GSS Newsletter

Oktober 2014

Issue 162

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

Welcome to UniCredit

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EDITORIAL

JULIA ROMHÁNYI
HEAD OF GSS HUNGARY

Dear Clients, Partners and Friends,

After the summer holiday season I have the pleasure to give you a brief update on the latest developments in the Hungarian market.

Since the beginning of the year we have already faced several challenges in the regulatory environment and we still have a lot ahead of us not only in regulations, but also in infrastructure.

Within the scope of the CSDR, preparation for T+2 is not only a challenge in Hungary but also for all capital markets within the European Union where market participants need to introduce new processes, including much stricter and quicker communication flows from the end-investors throughout the chain of the custodian banks until reaching the local settlement engine.

The main aim of the regulation is to improve securities settlement in the European Union by harmonising the settlement period as well as to curtail counterparty credit risk and operational risk by reducing both payment float and the potential for an accumulated backlog of unsettled transactions.

There are a number of technology investments required and I still question whether all parties in the value- chain will be prepared for T+2 in time. Certainly the good thing is that this change will definitely force all the participants to adopt new standards and automate certain processes.

There will be great pressure to match trades already on the trade date and squeeze the processes related to settlement allocation, confirmation, and affirmation.

In the short term, I expect that settlement failure will increase as the statistics have shown in markets where it has already been concluded (e.g. Germany). However, in the long term, all market participants will need to adjust their processes to align with the new standards.

The other major challenge in the Hungarian capital market is the implementation of AIFMD. While the formal launch date was 22 July 2013, the Directive allowed Member States to provide a one-year transitional period and in our market the regulation was only just adopted on 15 March 2014. I will comment below on its impact on our domestic funds' business and I am sure that our global clients will also be interested in the specificity of our local regulations.

What most of the EU states have gone through in the past year, we have just faced in the last couple of months trying to interpret the hundreds of pages of the AIFMD directive and the supplementing Delegated Regulation. There were several discussions between market participants where UniCredit played a key role in both understanding the new set of requirements and organising meetings with the various market participants to sit together and agree on some of the key elements introduced by the new law.

The aim of the Directive is to harmonise the regulatory requirements in the EU member states for alternative investment funds and to increase investors' protection, limit systematic risk, and to ensure the prudent activity of the fund managers. Although the number of requirements in the Directive is UCITS inspired and in most markets gives the possibility to leverage on the implemented rules, it still introduces a number of new processes and requirements for this segment in the following areas:

- Capital requirement for AIFMs,
- General principles of how AIFMs should conduct their business,
- Managing compliance,
- Strictly regulate remuneration policy,
- The ensuring of proper and independent valuation,
- Delegation of duties and supervision of third parties,
- Requirements in terms of organisation to ensure the independence of some key functions (segregation of duties to avoid conflict of interest in several fields),
- Implementation of risk and liquidity management,
- Appointment of a single depositary with details on its duties and responsibilities.

Just to highlight some of the many questions which caused and are still causing some headache for the asset managers as well as for the depository banks.

"Valuation" has been defined as a new function and is being regulated as a separate process from the net asset value calculation. Despite the fact that the two processes are tightly linked, the regulators distinguish between the two. This made for the biggest debate in the market as it raised several operational as well as legal questions.

The valuation should be done by one of the following:

- an External Valuer;
- the AIF depositary, if the valuation function is separated from the depositary function;
- the AIFM itself if the valuation function is functionally and hierarchically separated from the operating units.

After several discussions, it was outlined in the market that valuation must be done for all assets and any downloading of prices, which are used later for the net asset value calculation, is considered by the law as "valuation". Thus most custodian banks and asset managers had to completely change their daily processes and adopt the new requirements within a very short time.

AIFMs should appoint a single Depository, which is an additional guarantee for Investors in the process chain as they are required to

- monitor all significant AIF cash flows;
- keep AIF assets safe with an obligation to return financial instruments held in custody;
- have proper processes for due diligence and monitoring of its sub-custodians and prime brokers;
- ensure ownership verification and record keeping;
- oversee (control and audit) AIFM responsibility in terms of subscription/redemption, valuation of shares/units, AIFM's instructions, timely settlement of transactions, and income distribution.

As we have done for our cross border clients, we have been restructuring our accounts at our agents to guarantee segregation and revisiting documentation to ensure that it is AIFMD compatible. We have also been working with our global network team to establish that the right standard of due diligence is undertaken on our sub-custodians and the infrastructures they use.

The Depositories have also been assigned a new oversight duty which completely changes the risk profile of the depositaries. There is no doubt that depositories will further add value in terms of investor protection and ensuring compliance with regulatory obligations.

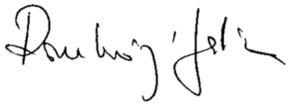
The depositary shall devise appropriate oversight procedures based on the AIF risk assessment. This risk assessment should take into account the nature, scale, and strategy of the AIF and the AIFM's organisation.

This is a very challenging and new task for all depositories as this was not in the scope of their traditional function and people working at the depository were not trained, nor professionally prepared to make a full assessment and audit of the AIFM's activity. Thus, depositories will need to focus on developing cost-efficient automated solutions while additional expertise and resources may also be required to fulfil all of their obligations.

All these provisions significantly increase the importance of the depositary's role.

We at UniCredit are confident that our expertise as well as our substantial long-standing experience in the depository services can bring value to our customers and our teams - both legal and professional - and assist all of our clients in meeting regulatory challenges in this rapidly changing environment.

Yours sincerely,



Julia Romhányi
Head of GSS Hungary
Regional Head

JOHN'S CORNER

JOHN GUBERT ON NECESSARY CHANGES TO THE SECURITIES VALUE CHAIN

As we approached SIBOS, I considered the announcements I would ideally like to hear from the market in Boston and the rationale for that choice. I started with the principle that we need to do much more to ensure that risk is reduced across the entire securities services value chain and that the residual risk is carried by the right parties.

It is no surprise that I started with the challenges facing us on the regulatory front. After all, this has, according to some recent surveys, rather worryingly, supplanted client service as the key preoccupation of senior management. I would be the first to admit that the relatively lax regulation of the latter part of the twentieth century has proven to be inadequate by the events of subsequent years. Much has been done since then and that has resulted in a material reduction in the risk profile of the financial sector. So where would I wish to see an announcement further strengthening regulation and where would I prefer to see a relaxation? On the strengthening side, I would like to see less opaqueness and more clarity around our different obligations, for we all still struggle to understand fully the scope of our liability in the current market place. On the relaxation side, I would like to see the regulators reducing the volume of information provided and required, thereby recognising, as some already do, that regulation is too complex; and its complexity creates risk.

