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Law of Ukraine

On Securities and the Stock Market

This Law shall regulate the relations that arise during placement and circulation of securities and conduct of professional activities in the stock market, in order to ensure transparency and effectiveness of the stock market functioning.

**Section I
GENERAL PROVISIONS**

Article 1. Definition of Terms

1. Terms shall be used in the Law in the following meaning:

securities issue – a set of issuable securities of a certain kind of the same issuer, same nominal value, same form of issue and same international identification number that grant to their owners same rights, regardless of the time of purchasing and placement in the stock market;

delisting – a procedure of excluding securities from the register of a trade organizer for failure to meet the trade organizer rules, followed by termination of trading on the trade organizer or moving them to the category of securities admitted for trading without including them into the trade organizer's register;

issuance – a law-established sequence of the issuer's actions with regard to issue and placement of issuable securities;

endorsement – the signature on an order security that certifies the transfer of rights under the security to another person/entity;

endorser – an individual or legal entity which is the owner of the security and which endorses;

quoting – a mechanism of determining and/or fixing the market value of a security;

listing – a set of procedures to include securities into a trade organizer register and to ensure the securities and the issuer meeting the terms and requirements set forth in the trade organizer rules;

international identification number of securities – a number (code) permitting to identify securities or other financial instruments, which assignment is envisaged by Ukrainian laws;

securities circulation – execution of transactions relating to transfer of ownership rights to securities and rights under securities, except for agreements concluded at the time of securities placement;

primary owner – a person/entity which obtained ownership of securities directly from the issuer (or the person/entity which issued the securities) or the underwriter during placement of securities;

securities prospectus – a document that contains information on open (public) securities placement;

securities placement – alienation of securities by the issuer or the underwriter by way of conclusion of a civil and legal agreement with a primary owner;

financial instruments – securities, futures contracts, cash instruments, forward contracts, interest rate swaps, currency swaps or index swaps, options that grant the right to purchase or sell any of the above financial instruments, including cash instruments (currency options and interest rate options).

Article 2. Stock Market

1. Stock market (securities market) shall be a totality of stock market participants and their legal relations with regard to the placement, transference and record keeping of securities and derivatives.

2. Stock market participants shall be issuers, investors, self-regulatory organizations and professional stock market participants.

An issuer shall be a legal entity, the Autonomous Republic of Crimea or municipalities, as well as the State in the person of GOU-authorized bodies of State power that, on its behalf, places issuable securities and undertakes obligations thereunder to their owners.

Investors in securities shall be physical persons and legal entities, resident and non-resident, which have acquired ownership rights to securities for the purpose of getting a return on the invested funds and/or on the acquired rights assigned to securities' owners under legislation. Institutional investors shall be collective investment institutions (unit and corporate investment funds), investment funds, mutual funds of investment companies, non-State pension funds, insurance companies, and other financial institutions that perform transactions with financial assets in the interest of third parties at own cost or at the cost of said persons, and, in cases envisaged by legislation, at the cost of financial assets of other persons for the purpose of making a return or preserving the real value of said financial assets.

A self-regulatory organization of professional stock market participants shall be a non-for-profit association of professional stock market participants engaged in professional activities on the stock market in securities trading, asset management of institutional investor assets, depositary activities (registrar and custodian activities), created according to the criteria and requirements set by Securities and Stock Market State Commission.

Professional stock market participants shall be legal entities that, on the basis of licenses issued by Securities and Stock Market State Commission, carry out professional stock market activities, whose types are defined by this Law.

3. The stock market shall be divided into primary and secondary market.

The primary market of securities shall be a totality of legal relations related to securities placement.

The secondary market of securities shall be a totality of legal relations related to the circulation of securities.

Article 3. Securities and Their Classification

1. Securities shall be documents of the established form with relevant requisites that testify to the money and other property rights, determine interrelationships between the entity that has placed (issued) them and the owner and envisage carrying out obligations under the terms of their placement, and to the possibility of transfer to other persons of rights following from said documents.

2. According to the terms of placement (issue), securities shall be divided into issuable and non-issuable securities.

Issuable securities shall be securities that testify to equal rights of their owners within one issue with regard the person that undertakes respective obligations (issuer).

Issuable securities shall include:

- shares;
- corporate bonds;
- municipal bonds;
- government bonds of Ukraine;
- mortgage certificates;
- mortgage bonds;
- certificates of Funds of Real Estate Operations (hereinafter, FREO certificates);
- investment certificates; and
- treasury bills of Ukraine.

Securities that do not fall under the definition of issuable securities under this Law may be recognized as such by Securities and Stock Market State Commission if this does not conflict with special laws on these groups and/or types of securities.

3. By the form of existence securities shall fall into documentary and non-documentary.

4. According to the form of issue securities may be bearer, registered or order.

Rights certified by a security shall belong to the following:

- bearer of the security (bearer security);
- person indicated in the security (registered security); or

- person indicated in the security, which can independently exercise these rights or appoint by its instruction (order) another authorized person (order security).

5. In Ukraine the following groups of securities shall be in civil circulation:

- 1) Equity securities shall be securities, which testify to participation of their owners in the statutory capital (except for investment certificates) that entitle their owners to participate in the issuer governance and receive a portion of profit in the form of dividends, and a portion of property in case of the issuer's liquidation. The following securities shall refer to equity securities:
 - shares;
 - investment certificates
- 2) Debt securities shall be securities that testify to the relations of borrowing and envisage the issuer's obligation to pay funds at a definite time in accordance with the obligation. The following securities shall refer to debt securities:
 - corporate bonds;
 - government bonds of Ukraine;
 - municipal bonds;
 - treasury bills of Ukraine;
 - savings (deposit) certificates;
 - promissory notes
- 3) Mortgage securities shall be securities with a mortgage coverage (pool of mortgages), which testify to the right of their owners to receive from the issuer their due funds. The following securities shall refer to mortgage securities:
 - mortgage bonds;
 - mortgage certificates;
 - mortgage letters (zastavni);
 - FREO certificates.
- 4) Privatization securities shall be securities, which testify to the right of their owners to obtain free of charge a share of state enterprises, state housing stock and land resources in the process of privatization.
- 5) Derivatives shall be securities, whose framework of issue and circulation is linked with the right to purchase or sell securities, other financial and/or commodity resources within the term established by an agreement.
- 6) Securities of title to goods shall be securities, which entitle their holder to dispose of goods specified in these documents.

Article 4. Transfer of Rights under Securities

1. All rights certified by a security shall transfer to the person who acquired ownership of the security.

A restriction on circulation of and/or exercise of rights under securities may be set forth only in cases and according to the procedure envisaged by law.

2. In order to transfer to another person the rights certified by a bearer security, it shall be enough to hand the security over to this person.

3. Rights certified by a registered security shall be transferred according to the procedure established by the laws of Ukraine.

4. Rights certified with an order security shall be transferred by way of endorsement. The endorser shall be responsible for the availability and exercise of this right.

Under an endorsement, all rights certified with a security shall transfer to the person to whom these rights are transferred (endorsee). The endorsement may be in the blank form (without indicating the person with regard to whom obligations shall be performed) or in the order form (with the indication of such a person).

5. Specific features of record keeping and transfer of ownership rights to securities shall be established by the legislation.

Article 5. Performance of Obligations under a Security

1. A person, who placed (issued) a security, and persons, who endorsed it, shall bear joint liability to its lawful owner. Should a claim be satisfied of the lawful owner of an order security with regard to performance of an obligation certified by this security by one or several persons of those who have such obligations, persons who endorsed this security shall acquire the right of recourse with regard to other persons, who have obligations under the security.

2. Refusal to perform obligations certified by a security for lack of grounds for the obligation or for its invalidity shall be prohibited.

Section II TYPES OF SECURITIES

Article 6. Shares

1. A share shall be a registered security that certifies property rights of its owner (shareholder) that relate to the joint stock company, including the right to receive a portion of profit of the joint stock company in the form of dividends and the right to receive a portion of property of the joint stock company in case of its liquidation, the right to manage the joint stock company as well as non-property rights envisaged by the Civil Code of Ukraine and the law that regulates establishment, operation and termination of joint stock companies.

2. An issuer of shares shall be only a joint stock company. The procedure for making a decision by the relevant body of the joint stock company with regard to placement of shares shall be established by the law that regulates establishment, operation and termination of joint stock companies.

3. A share shall have a nominal value set in the national currency. Minimal nominal value of a share may not be less than one kopeck.

4. A joint stock company shall place only registered shares.

A share certificate shall indicate the security type, the name and location of the joint stock company, the series and number of the certificate, the number and date of issue, the international identification number of the security, the type and nominal value of the share, the name of the owner, the number of shares issued.

5. A joint stock company shall place shares of two types — common and preferred.

6. Common shares shall grant to their owners the right to receive a portion of the joint stock company's profit in the form of dividends, to participate in management of the joint stock company, to receive a portion of property of the joint stock company in case of its liquidation and other rights as envisaged by the law that regulates establishment, operation and termination of joint stock companies. Common shares shall grant equal rights to their owners.

