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UKRAINE & MOLDOVA

ELEVENTH QUARTERLY REPORT – UKRAINE

THIRD QUARTERLY REPORT - MOLDOVA

April 1, 2007 – June 30, 2007

August 20, 2007
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ACCESS TO CREDIT INITIATIVE
UKRAINE & MOLDOVA

ELEVENTH QUARTERLY REPORT - UKRAINE

April 1, 2007 – June 30, 2007
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DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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UKRAINE (Eleventh Quarterly)

A. PROJECT OVERVIEW - Ukraine

I. PROJECT DESCRIPTION – EXECUTIVE SUMMARY UKRAINE

ATCI is tasked with developing the primary and secondary mortgage market with its associated infrastructure; increased capacity for the leasing industry including the development of certified leasing professionals; the ability for municipalities and utilities to use debt instruments to modernize vital infrastructure, and a credit bureau to facilitate the growth of credit for mortgages and other retail lending. While the credit bureau/credit rating component is subordinated to the mortgage component, it is being treated as a stand alone for purposes of implementation. The preliminary work plan was presented and accepted by USAID in November 2004. In October 2006, the ATCI contract was amended to include development of fixed-income operations in Ukraine. Additionally, ATCI activities were expanded to include Moldova.

ATCI is cooperating with numerous counterparts and may sign formal protocols in addition to those already signed. These Protocols are expected to govern mutual activity as well as manage expectations during the course of the project.

The priorities of the Project for this period are noted by component in the boxes below.

The project update for this quarterly report will correspond to the activities set forth in the action plan described below and reported by component.

II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – EXECUTIVE SUMMARY UKRAINE

- UNIA SELECTS NEW EXECUTIVE DIRECTOR OLEXANDER PYLYPETS
- CML TRAINING OF TRAINERS BEGINS
- ATCI / UNIA SUBMIT AMENDMENTS TO COVERED BOND LAW TO SSMSC
- ATCI AND KHRESCHATYK BANK SIGN CONFIDENTIALITY AGREEMENT TO ISSUE MORTGAGE BOND
- ATCI MEETS WITH UKRAINIAN SOCIETY OF APPRAISERS
- ATCI, THE WORLD BANK, THE IMF, AND THE OECD REQUEST MEETING WITH FIRST DEPUTY MINISTER AZAROV REGARDING DEVELOPMENT OF THE DOMESTIC TREASURY MARKET

- PRESENTED A MUNICIPAL FINANCE FACILITY CONCEPT AT WORKGROUP MEETING CHAIRED BY MR. KOZYMENKO, DEPUTY FINANCE MINISTER.

- DELIVERED DRAFT MFF CHARTER AND OTHER FOUNDING DOCUMENTS TO THE WORKGROUP.

- PARTICIPATED AT MFF WORKGROUP MEETING, CHAIRED BY MR. KOZYMENKO, DEPUTY FINANCE MINISTER, DISCUSSING MINISTRY OF FINANCE ANALYTICAL NOTE ON MFF.

- ASSITED THE CITY OF LVIV IN SECURING MINFIN APPROVAL FOR UAH 92 MLN. ISSUE, ISSUING A TENDER FOR UNDERWRITER, REGISTRATION WITH THE SSMSC.

- ASSISTED THE CITY OF LUHANSK IN DEVELOPING MINFIN APPLICATION FOR 29.3 MLN BORROWING APPROVAL.

- ASSISTED CITY OF BERDYANSK TO OVERCOME MINISTRY OF FINANCE REJECTION FOR BORROWING.

- DELIVERED PRESS-CONFERENCE IN BERDYANSK FOLLOWING MINISTRY OF FINANCE APPROVAL.

- LEASE PENETRATION RATE REACHED 2.5% IN 2006

- 11 NEW CLS QUALIFIED PROFESSIONALS, TOTAL NOW 51 IN UKRAINE

- ATCI WAS A CO-SPONSOR, WITH THE UKRAINE UNION OF INDUSTRIALISTS AND ENTREPENEURS ("THE LEAGUE"), OF A SEMINAR IN SIMFEROPOL ENTITLED "*SEMINAR ON FINANCIAL LEASING AND CREDIT REPORTING – BUILDING BLOCKS FOR A DYNAMIC FINANCIAL SERVICES INDUSTRY IN UKRAINE*."

- THREE LEASING SEMINARS WITH IFC IN CHERNEGIV, SUMY AND TERNOPIL

- THE CITIZENS NETWORK FOR FOREIGN AFFAIRS ("CNFA") SPONSORED MR. IAN WEETMAN FOR LEASING WORK IN LVIV

- IBCH ACCUMULATED OVER 200,000 CREDIT HISTORIES IN ITS DATABASE

- ATCI, UKRAINIAN CREDIT BUREAUS AND THE MINISTRY OF JUSTICE OF UKRAINE CONTINUED THE DEVELOPMENT OF REGULATION ON INSPECTION OF CREDIT BUREAUS

- THE CABINET OF MINISTERS OF UKRAINE APPROVES NATIONAL RATING SCALE.

- ATCI TAKES PART IN THE ANNUAL CONFERENCE OF UKRAINIAN INVESTMENT BUSINESS ASSOCIATION (UIBA).

III. PROJECT EXECUTIVE SUMMARY – EXECUTIVE SUMMARY UKRAINE

This Report provides details on the events and activities summarized below, as well as other events and activities regarding the USAID Access to Credit Initiative, as implemented by consultants for The Pragma Corporation (the Project), for the period from April 1 through June 30, 2007. The report is comprised of four components: Mortgage, Fixed income with a subordinated Municipal Finance component; Leasing and Credit Bureau / Credit Rating. Each component section of the report will have a summary with specific activity tasks identified and the status of each task with appropriate commentary, relevant attachments, and reference to administrative issues, if any.

Mortgage

Primary

To date, CML trained personnel now comprises eighty – three certificate holders: forty-three per cent of whom are women. The number of banks whose personnel have been trained totals thirty-six. During the eleventh quarter, ATCI begin training a cadre of professional trainers who can ensure sustainability of the CML program.

Cooperation continued with ATCI's counterpart UNIA to develop mortgage market statistics for the UNIA with an ATCI employee seconded to UNIA staff. This effort contributed to UNIA's preparation of the *Overview on the Mortgage Market in Ukraine Mortgage* for the second quarter.

To prepare amendments to the covered bond law for submission to the SSMSC, ATCI worked closely with UNIA to reach a compromise position that represented two differing approaches to amending the law. Vetting the two position involved numerous meetings and conference calls that ultimately resulted in a common position.

Secondary Market

Covered Bond Regulation Completed

During the previous quarters, ATCI completed drafting the mortgage pool monitoring regulations for the SSMSC. The regulations included provisions that were drafted to remedy deficiencies in the original law. The draft was reviewed by the SSMSC and sent to the Ministry of Justice for registration. Unfortunately, the Ministry determined that the regulations did not comport with the law and reworked them so they did. Subsequently, the Ministry registered regulations that are defective and while they will not impede a pilot issue, the regulations are sufficiently impaired to prelude development of a robust secondary mortgage market. Consequently, the mortgage covered bond law will need to be amended.

Pilot Issues

ATCI learned that Khreschatyk Bank has decided to issue a pilot mortgage bond and approached the bank with an offer of assistance. After several meetings between ATCI and the Bank's senior management, both signed a confidentiality agreement to begin analysis of the bank's portfolio in preparation for issuance.

ATCI was approached by Salans Law firm with a proposal to co-host a seminar for banks and other interested parties on mortgage securitization.. Seminar planning continued through the end of the quarter.

Associated Market Infrastructure

ATCI's third direction of activity in mortgage is development of associated market infrastructure. During the previous quarter, ATCI in cooperation with the International Real Property Foundation (IRPF) conducted an assessment of real estate sales practices and the state of real estate appraisal in Ukraine.

IRPF submitted its report along with a suggested solution package *(see Attachment 1)*. This, in turn, evolved into a proposed SOW that would lead to certifications in accordance with world standards of practice. This SOW was approved by USAID on a cost share basis with the IRPF during the quarter.

Within this context an IRPF consultant George Badescu, an appraisal expert, traveled to Ukraine and met with the Ukrainian Association of Appraisers. Mr. Badescu also met with ATCI's COP and outlined the issues facing the appraisers and offered a plan of action that would result in their certification and increase in professional standards. ATCI intends to prioritize appraisal certification in development of associated market infrastructure.

Fixed Income

In matters related to regulatory reform, ATCI worked with the SSMSC to develop implementing regulations for the covered bond law. However, the Ministry of Justice did not register the version sent by the SSMSC and instead removed the specificity regarding the activities of the bond manager and auditor. This necessitated the introduction of amendments to the covered bond law in order for the market to function like its European counterparts. Nevertheless, it did not interfere with the issuance of the first pilot. As a result, ATCI and UNIA (together) submitted a list of amendments to the covered bond law for the SSMSC to consider in preparation for the Commission's submission of the amendments to the Rada.

ATCI cooperated with the Mr.Vysotskyi, Head of Debt Management Department at the Ministry of Finance to host a debt management forum. The program was designed to explore what steps the Government of Ukraine should take to manage its debt requirements efficiently; to examine the role *domestic* government debt markets play in efficient capital allocation; to analyze the institutional framework requisite for market development such as the role of primary dealers, use of pre-announced auction calendars, development of a debt management strategy, mitigation of risk in debt management, establishing a debt management office (DMO) and comparisons to how debt management offices (DMOs) are organized and work in other countries.

Consequently, a technical note summarizing conclusions and recommendation was prepared by ATCI with conclusions and recommendations presented to the First Deputy Prime Minister for consideration *(Please see attachment 2)*. Specifically, the note was accompanied by a transmittal letter asking for a meeting with the GOU to discuss the conclusions and recommendations especially the one that calls for the establishment of a working group to implement a plan of action.

Municipal Finance

Pilot Bond Issues

Lviv

ATCI assisted in preparation of documentation package securing the Ministry of Finance approval for a five-year, UAH 92 mln. issue broken down into two series (Series A for UAH 50 mln. and Series B for UAH 42 mln.). The city selected (wholly owned by Icelandic Savings banks) Bank Lviv as the underwiter since the bank offered the lowest (in Ukraine's history of municipal borrowings) bond equivalent rate of 9.45% annual.

Berdyansk

ATCI in collaboration with the AUC secured the involvement of Ministry of Regional Development and Ministry of Construction and successfully supported the City of Berdyansk in securing MinFin's approval for a five-year, UAH 10 mln. borrowing, overturning a previous rejection by MinFin.

The city selected Alfa-bank as an underwriter since the bank offered the lowest bond equivalent rate of 11.5% annual (with all costs borne by the underwriter).

Lugansk

ATCI assisted with drafting and submission of the application for MinFin borrowing approval for 29.3 mln, five-year bond issue and advised on obtaining the issue rating from S&P. ATCI provided preliminary advice on tender format (fixed underwriting, coupon bids, costs borne by the underwriter).

Lutsk

ATCI consulted the city on MinFin submission, advised on tender and provided tender documentation (fixed underwriting, coupon bids, costs borne by the underwriter). In early June the city of Lutsk issued a tender and selected an underwriter on June 21. The city selected bank Forum as an underwriter since the bank offered the lowest placement rate of 12.0%.

Poltava, Chervivtsi

Additional consultations were given to these cities during their initial stages of bond issuance.

MFF

ATCI had a set of meetings with Association of Ukrainian Cities and Commercial Law Center regarding the MFF establishment and associated legal and financial issues (Attachments 5, 6, 7).

On June 27 ATCI presented the Municipal Finance Facility concept to the newly established workgroup under MinFin chairmanship (Deputy Finance Minister Mr. Kozymenko) (see Attachment 8). Draft Cabinet of Ministers Resolution on MFF creation (in collaboration with CLC) (Attachments 9, 10) as well as draft MFF Charter (Attachment 11) have been produced and submitted to the workgroup.

ATCI provided comments to the Draft Law on *Changes to the Law of Ukraine on the National Program of Housing and Communal Economy Reform and Development for 2004-2010* (see Attachment 12). The draft Law stipulates creation of state-owned institution for utility companies lending. See Municipal Component for Plan of Action.

Leasing

In this Quarter ATCI established, using data supplied by the Government of Ukraine, that the "penetration rate," (defined as the rate at which financial leasing is used as a method of acquiring capital equipment) has increased from 0.09% in 2004, to 2.5% in 2006. The penetration rate is a major indicator of the success of ATCI's Financial Leasing Component, because it measures the increased use of leasing as a means to modernize plant and equipment in Ukraine.

15 Industry participants participated in CLS training during the quarter, of which 11 passed all three exams and are thus eligible to receive CLS certificates. Of the total of 51 certificate holders, 36 work for local leasing companies, 11 work in related industries, 4 work for the IFC Leasing Project, of whom three still work for the IFC Leasing Project and 1, who formerly worked for the IFC Leasing Project, is now Financial Director of a Real Estate Development

More information on seminars, cooperation with IFC, and individual company consulting success may be found in the Leasing Component section.

Credit Bureau/Credit Rating

Credit Bureau

Continued work with FNBCH and Creditinfo/IBCH

In the 2nd quarter 2007, both FNBCH and IBCH continued to request assistance from ATCI, particularly in connection with:

a) educating market participants, and
b) providing support to the credit bureau regulatory authorities with respect to draft regulations, the meaning of data exchange and the need to find a balance between privacy and data flows. ATCI supported its counterparts in the following areas:

- Work at the legal and regulatory levels
- Work with banks and other financial institutions.
- Work with non-financial institutions to secure their participation in data sharing.
- Educational activity in the regions (seminar in Simferopol).

FNBCH, IBCH, and UBCH (PrivatBank) Received License

By the end of January 2007, three Ukrainian credit bureaus (FNBCH, IBCH, and UBCH) received license from the Ministry of Justice of Ukraine.

In April, 2007, three new shareholders joined IBCH: Credit Unions "Fortetsya", "First Credit Society", and Unified Credit Union of the National Association of Credit Unions of Ukraine. IBCH accumulated over 200,000 credit histories in its database. IBCH is beginning to have technical problems with data input.

By the end of 2nd quarter 2007, FNBCH completed signing of agreements on provision of data with its shareholder-banks. Currently FNBCH is negotiating signing of agreements with several non-shareholder banks.

Development of Regulation on the Inspection of Credit Bureaus

ATCI, CBs, and MOJ continued the development of Regulation related to inspection of credit bureaus. The MOJ took into account ATCI's and credit bureaus' comments and recommendations to the initial draft regulation. However, the amended version still requires refinement on a number of inspection related aspects. ATCI and credit bureaus agreed to wait for official publication of draft regulation on MOJ web site. After the publication ATCI and credit bureaus will submit their further official comments to this regulation and request convening of the Task Force to discuss the final version the regulation.

Credit Rating

As discussed last quarter, early in January 2007, rating agency "Expert Rating" was officially registered as a business entity and entered the Ukrainian ratings market. This rating agency was established as a division of rating center "Expert Ukraine", which publishes the leading business periodical "Expert".

On January 22, 2007 the SSMSC held the first round of the tender for selection of authorized rating agencies. During the first round the Tender Committee considered the documents submitted by applying rating agencies. A total of 7 Ukrainian rating agencies applied. As a result of the first round, the Tender Committee short listed 4 rating agencies: "Expert-Rating", "IBI-Rating", "Ryurik" and "Consulting-Gamma".

"Credit-Rating" remained the only domestic rating agency authorized to assign mandatory ratings. At the end of 2006, the SSMSC granted to "Credit-Rating" the status of authorized rating agency without any tender.
In May 2007, the Cabinet of Ministers of Ukraine approved the revised National Rating Scale. As mentioned above authorized Ukrainian rating agencies (so far "Credit-Rating" only) must use this scale.

Gender

During the quarter, ATCI conducted training activities in two of its four major components while striving for gender balance.

Other

NONE

IV. PROJECT STAFFING – EXECUTIVE SUMMARY UKRAINE

The following personnel were engaged in project activities this quarter:

- David Lucterhand, Chief of Party
- Barry Pitts, Deputy Chief of Party/Senior Advisor
- Robert Homans Senior Advisor, Leasing
- George Badescu, Senior Advisor, Mortgage
- Alexander Kopeikin, Mortgage
- Natalia Rogozhina, Mortgage

V. ADMINISTRATIVE ISSUES – EXECUTIVE SUMMARY UKRAINE

The COP has requested that ATCI increase salaries approximately 15% and in special cases, significantly higher for some technical positions. A memorandum to the CO with justification for the request was submitted to the CO by Pragma, Falls Church. Barry Pitts joined the project as Deputy Chief of Party, Senior Advisor. Barry had previously been Chief of Party for the CIPA-Ukraine project.
The COP has requested that ATCI increase salaries approximately 15% and in special cases, significantly higher for some technical positions. A memorandum to the CO with justification for the request was submitted to the CO by Pragma, Falls Church. The compensation study purchased by ATCI and conveyed to the CO in support of the requested salary increases for key technical personnel was sufficient to merit the CO's approval. Consequently, ATCI was able to retain its analytic staff for its capital markets work (municipal, mortgage, treasury, and corporate bonds).

LIST OF ATTACHMENTS – Executive Summary Ukraine

NONE

B. MORTGAGE - Ukraine

I. COMPONENT DESCRIPTION – MORTGAGE UKRAINE

This Report provides details on the events and activities relating to the Mortgage Component of the USAID Access to Credit Initiative, as implemented by The Pragma Corporation, during the period from April 1 through June 30, 2007.

The primary purpose of the ATCI mortgage component is to develop the primary and secondary mortgage market with its associated infrastructure. Primary market development involves legal review and addressing legislative deficiencies, the use of standardized documentation for underwriting and loan servicing, certification of personnel for mortgage lenders that results in a CML designation; technical assistance to financial institutions engaged in mortgage lending, and assessment of titling and all related processes. Development of the secondary market involves assistance to the newly formed state Mortgage Institution to become operational, development of national mortgage insurance as well as private, term life, and the structuring of mortgage-backed bonds with the appropriate legal environment for issuance. Associated market infrastructure involves appraisers, registration centers, real estate sales practitioners, and appropriate regulation.

While the credit bureau component is subordinated to the mortgage component, it is being treated as a stand alone for purposes of implementation.

II. SIGNIFICANT EVENTS – MORTGAGE UKRAINE

- UNIA SELECTS NEW EXECUTIVE DIRECTOR OLEXANDER PYLYPETS
- CML TRAINING OF TRAINERS BEGINS
- ATCI / UNIA SUBMIT AMENDMENTS TO COVERED BOND LAW TO SSMSC
- ATCI AND KHRESCHATYK BANK SIGN CONFIDENTIALITY AGREEMENT TO ISSUE MORTGAGE BOND
- ATCI MEETS WITH UKRAINIAN SOCIETY OF APPRAISERS

III. EXECUTIVE SUMMARY – MORTGAGE UKRAINE

To date, CML trained personnel now comprises eighty – three certificate holders: forty-three per cent of whom are women. The number of banks whose personnel have been trained totals thirty-six. During the eleventh quarter, ATCI begin training a cadre of professional trainers who can ensure sustainability of the CML program. Discussions are underway with both the SMI and UNIA to determine how best to deliver the future courses. UNIA has suggested that the basic CML certification be bolstered with risk management for banks. Resolution of this issue is

expected during the twelfth quarter when trainers will begin offering CML courses, most likely, commercially. The trainers who complete this certification will then be monitored by ATCI for quality control during their delivery of CML training – scheduled for the twelfth quarter.

The UNIA executive search committee selected, Olexander Pylypets, formerly UNIA deputy director, to be the new executive director. By prior agreement with UNIA, ATCI will be paying his salary for a minimum of one year subject to satisfactory performance (for UNIA membership). ATCI received USAID approval for this salary conditioned on ATCI's COP participating in the search process to ensure its openness and fairness. This conditionality was met with formation of the search committee and its subsequent work.

Cooperation continued with ATCI's counterpart UNIA to develop mortgage market statistics for the UNIA with an ATCI employee seconded to UNIA staff. This effort contributed to UNIA's preparation of the *Overview on the Mortgage Market in Ukraine Mortgage* for the second quarter.

To prepare amendments to the covered bond law for submission to the SSMSC, ATCI worked closely with UNIA to reach a compromise position that represented two differing approaches to amending the law. UNIA's approach to the amendments was to import many of the practices used in Germany with a huge and highly developed covered bond market. ATCI's approach to amending the covered bond law reflected the projects desire to get Ukraine to the next level and not amendments indicative of a highly developed market – possibly attainable in ten years time. Vetting the two position involved numerous meetings and conference calls that ultimately resulted in a common position.

Secondary Mortgage Market

State Mortgage Institution (SMI)
SMI received its state guarantee for second state guarantee for an additional one billion UAH and continued issuing corporate bonds. State Guarantees now total two billion UAH. Using the proceeds of its corporate bond issues, SMI's mortgage portfolio grew to nearly 300 million UAH during the quarter.

Pilot Issues
To educate the financial markets, ATCI and Ukragazbank held a joint press conference describing the process and structuring of the first pilot covered bond issue *(Please see attachment 1)*.

ATCI learned that Khreschatyk Bank has decided to issue a pilot mortgage bond and approached the bank with an offer of assistance. After several meetings between ATCI and the Bank's senior management, both signed a confidentiality agreement to begin analysis of the bank's portfolio in preparation for issuance.

During the quarter, ATCI was approached by Salans Law firm with a proposal to co-host a seminar for banks and other interested parties on mortgage securitization. It was agreed that ATCI and Salans would cost share the room and materials. Salans would underwrite the costs of all international experts. Seminar planning continued through the end of the quarter.

Associated Market Infrastructure

ATCI's third direction of activity in mortgage is development of associated market infrastructure. Previously ATCI in cooperation with the International Real Property Foundation conducted an assessment of real estate appraisal in Ukraine. IRPF submitted its report along with a suggested solution package. This, in turn, evolved into a proposed SOW that would lead to certifications in accordance with world standards of practice. This SOW was approved by USAID on a cost share basis with the IRPF.

Within this context an IRPF consultant George Badescu, an appraisal expert, traveled to Ukraine and met with the Ukrainian Association of Appraisers. Mr. Badescu also met with ATCI's COP and outlined the issues facing the appraisers and offered a plan of action that would result in their certification and increase in professional standards. ATCI intends to prioritize appraisal certification in development of associated market infrastructure.

IV. ADMINISTRATIVE ISSUES – MORTGAGE UKRAINE

NONE

V. DESCRIPTION AND STATUS OF TASKS – MORTGAGE UKRAINE

Task 1. Mortgage - Certified Mortgage Lender Program

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **IUE review of training materials for applicability to Ukraine**	• WORK COMPLETED IN COOPERATION WITH THE UNIA AND SMI TO REVISE CML COURSEWORK FOR DELIVERY IN UKRAINE IN 2005. NEW MATERIAL IS INTRODUCED CONTINUALLY IN RESPONSE TO CHANGING MARKET CONDITIONS.
• **Selection of candidates for CML training**	• IN COOPERATION WITH UNIA AND SMI, ATCI SELECTED CANDIDATES TO BECOME CML COURSE TRAINERS. CML TRAIN-THE-TRAINERS COMMENCED WITH MODULES ONE AND TWO COMPLETED.
• **Develop and administer CML training**	• COURSE MODIFICATION FOR DELIVERY IN UKRAINE COMPLETE AND BEING DELIVERED.
• **Deliver two complete CML courses**	• TO DATE, ATCI HAS COMPLETED DELIVERY OF FIVE COMPLETE CML COURSES. DELIVERY OF TRAIN-THE-TRAINERS CML COURSE IS UNDERWAY.
• **Assess rural lending, titling registration, appraisal of profitable agricultural production units**	• THIS ACTIVITY WAS CONCLUDED DURING THE QUARTER. ATCI IS WAITING FOR THE LAND MORATORIUM TO BE LIFTED.

Task 2. Mortgage - Assistance to Banks

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **Standardize rules and procedures for retail mortgage lending**	• THE MORTGAGE BOND LAW LEGISLATES THE COVERAGE RATIOS AND LTVS FOR INCLUSION IN COVERED BONDS. ADDITIONALLY, INVESTORS HAVE RECOURSE TO THE ISSUER IF MORTGAGES BECOME NON-PERFORMING. ONLY MORTGAGES THAT USE STANDARDIZED UNDERWRITING PRACTICES WILL BE PRACTICABLE FOR COVERED BONDS. THIS, IN TURN, AIDS IN FURTHER STANDARDIZATION. BANKS ARE USING STANDARDIZED UNDERWRITING PRACTICES IN PREPARATION FOR AND AS A RESULT OF PILOT ISSUES.
• **Select candidate banks for receipt of on –site technical assistance**	• THE SAME BANKS THAT HAVE STAFF PARTICIPATE IN CML TRAINING ARE THE SAME WHO RECEIVE ON - SITE TECHNICAL ASSISTANCE.
• **Provide on – site technical assistance**	• COMPLETED FOR CML; ONGOING FOR PILOT BOND ISSUANCE

Task 3. Mortgage - Home Loan Guarantee

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **Analyze market for existing mortgage insurance practices**	• THIS ANALYSIS WAS COMPLETED DURING THE FOURTH QUARTER.
• **Assess legal and regulatory framework**	• ASSESSMENT IS CONTINGENT ON ATCI IDENTIFYING A SPONSOR .FOR THE GUARANTEE FUND INSIDE THE GOU.
• **Complete Feasibility Study**	• THIS WILL COMMENCE AFTER COMPLETION OF THE ASSESSSMENT AND THE SPONSOR AGREES TO PROCEED
• **Complete Business Plan**	• THIS WILL FOLLOW THE FEASIBILITY STUDY
• **Assist in operational set-up of guarantee facility**	• NOTHING DONE THIS QUARTER
• **Provide on-site technical assistance to facility**	• NOTHING DONE THIS QUARTER

• **Promote the use of mortgage insurance**	• ATCI IS LOOKING TO IDENTIFY A SPONSOR TO DISCUSS THE ROLE OF A STATE MORTGAGE GUARANTEE FUND. UNTIL SUCH TIME, PURSUIT OF THIS EFFORT WILL BE MINIMAL.

Task 4. Mortgage - Life Insurance Products

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **Analyze insurance and mortgage markets for existing products**	• ATCI COMPLETED AN ANALYSIS OF RELATED MORTGAGE INSURANCE PRODUCTS AS WELL AS THE INSTITUTIONS OFFERING THEM. SEVERAL COMPANIES ARE OFFERING TERM-LIFE INSURANCE PRODUCTS THAT ARE ASSIGNABLE TO A MORTGAGE LENDER IN THE EVENT OF DEATH. HOWEVER, THE ANALYSIS DETERMINED THAT BANKS ARE NOT REQUIRING THESE POLICIES BECAUSE THEY ADD TO THE COST OF THE MORTGAGE. FURTHER, MUCH OF THE "LIFE" INSURANCE IS RELATED TO ONLY ACCIDENTAL DEATH. ALSO, TERM PREMIUMS APPEAR EXCESSIVE DUE TO THE ABSENCE OF COMPETITION. ATCI EXPECTS TO HAVE AN ASSESSMENT BY AN ACTUARY COMPLETED IN LATE 2007.
• **Assess legal and regulatory framework**	• NO ACTION TAKEN THIS QUARTER
• **Assess existing actuarial data**	• NO ACTION TAKEN THIS QUARTER
• **Select candidate insurers**	• PRELIMINARY ANALYSIS HAS BEEN COMPLETED/ASSESSMENT WILL TAKE PLACE DURING LATE 2007
• **Develop term sheet and rate structure**	• NO ACTION TAKEN THIS QUARTER
• **Draft Product policy**	• NO ACTION TAKEN THIS QUARTER
• **Conduct Road Show with mortgage lending banks and financial institutions**	• NO ACTION TAKEN THIS QUARTER

Task 5. Mortgage - Appraisers/Brokers Associations

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **Assessment of UTO and other organizations**	• ASSESSMENT COMPLETED BY IRPF AND SOLUTION PACKAGE OFFERED. SOW WAS APPROVED DURING THE QUARTER. PHASE I REGARDING APPRAISAL STANDARDS WAS COMPLETED DURING THE NINTH QUARTER. DURING THE ELEVENTH QUARTER, THE IVSC REPRESENTATIVE (IRPF/ATCI) MET WITH UTO AND RECOMMENDED ACTIONS FOR IMPROVING APPRAISAL STANDARDS AND PROFESSIONAL CONDUCT. DURING THE TWELFTH QUARTER, ATCI EXPECTS TO AGREE WITH UTO ON HOW TO IMPLEMENT A COURSE OF ACTION TO IMPLEMENT THE RECOMMENDATIONS.
• **Facilitate development and use of unified methodology**	• NO ACTION TAKEN THIS QUARTER
• **Work with UAREP**	• NO ACTION TAKEN THIS QUARTER
• **Study tours to U.S.**	• NO ACTION TAKEN THIS QUARTER
• **Design, establish and sustain the transaction and price database**	• NO ACTION TAKEN THIS QUARTER

Task 6. Mortgage - Mortgage Backed Securities

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **Establish Legal Working Group to assess legal and regulatory basis**	• ATCI PARTICIPATED WITH UNIA AND THE SSMSC IN DRAFTING THE IMPLEMENTING RULES AND REGULATIONS FOR SUBMISSION TO THE MINISTRY OF JUSTICE FOR REGISTRATION. THE REGULATIONS REGISTERED, HOWEVER, DID NOT ELIMINATE THE VAGARIES PRESENT IN THE COVERED BOND LAW. THEREFORE, NEW AMENDMENTS TO THE LAW ARE NECESSARY. CONSEQUENTLY, ATCI AND UNIA PREPARED AMENDMENTS FOR SUBMISSION TO THE SSMSC AND ULTIMATE SUBMISSION TO THE RADA FOR ADOPTION.
• **Select Candidate Issuer**	• ATCI HELPED UKRAGAZBANK TO ISSUE AND PLACE A PILOT MORTGAGE BOND
• **Draft investment memorandum**	• COMPLETED AND APPROVED BY THE SSMSC.
• **Identify potential investors**	• THE COP AND ATCI ADVISORS TOGETHER WITH UKRAGAZBANK CONDUCTED A ROAD SHOW FOR POTENTIAL INVESTORS
• **Price and Place Issue**	• ISSUED AND PLACED

LIST OF ATTACHMENTS

ATTACHMENT 1 Media Notice Ukrgazbank Press Conference, May 15, 2007

C. FIXED INCOME - Ukraine

I. COMPONENT DESCRIPTION – FIXED INCOME UKRAINE

This Report provides details on the events and activities relating to the Fixed Income Component of the USAID Access to Credit Initiative, as implemented by The Pragma Corporation, during the period from March 31 through June 30, 2007.

The objective of the fixed income component is to expand the availability of capital to borrowers as an alternative to bank financing. Experience in developing such markets in other countries has demonstrated that corporate bonds and other fixed income instruments can offer borrower's longer-term financing at lower cost when compared to the lending practices of most banks. In fact, most banking systems rely on short-term deposits to fund loans and are comfortable with only lending working capital to businesses. While the universe of fixed-income instruments is vast, ATCI is concentrating on identifying corporations with sufficient means and inclination to issue corporate bonds. Municipal bonds, mortgage-backed bonds, and the securitization of other asset pools are expected once enabling legislation is passed. Specific objectives include issuing at least one pilot for each type of bond. Since most government securities are viewed by investors as being the least risky and frequently are used as a benchmark for pricing other debt securities issued in the market, related objectives include working with the GOU and GOM to develop longer-term Treasury securities for construction of a long-term Government yield curve. In Moldova, ATCI will concentrate on developing a corporate debt market with the specific objective of at least three pilot corporate issues and longer - dated maturities.

II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – FIXED INCOME UKRAINE

- ATCI, THE WORLD BANK, THE IMF, AND THE OECD REQUEST MEETING WITH FIRST DEPUTY MINISTER AZAROV REGARDING DEVELOPMENT OF THE DOMESTIC TREASURY MARKET

III. EXECUTIVE SUMMARY – FIXED INCOME UKRAINE

In matters related to regulatory reform, ATCI worked with the SSMSC to develop implementing regulations for the covered bond law. These regulations were submitted to the Ministry of Justice for approval. The regulations divide the duties of the bond manager into the routine and the extraordinary duties and clearly defines them. However, the Ministry of Justice did not register the version sent by the SSMSC and instead removed the specificity regarding the activities of the bond manager and auditor. This necessitated the introduction of amendments to the covered bond law in order for the market to function like its European counterparts. Nevertheless, it did not interfere with the issuance of the first pilot. As a result, ATCI and UNIA (together) submitted a list of amendments to the covered bond law for the SSMSC to consider in preparation for the Commission's submission of the amendments to the Rada.

ATCI efforts to develop a pilot corporate bond have been manifested by the issuance of the pilot covered mortgage bond which is also corporate bond issue. Details regarding the pilot issue are discussed in the mortgage component.

To develop a long-term government yield curve for Ukraine, ATCI cooperated with the Mr.Vysotskyi, Head of Debt Management Department at the Ministry of Finance to host a debt management forum. The program was designed to explore what steps the Government of Ukraine should take to manage its debt requirements efficiently; to examine the role *domestic* government debt markets play in efficient capital allocation; to analyze the institutional framework requisite for market development such as the role of primary dealers, use of pre-announced auction calendars, development of a debt management strategy, mitigation of risk in debt management, establishing a debt management office (DMO) and comparisons to how debt management offices (DMOs) are organized and work in other countries. To analyze what has worked in other countries facing similar circumstances and what has not. The Forum explored the practical aspects of formulating a debt management strategy and necessary elements for successful development of the primary and secondary market in government securities; the use and role of re-purchase agreements in contributing to market liquidity; and what changes to the legal framework might be necessary for use by senior leadership when framing policy choices for adopting a plan of action that leads toward development of a liquid domestic Government securities market in Ukraine.

Invitees included: Senior leadership of the Government of Ukraine involved in policy formation, market practitioners, and donors with a stake in development of the domestic treasury market. The Forum was moderated by Dr. Hans Blommestein, Head of the Debt Management Working Party at the OECD. Representatives of the debt management offices form Poland, Hungary and Turkey presented their country's experiences in developing their sovereign markets.

Consequently, a technical note summarizing conclusions and recommendation was prepared by ATCI with conclusions and recommendations presented to the First Deputy Prime Minister for consideration *(Please see attachment 2)*. Specifically, the note was accompanied by a transmittal letter asking for a meeting with the GOU to discuss the conclusions and recommendations especially the one that calls for the establishment of a working group to implement a plan of action.

IV. ADMINISTRATIVE ISSUES – FIXED INCOME UKRAINE

NONE

V. DESCRIPTION AND STATUS OF TASKS – FIXED INCOME UKRAINE

Task 1. Fixed Income - Regulatory Reform

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **Strengthen capacity of National Securities Commission (SSMSC)**	• ATCI WORKED CLOSELY WITH THE SSMSC TO DEVELOP THE IMPLEMENTING REGULATIONS FOR THE COVERED BOND LAW AND CONTINUES ITS CLOSE RELATIONSHIP IN ORDER TO EFFECT NECESSARY AMENDMENTS TO THE COVERED BOND LAW.
• **Draft SSMSC and NSCM regs re investment advisors & rating agencies**	• THE SSMSC HAS INDICATED IT WILL NOT COOPERATE TO CHANGE THE REQUIREMENT OF MANDATORY RATINGS. • ATCI CONTINUES TO LOOK FOR OTHER COMMITTED COUNTERPARTS TO CREATE A COMPETITIVE DOMESTIC RATINGS INDUSTRY.
• **Seek broader SSMSC, FSR and NSCM enforcement**	• NOTHING DONE THIS QUARTER
• **Participate in AUB and Fin. Svcs. Working Groups – amend pledge and bankruptcy laws and trusts**	• NOTHING DONE THIS QUARTER

Task 2. Fixed Income - Pilot Corporate Bonds (See mortgage component)

Task 3. Fixed Income – Long-term government yield curve

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **Assess treasury debt market**	• NOTHING FURTHER SINCE LAST QUARTER
• **Assist design of repurchase market**	• THIS IS REFERENCED IN THE TECHNICAL NOTE THAT SUMMARIZES THE RESULTS OF THE DEBT MANAGEMENT FORUM. THE NOTE INCLUDES CONCLUSIONS AND RECOMMENDATIONS THAT WERE SUBMITTED TO THE GOU AND INCORPORATES AN OFFER TO ASSIST THE GOU IN IMPLEMENTING A PLAN OF ACTION.

Task 4. Fixed Income – Develop Pilot Municipal Bonds (See municipal finance component)

Task 5. Fixed Income – Resolve constraints to municipal bonds issuance (See municipal finance component)

Task 6. Fixed Income – Pilot Municipal Bonds (See municipal finance component)

Task 7. Fixed Income – Issue Pilot Muni Bonds (See municipal finance component)

Task 8. Fixed Income – Legislative work/Dissemination

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **CLC and IBS-CG to draft and promote new legislation**	• NOTHING DONE THIS QUARTER
• **Assist PFTS and SSMSC with listing and disclosure**	• CONSULTATIONS HELD RE: LISTING OF COVERED BOND PILOT
• **Collaborate with MOF, SSMSC, PFTS etc to learn and benefit from pilot experience**	• CONSULTATIONS HELD RE: LISTING OF COVERED BOND PILOT
• **Regional workshops**	• NONE THIS QUARTER
• **Prepare best practices, distribute with AUC**	• (SEE MUNICIPAL COMPONENT)

Task 9: Develop Pooled Municipal Finance Facility (See Municipal Finance Component)

LIST OF ATTACHMENTS – FIXED INCOME UKRAINE

ATTACHMENT 2 Azarov letter, Technical note

D. MUNICIPAL – Ukraine

I. COMPONENT DESCRIPTION – MUNICIPAL UKRAINE

This Report provides details on the events and activities relating to the Municipal Component of the USAID Access to Credit Initiative, as implemented by The Pragma Corporation, during the period from April 1 through June 30, 2007.

The municipal finance program of the Access to Credit Initiative helps cities and communal service enterprises issue long-term bonds for essential infrastructure. The program is also promoting the development of a municipal finance facility in Ukraine.

Technical assistance from the program's team of Ukrainian and international experts in finance, accounting, and law will enable at least three municipalities or communal enterprises to issue bonds. The pilot bonds will demonstrate practices that creditworthy issuers employ to win investor confidence, such as transparent accounts, full disclosure, and financing capital projects that "pay for themselves" with cost savings.

Pilot bonds will disclose legal and regulatory obstacles to bond issuance. The bond program will develop solutions and advocate for their enactment. Legal goals include promotion of stable, predictable central government transfers to municipalities, greater fiscal autonomy for cities, and full-cost recovery tariffs for utility companies.

Creditworthiness assessments and legal preparations for pilot bonds will inform the development of a viable, self-sustaining municipal finance facility that raises funds in the capital markets and on-lends them to creditworthy cities and utilities.

Key counterpart organizations supporting the bond program are the Association of Ukrainian Cities and the Ministry of Construction and Housing and Communal Economy.

II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – MUNICIPAL UKRAINE

- PRESENTED A MUNICIPAL FINANCE FACILITY CONCEPT AT WORKGROUP MEETING CHAIRED BY MR. KOZYMENKO, DEPUTY FINANCE MINISTER.
- DELIVERED DRAFT MFF CHARTER AND OTHER FOUNDING DOCUMENTS TO THE WORKGROUP.
- PARTICIPATED AT MFF WORKGROUP MEETING, CHAIRED BY MR. KOZYMENKO, DEPUTY FINANCE MINISTER, DISCUSSING MINISTRY OF FINANCE ANALYTICAL NOTE ON MFF.
- DELIVERED TWO WORKSHOPS ON FINANCIAL AND LEGAL ASPECTS OF MUNICIPAL BOND ISSUANCE PROCESS.

- ASSITED THE CITY OF LVIV IN SECURING MINFIN APPROVAL FOR UAH 92 MLN. ISSUE, ISSUING A TENDER FOR UNDERWRITER, REGISTRATION WITH THE SSMSC.

- ASSISTED THE CITY OF LUHANSK IN DEVELOPING MINFIN APPLICATION FOR 29.3 MLN BORROWING APPROVAL.

- ASSISTED CITY OF BERDYANSK TO OVERCOME MINISTRY OF FINANCE REJECTION FOR BORROWING.

- DELIVERED PRESS-CONFERENCE IN BERDYANSK FOLLOWING MINISTRY OF FINANCE APPROVAL.

III. EXECUTIVE SUMMARY – MUNICIPAL UKRAINE

Pilot Cities

Lviv

ATCI assisted in preparation of documentation package securing the Ministry of Finance approval for a five-year, UAH 92 mln. issue broken down into two series (Series A for UAH 50 mln. and Series B for UAH 42 mln.).

In early June the city of Lviv issued a tender and on June 20 selected an underwriter. ATCI presented the issue to and conducted consultations with potential underwriters, provided the city with the list of potential underwriters, as well as developed and provided the city with tender documentation (fixed underwriting, coupon bids, all costs borne by the underwriter). The city selected (wholly owned by Icelandic Savings banks) Bank Lviv as the underwriter since the bank offered the lowest (in Ukraine's history of municipal borrowings) bond equivalent rate of 9.45% annual.

ATCI assisted the city with development and submission of documents to the SSMSC for bond registration and advised on the documentation package and provided the city with the draft issue prospectus.

Berdyansk

ATCI in collaboration with the AUC secured the involvement of Ministry of Regional Development and Ministry of Construction and successfully supported the City of Berdyansk in securing MinFin's approval for a five-year, UAH 10 mln. borrowing, overturning a previous rejection by MinFin. On May 31 there was a press conference in Berdyansk (following MinFin approval) with participation of the city Mayor, AUC, USAID and ATCI.

On May 26 the city of Berdiansk issued a tender and on June 26 selected an underwriter. ATCI presented the issue to and conducted consultations with potential underwriters, provided a list of potential underwriters as well as developed and provided the city with the tender documentation (fixed underwriting, coupon bids, all costs borne by the underwriter). The city

selected Alfa-bank as an underwriter since the bank offered the lowest bond equivalent rate of 11.5% annual (with all costs borne by the underwriter).

Lugansk

ATCI assisted with drafting and submission of the application for MinFin borrowing approval for 29.3 mln, five-year bond issue and advised on obtaining the issue rating from S&P. ATCI provided preliminary advice on tender format (fixed underwriting, coupon bids, costs borne by the underwriter).

Other cities

Lutsk

ATCI consulted the city on MinFin submission, advised on tender and provided tender documentation (fixed underwriting, coupon bids, costs borne by the underwriter). In early June the city of Lutsk issued a tender and selected an underwriter on June 21. The city selected bank Forum as an underwriter since the bank offered the lowest placement rate of 12.0%.

Poltava

ATCI advised City of Poltava during its initial stage of bond issuance: legal requirements for the issuance and draft City Council Resolution.

Chernivtsi

ATCI advised the City of Chernivtsi on the initial stages of bond issuance: legal requirements for the issuance, financial aspects, credit rating.

Workshops

Conducted two workshops on financial and legal aspects of municipal bond issuance process:

- Zhytomyr April 19 (in collaboration with Zhytomyr State Oblast Administration) *(Attachment 3).*

- Lviv April 23-24 (in collaboration with Association of Ukrainian Cities) *(Attachment 4).*

The audience included Mayors, Deputy Mayors, Heads of Financial Departments, other senior city officials.

Following the workshops the cities of Lutsk, Poltava and Chernivtsi requested advice from ATCI re bond issuance process.

MFF

ATCI had a set of meetings with Association of Ukrainian Cities and Commercial Law Center regarding the MFF establishment and associated legal and financial issues (Attachments 5, 6, 7).

On June 27 ATCI presented the Municipal Finance Facility concept to the newly established workgroup under MinFin chairmanship (Deputy Finance Minister Mr. Kozymenko) (see Attachment 8). Draft Cabinet of Ministers Resolution on MFF creation (in collaboration with CLC) (Attachments 9, 10) as well as draft MFF Charter (Attachment 11) have been produced and submitted to the workgroup.

ATCI provided comments to the Draft Law on *Changes to the Law of Ukraine on the National Program of Housing and Communal Economy Reform and Development for 2004-2010* (see Attachment 12). The draft Law stipulates creation of state-owned institution for utility companies lending.

Plan of Action

- Prepare MFF technical note on MinFin request.
- Identify a senior official from the Ministry of Regional Development and/or Ministry of Construction and Housing and Communal Economy who can serve as champion to promote establishment of a municipal finance facility.
- Collaborate with other donors and IFIs on establishment of the MFF in Ukraine.
- Develop strategy for future municipal finance activities, depending on response from the State on creation of a Municipal Finance Facility.
- Advise the City of Berdyansk on registration with the SSMSC and placement of its UAH 10M bond.
- Assist the City of Lugansk with developing the tender for selecting an underwriter, registration with the SSMSC and placement of its UAH 29.3M bond.
- Assist the City of Lviv with placement of its Series A bond and developing documentation for Series B underwriter tender, registration with the SSMSC.
- Continue advisory help on bond issuance to other Ukrainian municipalities at their requests.
- Collaborate with the World Bank on legal reforms to develop Ukraine's sub national debt market.
- Run workshops on debt issuance and associated issues, in particular in collaboration with the AUC.

IV. ADMINISTRATIVE ISSUES – MUNICIPAL UKRAINE

NONE

V. DESCRIPTION AND STATUS OF TASKS – MUNICIPAL UKRAINE

Task 1. Municipal Finance – Constraints to Bond Issuance

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **Monitor GOU intergovernmental finance practices for credit risks**	• NO ACTIVITY ON THIS ISSUE.
• **Participate in Drafting on Law on Local Borrowing**	• NO ACTIVITY ON THIS ISSUE.

Task 2. Municipal Finance – Prepare for a Pilot Issue

Defined Activity	Progress made during quarter/proposed future actions
• **Initiation of pilot**	• ASSISTED LUGANSK WITH PREPARATION AND SUBMISSION OF MINFN BORROWING APPLICATION, SECURING ISSUE RATING. • ASSISTED LVIV WITH MINFIN APPLICATION, DEVELOPING TENDER DOCUMENTATION AND DRAFTING SSMSC REGISTRATION DOCUMENTATION. • ASSISTED CITY OF BERDYANSK TO OVERCOME MINISTRY OF FINANCE REJECTION FOR BORROWING AND PROVIDED IT WITH TENDER DOCUMENTATION. • ASSISTED OTHER UKRAINIAN CITIES CONSULTING THEM ON VARIOUS ASPECTS OF BOND ISSUANCE.

Task 3. Municipal Finance – Issuance and Municipal Finance Facility Development

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **Implementation**	• DELIVERED PRESENTATION ON MFF TO INTERAGENCY WORKGROUP. • HAD A SET OF MEETINGS WITH AUC AND CLC REGARDING MFF LEGAL AND FINANCIAL ISSUES. DRAFT CMU RESOLUTION AND DRAFT MFF CHARTER HAVE BEEN DELIVERED TO THE WORKGROUP. • PARTICIPATED IN MFF WORKGROUP MEETING CHAIRED BY MINFIN DISCUSSING MINISTRY OF FINANCE ANALYTICAL NOTE ON MFF. • PROVIDED COMMENTS TO THE DRAFT LAW ON CHANGES TO THE LAW OF UKRAINE ON THE NATIONAL PROGRAM OF HOUSING AND COMMUNAL ECONOMY REFORM AND DEVELOPMENT FOR 2004-2010.

Task 4. Municipal Issuance – Legislation and Dissemination

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **Workshops and public education**	• CONDUCTED TWO WORKSHOPS ON FINANCIAL AND LEGAL ASPECTS OF MUNICIPAL BOND ISSUANCE PROCESS. • DELIVERED PRESS-CONFERENCE IN BERDYANSK FOLLOWING MINISTRY OF FINANCE APPROVAL.

LIST OF ATTACHMENTS – MUNICIPAL UKRAINE

ATTACHMENT 3 Zhytomyr workshop on financial aspects of bond issuance by municipalities. Zhytomyr workshop on legal aspects of bond issuance by municipalities.

ATTACHMENT 4 Lviv workshop presentation on financial aspects of bond issuance by municipalities. Lviv workshop presentation on legal aspects of bond issuance by municipalities. Lviv workshop presentation on MFF.

ATTACHMENT 5 Memo on MFF from the Commercial Law Center.

ATTACHMENT 6 Memo on MFF capitalization and establishment issues dating from June 13, 2006.

ATTACHMENT 7 MFF sample Financial model (an excerpt from the MFF options paper).

ATTACHMENT 8 ATCI MFF presentation on June 6, 2007 at the workgroup on the Municipal Finance Facility chaired by Minfin.

ATTACHMENT 9 Draft CabMin Order on MFF establishment (in collaboration with CLC).

ATTACHMENT 10 Draft CabMin Explanatory Note on MFF establishment (in collaboration with CLC).

ATTACHMENT 11 Draft MFF charter (joint stock company).

ATTACHMENT 12 ATCI comments to the Draft Law *on Changes to the Law of Ukraine on the National Program of Housing and Communal Economy Reform and Development for 2004-2010*.

E. LEASING - Ukraine

I. COMPONENT DESCRIPTION – LEASING UKRAINE

This report details events and activities relating to the Leasing Component of the USAID Access to Credit Initiative, implemented by the Pragma Corporation, during the period from April 1 through June 30, 2007.

The primary purpose of the Leasing Component is not only to create a supportive environment for modern financial leasing but to provide specific technical, advisory, and training assistance in order to increase access to credit throughout Ukraine. Leasing can be an efficient alternative to bank credit for financing acquisition of fixed assets, and can often complement bank credit allowing a company to increase its access to needed credit availability.

ATCI will aim to strengthen existing leasing companies. Capacity building will consist of training and consulting for lessors, lessees, farmers, regulators, and other interested parties, such as equipment vendors and banks. ATCI will seek potential foreign and local investors, interested in investing in Ukraine's leasing industry, and assist them in their evaluation of specific opportunities. ATCI will continue to conduct public awareness efforts, alone and in conjunction with local business groups and other international donor agencies, directed at potential lessees and equipment vendors as well as the media, in order to help familiarize Ukraine's business community with how leasing works, as well as how businesses and farmers can successfully use leasing.

The Leasing Component will facilitate the increase the number of professionals available to work in Ukraine's leasing industry, as well as increase their professional knowledge and standing, by introducing the Certified Leasing Specialist Program (CLS), a designation for market participants so that they may attain world standards of practice.

ATCI will continue to promote reform of the legislative and regulatory framework for leasing, as well as tax incentives to promote capital spending and plant modernization, to facilitate industry development and entry of foreign capital into the market.

II. SIGNIFICANT EVENTS – LEASING UKRAINE

- USING GOVERNMENT DATA, ATCI HAS DETERMINED THAT THE "PENETRATION RATE," DEFINED AS THE PERCENTAGE OF CAPITAL EQUIPMENT FINANCED THROUGH LEASING, HAS INCREASED FROM 0.09%, IN 2004 WHEN THE PROJECT STARTED, TO 2.5% IN 2006. THE INCREASED USE OF LEASING AS A MEANS TO FINANCE CAPITAL EQUIPMENT IS A MAJOR OBJECTIVE OF THIS PROJECT. GIVEN THE GROWTH IN SOME OF THE COMPANIES FOR WHICH ATCI HAS PROVIDED ADVISORY SERVICES, ATCI CAN TAKE DIRECT CREDIT FOR A SIGNIFICANT AMOUNT OF THIS GROWTH.

- IN APRIL AND MAY, 2007 AN ADDITIONAL 15 INDIVIDUALS PARTICIPATED IN CLS TRAINING OFFERED BY KOMPAS. OF THESE, 11 INDIVIDUALS PASSED ALL 3 EXAMS AND WILL BE AWARDED CERTIFICATES IN A CEREMONY TENTATIVELY SCHEDULED FOR SEPTEMBER, 2007. UPON COMPLETION OF

THE AWARDS CEREMONY THERE WILL NOW BE A TOTAL OF 51 CERTIFIED LEASING PROFESSIONALS IN UKRAINE.

- ON JUNE 14, 2007, ATCI HELD AN AWARDS CEREMONY FOR 14 INDIVIDUALS, WHO TOOK TRAINING IN FEBRUARY AND MARCH, 2007, AND PASSED ALL 3 EXAMS THAT WERE HELD IN MARCH, 2007.

- AS OF JUNE 14, 2007 AUDIT AND CONSULTING COMPANY "KOMPAS." THE PRIVATE COMPANY PROVIDING TRAINING FOR THE CLS PROGRAM, REPORTED THAT AN ADDITIONAL 30 INDIVIDUALS HAD SIGNED UP TO TAKE THE CLS TRAINING SCHEDULED TO BEGIN IN SEPTEMBER, 2007.

- IN MAY AND JUNE, 2007, CLS TRAINING WAS CONDUCTED IN MOLDOVA. TRAINING FOR COURSES 1 AND 2 WAS PROVIDED BY ACAP, THE PRIVATE COMPANY WHO IS PROVIDING CLS TRAINING IN MOLDOVA. THE EXAM FOR COURSE 1 WAS GIVEN IN JUNE, 2007, BY CIPA-EN. THE EXAM FOR COURSE 2 IS SCHEDULED TO TAKE PLACE IN JULY, 2007. TRAINING AND EXAM FOR COURSE 3 IS SCHEDULED TO TAKE PLACE IN SEPTEMBER, 2007. APPROXIMATELY 20 INDIVIDUALS, ALMOST ALL OF WHOM WORK FOR MOLDOVAN LEASING COMPANIES, ARE PARTICIPATING IN THE TRAINING.

- WITH CIPAEN, ATCI DEVELOPED A WEB SITE FOR THE CLS PROGRAM IN MOLDOVA, CALLED WWW.LEASEPRO.MD, WHICH CONTAINS INFORMATION ABOUT THE CLS PROGRAM, CLS EXAM RESULTS AND, WHEN CERTIFICATS ARE AWARDED IN MOLDOVA, PERSONAL "HOME PAGES" FOR EACH CERTIFIED LEASING SPECIALIST. THIS WEB SITE IS A COMPLIMENTARY WEB SITE TO WWW.LEASEPRO.ORG, WHICH IS THE WEB SITE SERVING THE CERTIFIED LEASING SPECIALISTS IN UKRAINE.

- ON JUNE 19, 2007 ATCI WAS A CO-SPONSOR, WITH THE UKRAINE UNION OF INDUSTRIALISTS AND ENTREPENEURS ("THE UNION"), OF A SEMINAR IN SIMFEROPOL ENTITLED "*SEMINAR ON FINANCIAL LEASING AND CREDIT REPORTING – BUILDING BLOCKS FOR A DYNAMIC FINANCIAL SERVICES INDUSTRY IN UKRAINE*." THE SEMINAR WAS ATTENDED BY APPROXIMATELY 40 PEOPLE, MOSTLY LOCAL MEMBERS OF THE LEAGUE. THIS IS THE FIRST OF 4 SEMINARS THAT ATCI EXPECTS TO CO-SPONSOR WITH THE LEAGUE IN 2007.