One area for more regulation should be in the communication flows between issuers and their investors. Under my remit as Chairman of the International Securities Markets Advisory Group, I have been involved in work to standardise such flows. The International Securities Services Association, whose members include our Group, has also done some meaningful work in this area, especially on corporate actions. One can identify around one hundred or so data elements that are used in communications for the bulk of corporate announcements. It should be mandatory for companies to attach to each prospectus such data to enable prompt distribution of that information to their end investors. A further attachment should include a check list of all information and documentation required by the company to enable investors to participate in a voluntary corporate action. Having discussed the issue informally with several of the "magic circle" law firms, I am astounded how vehemently some of them feel that such attachments would be too high risk as it would require them to interpret and condense the complex language of those prospectuses and offer documents they have so carefully crafted.

On the markets side, I would really like regulators to do more to ensure prompt settlement. My key area of concern lies in the trade through to settlement confirmation process. Although there are highly effective trade confirmation vehicles, such as OMGEO or SWIFT Accord, they are usually used as the first step in the process (namely between trading counterparts) and, illogically, not through to the settlement confirmation phase. It is true that some matching engines have the ability to match on down the chain, but risk and other considerations are a barrier to such logical flows. We need action to rid ourselves of telephone matching and late matching, especially as we tighten settlement periods. A capital hit for late settlements would be one option, as would performance guidelines for the timeliness of communication flows between the trade and final settlement.

I would also advocate changes in the structure of the regulatory process. The most complex issue in the market is the power of regulators. In reality, they can be prosecutor, judge, jury and legislator at the same time. The oversight of regulators is highly political with an emphasis on protection of the public purse rather than equitable treatment of the regulated. This is understandable, given the size of financial institutions and the cost to the public purse of the last crisis as well as the negative affect that crisis had on the wider economy. But we do need to revisit the quantum of regulation that we face. A few decades ago, regulators worked more on defining the principles of conduct and protecting investors through their powers of persuasion. These days the world is much more legalistic and each infringement of the ever more complex paraphernalia of regulation is met with legal advice and counsel's opinions. We need to consider how we can move away from this dangerous environment into one that allows regulators more discretion. Perhaps there is a need for regulators to create truly independent appeal processes for the actions they take and where there is a dispute. There needs to be a culture change by

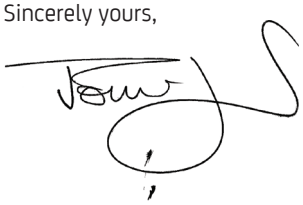
all. The danger of the status quo is that it will lead to product and service exclusion for a growing proportion of the client population. They will then be driven into the shadow banking sector, which, it has to be recognised, includes undesirable, as well as valuable, service propositions.

I looked again at the statistics available and they are frightening. Compliance and regulatory management costs at financial institutions are growing annually at a rate of 15-25% per annum. Total fines and penalties to date by US regulators are estimated at USD 100-150 billion. In the UK, fines and penalties are estimated at USD 50-60 billion. This is frightening and points to an imperative, despite the political pressures, to bring some new thinking into this area.

And this brings me back to the volume of regulation. Dodd Frank, without the associated rule books being produced by the different regulatory bodies, would apparently take the average person on a forty hour week, around one month to read. AIFMD and UCITS regulations are somewhat briefer and simpler. But there is still substantial debate as to the true meaning of certain clauses and their impact on intermediary or supplier liability. Few can claim to be certain of the adequacy of their due diligence processes. There is a lack of clarity as to the scope of actions that will be deemed beyond the control of a party and thus not covered in the asset restitution requirements. And, although delegation versus non delegation is understood in principle, ambiguity remains around the product scope of the exemptions and the impact on investor versus issuer CSDs. Case studies and greater clarity are needed as there is a risk that the right controls are not put in place or the right prices are not charged for the risks incurred.

The reality is that inadvertent breach of regulation is becoming an ever greater risk due to the governance structure, complexity, and scale of regulation. The truth is that there are still major fault lines in the securities transaction life cycle and a risk, as we operate more globally, across more instrument classes and under more complex fund structures, that securities administration standards are again lagging behind the needs of the user community.

Sincerely yours,



John Gubert
Chairman
Global Securities Services
Executive Committee

John Gubert also appears on blog.globalcustodian.com

AUSTRIA

Market Capitalisation	EUR 84.27 bn
YTD Dev. of Market Capitalisation	-1.3%
Number of SE Transactions p.m.	N/A
YTD Dev. of SE Transactions	N/A
SE Turnover (Vienna SE)	EUR 2.1 bn
Monthly Index Performance (ATX/VSE)	-0.4%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Geopolitical uncertainty levels the economic outlook down

Following a weak first six months, the economic recovery continues to find it difficult to get out of the starting blocks as we head out of summer. The growing uncertainty fuelled by the Russia/Ukraine crisis was reflected in another decline for UniCredit Bank Austria's Business Indicator in August. According to the Bank's chief economist, Stefan Bruckbauer, the burgeoning Russia/Ukraine conflict has darkened the mood of Austrian consumers, as expected. By contrast, Austrian producers have even become somewhat more confident. This partly reveals a correction of the exaggerated fears from the previous month, but also the fact that aside from sometimes significant burdens for individual companies, the macroeconomic effect of a disruption in trade with Russia and Ukraine would be manageable. However, the figures from abroad are less encouraging on the whole because industry confidence has deteriorated in the key European sales markets for Austrian companies, such as Germany, Italy and France.

In light of the very moderate pace of recovery in the Austrian economy over the first six months and the continued lack of stimulus for a noticeable brightening of the economic climate, UniCredit Bank Austria's economists have lowered their growth forecast for 2014 to 0.6%. The reasons for the adjustment of the growth outlook lie principally in the weaker development of global trade. After a fairly dynamic start to the year, export growth has evidently slowed. The prospects for foreign trade are now gloomier, not just because of the moderate growth in many emerging countries but also due to the recent heightening of geopolitical tensions. And this all at a time when domestic demand was showing some initial encouraging signs. Private consumption was rising and investment activity had clearly picked up at the start of the year. The pent-up demand for capital goods, propped up by positive earnings figures from the corporate sector, seemed to dissipate. Both the weaker demand from abroad and the restrained mood will put the brakes on domestic economic activity in the second half of the year.

Until the end of the year the economists are only expecting growth rates of 0.2 to 0.3% compared to the previous quarter. Their expectations regarding the pace of investments in particular have been scaled back. Moreover, while they assume that the recent weakening of the euro was supportive, it can only mitigate the losses in export growth caused by the slower demand primarily from emerging markets. This means that the Austrian economy will continue its steady recovery in the second half of the year, but there will be no acceleration in the growth rate. After GDP rose by 0.3% yoy in the first six months of 2014, economic growth is set to remain well below the one-percent mark in the second half of the year too. The economic climate is expected to start clearing up in late 2014 / early 2015. This should induce a gradual recovery for exports and investments that will slowly take root in the course of the following year. In the latter part of the year it will also boost the momentum of private consumption somewhat. Under these circumstances, economic growth of 1.6% is achievable for 2015. That said, there is a significant downside risk in the form of geopolitical tensions caused by the latest increase in sanctions against Russia and the situation in the Middle East.

