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Ukrainian Financial Forum
Ukraine Capital Market through Clearstream

Kyiv, 27th September 2019

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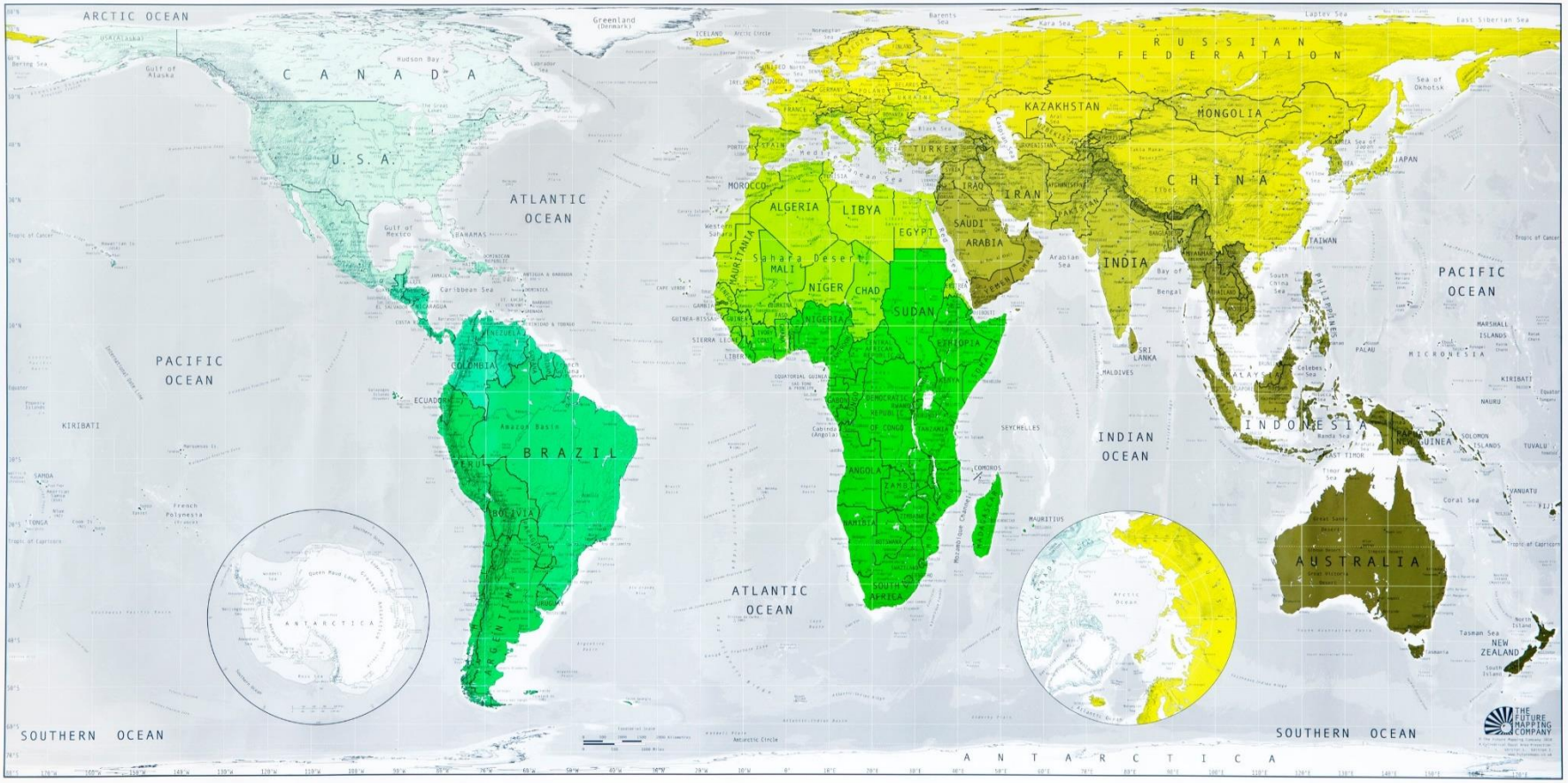
Clearstream's Global Presence



- AA Credit-rated institution
- Access to 58 markets worldwide
- Eurobonds market Issuer ICSD
- Supported by 11 regional offices
- Providing 24 hour a day coverage
- AUC in excess of EUR 13 trillion

Clearstream Banking S.A. core business

	Clearstream Banking Luxembourg (ICSD)
Customers	2,500 customers in 110 countries
Securities	Eurobonds, domestic bonds, equities, investment funds, etc
Markets	58 domestic markets worldwide and one core Eurobonds market
Asset services	Full range of custody and collateral management services

What Clearstream clients are looking for:

«We like the local instruments, but my Risk and Compliance Department doesn't like the local market.»

