GSS Newsletter

February 2015

Issue 166

Life is full of ups and downs.
We're there for both.

Welcome to UniCredit

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EDITORIAL

ELMEDINA GARIBOVIĆ
HEAD OF GSS SLOVENIA

Dear Clients, Partners and Friends,

It is a great honour for me to address you for the first time. Upon reflection of the events of 2014, including stepping into my new role in GSS, we are proud of our work and are ready for new challenges for this year.

The previous year was both politically and economically very challenging for Slovenia. The Slovene Prime Minister Alenka Bratušek resigned at the beginning of May 2014. The winner of the preliminary elections in July 2014, Miro Cerar, has become the primary minister of 11th Slovene government. Investors hope that the new government will return political and financial stability to Slovenia, which narrowly avoided an international bailout for its troubled banks in 2013.

After a few years of economic decline, 2014 saw positive GDP growth, which was significantly higher than the euro area average. In 3Q 2014 the growth was 0.7%, on a year to year basis it was 3.2% - the highest increase in 2014. The robust growth of exports (6.5%) remains a prevailing factor in GDP growth. In spite of weak economic activity in main Slovene export partners, EU countries, the export in this region was the highest (6.8%) due to an improved competitive position of Slovene exporters. Production volume in manufacturing continues to grow, albeit at a slightly slower pace. The recovery in construction came to a halt, but construction activity remained stronger than at the beginning of the year. Domestic consumption recovery continues. Nominal turnover rose further in market services. In recent months, it has also rebounded in wholesale trade. Having stagnated in the first half of the year, real turnover in retail trade rose but remained low.

For Slovenia, privatisation is a key going forward. Out of 15 state-owned companies approved by the Parliament to be sold, 3 of them have been sold already and 7 are in the process of being sold.

The financial market in Slovenia is more in line with the markets in the rest of the EU - under the strong impact of new regulations. EMIR was implemented in the first quarter of 2014, FATCA entered into force in July 2014 and Slovenia signed the Model 1 IGA agreement between the IRS and Slovenia. European FTT wasn't implemented although Slovenia was among 11 EU countries which agreed to implement this tax. The CSD improved deadlines for OTC DVP/RVP instructions by half an hour in September.

AIFMD and the new UCITS Directive will be implemented in 2015. T2S implementation will remain the major issue for market participants in the next few years. A timeframe and a schedule of T2S implementation were presented by the CSD and the Bank of Slovenia in May 2014. Detailed specification of functionalities for static data and settlement will be prepared by the CSD by mid 2015. The harmonisation of corporate actions processes with international standards has started. The Ministry of Finance had begun the preparation of regulations in 2014 and it is expected that they will be approved in 2015. Detailed specifications of functionalities for corporate actions will be prepared by CSD in 2016.

The Slovenian Global Securities Services team together with colleagues from other departments within the bank will continue to represent the interests of our clients on the market and to lobby for the implementation of regulations and market practices to be in line with international standards.

On behalf of the entire GSS team in Slovenia I would like to take this opportunity to also thank all of our clients for their excellent cooperation in 2014

We very much look forward to working with you in 2015 and hope to see you soon in person.

Elmedina Garibović
Head of GSS Slovenia

JOHN'S CORNER

JOHN GUBERT ON THE CHANGING CUSTODY WORLD

At pretty well every conference I go to, or even avoid, there is a topic about the need for the custodian to reinvent themselves. The consensus appears to be that such a metamorphosis will be achieved by custodians becoming fully fledged members of the digital economy. There are calls for them to transform into risk management businesses or, create a seamless "cradle to grave" securities life cycle service. The paradox is that the most logical answer for the future is perhaps more of the same but on a 21st century engine please!

There is a lot that needs improving throughout the securities services value chain, but much is outside the direct control of our business sector. There is a need for a change in the communication flows between issuers and investors. Currently, much is paper based and we need to move that flow of information into a more modern environment. Firstly, in each market, we need an information repository that is provided with golden source data by companies on new issuance, corporate actions and income payments. And that information should be both in its current written form but also include an agreed standard data set that enables market participants to receive such information in an agreed format from issuers. The current process, whereby intermediaries hastily collate data from the issuer and other sources to meet all interested parties' requirements, is both flawed and high risk. Second, the confirmation process needs to be upgraded. A settlement confirmation is merely a trade confirmation that has been enriched and one conformation should be used for both trade counterparties and settlement agents. Third, some core pre-trade and post trade requirements should be standardised. The critical ones are KYC data and tax reclamation. The former should be "passported" across the EU, at the minimum, with one standard information set being lodged and accepted as proof by all interested parties. A logical directive would be a KYC one, whilst a further directive allowing for deduction of tax at source as a standard should also be considered.

Within the non-custodian commercial sector, changes are also required. Is it beyond the wit of man to revisit securities numbering processes and align the pre-trade and post trade securities identifiers? Is it beyond reach to ensure that LEIs are adopted by a certain agreed date by all market participants? Can we have a market sensitive programme to use some of the non-core SWIFT messages which are so carefully produced by market experts and then ignored by many of their firms? Can we agree, with the regulators, standards for reporting so that, as an example, we do not have divergent approaches to identical report components from one regulation to another? And how do we create a securities pricing utility that scrubs prices and validates them in such a way that users can depend on their output rather than, in each and every firm or even entity within a firm, replicate the task at high costs and high risk with little real value added for the end user.

The modern securities services organisation indeed needs to change. It needs to ensure that it operates a single global client database without duplicative entries by client. The modern industry needs to ensure that they re-use data sent to one part of an organisation in another wherever this is common. Efficient data management is key for the future. But it is a component of future success rather than the dominant driver some would have us believe.

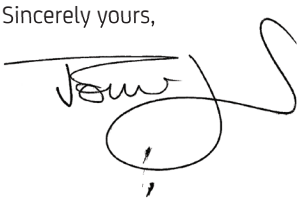
The modern securities services firm should be much more digitally aligned but that requires, as I have noted, a mind-set change across a range of parties. Is the disjoint in securities numbering a competitive value for a Bloomberg, Reuter or SWIFT? Is the provision of a data set of information rather than a scripted version such a risk for issuers, as many corporate lawyers would have us believe? And can we accept trade confirmations for enrichment or is the risk of such a process too great and why? Is it possible for the regulators to join up with the EU Commission and the tax authorities to bring us common standards for KYC and tax across the EU and take out many millions of Euros of unnecessary cost in the market?

At a NEMA recently, I was on a panel where we talked of new market utilities. A corporate issuance and income data repository would be a major cost and risk eliminator and should, in theory, not be too costly to create as long as it does not have to guarantee, beyond a duty of care, its output. And the same option for an industry utility occurs in the securities pricing field, especially for fund valuations. Regulators would need to agree the competence of the price discoverers so that they do not become just another information source, but this is another area of multi million euro duplication and high risk.

The future industry target operating model needs to be much more automated. There is duplication of like function in every firm, other than perhaps the single centre single market ones. There is a fragmentation of expertise in most of those firms and that creates risk. There are market processes that are really accidents of the past or habits of bygone periods.

The future for service providers is definitely more digital. We have currently an IT and operations dominated workforce. In the coming decade or so, that needs to move to becoming much more a client consultative dominated one. Getting machines to do the repetitive tasks of much of our value proposition will enrich the industry value added. Most importantly, it will reduce cost and risk at a time when investment management fees are under huge pressure. The future headline rates look likely to be closer to those charged on an ETF than the richness of those in the alternative sector of the market. Custodians will need to take note for their fees will be impacted by this trend in their client population!

