fund with whose boards it has concluded contracts for providing pension services.
2. The professional administrator set up as a joint stock company may issue only registered shares.
3. The professional administrator shall have its own name reflecting its institutional form, including the phrase “pension fund administrator”, and differing from the names of any other pension fund administrators.

ARTICLE 23. SET OF DOCUMENTS NEEDED TO SET UP A PROFESSIONAL PENSION FUND ADMINISTRATOR

1. The administrator of a pension fund shall act based on the memorandum of association and charter complying with the requirements of the Ukrainian laws regulating activities of economic entities and this Law
2. The charter of a professional administrator shall not envisage any other activities except those specified by this Law.
3. The administrator shall provide the State Commission on Regulating Financial Service Markets with information on amending constituent documents of the professional administrator within seven days within the day of registering these amendments.

ARTICLE 24: GOVERNING BODIES OF THE PROFESSIONAL ADMINISTRATOR

1. The governing bodies of a professional administrator shall be established in compliance with Ukrainian laws regulating activities of economic entities with due regard to requirements of this Law.

2. Members of the governing and supervisory bodies of the professional administrator may include only those persons who:
 - 1) Are legally competent;
 - 2) Meet qualification requirements determined by the State Commission on Regulating Financial Service Markets;
 - 3) Are not subject to restrictions as affiliated persons;
 - 4) Have not been convicted of willful crimes;
 - 5) Have not held for the last seven years senior managers of legal entities declared bankrupts or subjected to compulsory liquidation procedures at the time these persons held such senior managerial positions.
3. Officials of the professional administrator may not receive remuneration in any form from the custodian, auditor, asset manager of the pension fund under administration as well as from affiliated persons of these entities.
4. The requirements of this Article shall be also applied to the manager of the structural unit of a single-employer corporate pension fund performing the self-administration function.

ARTICLE 25: KEEPING PERSONIFIED RECORD OF NON-STATE PENSION FUND PARTICIPANTS

1. The administrator shall ensure keeping personified records of non-state pension fund participants, in particular, maintaining participants' individual pension accounts.
2. The administrator shall open participant's individual pension account within three business days of the day of concluding the pension contract.
3. There shall be an individual pension account for each pension fund participant within the personified record keeping system. Tax payer ID numbers assigned within the State Register of individual tax payers will be used in individual pension account numbers for the purpose of identifying pension fund participants.

The individual pension account of a pension fund participant shall have subaccounts for accounting (a) pension contributions paid on behalf of the participant (separately for each contributor); (b) investment return allocated to each participant; and (c) pension payments effected.

4. The personified record keeping system should include information on each pension fund participant; contributors paying contributions on behalf of participants; pension scheme; pension contributions paid; allocation of investment return; pension payments effected.

The State Commission on Regulating Financial Service Markets shall determine procedures for keeping personified records of non-state pension fund participants.

5. The information in pension fund participant's individual pension account shall be kept by the administrator both on paper and electronically during the effective period of the contract; during the effective period of the contract for paying pension for a defined period if applicable; and at the completion of legal relationship between the participant (contributor) and pension fund – during ten years unless otherwise envisaged by the legislation.
6. At the request of a pension fund participant, the administrator shall provide him/her with a statement of his/her individual pension account. In so doing, such statement shall be provided for free once a year.

ARTICLE 26: TRANSFERRING PERSONIFIED RECORDS OF NON-STATE PENSION FUND PARTICIPANTS

1. The administrator may transfer personified records and relevant documentation on non-state pension fund participants in the case of termination of a contract concluded between the administrator and pension fund board, liquidation, reorganization of the administrator or withdrawal of the license issued to the administrator as specified by this Law.

2. On receiving the notification of selection or temporary appointment of a new professional administrator from the pension fund rada or State Commission on Regulating Financial Service Markets, the administrator shall ensure full transfer of the personified records and all relevant documents on non-state pension fund participants. In so doing, the administrator shall continue performing its functions until the completion of transferring the personified record keeping system and relevant documentation.

The responsibility for determining the procedure for transferring personified records of non-state pension fund participants and relevant documentation shall rest with the State Commission on Regulating Financial Service Markets.

ARTICLE 27: ISSUING LICENSES FOR ADMINISTERING NON-STATE PENSION FUNDS

1. An entity willing to carry out activities in pension fund administration shall need to obtain the license for such activities from the State Commission on Regulating Financial Service Markets of Ukraine.

2. The responsibility for determining licensing requirements and procedure shall rest with the State Commission on Regulating Financial Service Markets.

3. An entity applying for the license for pension fund administration (except the single founder of a corporate pension fund as specified in Part 5 of this Article) is supposed to meet the following requirements:

- 1) The amount of administrator's charter capital of the administrator paid in cash is not lower than the equivalent to EURO 300,000 at the exchange rate of the National Bank of Ukraine as of the date of state registration of this entity;
- 2) The administrator has cadre of a relevant qualification level, equipment and informational system to keep records of pension contributions which comply with the requirements prescribed by the State Commission on Regulating Financial Service Markets.

If granted the license for pension fund administration, the professional administrator shall be obligated to retain its equity capital at the level of the equivalent to EURO 200,000 at the official exchange rate of the National Bank of Ukraine.

4. In the event of a decrease in the amount of the equity capital specified by Part 3 of this Article the professional administrator shall be obligated:

- 1) To notify the State Commission on Regulating Financial Service Markets within three business days from the date of such decrease;
- 2) To bring the amount of its equity capital in conformity with the amount defined by Part 3 of this Article within three months of the date of such inconformity and provide the State Commission on Regulating Financial Service Markets with a report on the elimination of this violation.

The State Commission on Regulating Financial Service Markets might extend the period during which the professional administrator should bring its equity capital in conformity with the requirements of this Article for up to three months.

5. The single founder of a corporate pension fund which has opted for self-administration may be granted the license for administering pension funds on the condition that this legal entity has equipment and information systems to keep personified records of fund participants and qualified cadre meeting the requirements set forth by the State Commission on Regulating Financial Service Markets.

6. The single founder of a corporate pension fund which has opted for self-administration and obtained the license for administering pension funds may not administer any other pension fund.

The professional administrator may administer a number of pension funds simultaneously as well as manage assets of the pension fund under its administration should it have the relevant license. A professional administrator may be the administrator of its own corporate pension fund.

ARTICLE 28: CANCELING THE LICENSE FOR PENSION FUND ADMINISTRATION

1. Licenses for pension fund administration will be canceled according to the procedure specified by the State Commission on Regulating Financial Service Markets in the licensing requirements.
2. The State Commission on Regulating Financial Service Markets shall send the decision on canceling the license of pension fund administration in writing to all pension fund with whom the administrator in question concluded contracts for administration within one business day of the day of the adoption of this decision. Such decision shall be subject to disclosure according to the procedure specified by the State Commission on Regulating Financial Service Markets.
3. In the event of canceling the license for pension fund administration issued to the single founder of a corporate pension fund this founder shall initiate termination of authorities of those fund board members whose actions caused the cancellation of this license and ensure election of new board members to replace the dismissed members within three business days of the receipt of the notification of canceling the administrator's license.
4. In the event of canceling the license for pension fund administration the board of the pension fund administered by the administrator, whose license has been withdrawn, shall ensure conclusion of a contact for pension fund administration with another administrator within five business days.
5. The administrator, whose license has been canceled, shall terminate performance of the administration function effective the day of transferring personified record keeping system to a new administrator. In so doing, it shall assist the new administrator in fulfilling liabilities which had arisen prior to the transfer of the personified record keeping system.
6. The single founder of a corporate pension fund, which self-administered the fund and whose license for pension fund administration was cancelled, may reapply for such license no sooner than in a year from the day of canceling the license, whereas other pension fund administrators may reapply for such licenses at any time.

ARTICLE 29: TEMPORARY APPOINTMENT OF A NON-STATE PENSION FUND ADMINISTRATOR

1. Should the pension fund board fail to conclude a contract with a new administrator within ten days of the receipt of the notification of canceling this pension fund administrator's license, the State Commission on Regulating Financial Service Markets may temporarily appoint a professional administrator which will perform the administration function instead of the administrator whose license was canceled. The responsibility for specifying the procedure for temporary appointment of the administrator shall rest with the State Commission on Regulating Financial Service Markets.
2. The State Commission on Regulating Financial Service Markets shall send a decision on temporary appointment of the administrator in writing to the administrator whose license was canceled as well as to all pension funds with whom this administrator concluded contracts and to their asset management companies within one business day of making this decision.
3. The State Commission on Regulating Financial Service Markets shall set the amount of the fee to the temporary administrator based on the industry average fee to administration service providers.
4. The board of the fund may conclude a contract for administering the pension fund with a temporarily appointed administrator or replace the temporarily appointed administrator by concluding the contract with another administrator. In so doing, it shall notify the State Commission on Regulating Financial Service Markets of such contracting within three business days of conclusion of such

contract. Based on this notification, the force of the decision of the State Commission on Regulating Financial Service Markets on temporary appointment of the administrator shall be stopped.

ARTICLE 30: FEE FOR PENSION FUND ADMINISTRATION

1. The amount of the fee for pension fund administration services shall be specified by the contract for administering the pension fund.

The fee shall be paid in the monetary form.

The State Commission on Regulating Financial Service Markets shall set caps on fees for pension fund administration services.

2. When the single founder of a corporate pension fund self-administers this fund, the costs associated with carrying out pension fund administration functions will be covered by this founder.

ARTICLE 31: LIABILITIES OF THE PENSION FUND ADMINISTRATOR

1. The pension fund administrator shall be held liable for its obligations to the pension funds with whose boards it has concluded contracts for providing administration services to the extent of all the assets it owns.

Damages caused by the administrator shall be covered out of the reserve fund of the administrator and from other assets if this reserve fund is insufficient.

2. The pension fund administrator may not transfer its liabilities to pension funds to third parties.

3. The State shall not be held liable for the obligations of the pension fund administrator and the pension fund administrator shall not be held liable for the obligations of the State.