- CO-SPONSORED AN ADDITIONAL 3 SEMINARS WITH THE IFC LEASING PROJECT, IN CHERNEGIV AND SUMY, BOTH IN NORTHWESTERN UKRAINE, AND IN TERNOPIL (WESTERN UKRAINE). THE SEMINARS IN CHERNEGIV AND SUMY WERE DIRECTED TOWARD, AND PRIMARILY ATENDED BY, POTENTIAL LESSEES. THE SEMINAR IN TERNOPIL, HELD AT TERNOPIL STATE UNIVERSITY, WAS PRIMARILY ATTENDED BY STUDENTS OF THE UNIVERSITY.

- WITH THE IFC LEASING PROJECT, ON JUNE 25, 2007 ATCI PARTICIPATED IN A PRESS BRIEFING AT CHERKASSY (SOUTH CENTRAL UKRAINE) SPONSORED BY CENTER FOR UKRAINIAN REFORM EDUCATION ("CURE"), ANOTHER USAID-SPONSORED PROJECT.

- LEASEIT HAS CONTINUED TO EXPAND ITS LEASE PORTFOLIO AT AN EXPONENTIAL RATE. LEASEIT REPORTS THAT ITS LEASE PORTFOLIO IS APPROXIMATELY $970,000.00 ON JUNE 30, 2007, UP FROM APPROXIMATELY $900,000.00 ON MARCH 31, 2007, AND $335,000.00 ON JUNE 30, 2006, AND ITS LEASE VOLUME FOR THE 3 AND 6 MONHTHS ENDING JUNE 30, 2007 WAS $375,000.00 AND APPROXIMATELY $750,000.00, RESPECTIVELY, COMPARED TO APPROXIMATELY $235,000.00 FOR THE 6 MONTHS ENDING JUNE 30, 2006. ATCI HAS PROVIDED ON-GOING ADVISORY SERVICES TO LEASEIT, ASSISTING IT IN FINDING NEW SOURCES OF DEBT CAPITAL TO FUND ITS OPERATIONS.

- LEASING HOUSE, FOR WHICH ATCI HAS PROVIDED ADVISORY SERVICES SINCE APRIL, 2005, REPORTED THAT ITS ANNUAL LEASING VOLUME HAS GROWN FROM APPROXIMATELY USD 2.4 MILLION IN 2005 TO AN ESTIMATED USD 14 MILLION FOR THE 12 MONTHS ENDING 12/31/07. LEASING HOUSE'S LEASE PORTFOLIO NOW STANDS AT APPROXIMATELY USD 26 MILLION.

- IN MAY 2007 THE PARENT COMPANY OF AMACO, THE AIA GROUP OF COMPANIES ("AIA"), HIRED A CONSULTANT TO ADVISE THEM ON THE ESTABLISHMENT OF AMACO FINANCE. IN MAY, 2006, ATCI COMPLETED A BUSINESS PLAN FOR AMACO, CONCERNING THE ESTABLISHMENT OF AMACO FINANCE. ATCI WORKED WITH THE CONSULTANT DURING THE TIME HE WAS IN KYIV AND HAS PROVIDED CONTINUING SERVICES SINCE THEN. THE CONSULTANT IS RECOMMENDING THAT AIA PROCEED WITH THE ESTABLISHMENT OF AMACO FINANCE IN JANUARY, 2008.

- IN JUNE, 2007, THE CITIZENS NETWORK FOR FOREIGN AFFAIRS ("CNFA"), ANOTHER USAID-FUNDED PROJECT, SPONSORED THE VISIT OF MR. IAN WEETMAN, A LEASING EXPERT FROM THE US. WHILE IN UKRAINE MR. WEETMAN WORKED IN LV'IV WITH BOTH LEASING HOUSE (SEE ABOVE) AND LEASING COMPANY "UNIVERSALNA," AND GAVE A SEMINAR IN KYIV FOR INDUSTRY PARTICIPANTS. ATCI PROVIDED INTRODUCTIONS TO THE 2 LEASING COMPANIES IN LV'IV, AS WELL AS ASSISTING IN THE PREPARATION OF THE SEMINAR.

- IN JUNE, 2007 ATCI MET WITH THE NEW HEAD OF UKRAINIAN LEASING COMPANY ("ULC"). ULC IS NOW 51% OWNED BY BNP/PARIBAS. THE NEW HEAD OF ULC IS PLANNING SUBSTANTIAL CHANGES AT THE COMPANY, IN ORDER TO FACILITATE MORE LEASING TO SME'S. ATCI IS PLANNING TO PROVIDE ADVISORY SERVICES TO ULC IN ORDER TO FACILITATE THIS TRANSITION.

- ON APRIL 12, 2007 ATCI, ALONG WITH A REPRESENTATIVE FROM USAID, MET WITH 2 STATE COMMISSIONERS OF THE ANTIMONOPOLY COMMITTEE OF UKRAINE, AS WELL AS MEMBERS OF THEIR STAFF. THE PURPOSE OF THE MEETING WAS TO RESPOND TO A REQUEST FOR ASSISTANCE BY THE COMMITTEE IN CONNECTION WITH A LEGAL MATTER WITHIN UKRAINE'S LEASING INDUSTRY. ATCI PREPARED A REPORT ON VARIOUS ASPECTS OF THE LEASING INDUSTRY IN UKRAINE THAT, IN ATCI'S OPINION, MIGHT BE

OF INTEREST TO THE COMMITTEE. THE REPORT WAS SUBMITTED TO THE COMMITTEE IN JUNE, 2007.

- ATCI BEGAN WORK ON A LEASING MANUAL. THE LEASING MANUAL, TO BE PREPARED IN ASSOCIATION WITH AN ADVISORY COMMITTEE MADE UP OF REPRESENTATIVES OF UKRAINIAN LESSORS, WILL EMPHASIZE STRATEGIES FOR HOW UKRAINIAN LESSORS CAN GROW THEIR BUSINESS AND MAKE MORE MONEY.

III. EXECUTIVE SUMMARY – LEASING UKRAINE

In this Quarter ATCI established, using data supplied by the Government of Ukraine, that the "penetration rate," (defined as the rate at which financial leasing is used as a method of acquiring capital equipment) has increased from 0.09% in 2004, to 2.5% in 2006. The penetration rate is a major indicator of the success of ATCI's Financial Leasing Component, because it measures the increased use of leasing as a means to modernize plant and equipment in Ukraine.

In this Quarter Auditing and Consulting Company "Kompas," under their contract with ATCI, continued to offer CLS training sessions to Industry participants. In May and June, 2007, 15 Industry participants participated in CLS training offered by Kompas, of which 11 passed all 3 exams and are thus eligible to receive CLS certificates at the next awards ceremony which is scheduled for September 2007. Of the 15 who took the most recent round of training all worked for local leasing companies. Of the total of 51 certificate holders, 36 work for local leasing companies, 11 work in related industries, 4 work for the IFC Leasing Project, of whom 3 still work for the IFC Leasing Project and 1, who formerly worked for the IFC Leasing Project, is now Financial Director of a Real Estate Development company in Kyiv. 22 of the 51 certificate holders are women.

On June 14, 2007 ATCI held an awards ceremony for 14 individuals who took CLS training in February and March, 2007 and who passed all 3 exams given in March, 2007 *(Attachment 13)*. On June 14 Kompas reported that they had approximately 30 people signed up for the next CLS training sessions, scheduled for the fall. At current pass rates of approximately 60%, there may be as many as 70 Certified Leasing Specialists in Ukraine by the end of 2007.

In this Quarter, on April 11-13, CLS training commenced in Moldova involving approximately 20 people, substantially all of whom work for Moldovan leasing companies. ATCI delivered part of the Training for Course 1 and observed the balance. The trip report is included in this Quarterly Report, as *Attachment 14*. The training was conducted by ACAP, which is the training provider selected by the ATCI Program Office in Moldova. As of June 30th training in Courses 1 and 2 were completed and the exam was given for Course 1. The exam for Course 1 was administered by CIPA-EN. The exam for Course 2, as well as a re-take of Course 1, is scheduled to be administered on July 27th. The training and exam for Course 3 is scheduled for September, as well as re-takes of the exams for Courses 1 and 2.

In cooperation with CIPAEN, who is administering the CLS exams in conjunction with ATCI, we have developed a web site for the CLS Program in Moldova – www.leasepro.md. This web site is similar to a similar web site CIPAEN developed for the CLS Program in Ukraine – www.leasepro.org. The web site contains information about the program including scheduling of future training sessions, information on exam results and, when certificates are awarded in Moldova, a personal "home page" for every individual who holds a CLS certificate. The "home

page" is for their personal use, for participants to include personal information, including resumes, etc.

In this Quarter, in cooperation with the Ukraine Union of Industrialists and Entrepreneurs ("The League"), ATCI co-sponsored a seminar entitled "*Seminar on Financial Leasing and Credit Reporting – Building Blocks for a Dynamic Financial Services Industry in Ukraine*". The seminar was held on June 19, 2007, in Simferopol. Approximately 40 people attended, most of whom were members of the Union's local chapter. In addition a press event was held in association with the IFC Leasing Project and the Center for Ukrainian Reform Education ("CURE").

The seminar in Simferopol was held in conjunction with the Credit Bureau Component of ATCI *(see Attachment 15).* This is the first time that two components of ATCI delivered a joint seminar. ATCI previously held joint seminars with the Union in 2005 in Odessa, Lviv and Kyiv.

ATCI sponsored the Presidents of two Ukrainian lessors to speak at the seminar in Simferopol. One of the two Presidents is also the President of the Union of Ukrainian Lessors ("UUL"), one of the two leasing associations in Ukraine, serving Ukrainian lessors.

ATCI expects to hold 3 additional seminars with the League in 2007, in Dnepropetrovsk, Kharkiv and Lviv, starting in September and taking place monthly. As with Simferopol, attendees will primarily be Union Members. The objective will be to expand knowledge of leasing in the regions of Ukraine. There will also be the following additional objectives: To explain the critical relationship between the ability of local leasing companies to provide attractive leasing products and services and the existence of a credit bureau/rating system in Ukraine; to present to Union Members the status of various legislative initiatives in Ukraine designed to spur capital spending (and, by extension, foster the local leasing industry) and establish a credit bureau/rating system in Ukraine. The League is a very influential organization in Ukraine with its Head currently the Minister of Economy of Ukraine, and it is important to enlist their support in these areas.

In this Quarter ATCI continued its collaboration with the IFC Leasing Project, which started in the prior Quarter, and co-sponsored 3 additional seminars, all of which were held in the regions of Ukraine, directed primarily at lessees, but also including local government officials, the local media and, in one case, students. The objective of these seminars was to broaden the Project's outreach outside of Kyiv, as well as to provide information about leasing to the participants, especially how companies can best utilize leasing in their businesses.

The first such seminar was held in Chernivtsi, Western Ukraine, on March 15, 2007. The second seminar was held in Chernigiv, North Central Ukraine, on April 11, 2007, the third in Ternopil, Western Ukraine, on April 26, 2007, and the last in Sumy, Northern Ukraine, on May 24, 2007. ATCI provided information at the seminar, sent follow-up information to the participants and has referred one company, from Chernigiv, to a potential equipment supplier.

In addition to the 3 seminars ATCI, along with the IFC Leasing Project, participated in a press briefing in Cherkassy, South Central Ukraine on June 25, 2007. The press briefing, arranged by CURE, included approximately 15 members of the local press.

Advisory services consisted of working with a consultant retained by the AIA Group, the parent company of AMACO, in connection with the establishment of AMACO Finance, as well as with LeaseIT, Leasing House, and Leasing Company "Universalna." Advisory services to the last two companies were undertaken in conjunction with the latest CNFA Volunteer who advised both companies on possible alternatives to raise additional capital.

With respect to AMACO their parent company, the AIA Group of Companies, hired Mr. John Grimmett to advise them on the establishment of AMACO Finance. In May, 2006, ATCI prepared a business plan for AMACO, outlining the establishment of AMACO Finance. ATCI worked very closely with Mr. Grimmett between May 15 and 25, when he was in Ukraine, and as well as after he departed. Work included setting up meetings with local Industry Participants, providing relevant information and reviewing the report Mr. Grimmett submitted to his client, the AIA Group of Companies.

At a meeting with AIA and AMACO, scheduled for this coming August, Mr. Grimmett is expected to recommend that AIA move forward with the establishment of AMACO Finance. Expected start up date is January, 2008.

In this Quarter LeaseIT continued to increase its funded volume and portfolio size, but at a slower pace due to funding constraints. In the past 12 months, ending June 30th, 2007, LeaseIT has approximately tripled the size of its lease portfolio. In the six months ending June 30th, 2007 LeaseIT increased its funded volume by over 300%, compared to the comparable period in 2006. Portfolio size was approximately USD 970,000.00 on June 30, 2007, compared to approximately USD 335,000.00 on June 30, 2006. Funded volume for the three and six months ending June 30th, 2007 was approximately USD 375,000.00 and USD 750,000.00, respectively. Funded volume for the six months ending June 30, 2006 was approximately USD 235,000.00.

In June 2007, LeaseIT approached ATCI about providing assistance in the sale of a bond issue. In spite of being able to obtain additional sources of funding, and expanding the availability of existing sources, LeaseIT is continuing to have difficulties accommodating demand for its service. This is primarily because LeaseIT has a limited amount of equity capital, consisting of some cash and the equity in the Owners' real estate. Without sufficient equity capital LeaseIT cannot obtain additional sources of debt financing quickly enough to support the increased demand for its services. In this regard, ATCI continues to advise LeaseIT in the development of its own business plan, and participate in discussions LeaseIT is having, and will have, with potential equity investors, including one identified by ATCI.

In this Quarter, in association with Ian Weetman, the latest CNFA Volunteer, ATCI provided advisory services to Leasing House and Leasing Company "Universalna," in the areas of Marketing Strategy and various alternatives for raising capital. In addition Mr. Weetman presented a seminar in Kyiv for industry participants.

Since beginning offering advisory services to Leasing House, in April 2005, Leasing House's annual funded volume has risen from approximately $2.4 million in 2005, to an estimated $14 million in 2007, an increase of almost 600%. In addition Leasing House's portfolio now stands at approximately $26 million.

In June, 2007, ATCI held discussions with Ukrainian Leasing Company ("ULC"), now 51% owned by BNP/Paribas through its similar ownership of Ukrsibbank, about ways in which ATCI can assist ULC in re-orienting its leasing operations toward SME's. According to ULC their current average transaction size is approximately $300,000.00. In order to effectively target SME's their average transaction size has to be substantially lower.

The objective of ATCI's advisory services is to focus on those companies who, in ATCI's opinion, will be agents of change in Ukraine's Leasing Industry, in the hope that these companies will motivate other companies to change. For example if a company with the stature of ULC changes its orientation toward lending to SME's it should motivate other Ukrainian lessors to do the same. This is also true of every other lessor ATCI is working with. LeaseIT specializes in providing financing for small transactions with minimal financial information. AMACO Finance will, if established, provide wider financing for agricultural equipment. Leasing House is one of the fastest growing lessors in Ukraine that does not have vehicles as a major source of business.

Most of the companies to whom ATCI has offered advisory services, specialize in financing capital equipment rather than vehicles. Fostering the growth of capital equipment leasing in Ukraine is a major objective of this Project. Given the growth in the use of financial leasing, as a means to acquire capital equipment mentioned earlier in this report, from 0.58% when the Project started in 2004 to 2.5% today, and given the growth of some of the companies that ATCI has worked with, ATCI can take significant credit for this development.

In this Quarter ATCI has begun work on the Leasing Manual, which is part of ATCI's Scope of Work. The Leasing Manual will emphasize ways in which lessors in Ukraine can make more money and expand their businesses. As part of this effort ATCI has set up an Advisory Committee, made up of senior managers of Ukrainian lessors, to advise it on the preparation of the manual. The manual will be substantially completed by the next Quarter.

In this Quarter ATCI provided assistance to the Antimonopoly Committee of Ukraine, in connection with a legal matter they were pursuing within the Leasing Industry. The assistance was in the form of a report, submitted to the Committee in June, 2007, consisting of relevant information about Ukraine's Leasing Industry.

IV. ADMINISTRATIVE ISSUES – LEASING UKRAINE

In June, 2007, The City of Kyiv Department of Justice issued registration no. 123-K to the Ukraine Union of Certified Leasing Specialists ("The NGO"). It is expected that the corresponding paperwork will be issued on July 23, 2007, at which time must apply for the following: A corporate seal; status as a tax-exempt organization; a bank account.

V. DESCRIPTION AND STATUS OF TASKS – LEASING UKRAINE

Task 1. Financial Leasing – Building Participant Capacity

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **Development of CLS Program for Ukraine**	• KOMPAS COMPLETED A SECOND TRAINING SESSION ATTENDED BY 15 CANDIDATES, 11 OF WHOM PASSED ALL 3 EXAMS AND WILL BE AWARDED CERTIFICATES IN JULY OR AUGUST, 2007, BRINGING THE TOTAL NUMBER OF CERTIFIED LEASING SPECIALISTS TO 51, OF WHICH 36 WORK FOR LOCAL LEASING COMPANIES. • ATCI WILL HOLD THE FIRST MEETING OF USCLS, THE UKRAINIAN NGO THAT WILL BE RESPONSIBLE FOR MANAGING THE CLS PROGRAM ONCE THE REGISTRATION FOR THE NGO IS COMPLETED.

	• WITH CIPA-EN, CO-DEVELOPED A WEB SITE FOR THE CLS PROGRAM IN MOLDOVA (WWW.LEASEPRO.MD) • KOMPAS WILL DELIVER AN ADDITIONAL TRAINING SESSION IN SEPTEMBER, 2007, WITH AN EXPECTED ENROLLMENT OF AT LEAST 30 INDIVIDUALS.
• **Develop and deliver training seminars for industry participants**	• ATCI WILL CONTINUE TO WORK DIRECTLY WITH VARIOUS INDUSTRY STAKEHOLDERS TO RAISE THE PROFILE OF LEASING AMONG POTENTIAL LESSEES AND OTHER INDUSTRY PARTICIPANTS.
• **Development of CLS Program in Moldova**	• ATCI PARTICIPATED IN THE FIRST TRAINING SESSIONS HELD IN MAY, 2007. THE EXAM FOR COURSE 1 WAS COMPLETED IN JUNE, 2007. • ALONG WITH THE UNION OF UKRAINIAN LESSORS, ATCI WILL BE WORKING WITH MOLDOVAN LESSORS TO FACILITATE THE ESTABLISHMENT NATIONAL LEASING ASSOCIATION IN MOLDOVA.

Task 2. Financial Leasing – Information Network

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **Work with key industry stakeholders to promote necessary reforms to create a more favorable legal, tax and regulatory environment for leasing in Ukraine**	▪ ATCI PROVIDED INFORMATION TO THE ANTIMONOPOLY COMMISSION OF UKRAINE, IN CONNECTION WITH A CASE AGAINST A MAJOR STATE-OWNED LESSOR. ▪ ATCI WILL CONTINUE TO WORK DIRECTLY WITH VARIOUS INDUSTRY STAKEHOLDERS TO RAISE THE PROFILE OF LEASING AMONG RELEVANT GOVERNMENT OFFICIALS AND IMPLEMENT REFORMS TO IMPROVE THE LEGAL AND TAX ENVIRONMENT FOR LEASING IN UKRAINE.
Defined Activity	**Progress Made During Quarter/Proposed Future Actions**
• **Conduct nation-wide informational and educational campaign on international best practice in leasing**	▪ CO-SPONSORED 3 SEMINARS WITH THE IFC LEASING PROJECT IN CHERNEGIV, TERNOPIL AND SUMY, FOR POTENTIAL LESSEES, LOCAL GOVERNMENT OFFICIALS AND THE LOCAL MEDIA. ▪ IN JUNE 2007, IN COOPERATION WITH THE UKRAINE UNION OF INDUSTRIALISTS AND ENTREPRENEURS, CO-HOSTED A SEMINAR OF LEASING AND CREDIT BUREAU IN SIMFEROPOL ▪ THESE SEMINARS ARE BEING DEVELOPED IN CONJUNCTION WITH ATCI'S CREDIT BUREAU/CREDIT RATING COMPONENT. ▪ THREE ADDITIONAL SEMINARS WITH THE LEAGUE OF INDUSTRIALISTS AND ENTREPRENEURS ARE PLANNED FOR LATE 2007 IN DNIEPERPETROVSK, SUMY AND LVIV. ▪ ATCI WILL CONTINUE TO WORK WITH INDUSTRY

	ASSOCIATIONS AND OTHER RELEVANT PARTIES TO ORGANIZE EVENTS AND DISTRIBUTE INFORMATION THAT RAISES THE PROFILE AND INCREASE UNDERSTANDING OF LEASING AND ITS BENEFITS WITHIN UKRAINE'S GOVERNMENT AND BUSINESS COMMUNITIES.

Task 3. Financial Leasing - Consulting Services

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **Provide advisory services to market participants**	▪ AMACO - ASSISTED A CONSULTANT RETAINED BY AMACO'S PARENT COMPANY TO EVALUATE THE ATTRACTIVENESS OF SETTING UP AMACO FINANCE. THE CONSULTANT IS EXPECTED TO RECOMMEND THE ESTABLISHMENT OF AMACO FINANCE IN JANUARY, 2008. ▪ LEASEIT HAS INCREASED ITS PORTFOLIO SIZE TO APPROXIMATELY USD 970,000.00 ON JUNE 30, 2007 FROM APPROXIMATELY USD 335,000.00 ON JUNE 30, 2006. FUNDED VOLUME WAS APPROXIMATELY $375,000.00 AND USD 750,000.00 FOR THE 3 AND 6 MONTHS ENDED ON JUNE 30, 2007. FUNDED VOLUME FOR THE 6 MONTHS ENDING JUNE 30, 2006 WAS APPROXIMATELY USD 235,000.00. ▪ CONTINUED TO WORK WITH LEASEIT ON ITS EFFORT TO ATTRACT ADDITIONAL EQUITY CAPITAL. ▪ WITH CNFA, PROVIDED ADVISORY SERVICES TO LEASING COMPANY "UNIVERSALNA" AND LEASING HOUSE IN MARKETING STRATEGY AND ALTERNATIVES FOR RAISING CAPITAL. SINCE 2005, WHEN ATCI BEGAN WORK WITH LEASING HOUSE, THEIR FUNDED VOLUME HAS INCREASED BY ALMOST SIX TIMES. ▪ ATCI WILL CONTINUE TO FACILITATE RELATIONSHIPS BETWEEN LESSORS, BANKS, EQUITY INVESTORS, AND VENDORS TO FACILITATE INCREASED LEASING ACTIVITY BASED ON INTERNATIONAL BEST PRACTICE.
• **Attract Outside International Investment to Ukraine's Leasing Industry**	▪ MET WITH THE LEASING SUBSIDIARY OF UKRSIBBANK, 51% OWNED BY BNP/PARIBAS, AS PART OF THE COMPANY'S EFFORT TO FOCUS MORE ON LEASING TO SME'S. ▪ IN 2007 ATCI WILL CONTINUE TO WORK WITH INDUSTRY PARTICIPANTS TO ATTRACT INTERNATIONAL OUTSIDE INVESTMENT TO UKRAINE'S LEASING INDUSTRY.

LIST OF ATTACHMENTS – LEASING UKRAINE

ATTACHMENT 13 CLS Awards Ceremony

ATTACHMENT 14 Trip Report for Robert Homans, trip to Moldova to deliver and observe CLS Training.

ATTACHMENT 15 Agenda – Seminar in Simferopol.

F. CREDIT BUREAU/CREDIT RATING AGENCY - Ukraine

I. COMPONENT DESCRIPTION – CB/CR UKRAINE

Credit Bureau

This report provides details on events and activities relating to the Credit Bureau/Credit Rating component of the USAID Access to Credit Initiative, as implemented by the Pragma Corporation, during the period from April 1, 2007 through June 30, 2007.

The objective of this activity is to establish and develop a Credit Bureau in Ukraine, which is a key piece of financial infrastructure. A Credit Bureau serves as a financial intermediary between the lender and the borrower in order to stimulate, in the first instance, the SME and retail markets within a free market competitive economic system.

The practical definition of a Credit Bureau, for design and implementation purposes in Ukraine, is one of an impartial entity that will store all past and present credit transactions entered into by a particular legal or physical person and one that will indicate the manner in which the subject of the credit profile repaid the obligation to the respective creditors. The Credit Bureau would contain gender-neutral demographic information on a consumer to ensure proper identification, information that is pertinent to their creditworthiness, and an indication of the overall risk relating to an applicant. The Credit Bureau will provide an avenue for the verification or validation of any information that may be questioned or disputed by the subject of the credit profile. A Credit Bureau serves both parties in a credit transaction and is an excellent tool to reduce risk and facilitate and accelerate the approval process.

II. SIGNIFICANT EVENTS – CB/CR UKRAINE

- THREE NEW SHAREHOLDERS JOIN IBCH
- IBCH ACCUMULATED OVER 200,000 CREDIT HISTORIES IN ITS DATABASE
- IBCH IS BEGINNING TO HAVE TECHNICAL PROBLEMS WITH DATA INPUT
- NBCH COMPLETED SIGNING OF AGREEMENTS ON PROVISION OF DATA WITH ALL SHAREHOLDER-BANKS
- ATCI, UKRAINIAN CREDIT BUREAUS AND THE MINISTRY OF JUSTICE OF UKRAINE CONTINUED THE DEVELOPMENT OF REGULATION ON INSPECTION OF CREDIT BUREAUS
- ATCI HOLDS AN EDUCATIONAL SEMINAR ON LEASING/CREDIT BUREAU ISSUES IN SIMFEROPOL (CRIMEA) FOR THE MEMBERS OF UKRAINIAN UNION OF INDUSTRIALISTS AND ENTREPRENEURS

III. EXECUTIVE SUMMARY – CB/CR UKRAINE

ATCI continued to provide on-going consultancy to ensure compliance with international standards of best practice during the development phase of a credit reporting system, and to provide advice to the overall market with respect to data sharing and the reduction of data fragmentation.

ATCI's area of focus remained in two basic areas: a) overall coordination of the market given the likelihood of data fragmentation and b) drafting regulations.

ATCI continues to interface on a regular basis with FNBCH and other interested parties, including foreign credit bureau operators. Major highlights and accomplishments over the past quarter follow.

Continued work with FNBCH and IBCH

In the 2nd quarter 2007, both FNBCH and IBCH continued to request assistance from ATCI, particularly in connection with:

a) educating market participants, and

b) providing support to the credit bureau regulatory authorities with respect to draft regulations, the meaning of data exchange and the need to find a balance between privacy and data flows. ATCI supported its counterparts in the following areas:

- Work at the legal and regulatory levels
- Work with banks and other financial institutions.
- Work with non-financial institutions to secure their participation in data sharing.
- Educational activity in the regions (seminar in Simferopol).

Three new shareholders join IBCH

In April, 2007, three new shareholders joined IBCH: Credit Unions "Fortetsya", "First Credit Society", and Unified Credit Union of the National Association of Credit Unions of Ukraine.

IBCH accumulated over 200,000 credit histories in its database. IBCH is beginning to have technical problems with data input.

By the end of the 2nd quarter 2007, IBCH accumulated over 200,000 credit histories in its database. However, IBCH is beginning to have technical problems with data processing and input, since the system developed by CreditInfo turned out to be inadequate for proper processing and input of the required volume of data. The system requires modification and improvement. This provoked certain strain in the relations between IBCH shareholders and CreditInfo.

NBCH completed signing of agreements with its member banks.

By the end of 2nd quarter 2007, NBCH completed signing of agreements on provision of data with its shareholder-banks. Currently NBCH is negotiating signing of agreements with several non-shareholder banks.

Development of Regulation on the Inspection of Credit Bureaus

ATCI, CBs, and MOJ continued the development of Regulation related to inspection of credit bureaus. The MOJ took into account ATCI's and credit bureaus' comments and recommendations to the initial draft regulation. However, the amended version still requires refinement on a number of inspection related aspects. ATCI and credit bureaus agreed to wait for official publication of draft regulation on MOJ web site. After the publication ATCI and credit bureaus will submit their further official comments to this regulation and request convening of the Task Force to discuss the final version the regulation.

Seminar in Simferopol

In June, upon the request of the Union of Industrialists and Entrepreneurs, ATCI conducted a seminar on financial leasing and credit bureau issues. The seminar was attended by the Union members, as well as local financial market participants. Credit bureau section of this seminar focused on key aspects of Ukrainian credit bureau law, credit bureau products, and their importance for reducing credit risks and optimizing loan portfolio.

Credit Rating

ATCI Credit Rating component is aimed at promoting the development of competitive, fair, and effective credit rating industry in Ukraine.

Ukraine faces great challenges in fostering further development of capital markets that enable efficient mobilization of domestic and foreign capital to support sustainable economic growth. Credit ratings offer significant benefits for investors. It is true that ratings do not constitute investment or financial advice. Ratings are not recommendations to purchase, sell, or hold particular securities. However, ratings do serve as an important tool for the adoption of sound and informed investment decisions.

Ratings represent additional information content and quality framework for the market. They facilitate investor comparison and selection of investment alternatives. A rating agency, with its fundamental approach and access to information, provides ratings that validly compare and contrast the strengths of different organizations and represent opinions regarding relative future creditworthiness of entities or instruments.

Being at a nascent stage, Ukrainian rating industry has a long way to go, and ATCI objective is to make sure that it goes the right way. To achieve this objective and in active cooperation with market participants and government agencies ATCI focuses its efforts on establishing policy dialogue aimed at both the development of fair and effective regulatory framework and implementation of best international practice on operational level.

IV. SIGNIFICANT EVENTS – CB/CR UKRAINE

- THE CABINET OF MINISTERS OF UKRAINE APPROVES NATIONAL RATING SCALE.
- ATCI TAKES PART IN THE ANNUAL CONFERENCE OF UKRAINIAN INVESTMENT BUSINESS ASSOCIATION (UIBA).

Brief Historic Note

The mandatory rating requirement came into existence in late 2004. This required those companies wanting to issue ratings in Ukraine to be selected by tender conducted by the SSMSC. One key requirement was that the rating company be a Ukrainian legal entity. This rationed participants to only a few and kept the internationally recognized rating agencies out all together. Only Credit Rating received authority from the SSMSC to offer ratings to Ukrainian issuers. Effectively, any company or municipality who wanted to issue securities had to use them. The mandatory requirement remains in effect to this day and accounts for the exceptional growth of CR.

Current Situation

Adoption of the Law of Ukraine # 3201 dated Dec. 15, 2005 expands and legislates mandatory ratings. This Law specifies the issuers and types of securities[1] subject to mandatory rating. In response to Law #3201, the SSMSC developed and adopted the resolution that allows Ukrainian companies to use Fitch, Moody`s and Standard & Poor's ratings for the domestic market. In other words, these three international rating agencies are allowed by the law to assign ratings (still mandatory) to Ukrainian issuers and their securities.

Pursuant to the Law # 3201 mandatory ratings can be assigned by:

Authorized Ukrainian rating agencies certified by the SSMSC;
International rating agencies recognized by the SSMSC

Additionally,

The National scale approved by the Cabinet of Ministers must be used only by authorized Ukrainian rating agencies;
International rating agencies can use their own scales.

In May 2007, the Cabinet of Ministers of Ukraine approved the revised National Rating Scale. As mentioned above authorized Ukrainian rating agencies (so far "Credit-Rating" only) must use this scale. The National Scale includes long-term credit ratings (more than one year) and short-term ratings (up to one year). Ratings are subdivided into two grades: investment grade and speculative grade. Definitions of different ratings used in the National Scale are similar to those used in Ukraine-specific national scales used by international rating agencies.

On the one hand, the market could put up with this National Scale as long it is just the set of definitions specifying different rating grades that do not entail "prescribed methodology" for assigning ratings. In this respect, the good news for international rating agencies is that the National scale (as mentioned before) resembles their Ukraine-specific scales. This makes it easier to match ratings assigned by international rating agencies to specific rating grades under the National Scale. But overall, the entire concept of National Scale runs contrary to the best

[1] All types of issuable securities (which are not allocated among the founders or among the preliminary determined persons) are subject to mandatory rating, except the following types of securities: *government securities, shares, securities of non-diversified joint investment institutions, securities issued by State Mortgage Institution*

international practice, since the Government should not tell rating agencies what scale they should use in their operations.

ATCI Efforts Aimed at Improving the Status of Credit Rating Industry

In June, ATCI took part in the 19th practical conference organized by UIBA (over 200 participants). Discussion of credit rating problems was in the conference agenda. ATCI used this conference to repeatedly disseminate its White Paper of the status of rating industry in Ukraine (the White Paper was included in hand-out materials), as well as present ATCI/USAID vision regarding the development of rating industry in Ukraine. As a result of ATCI and CLC presentations made during the discussion of this issue, resolution adopted by the conference included the following provisions with regard to credit rating issues:

- **Developing legislation regulating the activity to manage assets of institutional investors:**

1.4. Passing the Law of Ukraine "On Rating" based on the principle of voluntary ratings.

- **Developing the activity to manage assets of institutional investors:**

2.6. Cooperating with regulatory bodies and rating agencies on developing and implementing objective methodologies for assessing results of operations by asset management companies, collective investment institutions and private pension funds; promoting the system of rating financial instruments and stock market participants on a voluntary basis only.

Full text of conference resolution is attached *(Attachment 16)*.

V. ADMINISTRATIVE MATTERS – CB/CR UKRAINE

NONE

VI. DESCRIPTION AND STATUS OF TASKS – CB/CR UKRAINE

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **Develop and establish linkages with primary international credit bureau operators**	• COMPLETED - CREDITINFO WINS FNBCH TENDER
• **Secure buy-in of local data providers and users**	• MARKET REMAINS SPLIT – DATA FRAGMENTATION CONTINUES AS FOUR CREDIT BUREAUS HAVE BEEN ESTABLISHED IN UKRAINE.
• **Sponsor visits to potential foreign CB partners**	• COMPLETED - FINANCIAL ASSISTANCE HAS NOT BEEN REQUESTED AND IS NO LONGER REQUIRED.
• **Determine and review CIC development strategy with government and counterparts**	• FNBCH REQUESTS FURTHER ATCI ASSISTANCE • CONTINUED DISCUSSIONS WITH AUB AND OTHER CIC REPRESENTATIVES FURTHER IMPLEMENTATION STRATEGY FOR THE DEVELOPMENT OF CB.

• **Market best approach for structuring, establishing and operating CIC**	• PUBLIC RELATIONS STRATEGY CONTINUED AND INCLUDED VISITS TO INDIVIDUAL MARKET PARTICIPANTS. • FNBCH AND ICB CONTINUE NEGOTIATIONS ON CONCLUSION OF AGREEMENTS WITH TELECOMMUNICATIONS AND INSURANCE SECTOR. • IBCH CONDUCTS A TEST SALE OF CREDIT REPORT
• **Analyze and Coordinate passage of law**	• MARKET PARTICIPANTS RECOGNIZE THE NEED FOR AMENDMENTS TO THE CREDIT BUREAU LAW. HOWEVER, GIVEN THE STATE OF MARKET DEVELOPMENT, IMMEDIATE AMENDMENTS ARE DEEMED PREMATURE.
• **Define Business and Operations Plan**	• COMPLETED
• **Outline Package of Technical Requirements**	• COMPLETED
• **Discussions with Government Data Providers**	• DIFFICULTY IN FINDING THE "PERSON" IN CHARGE OF PUBLIC REGISTRIES STILL CONTINUES
• **Secure Buy-in of Foreign Investors and Banks**	• CREDITINFO (ICELAND) IS NOW OPERATES A COMMON PLATFORM FOR THE TWO LARGEST BUREAUS.
• **Develop and Deliver Package of Training Programs (banks, leasing, credit unions)**	• AUB REQUESTS ATCI TO CARRY OUT A SERIES OF PRESENTATIONS FOR REGIONAL BANKS. THIS JOINT ACTIVITY, TO HAVE BEEN ORGANIZED BY AUB AND UNDERTAKEN JOINTLY WITH AUB, HAS BEEN POSTPONED UNTIL 2007.
• **Assist the Ministry of Justice in drafting regulations governing CB operations**	• THE MINISTRY OF JUSTICE REQUESTED ATCI ASSISTANCE IN DRAFTING REGULATIONS GOVERNING CREDIT BUREAU OPERATIONS. • COMPLETED - TASK FORCE (ATCI, ICB, FNBCH, MINISTRY OF JUSTICE) FINALISES THE REGULATION ON LICENSING REQUIREMENTS.AND MINISTRY OF JUSTICE OF UKRAINE ADOPTS LICENSING REGULATION FOR CREDIT BUREAUS. • TASK FORCE AGREES TO DRAFT TWO MORE REGULATIONS: ON UNIFIED REGISTRY OF CREDIT BUREAUS, AND ON INSPECTION OF CREDIT BUREAUS. • FNBCH, IBCH, AND UBCH (PRIVATBANK) RECEIVED THE LICENSE • ATCI ASSISTS UKRAINIAN CREDIT BUREAUS AND THE MINISTRY OF JUSTICE OF UKRAINE IN ADDRESSING PRACTICAL PROBLEMS RESULTING FROM THE ADOPTED LICENSING REGULATION • ATCI, UKRAINIAN CREDIT BUREAUS AND THE MINISTRY OF JUSTICE OF UKRAINE INITIATE THE DEVELOPMENT OF REGULATION ON INSPECTION OF CREDIT BUREAUS.

• **Deliver educational workshops for the specialists of the Ministry of Justice**	• COMPLETED - ATCI HOLDS 2 MINI WORK SHOPS FOR THE SPECIALISTS FROM THE MINISTRY OF JUSTICE • MINISTRY OF JUSTICE EXPRESSED INTEREST IN FURTHER SEMINARS. ATCI WILL ASSESS JUSTICE RESPONSIVENESS TO DRAFT REGULATIONS PRIOR TO COMMITMENT • COMPLETED – ATCI HOLDS A SEMINAR ON MORTGAGE AND CREDIT BUREAU ISSUES FOR THE SPECIALISTS FROM CENTRAL AND REGIONAL OFFICES OF THE SECURITIES COMMISSION.
• **Discuss participation in international credit bureau conference to be held in Kyiv/Ukraine**	• COMPLETED - ATCI CO-SPONSORED AND PARTICIPATED IN INTERNATIONAL CREDIT BUREAU CONFERENCE.
• **Participation in international Conference "Payment Card – 2006"**	• COMPLETED - ATCI ATTENDED THIS CONFERENCE BUT DID NOT CO-SPONSOR IT OR MAKE ANY PRESENTATIONS.

CREDIT RATING COMPONENT	
Defined Activity	**Progress Made During Quarter/Proposed Future Actions**
• **Assist in the development of competitive and fair ratings industry**	• COMPLETED. ATCI ENGAGED INTERNATIONAL CREDIT RATINGS EXPERT TO PREPARE THE WHITE PAPER ON THE STATUS OF AND RECOMMENDATIONS FOR UKRAINIAN RATING INDUSTRY. • INTERNATIONAL CREDIT RATINGS EXPERT PREPARED A WHITE PAPER ON THE DEVELOPMENT OF A COMPETITIVE DOMESTIC RATINGS INDUSTRY IN UKRAINE AND RECOMMENDATIONS FOR THE UKRAINIAN RATING INDUSTRY. ATCI DISSEMINATED THE WHITE PAPER TO MARKET PARTICIPANTS, THE SECURITIES COMMISSION AND OTHER INTERESTED PARTIES.
• **Analyse existing Regulatory framework**	• ATCI CONTINUES TO ANALYSE AND MONITOR EXISTING LEGISLATION AND REGULATORY FRAMEWORK. • EXSITING LAWS AND REGULATIONS CONTAIN A NUMBER OF PROVISIONS, WHICH ARE DETRIMENTAL FOR FURTHER DEVELOPMENT OF FAIR AND COMPETITIVE RATINGS INDUSTRY • SSMSC ADOPTED THE RESOLUTION #1040 "ON APPROVING THE REGULATION ON TENDER FOR SELECTION OF AUTHORIZED RATING AGENCIES" (REGISTERED BY THE MINISTRY OF JUSTICE NOVEMBER 24, 2006). • TENDER FOR SELECTION OF AUTHORIZED RATING AGENCIES IS SCHEDULED TO TAKE PLACE ON JANUARY 27 THROUGH FEBRUARY 2, 2007. • SSMSC ADOPTED THE RESOLUTION "ON APPROVING THE PROCEDURE FOR KEEPING THE STATE REGISTRY OF AUTHORIZED RATING AGENCIES AND ISSUING THE CERTIFICATE ON INCLUSION TO THE STATE REGISTRY OF AUTHORIZED RATING AGENCIES". • "CREDIT RATING" IS INCLUDED INTO THE STATE REGISTRY OF AUTHORIZED RATING AGENCIES WITHOUT A TENDER. • SSMSC ADOPTED THE RESOLUTION "ON APPROVING THE PROCEDURE FOR SUBMISSION OF INFORMATION TO SSMSC BY AUTHORIZED RATING AGENCIES". • SSMSC ISSUED DRAFT RESOLUTION "ON APPROVING THE RULES FOR ASSIGNING RATINGS UNDER THE NATIONAL SCALE BY THE AUTHORIZED RATING AGENCIES". • SSMSC AND MARKET PARTICIPANTS DEVELOPED THE DRAFT LAW "ON RATING SYSTEM". THERE HAS BEEN NO PROGRESS SINCE ITS DEVELOPMENT.

LIST OF ATTACHMENTS – CB/CR Ukraine

ATTACHMENT 16 UIBA conference resolution

G. GENDER - Ukraine

I. COMPONENT DESCRIPTION – GENDER UKRAINE

This report details events and activities relating to Gender of the USAID Access to Credit Initiative, implemented by the Pragma Corporation, during the period from April 1 through June 30, 2007.

Programs related to gender have political and cultural implications that should be considered in any approach. ATCI is seeking opportunities for increased income and empowerment for both women and men.

ATCI management recognizes the importance of carrying out gender sensitivity training for the staff in order to have a solid basis for the monitoring work.

With respect to monitoring participation in training programs and events by gender, the following activities will be undertaken to the extent feasible and possible:

Examine the program to ascertain whether if there are any provisions that could differentially discourage persons of one sex or another from participating;
Inquire about how program outreach is conducted to understand whether if these procedures may be differentially affecting participation by gender;

Examine the actual patterns of participation by gender in selected programs, to the extent permitted by the data;

Where differential participation by gender is identified, try to understand its causes and make appropriate changes.
With respect to the representation of women in higher positions in government agencies, the ATCI will work to balance the composition by gender of groups being trained by the project.

Pragma continues to partner with local organizations managed by women or consisting mostly of women. Three good examples are the Association of Ukrainian Banks and the Commercial Law Center as well as the PFTS securities trading system.

II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – GENDER UKRAINE

- TO DATE, CLS CERTIFICATES HAVE BEEN AWARDED TO SEVENTEEN WOMEN OR 43% OF THE TOTAL.

III. EXECUTIVE SUMMARY – GENDER UKRAINE

All ATCI tasks present opportunities to identify and address gender bias, and to actively promote gender equality in Ukraine's financial sector. For example, ATCI is working closely with the Ukrainian National Mortgage Association, the Association of Ukrainian Banks, the Commercial Law Center and other organizations that understand the importance of gender sensitivity with respect to product and services development. These issues have not only been discussed but plans are underway to draft material and articles which point out important opportunities in this area.

During the quarter, ATCI delivered seminars, workshops, and conferences involving two of its four components.

In Leasing, a number of participants in CLS training included women. All ATCI training and professional development strives for gender balance during the invitation process as well as in delivery of content. Post - event analysis is conducted to understand the reasons for underweighting when it occurs.

The Project staff of ATCI project includes 12 women out of 28, some of whom have professional and technical skills in finance and law.

IV. ADMINISTRATIVE ISSUES – GENDER UKRAINE

NONE

V. DESCRIPTION AND STATUS OF TASKS – GENDER UKRAINE

Defined Activity	Progress Made During Quarter/Proposed Future Actions
• **Partner with Woman – run organizations (CLC & UAB)**	• ATCI IS WORKING CLOSELY WITH THE ASSOCIATION OF UKRAINIAN BANKS, THE COMMERCIAL LAW CENTER AND OTHER ORGANIZATIONS WHICH UNDERSTAND THE IMPORTANCE OF GENDER SENSITIVITY RELATED TO PRODUCT AND THE DEVELOPMENT OF SERVICES.
• **Increasing the role of women in the financial sector through training and /or other initiatives**	• THE STAFF OF ATCI INCLUDES WOMEN AND MEN WITH PROFESSIONAL AND TECHNICAL SKILLS IN FINANCE AND LAW. • ALL PROJECT TRAINING STRIVES FOR AN EVEN BALANCE OF MEN AND WOMEN. RECENT TRAINING IN SEVASTOPOL ACHIEVED THIS BALANCE
• **Gender and cultural sensitization training**	• GENDER SENSITIVITY IS PRACTICED DAILY BY ALL ATCI STAFF AND HIGHLIGHTED AT THE ANNUAL STAFF RETREAT

- END UKRAINE-

ACCESS TO CREDIT INITIATIVE MOLDOVA

THIRD QUARTERLY REPORT

April 1, 2007 – June 30, 2007
Contract Number: 121-C-00-04-00713

CTO USAID/Ukr:	Rick Gurley
Project Manager:	Mohammad Fatoorechie
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Country Director/Mold:	Rick Dvorin

MOLDOVA (Third Quarterly)

A. PROJECT OVERVIEW - Moldova

I. PROJECT DESCRIPTION – EXECUTIVE SUMMARY MOLDOVA

ATCI/Moldova (the "Project") is a Project established under the supervision of ATCI/Ukraine, with a separate Country Director in Moldova reporting to the Chief of Party in Ukraine. The scope of ATCI/Moldova is similar to that of the ATCI/Ukraine project, yet narrower and more focused regarding the major components and tasks.

The three (3) major components of the ATCI/Moldova project are:

Mortgage Lending Component;

Financial Leasing Component; and

Fixed Income Component.

A fourth component was added in the second quarter, "Development Credit Authority (DCA) Monitoring Component".

A summary of all components and related activities are presented as **Attachment 1**, *The Access to Credit Initiative/Moldova Work Plan*, updated through the end of this quarter, June 30, 2007. It must be noted that the Work Plan was developed for the entire course of the ATCI/Moldova Project ending September 2008, yet approved by USAID only for the first year ending September 30, 2007. It is also worth noting that some originally proposed activities, particularly those in the Mortgage Lending Component, are notated "as possible in Moldova" or "as appropriate in Moldova", relating to the macro environment and developments in Moldova which are beyond the scope of the ATCI/Moldova Project.

The objective of the Mortgage Lending Component is to establish a viable, effective and efficient mortgage lending sector in Moldova. This will be accomplished by providing technical, advisory, and training assistance to the National Bank of Moldova and to commercial banks and other financial institutions. A Certified Mortgage Lender (CML) Training Program has been adapted for Moldova and presented in order build the capacity of commercial banks to undertake mortgage lending using standardized, transparent procedures for both borrowers and other lenders. Additionally, technical assistance will be provided to commercial banks to lower the risks associated with mortgage lending and improve the transparency of mortgage lending practices. Other tasks and sub-tasks are described in the "Mortgage Lending" section of this Report, under "Description and Status of Tasks".

The objective of the Financial Leasing Component is to create a supportive environment for modern financial leasing. This will be achieved by building the capacity of leasing companies through training and consulting; provision of training for potential lessees, farmers, regulators, and other interested parties, such as vendors, banks; consulting potential foreign investors in the sector; and conducting public awareness efforts. A Certified Leasing Specialist (CLS) Training Program will be established and presented to leasing professionals, potential leasing professionals, and to training providers for their subsequent delivery of the CLS training program in Moldova.

It is most important that activities of this Project have a viable and beneficial impact on activities directly and even indirectly related to those described in the Work Plan. A key goal for both of the components mentioned above is to ensure continuity of the training programs after this

Project ends. In this regard, the Project has selected or will be selecting local training providers to carry on the training and certification programs according to international standards. The training provider for the CLS program has been selected, along with a back up provider; trainers from these providers have attended the CLS courses. The training provider for the CML program has yet to be selected, though it is anticipated that the best of the candidate providers will be selected (with USAID approval) in the upcoming quarter. Meanwhile, candidate local trainers have been attending the CML courses.

The objective of the Fixed Income Component is to expand the availability of capital to legal entity borrowers as an alternative to bank financing through the issuance of corporate bonds. Beginning in 2002, there have been only a few corporate bond issuances. A total of 10 companies have issued 11 bonds (one company conducted 2 bond issuances) for a total of 36 million Lei, or about $3 million at current exchange rates. The project will work with the NSC (i.e., National Securities Commission) to ease the legislative and regulatory burdens for bond issuance. At the same time, the project will help build the capacity of and provide action plans for the NSC in its upcoming transformation as Mega Regulator for the Non-Bank Financial Institutions, starting later in 2007 after the Mega Regulator Law is adopted. Issues such as transparency and disclosures of issuers will be the main focuses for bond development while the capacity building elements will focus on the regulatory and enforcement activities of the Mega Regulator. *(NOTE: as of the writing of this report, in early July the Mega Regulator Law has been adopted, being published in the monitor.)*

The component of the Development Credit Authority Monitoring activities, which was suggested to be added by USAID as a follow up to a previous (BIZPRO) USAID project, was in fact added in late February 2007. The DCA provides partial loan guarantees for private sector investments/loans in Moldova, through 6 commercial banks and the Rural Finance Corporation. The DCA-related activities of the Project are "on-going" for the most part, and include (1) monitoring how the financial institutions are utilizing the partial guarantees; (2) monitoring how these institutions are submitting claims; (3) assisting the institutions in completing surveys; (4) helping the financial institutions to prepare semi-annual reports for USAID; and (5) verifying the reports of the financial institutions that are submitted through the credit monitoring system.

Priorities during this third-quarterly period of the ATCI/Moldova Project have been to finalize work toward meeting or exceeding the quarterly goals of achieving results in each of the components as planned.

II. SIGNIGICANT EVENTS AND ACHIEVEMENTS – EXECUTIVE SUMMARY MOLDOVA

- THE FIRST CERTIFIED MORTGAGE LENDERS (CML) PROGRAM COMPLETED (3 COURSES OF 4 DAYS EACH) WITH 25 TRAINEES RECEIVING CERTIFICATES
- ADAPTATION OF THE CERTIFIED LEASING SPECIALIST (CLS) COURSES COMPLETED; FIRST AND SECOND COURSES (OF THREE IN THE CLS PROGRAM) PRESENTED; EXAM ADMINISTERED FOR COURSE 1
- SECOND EDUCATIONAL SEMINAR RELATING TO FIXED INCOME SECURITIES PRESENTED TO 17 POTENTIAL ISSUERS AND INVESTORS
- POSSIBLE ISSUER OF MORTGAGE BOND IDENTIFIED; PROTOCOL EXECUTED; SHORT TERM EXPERT ALONG WITH ATCI STAFF CONDUCT MEETINGS
- ISSUER OF CORPORATE BONDS EXECUTE PROTOCOL WITH PROJECT; PROJECT CONDUCTS MEETINGS WITH ISSUER

- TRAINING PROVIDER FOR THE CLS PROGRAM SELECTED; POTENTIAL TRAINING PROVIDERS OF THE CML PROGRAM IDENTIFIED
- TECHNICAL ASSISTANCE TO THE NSC PROVIDED BY PROJECT IN AREA OF DRAFTING PROVISIONS FOR AMENDMENTS TO SECURITIES MARKET LAW
- LEGAL TEAM OF PROJECT PROVIDES RECOMMENDATIONS FOR VARIOUS AMENDMENTS, DRAFTS, AND LAWS
- PROJECT SPONSORS DEPARTMENT MANAGER OF NSC TO ATTEND US SEC'S INSTITUTE OF SECURITIES MARKET DEVELOPMENT AND REGULATION
- PROJECT HOLDS OPEN HOUSE FOR COUNTERPARTS, US GOVERNMENT OFFICIALS, AND MINISTRY OFFICIALS

III. PROJECT EXECUTIVE SUMMARY – EXECUTIVE SUMMARY MOLDOVA

This Report provides details on the events and activities summarized below, as well as other events and activities regarding the USAID Access to Credit Initiative/Moldova (the "Project"), as implemented by consultants for The Pragma Corporation for the period from April 1, 2007 through June 30, 2007. The Project as well as this Report is comprised of four components: Mortgage Lending, Financial Leasing, Fixed Income, and Development Credit Authority (DCA) Monitoring. Each component section of the report will have a summary with specific activities and tasks identified; the status of each activity and task related to the Work Plan with appropriate commentary, relevant attachments, and reference to administrative issues, if any, will be presented.

Mortgage Lending

Primary Market

The ATCI/Moldova Project was active in the development of the mortgage market in accordance with the Work Plan. The third and final module of the Certified Mortgage Lender Training Program I was presented by the short-term experts from the Institute of Urban Economics (Moscow-based) in the Training Center of the Project's office to 19 mortgage professionals, including (3) prospective training providers. See **Attachment 2**, *Training Report CML Course 3*. The final exam was administered, with 25 certificates being awarded to professionals from mortgage lending institutions, training providers, and the Project's Mortgage Advisor. The ATCI/Moldova Country Director participated in the certificate ceremony.

Based on these certifications and accomplishments of the Project, the success story *Mortgage Lending in Moldova, Old Myths and New Reality*, was written and presented to USAID (See **Attachment 3**); in addition, a Press Release that summarized this accomplishment was published in several Moldova newspapers.

The second CML Training Program will begin in September 2007 due to the availability of the Project's trainers.

In promotion of standardized mortgage rules, procedures, and documentation, as well as providing technical assistance for the financial institutions, the Project led or participated in 9 on-site meetings with 8 mortgage lending and other mortgage-related institutions.

The Draft Mortgage Law was approved by the Government and entered Parliament in June 2007. As mentioned in last quarter's Report, the Project submitted several provisions to be included in the Draft Mortgage Law, and 2 provisions were accepted into the Draft.

Secondary Market

Pilot Issue

Based on the Project's assessment, along with that of the short-term expert Steve Moody, the Project selected "Moldova Agroindbank" S.A. (MAIB) as the candidate for the pilot issuance of mortgage bonds. MAIB is the recognized leader in the commercial banking and related sectors. MAIB has a portfolio with a size adequate for a mortgage bond, in addition to having mostly standardized contracts and an IT department capable of conducting analysis of the mortgage portfolio. See **Attachment 4**, *Commercial Bank Selection for Mortgage Backed Securities Pilot Issue.* Subsequent to the Project executing a Protocol with MAIB, the Project's Mortgage Advisor, Legal Team, Financial Analyst, and short-term advisor Steve Moody conducted several meetings with key staff of MAIB's mortgage team to educate the staff and to gain information from the Bank for analysis of the mortgage portfolio, as preliminary steps in the issuance process.

Associated Market Infrastructure

Some work by the Project's Mortgage Advisor and Legal Team was performed in this quarter relating to associated market infrastructure. It must be mentioned that these activities are notated in the Work Plan as "as appropriate (or as possible) in Moldova". The Project intends to accomplish these activities and will work toward this goal unless there is evidence of the activities not being able to be possible or appropriate in Moldova.