Common shares shall not be convertible into preferred shares or other securities of a joint stock company.

7. Preferred shares shall grant to their owners preemptive rights versus owners of common shares to receive a portion of the joint stock company's profit in the form of dividends and to receive a portion of property of the joint stock company in case of its liquidation as well as the right to participate in governance of the joint stock company in cases envisaged by the charter and the law that regulates establishment, operation and termination of joint stock companies.

8. A joint stock company shall place preferred shares of different classes (with a different scope of rights) if envisaged by its charter. In this case, terms of their placement shall define the succession of receiving dividends and payments from property of the liquidated company per each class of preferred shares placed by the joint stock company and shall be set forth in the company's charter. Depending on the terms of placement, preferred shares of certain classes may be convertible into common shares or preferred shares of other classes.

The percentage of preferred shares in the statutory capital of a joint stock company may not exceed 25%.

9. Registration of a share issue shall be conducted by the Securities and Stock Market State Commission according to the procedure set by the Commission. Shares circulation shall be allowed after registration of a report on the results of shares placement and issue of a registration certificate of shares issue by the Securities and Stock Market State Commission.

10. Specifics of issuance, circulation and redemption of corporate investment fund's shares shall be defined by legislation.

Article 7. Bonds

1. A bond shall be a security that certifies a contribution of cash by its owner, determines the relations of borrowing between the bondholder and the issuer, confirms the issuer's obligation to return to the bondholder the nominal value of the bond, within the period envisaged by the terms of placement, and to pay return on the bond, unless otherwise envisaged by the terms of placement.

2. Bonds shall be placed in a documentary or non-documentary form.

3. An issuer may place according to the procedure established by Securities and Stock Market State Commission interest bearing, special purpose and discount bonds.

Interest bearing bonds shall be bonds that provide for payment of interest income.

Special purpose bonds shall be bonds, obligations under which may be met with goods and/or services in compliance with the requirements established by the terms of placement of such obligations.

Discount bonds shall be bonds that are placed at a price that is lower than their nominal value. The difference between the purchase price and the nominal value of a bond shall be payable to the bondholder at bond repayment and shall represent return (discount) on the bond.

4. Bonds may be placed with a fixed maturity, same for the whole issue. Early redemption of bonds on the request of their holders shall be permitted if this is envisaged by the terms of bond placement that determine the procedure of setting the price of the early redemption and the time period within which bonds may be presented for early redemption.

5. Bonds may be redeemed by cash or property, depending on the terms of the bond placement.

6. A bond shall have a nominal value, set in the national currency and, if envisaged by the terms of the bond placement, in foreign currency. Minimal nominal value of a bond may not be less than one kopeck.

7. The issuer may place registered bonds and bearer bonds. Bonds circulation shall be allowed after registration by Securities and Stock Market State Commission of a report about results of bonds placement and issuance of a registration certificate of bonds issue.

8. A bond certificate shall indicate the security type, the name and location of the issuer, the international identification number of the security, the nominal value of the bond, the total amount of the issue, the maturity, the amount and terms of interest payment (for interest bearing bonds), the date when the decision on bond placement was made, the series and number of the bond certificate, the signature of the issuer's manager or other authorized person, certified with the issuer's stamp.

Additional features of bond certificate may be established by Securities and Stock Market State Commission.

A registered bond certificate shall indicate the name of the holder.

A coupon (coupon sheet) shall be attached to a certificate of bearer interest bearing bonds. The coupon (coupon sheet) shall indicate the series and number of the certificate of the bond on which interest is payable, the name and location of the issuer, and the period of interest payment. A series number shall be indicated on each coupon (coupon sheet).

9. Bonds shall be sold for national currency and, if envisaged by the law and the terms of placement, for foreign currency.

Article 8. Corporate Bonds

1. Corporate bonds shall be placed by legal entities only after their statutory capital has been paid in full.

Corporate bonds shall confirm the issuer's obligations thereunder and shall not grant the right to participate in governance of the issuer.

2. Corporate bonds shall not be placed for the purpose of formation and replenishment of the issuing company statutory capital and to cover the operating losses by recording proceeds from sale of bonds as a result of current business activities.

3. A legal entity shall have the right to place bonds for the amount that does not exceed the amount of three-fold equity capital or the amount of the guarantee that is provided to it by third parties for this purpose.

4. The placement terms of bonds that are placed by a joint-stock company may provide for their conversion into shares of joint stock company (convertible bonds).

5. A decision on corporate bonds placement shall be made by the relevant management body of the issuer in accordance with the provisions of the laws that regulate the procedure of establishment, operation and termination of legal entities of a relevant organizational and legal form.

6. Registration of a corporate bond issue shall be conducted by Securities and Stock Market State Commission according to the procedure set by the Commission.

Article 9. Municipal Bonds

1. Municipal bonds shall include internal and external municipal bonds.

A decision on placement of municipal bonds shall be made by the Verkhovna Rada of the Autonomous Republic of Crimea or a municipal council, in accordance with the requirements set by the budget legislation.

2. Registration of an issue of municipal bonds shall be conducted by Securities and Stock Market State Commission according to the procedure set by it.

3. Specific features of repayment of and exercise of rights under municipal bonds shall be defined in the terms of placement thereof.

Article 10. Government Bonds of Ukraine

1. Government bonds of Ukraine may be:

- long-term – over 5 years;
- medium-term – from 1 to 5 years; and
- short-term – up to 1 year.

2. Government bonds of Ukraine shall be divided into bonds of internal government borrowings of Ukraine, bonds of external government borrowings of Ukraine and special-purpose bonds of internal government borrowings of Ukraine.

3. Bonds of internal government borrowings of Ukraine shall be government securities that are placed solely in the internal stock market and certify Ukraine's obligations to repay to the holders of these bonds the nominal value thereof and income, according to the terms of bond placement.

4. Special-purpose bonds of internal government borrowings of Ukraine shall be bonds of internal government borrowings, whose issuance is the source of financing the deficit of the government budget within the amount envisaged for this purpose by the Law "On the State Budget of Ukraine" for the relevant year and within the ultimate amount of government debt.

The major feature of special-purpose bonds of internal government borrowings of Ukraine shall be identification of the direction for the use of funds raised as a result of placement of such bonds, as envisaged by the Law "On the State Budget of Ukraine" for the relevant year.

Funds raised to the State Budget of Ukraine as a result of placement of special-purpose bonds of internal government borrowings of Ukraine shall be used solely to finance government or regional programs and projects on a pay-back basis within the scope envisaged by the Law "On the State Budget of Ukraine" for the relevant year. Financing shall be in compliance with the loan agreements concluded between the State, represented by the Ministry of Finance of Ukraine, and the recipient of funds. The terms of loan agreements shall correspond to the terms of issue of special-purpose bonds of internal government borrowings of Ukraine, with a mandatory indication of the date of servicing and repaying the loan as 5 days before the date of servicing and repaying special-purpose bonds of internal government borrowings of Ukraine.

5. Bonds of external government borrowings of Ukraine shall be government debt securities that are placed in the international stock markets and testify to Ukraine's obligations to repay to the holders of such bonds their nominal value and return, according to the terms of bond issue.

6. Issuance of government bonds of Ukraine shall be a part of the budgetary process and shall not be regulated by Securities and Stock Market State Commission.

7. Issuance of government bonds of Ukraine shall be regulated by the Law "On the State Budget of Ukraine" for the relevant year, which shall set the ultimate amounts of the government external and internal debt.

A decision to place bonds of external and internal government borrowings of Ukraine and the terms of issue thereof shall be made in accordance with the Budget Code of Ukraine.

Government bonds of Ukraine shall be placed in case of observance, at the end of the year, of the ultimate amounts of the government external and internal debt, as envisaged by the Verkhovna Rada of Ukraine in the Law “On the State Budget of Ukraine” for the relevant year.

8. The terms of placement and repayment of bonds of internal government borrowings of Ukraine and special-purpose bonds of internal government borrowings of Ukraine that are not envisaged by the terms of placement shall be set by the Ministry of Finance of Ukraine in accordance with the law.

9. The National Bank of Ukraine shall carry out operations on servicing the government debt in connection with placement of bonds of internal government borrowings and special-purpose bonds of internal government borrowings of Ukraine, repayment thereof and payment of return thereon as well as depository activities with regard thereto. The procedure of carrying out operations related to placement of these bonds shall be set by the National Bank of Ukraine with approval of the Ministry of Finance of Ukraine. Specific features of carrying out depository activities with regard to government bonds of Ukraine shall be set by Securities and Stock Market State Commission together with the National Bank of Ukraine.

