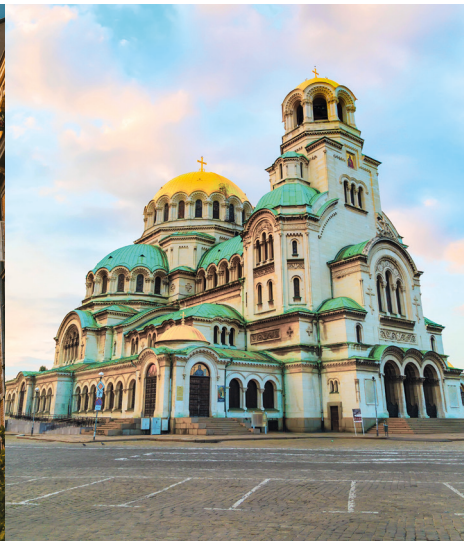


# GIS Press

Global Investor Services

Spring Edition 2023



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Dear Readers,

Welcome to the spring issue of GIS Press, your reliable source of information on the developments on the securities markets of Central and Eastern Europe. We are happy to present you with an even wider array of in-depth market insights as well as a look behind the scenes of GIS.

Poland, Bulgaria and Slovenia, our focus markets featured in this edition, show themselves more robust than one might think against the backdrop of the geopolitical derangement nearby. What is more, growth is expected to pick up visibly in 2024.

As per tradition, the players on the securities markets are at the forefront of innovation. It is only a logic consequence that the central securities depositories, as suppliers of the respective infrastructure, have been drivers of digitization. We spoke with Maciej Trybuchowski, President & CEO of KDPW and KDPW\_CCP, and Vid

Slamič, General Manager of International Relations at KDD, about their recent initiatives. Manyu Moravenov, CEO of the Bulgarian Stock Exchange, explained to us how the market brought forth 13 (!) IPOs throughout the last two years.

Ever since the beginning of Russia's aggressive war on Ukraine, our clients have been consulting us regarding the consequences on the local capital markets. Our editorial team decided to expand our reporting on both markets to make our expertise available to a broader audience.

And finally, we would like to share with you what we at GIS are working on. Please read everything about the new functionalities of the Global Investor Gate (GIG) as well as about other activities inside GIS.

**Bettina Janoschek**  
**Head of GIS Sales, Relationship  
Management & Market Intelligence**  
**Raiffeisen Bank International**



## Poland: Set for further growth

The Polish economy presents itself quite robust, with the recent slowdown only being attributable to the war that involves two neighboring countries.

Poland is one of the driving forces in Europe when it comes to protecting its neighbouring Ukraine against the aggression from Russia. It is also one of the continent's most generous donors of military, financial and humanitarian aid to Ukraine, reaching 0.5% of GDP. Moreover, it is one of the few NATO members that fulfil the bloc's defence expense target of 2% of GDP within a decade, a level that might be widened at NATO's next summit.

However, affairs between Poland and the EU are not always that smooth. A row with the nationalist government over violations of EU legislation has already caused a suspension of EU funds for Poland. And in February, the European Commission found that the newly implemented Constitutional Tribunal and its case law speak against EU Treaties and thus decided to sue Poland.

In the current year, growth will come back but remain below 1% because - for political reasons - EU funds dedicated to post-pandemic recovery will probably not start flowing in so soon. Investments in critical areas will therefore be further delayed.

Interest rates have remained stable since September 2022, showing that the central bank's monetary policy has shifted

towards preserving conditions for future growth. With the current 6.75% rate, the tightening cycle may have found an end.

### Loan holidays and other measures

To ease the burden of private borrowers in times of rampant inflation, the government last summer imposed a support package. Zloty mortgage borrowers were given 8 months of credit holidays throughout the years 2022 and 2023 with no negative impact on their credit ratings.

Other programs include subsidies for households suffering from price hikes on heating and electricity.

Wild controversies about the fairness of a tax reform, restructuring of personal income taxes planned in 2022, were responded to by an alteration of the law. Ultimately, the tax rate was reduced to 12% from 17%, and some thresholds were adapted as well.

### Curbing coal

Being the most coal-dependent nation in Europe, Poland has already made great achievements regarding lower emission energy, with solar power in particular. To that end, the facilities of some fossil

power plants are being repurposed to serve as photovoltaic farms.

The Polish lower chamber of parliament (Sejm) has recently adopted amendments to the Wind Farm Act. The change to the current act unblocks the construction of wind farms in Poland, producing cheap and clean electricity, by reducing the distance to inhabited areas what should result in opening areas for setting up new facilities. Creating conditions for the development of renewable energy is also one of the arrangements with the European Commission on the launch of the National Reconstruction Plan for Poland.

Besides solar and wind farming, Poland is about to embark on nuclear power generation. Just like in the Baltic states, this energy source has practically played no role up to now. But under the Polish Nuclear Power Program (PPEJ), two such power plants shall be erected in different locations in the near future. Further down the road, the official energy strategy foresees altogether six nuclear power plants until 2040.

**Jarosław Kowalczyk**  
*Custody Operations Team Leader*  
Poland

## Driver of digitization

Maciej Trybuchowski, President & CEO of KDPW and KDPW\_CCP, gave GIS Press an insight into the innovative solutions for the Polish market, including a virtual sandbox, that will set new standards

### **Mr. Trybuchowski, KDPW plays a crucial role in digitizing the Polish capital market. What are the latest developments?**

Every year we try to improve our services or implement new ones. In December our clearing house KDPW\_CCP launched a new clearing system for OTC derivatives. It functions as one of the clearing modules of the kdpw\_stream system, where all transactions handled by the KDPW Group are cleared and settled. The kdpw\_stream system, implemented in 2009, was created and is continuously developed by KDPW Group IT specialists, as are most of the technological solutions offered by KDPW and KDPW\_CCP. As a result, those solutions are not only tailored to the needs of our clients but are also independent of global vendors and come without high cost for licences.