Laws on Insurance, Appraisal Activity, and the draft law on Credit Bureaus were reviewed by the Project's Legal Team, with comments and recommendations made in the respective Project reports. Additional work relating to Credit Bureaus has been postponed as there is no Law on Credit Bureaus adopted in Moldova (a pre-requisite for the Project working on these activities). However, as the Mega Regulator Law was adopted (in the next quarter, as of this writing), there may be movement in the adoption of the Credit Bureau Law. Details of work accomplished in this quarter relating to these associated market infrastructure activities are stated in the subsequent related sections of this Quarterly Report.

Financial Leasing

During this quarter, ATCI/Moldova Project had focused on the development, adaptation, and roll out of the Certified Leasing Specialist (CLS) Program. The Training Provider has been selected for the CLS courses, with back up Training Providers attending courses as well. The Training Provider is ACAP, *Association of Accounting and Auditing Professionals.*

CLS course 1 was presented in the Project's Training Centre in May 2007, and CLS course 2 was presented in June 2007. Both training courses were broadly adapted for the Moldovan environment, but followed the course material as presented in Ukraine. See Agendas for topics and trainers for CLS Program 1, courses 1 and 2, as **Attachment 5**, *Agenda CLS Program 1, Course 1, May 2007* and **Attachment 6**, *Agenda CLS Program 1, Course 2, June 2007.* The Training Provider, ACAP, presented course 2 in its entirety. Exam for course 1 was given in June; exam for course 2 will be given early in next quarter.

Due to summer vacation schedules of the Trainers as well as for the Leasing professionals, the third and final CLS course will be delayed until September 2007. Among the 23-25 attendees of the training courses, there were 17 Leasing professionals representing 7 Leasing Companies; Bob Homans, the Leasing Expert at ATCI/Ukraine, made presentations on 2 topics for course 1

and stayed to monitor the 3-day course. See his report as **Attachment 7**, *CLS Program, Course 1 Report, Moldova*.

It has been agreed by the major Leasing Companies that the formation and registration of the Moldovan Leasing Association will be delayed until the fall of 2007. Regarding the Leasing NGO, to be the administrator, monitor, and grader of the CLS examinations, a timeline of required registration activities has been devised by the Project's Legal Team, with the name of the NGO registered at the State Body. The name of the NGO in Romanian is "Centre for Leasing Initiative Promotion (CLIP)". Progress in registering the NGO is anticipated for the next quarter, with the possibility of completion of registration during the same quarter.

Regarding bond issuances of leasing companies (more on this in the Fixed Income Component section below):

MAIB Leasing, as mentioned in the prior Quarterly Report, signed a Protocol with the Project, and has asked for specific Technical Assistance for their upcoming corporate bond issuance later this fall. The Project staff along with the short-term expert Steve Moody met with MAIB Leasing to detail the work and cooperation.

The Project's Financial Analyst along with Steve Moody met with IMC Leasing for updated progress in its desire to issue bonds. At the moment IMC is not ready to issue bonds or ready for further assistance.

Fixed Income

ATCI/Moldova continued its assistance to the National Securities Commission (NSC or "CNVM" acronym in Romanian) in helping with their development as the Mega Regulator for Non-Bank Financial Institutions. It must be noted, however, that the Mega Regulator Law, "Law of the National Commission of the Financial Market" which was initially contemplated as being adopted by the end of this first quarter 2007, was not; it was not adopted during this reporting quarter either. The Mega Regulator Law was, however, finally adopted early in July (next reporting quarter). It is expected that all 5 Commissioners will be let go, as well as all staffs of the regulators, with former and new staff members being (re-) hired.

As mentioned in the previous Quarterly Report, the ATCI/Moldova Project sponsored the Operations Department Head of the NSC to attend the US SEC's Annual International Institute for Securities Market Development, held in Washington, D.C. in April 2007 for 2 weeks. The materials obtained for this Institute were made available to the staff of the NSC, and the delegate delivered a report to the Country Director (during the first week of the next reporting quarter to be attached to next quarter's report) on the various seminars attended as well as the significance of the seminars related to work to be performed by the Mega Regulator in Moldova.

The Project continued its series of educational seminars on bond issuance and bond investing during this Quarter, with the Financial Analyst of the Project delivering the educational seminar to 17 potential issuers and buyers in the Training Centre of the Project. See **Attachment 8**, *Report on Bonds Seminar, May 2007.*

Other activities achieved during this quarter relating to the implementation of regulatory reform included (1) review of existing and draft legislation by the ATCI/Moldova legal team and other staff members with recommended provisions drafted to fill gaps regarding the issuance of bonds; and (2) continuing analyses of financial statements of potential corporate bond issuers by the Financial Analyst of the Project.

Regarding corporate and mortgage bond issuance development, the Project signed Protocols with MAIB Leasing for assistance in their issuance of a corporate bond and with MAIB for assistance in their (possible) issuance of a mortgage bond. Short-term expert Steve Moody

along with various Project staff members made visits and held meetings with these two companies, holding three meetings with the MAIB mortgage team, to ensure their understanding of what needs are for issuance and for Steve to receive information on sample mortgages that could be securitized for the bond. Steve also met with three other companies for possible issuance as identified by the Project's Financial Analyst, and met with the National Securities Commission to enlighten them in the areas of bond issuance and regulation. See **Attachment 9**, *Steve Moody's Report on Issuers*. It was determined for now, that the other identified potential issuers with whom Steve met are not candidates for the Project's assistance.

Additionally, the Project continued its review of the legislative and regulatory aspects of bond issuances, including the issuance of mortgage bonds, and made recommendations for easing the constraints for companies in the issuance of debt securities. The Project conducted meetings with staff members of the NSC in this regard, and collaborated in the drafting of amendments to provisions in the legislation. This collaboration will continue in the next reporting quarter.

Development Credit Authority Monitoring

The Project continued its monitoring activities regarding the Development Credit Authority (DCA) throughout the quarter. Guarantee products offered by USAID/DCA are:

Loan guarantee, for a single project, where both the borrower and lender are known in advance;

Portable guarantee, for a single project, giving the borrower the opportunity to approach various lenders for best terms offerings;

Loan portfolio guarantee, for multiple projects and multiple borrowers of a single lender; and

Bond guarantee, for issuance of various types of bonds by financial institutions, non-financial corporations, or sub-national governments.

The ATCI/Moldova Project has decided to pursue the use of the DCA guarantees only in specific situations.

IV. PROJECT STAFFING – EXECUTIVE SUMMARY MOLDOVA

The following are personnel of ATCI/Moldova engaged in Project activities this quarter:

- Rick Dvorin, Country Director
- Alina Birsan, Attorney
- Mariana Botezatu, Mortgage Advisor
- Tamara Burca, Translator/Interpreter
- Olga Captilova, Office Manager/Financial Controller
- Mihail Gherghircic, Financial Analyst
- Alex Levit, Driver
- Vlad Railean, Senior Financial Leasing Advisor
- Viorel Rusu, Senior Attorney
- Alisa Savva, Administrative Assistant/Receptionist

The following short-term expert advisors worked with the Project in Moldova during this quarter:

- Alexander Kopeikin, CML Training (IUE, Russia)
- Natalia Rogozhina, CML Training (IUE, Russia)
- Robert Homans, Financial Leasing and Training (ATCI/Ukraine)
- Steve Moody, Fixed Income Expert (Pragma/Kazakhstan)

V. ADMINISTRATIVE ISSUES – EXECUTIVE SUMMARY MOLDOVA

An Open House for the Project was held in April on the premises of the Project's office. David Lucterhand along with the Country Director and staff of ATCI/Moldova were in attendance as well as officials and staff from Ministries, US Embassy, USAID, other donor organizations, ATCI/Ukraine, counterpart organizations, and other USAID projects. The Project was officially and formally presented during this event, giving counterparts a chance to not only meet with staff of ATCI/Moldova, but also to discuss business related concerns amongst themselves and others.

In coordination with ATCI/Ukraine, the staff of ATCI/Moldova developed and sent information, documents, lists, etc. to appear on the website developed by ATCI/Ukraine, www.atci.com.ua, which will be identified as ATCI/Moldova.

LIST OF ATTACHMENTS

ATTACHMENT 1: The Access to Credit Initiative/Moldova Work Plan (updated through June 30, 2007)

ATTACHMENT 2: Training Report CML 3

ATTACHMENT 3: Success Story of CML Program 1

ATTACHMENT 4: Commercial Bank Selection for Mortgage Backed Securities Pilot Issue

ATTACHMENT 5: Agenda CLS Program 1, Course 1

ATTACHMENT 6: Agenda CLS Program 1, Course 2

ATTACHMENT 7: CLS Program, Course 1 Report, Homans

ATTACHMENT 8: Report on Bonds Seminar

ATTACHMENT 9: Steve Moody's Report on Issuers

B. MORTGAGE LENDING - Moldova

I. COMPONENT DESCRIPTION – MORTGAGE LENDING MOLDOVA

This Report provides details on the events and activities relating to the Mortgage Lending Component of the USAID Access to Credit Initiative/Moldova, as implemented by The Pragma Corporation, during the period from April 1, 2007 through June 30, 2007.

The primary purpose of the ATCI/Moldova Mortgage Lending component is to develop the primary and secondary mortgage market with its associated infrastructure, as possible and as appropriate in Moldova. Primary market development involves legislative review and addressing legislative deficiencies; the use of standardized documentation for underwriting and loan servicing; certification of personnel for mortgage lenders that results in a CML designation; technical assistance to financial institutions engaged in mortgage lending; and assessment of titling and all related processes. Development of the secondary market involves the structuring of mortgage-backed bonds with the appropriate legal environment for issuance. Associated market infrastructure involves development of private, term life, and appraisers, registration centers, real estate sales practitioners, and appropriate regulation.

A secondary goal of the Project related to Mortgage development is assisting in the development of a Credit Information Company. The Project intends to participate in this endeavor only after a CIC Law that is acceptable to USAID is passed. To date, this law has been sent to the government, but it has been held up for review. With the recent adoption (July 2007) of the Law on the National Commission of the Financial Market (Mega-Regulator Law), there may be some movement in the CIC Law after Parliamentarian vacations in the latter portion of next reporting quarter.

II. SIGNIFICANT EVENTS – MORTGAGE LENDING MOLDOVA

- THE FIRST CERTIFIED MORTGAGE LENDERS (CML) PROGRAM COMPLETED (3 COURSES OF 4 DAYS EACH) WITH 25 TRAINEES RECEIVING CERTIFICATES
- POSSIBLE ISSUER OF MORTGAGE BOND IDENTIFIED; PROTOCOL EXECUTED; SHORT TERM EXPERT ALONG WITH ATCI STAFF CONDUCT MEETINGS
- SURVEY RESULTS OF THE MORTGAGE LENDING COMPANIES RECEIVED BY PROJECT TO FORM BASELINE OF MORTGAGE ACTIVITY TO MEASURE IMPACT OF PROJECT'S ACTIVITIES
- LEGAL TEAM OF PROJECT PROVIDES RECOMMENDATIONS FOR VARIOUS LEGISLATIVE AMENDMENTS, DRAFTS, AND LAWS

III. EXECUTIVE SUMMARY – MORTGAGE LENDING MOLDOVA

Primary Mortgage Market

Certified Mortgage Lending Training Program

The Project presented the third and final Certified Mortgage Lenders training course and therefore completed the first CML training program. Attending the course were 25 trainees from 14 institutions including 19 mortgage professionals from 10 mortgage lending companies or agencies. All 25 trainees successfully passed the CML exams to earn their Certified Mortgage Lenders certificates in a ceremony held at the Training Centre of the Project. On hand at this ceremony were representatives from USAID including Corneliu Rusnac and Blake Chrystal, Project Development Officer. Blake and Country Director Rick Dvorin participated in the handing out of the CML certificates. This successfully closed the first complete CML training program in Moldova. A Success Story was submitted to USAID; a press release was submitted to the print media in Moldova summarizing this accomplishment by USAID and ATCI/Moldova.

The next (i.e., second) CML Training Program will begin in the early fall due to scheduling conflicts of the CML trainers along with the vacation conflicts of the trainees. The Project will select (with CTO approval) the Training Provider(s) for the CML courses, and these trainers will be included in the upcoming CML training courses in the fall 2007. For the third CML training Program, it is anticipated that the trainers of the Training Provider(s) will deliver the courses themselves with the Project staff as observers.

Mortgage Law

The Draft Mortgage Law has been approved by the Government, entering Parliament on June 5, 2007. As stated earlier, the Project's Legal and Mortgage team members submitted several provisions for inclusion in this Draft Law with 2 provisions being accepted. These comments on the provisions are as follows, relating to the indicated articles:

Article 2. Legal regulation
(1) Mortgage is regulated by the Constitution of the Republic of Moldova, this law, other normative acts, as well as by international treaties to which the Republic of Moldova is party.

- It is necessary to include in Article 2, paragraph (1) a reference to the Civil Code, which is also regulating some aspects related with pledge (mortgage).

Article 5. Mortgage-secured claims
(2) The mortgage-secured claim must have a monetary nature. The mortgage-secured claim may be expressed in national or foreign currency.

- Mortgage claims can't be expressed in *(foreign)* currency – the language will be as follows: *in national currency*.

Assessments of Residential Mortgage and Rural/Agricultural Lending Activity; Baselines and Project Impact

The Project sent survey questionnaires to the eight active mortgage lending companies for responses to be returned based on their mortgage lending activities as of the end of 2006. The questionnaires were completed and results are summarized in the **Attachment 10**, *Survey of Mortgage Activity, as of end 2006*. These statistics will be compared to statistics received by the Project periodically (e.g., every six months) from similar surveys sent out to the mortgage lending companies. The Project will compare results for the overall market activity as well as

for each specific mortgage lending institution, thus the following statistics will form a baseline from the beginning of the Project.

The comparative results will more than likely show growth and expansion in the mortgage lending market, some of which is due to the impact of the ATCI/Moldova Project's activities concerning the primary market, secondary market, and the associated mortgage market infrastructure. Through other surveys and questionnaires the Project will try to determine the overall impact on the mortgage market in Moldova.

Some of the key summary statistics as of end of 2006 that the Project received are:

- The volume of mortgage lending as of December 31, 2006 was estimated as 583.3 million lei or over $44.4 million constituting 3254 issued loans. The average value of a loan is 179 thousand lei or $13.6 thousand.
- The target segment for financial institutions in mortgage lending is represented by the layer of the population with documentary confirmed salaries net superior to average salaries, as well as persons with stable collections/revenues from abroad (remittances). This has additional relevance as the delinquency rate (indebted more than 30 days) reported by financial institutions is 0% *(this 0% delinquency rate may be challenged)*!
- The term of a loan is varying between 6.4 and 15 years; seven years term is prevailing. Average term is less than the one indicated in the mortgage contract, due to prepayments.
- Average annual interest applied on mortgage lending, as of the end of 2006, was 15-16% for loans in MDL and 12-14% for loans adjusted in USD or Euro.
- Range of LTV (loan to value) is from 47 to 70%, with most indicating 60-70% LTV. This level indicates a good risk management policy, applied by all financial institutions.

The Project also developed a *Rural and Agricultural Finance Report* in Moldova, (see **Attachment 11**) (*NOTE: some information obtained from the CNFA/USAID Project; while additional information was not yet obtained from other sources*). ATCI/Moldova will use this information to make a determination, along with the mortgage lending companies, where these companies can make an impact in introducing and otherwise expanding mortgage lending activities in this sector. In particular, it is the goal of this Project to assist in the development of mortgage (and leasing) products for these rural and agricultural clients as well as to develop and provide specialized training courses to mortgage (and even leasing) companies.

Technical Assistance

Project provided on-site consultancy to the Vice-President and his mortgage team from Banca de Economii; as well as to the representatives of the following banks and mortgage companies: Moldova-Agroindbank, Mobiasbank, Moldindconbank, Banca de Economii, Victoriabank, FinComBank, Prime Capital, and AMIC mortgage agency. TA took place during the CML training in April, as well as other assistance conducted via e-mail and telephone as requested.

Topics of discussions included the promotion of standardized mortgage rules, procedures, and documentation, as well as providing technical assistance for the financial institutions in the areas of securitizing mortgages, acting as an underwriter, valuation of the object of mortgage; insurance of the object of mortgage; and content of mortgage contract. The short-term experts along with the mortgage, legal, and financial analyst staff members of the Project conducted the meetings providing the TA.

Secondary Market

Pilot Issue

Based on the Project's assessment, along with that of the short-term expert Steve Moody, the Project selected "Moldova Agroindbank" S.A. (MAIB) as the candidate for the pilot issuance of mortgage bonds. MAIB is the recognized leader in the commercial banking and related sectors. MAIB has a portfolio with a size adequate for a mortgage bond, in addition to having mostly standardized contracts and an IT department capable of conducting analysis of the mortgage portfolio. See **Attachment 4**, *Commercial Bank Selection for Mortgage Backed Securities Pilot Issue.* Subsequent to the Project executing a Protocol with MAIB, the Project's Mortgage Advisor, Legal Team, Financial Analyst, and short-term advisor Steve Moody conducted several meetings with key staff of MAIB's mortgage team to educate the staff and to gain information from the Bank for analysis of the mortgage portfolio, as preliminary steps in the issuance process.

The mortgage and fixed income staff members of the Project along with the Legal Team drafted legal provisions regarding (mortgage) bonds to be included in the Draft Law on Amending the Securities Market Law during this quarter. It is anticipated that the short-term expert Steve Moody, plus a capital markets attorney specializing in bond issuance, will also make formal reviews of relevant legislation to make recommendations as well as draft recommended provisions for the draft amendments to the Securities Market Law.

Associated Market Infrastructure

The Project's Mortgage Advisor and Legal Team continued work in this quarter relating to associated market infrastructure. It must be mentioned that these activities are notated in the Work Plan as "as appropriate (or as possible) in Moldova". The Project intends to accomplish these activities and will work toward this goal unless there is evidence of the activities not being possible or appropriate in Moldova.

The Laws on Appraisal Activity and Insurance, and the Draft Law on Credit Bureaus were reviewed by the Project's Legal Team, with comments and recommendations made in the respective attached reports.

- See **Attachment 12**, *Legal Team Opinions on Appraisal Law, June 2007*, which among other things recommends the adoption of national evaluation standards.
- The Law on Insurance was adopted when published in the Official Monitor in April 2007. Based on the legal provisions the possibility to develop life insurance mortgage products is addressed, thus the insured can appoint the mortgagee as beneficiary. The Project's legal team concluded that the Insurance Law does not provide any obstacles for the development of mortgage-life insurance products. See **Attachment 13**, *Review of Insurance Law.*
- Meanwhile, the Project has gathered updated information on actuarial data/mortality tables, from 1998 through 2005, for assessment and further discussions with insurance companies
- The Draft Law on Credit Bureaus has stalled in Government awaiting the adoption of the Mega Regulator Law; the Mega Regulator Law has just been adopted (July 2007). The newly established Mega Regulator is the regulator of the credit bureaus. Additional Activities of this Project relating to the development of credit bureaus had been postponed as there is no Law on Credit Bureaus (a pre-requisite for the Project

working on these activities). However, as the Mega Regulator Law was adopted (in July 2007 as of this writing), there may be movement in the adoption of the Credit Bureau Law. See **Attachment 14**, *Review of the Draft Law on Credit Bureaus,* regarding the opinions and recommendations of the Project's legal team.

The Project will discuss the above recommendations and proposed amendments to these Laws at the appropriate times in the near future with the relevant body or supervisory agency, e.g. the Ministry of Economy; National Commission on Financial Markets. The great need is to have adequate legislation adopted for the introduction of new products; with short-term technical assistance the Project will work on these needed developmental activities.

IV. ADMINISTRATIVE ISSUES – MORTGAGE LENDING MOLDOVA

NONE

V. DESCRIPTION AND STATUS OF TASKS (RELEVANT TO WORK PLAN THIS QUARTER) – MORTGAGE LENDING MOLDOVA

Task A. Implement Certified Mortgage Lender Program

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. IUE review of training materials and methodology for applicability to Moldova; Assess mortgage activity	• WORK COMMENCED IN FIRST AND SECOND QUARTERS, CONTINUED IN THIS QUARTER WITH ASSISTANCE FROM MORTGAGE ADVISORS AND LEGAL TEAM OF PROJECT IN PREPARATION OF COURSE 3 OF CML PROGRAM 1 • CML COURSE 3 OF PROGRAM 1 ADAPTED FOR MOLDOVAN MORTGAGE MARKET AND ACTIVITIES
2. Selection of candidates for CML training	• N/A FOR THIS QUARTER
3. Develop and administer CML training	• COURSE 3, PROGRAM 1 DELIVERED IN APRIL • 25 TRAINEES FROM 14 INSTITUTIONS, INCLUDING FROM 10 MORTGAGE COMPANIES AND AGENCIES, PARTICIPATE IN COURSE, TAKE EXAM • 100% OF TRAINEES PASS EXAMS AND CERTIFIED AS CML • NEXT CML TRAINING PROGRAM 2 TO BEGIN IN SEPTEMBER 2007.
4. Deliver 3 complete CML courses; 2 in first year.	• N/A

5. Conduct assessment of current mortgage activity and impact assessment of CML Program on mortgage lenders and their lending practices	• SELF ASSESSMENT SURVEY SENT TO ALL TRAINEES IN COURSE 3. RESULTS ATTACHED. • SUMMARY OF VOLUME AND ACTIVITY OF MORTGAGE LENDING MARKET AS OF DECEMBER 31, 2006 WILL FORM A BASELINE FOR COMPARISON OF MARKET GROWTH AND EXPANSION
6. Assess rural lending, titling registration, appraisal of profitable agricultural production units	• REVISED AND UPDATED RELATED STUDIES AND REPORTS ON RURAL AND AGRICULTURAL FINANCE, ATTACHED
7. Deliver specialized mortgage trainings related to activities above and legal framework, if applicable and as needed.	• N/A

Task B. Assistance to Banks in Undertaking Mortgage Lending

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Promote standardized rules, procedures, and documentation for retail mortgage lending in Moldova	• THESE ACTIVITIES CONTINUED IN THIS QUARTER. • 9 MEETINGS HELD WITH 8 BANKS AND OTHER INSTITUTIONS DISCUSSING AND PROMOTING STANDARDIZED RULES, PROCEDURES AND DOCUMENTATION IN THIS QUARTER
2. Select candidate banks and financial institutions for receipt of on-site technical assistance, as requested	• SELF EVALUATION PAPER ON LEVEL OF REQUIREMENTS BEING MET FOR POSSIBLE ISSUANCE OF MORTGAGE SECURITIES DISTRIBUTED TO TRAINEES IN CML COURSE • DELIVERY OF TA; SEE POINT 1 ABOVE, AS REQUESTED

3. Provide on-site technical assistance	• ON-SITE CONSULTANCY FOR VP AND MORTGAGE TEAM OF BANCA DE ECONOMII • ADDITIONAL SPECIFIC (AS REQUESTED) ON-SITE TA BY SHORT TERM AND MORTGAGE/LEGAL EXPERTS OF PROJECT PROVIDED TO MAIB, MOBIASBANK, MOLDINDCOMBANK, BANCA DE ECONOMII, VICTORIABANK, FINCOMBANK; AND MORTGAGE COMPANIES PRIME CAPITAL AND AMIC • AD HOC TA VIA EMAIL AND TELEPHONE • IN PROCESS OF DRAFTING GUIDE ON MORTGAGE LENDING AND FAQS

Task C. Develop Mortgage-Related Life Insurance Products "as possible in Moldova"

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Analyze insurance and mortgage markets for existing products and practices	• N/A THIS QUARTER; COMPLETED LAST QUARTER
2. Assess legal and regulatory framework	• WORK COMMENCED LAST QUARTER, CONTINUED THIS QUARTER WITH THE EXAMINATION AND REVIEW OF NEW LAW ON INSURANCE (ADOPTED THIS QUARTER) AND CIVIL CODE • REPORT ATTACHED ON LAW ON INSURANCE WITH COMMENTS AND RECOMMENDATIONS
3. Assess existing actuarial data	• UPDATED ACTUALRIAL DATA/MORTALITY TABLES THROUGH 2005 FOR FURTHER ANALYSIS AND FOCUS OF DISCUSSIONS WITH INSURANCE COMPANIES FOR DEVELOPMENT OF MORTGAGE-INSURANCE RELATED PRODUCTS
4. Identify candidate insurers	• PRE-SELECTION MEETINGS WITH THE TOP MANAGEMENT OF MODASIG AND VICTORIA-ASIGURARI AS CANDIDATES FOR INSURERS AND POTENTIAL COLLABORATION FOR DEVELOPMENT OF MORTGAGE-INSURANCE RELATED PRODUCTS
5. Develop term sheet and rate structure	• NOT ACCOMPLISHED, AS AWAITING BETTER TIMING AND WORK WITH SHORT TERM EXPERT; POSSIBLY NEXT QUARTER
6. Assist in drafting policy	• N/A
7. Conduct roundtables with mortgage lending banks and financial institutions	• N/A
8. Launch product	• N/A

Task D. Develop the Capacity of the Real Estate Appraisal and Mortgage Brokers Associations "as possible in Moldova"

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Needs assessment of appraisal and real estate associations or organizations	• EXAMINED LAW ON APPRAISAL ACTIVITY LATE IN QUARTER; SEE ATTACHED REPORT
2. Facilitate development and use of unified methodology of appraisals	• NOT ACCOMPLISHED THIS QUARTER AS LEGAL TEAM'S REVIEW OF LAW TOOK PLACE LATE IN QUARTER; PLANNED TO HAVE SHORT-TERM EXPERT WORK ON THIS; POSSIBLY NEXT QUARTER
3. Design training and capacity building programs for associations to comply with international norms	• NOT ACCOMPLISHED THIS QUARTER AS LEGAL TEAM'S REVIEW OF LAW TOOK PLACE LATE IN QUARTER; PLANNED TO HAVE SHORT-TERM EXPERT WORK ON THIS; POSSIBLY NEXT QUARTER
4. Facilitate associations' membership/participation in brokerage and appraisal associations; organize study tours to the US	• N/A

Task E. Develop a Mortgage-Backed Securities Capability "as possible in Moldova"

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Establish Legal Working Group to assess legal basis and regulatory framework	• WORK COMMENCED IN LAST QUARTER, CONTINUED THIS QUARTER • WORKING GROUP MET TO DISCUSS DRAFT LAWS ON MORTGAGE AND ON AMENDMENTS TO THE SECURITIES MARKET LAW • COMMENTS ON DRAFT LAW ON MORTGAGE SENT OFFICIALLY TO MINISTRY OF ECONOMY

2. Draft legal provisions as needed	• DRAFTED LEGAL PROVISIONS REGARDING MORTGAGE BONDS TO BE INCLUDED IN DRAFT LAW ON AMENDING THE SECURITIES MARKET LAW • REVIEWED ROMANIAN AND UKRAINIAN LEGISLATION ON MORTGAGE BONDS IN ORDER TO ESTABLISH BEST PRACTICES • MEMO REGARDING SOME PROVISIONS RELATED TO MORTGAGE BONDS AND CLAIMS SECURITIZATION APPLICABILITY INCLUDED AS ATTACHMENT TO THIS REPORT • HELD MEETINGS WITH NATIONAL SECURITIES COMMISSION COORDINATING EFFORTS FOR DRAFTING
3. Promote legal provisions to professionals, regulators, Ministries, etc.	• THE COMMENTS TO DRAFT MORTGAGE LAW SENT TO MINISTRY OF ECONOMY • PRELIMINARY DISCUSSIONS HELD WITH EBRD TO JOIN EFFORTS IN PROMOTION OF MORTGAGE LAW • LEGAL PROVISIONS REGARDING (MORTGAGE) BONDS DISCUSSED WITH REPRESENTATIVES OF NATIONAL SECURITIES COMMISSION; PROJECT'S RECOMMENDED PROVISIONS INCLUDED IN DRAFT MORTGAGE LAW
4. Select Candidate Issuer(s)	• PRE-SELECTION MEETINGS WITH PRESIDENT OF MOLDOVA AGROINDBANK (MAIB) • PROTOCOL SIGNED BETWEEN MAIB AND PROJECT • MEETINGS WITH MORTGAGE AND "IT" TEAM OF MAIB AND PROJECT
5. Conduct portfolio analysis	• MEETING HELD WITH MAIB AND PROJECT'S SHORT-TERM EXPERT, FINANCIAL ANALYST, ATTORNEY, AND MORTGAGE ADVISOR, REVIEWING SAMPLE PORTFOLIO OF BANK AND ITS "IT" CAPABILITIES AND UNDERSTANDING
6. Develop standardized indenture	• ANTICIPATED TO BE DONE NEXT QUARTER AFTER PROJECT RECEIVES APPROVAL OF CTO OF PILOT ISSUER (MAIB)
7. Draft investment memorandum	• N/A
8. Registration and Listing	• N/A

9. Identify potential investors	• PROJECT DELIVERED SECOND SEMINAR ON BONDS TO POTENTIAL ISSUERS AND BUYERS, MAY 2007; 17 PROFESSIONALS ATTENDED, REPRESENTING BANKS, LEASING COMPANIES, MORTGAGE COMPANIES, CORPORATE TREASURY DEPARTMENTS, AND FINANCIAL MARKET REGULATORS • PROJECT HELD ON AND OFF-SITE MEETINGS WITH POTENTIAL INVESTORS AND OTHER FINANCIAL INSTITUTIONS
10. Conduct "road show"	• N/A
11. Price and place issue	• N/A

Task F. Facilitate Establishment of a Commercial Credit Information Company (i.e., Credit Bureau) "as appropriate in Moldova"

Assessment of credit bureau status and feasibility of establishment of credit bureau system in Moldova Phase I: Review current status of development of a CIC	**NOTES FOR ACTIVITIES F, G, AND H, ALL RELATING TO ESTABLISHMENT OF COMMERCIAL CREDIT INFORMATION COMPANY, I.E., CREDIT BUREAU:** • DRAFT LAW ON CREDIT BUREAUS HAS NOT BEEN ADOPTED AND THEREFORE NO ADDITIONAL WORK WAS OR WILL BE DONE UNTIL THIS LAW IS ADOPTED • THE REGULAORY BODY IS ESTABLISHED AS OF JULY 2007, THROUGH THE ADOPTION OF THE MEGA REGULATOR LAW • IT MAY NOW BE EXPECTED THAT THERE MAY BE MOVEMENT IN THE LAW ON CREDIT BUREAUS; LAW IS STILL AT GOVERNMENT, NOT APPROVED • PROJECT IS IN CONSTANT AND ONGOING COMMUNICATIONS WITH WORLD BANK OFFICERS AND DIRECOR OF THE COMPETITIVENESS ENHANCEMENT PROJECT IMPLEMENTATION UNIT (PIU); WORLD BANK STARTED WORK IN DEVELOPING CREDIT BUREAU OVER A YEAR AGO • PROJECT INTENDS TO DISCUSS WITH NEW MEGA REGULATOR THE STATUS OF THIS LAW ON CREDIT BUREAUS
1. Coordinate disparate groups (providers, users, government) and consolidate interests—overall project coordination	• N/A
a) Develop and establish linkages with primary international credit bureau operators	• N/A

b) Execute plan for participation of all banks	• N/A
c) Sponsor visits to potential foreign CB partners	• N/A
d) Secure final buy-in of local data providers and users	• N/A
2. Determine and review CIB development strategy with government and counterparts: review availability, activity, and accessibility of (a) credit info.; (b) other pertinent borrower data; (c) credit data used by financial intermediaries; and (d) credit reporting	• N/A
3. Market best approach for structuring, establishing and operating CIB	• N/A
4. Analyze and coordinate passage of Law	• PROJECT MORTGAGE ADVISOR AND LEGAL TEAM REVIEWED LAW ON CREDIT BUREAUS; DRAFTED NECESSARY PROVISIONS FOR INCLUSION; INCLUDED DRAFT LAW ON CREDIT BUREAUS FOR DISCUSSION IN THE VIRTUAL LEGAL WORKING GROUP
a) Seminars with key government ministries (data providers) and public (articles)	• N/A
5. Review and shape regulatory framework; draft and monitor legislation and regulations	• N/A

Task G. Build Capacity of Participating Banks to Maximize Benefits of CIC "in Moldova as appropriate"

Phase II: Work with market participants. Overall coordination of activities aimed at the promotion and development of credit bureau	• N/A (SEE NOTES ABOVE, IN TASK F)
a) Consent clause—convince the market, draft the	• N/A

wording of consent clause, recommend consent clause placement in the application form	
b) Advise on RFP responses and selection process of successful bidder from among CB operators as appropriate	• N/A
c) Reciprocity and access rights (data suppliers and data users)	• N/A
d) Data sharing (positive and negative data, scope of data, data masking, possible payment/data sharing arrangements)	• N/A
e) Work with public record holders (CBs will have to conclude separate agreement with each public record holder)	• N/A
f) Securing involvement of mobile phone operators, insurance companies, credit unions, etc.	• N/A
Phase III: Work with regulators, market education and public awareness efforts	• N/A
a) Shape regulatory debate and assist in drafting CB regulations and licensing requirements	• N/A
b) Market education and public awareness campaign (publication of articles, etc.)	• N/A
c) Regional workshops (to promote CBs and effective use of CB products)	• N/A
d) Develop and deliver package of training programs: **i) Banking Sector training** **ii) Agricultural Sector training** **iii) Leasing Sector training**	• N/A

Task H. Develop and Prepare Business Plan for CIC "as appropriate in Moldova"

1. Define business and operations plan for CIB	• N/A (SEE NOTES ABOVE IN TASK F)
2. Outline package of technical requirements	• N/A
3. Discussions with government data providers	• N/A
4. Prepare and deliver RFP	• N/A
i) Review business plan with domestic banks and other local investors	• N/A
ii) Review business plan with Bankers' Association and other business groups	• N/A
5. Secure Buy-in to business plan of foreign investors and banks	• N/A

LIST OF ATTACHMENTS

ATTACHMENT 4: Commercial Bank Selection for Mortgage Backed Securities Pilot Issue

ATTACHMENT 10: Survey of Mortgage Activity, as of end 2006

ATTACHMENT 11: Rural and Agricultural Finance Report

ATTACHMENT 12: Legal Team Recommendations on Appraisal Law

ATTACHMENT 13: Review of Insurance Law

ATTACHMENT 14: Review of the Draft Law on Credit Bureaus

C. FINANCIAL LEASING - Moldova

I. COMPONENT DESCRIPTION – FINANCIAL LEASING MOLDOVA

This report details events and activities relating to the Financial Leasing Component of the USAID Access to Credit Initiative/Moldova, implemented by the Pragma Corporation, during the period from April 1 through June 30, 2007.

The primary purpose of the Financial Leasing Component is to create a supportive environment for modern financial leasing. As well the Project will provide specific technical, advisory, and training assistance in order to increase access to credit throughout Moldova, whereas Financial Leasing is an efficient alternative to bank financing.

ATCI/Moldova aims to strengthen existing leasing companies. Capacity building consists of training and consulting for lessors, lessees, farmers, regulators, and other interested parties, such as vendors and banks. In addition, ATCI/Moldova will be seeking potential foreign and local investors as well as conducting public awareness efforts.

Moreover, the Financial Leasing Component will be building the capacity of leasing professionals by introducing the Certified Leasing Specialist (CLS) Program, a designation for market participants so that they may attain world standards of practice.

ATCI/Moldova will support and/or develop the proper legislative and regulatory framework to support the leasing industry and facilitate the entry of foreign capital into the leasing sector.

II. SIGNIFICANT EVENTS – FINANCIAL LEASING MOLDOVA

- ADAPTATION OF THE CERTIFIED LEASING SPECIALIST (CLS) COURSES 1 AND 2 COMPLETED; FIRST AND SECOND COURSES (OF THREE IN THE CLS PROGRAM) PRESENTED; EXAM ADMINISTERED FOR COURSE 1
- PROJECT EXECUTES PROTOCOL WITH LEASING COMPANY ISSUER OF CORPORATE BONDS; PROJECT CONDUCTS MEETINGS WITH ISSUER FOR COOPERATION IN PREPARATION OF ISSUANCE
- LEGAL TEAM OF PROJECT PROVIDES PLAN FOR LEASING NGO ESTABLISHMENT; REGISTERS NAME OF NGO WITH STATE REGISTRATION BODY

III. EXECUTIVE SUMMARY – FINANCIAL LEASING MOLDOVA

During this period ATCI/Moldova focused on developing and initializing the Certified Leasing Specialist (CLS) Program. In this quarter ATCI/Moldova received the CLS courses from the same CLS training program in Ukraine. Much effort went into adapting the courses for the Moldovan environment particularly in the areas of accounting, legislation, and documentation. Adaptation of training materials began last quarter; Project staff members, the Leasing Advisor along with the Legal Team, together with the local training provider and with experts from the ATCI/Ukraine project, the CLS training course 1 and 2 materials, completed the adaptation for the Moldovan leasing market and environment to make it as practical as possible. More work in this adaptation was needed than originally contemplated due to the different legal and accounting environment.

Courses 1 and 2 of CLS Program 1 were delivered during this quarter, with the second course presented in the last week of the quarter. Both courses were presented in the Project's Training Center, with 23-25 trainees in attendance representing eight leasing companies and other institutions. It is contemplated that the 3rd course may have to be delayed until late next quarter due to vacations of the trainers and the trainees during the summer. See **Attachments 15 and 16**, *CLS Course 1, Outline and Trainers* and *CLS Course 2, Outline and Trainers*.

Training for CLS Course 1 was provided by the Project's short-term Leasing Expert Bob Homans (2 sessions) and Senior Attorney (2 sessions), as well as the trainers of the ACAP Training Provider (8 sessions of the 3-day course). See **Attachment 17**, *CLS Program, Course 1 Report, Homans*. Training for the CLS Course 2 was provided by the ACAP Training Provider, 4 trainers of 12 sessions of the 3-day course. When asked to make some comments about the CLS Training Course, 6 trainees provided comments of appreciation to USAID/ATCI. See **Attachment 18**, *Feedback from CLS Course 1 Trainees*.

The Legal Team of the Project, Senior Attorney Viorel Rusu and Attorney Alina Birsan, continued their support in the Leasing Component by reviewing legislation relating to the establishment of the Leasing Association (Law on Public Organizations) and the registration of a Leasing NGO. Regarding the Leasing Association, the major leasing companies had decided not to seek registration for the Association until sometime in the fall. Regarding the Leasing NGO, the team put together a plan for the establishment of the Leasing NGO regarding the steps needed to be taken, the costs involved, and the persons responsible for completing each task. Late in the quarter, the name of the Leasing NGO, "Center for Leasing Initiative Promotion (CLIP)" was chosen and registered at the state registration body.

The Project continued capacity building work with a number of lessors through advisory services, providing technical assistance to leasing companies in the fields of taxation, new entry (for Sixt Optima Leasing from Kyiv), real estate leasing, customs issues, and even operational leasing best practices. Regarding import of know how and capital, the Leasing Advisor of the project had meetings with 2 potential suppliers in the fields of cash machines in the banking sector and construction machinery for the building industry, regarding their needs in entering the country in the form of a business entity and taxation issues. See **Attachment 19**, the Legal Team's report on *Registration and Tax Facilities for Foreign Leasing (and Securities) Companies,* which analyzes and documents the protocol for foreign (leasing) companies setting up business and registering in Moldova.

As was discussed in the Executive Summary, with more details in the Fixed Income Component section of this report, the Project signed a protocol with MAIB Leasing in providing assistance to their second issuance of corporate bonds, in particular, meeting with institutional and individual investors to encourage their purchases of the bonds. Steve Moody along with the Financial Analyst of the Project held meetings with MAIB Leasing detailing the degree of assistance to be provided.

In order to determine the impact of the project's activities, the leasing companies were surveyed with a questionnaire as to their activities as of the end of 2006. Although not all leasing companies returned the survey, the 6 companies that did represent approximately 85-90% of the leasing industry. The goal here is to receive statistics on current practices (as of end 2006) and market shares for benchmarks to be set going forward, reviewing the impact of the Project on the Leasing Industry in Moldova.

Summary results of the survey of leasing activities and the industry as of the end of 2006 are as follows:

- 15 Leasing Companies; top three = 80-85% Market.; 70-80 employees total (est. 120 now)
- Total Portfolio = 30-35 million Euro
- Rates 15%-20%, depending on currency and goods leased (e.g., equipment 20%; cars 15-17%)
- Cars @76%;Trucks @12%; Equipment (construction/agricultural) @8%
- Make-up of Lessees: Individuals @ 39%; Companies @ 61%
- Fastest growing sector: Equipment (medical; computer; food/beverages; industrial packaging; agricultural; construction)

On a periodic basis, e.g., every 6 months or at end of year, the leasing companies will again be surveyed for their activities including new leasing companies that enter the market. In this way the Project will hope to determine with some modicum of accuracy, the impact of the ATCI/Moldova Project on the Leasing market.

IV. ADMINISTRATIVE ISSUES – FINANCIAL LEASING MOLDOVA

Most of the work in this quarter was performed for the preparation of the CLS courses for presentation to the Moldovan trainees as well as the preparation of exam questions to be presented to the trainees. As it turned out, the adaptation process has been very cumbersome and time consuming, with the Leasing experts from ATCI/Ukraine and ATCI/Moldova coordinating the performance of necessary tasks in order to provide as much as possible universal, uniform, and consistent CLS course materials and exams in Moldova.

Bob Homans, Head of the Leasing Component of ATCI/Ukraine, has visited ATCI/Moldova on a couple of occasions now and continues to be in constant contact with the ATCI/Moldova Leasing Advisor Vlad Railean in support of the Project's leasing component.

As part of the establishment of the CLS Program, ATCI/Moldova is in the process of registering a Moldovan NGO, named the "Center for Leasing Initiative Promotion" (CLIP).

V. DESCRIPTION AND STATUS OF TASKS – FINANCIAL LEASING MOLDOVA

Task A: Build Capacity of Market Participants

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Polling the financial community for interest in leasing courses from which successful participants will graduate as Certified Leasing Specialists	• COMPLETED IN 1ST QUARTER,

2. Assess the Moldova leasing market and activities and adapt the CLS Program for Moldova	• TOGETHER WITH ACAP TRAINERS AND LEASING EXPERTS FROM ATCI/UKRAINE, PROJECT ADAPTED THE CLS PROGRAM FOR MOLDOVA, INCLUDING COURSE MATERIAL AND EXAMS (FOR COURSES 1 AND 2)
3. Identify local potential Training Providers to provide trainers to attend and to eventually administer CLS training program	• COMPLETED 2ND QUARTER
4. Identify potential members for setting up NGO/International Leasing Association	• COMPLETED 2ND QUARTER; NGO TO BE COMPRISED OF CLS CERTIFICATE HOLDERS, EVENTUALLY. INITIALLY, TO BE COMPRISED OF STAFF OF PROJECT
5. Short term expert to visit Chisinau, meeting with potential Training Providers and to assist with adapting CLS training course and assisting with setting up Leasing Association/NGO	• COMPLETED 2ND QUARTER
6. Initiate process of setting up Moldovan Leasing Association/NGO (with CEED?)	• LEASING COMPANIES DECIDED TO START REGISTRATION PROCESS OF ASSOCIATION IN FALL 2007 • NAME "CENTER FOR LEASING INITITATIVE PROMOTION" CHOSEN FOR NGO; REGISTERED NAME WITH STATE REGISTRATION BODY IN MOLDOVA • LEGAL TEAM IN PROCESS OF DRAFTING NECESSARY DOCUMENTS FOR NGO START UP
7. Develop strategy for CLS Program for Moldova for Training of Trainers	• 2 ADDITIONAL TRAINERS FROM TRAINING PROVIDER INVITED TO CLS COURSE, PLUS ANOTHER (BACK-UP) TRAINING PROVIDER ATTENDING COURSES • TRAINING PROVIDERS RECEIVE COURSE MATERIAL FOR ADAPTATION FOR MOLDOVA; LEASING EXPERTS FROM ATCI/MOLDOVA AND UKRAINE ASSIST IN ADAPTAION OF CLS COURSE MATERIAL
a) Development of Content/Study guide	• TRAINING MATERIALS (POWERPOINT SLIDES; HARD COPY HAND OUTS; PROBLEMS) ADAPTED AND DEVELOPED FOR CLS COURSES IN MOLODOVA, BASED ON CLS COURSE MATERIAL FROM ATCI/UKRAINE
b) Develop training modules	• TRAINING MODULES DEVELOPED AS ABOVE
c) Develop examination	• EXAM QUESTIONS DEVELOPED FROM CLS COURSE EXAM QUESTIONS IN UKRAINE; ADAPTED ACCORDING TO ADAPTED COURSE MATERIAL FOR MOLDOVA
d) Establish local training providers	• PROJECT SIGNS PROTOCOL WITH SELECTED TRAINING PROVIDER; BACK-UP PROVIDERS CHOSEN TO ATTEND COURSES; TRAINING PROVIDER PRESENTS CLS COURSES (ALONG WITH ACTI LEASING AND LEGAL EXPERTS IN COURSE 1 ONLY)
8. Design and launch leasing training course seminars mainly for professionals but also for Trainers	• FIRST TWO CLS TRAINING COURSES PRESENTED AT TRAINING CENTRE OF ATCK/MOLDOVA PROJECT; COURSE 3 (OF THE 3-COURSE CLS PROGRAM) TO BE OFFERED AFTER SUMMER VACATION BREAK NEXT QUARTER

from potential Training Providers	• 23-25 TRAINEES ATTEND COURSES 1 AND 2 REPRESENTING 8 LEASING COMPANIES AND OTHER INSTITUTIONS, INCLUDING THOSE FROM BACK-UP TRAINING PROVIDER • EXAM PRESENTED TO 19 TRAINEES FOR COURSE 1 IN QUARTER; EXAMS FOR COURSES 2 AND 3 TO BE HELD NEXT QUARTER
9. Deliver Seminars for Other Industry Participants	• NOT ACCOMPLISHED THIS QUARTER; PROJECT LEASING RESOURCES USED FOR ADAPTATION OF COURSES AND EXAMS • EXPECT TO DELIVER SEMINARS NEXT QUARTER
a) Vendors	• SEE ABOVE
b) Potential Lessees	• SEE ABOVE
c) Banks	• N/A
d) Government Officials	• N/A

Task B. Implement Outreach/Information Network

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Initiation	• INITIATED LAST QUARTER
2. Hold/participate in conferences/roundtables on state of leasing industry for government officials, media, and industry participants	• PROJECT'S LEASING ADVISOR PARTICIPATES IN SEMINAR HELD BY USAID CEED PROJECT; TARGET AUDIENCE OF MOLDOVAN LESSEES IN TEXTILE MANUFACTURING; WINE INDUSTRY; AND THE AGRICULTURAL SECTORS
3. Prepare and distribute educational materials on various aspects of international best practices and practices in Moldova	• PROJECT'S LEASING ADVISOR DISTRIBUTES MATERIALS TO LOCAL LESSORS ON INTERNATIONAL BEST LEASING PRACTICES
4. Prepare and distribute brochures relevant to "Leasing in Moldova", e.g., recent legislative developments; FAQs, etc.	• PROJECT IN PROCESS OF PREPARING AND DEVELOPING "LEASING IN MOLDOVA" FAQS TO BE DISTRIBUTED NEXT QUARTER

Task C. Facilitate Import Capital and Know-How to Leasing Industries of Moldova

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Identify domestic and international lessors, investors, and suppliers for entry into Moldovan market.	• ATCI/MOLDOVA LEASING ADVISOR HELD VARIOUS MEETINGS WITH: (1) 2 REAL ESTATE INVESTORS LOOKING TO LEASE REAL ESTATE IN MOLDOVA; (2) A FOREIGN BUSINESSMAN INTENDING (A) TO IMPORT AND LEASE CASH MACHINE TERMINALS FOR BANKS (ESTIM. 250,000 EURO PROJECT) AND (B) LEASE CONSTRUCTION EQUIPMENT, SIGNING AGREEMENTS WITH FOREIGN SUPPLIERS, IMPORTING EQUIPMENT, AND LEASING EQUIPMENT TO LOCAL CONSTRUCTION COMPANIES ($20 MILLION PROJECT) ; (3) KYIV LEASING COMPANY, SIXT OPTIMA LEASING, RE: OPERATIONAL LEASING IN MOLDOVA

2. **Analyze tax and legal environment in Moldova for foreign companies entering Moldovan market**	• PROJECT'S LEGAL TEAM ANALYZES TAX AND LEGAL REQUIREMENTS FOR FOREIGN LEASING (AND SECURITIES) COMPANIES ENTERING AND DOING BUSINESS IN MOLDOVA; REPORT ATTACHED
3. **Contact foreign lessors, investors, and suppliers, providing information about the leasing activities and needs in Moldova, highlighting business opportunities**	• N/A

Task D. Provide Consulting Services to Market Participants

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. **Conduct transaction-based (ad hoc) Advisory Services**	• LEASING ADVISOR DISCUSSES TAX ISSUES WITH 3 LEASORS IN 4 DIFFERENT MEETINGS; DISUSSES CUSTOMS ISSUES WITH 2 LESSORS; REAL ESTATE LEASING WITH 1 LESSOR
2. **Advisory Services to Lessors and other market participants**	• LEASING ADVISOR DISCUSSES 'HOW TO ENTER MOLDOVAN MARKET; PICKNG BEST STRATEGY' WITH 4 LESSORS (SEE C.1 ABOVE)
3. **Assist new market entry of lessors**	• SEE C.1 ABOVE RE: LEASING ADVISOR'S ADVICE AND MEETINGS WITH FOREIGN LESSORS ENTERING MOLDOVA MARKET
4. **Provide consulting on organizational and management issues**	• ALREADY MENTIONED IN C.1 AND C.2 ABOVE
5. **Assistance in securing financial sources**	• N/A

LIST OF ATTACHMENTS

ATTACHMENT 15: CLS Course 1, Outline and Trainers

ATTACHMENT 16: CLS Course 2, Outline and Trainers

ATTACHMENT 17: CLS Program, Course 1 Report, Homans

ATTACHMENT 18: Feedback from CLS Course 1 Trainees

ATTACHMENT 19: Registration and Tax Facilities for Foreign Leasing (and Securities) Companies

D. FIXED INCOME - Moldova

I. COMPONENT DESCRIPTION – FIXED INCOME MOLDOVA

This report provides details on events and activities relating to the Fixed Income component of the USAID Access to Credit Initiative/Moldova, as implemented by the Pragma Corporation, during the period from April 1 through June 30, 2007.

The objective of this activity is to expand the availability of capital to corporate borrowers as an alternative to bank financing, through the issuance of corporate bonds. Additionally, this component includes the activities in assisting the development of the National Securities Commission ('NSC' or the Romanian acronym or 'CNVM') as not only a regulator of the capital markets but a Mega Regulator, i.e., regulator of the Non-Bank Financial Institutions. As of this writing, July 2007, the NSC has formally been transformed into the National Commission of Financial Markets ('NCFM') with the publication of the Mega Regulator Law in the official monitor.

Besides assisting companies in the issuance of corporate bonds, tasks will be focused on disclosure and transparency issues and systems related to the bond regulations and enforcement capabilities of the NCFM. Tasks will also include the capacity building of the Mega Regulator in accordance with international best practices of regulators.

II. SIGNIFICANT EVENTS – FIXED INCOME MOLDOVA

- SECOND EDUCATIONAL SEMINAR RELATING TO FIXED INCOME SECURITIES PRESENTED TO 17 POTENTIAL ISSUERS AND INVESTORS
- POSSIBLE ISSUER OF MORTGAGE BOND IDENTIFIED; PROTOCOL EXECUTED; SHORT TERM EXPERT ALONG WITH ATCI STAFF CONDUCT MEETINGS
- ISSUER OF CORPORATE BONDS EXECUTE PROTOCOL WITH PROJECT; PROJECT CONDUCTS MEETINGS WITH ISSUER
- TECHNICAL ASSISTANCE TO THE NSC PROVIDED BY PROJECT IN AREA OF DRAFTING PROVISIONS FOR AMENDMENTS TO SECURITIES MARKET LAW
- LEGAL TEAM OF PROJECT PROVIDES RECOMMENDATIONS FOR VARIOUS AMENDMENTS, DRAFTS, AND LAWS
- PROJECT SPONSORS DEPARTMENT MANAGER OF NSC TO ATTEND US SEC'S INSTITUTE OF SECURITIES MARKET DEVELOPMENT AND REGULATION

III. EXECUTIVE SUMMARY – FIXED INCOME MOLDOVA

Regulatory Reform and Capacity Building

ATCI/Moldova assistance to the National Securities Commission in development as the Mega Regulator for Non-Bank Financial Institutions was continued in this quarter through various activities:

- The Project discussed with and delivered a set of proposals to CNVM officials with regarding amendments to Securities Market Law, especially articles related to bond issuance and regulation. Further analysis will take place next quarter when the Project intends to have relevant legislation and the implementing regulations reviewed by a capital markets attorney, who is a specialist in bond activities as well as by the Project's short-term fixed income expert to determine the legislative needs of the Mega Regulator
- The Project analyzed a set of laws and European directives, making recommendations for Moldovan legislative and regulatory adoption regarding the amendments to the Law on Securities Markets. Incorporated in these recommendations are analyses of practices and laws of Romanian, Ukrainian, Russian and Kazakh legislation. It is expected that all recommendations to laws, draft laws, and amendments to laws should be delivered by the Project in the upcoming quarter.
- ATCI/Moldova sponsored the Head of the CNVM's Market Operations Department to attend the US Securities and Exchange Commission's 2-week Annual International Institute for Securities Market Development program in Washington, DC, held in April 2007. The Country Director drafted an agreement of actions necessary for the delegate as well as the CNVM to comply with, including attending all sessions during the 2-week period in Washington, DC; making all materials available to all colleagues at the NSC; making a report, verbal and written, to the NSC staff and to the Project's Country Director on the information gained while attending the SEC's Institute. The written report will be delivered during the coming reporting quarter.

Bond Issuance

The Project continued its search for and assistance to companies willing and able to issue corporate debt securities. Many companies financial statements were analyzed, face-to-face meetings were held with some companies appearing to qualify for bond issuance, as well as telephone meetings held with other companies or as follow up conversations. In some instances, the companies qualified for bond issuance, e.g., appeared creditworthy, but these companies had no need or desire to issue bonds. In other instances, the companies had a great desire to issue bonds, but did not qualify legally (i.e., according to the Securities Market Law) or were not creditworthy; the Project in these latter instances turned down the possibility of assistance for bond issuance and explained to these companies the reasons for the Project's rejections. To educate potential issuers as well as potential buyers of corporate bonds, the Project's Financial Analyst Mihail Gherghircic presented its second educational seminar in its Training Centre during this quarter; 17 potential issuers and buyers of corporate bonds were in attendance. See **Attachment 8**, *Report on Bonds Seminar, May 2007.*

Short-term fixed income expert, Steve Moody returned to work at the Project, holding meetings with potential issuers of corporate debt securities. Some meetings were follow-up visits with possible issuers Moldova Agroindbank and MAIB Leasing, as well as with IMC Leasing. Steve had additional meetings with Acorex Wine, Banca de Economii, and the National Securities Commission. The latter meeting between staff of the Project and the NSC's advisor to the Chairman and the head of the Issuers Department covered various topics:

- Steve's work in Moldova for the ATCI/Moldova Project;
- A lack of institutional investors, e.g., pension funds, mutual funds, and insurance companies in Moldova damages the demand side for the issuance of bonds; however, if

- there is a lack of products to attract the demand, the market overall will suffer and not develop;
- Residential mortgage bonds rather than construction loans from homeowners;
- Mechanisms for covering or securing bonds; and
- Needed amendments to the Securities Market Law.

