

LAW OF UKRAINE

On securitization

The Law of Ukraine "On Securitization" (the "Law") introduces asset securitization, regulates fundraising through asset securitization in accordance with EU legislation.

CHAPTER I

GENERAL PROVISIONS

Article 1

Definition of Terms

1. In this Law, the following terms are used in the following meanings:

securitization - attraction of financing by issuing structured bonds secured by assets, under which cash receipts, remuneration and losses are distributed among bondholders;

originator - a legal entity that makes a true sale of assets for their inclusion in the underlying pool and receives funds from the sale of bonds to the first owners;

debtor - an individual, including an individual entrepreneur, or a legal entity that has a debt to a creditor. Debtors also include persons who are jointly or severally liable for the debtor's obligations;

special purpose vehicle (SPV) - an entity established to hold the assets of the underlying pool, which acts as an issuer of structured bonds and which is liquidated upon maturity;

structured bonds - bonds issued for securitization of financial assets and income assets (future cash claims), which have been true sold by the originator to a special purpose vehicle. A structured bond certifies the right of its holder to receive a certain portion of the cash proceeds from the assets of the underlying pool, in accordance with the procedure and priority established by the issuance decision;

true sale of assets - sale by the originator of assets with all risks and rewards to a special purpose vehicle for inclusion in the underlying structured bond pool. The originator loses control over the assets and has no obligation to repurchase them;

underlying pool - a set of assets securing the issuance of structured bonds and funds in an escrow account;

additional collateral - provided for in the issuance decision may include: obligations of the originator, payment bank or other financial institution to maintain the minimum balance of funds in the escrow account established in the issuance decision; overcollateralization (excess of the total value of the underlying pool over the amount of bonds issued); asset preservation agreements (currency clauses, indexation, etc.); guarantees; financial risk insurance agreements; obligations to replenish the assets of the underlying pool, etc.

escrow account - means an escrow account opened in a payment bank with which the trustee has entered into an escrow account agreement for the purpose of depositing and distributing funds for the purpose determined by this Law and the decision to issue structured bonds.

payment bank - means a bank that provides the service of accepting payments for the assets of the underlying pool and performs other actions specified in the escrow account agreement. The originating bank may act as a payment bank.

reserve payment bank - means a bank that provides the payment bank service instead of the originating bank.

servicer - a bank or non-bank financial institution that, on behalf of a special purpose vehicle, performs the functions of a creditor for financial assets and a beneficiary and income assets within the underlying pool of structured bonds, as well as performs other functions specified by this Law in the interests of structured bondholders.

trustee - means a bank or a specialized financial institution that, on behalf of a special purpose vehicle, acquires assets for inclusion in the underlying pool, registers the issuance and servicing of structured bonds, maintains the register of the underlying pool, performs the functions of a repository, prepares reports for the issuer, gives orders to the payment bank on the targeted distribution of funds from the escrow account, and performs other functions specified by this Law.

auditor - an auditor who audits the underlying pool;

non-performing loans - loans that are classified as non-performing in accordance with the rules established by the regulations of the National Bank of Ukraine;

rating agency - a legal entity included in the State Register of Authorized Rating Agencies that determines and updates rating assessments for public bond offerings.

appraiser - a legal entity included in the State Register of Appraisers and Appraisal Entities that determines the estimated value of non-performing loans for the purpose of distributing subordinated tranches of structured bonds among the originators.

securitization repository (repository) - an electronic database (archive) for accumulation and long-term storage of scanned copies of asset documents and registers of the underlying pool. The trustee performs the function of a repository for structured bonds.

Article 2

General terms and conditions of structured bonds

1. The decision to securitize assets shall be made by the originator.
2. Conditions for issuers, issues and placement of structured bonds, requirements for the underlying pool shall be determined by this Law, regulations of the National Securities and Stock Market Commission, and the decision to issue structured bonds.
3. Structured bonds shall be placed in the national currency of Ukraine.
5. The issuer may place discount and interest-bearing bonds. Interest income on bonds and interest rates on the assets of the underlying pool should not be calculated using an overly complicated formula or based on derivative financial instruments.
6. At the time of registration of the bond issue, the issuer is obliged to form the underlying pool of assets that meet the requirements established by this Law and the decision on the issue.
7. The National Securities and Stock Market Commission shall register the issue of structured bonds.
8. The volume of structured bonds issue does not depend on the size of the issuer's capital and is limited to the value of the underlying pool.
9. The circulation of structured bonds and transfer of ownership rights to them, as well as the exercise of the rights of their holders, shall be carried out in accordance with the requirements established by the Law On Capital Markets and Organized Commodity Markets, this Law and regulations of the National Securities and Stock Market Commission.