ARTICLE 32: ADMINISTERING THE PENSION FUND UNDER LIQUIDATION OR REORGANIZATION OF THE PENSION FUND ADMINISTRATOR

1. In case of liquidation or reorganization of the pension fund administrator, its founders shall be bound to notify the boards of the pension funds with which the administrator under liquidation concluded contracts, asset management companies and custodians of these funds, State Commission on Regulating Financial Service Markets, as well as the State Commission on Securities and Stock Market if the pension fund administration company holds a license to manage pension fund assets, within six months of the commencement of the procedure in question.

2. In case of liquidation or reorganization the pension fund administrator shall transfer the personified record keeping system and relevant documentation to the new administrator according to the procedure specified by Article 28 of this Law.

ARTICLE 33: SELF-REGULATORY ORGANIZATIONS OF NON-STATE PENSION FUND ADMINISTRATORS

1. Pension fund administrators may set up self-regulatory organizations on a voluntary basis or become members of existing self-regulatory organizations.

The State Commission on Regulating Financial Service Markets may delegate to self-regulatory organizations some of its authorities and determine the extent and conditions of such delegation.

2. Self-regulatory organizations of pension fund administrators shall be set up according to the Law of Ukraine “On Financial Services and State Regulation of Financial Service Markets”.

SECTION IV: MANAGING ASSETS OF NON-STATE PENSION FUNDS

ARTICLE 34: ENTITIES MANAGING ASSETS OF NON-STATE PENSION FUNDS

1. Assets of non-state pension funds may be managed by the following entities:
 - Asset management company;
 - Bank in respect to assets of its corporate pension fund in cases envisaged by this Law;
 - Professional administrator which has obtained a license for asset management.
2. Activities in managing pension fund assets will be carried out based on a license for professional activities in the security market i.e. activities in asset management. The responsibility for issuing such licences and determining the licensing procedure shall rest with the State Commission on Securities and Stock Market of Ukraine.
3. Pension fund assets will be managed under the contract for managing pension fund assets concluded with the pension fund board.

The contract for asset management shall be concluded in writing.

4. An entity which has obtained the license for managing pension fund assets may not be a founder or affiliated person of the pension fund custodian founders, corporate or occupational pension fund founders should this entity concluded the contract for asset management with the board of this fund except for the case envisaged by Article 20, Part 11 of this Law.

ARTICLE 35: ASSET MANAGEMENT COMPANY

1. An asset management company shall be a legal entity which is set up and acts in accordance with the effective legislation with allowance for the requirements of this Law.
2. The director of the executive body and officials of the asset management company may not receive any fee from the administrator except for cases when the professional administrator carries out activities in asset management under this Law; from the custodian and auditors of the pension fund with whose board relevant contacts were concluded; and from affiliated persons of these entities.

ARTICLE 36: REQUIREMENTS TO CONTRACTS FOR MANAGING PENSION FUND ASSETS

1. The pension fund board may conclude a contract for managing pension fund assets with an entity which has obtained the license for carrying out activities in asset management.
2. A contract for managing pension fund assets shall include the following essential provisions:
 - 1) Full name and location (legal address) of the governing bodies of the contracted parties;
 - 2) Type of the fund (open-end, corporate or occupational);
 - 3) Subject of the contract;
 - 4) Rights and responsibilities of the parties;
 - 5) Volume of pension assets and conditions for allocating the assets among asset managers (should contracts for managing pension fund assets are concluded with more than one asset manager);
 - 6) Confidentiality clause;
 - 7) Procedures of filing reports and information;
 - 8) Liability for non-performance or poor performance and violation of the confidentiality requirements;
 - 9) Effective period of the contract;
 - 10) Amount of the fee for asset management services;
 - 11) Procedures for amending the contract;
 - 12) Conditions of early termination of the contract.

By mutual agreement of the parties, the contract may include other provisions that do not conflict with legislation. The investment policy declaration of the pension fund shall be an integral attachment to the contract.

ARTICLE 37: CONDITIONS FOR REPLACING THE ASSET MANAGEMENT COMPANY

1. The board of a pension fund may replace an asset management company with mandatory notification of the State Commission on Regulating Financial Service Markets and State Commission on Securities and Stock Market with indication of the reasons for such replacement within one day of making the decision on the replacement. The asset management company may be replaced:

- At expiration of the contract for asset managements;
- In case of canceling such contract by the pension fund board;
- In case of canceling such contract by the asset management company.

2. The pension fund board may cancel the contract for asset management in the following cases:

- 1) The State Commission on Securities and Stock Market has withdrawn its license for asset management issued to the pension fund administration company;
- 2) The pension fund asset management company has been liquidated as a legal entity;
- 3) The asset management company has concluded a contract that violates or results in the violation of the non-state pension legislation and breaches the terms and conditions of the contract for pension assets management or conditions of investment policy declarations of pension funds;
- 4) The pension fund board has recognized the performance of the asset management company as poor.

The asset management company may cancel the contract for asset management if this company is no longer able to manage assets of the pension fund. In so doing, the asset management company is bound to notify the board of this pension fund of its intentions with indication of reasons precluding it from executing the contact.

3. In case of canceling the contract for asset management the board of the fund shall:

- 1) Notify the custodian and asset management company of the decision on canceling the contract for asset management with indication of the underlying reasons within one business day;
- 2) Conclude a contract for managing pension assets with another duly licensed asset management company within a month of the day of such decision should pension assets were managed by one company.

4. The State Commission on Securities and Stock Market of Ukraine shall set forth the procedure and timeframe for transferring authorities in the event of replacing the asset management company and the procedure for appointing a temporary pension fund asset manager when the fund board fails to meet the requirement of Part 3, Item 2 of this Article.

ARTICLE 38: REQUIREMENTS TO MANAGEMENT OF PENSION FUND ASSETS

1. An asset management company shall manage pension fund assets under individual contracts with each pension fund in accordance with pension schemes and investment policy declarations approved by each pension fund charter and pursuant to the procedure set out by the contract for pension asset management and this Law by virtue of providing securities traders and the custodian with appropriate instructions.

2. The asset management company shall be bound:

- 1) To perform operations related to managing pension assets according to the investment policy declaration of the pension fund and contracts for asset management;

- 2) To provide proposals on revising the investment policy declaration to the pension fund board on a yearly basis;
 - 3) To report as specified by this Law.
3. Every time the asset management company issues an instruction regarding transactions with securities to a security trader a copy of this instruction shall be sent to the custodian.

ARTICLE 39: LICENSING ACTIVITIES IN MANAGEMENT OF PENSION ASSETS

1. An entity eligible for the license for managing pension fund assets under this Law, will be licensed according to the procedure and on conditions stipulated by the State Commission on Securities and Stock Market with allowance for requirements of this Law.
2. The license for managing pension fund assets will be granted on the conditions that an applicant has the charter capital paid in the monetary form as of the day the state registration at:
 - 1) The equivalent to EURO 300,000 at the official exchange rate of the National Bank of Ukraine should the applicant be an asset management company;
 - 2) The equivalent to EURO 500,000 at the official exchange rate of the National Bank of Ukraine should the applicant be a duly licensed pension fund administrator;
3. If granted the license for managing pension assets, the asset management company shall be obligated to maintain its equity capital at a level which is not lower than the equivalent to EURO 200,000 at the official exchange rate of the National Bank of Ukraine.

If granted the license for managing pension assets, the pension fund administrator shall be obligated to maintain its equity capital at a level which is not lower than the equivalent to EURO 300,000 at the official exchange rate of the National Bank of Ukraine.

4. In case of decrease of the equity capital below the level defined by Part 3 of this Article, an entity managing pension assets shall be obligated:
 - 1) To inform the State Commission on Securities and Stock Market thereof;
 - 2) To bring the amount of its equity capital in conformity with the requirements of Part 3 of this Article within six months of the date of such inconsistency and report to the State Commission on Securities and Stock Market on elimination of such inconsistency.

The State Commission on Securities and Stock Market might extend the period within which the entity managing pension fund assets must bring its equity capital in conformity with the requirements of this Article for at most three months.

ARTICLE 40: RESTRICTIONS ON THE ACTIVITY OF ENTITIES MANAGING PENSION FUND ASSETS

While managing pension fund assets, pension fund asset managers may not:

- 1) Use pension fund assets to secure any other liabilities which are not related to operation of this pension fund including own liabilities;
- 2) Purchase or acquire through exchange assets including securities which may not be attributed to pension assets under this Law;
- 3) Take or extend a loan, which is to be repaid out of pension assets of the pension fund;
- 4) Conclude, on behalf of the pension fund, securities purchase/sale, exchange, and gift contracts with its affiliated persons as well as with other pension and investment fund under its management;
- 5) Violate investment limits established by this Law while investing pension assets;
- 6) Alienate pension assets free.

An entity managing pension fund assets may not use its own funds to perform transactions with the same securities which are being purchased, sold, or exchanged by this entity on behalf of contracted pension funds. Such entity is bound to form a reserve fund at the amount and according to the

procedure determined by the State Commission on Securities and Stock Market on agreeing on with the State Commission on Regulating Financial Service Markets of Ukraine.

ARTICLE 41: REVOCATION OF THE LICENSE FOR MANAGING PENSION FUND ASSETS

1. The State Commission on Securities and Stock Market may decide to revoke a license for managing pension assets according to the procedure determined by the licensing conditions.
2. Revocation of the license to manage pension assets shall be a sufficient ground for early termination of the contracts with the pension fund asset manager and transfer of its authorities to another entity eligible for managing pension fund assets.
8. The State Commission on Securities and Stock Market shall send a decision on revoking the license for managing pension fund assets to all pension funds with whom this asset manager concluded contracts as well as their administrators and custodians within three business days. Besides, such decision shall be subject to disclosure pursuant to the procedure established by the State Commission on Securities and Stock Market.

