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Transparency and Disclosure

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by

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Questionnaire

A-What is the role of your institutions regarding financial and non-financial disclosure?

1. What is the role of your institution in establishing disclosure standards (specify)?

The standards of information disclosure (specifying the type of information to be disclosed, the regularity of disclosure and methods of disclosure) are established in the current Ukrainian legislation (The Law of Ukraine “On Business Companies”, the Law of Ukraine “On Securities and stock exchange”, the Law of Ukraine “On State regulation of securities’ market”) and by Securities Stock Market State Committee (SSMSC). The standards of financial reporting are established by the Ministry of Finance of Ukraine. FMI, an USAID contractor, has been providing assistance in the information disclosure sphere to SSMSC and securities market’s participants for almost 5 years.

2. What is the role of your institution in enforcing disclosure rules/ regulations (specify)? What sanctions can it impose?

FMI provides SSMSC with consulting services in developing the normative documents, regulating the information disclosure. The following documents have been prepared with active participation of FMI experts:

SSMSC Regulations “On Providing regular information by joint stock companies and enterprises issuing bonds”;

SSMSC Regulations “On Registration of the share issue by joint stock companies and enterprises issuing bonds, and on registration of information on their issue”;

The Program of Ukrainian securities market development for 2001-2005 that has become the basis for the Order of the president Ukraine “On Additional measures on Ukraine stock market development”.

Presently the “Conceptual principles of the reporting for stock market participants” are being developed with participation of FMI.

3. What are your institution’s other roles and responsibilities (i.e. licensing, training, etc.)?

FMI is a consulting company, corporate governance, information disclosure, clearing and depository activities being the sphere of its operations.

B- Country background information

1. Number of Joint Stock Companies:

There are approximately 35 thousand joint stock companies in Ukraine; about 12 thousand of them are open joint stock companies.

1.1 Number of Open Joint Stock Companies (publicly listed / traded companies):

The shares of approximately 250 companies are listed, but only the shares of about 30 companies are actively traded.

1.2 Number of Closed Joint Stock Companies (non publicly listed / traded limited companies):

There are roughly 23,000 CJSC in Ukraine, and, in accordance with the current legislation of Ukraine, their shares are not publicly traded.

C- Does the corporate governance framework ensure that timely and accurate disclosure is made on all material matters regarding the corporation?

No, it does not, and the major problem is in the lack of the information disclosure culture (i.e. understanding of the importance and necessity of disclosure by the issuers) and in the absence of strong control over observing the legislative regulations on information disclosure on the behalf of SSMSC.

1. Is the company required to prepare annual (or more frequent) audited financial statements showing the financial performance and the financial situation of the company?

Yes, open joint stock companies annually submit their financial reporting and auditor's conclusions to SSMSC; they also publish selected financial information in press.

Is this required by the company law, securities law, stock exchange regulation or other related laws?

The requirements on provision with annual financial reporting verified by the auditor to the investors and to the regulating body are defined in the Law of Ukraine "On Securities and stock exchange" and in the SSMSC Regulations on providing regular information by OJSCs and enterprises issuing bonds. Though the regulation stated in the Law of Ukraine "On Securities and stock exchange" has become obsolete as it requires "to submit annual balance sheet and financial situation form", while since 01.01.2000 the Law of Ukraine "On Accounting and financial reporting" has come into power, in accordance with which annual financial reporting shall comprise four reporting forms (the balance sheet being only one of them) and notes to them. The Law of Ukraine "On Accounting and financial reporting" comprises the regulation on making interim financial reporting quarterly, as well as the mandatory demand for the enterprises to submit quarterly reporting to the owners in accordance with the constituent documents of the company. There is no mandatory norm related to publishing interim reporting in Ukraine.

Is this applied in practice?

OJSCs and enterprises issuing bonds shall submit their annual reports to SSMSC till the 30th of April of the year following the year of reporting, but SSMSC delays the users' access to the reports. There are discrepancies related to the terms of reporting submission in the normative acts regulating information disclosure impeding the law enforcement (in the current laws and normative acts of SSMSC).

What are the enforcement procedures? Are there any sanctions (specify)?

In accordance with the Law of Ukraine "On State regulation of securities market", SSMSC has the powers to fine a legal entity for failure to submit, untimely submission or deliberate submission of untrue information in the amount up to 1000 citizen's nontaxable incomes (currently, 17 thousand Hryvnas (approximately \$ US 3100))

2. Is consolidated financial reporting required for corporate groups? On what basis?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

This issue does not find any specific consideration in the JSC- related legislation, in the legislation related to securities as well as in the Provisions of SSMSC.