Sincerely yours,



John Gubert

John Gubert also appears on blog.globalcustodian.com

PRESS RELEASE

UniCredit Economics & FI/FX Research:

Differences in CEE grow, Central Europe could maintain growth advantage in 2015

- **Given faltering recovery in eurozone and feeble global trade, domestic demand is crucial for CEE growth, reforms vital**
- **Conflict in Ukraine has limited indirect impact on CEE foreign trade, demand from the eurozone remains the key factor for CEE exports**

The faltering economic recovery in the eurozone and the weak global trade will continue to widen the differences between the individual countries of Central and Eastern Europe (CEE) in 2015. Reform-minded economies in particular should grow this year, while states with clear structural problems will be in recession. This is the key message of the latest "CEE Quarterly", which is published every quarter by UniCredit Economics & FI/FX Research and is devoted to economic activity in the region. Central Europe and the Baltic states stand out from the crowd once again with their broad recoveries, better tax rate metrics and reliable external financing capabilities. All told, the economy in Central and South-Eastern Europe should grow this year by 2.5 percent, and by 2.9 percent in 2016, while the figures for the entire region will be 0.2 and 2.2 percent due to a contraction in Russia.

Limited stimulus from global exports

In contrast to the beginning of 2014, net exports are currently more of a burden in many CEE countries than a driver of economic growth. This is because stronger domestic demand prompts an increase in imports, while the faltering recovery in the eurozone, weak demand from other emerging markets and the conflicts in Ukraine and the Middle East constrain exports. These factors are also responsible for global exports growing by just 3 to 4 percent per annum in 2015 and 2016.

"Against the background of low export growth, price competitiveness is gaining in significance. In this context, the depreciation of the euro against the US dollar could provide some temporary support for CEE exports outside the EU. Were this to be insufficient, CEE countries could weaken their currencies with flexible exchange rates to the euro in order to loosen monetary policy", says UniCredit economist Dan Bucsa. In the long term though, the economies of Central and Eastern Europe must develop into more sophisticated production locations with higher added value. Looking at capital flows, EU funds are the main distinguishing feature between the EU Member States and other emerging markets since foreign direct investment is limited.

In the past it has been easier for CEE countries to broaden their market shares in the EU than to expand into new markets. This reads particularly true for younger EU Member States that have built up their export market shares within the EU to the detriment of the countries on the eurozone periphery, France and the UK. In 2015 the younger EU Member States could even overtake the peripheral countries in terms of market share in inner-EU exports thanks to their lower production costs, more flexible labour markets, geographical proximity and lower taxes. That said, CEE exports to the EU will barely grow by more than 5 percent in 2015.

The hopes of CEE countries are consequently placed on the USA and Germany. Even though UniCredit analysts predict stronger growth for the USA, this expansion will have a positive impact on CEE only to a limited extent and indirectly, via demand from Germany. In spite of a gradual acceleration in quarterly growth, German economic activity will likely slow this year to 1.2 percent after recording 1.5 percent in 2014. Next year this growth could pick up again to 2.0 percent.

Commercial sanctions against Russia could be lifted this year

Alongside elections in Greece and the uncertain growth prospects within the eurozone, international sanctions against Russia remain the key issue for CEE. Commercial sanctions could be lifted, if the 28 members of the European do not reach an agreement to extend them. If the commercial sanctions are partially revoked, Russia in return could ease the restrictions on food imports. By contrast, the financial sanctions will remain in place until the USA perceives a satisfactory solution to the Ukraine crisis.

"The impacts of the conflicts in Ukraine and the Middle East on CEE trade have been limited so far. Although the seasonal energy imports from Russia probably led to a widening of the CEE countries' trade deficit in the last quarter of 2014, we rule out any sharp deterioration in trade balances", states Bucsa. "The conflict in Ukraine poses a larger risk for Central and Eastern Europe through its impacts on the eurozone and Germany's economic outlook."

Russia, by contrast, is already facing a short-term risk of recession and lower potential growth in the future. This is due first and foremost to Russia's focus on commodity exports coupled with the declining energy intensity of the global economy, in which an increasing share of GDP is generated by the services sector, while the emerging markets are moving away from heavy industry towards higher value production. In the meantime, Russia cannot forego its energy exports to Europe, which are difficult to replace: for example, both of the latest supply contracts with China will reach roughly 60 percent of annual gas exports to Europe only in 2018.

Domestic demand – completed reforms as the distinguishing factor

If exports were to disappoint in 2015, the CEE markets will require robust domestic demand.
Yet not every country has this cushion. It will be difficult for Ukraine, Serbia and Croatia to overcome the recession given their weak fundamentals and unresolved fiscal issues. In Russia, consumption and investment will not be able to compensate for the low commodity prices and the lack of external financing.

In the younger EU Member States the resilience of the growth will depend heavily on consumption and investment drivers which already had an effect in 2014: namely, low inflation, dynamic development of labour markets and accommodating monetary policies.

UniCredit
UniCredit is a leading European commercial bank with strong roots in 17 countries. Our overall global network embraces approximately 50 markets with nearly 7,750 branches and more than 130,000 employees (as of 30 June 2014).

In the CEE Region, UniCredit runs the largest and most diversified international banking network with approximately 2,500 branches (Poland included).
The Group operates in Austria, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Germany, Hungary, Italy, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine (as of 30 June 2014).

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HR NEWS

New Head of GSS for Czech Republic and Slovakia

Karolína Stankova will be taking over the position of Head of GSS at UniCredit Bank Czech Republic and Slovakia in Prague as of 2 February 2015.

Karolína began her career in 1992 at ING Bank Prague, where she worked in various positions in operations. This included the position of Head of Custody Services at a time when this product only began to be offered on the Czech market. In 2000, Karolína was transferred to the Head Office of ING in Amsterdam, where she worked as a business analyst with respect to operational and IT projects related to securities and payment services, which included a 9-month assignment in Singapore as well.

After her return to Prague in 2005, she worked in the IT development centre of the local branch of Commerzbank as Head of Resources before rejoining ING in 2007 as Process and Project Manager. Karolína was appointed Chief Operating Officer of ING Bank Prague in 2009, responsible for both commercial and retail banking activities, including back office operations, IT, projects and facility management. She was concurrently a member of the local Management Team.

Karolína holds an MBA in Banking and Finance from the University of New York in Prague in collaboration with the L'Institut Universitaire Kurt Bösch in Switzerland.

She will leverage her experience to further strengthen our securities services team and with a focus on efficiency, service excellence and maintaining outstanding customer relationships.

We wish Karolína every success in her new role.

Julia Romhányi
Regional Head of GSS

AUSTRIA

Market Capitalisation	EUR 80.0 bn
YTD Dev. of Market Capitalisation	-6.3%
Number of SE Transactions p.m.	N/A
YTD Dev. of SE Transactions	N/A
SE Turnover (Vienna SE)	EUR 4.0 bn
Monthly Index Performance (ATX/VSE)	-5.4%
Upcoming Holidays	–

Source: UniCredit, National Statistics

2014 stock market review

The Vienna Stock Exchange reflects on an eventful year 2014; while developments in the first half of the year pointed upwards, the geopolitical crisis that started in the middle of the year has been weighing down the ATX. According to the Vienna Stock Exchange, highlights of the stock market year 2014 include huge capital increases, one successful public offering and lively corporate bond activities.

Five companies tapped the market for fresh capital and raised a total of around EUR 4 billion. There were three new listings, but also two de-listings from the regulated markets. The 37 new corporate bonds achieved a record volume of over EUR 7.2 billion. Half of the volume was issued by domestic companies (EUR 3.61 billion) and the other by foreign companies (EUR 3.57 billion).

According to the Stock Exchange, the situation in the Ukraine and Russia put a lot of pressure on the heavyweight banking and oil stocks in the ATX due to the currency and oil price drop. On the other hand, an all-time high in corporate bonds was achieved. Regarding the raising of equity capital, 2014 brought higher volumes than in the past four years together.