In recognition of the importance of information and data, the KDPW Group Data Portal is constantly being developed and makes available a range of reports and statistics, including their automated distribution. Six new types of reports were offered to the market participants last year. As a result, 28 statistical reports are now available, covering the KDPW Group's activities as a central securities depository, clearing house, trade repository, and numbering agency. In February 2022, changes were introduced to bring the KDPW Group in line with the settlement discipline requirements of the CSDR. A new system was implemented for calculating cash penalties for late settlement under the CSDR. This was a very complex undertaking.

### **What is the DLT Virtual Sandbox about?**

The DLT Virtual Sandbox was first presented to the public at the beginning of February. KDPW is the technology partner of the Polish Financial Supervision Authority, FSA, in this project.

The Sandbox allows to test technological solutions for the financial market with the support of the Polish FSA. The environment developed and implemented in the FSA infrastructure was launched in cooperation with KDPW experts under a cooperation agreement concerning support for the development of the Polish financial innovation ecosystem.

Mandatory conditions to access the DLT Virtual Sandbox include a regulatory consultation under the Innovation Hub Programme – an initiative that fosters innovation on the financial market.

### **You are about to open a direct link to the Ukrainian CSD. What do you expect from this connection?**

Since the beginning of the war, Poland has supported Ukraine's efforts to protect the country's sovereignty and territorial integrity. Poland's authorities, private and state-owned enterprises and institutions are joining the plan to rebuild the war-time devastation.

The agreement concluded between the Polish and Ukrainian CSDs is part of our support for the Ukrainian financial market. It paves the way for Ukrainian local governments to issue municipal bonds on international markets. Placing Ukrainian municipal bonds on the European market will help to attract capital and create ways increasing the inflow of foreign investments to Ukraine. The agreement between our institutions is the beginning of a long-term cooperation and will be beneficial for both the Ukrainian and Polish markets. The reconstruction of Ukrainian cities and economy will require significant financial resources, and the capital market should play a major role in this process. We are very well prepared for this, both with our infrastructure and our organization.



### **Could you please update us on the GlobalConnect market?**

GlobalConnect is an equity market, organized in the Alternative Trading System, ATS, by the Warsaw Stock Exchange, where stocks are listed by Introducing Market Makers without the issuer's consent. As a result, foreign stocks listed on global securities exchanges can be traded in Warsaw. The selection of stocks and their introduction to GlobalConnect is the responsibility of Introducing Market Makers, who support the liquidity of the stocks and provide key issuer information.

The market was launched in November last year and encompasses five global companies. Securities traded on the market are processed in the same way as other securities recorded in the KDPW depository system as the investor's depository as the secondary depository. GlobalConnect transactions are cleared in KDPW\_CCP and settled in KDPW according to the timetable applicable to the Polish market. Trades are settled in PLN. Corporate actions are processed by KDPW and notified to KDPW participants

on the basis of information received by KDPW from the foreign depository in which the inter-system transfers are processed.

We expect more companies to be listed on GlobalConnect in the near future. As an infrastructure we are ready to clear and settle a growing number of transactions as well as companies.

**The clearing house KDPW\_CCP has launched clearing of repo transactions last year.**

Yes, that's correct. KDPW\_CCP, a member of KDPW Group, has started clearing repo transactions concluded on the

Treasury BondSpot Poland platform in April 2022. I would like to emphasize that the service is one of the projects under the Polish Capital Market Development Strategy, supported by the government. Acting together with BondSpot, which is the operator of the Treasury BondSpot Poland platform, and market participants, KDPW\_CCP has developed a model for clearing repo transactions in KDPW\_CCP with settlement in KDPW, a risk management model, a model for reporting repos to a trade repository, SFTR, and rules for exchanging post-clearing messages. The launch of central clearing of repo transactions makes them safer and brings the Polish capital market

closer to the world's most developed markets in terms of infrastructure. The safety of clearing has now significantly improved for market participants, boosting liquidity on the market.





## Bulgaria: Waiting for the euro

The timeline for entering the EU's financial system was extended several times, with 2025 being the new target, as proclaimed in February.

Bulgarian voters have adopted a special kind of routine. Every few months are they called to polls because the political system presents itself unstable. In April they will cast their votes at the fifth general election within only two years. As a side effect, parliamentary work stands still in the run-up to every election, but this time the halt is particularly damaging. Planned reforms will be delayed, thus suspending the disbursement of important EU funds. It is worth noting that, according to Fitch ratings, there is a broad willingness among Bulgarians to continue reforms.

### Euro adoption stumbling

Bulgaria started preparations to introduce the euro in parallel with Croatia, but not with the same outcome. The timetable, to begin with, was less ambitious, but then its neighbor Greece ran into the financial troubles that caused the euro crisis in 2010. Constant political instability has not been helpful either. This February, Finance Minister Rossitsa Velkova stated that Bulgaria will not be accessing the eurozone at the start of the year 2024, however, no later than 1 January 2025.

As a matter of fact, Bulgaria's currency has been pegged to the euro for many

years already. It is even part of the exchange rate mechanism (ERM II) as well as the EU banking union. Meeting the convergence criteria, including price stability, and having the legal framework in place in time are the decisive factors. But inflation remains high, with 14.1% in January and an average of around 9.5% forecast for 2023 by RBI Research, and it needs to come down visibly to clear the way for the single currency.

Under the impact of inflation, high gas prices and the war in Ukraine, economic growth will be lower than originally expected. GDP will likely remain at around 1.5% in 2023 and only pick up in

the following year. Like most European countries, Bulgaria has to grapple with labor shortages. Although its own citizens show less tendency to move abroad in search of better incomes, the government has launched campaigns to attract foreigners to come and join the workforce.

The inflow of foreign direct investment into Bulgaria doubled to EUR 2.23 bn in 2022. A closer look at the statistics shows that investment in equity including real estate alone accounted for EUR 461 mn. Measured by geography, the lion's share of FDI came from Switzerland, followed Cyprus and Austria.



# At a glance

Probably, Bulgaria will get a new significant role as target country for nearshoring. For large manufacturers seeking to strengthen their supply chain by leaving the low-cost producers in China and the Far East, there will be interesting options in the country that has a tradition in outsourced manufacturing.

## Energy diversification

Bulgaria is gradually venturing into alternative energy sources. The first offshore wind turbine will float in the sea to power a gas platform. BLOW, as the Black Sea Floating Offshore wind project is called, will be developed by a number of European energy companies for a budget of EUR 21 mn.

