

State Securities and Stock Market Commission

Resolution

18.03.2002 N 107

Registered with the Ministry of Justice of Ukraine
on 27 September 2002 under No. 787/7075

REGULATION ON ACTIVITIES OF A SELF-REGULATORY SECURITIES MARKET ORGANISATION

This Regulation has been developed in accordance with Laws of Ukraine "On State Regulation of the Securities Market in Ukraine" (448/96-VR), "On the Financial Services and State Regulation of Financial Services Market" (2664-14), and sets out the requirements (procedures), pertaining to the performance of activities by a self-regulatory organization of professional securities market participants.

1. General provisions

1.1. For the purposes of this Regulation a self-regulatory organization is a non-for-profit association of professional securities market participants, which is established in accordance with the current legislation aiming at protection of interests its members and other securities market participants and obtains an SRO status from the date of its registration in an SROs register, kept by the State Securities and Stock Market commission (hereinafter referred to as the 'Commission').

1.2. The ground for an association of professional stock market participants to qualify as a self-regulatory organization is the Certificate of its registration as an SRO of professional stock market participants.

1.3. In its activities, an SRO of professional stock market participants shall not restrict competition among its founders (participants).

1.4. An SRO shall not be held liable for the obligation of its members.

1.5. The tasks of an SRO shall be as follows:

- to set forth rules, standards, and requirements to activities with securities, norms and rules of conduct, requirements to the professional qualifications of specialists-SRO members and to exercise control over compliance by the SRO members;
- to support professional activities of SRO members;
- to develop and perform actions to protect the rights of SRO members, to consider complaints of customers of SRO members over violations of the effective legislation by professional stock market participants;
- to implement effective mechanisms of resolving disputes among SRO members and between SRO members and their customers;
- to initiate the improvement of the stock market regulatory framework;
- to represent the interests of SRO members and other stock market participants in governmental agencies, courts of law, other organizations and to protect their interests.

2. Membership in an SRO of professional stock market participants

2.1. Every professional stock market participant shall be member (participant) of at least one SRO.

2.2. An SRO shall admit as its members (participants) persons holding a license to perform professional activities in the securities market and meeting the requirements of the SRO rules.

An SRO's refusal to admit a professional participant of the securities market holding a relevant license may be challenged under a procedure established by the effective legislation.

2.3. Members (participants) of an SRO shall get no profit from the SRO operations.

2.4. An SRO member (participant) may challenge, under a procedure established by the effective legislation, the decision of the SRO to sanction the member.

3. The requirements to an SRO of professional stock market participants

3.1. In performing its responsibilities, an SRO shall not:

- restrict the opportunities for its members (participants) to provide services in the securities market;
- create unequal conditions for any professional participants to join or leave the SRO or for any member (participant) to engage in its activities;
- assist in the concerted actions of its members (participants) that are defined as an infringement of the legislation on protection of economic competition;
- perform activities that are not in line with the purpose of establishment of an SRO.

3.2. Assets and funds of an SRO shall be formed from the dues paid by its founders, members (participants) and from other revenues that are not prohibited by the legislation on not-for-profit organizations. Assets and funds of an SRO shall be spent exclusively in order to set up the SRO and to cover its operating expenses.

4. The procedure of approval of changes and/or amendments to the rules and bylaws of an SRO

4.1. All changes and/or amendments to the rules and bylaws of an SRO during the period of performing activities thereof, as well as new rules and bylaws of an SRO shall be approved with the Commission in accordance with the procedure prescribed by this Regulation.

4.2. All changes and/or amendments to the rules and bylaws of an SRO, as well as new rules and bylaws of an SRO shall be submitted to the Commission within 10 days from the date of its approval in accordance with applicable procedure.

4.3. For new changes and amendments to the rules and bylaws of an SRO, as well as new rules and bylaws of an SRO to be approved, an SRO shall submit to the Commission the following documents:

- an enquiry to approve changes and amendments to the rules and bylaws or new rules and bylaws of an SRO in compliance with Annex 1;
- reasons for changes and/or amendments to the rules and bylaws or for the development of new rules and bylaws of an SRO;
- changes and/or amendments to the rules and bylaws or new rules and bylaws of an SRO;
- table of comparison of old and new wordings of the rules and bylaws, which are revised or amended;
- in cases envisaged by the current legislation on the protection of economic competition, copies of the Antimonopoly Committee of Ukraine decisions on the approval of changes and amendments to statutory documents, rules and bylaws, as well as of new rules and bylaws of an SRO.

4.4. Changes and/or amendments to the rules and bylaws of an SRO shall be filed as separate addenda or be set out in the new wording of the rules and bylaws.

4.5. Changes and amendments to the rules and bylaws of an SRO, as well as new rules and bylaws of an SRO shall be filed by an SRO in two copies (original), shall be approved by the

corresponding legal body of an SRO, signed by the Chief Executive of this body and certified with the seal of an SRO; its pages shall be bound and enumerated.

