

I. REGULATORY	1
Ukraine Introduces Special Economic Sanctions	1
New Requirements Regarding Safety and Quality of Food Products	2
Clarified Procedure to Calculate the Term of Stay in Ukraine of Foreign Citizens from Visa-Free Countries	2
Insurance of Private Notaries' Liability for Real Property Agreements	2
Decreased Time for Registration of Rights to Real Property	2
NBU Prolongs Restrictions in Ukraine's Hard Currency Market for the Third Time	2
Electronic Commerce Law Passed	3
Another NBU Interest Discount Rate Decrease	3
II. SECURITIES	3
Listing Requirements Increase	3
III. ANTICORRUPTION	4
Law on Transparency of Use of Public Funds	4
More Changes in Public Procurement to Enhance Transparency and Streamline Procedure	4
Law Banning Residents of Aggressor Country and Offshore Zones to Create Ukrainian TV Channels	4
IV. ANTIMONOPOLY REGULATION	5
Clarification on Calculation of Fines for Violations of Competition Law	5
V. TELECOMMUNICATIONS	5
Procedure for Transferring Subscriber Numbers (MNP)	5

I. REGULATORY

Ukraine Introduces Special Economic Sanctions

Effective 22 September 2015, the Presidential Decree identified the list of individuals and legal entities involved in the annexation of Crimea and aggression in Donbass, which are subject to special personal economic sanctions and other restrictions¹.

Sanctions are introduced for one year and apply to about 400 individuals and 100 legal entities of the Russian Federation and other countries. The list of such persons, types of sanctions and reasons for their application are publicly available on the [Verkhovna Rada of Ukraine website](#).

The main types of sanctions to legal entities are as follows:

- freeze of assets – temporary restriction of use and disposal of property
- restrictions on trade transactions
- full or partial suspension of transit of resources, shipping operations and flights through Ukraine
- prevention of moving capital out of Ukraine

- suspension of economic and financial obligations
- cancelation or suspension of licenses or other permits
- ban on participation in public procurement
- termination of trade agreements, joint projects and industry-oriented programs in certain areas, specifically security and defense
- ban on transfer of technologies and IP rights

The list of legal entities includes banking institutions, airlines, shipbuilders, military industrial companies and TV companies of the Russian Federation. The list specifically contains 28 banks, including Gazprombank and Moscow Bank. Their assets must be frozen, and they are now restricted to extend financial aid, credits or loans, or purchase securities.

In addition to the same sanctions, individuals are banned from entering Ukraine.

¹ Ukrainian President's Decree No. 549/2015, dated 16 September 2015 on Resolution of National Security and Defense Council of Ukraine, dated 2 September 2015 on Applying Personal Special Economic Sanctions and Other Restrictions

New Requirements Regarding Safety and Quality of Food Products

The food safety and quality law,² required by the EU Association Agreement on Sanitary and Phytosanitary Measures and passed back in the summer 2014, was enacted on 20 September 2015. The law makes significant changes to a number of legislative acts relating to food producers, processors and retailers.

The main changes are as follows:

- the creation of a single food safety controlling authority – the Ukrainian State Service on Food Safety and Consumers Protection – to replace five other controlling authorities
- deregulation through cancellation of certain documents and administrative procedures (e.g., sanitary and phytosanitary statement)
- food market operators must introduce ongoing procedures based on the HACCP (Hazard Analysis and Critical Control Points) principles to enable monitoring food production throughout all the stages (identify stages at which they become hazardous and determine operators causing the hazards)
- food market operators must provide for “traceability,” i.e., be able to confirm where the raw material came from and where it is forwarded (so called “one step backward, step forward principle”).

Clarified Procedure to Calculate the Term of Stay in Ukraine of Foreign Citizens from Visa-Free Countries

According to the clarification, foreign citizens from visa-free countries are allowed to stay in Ukraine no more than 90 days in 180, calculated³ by respective officers at foreign citizen’s entry/exit by determining 180 days backward from the date of actual entry/exit.

If a foreign citizen has exceeded the allowed term upon entry to Ukraine, they will not be permitted entry; if this happens at exit – a fine of up to UAH 850, equivalent to approximately US\$37, may be applied.

Insurance of Private Notaries’ Liability for Real Property Agreements

Ukraine’s Cabinet of Ministers finally approved the mechanism and rules of mandatory insurance of private notaries’ civil liability.

