

Board of the National Bank of Ukraine

**RESOLUTION**

21 December 2017

city of Kyiv

No. 140

**On Approval of the Regulation on Depository and Clearing Activity and Settlement of Securities Transactions by the National Bank of Ukraine**

*(as amended by Resolutions of the Board of the National Bank of Ukraine*

*No. 70 dated 25 June 2018 and*

*No. 100 dated 18 September 2018*

*No. 119 dated 18 August 2020*

*No. 122 dated 19 August 2020*

*No. 104 dated 12 October 2021*

*No. 79 dated 4 April 2022*

*No. 235 dated 30 November 2022*

*No. 69 dated 23 May 2023*

*No. 90 dated 19 July 2024*

*No. 113 dated 13 September 2024*

*No. 20 dated 15 February 2025*

*No. 136 dated 7 November 2025)*

According to Articles 7, 15, 56 of the Law of Ukraine *On the National Bank of Ukraine*, Articles 13, 17, 20 of the Law of Ukraine *On Depository System of Ukraine* in order to ensure performance by the National Bank of Ukraine of depository activity of the National Bank of Ukraine, clearing activity of the National Bank of Ukraine and settlement of securities transactions based on the powers determined by laws of Ukraine, and regulate the relationship between the National Bank of Ukraine as a securities depository and its customers, the Board of the National Bank of Ukraine **hereby resolves:**

1. To approve the Regulation *On Depository and Clearing Activity and Settlement of Securities Transactions by the National Bank of Ukraine* (hereinafter referred to as the “Regulation”) attached

2. The following documents shall be declared null and void:

1) Resolution of the Board of the National Bank of Ukraine No. 387 *On Establishing Details of Settlements of Securities and Approving the Regulation on Depository and Clearing Activity of the*

*National Bank of Ukraine* dated 25 September 2013 registered with the Ministry of Justice of Ukraine under No. 1727/24259 on 9 October 2013

2) Resolution of the Board of the National Bank of Ukraine No. 639 *On Amending the Regulation on Depository and Clearing Activity of the National Bank of Ukraine* dated 7 October 2014

3) Resolution of the Board of the National Bank of Ukraine No. 47 *On Amending Certain Regulations of the National Bank of Ukraine* dated 22 January 2015

4) Resolution of the Board of the National Bank of Ukraine No. 413 *On Approval of Amendments to the Regulation on Depository and Clearing Activity of the National Bank of Ukraine* dated 22 December 2016.

3. To the Office for Depository Activity of the National Bank of Ukraine (A.V. Suprun) to inform the customers of the Depository of the National Bank of Ukraine on the adoption of this Resolution after its official publication.

4. Oleg Churiy, Deputy Governor of the NBU, is entrusted with control over implementation of the Resolution.

5. The Resolution comes into effect as of 22 December 2017, except paragraph 27 Chapter 4, paragraph 55 and subparagraph 4 paragraph 64 Chapter 5 Section I, paragraph 146 Chapter 17, part three paragraph 153, paragraph 154 Chapter 18, Chapter 27, paragraph 244 Chapter 32 Section III, Chapter 33 Section IV of the Regulations that come into effect as of 2 April 2018.

**Acting Governor**

**Yakiv Smolii**

Find the approval lists attached.

Ref. 42

APPROVED BY

Resolution of the Board of the National Bank of Ukraine

No. 140 dated 21 December 2017

## **Regulation**

### **on Depository and Clearing Activity and Settlement of Securities Transactions by the National Bank of Ukraine**

*(as amended by Resolutions of the Board of the National Bank of Ukraine*

*No. 70 dated 25 June 2018 and*

*No. 100 dated 18 September 2018*

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## **Section I. General Provisions and Principles of Depository Activity of the National Bank of Ukraine**

### **Chapter 1. General Provisions and Definition of Terms**

1. This Regulation was drafted in accordance with the Laws of Ukraine *On the National Bank of Ukraine, On the Depository System of Ukraine* (hereinafter referred to as the “Law”), *On Securities and Stock Market*, Decision of the National Securities and Stock Market Commission of Ukraine No. 1331 *On the National Bank of Ukraine’s Special Role as a Participant of the Depository System of Ukraine* dated 30 July 2013 registered with the Ministry of Justice of Ukraine under No. 1431/23963 (as amended) on 20 August 2013 in order to ensure performance by the National Bank of Ukraine (hereinafter referred to as the “NBU”) of depository activity of the National Bank of Ukraine, clearing activity of the National Bank of Ukraine (hereinafter referred to as “clearing activity”), settlement of securities transactions within the remit prescribed by laws of Ukraine and to regulate relationships between the NBU and its customers when they perform depository activity with securities, record-keeping whereof falls within the remit of the NBU.

2. In this Regulation the terms shall have the following meanings:

1) Aggregate account is a component of the securities account of a custodian, which is opened at the level of the NBU Depository, the structure whereof implies a separate record-keeping of securities belonging to a custodian from separate record-keeping of securities belonging to its depositors, clients and/or clients of a certain nominal holder’s clients as well as grouping securities belonging to one and/or several depositors of a custodian based on the code of securities owners and/or the type of depositors.

2) Unconditional operation is a depository operation transacted by the NBU Depository or a custodian within the depository record-keeping system of the NBU Depository without the instruction from the owner of the securities account in the events specified by this Regulation and/or in other events defined by laws of Ukraine.

3) Cash clearing is determination of mutual liabilities and claims for money transfers for placement of domestic government bonds of Ukraine (hereinafter referred to as “domestic government bonds”)

and redemption thereof in the event when payment date for cash settlements following the domestic government bonds placement and the maturity date for paying income and/or redemption thereof with regard to domestic government bonds denominated in the same currency.

4) Record date is a date, on which the NBU Depository determines the holders of securities of a particular issue. For securities denominated in domestic currency the record date is established at the end of the operational day preceding the payment date of income and/or redemptions. For securities (other than Eurobonds and government derivatives), denominated in foreign currency the record date is established at the end of the operational day one day prior to the payment date of income and/or redemptions. For Eurobonds and government derivatives, the record date shall be set in the manner prescribed by the internal documents of the foreign depository.

5) Payment date is a day of settlements following the securities placement, including placement through an auction for switching domestic government bonds (hereinafter referred to as the “switch auction”), and/or payments related to distribution of securities income and/or redemption, and/or other payments stipulated by the prospectus or the decision on the issuance of Eurobonds or government derivatives, or the terms of corporate actions (events) with Eurobonds or government derivatives (hereinafter referred to as “other payments”).

6) The NBU Depository is the NBU as a participant of the depository system of Ukraine, which, based on received depository assets performs depository record-keeping and manages circulation of domestic government bonds and Eurobonds, government derivatives, target domestic government bonds of Ukraine, and treasury notes of Ukraine (hereinafter referred to as “securities”), as well as processes issuer's corporate actions on customers' securities accounts.

8) Issuer is the state represented by its authorized state bodies that issue securities on its own behalf, record-keeping whereof is performed by the NBU Depository according to the competencies set out by laws of Ukraine.

8<sup>1</sup>) Identification code is the identification code in the Unified State Register of Enterprises and Organizations of Ukraine/nonresident's registration number/nonresident taxpayer's registration number or the passport number and series (as available) (for individuals who due to their religious beliefs refused to accept the taxpayer's registration number, informed the respective authority on such a decision, and their passports were marked respectively)

9) Foreign depository is a depository of other country and/or an international depository and clearing institution that under a correspondent relations agreement has opened an account with the NBU Depository or opened an account for the NBU Depository.

10) Matching is an operation of the NBU Depository related to verification of details of counterparties' instructions carried out to establish the matching of the such instructions' details.

10<sup>1</sup>) The securities account manager (hereinafter – the account manager) is a legal entity status at the NBU Depository, authorized by the issuer to manage its securities account, or a custodian authorized by a foreign depository to manage its securities account, the scope of account manager's powers shall be established by the relevant legal transaction or in accordance with the acts of civil legislation

11) Depository's customers are foreign depositories, issuers, custodians, clearing institutions (hereinafter referred to as CIs) and organized capital markets operators that use the services of the NBU Depository under respective agreements.

12) Inter-depository record-keeping code is a code of inter-depository record-keeping assigned by the Central Securities Depository (hereinafter referred to as the “Central Depository”) as a code of a

participant of the depository record-keeping system in the manner established by laws of Ukraine on depository activity (hereinafter referred to as the ICA code).

15) Servicing bank means banks that are participants of the NBU's electronic payment system and provide settlement services to the customers of the NBU Depository and their depositors, nominal holder and the NBU's operational unit acting as a servicing bank for settlements of the NBU Depository and the State Treasury Service of Ukraine acting as a servicing bank of the issuer.

16) Encumbrance is any restriction with regard to ownership, use or disposal of securities associated with the terms and conditions of agreements, court decisions or rulings, and as otherwise provided by laws of Ukraine.

17) Gross settlements are settlements under securities sale and purchase agreements exercised other than by means as netting.

18) Securities Receipt Versus Payment (RVP) is a way of settlement of transactions with domestic government bonds, when funds are transferred immediately after a respective transfer of domestic government bonds and/or a transfer of rights for domestic government bonds and domestic government bonds entitlements under the condition of their blocking on the receiver's account until a cash leg has been settled or return thereof to the owner if a cash leg settlement has failed.

19) Securities Delivery Free of Payment (FOP) is a way of settlement of securities transactions, when transfer of securities and/or transfer of rights for securities and securities entitlements takes place without control over the cash leg settlement (if any) by the NBU Depository.

19<sup>1</sup>) Securities Delivery Versus Delivery (DVD) is a way of settlement of transactions with domestic government bonds, when in line with the executed transaction the transfer of outstanding domestic government bonds that are subject to the switch with domestic government bonds to be placed (hereinafter referred to as "outstanding domestic government bonds"), and the transfer of the cash difference in values of the newly placed and outstanding domestic government bonds (if necessary) occur after the transfer of domestic government bonds and/or the transfer of rights for domestic government bonds and domestic government bonds entitlements to be placed by the issuer at the switch auction, with the condition that they are blocked in the recipient's account until the settlement is completed.

20) Register of securities holders is a list compiled on a specific date of customers of the NBU Depository on accounts whereof the securities of a certain issue are record-kept (hereinafter referred to as the "register of securities holders").

21) Segregated account is a component of the securities account of a custodian which is opened with the NBU Depository and implies a separate record-keeping of securities belonging to a particular depositor of the custodian / clients of a particular nominal holder and /or clients of this nominal holder's clients separately from securities of other depositors of such custodian, securities on the accounts of other nominal holders and own securities of the custodian.

22) Automated system of the NBU Depository is an automated system for performing record-keeping and circulation of securities and rights and liabilities arising from securities transactions in the cases set out herein, with access thereto provided through the software of the NBU Depository developed and supported by specialists of the NBU, and which uses the embedded means for protection of the NBU's information.

23) Excluded

24) Transit accounts are accounts of the NBU Depository with the NBU unit that ensures the NBU's execution of cash settlements for record-keeping funds payable on securities.

24<sup>1</sup>) Cross-border transaction is a record-keeping operation of securities debiting/crediting carried out through established correspondent relations between the NBU Depository and a foreign depository.

25) Authorized employee is an employee of the NBU, including an employee of the NBU Depository assigned according to his or her official duties to process documents for the depository activity of the NBU Depository.

26) Securities holder is a customer of the NBU Depository, on whose account securities of a certain issue are record-kept (hereinafter referred to as the "securities holder").

27) Clearing member is a custodian, issuer, foreign depository that are customers of the NBU Depository, the NBU.

Other terms hereof shall have definitions prescribed by laws of Ukraine *On Depository System of Ukraine, On Capital Markets and Organized Commodity Markets*, other laws of Ukraine, regulatory acts of the NBU, the Cabinet of Ministers of Ukraine, and the National Securities and Stock Market Commission.

## **Chapter 2. Application and Scope of the Regulation**

3. This Regulation shall determine the procedure for the NBU and custodians' depository activity under securities, the record-keeping whereof according to the Law is within the remit of the NBU, namely:

- 1) domestic government bonds, including target domestic government bonds
- 2) Eurobonds and government derivatives
- 4) treasury notes of Ukraine.

4. The NBU shall conduct depository record-keeping of government securities including domestic government bonds, target domestic government bonds, Eurobonds, government derivatives, and treasury notes of Ukraine.

As a participant of the depository system the NBU shall conduct clearing activity and settlement of securities transactions, perform functions of a depository and a custodian in keeping with the powers prescribed by this Regulation and laws of Ukraine.

5. The NBU, in the course of depository activity of a custodian, and custodians, when transacting their depository activity, shall be governed by provisions of the *Regulation on Conducting Depository Activity* approved by the resolution of the National Securities and Stock Market Commission No.735 dated 23 April 2013, registered with the Ministry of Justice of Ukraine under No. 1084/23616 (as amended) dated 27 June 2013 taking into account special features stipulated by this Regulation.

6. For regulation of relationships caused by a custodian ceasing its business on the capital markets the NBU Depository and custodians shall comply with the provisions of the *Regulation On Ceasing Custodian Activity on the Stock Market* approved by the resolution of the National Securities and Stock Market Commission No. 431 dated 8 April 2014 (in the wording of Decision of the National Securities and Stock Market Commission No. 690 dated 14 November 2019), registered with the

Ministry of Justice of Ukraine under No. 459/25236 (as amended) on 28 April 2014 taking into account special features stipulated by this Regulation.

6<sup>1</sup>. The NBU annually and/or in the case of amendments to laws on termination of types of activities carried out by customers of the NBU Depository shall:

1) determine the need to test the procedures for terminating the activities of depository's customers with the depository's customers, CI, the National Securities and Stock Market Commission, and the Central Depository, and send requests for testing to the entities identified as those that require to conduct testing. The NBU, with the consent of the depository's customer, CI, the National Securities and Stock Market Commission, the Central Depository, tests the procedures for terminating activities

2) review regulations and administrative documents of the NBU regarding the relevance and effectiveness of the procedures for terminating activities of the Depository's customers set forth therein, and taking into account the testing results.

Based on the testing results, the NBU Depository shall draw up a report and provide it to participants of the testing upon their request. If the testing results reveal deficiencies in the procedure for terminating the relevant type of activity, the NBU Depository shall initiate amendments to the NBU's regulations and administrative documents and/or take other necessary actions to eliminate the identified deficiencies and/or address the Depository's customers, the National Securities and Stock Market Commission, and the Central Depository with relevant proposals.

7. For regulation of relationships resulting from processing issuer's operations the NBU Depository shall comply with the requirements of regulations on securities issuance, circulation and settlement.

8. For transacting operations related to encumbrance on securities, where the NBU is a party, the NBU Depository is governed by the requirements hereof, regulations of the NBU on liquidity and laws of Ukraine.

### **Chapter 3. General Framework of Depository Activity of the NBU**

9. The NBU's structural unit with the main function to conduct depository activities (hereinafter – the Responsible unit) shall conduct activities of the NBU Depository and depository activity of a custodian.

When performing its functions the Responsible unit shall interact with other units of the NBU within their remit defined by this Regulation, and other regulations of the NBU.

10. In the course of depository activity, the NBU Depository shall perform the following functions:

1) servicing issuers

2) servicing custodians

3) servicing CIs and organized capital markets operators

4) servicing foreign depositories

5) other functions provided by regulations on the legal framework for the depository system of Ukraine, securities issuance and circulation.

11. The following falls within remit of the NBU Depository:

- 1) depository record-keeping of securities meaning record-keeping of securities and restrictions of rights on customers' securities accounts
- 2) servicing circulation of securities on customers' securities accounts
- 3) servicing the issuer's corporate actions on the customers' securities accounts
- 4) safe-keeping of securities within the remit of the NBU Depository on its customers' securities accounts and keeping records of these securities entitlements
- 5) acceptance, safe-keeping and inventory of global certificates
- 6) keeping records of issuer's liabilities arising from securities with regard to each securities issue on the grounds of a deposited global certificate or on the basis of information on the issuer's liabilities arising from Eurobonds and government derivatives received from a foreign depository
- 7) cash leg clearing of securities transactions
- 8) settlement of securities transactions
- 9) transacting other operations which can be legally attributed to the functions of the NBU Depository and exercising other activities provided by regulations on the legal framework for the depository system of Ukraine, securities issuance and circulation.

12. In the course of depository activity of a custodian the NBU shall perform the following functions:

- 1) depository activity of a custodian regarding securities owned by the NBU based on property rights
- 2) depository activity of a custodian for depositors of the NBU, nominal holders serviced in compliance with regulations on depository activity
- 3) depository activity related to safe-keeping of assets of the Corporate Non-State Pension Fund established by the NBU
- 4) other statutory prescribed functions associated with operations on the capital markets, depository activity of a custodian by the NBU.

13. The following falls within remit of the NBU for performing functions of a custodian:

- 1) keeping records of rights for securities and restrictions thereon, servicing circulation of securities and issuers' corporate actions on securities accounts of the NBU and/or its depositors
  - 1<sup>1</sup>) keeping records of securities, rights for securities, and securities entitlements that belong to clients of a nominal holder as well as clients of nominal holder's clients, servicing circulation of securities and issuers' corporate actions on securities accounts of nominal holders
- 2) opening and maintaining securities accounts for depositors, nominal holders
- 3) monitoring compliance of the number of securities, rights for securities owned by the NBU and/or its depositors, of securities records of which are kept on the nominal holders' accounts, with the number determined in the relevant securities delivery instructions

- 4) providing the NBU and/or its depositors, nominal holders with respective securities accounts statements
- 5) blocking securities on securities accounts of the NBU and/or depositors, nominal holders in the manner prescribed by laws of Ukraine
- 6) transacting other operations that may be attributed by laws of Ukraine to functions of a custodian
- 7) performing other actions provided by regulations on operations on the capital market, specifically, transacting depository activity of a custodian by the NBU.

The procedure for the NBU's activities of a custodian is prescribed by regulations on depository activity of a custodian.

A depositor's securities account shall be opened by the NBU in the course of its provision of depository services of a custodian for the Corporate Nonstate Pension Fund established by the NBU and the NBU itself, the Deposit Guarantee Fund, the State Treasury Service of Ukraine, ENTERPRISE DEVELOPMENT FUND, the State of Ukraine, the central executive body that implements the state fiscal policy in the field of public debt management and publicly guaranteed debt, Private Joint Stock Company 'Ukrainian Financial Housing Company', a foreign depository for record-keeping rights for securities and restrictions thereon, and other entities (including entities licensed to provide depository services as a custodian) for record-keeping rights for securities and restrictions thereon resulting from pledge in favor of the NBU, ENTERPRISE DEVELOPMENT FUND, and Private Joint Stock Company 'Ukrainian Financial Housing Company'.

A nominal holder's securities account shall be opened by the NBU in the course of its provision of depository services of a custodian for a foreign financial institution that meets the requirements established by Ukrainian legislation on depository activities.

14. The NBU shall open its own securities account to ensure record-keeping securities owned by it based on property rights and record-keeping of the rights for these securities and restrictions thereon.

In order to service own securities account of the NBU as well as to submit instructions and requests to the NBU Depository the NBU Governor or the person acting as the NBU Governor shall appoint at least two account operators and approve a list of authorized signatures containing specimen signatures of such persons.

15. In the course of depository activity, the NBU acting as the NBU Depository shall open and maintain securities accounts under the following agreements:

- 1) depository agreement for servicing custodians
- 2) agreement on servicing securities issues for servicing issuers
- 3) correspondent relations agreement for servicing foreign depositories
- 4) agreement on a securities leg settlement based on the results of clearing, as well as agreement on servicing a clearing entity concluded in the form of a depository agreement for servicing a clearing entity.

After entering into a respective agreement the entities specified in subparagraphs 1–4 paragraph 15 Chapter 3 Section I hereof shall acquire the status of customers of the NBU Depository.

The NBU Depository shall enter into depository agreements with custodians or clearing entities and an agreement on a securities leg settlement based on the results of clearing with a clearing entity, provided they have been assigned the ICA codes in the manner stipulated by laws on depository activity.

16. For the purpose of opening accounts for issuers and foreign depositories the NBU Depository, when establishing contractual relationships, shall assign them customer codes of the NBU Depository.

17. In the course of depository activity of a custodian the NBU shall open and service securities accounts for:

1) securities owners, who acquire the status of depositors after signing an agreement on servicing the securities account

2) nominal holders, who acquire the status of customers after concluding an agreement on servicing the securities account of a nominal holder.

17<sup>1</sup>. Agreements concluded by the NBU with the depository's customers/depositors/nominal holders shall meet the requirements established by the Regulation.

The NBU shall conclude agreements with customers of the depository/depositors/nominal holders, specified in Section I Chapter 3 paragraphs 15 and 17 of the Regulation, in the form of paper or electronic documents.

The NBU shall have the right to conclude an agreement with a customer of the depository/depositor by joining the customer of the depository /depositor to the agreement proposed by the NBU in general according to the Civil Code of Ukraine and the Commercial Code of Ukraine. Should the agreement be concluded by joining the customer of the depository /depositor to the agreement proposed by the NBU, the latter shall publish the text of the agreement and amendments thereto on the official website of the NBU.

Agreements concluded by the NBU with depositors (except for agreements concluded with foreign depositories) must contain the right of the NBU to perform depository operations based on the instruction of the pledge holder in case of foreclosure on securities pledged in favor of the NBU, ENTERPRISE DEVELOPMENT FUND or Private Joint Stock Company 'Ukrainian Financial Housing Company' out of court.

The rights and obligations of the parties under the agreements concluded between the NBU and the depository's customers / depositors / nominal holders shall meet the requirements established by the Regulation.

Depending on the type of agreement concluded between the NBU and the depository's customer, the NBU shall have the right to establish the rights and obligations of the parties in accordance with the list of rights and obligations of the parties under agreements concluded between the NBU and the depository's customers as specified in Appendix 1 to the Regulation. The agreement between the NBU and the depository's customer may establish other rights and obligations of the NBU Depository / depository's customer, other than specified in Appendix 1 to the Regulation.

The rights and obligations of the parties to the agreements concluded between the NBU and the depositor, nominal holder are determined taking into consideration the requirements for such agreements established by the National Securities and Stock Market Commission, taking into account

peculiarities established by the Regulation and the legal act of the NBU which regulates issues of depository activity of a custodian.

18. In order to ensure the NBU's provision of services of the NBU Depository and a custodian, the responsible unit shall draft agreements set out in the Law and/or this Regulation and approve the templates of such agreements by NBU regulation, except for agreements that are concluded by the customer/depositor through joining the agreement proposed by the NBU. The responsible unit has the right to publish the terms of the approved templates of agreements on the official website of the NBU. When drafting relevant agreements the responsible unit shall be governed by laws of Ukraine and regulations of the National Securities and Stock Market Commission setting requirements to agreements based on the powers prescribed by the Law and to the extent that is not in conflict with specifics of depository activity by the NBU.

19. The NBU may approve the forms of incoming and outgoing documents for depository activity. Templates of documents developed by the responsible unit shall be approved by an NBU resolution and published on the NBU's official website.

20. The internal procedure for the NBU Depository's performance of each depository operation along with the internal controls procedures shall be developed by the Responsible Unit and after agreement with departments of the NBU, approved by the Deputy Governor of the NBU, who according to allocation of responsibilities is responsible for depository activity by the NBU.

21. The NBU Depository shall process corporate actions of issuers on securities accounts of custodians and foreign depositories in accordance with the depository agreement, the agreement on securities issues servicing, the correspondent relations agreement and this Regulation. Corporate actions shall be serviced based on instructions of issuers, custodians, foreign depositories and/or by the NBU Depository as unconditional operations.

The NBU Depository based on the agreement on securities issues servicing shall ensure a cash leg settlement between the State Treasury Service of Ukraine and both custodians and foreign depositories following domestic government bonds placement, payment of income with regard to securities and/or redemption thereof including by means of cash clearing.

The NBU Depository shall process operations of issuers with regard to their outstanding securities including issuance, distribution of income and/or redemption, buyback, conversion (replacement), cancellation and other operations with regard to such securities and provided by laws of Ukraine, in the manner prescribed by laws of Ukraine related to depository activity, securities issuance and circulation.