See **Attachment 9**, *Steve Moody's Report on Issuers.*

The Project to date, has executed two Protocols with potential issuers of corporate securities to provide technical assistance: one with a mortgage lending institution for the possible issuance of mortgage bonds; another with a financial leasing company for its second issuance of corporate debt securities later this year.

Analyses of financial statements of and meetings with potential corporate bond issuers will continue. The Project has identified companies for potential bond issuance and started analyses of financial statements of these companies. With confirmation that a company will be a good candidate and have the desire for bond issuance, based on its recent track record and its creditworthiness, follow up meetings will occur to effectuate and initiate activities for a bond issuance.

IV. ADMINISTRATIVE ISSUES – FIXED INCOME MOLDOVA

It must be noted that with the adoption of the Mega Regulator Law in July 2007 (at this writing), all five Commissioners of the NSC have been replaced by newly appointed Commissioners of the newly established NCFM (i.e., Mega Regulator), including the Chairperson. In addition, sometime in the next reporting quarter, the staff of the NSC along with staff members of the other inspectorate bodies joining the Mega Regulator will be given notice of their firing (official protocol) and their possible re-hiring at the NCFM. In this regard, the Project needs to delay some activities until it is determined that the NCFM is continuing to be cooperative with the needs of the Project. Certainly, in all respects, the Project hopes that the NCFM will continue to work together with the Project in regulatory reform and bond issuance activities.

V. DESCRIPTION AND STATUS OF TASKS – FIXED INCOME MOLDOVA

Task A. Assess and Implement Regulatory Reform in Moldova

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Review and assess legislation (e.g., pledge law, bankruptcy law, trust law, securities market law) for gaps and needs re: issuance of corporate and mortgage bonds	• WORK COMMENCED IN SECOND QUARTER, CONTINUED IN THIS QUARTER WITH EXAMINING THE PROVISIONS OF THE DRAFT LAW ON AMENDING THE SECURITIES MARKET LAW • MEETINGS HELD WITH NSC DISCUSSING AMENDMENTS TO THE SECURITIES MARKET LAW, FOR MAKING PROPER RECOMMENDATIONS TO PARLIAMENT FOR THESE INCLUSIONS (NOTE: AMENDMENTS TO THE SECURITIES MARKET LAW IN PARLIAMENT, BUT WILL NOT BE READ UNTIL AFTER SUMMER 2007 VACATION BREAK) • DURING THE QUARTER THE WORKING GROUP MET TO DISCUSS THE DRAFT LAW ON MORTGAGE AND DRAFT LAW ON AMENDING THE LAW ON SECURITIES MARKET. THE COMMENTS TO THE DRAFT LAW ON MORTGAGE WERE SENT OFFICIALLY TO THE MINISTRY OF ECONOMY; TWO COMMENTS INCLUDED AS PART OF DRAFT LAW ON MORTGAGE • NEXT QUARTER WILL INCLUDE ADDITIONAL REVIEWS OF RELEVANT (DRAFT) PROVISIONS FOR BOND ISSUANCE LEGISLATION AND AMENDMENTS TO LEGISLATION BY SHORT TERM EXPERTS; RECOMMENDED PROVISONS WILL BE DELIVERED FOR INCLUSION IN THIS LEGISLATION
2. Work with National Securities Commission (or its evolved role as Mega Regulator, "MR", National Commission for Financial Markets) building capacity for understanding and implementing issuance of bonds and regulating the markets	• PROJECT SPONSORED THE MARKET OPERATIONS DEPARTMENT HEAD OF MOLDOVA SECURITIES COMMISSION TO ATTEND US SEC'S ANNUAL INSTITUTE OF SECURITIES MARKET REGULATION IN SPRING 2007 • A SET OF PROPOSALS HAS BEEN DISCUSSED WITH NATIONAL COMMISSION OFFICIALS REGARDING AMENDMENTS TO THE SECURITIES MARKET LAW, FOCUSING ON THOSE PROVISIONS RELATED TO BOND ISSUANCE AND REGULATION • THE LEGAL PROVISIONS REGARDING MORTGAGE BONDS TO BE INCLUDED IN THE DRAFT LAW ON AMENDING THE SECURITIES MARKET LAW WERE DISCUSSED WITH THE REPRESENTATIVE OF THE NATIONAL COMMISSION

3. Analyze financials of potential issuers for issuance of corporate bonds (see Task B below)	• SHORT-TERM EXPERT STEVE MOODY ALONG WITH PROJECT'S FINANCIAL ANALYST MIHAIL GHERGHIRCIC ANALYZE FINANCIAL STATEMENTS, ANNUAL REPORTS, INCOME STATEMENTS, ETC. OF VARIOUS POTENTIAL ISSUERS; SELECT TWO COMPANIES AS TRUE CANDIDATES DESIRING ATCI/MOLDOVA ASSISTANCE IN THE ISSUING PROCESS; PROJECT SIGNS PROTOCOLS WITH THESE TWO COMPANIES FOR ASSISTANCE IN THEIR ISSUANCE • ATCI/MOLDOVA WILL CONTINUE TO REVIEW FINANCIALS OF AND HOLD MEETINGS WITH POTENTIAL ISSUERS OF CORPORATE DEBT SECURITIES
4. Work with the NSC/Mega Regulator in capacity building regarding transparency and disclosure issues in bond related regulation	• COMMENTS ON REGULATIONS REGARDING BOND ISSUANCE AND CIRCULATION HAVE BEEN MADE TO NATIONAL COMMISSION; SEE ABOVE • NEXT QUARTER WILL INCLUDE ADDITIONAL REVIEWS OF RELEVANT (DRAFT) PROVISIONS FOR BOND ISSUANCE LEGISLATION AND IMPLEMENTING REGULATIONS BY SHORT TERM EXPERTS
a) Ensure NSC/MR is continuing in easing bond related legislative and regulatory requirements.	• SEE COMMENTS ABOVE, 2, 3, AND 4 • ONGOING, PARTICULARLY RELEVANT FOR (POSSIBLE) INSTALLATION OF ELECTRONIC DISCLOSURE SYSTEM
b) Install Electronic Disclosure System (EDS) at NSC/MR	• N/A THIS QUARTER • (NOTES: (1) COUNTRY DIRECTOR TO VISIT KYIV NEXT QUARTER FOR HANDS ON OBSERVATION OF EDS OPERATIONS, CAPABILITITES, AND UPDATES OF FUNCTIONALITY; (2) NEWLY (AS OF JULY 2007) TRANSFORMED NATIONAL COMMISSION ON FINANCIAL MARKETS WILL HAVE ALL (5) NEW COMMISSIONERS AND POSSIBLY STAFF, WHO NEED TO CONTINUE REFORM AND PROGRESS IN EASE OF ISSUANCE OF CORPORATE DEBT SECURITIES; (3) EDS IS **NOT** A 'PLUG AND PLAY' SYSTEM; NEEDS INCLUDE RESOURCES FOR INSTALLATION AND TRAINING FOR DELIVERY AND RECEIPT OF DISCLOSURED INFORMATION
5. Review and provide recommendations on regulations re: investment advisors and ratings agencies	• N/A
6. Analyze authority of MR re: investigative powers and enforcement abilities; make recommendations for strengthening capabilities	• WORK COMMENCED IN SECOND QUARTER, OFFERED LEGAL SUPPORT IN THE ELABORATION OF THE REPORT REGARDING THE MEGA-REGULATOR ADDRESSED TO NATIONAL COMMISSION • NOTE: THE LAW ON MEGA REGULATOR WAS APPROVED BY THE PARLIAMENT AND PUBLISHED ON JULY 6, 2007

7. Work with NSC in helping them develop into a Mega Regulator; provide time bound action plan for activities necessary for implementation	• COUNTRY DIRECTOR DELIVERS POSSIBLE ORGANIZATIONAL FRAMEWORK (I.E., ORGANIZATION CHART) ALONG WITH BRIEF DESCRIPTIONS OF DUTIES OF STAFF TO NATIONAL COMMISSION • COUNTRY DIRECTOR HOLDS MEETINGS WITH RELEVANT NATIONAL COMMISSION STAFF RESPONSIBLE FOR IMPLEMENTATION OF TRANSFORMATION INTO MEGA REGULATOR, DISCUSSING RECOMMENDATIONS OF SHORT TERM EXPERT FROM LAST QUARTER AND OTHER NEEDED ACTIONS
8. Analyze laws, regulations, and practices for compliance with international standards, making recommendations for activities.	• LEGAL TEAM, FINANCIAL ANALYST, AND COUNTRY DIRECTOR EXAMINE AND PREPARED COMMENTS ON DRAFT AMENDMENTS TO LAW ON SECURITIES MARKET; HOLD MEETINGS DISCUSSING THESE COMMENTS AND RECOMMENDATIONS • ANALYSES WILL BE ONGOING • A SET OF LAWS AND EU DIRECTIVES HAVE BEEN ANALYZED WITH RECOMMENDATIONS SENT TO THE NATIONAL COMMISSION; INCLUDED IN THESE ANALYSES ARE LAWS AND PRACTICES OF ROMANIA, UKRAINE, RUSSIA, AND KAZAKHSTAN •

Task B. Develop Pilot Corporate Bonds in Moldova

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Analyze companies' financials for possible candidates for bond issuance, focusing on creditworthiness, needs, and attractiveness for investors	• ONGOING; PROJECT CONTINUES TO REVIEW AND ANALYZE FINANCIAL STATEMENTS, INCOME STATEMENTS, ANNUAL REPORTS, ETC. OF COMPANIES FOR POTENTIAL ISSUERS OF CORPORATE DEBT; HOLDS MEETINGS WHEN APPROPRIATE, WITH POTENTIAL ISSUERS
a) Select top 10 candidates for issuance, including those companies which have already issued corporate bonds	• ONGOING; SEE COMMENT ABOVE
b) Meet with executives of these companies for their understanding and desire to issue bonds	• PROJECT HELD MEETINGS WITH TOP MANAGEMENT AND FINANCIAL PERSONNEL, INCLUDING (1) TOP MOBILE TELECOM OPERATOR (NOT NEED CASH, UNWILLING); (2) CHAIN OF PETROL STATIONS IN MOLDOVA (POSSIBLE CANDIDATE); (3) TOURISM AND CONSTRUCTION COMPANY (NOT QUALIFY, WILLING BUT UNABLE); (4) WINE PRODUCER (HIGHLY LEVERAGED; PROJECT WITHDREW OFFER OF ASSISTANCE); AND (5) LEASING COMPANY (NOT QUITE QUALIFIED)

c) Presentation of bond workshops aimed at potential issues as well as potential buyers of bonds, for higher education, discussion possible benefits and potential risks	• PROJECT PRESENTED SECOND BOND EDUCATIONAL SEMINAR FOR (17) POTENTIAL ISSUERS AND POTENTIAL INVESTORS REPRESENTING 13 COMPANIES, INCLUDING INSURANCE, BANKING, AND LEASING COMPANIES • PROJECT'S FINANCIAL ANALYST MADE THE PRESENTATION; 2 'LIVE' ISSUER-CANDIDATES EMERGED FROM SEMINAR AND LATER DISCUSSIONS • PROJECT INTENDS TO PRESENT EDUCATIONAL SEMINARS ON AN ONGOING BASIS THROUGHOUT THE LIFE OF THE PROJECT
2. Assist companies (at least 3) in issuance of corporate bonds	• PROJECT EXECUTES 2 PROTOCOLS FOR ISSUANCE OF CORPORATE BONDS • ONGOING AS NEEDED AND POSSIBLE • ADDITIONAL CONFIDENTIALITY AGREEMENT SIGNED WITH ANOTHER FINANCIAL SERVICES COMPANY • PROJECT HOLDS MEETINGS WITH POTENTIAL ISSUERS • FINANCIAL ANALYST ASSESSED AND DELIVERED FRAMEWORK FOR STRUCTURE OF UPCOMING BOND ISSUANCE

Task C. Assist Government of Moldova and National Bank of Moldova in Constructing Long Term Government yield Curve in Moldova…DELETED

NOTE: This task was originally incorporated in the Statement of Work for ATCI/Moldova. When discussing the Work Plan with the CTO in the past reporting quarter, CTO decided to delete this task and related activities.

LIST OF ATTACHMENTS

ATTACHMENT 8: Report on Bonds Seminar

ATTACHMENT 9: Steve Moody's Report on Issuers

E. DEVELOPMENT CREDIT AUTHORITY (DCA) MONITORING - Moldova

NOTE: This Task was not originally included in the Statement of Work for ATCI/Moldova. However, due to desires of the local USAID officials along with discussions with this Project, this was included and approved as an additional component. The Component is comprised of monitoring activities over the seven partner financial institutions of the DCA, six commercial banks and the Rural Financial Corporation.

I. COMPONENT DESCRIPTION – DCA MONITORING MOLDOVA

This report provides details on events and activities relating to the Development Credit Authority Monitoring component of the USAID Access to Credit Initiative/Moldova, as implemented by the Pragma Corporation, during the period from April 1 through June 30, 2007.

The objective of this activity is to monitor the activities of the six commercial banks and the Rural Financial Corporation (RFC) regarding their loans that have qualified to be guaranteed by the Development Credit Authority. The activities of the Project require ongoing monitoring activities, which include answering partner institutions' relevant questions, conducting meetings to help prepare reports and to verify claims and reports, preparing reports for USAID, and verifying reports and claims of partner financial institutions.

The Project believes that loan guarantees through DCA can be utilized to develop institutions' activities relating to the other components of the ATCI/Moldova Project, i.e., guaranteeing loans for mortgages (either as a portfolio or on an individual basis), guaranteeing loans for leasing (either as a portfolio or on an individual basis), and guaranteeing (up to 50%) the performance on bond issuances. The Project determined that if a specific use with a specific partner institution can be identified for the loan guarantee program, the Project will then pursue its utilization.

A report has been developed showing how the DCA guarantees can benefit activities of counterparts in the three major component areas of the Project. This report has been kept for internal use only to date.

II. SIGNIFICANT EVENTS – DCA MONITORING MOLDOVA

- SEMI-ANNUAL REPORTS HAVE BEEN SUBMITTED BY ALL FINANCIAL INSTITUTION PARTNERS TO USAID WITH ASSISTANCE FROM PROJECT

III. EXECUTIVE SUMMARY – DCA MONITORING MOLDOVA

The Development Credit Authority (DCA) was created by USAID to provide (up to) 50% loan guarantees to financial institutions partners who have been approved and accepted by USAID. This DCA project was originally part of the BIZPRO project in Moldova that ended in the fall of 2006, prior to the start date of the ATCI/Moldova Project. It was USAID's desire to continue monitoring activities of the financial institution partners regarding their loan activities, claims, reports, and verification of such claims and reports. Therefore, USAID/Moldova requested

ATCI/Moldova to add this component to the Work Plan and as part of the Project's tasks and activities. The Project agreed and ATCI CTO Rick Gurley also agreed to add this Component to the Work Plan in February 2007.

In summary during this reporting quarter, the Project:

- Assisted in the preparation of claims estimates for loans in arrears;
- Answered questions on claims requests;
- Sent out USAID questionnaires regarding the use of guarantees for credit lines; received 2 completed questionnaires; and
- Assisted financial institutions in their preparation and submission of semi-annual reports to USAID.

Throughout the reporting quarter, the Project responded to questions from partner DCA financial institutions.

IV. ADMINISTRATIVE ISSUES – DCA MONITORING MOLDOVA

NONE

V. DESCRIPTION AND STATUS OF TASKS – DCA MONITORING MOLDOVA

Task A. Monitor Activities of Financial Institutions Working with the DCA

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Monitor how Financial Institutions are utilizing guarantees and submitting claims	• PREPARED A STATUS REPORT ON CLAIMS ESTIMATES FOR INFORMATION RECEIVED BY PARTNER-FINANCIAL INSTITUTIONS ON LOANS IN ARREARS • CONTACTED A BANK PARTNER FOR CLEARANCE ON REDUCED UNTILIZATION OF GUARANTEES
2. Act as contact person for Financial institutions and USAID to answer relevant questions	• ANSWERED QUESTIONS OF PARTNER-FINANCIAL INSTITUTIONS REGARDING THE CLAIM REQUESTS AND PLACEMENT UNDER GUARANTEES OF LOANS
3. Assist Financial Institutions to complete questionnaires and surveys, where necessary	• SENT OUT USAID QUESTIONNAIRE REGARDING THE USE OF GUARANTEE; TWO FINANCIAL INSTITUTIONS RESPONDED TO DATE
4. Conduct meetings with Financial Institutions as needed and prepare semi-annual monitoring reports for USAID	• ASSISTED PARTNER-FINANCIAL INSTITUTIONS IN PREPARING AND SUBMITTING SEMI-ANNUAL REPORTS TO USAID ON A TIMELY BASIS

5. Verify partner Financial Institutions' semi-annual reports submitted through the Credit Monitoring System	• ASSISTED PARTNER-FINANCIAL INSTITUTIONS IN SUBMITTING SEMI-ANNUAL REPORTS TO USAID

LIST OF ATTACHMENTS - DCA MOLDOVA

NONE

-END MOLDOVA-

UKRAINE
ATTACHMENTS

ATTACHMENT 1

May 15, 2007

MEDIA NOTICE

PILOT COVERED BOND ISSUE: LEGAL ENVIRONMENT, LESSONS LEARNED, AND PERSPECTIVES

KYIV – A press conference entitled **"Pilot Covered Bond Issue: Legal Environment, Lessons Learned, and Perspectives»** will focus on the entire range of problems and issues related to the first issue of a mortgage covered bond by Ukrgasbank, including amendments to the Law of Ukraine "On Covered Bonds" drafted to facilitate further development of the mortgage market in Ukraine. The press-conference will be held on **May 15** at the **UNIAN** News and Information Agency on 4, Khreschatyk St. The press-conference starts at **12:30 pm**. **Media representatives are invited to participate.**

At the press-conference, Ukrgasbank will be represented by Egor Rusin, Deputy Chairman of the Board, Olexander Okhrimenko, Advisor to the Chairman of the Board, Yury Kamenetsky, Head of Investment Finance Division, Deputy Director of Investment Department. The Access to Credit Initiative will be represented by David Lucterhand, Chief of Party, project advisors and lawyers. Olexiy Pylypets, Executive Director, will represent the Ukrainian National Mortgage Association. The press-conference will also be attended by representatives from the U.S. Agency for International Development (USAID).

Accreditation for media: by May 14 by 537-0966 or kozina@pragmacorp.kiev.ua. Contact person: Lina Kozina, PR Manager, Access To Credit Initiative.

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Photo from Kyivpost, May 17, 2007

United against AIDS

British Airways Country Commercial Manager Natalia Martynenko (left) with journalist Ihor Slisarenko (center) and UNICEF's representative in Ukraine, Jeremy Hartley (right) at a press conference May 15 announcing a donation of $560,000 by British Airway's customers through UNICEF's Change for Good program to help children affected by HIV in Ukraine. (Konstantin Klimenko)

Pilot covered bond issue

USAID representative Sergiy Yurhelevich (center), along with the head of Ukrgazbank's Investment Finance Division, Yury Kamenetsky (left), and the executive director of the Ukrainian National Mortgage Association, Olexiy Pylypets (right) at a press conference May 15 focused on the first issue of a mortgage covered bond by Ukrgazbank. (Konstantin Klimenko)

ATTACHMENT 2

June 6, 2007

His Excellency
Mykola Azarov
First Vice Prime Minister and
Minister of Finance
12/2, Hrushevskogo Street
Kyiv, Ukraine

Re: *Development of the Domestic Government Securities Market and Long-term Yield Curve in Ukraine*

Dear First Vice Prime Minister Azarov:

The International Monetary Fund, The World Bank, the United States Agency for International Development and, the Organization for Economic Co-operation and Development (OECD) are pleased to present you with this technical note, which summarizes the main conclusions and recommendations reached during the recent Debt Management Forum co-sponsored by the Ministry of Finance in cooperation with the OECD.

Forum participants stressed that the Government's declared aim to develop capital markets rapidly in Ukraine necessitates a shift in government borrowing towards greater reliance on domestic issues. Such a policy shift would facilitate monetary and fiscal policy coordination and stem further dollarization of debt. It would also improve financial sector stability. The policy note attached to this letter explains these important arguments in greater detail and examines the costs and benefits for the budget of greater domestic borrowing.

Additionally, second pillar pension contributions totaling 1 billion UAH in 2009 and 1.5 billion UAH in 2010 – with a maximum of 50% allowed for investment in government securities – will necessitate an increase in tradable government securities. This expected development lends further urgency to the policy recommendations enclosed with this letter.

Our organizations stand ready to assist the Government of Ukraine in implementing the recommendations attached. We would be grateful for an opportunity to meet with you to discuss the issues we raise in this letter and to consider how we can best assist the Government in developing its debt management concept.

Jeffrey R. Franks	Paul Birmingham	Earl W. Gast	Dr. Hans J.Blommestein
Senior Resident Representative IMF	Country Director for Ukraine, Belarus and Moldova The World Bank	Regional Mission Director for Ukraine, Belarus and Moldova USAID	Head, Public Debt Management Programme OECD

IMF WASHINGTON, DC 20431 USA
IMF RESIDENT MISSION UKRAINE

IBRD

Cc: Governor V. Stelmakh
Attachments: Technical note; Policy note.

Summary Note

KEY CONCLUSIONS & RECOMMENDATIONS: DEBT MANAGEMENT FORUM, MARCH 22, 2007

I. Core Tenet:

A deep and liquid domestic debt market is *key* to further development of Ukraine's financial market.

A. Institutional Arrangements for Debt Management and Coordination

1. Improve accountability of the MOF for public debt management by:

    a. Including debt management objectives in legislation
    b. Requiring the MOF by law to produce a debt management strategy
    c. Requiring the MOF to report on its performance against debt management objectives

B. Development of a Debt Management Strategy

1. Look beyond a borrowing program confined to the preparation of the annual budget law by adding medium or long-term guidelines based on systemic analysis of cost and risk.

2. Reduce levels of foreign currency exposure to minimize unacceptable risk to the fiscal position and the impact of foreign borrowing on development of the domestic capital market.

3. Strengthen capacity of the Directorate of State Management by establishing a middle office to undertake risk management and analysis.

C. Reform of the Primary Market for Government Securities

1. Governments should be price takers not price fixers. Interest rates and security prices should be set by auction and not by bureaucracy; a reliable yield curve is of far more benefit to the economy and, therefore, to government with an appropriate revenue structure than the use of short-sighted attempts to impose prices to control funding costs.

2. Introduce primary dealer system as a reliable mechanism for efficient government borrowings to maximize cost savings and to facilitate expansion and transparency of the secondary market.

3. Announce a regular and transparent auction schedule with clear rules for allocation and stay with it: predictability is essential.

4. Introduce benchmark bonds and extend the maturity profile to 15 years plus.

5. Restructure NBU government debt portfolio by replacing it with conventional marketable securities.

D. Developing the Secondary Markets

1. Improve communication with market participants

2. Promote money market development

E. Sequencing of Reforms

1. Establish and empower a working group composed of the Ministry of Finance, the NBU, Regulators, and market participants to design a plan of action. The working group would require a mandate from responsible senior officials that would enable it to manage the process of implementing essential reforms.

ATTACHMENT 3

USAID | ІНІЦІАТИВА СПРИЯННЯ КРЕДИТУВАННЮ

ВІД АМЕРИКАНСЬКОГО НАРОДУ

ВНУТРІШНІЙ ДЕРЖАВНИЙ БОРГ. ІПОТЕЧНЕ КРЕДИТУВАННЯ. МУНІЦИПАЛЬНІ ФІНАНСИ. ЛІЗИНГ. КРЕДИТНІ БЮРО. КРЕДИТНИЙ РЕЙТИНГ

Розвиток Ринку Муніципальних Облігацій:

Залучення інвестицій шляхом випуску облігацій внутрішньої місцевої позики

19 квітня, 2007 року

Яким чином місто може фінансувати інвестиції?

- Місто може фінансувати інвестиції:
  - За допомогою власних джерел (бюджет розвитку)
  - Через запозичення
- Запозичення можуть бути в формі:
  - Кредиту комерційного банку
  - Випуску облігацій

ІСК

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Що є облігація?

- Облігація - цінний папір, що посвідчує внесення його власником грошей, визначає відносини позики між власником облігації та емітентом, підтверджує зобов'язання емітента повернути власникові облігації її номінальну вартість у передбачений умовами розміщення облігацій строк та виплатити доход за облігацією, якщо інше не передбачено умовами розміщення.

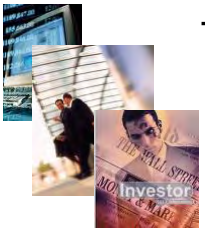
Стаття 7 Закону України
"Про цінні папери та фондовий ринок"

ІСК

3

Що є облігація?

- Муніципалітет має інвестиційний проект на 10 млн. грн.
- Інвестор надає кредит на сумму 10 млн. грн. під 12% на два роки
- Місто чи підприємство випускає прості облігації (зобов'язання повернути борг)
- Платіж структуровано таким чином аби виплата відсотків відбувалась щоквартально та виплата основної суми боргу відбувалась наприкінці другого року



Інвестори в облігації

10 млн. грн. →

← 300 тис. грн. (Р1:Квартал1)

← 300 тис. грн. (Р1:Квартал2)

← 300 тис. грн. (Р1:Квартал3)

← 300 тис. грн. (Р1:Квартал4)

← 300 000 (Р2:Квартали1,2,3,4)

← 10 млн. грн. (Рік 2)

Емітент облігацій (Муніципалітет)

ІСК

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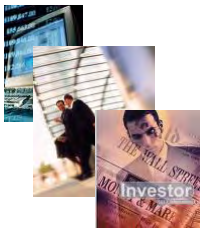
Що є облігація?

Місто чи комунальне підприємство може залучити більше інвесторів випускаючи облігації:

- Кредит розбивається на цінні папери (облігації) з номінальною вартістю в 1000 грн.
- Кількість облігацій 10 000
- Окремий інвестор надає муніципалітету 1000 грн. сьогодні та отримує купонну ставку відсотка (12% річних) в наступні два роки та основну суму боргу через два роки



Інвестори в облігації

UAH 1000 →

← UAH 30.00 (P1:K1)

← UAH 30.00 (P1:K2)

← UAH 30.00 (P1:K3)

← UAH 30.00 (P1:Кв4)

← UAH 30.00 * 4 (P2:K1,K2,K3,K4)

← **UAH 1000 (кінець 2-ого року)**

Емітент облігацій (Муніципалітет)

ІСК

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Характеристики нашої облігації:

- Облігація це є цінний папір, що засвідчує:
  - що емітент облігацій (муніципалітет) отримав гроші
  - що емітент (муніципалітет) взяв зобов'язання виплатити відсотки (12% річних або 3.00% щоквартально) та виплатити номінальну вартість (1000 грн.) на визначену дату
- Характеристики нашої облігації:
  - Загальна вартість випуску: 10 млн. грн.
  - # облігацій: 1000
  - Номінальна вартість кожної облігації: 1000 грн.
  - Ставка відсотка: 12% річна (або 3.00% щоквартально)
  - Відсоток: 30.00 грн.
  - Частота виплати: 4 рази на рік
  - Строк: 2 роки

ІСК

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Що можна фінансувати за допомогою облігацій?

- Проекти капітального розвитку та інфраструктури
- Окремі проекти можуть включати :
  - Реконструкцію та будівництво доріг, мостів та інших об'єктів інфраструктури
  - Реконструкція та модернізація комунальних підприємств (теплокомуненерго, водопостачання, водовідвід, тощо.)

ІСК

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Облігації можуть бути випущені:

- Міською Радою
  - Незабезпечені облігації (виплачуються з податків та інших доходів міста)

- Комунальними підприємствами
  - Облігації виплачуються з доходів підприємства або доходів з проекту

ІСК

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Банківський кредит або Випуск облігацій

Фінансування капіталовкладень:

	Позитив	Негатив
Банківський Кредит	-Простіший процес; -Менша сумма та більш гнучке фінансування; -Формування стосунків з банком -Конфіденційність	- Вищі ставки - Залежність від одного банку - Необхідне забезпечення - Фінансування обмежене як щодо суми так і щодо строку
Облігації	- Менші відсотки, більші обсяги та терміни фінансування (за рахунок конкуренції між інвесторами) -Забезпечення не є потрібним - Формується публічна кредитна історія -Незалежність від одного кредитора	- Більш складний процес (реєстрація в Мінфіні та ДКЦПФР) - Високі фіксовані видатки (рейтинг, тощо) -Необхідна більша прозорість (бухоблік, тощо)

ІСК

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Переваги випуску облігацій:

- **ІНВЕСТИЦІЙНА Мета** – фінансування довготермінових та значних проектів капіталовкладень за мінімальними ринковими ставками
- **Додаткові переваги**:
  - Підвищення довіри інвесторів та покращення інвестиційного клімату
  - Публічна кредитна історія (кредитний рейтинг)
  - Громадяни та підприємці міста можуть інвестувати у власне місто, отримуючи як фінансові так і непрямі переваги від кращого рівня послуг
  - Покращення іміджу міста та визнання з боку інших міст за інноватиний підхід до фінансування капіталовкладень

ІСК

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Інформація щодо наявних та плануючихся випусків облігацій

ІСК

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Київ

	Загальна вартість, грн	Номінальна вартість, грн.	Кількість облігацій	Термін	Дата розміщення	Ставка %	Опціон пут (оферта)
Київ	100 млн.	1000	100000	5 років	25.11.2003	14%	Так

- Мета фінансування шляхом випуску облігацій включала наступні інвестиційні проекти:
  - Придбання рухомого складу метрополітену
  - Реконструкція Київського аеропорта
  - Будівництво Подільскького мосту
  - Придбання рухомого траспортного складу

ІСК

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Запоріжжя

	Загальна вартість, грн	Номінальна вартість, грн.	Кількість облігацій	Термін	Дата розміщення	Ставка%	Опціон пут (оферта)
Запоріжжя 2004	25 млн.	1000	25000	2 роки	01.07.2004	15.35%	Так
Запоріжжя 2005	75 млн. (25, 20, 20, 10 млн.)	1000	75000	2, 3, 4, 5 років	12.07.2005	10.5%, 11%, 11.5%, 12%	Ні

- Мета фінансування шляхом випуску облігацій включала наступні інвестиційні проекти:
  - Рекоструккція та будівництво мостів
  - Реконструкція стадіону
  - Реконструкція освітлення
  - Будівництво житла

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Харків

	Загальна вартість, грн	Номінальна вартість, грн.	Кількість облігацій	Термін	Дата розміщення	Ставка %	Опціон пут (оферта)
Харків	100 млн.	1000	100000	3 роки	30.07.2005	10.75%	Немає

- Мета фінансування шляхом випуску облігацій включала наступні інвестиційні проекти:
  - Проекти капітального будівництва та реконструкції об’єктів
  - Проекти з розвитку інфраструктури

ІСК

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Одеса

	Загальна вартість, грн	Номінальна вартість, грн.	Кількість облігацій	Термін	Дата розміщення	Ставка %	Опціон пут (оферта)
Одеса	125 млн.	1000	125000	2, 3, 5 років	23.12.2005	12.00% 13.00% 14.00%	Немає

- Мета фінансування шляхом випуску облігацій включала наступні інвестиційні проекти:
  - Будівництво житла
  - Ремонт житла
  - Ремонт доріг
  - Погашення заборгованості

ІСК

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Комсомольськ

Загальна вартість, грн	Номінальна вартість, грн.	Кількість облігацій	Термін	Дата розміщення	Ставка %	Опціон пут (оферта)
8 млн.	1000	8000	3 роки	07.08.2006	12.00%	Немає

- Мета фінансування шляхом випуску облігацій включала наступні інвестиційні проекти:
  - Проекти капітального будівництва
  - Розвиток інфраструктури

ІСК

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Івано – Франківськ

	Загальна вартість, грн	Номінальна вартість, грн.	Кількість облігацій	Термін	Дата розміщення	Ставка %	Опціон пут (оферта)
Івано - Франківськ	5.5 млн.	1000	5500	5 років	27.02.2006	12.0%	Немає

- Мета фінансування шляхом випуску облігацій включає наступні інвестиційні проекти:
  - Проект «Модернізація зовнішнього освітлення міста Івано-Франківськ»

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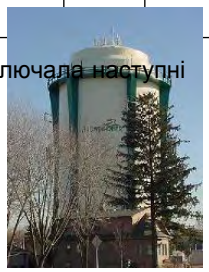
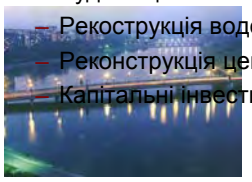
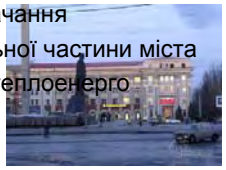
Донецьк

	Загальна вартість, грн	Номінальна вартість, грн.	Кількість облігацій	Термін	Дата розміщення	Ставка%	Опціон пут (оферта)
Донецьк 2004	20 млн.	1000	20000	3 роки	16.08.2004	14 %	Так
Донецьк 2005	45 млн.	1000	45000	5 років	12.07.2005	11.75 %	Так 12,14,16, 18 (9 млн)
Донецьк 2006	50 млн.	1000	50000	5 років	12.09.2006	12.00 %	Так

- Мета фінансування шляхом випуску облігацій включала наступні інвестиційні проекти:
  - Будівництво житла
  - Рекоструктція водопостачання
  - Реконструкція центральної частини міста
  - Капітальні інвестиції в теплоенерго







ІСК

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Донецьк 2006 – мета фінансування

- **<u>Мета використання фінансових ресурсів, залучених від продажу облігацій</u>**
- Метою випуску облігацій місцевої позики м. Донецьк 2006 року є залучення коштів до бюджету розвитку міського бюджету міста Донецька з метою часткового вирішення соціальних проблем міста у напрямках інвестування коштів під програми капітальних вкладень.

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Донецьк 2006 – розпис інвестування коштів

№ п/п	Найменування об'єкту	Сума асигнувань 2006 р. (тис. грн.)
1	2	3
1.	Житлове будівництво та придбання житла для окремих категорій населенняв т.ч.	10000,0
	МР "Победа" житловий будинок №9 у Ворошиловському районі	799,5
	МР "Победа" житловий будинок №10 у Ворошиловскому районі	915,3
	Відбудова секції житлового будинку №14 повул.Кедріна у Будьоннівському районі	3530,0
	Квартал 288 житловий будинок №2А у Будьоннівському районі	1230,0
	Квартал 288 житловий будинок №3 у Будьоновському районі (ІПР)	250,0
	Квартал 1117-1118 житловий будинок №4 у Будьоннівському районі	1678,0
	МР "Магістральний" житловий будинок №1-2 у Куйбишевському р-ні (ІПР)	300,0
	Вулиця Маршала Жукова житловий будинок у Куйбишевському районі (ІПР)	250,0
	Житловий район "Широкий" у Ленінському і Кіровському районах	411,1
	Забудівля житловими будинками МР "Привокзальний" вздовж вул.Артема. Житловий будинки - №35 В,Г, Д, Е, Ж зі вбудовано-прибудованими приміщеннями(Експертиза)	36,1
	Вул.Октября - два житлових будинки у Будьоннівському районі (ІПР)	600,0
2.	Капітальні вкладенняв т.ч.	20000,0
	Підвідний водовід МР "Широкий" Кіровський район	1500,0
	Реконструкція Петровського водопровідного вузла МР "Текстильщик-5" Петровський район	800,0
	Водовід питної води від ст.Донецьк-2 до пр. Павших Комунарів Калінінський район	1000,0
	Мережі водопостачання Калінінського району - водовід ф 700 по пр.Ілліча	470,1
	Водовід у селищі Авдотіно, Ленінський район	2530,0
	Підвідний водовід питної води до заводу КПБ м.Донецьк	500,0
	Газифікація вул.Приморської у Ленінському районі	162,0
	Реконструкція каналізаційної насосної станції, каналізаційних колекторів у Київському районі	715,5
	Будівництво шляхопроводу на перехресті пр.Ілліча і Червоногвардійського проспекту у Калінінскому районі	8083,5
	Автономні системи опадення та газопостачання об'єктів охорони здоров'я.	945,0
	Інженерний захист від підтоплення території м.Донецька	1192,9
	Дошкільний заклад у Ленінському районі селища Авдотіно – будівництво	2101,0
	Придбання міського комунального автотранспорту (автобусів)	10000,0
	Придбання вагонів міського комунального електротранспорту (трамваїв і тролейбусів)	10000,0
	Всього	50000,0

ІСК

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Очікувані випуски

- **Бердянськ**
- Вінниця
- Дніпропетровськ
- Київ (Єврооблігації)
- **Луганськ**
- **Львів**

ІСК

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ПРОЦЕДУРА ВИПУСКУ ОБЛІГАЦІЙ

ІСК

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Що потрібно для випуску облігацій місцевих позик?

- Необхідно аби:
  - Місто мало чітко визначену потребу в фінансуванні проектів інфраструктури та капітального будівництва та розуміння фінансових показників проектів кап. будівництва (окупності, тощо)
  - Місто мало хороші фінансові результати діяльності та могло продемонструвати здатність ефективно виконувати боргові зобов'язання (генерувати грошові потоки для обслуговування та виплати основної суми боргу):
    - Операційні показники
    - Капітальні доходи (продаж землі та активів)
  - Ринок демонстрував зацікавленість в цінних паперах міст

ІСК

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Методологія оцінки кредитоспроможності міста (рейтингової оцінки)

- Оцінка фінансового стану міста
  - Операційні доходи - операційні видатки = операційний профіцит
    - Але необхідно виключити субвенції, неперіодичні доходи та видатки
  - Аналіз капітальних доходів та видатків
  - Аналіз виконання бюджету
  - Матриця основних фінансових індикаторів
  - Прогноз
  - Аналіз боргової спроможності міста
- Оцінка соціально-економічного стану
- Оцінка адміністративних та політичних складових
- Оцінка ефективності управління містом
- Оцінка умовних зобов'язань

ІСК

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Перспективи

- За умов, що місто чітко виконуватиме свої боргові зобов'язання, наступний випуск облігацій внутрішньої місцевої позики викликатиме більший інтерес з боку інвесторів. Місто матиме можливість залучати кошти:
  - під меншу ставку відсотку
  - на інвестиційні проекти більшого розміру з відповідно більшим обсягом фінансування за рахунок боргових зобов'язань

ІСК

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Доходність облігацій внутрішньої місцевої позики

КОТИРОВКИ ОБЛИГАЦИЙ В ПФТС НА 06 АПРЕЛЯ 2007 Г.

Эмитент	BID		ASK		Оферта/ погашение*	Выплата купона	Купон	BID		ASK	
	%	Изм	%.	Изм				YTM*	Изм	YTM*	Изм
Донецк	101,39	0,22	103,83	0,21	16 мая 07	16 фев 07	14,00%	9,98%	-0,80%	3,22%	-1,07%
Донецк, B	99,80	-0,26	108,25	0,00	11 июл 08	11 апр 07	11,75%	11,82%	0,10%	8,81%	-0,01%
Донецк, C	100,57	-0,01	103,01	-0,02	7 сен 09	11 июн 07	12,00%	12,25%	0,00%	11,00%	0,00%
Запорожье, B	99,84	0,01	-	-	10 июл 07	10 июл 07	10,50%	11,25%	0,00%	-	-
Запорожье, C	99,46	0,01	-	-	8 июл 08	10 июл 07	11,00%	11,75%	0,00%	-	-
Запорожье, D	99,18	0,01	-	-	7 июл 09	10 июл 07	11,50%	12,25%	0,00%	-	-
Запорожье, E	98,97	0,01	103,40	-0,02	6 июл 10	10 июл 07	12,00%	12,75%	0,00%	11,00%	0,00%
Ивано-Франковск	99,80	-0,27	109,50	0,00	28 фев 11	31 май 07	12,00%	12,06%	0,09%	9,08%	-0,01%
Киев	101,76	0,23	-	-	25 ноя 08	25 май 07	14,00%	12,50%	0,00%	-	-
Одесса, A	100,19	-0,01	100,85	-0,02	31 дек 07	30 июн 07	12,00%	12,00%	0,00%	11,00%	0,00%
Одесса, B	100,55	-0,01	-	-	31 дек 08	30 июн 07	13,00%	13,00%	0,00%	-	-
Одесса, C	101,25	-0,01	-	-	31 дек 10	30 июн 07	14,00%	14,00%	0,00%	-	-
Харьков	97,89	0,03	100,99	-0,02	26 июн 08	28 июн 07	10,75%	13,25%	0,00%	10,25%	0,00%
Черкассы	100,07	2,83	113,80	2,83	27 дек 10	29 июн 07	12,00%	11,98%	-0,96%	7,72%	-0,84%

* Доходность рассчитывается к ближайшему из событий, погашению или оферте

Данные: ПФТС. Расчеты: УкрСиббанк

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Графік Випуску Облігацій Місцевої Позики

ІСК

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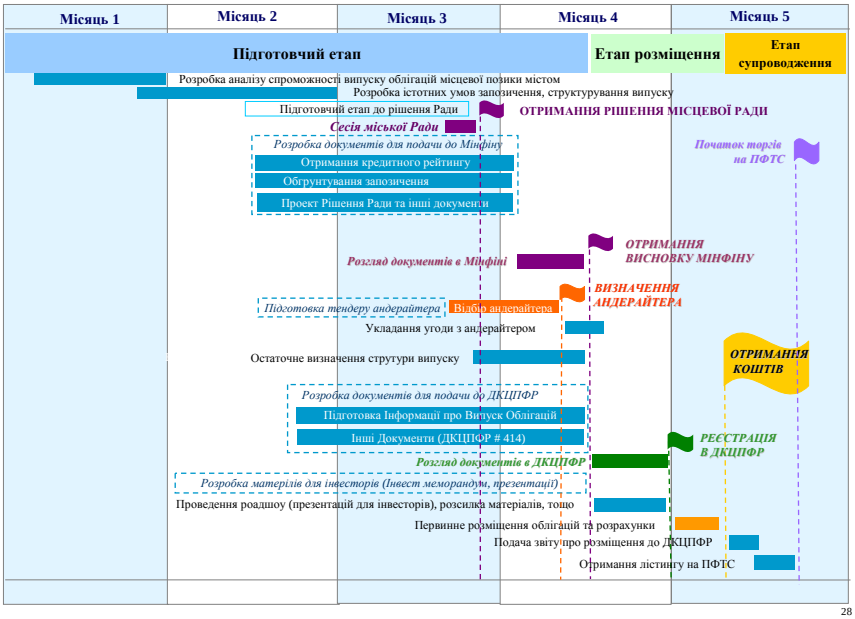
Графік Випуску Облігацій Місцевої Позики



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Перелік стандартної інформації, що її вимагають міжнародні рейтингові агентства:

Політика, адміністративні відносини

- політична структура міської ради,
- результати виборів,
- взаємини з центром,
- взаємини з областю,
- взаємини з районами,

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Перелік стандартної інформації, що її вимагають міжнародні рейтингові агентства:

Економіка міста

- програми соціально-економічного розвитку міста,
- інвестиційна політика,
- основні соціально-економічні індикатори за 5-річний період:
- демографічні,
- структурні,
- показники росту (промисловий, торгівля, послуги),
- показники росту середніх та малих підприємств,
- податкові показники,
- показники безробіття

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Перелік стандартної інформації, що її вимагають міжнародні рейтингові агентства:

Фінанси й бюджетна політика

- ефект законодавчих й адміністративних змін на фінансовий стан міста,
- закони про міський бюджет за 5-річний період та проект на наступний рік з додатками,
- звіти й аналіз виконання бюджету за п'ять років (звіти про виконання, пояснювальні записки, звіти про рух грошових коштів);
- аналіз доходів і витрат,
- прогнозні показники доходів і витрат,
- капітальні витрати й доходи й прогнози,
- податкові платежі (основні платники податку до міського бюджету, найбільші боржники, надані пільги, тощо)
- фінансові взаємовідносини з районами

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Перелік стандартної інформації, що її вимагають міжнародні рейтингові агентства:

Боргова політика міста й ліквідність

- всі форми боргу включаючи казначейський (таблиця по кожному виду боргу: борг на початок року, погашено за рік, залучено в борг за рік, погашення на кінець року),
- кредиторська, дебіторська заборгованість за 5-річний період (загальна, за КЕКВ),
- плани по залученню боргу

Умовні зобов'язання

- перелік основних комунальних підприємств,
- фінансовий стан найбільших підприємств комунальної власності,
- їхня кредиторська та дебіторська заборгованість.

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Контактна Інформація

Корпорація Прагма
Ініціатива Сприяння Кредитуванню USAID/Ukraine
72 В. Васильківська, 5ий поверх
03150, Київ, Україна

Тел.: (044) 537-0966
Факс: (044) 537-0967

Денис Гайовий. Радник з питань ринків капіталу. gaiovy@pragmacorp.kiev.ua

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Законодавче регулювання випуску облігацій місцевих позик

Сергій Юргелевич
Радник з юридичних питань

м. Житомир, 19 квітня 2007 р.

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внутрішній державний борг. іпотечне кредитування. муніципальні фінанси. лізинг. кредитні бюро. кредитний рейтинг

Законодавча та нормативна база випуску облігацій місцевих позик

- Закон України “Про місцеве самоврядування”
- Бюджетний кодекс України
- Законодавство України щодо цінних паперів (Закон України “Про цінні папери та фондовий ринок”, Закон України “Про державне регулювання ринку цінних паперів в Україні”, Закон України “Про Національну депозитарну систему та особливості електронного обігу цінних паперів в Україні” тощо)
- Постанова КМУ № 207 від 24.02.2003 р. “Про затвердження Порядку здійснення запозичень до місцевих бюджетів”
- Рішення ДКЦПФР № 414 від 7.10.2003 р. “Про затвердження Положення про порядок випуску облігацій внутрішніх місцевих позик”

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внутрішній державний борг. іпотечне кредитування. муніципальні фінанси. лізинг. кредитні бюро. кредитний рейтинг

Облігації місцевих позик: законодавче визначення

- Облігація - цінний папір, що посвідчує внесення його власником грошей, визначає відносини позики між власником облігації та емітентом, підтверджує зобов'язання емітента повернути власникові облігації її номінальну вартість у передбачений умовами розміщення облігацій строк та виплатити доход за облігацією, якщо інше не передбачено умовами розміщення.

Стаття 7 Закону України "Про цінні папери та фондовий ринок"

- До облігацій місцевих позик належать облігації внутрішніх та зовнішніх місцевих позик.
- Рішення про розміщення облігацій місцевих позик приймає Верховна Рада Автономної Республіки Крим або міська рада відповідно до вимог, установлених бюджетним законодавством.
- Реєстрацію випуску облігацій місцевих позик здійснює Державна комісія з цінних паперів та фондового ринку в установленому нею порядку.
- Особливості погашення та реалізації прав за облігаціями місцевих позик визначаються умовами їх розміщення.

Стаття 9 Закону України "Про цінні папери та фондовий ринок"

- Облігації внутрішньої місцевої позики - цінні папери, що випущені Верховною Радою Автономної Республіки Крим або міською радою, та засвідчують внесення їх власниками грошових коштів і підтверджують зобов'язання емітента відшкодувати йому номінальну вартість цього цінного папера в передбачений у них строк із виплатою фіксованого процента (якщо інше не передбачено умовами випуску).

Рішення ДКЦПФР № 414 від 7.10.2003 р.

Повноваження та мета здійснення запозичень

- Виключно Верховна Рада Автономної Республіки Крим та міські ради мають право здійснювати внутрішні запозичення.

Стаття 16 Бюджетного кодексу України

- Прийняття рішень щодо випуску місцевих позик здійснюються виключно на пленарних засіданнях міської ради.

Стаття 26 Закону України "Про місцеве самоврядування"

- Держава не несе відповідальності по зобов'язаннях за запозиченнями до місцевих бюджетів.

Стаття 72 Бюджетного кодексу України

- Запозичення може бути здійснене лише до бюджету розвитку відповідного місцевого бюджету.
- Запозичення здійснюється з метою фінансування дефіциту бюджету розвитку відповідного місцевого бюджету.
- Видатки на обслуговування боргу здійснюються за рахунок коштів загального фонду бюджету.

Статті 72, 74 Бюджетного кодексу України

Обмеження при здійсненні запозичень

- Видатки на обслуговування боргу не можуть щорічно перевищувати 10% видатків від загального фонду відповідного місцевого бюджету протягом будь-якого бюджетного періоду, коли планується обслуговування боргу.
- Якщо у процесі погашення основної суми боргу та платежів по його обслуговуванню має місце порушення графіка погашення з вини позичальника, відповідна рада не має права здійснювати нові запозичення протягом 5 наступних років.
- Зовнішні запозичення можуть здійснювати лише міські ради міст з чисельністю населення понад 800 тисяч мешканців за офіційними даними державної статистики на час ухвалення рішення про здійснення запозичень.

Статті 16, 74 Бюджетного кодексу України

Кредитний рейтинг

- Закон "Про державне регулювання ринку цінних паперів в Україні" та Постанова КМУ № 207 від 24.02.2003 передбачають обов'язкову рейтингову оцінку *випусків* облігацій місцевих позик.
- Підтримка кредитного рейтингу протягом періоду обігу облігацій не вимагається.
- Рейтингові оцінки, отримання яких відповідно до закону є обов'язковим, мають право визначати виключно уповноважені рейтингові агентства та/або міжнародні рейтингові агентства.
- Рішенням № 198 від 22.02.2006 р. ДКЦПФР визнала такими, що мають право визначати рейтингові оцінки, три міжнародних рейтингових агентства: Standard and Poor's, Moody's Investor Services, Fitch IBCA.
- ДКЦПФР внесла агентство "Кредит рейтинг" до Державного реєстру уповноважених рейтингових агентств.

Порядок здійснення запозичень до місцевих бюджетів

- Порядок здійснення запозичень до місцевих бюджетів регулюється Постановою КМУ № 207 від 24.02.2003 р. "Про затвердження Порядку здійснення запозичень до місцевих бюджетів".
- Рішення міської ради про здійснення запозичення повинно містити відомості про:
  - істотні умови запозичення (розмір запозичення, розмір основної суми боргу, відсотки за запозичення, а також строки їх сплати);
  - форму здійснення запозичення;
  - мету запозичення.
- Про наміри здійснити запозичення міська рада надсилає Міністерству фінансів письмове повідомлення, до якого додає:
  - проект рішення міської ради про здійснення запозичення;
  - обґрунтування відповідності запозичення вимогам, установленим бюджетним законодавством, щодо здатності в повному обсязі та у визначений строк виконати свої боргові зобов'язання;
  - копію звіту про виконання відповідного місцевого бюджету за рік, що передує року, в якому приймається рішення про здійснення запозичення;
  - інформацію про поточний стан виконання зобов'язань щодо погашення місцевого боргу, а також про стан розрахунків за місцевим боргом за попередні п'ять років;
  - обґрунтування доходів бюджету розвитку спеціального фонду місцевого бюджету, що будуть спрямовуватися на погашення основної суми місцевого боргу протягом всього періоду його погашення;
  - відомості про рейтингову оцінку цінних паперів.

Порядок здійснення запозичень до місцевих бюджетів (продовження)

- Мінфін протягом 20 робочих днів після отримання зазначених інформації та документів розглядає їх і проводить перевірку відповідності обсягу видатків на обслуговування місцевого боргу межам, установленим законом.
- За результатами розгляду та перевірок робиться висновок про відповідність або невідповідність проекту рішення про здійснення запозичення вимогам, установленим бюджетним законодавством, який доводиться до відома відповідного органу.
- Під час розгляду інформації та документів у разі потреби Мінфін має право одержувати в установленому порядку додаткову інформацію, необхідну для підготовки висновку.
- Надання Мінфіном висновку щодо відповідності проекту рішення про здійснення запозичення вимогам, установленим бюджетним законодавством, не є гарантією держави або Мінфіну виконання зобов'язань чи підтвердженням платоспроможності позичальника.
- Копія рішення про здійснення запозичення надсилається Мінфіну в десятиденний термін після його прийняття.
- У разі невідповідності рішення міської ради про здійснення запозичення вимогам, установленим бюджетним законодавством, Мінфін звертається у встановленому порядку до суду для визнання такого рішення незаконним.

Порядок випуску облігацій внутрішніх місцевих позик

- Порядок випуску облігацій внутрішніх місцевих позик регулюється Рішенням ДКЦПФР № 414 від 7.10.2003 р. "Про затвердження Положення про порядок випуску облігацій внутрішніх місцевих позик"
- Процедура здійснення випуску облігацій включає таку послідовність дій:
  - отримання в Міністерстві фінансів України висновку щодо відповідності проекту рішення Ради про здійснення запозичень вимогам, установленим бюджетним законодавством;
  - прийняття Радою рішення про здійснення запозичень;
  - оформлення та затвердження інформації про випуск облігацій;
  - реєстрація в ДКЦПФР випуску облігацій та інформації про їх випуск;
  - опублікування зареєстрованої інформації про випуск облігацій;
  - розміщення глобального сертифіката (у разі випуску облігацій у бездокументарній формі);
  - розміщення облігацій у термін, зазначений в інформації про випуск облігацій;
  - подання до ДКЦПФР звіту про результати розміщення випуску облігацій;
  - погашення облігацій у термін, зазначений в інформації про випуск облігацій;
  - подання до ДКЦПФР звіту (звітів) про погашення облігацій;
  - подання до ДКЦПФР документів на скасування реєстрації випуску облігацій.

Порядок випуску облігацій внутрішніх місцевих позик (продовження)

- Емітент подає до ДКЦПФР для одночасної реєстрації випуску облігацій та інформації про їх випуск такі документи:
  - заяву про реєстрацію випуску облігацій та інформації про їх випуск;
  - копію рішення Ради про здійснення запозичень у формі випуску облігацій;
  - інформацію про випуск облігацій;
  - довідку про депозитарій, з яким емітент уклав договір про обслуговування емісії (у разі випуску облігацій у бездокументарній формі);
  - копію висновку Міністерства фінансів України щодо відповідності проекту рішення Ради про здійснення запозичень вимогам, установленим бюджетним законодавством.
- Реєстрація випуску облігацій та інформації про їх випуск повинна бути здійснена не пізніше як за 30 днів з моменту подання заяви з доданням необхідних документів.
- До закінчення встановленого для реєстрації терміну реєструвальний орган може вимагати надання додаткових документів, які підтверджують дані, наведені у документах, наданих емітентом для реєстрації випуску облігацій та інформації про їх випуск.
- Реєстрація випуску облігацій та інформації про їх випуск, що здійснюється реєструвальним органом, не може розглядатися як гарантія вартості цих облігацій.

