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Dear Readers,

Only a few days to go until the European post-trade industry will meet for The Network Forum in Athens to make its annual assessment of the business and its conditions. Proud to be a founding partner of this traditional must-attend event, RBI GIS looks forward to meeting clients and business partners to share views and news.

It has been a hot spring in Europe, maybe not weather-wise, but certainly on our markets. The war and its implications continue to influence our tasks, since securities services represents one of the important guards of sanctions within a bank.

In this issue of GIS Press we present three markets with RBI as a dominant player: Bosnia and Herzegovina with a quite optimistic report, furthermore Czechia, where we have just welcomed Karolína Staňková as new local Head of Custody

Product, and finally Romania with its capital markets going through the roof. And we deliver you first-hand insight from our interviews with Rainer Schnabl, the new CEO of Raiffeisen BANK in Bosnia and Herzegovina, Jaromir Sladkovský, CEO of Raiffeisen Investment in Prague, and Adrian Tanase, CEO of the Bucharest Stock Exchange.

Also, we take a closer look at Uzbekistan, a country on a remarkable transformation journey. We met the new CEO of the Tashkent Stock Exchange, George Paresishvili, who confirmed that the reforms are serious and that we may expect many IPOs from privatizations soon.

GIS is always on the road! But not every time do we return home with such precious ware as I did from the Global Custodian awards dinner this time. Thank you so much for your trust, I really appreciate it!

Bettina Janoschek

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



Bosnia & Herzegovina: Ready for cautious growth

Considering the extremely challenging economic conditions in 2022, Bosnia and Herzegovina's economy — although small, open and EU-dependent — has shown strong resilience by absorbing global shocks without severe damage.

Our expectations for the 2022 economic dynamics were optimistic from the start of the year onwards, despite a difficult environment, counting on an excellent development during the first half-year, which would shift to lower gear in the second part, with an overall outcome of a 4% y-o-y real GDP growth. Nevertheless, with the energy crisis becoming the number one threat causing persistent inflation, combined with political instability and ultimately war in Europe, the past year was challenging to maneuver due to various sources of risk. Europe had to adjust to a new economic reality, and B&H, being highly linked to the European market, expected to experience anxiety at some point.

Anyhow, the first half of 2022 was exceptionally robust. Continued strong economic activity pushed real GDP growth to 5.8% y-o-y on average on the wings of surging investments and solid private consumption, supported by inflows of remittances, solid wage growth and enhanced retail loans dynamics.

Economy lost steam

The global economic slowdown had been felt a bit later at the markets of Bosnia and Herzegovina. Expectedly, the economy

lost momentum in the second part of the year, with dampened economic activity resulting in real GDP growth of 2.2% y-o-y on average, but with no harm to our final financial year target of 4% y-o-y. A continued investment spree resulted in the highest contribution to overall GDP growth rate ever, as a prolonged recovery momentum from 2021, coupled with an inventories "piling up effect" from the beginning of the year and an enhanced investment cycle supported by a still favorable interest rate environment and lending activity.

The inevitable slowdown in private consumption, as the largest GDP category, led to a 4.2% y-o-y growth in the second half-year. Stubborn double-digit inflation (16.5% y-o-y in the second half-year), exceeding the south-east European average in 2022, with no coordinated government anti-inflation measures, has eaten away the robust wage growth, becoming a heavy burden on disposable income. Despite that, tough conditions in terms of a persistently strong inflation environment were omnipresent, and it seems that people relied on remittances inflow and fast consumer loans to keep a certain level of living standard, boosting consumption along the way in a quite

unsustainable long-term manner. Hence, a further slowdown is expected in the course of the 2023.

Cautious 2023 growth target

A more pronounced deceleration is expected in the current year, with a real GDP growth rate of 1.5% y-o-y, as a result of the peak in the global fight against inflationary shocks, which inevitably leads to lower economic activity at the global and local levels.

The same growth drivers should support economic activity in 2023, so we expect 1.9% growth of private consumption followed by 9% of gross capital formation and 1.6% y-o-y in terms of public spending. Furthermore, imbalanced growth of exports and imports in favor of the latter is expected to remain in 2023, overall resulting in below-average GDP growth. Diminished recession fears within the EU, which is the main export market for B&H, opened some space for upside potential, but reinforced inflationary fears fueled by the recent OPEC+ decision on oil production reduction brought more overall uncertainty again. Hence, cautious growth is penciled for 2023.

At a Glance

Overcoming the political muddle of the past

Constant political turmoil has been part of B&H's „everyday scenery“ in the last few years, but with limited effects on the economic developments and more importantly on public finance/debt repayment of the country. After a period of rather strong international community presence and actions aimed to keep the integrity of the country, defending the constitutional setting, accompanied by the eagerly awaited elections outcome bringing out “ruling off the ruling parties”, positive news started to come from B&H. Namely, six years after formal requests, B&H finally gained the Candidacy status for EU membership in December 2022. Worsened geopolitical circumstances with Russian aggression on Ukraine called EU officials to finally react in a way to bring the SEE region in closer relationship with the EU countries, giving a safety belt to the countries whose EU status progress

and clear integration perspective has been halted for years. Certain internal advances also led to positive EU response, among them the successfully fulfilled Questionnaire from the EU Commission, a technical base for consideration of candidacy status.

Furthermore, in February, S&P Global Ratings revised its outlook on B&H sovereign credit ratings to positive from stable based on improved political stability and fiscal metrics, and reaffirmed the sovereign credit 'B/B' long. The positive outlook reflected the less confrontational domestic political environment that should hold over the next year. Also, B&H's external imbalances remain contained and the fiscal metrics stable with the government's debt burden low and most debt owed to official creditors at relatively low interest rates and long maturities.

On top of gaining the EU candidacy status, an internal political breakthrough was seen in an agreement among new coalition partners at the State level after General Elections held in October with establishing the new Council of Ministers in record time.

Draženko Bobaš

Head of GSS Bosnia and Herzegovina

Asja Grđo

Senior Economic Analyst and Specialist for Strategic initiatives



Following the clients

Rainer Schnabl, the new CEO of Raiffeisen Bank in Bosnia and Herzegovina, spoke with GIS Press about the profitable domestic banking sector. Raiffeisen Bank's client centered approach is a success factor.

Mr. Schnabl, to which extent have the multiple global crises affected the Bank's business?

We at Raiffeisen Bank are satisfied with what has been achieved recently. We have been following digitization trends and adapted our offer to client requirements. Also, we focused on our employees to achieve our goal of being a digital bank with a human touch. At the same time, we pursued the implementation of activities that follow ESG principles according to which we operate as responsible bankers, also supporting our clients in their transition to a sustainable future. Our success is underpinned by numerous domestic and international recognitions awarded to us by financial institutions and renowned magazines.

The banking sector is one of the most stable industries in the country. Can you give us an overview?

A strong regulatory framework and cooperation between regulators at entity level with a coordinated mechanism of actions resulted in a quick remediation of shocks on the market. The sector stabilized within a short period of time, which ultimately resulted in another successful year. Thus, the local banking sector reported solid results according to balance sheets and a significant advance in their profit & loss statements. For instance, lending growth in 2022 was 4.7%, bringing total loan portfolio to BAM 22.07 bn. That was still below pre-Covid level, however, having in mind the deterioration of global economic circumstances, the loan improvement was highly satisfactory.

The funding side reported a record in the modern history of Bosnia and Herzegovina, with the total amount of deposits growing by 5% to BAM 29.23

bn. In December, the loan-to-deposit ratio settled at 75.5%, almost reaching a historical low, as overall deposits are growing slightly faster than loans in 2022. The sector's profitability is advancing, too. Its total net profit surged by 22% to BAM 500.7 mn in 2022, which was echoed by efficiency indicators RoA, reaching 1.6%, and RoE, coming in at 12%. This was mainly a reflection of improved fees dynamics, which contributed to the positive trend in non-interest income. That might change on the back of the increasing interest rates environment and spillover effects on the local market.