Placement of domestic government bonds is carried out only over-the-counter in the manner prescribed by laws of Ukraine and regulations of the NBU on depository activity, securities placement and circulation.

22. In order to perform its activities the NBU Depository shall have the following rights:

1) to receive from custodians free-of-charge information about securities owners in the events provided by this Regulation and laws of Ukraine

2) to submit to custodians electronic instructions on rectifying deficiencies of depository record-keeping, including via the NBU's e-mail system

3) to reject securities transactions in case of violation of the set requirements for filing, filling out and security of electronic documents defined by this Regulation or other regulations of the NBU

- 4) to impose in accordance with a depository agreement penalties to custodians in case of their breach of requirements hereof, instructions of the NBU Depository and failure to file appropriate information
- 5) to block securities on securities accounts of custodians in the events provided by laws of Ukraine
- 6) to impose restrictions on rights for securities of issuers' own issues in the events provided by laws of Ukraine
- 7) other rights provided by this Regulation, relevant agreements and/or laws of Ukraine on depository activity and banking activities.

### **Chapter 3<sup>1</sup>. General Framework of the NBU's Clearing Activities**

22<sup>1</sup>. Within its competence established by the Law of Ukraine *On Capital Markets and Organized Commodity Markets*, the NBU shall conduct clearing activities to determine liabilities in the following cases:

- 1) for OTC securities transactions, which are settled/ensured in the DVP mode in the form of gross settlements
- 2) for transactions with domestic government bonds, which are settled/ensured in the RVP mode upon domestic government bonds placement/additional placement and for which a cash leg clearing is performed
- 3) for transactions with domestic government bonds, which are settled/ensured in the DVD mode upon domestic government bonds placement/additional placement through a switch auction.

22<sup>2</sup>. When conducting clearing activities to determine liabilities, the NBU does not establish guarantee funds nor assume the risks of failure to discharge liabilities or their improper discharge by the parties to securities transactions. The NBU shall guarantee settlement of securities transactions by pre-blocking the securities on the securities account of the clearing member until a cash leg settlement is completed in line with the procedure established herein.

22<sup>3</sup>. The NBU shall perform clearing in regard to only those rights and liabilities that are admitted to clearing in accordance with the procedure and on the terms and conditions stipulated by this Regulation.

22<sup>4</sup>. The NBU admits to clearing the rights and liabilities arising from securities transactions if they meet the following conditions:

- 1) OTC transactions, which are settled/ensured in the DVP, DVD, or RVP mode
- 2) parties to a transaction, which is settled in the DVP mode, comply with the requirements set forth in Section I Chapter 5 paragraph 49 hereof
- 3) transactions with domestic government bonds, which are settled/ensured in the RVP, DVD mode, are executed in the interests of clearing members/customers of clearing members that are primary dealers or, in the cases provided for by the laws of Ukraine, in the interests of primary dealers' customers
- 4) securities that are the subject matter of transactions do not have any restrictions on circulation or any other restrictions that may result in the failed securities transactions settlement.

22<sup>5</sup>. Rights and liabilities arising from securities transactions are admitted to clearing based on:

- 1) instructions submitted by clearing members/account managers in accordance with the procedure prescribed by this Regulation if settlement is in the DVP mode
- 2) information about the results of the domestic government bonds placement and information from the depository record-keeping system of the NBU Depository about the payment of securities income/redemptions if settlement is in the RVP, DVD mode and for the purpose of cash clearing.

22<sup>6</sup>. Rights and liabilities shall be admitted to clearing as of the moment when:

- 1) instructions of counterparties that are clearing members are matched, and such instructions have been provided for settlement in the DVP mode in accordance with the procedure set out herein
- 2) electronic statements of matched instructions or a consolidated statement of securities distribution among custodians - placement participants is generated to provide for settlement in the RVP, DVD modes.

22<sup>7</sup>. Instructions, electronic statements of matched instructions, consolidated statements of securities distribution among custodians - placement participants received/generated by the NBU Depository shall be valid, lawful, irrevocable, and binding prior to publication of:

- 1) commercial court's ruling, specifically a ruling on commencement of the bankruptcy proceeding or a ruling on commencement of the insolvency proceeding against an individual or a sole proprietor
- 2) decision made by the National Securities and Stock Market Commission or the NBU, respectively, regarding a party to a securities transaction on:

introduction of a provisional administration and/or appointment of a provisional administrator and/or suspension of top managers, provided that any such decision results in limiting or delaying the transfer of assets or the transfer of funds

revocation (cancelation) of the license for provision of financial services and/or liquidation, provided that any such decision results in limiting or delaying the transfer of assets or the transfer of funds

declaring a bank insolvent.

The moment of publication of decisions specified in Section I Chapter 3<sup>1</sup> paragraph 22<sup>7</sup> subparagraphs 1 and 2 hereof shall be determined according to a procedure established by Article 39 part two of the Law of Ukraine *On Capital Markets and Organized Commodity Markets*.

Settlement of securities transactions is unconditional, irrevocable, and binding from the moment the rights and liabilities are admitted to clearing.

22<sup>8</sup>. Rights and liabilities of clearing members and clearing members' customers shall be record-kept by the NBU in the automation system of the NBU Depository. The NBU shall accept from the clearing members the documents that serve as the basis for admitting rights and liabilities to clearing, and shall provide the clearing members with reports and information on processing of such documents by means of the automation system of the NBU Depository, except as provided for in Section I Chapter 5 paragraph 56 hereof.

22<sup>9</sup>. Procedure for record-keeping rights and liabilities arising from securities transactions, termination of such rights and liabilities, as well as the procedure for preparation, drawing up and

submitting by the NBU of the settlement documents are specified in Section I Chapter 5, Section II Chapters 9-11, Section III Chapters 19-21, 27, and 29 hereof, which regulate the procedure for settlement of DVP, RVP and DVD securities transactions.

22<sup>10</sup>. The NBU ensures a cash leg settlement of OTC DVP, RVP and DVD securities transactions by means of exchanging the ISO 20022 financial messages in SEP. Documents based on the ISO 20022 methodology, which define the exchange procedure and requirements for financial messages, are technical documentation on the operation of SEP developed by the NBU and communicated to clearing members by its publishing on the NBU's official website.

#### **Chapter 4. Operating Principles of the Depository Record-Keeping System of the NBU Depository**

23. The NBU Depository shall perform record-keeping of securities that according to laws of Ukraine are within its remit, process securities operations on securities accounts of customers of the NBU Depository, and perform clearing activity and settlement of securities transactions in the manner provided by laws of Ukraine according to the chart of balance sheet accounts used for depository record-keeping (Appendix 2) and the list of depository transactions for securities operations (Appendix 3).

Records of securities/rights for securities are kept by the NBU Depository and custodians using balance sheet accounts of depository record-keeping broken down by asset side accounts of depository record-keeping (hereinafter referred to as “asset side accounts”) and liability side accounts of depository record-keeping (hereinafter referred to as “liability side accounts”).

24. In depository record-keeping asset side accounts are used for:

- 1) record-keeping of place (of safe-keeping) of securities
- 2) reflection of the status of securities issue.

25. Liability side accounts in depository record-keeping are used for:

- 1) record-keeping of securities, rights for securities on securities accounts of depositors, nominal holders with custodians
- 2) record-keeping of securities on accounts of custodians and foreign depositories, clearing entities with the NBU Depository
- 3) record-keeping of the status of encumbrance (restrictions of circulation) of securities/rights for securities
- 4) segregated record-keeping of rights for securities owned by a custodian as a legal person and rights for securities owned by its depositors, clients and clients of nominal holders' clients
- 5) record-keeping in the NBU Depository of securities credited to an issuer's account following the issuer's operations with its outstanding securities.

26. Depository record-keeping on accounts of custodians shall be performed in a generalized/consolidated manner with a breakdown by groups of accounts based on types of owners on aggregated securities accounts or separately for each owner, nominal holder on segregated securities accounts. Securities record-keeping on a segregated account implies recording details of a depositor, nominal holder in the system of the NBU Depository.

27. For the purposes of securities record-keeping a custodian may open aggregated and/or segregated accounts in the system of depository record-keeping of the NBU Depository. Depositors of a custodian may choose the type of account for record-keeping their own securities with consideration of restrictions on an aggregated account usage by depositors specified in paragraph 29, Chapter 4, Section I hereof. The custodian shall have the right to open exclusively segregated accounts to nominal holders within its securities account.

28. A custodian may use an aggregated account for the following types of depositors:

- 1) resident legal entities
- 2) resident individuals
- 3) nonresident legal entities
- 4) nonresident individuals.

29. A custodian shall use only segregated securities accounts for keeping records of own securities and of securities, the title to which are recorded on securities accounts of:

- 3) noncustodian bank
- 4) nominal holders
- 5) territorial communities.

To open a segregated account under the instruction of a depositor, a nominal holder, a custodian shall input information on such depositor/nominal holder and account thereof in the depository record-keeping system of the NBU Depository through the automated system of the NBU Depository. When inputting information on nonresident depositors or nominal holders, a custodian shall use such nonresident's, nominal holder's registration code assigned in the country of their registration. When entering details on non-resident depositors which are individuals, a custodian shall have the right to use the taxpayer registration number of such individual (if any).

A segregated account shall exclusively be managed by the custodian that opened such account with the NBU Depository based on an instruction of a depositor, a nominal holder, or otherwise in cases provided for by laws of Ukraine.

30. For a foreign depository the NBU Depository shall open only aggregated securities account serviced under the principle of nominee holding. The foreign depository's aggregated securities account is the securities account opened by the NBU Depository for a foreign depository for consolidated recordkeeping of securities, the rights for which and which entitlements belong to foreign depository's customers, customers of a foreign depository's customers.

The principle of a nominee holding implies that on a foreign depository's aggregated securities account records of securities owned by all foreign depository's customers, customers of the foreign depository's customers shall be kept without disclosure of information on the securities owners by the foreign depository, except as provided by this Regulation.

31. In order to open securities accounts with the NBU Depository, the customers of the NBU Depository shall submit documents provided by this Regulation and/or other regulations on depository activity.

The documents submitted to the NBU Depository shall be prepared in accordance with the requirements hereof and laws of Ukraine, and the copies of documents submitted by the customers shall be certified in the manner prescribed by laws of Ukraine.

All official documents for submission to the NBU Depository which were issued or prepared in a foreign state shall be legalized according to the established procedure, unless otherwise specified by international treaties binding according to the Verkhovna Rada of Ukraine. These documents can be certified according to laws of the country of origin, translated into Ukrainian, and the translation shall be certified in the manner prescribed by laws on notarization, and legalized in a consular institution of Ukraine or certified by the embassy of the respective state located in Ukraine and legalized with the Ministry of Foreign Affairs of Ukraine, or certified by an Apostille in accordance with the Convention of 5 October 1961 abolishing the requirement of legalization of foreign public documents.

Unofficial documents issued or prepared in a foreign state shall not be subject to mandatory legalization. Such documents shall be translated into Ukrainian and such translation shall be certified by a notary or an official entitled to perform such notarization according to laws of Ukraine. If such documents were drafted in Ukrainian and certified in the country of origin and according to laws of this country, or certified by an Apostille in accordance with international treaties of Ukraine, they shall not be subject to additional translation or certification.

Official and unofficial documents intended for submission to the NBU Depository which were issued or prepared in a foreign state in English shall not be subject to mandatory translation into Ukrainian.

A depository's customer shall not re-submit the documents to the NBU Depository, if such have already been submitted to the NBU while subscribing for other services under the Master Agreement on Banking and Provision of Other Services by the NBU (hereinafter referred to as the Master Agreement).

32. The NBU Depository shall process documents received from the customers of the NBU Depository and/or entities intending to become customers of the NBU Depository in the following order:

1) all documents submitted to the NBU Depository shall be registered in the manner established by the relevant regulations of the NBU

2) the NBU Depository shall accept hard and soft copies of documents as provided by this Regulation

3) in case of inconsistencies found in presented set of documents for opening an account or performing another depository activity, the NBU Depository, when possible, shall complete verification of all submitted documents and inform a person that presented them about the inconsistencies found

4) after rectifying inconsistencies found in the submitted documents, the NBU Depository shall continue processing thereof

5) if a person refuses to rectify inconsistencies found in the documents or fails to submit corrected documents within a period not exceeding 30 calendar days, the NBU Depository shall refuse to enter with a customer into the agreement /to transact operations and provide other services

6) the NBU Depository may refuse to enter into the agreement/to transact operations and provide other services, if an incomplete set of documents was submitted, documents contain unreliable or contradictory information or were signed by entities with no proper authorization, do not meet the

requirements hereof or laws of Ukraine, due to other reasons prescribed by the regulations of the NBU or laws of Ukraine.

33. For opening securities accounts customers of the NBU Depository shall assign at least two operators for an account. During the account functioning, at least two persons shall operate this securities account.

34. The depository record-keeping system of the NBU Depository comprises information on different media that contains personalized data related to securities record-keeping and circulation of securities on the accounts of specific custodians, depositors, nominal holders, issuers, foreign depositories, clearing entities. Access to this information is provided in a printed or electronic form, specifically, via the automated system of the NBU Depository.

35. Information which is compiled based on information provided by the NBU Depository as an information processor, and is not a part of the depository record-keeping system of the NBU Depository but based on its contents can be classified as statistical information and in accordance with law is classified as public information may be published without restrictions by the NBU Depository.

36. Information constituting a part of the depository record-keeping system of the NBU Depository is deemed restricted information in accordance with the legal treatment. The conditions, security procedure and disclosure of restricted information from the depository record-keeping system shall be prescribed by this Regulation and other regulations of the NBU on information protection with consideration of the requirements of Articles 24,25 of the Law.

37. The NBU Depository and custodians shall be liable to protect information in the depository record-keeping system by implementing legal, administrative, organizational, operational, technical and other measures for safeguarding, integrity and an appropriate access procedure.

38. An access procedure for units of the NBU to information in the depository record-keeping system is established by a separate regulation of the NBU.

39. Custodians that became customers of the NBU Depository shall have access to their information from the depository record-keeping system by the automated system of the NBU Depository or by filing requests to the NBU Depository for such information disclosure.

The NBU Depository shall provide information based on the requests of customers of the NBU Depository in the manner and within the timeframe prescribed by this Regulation, laws of Ukraine and the relevant service agreements.

Requests may be filed and information may be disclosed by the NBU Depository in printed form, using the automated system of the NBU Depository, and by means of the NBU's e-mail system.

40. The NBU Depository and custodians shall ensure secure depository activity by implementing regular, targeted and compliant with objectives, tasks and timeframe organizational, technical and engineering measures in order to guaranty confidentiality, integrity and accessibility of information in the depository record-keeping system of the NBU.

41. Customers of the NBU Depository, members of the Ukrainian banking system and non-banking institutions, when interacting with the NBU Depository regarding information assignments of the NBU shall apply the information protection means developed by the NBU in accordance with the provisions of the Regulation On the Procedure for the Development, Production, and Operation of the Means of Cryptographic Protection of Information approved by the Order of the Administration

of the State Service of Special Communications and Information Protection of Ukraine No. 141 dated 20 July 2007 registered with the Ministry of Justice of Ukraine under No. 862/14129 on 30 July 2007 (as amended by the Order of the Administration of the State Service of Special Communications and Information Protection of Ukraine No. 767 dated 14 December 2015). The procedure for receiving, record-keeping, transferring, using and storing information protection means of the NBU and complying with information security rules shall be governed by the regulations of the NBU on ensuring protection of electronic banking documents by institutions connected to the information and processing network of the NBU.

42. When interacting with the NBU Depository, custodians shall ensure protection of information in the depository record-keeping system in accordance with the requirements of laws of Ukraine on depository activity and information protection.

### **Chapter 5. Operating Procedure of the NBU Depository**

43. The operating procedure of the NBU Depository (hereinafter referred to as the Procedure) establishes a general procedure for submitting/receiving and processing of documents by the NBU Depository, in the course of depository activity in the depository record-keeping system of the NBU Depository.

The NBU Depository under agreements shall provide customers/account managers (in the cases prescribed herein) with access to the automated system of the NBU Depository along with relevant software and technical documentation. The NBU Depository shall keep technical documentation up-to-date ensuring its automatic update.

The NBU Depository shall perform depository record-keeping of securities by means of the automated system of the NBU Depository.

Depository customers/account managers shall comply with the requirements related to operating procedures of the automated system of the NBU Depository including the integrated system of cryptographic protection of the NBU's information, and shall not introduce any modifications without a written agreement of the NBU.

In order to connect to the automated system of the NBU Depository, Depository customers/account managers shall undergo certification of cryptographic protection keys issued to operators of securities accounts at the NBU, and shall enter the identification data of the securities account operators into the securities account application/securities account manager application, which were indicated upon generation of cryptographic protection keys [a unique record number in the Unified State Demographic Register or a taxpayer's registration number, or series (if applicable) and number of the passport, in the case of refusal to receive the taxpayer's registration number].

Depository customer/account manager in the case of change of the identification data of the securities account operator during re-certification of cryptographic protection key used for authorization of the securities account operator in the NBU Depository automated system shall submit an updated securities account application/account manager application to the NBU Depository.

43<sup>1</sup>. Information on all transactions on securities accounts of depositors and nominal holders of each custodian shall be reflected in the NBU Depository according to the procedure, in keeping with the timeframes and scope as prescribed by this Regulation.

In line with the procedure and frequency defined by NBU regulations, the NBU shall analyze the value and nature of transactions on securities accounts opened within custodians' securities accounts for keeping record of securities and rights for securities owned by nominal holder's clients/clients of

nominal holder's clients and their impact on operations of said custodians, including estimation of ratio of such transactions value to total value of transactions processed by the custodian, and the degree of dependence of the custodian on transactions on the nominal holder's securities account.

If the analysis found reasonable grounds to consider transactions in said accounts risky for operations of the NBU Depository and/or custodian that in the NBU Depository's depository record-keeping system within its securities account opened a nominal holder's securities account, the NBU shall report on found risks to the National Securities and Stock Market Commission that conducts state regulation of the depository system of Ukraine.

43<sup>2</sup>. The NBU Depository shall provide settlement of securities transactions executed in the 'securities delivery versus payment' (DVP), 'securities receipt versus payment' (RVP), 'securities delivery versus delivery' (DVD) and 'securities delivery free of payment' (FOP) modes in the manner and in cases specified by the Ukrainian legislation and this Regulation.

A cash leg settlement of RVP and DVD securities transactions shall be provided by the NBU Depository.

A cash leg settlement of FOP securities transactions shall be provided for by the parties to the securities transaction in accordance with the procedure prescribed by the relevant transaction.

A cash leg settlement of DVP securities transactions executed OTC shall be provided by the CI or the NBU Depository. A cash leg settlement of DVP securities transactions executed on-exchange, shall be provided by the CI.

The NBU Depository shall process settlement of DVP securities transactions on the basis of:

- 1) information from the CI, provided that securities transactions are executed on-exchange or OTC
- 2) instructions of the Depository's customers submitted through the automated system of the NBU Depository or in a hard copy in cases defined by this Regulation, provided that securities transactions are executed OTC.

44. Depository operations in the depository record-keeping system shall be transacted based on instructions in the form of electronic documents received by the NBU Depository from Depository's customers/account managers by means of the automated system of the NBU Depository, NBU's e-mail system, SWIFT system, other software of the NBU, except operations transacted based on paper documents as provided by this Regulation and/or laws of Ukraine. When submitting instructions through the automated system of the NBU Depository, the Depository's customers /account managers should choose the appropriate type of a transaction that corresponds to the essence of the transaction.

Custodians, custodians when performing functions of an account manager of a foreign depository, clearing entities shall provide the NBU Depository with information by e-mail and/or the automated system of the NBU Depository in the form of electronic documents protected from modification and data distortion, which shall necessarily contain an identifier of a key of an automated workstation that generated these documents and the electronic digital signature of a person who generated these documents placed using the information security means of the NBU.

The NBU Depository shall interact and share information with issuers/account managers by means of electronic documents and/or hard-copy documents in the manner set out in the agreement on securities issues servicing.

The NBU Depository shall interact and share information with foreign depositories through the SWIFT system and/or other communication channels set out in the agreement with a foreign depository.

If a foreign depository appoints an account manager, the automated system of the NBU Depository can be used for interacting with the account manager and the NBU Depository.

Instructions, notifications and other electronic documents submitted to the NBU Depository shall detail in full the nature of an operation and shall be compiled in accordance with laws of Ukraine and this Regulation.

45. If the depository record-keeping system of the NBU Depository receives information on an operation initiated by a counterparty of a custodian the latter can generate a matching instruction based on the information provided by that counterparty adding the mandatory details to the instruction.

46. When receiving instructions the NBU Depository shall check completeness and correctness of provided details and availability of the number of securities specified therein on the respective account, and in case of successful validation accept instructions for further processing. The NBU Depository shall record the beginning of the execution of an instruction by entering information about the instruction into the statement on approved instructions and changing the status of such instruction in the automated system of the NBU Depository, by changing the status of such instruction in the electronic documents management system ASKOD, and/or by making an appropriate note on a hard copy of the instruction (if instructions are submitted in paper form in the cases provided for herein). If instructions do not comply with the requirements hereof, the NBU Depository shall reject such instructions.

The procedure for accepting instructions for their further processing or their rejection, recording the beginning of the instructions processing for transactions executed on the securities account of the NBU Depository with a foreign depository shall be determined by the rules of the foreign depository.

47. Having processed the received instruction for transfer/debit/credit of securities the NBU Depository shall block securities on the account of the respective customer to complete the operation by transferring securities to a respective balance sheet account. The customer of the NBU Depository that submitted an instruction for transfer/debit/credit of securities may cancel execution thereof by submitting to the NBU Depository a cancellation instruction by the time matching of counterparties' instructions is confirmed. Based on the received cancellation instruction the NBU Depository shall unblock previously blocked securities by transferring securities between respective liability side accounts within its books and/or cancel submitted instructions for securities transfer/debit/credit in the depository record-keeping system of the NBU Depository.

Once matched, the instructions submitted by the depository's customer to perform settlement on FOP or DVP terms, provided a cash leg settlement is performed by the NBU Depository, are deemed valid, lawful, irrevocable and binding on any third party. The NBU Depository shall cancel submitted and matched instructions in the depository record-keeping system of the NBU Depository and unblock previously blocked securities by transferring securities between the respective liability side accounts within its books - provided such instructions have not been settled - in case of receipt of instructions to cancel their initial matching instructions from both customers of the depository, or if no payment was made based on the request to initiate the payment instruction before the due time set by Section I Chapter 5 paragraph 53 subparagraph 1<sup>1</sup> hereof.

Instructions to transfer securities submitted by CIs as part of clearing statements shall be valid, lawful, irrevocable and binding on any third party once the NBU Depository provided CIs with information on a successful verification and acceptance of instructions.

Instructions drafted by the NBU Depository resulting from the placement of domestic government bonds to perform settlement on RVP or DVD terms shall be valid, lawful, irrevocable and binding on any third party from the moment of generation of electronic statements of matched instructions or a consolidated statement of securities distribution among custodians that participated in the placement.

Instructions for transactions performed on the NBU Depository's securities account with a foreign depository shall be valid, lawful, irrevocable and binding on any third party from the moment determined by the rules of the foreign depository.

48. Provided the instruction has not been matched, the customer of the NBU Depository that submitted the instruction to credit securities by the automated system of the NBU Depository, may, if any errors are found in the submitted instruction, send a new instruction to the NBU Depository with correct details and cancel the previous instruction.

49. The instructions to execute depository operations on FOP terms submitted to the NBU Depository by the automated system of the NBU Depository that were not matched within an operational day shall be retained in the automated system of the NBU Depository as pending a counterparty's matching instruction until such instructions are matched or cancelled by the operation initiator (save for cases set out in Section I Chapter 5 paragraph 49 indent two hereof).

The NBU Depository shall – on terms of an unconditional operation – cancel the instruction to execute depository operations provided by automated system of the NBU Depository that as of the date of termination of the custodian's depository activity remained unmatched and/or that has not been cancelled by the initiator.

