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## THE LEGAL ENVIRONMENT FOR BUSINESS AND BANKING IN UKRAINE: *MEETING INTERNATIONAL STANDARDS*

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### THE LEGAL *PROs* AND *CONs* FOR INVESTING IN UKRAINE

#### *PROs:*

- Improved and developing legal system
- Ukrainian business has become more transparent
- General willingness to meet the expectations of foreign investors
- Transactions can be closed almost as fast as in the West

#### *CONs:*

- Changes in the law are not always consistent
- Burdensome bureaucratic and administrative procedures
- Courts generally strictly enforce legal rules, even if may result in unfair consequences for investors
- Unexpected legal traps still exist
- Risks of corporate governance

## THE FOREIGN INVESTOR FRIENDLY LEGAL FRAMEWORK:

- Foreign Investments Regime Law
- Bilateral and Multilateral Investment Treaties
- Bilateral Tax Treaties
- Civil Code (Notwithstanding the Commercial Code)

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## THE ACHIEVEMENTS OF THE UKRAINIAN GOVERNMENT:

- Continuing rapid adaptation of Ukrainian law to European Union standards
- Transparent privatisation of Kryvorizhstal, increasing the interest of foreign investors in future privatisations of other Ukrainian state companies
- Improved Ukrainian tax system and practices, for example, to ensure reimbursement of VAT on exports
- Stable financial and regulatory policy of the National Bank of Ukraine

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# THE TASK FOR THE NATIONAL BANK OF UKRAINE TO ENCOURAGE FOREIGN DIRECT INVESTMENT:

THE REGULATION OF FOR FOREIGN DIRECT INVESTMENT  
IN UKRAINE TO FURTHER STREAMLINE AND IMPROVE

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# MEASURES CRITICAL FOR THE DEVELOPMENT OF THE UKRAINIAN STOCK MARKET:

- ADOPTION OF THE PROPOSED JOINT STOCK COMPANIES LAW
- PROTECTION OF MINORITY SHAREHOLDERS
- REASONABLE PROCEDURAL RULES TO ALLOW FOREIGN PORTFOLIO INVESTMENTS

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## *UKRAINIAN FINANCIAL INSTRUMENTS IN THE INTERNATIONAL CAPITAL MARKET:*

- Bank Loan Agreements
- Eurobonds Offerings through Loan Participation Notes
- IPOs through the Special Purpose Vehicles
- GDR/ADR Programs

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## **INVESTING IN REAL ESTATE: STATUTORY PROTECTION *vs.* DUE CARE**

### IMPROVED

- Title Registration
- Legal Requirements for Transactions
- Mortgages

### NEEDS TO BE IMPROVED

- Public Access to State Registries (e.g., to companies registry and the registry of real estate title to confirm due diligence)
- Mortgage Securitisation
- Leasing
- Investment in Land

## **BANKS ACQUISITIONS IN UKRAINE: FIST COME – FIRST SERVED**

The Ukrainian banks in which majority shareholdings have been acquired by foreign banking institutions in the past two years:

- Aval Bank – by Raiffeisen International / RZB Group, Austria
- UkrSibbank – BNP Paribas, France
- Kredyt Bank (Ukraine) – by PKO BP S.A., Poland
- Bank Agio – by SEB, Sweden
- Mriya Bank – Vneshtorgbank, Russia
- UkrSotsbank – Banca Intesa, Italy

*to be continued...*

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## **INVESTING IN UKRAINE REQUIRES GREATER PLANNING FOR POSSIBLE LEGAL RISKS**

### **HOWEVER**

**CAREFUL ATTENTION TO COMPLIANCE WITH  
LEGAL REQUIREMENTS AND AVOIDANCE OF LEGAL  
TRAPS MEANS THAT A PRUDENT INVESTOR  
SHOULD BE ABLE SECURELY TO REALISE  
UKRAINIAN INVESTMENT OPPORTUNITIES**

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