Does the absence of a state-wide capital markets regulation provide market participants with additional hurdles?

Each capital market, in the Federation of Bosnia and Herzegovina and Republic of Srpska, has its own regulatory framework and institutions. Therefore, some market specificities are not harmonized between the markets. For example, cross-selling is not possible and custody services require separate licenses.

The longstanding crisis on the stock exchanges has not waned and the number of market participants has shrunk by more than half in the last decade. Institutional investors prefer investments in other segments such as trade, real estate, technology or facilities for production of goods.

The capital market is quite modest and not sufficiently developed. The citizens of Bosnia and Herzegovina keep more than BAM 15 bn in commercial banks and are not ready to invest their funds in the domestic market. Private companies, on the other hand, rarely decide to raise capital via the stock market. Instead, they use other financial sources to get funds.



Thus, those who wish to invest in the stock market are left with government bonds and shares of state-owned firms as the only investment options.

What is the strategy of Raiffeisen Bank to further strengthen its market position?

Our focus will continue to be on our clients and on the excellence of the services we provide them. That means we will be following trends on the market as well as the needs of our clients. Here I am referring to digital as well as to traditional services. On this note, I want to highlight the transformation of our business network for a completely different experience in making banking transactions.

At the same time, we will continue our numerous activities to strengthen financial literacy in society, and raise awareness of the importance of sustainability and ESG topics and activities.



Czech Republic: Time for belt-tightening

That is serious stuff. The motherland of beer will raise the tax on draught beer. GIS Press looked into the measures taken to curb the budget deficit. Moreover, we examine how ČEZ' success story on the stock market might take a turn.

As part of an austerity package to keep the public budget deficit under control, the government proposes number of taxes to be increased, as well as to cut government expenses. The corporate, the real estate and the income tax, together with the tax on draught beer and certain other goods will rise distinctly. (It is worth noting that a financial transaction tax was not part of the discussion.) An additional big chunk to repair the state finances will come from changes to certain parameters of the pension system. That includes a gradual rise in retirement age and stricter conditions for early retirement.

The "Czechia in shape" program is designed to mitigate the consequences of the support measures for people and companies in the wake of the pandemic, as a response to the subsequent inflation. The interventions took their toll on public finances, reflected in a budget deficit reaching 3.4% in the third quarter of 2023.

Inflation peaked as high as 15% in summer 2022 and only started to slowly retreat

in early spring 2023. Such exceptional inflation levels brought challenges for the Czech economy during 2023, reducing customer demand and overall economic growth. Czechia imposed price caps on the rampant energy prices but prices went below the caps during autumn 2022.

The two-week repo rate stands at 7% since June 2022 and will not go down so soon, although the new central bank governor, Aleš Michl, was considered an advocate of lower interest rates. The market expects a first minor rate reduction towards the end of the year.

Although a recession seems to have been avoided due to the economy's robustness, the outlook is anything but enthusiastic. For 2023 the central bank predicts a growth of only 0.5% and for the subsequent year of 3%. Businesses suffer not only from inflation and lower demand, but also from relatively high energy cost and labor shortages.

The all-important automotive industry had to cope with a lack of components shipped from abroad in the aftermath

of the pandemic. Also, the lack of skilled workers hampered the sector. However, it picked up during the fourth quarter.

Windfall surprise

While windfall taxes to be imposed on energy producers were widely discussed all across Europe, Czechia's government came up with a surprise tax for large banks last autumn. The rationale behind was the relatively high interest rate, which added to the profit of the banking sector, while it was actually meant to curb inflation. This additional tax will leave its marks on 2023 earnings.

The windfall tax not only applies to banks, but also to energy providers. ČEZ proposes a record dividend for 2022 but expects to pay record taxes due the new tax for 2023.

ČEZ' future under consideration

In an effort to gain more government power over the country's infrastructure, ČEZ finds itself in the center of attention. The state already owns 70% in the company's equity, but desires to exercise full control of what it considers critical infrastructure.

At a Glance

At the moment, the future fate of ČEZ is still unclear. One option is to split the company and leave one part on the stock market. Others favor a complete buy-out of the free float. But the latter possibility would leave a big gap on the Prague Stock Exchange, where ČEZ accounts for 50% of all trading. Since there are no other major IPOs on the horizon, the impact on the stock market would be fatal.

One way to keep the Stock Exchange in shape is promoting the START market segment as a source of financing for small and medium sized companies thus makes perfect sense.

Integrating Equa bank

Equa bank, freshly taken over in 2022, is currently being merged in to Raiffeisen Bank. It was the biggest transaction in the 30-year history of Raiffeisen Bank in Czechia and went like clockwork, without any outages. The purchase brought Raiffeisen an additional half million of retail clients.

Tomáš Valoušek

Head of Institutional Clients & GIS



Catching up fast

The asset management industry in Czechia operates in a market that is still in its early stages. In his talk with GIS Press, Jaromír Sladkovský, Head of Raiffeisen Investment Company, set out the huge potential for development.

Mr. Sladkovský, how is the market for your business segment developing?

According to the Czech Association for Capital Markets, Raiffeisenbank is the fifth largest distributor of mutual funds in the Czech Republic. Our current market share is 5% with some EUR 1.8 bn of assets under management.

We started late as our Raiffeisen Investment company was set up only in 2013. All our key competitors have now been on the market for over 20 years, but we have managed to close the gap. Nevertheless, our parent company and our major distributor at the same time has acquired several other banks in recent years. So, every time we close the gap, a new one is created. That gives us a welcome opportunity to maintain our pace of growth.

Overall, even after more than 30 years as an independent state, we still live in an underpenetrated society in respect of investment products as well as knowledge about investing. We still have a long way to go.

Who are the investors in the Czech market?

There is a clear proximity between wealth and education on the one hand, and experience with the investment products on the other. A large part of the population has never put their money in other instruments than accounts with a bank. The most recent political elites did not help much in that respect. The trend of "give me your vote, and I will take care of you" is rather undermining our business. In fact, in the long run, it is very dangerous and irresponsible.

Given the demography, the real value of pensions for those who are currently

in their thirties and forties will surely be insufficient to maintain at least the adequate level of living standard of nowadays pensioners. We lost a decade of the second pension pillar, which was introduced at the beginning of the last decade and soon after cancelled by the Social Democrats. This lost period will be impossible to supersede.

The Czech government recently approved amendments to the Czech Capital Markets law. What has changed?

The amendments introduce, among other, a new product named Long-term investment account. From the tax perspective, this new product should possess same tax advantages as life insurance and pension insurance products.

Long-term investment products could provide the much-needed boost and significantly enlarge the part of the Czech population who actively invest and experience what the capital markets are in fact about. This way, they could see how responsible investing can improve their independence on the system and help to maintain their living standards.

What are the latest innovations from Raiffeisen Investment?

We are focusing on delivering the "best place to invest" claim. We try to stay on the forefront of the most recent development bringing our clients potential to invest in not only classic asset classes but also to asset classes which should be part of each well diversified portfolio but are difficult to attain. These represent our very popular real estate fund and most recently our private equity fund.

Our real estate fund delivered an over 10% yield without any leverage last year.



This year we have opened this fund for subscriptions for the second time and the demand is still high. Currently we work on our second private equity fund with its special feature being that our clients can easily invest in such an asset class. Normally, the minimum investment is set at about EUR 5 mn. But since we pool our clients' money, the threshold is only EUR 125,000. We gradually build our name on providing new, attractive opportunities while maintaining our conservative stance.

From a market participant's view, how do you see the potential delisting of ČEZ?

The general public supported mostly by the press often mix up the terms capital markets and stock exchange. Capital markets are much broader than just equities, though a stock exchange is the most visible part thereof, having the important and irreplaceable signalling function.

