



On approval of the Rules of conducting inspections of the activities of issuers and self-regulating organizations on the securities market

**Resolution of the Securities and Stock Market State Commission
of July 8, 2003 under No 302
Registered with the Ministry of Justice of Ukraine
of July 8, 2003 under No 658/7979**

In order to provide execution of the Decree of the President of Ukraine “On additional measures on improvement of activity of the Securities and Stock Market State Commission” of September 25, 2002 under No 861/2002 the Securities and Stock Market State Commission **RESOLVES**:

1. Approve the Rules of conducting inspections of activities of the issuers and self-regulatory organizations on the securities market (enclosed).
2. Cancel the resolution of the Securities and Stock Market State Commission of 10.17.97 under No 37 “On approval of the Rules of conducting inspections and audits of the issuers, persons that carry out professional activity on the securities markets, stock exchanges and self-regulatory organizations for observance of securities legislation”.
3. M. Kaskevych, the Executive secretary shall provide:

A transfer of the Rules of conducting inspections of activities of issuers and self-regulatory organizations on the securities market in the new version for approval to the State Committee of Ukraine on Regulatory Policy and Entrepreneurship;

state registration of this resolution with the Ministry of Justice of Ukraine;

publication of this resolution in accordance with effective legislation.
4. The decision shall come into force in 30 days after its state registration.
5. Entrust control over execution of the resolution with M. Kaskevych, the Executive Secretary

Chairman of the Commission

O. Mozgovyi

APPROVED

Resolution of the Securities and Stock Market State Commission of July 8, 2003 under No 302

Registered with the Ministry of Justice of Ukraine on July 30, 2003 under No 658/7979

Rules

of conducting inspections of the activities of issuers and self-regulating organizations on the securities market

1. General provisions

1.1. These rules are developed in accordance with the Laws of Ukraine "On State Regulation of the Securities Market in Ukraine", "On Securities and Stock Exchange in Ukraine", "On the National Depository System and Specifics of Electronic Circulation of Securities in Ukraine", "On Enterprises in Ukraine", "On Economic Partnerships", the Decree of the President of Ukraine of September 25, 2002 under No 861/2002 "On Additional Measures on Improvement of Activity of the Securities and Stock Market State Commission".

1.2. This document shall establish a unified procedure of exercising control over observance of effective legislation on the securities market by the issuers and self-regulatory organizations which is exercised by the Securities and Stock Market State Commission (its central staff and regional bodies) by conducting scheduled and unscheduled inspections (hereinafter referred to as inspection bodies) independently or together with other relevant bodies.

2. Organization of and preparation for conducting inspections

2.1. Scheduled inspections of observance of effective securities legislation by issuers and self-regulatory organizations shall be conducted not oftener than once per year.

2.2. Scheduled and unscheduled inspections shall be conducted in case that a written application (notice) on violation of securities legislation by an issuer or a self-regulatory organization is received by an inspection body and also if an inspection body receives resolutions, orders, and court determinations, decisions of investigators on conducting inspections of an issuer or a self-regulatory organization.

2.3. To conduct an inspection by the inspection body a leader and members of the working group shall be appointed and Letter of Authority to conduct inspections shall be issued in two copies (Addendum 1).

Inspections shall be conducted by authorized persons of SSMSC on the basis of Power of Attorney according to law.

A minimum number of members of the working group shall be equal to two persons.

2.4. Records of issued written Letters of Authority issued shall be maintained at the place of their issuance and registered in a log book of record-keeping of Letters of Authority for conducting inspections.

2.5. Letters of authority to conduct inspections shall be provided for the periods which secure timely and high quality inspections, but lasting not more than 30 business days.

2.6. In view of the specifics of the activities of the issuer or the self-regulatory organization being inspected and of considerable volumes of works the inspection periods may be prolonged by the person that provided Letter of Authority for conducting inspections for another 15 days based on a reasoned application of the working group leader.

2.7. The inspection body shall send a written notice on conducting a scheduled inspection to an issuer or a self-regulatory organization no less than 5 calendar days before the beginning of its conducting.