ARTICLE 42: FEE FOR MANAGING PENSION FUND ASSETS

1. The fee to the entity managing pension fund assets shall be determined by the board of a pension fund and specified in the contract for managing pension assets.
2. The fee payable to the asset manager of the pension fund shall be established as a percentage of the net value of pension assets under its management. The fee shall be paid in a monetary form. The cap on the fee shall be set by the State Commission on Securities and Stock Market on agreeing on with the State Commission on Regulating Financial Service Market.
3. The pension fund shall cover the costs of services associated with pension fund asset management, which are provided by third parties (costs of securities traders' services, costs of re-registering the ownership of pension fund assets, etc.), by paying proper sums to the asset manager based on documents proving actual costs simultaneously with payment of the fee for asset management.

ARTICLE 43: LIABILITY OF THE ASSET MANAGER

1. An entity managing pension fund assets shall be held liable to the pension fund for fulfilling its obligations and for damages to the pension fund caused by violation of the legislation, investment policy declaration of pension fund or contract for managing pension fund assets to the extent of all assets owned by this entity.
2. Losses incurred by participants of a pension fund which are caused by violations specified by Part 1 of this Article shall be covered out from the reserve fund of the asset manager. Should the reserve fund is not sufficient to cover the losses the losses will be covered out from other assets of the company.

SECTION V: CUSTODIAN OF A PENSION FUND

ARTICLE 44: CUSTODIAN OF A PENSION FUND

1. In order to be the custodian of a pension fund, a bank must meet the following requirements:
 - 1) To have a license of the State Commission on Securities and Stock Market for professional activities in the security market i.e. depository activities as a security custodian;
 - 2) Not to be a person affiliated with the pension fund with whom a contract for the custody of pension assets has been concluded, administrator, asset manager, founders or auditor of this pension fund and affiliated persons of the above entities;

- 3) Not to be an asset manager of the corporate pension fund set up by this bank;
- 4) Not to be a creditor of the administrator or asset manager of the pension fund with whom the contract for the custody of pension assets has been concluded;

2. The custodian shall provide its services based on the contract with the pension fund to be concluded in writing between the pension fund board and custodian pursuant to the legislation.

A non-state pension fund may use services of only one custodian.

All transactions with pension assets of the pension fund shall be performed through the custodian. Current accounts of the pension fund will be opened with the custodian. Pension fund assets in the form of securities and documents certifying the ownership of pension assets in other forms will be kept by the custodian.

3. Responsibilities of the custodian will include:

- 1) Opening and maintaining accounts of the pension fund;
- 2) Receiving, transferring, record-keeping and assurance of safe-keeping of securities and documents proving the ownership of pension assets in other forms; documents related to the formation and use of pension assets;
- 3) Checking calculations of the net value of pension fund assets and net value of the pension contribution unit performed by the administrator and entities managing pension fund assets;
- 4) Carrying out administrator's instruction on transferring pension money pursuant to this Law;
- 5) Carrying out administrator's instructions on transferring funds to pay for services provided by the administrator, custodian, asset manager, auditor (auditor firm), persons rendering consulting and/or agent services to the pension fund, securities traders and other intermediaries, as well as to cover costs of re-registering ownership and other costs envisaged by this Law;
- 6) Carrying out asset manager's instructions pursuant to the investment policy declaration of the pension fund;
- 7) Keeping copies of instructions on transactions with securities and other assets issued to security traders and other intermediaries by asset managers;
- 8) Filing reports specified by this Law and relevant regulations;
- 9) Carrying out instructions of the State Commission on Securities and Stock Market on suspending asset manager's instructions on grounds determined by the legislation.

4. In the event of detecting violations of the law in respect to management of pension assets committed by the asset manager, the custodian shall provide written notification thereof to the board of the pension fund, administrator, State Commission on Regulating Financial Service Markets, State Commission on Regulating Financial Service Markets, and the State Commission on Securities and Stock Market as well as to the entity which committed such violation within one business day of the detection of the violation.

5. Should the net value of the pension contribution unit go down by more than 20 percent during a year, the custodian shall notify of such decrease the board of this pension fund, State Commission on Securities and Stock Market and State Commission on Regulating Financial Service Markets of Ukraine.

6. The custodian may not provide services of a securities trader (intermediary) to the pension fund with whom it has concluded a contract for the custody of pension assets during the whole period of this contract.

7. The custodian may not use pension fund assets kept in the accounts of this fund as credit resources.

ARTICLE 45: REQUIREMENTS TO THE CONTRACT WITH THE CUSTODIAN

1. The contract between a pension fund and custodian shall include the following essential provisions:

- 1) Rights and responsibilities of the parities thereto;
- 2) Procedures for submitting reports and information – subject to the requirements of this Law;
- 3) Conditions for early termination of the contract – subject to the requirements of this Law;
- 4) Procedure and timeframe for transferring pension assets and relevant documentation to another custodian;
- 5) Procedure and conditions for suspending transactions with pension fund assets in the event of violating requirements of the investment policy declaration and this Law of the asset manager;
- 6) Procedure for amending the contract;
- 7) Procedure for allocating pension assets between/among asset managers of this fund;
- 8) Liability of the parties for poor performance or non-performance of the contract and violation of the confidentiality clause;

By mutual consent of the parties the contract may include other provisions not conflicting with the legislation.

The investment policy declaration of the pension fund, information on asset managers of the pension fund, and copies of contracts for pension fund asset management will be an integral part of the contract with the custodian.

2. The pension fund board may replace the custodian with mandatory notification of the State Commission on Regulating Financial Service Markets and State Commission on Securities and Stock Market of Ukraine. The custodian might be replaced:

- 1) At the conclusion of the contract between the custodian and pension fund;
- 2) In case of early termination of this contact by the pension fund board;
- 3) In case of early termination of this contract by the custodian.

3. The pension fund board may terminate the contract with the custodian ahead of time in the following cases:

- 1) The State Commission on Securities and Stock Market has revoke the license for depository activities as a security custodian issued to the custodian;
- 2) Government authorities have reported violation of the legislation on non-state pension provision by the custodian;
- 3) The custodian has breached the contract with the pension fund;
- 4) Bankruptcy proceedings against the custodian have been initiated or a decision on liquidation or financial rehabilitation of the custodian has been made.

4. The custodian may terminate its contract with the pension fund ahead of time should the custodian be no longer able to perform its functions under this contract. In so doing, the custodian shall be bound to notify the pension fund board in writing of the reasons precluding it to fulfill its responsibilities under the contract.

5. In case of completion or early termination of the contracts with the custodian the pension fund board shall:

- 1) Notify of this event with specification of grounds for termination of the contract the State Commission on Securities and Stock Market, State Commission on Regulating Financial Service Markets of Ukraine, custodian, administrator, and asset managers of this pension fund;
- 2) Contract another custodian within a timeframe determined by the State Commission on Regulating Financial Service Markets of Ukraine.

6. If a new custodian is selected, the former custodian bank, with whom the contract is to be terminated, shall:

- 1) Ensure transfer of all pension assets of a pension fund and relevant documentation to the new custodian within the timeframe set forth in the contract;

- 2) Continue performing functions of the custodian in regard to pension assets left under its custody until all pension assets of the pension fund are fully transferred to the new custodian of this fund;
- 3) Complete the full transfer of pension assets and all relevant documentation prior to completion of the contract concluded by the custodian bank with the pension fund.

7. Services of the custodian shall be paid at rates provided for by the contract. The State Commission on Securities and Stock Market shall be responsible for calculating the fee to the custodian and setting the cap on this fee on agreeing on with the State Commission on Regulating Financial Service Markets of Ukraine with allowance for the current legislation.

ARTICLE 46: LIABILITIES OF THE PENSION FUND CUSTODIAN

1. The custodian shall be held liable for all losses incurred by the pension fund and its participants as a result of non-performance or poor performance of the custodian under the contract with the pension fund. The custodian shall cover these losses according to the conditions of the contract and procedure established by the legislation.
2. The custodian shall not be held liable for obligations of the pension fund to its participants, and for obligations the administrator and asset manager to the pension fund except for cases stipulated by the legislation.

SECTION VI: PENSION ASSETS

ARTICLE 47: COMPOSITION OF PENSION ASSETS

1. Pursuant to this Law, pension assets of a pension fund shall comprise:
 - 1) Assets in cash;
 - 2) Assets in securities;
 - 3) Other assets as provided by law.
2. Pension assets in securities shall consist of:
 - 1) Securities, the redemption of and return on which is guaranteed by the Cabinet of Ministers of Ukraine, Cabinet of Ministers of the Autonomous Republic of Crimea, and local radas as specified by the legislation;
 - 2) Shares and bonds of Ukrainian issuers which pursuant to law have been listed and are in circulation on an organized stock exchange or over-the-counter trading system which are registered according to the statutory procedure and the volume of trade at which is at least 25 percent of the total volume of trade at organized Ukrainian securities markets (except for securities which are subscribed to pursuant to law);
 - 3) Securities, the redemption of and return on which are guaranteed by the governments of foreign countries. In so doing, the State Commission on Securities and Stock Market will specify requirement to the rating of the external debt and identify rating companies;
 - 4) Bonds of foreign issues with investment rating as specified by Item 3 of this part of this Article;
 - 5) Shares of foreign issuers which are in circulation at the organized stock markets and are listed at one of the stock exchanges in New York, London, Tokyo, Frankfurt, or are registered in the NASDAQ (USA). An issuer of these shares must operate for at least ten years and be a resident of the country whose external debt rating is defined as specified by Item 3 of this Part of this Article.
3. Pension assets in securities of a pension fund may not include:
 - 1) Securities issued by a custodian, asset manager, administrator (except for the cases specified by Part 2 of Article 49 of this Law), auditor (audit firm), and persons rendering consulting, agent or advertising services with whom the pension fund has concluded relevant contracts, and

their affiliated persons, founders of the pension fund, except for cases stipulated by Part 2, Article 49 of this Law;

- 2) Securities not listed at a stock exchanges or over-the-counter trading system registered in compliance with the established procedure (except for securities redemption of and interest on which is secured under the law by the central government, local governments or third parties);
- 3) Securities issued by mutual investment institutions unless otherwise envisaged by regulations of the State Commission on Securities and Stock Market;
- 4) Bills of exchange (promissory notes);
- 5) Derivative securities.