Equity trading stayed at a high level throughout the year and was 22% higher on average than in 2013. Total equity trading volumes on the Vienna Stock Exchange in 2014 totaled EUR 45.32 billion as of 12 December (cf. 1 Jan. 2013 to 12 Dec. 2013: EUR 37.27 billion). On average, there were around 377,000 transactions on the Vienna Stock Exchange every month in 2014 (monthly average 2013: 318,000 transactions: + 18.8%).

The liquidity on the Viennese market has seen a substantial boost with trading activity in equities of around one fifth more than in the previous year. The number of executed transactions is now comparable to transaction volumes during the years 2009 to 2011.

Yet, over the year the ATX dropped by 18.4%. After reaching its all-year high in mid-January, the ATX lost the ground it had gained in March. The boost to the ATX by the Interest rate cuts initiated by the ECB at the beginning of June and September was, however, only temporary. In mid-October, the ATX hit its all-year low. Stocks trended downwards in the second half of the year, especially those of companies with heavy weightings in the leading index. Two of the principal industries represented in the ATX (bank, oil & gas) are being negatively affected by the geopolitical crises in Russia and the Ukraine and also in the Middle East. In contrast, some stocks with lower weightings in the ATX because of their smaller free float market capitalisations still achieved excellent performance.

Impact on investors

For information purposes only.

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BOSNIA AND HERZEGOVINA

Market Capitalisation (Sarajevo SE)	BAM 4.8 bn
YTD Dev. of Market Capitalisation	1.2%
Number of SE Transactions p.m.	628
YTD Dev. of SE Transactions	-15.9%
SE Turnover (SASE)	BAM 51.2 mn
Monthly Index Performance (SASX-10/SASE)	1.4%
Market Capitalisation (Banja Luka SE)	BAM 4.4 bn
YTD Dev. of Market Capitalisation	7.5%
Number of SE Transactions p.m.	2,175
YTD Dev. of SE Transactions	-19.1%
SE Turnover (BLSE)	BAM 115.9 mn
Monthly Index Performance (BIRS/BLSE)	0.6%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Sarajevo and Banja Luka Stock Exchanges published their annual reports

The Sarajevo Stock Exchange reported a total turnover of BAM 619 million in 2014 with 7,717 concluded transactions. Compared with the figures from 2013 the total turnover increased by 252.70%.

Of the total turnover in 2014, BAM 27 million or 24.57% related to trading with bonds and BAM 19 million or 17.55% related to trading with the Investment Funds shares.

The Sarajevo Stock Exchange successfully conducted 16 primary issues of shares with a total value of BAM 379 million. SASE also conducted 14 auctions with a total value of BAM 45 million. Market capitalisation at the end of 2014 amounted to BAM 4.78 billion and increased by 1.15% compared with the end of 2013.

The value of the SASE main index, SASX-10, decreased by 4.06% over the previous year. The Investment Funds Index, BIFX, decreased by 7.06%. The value of the Primary Free Market Index, SASX-30, increased by 3.38%.

The total turnover in 2014 on the Banja Luka Stock Exchange amounted to BAM 587 million with 22 654 concluded transactions. The total turnover increased by 156.1 % compared with figures for 2013.

Of the total turnover, BAM 188 million or 32.0% related to trading with bonds and 172 million or 29.3% related to trading with T-bills.

Market capitalisation of BLSE amounted to BAM 4.4 billion and increased by 7.5 % over the end of 2013.

Compared with the end of 2013, the value of the BLSE main index, BIRS, decreased by 2.97% as well as the value of the Electric Energy Sector Index, ERS10, which decreased by 8.44%. The value of the Investment Funds Index FIRS, decreased by 8.06% over the previous year.

Impact on investors

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BULGARIA

Market Capitalisation	BGN 9.80 bn
YTD Dev. of Market Capitalisation	-9.4%
Number of SE Transactions p.m.	15,614
YTD Dev. of SE Transactions	-53.6%
SE Turnover (Bulgarian Stock Exchange)	BGN 66.27 mn
Monthly Index Performance (SOFIX)	1.49%
Upcoming Holidays	–

Source: UniCredit, National Statistics

BSE Main Market summary for December

The Bulgarian Stock Exchange AD-Sofia (BSE) has published its December 2014 Main Market Summary.

BSE reported a 43% decrease of total turnover in December m/m, however almost 50% of the November turnover was achieved by a few one-off trades between institutional investors.

BSE's main index SOFIX increased by 1.49% reaching 522.1 points at the end of the month. The equally weighted BG TR30 also saw an increase of 1.07% and reached 407.5 points.

The Main Market's total capitalisation increased to EUR 3.913 billion which is an increase of 3.59% on a month-over-month basis.

BSE indices' performance was as follows:

Stock Exchange index	m/m performance (%)	y/y performance (%)
SOFIX	1.49	6.22
BGBX 40	1.27	4.61
BG TR30	1.07	16.75
BG REIT	1.45	11.38

Impact on investors

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CROATIA

Market Capitalisation	HRK 202.14 bn
YTD Dev. of Market Capitalisation	10.0%
Number of SE Transactions p.m.	13,797
YTD Dev. of SE Transactions	-32.7%
SE Turnover (Zagreb SE)	HRK 322.16 mn
Monthly Index Performance (Crobex/ZSE)	-2.6%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Several changes in Croatia's tax system came into force on 1 January

Several changes in Croatia's tax system such as a new tax on interest from savings and changes to income tax, which will result in somewhat higher net salaries for Croatians, and changes to profit tax and the payment of Value Added Tax faced by businesses, have gone into force on 1 January 2015.

As of 1 January, the non-taxable portion of income has risen from HRK 2,200 to HRK 2,600, and the ceiling for the non-taxable portion of pensions will go up from HRK 3,400 to HRK 3,800.

Also, the highest 40%tax bracket has been shifted from HRK 8,800 to salaries higher than HRK 13,200.

When it comes to the introduction of a 12% tax on interest on savings, this measure will affect some 400,000 savings deposits holders.

As of 1 January, businesses can receive tax relief on reinvested profit, provided they invest this profit into long-term assets and retain or increase the number of employees.

The amended VAT legislation enables small businesses to pay VAT after they receive the money paid for their goods and services; until nowbusinesses have had to pay VAT immediately upon the issuance of invoices.

Impact on investors
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Extraordinary revision of CROBEX index family

In accordance with the provisions of the Resolution on CROBEX index from 22 December 2014, the Resolution on CROBEXtr index and CROBEX10 index from 6 August 2014, the Resolution on CROBEXplus and sectoral indices from 23 April 2014, the Index Committee has concluded an extraordinary revision of the Zagreb Stock Exchange indices CROBEX, CROBEXtr, CROBEX10, CROBEXplus and CROBEXturist.

The extraordinary revision was due to the following events:

1. Capital increase of company Dalekovod d.d.
As of 9 January 2015, 21,852,040 ordinary shares of Dalekovod d.d. (trading code: DLKV-R-A) were listed on the Official Market. The free float factor of Dalekovod d.d. shares changed to 40% and resulted in the increase of the number of Dalekovod d.d. shares included in the CROBEX and CROBEXtr indices to 9,887,722.

2. Capital increase of company Đuro Đaković Holding d.d.
As of 13 January 2015, 4,359,616 ordinary shares of Đuro Đaković Holding d.d. (trading code: DDJH-R-A) were listed on the Regular Market. The free float factor of Đuro Đaković Holding d.d. shares changed to 30% and resulted in the increase of the number of Đuro Đaković Holding d.d. shares included in the CROBEX and CROBEXtr indices to 2,279,005.

3. Fast entry of company Valamar Riviera d.d.
Valamar Riviera d.d. shares (trading code: RIVP-R-A) are included into CROBEX, CROBEXtr, CROBEX10, CROBEXplus and CROBEXturist indices due to the fast entry rule.

The changes in the composition of CROBEX, CROBEXtr, CROBEX10, CROBEXplus and CROBEXturist indices will be applied as of 27 January 2015.