Article 3

Establishment and Operation of Issuers of Structured Bonds

1. The issuer of structured bonds shall be a special purpose vehicle.
2. A special purpose vehicle shall be established in the organizational and legal form of a non-entrepreneurial (non-profit) institution. The name of the special purpose vehicle shall contain the words: "special purpose vehicle" and its own name, which does not identify it with the name of the originator.
3. The founder of the special purpose vehicle shall be the originator. After its establishment, the special purpose vehicle shall not be considered associated with the originator.
4. The special purpose vehicle is established solely to perform the function of holding the assets of the underlying pool, for which risks and rewards are distributed among the holders of structured bonds, and to issue one issue of structured bonds. A special purpose vehicle may not carry out any other activities other than the acquisition of assets for the formation of the underlying pool and the issuance of structured bonds.
5. The activities of a special purpose vehicle are not intended to generate profit. Transactions carried out by a special purpose vehicle are not subject to income tax, value added tax, other taxes and fees.
6. A special purpose vehicle has no authorized (share) capital, no ultimate beneficial owners (controllers), does not enter into labor relations, does not have a staff, and does not have bank accounts. The location of a special purpose vehicle is the location of its founder.
7. Special purpose vehicles are not subject to capital adequacy and liquidity requirements, and their activities are not subject to licensing. The executive body of a special purpose vehicle shall not be established.
8. Bankruptcy proceedings may not be initiated against a special purpose vehicle.
9. The founder shall conclude an agreement with a trustee who, from the moment of creation to the moment of liquidation of the special purpose vehicle, shall be responsible for:
 - a) Ensuring registration and servicing of the structured bonds issue;
 - b) reporting for the issuer and disclosure of information;
 - c) maintaining the register of assets of the underlying pool and acting as a repository;
 - d) issuing orders to the payment bank to debit funds from the escrow account.
10. The list of responsibilities of the trustee represented by its head, as defined by this Law and the agreement, shall be included in the constituent act of the special purpose vehicle.
11. The trustee shall not have the right to perform the functions of servicing the assets of the underlying pool and other functions performed by the servicer.
12. All cash receipts on the assets of the underlying pool and expenditures shall be made from the escrow account in the interests of the structured bondholders and other beneficiaries in the manner prescribed by the issuance decision.
13. The trustee shall conclude an escrow account agreement with the payment bank, which shall determine the procedure for issuing orders of the trustee to debit funds from the escrow account and control over their intended use by the payment bank. Receipts and debits from the escrow account shall not be included in the trustee's income and expenses.

14. After registration of the special purpose vehicle, the founder shall transfer to the escrow account the mandatory contribution in the amount of targeted expenses related to the issuance of structured bonds and the cost of services of the rating agency (appraiser).
15. The decision to issue structured bonds should provide for a minimum balance on the escrow account, which is calculated in the amount of periodic and mandatory expenses related to the issuance and circulation of structured bonds. The current liquidity of the escrow account may be maintained by a payment bank or other financial institution by replenishing funds until the minimum balance is reached and returning them from the proceeds of the assets of the underlying pool under an additional collateral agreement.
16. The trustee, on behalf of the special purpose vehicle, shall enter into agreements:
 - a) for servicing the assets of the underlying pool with the servicer;
 - b) for acceptance of payments on the assets of the underlying pool with the payment and reserve payment bank;
 - c) agreement with the auditor of the underlying pool;
 - d) agreement with a rating agency (appraiser);
 - e) agreements on additional collateral;
 - f) agreement with a depository for opening and maintaining a securities account, etc.
 - g) agreement on responsible storage of paper documents.
17. A special purpose vehicle may issue one issue of structured bonds, upon redemption of which it shall be liquidated by the trustee. A special purpose vehicle cannot be liquidated before the end of the bonds' circulation.

Article 4

Requirements to the assets of the underlying pool and their legal treatment

1. Assets of the core pool may include financial assets in the form of claims in national and foreign currency:
 - a) under credit and loan agreements;
 - b) contracts acquired in the course of factoring and leasing operations;
 - c) financial agricultural receipts;
 - d) mortgage receipts;
 - e) accounts receivable from customers, consumers of services.

The assets of the underlying pool may also include rights to receive future cash flows and income based on:

- a) lease agreements;
- b) contracts for the provision and consumption of services;
- c) from the operation of concession facilities;
- d) under export contracts, etc.

To issue structured bonds, escrow accounts are opened, the procedure for opening and managing which is determined by the laws and regulations of the National Bank of Ukraine. Funds on these accounts are included in the reference pool.