The more moderate growth outlook will have no impact on the development of inflation in Austria over the coming months according to economists at UniCredit Bank Austria. During the first seven months of the year, inflation averaged out at just 1.7% yoy. Until the end of 2014, inflation will continue to exhibit fairly stable figures of less than 2% because the repercussions of the weaker euro will largely be compensated for by the consequences of more subdued growth in demand. Totaling an annual average of 1.7%, Austrian inflation is expected to come in considerably lower in 2014, sometimes markedly so, than in the last four years.

Impact on investors

For information purposes only.

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BOSNIA AND HERZEGOVINA

Market Capitalisation (Sarajevo SE)	BAM 4.4 bn
YTD Dev. of Market Capitalisation	-6.4%
Number of SE Transactions p.m.	523
YTD Dev. of SE Transactions	-30.0%
SE Turnover (SASE)	BAM 26.6 mn
Monthly Index Performance (SASX-10/SASE)	-1.0%
Market Capitalisation (Banja Luka SE)	BAM 4.3 bn
YTD Dev. of Market Capitalisation	4.7%
Number of SE Transactions p.m.	1,690
YTD Dev. of SE Transactions	-37.1%
SE Turnover (BLSE)	56.6
Monthly Index Performance (BIRS/BLSE)	BAM -5.7% mn
Upcoming Holidays	–

Source: UniCredit, National Statistics

Bosnia and Herzegovina semi-annual market statistics

In the first half of 2014, the Sarajevo Stock Exchange reported growth in its indicators, which is a result of efforts to increase trading volume of all market instruments, activities aimed at better securities offerings, transparency, and cooperation with issuers.

A total turnover of BAM 300,828,434 was recorded in the first six months of 2014, which is an increase of almost 200% compared to the same period last year, when the total turnover amounted to BAM 101,358,525.

During the first six months of 2014, an amount of 27,747,146 securities were traded in 3,946 transactions, while in the same period last year during 4,900 transactions 18,290,995 securities were traded, which is an increase of 51.7% in the volume of traded securities.

On the official companies market, the total turnover amounted to BAM 4,372,317 which is 8.04% of the total SASE turnover, with 468,240 shares traded. The total turnover in the same period of last year amounted to BAM 16,117,986.

The total turnover in the first six months of 2014 on the investment funds market amounted to BAM 10,846,767 or 19.95% of the total SASE turnover. A total of 2,831,556 shares were traded. The total turnover in the same period of last year was BAM 4,892,490.

In the quotation of bonds, the total turnover amounted to BAM 13,304,340 or 24.47% of the total recorded turnover. The total turnover in this market in the first six months of last year amounted to BAM 9,063,450.

Turnover on the Primary Free Market came to BAM 17,591,369 or 32.36% of the total turnover of SASE. Total turnover in the same period of 2013 was BAM 20,888,394.

Turnover on the Secondary Free Market amounted to BAM 7,454,172 or 13.71% of the total SASE turnover. Total turnover in the first six months of 2013 amounted to BAM 9,861,449.On the Tertiary Free Market the turnover amounted to BAM 607,211.

In the first six month of 2014 on the Sarajevo Stock Exchange, 57 OTC transactions were reported with the total value of BAM 78,466,756.

The SASE Investment Funds Index BIFX decreased by 9.41%. The value of the main SASE index, SASX-10, decreased by 6.99% and the value of the SASX-30 index decreased by 1.01%.

The total turnover in the first six months of 2014 on the Banja Luka Stock Exchange (BLSE) came to BAM 256,743,086, which is an increase of 21.7% compared to the same period of previous year, when total turnover was BAM 200,872,716. A total of 9,143 transactions were registered.

The total turnover in trading with ordinary shares amounted to BAM 16,279,241 which is 6.34% of total BLSE turnover. The turnover in the first six months of 2013 amounted to BAM 19,201,252 or 9.56% of the total turnover.

The total turnover in trading with bonds amounted to BAM 17,024,856 or 6.63% of the total turnover. In the same period of the previous year, the total turnover with bonds amounted to BAM 39,923,341.

The value of ordinary trading with T-bills amounted to BAM 5,440,960. Block Trading amounted to BAM 3,970,414.A turnover of BAM 2,200,111 was recorded through auctions of packages of shares.

Within public offerings of shares, the total turnover amounted to BAM 3,048,500. Within public offerings of bonds, the total turnover amounted to BAM 105,420,000, which comprises 41.06% of the total BLSE turnover.

The total turnover registered through public offerings of T-Bills amounted to BAM 103,078,890 or 40.15% of the total turnover on BLSE. In the same period of the previous year, the total turnover through public offerings of T-Bills amounted to BAM 117,934,630.

The BLSE main index, BIFX, decreased by 8.07 %, the Investment Funds index, FIRS, decreased by 2.41%, the Energetic Sector Index, ERS10, by 6.39%, and the Index of the Republic of Srpska Bonds, ORS, by 0.79% compared to the previous month.

Impact on investors

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BULGARIA

Market Capitalisation	BGN 10.43 bn
YTD Dev. of Market Capitalisation	-3.6%
Number of SE Transactions p.m.	9,120
YTD Dev. of SE Transactions	-72.9%
SE Turnover (Bulgarian Stock Exchange)	BGN 115.97 mn
Monthly Index Performance (SOFIX)	1.60%
Upcoming Holidays	

Source: UniCredit, National Statistics

Local legislation to adopt Directive 2013/14/EU

The Bulgarian Financial Supervision Commission (FSC) has announced draft amendments to several pieces of legislation in order to implement Directive 2013/14/EU of the European Parliament and of the Council of 21 May 2013 (Directive 2013/14/EU). Among others, the amendments include:

In the act regarding the activities of collective investment schemes and other undertakings for collective investments:

- Asset managers of both UCITSs and AIFs to not solely or mechanistically rely on credit ratings issued by EU-approved credit ratings, but to monitor and analyse all relevant information in assessing the credit quality of investments.
- The FSC will be authorised to mitigate the impact of relying solely and mechanistically on such credit ratings.

In the social insurance code:

- Supplementary compulsory pension funds shall have explicit written investment policies which are to be reviewed at least every 3 years and upon each significant change, as well as internal risk rules incorporating enhanced requirements for risk management in accordance with the respective fund's investment policy including requirements for the companies to not solely and mechanistically rely on credit ratings, rather to make their own credit analysis of investments.
- The FSC will be authorised to mitigate the impact of relying solely and mechanistically on such credit ratings.

In the Public Offering of Securities Act:

- Certain types of public companies (e.g. electricity providers) shall be entitled to make deals when required by their specific regulations even if such deals have not been approved by the general meeting of shareholders. Information about such deals shall be disclosed to the public and the FSC.