We do not know what is being prepared by the ČEZ management together with the Ministry of Finance. But the entire process has been quite unfortunate so far. Just look at all the announcements from different politicians over past year. It shows total misunderstanding, incompetence and questions about whether our own government and political elites are willing to respect the law. For sure, a delisting would be a serious blow to our stock exchange as well as to the capital markets. But already the process leading to it is serious and it may negatively impact trust in capital markets for years to come.

I am still in doubt whether our government fully understands the seriousness of the situation. We are painfully learning that unwritten rules of the past are no more uncrossable, which is what we have to include in our investment decisions.

Is the market already preparing for post-war reconstruction in Ukraine?

There are many talks about rebuilding Ukraine. Actually, these discussions have started already a year ago, at a very early stage of the war. Nevertheless, from my perspective, the real steps will be visible only when the entire conflict is approaching its end, whatever that will be.

What is visible already now is that the leadership role of the United States is vital. The European Union would like to play that role, however, it appears not to be up to the task given many factors that are embodied in how the EU is structured and how it operates. Despite this, the EU will play its important part in this process given its geographical proximity. Reconstruction works can and will eventually give the much-needed boost to the entire European economy.





Romania: On the express highway

Share prices on the Bucharest Stock Exchange move upwards, the capital market was just presented with a new, ambitious development strategy and its participants will soon be even more efficient thanks to major road works. What is going on in Romania?

Highway construction sites have become a visible feature of the Romanian landscape. They are the result of sustained state engagement in infrastructure projects during the last two years, based on the financial support of the EU's Recovery and resilience plan for Romania.

Important highway building contracts were signed and the progress in the field is obvious, lively monitored by infrastructure enthusiasts eager to see an effect on the currently poor transportation network. In unison with all the commuters who spend years of their lives stuck in the notorious traffic jams, I do hope that the current pace will be preserved or even increased in the next years!

Left-right compromise for political stability

A cross-wings alliance in the government brought a certain degree of stability on the political stage and allowed fast implementation of various administrative projects, including the allocation of these infrastructure projects.

This ruling alliance has an interesting background. The elections held in late 2020 gave a relative majority to the right-wing National Liberal Party (PNL) and the Union "Save Romania", who together collected approximately 41% of the electors' preferences. The Social Democratic Party (PSD) gained approximately 29% of the votes and remained in opposition, while the ministerial mandates were divided amongst the two right-wing parties and the Hungarian minority Party (UDMR) under a PNL Prime Minister. Increasing animosities between the two main ruling parties over the budgetary aspects culminated one year later, when a PSD motion dismissed the coalition government.

Negotiations between liberals and socialists resulted in an atypical coalition between the two parties in November 2021, where they agreed to share the Prime Minister position through a rotation of the cabinet initially led by the liberals' leader, Nicolae Ciuca. For the second part of the government rotation cycle, starting in June 2023, a new government led by the socialist party representative,

was supposed to take over. On 12 June, in line with the plan, Prime Minister Ciuca announced his resignation, opening the way to a shift in government leadership for the Social Democrats, as set in the government rotation agreement.

Fiscal rules update

Two important changes in the fiscal provisions, in effect since January, have had an impact on the capital markets and investors:

- The increase of a dividend withholding tax rate from 5% to 8% caused the re-activation of the dividend tax relief at source. This is because the new withholding rate is higher than several Double Taxation Treaties (DTT) rates for such incomes and thus justifies the application of the DTT provisions.
- A new capital gain withholding procedure simplified investors' lives by transferring the calculation, payment, and reporting obligation to the domestic brokers. A 1% tax from the gross profit applies if the holding period is longer than one year, and 3% if the position

in the respective instrument is held for less than 365 days.

- The new fiscal provisions regarding capital gains taxation do not apply to transactions executed through foreign intermediaries, which continue to be subject to a 10% capital gain tax on net incomes resulting from securities sales.

In our view, the different taxation of capital gains depending on the brokerage company through which private individuals are trading creates an imbalance between remote and local brokers and shall be addressed at further consultations with the Ministry of Finance.

BSE positive perspective

Despite last year's gap, the overall performance of the Bucharest Stock Exchange since the beginning of the year is remarkable.

In 2022, the BSE indexes reflected the overall negative evolution of the stock markets worldwide, dramatically affected by the volatility caused by a tightening of monetary policy by major central banks and by the pessimist sentiment generated by the war in Ukraine. The main indexes ended the year with a 10.7% decrease from 2021 year-end for BET (representing the most liquid Romanian stocks) and with a 1.8% decrease in the BSE total return index BET-TR (adding the value of the returns to the market price development).

But a positive trend has taken over in 2023. The BET index gained 5.2% in the first four months of the year, encouraged by the overall positive sentiment combined with the effects of the new fiscal regulations reducing the capital gains taxation and of the perspective of Hidroelectrica's IPO.

Several market infrastructure projects were either finalized – e.g., the implementation of the settlement discipline regime at the two central securities depositories, BSE's Depozitarul Central and SaFIR – or are currently assumed to take place. Among other, the market expects the implementation of ISO20022 standards for corporate actions and invoicing at Depozitarul Central and SaFIR as well as the operationalization of the local CCP optimistically scheduled for the last part of 2023. Compensation services for energy derivatives settled in cash or in kind as well as cash settled futures on securities and indexes will be its primary services.

Interest rates and large inflows in EU funds contain depreciation

The improvement of investors' sentiment towards RON assets at the beginning of this year resulted in large hard currency inflows, which eliminated the depreciation pressures on the leu. However, we further expect the local currency to be on a gradual depreciation trend against the euro in the course of this year. Large macroeconomic imbalances (public budget and current account deficits) remain the main factors backing our expectations for a depreciation of the leu this year.

Yet the pressure should be limited given the high level of domestic interest rates and the commitment of the central bank to constrain large fluctuations of the exchange rate. At the same time, the large portfolio inflows and significant inflows from EU funds are fuelling the hard currency reserves of the central bank, providing support for the local currency.

A stable perspective

At present, Romania is rated by all three major rating agencies (S&P, Moody's, and Fitch) with the lowest investment grade, and with a stable outlook. In April this year, Fitch raised the outlook to "stable" from "negative", acknowledging the resilience of the economy to adverse shocks over the recent three years. Still, large macroeconomic imbalances (public budget deficit and current account deficit) remain impediments for the rating agencies to raise the country's sovereign ratings.

We have a plan...

The "National Strategy for the Capital Market" has been approved by the Government in May. The initiative was carried out with the involvement of the Financial Supervisory Authority in partnership with the Ministry of Finance, assisted by the Organization for Economic Co-operation and Development (OECD). The project, which was launched in 2020, was funded by the European Commission.

The Strategy was outlined around nine objectives aiming at the improvement of the listing conditions, pushing secondary market liquidity, creating a SME market, encouraging savings among individual investors and increase the role of institutional investors, facilitating long-term financing through market mechanisms, supporting digitization and financial innovation as well as the development of a local private equity and venture capital market and green investments.

Andrei Mezdrea

Head of GIS Romania

In the limelight

While the Romanian equity market continues to break records, the upcoming landmark IPO of Hidroelectrica will bring even more international attention. Adrian Tanase, the CEO of the Bucharest Stock Exchange, shared his optimism with GIS Press.

Mr. Tanase, could you please update us on the latest news from the Romanian capital market?

The multiple achievements ticked off in 2022 did not come without emotions in a difficult regional and international context, marked by increased volatility. But let me highlight the top five positive aspects of that time: liquidity reached an all-time high level, the number of investors reached a new record, the financing rounds continued to be carried out, BVB's share price topped at a 7-year maximum, while the visibility of the exchange in the domestic and international public space continued to rise.

We managed to achieve all that in a period marked by the war in Ukraine and by the central banks' fight against rising inflation, which augmented the cost of money.

On the liquidity side, the total value of trading carried out on all markets with all types of financial instruments exceeded RON 24bn, an increase of 11% compared to the level of 2021, while investors carried out over 1.67 mn trades, 9% more than in 2021.