4. Pension assets may not be formed with funds obtained on grounds conflicting with the law.

5. Pension assets may not be pledged (used as a collateral) and may be used only for purposes stipulated by Article 48 of this Law. Pension assets may not be seized under liabilities of the pension fund founders, employers-payers, asset managers, administrator, custodian and insurance company with which a lifetime pension insurance contract or pension fund participant's disability or death insurance contract has been concluded.

6. The administrator and asset manager will be responsible for calculating the net value of pension assets as well as for accounting and crediting pension assets using the methodology and under the procedure specified by the State Commission on Securities and Stock Market as agreed on with the State Commission on Regulating Financial Service Markets of Ukraine.

In case of purchase/sale of securities a relevant transaction will be shown in the pension fund accounting system as of the end of a business day during which this transaction were done.

7. Pension assets may not seized or confiscated should these assets have been formed legally.

ARTICLE 48: USE OF PENSION ASSETS

1. Pension assets that are being accumulated with a pension fund may be used exclusively for the purposes of carrying out investment activities of the fund, fulfilling obligations of the pension fund to its participants, and covering costs associated with the non-state pension provision, namely:

- 1) Investment in compliance with requirements of this Law for purposes of earning return to the benefit of pension fund participants;
- 2) Payment of pensions for a defined period under contracts concluded with pension fund participants; payment of lump sum pensions envisaged by this Law;
- 3) Purchase of lifetime pension insurance contracts and pension fund member's disability and death insurance contracts from an insurance company;
- 4) Payment for services of a professional administrator including payment for advertising and agent services associated with pension fund operation; costs of disclosing information on its activities as specified by this Law;
- 5) Payment of the fee to the asset manager of a pension fund;
- 6) Payment of the fee to the custodian;
- 7) Payment of costs associated with regular audits of a pension fund;
- 8) Payment for services of securities traders (intermediaries); payment of costs associated with keeping records and re-registration of the ownership of pension fund assets;
- 9) Payment for other services directly specified by this Law or regulations on non-state pension provision should these be eligible costs that may be covered from pension assets.

Use of pension assets for other purposes shall be prohibited.

2. Pension assets of a pension fund may not be included into the liquidation mass of its custodian if it is declared bankrupt.

3. Corporate and occupational pension funds may purchase an insurance contract against the risk of fund participant's disability or death for all fund participants with a portion of their pension

contributions. A procedure for concluding such contract and rate of insurance contribution under such insurance contract will be defined by the collective employment agreement.

An open-end pension fund may, at fund participants' request, purchase insurance contracts against participant's disability or death with a portion of their pension contributions.

A rate of contributions under this type of insurance may not exceed one percent of the pension contribution payable by or on behalf of fund participants willing to be insured under such type insurance.

The risk of fund participants' disability or death shall be insured under this Part according to this Law and insurance legislation and regulations.

ARTICLE 49: GENERAL RESTRICTIONS ON INVESTMENT ACTIVITIES WITH PENSION ASSETS OF A PENSION FUND

1. While managing assets of a pension fund, the asset manager may not:
 - 1) Form pension assets with borrowed (credit) funds;
 - 2) Provide any guarantees secured by pension assets; extend any loans (credits) out of pension assets;
 - 3) Conclude contracts of sale/purchase or exchange of pension assets containing a mandatory condition of redemption thereof;
 - 4) Keep in bank deposit accounts and bank savings certificates more than 40 percent of the total value of pension fund pension assets; in so doing, more than 10 percent of the total value of pension fund pension assets in a single bank;
 - 5) Acquire or invest additionally in securities of one issuer more than 5 percent of the total value of pension assets (except for securities, the redemption of and return on which are guaranteed by the Cabinet of Ministers of Ukraine and in cases specified by this Law);
 - 6) Acquire or invest additionally in securities return on which is guaranteed by the Cabinet of Ministers of Ukraine more than 50 percent of the total value of pension assets;
 - 7) Acquire or invest additionally in securities return on which is guaranteed by the Cabinet of Ministers of the Autonomous Republic of Crimea and in local government bonds more than 20 percent of the total value of pension assets;
 - 8) Acquire or invest additionally in corporate bonds issued by Ukrainian residents more than 40 percent of the total value of pension assets;
 - 9) Acquire or invest additionally in shares of Ukrainian issuers more than 40 percent of the total value of pension assets;
 - 10) Acquire or invest additionally in securities of foreign issuers more than 20 percent of the total value of pension assets;
 - 11) Acquire or invest additionally in mortgage instruments specified by the Ukrainian legislation more than 40 percent of the total value of pension assets;
 - 12) Acquire or invest additionally in real estate more than 10 percent of the total value of pension assets;
 - 13) Acquire or invest additionally in bank metals more than 10 percent of the total value of pension assets;
 - 14) Acquire or invest additionally in other assets which are not prohibited by the Ukrainian legislation but not specified in this Article more than 5 percent of the total value of pension assets;
 - 15) Issue any debt instruments and derivatives;
 - 16) Acquire securities issued by persons specified by Article 47, Part 3, Item 1 of this Law.
 - 17) Purchase securities whose credit rating has not been determined by the Rating Agency or whose credit rating corresponds to the speculation level according to the National scale established by the Ukrainian legislation;

- 18) Purchase securities of issuers whose credit rating has not been determined by the authorized Rating Agency or whose credit rating corresponds to the speculation level according to the National scale established by the Ukrainian legislation;
- 19) Keep funds at bank deposit accounts or in the saving accounts of banks whose credit rating has not been determined by the Rating Agency or whose credit rating corresponds to the speculation level according to the National scale established by the Ukrainian legislation.”

2. In the course of activities in investment of pension assets of a corporate pension fund, it shall be permitted to acquire or additionally invest in securities issued by the founders of this fund at most 5 percent of the total value of pension assets with compliance with other requirements to the composition and structure of the pension assets specified by this Law and at most 10 percent of the total value of pension assets within initial five years of setting up corporate pension funds.

3. Ukrainian securities shall be purchased and sold in compliance with the requirements of this Law and other laws only in the organized securities market of Ukraine i.e. through stock exchanges or over-the-counter trading systems which are registered in compliance with the prescribed procedure and meet the requirement of Article 47, Part 2, Item 2.

4. Pension assets allocated for payment of pensions for a defined period by a pension fund or payment of lifetime pensions by an insurance company will be invested according to the requirements of this Article.

5. All proceeds in current accounts of a pension fund must be used properly according to Article 48 within two weeks of crediting these funds.

ARTICLE 50: PENSION CONTRIBUTIONS

1. Pension contributions to a pension fund will be paid at rates and according to the procedure specified by the pension contract with allowance for conditions of selected pension schemes. Rates of pension contributions specified by the pension contract may be adjusted according to the conditions of selected pension schemes. Contributions under fund participant disability or death insurance contracts will be paid according to the procedure specified by the pension contract.

2. The board of a pension fund might set the minimum rate of pension contributions as 10 percent of the minimum wages per month.

3. Rates of contributions to a corporate or occupational pension fund payable by founders of this fund and employers-payers from their own resources may be set by the collective employment agreement with allowance for requirements of this Law.

Founders of corporate and occupational pension funds and employers-payers may offer to fund participants to conclude a contract of insurance against pension fund participant’s disability or death, which will be mandatory for all fund participants, according to the specified procedure for concluding such insurance contract and subject to specified rates of contributions under such contract. The total rate of insurance contributions under such contract may not exceed one percent of the pension contribution payable by the founder or employer-payer on behalf of each participant. Contributions under such type of insurance will be paid according to the procedure specified by the pension contract.

An employer paying contributions to an open-end pension fund on behalf of its employees – participants of this pension fund – may pay contributions under voluntary insurance against the risk of fund participant’s disability or death. The rate of such contributions may not exceed one percent of contributions payable on behalf of each participant to the open-end pension fund on the condition that the pension fund offers this type of insurance as a component of the pension contract.

4. If an individual decides to accumulate a portion of mandatory pension contributions in a pension fund on conditions defined by the legislation, the rate of such contributions shall be set according to the legislation on mandatory state pension insurance.

5. There shall be no cap on rates of pension contributions under non-state pension schemes.

6. Pension contributions shall be paid only in the Ukrainian national currency or, in cases stipulated by the Ukrainian legislation, in foreign currencies at the official exchange rate of the National Bank of Ukraine as of the day of payment, in cash or by bank transfer. Legal entities will pay pension contributions exclusively by bank transfer.

7. Pension contributions shall be paid by transfer of due sums in current accounts of the pension fund opened with the custodian.

ARTICLE 51: RETURN ON INVESTMENT OF PENSION FUND ASSETS

1. Gross investment return (including negative return) on investment of pension fund assets shall consist of:

- 1) Profit (losses) from transactions with pension fund assets;
- 2) Interest on pension fund assets (interest on cash in bank deposit accounts, interest on pension fund assets in securities etc.);

2. Investment return shall be distributed among pension fund participants proportionally to the balances of participants' individual pension accounts as of a day of allocation.

The administrator shall keep records of portions of the investment return due to participants in their individual pension accounts.

3. It is prohibited to set the minimum guaranteed rate of return under any pension scheme.

The contract for managing pension fund assets may include asset manager's commitments to ensure the minimum rate of investment return at the level of the official inflation index.

4. The administrator shall keep records of and allocate investment return to pension fund participants as a minimum on a monthly basis.

5. It shall be prohibited to use investment return for purposes not envisaged by this Law.

6. If government agencies responsible for regulation and supervision in the non-state pension industry conclude that the yearly return of a pension fund is unacceptably low as compared to average market indicators or average yearly returns of other pension funds, the State Commission on Regulating Financial Service Markets of Ukraine shall:

- 1) Recommend the pension fund board to amend the investment policy declaration, replace the asset manager or take other corrective measures needed to ensure a proper rate of investment return;
- 2) Notify the State Commission on Securities and Stock Market about that.