In the act on special investment purpose companies:

- Special investment purpose companies (SIPC) shall make all their payments via their depository banks.
- FSC will be authorised to revoke a SIPC's license (i) when the SIPC has not provided required information for its activities or has provided incomplete, unclear, or contradictory information aiming to bar the control exercised by FSC, or (ii) when the SIPC has not performed its activities for more than 6 months.

The amendments shall enter into force as of 21 December 2014.

Impact on investors

The amendments will further align local legislation with EU standards and practices related to risk assessment and management for different types of investment funds.

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CROATIA

Market Capitalisation	HRK 202.57 bn
YTD Dev. of Market Capitalisation	10.2%
Number of SE Transactions p.m.	13,819
YTD Dev. of SE Transactions	-32.6%
SE Turnover (Zagreb SE)	HRK 227.10 mn
Monthly Index Performance (Crobex/ZSE)	2.0%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Croatia's industrial activity rebounds

Croatia's industrial production jumped by 1.4% in July compared to July 2013, marking a rebound in industrial output after it slid by 1.7% in June y-o-y.

The June decline disrupted a trend of continued increase in the first five months of 2014, which was the longest period of rising industrial production since the outbreak of the financial crisis.

Croatia's industrial output increased 0.8% in the first seven months compared to the corresponding period of 2013.

Impact on investors

For information purposes only.

Croatian exports up 11.7% in the first 7 months

The export of goods continued to grow in the first seven months of 2014, increasing 11.7% or close to HRK 4.7 billion compared to the same period of 2013.

In the January-July period, Croatia exported goods worth HRK 44.76 billion, 11.7% or 4.695 billion more than in the same period of 2013. At the same time, the value of imports reached HRK 75.84 billion, 3.9% or 2.9 billion more than in the first seven months of last year.

The foreign trade deficit at the end of July totalled HRK 31.08 billion, down 5.4% or HRK 1.7 billion from the same period of last year. The export-import coverage rate during the said period was 59%, 4.1 percentage points more than in the same period of last year.

Croatia's export of goods to EU countries in the first seven months totalled HRK 28.7 billion, up 14.6% from the same period of last year. Imports from EU countries increased 4.8% to HRK 56.6 billion.

Impact on investors

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CZECH REPUBLIC

Market Capitalisation	CZK 1.1 trn
YTD Dev. of Market Capitalisation	-1.5%
Number of SE Transactions p.m.	n.a
YTD Dev. of SE Transactions	n.a
SE Turnover (Prague SE)	CZK 35.8 bn
Monthly Index Performance (PX)	2.44%
Upcoming Holidays	28 October

Source: UniCredit, National Statistics

CDCP to implement SWIFT communication

The Central Securities Depository of Prague (CDCP) announced that it will implement a new messaging standard with the aim to speed-up communication between the CSD and its participants. SWIFT ISO15022 messaging will complement the existing method of communication through the data interface. The implementation of the new standard will take place in several phases during the first half of 2015. During the first phase, CDCP will implement MT540 and MT542, free of payment transactions for CDCPs communications, with Clearstream. Subsequent phases will implement MT541, MT543, MT578, MT599 and other SWIFT information services.

Impact on investors

Communication between the CSD and its participants will be sped up.

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HUNGARY

Market Capitalisation	HUF 18,566 bn
YTD Dev. of Market Capitalisation	4.58%
Number of SE Transactions p.m.	103,570 prompt market: 92,955 derivatives: 10,615
YTD Dev. of SE Transactions	-7.0%
SE Turnover (Budapest SE)	HUF 282,089 mn prompt market: HUF 133,827 mn derivatives: HUF 148,262 mn)
Monthly Index Performance (BUX)	0.45%
Upcoming Holidays	–

Source: UniCredit, National Statistics

New composition of BUX, BUMIX and CETOP20 index baskets

In line with resolutions number 412/2014 and 413/2014 of the Budapest Stock Exchange, the new composition of the BUX and BUMIX indices and the CETOP20 has been announced.

No new shares were added to or taken from the BUX basket, thus effective 22 September 2014 the new BUX index will contain the following 14 equities: ANY Biztonsági Nyomda, Appeninn, Business Telecom, CIG Pannónia, Danubius, FHB, Magyar Telekom, MOL, OTP Bank, PannErgy, RÁBA, Richter Gedeon, Synergon, and TVK.

The BUMIX basket has been changed as the shares of ENEFI were newly added to it and at the same time the shares of Plotinus were removed as the latter did not meet the criteria for being listed in the basket for the second time. Therefore, effective 22 September 2014 the new BUMIX index will contain the following 15 equities: ANY Biztonsági Nyomda, Appeninn, Business Telecom, CIG Pannónia, Danubius, ÉMÁSZ, ENEFI, FHB, Graphisoft Park SE, OPIMUS, PannErgy, RÁBA, Synergon, TVK, and Zwack Unicum.

The composition of the CETOP20 index remained the same, thus effective 22 September 2014 the new CETOP20 basket will contain the following 20 share series:

Bank Pekao, Bank Zachodni WBK, CEZ, Erste Bank, HT, KGHM, Komercni Banka, Krka, MOL, MTelekom, OTP, PGE, Philip Morris, PKN Orlen, PKO BP, PZU, Richter Gedeon, O2 C.R., Unipetrol, and VIG.

Impact on investors

For information purposes only.

Increased turnover on the Budapest Stock Exchange

During the month of August, the average daily turnover of the Budapest Stock Exchange (BSE) was HUF 6.4 billion in the equities section, which was 24% more than July turnover. The total turnover of the spot market was above HUF 133 billion of which the turnover in equities was almost HUF 129 billion. In regards to the certificates a 5.5% increase in the turnover was also experienced in comparison to the previous month. Among the derivative products the index and equity based instruments show a slight rise in their turnover, which amounted to HUF 73 billion creating a 6.3% increase over July's figure.

Impact on investors

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Results of actions taken by KELER in relation to its Customer Satisfaction Survey

In 2013, KELER Group conducted a Customer Satisfaction Survey within a wide range of its clientele including capital and gas market customers. Analysing the results of the survey, KELER has identified the following five areas where changes and/or improvements were expected:

- Up-to date technology
- User friendly IT systems
- User friendly webpages
- Improvement of bilingual (Hungarian and English) communication
- Feedback to clients expectations/needs

In order to achieve the expectations raised by the clients via the survey, the majority of the improvements and changes have been incorporated into ongoing projects of KELER, mainly the "System and KID Modernisation Project". System Replacement at KELER.