The number of investors reached 133,000, an absolute maximum for the Romanian capital market. By comparison, data from the Investor Compensation Fund (FCI) shows that at the end of 2021 there were almost 82,000 investors. This represents an increase by more than 60%.

Even in this tensed environment 42 financing rounds were listed on the BVB, more than half of the 2021 record. The total value of last year's financing rounds reached EUR 1.9 bn, being very close to the 2 bn maximum reached back in 2021. Thus, looking at a broader picture, of the last five years, 163 financing rounds were carried out on the Romanian capital market, totaling EUR 7.2 bn.



All our efforts to improve liquidity significantly, especially in the area of equities, continued and were reflected also in BVB's share price, which last year recorded the best performance within the BET index, with an increase of almost 40%. If we include dividends, the yield is over 42%. Thus, BVB's share price, which stood at RON 35.3 at the end of last year, reached the highest level within the last 7.5 years.

Also, as an important step towards improving the research coverage of the Romanian companies, more than 70 reports were published in 2022 alone under the BVB Research Hub project. At the same time, the ESG scores for 19 listed companies were made available online.

This dynamic continued in the first months of 2023, with the BET index surging by 5%, with 11 new listings, with a total value of EUR 1bn, while the number of investors continued to increase, reaching almost 142,000. As the dynamics continued liquidity has remained below last year's level, but we see potential for

improvement. Although we had a liquidity record on all levels last year, we believe that there is a significant growth corridor. The continuation of the Fidelis program for Government securities issued by the Ministry of Finance and the public announcements regarding the listings of new companies on the Stock Exchange are elements that can boost the evolution of the local capital market.

We expect this year's IPOs to create even more appetite for equity investments. Authorized brokers in Romania have started offering online trading accounts coupled with simplified tax procedures, which will push the number of investors in the capital market to new highs.

The long-awaited listing of Hidroelectrica shares is planned to take place soon. What will the effects be on the local exchange?

Hidroelectrica's listing is an essential reference point for the Romanian capital market. The company's reputation and the anticipated large transaction would prove that the Bucharest Stock Exchange has reached a high level of maturity and attractiveness, placing it in the same league as the best covered markets in our region, such as Poland, Czech Republic or Hungary. The success of the transaction would firmly pinpoint Romania on the map of foreign investors active in our region.

A successful Hidroelectrica IPO would have a major contribution to promoting the local capital market among Romanian entrepreneurs and, moreover, in the entire Romanian business environment. In the last 3 years, over 100 local companies have chosen the Bucharest Stock Exchange to attract financing and development, collecting over EUR 500 mn. However, the potential of the economy and its financing needs are substantially greater.

The listing will not only strengthen Hidroelectrica's position and increase transparency, but it will also make a serious contribution to increasing the liquidity of the Bucharest Stock Exchange, with positive implications for the national economy. Also, the listing opens up new opportunities, including for Romanians who want to buy and shares in one of Romania's strategic companies, as well as for Hidroelectrica's 500,000 customers.

Have you already collected preliminary feedback from potential issuers regarding their intentions to follow Fondul Proprietatea's decision to sell a stake of Hidroelectrica through BSE, once the listing proves successful?

The interest is high for this IPO, both from investors willing to go and buy Hidroelectrica shares, and from entrepreneurs, as the success of this transaction will prove them once more that the Romanian capital market is fulfilling its role as a financing mechanism for the economy even when it comes to large deals. In the pipeline of companies stepping on the market there are private companies, mainly SMEs, but also some state-owned companies, like the salt producer Salrom, which will go public after Hidroelectrica. The timing for the other transactions will be decisive and will depend, as well, on market conditions, inflation, cost of money, as well as investors' appetite for new investment opportunities.

The Romanian capital market has made significant progress during the last ten years: the regulatory framework was adapted to EU standards; the Romanian market is now classified as "emerging" by FTSE and there are expectations that MSCI, too, will upgrade it to "emerging" once the liquidity criterion will be met. What are your objectives for the upcoming years?

Our strategic focus is a significant boost in liquidity, which is supported by a couple of secondary targets, like as attracting new companies on the market, increasing the number of investors, a better financial literacy level among market participants, launching the local CCP and servicing both the derivative and the energy markets in Romania, improving governance and the research coverage of the listed companies, as well as a raising the international visibility of the Romanian market.

We are working together with the Romanian state authorities, as well as the regulators and the other stakeholders to improve the development of the local capital market. The Romanian

Government has just approved the National strategy for the development of the local capital market, which includes changes at legislation level and stronger cooperation between all the stakeholders in order to improve the financing mechanisms to make them a real alternative for companies and even the state.

Another important aspect of this strategy is to promote at a larger scale the capital market to Romanians, in order for them to access the stock market, both investors and entrepreneurs.

As for the immediate perspective, what do you regard as priorities to be tackled?

The National Strategy for the development of the local capital market is set on nine objectives, with different deadlines. Most of them are to be implemented by the end of 2024. As the main institution on the Romanian capital market, the Bucharest Stock Exchange was involved from the very beginning, and we continue to work very closely with the Financial Supervisory Authority in developing the respective tools.

The relaunch of the derivatives market is one of the most important steps for 2023, as it will provide new instruments for trading both to players in the stock market, but as well for those in the energy market and, at the same time, will bring a certain symbiosis between the two markets.

How is the Central Counterparty project progressing?

The project has entered the technical stage of implementation and authorization, and the first derivative products will be available on the capital market in the fourth quarter 2023.

Talking Point

Where does BSE stand in terms of regional co-operation with other stock exchanges?

We are involved in a couple of projects together with other stock exchanges, especially with those in our region, searching the right tools to better promote CEE as an attractive investment opportunity towards large international investors, as we believe this is the best way to be more visible on their radar. One example is the Three Seas Exchanges Initiative, that includes seven European stock exchanges in Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia. Part of this cooperation is the CEEplus index published since 2019, which covers the biggest and most liquid stocks. The index is the underlying of a passive fund managed by TFI PZU.

Moreover, BVB is one of the 14 European exchange groups, present in twenty-six Member States of the EU, that announced mid-February a joint initiative to participate in the future selection process for a consolidated tape (CT) for equities in the European Union. The project responds to the European Commission's proposal for an equities tape to contribute to the development of the Capital Markets Union.

Our cooperation is not limited to a regional level, but it goes even further, as BVB is part of FEAS, where we share our experience also with our peers in Euro-Asia region and we are building bridges between our stock markets.

And talking about bridges, BVB is building bridges as well with Moldova, in order

to help the Moldovan stock market to develop. In fact, Moldova's largest bank, Maib, is already preparing to list on Bucharest Stock Exchange, as this would be the most suitable measure to access capital. This would be the second Moldovan company listed on BVB, after Purcari Wineries.





Uzbekistan: Gold rush on the Silk Road

If there is any country about which there is so much to say that its fascinating story shines down on an international conference such as the EBRD Annual Meeting, it can only be Uzbekistan. GIS Press was there and delivers first hand news.

The EBRD event held in May in Samarkand gave evidence of the huge interest in that fast-evolving market. Likewise, the huge yet elegant new conference center in the outskirts of the historical silk road metropole, situated in an enormous park and surrounded by big luxury hotels, shows that Uzbekistan has put itself on the map of global networking. And it is gaining influence, within Central Asia but also beyond. The first successful test was the Shanghai Cooperation Organisation Summit held at the new facilities last September.

By instigating deep-rooted reforms, politically as well as economically, President Shavkat Mirziyoyev sparked an unprecedented dynamic back in 2016. A new constitution, introduced this spring after a referendum, sets the scene for a democratic state that, among other, obeys civil and human rights and protects property. The people will be called to the polls again in July for a snap Presidential election, which, if won by Mr. Mirziyoyev, will allow him to potentially serve two more terms in office.