The future European Union-financed gas interconnector between Bulgaria and Serbia will liaise networks on both sides. It is considered to support regional energy diversification and reduce Serbia's dependence on existing gas sources. While the works on the Serbian stretch started one year ago, the Bulgarian side launched construction this February.

## Start-up paradise

A report presented by the Bulgarian Private Equity and Venture Capital Association came to the conclusion that the local start-up scene is not only booming but also an attractive destination for venture capital. The country has already brought forth its

first unicorn, and there are three more in the waiting room. The study shows that venture capital investors have increased their presence in South East Europe, but local funds have grown massively as well and the market has matured.

**Bettina Janoschek**

*Head of GIS Sales, Relationship Management & Market Intelligence*



## Trend setter

By expanding the available information about Bulgarian public companies, the local capital market is supposed to be put on the sustainability map, Many Moravenov, Chief Executive Officer of the Bulgarian Stock Exchange (BSE) told GIS Press. In the meantime, there is a breathtaking IPO activity.

### **Mr. Moravenov, could you please update us on the latest news about the Bulgarian capital market?**

BSE International, our new market for foreign instruments, has started mid-2021. This innovative project provides an opportunity for local investors to diversify their portfolios with financial instruments issued by some of the most famous and liquid companies in the world.

On the other hand, the beam market aiming at small and medium-sized companies in Bulgaria, that BSE has been developing since 2018, is serving its purpose, too.

### **What was the reason behind the remarkable issuance activity lately?**

Over the past two years, 13 companies from different sectors including technology, investments, real estate, organic food production, automotive, and solar systems had successful IPOs on the beam market. The capital raised collectively reached EUR 18 mn, and in four cases the demand surpassed the then maximum threshold of EUR 3 mn.

The increased threshold - first, from EUR 1 mn to EUR 3 mn in 2021, and then to EUR 8 mn in mid-2022 - allowed raising capital under alleviated conditions and lead to many successful local IPOs. I dare say that we have been witnessing a kind of snowball effect - each successful offering paves the way for new ones.

### **How big is the share domestic of investors?**

In 2022 we counted over 3,000 new investors on the stock exchange, and for the last three years their number exceeded 10,000. 90% of them are local individuals. The main reason for that increase was the BSE efforts to promote the SME growth market beam and the introduction of the BSE International market.

### **From a capital market standpoint, how do you perceive the upcoming euro introduction?**

Bulgaria's accession to the eurozone will certainly have a positive effect on the market, as it will facilitate the access of foreign investors to the BSE. It should be borne in mind that, in line with the forthcoming entry into the eurozone, Bulgaria will also join TARGET2-Securities, T2S, which will also make it cheaper and easier for foreign investors to access the market, respectively to transfer securities.

Although the currency risk for Bulgaria is low due to a currency board, the entry into the eurozone at the current fixed rate would practically reduce the risk to zero, which would further boost Bulgaria's attractiveness as an investment destination.

### **Where do you stand in terms of regional co-operation with other stock exchanges?**

SEE Link was created to facilitate order routing between our markets, but now the founding exchanges see new fields of development. We would like to turn it into a regional hub and reference point for the markets of the region that is to serve the investors not only from inside the SEE region. We plan to enrich the content on the SEE Link website with more useful information about the markets, market structure and participants, general information on tax regimes, legislation, rules and practices, more consistent market data, monthly update on market tendencies, news and events.

We also intend to tackle some of the trendiest topics, such as Sustainability and ESG, other investment opportunities such as the start-up, PE and venture capital ecosystems at a regional level. Another thing we are planning on is



creating a visibility platform for funding opportunities and IPO readiness also at a regional level.

### **Which initiatives is the Bulgarian Stock Exchange working on in the field of sustainability?**

Placing the Sustainable Development Goals as primary on a global scale and the EU in particular, as well as the established good practices of well-developed exchange operators in directing capital flows towards sustainable investments also determines the role that BSE should take as a factor for ensuring the sustainability and long-term competitiveness of Bulgarian public companies and the broader economy.

As of 2021 BSE is part of the UN Sustainable Stock Exchange Initiative (UNSSSE). But we also started our ESG initiative, namely the Center for Sustainable Finance and Energy, a think-tank for sustainable finance and energy. We developed the first ESG reporting guidelines in the country, aimed not only at public companies.

## **What is the aim of your agreement with Refinitiv?**

BSE partnered with one of the world's most reputable sustainability data providers – Refinitiv, part of the London Stock Exchange Group. Refinitiv will provide data on the sustainable performance of the local companies, which will serve to introduce a new ESG index for Bulgarian issuers. Refinitiv will calculate and provide BSE with ESG ratings, as well as data on the so-called contradictions regarding the sustainability according to an internationally recognized methodology. The launch of the ESG index is expected till end-2023.

## **BSE has levelled up in terms of efficient reporting.**

The new Oxygen platform developed by BSE enables companies to disclose non-financial information in a structured