In accordance with the Law of Ukraine “On Bookkeeping and financial reporting”, enterprises having subsidiaries, shall prepare and submit consolidated financial reporting, the procedure of preparing and for information disclosure on which is defined in the relevant national Provisions (standard) on Bookkeeping (NPBU).

Is this applied in practice?

The national Provisions On Bookkeeping “Consolidated financial reporting” are applied to the reporting since the year of 2000. Later it will be possible to make the conclusions on application of the Provisions.

What are the enforcement procedures? Are there any sanctions (specify)?

There is a general norm related to violations in the field of accounting and reporting. In accordance with the current Ukrainian legislation, managers and other key executives of enterprises may be levied with administrative fines for methodological mistakes made in financial reporting (entering non-true information) in the amount from 8 to 15 citizen’s nontaxable incomes (currently 136 and 255 Hryvnas, or in accordance with the current \$US rate, 25 and 47 \$US), the fine for repeated violations ranges from 10 to 20 citizen’s nontaxable incomes (170 and 349 Hryvnas accordingly, or \$US 31 and 63).

3. Is the company required to include in annual reports:

3.1 Company objectives and strategy?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

In accordance with SSMSC Regulations on providing regular information by open joint stock companies and enterprises issuing bonds, the issuer’s annual report shall comprise the information on prospects and plans of the company for at least the following year. Thus, SSMSC does not require from the issuers to disclose information on their strategy, and limits the information required to the short-term plans.

Is this applied in practice?

It is possible to say that the culture of information disclosure by securities issuers is on the stage of formation, they have just started to realize the importance and the necessity to be open for investment community. Therefore the quality of the information disclosed leaves much to be desired, which especially relates to the analysis of the company operations by management, to accurate and explicit statement of strategy and plans. As a rule, the issuers limit themselves to filling the required tables and to not attach any comments to them.

What are the enforcement procedures? Are there any sanctions (specify)?

The general regulation related to the violations in the sphere of information disclosure is the following: SSMSC has the powers to levy fines on legal entities for failure to submit, untimely submission or deliberate submission of untrue information in the amount up to 1000 (17 Hrns x 1000) citizen's non-taxable incomes. As for the information related to strategy and plans of the company, this regulation is hardly applied.

3.2 Major share ownership and voting rights?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

In accordance with SSMSC Regulations on providing regular information by open joint stock companies and enterprises issuing bonds, the annual report of the company shall comprise information on holders of 5 and more percent of the issuer's shares (with specification of the type of the shares).

Is this applied in practice?

Enterprises satisfy this requirement, but SSMSC when disclosing the information (placing it on its web-page) does not specify the family names of the shareholders holding considerable amounts of shares and only informs that the owner is a physical person. As for the legal entities, this requirement is satisfied (the identification is specified).

What are the enforcement procedures? Are there any sanctions (specify)?

The general regulation related to the violations in the sphere of information disclosure is the following: SSMSC has the powers to levy fines on legal entities for failure to submit, untimely submission or deliberate submission of untrue information in the amount up to 1000 (17 Hrns x 1000) citizen's non-taxable incomes.

3.3 Related party transactions (management's direct or indirect interest in any material transaction to which the company or any of its subsidiaries was or is to be a party)?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Disclosure of information on related party transactions shall soon be implemented in Ukraine. It is stipulated in the “Program on reforming the system of bookkeeping through application of the international standards”, being implemented presently. There also exist relevant National Provisions on Bookkeeping “Disclosure of information on related parties transactions and segments of activities” (the term of coming into action is July, 2001).

Is this applied in practice?

It shall be applied to the reporting starting from the period of the year 2001.

What are the enforcement procedures? Are there any sanctions (specify)?

A general norm related to violations in the sphere of information disclosure shall be applied: SSMSC has the powers to levy fines on legal entities for failure to submit, untimely submission or deliberate submission of untrue information in the amount up to 1000 (17 Hrns x 1000) citizen’s non-taxable incomes.

3.4 The identity and the professional background of board members and key executives, and their individual or collective remuneration?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

The Law of Ukraine “On Securities and stock exchange” stipulates the requirement to disclose “grounds for personal changes in the composition of the company key officers”.

