

CSDs: **AUSD (Ukraine)**

Date: 02 Jun 2011

SMI Markets: **Ukraine**CMIRR Markets: **Ukraine**

SCSSM's Draft Regulation on Margin Agreements

The State Commission for Securities and Stock Market (SCSSM) has adopted a draft regulation on margin agreements. The draft allows brokers to lend securities or cash to their clients and defines the requirements for this activity.

According to the draft, brokers will not be able to issue loans more than three times of the value of their own assets. The average size of the margin (leverage), which may be provided by the brokers to their clients, should be 1:1, which means the investor can borrow cash from the broker, provided that the investor has the same value of securities as collateral.

Moreover, a broker may issue a loan in the form of securities, which can be conducted via a repo transaction with interests paid on the value of the securities borrowed. If there is a drastic fall in market prices, the broker may sell those securities.

CSD Risk Impact

AUSD (Ukraine)

CSD Rating: BBB

CSD Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = A

Flash Impact = Positive

Impacted Risk Type: Counterparty Risk

Current Rating = B

Flash Impact = Negative

Allowing securities lending and repo transactions take place in the market will help mitigate liquidity risk by making securities and cash available to cover shortfalls, consequently reducing the number of settlement fails in the market. However, strict controlling procedures must be put in place in order to prevent brokers misusing their clients' assets.

Market Information Impact

Ukraine

This information affects the data contained in the Stock Lending and Repos sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Ukraine

Market Rating: BBB

Market Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = BBB

Flash Impact = Positive

Impacted Risk Type: Counterparty Risk

Current Rating = BBB

Flash Impact = Negative

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