Eager to reform the economy and create competitive companies, Uzbekistan's

government has announced an ambitious privatization program. In its latest version, there are 40 leading companies and banks to be sold.

The lack of international know-how and funding shall be bridged by inviting international investors, both strategic and financial. Turning a state economy comprised of huge production entities, some of which carry the all-encompassing term "kombinat" in their name, and of banks with dedicated roles and no competition, is an enormous effort.

Going for good governance

The transformation process of the local economy has been going on for a while, and it is remarkable to observe how year after year corporate governance makes a leap forward. All large banks have now independent members on their supervisory boards, and other enterprises are following suit. One day we might even see foreign independent members presiding the boards.

Anyway, it was probably not by accident that the only bank with an independent supervisory board chairman, Ipoteka Bank, was the first one to be fully privatized.

OTP Bank of Hungary and the Ministry of Economy and Finance of Uzbekistan closed the sale on 13 June. This USD 324 mn deal is a landmark transaction, whose success will mean a lot for the future privatization process.

Taking a closer look at the banking sector, one will immediately realize the enormous achievements in modernization. Banks have embarked on digitization in no time and the central bank is playing its role well in addressing the inherent risks. No less than ten new banks were founded recently. TBC Bank from Georgia, for instance, launched a fully digital bank. And 100-year-old SQB Bank (aka Promstroy bank) has proclaimed to be the first green bank in Uzbekistan.

Still, the many state-owned banks are large organizations, who have to go through massive transformation to become modern, functioning financial institutions. The way from state lending and state depositing organizations that were not managed on a commercial base towards being a fast-acting player that can serve a highly digitized retail clientele is not an easy one.

At a Glance

With the government gradually reducing its influence on the economy, a competitive environment is evolving, and the banks have to live up to the new demands. They have ventured into credit products, from micro loans to car financing and mortgages, for which they have learned how to fund themselves internationally.

A recent consolidation in ownership took the banks away from various ministries that they traditionally reported to and transferred them to the privatization agency UzSAMA. This is considered a positive move, because it supports the transformation process. The first two banks to be offered via the Tashkent Stock Exchange will be SQB and Asakabank.

IPO parade

The first in a series of so-called people's IPOs did not meet the issuer's expectations. When UzAuto (Uzavtosanoat), the country's quasi monopolist in car production and dealership, tried to sell of 5% of its equity to local investors via the Tashkent Stock Exchange in February, it could not even place as many as 1%. After that, the share price slumped and has never since recovered to the levels before the transaction.

There are many reasons for this meager outcome, ranging from pricing via timing all the way to a general unpreparedness of the local investor base. However, the take aways from UzAuto's going public will be considered when planning the next transactions, which should be beneficial for the market in general. If you visit a brokerage company in Tashkent these days, you might well overhear a conversation about the most reasonable terms of a future listing.

On a positive note, this first experience might lead to a slower but more considerate pace in privatization. As opposed to the originally prospected IPO firework, in 2023 we might see two or three more IPOs.



Foreign investor interest on the rise

Foreign investors are showing increased interest in Uzbekistan's capital market by opening brokerage accounts. The tax incentives are appealing: the capital gains tax on coupons and dividends will be reduced from 10% to 5% as of 2024, and foreign individuals will pay no such tax at all. This is particularly attractive for those who hold shares in the high-dividend companies with a majority state participation.

On the flip side, thin liquidity and a tiny free float are major concerns. Market professionals have been calling for a more investor-friendly environment to boost trading on the stock market for some time, and the signs are pointing towards further improvement. Changes in legislation and the implementation of IOSCO standards are urgently needed in their eyes.

Also, the market wants a bigger variety in instruments, such as asset backed securities. Banks in Uzbekistan do not engage in this asset class because there is no respective law yet.

Know-how from Russia flocking into the market

In the wake of the tragic events on Ukrainian soil, many highly qualified Russians including young investment bankers have decided to move to Uzbekistan. Their skills are welcome on the capital market, where they contribute to the level of professionalism rising. However, the war taking place in another former Soviet state is no good news for the country in general.

Raiffeisen is exploring the market

RBI, and in particular the GIS department, is eagerly studying the possibilities of the local market and ways to make it more accessible for international investors. Provided there was adequate regulation, investor appetite for Uzbekistan would be high enough.

The place of choice for local issuers

The new ticker banner at the entrance to the Tashkent Stock Exchange building gives evidence of the changes inside. GIS Press met the new CEO, George Paresishvili, in Tashkent to find out more about the prospects of Uzbekistan's equity market.

Mr. Paresishvili, you have been at the helm of the Tashkent Stock Exchange since last autumn. What are your experiences so far?

Uzbekistan's capital market is developing dynamically. There has been a significant increase in trading volumes, but also in the number of transactions since last year. We also see more clients actively trading.

In comparison to Turkey, South Africa or even to Kazakhstan we may be a smaller market, but we are growing fast!

How does the government support capital market development?

It is obvious that the government understands the capital market's importance and is pushing for changes. The state is interested in reducing its stake in the economy in order to improve efficiency of state-owned companies and banks. As a side effect, this will help develop the capital market.

We act in a heavily regulated business. To be supportive for market development, the framework needs to be adapted in many ways. To that end, the Tashkent Stock Exchange cooperates closely with the regulator, and I am pleased to confirm that we are listened to. So, we can hope for legal amendments to facilitate more participation in our market.

In general, I am optimistic because the government understands the need to improve liquidity and increase a local investor base.

Is there a meaningful domestic investor base at all?

For local investors, trading in securities is still a relatively new thing. They keep most their savings in bank deposits, real estate or - in some cases - in cash tucked under the mattress. To increase local retail investor participation, which is an

important goal, financial literacy of the population needs to improve. We at the Stock Exchange want to contribute our bit to this by offering education programs.

There is enough wealth in Uzbekistan to have a functioning capital market. The official GDP per capita may stand at USD 2,000, but experts reckon that due to a significant share of grey economy, the actual figure is probably double of that. Although the government has been quite successful in cutting the size of unofficial economy, which has been there since the collapse of the Soviet Union, we would appreciate more of that wealth to become visible. I do hope that one day it will become evident to most people that investment in securities is a better alternative than bank deposits or real estate.

After the people's IPO for UzAuto conducted in February, are there more equity issues on the horizon?

Indeed, we are preparing for more local IPOs. The President has approved a list of 40 companies and banks to be privatized over the next few years, underpinning that the transformation process has started. Yet some transactions were postponed because companies were not ready to go public.

On top of that, the global environment is not very supportive for IPOs at the moment and the risk premium for Uzbekistan went up. Nevertheless, we hope to see a few more IPOs on the Tashkent Stock Exchange this year.

Why would an issuer prefer listing in Tashkent rather than on a large international stock exchange?

In fact, there are quite a few companies who could potentially issue their shares, say, on the London Stock Exchange due to their size. However, the listing requirements elsewhere are much



stricter than here on the Tashkent Stock Exchange, and companies would have to do a lot of homework in terms of improving their corporate governance or transparency before listing abroad. It is also about the mindset of majority owners of those companies.

In our opinion under the circumstances the best option would be to list locally first and maybe go for a secondary listing abroad after. We want to make the Tashkent Stock Exchange the exchange of choice for local issuers. This should be the place where they can raise money at an affordable cost.

Is there any news regarding a global custodian coming to Uzbekistan?

As always, it is easier to buy a stock in Uzbekistan, than to hold it. We realized that a precondition for international investors to enter our market is having a global custodian and an ICSD present in the country. On this note, it is important to introduce the foreign nominee concept and some basic custody services for investors from abroad.

Talking Point

In close co-ordination with the Ministry of Economy and Finance and the Central Bank, we are in negotiations with several providers of custody and ICSD solutions that might be interested in setting up a link with Uzbekistan. I hope that within a year we will have a link up and running, which will make the market appealing to a wider universe of foreign investors.

Will the government's influence on banks and their loan policies be curbed after their privatization?