Порядок випуску облігацій внутрішніх місцевих позик (продовження)

- До інформації про випуск облігацій повинні бути включені такі відомості:
  - відомості про емітента;
  - відомості про фінансовий стан емітента в поточному році та протягом двох останніх років, в т. ч. відомості щодо наявності рейтингу емітенту стосовно здатності своєчасно і в повному обсязі здійснювати розрахунки за борговими зобов'язаннями із зазначенням рейтингового агентства, що здійснювало оцінку;
  - інформацію про попередні випуски облігацій та їх результати;
  - відомості про даний випуск облігацій;
  - порядок розміщення облігацій;
  - порядок виплати доходу за облігаціями (проценти або дисконт);
  - відомості про депозитарій (при бездокументарній формі);
  - дані щодо бірж або позабіржових торгівельно-інформаційних систем, на яких здійснювався обіг облігацій цього емітента;
  - інформація про організаторів торгівлі, з якими укладено договір на проведення розміщення облігацій;
  - дані про осіб, відповідальних за інформацію про випуск облігацій.

Проект порядку випуску облігацій внутрішніх місцевих позик – відкрите розміщення

- Затвердження бюджету місцевої ради з дефіцитом виключно у частині дефіциту бюджету розвитку на відповідний рік та проекту рішення про здійснення запозичень у формі розміщення (випуску) облігацій (прийняття рішення про здійснення запозичень у формі розміщення (випуску) облігацій можливе лише за умови зазначення в ньому, що це рішення набуває чинності після його погодження Міністерством фінансів України);
- Отримання в Міністерстві фінансів України висновку щодо відповідності проекту рішення про здійснення запозичень вимогам, установленим бюджетним законодавством;
- Прийняття Радою рішення про здійснення запозичень у формі розміщення (випуску) облігацій (або внесення змін до раніше прийнятого рішення про здійснення запозичень у формі розміщення (випуску) облігацій з урахуванням зауважень Міністерства фінансів України);
- Подання заяви і всіх необхідних документів для реєстрації випуску облігацій та проспекту їх емісії;
- Реєстрація реєструвальним органом випуску облігацій та проспекту їх емісії, видача тимчасового свідоцтва про реєстрацію випуску облігацій;
- Прийняття у разі потреби рішення про залучення андеррайтера (-ів) до розміщення облігацій органом емітента, уповноваженим приймати таке рішення, крім випадків наявності попередньо укладеного договору (-ів) з андеррайтером (-ами);

Проект порядку випуску облігацій внутрішніх місцевих позик – відкрите розміщення (продовження)

- Присвоєння облігаціям міжнародного ідентифікаційного номера;
- Укладення з депозитарієм договору про обслуговування емісії облігацій або з реєстратором - про ведення реєстру власників іменних облігацій (у разі відсутності таких договорів), крім випадків наявності попередньо укладеного договору;
- Виготовлення сертифікатів цінних паперів у разі розміщення облігацій (у документарній формі існування) або розміщення глобального сертифіката (у разі розміщення облігацій у бездокументарній формі існування);
- Розкриття інформації, що міститься в зареєстрованому проспекті емісії облігацій, шляхом опублікування проспекту емісії облігацій у повному обсязі в офіційному друкованому виданні Державної комісії з цінних паперів та фондового ринку не менш як за 10 днів до початку відкритого (публічного) розміщення цінних паперів;
- Відкрите (публічне) розміщення цінних паперів, що здійснюється в строк, який зазначений в рішенні про розміщення облігацій та/або проспекті їх емісії.
- Затвердження результатів відкритого (публічного) розміщення облігацій органом емітента, уповноваженим приймати таке рішення;
- Подання звіту про результати відкритого (публічного) розміщення облігацій;
- Реєстрація реєструвальним органом звіту про результати відкритого (публічного) розміщення облігацій;

Проект порядку випуску облігацій внутрішніх місцевих позик – відкрите розміщення (продовження)

- Отримання свідоцтва про реєстрацію випуску облігацій;
- Розкриття інформації, що міститься у зареєстрованому звіті про результати відкритого (публічного) розміщення облігацій, шляхом опублікування звіту у тому самому офіційному друкованому виданні Державної комісії з цінних паперів та фондового ринку, в якому був опублікований проспект емісії цих облігацій, не пізніше ніж через 15 робочих днів з дати реєстрації звіту про результати розміщення облігацій (серії облігацій);
- Надання емітентом до депозитарію, з яким укладено договір про обслуговування емісії облігацій і оформлено глобальний сертифікат, або реєстратору, з яким укладено договір про ведення реєстру власників іменних цінних паперів, копії свідоцтва про реєстрацію випуску облігацій. На підставі свідоцтва про реєстрацію випуску облігацій емітент переоформляє глобальний сертифікат на нову кількість облігацій з урахуванням результатів розміщення облігацій;
- Погашення облігацій, що здійснюється у термін, зазначений в рішенні про розміщення облігацій та/або проспекті емісії облігацій;
- Подання до реєструвального органу звіту (звітів) про погашення облігацій у строки та в порядку, передбачені цим Положенням.

Проект порядку випуску облігацій внутрішніх місцевих позик – закрите розміщення

- Затвердження бюджету місцевої ради з дефіцитом виключно у частині дефіциту бюджету розвитку на відповідний рік та проекту рішення про здійснення запозичень у формі розміщення (випуску) облігацій (прийняття рішення про здійснення запозичень у формі розміщення (випуску) облігацій можливе лише за умови зазначення в ньому, що це рішення набуває чинності після його погодження Міністерством фінансів України);
- Отримання в Міністерстві фінансів України висновку щодо відповідності проекту рішення про здійснення запозичень вимогам, установленим бюджетним законодавством;
- Прийняття Радою рішення про здійснення запозичень у формі розміщення (випуску) облігацій (або внесення змін до раніше прийнятого рішення про здійснення запозичень у формі розміщення (випуску) облігацій з урахуванням зауважень Міністерства фінансів України);
- Подання заяви і всіх необхідних документів для реєстрації випуску облігацій;
- Реєстрація реєструвальним органом випуску облігацій, видача тимчасового свідоцтва про реєстрацію випуску облігацій;
- Присвоєння облігаціям міжнародного ідентифікаційного номера;
- Укладення з депозитарієм договору про обслуговування емісії облігацій або з реєстратором - про ведення реєстру власників іменних облігацій (у разі відсутності таких договорів), крім випадків наявності попередньо укладеного договору;
- Виготовлення сертифікатів цінних паперів у разі розміщення облігацій у документарній формі існування або розміщення глобального сертифіката (у разі розміщення облігацій у бездокументарній формі існування);

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Проект порядку випуску облігацій внутрішніх місцевих позик – закрите розміщення (продовження)

- Закрите (приватне) розміщення цінних паперів, що здійснюється в строк, який зазначений в рішенні про розміщення облігацій та/або в умовах випуску (розміщення) облігацій;
- Затвердження результатів закритого (приватного) розміщення облігацій органом емітента, уповноваженим приймати таке рішення;
- Подання звіту про результати закритого (приватного) розміщення облігацій;
- Реєстрація реєструвальним органом звіту про результати закритого (приватного) розміщення облігацій;
- Отримання свідоцтва про реєстрацію випуску облігацій;
- Надання емітентом до депозитарію, з яким укладено договір про обслуговування емісії облігацій і оформлено глобальний сертифікат, або реєстратору, з яким укладено договір про ведення реєстру власників іменних цінних паперів (крім випадків, коли облік прав за облігаціями веде емітент) копії свідоцтва про реєстрацію випуску облігацій. На підставі свідоцтва про реєстрацію випуску облігацій емітент переоформляє глобальний сертифікат на нову кількість облігацій з урахуванням результатів розміщення облігацій;
- Погашення облігацій, що здійснюється у термін, зазначений в рішенні про розміщення облігацій та/або в умовах випуску (розміщення) облігацій;
- Подання до реєструвального органу звіту (звітів) про погашення облігацій у строки та в порядку, передбачені цим Положенням.

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Контактна інформація

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ВНУТРІШНІЙ ДЕРЖАВНИЙ БОРГ. ІПОТЕЧНЕ КРЕДИТУВАННЯ. МУНІЦИПАЛЬНІ ФІНАНСИ. ЛІЗИНГ. КРЕДИТНІ БЮРО. КРЕДИТНИЙ РЕЙТИНГ

17

ATTACHMENT 4

USAID | ІНІЦІАТИВА СПРИЯННЯ КРЕДИТУВАННЮ

ВІД АМЕРИКАНСЬКОГО НАРОДУ

ВНУТРІШНІЙ ДЕРЖАВНИЙ БОРГ. ІПОТЕЧНЕ КРЕДИТУВАННЯ. МУНІЦИПАЛЬНІ ФІНАНСИ. ЛІЗИНГ. КРЕДИТНІ БЮРО. КРЕДИТНИЙ РЕЙТИНГ

Розвиток Ринку Муніципальних Облігацій:

Залучення інвестицій шляхом випуску облігацій внутрішньої місцевої позики

23 квітня, 2007 року

Потреба в інвестиціях?

- Оцінка потреби в інвестиціях згідно Загальнодержавної програми реформування та розвитку житлово-комунального господарства на період 2002-2010 рр.:
  - 34.8 млрд. грн. за напрямками:
    - Модернізація житлових муніципальних активів (32%)
    - Розвиток і відновлення систем водопостачання і водовідведення (20%)
    - Енергозбереження (13%)
    - Оновлення і ровзиток муніципального електротранспорту (9%)
    - Розвиток і відновлення систем теплопостачання (8%)

Оцінка потреби в інвестиціях в комунальний сектор від Світового Банку на період 2006 - 2012 (Noel 2007):

  - В секторі теплопостачання – 25 млрд. грн.
  - В секторі водопостачання та водовідведення – 35 млрд. грн.

ІСК

2

Яким чином місто може фінансувати інвестиції?

- Місто може фінансувати інвестиції:
  - За допомогою власних джерел (бюджет розвитку)
  - Через запозичення
- Запозичення можуть бути в формі:
  - Кредиту комерційного банку
  - Випуску облігацій

ІСК

3

Що є облігація?

- Облігація - цінний папір, що посвідчує внесення його власником грошей, визначає відносини позики між власником облігації та емітентом, підтверджує зобов'язання емітента повернути власникові облігації її номінальну вартість у передбачений умовами розміщення облігацій строк та виплатити доход за облігацією, якщо інше не передбачено умовами розміщення.

Стаття 7 Закону України

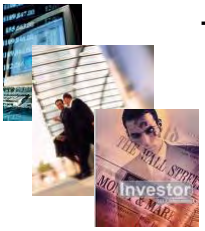
"Про цінні папери та фондовий ринок"

ІСК

4

Що є облігація?

- Муніципалітет має інвестиційний проект на 10 млн. грн.
- Інвестор надає кредит на сумму 10 млн. грн. під 12% на два роки
- Місто чи підприємство випускає прості облігації (зобов'язання повернути борг)
- Платіж структуровано таким чином аби виплата відсотків відбувалась щоквартально та виплата основної суми боргу відбувалась наприкінці другого року



Інвестори в облігації

10 млн. грн. →

← 300 тис. грн. (Р1:Квартал1)

← 300 тис. грн. (Р1:Квартал2)

← 300 тис. грн. (Р1:Квартал3)

← 300 тис. грн. (Р1:Квартал4)

← 300 000 (Р2:Квартали1,2,3,4)

← 10 млн. грн. (Рік 2)

Емітент облігацій (Муніципалітет)

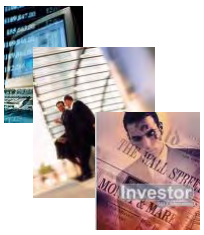
ІСК

5

Що є облігація?

Місто чи комунальне підприємство може залучити більше інвесторів (та здешевшити залучення) випускаючи облігації:

- Кредит розбивається на цінні папери (облігації) з номінальною вартістю в 1000 грн.
- Кількість облігацій 10 000
- Окремий інвестор надає муніципалітету 1000 грн. сьогодні та отримує купонну ставку відсотка (12% річних) в наступні два роки та основну суму боргу через два роки



Інвестори в облігації

UAH 1000 →

← UAH 30.00 (Р1:К1)

← UAH 30.00 (Р1:К2)

← UAH 30.00 (Р1:К3)

← UAH 30.00 (Р1:Кв4)

← UAH 30.00 * 4 (Р2:К1,К2,К3,К4)

← **UAH 1000 (кінець 2-ого року)**

Емітент облігацій (Муніципалітет)

ІСК

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Характеристики нашої облігації:

- Облігація це є цінний папір, що засвідчує:
  - що емітент облігацій (муніципалітет) отримав гроші
  - що емітент (муніципалітет) взяв зобов'язання виплатити відсотки (12% річних або 3.00% щоквартально) та виплатити номінальну вартість (1000 грн.) на визначену дату
- Характеристики вищезгаданої облігації:
  - Загальна вартість випуску: 10 млн. грн.
  - # облігацій: 1000
  - Номінальна вартість кожної облігації: 1000 грн.
  - Ставка відсотка: 12% річна (або 3.00% щоквартально)
  - Відсоток: 30.00 грн.
  - Частота виплати: 4 рази на рік
  - Строк: 2 роки

ІСК

7

Що можна фінансувати за допомогою облігацій?

- Проекти капітального розвитку та інфраструктури
- Окремі проекти можуть включати :
  - Реконструкцію та будівництво доріг, мостів та інших об'єктів інфраструктури
  - Реконструкція та модернізація комунальних підприємств (теплокомуненерго, водопостачання, водовідвід, тощо.)

ІСК

8

Облігації можуть бути випущені:

- Міською Радою
  - Незабезпечені облігації (виплачуються з податків та інших доходів міста)

- Комунальними підприємствами
  - Облігації виплачуються з доходів підприємства або доходів з проекту

ІСК

9

Банківський кредит або Випуск облігацій

Фінансування капіталовкладень:

	Позитив	Негатив
Банківський Кредит	-Простіший процес; -Менша сумма та більш гнучке фінансування; -Формування стосунків з банком -Конфіденційність	- Вищі ставки - Залежність від одного банку - Необхідне забезпечення - Фінансування обмежене як щодо суми так і щодо строку
Облігації	- Менші відсотки, більші обсяги та терміни фінансування (за рахунок конкуренції між інвесторами) -Забезпечення не є потрібним - Формується публічна кредитна історія -Незалежність від одного кредитора	- Більш складний процес (реєстрація в Мінфіні та ДКЦПФР) - Високі фіксовані видатки (рейтинг, тощо) -Необхідна більша прозорість (бухоблік, тощо)

ІСК

10

Переваги випуску облігацій:

- **ІНВЕСТИЦІЙНА Мета** – фінансування довготермінових та значних проектів капіталовкладень за мінімальними ринковими ставками

- **Додаткові переваги**:
  - Вирішення соціальної проблеми розподілу фінансового тягаря на користувачів об'єкту капіталовкладень
  - Підвищення довіри інвесторів та покращення інвестиційного клімату
  - Публічна кредитна історія (кредитний рейтинг)
  - Громадяни та підприємці міста можуть інвестувати у власне місто, отримуючи як фінансові так і непрямі переваги від кращого рівня послуг
  - Покращення іміджу міста та визнання з боку інших міст за інноватиний підхід до фінансування капіталовкладень

ІСК

11

Інформація щодо наявних та плануючихся випусків облігацій

ІСК

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Київ

	Загальна вартість, грн	Номінальна вартість, грн.	Кількість облігацій	Термін	Дата розміщення	Ставка %	Опціон пут (оферта)
Київ 1-А	100 млн.	1000	100000	5 років	25.11.2003	14%	Так

- Мета фінансування шляхом випуску облігацій включала наступні інвестиційні проекти:
  - Придбання рухомого складу метрополітену
  - Реконструкція Київського аеропорта
  - Будівництво Подільскького мосту
  - Придбання рухомого траспортного складу

ІСК

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Запоріжжя

	Загальна вартість, грн	Номінальна вартість, грн.	Кількість облігацій	Термін	Дата розміщення	Ставка%	Опціон пут (оферта)
Запоріжжя 2004 1-А	25 млн.	1000	25000	2 роки	01.07.2004	15.35%	Так
Запоріжжя 2005 1-B,C,D,E	75 млн. (25, 20, 20, 10 млн.)	1000	75000	2, 3, 4, 5 років	12.07.2005	10.5%, 11%, 11.5%, 12%	Ні

- Мета фінансування шляхом випуску облігацій включала наступні інвестиційні проекти:
  - Рекострукція та будівництво мостів
  - Реконструкція стадіону
  - Реконструкція освітлення
  - Будівництво житла

ІСК

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Харків

	Загальна вартість, грн	Номінальна вартість, грн.	Кількість облігацій	Термін	Дата розміщення	Ставка %	Опціон пут (оферта)
Харків 1-А	100 млн.	1000	100000	3 роки	30.07.2005	10.75%	Немає

- Мета фінансування шляхом випуску облігацій включала наступні інвестиційні проекти:
  - Проекти капітального будівництва та реконструкції об'єктів
  - Проекти з розвитку інфраструктури

ІСК

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Одеса

	Загальна вартість, грн	Номінальна вартість, грн.	Кількість облігацій	Термін	Дата розміщення	Ставка%	Опціон пут (оферта)
Одеса 1-А,В,С	125 млн.	1000	125000	2, 3, 5 років	23.12.2005	12.00% 13.00% 14.00%	Немає

- Мета фінансування шляхом випуску облігацій включала наступні інвестиційні проекти:
  - Будівництво житла
  - Ремонт житла
  - Ремонт доріг
  - Погашення заборгованості

ІСК

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Комсомольськ (1-А)

Загальна вартість, грн	Номінальна вартість, грн.	Кількість облігацій	Термін	Дата розміщення	Ставка %	Опціон пут (оферта)
8 млн.	1000	8000	3 роки	07.08.2006	12.00%	Немає

- Мета фінансування шляхом випуску облігацій включала наступні інвестиційні проекти:
  - Проекти капітального будівництва
  - Розвиток інфраструктури

ІСК

17

Вінниця

	Загальна вартість, грн	Номінальна вартість, грн.	Кількість облігацій	Термін	Дата розміщення	Ставка %	Оферта
1-А	8 млн.	1000	8000	1.5 роки	15.06.2006	11.95%	Немає
1-В	8 млн.	1000	8000	2.5 роки	15.08.2006	12.00%	Немає
1-С	4 млн.	1000	4000	3 роки	15.11.2006	12.00%	Немає

- Мета фінансування шляхом випуску облігацій включала наступні інвестиційні проекти:
  - Капітальний ремонт та реконструкція доріг

ІСК

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Івано – Франківськ

	Загальна вартість, грн	Номінальна вартість, грн.	Кількість облігацій	Термін	Дата розміщення	Ставка %	Опціон пут (оферта)
Івано – Франківськ 1-А	5.5 млн.	1000	5500	5 років	27.02.2006	12.0%	Немає

- Мета фінансування шляхом випуску облігацій включає наступні інвестиційні проекти:
  - Проект «Модернізація зовнішнього освітлення міста Івано-Франківськ»

ІСК

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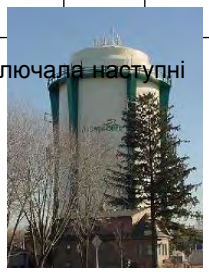
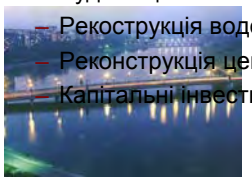
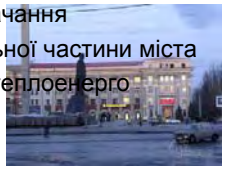
Донецьк

	Загальна вартість, грн	Номінальна вартість, грн.	Кількість облігацій	Термін	Дата розміщення	Ставка%	Опціон пут (оферта)
Донецьк 2004 (1-А)	20 млн.	1000	20000	3 роки	16.08.2004	14 %	Так
Донецьк 2005 (1-В)	45 млн.	1000	45000	5 років	12.07.2005	11.75 %	Так 12,14,16, 18 (9 млн)
Донецьк 2006 (1-С)	50 млн.	1000	50000	5 років	12.09.2006	12.00 %	Так

- Мета фінансування шляхом випуску облігацій включала наступні інвестиційні проекти:
  - Будівництво житла
  - Рекоструктція водопостачання
  - Реконструкція центральної частини міста
  - Капітальні інвестиції в теплоенерго







ІСК

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Донецьк 2006 – мета фінансування

- **Мета використання фінансових ресурсів, залучених від продажу облігацій**
- Метою випуску облігацій місцевої позики м. Донецьк 2006 року є залучення коштів до бюджету розвитку міського бюджету міста Донецька з метою часткового вирішення соціальних проблем міста у напрямках інвестування коштів під програми капітальних вкладень.

ІСК

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Донецьк 2006 – розпис інвестування коштів

№ п/п	Найменування об'єкту	Сума асигнувань 2006 р. (тис. грн.)
1	2	3
1.	Житлове будівництво та придбання житла для окремих категорій населенняв т.ч.	10000,0
	МР "Победа" житловий будинок №9 у Ворошиловському районі	799,5
	МР "Победа" житловий будинок №10 у Ворошиловскому районі	915,3
	Відбудова секції житлового будинку №14 повул.Кедріна у Будьоннівському районі	3530,0
	Квартал 288 житловий будинок №2А у Будьоннівському районі	1230,0
	Квартал 288 житловий будинок №3 у Будьоновському районі (ІПР)	250,0
	Квартал 1117-1118 житловий будинок №4 у Будьоннівському районі	1678,0
	МР "Магістральний" житловий будинок №1-2 у Куйбишевському р-ні (ІПР)	300,0
	Вулиця Маршала Жукова житловий будинок у Куйбишевському районі (ІПР)	250,0
	Житловий район "Широкий" у Ленінському і Кіровському районах	411,1
	Забудівля житловими будинками МР "Привокзальний" вздовж вул.Артема. Житловий будинки - №35 В,Г, Д, Е, Ж зі вбудовано-прибудованими приміщеннями(Експертиза)	36,1
	Вул.Октября - два житлових будинки у Будьоннівському районі (ІПР)	600,0
2.	Капітальні вкладенняв т.ч.	20000,0
	Підвідний водовід МР "Широкий" Кіровський район	1500,0
	Реконструкція Петровського водопровідного вузла МР "Текстильщик-5" Петровський район	800,0
	Водовід питної води від ст.Донецьк-2 до пр. Павших Комунарів Калінінський район	1000,0
	Мережі водопостачання Калінінського району - водовід ф 700 по пр.Ілліча	470,1
	Водовід у селищі Авдотіно, Ленінський район	2530,0
	Підвідний водовід питної води до заводу КПБ м.Донецьк	500,0
	Газифікація вул.Приморської у Ленінському районі	162,0
	Реконструкція каналізаційної насосної станції, каналізаційних колекторів у Київському районі	715,5
	Будівництво шляхопроводу на перехресті пр.Ілліча і Червоногвардійського проспекту у Калінінскому районі	8083,5
	Автономні системи опадення та газопостачання об'єктів охорони здоров'я.	945,0
	Інженерний захист від підтоплення території м.Донецька	1192,9
	Дошкільний заклад у Ленінському районі селища Авдотіно – будівництво	2101,0
	Придбання міського комунального автотранспорту (автобусів)	10000,0
	Придбання вагонів міського комунального електротранспорту (трамваїв і тролейбусів)	10000,0
	Всього	50000,0

ІСК

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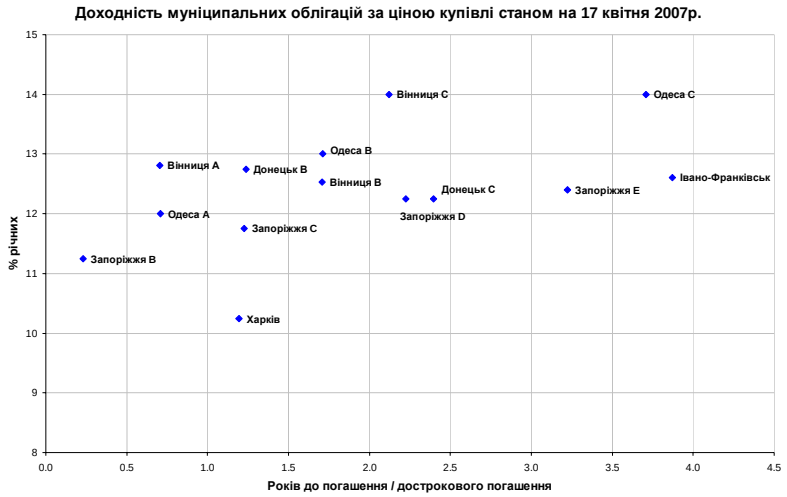
Доходність муніципальних облігацій



ІСК

23

Доходність облігацій внутрішньої місцевої позики станом на 17.04.2007

Код ПФТС	Емітент, серія	Купівля, грн.	Дата погашення/ дострокового погашення	Строк до погашення/ оферти, років	Доходність ефективна, %
OVINRA	Вінниця А	1008.48	30.12.2007	0.70	12.81
OVINRB	Вінниця В	1020.05	30.12.2008	1.71	12.53
OVINRC	Вінниця С	995.68	30.05.2009	2.12	14.00
ODONC	Донецьк А	1020.01	16.08.2007	0.33	18.89
ODONCB	Донецьк В	996.93	11.07.2008	1.24	12.74
ODON2C	Донецьк С	1017.44	07.09.2009	2.39	12.25
OZAPRB	Запоріжжя В	1032.18	10.07.2007	0.23	11.25
OZAPRC	Запоріжжя С	1030.00	08.07.2008	1.23	11.75
OZAPRD	Запоріжжя D	1028.73	07.07.2009	2.22	12.25
OZAPRE	Запоріжжя Е	1036.84	06.07.2010	3.22	12.40
OIVFRA	Івано-Франківськ	1013.78	28.02.2011	3.87	12.61
OKYIV	Київ	1056.57	26.11.2007	0.61	6.37
OODESA	Одеса А	1037.01	31.12.2007	0.71	12.00
OODESB	Одеса В	1043.56	31.12.2008	1.71	13.00
OODESC	Одеса С	1053.51	31.12.2010	3.71	14.00
OHARA	Харків	1015.30	26.06.2008	1.19	10.25

ІСК

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Основні інвестори в облігації внутрішньої місцевої позики

- Комерційні банки
- Зовнішні інвестори (нерезиденти)
- Страхові компанії
- Пенсійні фонди

ІСК

25

Ризики облігацій внутрішньої місцевої позики

- Ризики пов'язані з Україною (ризик погіршення політичної та економічної ситуації в країні, ризик пов'язаний з міжбюджетними відносинами, ризик пов'язаний з правозастосуванням, ризики пов'язані з відсутністю закону про неплатоспроможність міст, ризики пов'язані зі зміною оподаткування)
- Ризики пов'язані з емітентом (кредитний ризик, ризик пов'язаний з відсутністю аудиту звітності міст, ризик пов'язаний з підприємствами комунального господарства, ризик пов'язаний з зростанням необхідності капіталовкладень)
- Ризики пов'язані з облігацією (ризик зміни відсоткової ставки, ризик реінвестування, ризик ліквідності)

ІСК

26

ВИПУСК ОБЛІГАЦІЙ ВНУТРІШНЬОЇ МІСЦЕВОЇ ПОЗИКИ: КРОК ЗА КРОКОМ

ІСК

27

Що потрібно для випуску облігацій місцевих позик?

- Необхідно аби:
  - Місто мало чітко визначену потребу в фінансуванні проектів інфраструктури та капітального будівництва. Місту необхідно проаналізувати потреби в капітальному фінансуванні, провести планування капітальних інвестицій та боргове планування
    - Яка потреба в капітальному фінансуванні та за якими проектами?
    - Які потреби в капітальному будівництві мають бути покриті за рахунок боргу?
    - Які проекти є приорітетними?
    - Які фінансові показники даних проектів?
  - Місто мало хороші фінансові результати діяльності та могло продемонструвати здатність ефективно виконувати боргові зобов'язання (генерувати в майбутньому грошові потоки для обслуговування та виплати основної суми боргу):
    - Фінансові та операційні показники (та тренди)
    - Капітальні доходи (продаж землі та активів)
    - Соціально-економічні показники
  - Ринок демонстрував зацікавленість в цінних паперах міст

ІСК

28

Методологія оцінки кредитоспроможності міста

- Оцінка фінансового стану міста
  - Операційні доходи - операційні видатки = операційний профіцит (за виключенням субвенцій, неперіодичних доходів та видатків)
  - Аналіз капітальних доходів та видатків
  - Аналіз виконання бюджету
  - Аналіз боргової спроможності міста
- Оцінка соціально-економічного стану
- Оцінка адміністративних та політичних складових
- Оцінка ефективності управління містом
- Оцінка умовних зобов'язань

- Матриця ключових фінансових індикаторів

- Прогноз

ІСК

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Перспективи

- За умов, що місто чітко виконуватиме свої боргові зобов'язання, наступний випуск облігацій внутрішньої місцевої позики викликатиме більший інтерес з боку інвесторів. Місто матиме можливість залучати кошти:
  - під меншу ставку відсотку
  - на інвестиційні проекти більшого розміру з відповідно більшим обсягом фінансування за рахунок боргових зобов'язань

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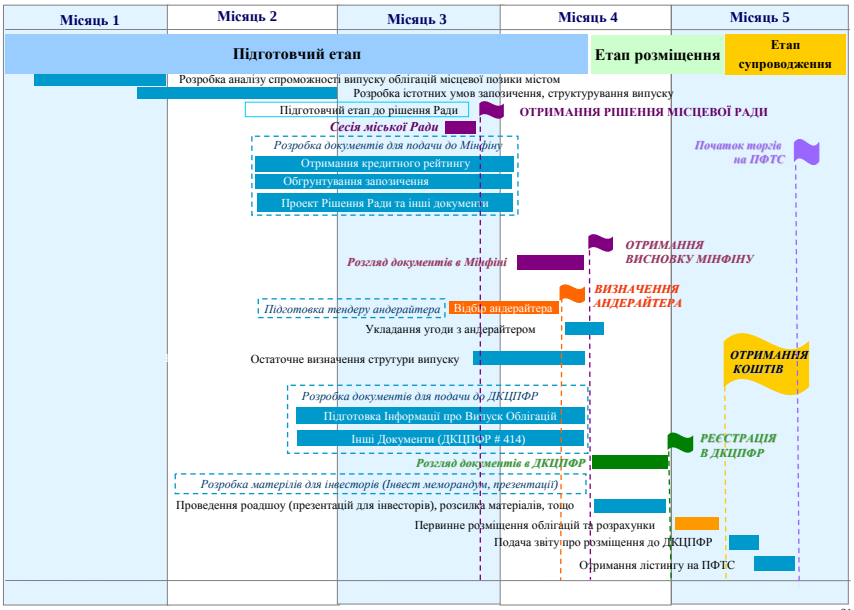
Графік Випуску Облігацій Місцевої Позики



ІСК

Перелік стандартної інформації, що її вимагають міжнародні рейтингові агентства:

Політика, адміністративні відносини

- політична структура міської ради,
- результати виборів,
- взаємини з центром,
- взаємини з областю,
- взаємини з районами,

ІСК

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Перелік стандартної інформації, що її вимагають міжнародні рейтингові агентства:

Економіка міста

- програми соціально-економічного розвитку міста,
- інвестиційна політика,
- основні соціально-економічні індикатори за 5-річний період:
- демографічні,
- структурні,
- показники росту (промисловий, торгівля, послуги),
- показники росту середніх та малих підприємств,
- податкові показники,
- показники безробіття

ІСК

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Перелік стандартної інформації, що її вимагають міжнародні рейтингові агентства:

Фінанси й бюджетна політика

- ефект законодавчих й адміністративних змін на фінансовий стан міста,
- закони про міський бюджет за 5-річний період та проект на наступний рік з додатками,
- звіти й аналіз виконання бюджету за п'ять років (звіти про виконання, пояснювальні записки, звіти про рух грошових коштів);
- аналіз доходів і витрат,
- прогнозні показники доходів і витрат,
- капітальні витрати й доходи й прогнози,
- податкові платежі (основні платники податку до міського бюджету, найбільші боржники, надані пільги, тощо)
- фінансові взаємовідносини з районами

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Перелік стандартної інформації, що її вимагають міжнародні рейтингові агентства:

Боргова політика міста й ліквідність

- всі форми боргу включаючи казначейський (таблиця по кожному виду боргу: борг на початок року, погашено за рік, залучено в борг за рік, погашення на кінець року),
- кредиторська, дебіторська заборгованість за 5-річний період (загальна, за КЕКВ),
- плани по залученню боргу

Умовні зобов'язання

- перелік основних комунальних підприємств,
- фінансовий стан найбільших підприємств комунальної власності,
- їхня кредиторська та дебіторська заборгованість.

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Рейтинги муніципалітетів від міжнародних рейтингових агенств

кредитний рейтинг/прогноз зміни рейтингу

	Standard & Poor's		Moody's Investors Service		Fitch Ratings	
	Міжнародна шкала	Національна шкала	Міжнародна шкала	Національна шкала	Міжнародна шкала	Національна шкала
Україна	BB-/Негативний	uaAA	Ba3/Позитивний		BB-/Позитивний	AA+ (UKR)/Стабільний
Рейтинги регіональних та місцевих органів влади						
АР Крим	B+/Стабільний	uaA+				
Бердянськ (рейтинг емітента та випуску)			B1/Стабільний	Aa3.ua		
Дніпропетровськ (рейтинг емітента та випуску)	B+/Стабільний	uaA+				
Івано-Франківськ (рейтинг емітента та випуску)	B+/Стабільний	uaA				
Київ (рейтинг емітента та випуску)	BB-/Негативний		B1/Позитивний			
Луганськ	B/Стабільний	uaBBB+				
Львів (рейтинг емітента та випуску)	B+/Стабільний	uaA+				
Одеса					B+/Стабільний	
Харків			B1/Стабільний		B+/Стабільний	

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Контактна Інформація

Корпорація Прагма
Ініціатива Сприяння Кредитуванню USAID/Ukraine
72 В. Васильківська, 5ий поверх
03150, Київ, Україна

Тел.: (044) 537-0966
Факс: (044) 537-0967

Денис Гайовий. Радник з питань ринків капіталу. gaiovy@pragmacorp.kiev.ua

Сергій Юргелевич. Радник з юридичних питань. yurhelevich@pragmacorp.kiev.ua

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37

Законодавче регулювання випуску облігацій місцевих позик

Сергій Юргелевич
Радник з юридичних питань

м. Львів, 23 квітня 2007 р.

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Законодавча та нормативна база випуску облігацій місцевих позик

- Закон України "Про місцеве самоврядування"
- Бюджетний кодекс України
- Законодавство України щодо цінних паперів (Закон України "Про цінні папери та фондовий ринок", Закон України "Про державне регулювання ринку цінних паперів в Україні", Закон України "Про Національну депозитарну систему та особливості електронного обігу цінних паперів в Україні" тощо)
- Постанова КМУ № 207 від 24.02.2003 р. "Про затвердження Порядку здійснення запозичень до місцевих бюджетів"
- Рішення ДКЦПФР № 414 від 7.10.2003 р. "Про затвердження Положення про порядок випуску облігацій внутрішніх місцевих позик"

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2

Облігації місцевих позик: законодавче визначення

- Облігація - цінний папір, що посвідчує внесення його власником грошей, визначає відносини позики між власником облігації та емітентом, підтверджує зобов'язання емітента повернути власникові облігації її номінальну вартість у передбачений умовами розміщення облігацій строк та виплатити доход за облігацією, якщо інше не передбачено умовами розміщення.

  Стаття 7 Закону України "Про цінні папери та фондовий ринок"

- До облігацій місцевих позик належать облігації внутрішніх та зовнішніх місцевих позик.
- Рішення про розміщення облігацій місцевих позик приймає Верховна Рада Автономної Республіки Крим або міська рада відповідно до вимог, установлених бюджетним законодавством.
- Реєстрацію випуску облігацій місцевих позик здійснює Державна комісія з цінних паперів та фондового ринку в установленому нею порядку.
- Особливості погашення та реалізації прав за облігаціями місцевих позик визначаються умовами їх розміщення.

  Стаття 9 Закону України "Про цінні папери та фондовий ринок"

- Облігації внутрішньої місцевої позики - цінні папери, що випущені Верховною Радою Автономної Республіки Крим або міською радою, та засвідчують внесення їх власниками грошових коштів і підтверджують зобов'язання емітента відшкодувати йому номінальну вартість цього цінного папера в передбачений у них строк із виплатою фіксованого процента (якщо інше не передбачено умовами випуску).

  Рішення ДКЦПФР № 414 від 7.10.2003 р.

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3

Повноваження та мета здійснення запозичень

- Виключно Верховна Рада Автономної Республіки Крим та міські ради мають право здійснювати внутрішні запозичення.

  Стаття 16 Бюджетного кодексу України

- Прийняття рішень щодо випуску місцевих позик здійснюються виключно на пленарних засіданнях міської ради.

  Стаття 26 Закону України "Про місцеве самоврядування"

- Держава не несе відповідальності по зобов'язаннях за запозиченнями до місцевих бюджетів.

  Стаття 72 Бюджетного кодексу України

- Запозичення може бути здійснене лише до бюджету розвитку відповідного місцевого бюджету.
- Запозичення здійснюється з метою фінансування дефіциту бюджету розвитку відповідного місцевого бюджету.
- Видатки на обслуговування боргу здійснюються за рахунок коштів загального фонду бюджету.

  Статті 72, 74 Бюджетного кодексу України

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4

Обмеження при здійсненні запозичень

- Видатки на обслуговування боргу не можуть щорічно перевищувати 10% видатків від загального фонду відповідного місцевого бюджету протягом будь-якого бюджетного періоду, коли планується обслуговування боргу.
- Якщо у процесі погашення основної суми боргу та платежів по його обслуговуванню має місце порушення графіка погашення з вини позичальника, відповідна рада не має права здійснювати нові запозичення протягом 5 наступних років.
- Зовнішні запозичення можуть здійснювати лише міські ради міст з чисельністю населення понад 800 тисяч мешканців за офіційними даними державної статистики на час ухвалення рішення про здійснення запозичень.

Статті 16, 74 Бюджетного кодексу України

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5

Кредитний рейтинг

- Закон "Про державне регулювання ринку цінних паперів в Україні" та Постанова КМУ № 207 від 24.02.2003 передбачають обов'язкову рейтингову оцінку *випусків* облігацій місцевих позик.
- Підтримка кредитного рейтингу протягом періоду обігу облігацій не вимагається.
- Рейтингові оцінки, отримання яких відповідно до закону є обов'язковим, мають право визначати виключно уповноважені рейтингові агентства та/або міжнародні рейтингові агентства.
- Рішенням № 198 від 22.02.2006 р. ДКЦПФР визнала такими, що мають право визначати рейтингові оцінки, три міжнародних рейтингових агентства: Standard and Poor's, Moody's Investor Services, Fitch IBCA.
- ДКЦПФР внесла агентство "Кредит рейтинг" до Державного реєстру уповноважених рейтингових агентств.

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6

Порядок здійснення запозичень до місцевих бюджетів

- Порядок здійснення запозичень до місцевих бюджетів регулюється Постановою КМУ № 207 від 24.02.2003 р. "Про затвердження Порядку здійснення запозичень до місцевих бюджетів".
- Рішення міської ради про здійснення запозичення повинно містити відомості про:
  - істотні умови запозичення (розмір запозичення, розмір основної суми боргу, відсотки за запозичення, а також строки їх сплати);
  - форму здійснення запозичення;
  - мету запозичення.
- Про наміри здійснити запозичення міська рада надсилає Міністерству фінансів письмове повідомлення, до якого додає:
  - проект рішення міської ради про здійснення запозичення;
  - обґрунтування відповідності запозичення вимогам, установленим бюджетним законодавством, щодо здатності в повному обсязі та у визначений строк виконати свої боргові зобов'язання;
  - копію звіту про виконання відповідного місцевого бюджету за рік, що передує року, в якому приймається рішення про здійснення запозичення;
  - інформацію про поточний стан виконання зобов'язань щодо погашення місцевого боргу, а також про стан розрахунків за місцевим боргом за попередні п'ять років;
  - обґрунтування доходів бюджету розвитку спеціального фонду місцевого бюджету, що будуть спрямовуватися на погашення основної суми місцевого боргу протягом всього періоду його погашення;
  - відомості про рейтингову оцінку цінних паперів.

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Порядок здійснення запозичень до місцевих бюджетів (продовження)

- Мінфін протягом 20 робочих днів після отримання зазначених інформації та документів розглядає їх і проводить перевірку відповідності обсягу видатків на обслуговування місцевого боргу межам, установленим законом.
- За результатами розгляду та перевірок робиться висновок про відповідність або невідповідність проекту рішення про здійснення запозичення вимогам, установленим бюджетним законодавством, який доводиться до відома відповідного органу.
- Під час розгляду інформації та документів у разі потреби Мінфін має право одержувати в установленому порядку додаткову інформацію, необхідну для підготовки висновку.
- Надання Мінфіном висновку щодо відповідності проекту рішення про здійснення запозичення вимогам, установленим бюджетним законодавством, не є гарантією держави або Мінфіну виконання зобов'язань чи підтвердженням платоспроможності позичальника.
- Копія рішення про здійснення запозичення надсилається Мінфіну в десятиденний термін після його прийняття.
- У разі невідповідності рішення міської ради про здійснення запозичення вимогам, установленим бюджетним законодавством, Мінфін звертається у встановленому порядку до суду для визнання такого рішення незаконним.

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8

Порядок випуску облігацій внутрішніх місцевих позик

- Порядок випуску облігацій внутрішніх місцевих позик регулюється Рішенням ДКЦПФР № 414 від 7.10.2003 р. "Про затвердження Положення про порядок випуску облігацій внутрішніх місцевих позик"
- Процедура здійснення випуску облігацій включає таку послідовність дій:
  - отримання в Міністерстві фінансів України висновку щодо відповідності проекту рішення Ради про здійснення запозичень вимогам, установленим бюджетним законодавством;
  - прийняття Радою рішення про здійснення запозичень;
  - оформлення та затвердження інформації про випуск облігацій;
  - реєстрація в ДКЦПФР випуску облігацій та інформації про їх випуск;
  - опублікування зареєстрованої інформації про випуск облігацій;
  - розміщення глобального сертифіката (у разі випуску облігацій у бездокументарній формі);
  - розміщення облігацій у термін, зазначений в інформації про випуск облігацій;
  - подання до ДКЦПФР звіту про результати розміщення випуску облігацій;
  - погашення облігацій у термін, зазначений в інформації про випуск облігацій;
  - подання до ДКЦПФР звіту (звітів) про погашення облігацій;
  - подання до ДКЦПФР документів на скасування реєстрації випуску облігацій.

Порядок випуску облігацій внутрішніх місцевих позик (продовження)

- Емітент подає до ДКЦПФР для одночасної реєстрації випуску облігацій та інформації про їх випуск такі документи:
  - заяву про реєстрацію випуску облігацій та інформації про їх випуск;
  - копію рішення Ради про здійснення запозичень у формі випуску облігацій;
  - інформацію про випуск облігацій;
  - довідку про депозитарій, з яким емітент уклав договір про обслуговування емісії (у разі випуску облігацій у бездокументарній формі);
  - копію висновку Міністерства фінансів України щодо відповідності проекту рішення Ради про здійснення запозичень вимогам, установленим бюджетним законодавством.
- Реєстрація випуску облігацій та інформації про їх випуск повинна бути здійснена не пізніше як за 30 днів з моменту подання заяви з доданням необхідних документів.
- До закінчення встановленого для реєстрації терміну реєструвальний орган може вимагати надання додаткових документів, які підтверджують дані, наведені у документах, наданих емітентом для реєстрації випуску облігацій та інформації про їх випуск.
- Реєстрація випуску облігацій та інформації про їх випуск, що здійснюється реєструвальним органом, не може розглядатися як гарантія вартості цих облігацій.

Порядок випуску облігацій внутрішніх місцевих позик (продовження)

- До інформації про випуск облігацій повинні бути включені такі відомості:
  - відомості про емітента;
  - відомості про фінансовий стан емітента в поточному році та протягом двох останніх років, в т. ч. відомості щодо наявності рейтингу емітенту стосовно здатності своєчасно і в повному обсязі здійснювати розрахунки за борговими зобов'язаннями із зазначенням рейтингового агентства, що здійснювало оцінку;
  - інформацію про попередні випуски облігацій та їх результати;
  - відомості про даний випуск облігацій;
  - порядок розміщення облігацій;
  - порядок виплати доходу за облігаціями (проценти або дисконт);
  - відомості про депозитарій (при бездокументарній формі);
  - дані щодо бірж або позабіржових торгівельно-інформаційних систем, на яких здійснювався обіг облігацій цього емітента;
  - інформація про організаторів торгівлі, з якими укладено договір на проведення розміщення облігацій;
  - дані про осіб, відповідальних за інформацію про випуск облігацій.

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Проект порядку випуску облігацій внутрішніх місцевих позик – відкрите розміщення

- Затвердження бюджету місцевої ради з дефіцитом виключно у частині дефіциту бюджету розвитку на відповідний рік та проекту рішення про здійснення запозичень у формі розміщення (випуску) облігацій (прийняття рішення про здійснення запозичень у формі розміщення (випуску) облігацій можливе лише за умови зазначення в ньому, що це рішення набуває чинності після його погодження Міністерством фінансів України);
- Отримання в Міністерстві фінансів України висновку щодо відповідності проекту рішення про здійснення запозичень вимогам, установленим бюджетним законодавством;
- Прийняття Радою рішення про здійснення запозичень у формі розміщення (випуску) облігацій (або внесення змін до раніше прийнятого рішення про здійснення запозичень у формі розміщення (випуску) облігацій з урахуванням зауважень Міністерства фінансів України);
- Подання заяви і всіх необхідних документів для реєстрації випуску облігацій та проспекту їх емісії;
- Реєстрація реєструвальним органом випуску облігацій та проспекту їх емісії, видача тимчасового свідоцтва про реєстрацію випуску облігацій;
- Прийняття у разі потреби рішення про залучення андеррайтера (-ів) до розміщення облігацій органом емітента, уповноваженим приймати таке рішення, крім випадків наявності попередньо укладеного договору (-ів) з андеррайтером (-ами);

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12

Проект порядку випуску облігацій внутрішніх місцевих позик – відкрите розміщення (продовження)

- Присвоєння облігаціям міжнародного ідентифікаційного номера;
- Укладення з депозитарієм договору про обслуговування емісії облігацій або з реєстратором - про ведення реєстру власників іменних облігацій (у разі відсутності таких договорів), крім випадків наявності попередньо укладеного договору;
- Виготовлення сертифікатів цінних паперів у разі розміщення облігацій (у документарній формі існування) або розміщення глобального сертифіката (у разі розміщення облігацій у бездокументарній формі існування);
- Розкриття інформації, що міститься в зареєстрованому проспекті емісії облігацій, шляхом опублікування проспекту емісії облігацій у повному обсязі в офіційному друкованому виданні Державної комісії з цінних паперів та фондового ринку не менш як за 10 днів до початку відкритого (публічного) розміщення цінних паперів;
- Відкрите (публічне) розміщення цінних паперів, що здійснюється в строк, який зазначений в рішенні про розміщення облігацій та/або проспекті їх емісії.
- Затвердження результатів відкритого (публічного) розміщення облігацій органом емітента, уповноваженим приймати таке рішення;
- Подання звіту про результати відкритого (публічного) розміщення облігацій;
- Реєстрація реєструвальним органом звіту про результати відкритого (публічного) розміщення облігацій;

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13

Проект порядку випуску облігацій внутрішніх місцевих позик – відкрите розміщення (продовження)

- Отримання свідоцтва про реєстрацію випуску облігацій;
- Розкриття інформації, що міститься у зареєстрованому звіті про результати відкритого (публічного) розміщення облігацій, шляхом опублікування звіту у тому самому офіційному друкованому виданні Державної комісії з цінних паперів та фондового ринку, в якому був опублікований проспект емісії цих облігацій, не пізніше ніж через 15 робочих днів з дати реєстрації звіту про результати розміщення облігацій (серії облігацій);
- Надання емітентом до депозитарію, з яким укладено договір про обслуговування емісії облігацій і оформлено глобальний сертифікат, або реєстратору, з яким укладено договір про ведення реєстру власників іменних цінних паперів, копії свідоцтва про реєстрацію випуску облігацій. На підставі свідоцтва про реєстрацію випуску облігацій емітент переоформляє глобальний сертифікат на нову кількість облігацій з урахуванням результатів розміщення облігацій;
- Погашення облігацій, що здійснюється у термін, зазначений в рішенні про розміщення облігацій та/або проспекті емісії облігацій;
- Подання до реєструвального органу звіту (звітів) про погашення облігацій у строки та в порядку, передбачені цим Положенням.

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Проект порядку випуску облігацій внутрішніх місцевих позик – закрите розміщення

- Затвердження бюджету місцевої ради з дефіцитом виключно у частині дефіциту бюджету розвитку на відповідний рік та проекту рішення про здійснення запозичень у формі розміщення (випуску) облігацій (прийняття рішення про здійснення запозичень у формі розміщення (випуску) облігацій можливе лише за умови зазначення в ньому, що це рішення набуває чинності після його погодження Міністерством фінансів України);
- Отримання в Міністерстві фінансів України висновку щодо відповідності проекту рішення про здійснення запозичень вимогам, установленим бюджетним законодавством;
- Прийняття Радою рішення про здійснення запозичень у формі розміщення (випуску) облігацій (або внесення змін до раніше прийнятого рішення про здійснення запозичень у формі розміщення (випуску) облігацій з урахуванням зауважень Міністерства фінансів України);
- Подання заяви і всіх необхідних документів для реєстрації випуску облігацій;
- Реєстрація реєструвальним органом випуску облігацій, видача тимчасового свідоцтва про реєстрацію випуску облігацій;
- Присвоєння облігаціям міжнародного ідентифікаційного номера;
- Укладення з депозитарієм договору про обслуговування емісії облігацій або з реєстратором - про ведення реєстру власників іменних облігацій (у разі відсутності таких договорів), крім випадків наявності попередньо укладеного договору;
- Виготовлення сертифікатів цінних паперів у разі розміщення облігацій у документарній формі існування або розміщення глобального сертифіката (у разі розміщення облігацій у бездокументарній формі існування);

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15

Проект порядку випуску облігацій внутрішніх місцевих позик – закрите розміщення (продовження)

- Закрите (приватне) розміщення цінних паперів, що здійснюється в строк, який зазначений в рішенні про розміщення облігацій та/або в умовах випуску (розміщення) облігацій;
- Затвердження результатів закритого (приватного) розміщення облігацій органом емітента, уповноваженим приймати таке рішення;
- Подання звіту про результати закритого (приватного) розміщення облігацій;
- Реєстрація реєструвальним органом звіту про результати закритого (приватного) розміщення облігацій;
- Отримання свідоцтва про реєстрацію випуску облігацій;
- Надання емітентом до депозитарію, з яким укладено договір про обслуговування емісії облігацій і оформлено глобальний сертифікат, або реєстратору, з яким укладено договір про ведення реєстру власників іменних цінних паперів (крім випадків, коли облік прав за облігаціями веде емітент) копії свідоцтва про реєстрацію випуску облігацій. На підставі свідоцтва про реєстрацію випуску облігацій емітент переоформляє глобальний сертифікат на нову кількість облігацій з урахуванням результатів розміщення облігацій;
- Погашення облігацій, що здійснюється у термін, зазначений в рішенні про розміщення облігацій та/або в умовах випуску (розміщення) облігацій;
- Подання до реєструвального органу звіту (звітів) про погашення облігацій у строки та в порядку, передбачені цим Положенням.

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Контактна інформація

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17

Установа муніципального фінансування

Ринковий підхід до фінансування інфраструктури в Україні

20 березня 2007р.
Київ

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Чому установа муніципального фінансування?

- Величезна потреба в інвестиціях в інфраструктуру: 14 млрд. доларів США лише на водопостачання і опалення
- Державних субвенцій та місцевих ресурсів недостатньо

Рішення: **УМФ використовує обмежені обсяги державного фінансування для залучення коштів з приватного сектору**

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2

Установа муніципального фінансування

Що це таке?

Нова спеціалізована фінансова установа запозичує кошти на ринку капіталів для надання кредитів кредитоспроможним містам на покращення інфраструктури за найнижчими ринковими відсотковими ставками.

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3

Установа муніципального фінансування залучає позикові кошти

- УМФ здійснює запозичення на ринках капіталу України
- УМФ здійснює запозичення на основі власної фінансової спроможності без гарантії держави
- Значна початкова капіталізація (наприклад, 100 млн. гривень)
- Поміркований (1:1) фінансовий левередж на початку діяльності
- Після того, як зарекомендувала себе, фінансовий левередж від 3:1 до 10:1

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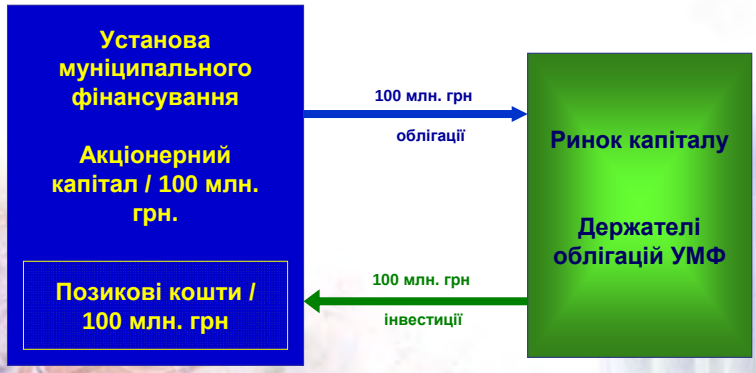
4

Установа муніципального фінансування залучає позикові кошти



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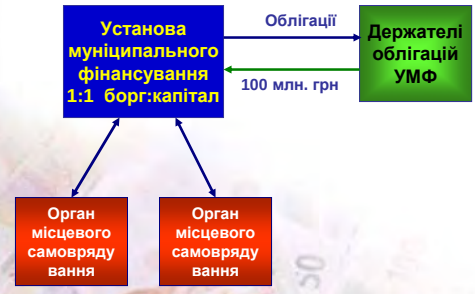
5

УМФ надає кредити містам



- УМФ надає кредити *кредитоспроможним* містам і комунальним підприємствам
- Відсоткові ставки по кредитах мають покривати операційні витрати УМФ плюс вартість запозичень

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6

Яку користь УМФ може принести містам

- Доступ до кредитів
- Низькі транзакційні витрати
- Сама фінансова структура УМФ зменшує вартість позикового капіталу для окремих міст
- Низькі *ринкові* відсоткові ставки
- Швидше і дешевше, ніж облігації для окремих міст

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7

УМФ знову виходить на ринки капіталу для залучення додаткових коштів

- Вчасне повернення кредитів містами сприяє підвищенню кредитоспроможності УМФ
- Через певний час фінансова потужність та добра репутація УМФ:
  - призведуть до зниження витрат на здійснення запозичень
  - дозволять УМФ збільшувати фінансовий левередж
- Співвідношення між боргом та акціонерним капіталом УМФ може досить швидко досягти 3:1
- Фінансовий левередж збільшить обсяги коштів для кредитування міст

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8

Левередж УМФ забезпечує кошти для нових кредитів

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9

Завдяки чому УМФ пропонує містам низькі відсоткові ставки за кредитами?