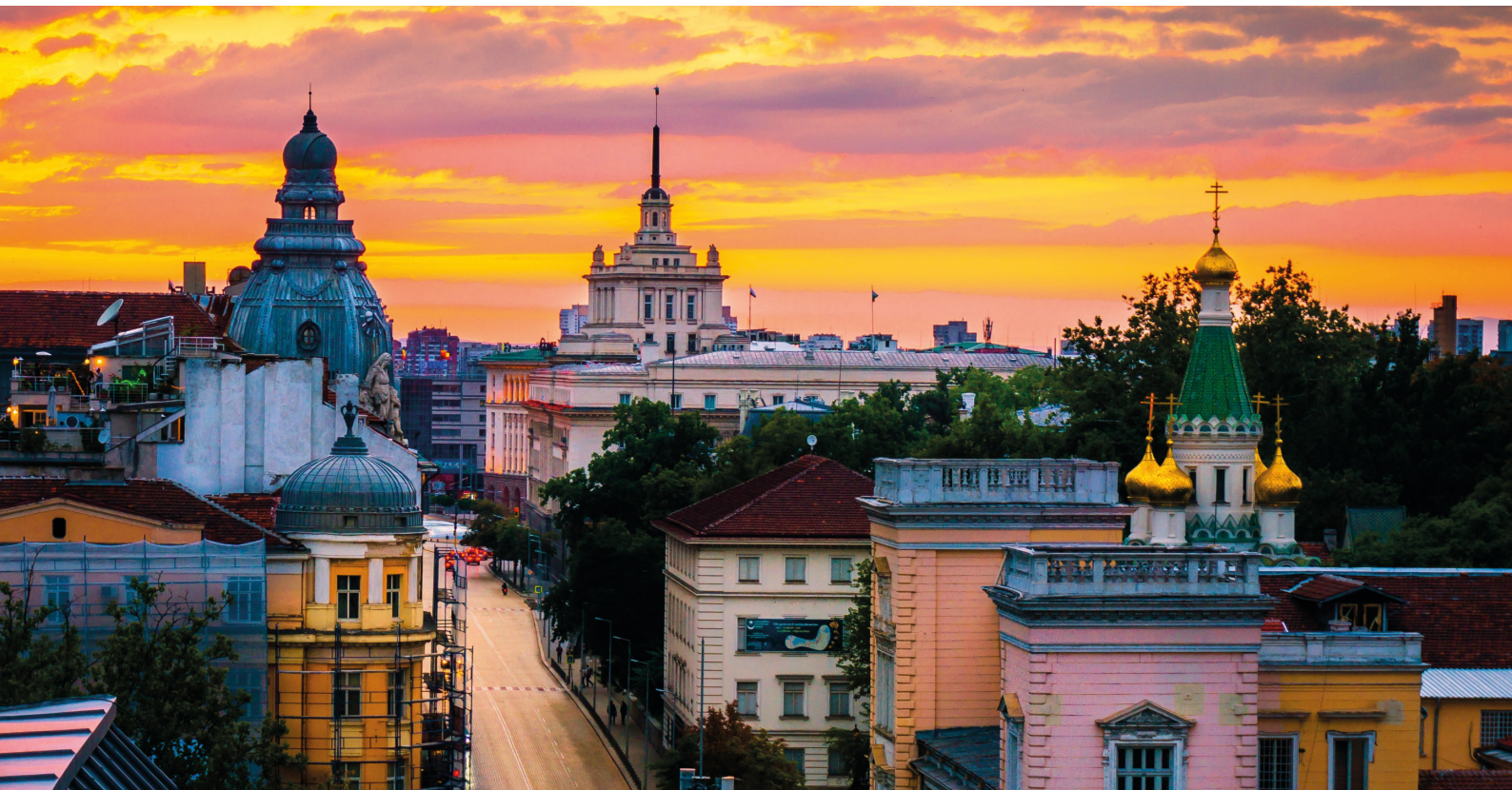
form and in line with European and national reporting requirements.

Moreover, we just launched the electronic platform x3analytics, which will give visibility to public companies to individual and institutional investors, analysts and data providers, issuers, government institutions and media.

I would like to also emphasize our accelerator program beamUp lab, launched in 2020. It is now in its third edition, going strongly on with the goal to distinguish promising and innovative Bulgarian private companies with sustainable business models, to make them visible for potential investors as well as to strengthen their knowledge of the financing opportunities.

Finally, among our priorities this year is the launch of a securities lending platform. BSE aims to create a set

of clear rules and infrastructure to improve the ability to remotely conclude and register contracts for borrowing financial instruments. We regard this as a preliminary stage and a prerequisite for a derivative market in our country.







## Slovenia: A steep recovery

Slovenia managed to keep very well recently, showing excellent credit ratings. The economy is expected to expand by nearly 1% this year, and there is more to come in 2024.

Having gotten over the 2020 shock, Slovenia's economic activity has already surpassed its pre-pandemic level in 2021 with a GDP growth of 8.1%. Personal incomes, businesses, and eventually the overall recovery were supported by governmental measures worth around 10% of GDP.

The rebound was primarily driven by household consumption and by investments, while a significant rise in imports negatively contributed to the net export statistics. An especially robust growth was reported in the fourth quarter of 2021, providing a very strong carry-over effect for 2022.

Great uncertainty, elevated inflation and the economy's vulnerability regarding energy pose the biggest risks to economic growth. While Slovenia's direct economic exposure to Russia and Ukraine is relatively limited - less than 5% of trades have to do with Russia and Ukraine - energy dependency is substantial and therefore represents a key negative risk.

Although gas represents only around 14% of total energy consumption, it is an important resource for some companies in metallurgy and in the chemical and

paper sectors that would struggle to find alternatives, especially since Slovenia has no domestic storage capacity. As a matter of fact, Slovenia imports both from Austria, which ultimately imports both from Russia, making the real exposure much higher. Any supply shortages would have a significant impact.

As in most EU countries, inflation entered the double-digit territory at the end of the first half-year 2022, prompted by the hike in energy prices. However, the contribution of other price categories adds to the development, suggesting that we probably have not yet seen the peak. It is expected that inflation rates will only decrease by the end of 2023 and calm down in 2024.

### New government

The 2022 elections brought a major shift in the political landscape of Slovenia. The newly formed three-party centre-left coalition has a stable majority in the parliament, and it is expected to show a more pro-EU stance. Last in November, Nataša Pric Musar was elected president, which confirmed the defeat of the formerly leading right-populist party.

The new government still has a series of major reforms ahead of itself, including the modernization of healthcare and the pension system. Certainly not an easy task having in mind an environment of high uncertainty, rising inflation and an inevitable slowdown of economic activity across Europe.

### Early bond issue

The Republic of Slovenia started the year with two successful major bond issues: a EUR 1.25 bn 10-year Reg S Sustainable bond alongside a EUR 250 mm tap of



## At a glance

the outstanding 3.125% bonds due in August 2045. This landmark transaction, which included the second and largest sustainable bond out of Slovenia, made the Republic of Slovenia the first sovereign in the region to tap the markets in 2023. The success of the transaction, with over EUR 10 bn of combined demand mostly from European institutional investors, displays the confidence of institutional investors in the Republic of Slovenia, and particularly in its role in financing and achieving ambitious environmental and social goals.