The NBU Depository shall – if transactions with domestic government bonds are settled on RVP terms – cancel matched instructions at end of the operating day if payment under the request to initiate a payment instruction was not made before the date set out in regulations of the NBU on securities issuance and shall return securities to the issuer's securities account upon the issuer's respective instruction.

If settlement of transactions with domestic government bonds is conducted on DVD terms, the NBU Depository shall cancel matched instructions at the end of the operational day on the date of outstanding domestic government bonds redemption or on the date specified in the Regulation *On Procedure for Conducting Operations of Domestic Government Bonds Placement*, approved by NBU Board Resolution No. 248 dated 18 June 2003, and registered with the Ministry of Justice of Ukraine on 7 July 2003 under No. 551/7872 (as amended) (hereinafter referred to as "Regulation No. 248"), if the primary dealer had failed to ensure the required quantity of outstanding domestic government bonds on the securities account, or if such domestic government bonds had been redeemed, and/or if the payment of the difference in values of the domestic government bonds to be placed on the switch auction and the outstanding domestic government bonds (hereinafter referred to as 'the difference of domestic government bonds values) had not been made based on the request to initiate a payment instruction by the date specified in Regulation No. 248. Based on the relevant instruction from the issuer, the NBU Depository shall return domestic government bonds intended to be placed at the switch auction to the issuer's securities account. The NBU Depository shall simultaneously with cancellation of matched instructions unconditionally unblock (if necessary) the outstanding domestic government bonds that had been blocked for settlement.

Upon transactions with domestic government bonds, if settlement is made on RVP and DVD terms, the domestic government bonds shall be credited to the account of the depositor/nominal holder as the ones that are restricted in circulation until the settlement of the relevant transaction is completed.

The NBU Depository shall – if securities transactions are settled on a DVP mode and settlement is provided by the NBU Depository – cancel matched instructions at the end of the operational day on terms of an unconditional operation if payment under the request to initiate a payment instruction was not made before the due time set by Section I Chapter 5 paragraph 53 subparagraph 1<sup>1</sup> hereof or cancel unmatched instructions, and unblock securities on securities accounts of owners.

Securities transactions (except for transactions with Eurobonds and government derivatives) executed with a nonresident party over-the-counter can be settled on DVP, FOP basis exclusively if the counterparty of such transaction is a bank acting on its own behalf and at its own account, or a nonresident/ client, a client of a nominal holder's client.

The NBU Depository shall – in other cases, when a nonresident/client, client of the nominal holder's client is a party to the securities transaction (except for transactions with Eurobonds and government derivatives) – settle such securities transactions exclusively on DVP basis and only if such transactions have been executed on-exchange. Exceptions shall include settlement of securities transactions related to the execution of court decisions or decisions of a state body authorized by law or its official, transactions of donation, inheritance and succession, contribution of securities to the authorized (composed) capital of legal entities, return of contributions to authorized capital in the form of securities, in kind, transactions related to domestic government bonds placement (including the placement of domestic government bonds through the switch auction), and performance of other unconditional operations with securities.

49<sup>1</sup>. Custodians with the purpose of including securities in the collateral to ensure the fulfillment of obligations under derivative contracts, transactions with financial instruments or currency values executed on-exchange and OTC, the cash leg settlement of which is provided by the CI, shall block the securities on securities accounts of depositors/nominal holders. Custodians shall block/unblock securities with the purpose of including/excluding securities in/from the collateral in keeping with the procedure stipulated in Section III Chapter 24 hereof. The NBU Depository and custodians perform transactions on transfer of rights to securities that are included in the collateral under the procedure stipulated herein to ensure settlement of on-exchange and OTC DVP securities transactions, provided that the cash leg settlement is performed by the CI.

50. In order to ensure depository operations the NBU Depository shall transfer securities between liability side accounts of the depository record-keeping on customers' accounts in the manner established by the list of depository transactions for securities operations (Appendix 3).

51. The NBU Depository shall change the processing status of customers' instructions in the depository record-keeping system depending on the progress status of a relevant transaction.

52. The NBU Depository shall process operations on securities accounts under securities transactions including settlement thereof based on such documents:

1) instructions of the Depository customers/account managers, clearing statements drawn by the CI based on securities transactions executed on-exchange and over-the-counter

2) electronic statements on matched instructions drawn by the NBU Depository based on the information of the electronic trading system (hereinafter referred to as 'ETS') or consolidated statement of securities distribution among custodians participating in placement generated by corresponding software of the NBU

3) instructions of the issuer/account manager and relevant custodians

4) other documents provided by regulations on depository activity.

53. A regular operational day of the NBU Depository starts at 9:00 a.m. and ends at 6:30 p.m. of each business day. The NBU Depository accepts electronic and printed documents within a regular operational day of the NBU Depository with the following features:

1) for DVP securities transactions, a cash leg settlement of which is provided by the CI, the NBU Depository shall accept documents from the CI from 9:00 a.m. to 6:00 p.m.

1<sup>1</sup>) for DVP securities transactions, a cash leg settlement of which is provided by the NBU Depository, and for RVP and DVD securities transactions, the NBU Depository shall accept instructions for securities credit/debit/transfer from 9:00 a.m. to 6:00 p.m. Notices on crediting funds to an account shall be sent from 9:00 a.m. to 6:30 p.m. The NBU Depository, in a request to initiate a payment instruction, shall indicate the time until which payment with regard to a securities transaction must be made – before 6.15 p.m.

2) for OTC FOP securities transactions the NBU Depository shall accept customers' instructions from 9:00 a.m. to 6:00 p.m.

2<sup>1</sup>) for FOP securities transactions, in case of transactions on the NBU Depository's account with a foreign depository, the NBU Depository shall accept customers' instructions from 9:00 a.m. to 6:00 p.m. The NBU Depository in case of receiving an instruction from the custodian before 3:00 p.m. shall submit to the foreign depository the relevant instruction for the depository operation on the same day, otherwise the NBU Depository shall submit the relevant instruction for the depository operation to the foreign depository on the next operational day

3) Excluded

5) Excluded

6) for domestic government bonds placement the NBU Depository shall accept instructions to transfer domestic government bonds blocked for payment as provided by Section III Chapter 19 paragraph 160<sup>1</sup> hereof from 9:00 a.m. to 11:00 a.m., but not after the NBU Depository has drawn a request to initiate a payment instruction for the amount due under domestic government bonds placement.

7) for domestic government bonds placement through a switch auction the NBU Depository shall accept instructions to transfer domestic government bonds blocked for payment as provided by Section III Chapter 19 paragraph 160<sup>1</sup> hereof by the end of the operational day preceding the payment date.

The NBU Depository shall process payments related to securities income and/or redemption on the payment date specified in this Regulation in case of receipt of funds from the issuer or foreign depository on the NBU Depository account with the NBU no later than 5:30 p.m. on the payment date for payments in domestic currency, and no later than 4:00 p.m. on the payment date for payments in foreign currency. In case of receipt of funds from the issuer or foreign depository after the specified time, the NBU Depository shall have the right to process payments related to securities income and/or redemption on the next operational day of the NBU Depository.

54. The NBU Depository (as required) may prolong the operational day discretionary or based on a request from a customer of the NBU Depository to the Responsible Unit.

The NBU Depository shall accept customers' requests to prolong the operational day until 5:30 p.m. of the current operational day.

The Responsible Unit shall consider the request for prolongation of the operational day and discretionary decide on such prolongation of the day no later than 12:00 a.m. of the current operational day if the failure to process the transactions is caused by technical reasons and serves as a reason for prolongation of the day. The Responsible Unit shall in the event of receipt of requests for prolongation of the operational day due to other reasons initiate prolongation of the operational day no later than before the regular start time of the next operational day, if such prolongation has been approved by the NBU Deputy Governor, who according to distribution of competences is responsible for depository activity by the NBU, or by an Acting Deputy Governor or the NBU Governor. In order to prolong the operational day for a period exceeding the scheduled start time of the next operational day, the decision shall be made by the Board of the NBU. The Responsible Unit, when processing the requests for prolongation of the operational day shall take into consideration information on planned maintenance affecting the operation of the depository record-keeping system of the NBU Depository.

The NBU IT Unit shall prolong the operational day of the NBU Depository based on a notification from the Responsible Unit. The Responsible Unit shall send such notification by corporate e-mail of the NBU with the electronic digital signature.

During the operational day the NBU Depository may introduce service breaks and shall notify customers thereon by means of the automated system of the NBU Depository as soon as they log in to the system.

55. In the depository record-keeping system the NBU Depository shall ensure record-keeping end-to-end registers and statements that chronologically detail all changes introduced into the depository record-keeping system of the NBU Depository.

56. If a custodian/account manager due to some technical reasons is unable to submit to the NBU Depository an electronic instruction, the NBU Depository may perform a depository operation upon a written order (instruction) of such custodian/account manager or other entity in cases provided by laws of Ukraine, if the following requirements are met:

- 1) operations under these instructions do not contradict the requirements of laws of Ukraine
- 2) upon receiving written instructions from a custodian/account manager, which detail in full the subject matter of the operation and contain all the necessary data for its completion, as well as in case of presenting supporting documents of completion of the operation (as provided by laws of Ukraine).

57. If a custodian/account manager due to any valid reasons is unable to submit to the NBU Depository an electronic instruction, the NBU Depository may perform a depository operation upon a written order (instruction) of such custodian/account manager or other entity in cases provided by laws of Ukraine, if the following requirements are met:

- 1) operations under these instructions do not contradict the requirements of laws of Ukraine
- 2) upon receiving written instructions from a custodian/account manager, which detail in full the subject matter of the operation and contain all the necessary data for its completion, as well as in case of presenting supporting documents of completion of the operation (as provided by laws of Ukraine).

3) in case of presenting a written order by the Deputy Governor of the NBU who according to distribution of competences is responsible for depository activity by the NBU (or the Acting Deputy), or by the NBU Governor on agreement of completing transactions based on written documents.

58. Every business day custodians shall start an operational day in their own depository record-keeping system and connect to the NBU Depository. A custodian with securities accounts registered in the register of brokers' agreements shall keep connection with the NBU Depository during each operational day of the NBU Depository until the end of operating hours set out for DVP securities transactions settlement. If a custodian fails to connect to/keep connection with the NBU Depository during the operational day of the NBU Depository, the custodian shall inform the NBU Depository on the matter.

60. Settlement of securities transactions shall be deemed completed after the NBU Depository or custodians have carried out operations on securities accounts in accordance with Article 20 of the Law of Ukraine '*On the Depository System of Ukraine*'.

In cases established by law, based on the results of successful settlements, custodians shall reflect the transfer of ownership rights for securities and securities entitlements as well as limitation of rights for securities on securities accounts of the depositors and/or nominal holders in the depository record-keeping system by the end of the custodian's operational day.

Custodians shall provide the nominal holder with a report or information on depository transactions performed on the nominal holder's securities account before the end of the custodian's operational day for the nominal holder to reflect changes on the securities accounts of its clients and clients of its clients.

The NBU Depository shall provide the foreign depository with a report or information on depository transactions performed on the foreign depository's securities account by the end of the NBU Depository's operational day for the foreign depository to reflect/provide for reflection of changes on the securities accounts of its clients and clients of its clients.

61. The software of custodians should ensure reliable storage of information on depository activity and performance of the functions and operations by custodians as defined in this Regulation and meet the following requirements:

- 1) segregated simultaneous maintenance of all securities accounts
- 2) drawing up of the depository balance for each separate securities issue and consolidated depository balance for all securities records of which are kept by this custodian
- 3) printing out of securities accounts statements at any time
- 4) protection of depository record-keeping data from unauthorized access of unauthorized persons and accidental damage
- 5) backup copying of depository record-keeping data at any time and facility to restore depository record-keeping data from backup copies
- 6) reproduction of information on the status of securities accounts, information on securities operations on securities accounts and other information as provided by laws of Ukraine over the past five years

7) other requirements provided by regulations on depository activity.

62. Custodians should ensure backup and storage of information being the part of the depository record-keeping system of a custodian. A custodian shall backup information each operational day.

Custodians should ensure facility to restore information in the event of breach of its integrity, as well as in the event of loss, theft, unauthorized destruction, distortion, forgery, copying of information from the depository record-keeping system. Custodians shall according to their internal documents restore information within the period not exceeding one day of such breach.

63. The NBU Depository and custodians shall ensure integrity and inviolability of the depository record-keeping system and accuracy of drawing up of the depository balance.

64. To ensure integrity of depository record-keeping the NBU Depository shall take the following measures:

1) daily monitoring of depository balance of the number of securities issued and their number record-kept on customers' accounts as well as of breakdown of securities by codes of respective groups of owners prescribed by laws of Ukraine on depository activity

2) daily monitoring of depository balance of the number of securities on the account of the NBU Depository with a foreign depository and their number recorded in the depository record-keeping system of the NBU Depository, specifically, on the accounts of the NBU Depository's customers

3) at least once a year, an inventory of depository assets and reconciliation of the data of the depository record-keeping with depository assets with preparation of the relevant statement following the inventory findings

4) suspension of custodian's securities operations of a certain issue if such custodian does not comply with a required depository balance.

65. To ensure integrity of depository record-keeping custodians shall take the following measures:

1) maintaining correspondence of depository assets, with securities and rights for securities credited to depositors', nominal holders' securities accounts (depository balance)

1<sup>1</sup>) maintaining correspondence of the total number of securities, rights for securities, securities entitlements records of which are kept on the nominal holder's securities account with the custodian and the total number of securities, rights for securities records of which are kept on securities accounts of the nominal holder's clients

2) maintaining correspondence of data of the custodian's depository balance and data on a custodian's account opened with the NBU Depository

3) closing an operational day in its own depository record-keeping system and starting a new operational day after the NBU Depository's operational day has been closed and the balance reconciliation has been completed

4) introducing other measures provided by regulations on depository activity and information protection.

66. The NBU Depository shall have a right in accordance with the requirements of laws of Ukraine, as provided by this Regulation, and an agreement and/or laws of Ukraine to stop or restrict operations on the customer's securities account with the NBU Depository.

### **Chapter 6. Interaction Between the NBU Depository, Clearing Entities, and Central Depository**

67. In accordance with relevant agreements, the NBU Depository shall open securities accounts for clearing entities for specific purpose of such accounts functioning according to Ukrainian laws, namely:

- 1) for establishing a clearing entity's risks management and guarantee system
- 2) to provide for a securities leg settlement based on the results of clearing.

The NBU Depository shall open an account for establishing a clearing entity's risks management and guarantee system based on the agreement on servicing a clearing entity concluded in the form of a depository agreement.

68. The procedure of entering into a depository agreement and CI servicing shall be determined by the general procedure for servicing custodians set out in section III hereof with the following special features:

- 1) for entering into an agreement with the NBU Depository, a clearing entity does not require a license for depository activity, however the NBU Depository shall check the information on the license for clearing activity
- 2) the clearing entity's account has a limited designated use and shall be opened with limited functionality providing for the possibility to keep records on such account of only those securities that are used by the clearing entity for establishing a clearing entity's risks management and guarantee system.

69. The NBU Depository shall open an account for CI to provide for a securities leg settlement based on the results of clearing on the grounds of a separate agreement on a securities leg settlement based on the results of clearing.

In order to open an account to provide for a securities leg settlement based on the results of clearing, CI shall submit to the NBU Depository documents specified for custodians in Chapter 17 Section III hereof. Should CI already have an account opened with the NBU Depository, the documents for account opening shall be provided only when update and/or supplement of earlier submitted documents is required.

70. To ensure servicing of the account to provide for a securities leg settlement based on the results of clearing, CI shall approve and enter with the NBU Depository into operating procedures, which shall be an integral part of the agreement on a securities leg settlement based on the results of clearing.

The operating procedures shall detail provisions, procedure, form, and terms for exchange of information, instructions, and other documents, as well as the rules for interacting for the purpose of settlement based on the results of clearing.

71. In case of on-exchange and over-the-counter securities transactions, the cash leg settlement of which is provided by the CI, the NBU Depository shall process depository operations on the

depository customers' accounts in the form of gross or nett settlement based on documents received from CI.

At the same time for those securities transactions settled by netting the NBU Depository does not perform record-keeping operations for every transaction, but reflects in the depository record-keeping system all transactions settled by means of netting.

72. In order to exercise its depository activity as a custodian, the NBU shall open an account(s) with the Central Depository based on the relevant depository agreement. The special terms for servicing such an account(s), as well as interaction procedures between the NBU Depository and the Central Depository are established by the operating rules between the Central Depository and the NBU. These rules shall set out the procedure for exchange of electronic documents, as well as the procedure and terms for providing information on ISINs, including financial instrument classification codes (hereinafter referred to as the CFI code) for domestic government bonds, peculiarities of NBU identification as the pledgee, and special features of pledging securities in favor of the NBU in the depository record-keeping system of the Central Depository, as well as peculiarities of cooperation with the Central Depository acting as an authorized safe-keeping agency.

The interaction and exchange of information between the NBU Depository and the Central Depository in cases provided by this Regulation and laws of Ukraine shall be effected by means of printed and/or electronic documents in the manner specified by the operating rules with the Central Depository.

## **Section II. Procedure for Servicing Issuers by the NBU Depository**

### **Chapter 7. Contractual Relations and Processing Administrative Operations on Issuers' Accounts**

73. In order to enter into the agreement on securities issues servicing with the NBU Depository and to open a securities account, the issuer shall submit a letter of application for concluding the agreement and opening a securities account in any form, stating the list of attached documents as follows:

- 1) securities account application in the form approved by the NBU Depository and available on the official website of the NBU
- 2) copies of documents confirming the election and appointment of persons authorized to act on behalf of the issuer without a power of attorney and/or a written statement on officially released documents that confirm the election and appointment of persons authorized to act on behalf of the issuer without a power of attorney certified by director's signature and seal of the issuer
- 3) a power of attorney granting powers to act as a securities account operator issued and signed by the director or other person duly authorized as per the issuer's incorporation documents and certified by issuer's seal, if an account operator is not entitled to act on behalf of the issuer without a power of attorney
- 4) copies of incorporation documents or other documents establishing rights, responsibilities, forms, methods, organization and business of the issuer certified by the director's signature and seal of the issuer. Legal entities of the public law acting in accordance with law shall not submit incorporation documents

5) a list of authorized signatures containing specimen signatures of securities account operators approved by director or other person duly authorized by the issuer's incorporation documents and bearing the issuer's seal

6) two counterparts of agreement on securities issues servicing filled out by the issuer according to the template approved by the NBU Depository and available on the official website of the NBU, signed by the director or other person duly authorized by the issuer's incorporation documents and sealed by the issuer.

Where it is necessary to amend the agreement, the issuer shall timely provide the proposed amendments for approval by the NBU Depository and submit the documents only after receiving the approved form of the agreement.

74. The issuer may appoint a manager of its securities account. At the same time, the issuer shall have the right to divide the powers to manage the securities account among several account managers. Different account managers acting as professional capital markets participants shall not be delegated the same powers. Only one account manager may be assigned to a certain securities issue.

In the event of appointment of a securities account manager, the issuer shall state information on the securities account manager in the securities account application and shall additionally submit the following documents:

1) a securities account manager application according to the template approved by the NBU Depository and available on the official website of the NBU

2) a list of authorized signatures containing specimen signatures of securities account operators acting on behalf of a securities account manager approved by the director or other person duly authorized by incorporation documents of the securities account manager

2<sup>1</sup>) copies of documents confirming the appointment of persons entitled to act on behalf of the account manager without a power of attorney

2<sup>2</sup>) an original or a copy of the power of attorney of the securities account operator, issued and signed by the director or other person authorized by the constituent documents of the account manager, if an account operator is not entitled to act on behalf of the account manager without a power of attorney

3) original document confirming powers of the account manager

4) a copy of incorporation documents of a legal entity appointed as the securities account manager signed by the director of the securities account manager, if incorporation documents are not available on the web-site of legal entities, sole proprietors, and NGOs. Legal entities, incorporation documents of which are available on web-sites of legal entities, sole proprietors, and NGOs do not need to submit a copy of incorporation documents.

75. The NBU Depository shall review the documents and information provided by the issuer. In the process of verification an authorized employee of the NBU Depository shall check whether the submitted documents comply with the data specified in registration documents released on web-sites of legal entities, sole proprietors, and NGOs. The authorized employee of the NBU Depository shall store the excerpt from the Unified State Register of Legal Entities, Sole Proprietors, and Non-Governmental Organizations in the form of electronic document using a personal digital signature on the electronic source designated for storing the documents of electronic contractual files.

76. Following the findings of the review, the NBU Depository shall:

1) sign the agreement on securities issues servicing, open a securities account for the issuer, and return the second counterpart of the agreement along with the notice of issuer's status as a customer of the NBU Depository and information on the securities account opened for the issuer, should there be no issues with the documents

2) provide a justified written refusal to enter into the agreement on securities issues servicing and to open the account, unless the revealed shortcomings are eliminated, in the event of inconsistencies in documents and information provided.

77. In the event of any changes in information or documents provided for opening and servicing the securities account, the issuer shall submit the documents to the NBU Depository to effect an administrative operation regarding the amendment of the securities account application as follows:

1) an instruction to amend the securities account application

2) a reissued securities account application

3) original counterparts or duly certified copies of the documents confirming the appropriate changes.

A reissued or additional list of authorized signatures containing specimen signatures of securities account operators certified in accordance with this Regulation shall be additionally submitted, should the securities account application undergo changes of the information on the securities account operator provided in the list of authorized signatures containing such account operator's specimen signature, or in case of a change of the account operator.

In case of changes regarding the securities account manager, the relevant documents regarding the securities account manager drawn up and certified in accordance with the requirements hereof shall be additionally submitted.

78. The NBU Depository shall review the received documents for performing the administrative operation regarding changes in the securities account application and information detailed in the documents submitted and shall either make corresponding changes in the depository record-keeping system or prepare a justified written refusal to transact the operation in the manner set out in Section I Chapter 4 paragraph 32 hereof.

Following the processing of submitted documents, the NBU Depository shall provide the issuer with the notice regarding the findings of such processing.

79. The issuer's securities account may be closed along with the simultaneous termination of the agreement on securities issues servicing in accordance with the terms of the agreement based on instruction of the issuer/securities account manager, if such closure is initiated by the customer of the NBU Depository or based on instruction of the person authorized by the NBU Depository, if the closure is initiated by the NBU Depository, but only if there are no securities left on the issuer's securities account.

The NBU Depository shall notify the issuer in writing on the closure of the securities account and on the termination of agreement on securities issues servicing.

## **Chapter 8. Processing Issuer's Operations on Domestic Government Bonds Placement/Additional Placement**

80. Following the decision on the bonds placement passed by the issuer, the NBU's structural unit processing the domestic government bonds placement if placement/ additional placement of domestic

government bonds is conducted with "League" of the "DGB online" system shall prepare and send all participants of the bonds placement results of the bonds placement and complete placement of domestic government bonds. Thereupon, information shall be drawn up and provided to the NBU Depository facilitating automatic creation of instructions for crediting domestic government bonds placed on the relevant asset side and liability side depository accounts for domestic government bonds placement.

The NBU Depository shall check the status and parameters of announced placements and domestic government bonds to be placed/additionally placed and shall perform the following actions:

- 1) input ISINs in the depository record-keeping system based on the notice of assigned ISINs from the Central Depository in the event of initial placement of a new issue of domestic government bonds
- 2) check ISINs inputted during initial placement of domestic government bonds, in the event of additional placement of domestic government bonds.

80<sup>1</sup>. To service settlements following the results of domestic government bonds placement by means of the ETS, including placement through a switch auction, the NBU Depository shall maintain a register of primary dealers in the depository record-keeping system based on information on the list of primary dealers which have been authorized to participate in bonds placement/switch auctions by the ETS, received from the issuer.

Prior to recording a primary dealer that is not a custodian in the register, the NBU Depository shall verify whether the depository record-keeping system contains information on the details of the servicing bank of such primary dealer, ICA code, and the name of the custodian that services the securities account of the primary dealer. According to verification findings, the NBU Depository provides the issuer with information on the possibility for said primary dealer to be admitted to participation in the bonds placement through the information system which is used in accordance with NBU regulations.