- Кілька великих запозичень УМФ на ринках капіталу фінансують багато дрібних кредитів містам - досягається *ефект масштабу*
- Висока компетентність УМФ у сфері муніципальних фінансів *знижує кредитний ризик*
- *Засоби підвищення надійності кредитів* зменшують для УМФ вартість запозичень
- УМФ заробляє *високий кредитний рейтинг*
- УМФ мінімізує свої *операційні витрати*

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10

Можливі засоби підвищення надійності кредиту

Засіб для підвищення надійності кредиту – це фінансовий механізм, який підвищує впевненість інвесторів УМФ у вчасному погашенні боргу.

Приклади:

- кредитна лінія “standby”
- забезпечення
- гарантія
- безспірне списання

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Додаткове покращення умов кредитування: управитель

Управитель

- УМФ наймає управителя для адміністрування угод між УМФ та її інвесторами і забезпечення їх виконання
- Якщо є управитель, інвестори більш упевнені, що угоди будуть виконані
- Управителем може бути комерційний банк, що користується повагою
- Довіра інвесторів = дешевші кошти для УМФ

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Повністю розвинена УМФ

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Додаткові види діяльності УМФ

- Надання кредитних гарантій
- Використання державних субсидій для зниження ставок по кредитах
- Сприяння реформам для поліпшення кредитоспроможності у комунальному секторі
- Надання технічної допомоги потенційним позичальникам

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14

Приклади успішних установ муніципального фінансування

- Західна Європа (Нідерланди, Норвегія, Фінляндія, Швеція, Данія, Бельгія, Франція)
- Індія
- Філіппіни
- Південна Африка
- Канада
- Сполучені Штати

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Міжнародні приклади

Назва	Власність	Обсяги запозичень	Фінансовий левередж
INCA – Південна Африка	100% приватна	$838 M	12.5 : 1
Tamil Nadu Індія	49% приватна 51% державна	$29 M	3.7 :1
MUFIS Чеська Республіка	49% приватна 49% державна 2% муніципальна	$44 M	3:1

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Установа муніципального фінансування

Варіанти початкової капіталізації

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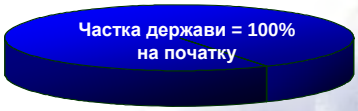
Державні інвестиції у статутний капітал УМФ

- Початкові державні інвестиції:
  - Продемонструють підтримку
  - Забезпечать швидкий початок діяльності
  - Допоможуть залучити інших інвесторів
- Рекомендований обсяг державних інвестицій: 100 млн. грн.
- Потенційне джерело: субвенції на розвиток інфраструктури (1 млрд. грн. у 2007, Стаття 49 Бюджету)



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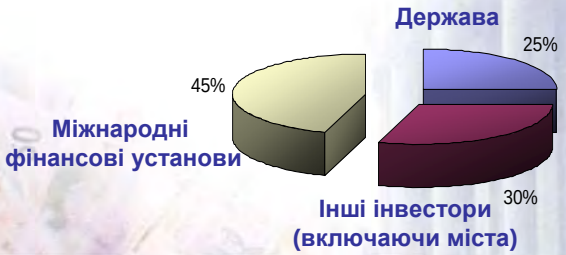
Залучення приватного акціонерного капіталу

- Продаж акцій УМФ міжнародним фінансовим установам (МФУ) та іншим інвесторам
- Зменшення частки держави до 25 млн. грн.



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Наступні кроки

1. Держава приймає рішення щодо започаткування УМФ та виділення коштів для початкового статутного капіталу
2. Розробляється детальний бізнес-план для держави та інших потенційних інвесторів: міжнародних фінансових установ, комерційних банків, міст
3. УМФ починає діяльність як державна установа
4. Приймаються необхідні зміни до законодавства
5. УМФ приватизується із збереженням державної частки у розмірі 25%

(найкращий сценарій: УМФ приватизується через рік після початку діяльності у якості державної установи)

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Висновки

Концепція УМФ передбачає чотири ключові вимоги :

1. Початкова капіталізація забезпечується державою.
2. УМФ повинна надавати кредити лише кредитоспроможним позичальникам.
3. УМФ повинна бути вільною від політичного впливу та мати професійне керівництво.
4. УМФ може бути започаткована у діючому законодавчому полі, але потребує змін у законодавстві для залучення приватних інвесторів.

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ATTACHMENT 5

Commercial Law Center
25.04.07

Memorandum

on Establishing the Financial Institution for Lending to Municipal Projects

I. Background

Pursuant to the State Regional Development Strategy for the period through 2015, according to Article 3 of the Law of Ukraine "On Facilitating Regional Development", and in order to build up and modernize regional infrastructures, create an institution that would secure long-term capital to fund the needs of local governments and municipal (utilities) enterprises it is feasible to establish the Financial Institution for Lending to Municipal Projects, or Municipal Lending Facility. This institution will make loans for the regional infrastructure development and modernization, at the expense of its own capital and that of private investors.

Initially, 100% of the Municipal Lending Facility's equity will belong to the state. At a later stage, shares will be sold to territorial communities and individuals.

The form of incorporation of the Municipal Lending Facility will be a public (open) joint stock company as it is fairly flexible in that it allows to change the shareholder membership in the company easily enough.

It would be more difficult to achieve the above goals if the Municipal Lending Facility were incorporated as a state-owned enterprise. In the latter case, in order to attract new investors, the company would have to go through a complex "corporatization" procedure, and only that will it have the right to sell shares to the new investors. This additional stage of "corporatization" could be avoided if the Municipal Lending Facility operates as a public JSC from the outset.

Furthermore, it should be borne in mind that, according to Ukrainian law, the state-owned enterprise has its assets in the so-called "economic management". This term (and the notion it names) has no analogy in any other national legislation, except for some countries of the former USSR. The notion is detrimental to the entire system of Ukrainian law. For one thing, it impedes proper application of law. For example, immovable and other property of state-owned enterprises, which is subject to registration, is registered as belonging to the state, rather than the respective enterprise. As a result, it is practically impossible to foreclose or seize this property in the case of the enterprise indebtedness, which infringes on the creditors' rights. For another thing, the term "economic management" is used to disguise the actual discrimination of private sector in favor of the public sector of

economy, as the law provides for a preferential treatment of the "right of economic management" as compared to the "property rights". In fact, it is a covert violation of the principle of equality of all property right holders laid down in Article 13 of the Constitution of Ukraine. So it would be most undesirable to support the establishment of entities that possess property in "economic management".

The Municipal Lending Facility incorporation as a public JSC will imply that 100% of its stock should be bought with the state budget money. Therefore relevant allocations should be envisioned in the 2008 state budget. The budgeting process has already begun, and the concerned public agencies should be made aware of the need to include a special line providing for the purchase of this stock into the draft 2008 State Budget.

It should be mentioned, that Article 86, Part 3 of the Economic Code of Ukraine prohibits the use of budget money for the purposes of forming companies' authorized capital. However, it should not pose much of a problem in this particular case, as the continental law sets two rules for defining priority of legal provisions, namely: (i) a later adopted law supersedes an earlier adopted one; and (ii) a special law prevails over a general law. If the Law on State Budget provides for disbursement to buy the 100% stock in the Municipal Lending Facility, this norm will satisfy both priority criteria mentioned above and, thus, will prevail over Article 68, Part 3 of the Economic Code. Similar provisions on forming business companies' authorized capital with the budget money existed in a number of previously passed laws on the state budget. For instance, Law #1801-IV of June 17, 2004 provides for the allocation of the budget money to increase the authorized capital of the Public Joint Stock Companies *State Savings Bank* (Oshchadbank) and *State Export-import Bank* (Eximbank).

In order to ensure compliance with the Laws of Ukraine "On Managing State-Owned Enterprises" and "On Business Companies", the by-laws of the Public JSC "Financial Institution for Lending of Municipal Projects" should stipulate the following:

- the Supervisory Board should be formed as one of the company's ruling bodies;
- while the state owns 100% stock of the company, the Ministry of Regional Development and Constriction should perform all functions pertaining to the management of company's corporate rights, without convening shareholder's general meetings. Once at least one share is sold to other investors, the general mechanism of managing joint stock companies should apply as required by effective legislation, in particular the Law "On Business Companies".

II. Action Plan

The following steps are to be taken to set up the Municipal Funding Facility:

1. Pursuant to Item 3 of Resolution #1001 of the Cabinet of Ministers of Ukraine dated July 21, 2006, the Ministry of Economy and the Ministry of Regional Development and Construction are to draft and submit to the Cabinet of Ministers an action plan for the implementation of the State Regional Development Strategy through 2015 that would provide for setting up the Public Joint Stock Company *Financial Institution for Lending to Municipal Projects*. This should be done by July 1, 2007.

2. The Ministry of Finance, Ministry of Regional Development and Construction, Ministry of Economy, State Commission for Regulating Financial Services Market, State Securities and Stock Market Commission are to prepare an instruction of the Cabinet of Ministers regarding the establishment of the Public Joint Stock Company "Financial Institution for Lending to Municipal Projects".

3. The Cabinet of Ministers should issue the above instruction.

4. The Central Executive power bodies designated in the instruction are to implement it.

Appendices:

1. Draft Instruction of the Cabinet if Ministers of Ukraine "On Establishing the Public Joint Stock Company *Financial Institution for Lending to Municipal Projects* ".
2. Explanatory Note to the draft instruction.

ATTACHMENT 6

Memo

Date: June 13, 2007

Author: Denis Gaiovy, Advisor, Capital Markets
Serhiy Yurhelevych, Legal Advisor

Re: MFF issues

---

1. State contribution to MFF statutory capital

Regulations in place

The following obstacles are present in the current regulations:

- Economic Code prohibits the use of budget funds for the purposes of forming companies' statutory capital (Article 86, part 3)
- Law "On Business Partnerships" (Company Law) prohibits the use of budget funds for the purposes of forming companies' statutory capital (Article 13, part 3).

1.1. MFF in the legal format of state enterprise

Draft Law On State Housing and Communal Reform Program provides for creation of the MFF in the legal format of state enterprise. Providing comments to the Draft Law, Ministry of Economy stated that Government can not contribute budget funds for charter capital of the economic entities. However, legislation prohibits budget funds contribution only to partnership companies (join-stock companies, limited liability companies, etc.). State enterprises are created with funds contribution from the state budget (eg. the State Mortgage Institution).

1.2. MFF in the legal format of joint–stock company with state participation (100% or less)

An approach, recommended by CLC, is based on two continental law's rules for defining priority of legal provisions, namely: (i) a later adopted law supersedes an earlier adopted one; and (ii) a special law prevails over a general law. If the Law on State Budget provides for disbursement to buy the 100% stock in the MFF, this norm will satisfy both priority criteria mentioned above and, thus, will prevail over Article 68, Part 3 of the Economic Code.

However, there is one more continental law rule – individual specific law has to conform to codified law (i. e. Code). This rule is implemented in the form of relevant Civil Code's provision (Article 4, part 2), but the Economic Code does not contain such a provision. Therefore, it seems to be rather theoretical discussion – whether Law on State Budget would supersede Economic Code.

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Official interpretation by the Ministry of Finance is highly demanded. If the prohibition might be overcame by adoption Law on State Budget, the MFF can be created with State participation (100% or less). If not, initial 100% private participation should be considered.

2. Justification of minimum UAH 100 mln. own capital

Minimum contribution of UAH 100 mln. has been defined based on expert assessment as set out in the USAID ATCI options paper of June, 2006. This contribution would allow the MFF to start operations in such a way that would be economically feasible:

(i) The UAH 100 mln of own capital would allow to tap capital markets for the same amount in bond issuance. Issuing the amount below the UAH 100 mln. would result in higher borrowing costs and therefore would be economically ineffective.

(ii) The less the amount of own capital (and issued bonds) the higher is the percentage of the fixed costs of setting up and running the MFF versus the total loanable funds. Higher costs would have to be passed on to the cities and communal enterprises in higher lending rates by the MFF - for the sake of economic sustainability of MFF operations. Having own capital below 100 mln. would result in too high percentage of fixed costs relative to loanable funds and, therefore, would increase too much the final borrowing rate by the municipalities and utilities.

These considerations have been confirmed by the experience of the State Mortgage Institution that has come up with the same amount for statutory fund for the same considerations of economic feasibility.

ATTACHMENT 7

Municipal Finance Facility Financial Model
and
City Investment in MFF Ownership

Access to Credit Initiative USAID /Ukraine

Extract from paper "Strategic and Operational Options for a Ukrainian Municipal Finance Facility" developed by John E. Petersen, Michael De Angelis, Johan Kruger (June 2006)

Permitting Ukrainian cities to become owners (equity investors) of the MFF is a desirable proposition for several reasons. How to accomplish city ownership, however, is unclear. Although many cities own marketable land, the land would need to be sold to raise cash for investment in the MFF. However, some cities do receive State grants for infrastructure construction. The Verkhovna Rada could amend the program to allow cities to use some of these funds to buy equity stakes in the MFF. It would also be possible to allow cities to acquire equity in the MFF when they borrow, perhaps by borrowing an extra 5 percent over and above the amount to be invested in infrastructure in order to generate an amount for equity investment.

A simple model of MFF financial structure is presented below. The model illustrates both the basic economics of the MFF, and ways to facilitate equity investment by cities. The model incorporates a variety of interest rates. These are treated as margins or "spreads" above the assumed GOU sovereign borrowing rate of 10.5%. This was the rate as of June 2006 for sovereign debt of more than two years maturity.[1]

An initial equity contribution of 100 UAH million is assumed. It is also assumed that each city that borrows from the MFF will make an equity investment in the MFF equal to five percent of the borrowing.

It is assumed that the MFF initially makes UAH 100 million in loans to cities at 13 percent. MFF issues UAH 100 million in Senior debt at 12 percent. MFF lending and borrowing grow over the years at these same interest rates. In year three, MFF issues junior (subordinated) debt for the first time. The model reflects the fact that loans in portfolio mature over time, and the portfolio stops growing in 2015.[2]

It is assumed that the MFF is profitable. Beginning in year four, it pays dividends at the rate of 25% of profits.

In this model, it is assumed that MFF is exempt from taxes. (Alternatively, interest paid by cities on their MFF loans could be exempt from tax.)

It is assumed that loan default rates will be zero.

It is assumed that a senior / junior debt structure can be accomplished by contractual arrangement. Starting from 2009, it is assumed that legal changes enable junior debt to be used for capitalizing the MFF.

It is assumed that despite growth of leverage to 6.9:1 (with junior debt forming part of the equity), the cost of MFF debt is the same across all years of operations.

The MFF's relatively low assumed cost of borrowing most probably assumes that investors in MFF debt are treated favorably by the NBU in terms of capital adequacy weighting, and that MFF bonds would be eligible collateral for NBU refinancing.

[1] Based on PFTS bid quotes - see Ukrssibank Weekly Market Review N 23..
[2] It is assumed that starting in year 3, 10 percent of the outstanding loan portfolio matures each year.

Municipal Finance Facility Financial Model

Indicative Model--For Illustration of Financial Concepts Only
Actual Financial Model Would Be Developed for Operational Business Plan

Assumptions

Initial equity investment	100	UAH mil.			
Government borrowing rate (June 06)	10.5	%	Reinvestment rate	12.5	%
Reinvestment rate spread	2	%	Cost of junior debt	17.5	%
Cost of junior (sub.) debt spread	7	%	Cost of senior debt	12	%
Cost of senior debt spread	1.50	%	MFF lending rate	13	%
Margin (lending rate - Gov rate)	2.5	%			
Startup operational cost	2.5	UAH mil.			
Operational costs	0.25	%	of portfolio per year + 2.5 mil UAH		
Dividend ratio	25	% of	profit		

MFF Financial Model (millions of UAH)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Equity and reserves	100.00	110.50	123.14	137.22	149.90	163.97	179.79	197.71	218.97	243.99	272.91
New loans	100.00	150.00	200.00	250.00	300.00	350.00	400.00	450.00	500.00	500.00	500.00
Cumulative loan portfolio	100.00	250.00	425.00	632.50	869.25	1132.33	1419.09	1727.18	2054.46	2349.02	2614.12
Cumulative junior (sub.) debt			25.00	33.00	59.00	83.00	106.00	106.00	106.00	106.00	106.00
Leverage ratio (debt:equity)	1.00	2.26	2.87	3.72	4.16	4.58	4.97	5.69	6.32	6.71	6.90
Cost of junior debt			4.38	5.78	10.33	14.53	18.55	18.55	18.55	18.55	18.55
Cumulative senior debt	0.00	139.50	276.87	462.28	660.35	885.36	1133.30	1423.47	1729.49	1999.03	2235.20
Cost of senior debt	0.00	16.74	33.22	55.47	79.24	106.24	136.00	170.82	207.54	239.88	268.22
Operational cost	2.50	3.13	3.56	4.08	4.67	5.33	6.05	6.82	7.64	8.37	9.04
Total costs	2.50	19.87	41.16	65.33	94.24	126.10	160.59	196.18	233.73	266.81	295.81
Income from loan portfolio	13.00	32.50	55.25	82.23	113.00	147.20	184.48	224.53	267.08	305.37	339.84
Profit/loss	10.50	12.64	14.09	16.90	18.76	21.10	23.89	28.35	33.36	38.57	44.03
Dividend Paid	0.00	0.00	0.00	4.22	4.69	5.28	5.97	7.09	8.34	9.64	11.01
Equity Reserves Increase	**10.50**	**12.64**	**14.09**	**12.67**	**14.07**	**15.83**	**17.92**	**21.26**	**25.02**	**28.92**	**33.02**
Return on Equity Before Dividend	10.5%	11.4%	11.4%	12.3%	12.5%	12.9%	13.3%	14.3%	15.2%	15.8%	16.1%
Internal Rate of Return **16%**											
Average Return on Equity **13%**											

Equity Investment By Cities Funded Through Extra Borrowing (Requires Legal/Regulatory Action)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017

City equity investment	5.0	12.5	21.3	31.6	43.5	56.6	71.0	86.4	102.7	117.5	130.7
Dividends to local equity	0.00	0.00	0.00	1.34	2.04	2.99	4.24	6.12	8.57	11.32	14.39
Cumulative dividend	0.00	0.00	0.00	1.34	3.37	6.36	10.60	16.72	25.29	36.61	51.00
Total local equity	5.00	12.50	21.25	32.96	46.84	62.98	81.55	103.08	128.01	154.06	181.70

The above model is simplistic and optimistic, since tax-exempt status is assumed, no defaults are included, and the reinvestment interest rate is high. The model does illustrate the effects of financial leverage. It also shows how local government might acquire shares in the MFF. If five per cent of loan proceeds were used for local government equity acquisition, local governments would have almost 23 percent of the total equity by 2010. Such borrowing would require legal and regulatory changes. Of course, there is the option that the GOU could simply contribute the added equity on behalf of localities on an annual basis in an amount equal to some percentage of the loans, and eliminate the need for cities to self-finance their equity investment.

An attractive feature of the local government equity "buy in" is that it promotes city oversight of the MFF. Cities would have an economic interest in how well MFF is run. Defaults and poor operations would literally cost the MFF owners money and erode their equity interest. This should develop "peer pressure" among MFF-investor cities for good business practices and timely loan repayment.

Additional Reserves and Subsidy Assistance

In the early years, the MFF would benefit from the creation of a reserve fund that would bolster MFF's security. The investment earnings of the reserve fund could be the source for a programmatic subsidy to lower city borrowing costs. The impact of a reserve fund created by an additional GOU contribution, over and above the GOU equity investment of UAH 100 million, is illustrated below. The corpus of the reserve fund would be pledged as security for MFF debt, while remaining in the beneficial interest of the GOU. In case of loan defaults, the fund would be tapped to prevent defaults on the MFF's own obligations. Replenishing the fund would take precedence over payments to equity. It is assumed that the GOU makes the fund available in 2007. The fund's interest earnings directly offset the full, market-based 13 percent MFF loan interest rate. The fund generates substantial deceases in loan interest rates in the early years of MFF operation.

GOU Loan Interest Rate Subsidy and MFF Reserve Fund

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Government subsidy and reserve fund		100	111.3	111.3	111.3	111.3	111.3	111.3	111.3	111.3	111.3	111.3
Fund Income		12.5	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9
Reduction of MFF lending rate %			43%	25%	17%	12%	9%	8%	6%	5%	5%	4%
Net MFF lending rate	13		**7.44**	**9.73**	**10.80**	**11.40**	**11.77**	**12.02**	**12.19**	12.32	12.41	12.47

The above special reserve fund, by subsidizing MFF loan interest rates, would provide a further incentive to local governments to borrow. It would make them more willing to undertake the reforms needed to secure their loans, such as implementation of indexed, full-cost recovery tariffs. Other patterns for creating an initial reserve and growing it over time are possible.

More refined analysis is needed for MFF's operational business plan. Several of the assumptions incorporated in this discussion require policy decisions and new legislation, including a commitment by GOU of UAH 100 million for a reserve fund, plus a GOU equity investment; exempting MFF income from taxation; changing the infrastructure grant program's eligible uses; granting cities the authority to borrow for equity investment/loss reserves; and authorizing junior (subordinated) debt for a non-bank financial institution.

ATTACHMENT 8

Municipal Finance Facility

Market-Based Infrastructure Finance
for Ukraine

June 6, 2007
Kyiv

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Why Municipal Finance Facility?

- Tremendous need for infrastructure investments: $14B for water and heat alone
- State subventions and local resources are inadequate

Solution: **MFF uses limited State financing to leverage private sector funds**

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2

Municipal Finance Facility

What is it?

A new, specialized financial institution that borrows in the capital markets to provide infrastructure loans to creditworthy cities at the lowest possible market interest rate.

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3

Municipal Finance Raises Loan Funds

- MFF borrows in Ukraine's capital markets
- It borrows based on its own financial strength, without sovereign guarantee
- Strong initial capitalization (example: UAH 100M)
- Conservative, 1:1 financial leverage at the beginning
- After building track record: 3:1 to 10:1 financial leverage

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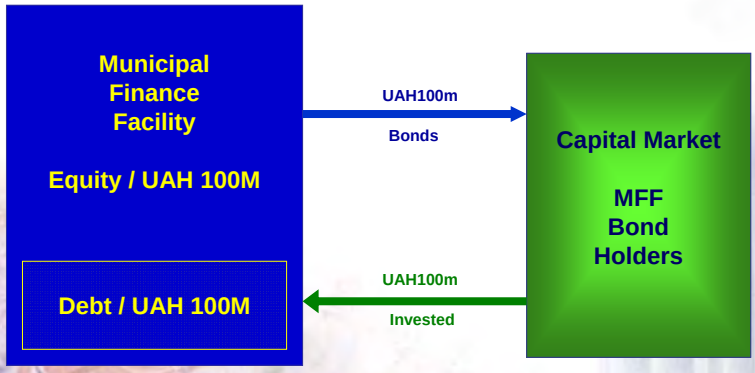
4

Municipal Finance Facility: How it Works



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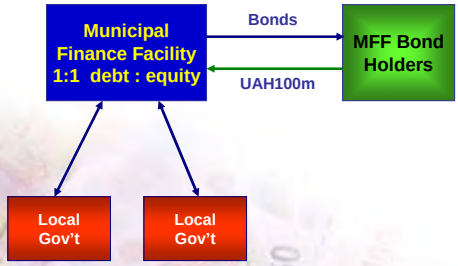
5

MFF Lends to Cities



- MFF lends to *creditworthy* cities and communal enterprises
- Loan interest rates must cover MFF's operating costs plus borrowing costs

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How MFF Benefits Cities

- Access to credit
- Low transaction costs from pooling
- MFF financial structure reduces cost of capital for individual cities
- Low *market* interest rates
- Faster and cheaper than individual bonds

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7

MFF Returns to the Capital Market to Raise Additional Loan Funds

- Timely loan repayments by cities build MFF credibility
- Over time, MFF financial strength and track record
  - reduce its borrowing costs
  - enable MFF to increase leverage of equity capital
- MFF debt-to-equity ratio could soon reach approx. 3:1
- Leverage grows funds available for loans to cities

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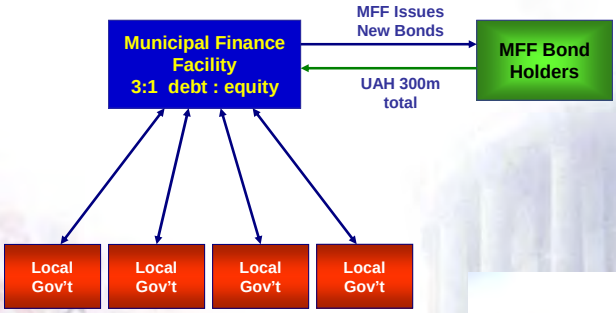
MFF Leverage Generates Funds for New Loans



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How does MFF generate low interest rates on loans to cities?

- A few large MFF borrowings fund many small loans to cities, creating *economies of scale*
- MFF's expert knowledge of municipal finance *reduces credit risk*
- *Credit enhancements* cut MFF borrowing costs
- MFF earns a *high credit rating*
- MFF minimizes its *operating expense*

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Optional Feature: Credit Enhancement

Credit enhancement is a financial arrangement that increases MFF investors' assurance of timely repayment.

Examples:

- standby line of credit
- collateral
- guarantee
- intercept

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Additional Enhancement: Trustee

Trustee

- MFF hires a trustee to administer and enforce agreements between MFF and its investors
- Trustee gives investors confidence that agreements will be kept
- A respected commercial bank could act as trustee
- Investor confidence = cheaper money for MFF

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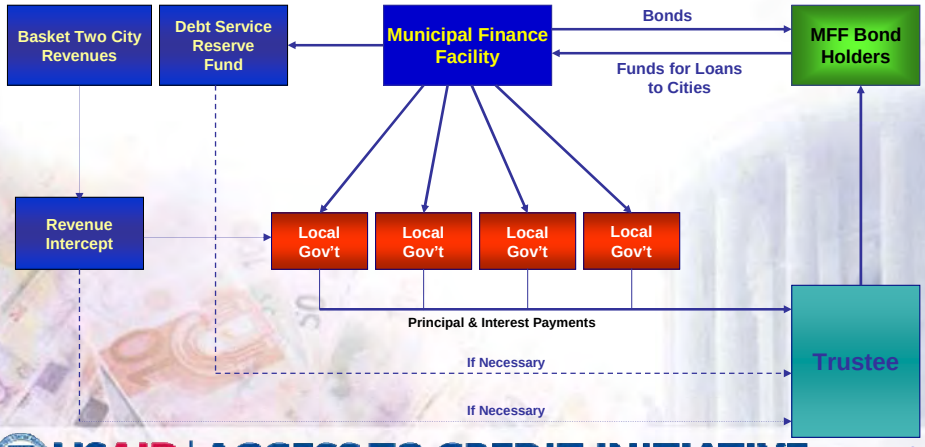
Fully-Developed Municipal Finance Facility



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Optional MFF Activities

- Provide loan guarantees
- Vehicle for State subsidy to bring loan rates down
- Advocate for policy reforms to improve creditworthiness in communal sector
- Provide technical assistance to potential borrowers

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Examples of Successful Municipal Finance Facilities

- Western Europe (Netherlands, Norway, Finland, Sweden, Denmark, Belgium, France)
- India
- Philippines
- South Africa
- Canada
- United States

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International Examples

Name	Ownership	Loans	Leverage
INCA-South Africa	100% private	$838 M	12.5 : 1
Tamil Nadu India	49% private 51% state	$29 M	3.7 :1
MUFIS Czech Republic	49% private 49% state 2% municipal	$44 M	3:1

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Municipal Finance Facility

Options for Capitalization

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State Equity Investment in MFF

- Initial State investment would
  - demonstrate commitment
  - enable rapid start-up
  - help to attract other investors
- Recommended State investment: UAH 100 million
- Potential source: Infrastructure Subventions (UAH 1 Billion in 2007, Budget Line 49)

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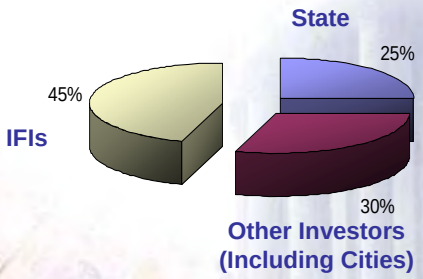
Attracting Private Equity Capital

- Sell MFF shares to international financial institutions (IFIs) and other investors
- Reduce State share to 25%



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Next Steps

1. State makes decision to proceed and commits initial capital
2. Develop detailed business plan for State and potential investors: IFIs, Commercial banks, Cities
3. MFF begins operation as an open joint stock company with 100% of equity owned by the State
4. Adopt enabling legislation
5. MFF sells equity stakes to reduce state share to 25%

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Conclusion

The MFF concept has four key requirements:

1. Initial capitalization from the State.
2. It must lend only to creditworthy borrowers.
3. It must be apolitical and professionally run.
4. Could be started under existing legislation but requires legal changes to attract private investors

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ATTACHMENT 9

Draft

CABINET OF MINISTERS OF UKRAINE

INSTRUCTION

of _____ 2007, N _____-p

Kyiv

On Establishing the Public Joint Stock Company "Financial Institution for Lending of Municipal Projects"

1. The proposal by the Ministry of Finance, Ministry of Regional Development and Construction, Ministry of Economy, State Commission for Regulating Financial Services Market, State Securities and Stock Market Commission regarding the establishment of the Public Joint Stock Company "Financial Institution for Lending of Municipal Projects" (hereinafter referred to as "Municipal Lending Facility") shall be approved.

2. On the proposal of the Ministry of Regional Development and Construction, the Ministry of Finance, while drafting the 2008 State Budget of Ukraine, shall allocate funds for purchasing 100% of shares in the Municipal Lending Facility.

3. On behalf of the state as the sole founder, the Ministry of Regional Development and Construction shall carry out a private placement of shares, adopt the by-laws set up ruling bodies of the Municipal Lending Facility and ensure its registration in the order established by law.

4. The State Tax Administration shall delegate its representative to an audit commission of the Municipal Lending Facility.

5. The Ministry of Regional Development and Construction shall be placed in charge of managing corporate rights of the state as the sole shareholder of the Municipal Lending Facility.

Prime Minister of Ukraine **V. YANUKOVYCH**

ATTACHMENT 10

EXPLANATORY NOTE

to the Draft Instruction of the Cabinet of Ministers of Ukraine

On Establishing the Public Joint Stock Company "Financial Institution for Lending of Municipal Projects"

1. Rationale

Draft Instruction has been prepared pursuant to the commission given by Vice Prime Minister V.Rybak on March 20, 2007 as a follow-up to the presentation of a project of establishing the municipal lending facility.

The draft will be instrumental in the implementation of the State Regional Development Strategy for the period through 2015 approved by Resolution #1001 of the Cabinet of Ministers of Ukraine dated July 21, 2006. Paragraph 1, Section IV of the Resolution defines the development and modernization of regional infrastructure as strategic priorities of the national economy. The financial institution (Municipal Lending Facility), which is the subject-matter of the draft instruction, will make loans for the regional infrastructure development and modernization, at the expense of its own capital and that of private investors.

2. Aims and objectives

The aim of issuing the instruction is to facilitate the creation of the financial institution for lending to municipal projects.

3. General characteristics and main provisions

Draft instruction addresses institutional and logistical issues relating to the establishment of the Municipal Lending Facility.

The draft instruction provides for the following directives.

First, it commissions the Ministry of Finance and the Ministry of Regional Development and Construction to ensure that the costs of purchasing the 100% stock in the Municipal Lending Facility are included into the draft 2008 State Budget of Ukraine as a separate expenditures line.

According to the Budget Code of Ukraine, the Ministry of Finance is in charge of drafting State Budget for the next year based on the analysis of budget requests (Article 36, Part 2) submitted by the key spending units (Article 35, Part 1), including line ministries.

Second, it directs the Ministry of Regional Development and Construction to take measures, on behalf of the state as the sole founder, in order to establish the Municipal Lending Facility as a legal entity in the form of public joint stock company.

According to the Civil Code of Ukraine, Economic Code of Ukraine, Laws "On Business Companies" and "On Securities and Stock Market", the above measures should include the private placement of shares, i.e. allocation of all shares to the founders (according to the draft instruction, the state is the sole founder) of the Municipal Lending Facility; the approval of by-laws, the forming of the Municipal Lending Facility ruling bodies; the filing of a set of documents required for the state registration of the Municipal Lending Facility in the order established by the Law of Ukraine "On State Registration of Legal Entities and Individual Entrepreneurs". According to Article 6, Part 1, Item 6 of the Law of Ukraine "On Managing State Property Objects", the competent authorities, including ministries, operating within their scope of powers, approve by-laws (statutes) of enterprises, institutions, organizations and other business entities in their respective sectors.

Third, it directs the State Tax Administration to delegate its representative to the audit commission of the Municipal Lending Facility.

According to Article 11, Part 11 of the Law of Ukraine "On Managing State Property Objects ", where corporate rights of the state exceed 50% of a business entity's authorized capital, the audit commission should include, alongside representatives of the competent authority, a representative of the Main Auditing Administration or State Tax Inspection. Given that the Municipal Lending Facility is to engage in business activities funded from its own capital and that of private investors, rather than from the state budget, it would be advisable to include a representative of the State Tax Administration into its audit commission.

Fourth, it prescribes the Ministry of Regional Development and Construction to perform functions of managing corporate rights of the state as a shareholder of the Municipal Lending Facility.

According to Article 6, Part 1, Item 13 of the Law "On Managing State Property Objects", competent authorities, including ministries, operating within their scope of powers, manage corporate rights of the state.

4. Status of legislative framework in this sphere of law

The following acts are currently in effect in this sphere of social legal relations: Budget Code, Civil Code, Economic Code, Laws of Ukraine "On Business Companies", "On State Registration of Legal Entities and Individual Entrepreneurs", On Securities and Stock Market", "On Managing State Property Objects ", "On Facilitation Regional Development"; the State Regional Development Strategy for the period through 2015 approved by Resolution

#1001 of the Cabinet of Ministers of Ukraine dated July 21, 2006; Regulations on the Procedure for Registering Issuance of Shares in the Process of Joint Stock Company Incorporation, approved by Resolution #487 of the State Securities and Stock Market Commission dated March 15, 2007.

5. Financial and economic feasibility

In order to carry out the instruction, the state should allocate funds for purchasing 100% stock in the Municipal Lending Facility. The sock will be bought at the expense of the state budget. The amount of the budget expenditures for purchasing the stock will be defined in the Law on the 2008 State Budget of Ukraine.

No further funding of the Municipal Lending Facility operation from the state budget money is expected. Nor will the state provide any guarantees for obligations of the Municipal Lending Facility.

6. Potential social and economic implications

The establishment of the Municipal Lending Facility is expected to have a favorable impact on the social and economic situation in Ukrainian regions, as it will be result in improved infrastructure, enhanced investment attractiveness and marketability of regions.

In addition, the state is expected to receive dividends as a shareholder of the Municipal Lending Facility and transfer them to the state budget as revenues.

_____	_____	_____
(top official of the relevant executive power body)	(signature)	(name)

"___"_____ 200_ .

ATTACHMENT 11

ПРОЕКТ

ЗАТВЕРДЖУЮ
Міністр _____

_____

_____

П.І.Б.

"___" _____ 200_ р.

СТАТУТ
ВІДКРИТОГО АКЦІОНЕРНОГО ТОВАРИСТВА

"Фінансова установа для кредитування муніципальних проектів"

1. ЗАГАЛЬНІ ПОЛОЖЕННЯ

1.1. Відкрите акціонерне товариство "Фінансова установа для кредитування муніципальних проектів " (далі – Фінансова установа) створено згідно з розпорядженням Кабінету Міністрів України від "___" _____ 200_ р. № __-р

1.2. Засновником Фінансової установи є держава.

1.3. Найменування Фінансової установи:

- українською мовою:

повне найменування – Відкрите акціонерне товариство «Фінансова установа для кредитування муніципальних проектів».

скорочене найменування – ВАТ «Фінансова установа для кредитування муніципальних проектів».

- англійською мовою:

повне найменування – Open Joint-Stock Company “Municipal Finance Facility”.

скорочене найменування - MFF.

- російською мовою:

повне найменування – Открытое акционерное общество «Финансовое учреждение для кредитования муниципальных проектов».

скорочене найменування – ОАО «Финансовое учреждение для кредитования муниципальных проектов».

2. ЮРИДИЧНИЙ СТАТУС ТА ВІДПОВІДАЛЬНІСТЬ ФІНАНСОВОЇ УСТАНОВИ

2.1. Фінансова установа є юридичною особою.

2.2. Фінансова установа має цивільні права та обов'язки, здійснює свою діяльність відповідно до законодавства України та цього Статуту. Фінансова установа може бути відповідачем та позивачем у суді.

2.3. Фінансова установа має самостійний баланс, рахунки в банках, печатку зі своїм найменуванням, веде бухгалтерський облік та складає фінансову звітність відповідно до законодавства.

2.4. Фінансова установа провадить діяльність на ринку фінансових послуг і набуває статусу фінансової установи в порядку, встановленому законодавством.

2.5. Майно Фінансової установи формується з джерел, не заборонених чинним законодавством України, і належить їй на праві власності.

Фінансова установа в порядку, визначеному цим Статутом, володіє, користується і розпоряджається належним їй майном, вчиняючи стосовно нього будь-які дії, що не суперечать законодавству та меті діяльності Фінансової установи.

2.6. Фінансова установа самостійно відповідає за своїми зобов'язаннями усім своїм майном.

2.7. Фінансова установа не відповідає за зобов'язаннями засновника і акціонерів. Засновник і акціонери не відповідають за зобов'язаннями Фінансової установи і несуть ризик збитків, пов'язаних з діяльністю Фінансової установи, у межах вартості акцій, що їм належать. Акціонери, які не повністю оплатили акції, відповідають за зобов'язаннями Фінансової установи у межах неоплаченої частини вартості належних їм акцій.

2.8. Фінансова установа має право утворювати відокремлені підрозділи (філії та представництва), які діють на підставі положень, затверджених Фінансовою установою, а також бути засновником юридичних осіб, входити до складу об'єднань юридичних осіб.

2.9. Фінансова установа у своїй діяльності взаємодіє з органами виконавчої влади та органами місцевого самоврядування, громадськими організаціями з питань, що стосуються функціонування ринку муніципального фінансування.

3. МЕТА ТА ПРЕДМЕТ ДІЯЛЬНОСТІ ФІНАНСОВОЇ УСТАНОВИ

3.1. Мета діяльності Фінансової установи – здійснення підприємницької діяльності для одержання прибутку в інтересах акціонерів Фінансової установи, сприяння фінансуванню інфраструктури міст та комунальних підприємств, зокрема шляхом запозичення коштів на ринку капіталів для надання кредитів на покращення інфраструктури кредитоспроможним містам та комунальним підприємствам за найнижчими ринковими ставками.

3.2. Предметом діяльності Фінансової установи є:

випуск цінних паперів;

надання кредитів на покращення інфраструктури кредитоспроможним містам та комунальним підприємствам;

надання гарантій кредитоспроможним містам та комунальним підприємствам;

використання державних субсидій для зниження ставок по кредитах на покращення інфраструктури кредитоспроможним містам та комунальним підприємствам;

надання послуг з обслуговування міжнародних кредитних ліній, кошти яких спрямовуються у сферу кредитування муніципальних проектів;

надання консультаційних та інформаційних послуг щодо її операцій.

3.3. Відповідно до мети, визначеної цим Статутом, Фінансова установа провадить також інші види діяльності згідно із законодавством.

3.4. Фінансова установа встановлює розмір відсоткових ставок за операціями, комісійних та інших видів винагороди за послуги, що надаються нею.

4. СТАТУТНИЙ КАПІТАЛ ТА АКЦІЇ ФІНАНСОВОЇ УСТАНОВИ

4.1. Статутний капітал Фінансової установи становить 100000000 (сто мільйонів) гривень.

4.2. Статутний капітал Фінансової установи поділено на _____ простих іменних акцій, номінальна вартість акції складає_____ грн.

4.3. Статутний капітал Фінансової установи утворюється з вартості вкладів акціонерів, внесених внаслідок придбання ними акцій. На дату заснування Фінансової установи кількість акцій, що

купувалася засновником, та їхня частка у статутному капіталі складала:

N п/п	Засновник	Кількість акцій (шт.)	Частка у статутному капіталі (%)
1	Уповноважений орган управління, визначений Кабінетом Міністрів України		100

4.4. Фінансова установа має право змінювати (збільшувати або зменшувати) розмір статутного капіталу. Рішення про збільшення або зменшення розміру статутного капіталу Фінансової установи приймається загальними зборами акціонерів.

4.5. Оплата вартості акцій Фінансової установи може здійснюватися лише грошовими коштами (в тому числі в іноземній валюті).

4.6. Акції Фінансової установи повинні бути оплачені у повному обсязі:

при створенні Фінансової установи - у строки, встановлені засновником, але в межах бюджетного періоду;

при додаткових емісіях акцій - у строки, встановлені у рішенні про випуск акцій, але не пізніше року після реєстрації змін до статуту, пов'язаних із зміною розміру статутного капіталу Фінансової установи.

4.7. У разі, якщо акціонер не сплатив повної вартості акцій у встановлений строк, він сплачує за час прострочки ___ відсотків річних від суми простроченого платежу. При несплаті протягом 3 місяців після встановленого строку платежу повної вартості акцій Фінансова установа пропонує неоплачені акції для повторного продажу. Ціна та порядок реалізації неоплачених акцій визначаються рішенням наглядової ради Фінансової установи.

4.8. Фінансова установа має право у випадках, передбачених чинним законодавством, здійснити оцінку та викуп акцій у акціонерів, які вимагають цього. Оцінка та викуп акцій здійснюються відповідно до чинного законодавства.

4.9. Персональне повідомлення власників іменних акцій про зміну номінальної вартості акцій без зміни розміру статутного капіталу акціонерного Фінансової установи (деномінацію акцій) здійснюється шляхом надсилання повідомлення про деномінацію цінним листом або врученням його під розпис.

4.10. Фінансова установа забезпечує надійну та ефективну реєстрацію та підтвердження права власності на акції Фінансової установи.

5. ПРАВА ТА ОБОВ'ЯЗКИ АКЦІОНЕРІВ ФІНАНСОВОЇ УСТАНОВИ

5.1. Особи, які набули право власності на акції Фінансової установи, набувають статусу

акціонерів Фінансової установи.

Акціонерами Фінансової установи можуть бути юридичні та (або) фізичні особи, які набули право власності на акції Фінансової установи при її створенні, при додатковому випуску акцій та на вторинному ринку цінних паперів.

5.2. Кожна проста акція надає акціонеру - її власнику однакову сукупність прав, включаючи право:

1) брати участь в управлінні Фінансовою установою (через участь та голосування на загальних зборах особисто або через своїх представників);

2) одержувати інформацію про діяльність Фінансової установи. Встановлення обмеженого доступу до фінансової звітності Фінансової установи та її внутрішніх положень забороняється;

3) виходу із Фінансової установи шляхом відчуження належних йому акцій. Акціонер має право вільно розпоряджатися належними йому акціями Фінансової установи, зокрема, продавати чи іншим чином відчужувати їх на користь інших юридичних та фізичних осіб без попереднього інформування та (або) отримання на це дозволу інших акціонерів або Фінансової установи;

4) брати участь у розподілі прибутку Фінансової установи та одержувати його частину (дивіденди);

5) на переважне придбання додатково випущених Фінансовою установою акцій в кількості, пропорційній частці акціонера у статутному капіталі Фінансової установи на дату прийняття рішення про випуск акцій;

6) вимагати викупу Фінансовою установою всіх або частини належних йому акцій у випадках та порядку, передбачених чинним законодавством України;

7) одержати, у разі ліквідації Фінансової установи, частку вартості майна Фінансової установи, пропорційну частці акціонера у статутному капіталі Фінансової установи;

8) реалізовувати інші права, встановлені цим Статутом та законом.

5.3. Акціонери Фінансової установи зобов'язані:

1) додержуватися Статуту та виконувати рішення органів Фінансової установи;

2) виконувати свої зобов'язання перед Фінансовою установою, у тому числі оплачувати акції у розмірі, порядку та засобами, передбаченими Статутом;

3) не розголошувати комерційну таємницю та конфіденційну інформацію про діяльність Фінансової установи;

4) нести інші обов'язки, встановлені цим Статутом та законом.

6. ПОРЯДОК РОЗПОДІЛУ ПРИБУТКУ І ПОКРИТТЯ ЗБИТКІВ ФІНАНСОВОЇ УСТАНОВИ

6.1. Порядок розподілу прибутку і покриття збитків Фінансової установи визначається рішенням загальних зборів відповідно до чинного законодавства України та Статуту Фінансової установи.

6.2. За рахунок чистого прибутку, що залишається в розпорядженні Фінансової установи:

створюється та поповнюється резервний фонд;

накопичується нерозподілений прибуток (покриваються збитки).

виплачуються дивіденди;

6.3. Напрями використання додаткових фінансових ресурсів Фінансової установи, отриманих за рахунок накопичення нерозподіленого прибутку, затверджуються загальними зборами акціонерів.

6.4. Резервний фонд створюється шляхом щорічних відрахувань у розмірі не менше п'яти відсотків від чистого прибутку Фінансової установи. Щорічні відрахування у резервний фонд здійснюються до досягнення ним 25 відсотків від розміру статутного капіталу Фінансової установи.

У разі повного або часткового використання резервного фонду його поповнення здійснюється в порядку, передбаченому цим пунктом.

6.5. Загальний обсяг та розмір дивідендів на одну акцію затверджуються загальними зборами. Загальні збори приймають рішення про форму та порядок виплати дивідендів відповідно до чинного законодавства України та Статуту Фінансової установи. На кожну просту акцію Фінансової установи нараховується однаковий розмір дивідендів.

6.6. Дивіденди виплачуються один раз на рік за підсумками календарного року. Виплата дивідендів за акціями має здійснюватися тільки у грошовій формі. Дивіденди виплачуються протягом 3 місяців з дати прийняття загальними зборами рішення про виплату дивідендів, шляхом перерахування коштів на особовий рахунок акціонера або іншим чином за рішенням загальних зборів акціонерів.

6.7. Право на отримання дивідендів мають особи, які є акціонерами на дату початку строку виплати дивідендів. Дивіденди нараховуються тільки на повністю оплачені акції.

6.8. Фінансова установа не має права оголошувати та виплачувати дивіденди:

до повної сплати всього статутного капіталу;

при зменшенні вартості чистих активів Фінансової установи до розміру, меншого ніж розмір статутного капіталу і резервного фонду;

в інших випадках, встановлених законом.

6.9. Фінансова установа покриває збитки відповідно до вимог чинного законодавства України.

7. ОРГАНИ ФІНАНСОВОЇ УСТАНОВИ

7.1. Органами Фінансової установи є:

загальні збори акціонерів;

наглядова рада;

правління;

ревізійна комісія.

7.2. **ЗАГАЛЬНІ ЗБОРИ** є вищим органом Фінансової установи.

Якщо корпоративні права держави становлять 100 відсотків у статутному капіталі Фінансової установи, функції з управління корпоративними правами держави виконуються безпосередньо, без скликання загальних зборів акціонерів, уповноваженим органом управління, визначеним Кабінетом Міністрів України. Після відчуження хоча б однієї акції – застосовується загальний механізм управління відкритим акціонерним товариством, встановлений чинним законодавством України та цим Статутом.

У загальних зборах мають право брати участь усі її акціонери. Акціонер має право призначити свого представника для участі у зборах. Представник може бути постійним чи призначеним на певний строк. Акціонер має право у будь-який час відкликати чи замінити свого представника у вищому органі Фінансової установи, повідомивши про це правління Фінансової установи.

7.3. Загальні збори мають право приймати рішення з усіх питань діяльності Фінансової установи, у тому числі і з тих, що передані загальними зборами до компетенції правління Фінансової установи.

До компетенції загальних зборів належить:

1) внесення змін до Статуту Фінансової установи, у тому числі зміна розміру її статутного капіталу;

2) визначення організаційної структури Фінансової установи; затвердження внутрішніх положень про загальні збори, наглядову раду, правління, ревізійну комісію, посадових осіб органів Фінансової установи;

3) обрання та відкликання членів наглядової ради та ревізійної комісії, а також утворення і відкликання правління Фінансової установи;

4) прийняття рішень про притягнення до майнової відповідальності членів наглядової ради та ревізійної комісії;

5) затвердження річної фінансової звітності, розподіл прибутку і збитків Фінансової установи;

6) затвердження звітів і висновків ревізійної комісії, строку та порядку виплати частки прибутку (дивідендів);

7) створення та припинення філій та представництв Фінансової установи, затвердження їх положень;

8) прийняття рішень про створення та участь Фінансової установи в інших юридичних особах, вирішення питань про прийняття у зв'язку з цим Фінансовою установою на себе відповідних зобов'язань;

9) прийняття рішення про укладення правочинів на суму, що перевищує 50 відсотків балансової вартості активів Фінансової установи за даними останньої річної фінансової звітності Фінансової установи;

10) прийняття рішення про випуск, придбання та реалізацію Фінансовою установою власних акцій;

11) прийняття рішень про випуск облігацій;

12) прийняття рішення про передачу ведення реєстру власників іменних цінних паперів Фінансової установи;

13) прийняття рішення про виділ, злиття, приєднання, поділ, перетворення Фінансової установи;

14) прийняття рішення про ліквідацію Фінансової установи;

15) прийняття рішення про відшкодування акціонерам витрат, пов'язаних з підготовкою та проведенням позачергових загальних зборів, скликаних акціонерами;

16) затвердження кошторисів витрат діяльності наглядової ради та ревізійної комісії Фінансової установи.

7.4. Повноваження, передбачені пп. 1, 3, 6, 7, 8, 14, 15, 16 п. 7.3 цього Статуту, віднесені законом до виключної компетенції загальних зборів акціонерів і не можуть бути передані ними для вирішення іншим органам Фінансової установи.

7.5. За результатами діяльності Фінансової установи за календарний рік правлінням скликаються чергові (річні) загальні збори акціонерів. Чергові загальні збори скликаються не рідше одного разу на рік та повинні бути проведені не пізніше чотирьох місяців після закінчення фінансового року.

7.6. Загальні збори скликаються у порядку, передбаченому чинним законодавством. Власникам іменних акцій повідомлення про проведення загальних зборів не пізніше ніж за 45 днів до дати їх проведення надсилається цінним листом або вручається за особистим підписом

7.7. Загальні збори визнаються правомочними за умови наявності кворуму, тобто якщо в них беруть участь акціонери (їх представники), які мають відповідно до Статуту Фінансової установи

понад 60 відсотків голосів. Наявність кворуму визначається один раз на момент завершення реєстрації акціонерів (їх представників), які прибули для участі у загальних зборах.

7.8. Рішення загальних зборів приймаються більшістю не менш як у 3/4 голосів акціонерів, які беруть участь у зборах, щодо:

внесення змін до Статуту Фінансової установи;

ліквідації Фінансової установи.

З інших питань рішення приймаються простою більшістю голосів акціонерів (більше 50 відсотків голосів акціонерів), які беруть участь у загальних зборах.

Голосування на загальних зборах з питань порядку денного здійснюється з використанням бюлетенів для голосування.

7.9. Акціонер не має права голосу при вирішенні загальними зборами питань щодо вчинення з ним правочину та щодо спору між ним і Фінансовою установою.

7.10. **НАГЛЯДОВА РАДА** є органом Фінансової установи, який здійснює нагляд за діяльністю та фінансовою стабільністю Фінансової установи, контроль за діяльністю правління та захист прав акціонерів Фінансової установи.

7.11. Наглядова рада обирається загальними зборами у кількості _____ членів строком на_____.

Якщо корпоративні права держави становлять 100 відсотків у статутному капіталі Фінансової установи, наглядова рада утворюється уповноваженим органом управління, визначеним Кабінетом Міністрів України. Після відчуження хоча б однієї акції – застосовується загальний механізм обрання наглядової ради відкритого акціонерного товариства, встановлений чинним законодавством України та цим Статутом.

Члени наглядової ради виконують свої обов'язки на громадських засадах і не можуть перебувати у трудових відносинах з Установою.

Порядок формування наглядової ради, а також вимоги до кандидатів та членів наглядової ради встановлюються у Положенні про наглядову раду.

7.12. До компетенції наглядової ради належить вирішення питань, передбачених законом та Статутом Фінансової установи, а також переданих для вирішення наглядовою радою загальними зборами.

До виключної компетенції наглядової ради належить:

1) визначення основних напрямів діяльності Фінансової установи, ухвалення стратегії Фінансової установи, затвердження річного бюджету, бізнес-планів та здійснення контролю за їх реалізацією;

2) затвердження внутрішніх положень Фінансової установи, за винятком тих, що передбачені пп.

2 п. 7.3 цього Статуту;

3) встановлення порядку прийому, реєстрації та розгляду звернень та скарг акціонерів;

4) визначення загальних засад інформаційної політики Фінансової установи. Встановлення порядку надання інформації акціонерам та особам, які не є акціонерами. Визначення переліку відомостей, що є конфіденційними, а також встановлення порядку доступу до конфіденційної інформації. Здійснення контролю за розкриттям інформації та реалізацією інформаційної політики Фінансової установи;

5) проведення перевірки достовірності річної та квартальної фінансової звітності до її оприлюднення та (або) подання на розгляд загальних зборів акціонерів;

6) визначення умов цивільно-правових (трудових) угод (в тому числі умов оплати праці), що укладаються з головою та членами правління та ревізійної комісії;

7) прийняття рішення про притягнення до відповідальності голови та членів правління;

8) забезпечення функціонування належної системи внутрішнього та зовнішнього контролю за фінансово-господарською діяльністю Фінансової установи. Виявлення недоліків системи контролю, розробка пропозицій та рекомендацій щодо її вдосконалення. Здійснення контролю за ефективністю зовнішнього аудиту, об'єктивністю та незалежністю аудитора. Здійснення контролю за усуненням недоліків, які були виявлені під час проведення перевірок ревізійною комісією, службою внутрішнього аудиту[7] та зовнішнім аудитором;

9) затвердження зовнішнього аудитора та умов договору, що укладається з аудитором, в тому числі встановлення розміру оплати його послуг; ініціювання проведення аудиторських перевірок фінансово-господарської діяльності Фінансової установи;

10) призначення та звільнення внутрішніх аудиторів Фінансової установи;

11) узгодження рішення правління про скликання чергових загальних зборів, в тому числі їх порядку денного та тексту інформаційного повідомлення акціонерів. Узгодження рішення правління про зміни в порядку денному чергових та позачергових загальних зборів;

12) призначення та звільнення голів та секретарів (секретаріату) загальних зборів, погодження персонального складу мандатної та лічильної комісій загальних зборів;

13) прийняття рішень про укладання правочинів на суму від 25 до 50 відсотків балансової вартості активів Фінансової установи за даними останньої річної фінансової звітності Фінансової установи;

14) прийняття рішення про укладання правочинів, щодо яких є заінтересованість, у випадках, передбачених п. 8.3 цього Статуту;

15) затвердження умов договору на ведення реєстру власників іменних цінних паперів Фінансової установи;

16) визначення умов оплати праці посадових осіб філій та представництв Фінансової установи;

17) надання пропозицій та рекомендацій загальним зборам щодо питань порядку денного;

Питання, що належать до виключної компетенції наглядової ради, не можуть бути передані нею для вирішення правлінню Фінансової установи.