In accordance with SSMSC Regulations on providing regular information by open joint stock companies and enterprises issuing bonds, the annual report of the issuer shall comprise the information on age, education, work experience in the field of management, previous place of employment of the issuer’s key executives – chief executive officer and members of the executive body, of the chairman and of the members of the board of directors, the chairman of the audit committee and of chief accountant.

The requirements on information disclosure and those on remuneration for the issuer’s key executives are not stipulated in Ukrainian legislation.

Is this applied in practice?

The issuers satisfy this requirement.

What are the enforcement procedures? Are there any sanctions (specify)?

A general norm related to violations in the sphere of information disclosure shall be applied: SSMSC has the powers to levy fines on legal entities for failure to submit, untimely submission or deliberate submission of untrue information in the amount up to 1000 (17 Hrns x 1000) citizen’s non-taxable incomes.

3.5 Directors’ and key executives’ ownership interest in company shares?

Is this required by the company law or by the stock exchange regulation?

Yes, such regulations are stipulated. In accordance with SSMSC Regulations on providing regular information by open joint stock companies and by enterprises issuing bonds, the annual report of the issuer shall comprise the information on the amount, percentage and type of the issuer's shares held by the issuer's key executives, i.e. by the chief executive officer and by the members of the executive body, the chairman and the members of the board of directors, and the chief accountant.

Is this applied in practice?

Enterprises satisfy this requirement. SSMSC when disclosing the information (placing it on its web-page) does not specify the family names of the shareholders holding considerable amounts of shares and only informs on the amount of the package held and that the owner is a key executive.

What are the enforcement procedures? Are there any sanctions (specify)?

A general norm related to violations in the sphere of information disclosure shall be applied: SSMSC has the powers to levy fines on legal entities for failure to submit, untimely submission or deliberate submission of untrue information in the amount up to 1000 (17 Hrn x 1000) citizen's non-taxable incomes.

3.6 Material foreseeable risk factors (trends or uncertainties that are expected to have or have had a material impact on the company)?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

The SSMSC Regulations on providing regular information stipulates the disclosure of information on material matters influencing the current activities of the issuer and on material factors able to influence them in future.

Is this applied in practice?

The table form required to be filled by SSMSC called "Basic factors influencing the issuer's activities" facilitates the trend that the enterprises relate to disclosing this information as to the formal requirement, specifying only the presence or the absence of risks, without their quality analysis.

What are the enforcement procedures? Are there any sanctions (specify)?

A general norm related to violations in the sphere of information disclosure shall be applied: SSMSC has the powers to levy fines on legal entities for failure to submit, untimely submission or deliberate submission of untrue information in the amount up to 1000 (17 Hrn x 1000) citizen's non-taxable incomes.

3.7 Material issues regarding employees and other stakeholders (management-employee relations, business ethics, environment, or other public policy concerns)?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

This requirement is not stipulated.

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

3.8 The governance / organizational structure of the company (i.e. key positions in the company)?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Yes, SSMSC Regulations on providing regular information stipulates the requirement on disclosure of information related to organizational structure of the issuer, its subsidiaries, affiliates and representative offices.

Is this applied in practice?

It is, but with rare exclusions, the issuers provide such information very briefly and formally.

What are the enforcement procedures? Are there any sanctions (specify)?

A general norm related to violations in the sphere of information disclosure shall be applied: SSMSC has the powers to levy fines on legal entities for failure to submit, untimely submission or deliberate submission of untrue information in the amount up to 1000 (17 Hrn x 1000) citizen's non-taxable incomes. This norm is hardly applied in the relation to information on management and organizational structure.

3.9 An analysis of the company's operational results?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Yes, such a requirement is stipulated in the Law of Ukraine "On Securities and stock exchange" and is spelled in more details in the SSMSC Regulations on providing regular information.

Is this applied in practice?

It is, but, with rare exclusions, the issuers submit descriptive and analytical information very briefly and formally.

What are the enforcement procedures? Are there any sanctions (specify)?

A general norm related to violations in the sphere of information disclosure shall be applied: SSMSC has the powers to levy fines on legal entities for failure to submit, untimely submission or deliberate submission of untrue information in the amount up to 1000 (17 Hryvnas x 1000) citizen's non-taxable incomes. This norm is hardly applied to the analysis of company's operational results.