The Slovenian Blue-Chip Index SBI Top, a major stock market index which tracks

the performance of the most liquid shares traded on the Ljubljana Stock Exchange, retreated by 14.2% in 2022 only to have a quick and hard rebound in the beginning of this year, when it rose by 13% in less than 30 trading days. The turnover is still small with around EUR 1 mm of daily volume, but this quick recovery provides an optimistic view on the expectations of Slovenian companies in 2023.

Overall, it seems that year 2023, despite high inflation and uncertainty, will be quite promising for Slovenia.

**Mensur Hodžić**  
*Head of GIS Croatia*



## The stable backbone

The level of integration of the Slovenian trading and post-trading infrastructure into the European and global markets is high and the volumes in cross-border activities continue to increase. GIS Press wanted to hear more about that trend from Vid Slamič, General Manager of International Relations at KDD, the Slovenian CSD.

### **Mr. Slamič, what are your expectations for the current year?**

KDD's operations present themselves in a stable condition, and I believe that it will remain like this, unless 2023 brought any major disruptions affecting the securities markets. Our focus is put on the expansion of our cross-border services, building on the success we have had with foreign membership so far. In addition, KDD has begun to provide CSD services to foreign issuers.

### **Do you have any major projects you can share with us?**

All major projects in the pipeline are based on requirements from the Eurosystem or the European legal framework governing financial infrastructure providers. At the moment, it is the European Collateral Management System (ECMS) project that occupies KDD most. It will redesign corporate actions processing through new communication patterns, namely the ISO 20022 message schemes, and fully harmonize them, enabling smooth and effective corporate events both domestically and cross-border. Initially, implementation was planned for 2022, but it was recently postponed to April 2024 upon decision of Eurosystem.

As far as the international component of KDD operations are concerned, any further increase in cross-border investing will require the issuers to be closer to their investors and the financial infrastructure providers, including KDD. We are already developing solutions to adjust our organization accordingly.

I would like to highlight the ability of small but highly motivated team to adapt KDD operations to new demands, be they regulatory or market driven, and to deliver new products to our customers as smoothly as possible. In a tightly regulated environment, where the burden on market participants often appears heavy, we strive to keep the impact on

customers low so that they can focus on doing business.

### **T2S has been the standard in the Slovenian market for five years already. Was it the right thing?**

The Slovenian market became fully integrated and fully harmonized with the European securities industry thanks to T2S. While KDD has had CSD links enabling cross-border transactions even before, it was T2S that fostered true and deep harmonization. The KDD infrastructure serves issuers at one end and banks, brokers and other system members at the other, operating as efficiently as any other market.

### **What has changed since the implementation of CSDR into Slovenian regulation?**

CSDR set the regulatory compliance of all European CSDs on equal grounds. I see its biggest advantage in making it easier to provide cross-border services to clients from other member states. Indeed, we do observe more interest in KDD's products from abroad.

### **To what extent did the introduction of SRD II into the Slovenian legislation affect the operations of KDD?**

The Shareholder Rights Directive was another harmonization push, this time towards end investors. Investors' rights had indeed been problematic, especially for those abroad, as they were not familiar with local customs. General meetings attendance and voting were burdensome for custodians trying to exercise clients' orders.

We noticed massive changes in this respect, and we are glad to see that both issuers and system members fully adapted to the new SDR II rules. All corporate action, general meeting and shareholder identification services are now compliant with them. SRD II surely enhanced reputation of quite many issuers.



### **In 2022 the tax rate on capital income was decreased by 2.5 percentage points to 25%. Did this step stimulate the appetite for investments?**

We have not noticed any major volume shifts. That being said, we are not in the position to estimate their reactions of end investors as we do not entertain direct relations with them.

### **What measures should be taken for the market to become more attractive to investors?**

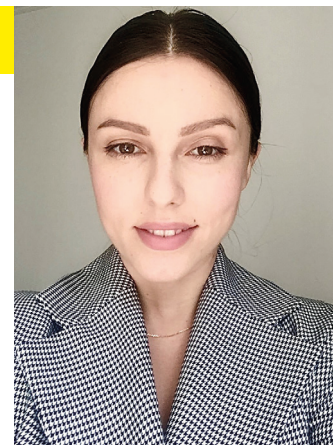
I assume that increased convergence between national regulators in the interpretation of CSDR could bring positive effects.

### **Is there any interest in local ESG products?**

ESG principles and products are not widely available on the local market. There was one green government bond issuance so far, although not even really promoted as green.

### **How are digital assets perceived in the Slovenian market?**

KDD shares the common position among the European CSD community that the new legislation did not quite succeed in making digital assets attractive for CSDs.



# Russian market infrastructure update

Within the last twelve months, massive legal changes were imposed on a large group of foreign investors on the Russian capital market. GIS Press compiled the latest news for our readers.

As a matter of Russian law, all accounts of non-residents, including foreign nominee holders, from so-called unfriendly jurisdictions are subject to a "type C" regime. This implies significant limitation on their activities. Exceptions apply to non-residents from so-called friendly jurisdictions, as well as to foreign-controlled companies which are controlled by a Russian beneficial owner and duly disclosed to the Russian tax authorities.

Transactions associated with depo accounts of "type C" were defined by President's Decree No. 95 of 5 March 2022 and then strictly prescribed by a respective Resolution of the Board of Directors of the Bank of Russia, leaving non-residents isolated from the rest of the Russian securities market.

The "type C" regime also applies to bank accounts of non-residents when it comes to dividends and coupons. A Russian custodian is obliged to make such payments to the bank account of a "type C" client either directly to a non-resident holder or to the foreign nominee holder with the same Russian custodian.

### Repatriation of foreign-held Russian securities

In spring of 2022, Russian Federal Law No.114-FZ obliged Russian issuers to terminate their depository receipt (DR) programs on underlying Russian shares, unless exempt by the Russian Government Commission on Control over Foreign Investments.