3. Rights, duties and responsibilities of the working group

3.1. When conducting an inspection the leader and members of the working group shall have the right:

to enter uninterruptedly the enterprises which carry out activities on the securities market on presentation of a service ID;

to have access to documents and other materials necessary for conducting the inspection;

to demand necessary documents and other information for an examination in connection with exercise of their powers;

to seize the documents proving the facts of violations of current legislation requirements on the securities market for a period of up to three days.

To get explanations of officials of the issuer or the self-regulatory organization by their consent.

3.2. When conducting an inspection the leader and members of the working group shall be obliged:

to hand over a duplicate copy of the Letter of Authority to the head of the issuer or the self-regulatory organization or the person who acts for him/her with this person making a note about this on the first copy of the Letter of Authority. If a representative of the issuer or the self-regulatory organization refuses to make a note to confirm receipt of the first copy of the certificate, the leader of the working group shall make a relevant entry saying that the representative of the issuer or the self-regulatory organization refused to sign the copy and will certify this with his/her own signature;

to inform the head of the issuer or the self-regulatory organization or the person who acts for him/her about the duties, obligations and powers of the working group, the cause and goal of the inspection, the rights, obligations and responsibilities of the issuer or the self-regulatory organization, to compile a list of required documents and fix the terms of their submission, to agree upon other organizational issues regarding the conduct of the inspection.

in case of a refusal of the leader of the issuer of the self-regulatory organization or the person who acts for him/her to provide documents or duly certified copies of documents (extracts from documents) on oral request of members of the working group addressed to the leader of the issuer or the self-regulatory organization or the person who acts for him/her, to prepare and give a written request with an indicated term of providing necessary information (Addendum 2), and in case of a refusal to receive a written request to hand it over to the person entrusted with the duties of registration of incoming

correspondence of the issuer or the self-regulatory organization or to send a request to the issuer or the self-regulatory organization with a delivery confirmation registered letter;

in the event that the working group is not allowed to conduct an inspection, is not provided with the documents it needs for the inspection, violence is use with respect to it, it will be required to apply to law-enforcement bodies for their taking measures on securing conduct of the inspection by enforcement.

3.3. In the course of the inspection the leader and members of the working group shall bear responsibility according to effective legislation.

4. Rights, duties and responsibilities of officials of issuer or self-regulatory organization

4.1. In the course of an inspection officials of an issuer or a self-regulatory organization shall have the right:

4.1.1. To receive the following information from the working group leader:

on the procedure of conducting the inspection;

on the rights and duties of the working group;

on the cause and goal of the inspection;

on the rights and duties of officials of the issuer or the self-regulatory organization;

4.1.2. To receive a duplicate copy of the Letter of Authority for conducting an inspection from the working group and to make a note about this on the first copy of the certificate

4.1.3. To provide written explanations on request of the working group.

4.2. In the course of the inspection officials of the issuer or the self-regulatory organization shall be obliged:

to confirm powers of the issuer or the self-regulatory organization by relevant documents;

to provide necessary conditions for the working group to conduct an inspection;

to timely provide complete and true information on activity of the issuer or the self-regulatory organization on the securities market to the working group;

to provide copies of necessary documents on request of the working group leader to attach them to the Act of inspection.

4.3. The issuer or the self-regulatory organization and their officials shall be responsible for failure to fulfill their duties during the inspection.

5. Procedure of conduct of inspection and presentation of results

5.1. In the course of an inspection the working group shall study, analyze and evaluate all necessary documents pertaining to activities of the issuer and the self-regulatory organization on the securities market. In the course of the inspection special attention shall be paid to the drawbacks in carrying out activities of the issuer or the self-regulatory organization on the securities market that may result in nonfulfillment of its obligations to the state, investors and other stock market participants.

5.2. Based on the results of the inspection the working group shall draw up an Act of inspection in duplicate in due form (Addendum 3) to be signed by the working group leader and members not later than the date of expiry of the Letter of Authority to conduct inspection. One copy of the Act of inspection shall be given to the head of the issuer or the self-regulatory organization or the person who acts for him/her against their own signatures, a duplicate copy shall be kept by the inspection body who conducted the inspection. The pages of the Act of inspection shall be numbered.