In 2012, KELER launched its System Modernisation Programme (SMP) with the aim of replacing its almost 20 year old account management system and ensuring that the new application becomes fully compliant with the Target2Sercurities (T2S) functionalities by September 2016 when KELER is set to join T2S. In the first phase of the implementation plan KELER selected the respective service provider, Tata Consultancy Services. During the preparation of system specification it was important to develop and introduce value-added services that meet the expectations of the customers as well. Thus, among others, the following needs raised by the clients have been incorporated into the specifications of the new system:

optimisation of reports via KID, user friendly invoicing system, introduction of market reference number (matching reference), handling of turnaround trades, standardisation of corporate action management, optimisation of the share holder registry services, restructuring of securities lending, etc.KID modernisation project

In September 2014, KELER completed the modernisation of its client communication interface, KID, which directly connects clients to KELER's systems. KID has become a modern easy to use application thanks to the KID Modernisation Project; the new version of the platform can provide support to users in performing daily operative tasks. During the whole project, KELER was working closely with the users in consultation with their own and their clients' needs. As a response to the results of the survey these items were incorporated into this project: bilingual messages, cancellation of duplicated remote transactions, archiving instructions, and the introduction of a data sorting function.

This project has ensured the continuous development of KELER's services in line with regulatory changes and market practices.

Replacement of KELER and KELER CCP webpages
In response to the clients' feedback, KELER Group will be replacing its current webpages with a more user friendly and logically restructured one while keeping the current domains: www.keler.hu and www.kelerkszf.hu.

Impact on investors
Even if the investor is not a direct client of KELER Group, the enhancements and changes adopted by KELER in response to its direct client feedback and needs will result in a positive impact on the end-investors as well, as these developments will create a more investor friendly infrastructural environment in Hungary.

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POLAND

Market Capitalisation	PLN 641.0 bn
YTD Dev. of Market Capitalisation	8.6%
Number of SE Transactions p.m.	1,035.319
YTD Dev. of SE Transactions	3.3%
SE Turnover (WSE)	PLN 16.1 bn
Monthly Index Performance (WIG20)	4.1%
Monthly Index Performance (WIG)	3.7%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Commercial securities lending system at CSD

The Polish CSD (KDPW) in co-operation with the CCP (KDPW_CCP) is launching a commercial securities lending programme for KDPW participants effective 1 October 2014.

KDPW will be responsible for arranging securities lending transactions between lender and borrower and securities lending transaction settlement including cash clearing related to collateral. KDPW_CCP will clear securities lending transactions and handle collateral management including the maintenance of the guarantee system for the return of borrowed securities.

Entities allowed to borrow securities must be direct KDPW participants with clearing member status at KDPW_CCP or performing settlement agent status for other KDPW_CCP participants. Lenders of securities must also be direct KDPW participants and additionally they have to be KDPW_CCP clearing members or be represented at KDPW_CCP by another clearing member.

The following rules will apply with respect to commercial securities lending transactions at CSD:

- Only equities listed on the Warsaw Stock Exchange can be subject to securities lending transactions.
- Remuneration (expressed as percentage value of borrowed securities per annum), settlement date and length of the securities lending transaction (maximum 365 days) are negotiable between lender and borrower.
- KDPW_CCP guarantees the return of securities to lender and collateral to borrower.
- The lender and borrower will be anonymous through the whole life of the transaction.
- The borrower is obliged to compensate the lender for dividends (in gross amount) that have been paid for securities subject to the securities lending transaction.

Collateral for borrowed securities will have to be established by the borrower in the form of cash deposit only, which will be passed via KDPW to the lender. Collateral will have to be placed through the whole life of the securities lending transaction and it will be mark-to-market on a daily basis.

Participation in commercial securities lending is voluntary and requires a formal written declaration with the indication that a participant will conclude securities lending transactions as:

- a lender and/or borrower
- for its own account and/or its clients account

The implementation of commercial securities lending will provide a new tool available to KDPW participants, allowing them to improve securities liquidity on the KDPW level. The currently used automatic securities lending programme applies only to the transactions covered by the settlement guaranteed system (these are between CCP and broker) while the new one is driven by KDPW participant and can be used to cover OTC settlement as well.

Impact on investors

The commercial securities programme will be a new functionality available to KDPW participants to improve their securities liquidity.

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ROMANIA

Market Capitalisation	RON 131 bn
YTD Dev. of Market Capitalisation	20.3%
Number of SE Transactions p.m.	72,955
YTD Dev. of SE Transactions	17.97%
SE Turnover (Bucharest SE)	RON 868 mn
Monthly Index Performance (BET/BSE)	3.28%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Separation of trading from post trading systems

The Romanian Financial Supervisory Authority (FSA) approved 6 October 2014 to be the day when the changes to the Bucharest Stock Exchange Rulebook – Market Operator regarding the separation of trading system and post-trading will come into force.

Implementing the system segregation decided on and approved by the FSA, the Depozitarul Central Board of Directors decided to reconfirm the date of 6 October 2014 as the date of implementation of the T+2 settlement cycle on the Romanian capital market. The migration to the T+2 settlement cycle will enter into force only after approval of the amendments on the Depozitarul Central's Code of Rules by the Financial Supervisory Authority and the National Bank of Romania.

Impact on investors

For information purposes only.

BVB to reduce trading fees

The Bucharest Stock Exchange (BVB) has announced that it will reduce trading fees for the Regulated market, the Rasdaq market, the ATS, and the unlisted segment. The new trading fees, a sum of BVB and FSA fees, will be 0.1% (10 bps), charged on both the buy and sell sides to all participants excluding the fees for the Market Makers, which are lower. The reduction of trading fees have come into effect on 1 October 2014.

The standard trading fees to be applied to participants for shares, rights, fund units (Regular and Odd Lot, Rasdaq, ATS, Unlisted) on the buy side will decrease to 0.04% of the transaction value (some 11% lower than the actual level) and the fee on the sell side will decrease by almost 15%, from 0.117% to 0.1%. The trading fees applied to the deal type markets remain unchanged.

The 0.1% total trading fee (FSA fee: 0.06% and BVB fee: 0.04%) on the buy side will be 20% below the actual one, while the sell side (only BVB fee) will be approximately be 15% lower than the present one. Fees applied to the Odd Lot market will be identical to those applied to the main market.

This BVB decision is designed to encourage trading activity on the stock exchange and it will contribute to the development of the local capital market. This BVB initiative follows the Financial Supervisory Authority's decisions to reduce trading fees charged on the buy side of a trade.

Impact on investors

Starting on 1 October 2014, the trading fees of the Bucharest Stock Exchange have decreased.

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RUSSIA

Market Capitalisation	RUB 24.06 trn
YTD Dev. of Market Capitalisation	1.52%
Number of SE Transactions p.m. (MICEX)	7,122,853
YTD Dev. of SE Transactions	-17.0%
SE Turnover (MICEX)	RUB 14.78 trn
Monthly Index Performance (MICEX)	2.5%
Upcoming Holidays	–

Source: UniCredit, National Statistics

JSC directors get access to full corporate structure

The Ministry of Economy of the Russian Federation has worked out the amendments to current legislation which oblige joint-stock companies (JSCs) to provide board of directors (BOD) members with all available information about the activities of JSC subsidiaries.