It will be important to ringfence banks from state intervention. I think the government would be best advised to act only as a shareholder and allow management to run the state-owned banks and companies as private ones. I like to refer to Poland as an example of a successful local capital market.

Also, the management and staff should be incentivized with employee stock ownership plans, ESOPs.

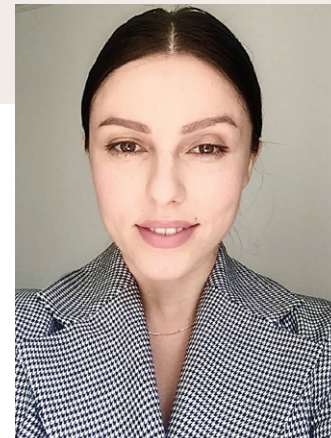
Can you explain us the co-existence of two exchanges and two CSDs in Uzbekistan?

Parallel to the Tashkent Stock Exchange, there is the Uzbek Republican Currency Exchange, where all FX products including government bonds are traded.

It would certainly make sense to merge them and there are serious talks in that direction, but that is easier said than done. There are quite a few legal and technical obstacles not least because these exchanges use different trading and CSD systems. Besides, our Stock Exchanged is 25%-owned by the Korean Exchange.

And the post-trade ecosystem, by nature, is even more complex. We have two different CSDs, one serving government bonds and another one equities and corporate bonds. But we don't like this kind of silo approach. So, we are working on solving this issue to streamline clearing and settlement process and give investors more comfort when operating in Uzbekistan.





Additional hardships for foreigners in the Russian capital market

Since the last issue of GIS Press, new decrees and laws have put more restrictions on international shareholders of Russian assets. We have summed them up for our readers.

Forced transfers of blocked Russian securities in its final round

The forced transfer of recordkeeping of Russian securities blocked in a foreign infrastructure was set out in more detail already in December, as GIS Press reported. All eligible applications were accepted by designated depositories by the deadline of 2 May. As of now, no further “waves” of such transfers are expected.

In essence, the amendments apply on securities taken over: a) by a Russian custodian from a foreign custodian; b) from a foreign custody provider who keeps clients' assets on owner or foreign authorized holder accounts to a beneficial owner; c) from a foreign nominee holder by a foreign-controlled company (jointly by all controlling persons of such a company).

New procedures for dealings with “unfriendly” non-residents

A separate control over transactions with securities acquired by Russian residents from “unfriendly” non-residents within foreign financial infrastructure was introduced. It affects all transactions that took place outside of Russia.

Additional requirements and procedures have been imposed on transactions with securities acquired by Russian residents and “friendly” non-residents after 1 March 2022 from “unfriendly” non-residents and credited to an account with a Russian depository. They are applicable to shares of Russian issuers, OFZ, corporate and municipal bonds, units of Russian investment funds, as well as shares of Russian issuers received as a result of conversion and transferred to Russia after that deadline. That said, the new rules shall not apply to transactions with underlying Russian shares if investors (both Russian residents and non-residents) acquired the relevant depository receipts earlier than that.

Foreigners' contributions to the state budget

Foreign investors from “unfriendly” countries selling assets in Russia will be subject to a mandatory contribution to the Russian budget of up to 10% of their market value.

According to the Finance Ministry's website, the Commission that monitors foreign investments has updated the requirements for asset sales involving foreigners from “unfriendly” countries. In line with its competence to authorize transactions with such “unfriendly” non-residents, as well as to agree on their terms, in

late 2022, the Commission set a number of conditions for issuing permits for disposing of Russian assets such as: a discount to their independently assessed market value in the amount of at least 50%; payment by instalments spread over one or two years; or a voluntary contribution to the budget of at least 10% of the transaction amount. In March 2023 the Commission adjusted the conditions cancelling the voluntary contribution option. To withdraw from the Russian assets, “unfriendly” foreigners will have to pay a contribution to the Russian budget. As a general rule, its size will be not less than 10% of half of the market value of the relevant assets indicated in the valuation report, that is, up to 5%. The contribution will be twice as high – at least 10% of the market value of assets – if the discount exceeds 90% of the company value.

Temporary state control over foreign-owned companies

As retaliatory measure, the shares of Russian companies owned by shareholders from “unfriendly” countries will fall under temporary state control if Russian properties abroad belonging to Russian individuals and legal entities are seized. The Federal Property Management Agency has been appointed as a temporary manager of seized shares. The list of assets which are already subject to temporary state control includes blocks of shares issued by PJSC Unipro and PJSC Fortum.

NSD leaving SWIFT

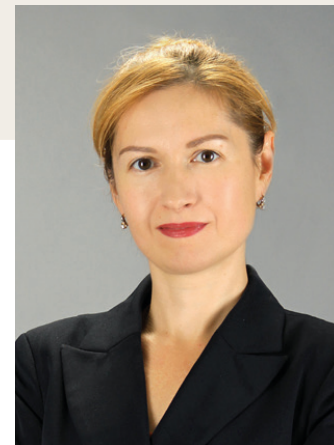
The NSD announced the decommission of the SWIFT system as an electronic document management channel for banking services and depository services (except for interaction between NSD and foreign depositories) as of October.

Clients of NSD have been encouraged to consider switching to alternative channels such as WEB-cabinet for banking services, WEB-service, the Financial Message Transmission System of the Bank of Russia (SPFS) for interaction with banks and to WEB-cabinet for depository and clearing services, NSD Integration Gateway software (WEB-service) for depository services.

It is worth noting that WEB-service used for electronic document management within depository activities shall be supporting SWIFT system formats.

Ekaterina Goloviznina

*Network Manager, Custody Services
Raiffeisenbank Russia*



One of the largest systems transfers in the history of Ukrainian banking

On 1 April the National Bank of Ukraine moved to a new version of the State Electronic Payment system (SEP). This enormous migration effort involved the National bank of Ukraine, local banks, as well as the State Treasury Service of Ukraine. SEP-4 will contribute to further automation and acceleration of payment transaction processing, enhancing the level of service for the participants of SEP and their clients.

The software and infrastructural environment were developed by the National Bank of Ukraine. Compared to its predecessor, SEP-3, it is fundamentally a new system in terms of functional composition and information exchange structures. It enables even faster, safer, and more convenient electronic payments.

24/7 service

The new platform works without interruption, with the transfer to the next operational day taking place instantly.

Since SEP-4 is based on ISO 20022, it enables standardizing payment messages, permitting the creation of uniform rules for their completion and processing as well as expanding the set of payment parameters with additional fields and structured information.

According to the National Bank of Ukraine, the adoption of the new generation of SEP-4 serves as a crucial technological pillar for the ongoing development of Ukraine's payment infrastructure. This transition will enable the expansion of SEP's capabilities and align its operations with EU regulations.

The benefits of SEP-4

➤ Instant transfer functionality in the upcoming SEP-4.1 version, facilitating real-time settlements for customers in Ukraine. Testing of SEP-4.1 by participants is scheduled for 2023. Instant transfers will expedite the processing of electronic payment instructions, allowing for immediate funds crediting to the recipient's account and providing prompt notification to the recipient. This feature ensures a swift transfer of funds from the payer to the recipient.

- Foundations for Ukraine's future accession to the Single Euro Payments Area (SEPA), enabling cross-border transfers in euros with EU countries through SEPA Instant Credit Transfer. This development aims to enhance the ease and efficiency of cross-border transactions between Ukraine and the European Union.
- Multi-currency support, the implementation of a payment tracking service, and the incorporation of various other tools.

DVP processing updated

Both the Depository of the National Bank of Ukraine and the CSD (National Depository of Ukraine) participated in the testing of the new technology in respect of securities-related payments. The Depository of the National Bank of Ukraine accordingly adopted its existing delivery versus payment process to reflect the fact that the cash leg will be now settled in the

About the SEP

The State Electronic Payment system was implemented by the National Bank in 1993 to facilitate interbank settlements using accounts held at the National Bank. The National Bank acts as the system operator and settlement bank. SEP is the sole payment system in Ukraine that is considered systemically important, responsible for facilitating approximately 97% of interbank settlements in the national currency within the country. SEP operates as a real-time gross settlement system.