5.3. In accordance with the list (indicated in the Act of inspection) the documents (copies of documents) shall be attached obligatorily to a copy of the Act of inspection which is kept by the inspection body.

5.4. It is not allowed to present in the Act of inspection the data which are not supported by documents.

5.5. In the event of elimination by the issuer and the self-regulatory organization of violations and drawbacks in the activities found in the course of the inspection a relevant record is made in the Act of inspection.

5.6. Any corrections and additions in the Act of inspection after its signing by members of the working group should be confirmed obligatorily by the signatures of members of the working group.

5.7. If the issuer or the self-regulatory organization which were inspected do not provide the documents needed for the inspection irrespective of the reasons (loss, absence of a relevant person of a securities market participant at work, a refusal to provide them, etc.) a record is made in the Act of inspection saying that the relevant documents were not provided, and the reasons for this are indicated.

5.8. In the event of seizure of the documents supporting the facts of violation on the securities market in accordance with the established procedure in the course of the inspection, a protocol of seizure of documents shall be enclosed.

5.9. Objectivity and exhaustiveness of a description of the facts and data uncovered should be observed in drawing up the Act of inspection.

5.10. If one of the members of the working group does not agree with the content of the inspection report, he has the right to present in writing its individual opinion with its substantiation and attach it to the Act of inspection.

5.11. In case of a refusal of officials of the issuer or the self-regulatory organization to receive a copy of the Act of inspection, the working group leader shall make a relevant entry in the place for signing of the report and within 5 business days the Act of inspection shall be forwarded to the issuer, the self-regulatory organization by mail.

5.12. Comments to the Act of inspection may be provided by the issuer or the self-regulatory organization within 6 business days after receipt of the Act of inspection.

6. Procedure of seizure of documents in the course of inspection and handling them

6.1. In the course of the inspection of the issuer or the self-regulatory organization the working group leader is entitled to seize the documents proving the facts of violation on the securities market.

6.2. Seizure of documents is done in accordance with effective legislation of Ukraine.

6.3. A copy of a document seizure protocol shall be presented to a representative of the issuer or the self-regulatory organization and they certify this against his/her own signature on the protocol with an indication of the date of presentation.

6.4. In the event of a refusal of a representative of the issuer or the self-regulatory organization to sign a document seizure protocol the working group leader shall put a relevant entry on this in the document seizure protocol.

6.5. Each alteration, erasure, illegible entry, stamp impression on the documents being seized shall be reflected in the protocol of seizure.

6.6. The working group leader shall bear responsibility for storing and using documents seized in the course of the inspection to their intended purpose. It is prohibited to carry out any actions which may cause damage to or change in the content of the document which is seized.

6.7. When working with the documents seized the working group leader is entitled:

to make copies of the documents seized;

if necessary, to attract other employees of the inspection body, specialists of other institutions with their consent.

6.8. Counting of the period of seizure of the documents shall start from the next day after the date of the seizure.

6.9. A relevant entry on return of the documents seized shall be made on the seizure protocol by a representative of the issuer or the self-regulatory organization.

6.10. In the event of a refusal of a representative of the issuer or the self-regulatory organization being inspected to timely receive the documents seized, the working group leader shall draw up a report on a refusal to receive the documents seized and mail the documents seized to the address of the issuer or the self-regulatory organization with a registered letter.

6.11. If on return of the document seized damages and corrections which are not reflected in the seizure protocol are uncovered on it, the working group leader and a representative of the issuer of the self-regulatory organization from which the document was seized shall draw and sign a report on damages or corrections on documents being returned with an indication of all damages and corrections.

7. Taking measures for violations committed by the issuer or self-regulatory organization on the securities market

Measures for violation on the securities market committed by the issuer or the self-regulatory organization shall be taken in accordance with effective legislation of Ukraine.