7. Procedures for calculating and accounting pension fund investment return will be established by the State Commission on Regulating Financial Service Markets of Ukraine jointly with the State Commission on Securities and Stock Market.

SECTION VII: REPORTING AND DISCLOSURE OF INFORMATION ON NON-STATE PENSIONS

ARTICLE 52: REPORTING IN THE NON-STATE PENSION SYSTEM

1. An administrator shall file quarterly reports on non-state pension provision with:

- State Commission on Regulating Financial Service Markets of Ukraine;
- Board of pension funds which whom the administrator has concluded contracts for administration;

Every year, the pension fund administrator shall file an aggregate report with the State Commission on Regulating Financial Service Markets on each pension fund. This report shall include information on

the pension fund in question, data from reports on administering this pension fund and reports filed with the administrator during a year by asset managers and custodian of this pension fund.

The State Commission on Regulating Financial Service Markets shall establish a procedure for administrator's reporting to the entities defined by this part of the Article as well as requirements to the content of these reports.

If case of deterioration of the financial status of a pension fund the State Commission on Regulating Financial Service Markets may establish another periodicity of reporting by the administrator but not more frequently than once a week. The criteria of assessing the pension fund financial status will be defined by the State Commission on Regulating Financial Service Markets of Ukraine.

2. A pension fund asset manager shall report on asset management to:
- State Commission on Securities and Stock Market – in regard to all pension funds whose assets were managed by this asset manager during a reported period;
 - Boards of pension funds with whom contracts for asset management have been concluded; Administrators of these pension funds – in respect to managing assets of these pension funds

The State Commission on Securities and Stock Market shall establish a procedure for reporting on managing pension fund assets to entities defined by this part of the Article and requirements to the content of these reports.

3. A custodian shall report to:
- State Commission on Securities and Stock Market – in regard to servicing all pension funds by this custodian during a reported period separately by each fund;
 - Boards of pension funds with whom contracts for custodian services have been concluded and administrators of these pension fund – in regard to servicing these pension funds

The State Commission on Securities and Stock Market shall establish a procedure for reporting on servicing pension fund assets to entities defined by this part of the Article and requirements to the content of these reports.

4. Insurance companies, which provide services in the non-state pension provision system specified by this Law, will be subject to reporting on non-state pension provision to the State Commission on Regulating Financial Service Markets, legal entities, and individuals with whom relevant contracts have been concluded.

The procedure for reporting by insurance companies on non-state pension provision to entities specified by this Part of the Article and reporting requirements will be established by this Law and State Commission on Regulating Financial Service Markets of Ukraine.

5. Banks providing non-state pension services specified by this Law shall report on these services according to the procedure established by the National Bank of Ukraine.

6. Contracts concluded by the pension fund board with the administrator, asset managers, and custodian might envisage provision of other data in addition to the reporting information defined by this Article.

7. An administrator shall provide each participant of a pension fund, free of charge, at minimum once a year, with a written statement of his/her account in the form identified by the State Commission on Regulating Financial Service Markets as well as provide such statements at the written request of the participant for a fee, except for cases when a participant needs such information to conclude a lifetime pension insurance contract or a contract for paying pension for a defined period. Maximum fees for issuing individual pension account statements at participants' request will be set by State Commission on Regulating Financial Services of Ukraine.

Participants receiving pension payments from pension funds will be also provided by free information on the amount of monthly pension payable and pension account balance.

ARTICLE 53: DISCLOSURE OF INFORMATION AND ADVERTISING IN THE NON-STATE PENSION PROVISION SYSTEM

1. Non-state pension funds, insurance companies, and banks providing services in the non-state pension system will inform the public on their activities in non-state pension provision by disclosing relevant information.

The State Commission on Regulating Financial Service Markets shall establish requirements to the composition of the information which is subject to disclosure.

Information which is disclosed by a non-state pension fund, shall include data on changes in the net value of pension fund assets and net value of a unit of pension contributions to this fund.

2. Information shall be disclosed through publishing in printed and electronic mass media according to the procedure specified by the State Commission on Regulating Financial Service Markets of Ukraine.

Information which is subject to disclosure under this Law shall not be confidential.

3. Unless otherwise envisaged by the law the following information shall not be subject to disclosure (i.e. shall be confidential):

- Information on pension contributions, pension payments, and investment return credited to individual pension accounts of pension fund participants;
- Information on individuals' pension deposit accounts;
- Information on the conditions and status of executing lifetime pension insurance contracts.

4. Any advertising materials, which are associated with services in the non-state pension provision system and planned for dissemination, will be submitted to the State Commission on Regulating Financial Service Markets of Ukraine no later than ten business days prior to dissemination.

5. The State Commission on Regulating Financial Service Markets of Ukraine might make a justified decision on prohibiting dissemination of advertising material or make a justified decision on amending those advertising materials which are not true or do not comply with requirements of this Law. Such decisions will be made within five business days of the receipt of advertising materials.

6. Advertisers disseminating any information or data associated with provision of services in the non-state pension system will be held liable for the authenticity of this information/data according to the law.

7. Advertisers may not:

- 1) Use information on non-state pensions that does not comply with the provisions of the charter of a pension fund and contracts that are concluded with the participants of this fund;
- 2) Use advertising for unfair competition purposes by mentioning shortcomings of entities involved in the same professional activities in non-state pensions, regardless of whether such shortcomings are true or not;
- 3) Project or guarantee growth of assets of participants in the non-state pension system;
- 4) Give, or promise to give, gifts (prizes) to potential participants of or contributors to pension funds or undertake any incentive measures that may influence a potential participant's choice of one or another pension fund.

8. Services in the non-state pension provision system may be advertised by all means permitted by the Law.

9. In the event of violating requirements of this Article the State Commission on Regulating Financial Service Market shall be entitled to take law enforcement measures according the law.

ARTICLE 54: REQUIREMENTS TO AGENT SERVICE PROVIDERS

1. Agent services will be provided by individuals based on a contract for providing agent services to concluded with the administrator of a pension fund.

Agent services will include:

- 1) Any legitimate activity that aimed at convincing people to conclude a pension contract with a pension fund;
 - 2) Services related to conclusion of pension contracts on behalf of the pension fund administrator;
2. The administrator of a pension fund shall maintain a register of individuals providing agent services. This register will include the following information:
- 1) Full name of an individual;
 - 2) Individual's date, place of birth and permanent residence;
 - 3) Individual's passport data and his/her taxpayer ID number;
 - 4) Number, date of conclusion, and date of completion (termination) of the contract for providing agent services concluded with this individual.
3. Agent services in the non-state pension system may be provided by an individual who is legally competent and has not been convicted of a willful crime.
4. The administrator of a pension fund shall remove an agent from the register should:
- 1) The contract for provision of agent services have ended (have been terminated);
 - 2) The agent be no longer legally competent;
 - 3) The agent violate the law while providing agent services;
 - 4) The agent have been pleaded guilty of a willful crime by the court and the court judgment have come into force.
5. The administrator shall provide the Commission on Regulating Financial Service Markets with the register or extract from the register of agents at the request of the Commission.
6. Individuals providing agent services in the sphere of non-state pensions shall be held liable for poor performance of authorities vested therein pursuant to the terms and conditions of contracts concluded with them and in compliance with law.

SECTION VIII: PENSION CONTRACT AND PENSION SCHEME

ARTICLE 55: PENSION CONTRACT

1. A pension contract is a contract between a pension fund and its contributor. The pension contract will be concluded by the administrator on behalf of the pension fund. A participants or a number of participants of the pension fund will be provided with pension benefits under the pension contract and funded from pension contributions paid by the contributor.
2. No individual meeting the requirements of this Law may be refused in concluding a pension contract with an open-end pension fund. The administrator of a corporate and occupational pension fund may conclude pension contracts only with individuals meeting requirements defined by this Law and charters of pension funds in questions.
3. Each contributor may conclude one or several pension contracts with the administrator(s) of one or several pension funds to the benefit of the persons specified in this Law.

4. A contributor being a participant of a pension fund may terminate the pension contract which has been concluded on his/her own or require modification of such contract.

In case of termination of the pension contract by such contributor he/she shall conclude a new pension contract with another pension fund or insurance company or open a pension deposit account with a bank except for cases envisaged by Article 65 of this Law. In so doing, pension assets of the contributor being a pension fund participant will be transferred in his/her accounts with another financial institutions providing non-state pension services. These pension assets will be equal to the balance of this individual's pension account and consist of pension contributions paid by this contributor plus allocated investment return on these contributions less costs of transfer.

The cost of transfer shall be calculated by the administrator by the methodology established by the State Commission on Regulating Financial Service Markets of Ukraine.

If the individual pension account balance of a participant, who terminates his/her pension contract with the pension fund, includes pension contributions paid on his/her behalf by other contributors the total of these contributions and investment return on these contributions may be taken out of the pension fund only after termination of pension contracts with such contributors except cases envisaged by Article 65 of this Law.

5. In the even of terminating employment relationship with the employer-founder or employer-payer of a corporate pension fund, a participant of this fund shall be bound to terminate his/her pension contract with this fund and may conclude a new pension contract with the administrator of any other pension fund, insurance company or open the pension deposit account with a bank. In so doing, his/her pension money shall be transferred to another pension fund, insurance company or in the pension deposit account with a bank. The cost of transfer will be covered by the participant according to the procedure specified in Paragraphs 2, 3 of Part 4 of this Article unless the employment relationship is terminated under Ukrainian Labor Code Article 40, Part 1, Item 1.

Should the labor relationship be terminated under Ukrainian Labor Code Article 40, Part 1, Item 1 the cost of transferring participant's pension money to another pension fund, insurance company or in the pension deposit account with a bank shall be covered by the employer.