However, the sanction restrictions made it difficult to carry out these procedures. So, the legislation was redesigned to allow DR holders or beneficial owners to bypass the usual conversion via three procedures. Firstly, an automatic conversion of DRs recorded by Russian custodians (without involvement of a foreign infrastructure), secondly, a forced conversion of DRs recorded by foreign custodians (by application directly to the DR program Russian custodian), and finally, a forced transfer of the recordkeeping of Russian securities. The third procedure applies to shares previously converted from DRs voluntarily, as well as to other eligible securities (by application to a Russian custodian to transfer blocked securities from the broker's foreign nominee account to the holder's or beneficial owner's depo account).

Applications prepared in accordance with strict requirements and sufficient evidence of legal entitlement to participate in the forced events, were accepted till 10 November 2022, while

the official procedures ended two weeks later. By default, in cases of successful application, all securities were credited to blocked sections of the owners' depo accounts till further proof of eligibility to dispose of them. The criteria were acquisition till 1 March 2022 and continuous holding as well as an agreement with a Russian custodian. However, residents from so-called unfriendly states would have to wait for at least six months before their securities may be transferred to the depo account labelled "type C" with limited transactions.

Meanwhile, Russian depositories struggle with reconciliations required for the DR programs' depository banks to verify the declared positions against the actual number of DRs before their markdown.

Further amendments to the procedure of the forced transfer of recordkeeping of Russian securities blocked in a foreign infrastructure were made in December 2022. In essence, they prescribe how the forced transfer of Russian securities can take place: They can be transferred to a Russian custodian from a foreign custodian, from a foreign custody provider who keeps clients' assets on owner or foreign-authorized holder accounts to the beneficial owner, or from a foreign nominee holder by a foreign-controlled company (jointly by all controlling persons of the respective company). However, at the moment the market expects clarifications from the Bank of Russia on the process.

### New procedure for dividend and coupon payments

New temporary requirements have been introduced in respect of coupon and dividend payments. They affect foreign nominee holders and depository receipts issuers throughout the entire year 2023.

For foreign nominee accounts or deponents who have depo accounts for depository programs, the Russian depository collects information on eligible holders of shares or DRs within 70 days. It makes dividend or coupon payments either directly to the bank account of the holder of securities or, by their instruction, to the bank account of the foreign nominee holder within the same Russian depository, including to a "type C" bank account if required. Should the recipient have no "type C" bank account, the Russian depository is obliged to open one.

If the dividend amount has not been distributed in full and on time, the Russian depository expects holders of securities to claim unpaid dividends within ten days from the date when dividend payments were closed. Exhaustive information on their declared interest in dividends will be required, yet the claims may be refused in cases of reasonable doubts. All undistributed amounts shall be returned by the Russian depository to the issuer after expiration of one month following the end of the period for dividend payments. Holders of securities who could not receive the payments, shall stay eligible to claim unpaid amounts directly from the issuer within three years.

A similar procedure applies for coupon payments, except for two details: The deadline for accepting claims directly from holders of securities for unpaid coupons is longer, namely 30 days, and undistributed amounts shall be returned by the Russian depository to the bank accounts of the foreign nominee holders after expiration of one month following the end of the period for coupon payments.

**Ekaterina Goloviznina**

*Network Manager, Custody Services  
Raiffeisenbank Russia*



# Modernizing corporate governance

Ukrainian legislation on corporate governance has made a further step in harmonizing with the European Union–Ukraine Association Agreement. As of the beginning of the year, most provisions of a Law on Joint-Stock Companies entered into force.

A much-awaited legislation in whose making many experts participated will address many open issues. One of its highlights is the improvement of minor shareholder protection in Ukraine, which should also help the country's advance in the World Bank's important Doing Business rating.

### Changes at board level

With the new law in place, companies may have either the commonly known two-level or, alternatively, a single level structure. This novelty to the local market envisages that the functions of control and management over the company's activities can be combined within one single body, i.e., the Board of Directors. It consists of executive members or executive directors and non-executive members or non-executive directors, some of which may be independent. Executive directors shall manage current company activities, while non-executive directors shall be responsible for risk management and control over the activities of executive directors and the joint-stock company (JSC) in general. They have no right to interfere with the current affairs of the JSC, other than to participate in the decision-making process of the board or its committees. Electing its chairperson and the chief executive officer are up to the board as well. Also, it will decide how the functions between its non-executive members shall be distributed.

Moreover, the law specifies that smaller private JSCs may have a board of directors consisting exclusively of executive directors. The minimum number of members cannot be less than three persons. A single-level management structure cannot be implemented in joint-stock companies of importance to society. Any other company may consider the pros and cons of each system on its own.

### Flexibility for AGMs

Other important changes affect general shareholder meetings, which can now be held in three different ways. The first option is the familiar practice of a physically organized general meeting. The law enables shareholders to participate remotely via the special authorization system (SAU) as well. The system is yet to be developed by the Central Securities Depository.

The second possibility is to hold the meeting by polling, which was introduced during the times of the pandemic. It requires the custodian to place the client's vote in the existing CSD system. (It is important to mention that during the current Martial law polling remains the only possibility, as physical meetings are prohibited.)

Thirdly, there will be electronic voting by the shareholders, which requires the use of the future SAU from the CSD. The law's provisions involving SAU will enter into force as of 2024.

### New timelines

With the new legislation in place, the notification guidelines were updated as well. General meetings in certain cases involving the interests of the company, may be called in within a shortened timeframe. In such instances, the shareholders must be notified at least 15 days in advance. For subscriptions (the possibility to exercise the pre-emptive shareholder's right in case of additional issue of shares) the company may notify the shareholders any time before the start of the placement (vs. 30 days previously).

Other important changes include a specification of the position and powers of the corporate secretary and corporate adviser, a reinforcement of the responsibility of company's officials, an improved derivative claim mechanism, and a possibility for the company to be a party to the corporate agreement. Also, from 2024, a limited liability company can choose to have its stakes admitted to the depository system. If applicable, these instruments will become eligible for custody.

**Bohdana Yefremova**  
*Head of GIS Ukraine*

## Adding the gloss finish to GIG

The development of the magnificent Global Investor Gate is almost carried out. Thanks to the latest additions, users can benefit even more from the comprehensive and convenient information and trading platform made by RBI.