4. Is the company required to disclose extraordinary developments affecting the company (i.e. mergers/acquisitions, resignation of key executives, filing for bankruptcy, etc.)

The Law of Ukraine "On Securities and stock exchange" requires to provide the regulating body and stock exchange within the term of two days with the information on the following events: changes in the rights on securities, changes in the personal composition of the company's key executives, arresting the bank accounts of the issuer, sanation, reorganization, cessation or interruption of activities, demolition of 10% of the company's property due to extraordinary events, advancing a claim to the issuer in the amount exceeding 50% of the charter capital or of the value of the company's assets, receiving a credit or issuing securities on the amount exceeding 50% of the charter capital or of the value of the company's assets. Disclosure of specific information by the open joint stock companies and by enterprises issuing bonds is regulated in the relevant SSMSC Regulations requiring from the issuers to disclose information on changes in financial, economic and management activities of the issuer which have occurred and are influencing the value of securities or the amount of interest on them within 2 days from the moment when the event occurred. .

5. What accounting standards are used?

5.1 Are companies required to prepare accounts in accordance with local or recognized International Accounting Standards (specify)?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

The Law of Ukraine "On Bookkeeping and financial reporting" has been in power since 01.01.2000. In accordance with this Law, "principles and methods of bookkeeping and financial reporting, that do not contradict with the international standards" are defined in the National Provisions on Bookkeeping (NPBU), approved by Ukraine Ministry of Finance. But their practical application has demonstrated that not all the NPBU comply with IAS.

Is this applied in practice?

Yes, of course. Though the enterprises need some time to master the new rules of accounting and reporting in practice. Professional press regularly publishes materials related to NPBU problems to assist the bookkeepers, numerous training sessions are held.

What are the enforcement procedures? Are there any sanctions (specify)?

In accordance with the current Ukrainian legislation, managers and other key executives of enterprises may be levied with administrative fines for methodological mistakes made in financial reporting (entering non-true information) in the amount from 8 to 15 citizen's nontaxable incomes (currently 136 and 255 Hryvnas, or in accordance with the current \$US rate, 25 and 47 \$US), the fine for repeated

violations ranges from 10 to 20 citizen's nontaxable incomes (170 and 349 Hryvnas accordingly, or \$US 31 and 63).

5.2 What are the major differences between the local and International Accounting Standards?

The law of Ukraine "On Bookkeeping and financial reporting" declares that "principles and methods of bookkeeping and financial reporting ... do not contradict with the international standards".

However, there are some discrepancies. For instance, NPBU allows to apply the method of calculating fixed assets depreciation stipulated in tax legislation; they narrow the concept of information efficiency, without taking into consideration the consequences of the impact of distorted information on decisions made by the users of reporting; there is some difference in reflecting the information related to financial investments; the concept of extraordinary event is limited to force majeure.

NPBU narrow the opportunities of choice for the enterprises in many situations. In particular, there are five approved standard reporting forms (balance sheet, financial results report, cash-flow report – only indirect method is allowed, owned capital report, and even a table form for notes to the reports is approved). The existence of the standard forms of reporting is caused by two reasons: the existing in the country statistics framework, and by the fact that the enterprises are used to work with the standard forms, and often it is possible to achieve information disclosure only having provided the enterprises with a unified algorithm – a table of rows and lines.

5.3 What are, in your opinion, the major deficiencies of the local accounting standards?

They are in the presence of deviations from the international standards.

NPBU limit the opportunities of making a professional judgement for bookkeepers, that is, they brake the their professional growth. NPBU detain the integration of Ukraine into the world market of capital.

5.4 Is there a program for implementing IAS (specify)?

The "Program of reforming the system of bookkeeping through application of international standards" approved by the Cabinet of ministers of Ukraine is being implemented in Ukraine now. It relates to all enterprises.

As for the introduction of IAS at the stock market, the Order of the president of Ukraine "On Additional measures on Ukraine stock market development" was adopted in March, 2001. It defines the main directions of stock market development. In particular, they include introduction of international standards of information disclosure, that is IAS and information disclosure standards IOSCO.

Presently, SSMS together with the market participants is developing the "Conceptual principles of reporting system for stock market participants". The Draft document comprises provisions on introduction of IAS for issuers, whose securities have been listed by securities trades' organizers starting from the period of the year 2003.