10. Bonds of external government borrowings of Ukraine shall be placed, serviced and repaid by the Ministry of Finance of Ukraine, which may engage in this activity banks, investment companies, etc. The relations between the Ministry of Finance of Ukraine and these organizations shall be regulated by relevant agreements.

11. Expenses on preparation for placement as well as placement and repayment of government bonds of Ukraine and payment of return thereon shall be covered in accordance with the terms of the government bonds of Ukraine placement at the cost of the funds envisaged in the State Budget of Ukraine for such purposes.

12. Government bonds of Ukraine may be registered or bearer.

Government bonds of Ukraine shall be placed in a documentary or non-documentary form.

13. Bonds of internal government borrowings shall be sold for national currency, and bonds of external government borrowings shall be sold for currency of their nomination.

14. Return shall be payable and government bonds of Ukraine shall be repaid in cash or with government bonds of Ukraine of other types, as agreed upon by the parties.

Article 11. Treasury Bills of Ukraine

1. A treasury bill of Ukraine shall be a government security that is placed solely on a voluntary basis among individuals, that testifies to the debt of the State Budget of Ukraine to the holder of the treasury bill of Ukraine, grants to the holders the right to receive cash income and is repayable according to the terms of placement of treasury bills of Ukraine.

The amount of issue of treasury bills of Ukraine together with the amount of issue of bonds of internal government borrowings of Ukraine may not exceed the ultimate amount of internal government debt and the amount of expenses associated with servicing of government debt, as determined by the Law “On the State Budget of Ukraine” for the relevant year.

Issuance of treasury bills of Ukraine shall be a part of the budgetary process and shall not be regulated by Securities and Stock Market State Commission.

Repayment of and payment of return on treasury bills of Ukraine shall be guaranteed with the revenue of the State Budget of Ukraine.

2. Treasury bills of Ukraine may be:

- long-term – over 5 years;
- medium-term – from 1 to 5 years; and
- short-term – up to 1 year.

3. The issuer of treasury bills of Ukraine shall be the State, represented by the Ministry of Finance of Ukraine by instruction of the Cabinet of Ministers of Ukraine.

4. Treasury bills of Ukraine may be registered and bearer.

Treasury bills of Ukraine shall be placed in a documentary or non-documentary form.

In case of placement of treasury bills of Ukraine in a documentary form, a certificate is issued.

A certificate of treasury bill of Ukraine shall indicate the security type, the name and location of the issuer, the amount of payment, the date of payment of cash return, the date of repayment, the venue of repayment, the date and venue of issue of the treasury bill of Ukraine, the series and number of the certificate of the treasury bill of Ukraine, the signature of the issuer’s managers or other authorized person, certified with the issuer’s stamp. A certificate of a registered treasury bill of Ukraine shall also indicate the holder’s name.

Specific features of repayment of and exercise of rights under treasury bills of Ukraine shall be determined by the terms of placement thereof.

5. Decisions on placement of treasury bills of Ukraine shall be made in accordance with the Budget Code of Ukraine. The decision shall identify the terms of placement and repayment of treasury bills of Ukraine.

6. The terms of placement of treasury bills of Ukraine may provide for repayment thereof by way of reducing liabilities of the holder of the treasury bill of Ukraine to the State Budget of Ukraine by the value of this bill.

7. The procedure for determining the sale price of treasury bills of Ukraine at the time of placement thereof shall be set by the Ministry of Finance of Ukraine.

8. Specific features of depository activities with treasury bills of Ukraine shall be determined by Securities and Stock Market State Commission together with the National Bank of Ukraine.

Article 12. Investment Certificates

1. An investment certificate shall be a security that is placed by an investment fund, an investment company, an asset management company of a unit investment fund and testifies to the investor's ownership right to a stake in an investment fund, a mutual fund of an investment company, and a unit investment fund.

2. An issuer of investment certificates shall be an investment fund, an investment company or an asset management company of a unit investment fund.

3. The number of declared investment certificates of a unit investment fund shall be indicated in the securities prospectus.

The period of placement of investment certificates of an open-end and interval unit investment funds shall not be limited.

4. Investment certificates may grant to their holders the right to receive income in the form of dividends. Dividends on investment certificates of an open-end and interval unit investment funds shall not be accruable or payable.

5. Placement of derivative securities, whose underlying asset is the right to receive investment certificates, shall not be allowed.

6. Specific features of issuance, placement, circulation, record-keeping and redemption of investment certificates shall be determined by respective legislation.

Article 13. Savings (Deposit) Certificates

1. A savings (deposit) certificate shall be a security that certifies the amount of deposit with a bank and the rights of the depositor (certificate owner) to receive, after the end of a definite period, the deposited amount and interest, indicated in the certificate, from the issuer bank.

2. Savings (deposit) certificates shall be placed for a definite period (at interest envisaged by the terms of placement). Savings (deposit) certificates may be registered or bearer. Registered savings (deposit) certificates shall be placed in a non-documentary form and bearer ones – in a documentary form.

3. A savings (deposit) certificate in a documentary form shall indicate the security type, the name and location of the issuer bank, the series and number of the certificate, the date of issue, the deposited amount, the interest rate, the period of deposit, the signature of the bank's manager or other authorized person, certified with the bank's signature.

4. A savings (deposit) certificate shall be ceded by way of concluding an agreement between the person who cedes rights under the certificate and the person who obtains these rights.

5. Income on savings (deposit) certificates shall be payable at the time they are presented to the bank that placed these certificates.

In case of early presentation of a savings (deposit) certificate, the bank shall repay the deposited amount and interest (on deposit, at request), unless the terms of the certificate issue provide for other interest rate.

Article 14. Promissory Note

1. A promissory note shall be a security that testifies to an absolute pecuniary obligation of the maker or his order to a third party to pay, after the maturity, a definite amount to the owner of the promissory note (note holder).

2. Promissory notes may be common or transfer, and shall exist exceptionally in a documentary form.

3. Specific features of issuance and circulation of promissory notes, operations with promissory notes, repayment of obligations under promissory notes and enforce payment under promissory notes shall be determined by the law.

Article 15. Mortgage Securities, Privatization Securities, Derivative Securities and Securities of Title to Goods

1. Specific features of issuance, circulation and record-keeping of mortgage letters, mortgage certificates, mortgage bonds, FREO certificates, privatization securities, derivatives, securities of title to goods and the procedure for information disclosure regarding them shall be determined by legislation.

Section III

PROFESSIONAL STOCK MARKET ACTIVITIES

Article 16. Types of Professional Stock Market Activities

1. Professional stock market activities shall be activities of legal entities on provision of financial and other services with regard to placement and circulation of securities, keeping records of rights under securities, management of institutional investors assets in compliance with the requirements set to such activities by the present Law and other laws.

It shall not be allowed to combine professional stock market activities with other types of professional activities, except for banking activities, unless otherwise envisaged by the law.

2. In the stock market, the following types of professional activities shall be conducted:

- activities on securities trading;
- activities on management of assets of institutional investors;
- depository activities; and
- activities on organization of trading in the stock market.

3. Professional stock market activities shall be conducted solely on the basis of a license issued by Securities and Stock Market State Commission. The list of documents necessary to receive a license, the procedure for its issuance and termination shall be established by the Securities and Stock Market State Commission.
4. Professional activity of stock market participants, except for depositaries and stock exchanges, shall be conducted on condition of membership in at least one self-regulatory organization (SRO).

Article 17. Activities on Securities Trading

1. Professional activities on securities trading in the stock market shall be conducted by securities traders – business associations for which operations with securities are an exclusive type of activities, and also by banks.

Professional activities on securities trading shall include:

- brokerage;
- dealing;
- underwriting; and
- securities management.

A securities trader may conduct dealing activities if it has the statutory capital, paid in cash, of at least 120,000 hryvnias, brokerage activities and activities on securities management – if it has at least 300,000 hryvnias, and activities on underwriting – if it has at least 600,000 hryvnias.

The stake of another trader in the statutory capital of a securities trader may not exceed 10%.

A securities trader shall be prohibited from re-selling (exchanging) securities issued by it.

2. Brokerage shall be conclusion by a securities trader of civil and legal agreements (in particular commission agreement and agency agreement) with regard to securities on his own behalf (on behalf of another person), on the instruction and for the account of another person.

The securities trader may become the security or guarantor to the third parties with regard to meeting the obligations under the contracts that concluded on behalf of clients of such a trader, for which the trader receives fee specified in the agreement of a securities trader with a client.

3. Dealing shall be conclusion by a securities trader of civil and legal agreements with regard to securities on his own behalf and for his own account with an objective of reselling them, except in cases envisaged by the law.

4. Underwriting shall be placement (subscription, sale) of securities by a securities trader on the instruction, on behalf and for the account of the issuer.

In case of public securities placement, an underwriter may undertaking an obligation, as agreed upon by the issuer, to guarantee sale of all or a portion of securities of the issuer to be placed. If a securities issue is publicly placed not in full, the underwriter may redeem

unsold securities fully or partially at a fixed price indicated in the agreement on the basis of commercial representation according to the undertaken obligations.