According to the National Bank of Ukraine, as of 1 April, the participants in SEP included 65 banks, the State Treasury Service of Ukraine, and the National Bank of Ukraine. On average, SEP processes 1.5 mn payments per day, totaling approximately UAH 870 bn. However, the potential of the system is much greater - the capacity of SEP allows for the daily processing of almost ten times more transactions than the current volumes.

Bohdana Yefremova
Head of GIS Ukraine

GIS on the road

What a busy and rewarding springtime! We travelled to Baku, considering Azerbaijan is an important country for GIS, where we are a market leader in the custody business. We were spotted in Zurich, and we returned home from London carrying valuable awards in our luggage.

RBI Baku conference

Did you know that RBI has a big customer base in Azerbaijan using custody services? We count both bank and non-bank financial institutions among our clientele.

RBI's Baku conference, held in May at the Hyatt Regency, attracted an unexpectedly high number of interested market participants, who sent delegations from various departments including settlement. The expert speakers, among them Sabine Zucker, Head of Trade Finance and Transaction Banking at RBI, and Azizagha Hakhverdiyev, Chief Economist of the Azerbaijan Banking Association, discussed current trends and set possible scenarios for the local capital market once the Ukraine war is over and (trading) sanctions will be lifted.

GIS at this event was represented by Farid Alizada, Sales & Relationship Manager of Azerbaijani origin. He describes the local investors as particularly risk averse, mainly looking at fixed income tools such as bonds and T-bills. But lately, a retail market has evolved with individuals starting to invest also in equities, mostly from the US. Some local banks have responded to this offer, providing trading platforms for their clients. They may be small tickets for now, but they might pave the way for a deeper securities market. In talks with existing and potential clients, we confirmed that we are ready to be the global custodian for this emerging business field.

During his stay in Baku, Farid had a full meeting schedule which he used to listen to client's concerns and to present new solutions from GIS. He experienced interest from a lot of players who we do



Industry Legend Bettina Janoschek

not yet have client relationships, all of whom wanted to learn everything about the service offer.

Azerbaijan's capital market is growing and so are the assets that require a custodian.

See you in Switzerland

Yvonne Hofer-Jonkov, Sales and Relationship Manager, met and reconnected with RBI clients in Zurich. Once again, she witnessed how important it is to see each other in person, when exchanging ideas and discussing topics can take place on a different level, thus strengthening the client relationship.

The agenda in Switzerland was influenced by the happenings triggered by Russia's aggression, also because the broad sanctions regime requires an intensive

exchange of information. However, there was enough time left to discuss product improvements.

Following GIS's strategic decision to centralize all securities-related processes within our general ledger system GEOS, we went to explain the implications to our clients. We may gladly report that the new features, such as a new exchange rate mechanism or the details on custody, transaction, proxy voting and other fees provided in addition to the monthly invoice via CSV, were positively perceived.

Global Custodian Awards!

The business trip to London of Christian Geberth, Head of RBI GIS, and Bettina Janoschek, Head of Head of GIS Sales, RM & Market Intelligence, in early May was more than rewarding. Not only did they have excellent client meetings, but they also collected important industry awards.

Global Custodian, at the Annual Awards dinner, recognized RBI's GIS for Best IT Infrastructure as well as Best Client Service across multiple markets. Considering the winners are selected based on client feedback, we appreciate this acknowledgement even more.

On top of that, Bettina was paid with a special personal homage by Global Custodian. For her many years in the post-trade world, she was honored as an Industry legend.

It goes without saying that we at GIS are proud of these awards. Receiving such ratings from clients' side tells us that our efforts are worth it and makes us strive for more.

On our way to Athens

Our long-term relationship with The Network Forum (TNF) continues with the upcoming Annual Meeting in Athens. As Founding Partners, we have been accompanying this important industry event from day one, and now we look forward to another top-notch event. Christian Geberth, Head of GIS, and Bettina Janoschek, Head of GIS Sales, RM & Market Intelligence, offered GIS Press a sneak peek into their presentations.

Christian, your panel will provide a deep dive into operational resilience and crisis management. What will you share at this session?

My first year as Head of Group Investor Services at RBI was marked by the departure of the pandemic, which was abruptly overshadowed by the massive consequences of the Russian war against Ukraine and related sanctions on Russia and from Russia towards so-called unfriendly countries.

They have a deep impact on our clients in the Russian Federation, in Belarus and in Ukraine, but also on those international clients who have assets under our custody in these countries.

I will set out how the geopolitical shifts have impacted our business field, how we reacted in the crisis mode and how we interacted with and supported our clients.

Helping our clients understand and comply with the sanctions against Russia and in reverse has become an important part of the daily job at GIS. We regard our responsibility as a custodian as very broad, going far beyond technicalities, and our immediate know-how, also connecting the various local dots, has been highly appreciated by our clients.

How would you describe the burden of such constant pressure on the team?

From an emotional perspective, the situation is not easy. How can you cope with what is going on in some of the countries where our colleagues work and live? What is the appropriate way to talk to a colleague while they are under fire? How do you cope with the negative energy resulting from the sanctions environment rather than focussing on business development?



This permanent state of emergency takes its toll on our energy, and we must be attentive not to lose ourselves in stress. Our tried and trusted recipe, developed during the times of Covid-19, is solidarity and collaboration. Remarkably, this is mostly founded on personal relations.

Is there such thing as a Raiffeisen spirit?

Believe it or not, there is! And the hardships of the last few years have only intensified this spirit. We have experienced unbelievable support from our partners at the Legal department and at Compliance, as much as we have benefitted from swift solutions from Communications and the colleagues at Institutional Clients relations. Even top management is spot on ready to dedicate their time to us when it comes to underlining the stability of RBI in front of our clients.

As a matter of fact, there was no time and no reason to build up silos, and the next crisis will come around for sure.

After more than one year in the post-trade sphere, what are your main conclusions for the industry?

Considering Athens is the ideal ground for philosophic remarks, I will take the liberty to make some uncommon suggestions to the players in our business.

I will call upon the other big banks to cooperate in times of deep crises. If each bank contributed their know-how at an informal level, all of us would benefit. We, for instance, would be happy to share our deep insight into Central and Eastern Europe, while others could deliver some background on potential payment defaults in the US etc.

Just look at the current situation. Keeping up with the legal framework prescribing the sanctions in both directions and their frequent updates mean an enormous effort for each custodian. Wouldn't it be much more efficient if we could share the burden?

Bettina, what will be your main points at your Emerging and Frontier Markets panel on day 3 of The Network Forum?

We will discuss the best access models for these growing markets in Asia, the Middle East and Central and Eastern Europe. What will be the ideal way forward for a global custodian? Either pick the best partner in each market or find one regional provider?

In my view, it is the regional provider, of course. RBI's solution with a direct access to CSDs in ten countries offers the most efficient model. Our users benefit from a standardized low-risk highway to these markets, including smaller ones, excluding potential hurdles that acting via a local bank may contain.

On this note, I would like to emphasize that having local team across our network has remained essential for our business case. Apart from consulting our clients, they also have enough weight to bring their markets forward because their expertise in the field of regulation is listened to.

How has RBI's direct access to the Russian market helped since the crisis has set in?

It had an immediate effect not to be dependent on any local bank. The

sanctions that were imposed on the financial sector, including cut-offs from SWIFT, have been detrimental. Certainly, everyone is subject to the same rules that prevent most transactions, but our clients experience at least some certainty.

At the same time, our local GIS team at Raiffeisen Bank Moscow was and still is an invaluable resource of expertise for our clients globally.

Time and time again there are concerns about custodians potentially leaving.