6. Are the annual accounts required to be audited? If so how frequently and by whom?

**Is this required by the company law,
securities law, stock exchange regulation
or other related laws?**

The Law of Ukraine "On Business companies", the Law of Ukraine "On Securities and stock exchange" comprise the requirements on auditing the annual

reporting of the enterprises (business companies and issuers of securities accordingly). The Law of Ukraine “On Audit activities” also stipulates the mandatory demand of auditing the annual reporting for subjects of business activities, whose reporting is published officially.

SSMSC Regulations on regular information stipulate that the issuer shall present the auditor’s conclusion in the annual report.

The Law of Ukraine “On Audit activities” states that audit shall be conducted by independent entities.

Is this applied in practice?

The requirement on regularity of audit conduct is satisfied, as for the independence of auditors and their expertise, there are problems in this field.

What are the enforcement procedures? Are there any sanctions (specify)?

SSMSC monitors auditing of the annual reporting of securities issuers. A general norm related to violations in the sphere of information disclosure shall be applied: SSMSC has the powers to levy fines on legal entities for failure to submit, untimely submission or deliberate submission of untrue information in the amount up to 1000 citizen’s non-taxable incomes.

7. What is the role of the board of directors in ensuring that the company complies with financial and non-financial disclosure requirements?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

The current legislation of Ukraine does not stipulate responsibility of concrete management bodies of a joint stock company for compliance with the requirements related to information disclosure.

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

8. What is the role of the management in ensuring that the company complies with financial and non-financial disclosure requirements?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

The current legislation of Ukraine does not stipulate responsibility of concrete management bodies of a joint stock company for compliance with the requirements related to information disclosure.

The Law of Ukraine “On Audit activities” defines that the management of the subject of business activities is responsible for the completeness and adequacy of financial documents presented to the auditor for checking.

The Law of Ukraine “On Bookkeeping and financial reporting” comprises a norm that states that financial reporting shall be signed by the chief executive officer and chief accountant.

SSMSC requires that the same persons shall sign the annual report of the issuer.

Thus, it is possible to speak of indirect expression of the fact that the responsibility for the content of the annual report is born by the chief executive officer.

The National Audit Standard declares that the procedures for verification of the reporting with the signature and stamp of the auditor do not mean the solidary responsibility of the auditor with the management of the enterprise for the completeness and adequacy of the reporting under review.

Responsibility for completeness and adequacy of the reporting shall be born by the management of the enterprise.

Is this applied in practice?

Yes, the existing requirements are met.

What are the enforcement procedures? Are there any sanctions (specify)?

9. Are auditors required to be independent (e.g. no material relationships with the company including other fee-generating activities)?

If so, how is independence defined? Who appoints the auditor?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

The Law of Ukraine “On Audit activities” stipulates that audit shall be conducted by independent entities, authorised by the subjects of business activities, and presents a list of occasions, when conducting the audit shall be prohibited. They are the following: the auditor is in family relations with the management of the subject of economic activities; the auditor has personal proprietary interest in the subject of economic activities; the auditor is a member of management, a founder or owner of the subject of business activities; the auditor is an employee of the subject of economic activities; the auditor is an employee, co-owner of a subsidiary, affiliate or representative office of the subject of economic activities.

The independence of the auditor is also stipulated in the national audit standard and in the “Code of professional ethics of the auditors of Ukraine”, adopted by the Audit Chamber of Ukraine.

The current Ukrainian legislation does not comprise a norm related to the issue of who shall choose the auditor.

Is this applied in practice?

There are problems related to the issue of independence of the auditors. Unfortunately, a “pocket” auditor is not a rare phenomenon.

What are the enforcement procedures? Are there any sanctions (specify)?

Sanctions for reporting verification by the auditor who is not independent are not stipulated.

10. Are auditors liable (i.e. responsible) for negligence or other wrongdoing (specify)?

**Is this required by the company law,
securities law, stock exchange regulation
or other related laws?**

The Law of Ukraine “On Audit activities” stipulates that the auditor shall bear material and other responsibility before the client for unduly execution of his professional duties, which shall be stated in the agreement in accordance with the current legislation.

Is this applied in practice?

We are not acknowledged of any relevant cases.

What are the enforcement procedures? Are there any sanctions (specify)?

We are not acknowledged of any relevant cases.

Who has the right to seek redress (i.e. shareholders, managers, the state, or other stakeholders)?

10. Does the legal framework require companies to disclose to a specific range of users (i.e. SRO’s, shareholders, securities regulators, etc.)? If so, does the legal framework distinguish what information must be disclosed to specific users and when this information must be disclosed?