Based on the results of the issuer's decision on bonds placement, the ETS provides through a secure data channel to the NBU Depository information on the terms of issuance and volume of bond placement, as well as on accepted and rejected applications of bond placement participants.

Following the issuer's decision to place bonds through a switch auction, ETS provides through secure channels to the NBU Depository information on the terms and conditions as well as the volumes of the bonds placement through a switch auction, and on the approved and rejected applications of switch auction participants and information on outstanding domestic government bonds.

The Central Depository shall assign ISIN to domestic government bonds which were placed, including to those placed through a switch auction, and transmit this information to the NBU Depository by means of the system of electronic interaction of executive bodies, the NBU's e-mail system or other secure communication means, which is used in accordance with NBU regulations, to be entered into the depository record-keeping system.

The NBU Depository shall verify the information provided by the ETS and the Central Depository for the possibility of correct settlements based on the results of domestic government bonds placement, including the placement through a switch auction.

80<sup>2</sup>. If errors were found in the provided information that hinder settlements following the bonds placement, including the placement through a switch auction, the NBU Depository shall take actions as provided for in regulations on the domestic government bonds issuance. If the information verification was successful, the NBU Depository shall take the following actions:

1) to enter the type (if necessary) and volume of domestic government bonds into the depository record-keeping system according to the information published on the issuer's website and /or contained in the notice on domestic government bonds placement

2) record ISINs in the depository record-keeping system based on the notice of assigned ISINs from the Central Depository in the event of primary placement of a new issue of domestic government bonds, including the placement through a switch auction

3) check ISINs recorded upon primary placement of domestic government bonds, including the placement through a switch auction, in the event of additional placement of domestic government bonds.

81. Upon completing measures set out in Section II Chapter 8 paragraphs 80–80<sup>2</sup> hereof, the NBU Depository shall issue and execute the instruction on crediting domestic government bonds that are placed, including those placed through a switch auction, to appropriate asset side and liability side depository accounts as follows:

1) crediting the total number of placed domestic government bonds, including those placed through a switch auction, to the issuer's securities account and the relevant asset side depository account

2) transferring placed domestic government bonds, including those placed through a switch auction, from the issuer's account to custodians' own securities accounts and/or aggregated, and/or segregated accounts opened for record-keeping depositors'/nominal holders' securities within the custodians' securities accounts designated to reflect relevant limitations regarding the circulation of domestic government bonds to provide for settlements resulting from placement.

Crediting and transfer operations upon domestic government bonds placement, including placement through a switch auction, shall be unconditional operations of securities account management and do not require the issuer to send specific instructions to the NBU Depository.

Upon completing measures set out in Section II Chapter 8 paragraph 81 subparagraphs 1 and 2 hereof, the NBU Depository shall enter into the depository record-keeping system information on the CFI code for placed domestic government bonds.

Upon completion of actions specified in Section II Chapter 8 paragraph 81 subparagraphs 1, 2 of the Regulation, the NBU Depository shall enter into the depository record-keeping system information on the CFI code for placed domestic government bonds.

82. Cash settlements following the domestic government bonds placement shall be executed in cashless form in the manner prescribed in Chapter 10 Section II hereof and NBU regulations on cashless settlements in Ukraine, in the domestic currency of Ukraine, if the terms of the placement provide for the issue of UAH-denominated domestic government bonds or in cashless form in line with Ukrainian laws on currency regulation, currency control, and cashless settlements, if the terms of the placement provide for the issue of domestic government bonds denominated in foreign currency and/or placement of UAH-denominated domestic government bonds among nonresidents.

82<sup>1</sup>. A securities leg settlement following the domestic government bonds placement is provided by the NBU Depository by crediting the placed domestic government bonds to custodians' own securities accounts and/or aggregated, and/or segregated accounts opened for record-keeping depositors'/nominal holders' securities within the custodians' securities accounts designated to reflect relevant limitations regarding the domestic government bonds circulation, and further transfer of placed domestic government bonds to the balance accounts designated for record-keeping

unencumbered domestic government bonds - after the NBU Depository receives the information on successful cash leg settlement.

If a placement participant breaches the deadline for settlements following the placement of domestic government bonds, the NBU Depository shall, based on the issuer's relevant instruction, ensure that the placed domestic government bonds are credited back to the issuer's securities account.

82<sup>2</sup>. A securities leg settlement following the domestic government bonds placement through a switch auction is provided by the NBU Depository by crediting the placed domestic government bonds to custodians' own securities accounts and/or aggregated, and/or segregated accounts opened for record-keeping depositors'/nominal holders' securities within the custodians' securities accounts designated to reflect relevant limitations regarding circulation of the placed domestic government bonds.

The NBU Depository transfers the placed domestic government bonds to the balance accounts designated for record-keeping unencumbered domestic government bonds after the transfer of outstanding domestic government bonds from custodians' own securities accounts and/or aggregated, and/or segregated accounts opened for record-keeping depositors'/nominal holders' securities within the custodians' securities accounts to the issuer's securities account - after the NBU Depository receives information on the payment of the difference of domestic government bonds values (for domestic government bonds denominated in foreign currency - if payment of the difference of domestic government bonds values is to be made following the switch auction).

In case a switch auction participant has violated the settlement deadlines of a switch auction, the domestic government bonds placed through a switch auction can only be transferred to balance accounts designated for record-keeping unencumbered domestic government bonds — if after the payment date of the switch auction an interim interest was paid on outstanding domestic government bonds – provided actions set out in Section II Chapter 8 paragraph 82<sup>2</sup> indent two hereof have been taken, and after the NBU Depository receives information that the switch auction participant had transferred the entire interim interest on outstanding domestic government bonds to the NBU's account for its further transference to the State Treasury Service of Ukraine.

In case a switch auction participant has violated the settlement deadlines of a switch auction, if after the payment date of the switch auction the outstanding domestic government bonds were redeemed, the NBU Depository shall unconditionally debit the outstanding domestic government bonds from custodians' own securities accounts and/or aggregated, and/or segregated accounts opened for record-keeping depositors'/nominal holders' securities within the custodians' securities accounts and based on the respective issuer's instruction return the domestic government bonds placed through a switch auction to the issuer's securities account.

83. Domestic government bonds shall only be circulated after the NBU Depository transacts on securities owners' accounts unconditional depository transfer of placed domestic government bonds to the balance account designated for record-keeping unencumbered domestic government bonds, that can only take place after successful settlements of domestic government bonds upon primary placement, including the placement through a switch auction, on RVP, and DVD terms.

84. Domestic government bonds issued based on a specific resolution of the Cabinet of Ministers of Ukraine on issuing domestic government bonds shall be placed as follows:

1) the issuer shall instruct the NBU Depository to place domestic government bonds referring to the corresponding resolution of the Cabinet of Ministers of Ukraine, released in accordance with laws of Ukraine, and provide a global certificate of the domestic government bonds issue to be placed

- 2) the NBU Depository shall after approval by the NBU authorized official to execute the instruction check whether the data in the instruction and in the global certificate comply with the information in the released resolution of the Cabinet of Ministers of Ukraine and in the notice from the Central Depository on assigned ISINs and in case of inconsistencies, shall notify the issuer thereof
- 3) the NBU Depository shall in case there are no issues with the submitted documents accept the instruction and shall in the event of initial placement of a new domestic government bonds issue input new securities and issue details in the depository record-keeping system based on the provided documents
- 4) the NBU Depository shall credit the total number of placed domestic government bonds to the issuer's securities account and the relevant asset side depository account
- 5) the NBU Depository shall issue an instruction to transfer domestic government bonds from the issuer's account to the account of custodian that provides services to the owner of domestic government bonds
- 6) the custodian shall issue an instruction to credit domestic government bonds to the owner's account
- 7) after instructions of the NBU Depository and of the custodian have been matched, domestic government bonds shall be credited to the owner's account used for record-keeping unencumbered securities
- 8) the NBU Depository shall provide the issuer with the relevant report (confirmation) upon completion of the depository operation
- 9) the NBU Depository shall deposit the global certificate as provided for in Chapter 15 Section II hereof
- 10) the NBU Depository shall not transact cash settlements under these operations.

85. Domestic government bonds may be canceled upon bonds placement, including placement through a switch auction, in the following cases:

- 1) the issuer decides to cancel domestic government bonds that had been credited to its account, but have not been transferred to the owner
- 2) if a placement participant/switch auction participant fails to provide for settlement of placed domestic government bonds in the manner and under the terms established by applicable regulations on domestic government bonds issuance.

In order to cancel domestic government bonds during the placement, the issuer or the account manager shall respectively instruct the NBU Depository and shall in the event of partial cancellation of the domestic government bonds issue provide a reissued global certificate in the manner set out in Chapter 15 Section II hereof.

The NBU Depository shall transact an unconditional operation of transferring domestic government bonds that have been credited to custodians' own securities accounts and/or aggregated, and/or segregated accounts opened for record-keeping depositors', nominal holders' securities on such custodians' securities accounts as blocked for settlement following placement to the issuer's account if a cash leg of such placement has not been properly settled.

In order to cancel domestic government bonds, the NBU Depository shall debit from the issuer's account and the relevant asset side balance sheet account domestic government bonds that are subject to cancellation, provide the issuer with the relevant report (confirmation) and, if necessary, shall redeem the global certificate in the manner specified in Chapter 15 Section II hereof.

### **Chapter 9. Processing Operations of the Domestic Government Bonds' Issuer on Income Payment and Redemption/Early Redemption of Domestic Government Bonds**

86. The NBU Depository shall process issuer's operations on income payments and/or redemptions of domestic government bonds as well as settlement thereof on securities accounts of issuers, custodians, and foreign depositories.

The NBU Depository shall process income payments and/or domestic government bonds redemptions by transferring funds derived from income payments and/or domestic government bonds redemption received from the issuer to relevant custodians and foreign depositories.

The special terms for processing income payments and/or domestic government bonds redemptions on securities accounts of foreign depositories are defined in Chapter 34 Section IV hereof and are set out in a correspondent relations agreement.

The NBU Depository shall transfer funds derived from income payments and/or domestic government bonds redemptions to those custodians and foreign depositories, on which securities accounts the relevant domestic government bonds issues are record-kept. The cash accounts to be credited with such funds shall be indicated in the securities account applications.

If the date of the income payment and/or domestic government bonds redemption falls on a non-business day, such settlements shall be made on the next business day.

The NBU Depository shall process cash settlements on income payments and/or domestic government bonds redemptions as provided for in Chapter 10 Section II hereof.

87. On the record date the NBU Depository shall instruct CI to unblock encumbrances and/or lift restrictions on rights to deliver and/or receive domestic government bonds that have been blocked for on-exchange or over-the-counter trading on DVP terms and that are subject to redemption.

On the record day, the CI shall unblock encumbrances and/or lift restrictions on rights to deliver and/or receive domestic government bonds and shall unblock domestic government bonds based on instructions of the NBU Depository following securities transactions settlement by the end of the operational day on terms of an unconditional operation.

The NBU Depository and CI shall unblock domestic government bonds/lift encumbrances and/or rights to deliver and/or receive domestic government bonds on the last business day preceding the record date, if the record date falls on a non-business day.

88. On a business day following the record date, in order to deliver income payment and/or domestic government bonds redemption based on the information on securities holders from the depository record-keeping system as of the record date, in case of redemption of domestic government bonds, the NBU Depository shall block domestic government bonds on custodians' accounts with breakdown by owners/owners' types and foreign depositories accounts according to the unconditional operation procedure.

89. On the payment date in accordance with requirements and terms provided by the agreement on securities issues servicing the issuer of domestic government bonds shall ensure transfer of

corresponding funds related to the income payment and/or domestic government bonds redemption to the relevant account of the NBU Depository opened with the NBU.

On the payment date for domestic government bonds, denominated in domestic currency or on the day preceding the payment date for domestic government bonds, denominated in foreign currency, the NBU Depository shall perform a cash clearing in the manner prescribed in Chapter 10 Section II hereof and shall, based on the information in the consolidated statement on domestic government bonds clearing and settlement, as well as information on domestic government bonds holders, generate register(s) of payment orders and send the same by means of the automated system of the NBU Depository to NBU Operational Unit for transferring funds to recipients' accounts.

The NBU structural unit, which secures cash settlements based on the documents provided by the NBU Depository, shall ensure the fund transfers to the accounts of custodians and foreign depositories within the terms specified in Section I Chapter 5 paragraph 53 indent seven of this Regulation. Should the transfer be impossible on the payment date, the NBU's structural unit that ensures cash settlements shall immediately notify the NBU Depository. The NBU Depository shall take all necessary measures to deliver the payment.

Having transferred funds related to domestic government bonds redemption to custodians and foreign depositories, the NBU Depository shall transfer domestic government bonds of the issue to be redeemed to the issuer's securities account, cancel the issue on the terms of unconditional operation, and redeem the global certificate as provided for in Chapter 15 Section II hereof.

In the event of partial redemption of the issue in case of early redemption of domestic government bonds, the NBU Depository shall transfer domestic government bonds to be redeemed to the issuer's securities account, debit the redeemed domestic government bonds on the terms of unconditional operation, and process the global certificate as provided for in Chapter 15 Section II hereof.

The issuer may as provided by laws of Ukraine instruct the NBU Depository to act according to other procedure and/or timeframe of income payment and/or domestic government bonds redemption.

90. The issuer shall after having its requests for early redemption approved but no later than two business days before the set date of the early redemption respectively instruct the NBU Depository in any form to early redeem the securities. In the event of a partial redemption of domestic government bonds, such instructions shall be accompanied by the documents necessary for the global certificate reissuance as provided for in Chapter 15 Section II hereof.

On the day preceding the set date of early redemption, which is the record date, according to the issuer's instruction the NBU Depository shall check availability of blocked domestic government bonds blocked on the accounts of custodians (with breakdown by owners/ owners' types) which are subject to early redemption and shall input the relevant information on the volumes of domestic government bonds to be redeemed early in the depository record-keeping system.

The NBU Depository shall on the record date process early redemption of domestic government bonds as provided for in Section II Chapter 9 paragraphs 86–89 hereof.

The NBU Depository shall, when early redemption is initiated by the issuer and/or as otherwise may be provided by laws of Ukraine, process early redemption of domestic government bonds issued by the issuer as provided for herein subject to the special terms of early redemption established by the issuer.

**Chapter 10. Processing Operations of the Domestic Government Bonds' Issuer Regarding  
Cash Clearing and Settlements under Corporate actions of the Domestic Government Bonds'  
Issuer**

91. The NBU Depository shall process cash settlements following domestic government bonds placement and income payment and/or domestic government bonds redemption by one of the following means:

1) by cash clearing - in case of coincidence of terms of cash settlements based on the results of domestic government bonds placement with terms of income payment and/or redemption of domestic government bonds denominated in the same currency (except for domestic government bonds placed on accounts of primary dealers which are not custodians, and domestic government bonds placed through a switch auction)

2) in all other cases - without cash clearing.

92. Cash settlements following domestic government bonds placement and income payments and/or redemption shall be made in cashless form in the currency being the denomination currency of domestic government bonds.

93. The payment date shall be determined by the issuer in the terms and conditions of the corresponding placement or additional placement of domestic government bonds of the respective issue or in the terms and conditions of a switch auction.

The payment date of income payment and/or redemption shall be determined by the terms of placement of the relevant issue of domestic government bonds.

94. To perform cash clearing of domestic government bonds denominated in domestic currency, the NBU Depository shall prepare and submit/provide an opportunity to generate via the automated system on the payment date and based on the information in the depository record-keeping system as of the relevant record date the following:

1) a clearing statement broken down by domestic government bonds issues to the issuer's servicing bank

2) a clearing statement broken down by domestic government bonds issues to the NBU Operational Unit

3) the statement on funds to be transferred to the NBU from the bonds placement participants - to the NBU unit providing cash settlements

4) a register of payment orders based on liabilities to each custodian and/or foreign depository to the NBU Operational Unit in respect of custodians and/or foreign depositories, to which the issuer is financially liable based on clearing results

5) a request to generate a payment instruction for the amount of liabilities and a statement on clearing results and settlements in terms of payments and liabilities of an individual NBU Depository customer— to custodians that and/or depositors, whose nominal holders have financial liabilities to the issuer based on clearing results.

6) a clearing statement on mutual cash settlements based on the results of bonds placement and payments for bonds in terms of liabilities of each primary dealer — to custodians which, and/or depositors, clients of which have financial liabilities to the issuer based on clearing results.

94<sup>1</sup> . To perform cash clearing of domestic government bonds denominated in foreign currency, the NBU Depository shall on the day preceding the payment date and based on the information in the depository record-keeping system as of the relevant record-keeping date prepare and submit/provide an opportunity to generate via the automated system the following:

- 1) a clearing statement broken down by domestic government bonds issues to the issuer's servicing bank
- 2) a clearing statement broken down by domestic government bonds issues to the NBU Operational Unit
- 3) financial orders related to funds transfer - to the NBU Operational Unit in respect of foreign depositories and custodians, to which the issuer is financially liable based on clearing results
- 4) a statement on clearing results and settlements in terms of foreign currency payments and liabilities of each NBU Depository customer — to custodians which, and/or depositors, clients of which have financial liabilities to the issuer based on clearing results
- 5) clearing statement on mutual cash settlements based on the results of bonds placement and payments for bonds in terms of liabilities of each primary dealer — to custodians which, and/or depositors, clients of which have financial liabilities to the issuer based on clearing results.

95. Submission of requests for drawing up own statements on clearing and settlements in the automated system of the NBU Depository shall be available to custodians in the depository record-keeping system once the NBU Depository issues a statement on clearing and settlements broken down by domestic government bonds issues.

96. Having settled cash based on the results of clearing, the NBU Depository shall unconditionally unblock placed domestic government bonds and shall by the end of the operational day unconditionally transfer domestic government bonds to be redeemed to the issuer's account.

97. To perform settlement of income payment and/or domestic government bonds redemption without cash clearing on the payment date for domestic government bonds denominated in domestic currency and on the day preceding the payment date for domestic government bonds denominated in the foreign currency and based on the information within the depository record-keeping system as of the relevant record date, the NBU Depository shall prepare and submit/provide an opportunity to generate via the automated system the following:

- 1) a clearing statement broken down by domestic government bonds issues to the issuer's servicing bank
- 2) a clearing statement broken down by domestic government bonds issues to the NBU Operational Unit
- 3) a register of payment orders and / or financial orders related to funds transfer in respect of foreign depositories and custodians, to which the issuer is financially liable - to the NBU Operational Unit;
- 4) a statement on clearing results and settlements in terms of payments to each NBU Depository customer — to custodians and foreign depositories.

97<sup>1</sup>. To make settlements following the domestic government bonds placement without cash clearing (except the placement through a switch auction) on the payment date for domestic government bonds denominated in the domestic currency and on the day preceding the payment date for domestic

government bonds denominated in the foreign currency, based on the information within the depository record-keeping system as of the relevant record date, the NBU Depository shall prepare and submit/provide an opportunity to generate via the automated system the following:

- 1) a clearing statement broken down by domestic government bonds issues to the issuer's servicing bank
- 2) a clearing statement broken down by domestic government bonds issues to the NBU Operational Unit
- 3) the statement on funds to be transferred to the NBU from the bonds placement participants - to the NBU unit providing cash settlements
- 4) a request to initiate a payment instruction for the amount of liabilities in domestic currency, a statement on clearing and settlements results in terms of liabilities of an individual NBU Depository customer and clearing statement on mutual cash settlements based on the results of bonds placement and payments for bonds — to custodians that are and/or depositors whose clients are financially liable to the issuer
- 5) a statement on cash settlements based on the results of bonds placements in terms of liabilities of each primary dealer — to custodians, if their depositors, which are primary dealers, are financially liable to the issuer
- 6) a request to initiate a payment instruction for the amount of liabilities of the primary dealer in the domestic currency — to the servicing bank of the non-custodian primary dealer.

97<sup>2</sup>. The primary dealer that is not a custodian shall apply to the custodian servicing its securities account to obtain details of payment documents to deliver payment following the bonds placement (except the placement through a switch auction).

To make payment based on the results of domestic government bonds placement, the non-custodian primary dealer shall take into account the following features:

- 1) for domestic government bonds denominated in the domestic currency, cash settlements shall be made based on a request to initiate a payment instruction sent by the NBU Depository to the servicing bank of the primary dealer through SEP with indication of numbers of domestic government bonds placement in the payment details
- 2) for domestic government bonds denominated in foreign currency, cash settlements shall be made in keeping with the standard procedure determined by the regulations of the NBU on cashless settlements in Ukraine; herewith, "purpose of payment" column in payment orders shall contain numbers of bonds placement as a result of which a cash leg is settled.

97<sup>3</sup>. To make settlements following the placement of domestic government bonds through a switch auction the NBU Depository shall, on the day which is the payment date and based on the information within the depository record-keeping system as of the relevant record date, prepare and submit/provide an opportunity to generate via the automation system of the NBU Depository the following:

- 1) the statement on settlements following a switch auction - to the servicing bank of the issuer
- 2) the statement on settlements following a switch auction - to the NBU unit providing cash settlements

3) the statement on funds to be transferred to the NBU from the bonds placement participants following a switch auction - to the NBU unit providing cash settlements

4) the request to initiate a payment instruction on the difference in the values of UAH-denominated domestic government bonds and the statement on settlements following a switch auction – to custodians, which and/or depositors, clients of which have financial liabilities to the issuer.

98. The NBU shall transfer to the issuer's servicing bank funds received from cash clearing and/or following the placement of domestic government bonds, including placement through a switch auction, on the date of crediting such funds to the account of the NBU Depository.

98<sup>1</sup>. Upon completion of settlements following the placement of domestic government bonds, including placement through a switch auction, the NBU Depository, without cash clearing, performs unconditional depository operations to unblock the placed domestic government bonds.

### **Chapter 11. Processing Operations of the Domestic Government Bonds' Issuer on Domestic Government Bonds Buy-Back , Cancellation of Bought-Back Domestic Government Bonds and Other Operations**

99. The NBU Depository shall process issuer's operations on domestic government bonds buy-back on-exchange or over-the-counter, with settlements on DVP, FOP terms based on instructions from the issuer, custodians and/or foreign depositories and/or a clearing statement from CI.

100. Should domestic government bonds be bought-back over-the-counter, with settlements on DVP terms, a cash leg of which is settled by the NBU Depository, the domestic government bonds' issuer shall in accordance with requirements and terms provided by the relevant agreements, instruct the NBU Depository to credit bought-back domestic government bonds to its account. The NBU Depository shall, based on issuer's instructions, initiate the respective operation.

Having matched in depository record-keeping system instructions to credit domestic government bonds from the issuer and the instruction to debit domestic government bonds from the custodian servicing the bought-back domestic government bonds' owner/nominal holder, which or clients of which provide services to the bought-back domestic government bonds' owner, the NBU Depository shall block the bought-back domestic government bonds on the account of the custodian that services the domestic government bonds owner/nominal holder, which or clients of which provide services to the domestic government bonds' owner, draw up and submit to the issuer's servicing bank a request to initiate a payment instruction..

The NBU Depository shall unconditionally and simultaneously with the receipt of the notification on funds crediting on account transfer domestic government bonds from the account of the custodian that services the domestic government bonds' owner/nominal holder, which or clients of which provide services to the domestic government bonds' owner, to the issuer's account.101. Should domestic government bonds be bought back over-the-counter on FOP terms, domestic government bonds' issuer shall in accordance with requirements and terms provided by the relevant agreements instruct the NBU Depository to credit bought-back domestic government bonds to its account.

Having matched in the depository record-keeping system instructions to credit domestic government bonds from the issuer and the instruction to debit domestic government bonds from the custodian which services the bought-back domestic government bonds' owner and / or nominal holder which or clients of which provide services to the bought-back domestic government bonds' owner, the NBU Depository shall transfer bought-back domestic government bonds to the issuer's account.

102. Should domestic government bonds be bought-back on-exchange or over-the-counter with settlements on DVP terms, a cash leg of which is settled by CI, the domestic government bonds' issuer shall deposit funds for trading in the manner determined by the relevant agreements and regulations on clearing and settlements. In order to buy domestic government bonds back, the domestic government bonds' issuer shall provide the NBU Depository with corresponding instructions and documents to input the data on the selected investment firm(s) in the register of brokers' agreements.