Indeed, some markets showing low activity risk being abandoned by large-scale custodians. RBI has a response to such scenarios, our East-to-west, West-to-east model. RBI Group is not solely focused on the large international players, but we want to be the go-to bank regarding custody and post-trade services for domestic investors.

Servicing a local clientele is of increasing relevance to these markets, where the population's participation in securities is surging. Being the partner of choice for sophisticated retail demand means a sustainable revenue flow from both directions. In doing so, we can respond to the demands of global custodians even in very small markets in the long run.

Your panel will also cover ethical investing. What is RBI's position in the field of securities services?

We will discuss the level of services as a subcustodian with reference to ESG criteria. It will be our responsibility to provide ESG relevant data, which enable our investors to make a conscious choice and select corresponding products.

Also, we will examine the question if we should provide access to questionable markets at all. I guess we will agree that this would reach beyond the task of a subcustodian. The responsibility has to remain with the investor, but we can offer support in their decision-making process by delivering the necessary information.

Looking at the agenda of The Network Forum, it promises to be rich in high-level discussions. Who will be the participants?

There are some 400 registrations from all over the world. Participants include representatives of global custodians, broker/dealers, international custodian banks, but also of fintechs and CSDs. The Greek capital markets infrastructure, of course, will be prominently represented on its home turf. We are really looking forward to the event!



The magnetic field of custody

Karolína Staňková, who joined Raiffeisen as Head of Custody Product Czechia in May, will bring her experience in both custody and management. She will, among other, focus on developing a local product offer.

Securities services is a product that is organized a little differently in every bank. Having worked with other financial institutions before, I hope I can contribute with an outside view. I find Raiffeisen's direct access operating model intriguing. It makes sense to me, from a client's perspective, having just one access point to Eastern European markets. This, in my opinion, is a good selling point. My aim in my new role is to further enhance local support for this operating model, ensuring that our international clients get excellent service on the Czech market.

On the other hand, we intend to promote our services to domestic clients investing in international markets. Just recently, we launched depository services for local investment and pension funds. After successfully onboarding Raiffeisen Investment company as a flagship client, we plan to offer this service to other local players. Of course, with custody services being part of the package.

Almost all banks on the Czech market are foreign owned, and the corporate culture always comes from the owner. I have experienced many cultural environments during my career and feel like the Austrian culture will sit well with me. As a matter of fact, I did not know much about Raiffeisen before I joined, however, as an outsider, I always perceived it as customer friendly bank.

My career has always been in banking. Altogether, I worked for three large international banks, although in many different areas, including operations, IT, change management, HR and product management in both corporate and retail segments. But it seems that I always return to the custody product. When I started at ING many years ago, it was the time when custody services were being established on the Czech market. It was a new thing that we built from scratch, which I found very exciting. Years later, I came back to custody at UniCredit. And now, for the third time, I landed the product with Raiffeisen.



So far, my experience in Raiffeisen has been very positive. Colleagues in Prague and at the head office in Vienna are very professional, while being friendly and helpful. This is a good start, indeed!



Contact Us

GIS Central Team

Raiffeisen Bank International AG

Am Stadtpark 9
1030 Vienna, Austria

Christian Geberth

Head of GIS

christian.geberth@rbinternational.com

Phone: +43 1 71707-2832

Bettina Janoschek

Head of GIS Sales, RM & Market Intelligence

bettina.janoschek@rbinternational.com

Phone: +43 1 71707-1820

www.rbinternational.com

Albania

Raiffeisen Bank Sh.a.

"European Trade Center"

Bulevardi "Bajram Curri" Tirana

Rigers Kristo

Head of GIS Albania

Rigers.KRISTO@raiffeisen.al

Phone: +355 4 2381076-2636

www.raiffeisen.al

Belarus

Priorbank JSC

31-A, V. Khoruzhey Str.

220002 Minsk

Yury Dorofey

Head of GIS Belarus

yury.dorofey@priorbank.by

Phone: +375 17 2899102

www.priorbank.by

Bosnia and Herzegovina

Raiffeisen BANK d.d.

Bosna i Hercegovina

Zmaja od Bosne bb

71000 Sarajevo

Draženko Bobaš

Head of GIS Bosnia

drazenko.bobas@raiffeisengroup.ba

Phone: +387 33 287-153

www.raiffeisenbank.ba

Croatia

Raiffeisenbank Austria d.d.

Magazinska 69

10000 Zagreb

Mensur Hodžić

Head of GIS Croatia

mensur.hodzic@rba.hr

Phone: +385 1 6174-327

www.rba.hr

Czech Republic

Raiffeisenbank a.s.

Hvezdova 1716/2b

14078 Prague 4

Karolina Stankova

Head of Custody Product Czech Republic

karolina.stankova@rb.cz

Phone: +420 702 197 055

Hungary

Raiffeisen Bank Zrt.

Váci út 116-118

1133 Budapest

László Ceglédi

Head of GIS Hungary

laszlo.cegledi@raiffeisen.hu

Phone: +363 060 63 579

www.raiffeisen.hu

Poland

Raiffeisen Bank International AG

(Polish Branch)

Ul. Grzybowska 78

00-844 Warsaw

Jaroslav Kowalczyk

Head of GIS Poland

jaroslav.kowalczyk@rbinternational.com.pl

Phone: +48 512 233 278

www.rbinternational.com

Romania

Raiffeisen Bank S.A.

246D Calea Floreasca

014476 Bucharest 1

Andrei Mezdrea

Head of GIS Romania

andrei.mezdrea@raiffeisen.ro

Phone: +40 21 30612-89

www.raiffeisen.ro

Russia

AO Raiffeisenbank

Smolenskaya-Sennaya Sq. 28

119020 Moscow

Evgenia Klimova

Head of GIS Russia

evgenia.klimova@raiffeisen.ru

Phone: +7-495-721 9900

www.raiffeisen.ru

Serbia

Raiffeisen banka a.d.

Djordja Stanojevic 16

11070 Novi Beograd

Ivana Novakovic

Head of GIS Serbia

ivana.novakovic@raiffeisenbank.rs

Phone: +381 11 2207572

www.raiffeisenbank.rs

Slovakia

Tatra banka, a.s.

Hodžovo námestie 3

81106 Bratislava

Peter Uhrin

Head of GIS Slovakia

peter_uhrin@tatrabanka.sk

Phone: +421 903 417-407

www.tatrabanka.sk

Ukraine

Raiffeisen Bank JSC

9, Leskova Str.

01011 Kyiv

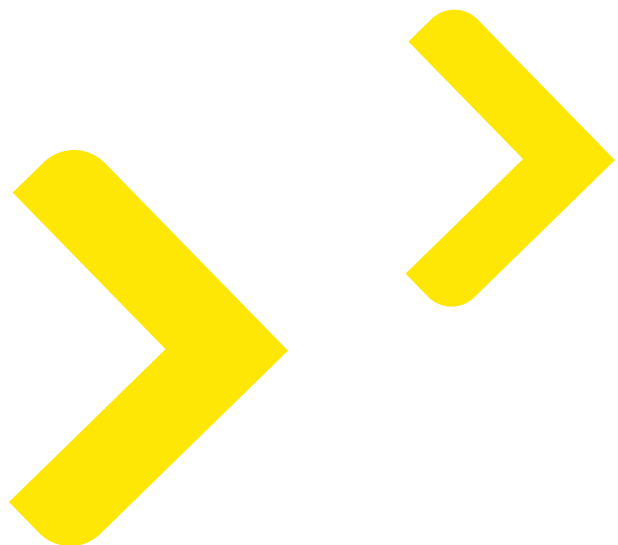
Bogdana Yefremova

Head of GIS Ukraine

bogdana.yefremova@raiffeisen.ua

Phone: +380 44 49879 32

www.raiffeisen.ua



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Phone: +43-1-71707-0, Fax: + 43-1-71707-1715

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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Society Committee Zentrale Raiffeisenwerbung:

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