Impact on investors
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CZECH REPUBLIC

Market Capitalisation	CZK 1.0 trn
YTD Dev. of Market Capitalisation	-4.9%
Number of SE Transactions p.m.	n.a
YTD Dev. of SE Transactions	n.a
SE Turnover (Prague SE)	CZK 70.2 bn
Monthly Index Performance (PX)	6.00%
Upcoming Holidays	6 April

Source: UniCredit, National Statistics

Czech Republic Funding and Debt Management Strategy for 2015

The Ministry of Finance of the Czech Republic has published The Czech Republic Funding and Debt Management Strategy for 2015. The Strategy contains a basic framework for state funding and sets limits and targets for each monitored state debt portfolio risk indicator for 2015.

Key goals for 2015

Financing obligations of CZK 367.2 billion in 2015 and stabilised state debt

- budgeted state deficit of CZK 100 billion
- redemption of two CZK-denominated T-bond issues (Czech Republic Treasury Bond, 2005-2015, 3.80 % and Czech Republic Treasury Bond, 2010-2015, 3.40 %) in a total nominal value of CZK 113 billion
- redemption of the variable-rate EUR-denominated foreign T-bond issue from 2009 in a total nominal value of EUR 300 million
- redemption of savings government bonds in a total nominal value of CZK 11.5 billion
- refinancing of T-bills issues in total nominal value of CZK 107.6 billion
- involvement of available cash resources from single treasury accounts of the state treasury in covering part of the financing needs in order to stabilise the state debt

Gross issue of T-bonds of CZK 130 to 180 billion

- opening of three new fixed-rate CZK-denominated benchmark issues with maturity in 2023, 2026 or 2027, and 2030
- re-opening of existing fixed-rate and variable-rate CZK-denominated issues with maturity from 2018
- foreign issue of T-bonds in case of cost-favourable conditions
- cap sales of CZK-denominated T-bonds on secondary market up to CZK 20 billion

Primary and secondary government bonds market

- number and composition of primary dealers to remain unchanged, as in 2014
- harmonisation of transactions settlement on the primary market within the European Union to the T+2 standard
- quoting obligation fulfilment of primary dealers on secondary market in 2015 will be carried out through MTS Czech Republic platform, which was designated and approved by the decision of Primary Dealers Committee
- buy-backs and T-bonds exchange auctions programme in the range of CZK 10 to 30 billion

Funding programme and issuance activity in 2015

Money market instruments

For 2015, the Ministry plans to maintain the total nominal value of T-bills outstanding at a minimal level of CZK 100 billion at the end of 2015 in case of sufficient demand from primary dealers.

During the course of 2015, the Ministry plans to continue using the lending facility to provide CZK-denominated T-bonds. This facility can be used by primary dealers to borrow CZK-denominated T-bonds for a period of up to 90 days within the repo operations. Although the primary objective of these operations is to increase the liquidity of government bonds on the secondary market, due to the very low repo rates the Ministry considers these operations a suitable resource in the segment of short-term financing. These operations thus contribute also to savings in net interest expenditure on state debt. The acquired cash resources are invested for higher yields on the money market within the state treasury liquidity management, leading to increased yields from the Ministry's investment activity. The amount of lending facilities executed in 2015 will depend primarily on demand from investors for this instrument; the Ministry will be ready to satisfy this demand flexibly based on the availability of government bonds in the Ministry's portfolios.

Medium-term and long-term government bonds

In 2015, the Ministry plans a gross issue of T-bonds on domestic and foreign markets with a total nominal value ranging from CZK 130 to 180 billion.

As in the previous year, the issuance in 2015 will focus on the segment of remaining time to maturity of 10 to 15 years. The planned share of variable-rate CZK-denominated T-bonds in the total gross issue in domestic market in 2015 will amount to a maximum of 25%, depending on the further development of fixed-rate government bond yields, which correspond to the share issued in 2014.

Other debt instruments

In the course of 2015, the Ministry will analyse the possibility of implementing the new concept of directly selling government savings bonds to citizens, which would allow their regular availability during the calendar year and would bring the costs related to the issuance of these government bonds closer to the costs of issuance of other government bonds. This concept may be launched into pilot operation earliest during the second half of 2015, while in the course of the first half of 2015, the test sales may be executed primarily via the electronic distribution platform operation since November 2013. For 2015, no quantitative objective regarding the nominal value of the gross issue of government savings bonds was set. However, it is assumed that in terms of the total funding programme it will represent an insignificant part of resources covering financing needs.

In 2015, the Ministry does not plan to draw any further loan tranches from the EIB or other international financial institutions.

Buy-backs and exchanges auctions programme on secondary market

The planned scope of buy-backs of government bonds in 2015 is CZK 10 to 30 billion. This figure does not include the potential buy-backs of government bonds maturing in 2015. The Ministry plans to buy back Czech Republic Treasury Bond, 2001-2016, 6.95 % and Czech Republic Treasury Bond, 2007-2017, 4.00 %. The Ministry will consider including other possible government bonds into exchange auctions depending on the market situation in the respective segment of the yield curve. In case of lower interest in buy-backs from primary dealers, the above-mentioned government bonds originally planned for buy-backs may be included into the exchange auctions.

Impact on investors

For information purposes only.

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HUNGARY

Market Capitalisation	HUF 19.667 bn
YTD Dev. of Market Capitalisation	10.78%
Number of SE Transactions p.m.	116.618 prompt market: 104,521 derivatives: 12,097
YTD Dev. of SE Transactions	4.8%
SE Turnover (Budapest SE)	HUF 367.184 mn prompt market: HUF 143,597.5 mn derivatives: HUF 223,586.3 mn)
Monthly Index Performance (BUX)	-4.13%
Upcoming Holidays	–

Source: UniCredit, National Statistics

KELER's latest news on the T2S project

The Hungarian CSD, KELER, has recently issued its latest newsletter on the progress of the T2S project, focusing on the most actual events, ongoing tasks and expected tests in the frame of the project.

In October 2014, depositories and central banks which had joined the T2S project started the test phase, as a result of which securities transaction volumes of 24 European depositories will be migrated to the central settlement infrastructure in 4 waves. The test phase is expected to take 2.5 years long. Hungary is planned to join T2S in the third wave, in September 2016.

Preparations for T2S within KELER are performed simultaneously with the changing of its current account management system to BaNCS Market Infrastructure by Tata Consulting Services.

Following the implementation of the solution of SIA-Colt consortium, KELER already completed the connectivity tests in November 2014 and is expected to start the ECB integration tests in March 2015. The first phase of the testing will be a bilateral one, in the course of which KELER's software has to meet the minimum requirements set by ECB. Once KELER has obtained the so called CSD certification it can move forward with multilateral testing, which focuses on cross border settlements. Simultaneously with the multilateral tests, the migration test will also start for the participants of the third wave.

The community tests will be launched in February 2016 at the earliest, requiring the participation of market players as well. As a consequence, in order to successfully complete the migration in September 2016, preparedness of the entire Hungarian securities market has to be achieved. In this respect the following measures are planned:

- T2S trainings
- Direct T2S access through KELER
- Indirect T2S access through KELER

Harmonisation

The 4th report of the Harmonisation Steering Group (HSG) was published in March 2014. This document reviews the compliance and preparedness of the 21 depositories joining T2S in 24 areas. Of the 24 harmonisation subjects 17 have high priority and should be adopted by the markets at the start of T2S.

The next report of the HSG is to be published in March 2015. No major changes are foreseen concerning the compliance of the Hungarian market, as all measures and tasks are on schedule.

In KELER's recent newsletter, the following major harmonisation topics are in focus, which imply significant changes in the Hungarian market and important steps have recently been taken in evaluating their effects.

1. Matching standard

In the frame of T2S, matching will be performed based on SWIFT BICs and by the migration in autumn 2016 KELER plans to introduce this matching standard in Hungary as well. The XMAP working group aims to unify the use of the so called supplementary (if one of the counterparties populates it becomes mandatory) and optional (if both parties populate it becomes mandatory) criteria besides the compulsory ones across the markets.