7.13. Організаційною формою роботи наглядової ради є чергові та позачергові засідання. Засідання наглядової ради проводяться за необхідністю, але не менше одного разу на три місяці. Засідання наглядової ради вважається правомочним, якщо в ньому беруть участь не менше 2/3 від загальної кількості її членів. Рішення на засіданні наглядової ради вважається прийнятим, якщо за нього проголосувало більше половини членів наглядової ради, які беруть участь у її засіданні. Члени наглядової ради не мають права передавати свої повноваження іншій особі.

Порядок скликання та проведення чергових та позачергових засідань наглядової ради регулюється Положенням про наглядову раду.

7.14. Наглядова рада звітує перед загальними зборами про свою діяльність, загальний стан Фінансової установи та вжиті нею заходи, спрямовані на досягнення мети Фінансової установи.

7.15. **ПРАВЛІННЯ** є виконавчим органом Фінансової установи, який здійснює керівництво її поточною діяльністю. Правління є підзвітним загальним зборам акціонерів і наглядовій раді Фінансової установи та організовує виконання їх рішень.

7.16. Правління призначається за рішенням загальних зборів у кількості _____ членів строком на _____. До складу правління входять голова правління та члени правління: перший заступник, заступники голови правління.

Якщо корпоративні права держави становлять 100 відсотків у статутному капіталі Фінансової установи, правління призначається уповноваженим органом управління, визначеним Кабінетом Міністрів України. Після відчуження хоча б однієї акції – застосовується загальний механізм призначення правління відкритого акціонерного товариства, встановлений чинним законодавством України та цим Статутом.

Порядок формування правління, а також вимоги до кандидатів та членів правління встановлюються у Положенні про правління.

7.17. До компетенції правління належать всі питання діяльності Фінансової установи, крім тих, що віднесені до компетенції інших органів Фінансової установи.

До виключної компетенції правління належить:

1) організація скликання та проведення чергових та позачергових загальних зборів;

2) розробка проектів річного бюджету, бізнес-планів діяльності Фінансової установи;

3) розробка та затвердження поточних фінансово-господарських планів і оперативних завдань Фінансової установи та забезпечення їх реалізації. Затвердження планів роботи правління;

4) прийняття рішень про укладення правочинів на суму від 10 % до 25 % балансової вартості активів Фінансової установи за даними останньої річної фінансової звітності Фінансової установи;

5) організація ведення бухгалтерського обліку та звітності Фінансової установи. Складання та надання наглядовій раді квартальних та річних звітів Фінансової установи до їх оприлюднення та (або) подання на розгляд загальних зборів акціонерів;

6) розробка штатного розкладу та затвердження посадових інструкцій та посадових окладів працівників Фінансової установи;

7) призначення керівників філій та представництв Фінансової установи;

8) забезпечення проведення аудиторської перевірки діяльності Фінансової установи на вимогу акціонерів, які володіють не менш як 10 відсотками акцій Фінансової установи. Аудиторська перевірка повинна бути розпочата не пізніше як за 30 днів з дати надання відповідної вимоги акціонерів;

9) встановлення розміру відсоткових ставок за активними операціями, а також комісійних та інших видів винагороди за послуги, що надаються Фінансовою установою.

Питання, що належать до виключної компетенції правління, не можуть бути передані на одноособовий розгляд голові правління.

7.18. Організаційною формою роботи правління є засідання, які проводяться у разі необхідності, але не менше одного разу на тиждень.

Засідання правління вважається правомочним, якщо в ньому беруть участь не менше 2/3 членів правління. Рішення на засіданні правління вважається прийнятим, якщо за нього проголосувало більше половини членів правління, присутніх на засіданні.

Порядок скликання і проведення засідань правління регулюється Положенням про правління.

7.19. Роботою правління керує голова правління, який має право:

1) скликати засідання правління, визначати їхній порядок денний та головувати на них;

2) розподіляти обов'язки між членами правління;

3) без довіреності представляти інтереси Фінансової установи та вчиняти від її імені юридичні дії в межах компетенції, визначеної цим Статутом;

4) приймати рішення про укладення правочинів на суму, що не перевищує 10 % балансової вартості активів Фінансової установи за даними останньої річної фінансової звітності Фінансової установи;

5) розпоряджатися коштами та майном Фінансової установи в межах, визначених цим Статутом, рішеннями загальних зборів та наглядової ради;

6) відкривати рахунки у банківських установах;

7) підписувати довіреності, договори та інші документи від імені Фінансової установи, рішення про укладення (видачу) яких прийнято уповноваженим органом Фінансової установи в межах його компетенції відповідно до положень цього Статуту;

8) наймати та звільняти працівників Фінансової установи, вживати до них заходи заохочення та накладати стягнення відповідно до чинного законодавства України, Статуту та внутрішніх документів Фінансової установи;

9) в межах своєї компетенції видавати накази і давати вказівки, обов'язкові для виконання всіма працівниками Фінансової установи;

10) здійснювати інші функції, які необхідні для забезпечення нормальної роботи Фінансової установи, згідно з чинним законодавством та внутрішніми документами Фінансової установи.

7.20. Перший заступник голови правління надає допомогу голові правління в організації роботи правління та виконує його функції у разі його відсутності. При виконанні функцій голови правління перший заступник має право без довіреності здійснювати юридичні дії від імені Фінансової установи в межах компетенції, визначеної цим Статутом.

7.21. **РЕВІЗІЙНА КОМІСІЯ** є органом Фінансової установи, який контролює фінансово-господарську діяльність правління Фінансової установи.

7.22. Ревізійна комісія обирається загальними зборами у кількості ____ членів строком на _____.

Якщо корпоративні права держави становлять 100 відсотків у статутному капіталі Фінансової установи, ревізійна комісія утворюється уповноваженим органом управління, визначеним Кабінетом Міністрів України. Після відчуження хоча б однієї акції – застосовується загальний механізм обрання ревізійної комісії відкритого акціонерного товариства, встановлений чинним законодавством України та цим Статутом.

Якщо корпоративні права держави перевищують 50 відсотків статутного капіталу Фінансової установи, до складу ревізійної комісії, крім представників уповноваженого органу управління, визначеного Кабінетом Міністрів України., включається представник Державної податкової адміністрації України.

Порядок формування ревізійної комісії, а також вимоги до кандидатів та членів ревізійної комісії встановлюються у Положенні про ревізійну комісію Фінансової установи.

7.23. При здійсненні контролю за фінансово-господарською діяльністю правління ревізійна комісія перевіряє:

1) достовірність даних, які містяться у річній фінансовій звітності Фінансової установи;

2) відповідність ведення бухгалтерського, податкового, статистичного обліку та звітності відповідним нормативним документам;

3) своєчасність і правильність відображення у бухгалтерському обліку всіх фінансових операцій відповідно до встановлених правил та порядку;

4) дотримання правлінням, головою та членами правління Фінансової установи наданих їм повноважень щодо розпорядження майном Фінансової установи, укладання правочинів та проведення фінансових операцій від імені Фінансової установи;

5) своєчасність та правильність здійснення розрахунків за зобов'язаннями Фінансової установи;

6) зберігання грошових коштів та матеріальних цінностей;

7) використання коштів резервного та інших фондів Фінансової установи;

8) правильність нарахування та виплати дивідендів;

9) дотримання порядку оплати акцій Фінансової установи;

10) фінансовий стан Фінансової установи, рівень її платоспроможності, ліквідності активів, співвідношення власних та позичкових коштів.

7.24. Ревізійна комісія відповідно до покладених на неї завдань здійснює планові та позапланові перевірки фінансово-господарської діяльності Фінансової установи, її філій та представництв. Порядок проведення перевірок і організація роботи ревізійної комісії регулюються Положенням про ревізійну комісію Фінансової установи.

7.25. За підсумками проведення планових та позапланових перевірок ревізійна комісія складає висновки. Без висновку ревізійної комісії загальні збори не мають права затверджувати річний баланс Фінансової установи.

7.26. Ревізійна комісія вирішує питання, пов'язані із проведенням перевірок та організацією роботи на своїх засіданнях. Засідання проводяться за необхідністю, але не менше одного разу на три місяці, а також перед початком перевірок та за їхніми результатами. Ревізійна комісія є правомочною приймати рішення, якщо в засіданні беруть участь не менше половини її членів. Рішення ревізійної комісії вважається прийнятим, якщо за нього проголосувало більше половини членів ревізійної комісії, які беруть участь у засіданні.

7.27. Ревізійна комісія доповідає про результати проведених нею перевірок загальним зборам і наглядовій раді Фінансової установи.

7.28. Ревізійна комісія зобов'язана вимагати позачергового скликання загальних зборів у разі виникнення загрози суттєвим інтересам Фінансової установи або виявлення зловживань, вчинених посадовими особами Фінансової установи.

8. ПОСАДОВІ ОСОБИ ОРГАНІВ ФІНАНСОВОЇ УСТАНОВИ. ПОРЯДОК УКЛАДАННЯ ПРАВОЧИНІВ, У ВЧИНЕННІ ЯКИХ Є ЗАІНТЕРЕСОВАНІСТЬ

8.1. Голова та члени наглядової ради, голова та члени правління, голова ревізійної комісії є

посадовими особами органів Фінансової установи.

8.2. Посадові особи органів Фінансової установи повинні добросовісно та розумно діяти в найкращих інтересах Фінансової установи. Посадові особи органів Фінансової установи повинні розкривати інформацію про наявність у них заінтересованості в укладенні будь-якого правочину стосовно Фінансової установи (конфлікту інтересів).

8.3. Посадова особа органів Фінансової установи вважається заінтересованою в укладенні відповідного правочину у разі якщо:

1) ця особа є однією із сторін такого правочину;

2) бере участь у правочині як представник або посередник;

3) отримує комісійну винагороду від Фінансової установи або від особи, яка є однією із сторін правочину;

4) внаслідок такого правочину придбає майно;

5) є пов'язаною особою юридичної особи, яка є стороною правочину, або бере участь у правочині як представник чи посередник, або отримує комісійну винагороду від Фінансової установи чи від особи, що є стороною правочину, або внаслідок такого правочину придбає майно.

8.4. Посадові особи органів Фінансової установи зобов'язані повідомляти наглядову раду про правочини, що укладаються, або якщо передбачається таке укладення, в яких вони можуть визнаватися заінтересованими особами. Зазначена інформація надається протягом десяти днів з дати виникнення обставин, щодо яких має бути зроблено повідомлення.

8.5. Рішення про укладення Фінансова установам правочину, щодо якого є заінтересованість, приймається наглядовою радою.

8.6. У разі прийняття наглядовою радою рішення про укладення Фінансова установам правочину, щодо якого є заінтересованість, члени наглядової ради, які є заінтересованими особами, не мають права голосу.

8.7. Якщо більшість членів наглядової ради є особами, заінтересованими в укладенні Фінансова установам правочину, він має укладатися згідно з рішенням загальних зборів за поданням наглядової ради. Рішення про подання приймається простою більшістю голосів членів наглядової ради, які беруть участь у засіданні, незалежно від їх заінтересованості в укладенні правочину.

8.8. Приховування посадовою особою інформації або неповідомлення про особисту заінтересованість є підставою для притягнення цієї особи до цивільної, матеріальної або дисциплінарної відповідальності та дострокового припинення її повноважень.

9. ПРИПИНЕННЯ ФІНАНСОВОЇ УСТАНОВИ ТА ВИДІЛ

9.1. Фінансова установа припиняється в результаті передання всього свого майна, прав та

обов'язків іншим юридичним особам - правонаступникам (злиття, приєднання, поділу, перетворення) або в результаті ліквідації.

Виділом є перехід за розподільчим балансом частини майна, прав та обов'язків Фінансової установи до однієї або кількох створюваних нових юридичних осіб.

9.2. Наглядова рада, правління або акціонери, які ініціюють виділ, злиття, приєднання, поділ, перетворення Фінансової установи, розробляють проект договору про злиття (приєднання) або проект рішення про поділ (виділ) або перетворення, який повинен містити:

1) повні найменування та інші реквізити юридичних осіб, які братимуть участь у злитті та приєднанні;

2) порядок та умови виділу, злиття, приєднання, поділу, перетворення Фінансової установи, в тому числі порядок і співвідношення обміну акцій (однакові для всіх акціонерів Фінансової установи);

3) порядок скликання та проведення установчих зборів кожного із новоутворених юридичних осіб.

9.3. Наглядова рада, правління або акціонери, які ініціюють виділ, злиття, приєднання, поділ, перетворення Фінансової установи, повинні підготувати для акціонерів пояснення до проекту документа, зазначеного в п. 10.2 цього Статуту.

9.4. Наглядова рада має отримати висновок незалежного експерта щодо проекту документа, зазначеного в п. 10.2 цього Статуту, та обґрунтованості передбачених ним співвідношень обміну акцій.

9.5. Виділ, злиття, приєднання, поділ, перетворення Фінансової установи здійснюється за рішенням загальних зборів, які вирішують питання про затвердження проекту договору про злиття (приєднання) або проекту рішення про поділ (виділ) або перетворення, а також інші питання, пов'язані із виділом, злиттям, приєднанням, поділом, перетворенням Фінансової установи.

У випадках, передбачених законом, виділ, злиття, приєднання, поділ, перетворення Фінансової установи здійснюється за рішенням:

суду;

відповідних органів державної влади.

9.6. До початку загальних зборів правління зобов'язане підготувати та надати акціонерам можливість ознайомитися з документами, пов'язаними із виділом, злиттям, приєднанням, поділом, перетворенням Фінансової установи:

1) проектом договору про злиття (приєднання) або проектом рішення про поділ (виділ) або перетворення (п. 10.2 цього Статуту);

2) поясненнями до проекту договору про злиття (приєднання) або проектом рішення про поділ

(виділ) або перетворення (п. 10.3 цього Статуту);

3) висновком незалежного експерта щодо проекту договору про злиття (приєднання) або проекту рішення про поділ (виділ) або перетворення (п. 10.4 цього Статуту).

Ознайомлення акціонерів з вищезазначеними документами відбувається в порядку, встановленому Фінансовою установою.

9.7. Фінансова установа зобов'язана здійснити оцінку та викуп акцій акціонерів, які вимагають цього, у разі, коли ці акціонери не голосували "за" прийняття загальними зборами рішення про виділ, злиття, приєднання, поділ, перетворення Фінансової установи. Оцінка та викуп акцій здійснюються у відповідності до чинного законодавства.

9.8. Фінансова установа перед початком проведення виділу, злиття, приєднання, поділу, перетворення Фінансової установи персонально повідомляє про це власників іменних акцій шляхом надсилання відповідного повідомлення цінним листом або врученням його під розпис.

9.9. Фінансова установа ліквідується за рішенням:

загальних зборів;

суду у випадках, встановлених законом.

9.10. Після прийняття рішення про ліквідацію Фінансової установи її підприємницька діяльність припиняється.

9.11. Порядок ліквідації Фінансової установи визначається законом, цим Статутом, рішеннями судових органів (у разі ліквідації за рішенням суду або господарського суду), а також рішеннями загальних зборів.

9.12. Комплекс організаційно-правових заходів щодо ліквідації Фінансової установи здійснює ліквідаційна комісія (ліквідатор), до якої (якого) переходять повноваження щодо управління справами Фінансової установи. Персональний склад ліквідаційної комісії (ліквідатор) затверджується органом, який прийняв рішення про ліквідацію за погодженням органу, який здійснює державну реєстрацію.

9.13. З метою виконання покладених на неї повноважень ліквідаційна комісія (ліквідатор):

1) публікує в друкованих засобах масової інформації повідомлення про припинення юридичної особи та про порядок і строк заявлення кредиторами вимог до Фінансової установи;

2) управляє майном Фінансової установи;

3) забезпечує проведення інвентаризації та оцінки майна Фінансової установи;

4) вживає заходів до стягнення дебіторської заборгованості Фінансової установи;

5) реалізує майно Фінансової установи;

6) здійснює розрахунки з кредиторами Фінансової установи у порядку, передбаченому законом;

7) здійснює інші заходи, необхідні для задоволення вимог кредиторів Фінансової установи.

9.14. Оцінка майна Фінансової установи під час його ліквідації здійснюється у порядку, передбаченому рішенням загальних зборів Фінансової установи.

9.15. Ліквідаційна комісія (ліквідатор) сповіщає через засоби масової інформації про продаж майна Фінансової установи із зазначенням всіх істотних умов для укладання відповідних угод. У разі надходження в _____ строк однієї пропозиції придбати майно Фінансової установи угода укладається за ціною, визначеною в порядку, передбаченому п. 10.14 цього Статуту. В разі надходження в зазначений строк кількох пропозицій ліквідаційна комісія (ліквідатор) має провести аукціон у порядку, передбаченому законодавством України. У разі ненадходження жодної пропозиції ліквідаційна комісія (ліквідатор) повторює зазначені вище дії, здійснюючи зниження ціни на майно Фінансової установи кожний _____ на _____ відсотків до повного розпродажу всього майна.

9.16. Майно Фінансової установи, що залишилося після задоволення вимог кредиторів, має бути реалізовано з подальшим розподілом отриманих коштів між акціонерами. Розподіл відбувається пропорційно до частки кожного акціонера в статутному капіталі Фінансової установи кожні два тижні до дати продажу всього майна.

9.17. За підсумками ліквідації ліквідаційна комісія (ліквідатор) складає ліквідаційний баланс, який затверджується органом, що прийняв рішення про ліквідацію Фінансової установи.

9.18. Фінансова установа є такою, що припинилося, з дня внесення до єдиного державного реєстру запису про її припинення.

10. ВНЕСЕННЯ ЗМІН ДО СТАТУТУ ФІНАНСОВОЇ УСТАНОВИ

10.1. Фінансова установа зобов'язане у п'ятиденний строк з дати прийняття загальними зборами Фінансової установи відповідного рішення повідомити орган, що провів реєстрацію, про зміни, які сталися в цьому Статуті, для внесення необхідних змін до державного реєстру.

10.2. Зміни до Статуту Фінансової установи набирають чинності для третіх осіб з дня їх державної реєстрації, а у випадках, встановлених законом, з дати повідомлення органу, що здійснює державну реєстрацію, про такі зміни.

ATTACHMENT 12

Коментар Проекту «Ініціатива сприяння кредитуванню» до Загальнодержавної програми реформування і розвитку житлово-комунального господарства на 2004-2011 рр. (щодо установи для кредитування муніципальних проектів).

Пропонуємо:
- останній абзац частини першої розділу VI викласти у такій редакції:

Створюється спеціалізована Фінансова установа для кредитування муніципальних проектів, яка запозичує кошти на ринку капіталів для надання кредитів кредитоспроможним містам та комунальним підприємствам на покращення інфраструктури за найнижчими ринковими відсотковими ставками. Створення Установи відбувається за кошти Державного бюджету України із наступним залученням приватних інвестицій у капітал Установи.

- пункт третій частини другої розділу VI викласти у такій редакції:

внеску до статутного фонду спеціалізованої Фінансової установи для кредитування муніципальних проектів

- останній абзац частини третьої розділу VI викласти у такій редакції:

Порядок фінансування створення спеціалізованої Фінансової установи для кредитування муніципальних проектів встановлюється відповідно до постанови Кабінету Міністрів України щодо створення Фінансової установи для кредитування муніципальних проектів.

ATTACHMENT 13

June 14, 2007

PRESS-RELEASE

THE NUMBER OF CERTIFIED LEASING SPECIALISTS IN UKRAINE IS CONSTANTLY INCREASING

In June 14 leasing specialists received their certificates, bringing the total number of certified leasing specialists in Ukraine to 40

KYIV – The USAID-funded Access to Credit Initiative co-hosted an awards ceremony on June 14th to award the Certified Leasing Specialist Certificates to 14 Ukrainian individuals, who were the 2nd group which passed a series of three exams and were thus eligible to become Certified Leasing Specialists. The awards were presented jointly by USAID Mission in Ukraine and the UKRLEASING National Leasing Association.

The first group of 26 certified leasing professionals received their certificates on November 30, 2006. The total number of certified leasing specialists has now reached 40.

The Certified Leasing Specialist (CLS) Program was launched for the first time in Ukraine by ATCI, in partnership with the UKRLEASING National Association of Leasing Companies, and the U.S. Foundation of Certified Leasing Professionals, to raise the professional standing of leasing industry specialists and increase the number of qualified professionals needed to support the rapid growth of the Industry. The website www.leasepro.org was specifically designed for leasing industry professionals and is a friendly tool for those who intend to raise its professional standing in the Industry.

The current and future certified leasing specialists will become members of the Ukraine League of Certified Leasing Specialists, an NGO that has been specially established to administer the CLS Program, as well as to serve the needs and protect the interests of its members.

For more information about CLS Program, please visit www.leasepro.org and www.atci.com.ua.

Access To Credit Initiative
Olympic Business Center
72 V.Vasylkivska Street
1st Entrance, 5th Floor
03150 Kyiv, Ukraine
Tel.: (+380 44) 537-0966
Fax: (+380 44) 537-0967
http://www.atci.com.ua

ATTACHMENT 14

CERTIFIED LEASING SPECIALIST PROGRAM/MOLDOVA
COURSE 1 REPORT
Submitted By: Robert Homans, Jr.
May 28, 2007

Introduction – On May 11-13, 2007, I attended Course 1 of the first training session held in Moldova as part of the introduction of the CLS Program in Moldova. My attendance was under the attached TOR issued by the ATCI Program Office in Chisinau, Moldova, and approved by USAID/Chisinau. This was the first CLS Course I have attended, including in Ukraine.

In addition to acting as the Trainer for Module 1, History of Leasing, and part of Module 2, "Lease Classification and Terminology," I attended most of the other training sessions and was assisted by a translator. Other than Module 1 all the training sessions were delivered in Romanian. All the courses were delivered in the training room located at the ATCI Program office, in Chisinau, where all the attendees sat around a table and trainers were positioned at the head of the table.

The exam for Course 1 will be given on June 9. Course 2 will be given in June, and Course 3 in July, both followed by their respective exams. This schedule substantially follows the course schedule for the first CLS Course given in Ukraine, last July through September, 2006.

Content of Training – The training consisted of Modules 1 – 6 of the CLS Training Curriculum, which is the entirety of Course 1, as listed on the attached schedule, entitled "Course 1 and Trainers." The following Modules were adapted to conform to Moldovan laws and regulations: Module 3 – "Legal Framework"; Module 4 – "Tax Treatment;" Module 5 – "Accounting Treatment." Module 1 – "History of Leasing" and Module 6 – "Lease vs. Buy Analysis" were presented in similar fashion as they are in Ukraine. Module 2, "Leasing Classification and Terminology," was included as part of Modules 1 and 3 and was modified as required.

The course sequence in Moldova was different from what is normally used in Ukraine. As shown in the attached schedule the course sequence was as follows: Module 1/2; Module 5; Module 6; Module 2/3; Module 4.

Trainers – The trainers included Robert Homans (Module 1 and part of Module 2), Viorel Rusu, Senior Legal Advisor, ATCI Program Office/Chisinau (Module 3 and the balance of Module 2); Natalia Tsiriulnicova, ACAP (Modules 5 & 6); Tatiana Prisacari, ACAP (Module 4).

ACAP is an accounting/consulting/training firm based in Chisinau, Moldova, and has been retained by the ATCI Program in Chisinau as the training provider for the CLS Program in Moldova. In addition to acting as training provider ACAP also assisted the ACTI Program Office in Chisinau in modifying the following Modules 3, 4 and 5, to conform to applicable Moldovan laws and regulations.

Attendees – 25 individuals registered for Course 1. A complete list of attendees, and their titles and affiliations, are attached to this report. Of the 25 registrants 16 individuals worked for Moldovan lessors.

Of the remaining 9 attendees, 5 will be used as trainers in future CLS Courses. These individuals will take all 3 exams, and thus insure that future CLS Courses in Moldova will be taught, in whole or in part, by holders of the CLS Certificate. This arrangement is similar to that followed in Ukraine last year, when the CLS Training was first presented in Ukraine, where current trainers attended training sessions and later passed all 3 exams and were certified.

Attendee Course Evaluations – Attendee evaluations for each trainer are included in this report as attachments. Each trainer received a superior evaluation.

In addition it is my understanding that most of the attendees also attended a 4 day seminar on leasing earlier this year, presented by EBRD. This seminar was given by 3 international leasing experts. The course outline and PowerPoint presentations for the EBRD seminar attached to this report. I have been advised that the attendees considered the CLS Course to be superior to the EBRD seminar. The reasons were that the CLS Course content offered far more practical information than the EBRD seminar and, as a related matter, the CLS Course was adapted to Moldovan laws and regulations.

Evaluation – It is my conclusion, with the exception of Module 1 which I taught and subject to the results of the exams, that the Modules were extremely well presented, especially by the ACAP instructors. I did not attend Module 3, Legal Framework, and even if I did I would be unfamiliar with the content and therefore would be unable to render an evaluation.

I was especially impressed by the ACAP trainer Natalia Tsiriulnicova, who delivered the Modules on Accounting and Lease vs. Buy Analysis. Since I own a leasing company in the US I am very familiar with lease vs. buy analysis, since I do it every day in the course of my own business. Also this Module was not adapted to Moldovan conditions, so Ms. Tsirulnicova had to be able to impart "international best practices" to the class. I can say that Ms. Tsirulnicova delivered this Module in a way that could be readily understood by a trainee in the US (or other countries for that matter). In addition Ms. Tsirulnicova presented the material in an enthusiastic and engaging manner.

In all the sessions I attended I was also impressed by the involvement of the attendees. They attended all the sessions and asked many questions. In addition there were several animated discussions among instructors and attendees.

Conclusion – I think the decision to use trainers who were not certificate holders in Ukraine was the right one. With the exception of Module 1, all the trainers were extremely knowledgeable about their subjects.

Recommendations –

1. **Exam –** The exam for Course 1, and future exams, should be held in a room other than the training room of the ATCI Program Office in Chisinau. The reason for this is that the ATCI training room does not have individual chairs, making it difficult for the exam to be properly monitored. I believe arrangements are being made to hold the exam(s) in a room at the ACAP facility.

2. **Observers at Courses 2 & 3 –** Program Officers from USAID/Chisinau should be encouraged to observe Courses 2 and 3. In my opinion it is not cost effective to send observers from ATCI/Kyiv to Courses 2 and 3, because the courses are all delivered in Romanian.

Other TOR –

In addition to attending the training sessions I also met with ATCI/Moldova's Leasing Expert, Vlad Railean, as well as a member of ATCI/Moldova's legal staff, with regard to setting up a Moldovan NGO whose responsibility it will be to manage the CLS Program in Moldova. I was advised that the process of setting up such an NGO, including registration with the tax and pension authorities, takes approximately two weeks. I was advised that the registration process was to begin on Wednesday, May 16, upon Vlad's return from vacation.

ATTACHMENT 15

SEMINAR ON FINANCIAL LEASING AND CREDIT REPORTING – BUILDING BLOCKS FOR A DYNAMIC FINANCIAL SERVICES INDUSTRY IN UKRAINE

This Seminar is co-sponsored by the Ukraine League of Industrialists and Entrepreneurs and the United States Agency for International Development/The Access to Credit Initiative

Date: June 19, 2007

Place: Crimea, Simferopol, Dekabristov St. 17a, (tel: 38-0652-60-0064)

Attendees:

Members of the Ukrainian League of Industrialists and Entrepreneurs, Senior Managers of Financial Institutions, Including Commercial Banks, Financial Leasing Companies and Other Financial Services Companies.

Purpose:

In many Western Countries and Japan the availability of credit bureau and credit rating information has been a major factor in the ability of financial services companies to develop a wide array of financing costs offered to customers at competitive prices. The goal of this seminar is to provide participants with tools on how to effectively use financial leasing in their businesses, often in conjunction with other forms of financing, show how credit bureau and credit rating information will benefit their businesses directly and how greater access to credit information affords financial institutions the ability to offer more financial products at lower cost, and the institutional barriers currently faced by both lessors and credit rating agencies in Ukraine.

Using practical illustrations this seminar will show business how:

- To evaluate various sources of financing, and to use them in their businesses.
- Examples how credit bureau and credit rating information can benefit businesses directly, and how such information is used by financial services companies to evaluate credit.
- Current legislative, regulatory and tax issues facing the Leasing Industry.
- Current legislative issues facing credit bureau and credit rating companies in Ukraine.

Agenda

June 19, 2007

8:30 – 9:00 **Registration**

9:00 - 9:20 Welcome and Introduction: *Representatives of the Ukrainian League of Industrialists and Entrepreneurs and USAID/ATCI*

9:00 – 9:10 Representative from Ukrainian League of Industrialists and Entrepreneurs

9:10 – 9:20 Representative from USAID/ATCI (Robert Homans)

9:20 – 9:40 Ukrainian Leasing Market

Vadym Nesterchuk, Current President of the Union of Ukrainian Lessors
Nadia Ryzanova, IFC Leasing Project

9:40 – 10:20 How to Use Leasing in Your Business

Lilya Snigir, ATCI

10:20 – 10:50 Legal and Tax Issues Facing Ukrainian Lessors and Current Status of Legislation

Sergy Kisil, ATCI

10:50 – 11:10 **Convenience Break**

11:10 – 12:00 Panel Discussion – How To Use Different Types of Financing In Your Business

Anatoliy Pokhodzyaev, General Director, Leasing Company Universalna Banker (member of League of Industrialists and Entrepreneurs)
Vadym Nesterchuk, «Optima-leasing»/SIXT
Sergiy Kysil, Advisor, ATCI
Moderator, Lilya Snigir, Advisor, ATCI

12:00 – 12:40 The US Experience – How Availability of Credit Information has Resulted In More, and Better, Leasing Products - Possible Lessons for Ukraine.

Robert Homans, Senior Advisor, ATCI

12:40-13:20 **Convenience/Lunch Break**

13:20 – 14:20 Credit Bureaus and Credit Rating as an Effective Instrument for Reducing Credit Risks. Current Status of Credit Bureau/Credit Rating Legislation in Ukraine

Oleg Kalchenko, Advisor, ATCI

14:20 – 15:00 Panel Discussion – Innovations in Ukraine's Leasing And Credit Reporting Market

Anatoliy Pokhodzyaev, General Director, Leasing Company Universalna
Vadym Nesterchuk, «Optima-leasing»/SIXT
Oleg Kalchenko, Advisor ATCI
Moderator: Robert Homans, Senior Advisor, ATCI

June 19, 2007, *continued*

15:00 – 15:15 Closing Remarks

Representative From League of Industrialists & Entrepreneurs
Representative From USAID/ATCI (Robert Homans)

15:30 – 16:30 Press Conference (Press Club of Crimea/Simferopol/Organized by IFC Leasing Project)

Robert Homans, Senior Advisor ATCI
Vadym Nesterchuk, UUL
Nadia Ryzanova, IFC Leasing Project
Representative From League of Industrialists and Entrepreneurs

15:30 – 17:00 **Reception**

ATTACHMENT 16

UKRAINIAN ASSOCIATION OF INVESTMENT BUSINESS

19th Science and Practical Conference

"ASSET MANAGEMENT:
CONDITIONS FOR STABLE BUSINESS DEVELOPMENT"
(Yalta, June 7-10, 2007)

RESOLUTION

Based on results of discussing the activities by collective investment institutions and private pension funds, the developmental stage of the securities market, problems of legislation and normative acts regulating the professional asset management activity, the participants in the Science and Practical Conference hereby state:

The year 2006 and January-May 2007 witnessed an aggressive growth in the industry: as of June 1, 2007, 266 asset management companies licensed by SSMSC operate in the market; by-laws of 574 investment funds were registered; the amount of securities issues by collective investment institutions exceeded UAH 47 billion, while the value of actually formed assets has reached UAH 23 billion.

Asset management agreements have been concluded with 65 private pension funds that have already attracted over UAH 146 million. Over 200 thousand individuals have become participants in private pension funds.

However, activities by asset management companies, collective investment institutions and private pension funds are carried out in an unstable legislative environment. Changes to two basic Laws of Ukraine regulating the asset management activity have passed the first reading in the Verkhovna Rada: "On Collective Investment Institutions (Unit and Corporate Investment Funds)" and "On Non-State Pension Coverage"; also the Law of Ukraine "On Joint-Stock Companies" have passed the first reading; the Cabinet of Ministers of Ukraine have prepared a draft Tax Code. However, the political crisis slowed down the passage of these acts in the final version, which has an essential impact on the possibility to formulate a long-term investment strategy and prevents attracting significant amounts of investment.

To ensure further development of investment activity in Ukraine, involve the middle class in this process, introduce an effective mechanism of control over activities by market participants, and advance pension reform, joint efforts by state authorities and professional securities market participants must be concentrated on solving the following tasks:

1. **Developing legislation regulating the activity to manage assets of institutional investors:**

1.1. Passing changes to the Law of Ukraine "On Collective Investment Institutions (Unit and Corporate Investment Funds)."

1.2. Passing changes to the Law of Ukraine "On Non-State Pension Coverage."

1.3. Passing the Law of Ukraine "On Joint-Stock Companies."

1.4. Passing the Law of Ukraine "On Rating" based on the principle of voluntary ratings.

1.5. Passing the Law of Ukraine "On Implementing the Accumulation System of Compulsory State Pension Insurance"

1.6. Essential elaboration and passage of the Law of Ukraine "On Compulsory Professional Pension System"

2. Developing the activity to manage assets of institutional investors:

2.1. A continuation of joint efforts by SSMSC and UAIB to develop and improve the normative base regulating the activity to manage assets of collective investment institutions and private pension funds.

2.2. A continuation of cooperation between UAIB and the State Commission on Regulating Financial Services Market in creating and operating the system of non-state pension coverage.

2.3. Jointly with the SSMSC and the State Commission on Regulating Financial Services Market, drafting and implementing normative acts regulating the activity to manage assets (reserves) of insurance companies.

2.4. Improving the procedure for registering issues and the mechanisms for repaying debentures, in particular, target bonds to finance construction.

2.5. Introducing modern approaches to valuating assets of collective investment institutions and private pension funds.

2.6. Cooperating with regulatory bodies and rating agencies on developing and implementing objective methodologies for assessing results of operations by asset management companies, collective investment institutions and private pension funds; promoting the system of rating financial instruments and stock market participants on a voluntary basis only.

2.7. Implementing international standards of asset management activity into practices of UAIB members.

3. Developing self-government in the stock market

3.1. More activity by UAIB sections as an effective tool to involve company professionals in the efforts to form the Association's position on pressing issues of securities market development.

3.2. Updating the rules of the UAIB members' Code of Ethics with regard to the international experience.

3.3. Improving the system for monitoring results of operations by asset management companies developed by UAIB, analyzing claims against asset management companies by regulatory bodies, systematizing and implementing the practice of

promptly reacting to identified violations, analyzing and eliminating dual interpretations of some rules of legislation by state authorities.

3.4. Developing Methodological Recommendations on legal issues for the members of the Association, in particular, regarding relations with regulatory bodies.

3.5. UAIB cooperates with educational institutions regarding the implementation of modern curricula for training asset management professionals, including those based on the first higher education.

3.6. Organizing public education campaigns to explain to the population, the essence and advantages of collective investment and private pension coverage.

3.7. Forming a positive image of asset management companies, including the organization of monitoring and media coverage of their activities and such coverage on the UAIB website.

MOLDOVA
ATTACHMENTS

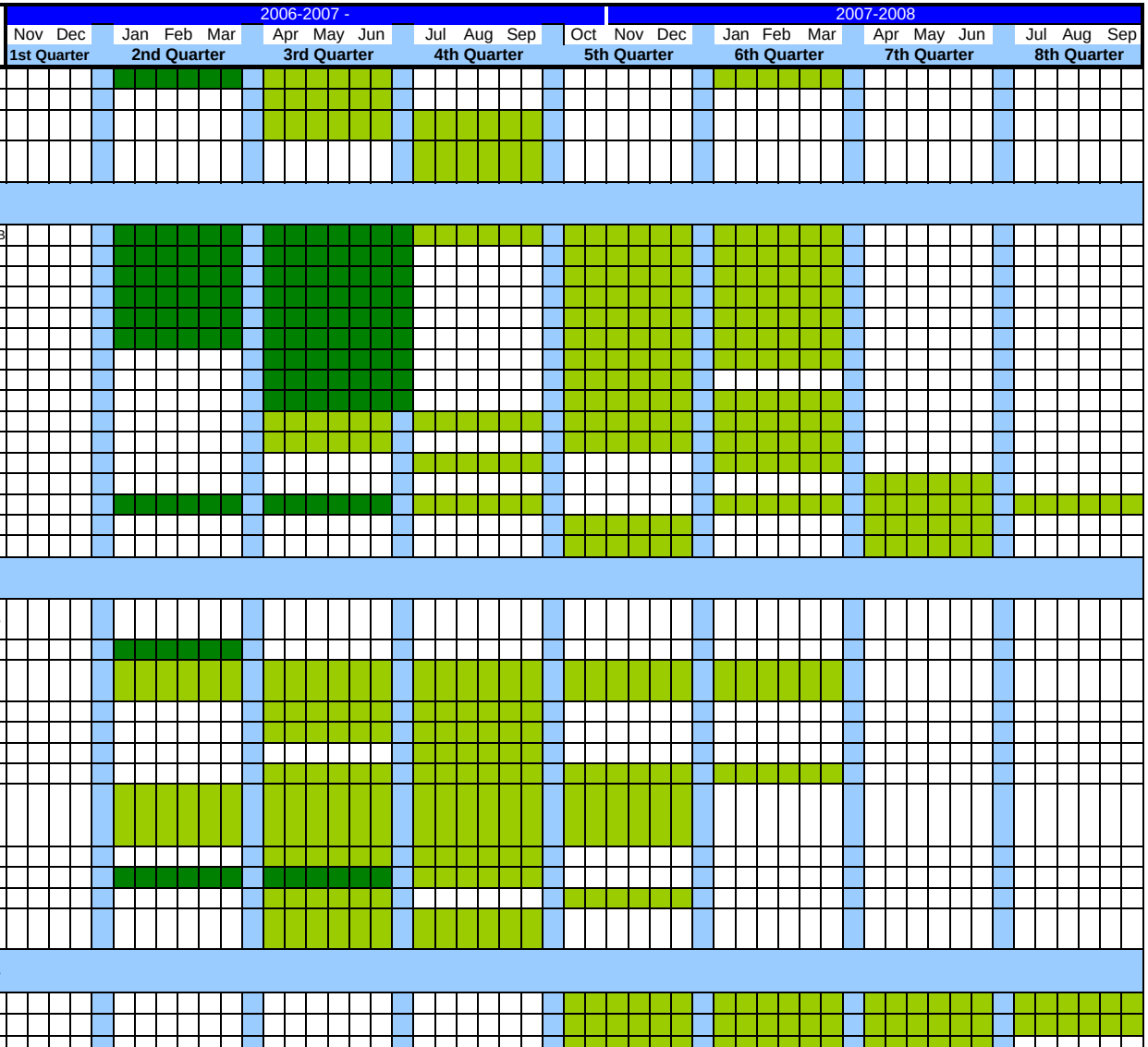
ATTACHMENT 1

The Pragma Corporation Work Plan: Access to Credit Initiative, Moldova

Activity Description	Staff	2006-2007 -												2007-2008											
		Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
		1st Quarter		2nd Quarter			3rd Quarter			4th Quarter			5th Quarter			6th Quarter			7th Quarter			8th Quarter			
NOTE: Changes shall be indicated in RED for deletions; PINK for additions.	**NOTE**: GREEN indicates "completed"; LIME indicates "to be completed".																								
Contract Management	Dark Green indicates activity (1) completed, but in a later quarter; or (2) worked on in current quarter																								
A: Work Plans																									
1. Draft Mobilization Plan	RD																								
2. Draft Work Plan/1st Year and 2nd Year	RD, DL																								
3. Agree Work Plan with USAID (Year 1 only approved)	RD, DL																								
B: Mobilization																									
1. Establish Reporting Relationships	RD																								
2. Identify possible ST and Timeframes	RD, DL																								
3. Rent and equip office space, hire local staff, open bank accounts, rent apartment	RD																								
4. Meet Key Individuals, Client, Counterparts, Participants, GOM	RD																								
C: Project Administration																									
1. Quarterly Reports	RD																								
2. Develop Performance Monitoring Plan	MF, RD, DL																								
3. ATCI Senior Staff Meeting, weekly with advisors	RD																								
4. ATCI Staff Meeting, monthly for all staff	RD																								
5. ATCI Staff Retreat or Team Building Activities	All																								
MORTGAGE LENDING COMPONENT																									
A: Implement Certified Mortgage Lender Program																									
1. IUE review of CML training materials and methodology for applicability to Moldova : Assess mortgage activity; understand practices and policies of participants/regulators, etc.	AK, NR, MB																								
2. Select candidates from banks and financial institutions engaged in mortgage lending	MB, RD																								
3. Deliver a series of three CML courses, 2 programs during the first year: first program for mortgage professionals and second program for training providers	AK, NR																								
4. For second year, the third program implemented by training providers which is supervised by STTA-IUE CML trainers	AK, NR																								
5.Conduct assessment of current mortgage activity and impact assessment of Certified Mortgage Lender Program (CMLP) on the mortgage lenders and on their lending practice	MB																								
6. Assessment of rural lending; titling, title registration, appraisal, and of basic element of profitable agricultural production units.	MB																								
7. Deliver specialized mortgage trainings related to above and legal framework, if applicable and as needed.	MB, ST, VRU. AB																								
B. Assist Banks in Undertaking Mortgage Lending																									
1. Promote standardized rules, procedures, documentation for retail mortgage lending in Moldova	MB, VRN																								
2. Select candidate banks and financial institutions for on-site assistance (On-going), and as requested.	MB																								
3. Provide on-site technical assistance (On-going)	MB, ST																								
C. Develop Mortgage-Related Life Insurance Products "as possible in Moldova"																									
1. Analyze insurance and mortgage markets for existing products/practices	MB, VRN, MG																								
2. Assess legal and regulatory framework	MB, VRU, AB																								
3. Assess existing actuarial data (mortality tables)	MB, MG, VRN																								
4. Identify candidate insurers	MB, MG																								
5. Develop term sheet and rate structure	TBD																								
6. Assist in drafting policy	TBD																								
7. Conduct roundtables with mortgage lending banks and financial institutions	MB, MG																								
8. Launch product	MB, MG																								
D. Develop the Capacity of the Real Estate Appraisal and Brokers' Associations "as possible																									

The Pragma Corporation Work Plan: Access to Credit Initiative, Moldova

Activity Description	Staff
1. Needs assessment of appraisal and real estate association or organizations	MB, VRU, AB
2. Facilitate development and use of unified methodology for appraisals	MB, TBD
3. Design training and capacity building programs for associations to comply with int'l. norms	MB, TBD
4. Facilitate associations' membership /participation in brokerage and appraisal associations.; organize study tours to the US	MB, RD, TBD
E. Develop a Mortgage-Backed Securities Capability (see Fixed Income Component below) "a	
1. Establish Legal Working Group to assess legal basis and regulatory framework	RD, VRU, AB, MB
a) Pledge Law--multiple pledgees	VRU, AB, MB
b) Bankruptcy Statutes--pledge excluded from bankruptcy estate	VRU, AB, MB
c) Trust Law--bondholder representative	VRU, AB, MB
d) Other Laws as applicable	VRU, AB, MB
2. Draft legal provisions as needed	VRU, AB
3. Promote legal provisions to professionals, regulators, Ministries, etc.	MB, VRU, AB
4. Select candidate issuer(s)	MB, MG
5. Conduct portfolio analysis	RD, MG
6. Develop standardized indenture	SSM
a. Perform cost/benefit analysis of credit enhancements	MB, MG
7. Draft investment memorandum	SSM, MG
8. Registration and Listing	RD,SSM,MG
9. Identify potential investors	RD,SSM,MG
10. Conduct "road show"	RD,SSM,MG
11. Price and place issue	RD,SSM,MG
F. Facilitate Establishment of a Commercial Credit Information Company (Included in Mortgage Lending Component) "as appropriate in Moldova"	
Assessment of Credit Bureau Status and Feasibility of Establishment of Credit Bureau System in Moldova	RD, JP, MG, MB
Phase I -Review current status of development of CIC	RD,JP, MB, MG
1) Coordinate Disparate Groups (Providers, Users, Government) and Consolidate Interests - Overall Project Coordination	JP
a) Develop and Establish linkages with Primary International Credit Bueau Operators	JP
b) Execute plan for participation of all banks	JP
c) Sponsor visits to potential foreign CB partners (Experian, CRIF and/or Schufa)	JP
d) Secure Final buy-in of local data providers and users	JP
2) Determine and review CIB development strategy with government and counterparts: Review availability, activity, and accessibility of (a) credit info; (b) other pertinent borrower data; (c) credit data used by financial intermediaries; and (d) credit reporting.	JP, MB
3) Market best approach for structuring, establishing and operating CIB	JP, MB
4) Analyze and Coordinate Passage of Law	JP, VRU, AB
a) Seminars with key government ministries (data providers) and public (articles)	JP, VRU, AB
5) Review and shape Regulatory Framework; Draft and Monitor Legislation and Regulations	JP, VRU, AB
G. Build Capacity of Participating Banks to Maximize Benefits of CIC in Moldova as appropriate.	RD, JP, MG, MB
Phase II. Work with market participants	JP, MB
Overall coordination of activities aimed at the promotion and development of credit bureau system	MB
a) Consent clause - convince the market, draft the wording of consent clause, recommend consent clause placement in the appliaction form	JP
b) Advise on RFP responses and selection process of successful bidder from among CB operators as appropriate	JP
c) Reciprocity and access rights (data suppliers and data users)	JP
d) Data sharing (positive and negative data, scope of data, data masking, possible payment/data sharing arrangements)	JP
e) Work with public record holders (CBs will have to conclude separate agreement with each public record holder)	JP
f) Securing involvement of mobile phone operators, insurance companies, credit unions, etc.	JP
Phase III. Work with regulators, market education and public awareness efforts	JP, MB, VRU



The Pragma Corporation Work Plan: Access to Credit Initiative, Moldova

Activity Description	Staff	2006-2007 -												2007-2008											
		Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
		1st Quarter		2nd Quarter			3rd Quarter			4th Quarter			5th Quarter			6th Quarter			7th Quarter			8th Quarter			
a) Shape regulatory debate and assist in drafting CB regulations and licensing requirements	JP, MB, VRU, AB																								
b) Market education and public awareness campaign (publication of articles, etc.)	JP, MB																								
c) Regional workshops (to promote CBs and effedtive use of CB products)	JP, MB																								
d) Develop and deliver package of training programs	JP, MB																								
i) Banking Sector training	JP, MB																								
ii) Agricultural Sector Training	JP, MB																								
iii) Leasing Sector Training	JP, MB																								
H. Develop and Prepare Business Plan for CIC as appropriate	JP, MB																								
1) Define business and operations plan for Credit Information Bureau	JP, MB																								
2) Outline Package of Technical Requirements	JP																								
3) Discussions with Government Data Providers	JP																								
4) Prepare and deliver RFP																									
i) Review Business Plan with domestic banks and other local investors	JP, MB																								
ii) Review Business Plan with Bankers' Association and other Business Groups	JP, MB																								
5) Secure Buy-in to Business Plan of Foreign Investors and Banks	JP, MB																								
FIXED INCOME COMPONENT																									
A. Assess and Implement Regulatory Reform in Moldova																									
1. Review and assess legislation (e.g., pledge law, bankruptcy law, trust law, securities market law) for gaps and needs re: issuance of corporate and mortgage bonds	VRU, AB, RD, MG																								
2. Work with the National Securities Commission (or its evolved role as Mega Regulator, "MR") building capacity for understanding and implementing issuance of bonds and regulating the markets	VRU, AB, RD, MG																								
3. Analyze financials of potential issuers for issuance of corporate bonds (see Task B below)	MG																								
4. Work with the NSC/Mega Regulator in capacity building regarding transparency and disclosure issues in bond related regulation	RD, MG																								
a. Ensure NSC/MR is continuing in easing bond related legislative and regulatory requirements	RD, MG																								
b. Install Automated Disclosure System at NSC/MR	RD,ST																								
5. Review and provide recommendations on regulations re: investment advisors and ratings agencies	RD, MG																								
6. Analyze authority of MR re: investigative powers and enforcment abilities; make recommendations for strengthening capabilitites	RD, VRU, AB, OM																								
7. Work with CNVM in helping them develop into a Mega Regualtor; provide time bound action plan for activities necessary for implementation	OM, RD																								
8. Analyze laws, regulations, and practices for compliance with int'l. standards, making recommendations for activities	MG, RD, VRU, AB																								
B. Develop Pilot Corporate Bonds in Moldova																									
1. Analyze companies' financials for possible candidates for bond issuance, focusing on creditworthiness, needs, and attractiveness for investors	MG, ST																								
a. Select top 10 candidates for issuance, including those companies which have already issued corp. bonds.	MG, RD																								
b. Meet with executives of these companies for their understanding and desire to issue bonds	RD, MG, ST																								
c. Presentation of bond workshops aimed at potential issuers as well as potential buyers of bonds, for higher education, discussing possible benefits and potential risks	RD, MG, ST																								
2. Assist companies (at least 3) in issuance of corporate bonds	RD, MG, ST																								
C. Assist GOM and NBM in Constructing Long-Term Gov't Yield Curve in Moldova																									
1. Assess Status of GOM debt market including impediments to development	MG, ST																								
2. Assist in the design of a functioning repurchase market	MG, RD																								
3. Assist in process to construct L/T Yield Curve	MG, RD, ST																								
FINANCIAL LEASING COMPONENT																									
A. Build Capacity of Market Participants																									

The Pragma Corporation Work Plan: Access to Credit Initiative, Moldova

Activity Description	Staff	2006-2007 -																								2007-2008																							
		Nov	Dec		Jan	Feb	Mar		Apr	May	Jun		Jul	Aug	Sep		Oct	Nov	Dec		Jan	Feb	Mar		Apr	May	Jun		Jul	Aug	Sep
		1st Quarter			2nd Quarter				3rd Quarter				4th Quarter				5th Quarter				6th Quarter				7th Quarter				8th Quarter		
A. Build Capacity of Market Participants																															
1. Polling the financial community for interest in leasing courses from which successful particpants will graduate as Certified Leasing Specialists.	RH, VRN																														
2. Assess the Moldovan leasing market and activities and adapt the CLS Program for Moldova	VRN, LS, SK																														
3. Identify local potential Training Providers to provide Trainers to attend and to eventually administer CLS training program	VRN, LS																														
4. Identify potential members for setting up NGO/Int'l Leasing Association	VRN, LS, SK, BH																														
5. Short term expert to visit Chisinau meeting with potential Training Providers and to assist with adapting CLS training course and assisting with setting up Leasing Assn/NGO.	VRN, LS																														
6. Initiate process of setting up Moldovan Leasing Assn./NGO (with CEED?)	VRN, LS, SK, BH																														
7. Develop Strategy for CLS Program for Moldova for Training of Trainers	RH, VRN																														
a) Development of Content/Study-Guide																															
b) Develop Training Modules																															
c) Develop Examination																															
d) Establish Local Training Providers																															
8. Design and launch leasing training course seminars mainly for professionals but also for Trainers from potential Training Providers.	RH, VRN, ST																														
9. Deliver Seminars for Other Industry Participants	RH, VRN, ST																														
a) Vendors																															
b) Potential Lessees																															
c) Banks																															
d) Government Officials																															
B. Implement Outreach/Information Network																															
1. Initiation	RH, VRN																														
2. Hold / participate in conferences/roundtables on state of leasing industry for gov't officials, media and industry participants	VRN																														
3. Prepare and distribute educational materials on various aspects of international best practices and practices in Moldova	VRN																														
4. Prepare and distribute brochures relevant to "Leasing in Moldova", e.g., recent legislative developments; FAQs, etc.	VRN																														
C. Facilitate Import Capital and Know-How to Leasing Industries of Moldova																															
1. Identify domestic and international lessors, investors, and suppliers for entry into Moldovan market	RH,VRN																														
2. Analyze tax and legal environment in Moldova for foreign companies entering Moldovan market	VRN, VRU, AB																														
3. Contact foreign lessors, investors, and suppliers, providing information about the leasing activities and needs in Moldova, highlighting business opportunities	RH, VRN, ST																														
D. Provide Consulting Services to Market Participants																															
1. Conduct transaction-based (ad hoc) Advisory Services	VRN																														
2. Advisory Services to Lessors and Other Market Participants	VRN																														
3. Assist New Market Entry of Lessors	VRN, ST																														
4. Provide Consulting on Organizational and Management Issues	VRN																														
5. Assistance in Securing Financial Sources	VRN, ST																														
DEVELOPMENT CREDIT AUTHORITY (DCA) MONITORING COMPONENT																															
A. Monitor Activities of Financial Institutions Working with the DCA																															
1. Monitor how Financial Institutions are utilizing guarantees and submitting claims	MG																														
2. Act as contact person for Financial Institutions and USAID to answer relevant questions	MG																														
3. Assist Financial Institutions to complete questionnaires and surveys, where necessary	MG																														
4. Conduct meetings with Financial Institutions as needed and prepare semi-annual monitoring reports for USAID	MG																														
5. Verify partner Financial Institutions' semi-annual reports submitted through the Credit Monitoring System	MG																														

The Pragma Corporation Work Plan: Access to Credit Initiative, Moldova

Activity Description	Staff	2006-2007 -												2007-2008											
		Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
		1st Quarter		2nd Quarter			3rd Quarter			4th Quarter			5th Quarter			6th Quarter			7th Quarter			8th Quarter		

MF=Mohammed Fatoorechie DL=David Lucterhand, RD=Rick Dvorin, VRN=Vlad Railean, VRU=Viorel Rusu, MB=Mariana Botezatu, MG=Mihail Gherghircic, AB=Alina Birsan, SSM=Steve Moody, JP=Javier Piedra, RH=Robert Homans, AK=Alexander Kopeykin, NR=Natalia Rogozhina, LS=Liliya Snigir, SK=Sergiy Kysil, OM=Oonagh McDonald, NF= Norm Flynn, LT=Local Team, TBD=to be determined, ST=other short-termers; IUE=Institute of Urban Economics.