**Head of Enforcement Department of the
Securities and Stock Market State Commission**

R. Matviyenko

Addendum 1
to the Rules of activities of the issuers and self-regulatory organizations on the securities market

(on the form)

of _____ 200_ _____ copy
No _____

LETTER OF AUTHORITY

Issued to the working group leader _____

and to members of the _____
working group: _____
(surname, initials)
(surname, initials)

on conducting an inspection _____

(name of issuer, self-regulatory organization, YEDRPOU code)

regarding observance of effective legislative requirements on the securities market

in the period from _____ 200_ to _____ 200_

(post of head) _____ (signature) _____ (initials, surname)
stamp

Inspection is prolonged to _____ 200_

(post of head) _____ (signature) _____ (surname, initials)
stamp

A copy of the Letter of Authority is received by:

(surname, initials, post) _____ (signature) _____ (date)

Addendum 2
to Rules of conducting inspections of activities of
issuers and self-regulatory organizations on the
securities market

SECURITIES AND STOCK MARKET STATE COMMISSION

REQUEST FOR PROVIDING INFORMATION

to Head _____

_____ 200_

I, _____, leader of the working group on
(surname, name, patronymic)

inspection of observance of effective legislative requirements on the securities market

(name of issuer, self-regulatory organization, YEDRPOU code)

on the basis of Letter of authority to conduct an inspection issued _____

(date, No)

(post, surname, name and patronymic)

on the instructions of _____ N _____, as an authorized person of the Commission I demand on
the basis of item 4.2 of Rules of conducting inspections of activities of issuers and self-regulatory
organizations on the securities market in the time by _____ o'clock on _____ 200_ to present
duly certified copies of the following documents to add them to the materials of the inspection report:

Working group leader

(signature)

(surname, initials)

Addendum 3
to Rules of conducting inspections of activities of
issuers and self-regulatory organizations on the
securities market

_____ copy

ACT
of conducting _____ inspection
(scheduled/unscheduled)
of carrying out activity on the securities market

(full name of issuer, self-regulatory organization)

(place of drawing up of Act of inspection)

"__" _____ 200_ p.
(date of signing of Act of inspection)

Beginning-end of inspection: from _____ 200_ to _____ 200_

Location _____
(postal index, city, raion, oblast, street, No. of building)

YEDRPOU code _____

Bank details _____

Contact information _____
(city code, phone, fax number)

The inspection was conducted by the working group consisting of:

Group leader _____ (surname, name and patronymic) _____ (post)

Member of group _____ (surname, name and patronymic) _____ (post)

The inspection was conducted in the presence of officials of

(issuer, self-regulatory organization)

_____ (surname, name and patronymic) _____ (post)

_____ (surname, name and patronymic) _____ (post)

Ground for conducting the inspection _____

Reason for conducting the inspection _____

Period of activity of issuer, self-regulatory organization covered from _____ 200_ to _____ 200_ by inspection:

List of the issues inspected:

1	
2	
...	

Information on state registration of issuer, self-regulatory organization _____

(date, No of certificate, who issued, indicated activities)

Amount of statutory fund of issuer* _____

Payment of statutory fund of issuer* _____

List of participants of self-regulatory organization ** _____

Information on branches, representations and subsidiary enterprises _____

(of issuer, self-regulatory organization)

Information on issuance of securities by issuer and their registration*:

(date, No of registration, extent of issuance, who registered, share nominal value)

Amending constituent documents and their registration: _____

(date, No of registration, who registered)

*** Information only for issuers.**

**** information only for self-regulatory organization .**

Narrative

List of documents provided by issuer, self-regulatory organization for conducting inspection:

N	Name of document	Requisite elements of document
1		
...		

Issue 1. _____

Issue 2. _____

Issue ... _____

Report proposing a resolution

Violations uncovered:

N	Violation uncovered	Item and/or article	Regulatory and legal act whose requirements are violated
1			
...			

List of documents to be attached to the Act of inspection:

N	Name of document	Requisite elements of document	Number of pages
1			
...			

Act of inspection is drawn up in two copies:

First copy - _____

Duplicate copy - _____

Signatures of working group members:

(surname, name and patronymic) (signature) _____ 200_

(surname, name and patronymic) (signature) _____ 200_

I received a copy of Act: _____ (surname, initials) _____ (signature) _____ 200_