

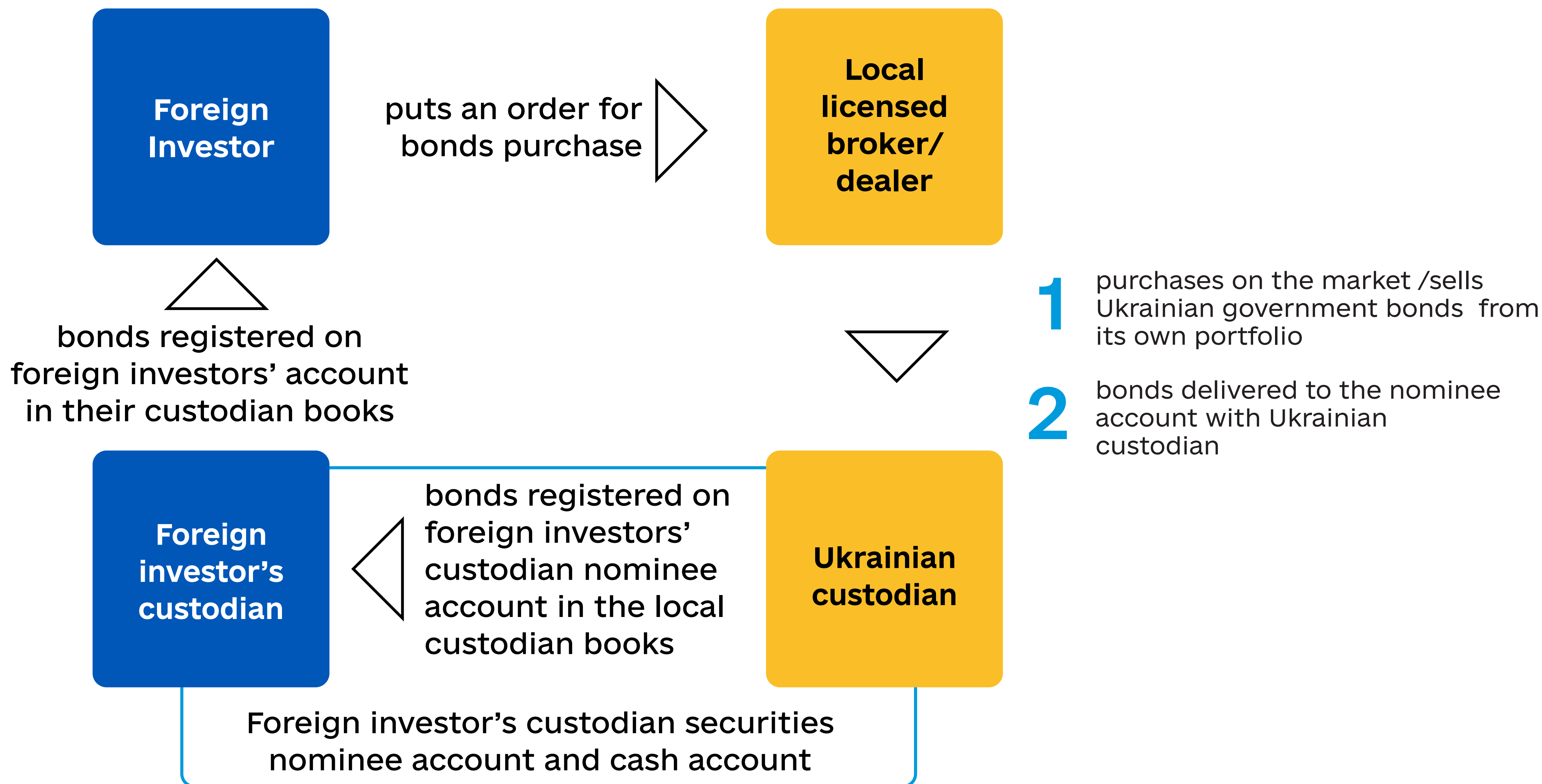


Manual on Entering Ukrainian Government Bond Market via Foreign Nominee Account

Foreign nominee account: purchasing Ukrainian government bonds without intermediary on primary market



Foreign nominee account: purchasing Ukrainian government bonds on secondary market in Ukraine



Overview of foreign nominee concept in Ukraine: eligibility criteria



Securities account of foreign nominee can be opened with one of Ukrainian custodians by a foreign custodian that meets **ALL** of the following criteria:

1 is registered in one of the EU and other FATF member states

2 is authorised in its own jurisdiction to provide services of securities custody and registration

3 is a member of International Securities Services Association (ISSA)

4 meets the requirements set by the National Securities and Stock Market Commission:

- ◆ has a capital of not less than **EUR 10 mln**
- ◆ provides services of securities custody and registration not less than **5 years**



Preliminary actions, contractual relationships



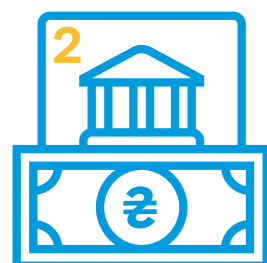
PRIMARY MARKET

- ✓ Check with your global custodian with whom from the list of MinFin's primary dealers it has contractual relationship (opened securities nominee account and cash account)
- ✓ Ask your global custodian to open a subaccount (and make all related actions) for operations with Ukrainian government bonds
- ✓ Contact the selected primary dealer on the transactions' details. Prior transaction a contractual relationship with the primary broker might be required, AML/KYC required
- ✓ Settle the deal. At this stage two scenarios are possible:

1 to buy securities from the primary dealer after the auction: primary dealer buys securities at the auction and then sells them to nominee's client, terms of the deal are defined in the relevant contract with the primary broker

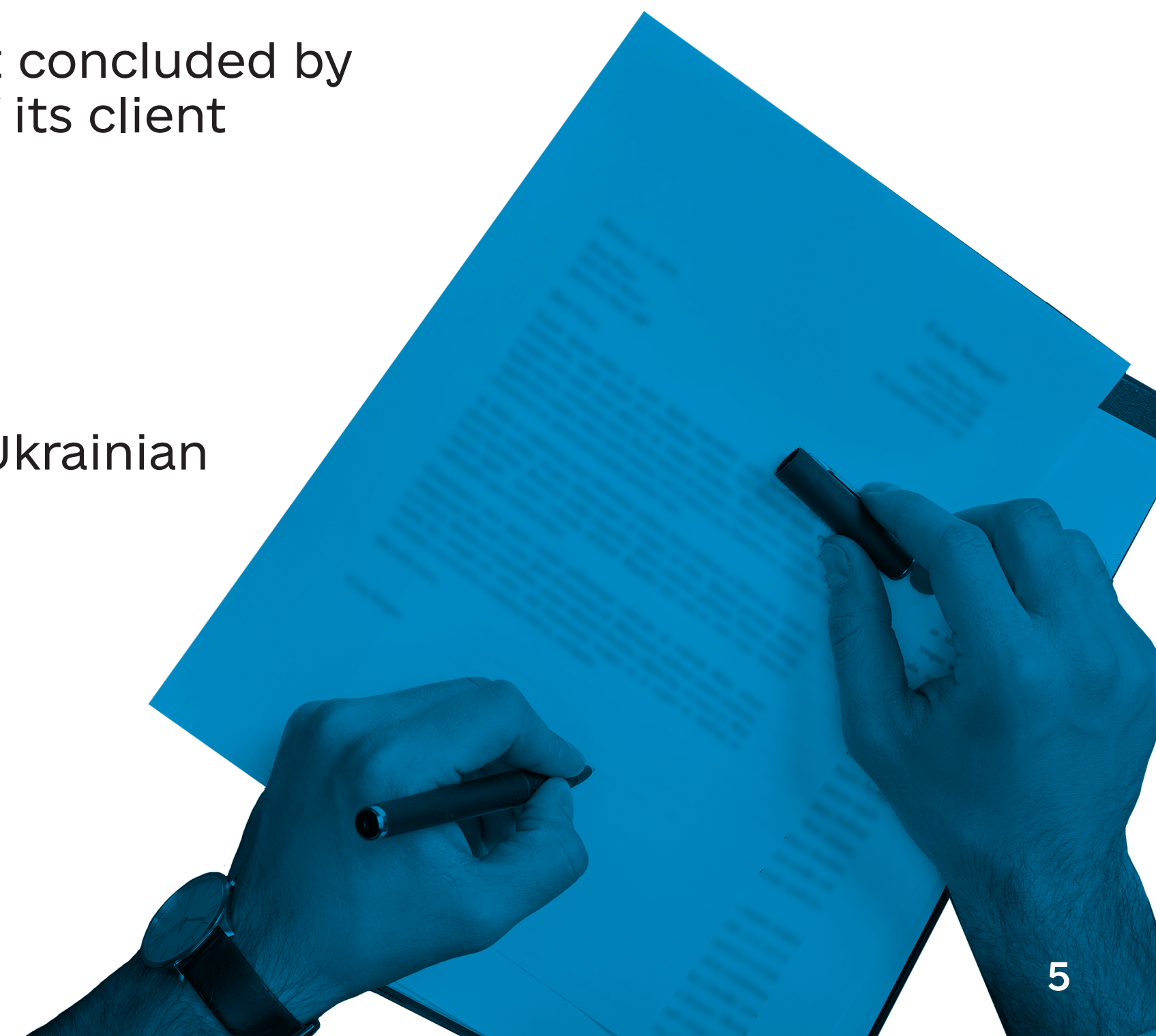
2 to buy securities at the auction straight from the issuer: primary dealer buys securities at the auction on behalf of nominee's client. Government bonds are credited to nominee's account. Primary dealer has a right to debit securities from nominee's securities account in case nominee's client fails to pay for securities in time. Terms of the deal and specifically cash settlement are defined in the relevant contract with the primary broker