In order to organize public securities placement, underwriters may conclude between themselves an agreement on joint activities.

5. Securities management shall be activities conducted by a securities trader on his own behalf for a fee during a definite period on the basis of an agreement on management of entrusted securities and cash funds intended for investment in securities as well as securities and funds owned by management initiator (settlor) and obtained in the process of such management, in the interests in this settlor or third parties determined by him/her.

A securities trader shall have the right to conclude agreements on securities management with natural persons and legal entities. The agreement value on securities management with one client that is a natural person shall amount at least 100 minimum wages.

The essential terms of an agreement on securities management shall be set by law and as agreed by parties.

A securities trader shall not conclude an agreement on securities management with an asset management company.

A securities trader shall manage securities according to the requirements of the Civil Code of Ukraine, the present Law, other laws, and regulations of Securities and Stock Market State Commission.

6. An agency agreement, a commission agreement or an agreement on securities management shall be concluded with a securities trader in writing. The rights and obligations of a securities trader with regard to his client, the terms of conclusion of agreements regarding securities, the procedure of reporting by the trader to the client as well as the procedure and terms of paying a fee to the trader shall be determined in the agreement concluded between them.

A securities trader shall perform orders of clients under agency agreements, commission agreements and agreements on securities management on the most client-friendly conditions. Orders of clients shall be performed by a securities trader on the first-come first-served basis, unless otherwise envisaged by the agreement or order of the clients. Should a securities trader conclude agreements for his own account simultaneously with conclusion by him of agreements for the client's account execution of agreements for a client shall be a priority.

7. A securities trader shall keep records of securities and cash separately per each client and separately from his own securities, cash and property, according to the requirements set by Securities and Stock Market State Commission by approval of the Ministry of Finance of Ukraine and, in cases set by the law, also of the National Bank of Ukraine. Cash and securities of clients entrusted to securities traders may not be forfeited with regard to securities traders' liabilities, which are not connected with trader's execution of manager functions.

In order to conduct activities on securities management, a client's money shall be deposited on a separate current bank account of the securities trader separately from the securities trader own funds and other clients' funds according to the terms of the securities management agreement. A securities trader shall report to the clients about the use of their cash funds.

A securities trader shall have the right to use the clients' cash if envisaged by the agreement on securities management. An agreement on securities management may provide for division of profit from use of the client's cash, received by the securities trader, between the parties.

A securities trader shall be bound to submit the information about all his securities transactions to the selected stock exchange within the terms and according to the procedure established by the stock exchange regulations.

8. The following shall not be deemed professional activities on securities trading:

- placement by the issuer of its own securities;
- redemption by the issuer of its own securities;
- making settlements with promissory notes and/or mortgage letters by legal entities and physical persons entrepreneurs;
- purchase and sale (swap) of securities by legal entities on the basis of commission agreements or agency agreements through a securities trader licensed to conduct brokerage activities, as well as on the basis of agreements of sale and purchase, or exchange concluded directly with the securities trader.
- securities contribution to the statutory capital of legal entities.

9. The following operations may be carried out without participation of a securities trader:

- gift and inheritance of securities;
- operations related to execution of court decisions; and
- purchase of shares according to the privatization law.

10. Specific features of conclusion of agreements related to transfer of ownership right to shares issued by banks shall be determined by the law.

Article 18. Activities on Management of Assets of Institutional Investors

1. Activities on management of assets of institutional investors shall be professional activities of a stock market participant – an asset management company, which it conducts for a fee on its own behalf or on the basis of the relevant agreement on management of assets owned by institutional investors.

2. Activities on management of assets of institutional investors shall be regulated by a special legislation.

Article 19. Depository Activities

1. Depository activities shall be conducted by stock market participants according to the law on the Depository System of Ukraine.

Article 20. Activities of Trade Organizers in the Stock Market

1. Activities on organization of trading in the stock market shall be activities of a professional stock market participant (trade organizer) on creation of organizational, technological, informational, legal and other conditions for collection and dissemination of information on ask and bid prices, conduct of regular trades in financial instruments according to established rules, centralized conclusion and performance of agreements with regard to financial instruments, including clearing and settlements on them and resolution of disputes between members of the trade organizer.

2. Trade organizers shall be stock exchanges that comply with requirements of the present law.

In order to perform their activities stock exchanges shall maintain an equity capital not less than 3 Mio hryvnias, and for stock exchanges that conduct clearing and settlements – not less than 6 Mio hryvnias.

Article 21. Establishment of a Stock Exchange and Rights of Its Members

1. A stock exchange shall be established and operate in the organizational and legal form of a company (except for full partnership, limited partnership and additional liability company) or a subsidiary of an association of securities traders and conducts its activities according to the Civil Code of Ukraine and laws that regulate establishment, operation and termination of legal entities, taking into account specific features determined by the present Law.

A stock exchange profit shall be directed for its development and is not a subject for distribution between its founders (members).

2. A stock exchange shall be established by at least 20 founders – securities traders that are licensed to conduct professional stock market activities or an association thereof that unites at least 20 securities traders. A share of one securities trader may not exceed 5% of the stock exchange statutory capital.

3. A stock exchange shall obtain a status of a legal entity from the moment of state registration. A state registration of a stock exchange shall be conducted according to the procedure established by the Law of Ukraine “About State Registration of Legal Entities and Natural Persons-Entrepreneurs”. A stock exchange shall have the right to conduct activities on organization of trading in the stock market from the moment of receiving a license from Securities and Stock Market State Commission.

Only legal entities that were created and operate in compliance with the requirements of the present Law shall be allowed to use the word “stock exchange” and its derivatives.

4. Activities of a stock exchange as a trade organizer shall be temporarily suspended by Securities and Stock Market State Commission if the number of its members is less than 20 and if a stock exchange is established in the form of a subsidiary of an association of securities traders, when the number of members of such association is less than 20. If within 6 months no new members joined, the stock exchange’s activities shall be terminated.

5. Members of a stock exchange may be solely securities traders that are licensed to conduct professional stock market activities and undertook an obligation to meet all rules, regulations and standards of the stock exchange.

In case of termination of a securities trader's license to conduct professional stock market activities its membership in the stock exchange shall be temporary suspended till it renews the license or submits a letter to the stock exchange to exclude him from the stock exchange membership. Other grounds for termination or suspension of membership in a stock exchange shall be determined by its rules.

Membership in a stock exchange shall be terminated in case of termination of the license to conduct professional stock market activities issued to the securities trader.

6. All members of a stock exchange shall have equal rights with regard to organization of activities of the stock exchange as a trade organizer.

Article 22. Stock Exchange Charter

1. The charter of a stock exchange shall be approved by the highest body of the stock exchange.

2. The charter of a stock exchange shall indicate the name and location of the stock exchange, the procedure for management and creation of its bodies and their authorities, the objective of activities, grounds and procedure for termination of operation of the stock exchange, and division of property of the stock exchange in case of its liquidation.

Article 23. Requirements to a Stock Exchange

1. A stock exchange shall disclose and submit to Securities and Stock Market State Commission information on the following:

- the list of securities traders admitted to conclusion of agreements on securities sale and purchase on the stock exchange;
- the list of listed securities;
- the volume of trading in securities (the number of securities, the total value of concluded transactions, the price of securities per each issuer separately) for the period set by Securities and Stock Market State Commission.

2. Securities and Stock Market State Commission shall determine the procedure and forms of submission of information indicated in Part 1 of the present Article and shall control the disclosure of information by stock exchanges.

Article 24. Organization of Trading on a Stock Exchange

1. A stock exchange shall create organizational conditions for conclusion of securities transactions by way of quoting of securities on the basis of data on ask and bid received from the participants of stock exchange trades.

Stock exchange members and other persons, as envisaged by the law, shall be entitled to participate in stock exchange trades.

2. Stock exchange trades shall be conducted according to the stock exchange rules, which shall be approved by the stock exchange board and registered by Securities and Stock Market State Commission.

Article 25. Stock Exchange Rules

1. Stock exchange rules shall include procedure for the following:

- organization and conduct of stock exchange trades;
- listing and delisting of securities;
- admittance of the stock exchange members and other persons, as envisaged by the law, to stock exchange trades;
- quoting of securities and disclosure of their stock exchange price;
- disclosure of information on activities of the stock exchange and making this information public;
- resolution of disputes between the stock exchange members and other persons, which are entitled to participate in stock exchange trades according to the law; and
- control over observance by the stock exchange members and other persons, which are entitled to participate in stock exchange trades according to the law and the stock exchange rules;
- imposing sanctions for violation of stock exchange rules.

Article 26. Combining Certain Types of Professional Stock Market Activities

1. Combining certain types of professional stock market activities shall not be allowed, except in cases envisaged by the present Law and other legal acts that regulate the procedure for conducting specific types of professional stock market activities.