Having received the clearing statement from CI containing instructions on transfer of domestic government bonds bought-back by the issuer, the NBU Depository shall unconditionally perform a securities leg settlement.

103. No cash settlements on issuer's own bought-back domestic government bonds shall be performed, if the terms of income payments and/or redemption of such domestic government bonds become due.

103<sup>1</sup>. The NBU Depository shall perform other operations instructed by the issuer in accordance with the legislation of Ukraine.

### **Chapter 15. Procedure for Depositing, Record-keeping, and Redemption of Global Certificates of Securities Issues**

125. The issuer that entered into agreement on securities issues servicing with the NBU Depository in order to ensure the safe-keeping and record-keeping of securities in the depository record-keeping system of the NBU Depository, shall issue and deposit a global certificate with the NBU Depository.

126. The NBU Depository shall keep records, store, and redeem global certificates in accordance with this Regulation and other regulations of the NBU on depository assets record-keeping and safe-keeping.

The NBU Depository shall keep records of global certificates in its electronic books of depository assets deposit to and withdrawal from the vault of the NBU Depository .

Temporary global certificates shall not be issued for domestic government bonds issues.

Global certificates are issued in the form of electronic document in accordance with the legislation on electronic documents and electronic documents management.

Global certificates in electronic form shall be signed by affixing the qualified electronic signature of the issuer's authorized person.

The NBU Depository shall deposit global certificates based on issuer's instructions.

127. Global certificates for domestic government bonds issues shall be drawn up and deposited in keeping with the procedure prescribed by this Regulation and other regulations on depository activity with consideration of the following:

1) the issuer shall, based on information on settlements following placement of domestic government bonds at an auction for placement or at a switch auction, prepare and provide within seven business days an instruction to the NBU Depository to deposit a global certificate and a global certificate of domestic government bonds issue for the total number of domestic government bonds, which corresponds to the volume of placed domestic government bonds, for which funds have been received

2) in the event of the additional domestic government bonds placement including additional placement through a switch auction, the issuer shall reissue a global certificate by way of depositing a new global certificate for the total number of domestic government bonds including those additionally placed

3) the NBU Depository shall, based on the issuer's instructions, deposit the global certificate

4) in accordance with the issuer's instructions, the NBU Depository shall simultaneously with depositing a new global certificate as a result of an additional domestic government bonds placement, including additional placement through a switch auction, redeem the global certificate which has been reissued.

130. In the event of any change in the information detailed in the global certificate, the issuer shall reissue the global certificate by providing the NBU Depository with a new global certificate to be deposited.

In order to reissue the global certificate, the issuer shall provide the NBU Depository with the following:

2) a new global certificate issued with consideration of the changes

3) an instruction to deposit the new global certificate

131. The NBU Depository shall store deposited global certificates in the form of an electronic document according to the legislation on electronic documents and electronic documents management, regulations and administrative acts of the NBU.

The NBU Accounting Unit shall safe-keep global certificates of domestic government bonds issues in paper form, transferred by the Responsible Unit, in the vault of the NBU and shall reflect the number of global certificates deposited for safe-keeping on respective record-keeping accounts.

The NBU Accounting Unit shall provide global certificates in paper form to the authorized person of the NBU Depository for redemption based on appropriate instructions from the NBU Depository.

132. The NBU Depository shall perform the redemption of global certificates in the event of an additional placement, early redemption of domestic government bonds at the owner's discretion, redemption of domestic government bonds or reissue of a global certificate by the issuer, including in the event of additional placement of domestic government bonds, redemption of the domestic government bonds issue or reissue of a global certificate by the issuer during/following a switch auction, and in other cases provided for in Ukrainian laws.

The NBU Depository shall redeem global certificates in the form of an electronic document, based on the documents provided by laws of Ukraine by making appropriate amendments and entering information on redemption to the information system, in which the NBU stores electronic documents in accordance with administrative and /or regulatory acts of the NBU.

Redeemed global certificates in the form of an electronic document shall be stored for five years from the date of redemption and then subject to destruction supported with the relevant reports in accordance with regulations and administrative acts of the NBU on records management and archiving.

In order to redeem a global certificate in paper form, the NBU Depository shall according to the documents provided by laws of Ukraine instruct the NBU Accounting Unit to provide the relevant global certificate.

The NBU Accounting Unit shall provide the corresponding global certificates in paper form to the authorized employee of the NBU Depository. The NBU Depository shall redeem global certificates by affixing the seal on redemption and return redeemed global certificates to the NBU Accounting Unit for further pre-archival storage and transfer for archival storage in accordance with regulations, legal and administrative acts of the NBU on records management and archiving.

Redeemed global certificates in paper form shall be stored for five years from the date of redemption and then subject to destruction. The fact of destruction shall be evidenced by the relevant reports containing a description of individual features of each global certificate in the manner prescribed by laws of Ukraine.

133. The NBU Depository shall notify the issuer of the performed depository operations with a global certificate by providing the relevant report (notice).

134. The NBU Depository shall make an inventory of global certificates at least once a year in the manner prescribed by the relevant regulations of the NBU on record-keeping and safe-keeping of depository assets, as well as by laws of Ukraine.

#### **Chapter 16. Processing Issuer's Information Operations**

135. The NBU Depository shall conduct the following information operations for issuers:

- 1) issuing a securities account statement
- 2) issuing a statement of securities transactions
- 3) providing the register of securities holders
- 4) providing other reference and analysis forms regarding the issuer's securities
- 8) providing other information in accordance with agreement terms and requirements of regulations on depository activity, issuance, and circulation of securities.

136. The NBU Depository shall perform information operations in the manner and under the terms defined by regulations of Ukraine on depository activity, by the agreement with the issuer, and/or laws of Ukraine.

137. The NBU Depository shall perform information operations according to relevant requests of the issuer/account manager or as may be defined from time to time by this Regulation, the agreement with the issuer and laws of Ukraine.

Issuers/account managers shall file requests to the NBU Depository to perform information operations in free format. Such requests shall outline necessary details for transacting the respective operation as follows:

- 1) the specified information operation
- 2) full name of the issuer

- 3) identification code with the Uniform State Register of Enterprises and Organizations of Ukraine (hereinafter referred to as “EDRPOU code”) of the issuer
- 4) the date as of which the information shall be provided or the period for information provision
- 5) ISINs, for which the information operation is requested (when necessary)
- 6) signature of the issuer’s account operator and issuer's seal
- 7) other information that describes the nature of the information operation.

138. The NBU Depository shall, based on the request of the issuer/account manager perform an information operation and provide the information requested by the issuer/account manager within time limits and as provided for herein and/or agreement on securities issues servicing.

### **Section III. Procedure for Servicing Custodians by the NBU Depository**

#### **Chapter 17. Contractual Relations and Administrative Operations on Custodians' Accounts**

139. Depository agreement shall be concluded by accession of a custodian to the terms and conditions of the Master Agreement available on the official website of the NBU.

140. A custodian, which has not subscribed to the NBU’s e-mail system and has not received in prescribed manner the means for information protection of the NBU in information systems, in order to enter into the agreement shall perform the following:

- 1) submit to the NBU an application on joining to the terms and conditions of the Master Agreement in a form as presented on the NBU’s official website (hereinafter referred to as the “Application”). In the Application the custodian shall state that it intends to receive depository services and the services on connection to the NBU’s e-mail system and/or provision of access to the NBU information network via dedicated communication channels and provision of the NBU means of information protection in information systems
- 2) submit a copy of registered incorporation documents certified by the signature of the custodian manager, provided that such document has not been made available on the portal of electronic services of legal entities, sole proprietors, and NGOs. Custodians, incorporation documents whereof are available on the portal of electronic services of legal entities, sole proprietors, and NGOs, do not need to submit a copy of incorporation documents
- 3) perform the respective actions provided for in the NBU regulations on information protection, for connection to the services of the NBU’s e-mail system and/or receipt of access to the NBU information network via dedicated communication channels and provision of the NBU means of information protection in information systems.

A custodian that is not a subscriber to the NBU's e-mail system shall have the right not to join the Master Agreement in terms of receiving the service of connection to the NBU's e-mail system and to subscription to the service in terms of providing access to the NBU's information network via allocated communication channels. In this case information between the NBU Depository and the custodian is exchanged by sending it by e-mail to the custodian’s e-mail address specified in the securities account application and the e-mail address of the NBU Depository specified on the official website of the NBU, if the information is considered publicly available, and /or by mail to the address of the custodian, specified in the securities account application and the postal address of the NBU Depository respectively. Should information be sent to the e-mail address of the custodian, the NBU

Depository shall not be responsible for the integrity and timeliness of receipt of such information by the custodian.

141. The custodian, which has subscribed to the NBU's e-mail system and/or has received as provided the means to protect information of the NBU in information systems or has taken measures to establish connection in line with Section III Chapter 17 paragraph 140 hereof in order to enter into the agreement, shall generate digital signature keys for all securities account operators, enter the identification data of these persons into the securities account application and file to the NBU Depository the following documents:

- 1) the updated Application declaring the custodian's intent to receive depository services (to be filed in the event the custodian has declared its intent to receive depository services in a previous application for accession)
- 2) a copy of registered incorporation documents certified by the signature of the custodian manager, provided that such document has not been made available on the portal of electronic services of legal entities, sole proprietors, and NGOs. Custodians, incorporation documents whereof are available on the portal of electronic services of legal entities, sole proprietors, and NGOs, do not need to submit a copy of incorporation documents
- 3) a securities account application (specifying the identification data of the securities account operators) signed by the account operator
- 4) a list of authorized signatures containing specimen signatures of securities account operators certified by the legal entity's head
- 5) original or copy of the power of attorney issued to the securities account operator and signed by the manager or other person duly authorized by incorporation documents of the legal entity, if the account operator is a person that is not authorized to act on behalf of the legal entity without a power of attorney

142. The authorized employee of the NBU shall check whether the documents comply with the data in documents made available on the portal of electronic services of legal entities, sole proprietors, and NGOs, upload the excerpt from the Unified State Register of Legal Entities, Sole Proprietors, and Non-Governmental Organizations and the copies of incorporation documents (if incorporation documents are available on the portal of electronic services of legal entities, sole proprietors, and NGOs) in electronic form, and locate such documents on the specific electronic source of the NBU for storing documents of electronic contractual files subject to mandatory certification with a personal digital signature.

The authorized employee of the NBU Depository shall check whether the documents submitted by a custodian comply with requirements hereof and laws of Ukraine. During review the authorized employee of the NBU Depository shall check whether the submitted documents comply with the data specified in electronic contractual case, the data from the depository record-keeping system of the NBU Depository, the data on the licenses for exercising professional activity on the capital markets, namely depository activity of custodians and, when necessary, the data from other publicly available sources.

143. The NBU Depository shall, within three business days of the date of submission of compliant documents by the custodian for opening the account, review the filed set of documents and in case a document required for account opening is lacking and/or inconsistency of filed documents with the requirements hereof or Ukrainian laws, provide relevant comments to the custodian.

144. The custodian shall within 30 calendar days of comments provided by the NBU Depository rectify inconsistencies and submit corrected documents. If within 30 calendar days of comments provided by the NBU Depository the custodian fails to submit corrected documents, the NBU Depository shall return the submitted documents with a written refusal to open the account for such custodian.

145. The authorized employee of the NBU shall, in case there are no objections to submitted documents, provide the custodian with a notice of accession of the custodian to the Master Agreement with respect to the NBU Depository services. Afterwards the agreement shall be deemed concluded and the custodian shall acquire the status of a customer of the NBU Depository.

146. The NBU Depository shall, within three business days of the date of agreement, open a restricted securities account for the custodian and record in the depository record-keeping system of the NBU Depository the information on securities account operators (the document certifying powers, term of powers, and other necessary information).

The NBU Depository shall provide the NBU structural unit maintaining information systems with information about identification data on securities account operators to perform relevant settings in the depository record-keeping system of the NBU Depository.

Powers of the custodian's securities account operators within the depository record-keeping system of the NBU Depository shall be automatically blocked in the event of expiry of the key certificate or powers granted to the authorized person by the relevant lawful deed, and are bound to be blocked by the NBU Depository by an administrative depository operation should the NBU Depository receive any relevant documents from the custodian on early termination of the powers granted to the securities account operator.

147. After opening a restricted securities account, the NBU Depository shall provide the custodian with a set of software tools for setting access to the automated system of the NBU Depository.

148. Custodian shall, within 30 calendar days of the date of conclusion of the Master Agreement, configure the automated system of the NBU Depository and test interoperability between the automated system of the NBU Depository and the custodian and, when necessary, the automated system of its servicing bank followed by the relevant report.

The NBU Depository shall, based on the information from the NBU IT Unit, keep the list of banks that have performed interoperability testing of the automated system of the NBU Depository and the automated system of the servicing bank (hereinafter referred to as the List of Servicing Banks). The up-to-date List of Servicing Banks shall be disclosed by the NBU Depository by posting it on the official website of the NBU.

The custodian and the servicing bank shall determine whether to conduct benchmark testing for interoperability of the automated system of the NBU Depository with the automated system of the servicing bank based on the information from the List of Servicing Banks. If a servicing bank of the custodian is on the List of Servicing Banks, the custodian and the servicing bank shall independently determine whether to repeat interoperability testing for the automated system of the NBU Depository and that of the servicing bank. If a servicing bank is not on the List of Servicing Banks, such bank must apply to the NBU IT Unit for testing and conduct benchmark testing for interoperability of the NBU Depository automation system and the automation system of the servicing bank.

The custodian may apply to the NBU Depository to request continued operating in restricted functionality mode for the time needed to complete the configuration of settings of the automated system of the NBU Depository and testing interoperability with the NBU Depository and/or the

automated system of its servicing bank, if such custodian is unable due to technical reasons to timely configure the automated system of the NBU Depository and to test interoperability with the NBU Depository and/or the automated system of its servicing bank.

149. After signing the interoperability testing report for the NBU Depository automated system and a custodian and, when necessary, the automated system of its servicing bank, the NBU Depository shall within three business days lift functionality restrictions applied to the custodian's securities account.

The NBU Depository shall have the right to decide whether provide additional services to the custodian, such as automated access of the custodian's software to certain data within the NBU Depository automation system and other services specified by the NBU regulations on depository activities, depending on the custodian's special features, which can determine the level of risk of its activities (the level of automation of the custodian's software, the number of open securities accounts of depositors/clients, the volume of transactions on securities accounts, violations of capital markets legislation, any available complaints of the custodian's depositors/clients and other features determined by the NBU regulations on depository activities). The NBU Depository at the request of the custodian shall decide on providing the custodian with the access to these services and the level of such access or provide a reasoned written refusal based on the analysis of information from public sources or documents provided by the custodian at the request of the NBU Depository.

The list of additional services, the procedure for providing/terminating access to them, the requirements for custodians that intend to receive such services shall be determined by the NBU regulations on depository activities.

150. The NBU Depository shall unilaterally terminate the depository agreement concluded with the custodian, close the custodian's securities account, and notify in writing the custodian thereof within three business days, if within the set timeframe the custodian failed to configure settings of the automated system of the NBU Depository, failed to test the interoperability of the NBU Depository automated system with that of the custodian and, when necessary, the automated system of its servicing bank, and failed to apply to the NBU Depository for continued operating in reduced functionality mode.

151. In the event of any changes in information or documents provided for opening the securities account, the custodian shall submit to the NBU Depository as follows:

- 1) an instruction to amend the securities account application signed by the account operator
- 2) a reissued securities account application signed by the account operator
- 3) original counterparts or duly certified copies of the documents confirming the appropriate changes.

If there are any amendments to the information on the securities account operator contained in the list of authorized signatures or in case of the account operator change, it shall be necessary to submit a new or additional list of authorized signatures containing specimen signature of such securities account operator certified by the legal entity's manager, as well as the original or a copy of the power of attorney issued to the securities account operator and signed by the manager or other person authorized by incorporation documents of the legal entity, if the account operator is a person not authorized to act on behalf of the legal entity without a power of attorney.

152. The depository agreement shall be terminated simultaneously with closure of the custodian's securities account in accordance with the terms of the depository agreement and as provided by this

Regulation. The custodian's securities account shall be closed provided there are no securities on the account.

In order to close the account, the custodian shall submit an instruction to the NBU Depository to close the account signed by the account operator and shall pay for services of the NBU Depository.

The NBU Depository shall within three business days from receiving the instruction close the custodian's account and notify the custodian in writing.

### **Chapter 18. Procedure for Processing Administrative Operations by Custodians on Depositors'/Nominal Holders' Accounts in the Depository Record-keeping System of the NBU Depository**

153. In order to service depositors, a custodian may open aggregated or segregated accounts within the custodian's securities account opened within the depository record-keeping system of the NBU Depository.

Records of securities of a custodian, territorial community and non-custodian bank depositor, and securities of clients and clients of nominal holder's clients shall be kept only on segregated accounts within the custodian's securities account opened within the depository record-keeping system of the NBU Depository.

Records of securities of other types of depositors may be kept on aggregated accounts or segregated accounts within the custodian's securities account opened within the depository record-keeping system of the NBU Depository.

A custodian shall keep records of rights for securities owned by an investment firm and those owned by the investment firm's clients or those received by the investment firm to provide for settlement of/settle securities transactions executed by the investment firm on behalf of such clients on segregated securities accounts.

154. The NBU Depository shall process operations on a segregated account opened within a custodian's account only based on instructions of the custodian, unless otherwise expressly provided by laws of Ukraine. Securities, records of which are kept on a segregated account, may be blocked for trading by their transfer to the account assigned for segregated record-keeping of liabilities and/or rights of customers and counterparties of a clearing participant as for delivery and/or receipt of securities in CI.

In order to open a segregated account, the custodian shall, based on agreement with a depositor or an agreement on servicing a securities account of a nominal holder and based on custodian's internal documents input information on the depositor's or nominal holder's account in the depository record-keeping system of the NBU Depository through the automated system of the NBU Depository and forward the operation to the NBU Depository for authorization.

In regard to securities account of a depositor - primary dealer in accordance with its instruction the custodian shall additionally enter into the depository record-keeping system of the NBU Depository information on the details of the primary dealer's servicing bank (bank code and bank identifier code).

The depositor - primary dealer shall be obliged to provide the custodian servicing its securities account with information on the details of its servicing bank, namely the bank code and the identification code of the servicing bank within the day preceding the day of the announced placement in which such depositor intends to participate. Should details of the servicing bank change, the depositor - primary dealer shall be obliged to provide the custodian with updated information within

the next day from the moment of the changes, but not later the day before the day of announced placement in which the depositor intends to participate.

The depositor - the primary dealer shall have the right to provide the custodian with the details of only that servicing bank, which is mentioned in the List of Servicing Banks.

After entering information on details of the servicing bank of the depositor - primary dealer, the custodian shall send it to the NBU Depository for authorization by means of the automated system of the NBU Depository.

The custodian shall be responsible for inputting reliable information on depositors and nominal holders into the depository record-keeping system of the NBU Depository.

156. In order to transact the operations following on-exchange or over-the-counter DVP securities transactions, settlement of which is provided by the CI, the custodian shall, based on relevant documents input into the register of brokers' agreements within the depository record-keeping system of the NBU Depository through the automated system of the NBU Depository the information on the investment firm(s), which services the respective depositor of the custodian or the client, the client of the nominal holder's client.

After entering information on the investment firm(s) into the depository record-keeping system, in order to open a clearing account/sub-account for such investment firm(s) with the CI, the custodian shall input into the register of brokers' agreements data on the depositor- indicating the account's type (segregated or aggregated) or the nominal holder.

157. Having checked information on the investment firm(s) inputted by the custodian into the register of brokers' agreements within the depository record-keeping system of the NBU Depository, the NBU Depository shall provide CI with information from the register of brokers' agreements and on request of CI confirm identification of the clearing account/sub-account opened with the CI, after which such clearing account/sub-account becomes available for settlements on DVP terms.

158. In case of administrative operations on amending the account application of the depositor, nominal holder listed in the register of brokers' agreements, the custodian shall input, when necessary, the appropriate changes into the register of brokers' agreements before the end of the operational day.

In the event of closing the depositor's, nominal holder's securities account, the custodian shall be obliged to cancel the depositor's registration in the register of brokers' agreements. Based on the information from the register of brokers' agreements in regard to brokers operating on the capital markets as to the termination of processing operations on the relevant account, CI shall complete settlement of all securities transactions executed in respect of such account. Following results of settlements and/or if there are no securities left on the relevant account, on which records of securities blocked for trading are kept, CI shall confirm the termination of processing operations under such account.

159. For the purpose of Article 73 of the Law of Ukraine '*On the National Bank of Ukraine*' on unconditional and pre-emptive right to discharge any claim due based on bank's refinancing or Article 52 of the law of Ukraine '*On Households Deposit Guarantee System*' on premature discharge of pledgee's claims at the expense of bank's assets pledged by selling securities pledged as collateral to discharge the claims of the NBU, the NBU Depository shall input information on the NBU as an investment firm for the borrower bank into the register of brokers' agreements. Such information shall be inputted based on an instruction of the NBU Monetary Policy Unit in the manner prescribed for unconditional operations.

The NBU shall act as a broker managing the account of the bank, which has failed to return the funds under refinancing operations against pledged securities or under other operations on maintaining banks liquidity against pledged securities after inputting the information on the NBU into the register of brokers' agreements and reflection of such information in CI.

**Chapter 19. Processing Issuer's Corporate actions on Custodians' Securities Accounts  
Regarding Domestic Government Bonds Placement/Domestic Government Bonds Placement  
Through Switch Auctions**

160. The operations on crediting domestic government bonds to own securities accounts of custodians that are the participants of the placement / participants of the switch auction and/or aggregated, and/or segregated accounts opened for record-keeping depositors'/nominal holders' securities within the custodians' securities accounts, are unconditional operations of the securities account management, and the settlements on these transactions are performed in the RVP and DVD modes.

Based on the results of satisfied applications on placement of domestic government bonds, applications on purchase of bonds on the switch auction, the NBU Depository as of the date of placement credits the placed domestic government bonds to custodian's own securities account and/or aggregated, and/or segregated accounts opened for record-keeping depositors'/nominal holders' securities within such custodians' securities accounts for record-keeping domestic government bonds blocked for payment.

Upon completion of the actions mentioned in Section III Chapter 19 paragraph 160 indent one and two hereof, the NBU Depository provides the custodians that are the participants of a switch auction with a possibility to generate the information on bonds, the presence of which shall be ensured on securities accounts for their further crediting to the issuer's securities account based on the results of a switch auction, using the means of the NBU Depository automation system - in regard to the own and customers' satisfied applications on purchase of bonds on the switch auction.

The custodian - participant of a switch auction, to ensure the settlements resulting from domestic government bonds placement through a switch auction as of the end of the operational day preceding the payment date, based on the generated information performs / ensures the blocking of outstanding domestic government bonds on its own securities account and/or aggregated, and/or segregated accounts opened for record-keeping of depositors'/nominal holders' securities within the custodian' securities account.

The NBU Depository shall, on the day that is the payment date for domestic government bonds placed through the switch auction, verify the information on outstanding domestic government bonds provided by ETS with data within its own depository record-keeping system and check the possibility of performing correct settlements resulting from placement through the switch auction.

If upon checking the information in applications of placement participants / applications on purchase of bonds on the switch auction received from ETS, the NBU Depository finds the errors in details of the depositor that is a customer of the placement participant/ participant of a switch auction, the NBU Depository shall unconditionally credit the domestic government bonds on own account of such placement participant / participant of a switch auction.

The operations on transfer of placed domestic government bonds to balance accounts designated for record-keeping unencumbered domestic government bonds and operations on transfer of outstanding domestic government bonds from custodians' own securities accounts and/or aggregated, and/or segregated accounts opened for record-keeping depositors' / nominal holders' securities within the custodians' securities accounts to the issuer's securities account, and the operations on unblocking outstanding domestic government bonds, if the participant of a switch auction has not performed the

settlements for domestic government bonds placed through a switch auction by the date established in Regulation No. 248, are performed by the NBU unconditionally.