**Is this required by the company law,
securities law, stock exchange regulation
or other related laws?**

The Law of Ukraine “On securities and stock exchange” stipulates the mandatory requirement for the issuers annually, within 9 months after the end of the year of the reporting, to publish an annual report as well as to send it to the holders of nominal shares and to the regulating body.

SSMSC Regulations on providing regular information requires from the issuers to submit the report by the 30th of April.

A full report shall be submitted to the Committee and a very fractional and minimal amount of data is published. When doing so, SSMSC spares the issuers not requiring from them considerable expenditures on publication of big amount of information, thus limiting the opportunities of the users to familiarize with the information.

Since the year of 2000 SSMSC has started to place the reports of the issuers on its web-page, though it does it not quite timely.

SSMSC Regulations allow the issuers to address the Committee with the claim on publishing not all, but only a portion of regular information. When doing so the issuer shall provide detailed explanations on the reasons why he asks not to publish a part of information.

The issuers, whose securities are listed at the securities trades' organizers, shall quarterly submit the information on their activities to the organizer of the trades.

In accordance with the Law of Ukraine "On Securities and stock exchange", the issuer shall present specific information to the stock exchange and the regulating body within the term of two days, he shall also publish this information in the official paper published by the stock exchange. SSMSC places specific information of the issuers on its web-page.

Is this applied in practice?

Yes, except for the requirement to forward the report to every holder of the nominal shares, which is not met in reality, as the issuers consider this procedure to be too expensive, and the Committee agrees with this opinion.

What are the enforcement procedures? Are there any sanctions (specify)?

In practice, the issuers are not punished for failure to forward the report to every holder of nominal shares.

11. Do all shareholders receive a copy of the annual report and accounts or are they able to obtain them upon request?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

The requirement for the issuers to forward the report to every holder of the nominal shares is stipulated in the Law of Ukraine "On Securities and stock exchange", but it is not implemented in reality. The issuers consider this method of disclosure to be too expensive.

Is this applied in practice?

If a shareholder personally addresses the open joint stock company, he can be shown the report or it may be mailed to him (up to his wish). Though there are many cases when the issuer refused to provide information to shareholders.

What are the enforcement procedures? Are there any sanctions (specify)?

12. What are the channels of disclosure (i.e. dissemination through the press, over the internet, through the postal system)? Which are the most used?

Is this required by the company law, securities law, stock exchange regulation or other related laws?

Presently, the most frequently used channels are the following:

1. Printed mass media. In accordance with the Law of Ukraine on Securities and stock exchange, the issuer shall publish the information.

- SSMSC Provisions stipulate that the annual report shall be published in one of the official press bodies of Verkhovna Rada (the Parliament of Ukraine), the Cabinet of Ministers or SSMSC. Special information shall be published in the paper of stock exchange.
2. SSMSC web-page (but very limited and very distorted in time information is placed there).
www.ssmc.gov.ua.
 3. SSMSC information disclosure centre, where one can see a printed copy and to buy a xerocopy, but the information available in the centre is distorted in time, too.
 4. Web-pages of some securities trades' organizers.

Is this applied in practice?

What are the enforcement procedures? Are there any sanctions (specify)?

In reality SSMSC monitors that the issuers presented it with the information and published it in press. In case of failure to fulfill these requirements SSMSC either warns the issuers or applies fines to them.

D- What are the training needs and existing training facilities for accountants and auditors?

- 1. Does the legal and regulatory framework specify the qualifications or recognition criteria that an accountant must satisfy in order to be certified as a public accountant?**

The current legislative/regulative basis does not stipulate such requirements. But the Federation of professional bookkeepers and auditors of Ukraine (FPBAU), which is a professional and social organization, conducts certification of bookkeepers.

- 2. Does company law or other laws and regulations specify the qualifications or recognition criteria that an auditor must satisfy in order to be able to conduct a statutory audit?**

The Law of Ukraine "On Audit activities" stipulates the requirements to certification and licensing of the auditors.

The requirements to professional expertise are set by the Audit Chamber of Ukraine.

- 3. Are there sufficient training facilities for accountants and auditors (specify)?**

Professional social organizations, such as FPBAU, the Audit Council of Ukraine, consulting companies and donor organizations conduct training measures for bookkeepers and auditors. During the period of the year 2000, when the national standards of bookkeeping were introduced, only "the lazy did not take a training course". The quality of training varied.

