

SECURITIES AND STOCK MARKET STATE COMMISSION

RESOLUTION 215

November 21, 2000

Kyiv

vd20001121 vn215

On organization of training of chief executives of joint-stock companies on matters of stock market and corporate management

In pursuance of Item 37 of the Action Plan on the implementation of the 2000 Guidelines of stock market development in Ukraine approved by the Resolution of the Cabinet of Ministers of Ukraine N 179-p (179-2000-p) of 12.04.2000, and with the aim of the organization of training for chief executives of joint-stock companies on stock market and corporate governance matters,

the Securities and Stock Market State Commission hereby **RESOLVES**:

1. To approve the standard program for training of chief executives of joint-stock companies on matters of stock market and corporate governance that is attached.

2. Training of chief executives of joint-stock companies on matters of stock market and corporate governance shall be conducted in conformity with Section 1 of the Regulation on the procedure of training and certification of experts on matters of stock market approved by the Order of the Securities and Stock Market State Commission (hereinafter referred to as - Commission) No. 215 (z0584-96) of 24.09.96, with changes and additions introduced by the Commission's Resolution No. 34 (z0245-99) of 02.03.99 " On introduction of changes and additions to the Order of the Commission No. 215 of 24.09.96 " On the approval of Regulations on the procedure of training and certification of experts on matters of the stock market ".

3. With the aim of enhancement of efficiency of corporate governance and of protection of shareholder rights, this Commission recommends that the highest governing bodies of joint-stock companies – the general meeting of shareholders and to the supervisory boards of joint-stock companies - take into account training on stock market matters and corporate governance when considering appointment of persons to occupy senior positions in joint-stock companies.

4. The Directorate of Legislation Development and Interaction with Government Agencies (M.Burmaka) shall arrange the conclusion of agreements with educational institutions on collaboration in training on stock market and corporate governance issues and ensure control over compliance with said agreements.

5. Public Relations Sector (L. Shevkina) shall ensure the publication of this Resolution in accordance with the effective legislation.

6. Control over fulfillment of this Resolution shall be vested with Commissioner – Deputy Chairman S. Birjuk.

Chairman of Commission

O.Mozgovyi

Protocol of Commission
meeting No. 42 of October, 24, 2000

**Standard program on
Training of chief executives of joint-stock companies on matters of stock market and
corporate governance**

Subject 1. Legal regulation of business activity in Ukraine.

(4 hours)

Legislation of Ukraine on ownership. Ownership rights. Subjects and objects of ownership right. Protection of ownership rights.

Restriction of Ukraine on business activity and enterprises. Subjects of business activity. Restrictions in performing business activities. Types of enterprises. Associations of enterprises. Creation of enterprise and procedure of its registration. Reorganization and liquidation of enterprises. Definition of a subsidiary, branch, representative office.

Regulatory policy in the sphere of business activities.

Law of Ukraine "On Business Associations" (1576-12). Definition and types of business associations.

Legislation on investment activity. Definition of investments and investment activities. The Law of Ukraine "On mortgages" (2654-12).

Agreements (contracts). Form of agreements. Representation and power of attorney. Emergence, execution, surety of execution, responsibility for breach contracts (agreements) and cancellation of obligations. Certain types of obligations. Loans. Agency. Commission. Notarization.

Subject 2. Securities in Ukraine.

(6 hours)

Legislation on securities. The Law of Ukraine "On securities and the stock exchange" (1201-12). Definition of securities. Types of securities the form of their issue.

Shares. Kinds of shares. Bonds. Municipal and government debt. Veksels. Veksels legislation. Investment certificates. Saving certificates. Privatization securities.

Derivatives. Types of contracts with derivatives. Hedging.

Transfer of ownership of documentary securities. Transfer of ownership of non-documentary securities. Nominee holder of securities.

Subject 3. Securities market in Ukraine.

(2 hours)

Concept of functioning and development of stock market of Ukraine. Structure of the financial market. Definition of securities market (hereinafter referred to as SM).

Primary and secondary SM. Exchange SM and OTC SM.

Stock exchange. OTC trade-and-information systems. SM participants.

Legislation of Ukraine on privatization. Stock market and privatization.

Infrastructure of the stock market.

Self-regulation at the stock market. Self-regulatory organizations of professional SM participants, their functions and responsibilities.

SM information disclosure.

Subject 4. Participants of securities market in Ukraine.

(4 hours)

Securities issuers: the State, local government bodies, enterprises.