The provisions of the draft law stipulate the following obligations and rights of BOD and JSC:

- A member of BOD can request accounting and other information in the same volume, in which subsidiary has.
- The deadline for documents submission by JSC is up to seven days.
- A JSC may be imposed a fine of RUR 700,000 for failure to provide requested information.
- A member of BOD may be required to sign a non-disclosure of confidential information agreement.
- A member of BOD can inspect JSC documents only in the office of the executive body of JSC.

The amendments are intended to improve the transparency of the JSCs, due to the fact that Russian large holdings (both private and public) often delegate general operations to their subsidiaries: getting loans and credits and investment projects realisation, while a head JSC performs only administrative functions.

Impact on investors

The amendments to the law will increase the transparency of Russian large holding companies and better protect shareholders' rights.

Law on taxation of controlled foreign companies is elaborated

On 2 September 2014, the elaborated version of a draft law which amends the Tax Code of Russia pertaining to the taxation of controlled foreign companies, in the frame of deoffshorisation reform, was published on the official MinFin website. The law is planned to be adopted in September – November 2014, accompanied by the main provisions coming into force in 2015, and a number of amendments - in 2017, 2018 and 2019.

The elaborated law contains a number of benefits for the transition period, but still sets strict requirements for the taxation and disclosure processes of controlled foreign companies:

- To benefit from DTT, the foreign company should have a Tax Certificate along with proof that the entity is the beneficial owner of income and not the transit recipient.
- CFC rules apply to companies in all jurisdictions, and not only to offshore companies.
- Companies from jurisdictions with an effective tax rate of more than 15% do not fall under CFC rules.
- A 20% tax rate on income is established for legal entities, and 13% - for individuals.
- CFC profit is calculated in accordance with Russian tax rules;
- Foreign companies, on which Russian real estate is registered, are obligated to disclose their participants and beneficiaries; penalty - 100% of property tax amount may be applied.
- Foreign companies which are formally controlled from Russia, can be considered as Russian tax residents.
- Offshore sale of Russian real estate through transactions with shares are subject to Russian tax, unless the holding period was more than 5 years.
- If a company liquidates its offshore and other foreign daughter companies by 2019, income tax on the resale profit on delivery assets of liquidated companies will not be applied.

Impact on investors

The legislative amendments are geared towards the "deoffshorisation" of the Russian economy, which main objective is the reduction of capital outflow from Russia and the stop of usage of offshore tax evasion schemes.

CBR determinates 19 systemically important banks

The Central Bank of the Russian Federation (CBR) has defined the number of systemically important banks for the market at the level of 19 financial institutions, instead of 50, which was announced at the beginning of the year.

This considerable reduction in number occurred due to recent CBR clarification of systemically important status assignment criteria to the banks.

In addition, during the International Banking Forum in Sochi, the CBR Deputy Chairman Mikhail Sukhov reported that 19 banks, which form about 70% of all Russian banking assets, will be put under the CBR's Department of Systemically Important Banks supervision through the end of September 2014. Also he noted that the said banks should meet requirements for capital buffers and have a recovery plan of its own activities in critical situations.

Impact on investors

The introduction of national criteria for systemically important banks is a part of the banking system's transition to Basel III standards.

Moscow Exchange news

On 4 September, shares of Moscow Exchange were included in the Financial Times Stock Exchange Emerging Market index as a result of the FTSE Global Equity Index Semi-Annual Review. FTSE Emerging Market indices are part of the FTSE Global Equity Index Series and include approximately 1,600 Large, Mid, and Small cap securities listed in Advanced Emerging and Secondary Emerging countries. The MOEX shares inclusion confirms Moscow exchange compliance with liquidity and capitalisation requirements of FTSE Emerging Market index rules. All changes to the index will take effect after 19 September 2014.

Moreover, the new version of the listing rules of the Moscow Exchange came into force on 15 September with the exception of provisions concerning exchange bonds programmes, their effective date will be announced subsequently. The renewed listing rules introduce the following innovations:

- Foreign securities could be admitted to public circulation by a decision of exchange.
- Securities of the foreign issuers are included in the MOEX Third listing list.
- Introduction of new listing procedure - assignment of identification number to the programme of exchange bonds.
- Exchange bonds could be admitted for listing on exchange in the framework of the programme of exchange bonds.

As of 16 September the new product, trading in futures contracts on the Russian Federation Eurobonds maturing in 2030 (Russia - 2030), is available for a wide range of investors including commercial banks, portfolio managers, and private investors in the derivatives market of the Moscow Exchange. The future contract may be also considered as credit risk - the analogue of the credit default swap on Russia denominated in US dollars. The approximate volume of the highly liquid market of the sovereign and corporate Eurobond of the Russian Federation is estimated at USD 230 billion.

Impact on investors

New MOEX products and developments will allow an increase in the investment possibilities for investors in Russian and cross-border securities markets.

Russian tax authorities request tax data from low-tax jurisdictions

The government has developed a standard agreement on the exchange of information on tax matters, which is in the possession of financial institutions and persons acting as agent, nominee, or trustee holders, with offshore countries.

According to a draft of the agreement, Russian tax authorities may request data about taxpayers of low-tax jurisdictions, including the whole chains of beneficial owners of the company, even in the absence of a DTT agreement with a particular country.

The standard agreement has been elaborated in the frame of the OECD Convention on Mutual Administrative Assistance in Tax Affairs, signed in 2011, which allows its members to exchange data on their taxpayers. The Convention was signed by 64 countries, including the USA, the European Union countries (including Luxembourg, the Netherlands and Ireland), and Switzerland. The UK extended the Convention to dependent territories, including the Cayman Islands and the British Virgin Islands, Guernsey, Jersey, and Isle of Man in 2014.

Impact on investors

Transparency of financial flows between the Russian tax authorities and offshore jurisdictions will be increased.

New version of corporate law rules comes into force

On 1 September 2014, amendments to the Civil Code of the Russian Federation regarding legal status, corporate relations and activities of legal entities, in particular, joint stock companies (JSCs) and limited liability companies (LLCs) came into force.

The law provisions perceptibly change the legal framework of every stage and aspect of the functions of a Russian legal entity, from registration to liquidation:

- Legal entities are divided into public and non-public companies:
  - A public company is a joint stock company which meets the following criteria:
    - i) entity shares (or securities convertible into company shares) are publicly placed by public subscription or publicly traded;
    - ii) entity charter and corporate name reference the fact that the company is public.
  - A company is deemed to be a non-publicentity, including JSCs and LLCs, unless the above two requirements are met.
- Resolutions of shareholders general meetings and the shareholders list presented at a GM must be confirmed by a registrar or counting commission, or in the case of a non-public company, a notary public. The requirement does not apply to a JSC with a single shareholder.
- All JSCs are required to pass through an annual audit conducted by an independent auditor to verify and confirm their annual accounting (financial) statements.
- Several persons (CEOs) are entitled to act on behalf of the company (both non-public and public) without a power of attorney. If the CEOs act jointly, one CEO has the ability to veto the transaction.
- Non-public companies have broad rights in terms of internal governance:
  - List of GM issues is partly extended by BOD issues, while certain GM issues are assigned to the lists of BOD and CEO issues.
  - The structure of management bodies and their competence can be determined by the company.
  - A disproportionate volume of the powers of the shareholders may be established.
  - Shareholders may exclude a shareholder, whose actions cause significant damage to the company, in court.
- Shareholders have the right to act on behalf of the company to challenge major transactions, related party transactions, as well as in the event of a compensation claim for damages caused to the company.
- The charter may be supplemented by other provisions of the shareholders rights and obligations.

