

CSDs: **AUSD (Ukraine)**Date: **24 Jul 2013**SMI Markets: **Ukraine**CMIRR Markets: **Ukraine**

## New Regulation on Depository Activity

The new regulation "On Depository Activity Execution" issued by the National Securities and Stock Market Commission (NSSMC) has been officially published.

The salient points of the regulation are:

- Custodians will be eligible to open segregated securities accounts for investment funds (as they cannot be treated as legal entities) which are founded by foreign investment management companies.
- A foreign legal entity, which in accordance with the legislation of the country of its origin, provides assets management services in favor of third parties and sets up the investment funds, will be allowed to open segregated securities accounts for its funds with an Ukrainian custodian;
- Clients will no longer have to submit purchase and sale agreements to their Custodian for on-exchange trades. The transaction could be set exclusively on the clients' instruction.
- OTC transactions settled on an FOP basis are still required to submit the purchase and sale agreements which must be provided for repatriation of the funds product of a securities sale;
- The regulation establishes the requirements for the data which should be included into the client's settlement instruction as well as for the statement of holdings;
- The term "Custodian" is replaced with "Depository Institution";
- The type of depositors has been expanded including categories as state, local community, notary, foreign assets management company;
- Clarification of procedure of receiving/delivery of blocked securities;
- Clarification of procedure of securities blocking as a result of securities pledge (next pledge);
- Introduction of the concept of Central Securities Depository and Settlement Centre as the main counterparts in the Ukrainian market instead of NDU and AUSD Depositories.

The regulation came into force on 19 July 2013 but its effects will only apply from 12 October 2013.

## CSD Risk Impact

### AUSD (Ukraine)

CSD Rating: BBB

CSD Flash Impact: Stable

The new regulation introduces the possibility of creating segregated accounts to foreign investment funds what enhances the safety of such investors' assets. In addition, transactions will exclusively settle on the clients' instruction, which is expected to protect investors against the misappropriation of assets by the broker.

## Market Information Impact

### Ukraine

This information affects the data contained in the Safekeeping/Post Settlement sections of the Securities Market Information Service.

## Infrastructure Risk Ratings Impact

## Ukraine

Market Rating: BBB

Market Flash Impact: Positive

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### For further information contact:

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