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I. EU-Ukraine Association Agreement

On November 1, 2014, the President of Ukraine, the European Council and the European Commission welcomed the launch of the provisional application of important parts of the EU-Ukraine Association Agreement. This step marks the new level of constructive cooperation between the partners which will facilitate the strengthening of Ukraine's economy in the near future.

II. Another Step to Bringing Judiciary in Ukraine in Line with European Standards of Law

The Higher Administrative Court of Ukraine, in its letter dated November 18, 2014, essentially approved the application of the practices of the European Court of Justice by Ukrainian administrative courts. Although the Higher Administrative Court of Ukraine stated that such practices are not a source of law as such for Ukrainian administrative courts, the approaches expressed by such forum may be taken into account by domestic courts as a line of reasoning, and are the basis for construing Ukrainian laws according to the conventional standards of the EU system of law.

III. Anti-Corruption Laws

In late October/early November the Ukrainian President signed a package of **five anti-corruption laws** which was passed by the Ukrainian Parliament on October 14, 2014:

- (i) Anti-Corruption Law;
- (ii) Law on System of Specially Authorized Anti-Corruption Agencies;
- (iii) Law on Prevention and Fighting Money Laundering, Financing of Terrorism and Spread of Weapons of Mass Destruction;
- (iv) Law on Amending Certain Normative Acts with respect to Ultimate Beneficiaries of Legal Entities and Public Persons; and
- (v) Law on Anti-Corruption Policy for 2014-17.

A brief summary of the laws is set forth below.

1. Anti-Corruption Law

- Legal framework for anti-corruption policy in Ukraine, preventive anti-corruption toolkit, and rules on how to eliminate corruption and other related offences;
- The National Anti-Corruption Commission (appointed by the Cabinet of Ministers and reports to the Parliament; its members are appointed for a maximum of two four-year terms);
- Restrictions with respect to public officials' use of powers, acceptance of gifts, multiple jobs, etc.;
- Procedures for the prevention of conflict of interests;
- Special anti-corruption toolkit (anti-corruption expertise, special anti-corruption check, Unified Register of Persons Guilty of Corruption and Other Related Offences, etc.);
- Rules of ethical behavior (priority of interests, political neutrality, impartiality, non-disclosure, etc.);
- Protection of whistleblowers from illegal dismissal, transfer to another job, material change of labor agreements, etc.;
- Different types of liability for corruption and other related offences (criminal, administrative, civil, and disciplinary liability);
- Right of state to recover losses of the State caused by corruption or other relates offences;
- International collaboration with foreign states and international organizations which take measures to prevent and fight corruption.

2. System of Specially Authorized Anti-Corruption Agencies

- A system of specially authorized anti-corruption agencies (prosecution agencies, National Anti-Corruption Bureau of Ukraine, special organized crime departments of the Ministry of Internal Affairs of Ukraine), their legal environment, liaison with other public authorities, as well as the legal framework of operation of the Anti-Corruption Bureau;
- The Anti-Corruption Bureau as a public law enforcement agency responsible for preventing, revealing, combating, investigating, and solving corruption offences (created by the President of Ukraine); guarantees of independence of its operation, general structure and number of employees, including their remuneration; its main functions, rights, and liability; monitoring of lifestyle of the employees of the Bureau, etc.

3. Prevention and Fighting Money Laundering, Financing of Terrorism and Spread of Weapons of Mass Destruction

- Protection of rights and interests of citizens and the State;
- Ensures national security through defining the legal framework for prevention of money laundering, financing of terrorism and spread of weapons of mass destruction;
- Creation of the state database aimed at providing Ukrainian and foreign law enforcement agencies with the possibility to reveal, check and prosecute offences related to money laundering and other illegal financial transactions;
- Comprehensive improvement of national legislation in the field of financial monitoring, namely, introduction of the national risk assessment of the financial monitoring system; improvement of legislative aspects affecting the quality of investigation of the offences with respect to money laundering, financial monitoring over national public persons, public officials, and international organizations.

4. Amending Certain Normative Acts with respect to Ultimate Beneficiaries of Legal Entities and Public Persons

- Establishes free access to information contained in the State Register of Property Rights to Immovable Property by individuals and legal entities. Such information may be provided (i) in soft copy through the official web-site of the relevant central executive authority, or (ii) in hard copy through filing the application in person or by mail to property rights registration bodies or notaries;
- Amendments to be introduced to the applicable laws determining ultimate beneficial ownership.

5. Anti-Corruption Policy for 2014-2017

- Establishes anti-corruption policy, the monitoring procedure and monitoring authorities, implementation of strategy, including the criteria for assessing its implementation;
- Coordination of implementation of anti-corruption strategy to be entrusted with specially authorized agency on anti-corruption policy (National Anti-Corruption Commission).