160<sup>1</sup>. The custodian that is the placement participant/ participant of a switch auction, in case of untimely transfer or failure to transfer funds and/or failure to ensure the availability of outstanding domestic government bonds by a depositor / nominal holder to provide for settlement of domestic government bonds upon placement /a switch auction, or in other cases when the transfer of funds and/or transfer of outstanding domestic government bonds by the depositor / nominal holder is impossible, shall have the right to provide the NBU Depository an instruction for transferring domestic government bonds that are placed and blocked for payment, from an aggregated and/or segregated account opened for record-keeping securities of a depositor/ clients, clients of nominal holder's clients within the securities account of a custodian, to the own securities account of a custodian.

To issue such an instruction on the day of settlement resulting from domestic government bonds placement or on the day preceding the date of settlement resulting from the switch auction, a custodian shall perform the following actions:

1) submit via the means of the NBU Depository automation system the request for excerpting information on domestic government bonds owners / nominal holders, which or clients of which provide services the owners of domestic government bonds credited to securities accounts and blocked for payment with a breakdown by ISINs, number and distribution of domestic government bonds on the custodian's and/or depositors'/ nominal holders' securities accounts

2) redistribute the number of domestic government bonds between the own securities account of a custodian and aggregated and/or segregated accounts opened within the custodian's securities account for record-keeping securities of depositors/ clients, clients of nominal holders' clients that had failed to timely deliver payment for domestic government bonds and/or had failed to ensure the availability of a necessary number of outstanding domestic government bonds on a securities account, and initiate unconditional depository operations on transferring domestic government bonds that are placed resulting from such redistribution. The custodian shall initiate such operations without the instructions of depositors / nominal holders.

The NBU Depository shall not process the instruction for transferring domestic government bonds that are placed and blocked for payment, from an aggregated and/or segregated account opened for record-keeping the securities of a depositor/ clients, clients of the nominal holder's clients within the custodian's securities account to the custodian's own securities account, if according to the terms of placement the date of domestic government bonds placement coincides with the settlements date of domestic government bonds.

The NBU Depository, in case it receives the instruction for transferring domestic government bonds blocked for payment, from an aggregated and/or segregated account opened for record-keeping securities of a depositor/ clients, clients of the nominal holder's clients within the custodian's securities account to custodian's own securities account, shall transfer domestic government bonds between relevant accounts after receiving a notification of funds crediting on the account and, in case of placement of domestic government bonds through a switch auction – after transfer of domestic government bonds to the issuer's securities account.

161. Upon completion of settlements following domestic government bonds placement as provided in Section III Chapter 21 hereof, the domestic government bonds that are placed shall be unblocked the custodian's own securities account and/or aggregated, and/or segregated accounts for record-keeping securities of depositors/clients, clients of nominal holder's clients within the custodian's

securities account as an unconditional operation, and circulation of domestic government bonds shall be further permitted.

The domestic government bonds that are placed shall be debited from custodian's own securities account and/or aggregated, and/or segregated accounts for record-keeping securities of depositors/clients, clients of nominal holder's clients within the custodian's securities account for their unconditional cancellation, if the settlements were not made within the terms established by Ukrainian laws.

162. The NBU Depository shall service domestic government bonds placement under a designated resolution of the Cabinet of Ministers of Ukraine on FOP terms, under separate instructions of the issuer and the custodian.

Domestic government bonds shall be credited to the owner's unencumbered securities account after successful matching of the issuer's and the custodian's instructions.

#### **Chapter 20. Processing Issuer's Corporate actions on Custodian's Securities Accounts on Income Payment, Redemption/Early Redemption of Domestic Government Bonds and Buy-Back of Domestic Government Bonds by the Issuer**

163. Having successfully settled securities transactions, the NBU Depository and CI shall before the end of the operational day of the record date on terms of an unconditional operation unblock domestic government bonds and liabilities and/or rights to deliver and/or receive domestic government bonds that have been blocked for sale and that shall be redeemed on the accounts of custodians.

The NBU Depository and CI shall unblock domestic government bonds and liabilities and/or rights to deliver and/or receive domestic government bonds on the last business day preceding the record date of domestic government bonds, if the record date falls on a non-business day.

164. In case of domestic government bonds redemption the NBU Depository shall block domestic government bonds on custodians' accounts with breakdown by owners/owners' types and foreign depositories accounts on terms of an unconditional operation on the business day following the record date set for income payments and/or domestic government bonds redemption according to the information obtained from a depository record-keeping system on securities holders as of the record date. In this case, domestic government bonds blocked on the accounts of owners and/or nominal holders, which or clients of which provide services to owners, for other reasons shall remain blocked and shall be redeemed from corresponding accounts on terms of an unconditional operation.

165. Custodians each business day shall be required to monitor information on the distribution of income and/or redemption of domestic government bonds, records of which are kept on accounts of custodians and their depositors, nominal holders. Prior to the end of the business day of the record date, the custodian shall notify the nominal holders that provide services to the owners of domestic government bonds of the issue under redemption that they have to perform the domestic government bonds blocking operation for their redemption at the beginning of the business day following the record date.

The custodian shall consider information on cash clearing by submitting through the automated system of the NBU Depository requests for formation of the relevant information and analytical forms on amounts and funds distribution as well as cash clearing and based on this information check the received information against its own record-keeping data and distribute funds among the owners of domestic government bonds and/or nominal holders which or clients of which provide services to domestic government bonds owners as of the relevant record date in the manner established by the internal regulations of the custodian.

Custodians based on the funds distribution results and regardless of cash clearing results shall transfer funds derived from the income and/or redemption of domestic government bonds to their depositors/nominal holders in full or partially considering cash clearing results on depositors' accounts in the manner and on the terms provided by the relevant agreements and/or internal documents of custodians.

166. The NBU Depository shall pay out amounts on income and/or redemption of domestic government bonds to the custodian's bank account indicated in the securities account application before the date of the custodian's activity termination. Starting from the date of termination amounts on income and/or redemption of domestic government bonds shall be paid in accordance with the procedure detailed in Chapter 32 Section III hereof.

167. The NBU Depository shall debit domestic government bonds from custodians' accounts on terms of an unconditional operation before the end of the operational day of the maturity date set out in the terms of issue. If the maturity day falls on a non-business day, the NBU Depository shall debit domestic government bonds from custodians' accounts before the end of the operational day on the next business day.

168. In case of early redemption of domestic government bonds on the initiative of the owner of domestic government bonds, a custodian shall according to the relevant instruction of the depositor or nominal holder transact a depository operation to block domestic government bonds for early redemption and provide the corresponding report to the owner of domestic government bonds or nominal holder, which or clients of which provide services to domestic government bonds owners.

If domestic government bonds' issuer approves applications for early redemption of domestic government bonds, early redemption operations are carried out on the day which is the record date in accordance with the procedure set out in paragraphs 163–167 Chapter 20 Section III hereof.

Domestic government bonds may be unblocked according to an instruction of the depositor or nominal holder, if requests for early redemption were rejected.

169. If the issuer of domestic government bonds initiates early redemption and/or in other cases provided for by laws of Ukraine, the NBU Depository shall service early redemption of issuer's domestic government bonds in the manner prescribed by this Regulation as provided for herein subject to the special terms of early redemption established by the issuer of domestic government bonds.

170. The custodian shall following redemption of domestic government bonds make appropriate changes on its own record-keeping accounts for domestic government bonds as well as provide information on domestic government bonds redemption to the nominal holder, which or clients of which provide services to owners of redeemed domestic government bonds before the end of the operational day.

171. The custodian shall process corporate actions on domestic government bonds buy-back by the issuer in accordance with the record-keeping procedure for transactions specified in Chapters 25 to 28 Section III hereof.

**Chapter 21. Processing Operations of the Domestic Government Bonds' Issuer on Custodians' Securities Accounts Regarding Cash Clearing and Settlements under Corporate actions**

172. The NBU Depository shall process cash settlements of custodians following domestic government bonds placement and regarding income payments and/or domestic government bonds redemption on either terms:

- 1) by cash clearing - for custodians which are primary dealers, in case of coincidence of terms of cash settlements based on the results of domestic government bonds placement with terms of income payment and / or redemption for domestic government bonds denominated in the same currency
- 2) without cash clearing - for custodians that are primary dealers, in all other cases, as well as for custodians that are not primary dealers, and in the case when domestic government bonds are placed through the switch auction.

173. Cash settlements following domestic government bonds placement and income payments and/or redemption of domestic government bonds are performed in a cashless form according to the procedure provided for herein and NBU's regulations on the issues of cashless settlements in Ukraine, and in Ukraine's domestic currency, if the terms of the placement provide for the issuance of UAH-denominated domestic government bonds or in a cashless form in line with the laws of Ukraine on currency regulation and currency supervision, cashless settlements, if the terms of placement provide for the issuance of domestic government bonds denominated in foreign currency, and/or placement of UAH-denominated domestic government bonds among nonresidents.

174. The NBU Depository shall ensure the transfer of the amounts derived from income payments and/or redemption of domestic government bonds on the payment day (with consideration of special features stipulated by Section I Chapter 5 paragraph 53 indent seven hereof) to be determined as follows:

- 1) for domestic government bonds denominated in domestic currency on the payment day established by the terms of the issue
- 2) for domestic government bonds denominated in foreign currency on the day preceding the payment day established by the terms of the issue.

If the payment date for domestic government bonds denominated in domestic currency falls on a non-business day, the payment date shall be the following business day.

If the payment date for domestic government bonds denominated in a foreign currency falls on a non-business day or a non-business day in the country, currency whereof is used for denomination of domestic government bonds, the payment date shall be the following business day.

175. The custodian that is a primary dealer and/or serves the securities accounts of depositors being primary dealers, to ensure the settlements shall during each operational day of the NBU Depository, regularly but not less than once per hour, check the information on settlements by submitting a request to the NBU Depository automation system on generation of a statement on results of clearing and settlements, clearing statement on mutual cash settlements following the bonds placement and payments for bonds, statement on settlements following bonds placement, and statement on settlements following the switch auction.

176. If cash clearing is performed following placement of domestic government bonds and payment of income and/or redemption of domestic government bonds, denominated in domestic currency, the custodian that is a primary dealer shall take the following actions:

1) distribute funds derived from income payment and/or redemption between owners of domestic government bonds and/or nominal holders which provide services to domestic government bonds owners in the manner established by the custodian's internal documents

1<sup>1</sup>) monitor funds transfer based on the cash clearing results by depositors, nominal holders of the custodian, and in case of their failure to transfer funds the custodian shall have the right to submit an instruction for an unconditional transfer of domestic government bonds blocked for payment from the aggregated and/or segregated account opened for record-keeping securities of the depositor, a client, a client of the nominal holder's client within the custodian's securities account to custodian's own securities account as prescribed by paragraph 160<sup>1</sup> Chapter 19 Section III hereof

2) monitor the receipt of a request for initiation of a payment instruction from the NBU Depository for the funds payment based on the clearing results, if the results show that the custodian and/or its depositors/nominal holders has/have outstanding liabilities to the issuer

3) review the amount of liabilities in the request for initiation of the payment instruction and ensure payment of the full amount of liabilities based on this request, indicating in payment details the placement numbers of domestic government bonds, the cash leg of which is settled

4) monitor receipt of funds in the domestic currency and ensure the transfer of income payments and/or redemption due to depositors/clients, clients of nominal holders' clients in full (or partially considering the results of cash clearing under depositors' accounts) - from funds received from the NBU Depository and/or from its own funds (based on the cash clearing results) in the manner established by the relevant agreements.

177. If cash clearing is performed following placement of domestic government bonds and payment of income and/or redemption of domestic government bonds, denominated in foreign currency, the custodian that is a primary dealer shall perform the following actions:

1) distribute funds derived from income payments and/or redemption between the owners of domestic government bonds and/or nominal holders, which provide services to domestic government bonds owners, in the manner established by the custodian's internal documents

2) monitor funds transfer based on the cash clearing results by depositors, clients of the custodian, and in case of their failure to transfer funds the custodian shall have the right to submit an instruction for an unconditional transfer of domestic government bonds blocked for payment from an aggregated and / or segregated account opened for record-keeping securities of a depositor, a client, a client of the nominal holder's client within the custodian's securities account to custodian's own securities account in the manner specified in paragraph 160<sup>1</sup> of Chapter 19 of Section III of the Regulation

3) ensure payment of funds based on the results of domestic government bonds placement (indicating in the payment details the placement numbers of domestic government bonds , the cash leg of which is settled) on the day that is the payment date , if according to the statement on clearing and settlement results or the clearing statement on mutual cash settlements as a result of the bonds placement and payments for bonds, the custodian and /or its depositors /clients has/have an outstanding liability to the issuer

4) monitor the receipt of funds in foreign currency and ensure the transfer of income payments and/or redemption due to depositors and /or clients of nominal holders in full (or partially considering the results of cash clearing under depositors' accounts) - from funds received from the NBU, and /or from own funds (based on the cash clearing results) in the manner prescribed by the relevant agreements.

178. If no cash clearing is performed, a custodian that is not a primary dealer, as well as a custodian that is a primary dealer, to ensure settlements for income payment and/or domestic government bonds redemption shall perform the following actions:

- 1) submit in the automated system of the NBU Depository request for generation of a report regarding the terms and amounts of the income payments and /or domestic government bonds redemptions each business day after the NBU Depository starts its operational day
- 2) perform actions needed for the funds distribution to the domestic government bonds owners and / or nominal holders, which provide services to domestic government bonds owners, monitor the receipt of funds, if there are any funds to be paid
- 3) ensure that the funds due to domestic government bonds owners are transferred in the manner established by internal documents and respective agreements.

179. A custodian servicing securities accounts of the depositors being primary dealer or a custodian being a primary dealer - in the absence of cash clearing - to ensure settlements based on results of domestic government bonds placement (except for the placement through the switch auction), shall do the following:

- 1) under the transactions on domestic government bonds placement, in which a custodian being a primary dealer performs the function of a broker for its depositors/customers, it shall control the transfer of funds by depositors, clients of a custodian and in case of their failure to transfer funds, it has the right to submit the instruction to unconditionally transfer domestic government bonds that were blocked for payment, from the aggregated and/or segregated account opened for record-keeping securities of a depositor, client or client of a nominal holder's client within the custodian's securities account, to custodian's own securities account according to the procedure set in Section III Chapter 19 paragraph 160<sup>1</sup> hereof
- 2) provide the depositor that is a primary dealer, with information contained in the statement on cash settlements based on the results of bonds placements regarding the amount of such depositor's liabilities to the issuer following the domestic government bonds placement, as well as details of payment documents by which the depositor should transfer funds based on domestic government bonds placement results in the manner and terms determined by the agreement between the custodian and the depositor, but not later than one hour before the deadline for funds transfers for purchased domestic government bonds, specified in the statement of cash settlements based on the results of bonds placements
- 3) monitor the receipt of a request for initiation of the payment instruction from the NBU Depository to pay funds based on the placement of domestic government bonds denominated in domestic currency, if the custodian and/or its depositors/clients that are not primary dealers have outstanding liabilities to the issuer
- 4) review the amount of liabilities in the request for initiation of the payment instruction and ensure payment of the full amount of liabilities based on this request, indicating in payment details the placement reference numbers of domestic government bonds, the cash leg of which is settled
- 5) ensure payment of funds based on the placement results of domestic government bonds denominated in foreign currency (indicating in the payment details the placement numbers of domestic government bonds, the cash leg of which is settled) on the day that is the payment date , if according to the statement on clearing and settlement results or the statement on cash settlements as a result of the bonds placement, the custodian and /or its depositors /clients that are not primary dealers have outstanding liabilities to the issuer.

179<sup>1</sup>. A custodian being a primary dealer, to ensure settlements based on results of the domestic government bonds placement through a switch auction, shall do the following:

1) under the transactions on domestic government bonds placement, in which a custodian being a primary dealer performs the function of a broker for its depositors/clients, it shall control the availability of sufficient number of outstanding domestic government bonds on securities accounts of depositors, clients of a custodian to ensure the settlements of the transactions with domestic government bonds placement through a switch auction, and in case of absence/insufficiency of outstanding domestic government bonds, it has the right, before the end of the operational day preceding the payment date, to submit the instruction to transfer domestic government bonds that are placed and blocked for payment, from the aggregated and/or segregated account opened for record-keeping securities of a depositor, client or client of a nominal holder's client within the custodian's securities account, to custodian's own securities account according to the procedure set in Section III Chapter 19 paragraph 160<sup>1</sup> hereof

2) under the transactions on domestic government bonds placement, in which a custodian being a primary dealer performs the function of a broker for its depositors/clients, it shall control the transfer by its depositors, clients of the funds to pay the difference in values of domestic government bonds that are placed and outstanding domestic government bonds, and in case of their failure to transfer funds, it has the right before the end of the operational day preceding the payment date to submit the instruction to transfer domestic government bonds that are placed and blocked for payment, from the aggregated and/or segregated account opened for record-keeping securities of a depositor, client or client of a nominal holder's client within the custodian's securities account, to custodian's own securities account according to the procedure set in Section III Chapter 19 paragraph 160<sup>1</sup> hereof

3) block on its securities account the outstanding domestic government bonds in the number required to perform its liabilities to the issuer based on the results of domestic government bonds placement through the switch auction

4) control the receipt of a request to initiate a payment instruction from the NBU Depository to pay the difference in domestic government bonds values based on results of UAH-denominated domestic government bonds placement through the switch auction

5) verify the amount of liabilities in domestic currency in the request to initiate a payment instruction and ensure the payment of a full amount of liabilities based on this request, indicating in payment details the number and date of the statement on settlements following the switch auction, based on which the cash settlements are made

6) ensure the payment of the difference in domestic government bonds values following placement of domestic government bonds denominated in foreign currency (specifying in payment details the number and date of the statement on settlements following the switch auction, for which the settlements are made), on the day that is the payment date, if according to the information from the statement on settlements following the switch auction a custodian has the liabilities to an issuer.

179<sup>2</sup>. If a bonds placement participant has violated the settlement deadlines based on the bonds placement results, the NBU Depository shall monitor data on the status of cash settlements every operational day.

If the bonds placement participant has provided for successful cash leg settlement within the period established in Regulation No. 248, the NBU Depository shall make a securities leg settlement based on the results of the bonds placement as per the procedure established in Section II Chapter 8 paragraph 82<sup>1</sup> of this Regulation, taking into account the specifics of partial payment for domestic government bonds outlined in Regulation No. 248.

If the bonds placement participant has not provided for successful cash leg settlement within the period established in Regulation No. 248, the NBU Depository shall unconditionally transfer the placed but unpaid domestic government bonds from custodians' own securities accounts, and/or from aggregated/segregated accounts opened for depositors' or nominal holders' securities within the custodians' securities accounts, to the issuer's account to have them canceled.

179<sup>3</sup>. If a switch auction participant has violated the settlement deadlines for a switch auction, the NBU Depository shall monitor data on the switch auction participant's performance of the actions specified in Section III Chapter 19 paragraph 160 indent four of this Regulation every operational day and, if an interim interest on outstanding domestic government bonds was paid, shall monitor data on the transfer of said interim interest by the switch auction participant into the NBU's account.

If a switch auction participant that had violated the settlement deadlines for a switch auction, within the period established by Regulation No. 248, has taken the actions specified in Section III Chapter 19 paragraph 160 indent four of this Regulation, and has also transferred the interim interest on outstanding domestic government bonds (if necessary), the NBU Depository shall make a securities leg settlement based on the results of the switch auction, as per the procedure outlined in Section II Chapter 8 paragraph 82<sup>2</sup> of this Regulation.

If a switch auction participant that had violated the settlement deadlines for a switch auction has failed to provide for settlements following the switch auction within the period established by Regulation No. 248, the NBU Depository shall unconditionally transfer domestic government bonds placed through a switch auction from custodians' own securities accounts, and/or from aggregated/segregated accounts opened for depositors' or nominal holders' securities within the custodians' securities accounts, to the issuer's account to have them canceled.

#### **Chapter 24. Processing Record-keeping Operations on Custodians' Securities Accounts Regarding Blocking/Unblocking Securities for Sale**

200. To ensure settlement of DVP securities transactions executed on-exchange or over-the-counter, a cash leg of which is settled by the CI, a custodian shall block securities for sale.

The securities shall be blocked in accordance with the depositor's, nominal holder's instruction provided information on the investment firm(s) servicing the depositor, nominal holder, client or client of the nominal holder's client has been previously inputted into the depository record-keeping system of the NBU Depository in accordance with the procedure specified in paragraphs 156, 157 Chapter 18, Section III hereof.

201. To block securities for sale, the custodian shall instruct the NBU Depository to block securities for sale by choosing a segregated account of the depositor, nominal holder or an aggregated account, on which records of securities owned by the depositor are kept, an investment firm representing its interests, and the relevant clearing account/subaccount of the investment firm, as well as information on securities to be blocked.

After verifying the instruction, the NBU Depository shall transfer the securities to the balance account for record-keeping securities that are blocked for sale, and notify the custodian and CI on the blocking.

According to the information on securities blocked by the NBU Depository, the custodian shall make changes on the relevant securities accounts of depositors, nominal holders in accordance with the requirements set out in paragraph 60 Chapter 5 Section I hereof.

The securities blocked for sale shall remain blocked until they are unblocked in cases stipulated herein.

202. The NBU Depository shall unblock securities that have been blocked for sale on terms of an unconditional operation, based on the statement on instructions to unblock securities provided by CI, unless otherwise provided for by this Regulation and Ukrainian legislation.

The CI shall provide a statement on instructions to unblock securities based on a relevant instruction from the investment firm in whose favor the securities have been blocked, or based on the instruction of the owner or of the nominal holder, which or the client of which provides services to the owner, in the manner specified in the CI's internal documents, or based on the NBU Depository's instructions/information, and in other cases provided for by Ukrainian laws on depository activities.

203. According to the information on securities unblocked by the NBU Depository, the custodian shall make the corresponding changes on the relevant securities accounts of depositors and/or nominal holders and provide the relevant report or information to the nominal holder in accordance with the requirements set out in paragraph 60 Chapter 5 Section I hereof.

#### **Chapter 25. Processing Record-keeping Operations on Custodians' Securities Accounts Resulting from DVP Securities Transactions Executed On-Exchange (Including Repo Transactions on Securities Delivery)**

204. To ensure settlement of DVP securities transactions executed on-exchange, a custodian shall block securities as prescribed in paragraphs 200, 201 Chapter 24 Section III hereof.

205. The cash leg of DVP securities transactions executed on-exchange shall be settled by transferring funds by the banks and the NBU in the prescribed manner to/from the account of the CI with the NBU and/or reflection by the CI in the clearing entity's internal record-keeping system of changes of financial rights and liabilities between the parties to securities transactions reflecting the transfer of the right to claim funds, including termination of financial liabilities by netting, in keeping with the procedure of cash settlements established by the NBU and agreed with the National Securities and Stock Market Commission.

Cash leg settlement of DVP securities transactions executed on-exchange shall be provided by the CI.

206. The NBU Depository shall settle a securities leg of the DVP securities transactions executed on-exchange based on the clearing report with the list of instructions provided by the CI following the netting results; the NBU Depository shall provide gross settlement on terms of an unconditional operation.

207. According to the information on the operations under on-exchange securities transactions performed by the NBU Depository, the custodian shall make changes on the relevant securities accounts of depositors and/or nominal holders and provide the relevant report or information to the nominal holder in accordance with the requirements set out in paragraph 60 Chapter 5 Section I hereof. To make changes on the relevant securities accounts of depositors, nominal holders, the custodian shall use information and analytical forms generated by the automated system of the NBU Depository, specifically, when transacting operations in the gross mode the custodian shall use the transactions records book and for netting operations - a statement on mutual netting.

**Chapter 26. Processing Record-keeping Operations on Custodians' Securities Accounts Resulting from DVP Securities Transactions Executed Over-The-Counter (Including Repo Transactions on Securities Delivery) And Settled by CI**

208. The NBU Depository shall settle a securities leg of DVP securities transactions executed over-the-counter based on the clearing report with the list of instructions provided by the CI (following netting) in the gross mode on terms of an unconditional operation.