2. The assets of the core pool shall not include:
 - a) obligations of borrowers on loans that were restructured less than a year before the date of their inclusion in the securitization pool (except for the assets defined in Article 8 of the Law);
 - b) non-performing loans and loans to borrowers for which the originator is aware of the insolvency of their guarantors (except for the assets defined in Article 8 of the Law);
 - c) obligations of debtors in default or obligations of debtors that are not subject to monetary fulfillment;
 - d) agrarian receipts issued to replace previously unfulfilled agrarian receipts;
 - e) assets that are already pledged or otherwise encumbered;

Additional restrictions on assets may be determined by decisions of the National Bank of Ukraine or the National Securities and Stock Market Commission.

The National Securities and Stock Market Commission and the National Bank of Ukraine may establish the list and characteristics of assets that are not allowed to be included in the underlying structured bond pool.

3. The assets included in one underlying pool must be homogeneous in terms of the economic substance of the obligations, the legal form of the contracts, and the identity of the borrowers.
4. The originator should not apply any criteria to the assets to be securitized that would distinguish them from its other assets. The originator must ensure an objective assessment of the debtor's creditworthiness, taking into account factors relevant to timely future asset settlements. If assets are acquired from other creditors, the originator must ensure that they follow the same procedures. The reference pool does not include assets that have not yet been settled for the first payment period provided for in the agreement with the debtor.
5. Assets included in the underlying pool of a particular bond issue may not be included in the pool of another issue.
6. Information on securitization assets shall be reflected in the register of the underlying pool, the requirements for which are determined by the National Securities and Stock Market Commission.
7. The repository should provide free and free access to information by the auditor, servicer, the National Securities and Stock Market Commission, the National Bank of Ukraine, as well as by bondholders within the limits that do not contradict the legislation on the protection of personal data of debtors.
8. The National Securities and Stock Market Commission is responsible for adopting regulatory requirements for the repository. The information must be stored in the repository for at least 5 years from the date of bond redemption.
9. The originator, servicer and payment bank shall submit scanned documents and information to the repository in accordance with standardized formats and templates agreed with the trustee.
10. The servicer is responsible for the safe custody of the paper documents for the assets of the underlying structured finance loan pool.
11. The assets of the underlying pool and funds held on escrow accounts are not included in the liquidation estate of the originator, agent, servicer, trustee and payment bank and tax lien. They may not be subject to foreclosure and/or seizure.

CHAPTER II

PECULIARITIES OF ISSUANCE OF STRUCTURED BONDS

Article 5

Basic pool of structured bonds

1. The underlying pool of structured bonds shall include:
 - a) financial assets that meet the requirements set forth in the decision to issue structured bonds;
 - b) earning assets - rights to receive future cash flows throughout the entire life of the bonds;
 - c) funds in an escrow account in excess of the minimum balance.
2. To form the underlying pool of structured bonds, the originator shall enter into a securitization agreement under which it shall sell financial assets and assign income assets to a special purpose vehicle, which shall specify the terms and procedure for such sale (assignment), responsibility for the completeness and timeliness of settlements, etc.
3. The originator may acquire assets from other creditors and sell them to the special purpose vehicle under a securitization agreement to form a single underlying pool. The terms of the originator's acquisition of assets from other creditors may not provide for their payment from the proceeds of their securitization.
4. The originator must provide the trustee with written guarantees that the assets sold to the institution specially designated to form the underlying pool are not encumbered or in any other condition that may affect the ability to enforce the true sale.
5. The rights to claims on financial assets are sold to the special purpose vehicle in the amount of the outstanding balance of the principal obligation specified in the securitization agreement. The rights to future cash flows are assigned to the special purpose vehicle in the amount of future cash flows calculated for the life of the structured notes in accordance with the terms of the agreements. Settlements for the acquisition (assignment) of assets may be made with a discount.
6. Claims on financial assets shall be assigned in favor of the special purpose vehicle together with the rights of claim under the contracts that ensure the fulfillment of such obligations. If there is a pledge (mortgage) on a financial asset, the pledgee (mortgagee) shall be replaced in the relevant state registers.
7. A special purpose vehicle shall acquire all rights of a creditor and a pledgee with respect to the assets, including the right to receive the principal amount of the debt, accrue and receive interest, commissions, fines, penalties, foreclose on the collateral, etc.
8. The transfer of ownership of the assets from the originator to the special purpose vehicle occurs from the date of registration of the structured bond issue. Settlement with the originator for the sale of assets in the amount of funds received from the first holders of structured bonds is made by the trustee after the sale of the bonds in the full amount of the issue. The terms of compensation to the originator for the loss of part of its income as a result of the difference between the term of sale of financial assets and the term of payment for them are determined in the agreement with the trustee.
9. The assets included in the underlying pool may not be pledged for any obligations of the servicer, originator and trustee or encumbered in any other way than in favor of the structured bondholders.
10. At the time of registration, the nominal value of the structured bond issue must not exceed the size of the underlying pool.
11. The basic pool of structured bonds of one issue is the same for all tranches, regardless of their number.