Preliminary actions, contractual relationships



SECONDARY MARKET

- ✓ Check with your global custodian with whom from the list of Ukrainian licensed brokers it has opened securities nominee account and cash account
- ✓ Ask your global custodian to open a subaccount (and make all related actions) for operations with Ukrainian government bonds
- ✓ Conclude an agreement with a local or international broker (AML/KYC required):
 - ◆ brokerage agreement or a SPA directly with the local broker (in this agreement it should be noticed that you will be using the nominee account as your securities account)
 - ◆ brokerage agreement concluded by nominee on behalf of its client
- ✓ Settle the deal. Settlement is performed FOP, a counterparty might be a Ukrainian bank or non-resident only



Operational details of foreign nominee account

PURCHASE ON THE PRIMARY MARKET (CROSS-BORDER)

- ◆ from a local bank that acts as a primary dealer – bonds are purchased on the books of the primary dealer with further sale to non-resident investor (credited to nominee's account that services the investor)
- ◆ directly from the issuer at the auction – bonds are purchased by the primary dealer on behalf of non-resident investor



Funds transfer, UAH/foreign currency (FCY):

- ◆ from own FCY account opened abroad
- ◆ through nominee account opened with a local bank
- ◆ from own UAH account opened with local bank

PURCHASE/SALE ON THE SECONDARY MARKET (CROSS-BORDER)

- ◆ from/to a local bank*
- ◆ from/to other non-resident
- ◆ transfer to/from nominee's account from/to the non-resident's own account with a local custodian (no change of beneficial owner)



Funds transfer, UAH/foreign currency (FCY):

- ◆ directly from/to the own FCY account opened abroad
- ◆ through nominee account opened with a local bank
- ◆ from/to the own UAH account opened with a local bank

Coupon/redemption proceeds are transferred through nominee account with local bank

TRANSACTIONS IN NOMINEE BOOKS

- ◆ securities are tradable on nominee books in accordance with legislation of nominee jurisdiction (no AML, reporting on such transactions in Ukraine)
- ◆ participation of the Ukrainian broker is not required

* for this option non-resident should establish relations with a local bank (KYC)

Operational details of foreign nominee account

FX

Buy/sell operations – through:

- ◆ nominee correspondent account with the local bank (exchange rate is negotiated with nominee's treasury)
- ◆ account of investor's broker opened with a local bank (exchange rate is negotiated with the broker)
- ◆ Investor's own account opened with a local bank (exchange rate is negotiated with the local bank treasury)

Interest/redemption proceeds – through nominee account with the local bank

CAPITAL CONTROLS & RESTRICTIONS

Documents required to repatriate

1 UAH revenue from sale of the bonds to a local counterparty (submitted to the local bank):

statement of securities account*
copy of the respective buy/sell agreement

2 Coupon/redemption proceeds statement of securities account*

* Statement of securities account is not required if payment is performed through nominee account with the local bank, which services nominee's securities account

Proceeds can be freely reinvested



Borrowing from residents in UAH is permitted for the period of not more than **14 business days** for the purpose of local government bonds purchase

TAXATION

- ◆ **Legal entities:** 0% on coupon/redemptions proceeds, in case non-resident sells bonds to resident from 0% to 15% on capital gain according to double taxation treaty
- ◆ **Non-resident to non-resident:** no taxes



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