- 4. Do local auditors have sufficient training and resources to conduct audits according to internationally used auditing standards? Are they sufficiently familiar with International Accounting Standards? If so, how do they gain such knowledge and experience?**

No, they do not.

- 5. Do companies have a dedicated accounting department? If so, does this department employ certified accountants? Who supervises the work of the accounting department?**

In accordance with the law of Ukraine "On Bookkeeping", a joint stock company can be free to choose the form of bookkeeping out from the following options: 1) a position of a bookkeeper in the staff of the enterprise or organization of a bookkeeping service headed by

chief accountant; 2) using the services of bookkeeping professional registered as an entrepreneur; 3) bookkeeping through a centralized accounting or by an audit firm on the basis of concluded agreement.

6. Do internal accountants have sufficient training and resources to prepare annual accounts according to International Accounting Standards?

They do not.

7. What is the total number of certified accountants? How many accountants are certified yearly?

No relevant information.

8. How many certified accountants are engaged in auditing functions on a full-time basis? (i.e. what is the total number of licensed auditors?)

In accordance with the data provided by the Audit Chamber of Ukraine, as of 1.11.2000 there were 1649 licences and 4457 certificates on providing audit services.

E- Can you describe one or several cases involving major violations of disclosure requirements? (i.e. denied access to information; accounting manipulation; non-disclosure of required strategic information; etc.). What enforcement actions were taken in each case?

The examples of issuers' refusal to provide the shareholders with information are numerous. This has been a complaint of not only minor shareholders represented by physical persons, but also of shareholders holding a portfolio of shares.

But not only joint stock companies make obstacles to information disclosure.

As an example may serve the following experiment conducted by our company last year. A physical person addressed one of the territorial administrations of Securities Stock Markets State Committee with a request to see the reports of two concrete issuers. This physical person was the shareholder of only one of the joint stock companies, as for the other one, he had an interest in it as in possible object for investments. The employees of the Committee asked the person to write a relevant application addressed to the chief of territorial administration in which he was to specify why he needed the reports. After that the application was to be considered by the chief of territorial administration. As a shareholder this physical person could receive for review a full annual report of the enterprise, and as for the annual report of the enterprise he hold no shares of, it could be presented by the Committee in not complete version and only a part of it related to information subject to mandatory publication (minimal selected financial data) could be shown to him. Thus, the Committee allowed our physical person to review a complete financial report of the enterprise he hold the shares of, and only the information subject for publishing (i.e. minimal selected financial data) the acquisition of shares of which he has started to consider.

F- What are from your point of view the impediments and deterrents to full disclosure by companies?

Mass certification privatisation in Ukraine (1994-1999) has resulted in the fact that millions of ordinary citizens have become the owners, but they are not acknowledged of their rights on receiving the information and cannot, and often do not want to exercise them. This situation allows the issuers to ignore their responsibilities in the field of information disclosure before the shareholders. The issuers lack the culture of information disclosure. Traditionally our enterprises treat any information as confidential. This situation is advantageous for the managers, who hold the shares (both major and minor holdings). The regulating body (Securities stock Markets State Committee) strictly monitors the provision of information for itself, but at the same time it is contented with the formal data. As for fulfilling responsibilities on provision of information for every shareholder, the Committee does not pay due attention to it.

G- Please add any relevant information that has not been covered by the above questionnaire.

The absolute majority of open joint stock companies in Ukraine do not realize the reasons why they submit the information to SSMSC. They consider that they submit the information on their enterprise only because they need to satisfy the legislative requirements, and that information disclosure is necessary for the Committee. The behaviour of the Committee at securities market often facilitates this attitude: information is disclosed with immense delays in time, there are grounded rumours at the stock market about trading the information by the employees of the Committee, an open official information sale is done by the structure, the manager of which has family relationships with the employee of the Committee, responsible for collecting reporting from all market participants.

Our company has paid for the Internet access to some territorial administrations of the Committee, one of the conditions being provision with non-confidential information on securities market and its participants for all the interested persons. After some time we addressed three territorial subdivisions with a request to forward us the electronic versions of annual reports of some issuers, the reports of which we could not receive at the central office of SSMSC. We received a positive answer only from one subdivision. As we found out later, the central office prohibited its subdivisions to provide any information, and only one of the territorial administrations was brave enough to violate the prohibition.