Private notaries must now enter into insurance agreements for the term of not less than one year, with the coverage amount not less than one thousand minimum wages (UAH 1,378,000, equivalent to approximately US\$65,000).⁴

An insurance agreement must provide for indemnification against damages caused to third parties as a result of notary’s acts, notary’s acts as a state registrar of rights to real property or notary’s negligence.

To receive indemnity, an insurance event must be established on the basis of (i) court decision, or (ii) third party’s written claim acknowledged by the insured and approved by the insurer. The amount of all the indemnities under a mandatory insurance agreement may not exceed the coverage amount stated in it⁵.

Decreased Time for Registration of Rights to Real Property

The new regulation of Ukraine’s Cabinet of Ministers, dated 15 September 2015, makes it possible to decrease the time of state registration of interests in real property and their encumbrances for respective increased fees. Thus, one can now perform state registration within the following terms:

- two hours – tenfold fee
- one business day – fivefold fee
- three business days (or five business days for those applications the standard review time of which is 14 days) - twofold fee

The government also makes it possible to provide information in paper form from the State Register of Rights to Real Property within 30 minutes from receipt of the application, the fee for which is threefold.

NBU Prolongs Restrictions in Ukraine’s Hard Currency Market for the Third Time

For the third time already, the National Bank of Ukraine prolongs the restrictions in Ukraine’s hard currency market, as well as establishes the new ones⁶. Below is the list of the main changes in the hard currency market regulations, which are pertinent to legal entities and which will be in effect from 4 September 2015 to 4 December 2015:

- Companies are no longer required to provide tax clearance certificate of the State Fiscal Service to purchase and/or transfer abroad foreign currency. However, they still must provide a cost examination certificate (approval) in cases provided by law.
- Ban on purchase of hard currency to pay for import of goods cleared through customs before 1 January 2014 has been introduced in cases when under a foreign economic contract there was a change of debtor and/or lender. Now resident companies must perform such obligations with own foreign currency resources. This does not apply to vital and essential items.
- Authorized banks are allowed to discontinue supervision of their client’s export transactions if they provide evidence on satisfaction of obligations through setting off counter claims in the currencies that are not subject to obligatory sale. The amount of such obligations must not be in excess of US\$500,000 per contract.

² Law of Ukraine on Amendments to Certain Ukrainian Legislative Acts Regarding Food Products No. 1602-VII, dated 22 July 2014

³ Order of Ukraine’s Ministry of Interior on Approval of Procedure for Calculation of the Term of Temporary Stay in Ukraine for Foreign Citizens from Countries with Visa-Free Entry Regime No. 884, dated 20 July 2015.

⁴ As of 1 September 2015, a minimum wage is UAH 1,378.

⁵ Regulation of Ukraine’s Cabinet of Ministers on Procedure for Mandatory Insurance of Private Notary’s Civil Liability No. 624, dated 19 August 2015.

⁶ NBU Regulation No. 581, dated 3 September 2015 on Regulation of Ukraine’s Monetary and Hard Currency Markets and No. 582, dated 3 September 2015 on Amendments to Certain NBU Regulations.

At the same time, NBU prohibited to discontinue supervision of export transactions if transaction is in the currency of the First Group of Foreign Currency Classifier (which includes US\$, € etc.) or RUR (Russian ruble) notwithstanding the amount of transaction.

The following previously established NBU requirements remain in force:

- term for payments under export-import transactions – 90 calendar days
- mandatory sale of 75% of foreign currency cash receipts from abroad
- ban to register amendments to loan agreements with respect to foreign currency loans for residents from non-residents if such changes are to shorten the term of debtor's obligations or to accelerate them
- restriction on bank's sale of equivalent of up to UAH 3,000 in foreign currency to one person per day and restriction on national currency cash withdrawals through cashiers and ATMs of up to UAH 300,000 per day
- ban on loans in Hryvnia secured with foreign currency deposits
- NBU's requirement for banks to provide reference documents for transactions to purchase/transfer abroad foreign currency equivalent to US\$50,000 or more
- ban on certain foreign currency purchase/transfer abroad transactions

Electronic Commerce Law Passed

On 30 September 2015, the Law of Ukraine on Electronic Commerce was enacted⁷. It provides for the procedure for entering into agreements in the area of electronic commerce, their terms and conditions, payment terms, format; the mandatory information to be provided to customers before entering into agreement; norms on protection of personal data and requirements on preservation of electronic documents. The new law also stipulates the rules of dispute resolution and liability in the area of electronic commerce.