2. Schedule of settlement day standard

T2S markets should be fully compliant with the T2S schedule for the settlement day and calendar, available on the T2S website. As a consequence the following changes will have to be implemented in the daily operation:

- The local end-of-day business process (EoB) will start earlier, around 6.00 p.m. CET on settlement date, in line with the EoB of T2S.
- Therefore, KELER cut-off times, which are currently later than 6.00 p.m. CET will need to be revised.
- It is planned that within T2S the night-time settlement process will start at 8.00 p.m. CET. KELER will send all instructions for this night-time batch processing prior to 8.00 p.m.
- Following the EoB process, reports for the given settlement date will be available for the clients of KELER and the next settlement date will be opened in KELER's system.
- For the night the settlement system of KELER will be closed, thus the results of the night-time settlement batch will be communicated to the clients by the start of the real time settlement process period of the following business date.
- Real time settlement in T2S will be available from approximately 5.00 a.m. CET.

CAJWG-CASG standards

The management of corporate actions is a challenge Europe-wide, also in Hungary, mainly because the implementation of CA standards primarily requires legal changes primarily.

In order to make all information in connection with a corporate action available, CAJWG has formulated recommendations that the central depository should register and publish all corporate actions announced by the issuers and forward structured information to the account owners (for example the clients of KELER) about these actions.

The use of a so called Christmas Tree Model will most likely be necessary to effectively manage corporate actions based on CAJWG recommendations. Under the model, payments relating to securities shall be performed under unified rules, involving the central depository, which will enable swift and safe payment transfers. Implementation of the model requires amendments to the applicable regulations and also changes in current market practices.

Based on CAJWG standards payments relating to corporate actions shall be completed following the Record Date as soon as possible, but maximum within 1-2 business days. Compliance with this standard will require amendments to the applicable regulations and changes in market practices.

Swift and precise completion of corporate actions also requires the use of unified principles in withholding tax matters. KELER recommends net payment transfers, i.e. tax shall be deducted by the issuer prior to payment. Whenever the issuer is unable to determine the rate of tax to be deducted, automatically the highest applicable rate shall be applied. This solution is in line with international practices, but in order to avoid unfavourable effects there are tasks to be completed in the following areas: extension of the nominee concept to all kinds of securities, revision and optimisation of the data required for income payments, and simplifying the tax reclaim process.

CASG has formulated recommendations also in relation to the central handling of market claims and transformation however it needs to be clarified if their implementation by KELER can be done without any legislative measures simply based on the General Business Conditions of KELER.

Impact on investors

Preparations for T2S and compliance with the new market standards of KELER and the Hungarian market are progressing according to schedule. Migration is planned in the third wave, in September 2016.

BSE's year 2014 in a nutshell

The Budapest Stock Exchange closed an eventful but challenging year in 2014. In the course of 2014, BSE put a strong emphasis on developing the Hungarian financial culture and awareness of the people, particularly the awareness of the younger generation.

A significant technical development of 2014 was the switch to T+2 settlement cycle of equities from T+3.

The new trading system, Xetra, which was implemented in December 2013 enabled BSE to introduce so called iceberg-type orders, which are now widely used among stock exchange members.

In 2014, the BUX index ranged between 16,140 and 19,596 points, while the CETOP20 (Central European Blue Chip Index) only neared the bottom of the 2013 closing level. In the same time BSE's cash market showed a 19.6% drop in turnover compared to 2013.

On the equities market 1.2 million transactions were made with an average trade volume of HUF 1.6 million, which is close to the previous year's results.

There have been no major re-arrangements among the Hungarian blue chip equities. Following the delisting of EGIS equities, almost their entire trading weight shifted to the trading of OTP (58.7%). Distribution of the top-traded equities shows the following picture: OTP 58.7%, Richter 18.8%, MOL 13%, Magyar Telekom 6.8%, FHB nearly 1%, totalling up to 98.3% of the total stock turnover.

Three IPOs were conducted within the CEESEG during the course of 2014.

The number of instruments traded besides equities showed 11% growth in comparison to 2013. New foreign currency settlement products were also introduced, such as USD-based bonds, EUR and USD based certificates.

The total turnover of the BSE's derivatives market was HUF 2,445 billion in 2014, which is slightly less than in 2013. The turnover of currency futures increased by 4% and by 43% in case of currency options compared to the previous year.

The average daily turnover of the 23 foreign equities available at the BÉTa market reached HUF 17.9 million in 2014, which is a 16% increase in comparison to 2013.

Impact on investors

For information purposes only.

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POLAND

Market Capitalisation	PLN 591.2 bn
YTD Dev. of Market Capitalisation	-3.1%
Number of SE Transactions p.m.	1,100,172
YTD Dev. of SE Transactions	15,18%
SE Turnover (WSE)	PLN 15.5 bn
Monthly Index Performance (WIG20)	-4.18%
Monthly Index Performance (WIG)	-3.44%
Upcoming Holidays	–

Source: UniCredit, National Statistics

2014 – a year of changes at KDPW and KDPW_CCP

The previous year was a time of a number of changes at Polish CSD and CCP. In most cases they were the consequence of the adoption of EU regulations however some new important products have also been introduced.

It started in April 2014 when KDPW_CCP received the authorisation as CCP under the EMIR Directive. This allowed KDPW_CCP to clear (as central counterparty) the following, denominated in PLN, instruments on OTC market:

- Forward Rate Agreements (FRA)
- Interest Rate Swaps (IRS)
- Overnight Index Swaps (OIS)
- Basis Swaps
- REPO transactions

It is expected that in 2015 KDPW_CCP will receive the authorisation for clearing: IRS, OIS and FRA instruments denominated in EUR. Additionally, Eurobonds and Euro shall be allowed as acceptable collateral. This year, KDPW_CCP is planning to launch the service of clearing and guaranteeing transactions in bonds and repo transactions on Treasury BondSpot Poland (TBSP).

In August 2014, KDPW_CCP launched netting functionality for on-exchange trades while in October, the system of securities lending initiated by participants was offered by KDPW_CCP in co-operation with KDPW. The main function of the securities lending system is to actively manage counterparty risk and to provide clearing guarantees from the CCP, which becomes a counterparty to transactions following novation immediately after the settlement of the opening transaction. This includes transactions concluded on the regulated market or in the alternative trading system.

KDPW – Polish CSD – went through similar changes in 2014. Created by KDPW, the trade repository, KDPW_TR, has been one of the six trade repositories registered in the EU and authorised to register details of all types of derivatives contracts. Since its launch, KDPW_TR has received trade reports from more than 7 thousand entities with the reporting obligation. KDPW_TR participants include 170 institutions from 12 countries. KDPW is the only institution in Poland and one of the few institutions in Europe to offer a wide range of numbering services for financial market entities and instruments. KDPW issues the following codes:

- ISIN and CFI
- FISN
- LEI

One of the biggest developments on KDPW side was the implementation of partial settlement functionality for KDPW participants in August 2014. The service was mandatory for all CCP deliveries to counterparties while for all other types of settlement the service was voluntary.

KDPW, as most of other EU depositories, changed the settlement cycle from T+3 to T+2 for the main cash market instruments as of 6 October 2014. The change of the settlement cycle brings the Polish capital market in line with the standards implemented in the European Union and reduces settlement risk.

Impact on investors

In the future, KDPW will apply for authorisation of the central securities depository under the CSDR. Processing of further corporate actions will be standardised and automated.
ISO 20022 messages are also expected in the following months.