Investors and investments in securities. Institutional investors.

The Decree of the President of Ukraine "On investment funds and investment companies" (55/94).

Investment funds. Restrictions on the activity of investment funds. Assets management and control over fund's activity. Investment companies. The mutual fund of an investment company.

The activities on issuance and circulation of securities. Stock brokers and dealers. The Law of Ukraine "On the National depository system and special features of electronic circulation of securities in Ukraine" (710/97-BP). The structure and participants of the National depository system (hereinafter referred to as NDS).

Interaction of SM participants.

Subject 5. Joint-stock companies in Ukraine.

(6 hours)

Principles of corporate governance. Development of a corporate form of ownership in Ukraine.

Joint-stock companies (hereinafter referred to as JSCs) and their types. Creation of a JSC. JSC statutory documents. State registration of JSCs. The statutory fund of a JSC.

Procedure of increasing or reducing the JSC statutory fund. An increase (reduction) of the nominal value of shares.

Governance and management bodies of the joint-stock company and their officers. The general meeting of a joint-stock company. The Board of a joint-stock company (supervisory board). Joint-stock company executive bodies. The Auditing committee of a joint-stock company.

Liquidation of a joint-stock company. Reorganization of a joint-stock company: merger, spin-off, and reorganization.

Rights and responsibilities of shareholders.

Preparation and conduct of the joint-stock company's general meeting.

Regular and special information on the activity of a joint-stock company.

Specifics of a joint-stock company creation during privatization and corporatization.

Joint-stock company's standard internal regulations.

Subject 6. National depository system of Ukraine.

(6 hours)

Key terms and definitions of the NDS. NDS lines of business. The National depository of Ukraine (hereinafter referred to as NDU). The NDU functions and responsibilities.

Depository activities and its types. Custody and servicing of securities circulation on securities accounts and issuer's operations with regard to the issued securities. Clearing and settlements under securities contracts. A clearing depository.

Specifics of the securities electronic circulation. Record keeping of securities accounts in the electronic form.

Regulation of the NDS activity. Granting permissions to exercise depository activities. Control over NDS activity. Restrictions of engaging in the SM professional activity of employees of the NDS's direct participants and of government agencies exercising control over the NDS activity.

The role and functions of a registrar of the register system of owners of registered securities, of a custodian and of a depository in securities circulation.

Subject 7. Issue of securities in Ukraine.

(4 hours)

Procedure of issuing securities in Ukraine. Procedure of securities issues registration. Special features of JSCs issuing shares and bonds.

Information on a share issue. Report on the results of subscription. Registration of shares issue.

Registration of the issue and information on a bond issue by a joint-stock company.

Specifics of registration of a share issue by open joint-stock companies created during privatization and corporatization. Specifics of registration of share issue of the closed joint-stock company.

Forms of securities issue: documentary and non-documentary.

Subject 8. Circulation of securities in Ukraine.

(2 hours)

Securities trade organizers: stock exchanges and trade-and- information systems (hereinafter referred to as TIS). Rules of securities trading at stock exchanges and in TIC. Definition of listing and de-listing of securities.

Share indexes.

Subject 9. State regulation of securities market in Ukraine.

(4 hours)

The Law of Ukraine "On State regulation of securities market in Ukraine" (448/96-BP). The purpose and forms of the State regulation of the securities market.

Securities and Stock Market State Commission (hereinafter referred to as SSMSC). SSMSC objectives and responsibilities. Authorized persons of SSMSC. Other governmental agencies that exercise State control over the activities of SM participants.

SM legal and regulatory framework.

Licensing of professional activities in the SM.

Disclosure of information on the terms of securities issues and circulation.

Protection of investor rights in the stock market.

Training of specialists on stock market matters.

Control over compliance with securities legislation. Responsibility for legal violations in the securities market. The procedure of imposing sanctions for violations in the securities market.

Subject 10. Anti-trust legislation in securities market.

(4 hours)

Law of Ukraine "On Restriction of monopoly and prevention of unfair competition in business activities" (2132-12). General requirements of the securities market anti-trust legislation.

The essence and mechanisms of determination of a monopolistic position. The procedure of a business subject notification as to its recognition as a monopolist. Types of a monopoly position abuse. Discrimination of business subjects. Prevention of monopoly position abuse, control over economic concentration.

The procedure of obtaining the consent of Ukraine Antimonopoly Committee bodies (hereinafter referred to as - AMC) on the acquisition of stakes (shares, holdings) in businesses.