4.6. As a result of reviewing the application, one of the following decisions shall be approved:

- on the approval of changes and/or amendments to the rules and bylaws or of new rules and/or bylaws of an SRO;
- on refusal to approve changes and/or amendments to the rules and bylaws or new rules and/or bylaws of an SRO.

4.7. The decision shall be made within 15 working days from the date of receiving the documents in accordance with the Item 4.3. of this Regulation.

4.8. The grounds for refusal to approve changes and/or amendments to the rules and bylaws or new rules and/or bylaws of an SRO can be as follows:

- failure of the documents and data submitted to comply with the requirements of this Regulation and of the effective legislation;
- unreliable data in the documents submitted;
- the presence of valid complaints from registered persons over the SRO's activities;
- absence, in cases set by the current legislation on economic competition, of the copy of the Antimonopoly Committee of Ukraine decision on the approval of the changes and amendments to statutory documents, rules and bylaws, as well as of new rules and bylaws of an SRO.

In case of insufficiency of submitted documents, stipulated by the Item 4.3., or incompliance of submitted documents to the requirements stipulated by the Items 4.4., 4.5. of this Regulation, the submitted documents shall not be admitted and shall be returned to the SRO with the cover letter in which the reasons of the refusal to admit the application shall be provided.

4.9. The decision on the refusal to approve changes and/or amendments to the rules and bylaws or new rules and/or bylaws of an SRO shall contain the specific reasons for the given decision.

4.10. The notification on the decision made by the SSMSC as to the consent or refusal is sent to the SRO in writing within three days from the date of decision-making.

4.11. In case of approval by the SSMSC of the changes and/or amendments to the rules and bylaws or the new rules and/or bylaws of an SRO, the last one shall have the right to perform activities with consideration of changes and/or amendments from the date of correspondent decision-making of the Commission.

In this case, both original copies of the corresponding changes and/or amendments to the rules and bylaws or new rules and/or bylaws of an SRO (one of which is returned to the applicant) shall contain the SSMSC note of approval of thereof with the date and number of the corresponding decision of SSMSC, certified by the sign of the Head of the Commission or by an authorized legal body of the Commission and the seal.

4.12. In case of the SSMSC refusal to approve changes and/or amendments to the rules and bylaws or new rules and/or bylaws of an SRO, the last one shall not have the right to perform activities with consideration of the changes and/or amendments made from the date of correspondent decision-making of the Commission.

5. The rights of an SRO

An SRO, based on its statutory documents, rules and bylaws, and authorities delegated by the commission in accordance with the Article 17 of the Law of Ukraine "On State Regulation of the Securities Market in Ukraine" (448/96-VR) shall have the right to:

- set rules, standards and requirements for the SRO members to perform their activities seeking to protect the interests of investors and prevent violations of effective legislation. The level

of the requirements set forth in the SRO rules and bylaws shall not be lower than the level of the requirements set by the effective legislation;

- exercise continual control (surveillance) over compliance by its members with the rules, standards and requirements set forth by the SRO;

- pursue consistent policies among the SRO members with regard to the objectives established by the effective legislation and by the SRO bylaws, which shall ensure the internal control in place among the SRO members;

- develop, in accordance with the established qualification requirements, training programs and curricula; identify, in coordination with the SSMSC, educational establishments to perform training and continued education of managers and specialists of entities performing professional activities in the stock market;

- impose disciplinary measures on the SRO members found to violate the requirements of the effective legislation, the SRO charter and bylaws;

- submit proposals to the SSMSC on the improvement of the Ukrainian legislation and analyze the practices of the implementation of the legislation of Ukraine;

- assume, in conformity with the effective legislation, the authorities delegated by the SSMSC, which are in line with the effective legislation of Ukraine;

6. Authorities of the Securities and Stock Market State Commission as to the exercise of regulation and control over activity of the self-regulatory organization

6.1. The SSMSC exercises regulation and control over activity of the self-regulatory organization.

6.2. The SSMSC shall have the right to:

- consider complaints of the stock market participants on the refusal of acceptance into the structure of the self-regulatory organization;

- consider complaints of members (participants) of the self-regulatory organization as to the sanctions applied to them by the organization;

- perform, independently or together with other eligible agencies, the scheduled checks and audits of financial and economic activity of the self-regulatory organization;

- under an approved legal procedure, initiate the question of cancellation of the self-regulatory organization's State registration.

- consider the question of cancellation of the self-regulatory organization's State registration in case of submission by the Antimonopoly Committee of Ukraine to the Commission of information on the facts of violation of legislation on the economic competition by the self-regulatory organization

- perform, on the basis of information obtained, including the cases of receipt of complaints from the members (participants) of the self-regulatory organization, the off-schedule checks of facts of violation of legislation by the self-regulatory organization with regard to securities, constituent documents, rules or bylaws which regulate its activity;

- in case of violation by the self-regulatory organization of legislation pertaining to securities, statutory documents, rules or bylaws, which regulate its activity, to warn, to send written demands on elimination of the found out irregularities or violation, with the obligation to inform the SSMSC on the results, as well as to apply other sanctions within the limits stipulated by the legislation.