Our clients love them. The three newest features that were designed to deliver corporate actions information real-time, calculate safekeeping fees on the spot and facilitate super-speedy securities brokerage have taken our Global Investor Gate (GIG) to the next level.

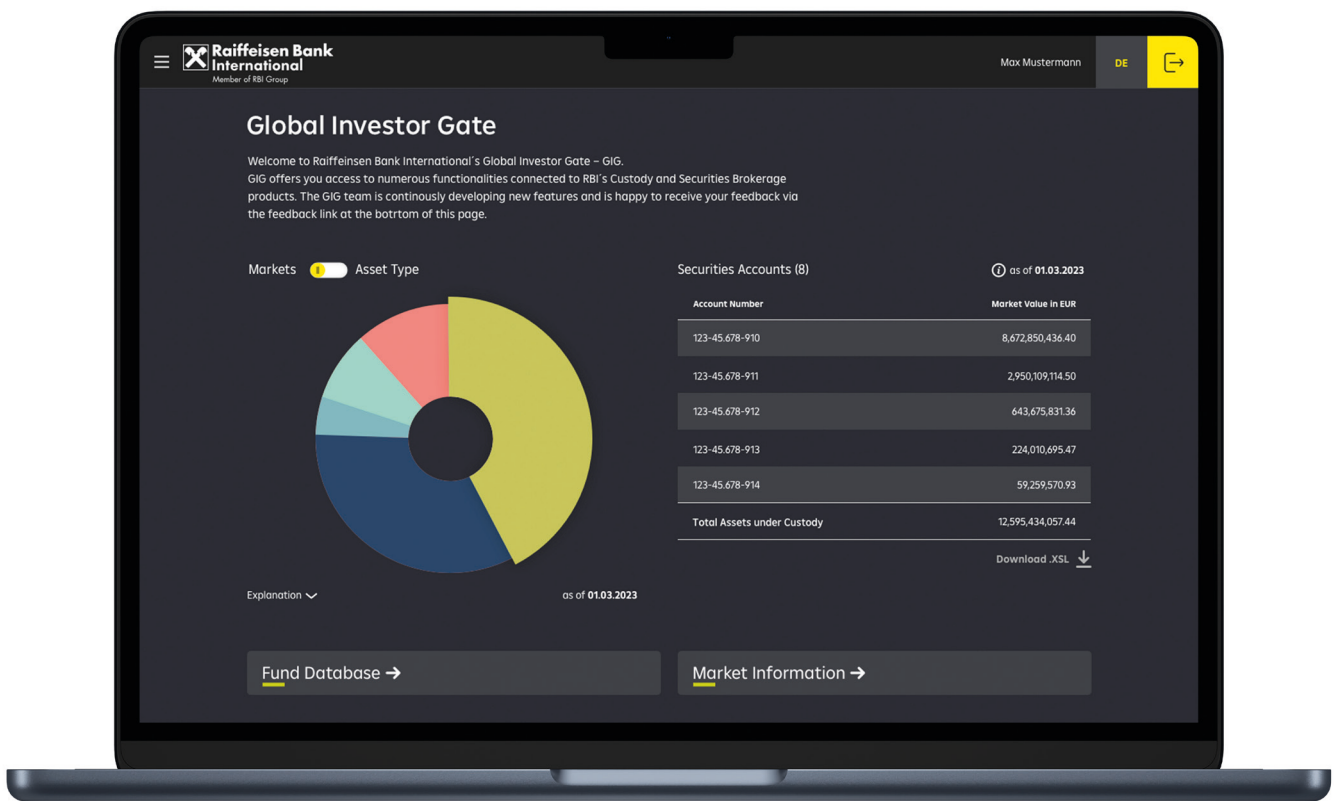
These novel segments compliment the elaborate order entry and order monitoring functionalities, that have been welcomed by clients and the GIS team servicing them alike. Implementing them was nearly the final step of an enormous

project that looked to marry together countless existing functions and data that were left underutilized until recently.

As of end of March, the remaining feature, the transaction monitoring tool, will be set to go live. It will permit clients to check their settlement instructions at any given time. That means that we will soon be able to raise our glasses to the completion of our genuinely automated securities services system.

### NEW: Corporate Actions

Any relevant corporate action within a deposit held at RBI may now be visualized and tracked in the GIG platform. Users can find out everything about dividends, interest payments, upcoming mergers or other important news regarding their investment, all conveniently presented. They may be received ad hoc, retrieved by applying individual filters. Such search settings may be saved so that there will be an automatic notification via email.



What required a SWIFT connection or a heads-up from RBI's Operations team in the past, is now readily available for all GIG users.

## NEW: Safekeeping Fees

For a better overview over expenses and invoices connected with a deposit held with RBI, a safekeeping fees feature has been implemented. The traditional monthly bill will no longer be the sole source of information on cost, but everyone within the team on client's side can keep an eye on the expenses for safekeeping assets under RBI's custody.

On top of that, GIG contains an archive that allows clients to track costs back until the beginning of 2022.

## NEW: Securities Brokerage

The functionalities of the securities brokerage section of the GIG platform allow both institutional investors and corporate clients to place their orders directly, within the framework of the system. In addition to trading shares and bonds, as was the case with RBI's previous system, the entire value chain of fund trading can now be covered by the platform.

We can either accept direct orders straight into the RBI trading system or apply a four-eyes principle, depending on the client's needs. It goes without saying that order monitoring and status requests will work real-time. Moreover, clients can track the entirety of their orders with RBI, no matter through which channel they were placed.