6. A pension contract shall be concluded in writing in at least three copies should the contract be concluded with a contributor not being a participant of the pension fund and in two copies should the contributor be a participant of the pension fund.

Together with a copy of the pension contract, the administrator shall provide the pension fund contributor and participant with:

- 1) Explanatory note on basic provisions of the pension contract;
- 2) Copy of the pension scheme specified by the pension contract;
- 3) Extract from major provision of the pension fund charter or, at contributor's request, a copy of the pension fund charter;

An entry evidencing the furnishing of documents specified in this Part of the Article shall be made in all copies of the pension contract.

The State Commission on Regulating Financial Service Market shall set requirements to the explanatory note on basic provisions of a pension contract and extract from major provision of the pension fund charter.

The administrator shall keep the third copy of the pension contract.

ARTICLE 56: ESSENTIAL PROVISIONS OF A PENSION CONTRACT

1. Essential provisions of a pension contract shall include:

- 1) Contributor's passport details and taxpayer ID number of the contributor (in the contributor is an individual) or full name, mailing and legal address, location of the permanent governing body, registration and bank account data (if the contributor is a legal entity);
- 2) Pension fund participant's passport details and taxpayer ID number;
- 3) Reference to a pension scheme chosen by the participant;
- 4) Effective period of the pension contract, conditions for amending and terminating the pension contract;
- 5) Procedures for effecting settlements between the pension fund and participant in the event of early termination of the pension contract or liquidation of the pension fund;
- 6) Rights, responsibilities, and liabilities of the parties; procedures for settling disputes;
- 7) Rate of pension contributions and conditions for revising the rate of contributions

A pension contract may also include other provisions by agreement of the parties.

2. Together with a copy of the pension contract, a contributor (participant) shall be provided with information on the administrator, asset managers, and custodian of the pension fund which includes these entities' registration, bank account, and license details.

3. A pension contract must comply with the provisions of the pension fund's charter and include a clause stating that the government shall not be held liable for pension fund liabilities.

ARTICLE 57: RESPONSIBILITIES OF THE PARTIES UNDER A PENSION CONTRACT

1. Pursuant to a pension contract, the administrator shall undertake on behalf of the pension fund:
 - 1) To exercise non-state pension provision of fund participant(s) under the terms and conditions specified by the legislation, pension scheme, and pension contract;
 - 2) To ensure keeping personified records of fund participants;
 - 3) To provide a participant of the fund with information on the status of his/her individual pension account;
 - 4) To ensure that fund participants are reimbursed for losses caused by violations of the effective legislation and breach of the pension contract;
 - 5) To observe, and ensure observance of, lawful interests of contributors and participants of a pension fund; not to disclose information on the terms and conditions of a pension contract and the amount of pension assets belonging to a fund participant, except for cases envisaged by law; and
 - 6) To fulfill and ensure fulfillment of other obligations specified by the pension contract, this Law and other non-state pension legislation and regulations.
2. Pursuant to a pension contract, a contributor to a pension fund shall undertake:
 - 1) To pay pension contributions on behalf of pension fund participant(s) in the manner specified by the law, pension scheme, and pension contract;
 - 2) To reimburse a pension fund for losses incurred as a result of breach by the contributor of terms and conditions of the pension contract, pension scheme and violation of the law;
 - 3) To meet other conditions provided for by the pension contract.

ARTICLE 58: EFFECTIVE PERIOD OF THE PENSION CONTRACT

1. A pension contract shall come into effect on the day signing it by the contributor and administrator.
2. A pension contract shall be deemed terminated:
 - 1) After the contributor has fulfilled all its commitments under the pension contract and fund participant(s) has/have concluded a contract for paying pension benefits for a defined period with the pension fund;

- 2) After fund participant's pension money has been transferred to an insurance company under a lifetime pension insurance contract concluded by the participant;
 - 3) After fund participant's pension money has been transferred to a bank under the contract for opening a pension deposit account concluded by the participant;
 - 4) If a fund participant has died and all conditions envisaged for such event have been met;
 - 5) If a pension fund has been liquidated according to the procedure specified by this Law;
 - 6) If a fund participant has transferred to another pension on terms and according to the procedure specified by this Law;
 - 7) If the contributor being a legal entity has been liquidated without specification of its legal successor;
 - 8) In case of early termination of the contract according to the procedure envisaged by this Law;
 - 9) In other cases envisaged by a pension contract under this Law.
3. If a pension fund participant decides to transfer to another fund, the contributor shall:
- 1) Conclude a pension contract with a new pension fund, insurance company or bank;
 - 2) Provide the pension fund in which he/she is going to terminate participation with a notification of termination together with a copy of the pension contract with the new pension fund, insurance company or bank.

The administrator shall transfer pension money due to the participant according to the procedure prescribed by Article 18 of this Law.

4. In case of untimely transfer of fund participant's pension money the administrator shall pay, from its own resources, the penalty at the double rate of the National Bank of Ukraine applied to the amount of transfer for each day of the delay according to the procedure established by the State Commission on Regulating Financial Service Markets of Ukraine.

The State Commission on Regulating Financial Service Markets of Ukraine might make a decision on reducing the penalty payable by the administrator should the delay in transferring fund participant's pension money occurred for reasonable excuse.

ARTICLE 59: PENSION SCHEMES

1. Conditions and procedures for exercising non-state pension provision by pension funds shall be specified by pension schemes developed subject to requirements of this Law and other non-state pension legislation and regulations.

Pension schemes and amendment to these schemes will be subject to registration with the State Commission on Regulating Financial Service Markets of Ukraine.

A pension fund may use a number of pension schemes.

2. A pension scheme shall include:
- 1) Description of all types of pension payments and conditions for paying thereof;
 - 2) Procedure for calculating pension benefits;
 - 3) Period of payment of pension benefits and payment procedure;
 - 4) Procedure and timeframe for paying pension contributions including a clause on possible modification thereof;
 - 5) Conditions and procedures of participation in the pension scheme;
 - 6) Rights and responsibilities of fund contributor and participant under a given pension scheme;
 - 7) Other terms and conditions complying with the effective legislation.
3. Unless otherwise provided by the legislation, pension fund contributors shall have a free choice of a pension scheme. Besides, participants may transfer to another pension scheme but not more frequently than once in six month.

4. Any modification to pension scheme shall be permitted only should such modification be registered with the State Commission on Regulating Financial Service Market of Ukraine. In so doing, the pension fund may introduce new pension schemes as well as modify or cancel existing pension schemes should:

- There be no pension contracts concluded under pension schemes to be modified or canceled;
- Consent have been received from all contributors with whom pension contracts have been concluded under the pension scheme to be modified.

SECTION IX: PENSION PAYMENTS FROM NON-STATE PENSION FUNDS

ARTICLE 60: TYPES OF PENSION PAYMENTS

1. Pursuant to this Law pension funds may effect the following pension payments
 - 1) Pension benefits for a defined period;
 - 2) Lump sum pension benefits.
2. Amounts of pension benefits shall be determined based on the value of participant's pension money recorded in his/her individual pension account, period during which pension benefits are to be paid, and formula to calculate pension for a defined period according to the methodology approved by the State Commission on Regulating Financial Service Markets of Ukraine.
3. Pension payments shall be made in cash in the national Ukrainian currency.
4. The administrator shall plan the amount of money needed to effect pension payments to fund participants under pension contracts and provide appropriate information to asset managers of the given fund according to the procedure prescribed by the contract for asset management.

ARTICLE 61: CONDITIONS AND TIMEFRAME FOR EFFECTING PENSION PAYMENTS BY PENSION FUNDS

1. Pension benefits may be paid based on the following grounds:
 - 1) A participant has attained the retirement age specified in compliance with this Law;
 - 2) A participant has been recognized as an invalid;
 - 3) A critical state of participant's health (cancer, stroke) has been confirmed by medical authorities;
 - 4) A participant has moved to another country for permanent residence;
 - 5) A participant has died.
2. The retirement (pension) age, after reaching which a participant becomes eligible for pension benefits, shall be determined based on participant's application the form of which is to be established by the State Commission on Regulating Financial Service Markets, except for cases when the retirement age is specified by a pension contract in accordance with the law establishing mandatory non-state pension contributions for certain categories of population.

The retirement age determined by a participant of a pension fund may be lower or higher than the retirement age which gives the right to pension benefits under the mandatory state pension insurance system at most by ten years unless otherwise is provided for by laws.

The pension fund participant shall specify the type of pension benefits of his/her choice in his/her application, wherein such participant determines his/her retirement age in compliance with the restrictions provided for by this Part of the Article. The application shall be filed with the administrator not later than two months prior to attaining the retirement age as determined by the participant.

The participant shall have the right to revise the retirement age determined by him/her via filing a statement thereof with the administrator not later than 15 business days prior to attaining the retirement age he/she determined.

3. Should a pension fund participant acquire the right to a disability pension under the mandatory state pension insurance system, pension benefits may be paid from the non-state pension fund prior to such person's attainment of the retirement age specified by this Law. In this case, the pension fund participant shall have the right to determine his/her retirement age after the onset of disability regardless of restrictions established by Part 2 of this Article hereof and to file an application with the pension fund administrator.

4. First payment of pension benefits from a pension fund for a defined period will begin within forty five days from the day of attainment by the participant of the age specified in his/her application.

Under conditions specified by Article 65 of this Law pension benefits shall be paid lump sum.

5. It shall be prohibited to refuse or delay payment of pension benefits except for cases envisaged by the law. In case of refusal or delay of pension payments, a pension fund participant may appeal actions of persons responsible for distributing pension benefits with the State Commission for Regulating Financial Service Markets of Ukraine or with court. Failure to pay pension benefits on time shall be a sufficient ground for applying sanctions established by the legislation.

6. Pension benefits shall be paid irrespective of whether a beneficiary of such benefits receives benefits under the mandatory state pension insurance or from other sources.

