

CSDs: AUSD (Ukraine), SSD (Ukraine)

Date: 28 Apr 2011

SMI Markets: Ukraine

CMIRR Markets: Ukraine

## Creation of a CSD in Ukraine - Update

It has now emerged that the International Monetary Fund (IMF), the World Bank (WB) and the USA Agency for International Development (USAID) have expressed their concerns about the management of the Ukrainian Government in the creation of a CSD in Ukraine.

The Government of Ukraine proposed the creation of the CSD based on the merger of the National Depository of Ukraine (NDU) with the State Securities Depository of the National Bank of Ukraine (SSD). The three international agencies have articulated their opinion which indicates that the merger of these two CSDs will require substantial State funding. In their view, this can be mitigated by the merger of NDU with the All-Ukrainian Securities Depository (AUSD) which has been in operation for longer and would be less costly to manage using its current infrastructure.

It is important to note that the IMF and the Government of Ukraine have signed an agreement which obliges Ukraine to create a CSD for the securities market in 2011 according to international standards.

## CSD Risk Impact

### AUSD (Ukraine)

CSD Rating: BBB

CSD Flash Impact: On Watch

Impacted Risk Type: Financial Risk

Current Rating = B

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A-

Flash Impact = On Watch

The plan to create a CSD instead of the existing depositories will remove market fragmentation and should have an overall positive impact on the market.

This could significantly impact AUSD's clearing and settlement business as it may not be involved in the project of creating a CSD. However, since further information has not yet been disclosed, the impact on financial risk for this depository cannot be determined at this stage.

Furthermore, there will be some changes in the operational / technical structures which will surely affect the operational risk. Again, it cannot be assessed until the full details of the project emerge.

### SSD (Ukraine)

CSD Rating: A

CSD Flash Impact: On Watch

Impacted Risk Type: Financial Risk

Current Rating = A

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = BBB

Flash Impact = On Watch

The plan to create a CSD instead of the existing depositories will remove market fragmentation and should have an overall positive impact on the market.

However, since the details of the participation of NDU and SSD in the new entity have not yet been disclosed, the impact on financial risk for the depositories cannot be determined at this stage.

Furthermore, there will be some changes in the operational / technical structures which will surely affect the operational risk. Again, it cannot be assessed until the full details of the project emerge.

## Market Information Impact

### Ukraine

This information affects the data contained in the Local Market Administrative Organisations sections of the Securities Market Information Service.

## Infrastructure Risk Ratings Impact

### Ukraine

Market Rating: BBB

Market Flash Impact: On Watch

Impacted Risk Type: Financial Risk

Current Rating = B

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = BB

Flash Impact = On Watch

The plan to create a CSD instead of the existing depositories will remove market fragmentation and should have an overall positive impact on the market.

Since further details on the participation of NDU and SSD in the new entity and the effect on AUSD's clearing and settlement business have not yet been disclosed, the impact on financial risk for the depositories cannot be determined at this stage.

Furthermore, there will be some changes in the operational / technical structures which will surely affect the operational risk. Again, it cannot be assessed until the full details of the project emerge.

Related Flash: [Creation of a CSD in Ukraine - Update, 15/03/2011 \(click to view\)](#)

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