How to access UAH domestic government bonds market?
UAH 377.6 bn (~USD 13.3 bn) is Ukraine's domestic borrowings plan for the year 2020 according to amended 2020 State budget law, which accounts for 60% of total borrowings' plan for the year 2020.

61% of the current state debt is in foreign currency. The government's priority for the next years is to enlarge UAH government issues.

Multiple steps for attraction of international investors to Ukrainian local government debt were done:

- Currency liberalisation adopted by the Law on Currency and Currency Operations in 2018
- The concept of the Nominee Holder adopted and became effective in November 2018
- Cooperation with Clearstream initiated and the link launched on May 27, 2019

---

**Primary market UAH-denominated yield curves**

Source: Ministry of Finance of Ukraine
• The introduction of **UAH exchange rate flexibility** in February 2014 helped reduce external imbalances and significantly contributed to restoring **Ukraine's competitiveness**

• As of today **UAH exchange rate** is driven by current account performance and has a **cyclical nature**

• **Current account** deficit decreased sharply from 9.0% of GDP in 2013 to 0.9% in 2019.

• In 8m 2020 the **current account balance** demonstrated **surplus**, resulting from a relatively stable goods export and a decrease in imports due to global energy prices decline

• 2020 CA surplus is **expected to reach 4.4%** of GDP (per NBU) as imports will decline more than exports
The NBU has significantly softened its monetary policy maintaining the cycle of key policy rate cuts until June 2020 on the back of UAH appreciation and decelerated inflation.

Overall, the key policy rate was reduced by 7.5 p.p. since the beginning of 2020, reaching the historic low of 6% over Ukraine’s independence on June 6, 2020.

Due to relatively tight monetary conditions and UAH revaluation, the NBU brought inflation to its medium-term target (5% +/- 1%) in 2019 vs. end-2020 planned initially.

Consumer inflation decreased from 9.2% in January 2018 to 2.3% in September 2020 (y-o-y) owing to tight monetary conditions.

Source: State Statistics Service of Ukraine, H1 2020
The domestic banks and the NBU, with 49.9% and 36.7% shares respectively, are currently the largest holders of domestic government bonds.

At c.9% of total outstanding Ukrainian domestic government bonds as of October 2020, the portfolio held by non-residents increased more than 12 times compared to the beginning of the year 2019.

Domestic government bonds portfolio held by non-residents increased from almost zero level in July 2017 to current c. UAH 80 bn as of October 20, 2020.

• The government bonds auctions are held on a weekly basis, every Tuesday
• The auctions calendar is published and updated on the Ministry’s web-site, as well as on MinFin’s page in Bloomberg terminal (MFU)
• The maturity of domestic government bonds significantly extended
• Benchmark bonds introduced

**TYPES OF INSTRUMENTS ON DOMESTIC GOVERNMENT BONDS MARKET:**
- Short-term instruments with maturity of: 3m, 6m, 9m, 1y,
- Medium-term instruments with maturity of: 2y, 3y,
- Long-term instruments with maturity of: 5y, 7y

Statistics of outstanding domestic government bonds is presented on MinFin’s web-site
## Improved market environment (3)

### The NBU facilitated domestic government bonds investments

<table>
<thead>
<tr>
<th>Clearing system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash clearing system adopted for government bonds denominated <strong>in foreign currency</strong> which will lower administrative burden for MoF and depository institutions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New account type in NDU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukrainian depositaries may open <strong>new account</strong> in the National Depositary of Ukraine for <strong>their international clients as nominal securities holders</strong> (depositary institutions / custodians registered in one of the EU/FATF member states are entitled to open nominal holders accounts with Ukrainian depositary institutions)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increased list of operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>The NBU allowed <strong>non-residents to inherit</strong>, succeed domestic government bonds or use them for statutory capital contribution</td>
</tr>
<tr>
<td>Introduction of <strong>electronic versions of global issuance certificates</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No depository license</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary dealers are not required to obtain depository license</strong> to participate in government bond auctions</td>
</tr>
<tr>
<td><strong>Non-bank depository institutions may use NBU’s depository system</strong> without mandatory connection to NBU’s e-mail system</td>
</tr>
</tbody>
</table>
Improved market environment (4)

New law on capital and commodity markets was signed by the President in August 2020 which establishes the legal and regulatory framework for the derivatives market

- *Securities*
  - Extension of the list of securities based on their revised classification and presentation of new types of bonds and derivatives

- *Market players*
  - Introduction of **qualified investors** concept in accordance with MiFID directives
  - **New type of players – related agents** (intermediaries between the market and the investors)

- *Infrastructure*
  - Definition of capital markets structure, including organized and OTC markets
  - Harmonization of the Ukrainian capital and commodity markets legislation with the EU regulations and ISDA recommendations

- *Protection of investors rights*
  - Protection of bondholder rights through definition of **bondholders meeting's powers and obligations**
Non-resident legal entities can benefit from favorable taxation of operations with domestic government bonds:

- Income tax from principal repayment is 0%
- Interest income tax is 0%
- Treaties for the avoidance of double taxation with multiple countries
Ways to enter the market

- Open individual securities accounts with **local custodians**
- Use securities accounts of **nominee holders** opened at Ukrainian depository institutions
- Buy **GDNs / CLNs** which are clearable in Euroclear / Clearstream
- Buy eligible securities through the **link** established by **Clearstream**

*Launched on May 27, 2019*
Guide to enter Ukrainian market via local custody

01 Select local custody or nominee holder
   - The list of local custodies is presented on the web-site of National Depository of Ukraine [here](#) [right]

02 Visit Ukraine
   - Ukraine's travel information is [here](#) [right]

03 Open individual securities account at local custody
   - Opening the securities account implies KYC procedure. It's recommended to get prepared beforehand

04 Conclude an Agreement on Brokerage Services with Ukrainian licensed broker
   - The list of licensed by NSSMC entities is [here](#) [right]

05 Open investment account in a bank
   - The list of licensed by NBU banks is [here](#) [right]

06 Make a deal
   - Ask your broker to buy Ukrainian domestic government bonds on your behalf, transfer funds, give an order to custodian for enrollment of securities
KYC Documents Checklist

- KYC Questionnaire
- Ownership Structure Chart
- Company Register Extract
- License
- Legally Binding Extract of Your List of Authorized Representatives
- Other documents required by your local custody
Actual List of Primary Dealers is presented on the MinFin's web-site

1. JSB "UKRGASBANK"
2. JSC "Oschadbank"
3. JSC "Raiffeisen Bank Aval"
4. JSC "OTP BANK"
5. PJSC "Citibank"
6. JSC "Ukreimbank"
7. PJSC "FUIB"
8. PJSC "PrivatBank"
9. PJSC "ALFA-BANK"
10. PJSC "KredoBank"
11. JSC JSB "PIVDENNYI"
Bloomberg adress: MFU<GO>

Investor Relations
Ministry of Finance of Ukraine
e-mail: ir@minfin.gov.ua
tel.: +38044 277 5455
web: https://mof.gov.ua/en
twitter: @ua_minfin