ARTICLE 62: PROCEDURES FOR CONCLUDING AND PURCHASING A LIFETIME PENSION INSURANCE CONTRACT WITH PENSION FUND PARTICIPANT'S PENSION MONEY

1. Lifetime pensions (life annuities) shall be payable to participants of pension funds by insurance companies, with which such participants have concluded lifetime pension insurance contracts, out of funds transferred to insurance companies.

2. A lifetime insurance contract shall be concluded between a fund participant and insurance company in accordance with insurance legislation with allowance for the requirements envisaged by this Law and pension contract, upon attainment of the retirement age determined by the fund participant pursuant to this Law.

In order to conclude a lifetime pension insurance contract, a fund participant shall provide an insurance company with a certificate of the amount of funds due to such participant that is issued by the administrator.

3. A fund participant shall notify the administrator of the chosen insurance company and file a written application for the transfer of his/her pension money to this insurance company. A pension fund participant may transfer his/her pension money to the insurance company in full or partially.

4. The insurance company shall calculate the amount of the lifetime pension specified in a lifetime insurance contract on the basis of actuarial calculations, amount specified by the individual concluding the contract, and pursuant to the certificate evidencing the amount of funds owned by the person who enters into the contract issued by the pension fund administrator. In the event of transfer of funds to the insurance company for the purpose of purchasing the lifetime insurance contract at the amount that does not correspond with the amount specified in the application filed by the individual purchasing the annuity contract, the level of the lifetime pension shall be adjusted to actuarial calculations within three days of the date of receipt of the pension money from the pension fund.

If pension contributions, which were paid by the contributor on behalf off the fund participant untimely, come to the pension fund after the pension money due to the participant has been transferred to the insurance company, the pension fund administrator shall transfer such untimely received pension contributions of the participant to the insurance company with which this participant concluded the

lifetime insurance contract. In so doing, the attachment to the lifetime insurance contract being its integral part shall determine a new level of the lifetime pension according to the purchased lifetime pension insurance contract established as of the day of including this attachment in the insurance contract.

5. The insurance company shall notify in writing a person with whom a contract has been concluded of receipt of pension money from the pension fund and the amount received within seven business days of the day of receipt thereof, as well as of the adjusted level of the lifetime pension if such adjustment has been done.

6. In order to ensure payment of lifetime pensions by insurance companies, the administrator shall be obliged, on the basis of a participant's application for the transfer of his/her pension money to the insurance company, to assure transfer of pension money belonging to the pension fund participant to the respective insurance company within five business days of the date of receipt of the application.

7. Pension assets shall be transferred to the insurance company in the amount calculated on the basis of net value of assets recorded at the individual pension account of the fund participant on the day of his/her attaining the retirement age determined by the participant..

In case of delay in the transfer of the participant's pension money to the insurance company, the administrator shall pay to such participant a penalty for its own resources at the double rate of the National Bank of Ukraine applied to the amount to be transferred for each day of the delay.

Procedures for calculating the amount of pension money and transferring pension moneys will be established by the State Commission on Regulating Financial Service Markets.

8. Should the amount of pension money which is subject to transfer to an insurance company be below the minimum amount of pension savings established by the State Commission on Regulating Financial Service Markets of Ukraine, a fund participant (or heirs of a deceased participant) shall be entitled to receive money due to him/her as a lump sum payment.

9. An insurance company shall be obligated to cover losses incurred by a person, with whom a lifetime pension insurance contract has been concluded, which were caused by insurance company's failure to comply with the terms and conditions of this contract as specified by the effective legislation.

10. Violations of the procedure for payment of the cost of an insurance contract or appropriate pension benefits, as envisaged in the pension contract or insurance contract, by an administrator or insurance company, with which a lifetime pension insurance contract has been concluded, may not substantiate any limitation of a participant's eligibility for pension money and benefits due to him/her.

ARTICLE 63: PENSION FOR A DEFINED PERIOD

1. The administrator of a pension fund shall pay pension benefits for a defined period:

- 1) At fund participant's request should the participant be eligible for the given pension payments;
- 2) At fund participant's claim (effective the first day of his/her eligibility for purchasing a lifetime pension insurance contract under the pension contract should the purchase of the life annuity contract may result in very low pension payments).

Pension for a defined period shall be calculated for at least ten year period beginning on the day of the first payment.

2. During the period of receiving pension for a defined period, which is specified by Part 1 of this Article, the pension fund participant may, at any time:

- 1) Transfer to another pension fund for the purpose of continuing receipt of the pension of the selected type. In so doing, the pension fund, to which the participant transfers, will continue payment of the pension during the remaining defined period;
- 2) Purchase a lifetime pension insurance contract from funds in his/her individual pension account in the pension fund.

3. In order to be granted pension benefits for a defined period, a pension fund participant shall file an application with the administrator.

In the event of concluding a contract for pension for a defined period with another pension fund the fund participant shall provide the administrator of a pension fund of his/her choice with a statement of his/her individual pension account and a copy of the application to the pension fund in which his/her pension money has been accumulated.

Based on fund participant's application, his/her pension money shall be transferred to the chosen pension fund within five business days of the receipt of the application.

Should the pension fund administrator fail to comply with this timeframe it shall be pay the penalty to the participant at the double rate of the National Bank of Ukraine applied to the amount due to transfer for each day of the delay according to the procedure established by the State Commission on Regulating Financial Service Markets of Ukraine.

ARTICLE 64: REQUIREMENTS OF THE CONTRACT FOR PAYING PENSION FOR A DEFINED PERIOD

1. Essential provisions of a contract of paying pension for a defined period shall include:
 - 1) Full name of the pension fund and administrator which will pay pension benefits, mailing and legal addresses, date and number of the state registration certificate;
 - 2) Fund participant's passport details and taxpayer ID number;
 - 3) Administration costs associated with execution of the contacts;
 - 4) Retirement age chosen by the participant;
 - 5) Conditions, periodicity, and duration of paying benefits for a defined period;
 - 6) Rights and responsibilities of the parties to the contract;
 - 7) Parties' liability for non-performance or poor performance of the contract;
 - 8) Procedure for amending and canceling the contract;
 - 9) Procedure for calculating the balance due to the participant in the event of amending or canceling the contract;
 - 10) Procedure for providing information specified in Part 2 of this Article.

A pension contract may also include other provisions by agreement of the parties.

2. In the beginning of each fiscal year a recipient of pension benefits for a defined period shall be provided with information on:
 - 1) The balance of his/her individual pension account as of the beginning of a reported fiscal year, contributions paid and investment return allocated during that year;
 - 2) the total of benefits paid from the pension money in the participant's individual pension account; cost of services covered during the reported fiscal year.

A recipient of pension benefits for a defined period may request for information specified by Part 2 of this Article as of any day. In this case, such information shall be provided for a fee except when it is needed to purchase a lifetime pension insurance contract. The State Commission on Regulating Financial Service Markets shall cap the fee for providing information at the written request of a pension recipient.

In case of pension recipient's death, the information specified by this Part of the Article shall be provided to the legal heir of the deceased recipient for free.

3. A contract of paying pension benefits for a defined period shall be concluded in writing. In so doing, an individual with whom this contract is to be concluded shall be provided with a brochure explaining basic provisions of the contract prepared according to the requirements set by the State Commission on Regulating Financial Service Markets of Ukraine.

4. Pension benefits for a defined period will be calculated under a methodology approved by the State Commission on Regulating Financial Service Markets of Ukraine.

5. The pension fund administrator shall cover losses incurred by fund participants as a result of providing inadequate/false information or transferring not a full amount of pension money due to another pension fund, insurance company or in pension deposit account. Administrators will not be held liable for shortage of transferred pension money should such shortage be caused by violation of the procedure for paying pension contributions by a fund contributor.

6. Assets, from which benefits for a defined period are paid, may be invested in fixed income debt instruments or placed in bank deposit accounts with allowance for provisions of Article 49 of this Law on these instruments.

7. The administrator of a pension fund paying benefits for a defined period shall be cover damages to an individual, with whom the contract has been concluded, caused by breach of the contract as specified by the legislation.

8. Pension assets and money assigned for paying benefits for a defined period as well as return on these assets and money will be subject to accounting and investment under Part 6 of this Article separately from other pension assets.

The State Commission on Regulating Financial Service Markets may establish additional requirements to accounting and investment of pension assets and money assigned for paying pension benefits for a defined period.

9. Violations of the procedure for paying pension benefits for a defined period may not substantiate any limitation of a participant's eligibility for pension money and benefits due to him/her.

ARTICLE 65: LUMP SUM PENSION PAYMENT

1. The administrator of a pension fund might make a lump sum pension payment at fund participant's request if:

- 1) A critical state of participant's health (cancer, stroke) has been confirmed by medical authorities;
- 2) The amount of pension money due to the participant as of the day of reaching the retirement age is below the minimum sum of pension savings set by the State Commission on Regulating Financial Service Markets of Ukraine;
- 3) A participant has moved to another country for permanent residence;

2. The administrator of a pension fund shall pay the lump sum pension to fund participant's legal heirs in cases envisaged by this Law.

In order to receive a lump sum payment, a fund participant or his/her heirs of a deceased participant will file with a administrator an application and documents confirming his/her (their) right to receive such payment.

3. The amount of a lump sum payment shall be determined based on the amount of pension money in participant's individual pension account as of the day of filing the application for the lump sum pension payment.

The lump sum pension will be paid within five business days of the day of receiving the application and all relevant documents.

4. In case of failure to comply with the timeframe for a lump sum pension payment specified by Part 3 of this Article, the administrator shall pay to the recipient a penalty at the double rate of the National Bank of Ukraine applied to the amount due for each day of the delay as specified by the State Commission on Regulating Financial Service Markets of Ukraine.