2. Trade organizers shall not conduct types of professional stock market activities other than activities on organization of trades in the stock market, unless otherwise provided by law.

Trade organizers may execute clearing and settlement operations under the agreements with regard to derivatives concluded on such trade organizer.

3. Activities of a securities trader may be combined with activities of a securities custodian. Should a securities custodian be licensed to conduct activities on maintenance of registries of registered securities owners, the custodian shall be prohibited from carrying out any operations with securities the registry of the owners of which it maintains, except for operations of the registrar under the agreement with the issuer.

4. Activities on maintenance of registries of registered securities owners shall be an exclusive type of activities, which may be combined with activities of a securities custodian and a securities trader (taking into account the requirements of Part 3 of the present Article) as well as with activities of an asset management company in cases envisaged by law.

5. Combining activities on management of assets of institutional investors with other types of professional stock market activities shall be prohibited, except for activities on maintenance of registries of registered securities owners of collective investment institutions in cases envisaged by law.

Article 27. Requirements to Professional Stock Market Participants

1. Licensing requirements, including those to the amount of the statutory capital and owners' equity, the procedure to determine it, liquidity, qualification requirements to specialists of a professional stock market participant, the essential terms of agreements concluded in the process of professional stock market activities, other requirements and indicators that limit risks of professional stock market activities shall be set by the present Law, other laws of Ukraine that regulate specific types of professional stock market activities, and regulations of Securities and Stock Market State Commission.

Section IV

ISSUANCE OF SECURITIES IN CASE OF OPEN (PUBLIC) AND CLOSED (PRIVATE) PLACEMENT

Article 28. Stages of Issuance of Securities in Case of Open (Public) and Closed (Private) Placement

1. Public (open) securities placement shall be their alienation on the basis of publicizing in mass media or advertising in some other way information about securities sale addressed to an indefinite number of persons.

In case of open (public) placement of securities among a circle of persons, which was not defined in advance, the issuance shall have the following stages:

- 1) making a decision on open (public) securities placement by the issuer's authorized body;
- 2) in case of refusal of the shares owner to use his preemptive right to purchase shares, if this envisaged by the terms of open (public) securities placement, receiving a written confirmation of refusal from him;
- 3) submission of the application and all the documents necessary for registration of securities issue and securities prospectus;
- 4) registration of the securities issue and the securities prospectus with Securities and Stock Market State Commission;
- 5) if necessary, making a decision on involving an underwriter for securities placement;
- 6) assigning an international identification number to securities;
- 7) concluding an agreement with a depository regarding servicing of the securities issue or with a registrar regarding maintenance of the registry of registered securities owners, except when the issuer independently keeps records of rights under securities, in accordance with the law, or in case of bearer securities;
- 8) manufacturing of securities certificates in case of documentary securities;
- 9) disclosure of the information contained in the securities prospectus;
- 10) open (public) securities placement;
- 11) approval of the securities placement results by the issuer's body authorized to make such decision;
- 12) approval of amendments to the charter with regard to increase of the statutory capital of a joint-stock company taking into account the shares placement results;
- 13) registration of amendments to the charter with the state registration authorities;
- 14) submission of the report on the results of open (public) securities placement;

- 15) registration of the report on the results of open (public) securities placement by Securities and Stock Market State Commission;
- 16) receiving a certificate on registration of the securities issue;
- 17) disclosure of the information contained in the report on the results of open (public) securities placement.

2. Private (closed) securities placement shall be securities placement by means of direct securities proposal to a predetermined circle of persons.

In case of closed (private) securities placement among a predetermined circle of persons the issuance shall have the following stages:

- 1) making a decision on closed (private) securities placement by the issuer's authorized body;
- 2) in case of refusal of the share owner to use his preemptive right to purchase shares, if this envisaged by the terms of closed (private) securities placement, receiving a written confirmation of refusal from him;
- 3) submission of the application and all the documents necessary for registration of securities issue;
- 4) registration of the securities issue with Securities and Stock market State Commission;
- 5) assigning an international identification number to securities;
- 6) concluding an agreement with a depository regarding servicing of the securities issue or with a registrar regarding maintenance of the registry of registered securities owners, except when the issuer independently keeps records of rights under securities, in accordance with the law, or in case of bearer securities;
- 7) manufacturing of securities certificates in case of documentary securities;
- 8) closed (private) securities placement;
- 9) approval of the securities placement results by the issuer's body authorized to make such decision;
- 10) approval of amendments to the charter related to increase of the statutory capital of a joint-stock company taking into account the shares placement results;
- 11) registration of amendments to the charter with the state registration authorities;
- 12) submission to Securities and Stock Market State Commission of the report on the results of closed (private) securities placement;
- 13) registration of the report on the results of closed (private) securities placement by Securities and Stock Market State Commission;
- 14) receiving a registration certificate of securities issue.

3. Per each securities placement, the issuer shall make a decision, which shall be formalized with a protocol. The requirements to the content of the protocol shall be set by Securities and Stock Market State Commission. The issuer shall have no right to change the decision on securities placement with regard to the scope of rights under securities, the terms of placement and the number of securities of one issue, except when envisaged by laws and regulations of Securities and Stock Market State Commission.

It shall be prohibited to restrict access of securities owners to the original of the decision on securities placement, which shall be kept by the issuer.

4. Primary placement of shares of an open joint stock company shall be solely closed (private), among the founders.

Article 29. Registration of a Securities Issue and a Securities Prospectus

1. Securities and Stock Market State Commission, within 30 days after receiving an application and all necessary documents for registration of the issue and the securities prospectus, shall conduct registration of the issue and the securities prospectus simultaneously, or refuse in registration.
2. Registration by Securities and Stock Market State Commission of the issue and the securities prospectus shall not be viewed as a guarantee of the value of securities. Securities and Stock Market State Commission shall be liable only for the completeness of the information contained in the documents which it registered and for its compliance with the requirements of the law. Persons who signed documents submitted for registration of the issue and the securities prospectus shall be liable for the authenticity of the data contained in the documents.
3. The list of documents required for registration of the issue and the securities prospectus as well as the procedure of registration thereof shall be set by Securities and Stock Market State Commission.

Additional requirements to registration of the issue and the securities prospectus of banks shall be set by Securities and Stock Market State Commission with approval of the National Bank of Ukraine.

Article 30. Requirements to a Securities Prospectus

1. A securities prospectus shall contain information on the issuer, its financial and business position and the securities with regard to which the decision on open (public) placement was made.
2. Requirements to disclosure of information on the issuer and its financial and business position shall be set by Securities and Stock Market State Commission.
3. Information on securities shall include the following information:
 - the kind, form of issue, type, number and nominal value of securities with regard to which the decision on open (public) placement was made;
 - the date when the decision on open (public) placement was made;
 - the dates of the beginning and the end of open (public) placement; and
 - the procedure and forms of payment of income on securities.
4. A securities prospectus shall contain other data envisaged by this Law and other laws that determine specific features of open (public) placement of specific types of securities and/or regulations of Securities and Stock Market State Commission.
5. A securities prospectus shall be signed by the issuer's manager (chairman of the executive body) and the auditor and shall be certified with the issuer's stamp. Persons who signed the securities prospectus shall thereby confirm the authenticity of the data contained therein, and the auditor shall confirm the authenticity of the data he audited.

Should the issuer use services of an underwriter with regard to open (public) placement of a securities issue, the securities prospectus shall be subject to approval by the underwriter.

Persons guilty of submission of inauthentic data in the securities prospectus shall be liable according to laws of Ukraine.

6. The securities prospectus shall be registered with Securities and Stock Market State Commission simultaneously with registration of the securities issue.

7. Upon registration, the issuer shall have the securities prospectus published in full in an official publication of Securities and Stock Market State Commission at least 10 days before the beginning of open (public) securities placement.

8. In case of changes in the securities prospectus, the issuer shall have them registered and have information on these changes published within 30 days after the securities prospectus was published, but at least 10 days before the beginning of open (public) securities placement. Should it be impossible to do within the established period, the changes shall also include information on extension of open (public) securities placement. A ground for refusal in registration of changes in the securities prospectus shall be non-compliance of the documents with the requirements of the law or violation of the procedure for making a decision on changes set by Securities and Stock Market State Commission.

9. Until registration and publishing of the information on changes in the securities prospectus, an issuer shall have no right to conduct open (public) securities placement.

Article 31. Keeping Records of Registered Securities Issues

1. Securities and Stock Market State Commission shall maintain the State Registry of Securities Issues according to the procedure set by the Commission.

2. Securities and Stock Market State Commission shall establish the procedure and ensure open and free access of the securities market participants to the information contained in the Register.

Article 32. Requirements to Closed (Private) Securities Placement

1. Specific features of closed (private) share placement shall be determined by the law that regulates establishment, operation and termination of joint stock companies and the law on collective investment institutions.