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ROMANIA

Market Capitalisation	RON 130 bn
YTD Dev. of Market Capitalisation	-2.9%
Number of SE Transactions p.m.	89,502
YTD Dev. of SE Transactions	19.30%
SE Turnover (Bucharest SE)	RON 1,626 mn
Monthly Index Performance (BET/BSE)	2.10%
Upcoming Holidays	–

Source: UniCredit, National Statistics

National Bank of Romania lowered the monetary policy rate

The National Bank of Romania (NBR) decided at its meeting on 7 January 2015 to lower the monetary policy rate to 2.5% per annum from 2.75%, starting with 8 January 2015. The NBR Board also narrowed the symmetrical corridor of interest rates on NBR's standing facilities around the policy rate to ±2.25 percentage points from ±2.5 percentage points.

Thus, starting 8 January 2015, the interest rate on the NBR's lending facility (Lombard) was lowered to an annual 4.75% from 5.25%, while its deposit facility rate remained at 0.25% per annum.

Impact on investors

For information purposes only.

Romanian Financial Supervisory Authority (ASF) presented its 2015 strategy

The main ASF strategic objectives for the Romanian capital market for 2015 are as follows:

- STEAM project – obtain the emerging market status;
- Market infrastructure alignment with European standards;
- Regulation of the closed-end investment regime;
- Review and re-launch of corporate and municipal bond market;
- Finalisation of RASDAQ project.

Regarding common policies, the main ASF objectives are as follows:

- completion of institutional construction in collaboration with the World Bank;
- strengthening the protection function of the consumer and modernisation of petitions' processing process;
- development of common policies to supervise operational and systemic risks;
- automation of operational activities and centralisation of data processing;
- launch of communication, financial education and professional training programmes.

Impact on investors

The ASF's goal is to transform and improve the Romanian capital market.

Regulated market on BVB reduced to two categories: Premium and Standard Tiers

As of 5 January 2015, a new market segmentation came into force on the Bucharest Stock Exchange replacing I, II and III Tiers with Premium and Standard Tiers. The Financial Supervisory Authority recently approved the proposals to amend BVBs' regulations so that the new concept, which takes into account the liquidity of the shares or the potential liquidity, on principles similar to those of BVBs' indices system, can be implemented.

Selecting issuers for analysis to promote to Premium tier is based on the following alternative criteria:

a) The shares are among the 25 most liquid securities, as to the liquidity coefficient;

b) The average free-float capitalisation for the last 3 months exceeds EUR 40 million.

In addition, BVB may also upgrade to this tier, issuers with a liquidity coefficient not less than 0.0002 if they have signed a contract with a market maker who will support the market liquidity of shares.

Impact on investors

Better identification of equities traded on the BVB Main Market through new segmentation.

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RUSSIA

Market Capitalisation	RUB 27 trn
YTD Dev. of Market Capitalisation	12.27%
Number of SE Transactions p.m. (MOEX)	13,027,825
YTD Dev. of SE Transactions	74.0%
SE Turnover (MOEX)	RUB 24.34 trn
Monthly Index Performance (MOEX)	10.0%
Upcoming Holidays	23 February

Source: UniCredit, National Statistics

NSD was assigned global LEI ranking

TABB Group, a worldwide financial market research firm, and the agency Alacra, a workflow applications developer, assigned the National Settlement Depository (NSD), the Russian CSD, with 11th place in the ranking of 14 pre-Legal Entity Identifier (pre-LEI) registration authorities, acting as pre-Local Operating Units (pre-LOUs) around the globe.

The ranking is an assessment of pre-LOU data quality based on nine indicators which measure the integrity, relevance and consistency of information that goes with assigned pre-LEIs along with uniformity of the provided data format.

Such key financial institutions and capital markets as the Depository Trust & Clearing Corporation (USA), London Stock Exchange (United Kingdom), WM Datenservices (Germany), Dutch Chamber of Commerce (Netherlands), and the National Institute for Statistics and Economic Studies (France) compose the global LEI ranking of TABB Group.

Impact on investors
The inclusion of the NSD in the ranking confirms its compliance with international standards and transparency in the Russian financial markets.

New centres to estimate non-quoted assets

During the XII Russian Bond Congress the first vice-president of Russia's Central Bank, Sergey Shvetsov, spoke on the possible creation of centres which will estimate market value of certain types of Russian securities.

It is envisaged that the new estimation centres will specialise in the evaluation of securities, mainly bonds, the market values of which are difficult to determine as they are not regularly publicly traded.

Sergey Shvetsov said that the first centres will be established by the National Settlement Depository and the National Securities Market Association which submitted the appropriate accreditation application to the Central Bank and the news agency Interfax.

Impact on investors
New centres will make independent estimations of the value of non-publicly traded securities available to investors.

Law on bankruptcy was supplemented

The President of Russia signed legislative amendments to the Federal law on bankruptcy according to which Russian individuals will be able to declare their bankruptcy starting on 1 July 2015 instead of the previous 2016 date.

The law also defines the functionality of credit institutions, the order of bank notifications about its possible bankruptcy, and a series of measures to strengthen the responsibility mechanisms of bank managers and owners as well as minimising bonuses paid to managers of troubled banks for which measures are taken to prevent bankruptcy.

Provisions in the law increase the debt threshold of a legal entity for the initiation of the bankruptcy procedure from RUB 100,000 to RUB 300,000, for strategic companies and natural monopolies – from RUB 500,000 to RUB 1 million. In addition, there is no need to confirm the creditors' claims which were entered into force by court decision upon initiation of debtor bankruptcy proceedings if the credit institution submits a bankruptcy declaration. At the same time, a credit institution is obliged to publish a notice of intention to declare its debtor as bankrupt in the Federal Register of information about the facts of legal entities no less than 15 days prior to its submission.

Impact on investors
Investors will receive more protection rights.

OTC activity of forex dealers is taken under control

The federal law on the activities of forex-dealers aimed at the protection of market participants' and the reduction of risks associated with illegal activities on the OTC forex market was signed by the President of the Russian Federation in December 2014.

The law introduces the concept of "forex-dealer activity", defines requirements for forex-dealers, in particular compulsory licensing of their activities, mandatory membership in a self-regulatory forex-dealers organisations (SRO), and a ban on combining activities of forex-dealer with another professional activity in the securities market.

According to the law, a forex-dealer is a legal entity registered in accordance with Russian laws on being a professional market participant and carrying out activity on concluding, on behalf and at its own expense, derivatives agreements based on foreign exchange rates with individuals, who are not individual entrepreneurs, on non-organised trading.

The main provisions of the law are the following:
- Own funds of forex-dealer shall not be less than RUB 100 million.
- The leverage ratio cannot be less than 1 to 50.
- Forex-dealers shall be a licensed and SRO members to serve individuals;

- Forex-dealers shall publicly disclose information on risks arising from the conclusion, execution and termination of contracts and aggregate financial data of the persons with whom they are enclosed.
- Legal entities registering offshore or having a revoked license and employees of a forex-dealer cannot be forex-dealer founders.
- The SRO shall create a compensation fund which is intended to compensate individuals' losses incurred as a result of forex-dealers' bankruptcy.

The law will come into force on 1 October 2015, except for the provisions which have other effective dates.

Impact on investors
Individual investors will have more protection rights.

Law on foreign investments in strategic companies to be amended

The Federal Antimonopoly Service (FAS) of Russia published a draft law which amends Articles 15 and 16 of the Federal Law # 57-FZ "On Foreign Investments in Entities of Strategic Importance for National Defence and State Security".

According to the amendments, foreign investors who own a 5% stake or more in companies of strategic importance are obligated to disclose their ownership to the regulatory authorities.

Failure to disclose the owners involves the introduction of restrictions for such investors in voting at shareholders meetings, which may be imposed by the courts.

The voting rights can be restored by a court decision if the investor complies with all regulatory requirements and discloses the required documents and information.

In order to come into force, the draft bill should be approved by the State Duma and signed by the President of the Russian Federation.

Impact on investors
The amendments to the law on foreign investments in strategic companies obligate foreign investors to disclose their ownership.