The main purpose of the law is to recognize electronic agreements on par with written documents through confirmation (verification) of electronic agreements with a special letter-digit code, unique for each sale and purchase agreement. This means that all electronic documents, e.g. Terms of Use, Privacy Policy, electronic messages and letters, electronic invoices, receipts and others will be made equivalent to written documents and may be used as evidence in court.

The law provides definitions for such terms as electronic agreement, email, Internet store and other terms that have been widely used in business.

Another NBU Interest Discount Rate Decrease

Effective 25 September 2015, the NBU interest discount rate is decreased from 27% to 22% per annum⁸.

II. SECURITIES

Listing Requirements Increase

Effective 1 January 2016, the National Securities and Stock Market Commission, with its Resolution, significantly increases the securities listing requirements⁹.

Thus, minimum requirements for **the first level of listing** are as follows:

- issuer is in existence not less than five years
- equity capital is not less than UAH 1 billion
- annual net income from sales in the last financial year is not less than UAH 1 billion (excluding banks)
- average value of issuer's market capitalization is not less than UAH 1 billion
- minimum public float portion of shares is not less than 25%; two investors in aggregate may not have more than 50% of such portion
- number of issuer shareholders – not less than 500 shareholders
- number of independent members of issuer's supervisory board is at least 25% of the total number of the board members
- issuer has a corporate secretary
- issuer's supervisory board introduces a position of internal auditor (internal audit service)
- issuer has annual audit conducted by an independent external audit firm according to international audit standards (for at least three years)
- issuer discloses financial accounts in the Ukrainian and English languages
- issuer observes corporate governance and international financial reporting standards
- issuer enters into liquidity agreement with market maker

Minimum requirements for **the second level of listing** are as follows:

- issuer is in existence not less than three years
- equity capital is not less than UAH 400 million
- annual net income from sales in the last financial year is not less than UAH 400 million (excluding banks)
- average value of issuer's market capitalization is not less than UAH 100 million
- minimum public float portion of shares is not less than 10%; two investors in aggregate may not have more than 50% of such portion (excluding restricted shares and state owned shares)
- number of issuer shareholders – not less than 200 shareholders
- issuer has a corporate secretary

⁷ Law of Ukraine on Electronic Commerce No. 675-VIII dated 3 September 2015

⁸ NBU Board Regulation on Regulation of Monetary Market No. 627 dated 24 September 2015

⁹ Resolution of National Securities and Stock Market Commission on Changes to the Stock Exchanges Activity Regulation No. 1217 dated 6 August 2015

- issuer has annual audit conducted by an independent external audit firm according to international audit standards (for at least two years)
- issuer is recommended to observe corporate governance and international financial reporting standards

In addition, to develop middle size businesses in Ukraine, a stock exchange may create a segment for out-of-listing shares of new companies attractive for investors. The requirements for entering shares into such segment are as follows:

- issuer is in existence not less than one year
- average value of issuer's market capitalization is not less than UAH 20 million
- number of issuer shareholders — not less than 50 shareholders
- issuer has annual audit conducted according to international audit standards
- issuer is recommended to observe corporate governance and international financial reporting standards

The stock exchanges are required to regularly monitor conformance of listed securities to the listing requirements and are entitled to decide to transfer the securities from one level to the other or to delist the securities.

Stock exchanges are also required to determine securities liquidity level each trading day and make it public on own website.

Stock exchanges must bring their activity into compliance with the new changes by 22 December 2015, other than with respect to changes regarding listing criteria and public float calculation, which go into effect on 1 January 2016.

III. ANTICORRUPTION

Law on Transparency of Use of Public Funds

On 11 September 2015, the Law of Ukraine on Transparency of Use of Public Funds was enacted to ensure unimpeded and free access to information on the use of public funds.

The law requirements apply to all entities receiving public funds from the state and local budgets, credit resources against the state and local guarantees, funds of the National Bank of Ukraine and state owned banks, funds of the Pension Fund and social security funds.

The law provides for creation of the unified web portal to disclose information on the use of public funds to be provided and filed by all the funds recipients. For the time being, you can only currently view a [beta version of the web portal](#). There is an [alternative web address](#) for the portal, though this is also in beta.

Thus, on a quarterly basis, each recipient of funds from the state or local budget will disclose information, *inter alia*, on the received amounts and respective expenses; on executed agreements, their amounts and performance status; and on business trips. Information on payment transactions on the unified treasury account will also be placed online.

The information must be kept on the website for three years.