2. The issuer shall complete closed (private) securities placement within the period envisaged by the decision on closed (private) securities placement, but not later than within 2 months from the date of the beginning of placement.

3. During closed (private) placement, unit securities shall not be sold at a price that is less than their nominal value.

4. It shall be prohibited to establish a preemptive right to purchase securities for some investors versus other investors, except when envisaged by the law.

5. The actual number of placed securities shall be indicated in the report on the results of closed (private) securities placement, which shall be approved by the issuer's body authorized to make such decision and shall be submitted to Securities and Stock Market State Commission.

Article 33. Requirements to Open (Public) Securities Placement

1. The issuer shall conduct open (public) securities placement independently or through an underwriter which concluded an underwriting agreement with the issuer.

An underwriting agreement shall comply with the requirements to a model agreement, approved by Securities and Stock Market State Commission.

2. It shall be prohibited to conduct open (public) securities placement earlier than 10 days after the securities prospectus was published according to this Law.

3. The issuer shall complete open (public) placement of securities within the period envisaged by the decision on open (public) placement, but not later than within one year from the date of the beginning of placement.

4. During open (public) placement, unit securities shall not be sold at a price that is less than their nominal value.

5. It shall be prohibited to establish a preemptive right to purchase securities for some investors versus other investors, except when envisaged by the law.

6. The number of openly (publicly) placed securities shall not exceed the number of securities indicated in the securities prospectus. The number of actually placed securities may be less than the number of securities indicated in the prospectus.

7. The number of actually placed securities shall be indicated in the report on the results of open (public) securities placement, which shall be approved by the issuer's body authorized to make such decision and shall be submitted to Securities and Stock Market State Commission.

Article 34. Open (Public) Securities Placement with Participation of an Underwriter

1. During open (public) securities placement, the issuer shall have the right to use services of an underwriter.

2. Requirements to operations of an underwriter shall be set by Securities and Stock Market State Commission.

Article 35. Report on the Results of Securities Placement

1. The issuer shall file with Securities and Stock Market State Commission, within 15 days after registration of amendments to its charter with the State registration bodies, a report on the results of open (public) securities placement as well as other documents defined by Securities and Stock Market State Commission required for registration of the report.

Securities and Stock Market State Commission shall set requirements to disclosure of the information contained in the report on the results of open (public) securities placement.

2. Securities and Stock Market State Commission, within 15 days after receiving the required documents from the issuer, shall make a decision on registration of the report or refusal in registration.

3. A ground for refusal in registration of the report on the results of open (public) securities placement shall be violation of the requirements of the law connected with securities placement.

4. Securities and Stock Market State Commission within two weeks after registration of the report on the results of open (public) securities placement shall give a certificate on registration of the securities issue to the issuer.

5. In case of open (public) placement of bonds, within 15 days after the end of bond repayment the issuer shall submit to Securities and Stock Market State Commission a report on the results of bond repayment.

6. In case of closed (private) placement of securities, the issuer shall submit to Securities and Stock Market State Commission, within the period set by the Commission, a report on the results of closed (private) placement.

Within two weeks after the issuer submitted the report on the results of closed (private) securities placement, the issuer is given a certificate on registration of the securities issue.

Article 36. Unfair Securities Issuance

1. Unfair securities issuance shall mean actions that violate the issuance procedure set by this Law and represent a ground for making a decision on refusal in registration of securities prospectus and securities issue, suspension of open (public) securities placement.

2. Grounds for recognizing securities issuance unfair shall include:

- violation by the issuer of the requirements of this Law, non-compliance of the documents submitted by the issuer or data contain therein with the requirements of the law and/or the list set by Securities and Stock Market State Commission;
- violation of the procedure of making a decision on open (public) securities placement;
- including inauthentic data in the securities prospectus and documents submitted for registration of the securities issue and the securities prospectus; and
- regular or gross violation of investor rights by the issuer.

3. The procedure of making a decision on refusal in registration of the securities prospectus and issue, suspension of open (public) placement shall be set by Securities and Stock Market State Commission.

4. In case of unfair issuance, Securities and Stock Market State Commission shall have the right to temporarily suspend open (public) securities placement.

5. Suspended open (public) securities placement shall be renewed by decision of Securities and Stock Market State Commission only until the end of the period of securities placement, set in the securities prospectus, if the violations that caused suspension of open (public) placement have been eliminated.

6. Should the violations that caused suspension of open (public) placement have not been eliminated within 15 days after Securities and Stock Market State Commission made the corresponding decision, or documents that confirm elimination of the violations have not been sent to Securities and Stock Market State Commission, the Commission shall decide to invalidate securities issuance.

Article 37. Placement of Securities of Foreign Issuers on the Territory of Ukraine and Those of Ukrainian Issuers Outside Ukraine

1. Specific features of placement and circulation of securities of foreign issuers on the territory of Ukraine shall be determined by Securities and Stock Market State Commission according to the legislation of Ukraine.

2. Ukrainian issuers may place securities outside Ukraine only by permission of Securities and Stock Market State Commission, except for bonds of external government borrowings of Ukraine.

A permission to place securities of Ukrainian issuers outside Ukraine shall be granted if the following conditions are met:

- the securities issue is registered;
- the securities are admitted to trades on one of the Ukrainian stock exchanges;
- the number of securities to be placed outside Ukraine is within the limit set by Securities and Stock Market State Commission.

Article 38. Issuance of Securities of Collective Investment Institutions in Case of Open (Public) and Closed (Private) Placement

1. Specific features of issuance, placement, circulation and redemption of securities of collective investment institutions in case of open (public) and closed (private) placement thereof shall be determined by a special legislation.

Section V INFORMATION DISCLOSURE IN THE STOCK MARKET

Article 39. Requirements to Information Disclosure by Issuers

1. Issuers that have conducted open (public) placement shall timely and fully disclose information on the following:

- the issuer's financial and business position and performance within the period established by the law;
- any actions that may affect the issuer's financial and business position and cause a significant change of the price of its securities; and
- owners of large blocks of shares (10% and more).

2. Information on owners of large blocks of shares (10% and more) shall be filed with Securities and Stock Market State Commission by the person who keeps records of ownership rights to the issuer's shares in the National Depository System of Ukraine within the period, under the procedure and in the form set forth by Securities and Stock Market State Commission.

Information on owners of large blocks of shares (10% and more) shall be public and Securities and Stock Market State Commission shall make this information public by way of displaying it in the free-access SSMSC information database on the securities market.

Article 40. Regular Information on the Issuer

1. Regular information on the issuer shall be annual and quarterly reporting on the results of the issuer's financial and business activities to be filed with Securities and Stock Market State Commission (including reporting in the electronic form).

2. A reporting period for compiling annual information on the issuer shall be a calendar year.

The issuer's first reporting year may be less than 12 months and shall be calculated:

- for joint stock companies, from the date of state registration of the company until December 31 of the reporting year inclusive; and
- for bond issuers, from the date of registration of the bond issue until December 31 of the reporting year inclusive.

3. Annual information on the issuer must contain the following data:

- the name and location of the issuer, the amount of its statutory capital;
- the issuer's management body, its officials and founders;
- the issuer's business and financial activities;
- the issuer's securities (kind, category, type, number), placement and listing of securities;
- annual financial statements; and
- the auditor's opinion.

The issuer shall have the right to additionally submit other information.

4. Annual information on the issuer shall be public and shall be disclosed by the issuer no later than by 30 April of the year following the reporting year, by way of publishing it in one of the official publications of the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine or Securities and Stock Market State Commission and by way of displaying it in the free-access SSMSC information database on the securities market.

The issuer shall send a copy of the official publication in which annual information about him (issuer) was published to Securities and Stock Market State Commission.

5. A reporting period for compiling quarterly information on the issuer is quarters of the current year.

Quarterly information on the issuer must contain the following data:

- the name and location of the issuer, the amount of its statutory capital;

- the issuer's management body, its officials and founders;
- the issuer's business and financial activities;
- the issuer's securities (kind, form of issue, type, and amount);
- quarterly financial statements; and
- the issuer's participation in creation of other companies, institutions and organizations.

The issuer shall have the right to additionally submit other information.

6. The period, procedure and forms of submission of regular information on the issuer (annual and quarterly) shall be set by Securities and Stock Market State Commission.

Securities and Stock Market State Commission shall set additional requirements to disclosure of regular information on the issuer and shall take measures to ensure its disclosure.

7. Special features of filing and making public the regular information by collective investment institutions shall be established by legislation.

Article 41. Ad Hoc Information on the Issuer

1. Ad hoc information on the issuer shall be information on any events that may affect the issuer's financial and business position and cause a significant change of the value of its securities.