Article 6

Requirements for the issue of structured bonds

1. The decision to issue structured bonds with the determination of the main marginal parameters of the issue shall be made by the originator.
2. The issue of structured bonds shall consist of at least two subordinate tranches. The issue registration certificate shall specify the list of tranches, the number of bonds in each tranche, the nominal value of the bond, etc. The order of placement of individual tranches (with or without a public offering) and the terms of issue (interest or discount) of individual tranches may differ within the same issue.
3. The rights of holders are the same within one separate tranche. The rights of holders of different tranches are not identical. The holders of senior tranches of structured notes have priority rights to receive the value of the note and income before the holders of the notes of subsequent (subordinated) tranches.
4. The number and volume of subordinated tranches shall be calculated by the rating agency using the methodology in accordance with the requirements of the National Securities and Stock Market Commission.

The calculation of the number and volume of subordinated tranches of structured bonds, the underlying pool of which includes non-performing loans, shall be performed by the appraisal company specified in the decision on the issue.
5. Separate tranches of structured bonds may be assigned a separate rating, which shall be specified in the decision on the issue of securities. Updates to the said rating shall be made public in accordance with the requirements of the law.
6. The originator and creditors who have sold assets to the originator for securitization must provide the rating agency (appraiser) with historical data on default and loss rates on assets similar to the assets that have been sold, as well as the sources of such data and the grounds for including this information in the decision on the issue.
7. On the basis of the originator's decision, the trustee shall execute the decision to issue structured bonds, which shall be signed by the heads of the originator, servicer, trustee, auditor, rating agency (appraiser) and payment bank. On behalf of the issuer, the decision on the issue is signed by the head of the trustee. The decision on the issue, together with the information required by the Law of Ukraine "On Capital Markets and Organized Commodity Markets," must contain information on:
 - a) the initial value of the underlying pool and a description of the assets in its composition;
 - b) a list of subordinated (subordinated) tranches, the order and procedure for fulfilling the issuer's obligations to pay the principal and income on the bonds of each tranche;
 - c) terms of placement of structured bonds separately for each tranche;
 - d) types and means of additional collateral for certain tranches (if any);
 - e) determination of the procedure and terms for the servicer to submit information to the trustee for making changes to the register of the underlying pool;
 - f) grounds and procedures for the auditor to confirm the servicer's reports on the loss of value of the underlying pool assets;
 - g) rights and powers of the servicer and the amount of its remuneration;
 - h) the amount of the auditor's remuneration;
 - i) the amount of the trustee's remuneration;

- j) the procedure for calculating related expenses (depository services, etc.);
- k) the formula for calculating the minimum balance of funds in the escrow account;
- l) the procedure for amending the issue decision to extend the maturity of the bonds, replenish the underlying pool with new assets, etc.

8. The issuance decision should clearly define the actions of the servicer related to the default of debtors, debt restructuring, forgiveness of part of the debt, mitigation of conditions, payment holidays and other means of ensuring the fulfillment of obligations on the assets of the underlying pool.

9. In the case of securitization of assets that may have an impact on the environment (agricultural receipts, car loans, etc.), the decision on the issue should include information related to the environmental characteristics of such assets.

10. The weighted average term of assets in the form of agricultural receipts should not exceed two years. The decision on the issue may allow a temporary discrepancy of such assets in excess of the amount of the bonds' debt balance by no more than 5% without reducing the value of the junior tranche.

11. The decision to issue structured bonds must provide for a condition under which the originator is obliged to purchase the balance of unsold bonds no later than the last day of the issue placement period specified in the decision to issue.

12. The decision to issue structured bonds should provide for a condition under which the originator, which will act as a servicer, is obliged to purchase and hold the lowest tranche of bonds in the amount of at least 5% of the entire issue. If the balance of this tranche is less than 5% of the issue, the originator must purchase the corresponding share of bonds of the next higher tranche. The National Bank of Ukraine may set higher values of the risk exposure held by the originator for certain assets.

13. The decision on the issue may contain appropriate provisions for early repayment upon the occurrence of a trigger event:

- a) deterioration of credit quality or loss of asset value below a threshold value previously specified in the decision;
- b) insolvency of the servicer;
- c) failure to create a sufficient number of new assets in the case of a revolving base pool.

Early repayment is made at the expense of proceeds from the sale of the underlying pool under the additional collateral agreement.

14. In the case of a public offering of structured bonds in the course of their issuance, in cases specified by the Law of Ukraine "On Capital Markets and Organized Commodity Markets", a securities prospectus shall be drawn up and signed by the head of the trustee on behalf of the issuer. The requirements to the information to be included in the prospectus, the procedure for amending it and the procedure for submitting it for approval shall be established by the National Securities and Stock Market Commission.