Responsibility for a violation of the anti-trust legislation. The procedure of legal proceedings on anti-trust legislation violation and decision-making by the AMC bodies.

Subject 11. Joint-stock company in the securities market.

(4 hours)

Joint-stock company governance models. Structure of ownership by shareholder categories (chief executives and employees of the joint-stock company, strategic and individual investors). Purpose and motivation of certain categories of shareholders with regard to participation in the joint-stock company governance.

Interaction of the joint-stock company with the authorized representatives of shareholders.

Typical examples of dilution of a shareholder's stake in the joint-stock company's statutory fund (during additional issues of shares, consolidation or splitting of shares, and in circulation of shares in the secondary stock market). The effect of changes in the ownership structure on the joint-stock company's governance.

Subject 12. Interaction of the joint-stock company with a stock broker.

(2 hours)

Types of services provided by a broker to a joint-stock company. Preparation of a securities issue. Underwriters and underwriting.

Services on the issue of depository receipts of Ukrainian joint-stock companies. Kinds of agreements between a joint-stock company and a securities broker-dealer. Securities listing on the regulated market.

Subject 13. Interaction of a joint-stock company with the depository and the custodian.

(4 hours)

Agreements between depository institutions and a joint-stock company: the structure and principal requirements. The procedure of opening securities with a depository under an agreement. Introduction of changes into the form of a securities account and closing a securities account. Organization of record keeping of securities placement in the documentary form. Servicing of joint-stock company transactions with the issued securities. The procedure of depositing a temporary global certificate and of the global certificate. The procedure of opening an issuer's account. Servicing a joint-stock company's transactions with the issued securities.

Securities immobilization: basic definitions and stages of execution. Interaction of a joint-stock company and depository institutions during the securities immobilization.

Subject 14. Interaction of a joint-stock company and the registrar of registered securities.

(4 hours)

Agreement between a joint-stock company and the registrar: main provisions, rights and responsibilities of the parties. The procedure of the formation of a register. The organization of the record keeping of securities placement and individuals who have subscribed for securities. Checking of results of securities subscription.

The procedure of managing the register system and introducing changes into the register based on the results of civil law agreements, inheritance, and court decision. The interaction of a joint-stock company and the registrar in operating with share certificates. The requirements to a temporary ownership certificate of registered securities.

The procedure of certification by the registrar's authorized person of the authenticity of the holder's signature on the transfer instructions. The procedure of information provision to a joint-stock company from the register's system by the registrar.

The interaction of a joint-stock company and the registrar in the process of servicing of the issue and circulation of non-documentary securities; securities dematerialization. The procedure of preparation and transfer of the register to another registrar.

Subject 15. Securities as a tool to raise capital by a joint-stock company.

(8 hours)

Securities placement pricing. Principal methods of equity evaluation: discounted cash flows, discounting of dividends, and the market rates. The determination of discount rates.

The structure of capital and the cost of capital of a joint-stock company. Capitalization of a joint-stock company. Factors impacting the value of securities.

Alternative ways of financing the operations of a joint-stock company. External investment by a joint-stock company through the issue of debt securities. The role of tax benefits when selecting sources of funding.

The organization of securities issue for the purpose of raising capital. Marketing research of the securities market. The methods of searching for potential investor. Minimization of a joint-stock company costs in attracting investment.

Subject 16. Accounting of securities transactions.

(8 hours)

Accounting of issuing operations of a joint-stock company. Accounting of securities issue and placement. Accounting of issue and placement of corporate bonds by a joint-stock company.

Transactions on securities sales and purchases. Transactions with securities of other issuers. Accounting specifics of a joint-stock company transactions with own shares. Reflecting in the company statements of the buyout (liquidation) of its own securities issue: bonds redemption, a reduction of the joint-stock company's authorized capital, a reduction of the stocks nominal value, and treasury stocks buyouts.

Reflection of current payouts on issued securities in the balance sheet: share dividends and interest on bonds paid. Reflection of a joint-stock company's currency transactions in the balance sheet.

International accounting standards.

Subject 17. Taxation in the securities market.

(4 hours)

The taxation system of Ukraine. Taxation objects. Taxpayers. Tax types and rates. Taxation of company profit. Value-added tax. Individual income tax. Taxation of income on securities. Taxation of securities transactions.

Lectures and practical studies - 76 hrs.

Current tests - 4 hrs.

Total hours of training - 80 hrs.

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