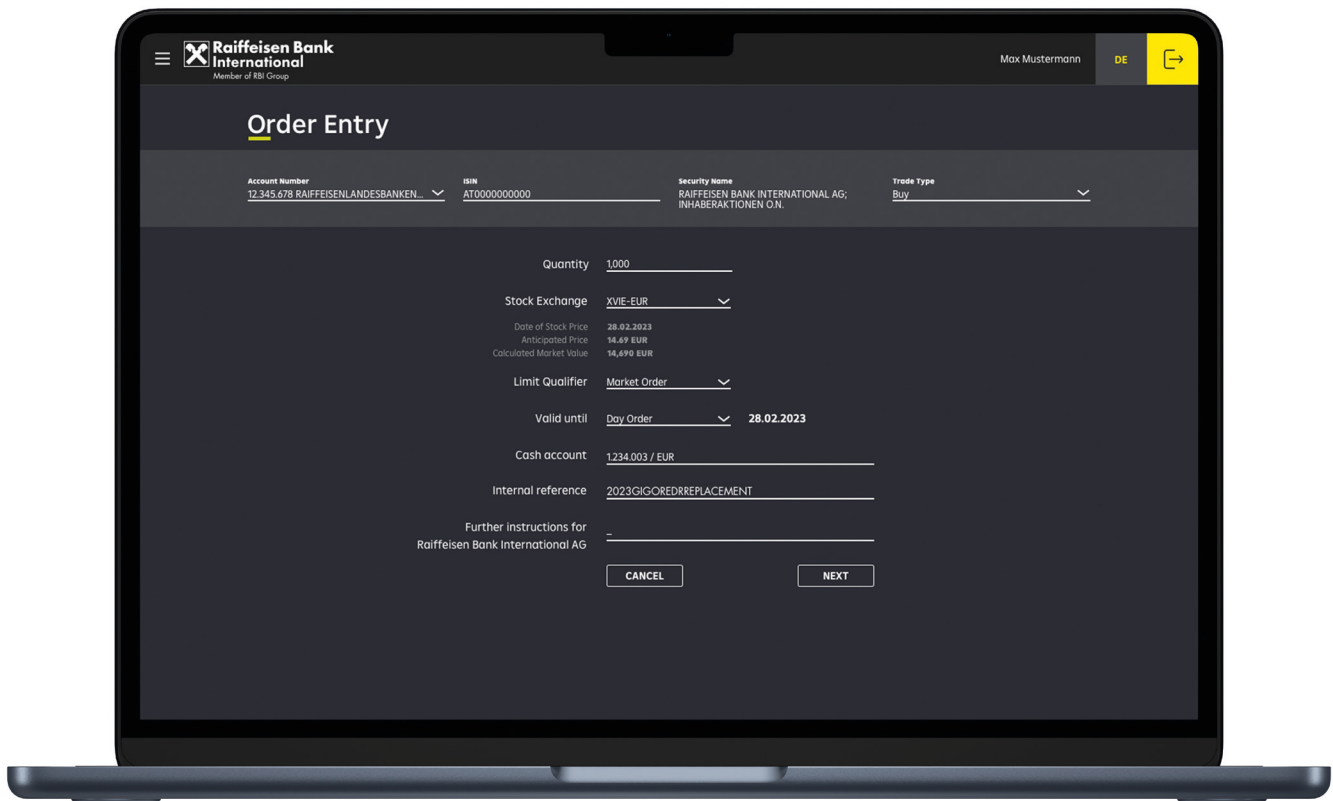
## Incredible STP rates

The GIG platform brings all the processes of Global Investor Services together and onto a modern architecture. At last, the good old eCustody and gBrokerage systems have reached retirement age and will be decommissioned.

GIG's brand-new features address mainly clients without an own interface with major communication platforms, allowing them to trade and monitor their holdings at the same quality level.

GIG does not only have a handy frontend, but it is also extremely fast. Once the confirm and send buttons are pushed, the order will be at the RBI trading system in far below one second. Time to try it out!

**Stefan Kucera**  
Product Owner GIG





# Behind the scenes



Bettina Janoschek (GIS) and Bohdana Yefremova (Head of GIS Ukraine) at Clearstream's Headquarters



Roland Bednar (GIS), Marko Stolica (Head of Investment Banking at NKBM), Vesna Grgic (Head of Custody at NKBM), Petra Frangez (RSC) in Maribor

## GIS on the road

Traveling is an essential part of the job for our Sales and Relationship Managers. Not only do we want to look for potential business opportunities, but we also need to make sure that our already existing clients are doing fine. Performing due diligence is ever so important, especially in times of geopolitical turbulences.

Meeting clients face to face enables us to create even stronger bond with our customers. Personal meetings offer us a peek on the client's side, which is valuable from both business as well as personal perspective. Certainly we take part in conferences and workshops, which are another great way of exchanging knowledge and developing action plans.

### Luxembourg – Ukraine

Our Head of GIS Ukraine, Bohdana Yefremova, participated in the business forum "Rapid Recovery of Ukraine". It is emblematic that the event took place in Luxembourg, which is one of the three administrative centers of the EU, as well as a global financial hub, where more than 120 banks are registered. As a panelist, Larysa Bondarieva, Deputy Chairperson of the Board of Raiffeisen Bank Ukraine, spoke about the banks' role in defending the country and presented ways to support local customers and the economy as a whole. The forum participants – representatives of the Government of Ukraine including Prime Minister Denys

Shmyhal, local governments, international financial institutions, companies, and banks – discussed their roles in the reconstruction, the need for new financial instruments, as well as insurance of military risks.

Together with our Head of GIS Sales & RM, Bettina Janoschek, Bohdana Yefremova and Larysa Bondarieva also visited Clearstream and a few bank headquarters. The business partners were eager to hear about their experience as a custodian during the war and the business continuity measures at the Raiffeisen banking group. Firsthand they were introduced into the details on team safety on the ground (such as bomb shelters in the Bank's offices), systems migration to the cloud, decentralization of operations, and blackout plans for those working from home while the attacks last.

### Slovenia

On a trip to Maribor in January, Roland Bednar, Relationship Manager, and Petra Frangez, Raiffeisen Service Center, met

with clients to ensure smooth processes between the banks from both business and operational side. Apart from discussions related to long-standing cooperations with local players, the stay in Maribor ensured first-hand updates on all the developments in Slovenian capital market.

Equally important was learning about the country also outside of business life. New insights, for example, were gained as to the outstanding quality of Slovenian food and wine.

**Roland Bednar**  
Relationship Manager GIS

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# Imprint & Disclaimer



## Imprint

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**Company Register Number:** FN 122119m at the Commercial Court of Vienna

**VAT Identification Number:** UID ATU 57531200

**S.W.I.F.T.-Code:** RZBA AT WW

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