15. The trustee shall open an escrow account in the payment bank specified in the decision on the issue, to which all proceeds from the assets of the underlying pool shall be credited, including:

- a) the founder's contribution for the targeted expenses related to the issuance and circulation of structured bonds;
- b) replenishment of escrow account balances under the additional collateral agreement;

- c) proceeds from the sale of structured bonds to the first holders;
- d) funds received from servicing of financial assets of the underlying pool;
- e) funds received from servicing payments on the earning assets of the underlying pool;
- f) proceeds from the sale of assets by the servicer under the terms and procedures specified in the issuance decision;
- g) other payments on the assets of the underlying pool;
- h) proceeds from the sale of corporate rights acquired as a result of the transfer of the debtor's obligation to the capital and proceeds from the management of the debtor's property in accordance with Article 8 of this Law.

The trustee shall transfer funds from the escrow accounts, within the amounts and list established by the decision on the issue, in the following order

- 1) settlements with the originator for the acquired assets;
- 2) expenses for registration of the issue and disclosure of information on structured bonds;
- 3) periodic expenses for servicing assets and structured bonds (for payment acceptance services; trustee services; auditor services; payments to third parties under additional collateral agreements; payments of servicer fees, etc;)
- 4) settlements with the holders of structured notes.

The proceeds from the underlying pool, after the expenses specified in the issuance decision, are paid within the terms specified in the issuance decision to the holders of structured bonds in accordance with the priority for each tranche. The payment of a portion of the nominal value of the bonds is made starting from the senior tranche and is proportionally distributed among the bondholders. Payments to bondholders of the next tranche are made after the full redemption of the senior tranche above it. The decision on the issue may determine a different procedure for determining the priority in settlements for the holders of the senior and subordinate tranches.

After the said payments, the escrow account shall have a non-decreasing balance specified in the resolution on issue.

16. Prior to the maturity of the bonds, the decision on the issue and the securitization agreement may provide for the allocation of funds in excess of the non-decreasing balance on the escrow account for the purchase of additional assets from the originator (except for the assets of the underlying pool as defined in Article 8 of the Law).

17. The trustee shall not be entitled to instruct the payment bank to make expenses from the escrow account that are not provided for in the decision on the issue or to make such expenses in amounts exceeding their established maximum amount.

18. Based on the servicer's report on the loss of value of the underlying pool assets, confirmed by the auditor, the trustee shall reduce the nominal value of the structured bonds. The reduction is made in full or partial repayment, starting with the lowest tranche, proportionally among all bondholders of such tranche. Reduction of the nominal value of the next (higher) tranche shall be made after full redemption of the lower tranche. Reduction of the nominal value of bonds due to loss of value of assets in the underlying pool shall be made by the trustee within the terms specified in the decision on issue in accordance with the procedure established by the regulations of the National Securities and Stock Market Commission.

19. If on the maturity date of the structured bonds there are assets left in the underlying pool, a general meeting of bondholders must be convened at the request of the servicer to decide on postponing the maturity date of the structured bonds and to determine the source of costs for further servicing of the bond issue (if provided for in the issue decision). The resolution may be adopted if at least 30% of the holders of the senior tranche of structured bonds participate in the meeting. The resolution shall be deemed adopted if more than 50% of the votes of the holders of the senior tranche of structured bonds participating in the meeting are cast in favor of it. The relevant amendments to the decision on the issue shall be made in accordance with the procedure established by the legislation and the National Securities and Stock Market Commission.

20. In the absence of a quorum for participation in the meeting of bondholders and the number of votes to decide on the postponement of the bonds' maturity date, the servicer shall determine the assets of the underlying pool as having lost their value and submit a report for approval by the auditor. Based on the report approved by the auditor, the trustee shall reduce the underlying pool and finalize the redemption of the structured bond issue in accordance with the procedure established by the National Securities and Stock Market Commission.

21. The assets of the underlying pool remaining after the redemption of the structured bond issue and corporate rights acquired by converting the debtors' liabilities into equity shall be transferred to the bondholders in the manner prescribed by the decision to issue bonds, and in the absence of such a procedure, shall be transferred to the servicer.