SECTION X: INHERITING PENSION ASSETS

ARTICLE 66: DISTRIBUTION AND INHERITANCE OF PENSION ASSETS

1. Pension money accumulated by any of spouses during marriage in a pension fund, insurance company or pension deposit account shall be the joint ownership of the couple, unless otherwise envisaged by the marriage contract. In the course of distribution of pension assets because of the divorce, every party shall have to choose respectively a pension fund, an insurance company or a bank that is authorized to open pension deposit accounts for the purpose of transferring such party's share of pension assets and provide a written notice thereof to the administrator of the pension fund, insurance company or bank from which the pension money is to be transferred.
2. Pension money shall be inherited by an individual (individuals) being the legal heir(s) of the pension money owner under the Ukrainian civil legislation.
3. If the next contribution has not been received from a pension fund participant, insured individual or pension deposit account owner, the pension fund administrator, insurance company or bank shall find out the reason for not receiving the contribution. If payment of contributions has stopped because of the death of the pension fund participant, the administrator shall provide written notice to the local notary public office at the place of fund participant residence within ten business days of the day of receiving information on the death of the fund participant. The cost of such notice shall be covered out of pension money of the deceased participant. The notice shall be sent by registered mail, confirmation by the recipient requested.

A recognized legal heir shall submit an application for registering the legacy to the administrator within two months of the acceptance of the legacy.

The inherited pension money shall be paid to the heir(s) lump sum according to the procedure specified by this Law.

4. The administrator, insurance company or bank shall make a lump sum pension payment to heirs within the timeframe specified by this Law unless a prohibition on payments has been imposed pursuant to the effective legislation.

SECTION 13: STATE SUPERVISION IN THE AREA OF NON-STATE PENSION PROVISION

ARTICLE 67: STATE SUPERVISORY AND AGENCIES IN THE AREA OF NON-STATE PENSION PROVISION

1. The Government shall guarantee compliance with the legislation for the purpose of protecting property rights and legal interests of participants in the non-state pension provision system through supervision by relevant state agencies.
2. The State Commission on Regulating Financial Service Markets of Ukraine will be responsible for supervision and audits in the area of non-state pension provision i.e. over non-state pension funds, insurance companies, and banks within the authorities and according to the procedure established by this Law, the Law of Ukraine "On Financial Services and State Regulation of Financial Service Markets", and other Ukrainian legislation.
3. The State Commission on Securities and Stock Market of Ukraine will supervise and audit managers of pension fund assets and custodians within the authorities and according to the procedure envisaged by the legislation. The State Commission on Securities and Stock Market shall notify the State Commission on Regulating Financial Service Markets on sanctions and grounds for applying sanctions to these entities within ten business days of imposing such sanctions.

4. The Antimonopoly Committee of Ukraine shall ensure compliance with the legislation on protecting economic competition in the non-state pension area within the authorities envisaged by this Law. The Antimonopoly Committee shall notify the State Commission on Regulating Financial Service Markets on the decisions it makes on violation of the legislation on protecting economic competition by participants in the non-state pension provision system. Supervisory and auditing agencies in the area of non-state pension provision will notify the Antimonopoly Committee on indications of violations of the legislation on protecting economic competition by participants in the non-state pension provision system.

5. Decisions made by supervisory agencies in the area on non-state pension provision made within the authorities of these agencies will be binding for pension funds, administrators, asset managers, insurance companies, and banks offering pension deposit accounts. Actions of these agencies might be appealed according to the procedure established by the legislation including judicially.

6. Supervisory agencies in the area of non-state pension provision will:

- Share information needed to regulate non-state pension provision entities and consult each other;
- Disclose a list of legal entities carrying out activities in the non-state pension provision area;
- Take other actions to coordinate their activities as envisaged by the legislation on regulating financial service markets; conduct joint audits of providers of services in the non-state pension provision area.

7. The State Commission on Regulating Financial Service Market shall notify the State Commission on Securities and Stock Market on wrongdoings of pension fund asset managers and custodians and make proposals on applying sanctions if needed. On receiving such notification, the State Commission on Securities and Stock Markets shall inform the State Commission on Regulating Financial Service Market on sanctions applied.

The State Commission on Regulating Financial Service Market shall notify the National Bank of Ukraine on wrongdoings of a bank offering pension deposit accounts and make proposals on applying sanctions if needed. On receiving such notification, the National Bank of Ukraine shall inform the State Commission on Regulating Financial Service Markets on sanctions applied.

8. The State Commission on Regulating Financial Service Markets shall apply sanctions needed to protect rights of participants in the non-state pension provision system including by suing any individuals, institutions, organizations, public authorities in behalf of individuals whose right are violated.

9. The State Commission on Regulating Financial Service Markets shall exercise supervision, audits and take other measures of influence according to the legislation on financial services and state regulation of financial service markets.

SECTION XII: FINAL PROVISIONS

1. This Law of Ukraine shall come into force on January 1, 2004.

2. Enterprises, institutions and organizations which carry out activities in the non-pension pension or whose names contain the words “non-state pension fund” or “pension fund”, except for the Pension Fund of Ukraine and its bodies as well as enterprises, institutions, and organizations managed by the Pension Fund of Ukraine may reorganize themselves into pension funds set up under this Law within the timeframe and according to the procedure established by the State Commission on Regulating Financial Service Markets with due regard to specifics defined by Part 3 of this Section; otherwise these entities must be liquidated.

Entities mentioned in Section XII, Part 2, Paragraph 1, which have decided to reorganize or liquidate themselves, must exclude the phrase “pension fund” from their names and reorganize themselves in one of the types of non-banking financial institutions under the Law of Ukraine “On Financial Services and State Regulation of Financial Service Markets”. The State Commission on Regulating Financial Service Markets shall establish an individual reorganization procedure for each of these entities.

Entities, which have decided to reorganize themselves, shall develop a reorganization plan and submit it for approval by the State Commission on Regulating Financial Service Markets. In so doing, these entities shall be bound:

- 1) To ensure, within six months of enactment of this Law:
 - Investment of new pension contributions subject to requirements of this Law;
 - Conclusion of contracts with custodians and asset managers licensed under this Law;
 - 2) To develop investment policy declarations and submit them for registration with the State Commission on Regulating Financial Service Markets within six months of the day of approving rules, requirements, and procedure envisaged by this Law. In addition to the requirements specified by this Law, these investment policy declarations shall include information on the current status of pension assets (as of the day of enactment of this Law) and a plan for bringing the structure of pension assets and existing pension plans in compliance with the requirements of this Law;
 - 3) To bring their organizational structure, names, and internal regulations in compliance with the requirements of this Law and conclude a contract for administration with a duly licensed entity until the end of the fiscal year in which this Law is enacted. In so doing, the State Commission on Regulating Financial Service Markets may issue instructions which are binding for execution;
 - 4) To bring all their pension assets in conformity with the requirements of this Law according to the procedure established by the State Commission on Regulating Financial Service Markets within five years of the day of enacting this Law;
 - 5) To register, within six months of the enactment of this Law, with the State Commission on Regulating Financial Service Markets Within pursuant to the requirements of this Law and evaluate pension assets, considering the first day of the month following the day of registration with the State Commission on Regulating Financial Service Markets to be the day of assuming that the rated value of a pension contribution unit is one Hrivnya. In order to be registered with the State Commission on Regulating Financial Service Markets and in addition to documents specified by Article 11 of this Law, such legal entities will provide results of their financial and commercial activities for the preceding fiscal year and as of the last reporting day of the current year preceding the day of applying for the registration confirmed by auditor’s conclusion.
3. Entities specified in Part 2 of this Section, which were registered and carried out activities in non-state pension provision as of the day of enacting this Law and which:
- 1) used pension schemes or pension plans based on employers’ contributions paid out of profit – shall be entitled to continue their activities in such pension provision of existing (as of the day of enacting this Law) participants of pension funds provided that the State Commission on Regulating Financial Service Markets is provided with detailed information on the methodology for calculating pension payments;
 - 2) used defined benefit pension schemes (plans) – may not conclude new agreements (pension contracts) with pension fund participants under such pension schemes (plans) effective the day of publishing this Law and shall be obligated to provide the State Commission on Regulating Financial Service Markets with a plan for gradual transition from defined benefit schemes (plans) to define contribution schemes (plans).

The State Commission on Regulating Financial Service Markets shall be obliged to provide such pension funds with advisory and methodological support in regard to developing plans for gradual transition from defined benefit schemes (plans) to defined contribution schemes (plans).

4. Legal entities whose activities do not meet the requirements of this Law and which do not comply with Item 2 of this Section will be prohibited to use in their names and advertising of their activity the words “pension fund”, “pension plan”, “pension scheme”, “pension provision” “pension savings” and offer any services associated with any pension payments to the Ukrainian population.

This Law shall not be applied to pension deposits and funds created under the Law of Ukraine “On an Experiment in Housing Construction Based on the Holding Company Kyivmiskbud” during the period of the experiment.

5. The Cabinet of Ministers of Ukraine shall:

- 1) Submit, within three months of enacting this Law, proposals to the Supreme Rada of Ukraine on amending the tax legislation with the purpose of ensuring effective operation of the non-state pension system;
- 2) Submit, within six months of enacting this Law, proposals to the Supreme Rada on amending the Laws of Ukraine “On Insurance”, “On Banks and Banking Activities”, and other laws so that they are brought in compliance with this Law;
- 3) Bring its rules and regulations into compliance with this Law; ensure that rules and regulations of other agencies of the state executive power are reviewed and brought in conformity with this Law as well as ensure cancellation of those rules and regulations which are inconsistent with this Law within three months of enacting this Law;
- 4) Ensure development and approval of regulations attributed by this Law to the scope of the authorities of the State Commission on Regulating Financial Service Markets and State Commission on Securities and Stock Market.

6. The National Bank of Ukraine, within six months of enacting this Law, shall bring its rules and regulations in compliance with this Law and ensure drafting and approval of a regulation on a streamlined procedure for investing pension assets of non-state pension funds and insurance companies in securities of foreign issuers under Article 49 of this Law and purchasing hard currencies to this end.

7. Effective enactment of this Law other laws will be applied to the extent which does not conflict with this Law.

President of Ukraine

L. Kuchma

City of Kyiv
July 9, 2003
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