Ad hoc information shall include data on the following:

- a decision on placement of securities for the amount that exceeds 25% of the statutory capital;
- a decision on redemption of the issuer's own shares;
- listing/delisting of securities on a stock exchange;
- receiving a loan or credit for the amount that exceeds 25% of the issuer's assets;
- change of the composition of the issuer's officials;
- change of owners of shares which own 10% and more of voting shares;
- the issuer's decision on creation, termination of its branches, representative offices;
- a decision of the issuer's highest body on decrease of the statutory capital;
- initiation of bankruptcy proceedings against the issuer and court's decision about its sanitation;
- a decision of the issuer's highest body or the court on termination or bankruptcy of the issuer.

2. The period, the procedure and the filing forms of ad hoc information about the issuer shall be set by Securities and Stock Market State Commission.

3. Ad hoc information on the issuer shall be public and shall be made public by way of publishing it in one of the official publications of the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine or Securities and Stock Market State Commission and by way of displaying it in the free-access SSMSC information database on the securities market.

4. Securities and Stock Market State Commission shall set forth additional requirements to disclosure of ad hoc information on the issuer and shall take measures to ensure its disclosure.

Article 42. Procedure of Disclosure of Information on the Record Keeping of Registered Securities by Participants of the Depository System of Ukraine

1. Information on keeping records of registered securities shall be disclosed by the participants of the National Depository System:

- at a written request of the owner of the information or by his written permission, except in cases envisaged by paragraphs 3 and 4 of this Part;
- in compliance with a court decision; and
- upon a written request of the Prosecutor's office, the security service, internal affairs bodies, Securities and Stock Market State Commission and the Antimonopoly Committee of Ukraine, and other governmental agencies in conformity with legislation, with regard to operations within systems of records of registered securities that are carried out by a specific legal entity or individual within a specific period.

2. A participant of the National Depository System shall be prohibited from providing information on the clients of another participant of the National Depository System, even if their data is indicated in the documents and agreements of the client.

3. Persons guilty of violation of the procedure of disclosure and use of information on keeping records of registered securities shall be liable according to the law.

Article 43. Disclosure of Information on Professional Stock Market Participants

1. Securities and Stock Market State Commission shall provide for making information on professional stock market participants public (the number, the date of issuance and the validity period of the license, powers under the license, the manager and the authorized person who acts on his behalf).

Article 44. Insider Information and Insiders

1. Insider information shall be any information on the issuer, its securities or transactions therein that is not made public and, if made public, may significantly affect the value of securities.

2. Information on valuation of securities and/or the issuer's financial and business position, if received solely on the basis of information that was made public or information from other public sources not prohibited by the law shall not be insider information.

3. Insiders shall be persons who have insider information because they are:

- (1) owners of the issuer's voting shares or stakes (units) in the issuer's statutory capital;
- (2) the issuer's officials; or
- (3) persons who have access to insider information due to performance of labor (official) duties or contractual obligations, regardless of their relations with the issuer, in particular:

- legal entities that have contractual relations, or direct or indirect relations of control with the issuer;
- individuals who have labor or contractual relations, or direct or indirect relations of control with the issuer, or legal entities or individuals which have contractual relations or relations of control with the issuer; and
- government officials.

The issuer or professional stock market participants performing operations with securities of this issuer shall keep records of persons who have access to insider information.

4. Securities and Stock Market State Commission shall determine which information is considered insider information.

Article 45. Prohibition on Use of Insider Information

1. An insider shall be prohibited from the following:

- concluding, with the use of insider information, for his own benefit or for the benefit of other persons/entities, agreements on purchase or alienation of securities to which insider information relates until this information is made public;
- transferring insider information or providing access thereto to other persons, except in case of disclosure of information within the limits of performance of professional, labor or official duties and in other cases envisaged by the law; and
- giving recommendations to any person with regard to purchase or alienation of securities with regard to which he/she has insider information until this information is made public.

2. The procedure for disclosure of insider information shall be set by regulations of Securities and Stock Market State Commission.

Professional stock market participants shall inform Securities and Stock Market State Commission of securities transactions that are suspected to be involving or be able to involve insider information.

3. Clause 1 of this Article shall also apply to persons who are not insiders, but have insider information and know or should know that this information was received from an insider.

4. Liability for unlawful use of insider information shall be established by law.

Article 46. Advertising Information in the Stock Market

1. Advertising information in the stock market shall be advertising:

- of the issuer or securities being placed by the issuer or outstanding securities;
- a professional stock market participant and its activities; and
- securities transactions.

2. Advertising in the stock market shall not include information that under the requirements of this Law and of other regulatory acts is subject to mandatory disclosure.

3. Government agencies shall not engage in advertising in the stock market, except for advertising related to placement and circulation of government securities.

Section VI
REGULATION OF THE SECURITIES MARKET

Article 47. Securities Market Regulation

1. Stock market regulation shall be performed by the State and by self-regulatory organizations.
2. State regulation of the securities market shall be performed by Securities and Stock Market State Commission, as well as by other governmental organizations within their jurisdiction as established by law.

Article 48. Self-Regulatory Organizations of Professional Stock Market Participants

1. Self-regulatory organizations of professional stock market participants shall be formed in conformity with the principle “one self-regulatory organization per each type of professional securities market activities.”.

Such a self-regulatory organization shall unite over 50% of professional stock market participants in one of the types of professional activities.

2. The association shall acquire the status of a self-regulatory organization from the day of its registration by Securities and Stock Market State Commission. The procedure for and the terms of the registration of the professional stock market participants SRO and the termination of the registration shall be set forth by Securities and Stock Market State Commission.

The objective of activities of self-regulatory organizations of professional stock market participants shall be to provide for activities of professional stock market participants, which are members of the self-regulatory organization, as well as to develop and approve rules, and standards of professional behavior and conduct of the relevant type of professional activities.

3. Self-regulatory organization of stock market participants shall acquire the powers delegated to it by Securities and Stock Market State Commission from the day of promulgation of the decision of Securities and Stock Market State Commission on the delegation of respective powers to a self-regulatory organization in an official printed organ of Securities and Stock Market State Commission.
4. The terms of making a decision on delegation of Securities and Stock Market State Commission powers on the stock market regulation to an organization-candidate of professional stock market participants shall be as follows:
 - rules and standards of professional activities in the stock market in place that shall be mandatory for all members of the self-regulatory organization to comply with;
 - the organization have a not-for-profit status; and
 - the organization shall have assets worth at least UAH 600,000 at its disposal to ensure its statutory activities.

Article 49. Delegation of Powers on Stock Market Regulation to Self-Regulatory Organizations

1. With regard to each type of professional activities, Securities and Stock Market State Commission may delegate to a self-regulatory organization the following powers:

- collection, summarization and analytical processing of data on conduct of the relevant type of professional activities;
- inspections of the performance of the relevant type of professional activities, compliance with the requirements of the securities law, and rules and standards of professional conduct;
- submission to it of a request, mandatory for review, on the termination (suspension) of the license to perform a certain type of activities by a professional stock market participant; and
- certification of stock market specialists;
- issuance of licenses to persons that perform professional activities in the stock market.

Securities and Stock Market State Commission, in line with the procedure established by same, may delegate other powers to self-regulatory organizations.

2. Securities and Stock Market State Commission shall delegate to a self-regulatory organization powers on stock market regulation according to the procedure set by the Commission in response to the application of this organization.

Within one month after receiving an application from a self-regulatory organization, Securities and Stock Market State Commission shall make a decision on delegation or refusal in delegation of powers to the self-regulatory organization.

3. A decision on delegation of powers to a self-regulatory organization shall indicate the following:

- the name of the self-regulatory organization to which the powers are being delegated;
- the powers being delegated;
- the period for which the powers are being delegated; and
- the procedure of state control over execution of the delegated powers.

4. A decision on delegation of powers to a self-regulatory organization shall be subject to state registration with the Ministry of Justice of Ukraine, as a normative and legal act, and shall be made public according to the law.

5. The period of powers delegated to a self-regulatory organization shall be extended according to the same procedure as the one that is set for obtaining them.

6. A self-regulatory organization shall have the right to submit an application on delegation of additional powers thereto only upon the condition of satisfactory execution of powers that were previously delegated.

Section VII FINAL PROVISIONS

1. This Law shall come into effect in 30 days from the day of its promulgation, excepting:

clause 3 of article 8, which shall come into force within two years from the day of promulgation of this Law;

paragraph 2, Subitem 4 of Item 3, Section VII “Final Provisions”, which shall come into force within two years from the day of promulgation of the present Law;

clause 1 of article 48, which shall come into force within three years after the day of promulgation of this Law.

2. After this Law comes into effect, the following laws shall become ineffective:

(1) the Law of Ukraine “On Securities and Stock Exchange” (The Bulletin of the Verkhovna Rada of Ukraine, 1991 No. 38, p. 508; 1992 No. 47, p. 645; 1995 No. 14, p. 90, p. 93; 1996 No. 40, p. 185; 1997 No. 45, p. 285; 1999 No. 26, p.213, No. 31, p. 252; 2003 No. 30, p. 247, No. 38, p.313; 2004 No. 13, p. 181, No. 19, p. 271; 2005 No.42, p.465; with amendments made by the Law of Ukraine dated December 15, 2005 No.3201-IV);

Resolution of the Verkhovna Rada of Ukrainian Soviet Socialist Republic dated June18, 1991 “On Making Effective the Law of Ukrainian SSR “About Securities and Stock Exchange” (The Bulletin of the Verkhovna Rada, 1991, No.38, p.509).