Legal entities established prior to 1 September 2014 should bring their statutory documents and official names in compliance with the Civil Code at the first change in the statutory documents of such legal entities.

Impact on investors

The law amends the legal statuses of Russian companies as well as introduces significant changes in the rights and responsibilities of shareholders and legal entities.

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SERBIA

Market Capitalisation	RSD 755.2 bn
YTD Dev. of Market Capitalisation	-2.8%
Number of SE Transactions p.m.	19,772
YTD Dev. of SE Transactions	-6.9%
SE Turnover (Belgrade SE)	RSD 2.10 bn
Monthly Index Performance (Belex 15)	4.8%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Year-on-year inflation dropped to 1.5% in August

According to data from the Statistical Office of the Republic of Serbia, the consumer price index (CPI) in August fell to 0.2% month-on-month mainly as a result of the seasonal decline in prices of food, especially fresh vegetables, and lower prices for fixed telephony. The National Bank of Serbia (NBS) confirmed that year-on-year inflation in August declined to 1.5%. According to NBS' estimations, year-on-year inflation will remain below the lower limit of the target band in the coming months, with its gradual return toward the goal (4 ± 1.5%) by the end of 2014. This projection includes the expected increase in prices of electricity and other energy sources in the last quarter of this year.

Impact on investors

For information purposes only.

BELEXsentiment in positive territory for the first time in three months

According to the Belgrade Stock Exchange (BELEX), its investor confidence index, the BELEXsentiment, climbed to 112 points for September, from 99.54 points in August. August remained marked by exceptional growth of both indices on the BELEX. BELEX15 gained 5.46% and composite index BELEXline rose 4.3%, both reaching record highs for the past 12 months. Total turnover in August was much lower than in the previous two months. The largest turnover was recorded by NIS a.d. Novi Sad shares, with a slight increase in price of 0.33%. The highest price growth in the previous month was 16.48%, recorded by Aerodrom Nikola Tesla a.d. Beograd. A positive trend was registered by almost all the shares from the BELEX15 basket. For the second month in a row, Imlek a.d. Beograd had a great turnover, with growth rates of over 10%. In the banking sector, the biggest turnover was recorded by Cacanska Bana a.d. Cacak, with growth rates of over 25%.

Impact on investors

For information purposes only.

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SLOVAK REPUBLIC

Market Capitalisation	EUR 38.8 bn
YTD Dev. of Market Capitalisation	0.5%
Number of SE Transactions p.m.	496.0
YTD Dev. of SE Transactions	-4.4%
SE Turnover (Bratislava SE)	EUR 0.8 bn
Monthly Index Performance (SAX/BSSE)	-2.4%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Bratislava Stock Exchange trading results for August

In August 2014, the members of the Bratislava Stock Exchange (BSSE) used the electronic trading system during 20 business days. A total of 496 transactions were concluded in this period, in which 644,305,935 units of securities were traded and the achieved financial volume exceeded EUR 761.8 million. In comparison with the previous month this is an increase in the amount of traded securities (+106.27 %), an increase in the total financial volume (+101.51%), and a decrease in the number of concluded transactions (-4.43%). The number of transactions decreased by 35.58% on a year-on-year basis, whereas the amount of traded securities rose by 108.17% and the achieved financial volume grew by 115.14%. Similar to previous periods, August 2014 saw negotiated deals dominate over electronic order book transactions (i.e. price-setting deals), with the former accounting for 99.14% of the total trading volume. A total of 141 negotiated deals (in a volume of EUR 755.26 million) were concluded, as opposed to 355 electronic order book transactions (in a financial volume of EUR 6.54 million).

Investors last month continued to focus on debt securities, as bond transactions generated 99.89% of the achieved volume. A total of 343 bond transactions were concluded in the month under review, in which 644,271,040 units of securities changed hands and the financial volume exceeded EUR 760.87 million. The number of concluded transactions decreased against July 2014 (-12.28%), while the amount of traded securities and the achieved financial volume increased (+106.28% and +101.79%, respectively). Equity securities of local companies were bought and sold in 153 transactions, in which 34,895 share units were traded in a financial volume of EUR 0.92 million.

Transactions concluded by non-residents in August 2014 accounted for 86.18% of the total trading volume. Of that, the buy side represents 86.39% and the sell side 85.97%.

The SAX index ended the month of August 2014 at 206.30 points, representing a 2.36% decrease on a month-on-previous-month basis and a 1.93% increase year on year.

Impact on investors

For information purposes only.

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SLOVENIA

Market Capitalisation	EUR 21.913 bn
YTD Dev. of Market Capitalisation	26.58%
Number of SE Transactions p.m.	8,093
YTD Dev. of SE Transactions	45.56%
SE Turnover (Ljubljana SE)	EUR 88.468 mn
Monthly Index Performance (SBI TOP)	-6.30%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Favourable macroeconomic results in the first half year

According to the Institute of Macroeconomic Analysis and Development publication, "Slovenian Economic Mirror July/August 2014", in the first half of 2014, Slovenia showed signs of economic recovery with further growth in exports and construction investment related to EU funds.

Slovenia's GDP was up 2.9% year-on-year in the second quarter. The labour market situation improved slightly again in the second quarter. Having grown since the second half of 2013, the number of persons in employment increased by 0.5% in the second quarter (seasonally adjusted), coming to almost 1% higher year-on-year.

In July, the deleveraging of non-banking sectors eased slightly in comparison to June; in the first seven months, it was slightly lower than in the same period last year. In the first seven months of the year, the volume of loans to domestic non-banking sectors declined by around EUR 1 billion, which is around 15% less than in the same period last year. The decline was largely due to lower household and government repayments.

Banks continued to deleverage abroad and reduce their liabilities to the Eurosystem. The volume of household and government deposits is growing. According to the data of the consolidated balance, the deficit of the general government sector in the first six months of this year amounted to EUR 709.6 million, which is less than in the same period last year (EUR 1.2 million). The deterioration in the quality of banks' assets remains one of the main risks to the banking system.

Impact on investors

An increase in the GDP for a second quarter in a row and positive results in export are good signs that the Slovene economy is improving after a few years of recession.

Privatisation process in Slovenia

The new Slovene government, which is in a process of restructuring, will continue with the privatisation of 15 companies approved by the Slovene Parliament in 2013.