Users will have free access to both view and copy the information. It may also be viewed anonymously.

Information on the transactions related to expenses marked “strictly confidential,” “confidential,” “for official use only” and transactions of military units and law enforcement bodies to strengthen defense capabilities during special periods or an antiterrorist operation (ATO) is not to be disclosed. Such transactions are determined by a budget funds administrator.

More Changes in Public Procurement to Enhance Transparency and Streamline Procedure

Another new public procurement law¹⁰ amends the existing regulations to enhance transparency and fight corruption. The main changes are as follows:

- new monetary thresholds to apply public procurement procedure, specifically, when value of goods or services is UAH 200,000 (equivalent to US\$9,400) or more, and value of works is equivalent or more than UAH 1.5 million
- value of goods, services or works may be reviewed every 12 months (24 months before), taking into account consumer price index and industrial producer price index
- participants are not required any more to provide certificates which are in the public domain; the complete package of documents will now be required only from a potential tender winner

Law Banning Residents of Aggressor Country and Offshore Zones to Create Ukrainian TV Channels

Effective 1 October 2015, TV and radio companies and program providers must disclose information on their ownership structures and ultimate beneficiary owners, and are banned to have residents of the aggressor country and offshore zones as their founders, owners and ultimate beneficiary parties¹¹.

Information on the ownership structure must be published on the official company website and be provided to the National Television and Radio Broadcasting Council of Ukraine.

TV and radio companies and providers, with effective licenses, must provide such information to the above authority within six months. Failure to provide it or provide it in a timely manner will inflict a fine of five percent of license fees under all licenses held by the company/provider.

¹⁰ Law of Ukraine on Amendments to Certain Ukrainian Laws in Public Procurement to Bring Them in Conformance with International Standards and Ensure Anticorruption Measures No. 679, dated 15 September

¹¹ Law of Ukraine on Ensuring Media Ownership Transparency and Implementing State Policy Principles in Television and Radio Broadcasting No. 674-VIII, dated 3 September 2015

IV. ANTIMONOPOLY REGULATION

Clarification on Calculation of Fines for Violations of Competition Law

On 15 September 2015, the Antimonopoly Committee of Ukraine (AMC) published its recommendatory clarifications¹² as to calculation of fines for violations of competition law. They provide for:

- base amounts of fines for certain types of violations
- list of exacerbating and mitigating circumstances effecting fine amounts for specific violations
- principles and their definitions AMC will use to determine fines – commensurability, nondiscrimination and reasonableness
- amnesty for concentrations performed without AMC consents:
 - if a party at violation applies to AMC for its consent before 15 March 2016, a fixed fine will be 1,200 tax-exempt minimum wages (UAH 20,400 equivalent to approximately US\$960);
 - then, if a consent application is filed before 15 September 2016, a fine will be 6,000 tax-exempt minimum wages (UAH 102,000 equivalent to approximately US\$4,800), unless a base fine amount is smaller.

The clarifications are recommendatory; nevertheless, the AMC assured that they will be applied in cases of violations. AMC plans to approve mandatory procedure for fine calculation, taking into account the recommendations put into practice.

¹² Antimonopoly Committee of Ukraine «Recommendatory Clarifications as to Application of Parts 2 and 5 of Article 52 of the *Law of Ukraine on Protection of Economic Competition* and Parts 1 and 2 of Article 21 of the *Law of Ukraine on Protection Against Unfair Competition*, No. 16-pp, dated 15 September 2015

V. TELECOMMUNICATIONS

Procedure for Transferring Subscriber Numbers (MNP)

On 8 September 2015, the procedure for transferring subscriber numbers¹³ was enacted, which will enable mobile and landline phone users to retain their subscriber numbers when switching to another operator. However, lack of technical means currently prevents from providing such service.

To obtain the service, a customer will need to apply to a new operator (receiving operator). The number transfer will take up to three business days for mobile phone users and up to seven business days for landline phone users.

The service to transfer the number is for a charge, which is to be set forth by a receiving operator.

The procedure also contains the list of cases when the transfer may be rejected, e.g., when a customer applying for a transfer already applied for the same number transfer to another operator.

Contacts

Peter Teluk

T +380 44 591 3140

E peter.teluk@squirepb.com

Olena Bilozor

T +380 44 591 3140

E olena.bilozor@squirepb.com

¹³ *Resolution of Communications and Informatization National Commission on Procedure for Transferring Subscriber Numbers No. 394*, dated 31 July 2015