The cash leg of DVP securities transactions executed over-the-counter shall be settled by transferring funds by the banks and the NBU in the prescribed manner to/from the account of the CI with the NBU and/or reflection by the CI in the clearing entity's internal record-keeping system of changes of financial rights and liabilities between the parties to securities transactions reflecting the transfer of the right to claim funds, including termination of financial liabilities by netting, in keeping with the procedure of cash settlements established by the NBU and agreed with the National Securities and Stock Market Commission.

The cash leg settlement of DVP securities transactions executed over-the-counter shall be provided by the CI.

209. According to the information on operations under over-the-counter securities transactions performed by the NBU Depository, the custodian shall make changes on the relevant securities accounts of depositors and/or nominal holders in the depository record-keeping system and provide the relevant report or information to the nominal holder in accordance with the requirements set out in paragraph 60 Chapter 5 Section I hereof. To make changes on the relevant securities accounts of depositors, nominal holders, the custodian shall use information and analytical forms generated by the automated system of the NBU Depository, specifically, when transacting operations in the gross mode the custodian shall use the transactions records book and for netting operations – a statement on mutual netting.

**Chapter 27. Processing Record-keeping Operations on Custodians'/Foreign Depositories' Securities Accounts Resulting from DVP Securities Transactions Executed Over-The-Counter (Including Repo Transactions with Delivery of Securities, Cross-border Transactions) And Settled by the NDU Depository**

210. OTC DVP securities transactions shall be settled on the grounds of matching instructions of custodians/foreign depositories servicing the parties to the transaction as follows:

1) A custodian/foreign depository servicing the securities owner (deliverer) or a nominal holder/client, which or the client of which services the owner (deliverer) of securities, or a securities manager shall submit to the NBU Depository a transfer (debit) instruction indicating the bank details of the owner (deliverer)/nominal holder/client, which or the client of which services the owner (deliverer) as follows: identification code and international bank account number (IBAN), as well as the transaction type (repo, sale and purchase, other) and other details of the transaction

2) A custodian/foreign depository servicing the securities owner (receiver) or the nominal holder/client, which or the client of which provides services to the securities owner (receiver) or a securities manager shall submit to the NBU Depository a transfer (credit) instruction indicating the bank details of the owner (receiver)/nominal holder/client, which or client of which provides services to the securities owner (receiver) as follows: identification code and international bank account number (IBAN), as well as the transaction type (repo, sale and purchase, other) and other details of the transaction. At the same time, the custodian/foreign depository/a securities manager shall ensure that the bank servicing the owner (receiver)/the nominal holder/client, which or client of which

provides services to the securities owner (receiver) meets the requirements for delivering payments under securities transactions based on a request to initiate a payment instruction from the NBU Depository

3) once the instructions are matched, the NBU Depository shall block securities on a securities account of the custodian/foreign depository which services the owner (deliverer)/nominal holder/client, which or client of which provides services to the owner (deliverer)

4) the NBU Depository shall send a request to initiate a payment instruction to the bank servicing the owner (receiver)/nominal holder/client, which or client of which provides services to the owner (receiver) indicated in the securities credit instruction, and change the status of the parties' instructions

5) the owner (receiver)/nominal holder/client, which or client of which provides services to the owner (receiver) shall ensure payment within the timeframe set in Section I Chapter 5 paragraph 53 subparagraph 1<sup>1</sup> hereof, by the servicing bank based on a request to initiate the payment instruction from the NBU Depository

6) the NBU Depository, simultaneously with the receipt of the notification of funds crediting on the account (of the deliverer)/nominal holder/client, which or the client of which services the owner (deliverer) with the servicing bank, shall unconditionally transfer securities from a securities account of the custodian/foreign depository, which services the owner (deliverer)/nominal holder/client, which or client of which provides services to the owner (deliverer), to the securities account of the custodian, which services the owner (receiver)/nominal holder/client, which or client of which provides services to the owner (receiver)

7) Excluded

8) if no payment for the purchased securities was made based on the request to initiate the payment instruction before the deadline set by Section I Chapter 5 paragraph 53 subparagraph 1<sup>1</sup> hereof, the NBU Depository shall, before the end of the operational day of the NBU Depository, unblock the securities on terms of an unconditional operation in the securities account of the custodian/foreign depository that serves the owner (deliverer)/nominal holder/client, which or client of which provides services to the owner (deliverer), and shall cancel the matched instructions.

211. If the provided counterparties' instructions have not been matched, custodians/foreign depository/account manager shall discover the reason and ways to eliminate the discrepancies within the NBU Depository.

212. The custodian/foreign depository/account manager may cancel the instructions submitted to the NBU Depository before their matching by sending a respective instruction to the NBU Depository.

213. According to the information on operations performed by the NBU Depository under over-the-counter securities transactions, the custodian shall make changes on the relevant securities accounts of depositors/nominal holder in the depository record-keeping system as well as provide the respective reports and information in accordance with the requirements set out in paragraph 60 Chapter 5 Section I hereof.

**Chapter 28. Processing Record-keeping Operations on Custodians'/Foreign Depositories' Securities Accounts Resulting from FOP Securities Transactions Executed Over-The-Counter (Including Repo Transactions with Delivery of Securities, Cross-border Transactions )**

214. A securities leg of FOP securities transactions executed over-the-counter shall be settled on the grounds of matching instructions submitted by custodians/foreign depositories servicing the parties to respective transactions/nominal holders/clients, which or clients of which provide services to the parties to the respective transactions. At the same time, custodians/foreign depositories/account manager shall indicate the type of the transaction (repo, sale and purchase, swap, assignment, crediting, other) and other details of the transaction.

215. Having successfully matched the counterparties' instructions, the NBU Depository shall transfer securities from the securities account of the custodian/foreign depository, which services the owner (deliverer)/nominal holder/client, which or customer of which services the owner (deliverer), to the securities account of the custodian/foreign depository, which services the owner (receiver)/nominal holder/client, which or customer of which services the owner (receiver).

216. If the FOP securities transactions executed over-the-counter require a cash leg settlement, such cash leg shall be settled without involvement of the NBU Depository under the terms of relevant agreements.

217. Based on information on operations transacted by the NBU Depository under executed securities transactions, the custodian shall make changes on the relevant securities accounts of depositors/nominal holders in the depository record-keeping system and provide them with the relevant reports or information in accordance with the requirements set forth in paragraph 60, Chapter 5, Section I of this Regulation.

#### **Chapter 29. Processing Record-keeping Operations on Blocking Securities/Rights For Securities as a Result of Pledge on Custodians' Accounts**

218. Securities under transactions with the NBU being its party shall be pledged on DVP or FOP terms.

The NBU as a pledge holder shall post and update the application for the pledge holder and a list of authorized signatures of the pledge holder, as well as documents confirming the authority of the persons authorized to sign on behalf of the pledge holder on the official website of the NBU for custodians being pledgers to use these documents.

The NBU Depository shall record information on custodians and parties to securities blocking operations in the depository record-keeping system (if securities are record-kept on segregated accounts of depositors) and information on custodians and types of depositors, which are party to the securities blocking operations (if securities are record-kept on aggregated accounts of depositors or accounts of nominal holders). In the event of change of a party to such transaction or a custodian of one of the parties, the relevant custodian shall provide the NBU Depository with documents confirming such changes to be recorded in the depository record-keeping system of the NBU Depository.

In case of aggregated accounts, custodians shall ensure that instructions to unblock the securities is submitted by the same pledge holder, which had submitted the instruction to block the securities under the relevant transaction, except as provided by law on depository activities.

220. Custodians/NBU and the NBU Depository shall block (encumber) securities/rights for securities as a result of a pledge in favor of the NBU (including refinancing operations in cases provided by regulations of NBU on liquidity) or pledge being executed between customers of the NBU Depository when transactions are settled on the DVP basis as follows:

1) a custodian of the pledger shall provide to the NBU Depository an instruction to block pledged securities, indicating the bank details of a pledger or nominal holder, which or the customer of which services the pledger, as follows: identification code and international bank account number (IBAN) as well as details of the transaction

2) a custodian of the pledge holder or the NBU shall provide to the NBU Depository an instruction to block pledged securities, indicating the bank details of the pledge holder or nominal holder, which or the customer of which services the pledge holder, as follows: identification code and international bank account number (IBAN), as well as the details of the transaction. At the same time, the custodian shall ensure that the servicing bank of the pledge holder or a nominal holder, which or the customer of which services a pledge holder meets the requirements for delivering payments under securities transactions based on the request to initiate a payment instruction from the NBU Depository

3) the NBU Depository shall verify completeness and correctness of filled-in details and check availability of specified number of securities on the account of a custodian, which services the pledger or nominal holder, which or customer of which services the pledger

4) once the instructions are successfully matched, the NBU Depository shall block pledged securities for settlement and draw up and send to the servicing bank of the pledge holder or the nominal holder, which or customer of which services the pledge holder a request to initiate a payment instruction

5) the pledge holder or the nominal holder, which or customer of which services the pledge holder shall ensure payments within the timeframe set in Section I Chapter 5 paragraph 53 subparagraph 1<sup>1</sup> of this Regulation by the servicing bank based on the request to initiate a payment instruction from the NBU Depository

6) Excluded

7) simultaneously with the receipt of the notification on funds crediting on account, the NBU Depository shall block securities on the respective securities account on terms of an unconditional operation

8) if no payment was delivered on the basis of the request to initiate a payment instruction within the timeframe set in Section I Chapter 5 paragraph 53 subparagraph 1<sup>1</sup> of this Regulation, by the end of its operational day the NBU Depository shall unconditionally transfer securities blocked for settlement from the account of the custodian, which services the pledger or nominal holder, which or customer of which services the pledger to the account of the custodian, which services the pledger or nominal holder, which or customer of which services the pledger for record-keeping unencumbered securities, and shall cancel the matched instructions

9) according to the information on operations transacted by the NBU Depository, custodians shall make changes in the depository record-keeping system on the relevant securities accounts of depositors and/or nominal holders, and provide the relevant report or information to the nominal holders in accordance with the requirements set out in paragraph 60 Chapter 5 Section I hereof.

221. Blocking of (encumbrance of) securities/ rights for securities as a result of a pledge in favor of the NBU (including refinancing operations in cases provided by regulations of NBU on liquidity) or pledge being executed between customers of the NBU Depository shall be transacted on FOP terms as follows:

1) a custodian of the pledger shall provide to the NBU Depository an instruction to block pledged securities

2) a custodian of the pledge holder or the National Bank shall provide to the NBU Depository an instruction to block pledged securities

3) the NBU Depository shall verify completeness and correctness of filled-in details and check availability of specified number of securities on the pledger's account

4) once the instructions are successfully matched, the NBU Depository shall block pledged securities on the respective account

5) according to the information on operations transacted by the NBU Depository, custodians shall make changes in the depository record-keeping system on the relevant securities accounts of depositors and /or nominal holders, and provide relevant report or information to nominal holders in accordance with the requirements set out in paragraph 60 Chapter 5 Section I hereof.

223. Custodians/NBU and the NBU Depository shall unblock (releasing pledge on) securities blocked in favor of the NBU (including refinancing operations in cases provided by regulations of NBU on liquidity) or pledge being released by customers of the NBU Depository when transactions are settled on the DVP basis as follows:

1) a custodian of the pledger shall provide to the NBU Depository an instruction to unblock unpledged securities, indicating the bank details of the pledger or nominal holder, which or customer of which services the pledger as follows: identification code and international bank account number (IBAN), as well as details of the transaction. At the same time, the custodian shall ensure that the servicing bank of the pledger or nominal holder, which or customer of which services the pledger meets the requirements for delivering payments under securities transactions based on the request to initiate a payment instruction from the NBU Depository

2) a custodian of the pledge holder or the NBU shall provide to the NBU Depository an instruction to unblock unpledged securities, indicating the bank details of the pledge holder or nominal holder, which or customer of which services the pledge holder as follows: identification code and international bank account number (IBAN), as well as details of the transaction

3) the NBU Depository shall verify completeness and correctness of filled-in details and check availability of specified number of securities on the account of a custodian, which services the pledger or nominal holder, which or customer of which services the pledger. At the same time, the NBU Depository shall ensure that instructions to unblock securities are provided by the same custodian and the same pledge holder (if such pledge holder has segregated account) or the same custodian and type of depositor/nominal holder (if such pledge holder has account within the aggregated account or it is a customer of a nominal holder, customer of a nominal holder's customer) that had submitted instructions to block securities under the relevant transaction (taking into account amendments made in the manner stipulated by the paragraph 218 Chapter 29 Section III of this Regulation)

4) once the counterparties' instructions are successfully matched, the NBU Depository shall unblock unpledged securities and draw up and send to the servicing bank of the pledger the request to originate payment instruction 5) the pledger or nominal holder, which or customer of which services the pledger shall ensure payments within the timeframe set in Section I Chapter 5 paragraph 53 subparagraph 1<sup>1</sup> of this Regulation, by the servicing bank based on the request to initiate a payment instruction from the NBU Depository

5) the pledger or nominal holder, which or customer of which services the pledger shall ensure payments within the timeframe set by subparagraphs 1<sup>1</sup>, 1<sup>2</sup> paragraph 53 Chapter 5 Section I of this Regulation by the servicing bank based on the request to initiate a payment instruction from the NBU Depository

## 6) Excluded

7) simultaneously with the receipt of the notification on funds crediting on account, the NBU Depository shall unblock securities on the respective securities account on terms of an unconditional operation

8) if no payment was delivered on the basis of the request to initiate a payment instruction within the timeframe set by Section I Chapter 5 paragraph 53 subparagraph 1<sup>1</sup> of this Regulation,, by the end of its operational day the NBU Depository shall unconditionally transfer securities blocked for settlement from the account of the custodian, which services the pledger or nominal holder, which or customer of which services the pledger to the account of the custodian, which services the pledger or nominal holder, which or customer of which services the pledger for record-keeping encumbered securities, and shall cancel the matched instructions

9) according to the information on operations transacted by the NBU Depository, custodians shall make changes in the depository record-keeping system on the relevant securities accounts of depositors and/or nominal holders, and provide the relevant report or information to the nominal holders in accordance with the requirements set out in paragraph 60 Chapter 5 Section I hereof.

224. Unblocking of (release of pledge on) securities that were blocked in favor of the NBU (including refinancing operations in cases provided by regulations of NBU on liquidity) or pledge being released by other customers of the NBU Depository shall be transacted on FOP terms as follows:

1) a custodian of the pledger shall provide to the NBU Depository an instruction to unblock unpledged securities

2) a custodian of the pledge holder or the NBU shall provide to the NBU Depository an instruction to unblock unpledged securities

3) the NBU Depository shall verify completeness and correctness of filled-in details and check availability of specified number of securities on the pledger's account. At the same time, the NBU Depository shall ensure that instructions to unblock securities are provided by the same custodian and the same pledge holder (if such pledge holder has segregated account) or the same custodian and type of depositor/nominal holder (if such pledge holder has account within the aggregated account or it is a customer of a nominal holder, customer of a nominal holder's customer) that had submitted instructions to block securities under the relevant transaction (taking into account amendments made in the manner stipulated by the paragraph 218 Chapter 29 Section III of this Regulation)

4) once the counterparties' instructions are successfully matched, the NBU Depository shall unblock unpledged securities on the respective account

5) according to the information on operations transacted by the NBU Depository, custodians shall make changes in the depository record-keeping system on the relevant securities accounts of depositors and /or nominal holders, and provide relevant report or information to nominal holders in accordance with the requirements set out in paragraph 60 Chapter 5 Section I hereof.

227. The NBU Depository shall process operations on foreclosure of pledged securities under matching instructions provided by custodians servicing the parties to the relevant transactions/nominal holders, which or customers of which provide services to the parties to relevant transactions, if the pledger and the pledge holder reach an agreement to transfer ownership rights for pledged securities to the pledge holder.

After reviewing the completeness and correctness of filled-in details and availability of specified number of securities on the account of the pledger, the NBU Depository shall transfer the securities blocked on the corresponding account to the account of the pledge holder used for record-keeping unencumbered securities.

### **Chapter 30. Processing Unconditional and Other Record-keeping Operations on Custodians' Accounts**

228. In case of receiving documents containing grounds for transacting the unconditional operation regarding securities of a certain issue, specifically, imposing/releasing restrictions on securities operations, the NBU Depository shall transact respective operations as follows:

1) no later than on the business day following the date of receiving the relevant documents, the NBU Depository shall transact the unconditional operation to impose/release restriction on securities operations of a certain issue, unless these documents set a later date for restriction/cancellation of restriction

2) within the operational day when the unconditional operation on imposing/releasing restrictions on securities operations of a certain issue or other unconditional operation on accounts of custodians was transacted, the NBU Depository shall provide custodians and CI with an appropriate notice of such operations

3) according to the information on operations transacted by the NBU Depository, custodians shall make changes in the depository record-keeping system on the relevant securities accounts of depositors and/or nominal holders and provide the relevant report or information to the nominal holders in accordance with the requirements set out in paragraph 60 Chapter 5 Section I hereof.

229. The NBU Depository shall process operations for the NBU to exercise its preferential and unconditional right provided by Article 73 of the Law of Ukraine *On the National Bank of Ukraine* on discharging any claim due in respect of the bank refinancing executed in accordance with the procedure established by law and in accordance with regulations of the NBU.

In cases provided for in the relevant agreement, the NBU being a pledge holder may exercise its preferential right to foreclose pledged securities by acquiring ownership rights for securities or selling securities to third parties.

230. In order to foreclose pledged assets, the NBU being a pledge holder shall instruct the NBU Depository to transfer securities from the pledger's account used for record-keeping securities blocked in favor of the NBU to the account used for record-keeping securities blocked as a result of unconditional operations.

After the NBU Depository transacts the unconditional operation of transferring securities to the account for record-keeping securities blocked as a result of the unconditional operation, the NBU being a pledge holder determines the method for pledged security foreclosure and provides the respective instruction to the NBU Depository.

231. In the event of foreclosure of pledged securities by transferring the ownership right for securities to the NBU, the NBU Depository executes the unconditional operation of transferring securities from the account for record-keeping securities blocked as a result of the unconditional operation of the pledger's custodian to the account of the NBU (the pledge holder) for record-keeping unencumbered securities.

232. In the event of foreclosure of pledged securities by selling securities, the NBU Depository shall transact the unconditional operation of registering the NBU as a pledge holder in the register of brokers' agreements for participation in pledged securities trading and transact the unconditional operation of blocking securities for sale. Securities sold on-exchange shall be debited in accordance with the procedure for record-keeping operations as provided for in Chapter 25 Section III hereof. After trading securities shall be unblocked in accordance with the procedure provided for in paragraph 202 Chapter 24 Section III hereof and credited to the account for record-keeping securities blocked as a result of unconditional operations.

233. If the requirements of the NBU as a pledge holder were fully satisfied at the expense of partial acquisition of pledged securities, the NBU Depository under the instruction of the NBU as a pledge holder shall unblock the balance of securities on the pledger's account for unencumbered securities.

234. In case of receiving documents as prescribed by law containing grounds for transacting the unconditional operation on accounts in the depository record-keeping system, a custodian shall transact respective operations as follows:

- 1) a custodian shall choose the type of an operation that corresponds to the nature of the deal
- 2) a custodian shall transact the operation on FOP terms and as an unconditional operation
- 3) a custodian shall make changes on the relevant securities accounts of depositors and/or nominal holders in the depository record-keeping system and provide the relevant report or information to the nominal holders in accordance with paragraph 60 Chapter 5 Section I hereof.

235. The NBU Depository shall ensure transfer/debit of depositor's securities/securities owned by the client of the nominal holder, the client of the nominal holder's client from the securities account of the depositor/nominal holder opened with one custodian, for the purpose of their crediting to the securities account of the same depositor/nominal holder opened with another custodian, as well as transfer/debit of securities between/from the accounts of the depositor/nominal holder/holders, provided that such transaction does not result in change of the securities owner, based on the matching FOP instructions submitted by the custodians/custodian.

In case of transferring blocked securities, they shall be credited with indication of the same blocked status, and custodians shall ensure transfer of the supporting documents of securities blocking in accordance with the procedure set out in their internal documents.

Custodians shall make changes to relevant securities accounts of depositors and/or nominal holders in the depository record-keeping system and provide the relevant report or information to the nominal holders in accordance with paragraph 60 Chapter 5 Section I hereof.

236. The NBU Depository may also process other record-keeping operations of its customers in accordance with the requirements hereof, laws of Ukraine and terms of agreements concluded with customers.

### **Chapter 31. Processing Information Operations For Custodians**

237. The NBU Depository shall conduct the following information operations for custodians:

- 1) provision of a securities account statement
- 2) provision of statement on securities transactions

3) provision of other reference and analytical forms on request of a custodian

4) provision of access to generate other electronic information and analytical forms being a part of the depository record-keeping system of the custodian.

238. The NBU Depository shall perform information operations in the manner and under the terms defined by regulations of Ukraine on depository activity, by the agreement, and/or laws of Ukraine.

239. The NBU Depository shall perform information operations according to relevant requests of the custodian or as defined from time to time hereby, by laws of Ukraine, and by the agreement.

240. A custodian shall file requests to the NBU Depository to perform information operations in free format. Such requests shall outline necessary details for transacting the respective operation as follows:

1) name of the information operation

2) full name of the custodian

3) EDRPOU code of the custodian 4) the date as of which the information is to be provided or the period for information provision

5) ISIN(s) in respect to which the information operation is executed (when necessary)

6) signature of the custodian's account operator

7) other information that describes the nature of the information operation.

241. The NBU Depository shall, based on the request of the custodian perform an information operation and provide the information requested by the custodian within timeframe and on terms as provided for herein and/or the respective agreement.

### **Chapter 32. Special Terms for Processing Operations of Custodians during Termination of their Operations on the Capital Markets – Depository Operations of a Custodian**

242. The NBU Depository shall service custodians during termination of their operations on the capital markets – depository activity of a custodian considering information on activity termination due to:

1) winding-up of a legal entity or decision of the custodian's authorized body to terminate depository operations of the custodian

2) a decision of the National Securities and Stock Market Commission to revoke the license for this type of professional activity

3) withdrawal of the banking license.

243. After receiving a notice from a custodian about the decision to terminate operations on the capital markets (depository operations of a custodian) in connection with a legal entity's winding-up or decision of the custodian's authorized body to terminate depository operations of the custodian, the NBU Depository shall continue to provide services to the custodian on the standard terms until the set date of the winding-up/the date specified in the decision.

244. If a custodian opens an account to service securities owned with another custodian, starting from the date specified for operations termination procedure, the NBU Depository shall transfer securities changing the type of the owner under the relevant instructions of custodians. Such instructions of custodians shall be subject to the NBU authorization.

245. After receiving a notice from the licensing authority on cancelling the license of the custodian's operations on the capital markets (depository activity), starting from the date specified for operations termination procedure, the NBU Depository shall impose restrictions on introducing changes by the custodian in the depository record-keeping system, except for cases provided for by laws of Ukraine, and shall unconditionally unblock securities blocked for sale on-exchange or over-the-counter on DVP terms on the custodian's securities account.

After the NBU Depository has imposed restrictions, starting from the date specified for operations termination procedure the custodian shall be required to provide the NBU Depository with documents confirming powers of the account operators or the replacement of account operators. For record-keeping operations after confirmation of powers of account operators, the custodian shall send to the NBU Depository an instruction to perform the relevant operation in the depository record-keeping system, and shall additionally provide a notice on the nature of the operation, and information on no outstanding income payments and/or redemption payable to the depositor/nominal holder under securities in respect of which the operation is performed. The NBU Depository shall review compliance of the available information and information contained in the instructions and the notice and check whether the initiated transaction is in line with restrictions established by laws of Ukraine, as well as check information on the amount of outstanding income payments and/or redemption under securities. Unless there are comments, the NBU Depository shall authorize the initiated operation in the depository record-keeping system.