Aerodrom Ljubljana: Slovenian Sovereign Holding d.d. completed negotiations with Fraport from Germany and signed the agreement, in the name of all members of consortium, to sell 2,868,116 shares (75.5%) of the airport company Aerodrom Ljubljana to Fraport at a price EUR 61.75 per share. Fraport will issue a take-over bid offer to remaining shareholders of the airport after the execution of the transaction.

Agrokor Takeover: In a takeover bid, the Croatian company Agrokor acquired an additional 1,040,319 shares in Mercator. Thereby its share has increased from 53.12% to 80.75%. As a result its share of voting rights has increased from 53.73% to 81.67%.

Impact on investors

The privatisation process of 15 companies, approved by the Slovene parliament, will continue also after the establishment of a new government.

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UKRAINE

Market Capitalisation (UX)	UAH 224.9 bn
YTD Dev. of Market Capitalisation (UX)	53.8%
Number of SE Transactions p.m. (UX)	30,549
YTD Dev. of SE Transactions (UX)	15.7%
SE Turnover (UX)	UAH 0.8 bn
Monthly Index Performance (UX)	-10.7%

Source: UniCredit, National Statistics

NSSMSC to present draft programme on the development of the Ukrainian Stock Market

Market regulator, The National Securities and Stock Market Commission (NSSMC) plans to present a draft programme on the development of the Ukrainian stock market for 2015-2017.

According to the NSSMC, the important task for the coming years is the stimulation of investment inflows into the Ukrainian economy via the integration of the country's stock market into the global capital markets and the implementation of best European standards and practices, as well as principles recommended by the International Organization of Securities Commissions (IOSCO).

Taking this into account, the draft programme was drawn up in line with Western requirements and standards. Not only are the legislative and executive powers striving for these standards in the context of signing the Association Agreement with the European Union, but also the Ukrainian business environment.

The draft document, in particular, says that the role of the securities market in the processes of distributing financial resources, their accumulation for settling top-priority state tasks, strengthening of the financial state of organisations, and expanding their investment opportunities will be increased.

The regulator is also trying to create an integral and effective securities and financial institutions system, increase the capitalisation of the stock market, and expand the practice of attracting investment by means of financial tools. To achieve the above goals by 2017, the NSSMC will focus on the continuation of corporate reform, increasing the effectiveness of the regulation of issuers, and expanding the range of stock market tools.

The regulator also plans to improve the operation of market intermediaries, ensuring the reliable and effective functioning of the market infrastructure.

Impact on investors

Further steps taken in the development of the Ukrainian securities market.

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AZERBAIJAN · KYRGYSTAN

Azerbaijan

International Conference of the Association of Eurasian Central Securities Depositories

Early September, the XI International Conference of the Association of Eurasian Central Securities Depositories (AECSD) organised by the national Depository Centre (CJSC) of the Republic of Azerbaijan took place in Baku.

AECSD is the Central Securities Depositories Association of CIS countries, which main goals are the development and improvement of depository activities, the creation of a single depository area, and an integration of central securities depositories (CSD) of the CIS countries into the world system of securities transactions settlement.

The representatives of the CIS central securities depositories, the Central Depository of Turkey, the State Securities Committee of Azerbaijan, SWIFT, ROSSWIFT, Clearstream, and Thomas Murray successfully discussed the development of the securities services in the digital age.

Impact on investors

The annual conference of AECSD aims to develop the national financial market and integrate the CIS countries CSDs into the international securities settlements.

Kyrgystan

EBRD to develop the Kyrgyzstan financial market

Representatives of the European Bank for Reconstruction and Development (EBRD) announced that it will assist in the development of Kyrgyzstan's financial market and will help the government strengthen local domestic financing.

Furthermore, EBRD and the Kyrgyz government discussed the development of the insurance market, pension funds, development and supervision of the national financial market, the issues regarding corporate bonds, government securities, investment funds, etc.

The Bank plans to continue support of micro, small and medium enterprises as well as the development of important infrastructure projects.

Impact on investors

For information purposes only.

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MONGOLIA

Custodian Services Regulation approved by the Bank of Mongolia

The Bank of Mongolia and the Financial Regulatory Commission (FRC) jointly approved the Custodian Services Regulation.

The Regulation defines the determination of custody services, specifies the requirements for obtaining a custodian license, the operational requirements for custodian banks, etc.

The Regulation defines custody services as:

- securities ownership rights registration activities (Art. 42 of the Securities Markets Law);
- securities clearing activities (Art. 43 of the Securities Markets Law);
- securities trade settlement activities (Art. 44 of the Securities Markets Law);
- securities depository/custody operations (Art. 46 of the Securities Markets Law);
- other ancillary custody services common to future domestic or international industry standards that are not prohibited by the laws of Mongolia.

Securities custody operations include the following operations:

- safekeeping of financial instruments;
- operating accounts for account holders/beneficial owners;
- receiving the proceeds from sales of financial instruments, from corporate actions and transferring them to the appropriate accounts;
- carrying out corporate actions on behalf of the account holders;
- performing tax-related services;
- collecting and providing information to the clients.

In accordance with the document, custodian banks must meet various requirements:

- license from FRC;
- MNT 16 billion capital;
- expertise and staffing;
- relevant infrastructure (IT, Risk management etc.);
- capital adequacy and reserve for operational risks;
- settlement operations;
- reporting to clients and FRC.

The first licenses are planned to be received by custodian banks in the beginning of 2015.

Impact on investors

The Implementation of the Custodian Regulation is a new step towards the development of the Mongolian securities market.

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UZBEKISTAN

Regulation on quotas and procedure of securities circulation

At the end of August, the government of Uzbekistan approved a regulation on quotas and the procedure of admission of securities into circulation.

The regulation sets quotas and determines the procedure of admission to placement and circulation of securities issued by non-residents of Uzbekistan in its territory and securities issued by residents abroad. The procedure does not regulate cases of purchase of securities, issued by non-residents of Uzbekistan, by the government.

In accordance with the procedure, non-residents can place up to 25% of securities issue by placing Uzbekistan Depository Receipts (UDR). The Central Securities Depository can be an issuer of the UDR. The UDR should be registered with the state authority; they can be placed and circulated at the stock exchange without listing in line with the rules of the exchange.

Residents can place up to 25% of their securities at the exchanges abroad in line with the legislation of the foreign country where they are placed.

Impact on investors

The Regulation on quotas and procedure of securities circulation sets the relevant requirements of admission for placement and circulation of the securities, issued by residents and non-residents of Uzbekistan.

Draft law on investment and mutual funds under discussion

The Parliamentary Committee on Budget and Economic Reforms in cooperation with the State Committee of the Republic of Uzbekistan for Privatisation, Demonopolisation, and Development of Competition held a session to discuss the draft law on investment and mutual funds.

The draft law determines principles of organisation of investment and mutual funds, rights and liabilities of their participants, authorised state body for controlling activities of the funds etc.

Impact on investors

The draft law on investment and mutual funds is aimed to further develop the securities market in the Republic of Uzbekistan.

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