



Capital Markets Project



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PRESS RELEASE

“INTERREGIONAL STOCK UNION” RECEIVED TECHNICAL EQUIPMENT FOR CREATING AN INDEPENDENT STAND-BY SYSTEM FOR SERVICING THE DEPOSITORY ACTIVITIES

Kyiv - on September 26, 2007 a ceremony of a transfer of technical equipment to the clearing depository OJSC “Interregional Stock Union” (MFS) from the USAID Capital Markets Project took place and a press conference dedicated to this event was held. The new equipment transferred to MFS free of charge is required for creating an independent stand-by system for servicing the depository activities which will back up operation of the existing system in case of its failure and will provide reliability and uninterrupted operation of the depository.

To provide full confidence on the part of investors it is very important that the depository institutions be in effect reliable and independent and secure the balance of interests of professional securities market participants, investors and the state. Most developed countries of the world have securities depositories which are owned and managed by market participants as a key part of the financial markets infrastructure. International organizations support the development of integrated, independent, competitive and transparent structures of the securities market in Ukraine that is a substantial precondition for protection of the rights of investors, fulfillment of investment requirements of the pension system and attraction of investment resources to the economy. Namely for this reason USAID continuously promotes the efforts of professional stock market participants to develop market institutions which meet highest world standards. Successful cooperation with MFS which has been lasting since 1999 is an example of this.

Currently the MFS depository is a key element of Ukraine’s stock market infrastructure providing conditions for 1) securities ownership fixing; 2) observance of the rights of securities owners; and 3) making of settlement and clearing under securities trades. The efficiency and reliability of the performance of these functions are critical for professional securities market participants. Introducing a guaranteed mechanism for delivery versus payment through a centralized depository institution is also a basic precondition for a transfer from the quantitative stage to the qualitative stage of the development of capital markets and effective introduction of Pillars II and III of the pension system in Ukraine.

Since its foundation in 1997 the MFS depository has been effecting non-documentary securities clearing and settlements having won confidence and respect of market participants. MFS serves the accounts of more than 1,100 participants, in particular, issuers, banks and custodians. As of 2006 the value of the shares registered with MFS was equal to UAH 126 billion. MFS has required the software and qualified human resources owing to which it performs de facto the functions of a central depository on the market.

The Group of Thirty (G30) together with the International Association of Financial Services (ISSA) recommends nine standards for assessment of clearing and settlement systems on the world securities markets. MFS complies with six out of the nine standards, that is, affirmation of transactions on T+1, affirmation of trade details for clients, delivery versus payment, irrevocable payments, T+3 settlement standard, and also a codification standard. It is impossible to comply with other three standards on multilateral mutual netting, central securities depository and procedures of receipt and lending of securities since currently the legislation of Ukraine in this area does not meet international standards.

The ceremony was attended by: Earl Gast, Director of USAID Regional Mission for Ukraine, Michelle Noel, a World Bank leading financial expert, Boris Tymon’kin, Chairman of the MFS Supervisory Board, Mykola Shvetsov, Chairman of the MFS Management Board; professional stock market participants – MFS shareholders; USAID Capital Markets Project representatives.

Since 1992 to promote democratic, economic and social transformations USAID has provided technical and humanitarian assistance to Ukraine to the total amount of more than \$1.6 billion. For more information about this or any other USAID programs, please contact the office of program coordination, tel.: (044) 537-4600.