- ✓ Safekeeping and settlement within ICSD Clearing platform
- ✓ Internal settlement of local currency instruments with non-resident counterparts in non-local currency
- ✓ Income payments in local currency
- ✓ Potential usage of local bonds in Clearstream collateral engine
- ✓ Outsource local market complexity to an AA-rated Luxembourg based neutral market infrastructure
- ✓ «Local Market Single Window» approach, no local presence

Clearstream Emerging Markets Approach:

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Standard approach:

- Full access to locally traded products
- DVP and STP processes
- Longer assessment/delivery time to market
- IT development cost
- Maintenance cost

AGIL ("Accelerated Gradual Implementation of Links") approach:

- Vanilla Government and / or supranational bonds
- FOP settlement
- Accelerated time to market
- Expenses that scale as volume develops

Suited for large established markets with significant existing international volumes

Suited for emerging / frontier markets ; the "door opener"

AGIL Prerequisites: account legal status

- ✓ Acceptance of Clearstream Banking S.A. as Nominee Holder
- ✓ Acceptance of Omnibus Account
- ✓ No segregation either agent bank or CSD
- ✓ Acceptance of freely transferability of securities within the Clearstream platform
- ✓ Segregated account structure not compatible with usage of local bonds in Clearstream collateral management engine
- ✓ Mitigation of investor identity via set of disclosure process of Clearstream clients holdings

AGIL Prerequisites: Tax Regime

- ✓ Simplified Withholding Tax on Income payments (coupons, redemptions) for Non-Resident Investors
- ✓ Absence of Capital Gains Tax on Sales/Purchases between Non-Resident Investors

AGIL Prerequisites: FX regime/Capital Restrictions

- ✓ No restrictions to receive income in local currency
- ✓ No restrictions by Clearstream client to FX local income into foreign currency
- ✓ No restrictions to clients to fund their account in Clearstream with local currency and to hold it at Clearstream

AGIL Prerequisites: Solid Local Partners

- ✓ Internationally recognised
- ✓ Capactity to potentially operate Clearstream account at books of CSD
- ✓ Act as cash correspondent
- ✓ Fully SWIFT compliant (securities and cash, inbound and outbound)
- ✓ Strong KYC/AML/Compliance culture
- ✓ Capacity to inform and process Asset Servicing

“One Belt, One Road”: Clearstream AGIL links

GEORGIA
Live since 2016: GEL denominated Govt debt and selected corporate bonds

ARMENIA
Live since 2016: AMD denominated Govt debt

KAZAKHSTAN
Live since 2018: KZT denominated Govt debt and National Bank Notes

UKRAINE
LIVE SINCE: 27 May 2019
UAH denominated Govt debt

* Additional countries in the region remain under review

Main Features of AGIL link to Ukraine

- ✓ Launch date: **27 May 2019**
- ✓ Instruments scope: **UAH denominated Government Bonds**
- ✓ Type of link: **direct / operated via Citi Kyiv**
  - **Clearstream holds its securities account at NBU** for customers' omnibus positions
  - Securities and cash balances mirrored in Citi Kyiv's records
  - **Free of Payment settlement** with local Ukraine counterparts
- ✓ **Full secondary market internal settlement** with Clearstream counterparts in any settlement currency
- ✓ **Payment of all income in Clearstream in UAH**, free of WHT (with possibility to FX using Clearstream and to realign with own local Cash Co)
- ✓ **No need for segregated accounts** nor special documentation in Clearstream
- ✓ Instruction deadlines: UAH Cash 11:00CET, Trades 15:00 CET (SD)
- ✓ **CBL customers: standard SWIFT messages** for instructions and reporting of Ukrainian market activities

➢ Technical details, the Market Guide are published online at https://www.clearstream.com/clearstream-en/products-and-services/market-coverage/europe-non-t2s/ukraine

Thank You

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