Article 7

Servicing of the underlying pool of structured bonds

1. The servicing of the underlying pool of structured bonds shall be entrusted to a servicer acting in the interests of the bondholders. The originator may act as a servicer. An originator represented by a banking institution may combine the function of a servicer with the function of a payment bank.
2. The servicer may not be a related party to the auditor and the trustee.
3. The servicer shall perform the following functions:
 - a) represents the interests of the structured bondholders;
 - b) on behalf of the special purpose vehicle, acts as a creditor for financial assets, a beneficiary for income assets and services the assets of the underlying pool;
 - c) performs off-balance sheet accounting of the underlying pool assets. Within the terms specified in the agreement, it provides the trustee with the information and reports necessary to maintain the register of the underlying pool assets in the agreed format, transfers and updates scanned documents for storage in the repository;
 - d) monitors the fulfillment of obligations and the status of collateral for financial assets;
 - e) makes claims for fulfillment of obligations on financial (income) assets;
 - f) Exercises other rights of the creditor (beneficiary) under obligations on financial (income) assets, including foreclosure on pledged property and its sale, initiation of bankruptcy proceedings, amendments to the state registers of encumbrances on financial assets that have collateral and removal of encumbrances in the state registers of encumbrances upon fulfillment of obligations on financial assets; responsibly stores paper documents, etc;
 - g) provide information and grounds for impairment of the value of the underlying pool assets for confirmation by the auditor.

h) submits proposals to the trustee to convene a general meeting to decide on the extension of the circulation of structured bonds.

4. The amount and procedure for payment of the servicer's remuneration shall be determined by the issuance decision and may be calculated in proportion to the amount of cash proceeds from servicing the assets of the underlying pool or to the amount of repayment of the nominal value of structured bonds in cash. The remuneration for acceptance of payments by the payment bank for the assets of the underlying pool shall be paid by the servicer at its own expense at the expense of the remuneration received for performing the functions of the servicer.

5. The servicer shall not have the right to use and dispose of the assets of the underlying structured bond pool in its own interests, as well as to perform any transactions with these assets beyond the powers established by this Law and the decision on the issue.

6. The early termination of the servicer's powers shall be carried out by the decision of the meeting of structured bondholders in the following cases

- a) commencement of the procedure for voluntary liquidation of the servicer or initiation of bankruptcy proceedings;
- b) improper performance by the servicer of its duties, which resulted in the loss of control over the assets of the underlying pool and loss of their value. Systematic (repeated) violations of the deadlines for submitting information on the status of assets and reports to the trustee for inclusion in the register of the underlying pool.

The trustee convenes a meeting to decide on the termination of the servicer's powers and sends a written notice to the bondholders. The trustee shall chair the meeting. The decision on early termination of the servicer's powers and appointment of a new servicer shall be made by voting on the principle that one vote corresponds to one bond. The resolution is considered adopted if more than 50% of the votes of the structured bondholders participating in the meeting are cast in favor of it.

Based on the resolution adopted by the general meeting of structured bondholders, the trustee is instructed to terminate the agreement with the servicer and is authorized to enter into an agreement on the management of the securitization pool of structured bonds with a new servicer.

Article 8

Peculiarities of issuance of structured bonds, the securitization pool of which is formed from the rights to claim non-performing loans

1. When securitizing non-performing loans, the underlying pool is formed exclusively from the rights of claim to such loans, which may be heterogeneous.

2. The bonds are sold to the originator(s) at the time of placement without a public offering. If the underlying pool includes non-performing loans of several originators, the placement of structured tranches of a single bond issue between them is carried out depending on the results of the asset valuation and the forecast calculation of cash flows from asset repayment, sale or operation of collateral, etc. performed by the appraiser.

3. The decision on the issue may provide for the servicer to be authorized to enter into an agreement with the debtor on the distribution of income received through the transfer of the debtor's tangible assets for rent, lease or other use of property.

4. The servicer may enter into written agreements with the debtor on other ways of managing the debtor's property and participate in the management of its business activities.

5. The decision on the issue may provide for the servicer to be authorized to enter into an agreement with the debtor to pay off the debt by transferring liabilities to its capital. Under the terms of this agreement, the special purpose vehicle acquires corporate rights to the corresponding share in the debtor's authorized capital in the amount of the paid debt, which are transferred to the bondholders upon repayment of the bonds in the manner prescribed by the resolution on issue.
6. If the decision to issue structured bonds does not specify the procedure for transferring corporate rights to bondholders that were acquired by converting the debtor's liabilities into capital, the servicer must enter into an agreement with the debtor or other persons to sell the corporate rights before the maturity of the bonds.
7. The transfer of the debtor's liabilities into equity may be carried out only if the special purpose vehicle, as a result of such transfer, acquires a decisive influence on the management of the debtor's activities.
8. After the special purpose vehicle acquires corporate rights:
 - a) the trustee shall take measures to reduce the amount of encumbrance of the base pool by the amount of claims under the debtor's obligations that have been transferred to capital and include the acquired corporate rights in the amount of encumbrance of the base pool;
 - b) the trustee shall reduce the debt on payment of the nominal value to the bondholders starting from the junior tranche by the amount of the rights of claim to the debtor's obligations that were transferred to equity and increase it by the amount of the acquired corporate rights;
 - c) the trustee, on behalf of the special purpose vehicle, enters into an agreement with the custodian to open an account to record the acquired corporate rights in the form of shares;
 - d) the servicer removes the security encumbrance (if any) on the debtor's obligations that have been transferred to equity in the state registers.