AML legislation revised

On 31 December 2014 the Federal Law No.484-FZ amended certain legislative acts of the Russian Federation in order to improve the system of countering the legalisation of income from crime and the financing of terrorism in the banking sector has come into force.

The provisions of the Federal Laws: On banks and banking activities, On Central Bank of Russia, Law On Countering the Legislation of Illicit Earnings (Money Laundering) and Terrorism Financing and others, were revised and supplemented in the following way:

- Companies which are recognised as Russian companies involved in any type of activity critical to the country's defence and/or state security shall inform FAS of any changes in their data accounts with foreign banks;
- The list of grounds for bank license revocation by the Bank of Russia was increased;
- Organisers of trading and clearing organisations are obliged to provide information on their clients without divulging by request of the Federal Financial Monitoring Service;
- The Bank of Russia shall expand its list of materials in its annual report.

Impact on investors
Investors will receive more protection rights.

Ratings agencies downgraded Russia's ratings

Fitch Ratings, a leading provider of credit ratings, downgraded Russia's long-term foreign and local currency Issuer Default Ratings (IDR) from 'BBB' to BBB-' with a 'negative' outlook. Also, the rating agency reconsidered and downgraded the issue ratings on Russia's senior unsecured foreign and local currency bonds from 'BBB' to 'BBB-' while the country ceiling was lowered from 'BBB' to 'BBB-'. The short-term foreign currency IDR was affirmed at 'F3'. The next revision of Russia's ratings is scheduled for April 2015.

Furthermore, Moody's Investors Service reduced Russia's government bond rating from Baa2/Prime 2 to Baa3/Prime 3. The rating was placed under review for further downgrade. In addition, Moody's downgraded Russia's country ceilings for foreign currency debt from Baa2/Prime 2 to Baa3/Prime 3 to bring it in line with the sovereign rating and lowered the long-term country ceilings for local currency debt and deposits from Baa1 to Baa2, while leaving unchanged the country ceiling for foreign currency bank deposits at Ba1/Non Prime.

Impact on investors
For information purposes only.

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SERBIA

Market Capitalisation	RSD 796.6 bn
YTD Dev. of Market Capitalisation	2.5%
Number of SE Transactions p.m.	16,939
YTD Dev. of SE Transactions	-20.2%
SE Turnover (Belgrade SE)	RSD 1643.92 bn
Monthly Index Performance (Belex 15)	-4.3%
Upcoming Holidays	15, 16 February

Source: UniCredit, National Statistics

Fitch affirms Serbia's rating at B+, outlook stable

Fitch has confirmed Serbia's sovereign rating at B+ with a stable outlook, having taken the following key drivers into consideration: adoption of fiscal consolidation measures and structural reforms, and the expected conclusion of an arrangement with the IMF.

Fitch expects that the fiscal consolidation measures will affect domestic demand in the near future. Structural reforms (affecting labour law, tax administration, land registry, bankruptcy, privatisation and the pension system) will support medium-term economic growth.

Impact on investors

For information purposes only.

Inflation changes in December

Consumer prices fell by 0.4% in December 2014, according to data from the Serbian Statistical Office,

Y-o-y inflation reached 1.7% in December, which is below the lower bound of the target tolerance band (4±1.5%). Low annual inflation is due to the absence of administered price growth, which equalled only 1.1%. Y-o-y core inflation (CPI excluding food, energy, alcohol and cigarettes) was 2.3% in December.

Impact on investors

For information purposes only.

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SLOVAK REPUBLIC

Market Capitalisation	EUR 41.2 bn
YTD Dev. of Market Capitalisation	0.8%
Number of SE Transactions p.m.	1891.0
YTD Dev. of SE Transactions	77.5%
SE Turnover (Bratislava SE)	EUR 1.0 bn
Monthly Index Performance (SAX/BSSE)	0.7%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Current NBS Governor appointed to a second term

Slovak President Andrej Kiska formally appointed Jozef Makúch to a second term as Governor of Národná banka Slovenska/NBS, with the proceedings attended by Chairman of the National Council of the Slovak Republic Peter Pellegrini and Deputy Prime Minister and Finance Minister Peter Kažimír.

Makúch has been a member of the NBS Bank Board since 1 January 2006 and became NBS Governor on 12 January 2010. He was nominated by the Government for a second term, and his nomination was approved by the Parliament on 27 November 2014. His second term in office will be six years long.

Impact on investors

Current central bank regulatory policy will be continued.

Top 10 BSSE members in 2014

In the year 2014, the total turnover of transactions on BSSE amounted to EUR 16.7 billion, (2.03% more than in the same period last year). A total of 11,269 of transactions were closed during the year, including 5,754 share transactions and 5,515 bond transactions. The turnover of share transactions amounted to EUR 112.138 million (0.67 % of the total turnover), whereas the turnover of bond transactions amounted to EUR 16.588 billion (99.33 % of the total turnover).

The following table shows the order of the top 10 members according to the turnover achieved in 2014 as divided by shares, bonds and total turnover.

POS.	NAME OF MEMBER	TURNOVER (EUR)	SHARE (%)
1	UNICREDIT BANK CZ and SK a.s., via UNICREDIT BANK CZ and SK a.s., branch of foreign bank	5,695,872,988	34.14%
2	CITIBANK EUROPE plc, via branch in SR CITIBANK EUROPE plc, branch of foreign bank	3,830,094,635	22.96%
3	SLOVENSKÁ SPORITEĽŇA, a.s.	2,305,488,826	13.82%
4	ČESKOSLOVENSKÁ OBCHODNÁ BANKA, a.s.	1,756,850,159	10.53%
5	TATRA BANKA, a.s.	1,441,830,547	8.64%
6	J&T BANKA, a.s., branch of foreign bank	537,693,672	3.22%
7	POŠTOVÁ BANKA, a.s.	528,128,196	3.17%
8	VŠEOBECNÁ ÚVEROVÁ BANKA, a.s.	355,356,915	2.13%
9	SBERBANK SLOVENSKO, a.s.	151,983,468	0.91%
10	OTP BANKA SLOVENSKO, a.s.	35,142,973	0.21%
TOTAL TOP 10		16,638,442,381	99.72%
TOTAL BSSE		16,684,517,504	100.00%

Impact on investors

For information purposes only.

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SLOVENIA

Market Capitalisation	EUR 23.734 bn
YTD Dev. of Market Capitalisation	23.98%
Number of SE Transactions p.m.	6,303
YTD Dev. of SE Transactions	32.22%
SE Turnover (Ljubljana SE)	EUR 42.896 mn
Monthly Index Performance (SBI TOP)	-3.62%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Standard & Poor's (S&P) rating agency improved Slovenia's rating

Standard & Poor's (S&P) rating agency revised Slovenia's outlook from negative to stable due to improved economic growth prospects and ensured political stability. At the same time S&P affirmed the Republic of Slovenia's long- and short-term foreign and local currency credit ratings at 'A-/A-2'.

S&P's outlook revision reflects the observation that the election of the new coalition government in July 2014 has improved growth prospects and reduced policy uncertainty. A stable outlook reflects their expectation that the new Slovenian government will progress with fiscal consolidation, banking system restructuring and the implementation of structural reforms, including the privatisation of state assets. Additionally, S&P assumes that Slovenia's coalition government will stabilise the net general government debt at about 70% of GDP in 2015.

Impact on investors

For information purposes only.

New Bank Resolution Authority and Fund Act

The New Bank Resolution Authority and Fund Act was published in the Official Gazette on 30 December 2014 and has been in effect since 3 December 2014. The Act has implemented EU Directive 2014/59/EU. The fund will be established and managed by the Bank of Slovenia. Contributions to the fund will be paid by the banks upon a request prepared by the central bank. The end amount of the fund is to be 2.3% of the amount of guaranteed deposits in Slovenia. The assets of the fund will be used for the execution of extraordinary measures by the Bank of Slovenia to improve the financial position of a particular bank. The fund will terminate its activities at the end of 2024.