246. The NBU Depository shall deliver income payments and/or redemption to accounts of custodians in the course of depository operations termination without imposing any restrictions on payments for non-bank custodians, and on the following individual terms for custodian banks:

1) starting from the date specified for banking operations termination procedure, income payments and/or redemption to custodian banks with revoked banking license shall be delivered to the transit account of the NBU Depository

2) starting from the date of receipt by the NBU Depository of documents confirming powers of the liquidator and details of the accumulation account opened for the same with the NBU, the NBU Depository shall transfer under the liquidator's instruction outstanding payments and payments due to the accumulation account before the date of termination of operations on securities owned by the custodian bank

3) starting from the date specified for operations termination procedure to the date of its finalization, the NBU Depository shall transfer outstanding payments for securities owned by custodian's depositors – a bank and/or nominal holders' clients to a new custodian after the transfer of the securities by the depositor/nominal holder to this custodian, and if the depositor has no remaining securities or there are no remaining securities on nominal holder's securities account, the NBU Depository shall transfer outstanding payments for securities held by this depositor/nominal holder's clients under the instruction of the custodian bank terminating its activity.

247. After closing the operational day preceding the date specified for terminating operations of the custodian, the NBU Depository shall impose restrictions on any depository operation for the custodian, and perform on terms of an unconditional operation administrative measures to amend the custodian's securities account application with regard to bank details for repayment of income and redemption for securities recorded on the securities account of this custodian.

248. Starting from the date specified for termination of custodian's operations, the NBU Depository shall ensure that payment of income and redemption for securities recorded on the securities account of the custodian that terminated its operations is delivered to the transit account of the NBU Depository, until powers to operate the account are assigned to an authorized safe-keeping agency.

249. No later than on the business day following the date of the notice from the Central Depository that the authorized safe-keeping agency has signed the Certificate of Acceptance of documents, the NBU Depository shall record in the depository record-keeping system information on granting powers to an authorized safe-keeping agency to operate the securities account of the custodian that has terminated its operations.

250. The authorized safe-keeping agency shall provide to the NBU Depository and keep updated the authorized safe-keeping agency application form, a list of authorized signatures with specimen signatures of account operators acting on behalf of the authorized safe-keeping agency and documents certifying their powers, as well as details of the bank account for delivering outstanding payments and funds payable after the date of operations termination.

251. Within five business days following the date of the notice from the Central Depository that the authorized safe-keeping agency has signed the Certificate of Acceptance of documents and provision of specified documents by the authorized safe-keeping agency, provided the authorized safe-keeping agency has not been authorized to operate the securities account of the custodian terminating its operations, the NBU Depository shall deliver outstanding payments to the bank account of the Central Depository and notify the authorized safe-keeping agency on the transacted delivery.

252. In the event of income payments and/or redemption of securities recorded on the securities account of the custodian which remained in the depository record-keeping system of the NBU Depository after custodian has terminated its operations, for record-keeping securities of those depositors/ clients, clients of the nominal holders' clients that have not closed their securities accounts in accordance with the established procedure, and which accounts are operated by the authorized safe-keeping agency, the NBU Depository shall transfer funds to the bank account of the Central Depository and send a notice of the transfer to the authorized safe-keeping agency within three business days of the payment date.

253. Starting from the date when the authorized safe-keeping agency is empowered to operate the securities account of the custodian that has terminated its operations, the NBU Depository shall execute securities operations recorded on these accounts under instructions of the authorized safe-keeping agency as provided by laws of Ukraine.

254. Special terms for servicing the securities account of the custodian which remained in the depository record-keeping system of the NBU Depository after such custodian has terminated its operations, for record-keeping securities of those depositors/ clients, clients of the nominal holders' clients that have not closed their securities accounts in accordance with the established procedure, and which accounts are operated by the authorized safe-keeping agency, shall be stipulated by the document regulating interaction of the NBU Depository and the Central Depository.

#### **Section IV. Interaction between the NBU Depository and Foreign Depositories**

##### **Chapter 33. Processing Transactions with Eurobonds on the Account of the NBU Depository with a Foreign Depository and Reflecting the Transactions in the Depository Record-keeping System of the NBU Depository**

255. The National Bank of Ukraine, in order to exercise its exclusive terms of reference on depository record-keeping of Eurobonds and government derivatives, shall open correspondent accounts with

foreign depositories and based on the received depository assets shall perform depository record-keeping and process circulation of Eurobonds and government derivatives, as well as corporate actions (events) of the issuer regarding these securities.

The procedure for opening and maintaining the account of the NBU Depository with a foreign depository is established by laws of the respective country and by internal documents of the foreign depository, as well as by the agreement entered into by the NBU Depository and the foreign depository.

Records of Eurobonds and government derivatives shall be kept on the correspondent account of the NBU Depository with a foreign depository in an aggregated manner.

256. Eurobonds and government derivatives credited to the NBU Depository's account with a foreign depository shall be accepted for record-keeping in the depository record-keeping system of the NBU Depository by their crediting to the respective depository balance accounts. A depository asset of the NBU in respect of Eurobonds and government derivatives is a record in the NBU's correspondent account with a foreign depository. Documentary confirmation of the availability of Eurobonds and government derivatives on the NBU's correspondent account with a foreign depository is a document provided by the foreign depository to its clients in accordance with the legislation of the foreign depository's country.

257. The NBU Depository and a foreign depository shall exchange information by SWIFT or by other means as defined by the agreement with the foreign depository.

The NBU Depository and its customers shall exchange information by means of the automated system of the NBU Depository and NBU's e-mail system.

258. The grounds for inputting Eurobonds and government derivatives for record-keeping into the depository record-keeping system of the NBU Depository is an instruction by a custodian to credit Eurobonds and government derivatives, or information received from a foreign depository in cases specified by the terms of a corporate action (event) and/or internal documents of the foreign depository, and confirmation of crediting such Eurobonds and government derivatives to the NBU Depository's account with a foreign depository, in the form specified in the relevant agreement with the foreign depository.

258<sup>1</sup>. The grounds for removing Eurobonds and government derivatives from the NBU Depository's record-keeping system is an instruction by a custodian to debit Eurobonds and/or government derivatives, or information received from a foreign depository in cases specified by the terms of a corporate action (event) and/or internal documents of the foreign depository, and confirmation of the debit of such Eurobonds and/or government derivatives from the NBU depository's account with a foreign depository, in the form specified by the relevant agreement with the foreign depository.

259. The NBU Depository shall service Eurobonds and government derivatives on accounts of its customers in accordance with the depository agreement. As to Eurobonds and government derivatives, records of which are kept by a foreign depository, the NBU Depository shall provide the following services to customers:

- 1) transacting depository operations
- 2) providing information on corporate actions (events)
- 3) servicing payment of income and redemption under Eurobonds and government derivatives, as well as other payments

4) other services in accordance with laws and agreement with a foreign depository.

260. Crediting/debiting Eurobonds to/from the account of the NBU Depository with a foreign depository shall be settled on business days for both the NBU Depository and a foreign depository. If the settlement falls on a day other than a business day for either the NBU Depository or a foreign depository, the same shall be accomplished on the next day which is a business day for the both.

Eurobonds and government derivatives shall be circulated in the depository record-keeping system of the NBU Depository in accordance with the procedure prescribed by this Regulation taking into account the requirements of the Ukrainian legislation on foreign currency regulation, supervision, and cashless settlements.

261. Eurobonds and government derivatives shall be credited to and debited from the account of the NBU Depository with a foreign depository on the grounds of custodians' FOP instructions.

The NBU Depository shall issue an instruction to a foreign depository based on the instruction of the custodian.

An operation, for which a matching instruction is required from a foreign depository's customer shall be transacted by a foreign depository after the counterparties' instructions have been successfully matched.

If on the settlement date the NBU Depository does not receive a confirmation of settlements from a foreign depository, the customers' instructions shall be postponed to the next days until the NBU Depository receives from the foreign depository such confirmation or information on the instruction cancellation.

In case the NBU Depository's instruction is cancelled by a foreign depository for reasons specified in internal rules and provisions of the foreign depository, the NBU Depository shall send information on instruction cancellation to the custodian that initiated the operation.

Upon receipt of confirmation of the operation from a foreign depository, the NBU Depository shall complete the corresponding transaction in the depository record-keeping system of the NBU Depository based on such confirmation.

262. A custodian may submit an instruction to the NBU Depository to cancel the previous instruction by sending a corresponding instruction by the depository record-keeping system of the NBU Depository or via the NBU's e-mail system, or in paper form. Upon receipt of such instruction, the NBU Depository shall take the following measures:

1) cancels the previously submitted instruction in the NBU Depository's record-keeping system, if such instruction has been submitted to the NBU Depository through the NBU Depository's automation system and has not yet been sent to a foreign depository

1<sup>1</sup>) leaves the previously submitted instruction unprocessed and informs the custodian about the instruction's cancellation through the NBU's e-mail system, if the previously instruction has been submitted to the NBU Depository through the NBU's e-mail system or in paper form and has not yet been sent to the foreign depository. The NBU Depository shall inform the custodian about the cancellation of the previously submitted instruction in paper form if it is impossible to do so through the NBU's e-mail system

2) sends a cancellation instruction to the foreign depository if the previously submitted instruction has already been sent to the foreign depository by the NBU Depository, provided that such

cancellation is allowed by the foreign depository's regulations and/or the terms of the corporate action (event), and if confirmation of cancellation has been received from the foreign depository, cancels the instruction in the NBU Depository's record-keeping system by means of the NBU Depository's automation system if the instruction was provided to the NBU Depository through the NBU Depository's automation system, or informs the custodian about the cancellation of the instruction through the NBU's e-mail system. The NBU Depository shall inform the custodian about the cancellation of the previously submitted instruction in paper form if it is impossible to do so through the NBU's e-mail system.

If it is impossible to cancel the instruction, the NBU Depository rejects the cancellation instruction submitted by the custodian to cancel the previously submitted instruction in the NBU Depository's record-keeping system by means of the NBU Depository's automation system if the instruction was submitted to the NBU Depository by means of the NBU Depository's automation system, or informs the custodian, through the NBU's e-mail system or in paper form, about the impossibility of the cancellation instruction processing.

If the instruction was submitted through the NBU's e-mail system or in paper form, the custodian may issue an instruction to cancel the previously submitted instruction by replacing the previously submitted instruction with a new one. An instruction to replace a previously issued instruction is provided by the custodian through the NBU's e-mail system or in paper form. The NBU Depository processes an instruction to replace a previously submitted instruction and cancels the previously submitted instruction as per the procedure outlined in Section IV Chapter 33 paragraph 262 subparagraphs 1<sup>1</sup> and 2 and indent five of this Regulation.

263. In order to credit Eurobonds and government derivatives to its own account, the custodian shall submit an instruction to the NBU Depository in accordance with the requirements hereof.

264. The NBU Depository shall check correctness of the instruction and depending on the findings, take the following measures:

- 1) submit an instruction to the foreign depository via SWIFT message or by other means provided for by the agreement with the foreign depository, if the instruction is filled-in correctly
- 2) reject the instruction, if it does not contain all the required details.

According to information from the foreign depository on crediting Eurobonds and government derivatives on the securities account of the NBU Depository with a foreign depository, the NBU Depository shall credit Eurobonds and government derivatives on the securities account of the custodian in the depository record-keeping system of the NBU Depository.

The NBU Depository shall inform the customer about receiving the operation cancellation notice from a foreign depository, and if the operation cannot be completed, reject the custodian's instruction.

265. In order to debit Eurobonds and government derivatives from its own account, the custodian shall submit an instruction to the NBU Depository in accordance with the requirements hereof.

266. The NBU Depository shall check correctness of the instruction and availability of specified number of securities on the customer's account and depending on the findings, take the following measures:

- 1) block securities on the account of the custodian and send an instruction to the foreign depository to debit securities by SWIFT message or by any other means specified in the agreement with the

foreign depository, if the instruction of the custodian contains all necessary details, and there is availability of unencumbered securities as indicated in the instruction on the customer's account

2) reject the instruction of the custodian, if it does not contain all the required details or in case of a lack of unencumbered securities on the account. According to information from the foreign depository on debiting Eurobonds and government derivatives from the securities account of the NBU Depository with a foreign depository, the NBU Depository shall debit Eurobonds and government derivatives from the securities account of the custodian in the depository record-keeping system of the NBU Depository.

Upon receipt of rejection to transact the operation from a foreign depository and failure to complete the operation, the NBU Depository shall cancel the instruction submitted by the custodian and unblock securities on the custodian's securities account in the depository record-keeping system of the NBU Depository.

267. For processing income payments and/or redemption of Eurobonds and government derivatives and/or other payments, the NBU Depository shall notify custodians about expected income payments and/or redemption and/or other payments according to information received from a foreign depository. The NBU Depository shall send a notification via NBU e-mail system to custodians, on which accounts respective Eurobonds and government derivatives are record-kept on the day it obtains information from a foreign depository on income payments and/or redemption, other payments. Custodians not connected to the NBU's e-mail system, shall independently monitor information on the dates of income payments and /or redemptions using the directories of the automated system of the NBU Depository. The NBU Depository shall have the right to additionally send such information to the custodian to its e-mail address specified in the securities account application.

The NBU Depository shall process operations on income payments and/or redemption of Eurobonds and government derivatives and/or other payments, and also service settlements thereof.

The NBU Depository shall process income payments and/or redemption of Eurobonds and government derivatives, and/or other payments by transferring funds from a foreign depository to relevant custodians.

The NBU Depository shall transfer income payments and/or redemption of Eurobonds and government derivatives, and/or other payments to custodians' accounts set out in securities account applications.

If the payment date under Eurobonds and government derivatives falls on a non-business day, such settlements shall be processed on the next business day.

268. On the record date, the NBU Depository shall instruct the CI to lift encumbrances and/or lift restrictions on rights to deliver and/or receive Eurobonds and government derivatives that have been blocked for trading on-exchange or over-the-counter on DVP terms and are subject to redemption.

Prior to the end of the operational day of the record date CI shall unconditionally lift encumbrances and/or lift restrictions on rights to deliver and/or receive Eurobonds and government derivatives based on instructions of the NBU Depository following securities transactions settlement.

The NBU Depository and CI shall lift encumbrances and/or lift rights to deliver and/or receive Eurobonds and government derivatives on the last business day preceding the record date, if the record date of Eurobonds and government derivatives falls on a non-business day.

Eurobonds and government derivatives blocked on the accounts of owners/nominal holders, which or customers of which service the owners, for other reasons shall remain blocked and shall be debited from corresponding accounts on terms of an unconditional operation.

269. On a business day following the record date, the NBU Depository shall, in order to process income payment and/or redemption of Eurobonds and government derivatives, based on the information on securities holders from the depository record-keeping system as of the record date, in case of redemption of Eurobonds and government derivatives, unconditionally block Eurobonds and government derivatives on custodians' accounts in view of owners/ owners' types for redemption purposes.

On a business day following the record date, the NBU Depository shall provide the NBU Operational Unit with information on the upcoming income payments and/or redemptions of Eurobonds and government derivatives.

270. In line with the requirements and within the terms specified in the prospectus or decision to issue Eurobonds or government derivatives or the terms of the corporate action (event), the issuer of Eurobonds and government derivatives ensures the crediting of corresponding income payments and/or repayments on Eurobonds and government derivatives and/or other payments to the NBU Depository's account with a foreign depository. The date the funds crediting to the NBU Depository's account with a foreign depository is the payment date. If the funds are credited to the NBU Depository's account with a foreign depository later than two hours before the end of the NBU Depository's operational day, the payment date shall be the next business day of the NBU Depository.

271. On the payment date, based on confirmation on funds credit on its account with a foreign depository and based on information from the depository record-keeping system on holders of Eurobonds and government derivatives, the NBU Depository shall generate the financial order related to transferring funds in foreign currency to custodians and provide it to the NBU Operational Unit for transferring funds to recipients' accounts.

The NBU Operational Unit shall, based on the documents provided by the NBU Depository ensure the transfer of funds to custodians' accounts in terms set in Section I Chapter 5 paragraph 53 indent seven of this Regulation. Should it be impossible to process the transfer on the payment date, the NBU Operational Unit shall immediately notify the NBU Depository thereof. The NBU Depository shall take all necessary measures to deliver the payment.

272. The custodian shall take the following actions to settle income payments and/or redemption of Eurobonds and government derivatives, and/or other payments:

- 1) monitor the receipt of funds in foreign currency
- 2) ensure funds transfers due to depositors/ clients and/or clients of the nominal holders' clients in the manner prescribed by the custodian's internal documents and respective agreements.

273. Upon redemption of Eurobonds and government derivatives the NBU Depository shall debit Eurobonds and government derivatives from custodians' accounts based on the respective information from a foreign depository on terms of an unconditional operation by the end of the operational day of the maturity date set out in the terms and conditions of the issue. If a maturity date falls on a non-business day, the NBU Depository shall debit Eurobonds and government derivatives from custodians' accounts before the end of the operational day on the following business day.

274. Following redemption of Eurobonds and government derivatives, the custodian shall make changes on the relevant securities accounts of depositors/nominal holders in accordance with the

requirements set out in paragraph 60 Chapter 5 Section I hereof by the end of the operational day of redemption.

275. The NBU Depository shall send notices to custodians received from a foreign depository regarding Eurobonds and government derivatives that as of the date of receipt of such information are recorded in their account, in electronic form through the NBU's e-mail system or, if the custodian is not connected to the NBU's e-mail system, by e-mail to the address of the custodian specified in the securities account application, if the information considered as open by access, or in paper form to the postal address of the custodian specified in the securities account application, no later than the next business day from the date of receipt. Custodians provide the received information to depositors/nominal holders as per the procedure outlined in the internal documents of the custodian and relevant agreements.

276. Custodians may send messages to a foreign depository regarding Eurobonds and government derivatives recorded in their account, including messages that are necessary to ensure the participation of custodians and/or their depositors or clients, or clients of nominal holders' clients, in corporate actions (events). To send such notification, custodians submit to the NBU Depository the relevant instruction through the NBU's e-mail system or in paper form.

### **Chapter 34. Processing Operations on a Foreign Depository's Account in the Depository Record-keeping System of the NBU Depository**

277. The NBU Depository shall process operations on safe-keeping, record-keeping and circulation of securities on accounts of foreign depositories in accordance with the correspondent relations agreement. On the foreign depository's securities account the NBU Depository shall perform record-keeping of securities, rights for which and which entitlements belong to customers of the foreign depository as well as to the customers of the foreign depository's customers.

The NBU Depository shall open for a foreign depository an account serviced under the principle of nominee holding for consolidated (aggregated) record-keeping of securities without disclosing information on the owners of securities recorded on this securities account, as well as information on transfer of rights for securities and securities entitlements between customers of the foreign depository in depository record-keeping system of the NBU Depository.

To ensure performance of the NBU functions and in other cases provided by law, the NBU Depository shall have the right to submit to the foreign depository requests to disclose information about securities owners, securities owned by such owners and transactions with securities, records of which are kept on the foreign depository's securities account. The foreign depository shall disclose the specified information in the manner and terms specified in the relevant request of the NBU Depository.

278. Foreign depositories shall provide the following documents to the NBU Depository to enter into correspondent relations agreement and open a correspondent account with the NBU Depository:

- 1) a securities account application of the foreign depository
- 2) a copy of an extract from a commercial/bank/court register or a registration certificate issued by a local government authority of a foreign country that certifies registration of a legal entity, or other document certifying registration of a legal entity in accordance with the law of the country of domicile
- 3) a copy of the registered incorporation document of the legal entity

- 4) a copy of the license or other document confirming the status of a depository or a financial institution in accordance with the law of the legal entity's country of domicile
- 5) copies of documents certifying the appointment of persons authorized to act on behalf of the legal entity without a power of attorney
- 6) a list of authorized signatures containing specimen signatures of securities account operators
- 7) an original or a copy of the power of attorney of a securities account operator, if the securities account operator is a person who is not authorized to act on behalf of the legal entity without a power of attorney.

Instead of documents stipulated by subparagraphs 6 and 7 paragraph 278 Chapter 34 of Section IV of the Regulation, a foreign depository may provide to NBU Depository a copy of the document issued by a foreign depository indicating the list of persons entitled to act on behalf of a foreign depository as securities account operators as well as their credentials and specimen signatures, respectively.

In case of changes in the information set out in the securities account application and/or documents submitted by a foreign depository along with the account application, the foreign depository shall submit to the NBU Depository a new securities account application and documents confirming the relevant changes on the terms provided by the correspondent relations agreement.

279. A foreign depository shall have the right to appoint an account manager to manage its securities account.

In order to appoint an account manager in addition to the documents specified in Section IV Chapter 34 paragraph 278 of the Regulation, the foreign depository shall provide the NBU Depository with:

- 1) a copy of the registered constituent document of the account manager, certified by the signature of the account manager's head if it is not available on the portal of electronic services of legal entities, individuals - entrepreneurs and public formations. If the account manager's constituent documents are available on the portal of electronic services of legal entities, individuals - entrepreneurs and public formations, the foreign depository may not provide a copy of such constituent documents
- 2) a securities account manager application (specifying the identification data of the securities account operators) signed by the account operator
- 3) the original or a copy of the document confirming the authority of the account manager
- 4) a list of authorized signatures containing specimen signatures of securities account operators, certified by the head of the account manager
- 5) the original or a copy of the power of attorney of the securities account operator, issued and signed by the account manager's head or another person authorized by the account manager's constituent documents, if the securities account operator is not entitled to act on the account manager's behalf without a power of attorney.

In case of any changes in the information provided in the securities account manager application and/or documents provided by the foreign depository along with the securities account manager application, the foreign depository /account manager shall submit to the NBU Depository a new securities account manager application and documents confirming the relevant changes.

The appointment of an account manager does not restrict the rights of a foreign depository to operate its own securities account and to obtain information on this account.

280. The NBU Depository shall open a securities account to a foreign depository based on the submitted documents. In order to open the account, the NBU Depository shall assign a customer code of the NBU Depository to the foreign depository.

281. The NBU Depository shall close a securities account of a foreign depository in accordance with the foreign depository's instruction, and only if there are no securities on the account.

282. The NBU Depository and a foreign depository shall exchange instructions and information by SWIFT or by other means as defined by hereby and /or the correspondent relations agreement.

284. The NBU Depository shall perform record-keeping operations in a foreign depository's account on a DVP and FOP terms in the manner specified in Section III Chapters 27 and 28 of this Regulation.

284<sup>1</sup>. The NBU Depository shall perform for a foreign depository the following information operations to provide:

- 1) statements of holdings
- 2) statements of transactions
- 3) other reference and analytical forms at the request of a foreign depository or an account manager.

The NBU Depository shall perform information operations by providing information directly to the foreign depository or by providing the account manager with access to the automated system of the NBU Depository to request electronic reporting and analytical forms that are part of the depository record-keeping system of the NBU Depository. The specific method of providing information shall be determined by the agreement between the NBU Depository and the foreign depository and/or the document defining the powers of the account manager.

284<sup>2</sup>. The NBU Depository shall perform information operations in the manner and within the terms specified by the regulations of Ukraine on depository activities, the relevant agreement and/ or the requirements of the legislation of Ukraine.

The NBU Depository shall perform information operations upon requests from a foreign depository or account manager or periodically in cases specified by the Regulation, the relevant agreement, and the legislation of Ukraine.

285. The NBU Depository may deliver income payments and/or redemption of securities to the account of a foreign depository with the servicing bank or to another account specified in the securities account application of a foreign depository.

286. A foreign depository shall ensure transfer of funds due to its customers after payment by the NBU Depository of income and/or redemption of securities, records of which are kept on the foreign depository's account, in accordance with the procedures provided by the documents of the foreign depository and/or respective agreements.

287. A foreign depository shall restrict circulation of securities to be redeemed on the maturity date, and, after the NBU Depository has debited securities from its account in the depository record-keeping system of the NBU Depository on terms of an unconditional operation, in accordance with the relevant information obtained from the NBU Depository a foreign depository shall until the end

of the operational day on the maturity date reflect redemption operations performed by the NBU Depository in its own books.

If the maturity date falls on a non-business day, the NBU Depository shall debit securities from the foreign depository's account until the end of the operational day on the following business day.

288. The NBU Depository shall provide all information on corporate actions (events) with securities on the foreign depository's securities account directly to the foreign depository by SWIFT and/or to the account manager by means of the automated system of the NBU Depository, by SWIFT system, or by other means set out in the correspondent relations agreement.