Article 9

Requirements for the audit of the underlying pool of structured bonds

1. The audit of the underlying pool is conducted by confirming the reports of the servicer on the loss of value of the assets of the underlying pool.
2. Confirmation by the auditor of the servicer's reports on the loss of value of assets shall be the basis for a corresponding reduction of the debt on structured bonds of the lower tranche holders by the trustee.
3. The requirements for auditing the underlying pool of structured bonds shall be determined by the National Securities and Stock Market Commission.

CHAPTER III

STATE REGULATION AND SUPERVISION

Article 10

State regulation and supervision of the issue and circulation of structured bonds

1. The National Securities and Stock Market Commission shall perform the functions of state regulation and supervision of the issue and circulation of structured bonds.
2. Other state authorities shall perform supervisory functions in relation to the activities of the servicer, auditor, trustee, payment bank within their competence in accordance with the law.

CHAPTER IV

FINAL PROVISIONS

I. This Law shall enter into force on the day following the day of its publication.

II. Amendments to the following legislative acts of Ukraine:

1) In the Tax Code of Ukraine (Bulletin of the Verkhovna Rada of Ukraine (VVR), 2011, No. 13-14, No. 15-16, No. 17, Article 112)

1. sub-clause 14.1.11 of Article 14 shall be supplemented with sub-clause i) as follows:

"i) debt on unfulfilled obligations to pay the nominal value of the structured bonds issue, which is reduced (written off) by the amount of loss of value on assets in the underlying pool in accordance with the Law of Ukraine "On Securitization"."

2. To add the following sentence to paragraph 5 of clause 89.2 of Article 89:

"The right of tax lien shall not apply to assets included in the underlying pool, which are assigned, sold to a special purpose vehicle in accordance with the Law of Ukraine "On Securitization"."

3. To supplement sub-clause 133.4.6. of clause 133.4. of Article 133 with the ninth paragraph as follows:

"special purpose vehicle that issues structured bonds;"

Accordingly, the ninth paragraph of sub-clause 133.4.6. of clause 133.4. of Article 133 shall be considered the tenth paragraph of the said sub-clause.

4. Sub-clause 141.4.10. of clause 141.4. of Article 141 shall be revised as follows:

141.4.10. Income received by non-residents in the form of interest, or income (discount) or profit from transactions on sale or other alienation of government securities or local loan bonds, or debt securities, the fulfillment of obligations under which is secured by state or local guarantees (except for the income of non-residents registered in the states (territories) included in the list of states (territories) approved by the Cabinet of Ministers of Ukraine in accordance with subpara. 2.1.2 of sub-clause 39.2.1 of clause 39. 2 of Article 39 of this Code, from the sale or other alienation of government securities or local loan bonds, or debt securities, the fulfillment of obligations under which is secured by state or local guarantees), or in the form of other income from government securities paid by the central executive body that ensures the formation and implementation of state financial policy, or in the form of interest paid to non-residents for the funds received by the state or to the budget of the Autonomous Republic of Crimea or the city budget.

5. To supplement Article 142 with paragraph 142.5:

"142.5. Profit received in the form of income (discount) upon acquisition of structured bonds, the underlying pool of which is formed from the rights of claim to non-performing assets in accordance with the Law of Ukraine "On Securitization", shall not be subject to taxation."

6. The first paragraph of sub-clause 196.1.1 of clause 196.1 of Article 196 shall be set out in the following wording

"196.1.1. issue (emission), placement in any form of management and sale (redemption, repurchase) for funds of securities issued by business entities, the National Bank of Ukraine, the central executive body that ensures the formation and implementation of the state financial policy, local self-government bodies, special purpose vehicles in accordance with the law, including investment certificates, certificates of the real estate fund, structured bonds, derivatives, as well as corporate rights

7. Clause 196.1. of Article 196 shall be supplemented with sub-clause 196.1.21. as follows:

"196.1.21. Supply (sale, assignment, alienation in any other way) of assets for inclusion in the underlying pool, servicing of assets of the underlying pool, servicing (backup servicing) of payments on assets of the underlying pool, provision of services by a trustee, servicer in accordance with the Law of Ukraine "On Securitization"."