Impact on investors

The New Bank Resolution Authority and Fund Act will have a positive impact on the safety of guaranteed deposits in Slovene banks.

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UKRAINE

Market Capitalisation (UX)	UAH 236.4 bn
YTD Dev. of Market Capitalisation (UX)	61.6%
Number of SE Transactions p.m. (UX)	31,720
YTD Dev. of SE Transactions (UX)	20.2%
SE Turnover (UX)	UAH 0.6 bn
Monthly Index Performance (UX)	6.3%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Self-regulatory associations received permission to expand their activity

The market regulator, National Securities and Stock Market Commission (NSSMC), conferred the Professional Association of Registrars and Depositories (PARD) the status of the self-regulatory organisation (SRO) of professional stock market securities traders.

Previously, it had also granted the status of SRO to the Stock Partnership association (former PFTS association), which unites depository entities.

In May 2014, members of PARD and Stock Partnership mutually decided to merge two associations.

PARD was founded in 1996 and represented interests of all Ukrainian depository entities.

The Stock Partnership (former PFTS association) was also founded in 1996 as a professional organisation of professional stock market securities traders.

Self-regulating organisations operate to ensure the proper running of the stock market: the activities of members of the organisations, development and approval of rules, standards of professional behaviour and the execution of corresponding types of professional activities.

Impact on investors

Further steps achieved in the SRO's merger.

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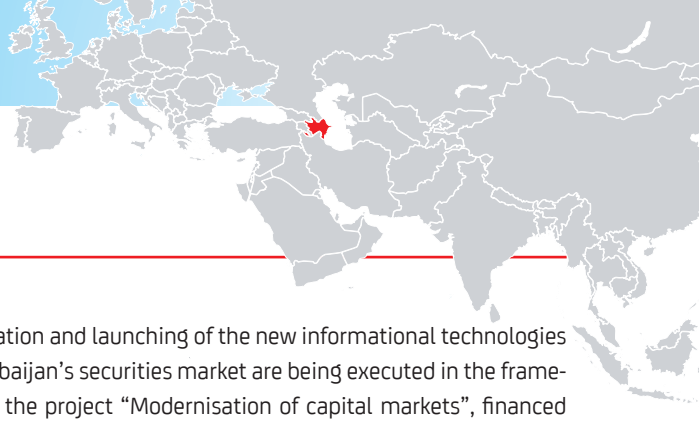

AZERBAIJAN

BSE implements new listing rules

The Baku Stock Exchange (BSE) plans to introduce new listing rules, according to which issuers should fulfil the following "free-float" requirements:

- 10% of shares for companies with a total capital of AZN 2-2.5 million and a period of activity of more than 3 years;
- 7% of shares for companies with a total capital of AZN 5-10 million and a period of activity of 2 to 3 years;
- 5% of shares for companies with a total capital of more than AZN 10 million and a period of activity of 1 to 2 years.

In line with the decision of the BSE Listing Committee, the "Free-float" requirements will not be applied to issuers with a controlling stake owned by the state.

The new BSE market structure consists of main, standard and alternative markets. According to the listing rules, companies with total capital equal to or less than AZN 500,000 may trade on the alternative market. Currently one company was admitted to the main market, another one was included in the standard market and more than 800 issuers remain on the alternative market.

Impact on investors

The implementation of the new rules aims at the development of Azerbaijan's securities market, which will enlarge the investment opportunities for investors.

Korean Exchange will develop informational systems for Azerbaijan's securities market

The State Committee for Securities (SCS) of the Republic of Azerbaijan announced that the Korean Exchange will create informational systems for the securities market of Azerbaijan. The relevant agreement was signed on 13 January 2015. According to the document, the development and implementation of the systems will be carried out in one calendar year.

The informational systems will include 4 sub-systems:

- Trading Platform (for Baku Stock Exchange, BSE);
- Clearing and Settlement System (for the National Depository Centre, NDC);
- Depository Informational System (for NDC);
- System of Supervision on the Securities Market (for SCS and BSE).

The creation and launching of the new informational technologies for Azerbaijan's securities market are being executed in the framework of the project "Modernisation of capital markets", financed by the World Bank.

Impact on investors

Implementation of modern informational systems is a new step towards the development of the securities market of Azerbaijan.

BSE licenses for depository and clearing activities revoked

The State Committee for Securities (SCS) of the Republic of Azerbaijan has announced that the licenses for depository and clearing activities on the Baku Stock Exchange (BSE) were cancelled.

Since September 2013, powers concerning the safekeeping of government bonds and the clearing and settlement of the relevant transactions were transferred to the National Depository Centre (NDC). Therefore BSE stopped providing these services for government bonds.

Currently 37 licenses have been issued to professional market participants, among them are 14 licenses on brokerage activity, 14 on dealing activity, 2 for keeping the register of securities holders, 2 on depository activity, 1 on clearing activity, 1 on stock exchange activity, and 3 on asset management activity.

Impact on investors

The SCS's revocation of BSE licenses and the transfer of a number of its functions to the NDC have the aim to improve the management of Azerbaijan's securities market.

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BELARUS · KAZAHSTAN

Belarus

Market Capitalisation	BYR 17 trn
YTD Dev. of Market Capitalisation	n.a.
Number of SE Transactions p.m. (BCSE)	1,139
YTD Dev. of SE Transactions	-44.2%
SE Turnover (BCSE)	BYR 8,100.10 bn
Monthly Index Performance (BCSE State Securities)	303.06%
Upcoming Holidays	–

Source: UniCredit, National Statistics

New securities market law was adopted

On 5 January the President of the Republic of Belarus signed the "Law on the Securities Market". The law passed by the Parliament in December 2014 was officially published on the National Legal Internet Portal of the Republic of Belarus on 10 January 2015, and its main provisions enter into force in six months after its official publication.

In accordance with the law, issuers of securities (with exclusion of closed joint stock companies) are obliged to disclose information on the results of their financial and economic activity on a quarterly and annual basis. Furthermore, the amended law outlines that annual reports should be published on a single information resource of the securities market, as well as in the mass-media or on the official website of the company not later than 1 month after the date when the report was approved.

In case of the repurchasing of its own shares or the appearance of other substantial facts influencing financial and economic activity of the company, such information should be disclosed in the same way. Among substantial facts are: execution of large deals by the issuer, a trade with 5% or more of its own ordinary shares, as well as company's reorganisation, bankruptcy, dividend and coupon payments.

In addition, the law provides the mechanism for disclosure if anybody intends to purchase a controlling stake of a company. In particular, such persons are obliged to notify the issuer and the securities market regulator of their intention and disclose information about themselves including personal data.

The new law also sets a liability for disclosure of confidential information. Persons, who possess such information, are prohibited from transferring it to third parties, and all securities transactions concluded with this violation should be cancelled.

Impact on investors

The updated securities market law will significantly increase the transparency of the Belarus securities market.

Kazahstan

First foreign currency interval unit investment fund launched

Kazakhstan's first foreign currency interval unit investment fund (FCIUIF) "Tarlan" was launched. Its activity is legally regulated by the Integrated Securities Registrar, a structure of the National Bank of Kazakhstan. The main goal of the fund is to provide a wide range of investors an opportunity to buy the various foreign securities of the world's leading issuers.

The Minimum investment amount is to be equal to or no less than USD 100, the accumulated assets will be invested by the fund in the following financial instruments:

- Corporate bonds issued in foreign currency;
- Financial instruments of foreign and domestic issuers in foreign currency;
- Government securities of foreign countries and the Republic of Kazakhstan.

An interval fund is a type of investment company which periodically offers to repurchase its units from shareholders. (FCIUIF) "Tarlan" plans to repurchase them twice a year: on 15 February and 15 August.

Impact on investors

Launching the foreign currency interval unit investment fund will increase the investment possibilities for investors.

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