

Main Requirement to IPO'ing company

The IPO'ing company:

- Must have assets of at least 400,000 Euro
- Must have revenue of at least 80,000 Euro in the previous fiscal year or revenue totaling at least 220,000 Euro in the last three years;
- Must have at least 1 million issued shares; there is no minimum amount of shares floated;
- Must have at least 2000 shareholders owning at least 100 shares each, or 2200 shareholders owning any amounts;
- All shares subject to the IPO must be issued and registered under Ukrainian law.

Main Requirement to IPO'ing company

The IPO'ing company must undertake to the stock exchange to:

- Report to the stock exchange on all shareholder meetings
- Inform the stock exchange whenever it amends its founding documents
- Coordinate with the stock exchange the issuance and placement of its shares
- Coordinate with the stock exchange the schedule of technical procedures of any activities with the shares (including payment of dividends)
- Inform the stock exchange of any event which might materially influence the price of its shares or the company's viability or financial status
- Inform the stock exchange of any financial information that must be published
- Comply with any lawful orders of the stock exchange and Commission

Problems and Risks of the Stock Market Regulations

Ukrainian stock market regulations that influence domestic IPOs:

- In the listing contract, the stock exchange can stipulate special conditions for each particular IPO company
- The amount of information that must be presented to the stock exchange is voluminous; divulging this information can hurt a company's competitive position
- The State has broad authority on the stock market
- Different stock exchanges and trade and information systems impose different requirements for IPOing companies
- Absence of minimum criteria for securities and their issuers on different stock exchanges

Problems of Corporate Legislation

Ukrainian corporate legislation that influences both domestic and foreign IPOs:

- Substantial conflicts among the Civil Code, Commercial Code and Law “On Economic Enterprises”
- Archaic nature of the Commercial Code
- Absence of a special law on joint stock companies
- Weak corporate governance procedures
- Lack of protection for minority shareholders (the 25% problem)
- Excessive State regulation of companies

Problems of Stock Market Regulations and Securities Legislation

Ukrainian legislation complicating foreign IPOs for Ukrainian companies:

- Mandatory preliminary listing in Ukraine
- Maximum amount of shares which can be listed abroad
- Necessity to obtain a special permit from the Commission
- Strict requirements for obtaining the Commission's permit
- Strict regulation of the minimum prices of shares listed on foreign stock exchanges
- Overbroad authorities of the Commission and the GOU to determine the location of a foreign IPO

Problems of Stock Market Regulations and Securities Legislation

Ukrainian legislation complicating foreign IPOs for Ukrainian companies:

- Overbroad authority of the Commission to determine the means of the foreign IPO
- Long term for issuance of the Commission's permit
- Ambiguous procedure for transferring title to non-residents
- Requirement to quote prices of Ukrainian companies' shares in UAH only
- Mandatory participation of a professional securities trader in secondary offerings
- Lack of regulations concerning unregistered owners, e.g. the rights of individual shareholders holding shares in their brokers' "street name"

Other Problems

Some other issues influencing both domestic and foreign IPOs:

- Absence of the Corporate Code
- Regulation of issues of disclosure of confidential information to purchasers
- Absence of clear liability for presenting false information to, or withholding material information from, purchasers
- Weak currency regulation
- Ambiguous taxation rules
- Need to harmonize legal and accounting documents with world standards

Some Sectors of Legislation Needing Reform

I. Specific to stock market regulation

Harmonization of laws and Commission decisions with world standards (e.g. EUC Directive No. 2004/39/EU “On markets of financial instruments”)

Clarify ADR ownership rights

Simplify the procedure for obtaining a permit to place shares abroad

II. General corporate law reforms

Protect minority shareholder rights,

Simplify corporate sector regulation: permit company owners to waive the mandatory 45-day notice period before a shareholders meeting, to facilitate decision-making.

Cure contradictions among laws

III. Other

Taxation reformation

Corporate regulations reform

Adoption of International Accounting Standards

Russian-Ukrainian Legal Group, P.A.

4056 Mansion Drive, N.W.

Washington, D.C. 20007

USA

Telephone: (202) 338-1182; (202) 338-5998

Fax: (202) 338-4237

Email: general@rulg.com

Web: <http://www.rulg.com>

Ukrainian Legal Group

8th floor, 4/6 P. Lumumba St.,

Kyiv, 01042 Ukraine

Telephone: (38044) 502 1024

Fax: (38044) 528 2427

E-mail: general@ulg.kiev.ua

Web: <http://www.rulg.com>