The Law of Ukraine on Lustration entered into force on 16 October 2014

- Defines the legal framework for checking public officials aimed at restoring the trust in the government and creation of the conditions for building a new system of state power in line with the European standards;
- Establishes a list of the positions to which the lustration applies;
- Persons holding managerial positions for at least one cumulative year from February 25, 2010 until February 22, 2014 will be dismissed from their offices within ten days from the effective date of the Law;
- Prohibits holding public offices for (i) those working from February 25, 2010 through February 22, 2014, who, by their decisions, act or omission, promoted the usurpation of power by the President Yanukovych, sapped the foundations of national security, defense and territorial integrity of Ukraine resulting in violation of human rights and freedoms; and (ii) persons who held managerial positions at the Communist Party of the Soviet Union, Ukraine, or Republics of the Soviet Union.

IV. Amending Laws with Respect to Easing Set-Up of Business

On October 30, 2014, the Law of Ukraine on Amending Certain Normative Acts of Ukraine with respect to Easing Set-Up of Business No. 1206-VII entered into force. The Law establishes: (i) cancellation of the registration fee for state registration of legal entities and individual entrepreneurs; (ii) electronic state registration of legal entities and individual entrepreneurs with no obligation to use electronic digital signature and using other types of identification of the applicant; (iii) refusal from obligation to use, and transfer to voluntary use of the stamps by business entities of private law.

V. Changes in Legislation Regulating Operation of Stock Markets and Securities Traders

The National Securities and Stock Market Commission approved certain changes to regulations regarding the operation of stock markets and securities traders.

Thus, trade in securities rules were offered to be updated, namely, regarding underwriting, as well as brokerage and dealership related to the requirements to the agreements. The licensing terms include the list of force majeure circumstances and the way in which the trader and regulatory authorities must communicate in such case; the securities traders also have their terms of professional activity simplified.

The operation of brokers, dealers, and underwriters has also been changed with the purpose to bring Ukrainian laws in line with the legislative framework of the European Union. Such changes refer to corporate stamps, procedure for making up the register of registered securities, interaction of the participants of the depositary system with respect to securities issue and settlement procedure under securities deeds. The criteria for identification of security and other financial instrument, the impossibility of dissolution of the agreements executed on stock exchange, etc. have been clarified. The material conditions of the agreement and the list of information which is to be included in broker report are offered to be changed.

VI. Currency Regulation

1. On December 2 2014, the National Bank of Ukraine (NBU), considering the constant devaluation of the national currency, decided to prolong currency limitations foreseen in its **Resolution No. 540** for three months, until March 2, 2015.
The Resolution imposes a ban on foreign currency transactions including early repayment of credits from non-residents, certain cash and non-cash exchange transactions (acquisition of foreign currency in cash, cash withdrawal during a transactional day, etc.)
2. Effective November 3, 2014, the National Bank of Ukraine (NBU) made new amendments to some regulations regarding Ukraine's monetary and hard currency markets.

The following types of hard currency payments, which had been temporarily banned, will be permitted:

- (i) Payments in foreign currency by a Ukrainian resident for services provided by non-residents;
- (ii) Payments for goods brought into Ukraine and cleared through customs under import customs declaration dated more than 180 days ago.

In addition, the threshold of €100,000 for state control of hard currency transfers abroad is lowered. Cost examination by a state agency for monitoring foreign product markets will now be required if the total value of services, works, and IP rights under agreement(s) exceeds €50,000 or its equivalent per annum.

3. On November 5, 2014, **Regulation No. 699** of the National Bank of Ukraine on Application of Certain Hard Currency Laws in Free Economic Zone "Crimea" during Temporary Occupation came into effect.

The new regulation provides for the following:

- (i) Individuals and legal entities registered or having permanent residence in free economic zone "Crimea" are considered to be **non-residents** ("Crimean subjects");

- (ii) Agreements entered into by Crimean subjects with other Ukrainian territory are considered to be used in lieu of **foreign economic contracts**;
- (iii) Cash transfers from inland Ukraine to Crimea and vice versa must comply with laws regarding **transfers to and from abroad**, taking into account the requirements of the new regulation. Ukrainian residents may make transfers to Crimean subjects to pay obligations related to property in Crimea (other than securities) acquired by such residents before enactment of the Ukrainian Law on Creation of Free Economic Zone "Crimea" and Peculiarities of Business Activity in Temporarily Occupied Ukrainian Territory" (the "Crimea Law"), i.e., before September 27, 2014;
- (iv) Bank accounts of legal entities registered in Crimea, which were opened before September 27, 2014, must be closed and transactions in such accounts must be terminated;
- (v) The Law of Ukraine on Payment Systems and Money Transfers in Ukraine apply to Crimea, however:
 - Electronic payment instruments issued in Crimea, including mobile payment instruments, may not be used in the rest of Ukraine to initiate any money transfers;
 - Electronic payment instruments issued by the internal state payment system or international payment systems may be used in Crimea.
- (vi) The regulation bans:
 - Any investments by residents in investment facilities located (registered) in Crimea;
 - Any transactions on mainland Ukraine in Russian rubles under any new bank deposit agreements and credit facility agreements and such agreements executed before September 27, 2014;
 - Carrying Russian rubles in cash through Crimean border, other than by individuals not in excess of the equivalent of ₽10,000 (approximately US\$800 dollars).

We will continue to monitor and inform of changes affecting our clients.

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