2) In the Law of Ukraine "On Banks and Banking Activities" (Bulletin of the Verkhovna Rada of Ukraine (VVR), 2001, N 5-6, Article 30)

Article 59 shall be supplemented with part seven of the following content:

"Funds held in escrow accounts opened in accordance with the procedure established by the Law of Ukraine "On Securitization" may not be enforced and/or seized."

3) The Law of Ukraine "On State Registration of Legal Entities, Individual Entrepreneurs and Public Organizations" (Bulletin of the Verkhovna Rada of Ukraine (VVR), 2003, No. 31-32, p. 263)

1. clause 9 of part two of Article 9 after the words "(except for" shall be supplemented with the words:

"specialized institutions of issuers of structured bonds,"

2. part six of Article 16 after the words "employers' organizations, their associations" shall be supplemented with the words:

"specialized institutions of structured bonds issuers".

4) In the Law of Ukraine "On Securing Creditors' Claims and Registration of Encumbrances" (Bulletin of the Verkhovna Rada of Ukraine, 2004, N 11, Art. 140)

part four of Article 5 shall be supplemented with the following sentence:

"Assets that, in accordance with the Law of Ukraine "On Securitization", are included in the underlying pool and assigned/sold to a special purpose vehicle for the issuance of structured bonds may not be subject to encumbrances."

5) In the Law of Ukraine "On the Individual Deposit Guarantee System" (Bulletin of the Verkhovna Rada of Ukraine (VRU), 2012, No. 50, p. 564)

supplement Article 50 with part six of the following content:

"6. Assets included in the underlying pool that are assigned/sold to a special purpose vehicle for issuing structured bonds in accordance with the Law of Ukraine "On Securitization" shall not be included in the liquidation estate of the originator bank and shall not be subject to alienation, including compulsory alienation under the liquidation procedure."

6) In the Law of Ukraine "On Capital Markets and Organized Commodity Markets" (Bulletin of the Verkhovna Rada of Ukraine, 2006, N 31, Art. 268, as amended)

1. to supplement subparagraph 10 of paragraph 1 of Article 2 with the words "(unless otherwise provided by law)"

2. to supplement part two of Article 8 with new paragraphs of the following content:

"17) structured bonds".

3. to supplement the second sub-clause of part seven of Article 8 with the following:

"6) structured bonds - securities issued for the purpose of securitization of assets."

7) In the Law of Ukraine "On Mortgage Bonds" (Bulletin of the Verkhovna Rada of Ukraine (VVR), 2006, N 16, Article 134)

1. in Article 3, paragraph 5, the words "structured mortgage bond" shall be deleted
2. to delete sub-clause 2) of clause 2, clause 4 of Article 3.
3. to delete in clause 4 of Article 4 "In case of issuance of structured mortgage bonds, the depository service agreement shall be concluded by the manager"
4. to set forth in clause 1 of Article 6 as follows: "1. Fulfillment of obligations under mortgage bonds shall be carried out in the manner and within the terms specified in their decision on issue (prospectus)."
5. in sub-clause 9) of clause 2 of Article 7, delete "and in case of issuance of structured mortgage bonds - the percentage specified in the prospectus"
6. in sub-clause 10) of clause 2 of Article 7, delete ", unless otherwise provided for in the prospectus for issuance of structured mortgage bonds"
7. in clause 3 of Article 9, delete ", and in case of issuance of structured mortgage bonds - with the manager"
8. to delete in sub-clause 3) of clause 3 of Article 9 "or, in case of issuance of structured mortgage bonds, to the manager"
9. to delete in clause 4 of Article 9 "and the manager, in case of issuance of structured mortgage bonds"
10. to delete clause 4 of Article 10
11. to restate the first sentence of Article 11.3 as follows "3. Any funds to be paid to the bondholders in the process of enforcement of the issuer's debt on mortgage bonds shall be transferred to the cash account of the Central Securities Depository in the National Bank of Ukraine. ";
12. to delete Section IV Peculiarities of Structured Mortgage Bonds.

8) In the Law of Ukraine "On Financial Services and Financial Companies"

1. supplement part one of Article 29 with sub-clause 7) as follows:

"15) activities of the securitization repository,";

2. to supplement Article 29 with part 9 of the following content:

"5. The financial service of a structured bonds trustee, according to the Law of Ukraine "On Securitization", includes the activity of maintaining a securitization repository"

9) In the Law of Ukraine "On State Regulation of Capital Markets and Organized Commodity Markets" (Bulletin of the Verkhovna Rada of Ukraine (VVR), 1996, No. 51, p. 292)

Article 4 shall be supplemented with the following sub-clause:

"26) activities of the securitization repository."

III. The Cabinet of Ministers of Ukraine, the National Bank, the National Securities and Stock Market Commission shall, within three months from the date of publication of this Law, bring their regulatory legal acts into compliance with this Law.