3. The following legal acts of Ukraine shall be amended:

1) the Commercial Code of Ukraine (The Bulletin of the Verkhovna Rada of Ukraine, 2001 No. 25-26, pg. 131; 2005 No. 5, pg. 119)) shall be amended with Article 232-1 reading as follows:

“Article 232-1. Disclosure or Usage of Information About the Issuer or Its Securities That Have Not Been Made Public”

Purposeful disclosure or other usage of unpublished or undisclosed in any other way information on the issuer, its securities or transactions therein (insider information) by a person who learnt this information through professional or official activities, in case this has caused a significant material loss to the State interests or the interests of legal entities or physical persons, -

shall carry restraint of liberty for up to three years or imprisonment for up to three years with deprivation of the right to occupy certain positions or engage in certain activities for up to three years”.

2) Part 2 of Article 112 of the Criminal and Procedural Code of Ukraine after number “232” shall be supplemented with numbers “232-1”;

3) the Commercial Code of Ukraine (The Bulletin of the Verkhovna Rada of Ukraine, 2003 No. 18-22, p. 144; with amendments made by the Law of Ukraine dated December 15, 2005 No.3201-IV):

- in the second sentence of clause 2 of article 163, the words “savings certificates” shall be replaced with the words “savings (deposit) certificates”;

- clauses 4, 5, and 7 of article 164 shall be worded as following:

4. Business entities the exclusive activity of which is activity on management of assets of collective investment institutions shall have the rights to issue investment certificates.

5. Banking institutions depositing funds of legal entities and individuals shall furnish them with written certificates to confirm the depositors’ right of depositors to get back the deposit principal and interest at the expiry of the established term (savings [deposit] certificates).

7. Business subjects shall have the right to issue, according to the procedure set by the law, promissory notes – debt securities that certify an absolute monetary obligation of the maker or his order to a third party to pay after the maturity period a definite amount to the owner of the promissory note (note holder).

- clause 2 of article 356 shall be omitted;

- clause 1 of article 360 shall read as follows:

1. In order to ensure the functioning of the securities market, a stock exchange shall be created. The procedure of creating and performing the stock exchange operations shall be determined by law.

4) in the Civil Code of Ukraine (The Bulletin of the Verkhovna Rada of Ukraine, 2003 No. 40-44, p. 356):

- clause 2 of article 158 shall be omitted;

- in clause 1 of article 194, the words “issued” and “issue” shall be replaced with the words “placed” and “placement” correspondingly;

- in item 3 of clause 1 of article 195 and of clause 2 of article 197, the word “issue” shall be replaced with the word “placement”;

- in clause 3 of article 195, the word “to be issued” shall be replaced with the word “to exist”;

- in clause 1 of article 198:

- in the first sentence, the word “issued” shall be replaced with the word “placed”;

- in the second sentence the word “owner” shall be supplemented with the word “order”;

5) in the Law of Ukraine “On State Regulation of the Securities Market in Ukraine” (The Bulletin of the Verkhovna Rada of Ukraine, 1996 No. 51, pg. 292; 1999 No. 38, pg. 339; 2001 No. 21, pg. 103; 2002 No.16, pg.114, No.17, pg.117, No.29, pg.194; 2004 No.13, pg.181; 2005 No.42, pg.465, 466; No.48, pg.481; with amendments made by laws of Ukraine dated December 15, 2005 No.3201-IV and December 22, 2005 No.3273-IV):

- paragraphs 3, 4, and 6 – 8 of article 1 shall be omitted;

- the title of article 4 and parts 1 and 2 of this article shall read as follows:

“Article 4. Securities Market Activities That Shall Be Subject to Licensing.

Securities and Stock Market State Commission, under the procedure established by same, shall grant licenses to engage in the following types of activities:

- 1) brokerage activity – entering by a securities broker into civil law contracts (particularly commission and agency agreements) on securities on his/its behalf (or on behalf of another person), on the order of and at the cost of another person;
- 2) dealership activity - entering by a securities broker into civil law securities contracts on his/its behalf and at its/his cost for resale purposes, except for cases envisaged by law;
- 3) underwriting – placement (subscription, sale) of securities by the broker of these securities on the order of, on behalf of and at the cost of the issuer;
- 4) securities management activity – activity performed by the securities broker on its/his behalf for a fee for the duration of a specified period based on an agreement to manage the securities given and, upon consent of the principal, the cash funds to invest in securities, as well as the securities and cash funds earned in the process of managing owned by management initiator (settlor), in his interests or in the interests of third persons specified by him;
- 5) asset management activity – professional activity of a stock market participant – an asset management company, - performed by it for a fee on its behalf or based on a corresponding asset management agreement to manage assets owned by institutional investors;
- 6) mortgage coverage management activity – activity performed for a fee by a bank or by another financial institution under a respective mortgage coverage management agreement;
- 7) depository activity of a securities depository – activity to provide services such as security safekeeping, servicing securities transactions on the accounts of securities custodians, as well as issuers’ operations with their securities;
- 8) depository activity of a securities custodian - activity to provide services such as securities custody and servicing securities transactions on the accounts of securities owners;
- 9) registered securities owners registers keeping activity – collecting, recording, processing, safekeeping, and giving access to data that make up the register system of registered securities owners on registered securities, their issuers, and owners;
- 10) stock market trading organization activity – activity of a professional stock market participant (trade organizer) with regard to providing organizational, technological, informational, legal, and other conditions to collect and disseminate ask and bid information, to conduct regular trading of financial instruments by established rules, to centralize conclusion and execution of financial instruments contracts, including clearing and settlement of same; and to resolve disputes between trade organizer members;
- 11) clearing and settlement activity – activities to determine mutual obligations under securities contracts and to settle same.

Securities and Stock Market State Commission, under the procedure established by same, in the event of professional securities market participants engaging in several types of activities envisaged by clause 1 of this article, shall issue one form of license for such activities.

In clause 2 of article 7:

Item 13 shall read as follows:

“13) shall exercise control over compliance with legislation and shall appoint government representatives on stock exchanges, at depositaries, and trade-and-information systems;”;

item 14-1 shall be added to read as follows:

“14-1) shall set forth a standard sample and issue certificate of registration of the association of professional stock market participants as a self-regulatory organization”;

article 17 shall be omitted;

6) in the Law of Ukraine “On Advertising” (The Bulletin of the Verkhovna Rada of Ukraine, 2004 No. 8, pg. 62):

- to add the following paragraph to clause 4 of article 25:

“to use information on income on securities or the amount of profit received by the issuer in the past without indication that this profit does not guarantee receiving income in the future”;

- to add the following paragraphs to clause 1 of article 26:

“the Ministry of Finance of Ukraine – with regard to advertising of government securities;

Securities and Stock Market State Commission – with regard to advertising in the stock market.”

7) Paragraph 2, clause 1 of article 27 of the Law of Ukraine dated December 22, 2005 “About Mortgage Bonds” words “activity of mortgage coverage manager and mortgage coverage” shall be added following the words “circulation of mortgage bonds”;

8) in sub-item “ϕ” of clause 3, article 3 of the Cabinet of Ministers Decree 7-93 “On State Duty” dated 1/21/93 (The Bulletin of the Verkhovna Rada of Ukraine, 1993 No. 13, pg. 113; 1995 No. 30, pg. 229; 2004 No. 2, pg.6 with amendments made by the Law of Ukraine dated December 22, 2005 No. 3273-IV), the word “concession” shall be added after the words “as well as for notarization of agreements”.

4. Stock market participants, within 3 years after this Law comes into effect, shall bring their activities in compliance with this Law.

Stock market participants that are licensed to conduct professional stock market activities shall conduct their activities in accordance with the issued license within 3 years after this Law comes into effect. Stock market participants that are licensed to conduct activities on organization of securities market trading shall conduct activities on organization of trading in the stock market as trade organizers.

After the license expires, conduct of the relevant type of professional activities shall be allowed if a new license is obtained in accordance with this Law.

5. The Cabinet of Ministers of Ukraine, together with the National Bank of Ukraine, within 3 months from the date of promulgation of the present Law shall prepare and submit to the Verkhovna Rada of Ukraine a draft law of Ukraine on amendments to the Law of Ukraine “On Payments Systems and Money Transfer in Ukraine” with regard to opening an account by a securities trader for his client with the purpose to conduct activities on securities management.

6. This Law shall not apply to securities issues, decisions on which had been approved prior to this Law coming into force.

President of Ukraine

Victor Yushchenko

City of Kyiv
February 23, 2006
No.3480-IV