ATTACHMENT 2

REPORT
On Certified Mortgage Lender Program Training
***Course III* «Pricing Base and Risk Management in Mortgage Lending»**
Group 1

Training period: April 24-27, 2007

Trainers: Natalia Rogojina, Institute for Urban Economics, Russia
Alexandr Kopeikin, Institute for Urban Economics, Russia

Number of participants: 25

Number of represented institutions: 14
including:

Commercial banks	8
Mortgage Agencies	2
Training providers	3
ATCI Project	1

Subjects discussed:

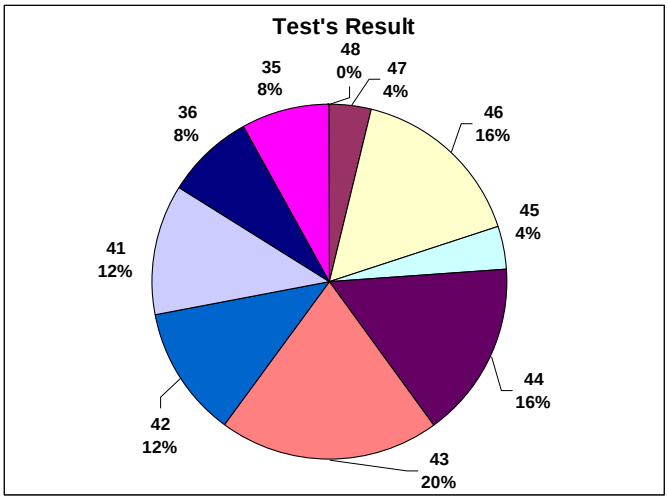
The training course was derived from training courses offered by the IUE in other countries, with some adaptations relevant to the mortgage activities and environment of Moldova and constitutes the third (last) module of three, offered within the Certified Mortgage Lender Program. The first two courses "Mortgage Lending Bases" and "Granting and Servicing of Mortgage Loans" were held in February 6-9 and March 27-30, 2007

The following subjects have been discussed during the third module:

1. Analysis and evaluation of mortgage lending banking risks. Lending risk
2. Analysis and evaluation of liquidity risk. Optional risk. «Spread-risk»
3. Residential construction financing
4. Assets and liabilities management in mortgage lending
5. Crediting risk insurance on residential mortgage lending
6. Credit Bureaus in mortgage lending system
7. Main types of mortgage securities issues, secured by mortgage credits, their primary placement and secondary circulation. International experience.
8. The practice of the securities market organization, secured by mortgage credits, on the example of Kazakhstan. Proposals for organizing such markets in countries with the economy in transition.
9. Evaluation of risks of mortgage lending servicing
10. Mortgage operations planning in banks. Lending mortgage business plans
11. Mortgage pricing. Combined evidence of all factors
12. New aspects of mortgage securities structuring
13. Main aspects of the formation of state assistance system supporting the population in improving their living conditions. Discussion of residential mortgage lending practice in Moldova

The training was finalized by a test offered to the participants. The results of the test are shown in the figure below:

Correct answers		*Participants*	
Nr	*%*	*Nr*	*%*
48	100.0%	0	0%
47	97.9%	1	4%
46	95.8%	4	16%
45	93.8%	1	4%
44	91.7%	4	16%
43	89.6%	5	20%
42	87.5%	3	12%
41	85.4%	3	12%
36	75.0%	2	8%
35	72.9%	2	8%
Total		**25**	**100%**



Minimum accepted = 32

At the end of each day the participants were offered the chance to evaluate the quality of training, both modules and training, in general. The results are shown in the table below:

	1	2	3	4	5	Too easy	Adequate	Too difficult
1. Analysis and evaluation of mortgage lending banking risks. Lending risk								
Presentation was informative			1	7	10			
Presentation was relevant to my situation			5	6	7			
Trainer possessed the necessary knowledge				5	13			
Trainer presented the material effectively				9	9			
In general, I would appreciate this seminar as						4	14	
2. Analysis and evaluation of liquidity risk. Optional risk. «Spread-risk»								
Presentation was informative			2	6	10			
Presentation was relevant to my situation			3	7	8			
Trainer possessed the necessary knowledge				3	15			
Trainer presented the material effectively				5	13			
In general, I would appreciate this seminar as						3	15	
3. Analysis and evaluation of interest rate risk								
Presentation was informative		1	1	5	11			
Presentation was relevant to my situation	1	3	3	5	6			
Trainer possessed the necessary knowledge				2	16			
Trainer presented the material effectively			3	9	6			
In general, I would appreciate this seminar as							6	12
4. Assets and liabilities management in mortgage lending								
Presentation was informative		1	1	6	10			
Presentation was relevant to my situation	1	3	2	5	7			
Trainer possessed the necessary knowledge				2	16			
Trainer presented the material effectively			2	8	8			
In general, I would appreciate this seminar as							6	12
Level of knowledge and skills of following trainers DAY 1:								
Natalia Rogojina				4	14			
Alexandr Kopeikin			1	4	13			
5. Crediting risk insurance on residential mortgage lending								
Presentation was informative				2	12			
Presentation was relevant to my situation		2		7	5			

Trainer possessed the necessary knowledge				2	12			
Trainer presented the material effectively			1	4	9			
In general, I would appreciate this seminar as						3	11	
6. Credit Bureaus in mortgage lending system								
Presentation was informative			1	1	12			
Presentation was relevant to my situation		2	2	1	9			
Trainer possessed the necessary knowledge				2	12			
Trainer presented the material effectively				3	11			
In general, I would appreciate this seminar as						5	9	
7. Main types of mortgage securities issues, secured by mortgage credits, their primary placement and secondary circulation. International experience.								
Presentation was informative				2	12			
Presentation was relevant to my situation	1	1	2	4	6			
Trainer possessed the necessary knowledge				1	13			
Trainer presented the material effectively				3	11			
In general, I would appreciate this seminar as							6	8
8. The practice of the securities market organization, secured by mortgage credits, on the example of Kazahstan. Proposals for organizing such markets in countries with the economy in transition.								
Presentation was informative					14			
Presentation was relevant to my situation	1	1	2	2	8			
Trainer possessed the necessary knowledge					14			
Trainer presented the material effectively					14			
In general, I would appreciate this seminar as							9	5
Level of knowledge and skills of following trainers DAY 2:								
Natalia Rogojina					14			
Alexandr Kopeikin					14			
9. Evaluation of risks of mortgage lending servicing								
Presentation was informative				4	17			
Presentation was relevant to my situation		1	4	8	8			
Trainer possessed the necessary knowledge					21			
Trainer presented the material effectively				3	18			
In general, I would appreciate this seminar as						1	20	
10. Mortgage operations planning in banks. Lending mortgage business plans								
Presentation was informative				6	15			
Presentation was relevant to my situation		1	1	9	10			
Trainer possessed the necessary knowledge				2	19			
Trainer presented the material effectively				4	17			
In general, I would appreciate this seminar as						4	17	
11. Mortgage pricing. Combined evidence of all factors								
Presentation was informative				5	15			
Presentation was relevant to my situation	1		2	7	10			
Trainer possessed the necessary knowledge				5	15			
Trainer presented the material effectively			1	3	16			
In general, I would appreciate this seminar as						1	18	1
12. New aspects of mortgage securities structuring								
Presentation was informative			1	3	16			
Presentation was relevant to my situation	1	2	6	4	7			
Trainer possessed the necessary knowledge			1	2	17			
Trainer presented the material effectively			2	1	17			
In general, I would appreciate this seminar as							18	2
Level of knowledge and skills of following trainers DAY 3:								
Natalia Rogojina				3	18			
Alexandr Kopeikin				3	17			
13. Main aspects of the formation of state assistance system supporting the population in improving their living conditions								
Presentation was informative				4	15			
Presentation was relevant to my situation		1	2	8	8			
Trainer possessed the necessary knowledge					19			
Trainer presented the material effectively				2	17			

In general, I would appreciate this seminar as						3	13	
14. Discussion of residential mortgage lending practice in Moldova								
Presentation was informative				1	14			
Presentation was relevant to my situation		1		3	11			
Trainer possessed the necessary knowledge				2	13			
Trainer presented the material effectively					15			
In general, I would appreciate this seminar as						2	11	
OVERALL COURSE EVALUATION								
New knowledge gained as regards presented subjects				3	14			
Knowledge gained during the training I will be able to use in my work/company			1	9	7			
The way the training was conducted (i.e. pace, amount of time for each module, etc)			1	4	12			
Realism of exercises, cases, role-plays				5	5			
Level of knowledge and skills of following trainers:								
Natalia Rogojina					11			
Alexandr Kopeikin					11			

The most frequent answers to the question "What did you like the most?" were the following:

- ✓ Many new and interesting things;
- ✓ There is an experience and there are persons that can share it;
- ✓ The exactness of formulated tasks and correct development of the seminar;
- ✓ The form of material presentation;
- ✓ Sessions were combined with concrete cases form other countries.

The participants, answering the question "What did you dislike the most?" mentioned:

- Holding the seminar at the end of the month. This time is very busy for banks;
- The calculation need more details, not all are economists;
- Too many exercises with the financial calculator.

These comments /wishes will be taken into account while organizing the next training.

Additional individual consultancy was offered by the short term and local experts to the representatives of the following banks of Moldova: Moldova-Agroindbank, Mobiasbank, Moldindconbank, Banca de Economii, Victoriabank, FinComBank, as well as to Mortgage Companies Prime Capital and AMIC during the training.

Upon the request on-site technical assistance has been provided to

- Banca de Economii (Aprilie 26, 2007)

  Participants to the meeting:
  Dmitri Baxan, Vice-President
  Viorica Presca, Head of Direction "SMEs and Agriculture Lending" , Credit Department
  Alexander Kopeikin, UEI, STTA
  Mariana Botezatu, ATCI project

Discussed topic:
Main types of mortgage securities' issues, secured by mortgage credits, their primary placement and secondary circulation/trading. International experience.

Preliminary results:
We agreed to establish an additional meeting (at the end of May) with the top management of the Bank and ATCI project to discuss the idea of the joint micro project development on corporate bonds issue. Banca de Economii is ready to assist the project by proposing the issue of corporate bonds to their big clients and to play the role of an underwriting in the frame of this micro project.

Annex 1

List of Certified Mortgage Lenders

Program 1 (February-April, 2007)

Registration Nr. of Certificate	***Name of participant***	***Institution***
1	Botezatu Mariana	ATCI/Molodva Project
2	Baltaga Cristina	Moldova-Agroindbank
3	Volcova Tatiana	FinComBank
4	Bilețchi Elena	Victoriabank
5	Zaporojan Veronica	FinComBank
6	Mărgineanu Valentin	AMIC, Mortgage Agency
7	Evsiukova Raisa	Association of Professional Accountants and Auditors
8	Paingu Alexandru	Victoriabank
9	Maican Angela	Prime Capital, Mortgage Agency
10	Caragacean Adrian	Moldova-Agroindbank
11	Bîzgu Veronica	Mobiasbank
12	Lopațchi Olga	Banca de Economii
13	Plugaru Dorin	Moldindconbank
14	Rusu Octavian	Prime Capital, Mortgage Agency
15	Pleşcan Viorica	Banca de Economii
16	Mămăligă Ion	Moldovan Banks Association
17	Bulat Veaceslav	Business Consulting Institute
18	Donică Ion	Moldindconbank
19	Blagorazumnaia Olga	Association of Professional Accountants and Auditors
20	Munteanu Ştefan	Moldindconbank
21	Para Radu	Mobiasbank
22	Japalău Carolina	Investprivatbank
23	Cernicova Ala	Banca Sociala
24	Nicolaenco Ludmila	Banca Sociala
25	Dicova Irina	Moldovan Banks Association

Annex 2

On-site technical assistance
(March-April, 2007)

- FINCOMBANK (March 27, 2007)

  Participants to the meeting:
  Svetlana Polisciuc. Head of Credit department, FinComBank
  Alexander Kopeikin, UEI, STTA
  Viorel Russu, ATCI Project
  Birsan Alina. ATCI Project

Discussed topics:

- Execution of mortgage right (voluntary and involuntary). Enforcement – Ordinance procedure. Best international practices;
- Comments and suggestions to the mortgage product developed and implemented recently by FinComBank.

- MOLDOVA-AGROINDBANK (March 28, 2007)

  Participants to the meeting:
  Ala Polustanova, Head of Development and Administration Retail Product Department
  Cristina Braga, Risk Department
  Caragacean Adrian, Project Manager
  2 Lawyers, MAIB
  Alexander Kopeikin, UEI, STTA
  Natalia Rogojuna, UEI, STTA
  Mariana Botezatu, ATCI project
  Viorel Russu, ATCI Project

Discussed topics:

- Preparation to the secondary mortgage market;
- Covered bonds or mortgage-based securities: advantages and disadvantages;
- Mortgage over unfinished constructions.

- BANCA SOCIALA (March 29, 2007)

  Participants to the meeting:
  Valentina Calcai, Vice-President
  Zoia Droxdova, Head of Credit Department
  Ludmila Nicolaenco, Head of Pledge Department
  Cerneac Ala, Head of Credit Division
  Other 4 representatives of Banca Sociala
  Alexander Kopeikin, UEI, STTA
  Natalia Rogojuna, UEI, STTA
  Mariana Botezatu, ATCI project

Discussed topic:

- Mortgage secured obligations. Best international practices;

- Valuation of the object of mortgage;
- Insurance of the object of mortgage;
- Content of mortgage contract.

Preliminary results;
Development of a mortgage product by Banca Sociala.

- BANCA DE ECONOMII (Aprilie 26, 2007)
  Participants to the meeting:
  Dmitri Baxan, Vice-President
  Viorica Presca, Head of Direction "SMEs and Agriculture Lending" , Credit Department
  Alexander Kopeikin, UEI, STTA
  Mariana Botezatu, ATCI project

Discussed topic:
- Main types of mortgage securities' issues, secured by mortgage credits
- Their primary placement and secondary circulation/trading. International experience.

Preliminary results:
We agreed to establish an additional meeting (at the end of May) with the top management of the Bank and ATCI project to discuss the idea of the joint micro project development on corporate bonds issue. Banca de Economii is ready to assist the project by proposing the issue of corporate bonds to their big clients and to play the role of an underwriting in the frame of this micro project.

INDIVIDUAL CONSULTANCY offered during the training (February – April, 2007) to:
- Moldova-Agroindbank
- Mobiasbank
- Moldindconbank
- Banca de Economii
- Victoriabank
- Prime Capital
- AMIC Mortgage Company representatives.

Discussed topic:
- Standardized procedures for borrower and underwriter;
- Credit reporting and credit reference system;
- Standardized mortgage loan doc. rules;
- System of contracts for legalizing mortgage transactions;
- Credit risk assessment and asset/liability management;
- The secondary mortgage market.

Preliminary results:
New ideas for improving the existing and developing new mortgage products offered by these financial institutions

ATTACHMENT 3

SUCCESS STORY

Mortgage Lending in Moldova – Old Myths and New Reality

The Certified Mortgage Lender Program will form a community of recognized professionals interested in the development of a modern system of residential mortgage lending and take active efforts to turn mortgage lending into an efficient financial sector in Moldova.

Photo by: ATCI Moldova

The Access to Credit Initiative (ATCI) Project has introduced its Certified Mortgage Lender (CML) designation to Moldova. The program is aimed at building the capacity of commercial banks and other non-bank financial institutions to engage in mortgage lending using standardized and transparent procedures for both borrowers and lenders.

On April 27, 2007 the group of 25 trainees, representing 14 financial institutions were awarded certificates attesting their qualifications as Certified Mortgage Lenders (CML). “We extended a lot of mortgage loans and I was involved in this activity on a daily basis, but I have never thought that I knew so little about this subject,” remarked one of the participants during the training, emphasizing the importance of the course.

The Certified Mortgage Lender Program was originally developed with USAID support in Russia and implemented successfully in Kazakhstan and Ukraine.

Participants are introduced to the mortgage experience of the United States, Germany and other countries including a comparative analysis of the differing models for the primary and secondary mortgage markets; how banks attract capital for mortgage lending. This includes analysis of various construction saving schemes, and the issuance of mortgage-backed securities. The importance of the emerging mortgage system in Russia, Kazakhstan and other transitional economies is discussed in detail.

While the training is based on international standards of practice and draws from mortgage training used in other USAID projects, the courses were adapted to Moldova in such areas as legislation, taxation, accounting, and operations.

“This seminar has destroyed the myths of mortgage lending for me such as: one has to have long-term money for the whole period of these loans; only one type of mortgage lending is mainly used worldwide; mortgage lending is not a profitable business; only confirmed revenues are used in calculations, etc. Taking all of this into account, banks will be able to estimate risks more professionally and most important – will be more daring in this segment of the market,” - commented the Project Manager of one of the banks, Retail Product Department.

The CML program offers the financial community in Moldova the opportunity to establish professional cadre of mortgage lenders. It will lead to formation of a community of recognized professionals interested in the development of a modern system of residential mortgage lending and facilitates efforts to turn mortgage lending into an efficient financial sector: benefiting homeowners, small entrepreneurs, and farmers.

ATTACHMENT 4

PRAGMA

INTERNAL MEMORANDUM

TO: **Rick Dvorin, Country Director**

FROM: **Mariana Botezatu, Mortgage Advisor**

DATE: **May 29, 2007**

SUBJECT: ***Commercial Bank Selection for Mortgage Backed Securities Pilot Issue***

In the context of the Statement of Work, Task E, I would like to inform you about the result of selection of the commercial bank for mortgage backed security pilot issue. One of ATCI's objectives in Moldova is to allow mortgage lenders to refinance or "liquefy" their mortgages by pledging them as collateral for mortgage-backed securities or for loans from a mortgage liquidity facility.

The selection of bank has been made based on the analysis of Moldovan financial institutions performed by Project's team, including the direct involvement of Steve Moody, international expert, who visited Kishinev during 10-15 February 2007.

In addition, we met with five potential mortgage bond issuers. Among this group, only Moldova-Agroindbank represents a potential issuer in view of ATCI assistance.

The Commercial Bank "Moldova Agroindbank"S.A. (MAIB) is recognized as the leader in the banking sector of the Republic of Moldova. MAIB holds the authorization of the National Bank of Moldova to carry out all types of transactions in national and foreign currencies on the entire territory of the country and abroad.

The organization structure of MAIB is set up on the basis of an obvious orientation towards two big categories of customers: Commercial and Retail. In order to ensure a more efficient and qualitative catering of the commercial customers, there was created and still successfully functioning a Business Center, in the bank.

The traditional banking products, the individual approach, the consultative support and the specific products and services offered represent the main political pillars for the catering of commercial customers. Meanwhile the bank implements successfully the protection system against the specific risks of the activity of a modern financial-banking establishment.

The bank has an extended network which includes 61 branches and 26 representative offices conveniently located on the entire territory of the country. 90 ATMs were placed throughout the country, 49 of which are in Chisinau. All these are meant to provide the customers from the Retail group with qualitative and performing banking products and services.

The customers, economical entities served by MAIB represent all sectors of the national economy, the majority being involved in industrial, commercial, agriculture activities. MAIB has as clients a considerable part of the biggest producers of wine, sugar, tobacco, cans - key branches of the industry and exports of Moldova.

The bank holds the largest market stake of banking sector of the country (as of December 31, 2006) as to the principal indices of activity: 20,7 % of all assets, 23,5% of total balance of loans by all commercial banks, 21,8 % of all deposits attracted by commercial banks.

MAIB offers a wide range of financial services specialized for companies, institutional and private investors, services which are integrated with other banking operations and which represent a unique advantage - to benefit from individualized solutions which will satisfy various requirements, no matter how ambitious they are.

Moldova-Agroindbank began writing retail mortgages about two years ago; the mortgage portfolio now stands at about ___ (statistics omitted to protect against breach in confidentiality) from their own loan portfolio, as of April 15, 2007. MAIB participated in the CML Program and actively used the credit enhancements such as USAID Developmental Credit Authority (DCA) - loan portfolio guarantees (for SME and agribusiness) and is ready to apply for other types of guarantees (ex. bonds guarantee).

The top management, Ms. Vrabie, President and Ms Gheorgiu, Vice Chairman, Head of Retail Banking, appeared genuinely interested in having the bank prepare a pilot covered bond issue, stating that this is the technology to which the bank would sooner or later have to acquire.

Some preparatory work has been already done. Ms Polustanova, Head of Development and Administration Retail Product Department has been appointed as a contact person for ATCI Project and officer in charge of the pilot issue. An internal working group, formed by representatives of the main bank's departments and directions, has been already created to implement our joint project on mortgage backed security pilot issue.

ATCI/Moldova has signed a Protocol with MAIB, a "Letter of Intention/Confidentiality Agreement", which allows the Bank to provide confidential information on the portfolio of mortgages for the Project's assessment and analysis.

Preparatory materials and a syllabus have been forwarded to Ms Polustanova.

ATCI team will schedule the first meetings within the joint project for mortgage backed security pilot issue as soon as we will receive the CTO written approval, as the Statement of Work stipulates the following: "Selection of the commercial bank/s for mortgage backed security pilot issues will be subject to the written approval of the project Cognizant Technical Officer".

ATTACHMENT 5

Access to Credit Initiative/Moldova
Course 1. «Certified Leasing Specialist Program I»
Chisinau, Moldova
11-13 May 2007

Time	*Friday, 11 May*	*Saturday, 12 May*	*Sunday, 13 May*
9.00-9.30	Registration of participants		
9.30 - 10.50	Session 1: History of Leasing; Global development and trends **Robert Homans** (ATCI/Ukraine)	Session 5: Lease vs. Buy Analysis; Options for Acquisition/Use of Capital Equipment; Quizzes **Natalia Tsiriulnicova** (ACAP Trainer)	Session 9: Tax Treatment of lease Transactions in Moldova; Definitions and Terminology **Tatiana Prisacari** (ACAP Trainer)
10.50 - 11.10	*Break*	*Break*	*Break*
11.10 -12.30	Session 2: Some key numbers and dates about leasing development in Moldova; Industry Standards and Ethics **Robert Homans** (ATCI/Ukraine)	Session 6 Financial Decision Making Criteria; Non-Financial Decision Making Criteria **Natalia Tsiriulnicova** (ACAP Trainer)	Session 10: Moldovan Tax Law and the latest amendments to it; The types of tax reports **Tatiana Prisacari** (ACAP Trainer)
12.30 - 13.30	*Lunch*	*Lunch*	Lunch
13.30 -14.50	Session 3: Accounting Treatment of Lease Transactions in Moldova; Quizzes **Natalia Tsiriulnicova** (ACAP Trainer)	Session 7: ***Note: Starts at 14.00*** Legal Framework in Moldova; Legal Definitions and Terminology; The Law of Leasing **Viorel Rusu** (ATCI/Moldova Sr. Legal Adviser)	Session 11 Tax framework in Moldova VAT; Customs taxes; income taxes; road taxes; pension tax, medicine tax etc. **Tatiana Prisacari** (ACAP Trainer)
14.50 - 15.10	*Break*	*Break*	*Break*
15.10 - 17.30	Session 4: National Accounting Standards (NAS); IAS 17 and GAAP 13; Problem solving **Natalia Tsiriulnicova** (ACAP Trainer)	Session 8: The Civil code; The insolvency law; Cross-border and International Lease Agreements (UNIDROIT convention); Other forms of leasing and the differences between them; Quizzes **Viorel Rusu** (ATCI/Moldova Sr. Legal Adviser)	Session 12: Problem solving; Quizzes **Tatiana Prisacari** (ACAP Trainer)

ATTACHMENT 6

ATCI/Moldova
Program I„Certified Leasing Specialists”
Course 2: „ Leasing Transactions”
June 28-30, 2007

Time	***THURSDAY***	***FRIDAY***	***SATURDAY***
9.00-9.30	Registration of Participants		
9.30 - 10.50	Session 1: Leasing operations risk appreciation and potential lessee activity analysis I. Leasing operations risk appreciation Natalia Tsiriulnicova (ACAP Instructor)	Session 5: Leasing operations' documents execution (continuation...) Leasing object receipt – giving Obligations' execution guarantee means Țugulschi Iuliana (ACAP Instructor)	Session 9: III. Updating and discounting value of cash flows (monetary resources flows) Practical examples Prodan Natalia (Instructor ACAP)
10.50 - 11.10	*Break*	*Break*	*Break*
11.10 - 12.30	Session 2: II. Potential lessee activity analysis based on financial reports data III. Non financial information analysis Natalia Tsiriulnicova (ACAP Instructor)	Session 6 Leasing operations' documents execution (continuation...) Documentary execution of pledge, insurance, guarantees to suppliers Practical examples Țugulschi Iuliana (*Break*)	Session 10: IV. Leasing operations profitability Examples of problems Prodan Natalia (Instructor ACAP)
12.30 - 13.30	*Lunch*	*Lunch*	Lunch
13.30 - 14.50	Session 3: Problems solving Natalia Tsiriulnicova (ACAP Instructor)	Session 7: Leasing payments calculation I. leasing payments structure Prodan Natalia (ACAP Instructor)	Session 11 Leasing contracts fulfillment monitoring What is leasing contracts fulfillment monitoring? Leasing object monitoring Lessee activity monitoring Stanislav Şapa (ACAP Instructor)
14.50 - 15.10	*Break*	*Break*	*Break*
15.10 - 16.30	Session 4: Leasing operations' documents execution Selection of supplier, leasing object, buying-selling transaction concluding Legal execution and concluding of leasing transactions Main conditions of leasing contracts Țugulschi Iuliana (ACAP Instructor)	Session 8: II. Leasing mathematics – decision taking ways for different leasing payments Prodan Natalia (ACAP Instructor)	Session 12: Leasing rates non payment and lessor reaction Leasing object refund modalities Leasing transaction closing procedures Stanislav Şapa (ACAP Instructor)

ATTACHMENT 7

CERTIFIED LEASING SPECIALIST PROGRAM/MOLDOVA
COURSE 1 REPORT
Submitted By: Robert Homans, Jr.
May 28, 2007

Introduction – On May 11-13, 2007, I attended Course 1 of the first training session held in Moldova as part of the introduction of the CLS Program in Moldova. My attendance was under the attached TOR issued by the ATCI Program Office in Chisinau, Moldova, and approved by USAID/Chisinau. This was the first CLS Course I have attended, including in Ukraine.

In addition to acting as the Trainer for Module 1, History of Leasing, and part of Module 2, "Lease Classification and Terminology," I attended most of the other training sessions and was assisted by a translator. Other than Module 1 all the training sessions were delivered in Romanian. All the courses were delivered in the training room located at the ATCI Program office, in Chisinau, where all the attendees sat around a table and trainers were positioned at the head of the table.

The exam for Course 1 will be given on June 9. Course 2 will be given in June, and Course 3 in July, both followed by their respective exams. This schedule substantially follows the course schedule for the first CLS Course given in Ukraine, last July through September, 2006.

Content of Training – The training consisted of Modules 1 – 6 of the CLS Training Curriculum, which is the entirety of Course 1, as listed on the attached schedule, entitled "Course 1 and Trainers." The following Modules were adapted to conform to Moldovan laws and regulations: Module 3 – "Legal Framework"; Module 4 – "Tax Treatment;" Module 5 – "Accounting Treatment." Module 1 – "History of Leasing" and Module 6 – "Lease vs. Buy Analysis" were presented in similar fashion as they are in Ukraine. Module 2, "Leasing Classification and Terminology," was included as part of Modules 1 and 3 and was modified as required.

The course sequence in Moldova was different from what is normally used in Ukraine. As shown in the attached schedule the course sequence was as follows: Module 1/2; Module 5; Module 6; Module 2/3; Module 4.

Trainers – The trainers included Robert Homans (Module 1 and part of Module 2), Viorel Rusu, Senior Legal Advisor, ATCI Program Office/Chisinau (Module 3 and the balance of Module 2); Natalia Tsiriulnicova, ACAP (Modules 5 & 6); Tatiana Prisacari, ACAP (Module 4).

ACAP is an accounting/consulting/training firm based in Chisinau, Moldova, and has been retained by the ATCI Program in Chisinau as the training provider for the CLS Program in Moldova. In addition to acting as training provider ACAP also assisted the ACTI Program Office in Chisinau in modifying the following Modules 3, 4 and 5, to conform to applicable Moldovan laws and regulations.

Attendees – 25 individuals registered for Course 1. A complete list of attendees, and their titles and affiliations, are attached to this report. Of the 25 registrants 16 individuals worked for Moldovan lessors.

Of the remaining 9 attendees, 5 will be used as trainers in future CLS Courses. These individuals will take all 3 exams, and thus insure that future CLS Courses in Moldova will be taught, in whole or in part, by holders of the CLS Certificate. This arrangement is similar to that followed in Ukraine last year, when the CLS Training was first presented in Ukraine, where current trainers attended training sessions and later passed all 3 exams and were certified.

Attendee Course Evaluations – Attendee evaluations for each trainer are included in this report as attachments. Each trainer received a superior evaluation.

In addition it is my understanding that most of the attendees also attended a 4 day seminar on leasing earlier this year, presented by EBRD. This seminar was given by 3 international leasing experts. The course outline and PowerPoint presentations for the EBRD seminar attached to this report. I have been advised that the attendees considered the CLS Course to be superior to the EBRD seminar. The reasons were that the CLS Course content offered far more practical information than the EBRD seminar and, as a related matter, the CLS Course was adapted to Moldovan laws and regulations.

Evaluation – It is my conclusion, with the exception of Module 1 which I taught and subject to the results of the exams, that the Modules were extremely well presented, especially by the ACAP instructors. I did not attend Module 3, Legal Framework, and even if I did I would be unfamiliar with the content and therefore would be unable to render an evaluation.

I was especially impressed by the ACAP trainer Natalia Tsiriulnicova, who delivered the Modules on Accounting and Lease vs. Buy Analysis. Since I own a leasing company in the US I am very familiar with lease vs. buy analysis, since I do it every day in the course of my own business. Also this Module was not adapted to Moldovan conditions, so Ms. Tsirulnicova had to be able to impart "international best practices" to the class. I can say that Ms. Tsirulnicova delivered this Module in a way that could be readily understood by a trainee in the US (or other countries for that matter). In addition Ms. Tsirulnicova presented the material in an enthusiastic and engaging manner.

In all the sessions I attended I was also impressed by the involvement of the attendees. They attended all the sessions and asked many questions. In addition there were several animated discussions among instructors and attendees.

Conclusion – I think the decision to use trainers who were not certificate holders in Ukraine was the right one. With the exception of Module 1, all the trainers were extremely knowledgeable about their subjects.

Recommendations –

1. **Exam –** The exam for Course 1, and future exams, should be held in a room other than the training room of the ATCI Program Office in Chisinau. The reason for this is that the ATCI training room does not have individual chairs, making it difficult for the exam to be properly monitored. I believe arrangements are being made to hold the exam(s) in a room at the ACAP facility.

2. **Observers at Courses 2 & 3 –** Program Officers from USAID/Chisinau should be encouraged to observe Courses 2 and 3. In my opinion it is not cost effective to send observers from ATCI/Kyiv to Courses 2 and 3, because the courses are all delivered in Romanian.

Other TOR –

In addition to attending the training sessions I also met with ATCI/Moldova's Leasing Expert, Vlad Railean, as well as a member of ATCI/Moldova's legal staff, with regard to setting up a Moldovan NGO whose responsibility it will be to manage the CLS Program in Moldova. I was advised that the process of setting up such an NGO, including registration with the tax and pension authorities, takes approximately two weeks. I was advised that the registration process was to begin on Wednesday, May 16, upon Vlad's return from vacation.

ATTACHMENT 8

REPORT
on Seminar held on May 22nd 2007
with main topic "Corporate Bonds"

Seminar period:	**May 22, 2007**
Trainers:	Mihail Gherghircic, Financial Analyst, ATCI Moldova
Number of participants:	**17 (excluding ATCI advisers)**
Number of represented institutions:	**13**
including:	
Commercial banks	*5*
Leasing Companies	*2*
Corporations	*3*
Insurance Companies	*1*
Evaluation and Rating Agency	*2*
ATCI Project	*1*

Purpose: The purpose of the seminar was to familiarize the participants of the securities market, potential issuers and investors with bonds as financial instruments.

Structure of the seminar: The seminar was divided into two main parts:

1. Introduction to Corporate bonds
2. Risks related to corporate bonds, Risk Management and Regulation

The detailed structure of the seminar is presented below:

Corporate bonds

1.Introduction to Corporate bonds

Capital structure
What are bonds?
Why issuing bonds?
Interest Rate
Price-yield relationship
Embedded Options
Duration
Yield Curve
Credit Spread
Ratings

2. Risks related to corporate bonds

3 .Risk Management

Credit Enhancements
Guarantees
Insurance
Over-collateralization
Security Interest--Pledge
Trustee
Covered bonds
Securitization

4. Law and Regulation

The seminar lasted three hours with a 20 minutes coffee break.

The interest on the topic became more evident in the second part of the presentation when the mechanics of securitization were explained. Also many questions were asked regarding the regulation in Moldova, especially the over-collateralization, and possibilities to issue unsecured bonds.

As a whole the participants were enthusiastic about the topic and asked particular questions based on their core activity.

Listed below can be found the list of participants at the seminar.

List of participants
at the seminar "Corporate Bonds" on
May 22, 2007

Nr.	Organization	Name of participants	Position	Telephone
1	MAIB Leasing	Solomon Mariana	Financial Manager	**844-220**
2	MAIB Leasing	Moroz Elena	Risk Management Manager	**203-616**
3	MAIB Leasing	Stepanishina Svetlana	Accountant	**203-616**
4	Eximbank S.A	Vice President	Breaben Alexandru	**27-66-85**
5	Eximbank S.A	Chedivara Sergiu	Senior Specialist	**54-98-28**
6	Banca Sociala S.A	Iaroslav Levintsa	Deputy Head of Credit Department	**223-544**
7	Banca de Economii S.A	Ala Bordeianu	Deputy Head of Treasury Department	**21-80-28**
8	Eurocreditbank S.A	Igor Olexici	Deputy Head of Investments and money market department	**500-128**
9	Finactiv Consulting SRL	Trandafir Iurie	General Manager	**212-686**
10	Print Imobil SRL	Sergiu Stepanov	Director	**212-686**
11	Moldindconbank S.A	Girleanu Victor	Head of Risks Department	**57-67-46**
12	Moldcargo SRL	Stratulat Nadejda	Financial Risks Department	**23-37-46**
13	Moldcargo SRL	Barbier Lilian	Financial Risks Department	**23-37-46**
14	Orhei-Vit S.A	Gainaru Oleg	Financial Department	**23-81-37**
15	Sixt/Optima Leasing	Gratinici Elena	General Manager	**26-00-81**
16	Acorex Wine Holding S.A	Alexandr Tsviatkov	Head of Treasury Department	**226-635**
17	ELAT S.A.	Maleca Eugeniu	Financial department	**207-566**

The following evaluation form was presented to the attendees:

Evaluation Form for Workshop

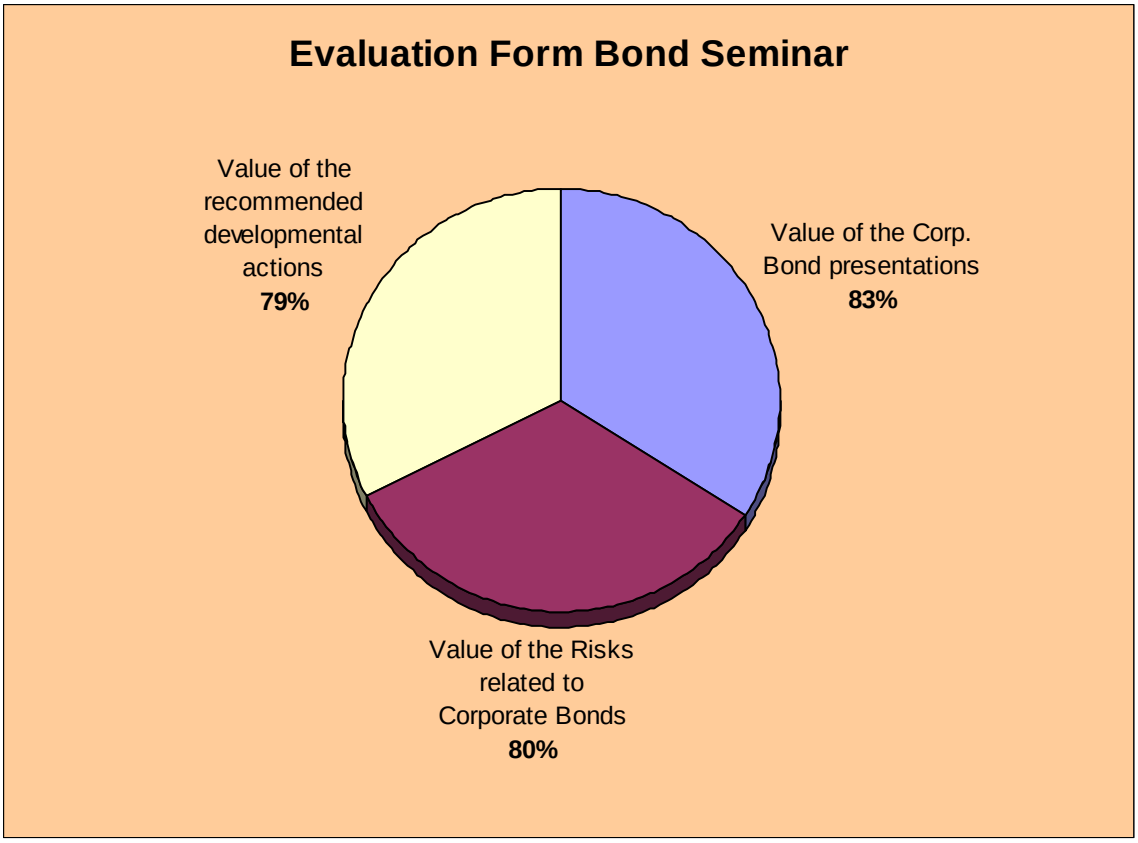
Please rate the workshop according to (1) its importance and relationship to your job and (2) its helpfulness in meeting your needs and expectations; rate the presenter's knowledge and presentation skills.

Date of Workshop: 22 May 2007
Name your Employer: _____

Evaluation: Corporate Bonds Workshop **Consultant: Mihail Gherghircic**	Importance to your position Above Expectations			Below Expectation			Met your learning needs Above Expectations			Below Expectation		
➢ **Corporate Bonds**	6	5	4	3	2	1	6	5	4	3	2	1
Introduction to Corporate Bonds	6	5	4	3	2	1	6	5	4	3	2	1
Risks related to Corporate Bonds	6	5	4	3	2	1	6	5	4	3	2	1
Risk Management	6	5	4	3	2	1	6	5	4	3	2	1
Legislation with Regards to Corporate bonds in Moldova	6	5	4	3	2	1	6	5	4	3	2	1

	High					Low
1. Please rate the presentations/discussions:						
a. Value of the Corp. Bond presentations	6	5	4	3	2	1
b. Value of the Risks related to Corporate Bonds	6	5	4	3	2	1
c. Value of the recommended developmental actions	6	5	4	3	2	1
2. Please rate the consultant:						
a. Encouraged discussion	6	5	4	3	2	1
b. Explained concepts clearly and concisely	6	5	4	3	2	1
c. Related the concepts to my position (or division)	6	5	4	3	2	1
d. Had knowledge of the subject	6	5	4	3	2	1
3. Overall Reaction:						
a. Workshop	6	5	4	3	2	1
b. Consultant	6	5	4	3	2	1

4. Comments and Suggestions (Please use back side of paper if necessary):


Evaluation Form Bond Seminar
Value of the recommended developmental actions
79%
Value of the Corp. Bond presentations
83%
Value of the Risks related to Corporate Bonds
80%

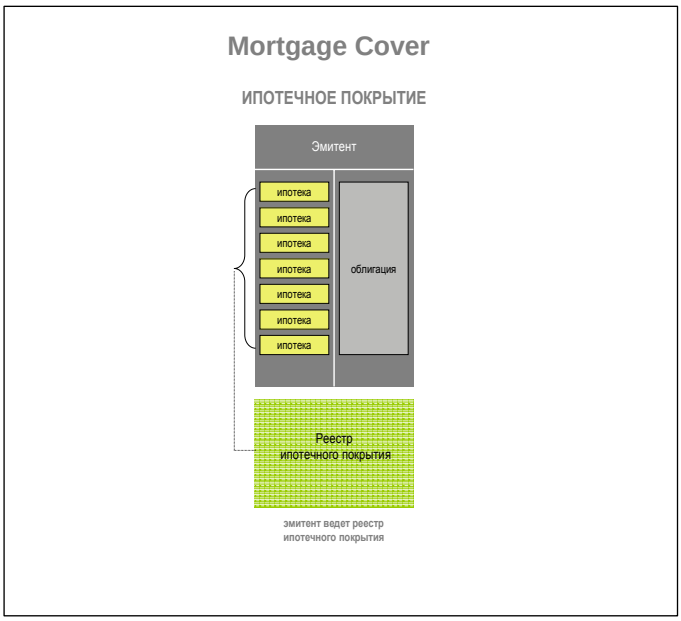
ATTACHMENT 9

Bond Issuers Report,
Week of June 11-15, 2007
Steve Moody

1. Moldova Agroindbank Covered Bond Project

Summary

During June 11-15, the consultant conducted three meetings with Agroindbank, two on the bank's premises and one at ATCI/Moldova offices. Attending the meetings on the part of the bank were representatives of the bank's treasury, the retail lending department, legal counsel and the IT department. The head of the bank's retail lending department, Ms Alla P., is the officer in charge of the project for the bank.



The goals of these meetings were two: (1) to instruct the bank on what constitutes mortgage coverage and how to set up a mortgage pool in the bank; and (2) to install the software necessary to properly record, analyze and report on the condition of the mortgage pool both internally to management and the bank's auditors and, eventually, externally to the National Securities Commission, the bondholder representative and investors in the proposed bond issue. In these meetings it is essential to convey to IT staff precisely what data the reports will contain and to management precisely how to interpret the reports. The critical tests for the IT department are (1) whether the bank's existing data base contains the fields required to generate the reports and (2) if that data can be exported to Excel for additional manipulation. To minimize reprogramming of existing bank software, which is both expensive and time-consuming, all computations required for additional analysis of and reporting on the mortgage pool are included in Excel spreadsheets provided by the consultant.

The meetings began on June 12 with an overview of mortgage coverage criteria, pool formation and both internal and external reporting. The presentation is attached. (See *Attachment 1*.)

Mortgage Pool Composition

European 'covered bond' legislation typically allows three classes of assets in mortgage cover:

1. residential and commercial mortgages
2. government (risk-free) securities
3. cash

The inclusion of each class of asset is however subject to the constraints of the following criteria governing the general characteristics of mortgage cover:

1. All mortgages must be classified 'standard loans' in conformity with the National Bank's definition of the term. ('Standard' is typically defined as paid in full within 30 days of due date.)
2. The LTV of included mortgages cannot exceed 75%.
3. The interest rate on mortgages must be higher than the interest rate of the bond which they secure.
4. The outstanding term of a mortgage cannot be less than the outstanding term of the bond which it secures.
5. Mortgages must account for no less than 75% of cover mortgage assets, and residential mortgages must account for no less than 85% of the mortgage assets in the pool.
6. The aggregate outstanding balance of mortgage pool assets cannot not be less than 110% of the face value of the bond.

The purpose of these criteria is to improve the quality of the mortgage pool securing a given issue, and in most cases they do so. For example, mortgages with LTVs lower than 80% are demonstrably less risky than mortgages with LTVs greater than 80%.

In extreme cases, however, certain criteria may prove impracticable and could inadvertently lead issuers into 'technical default.' For example, in a declining rate environment, the issuer of a bond floated at the high point of an interest rate cycle might find it difficult to replace defaulted, maturing or prepaying mortgages in the original pool with mortgages whose interest rates are higher than that of the bond.

Figure 1: Mortgage Cover Register

Форма 01А								
Реестр ипотечного покрытия АО Банк за отчетный период завершенный XX.XX.XX								
номер кредита	заемщик (ФИО)	начальная сумма кредита	процентная ставка	срок (месяцы)	сумма кредита к оценке	остаточный баланс	срок до погашения	жилищные (да/нет)
			средневз. процентная ставка		средневзвешенный кредит к оценке	итого остаточный баланс	средневзв. срок до погашения	процент жилищных ипотек

From left to right, the fields are: loan number, name of borrower, initial amount of loan, annual percentage rate on loan, term in months, initial LTV, outstanding balance, outstanding term to maturity, and residential loans. The blocks at the bottom of the form calculate the weighted averages of various fields, each of which represents a specific criterion required of the mortgage pool. The averages are weighted by outstanding balance, the total of which is reported as a sum. Residential loans are reported as a percent of outstanding balance.

Technical defaults notwithstanding, the criteria listed above are the norm in most European covered bond jurisdictions and can be readily transferred to Moldova without undue concern. Nor should there be undue concern for the absence of 'covered bond' legislation in Moldova. Once included in the bond prospectus as general terms of issuance, these criteria take on the force of law by virtue of the law "On Contracts." In order to provide guidance to future issuers, investors and the judiciary, it is nonetheless advisable to include definitions specifically related to covered bond issuance in the Moldovan laws "On Securities," "On Pledge," "On Insolvency," and so forth. The consultant will address legal issues and make recommendations on specific amendments and additions to Moldovan law and regulation in subsequent reports.

Reporting

The formation of a mortgage pool in conformity with the criteria listed above gives rise to the need for additional internal and, in the case of issuance, external reporting. The difference between internal and external reporting is that, while internal reports include raw data on individual mortgages, external reports consist only of an abstract of the mortgage pool data. External reporting is designed specifically not to reveal data which the bank might consider sensitive or confidential (primarily, the names of clients).

Internal reporting takes the form of the Mortgage Cover Register in **Figure 1**, above. Raw data in each of the fields is exported from the bank software data base to an Excel spreadsheet; the abstract of the raw data is computed in Excel. For internal reporting purposes, the Mortgage Cover Register including the abstract should be reported at least monthly to management.

The abstract consists of three weighted averages (interest rate, LTV, and term to maturity). The averages are weighted by outstanding balance; that is, a given mortgage's share (percentage) of total outstanding balance defines its weight in the average percentage rate, average LTV and average term to maturity. Outstanding balance is

reported as a sum, and residential loans are reported as a percent of total outstanding balance. When confirmed periodically by auditors, the abstract, in **Figure 2** below, informs the National Securities Commission, the bondholder representative and investors that the mortgage cover complies with the criteria established in the issuer's prospectus.

Figure 2: Abstract of Mortgage Cover Register

Выписка Эмитента о состоянии ипотечного покрытия
по Эмиссии ипотечных облигаций No. xxxxxxxxxxxxxx

1. Все ипотечные кредиты стандартные. (All mortgage loans are standard.)

2. Остаточная стоимость всех кредитов: (Outstanding Balance of Mortgage Loans)

3. Стоимость кредитов и других активов: (Present Value of other Assets in the Pool)

4. Средневзвешенный срок ипотечных и других активов в составе ипотечного покрытия:
(Weighted Average Term of Mortgage Loans and other Assets)

5. Средневзвешенная процентная ставка по ипотечным и другим активам в составе ипотечного покрытия составляет:
(Weighted Average Interest Rate on Mortgage Loans and other Assets)

6. Средневзвешенный коэффициент LTV.
(Weighted Average LTV of mortgage loans)

7. Процент ипотек жилых домов и квартир в составе ипотечного покрытия составляет:
(Percentage of retail mortgages in mortgage pool)

Quantified external reporting represented by the Abstract reduces periodic monitoring of the mortgage pool to a straightforward auditing procedure, defined as an 'Agreed-upon Procedure' in ISRS 4400. It removes subjectivity from the monitoring process.

Prepayment Rates

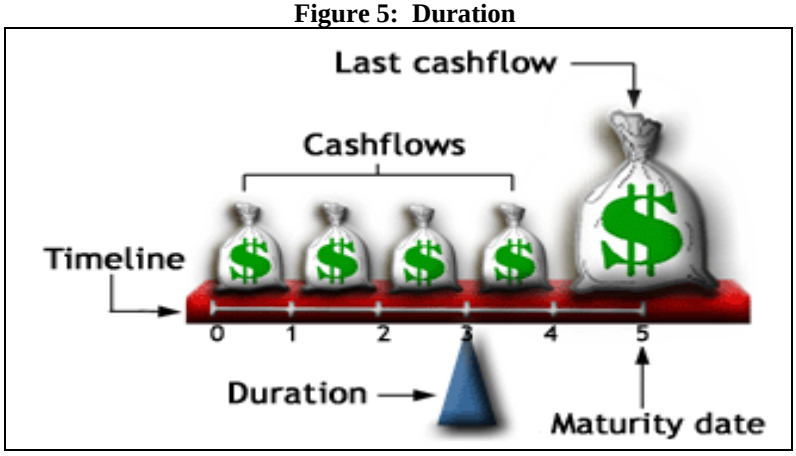
The elements of the Mortgage Cover Register abstract are all important indicators of the current condition of the mortgage pool. However, there are other important indicators which, while not required by law or regulation, are critical to issuers of covered bonds. They are monthly and annual calculations of borrower prepayment rates, called respectively **Single Month Mortality** (SMM) and **Conditional Prepayment Rate** (CPR). Both have been included in add-on modules, one for each of the bank's current mortgage products, to the Excel-based Mortgage Cover Register. See **Figure 3** and **Figure 4**, below. The Conditional Prepayment Rate is required in order to calculate the mortgage pool's *duration with prepayment* which determines the optimal term of the bond secured by the pool.

Figure 3: NOTE: Omitted to retain confidentiality

Figure 4: NOTE: Omitted to retain confidentiality

The term, from placement to maturity, of a fixed income instrument is in fact a legal designation; it is the number of calendar days (months, years) during which the instrument will be in circulation or, more accurately, the period of time between issuance and redemption of a bond. The legal designation ignores the financial characteristics of fixed income instruments—primarily, the time value of money and discounted cash flows (DCF). When the periods at which cash flows (payments of interest or principal) occur are weighted by their respective discounted cash flows as a percent of the total, a different definition of term emerges, and it—the financial term—is always shorter than the legal term. The financial term is called duration.

Figure 5: Duration



Prepayment is an unscheduled cash flow, but a cash flow nonetheless and, like its scheduled counterparts, it plays a role in determining the duration of the instrument. The prepayment characteristics of a mortgage pool significantly shorten its duration. Interest rates in Moldova are relatively high (14-15%). High interest rates increase the size of periodic interest payment cash flows, further shortening the duration of the pool. In addition, however, high interest rates typically encourage prepayment. In countries with comparably high mortgage rates, it is not uncommon to find prepayment rates (CPR) in excess of 20% per annum. As **Figure 6**, below, demonstrates, a 20% CPR yields a duration roughly half that of a comparable mortgage with no prepayment. Equally important, even with no prepayment, the duration of a 10-year mortgage bearing interest at 15% per annum is only four years.

Figure 6: Duration with Prepayment

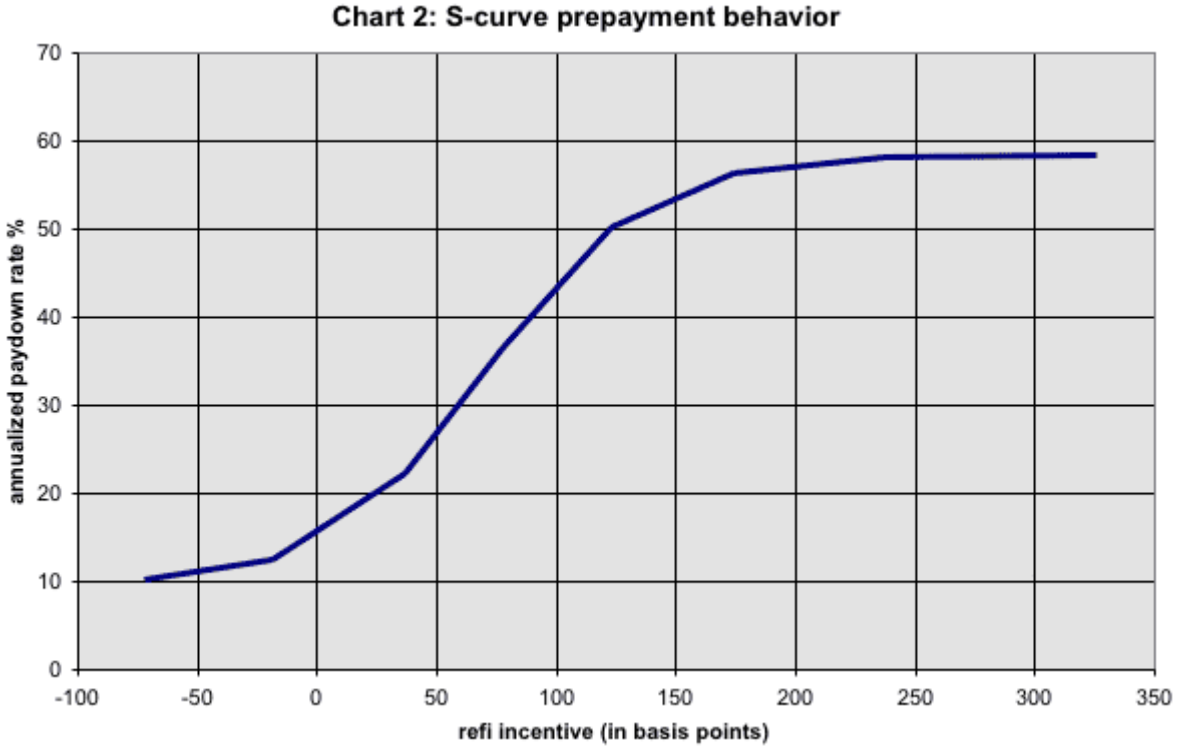
Mortgage	100000	Mortgage	100000
n, years [0;20]	10	n, years [0;20]	10
n, per year	12	n, per year	12
n, months	120	n, months	120
i, annual	15%	i, annual	15%
interest, monthly	1,250%	interest, monthly	1,250%
Yield, annual	12%	Yield, annual	12%
CPR	0%	CPR	20%
SMM	0,0000%	SMM	1,8423%
Macaulay duration	**4,070**	**Macaulay duration**	**2,091**
Modified Duration	**4,029**	**Modified Duration**	**2,070**
Convexity	**24,185**	**Convexity**	**6,088**

The mortgage that doesn't prepay is rare. The average prepayment rate in the US, called PSA 100 after the Public Securities Association that first began calculating it, is 6% after thirty months. Currently, the prepayment rate in the US is PSA 150, or about 9%. A mortgage calculator capable of calculating duration with prepayment is attached to this report. (See *Attachment 2.*)

Now, the primary reason for issuing a covered bond is to eliminate the maturity mismatch that arises when banks fund long term mortgages out of short term deposits. It turns out, however, that the gap between maturities is much less on a duration basis than on a term basis—a bond with a duration of four years will adequately immunize a portfolio of mortgages with an average term to maturity of ten years and no prepayment. Where prepayment is present, and even elevated, bonds of shorter durations will do the job. The degree of duration-matching required depends in large measure on the characteristics of the local yield curve and the sensitivity of local interest rates to active intermediation along the yield curve. It is probably safe to say that, in Moldova at the present time, the yield curve is not well developed and there is little intermediation along whatever yield curve exists. Duration-matching is, therefore, not as critical now in Moldova as it may be in the future. It is nonetheless best international practice

for determining the term and coupon rate of a mortgage covered bond, and the consultant has encouraged bank's management to adopt it as standard operating procedure.

Figure 7



Developed by Salomon-Smith-Barney, this chart depicts the propensity to refinance at lower rates in the US. The propensity to repay in developing countries is a slightly different phenomenon, which arises in the main from the burden of absolutely high interest rates and the absence of alternative investment instruments. Tax consequences aside, paying down a mortgage is the equivalent of investing in an instrument with the same yield as the mortgage interest rate.

MAIB's Mortgage Products

NOTE: Omitted to retain confidentiality.

Conclusion

Agroindbank's IT department has already produced the Mortgage Cover Register; all the required fields are present in the primary data base, and all the data is exportable to Excel. During the ensuing month, the IT department will perfect the Mortgage Cover Register and begin calculating SMM and CPR.

The next series of meetings will address the key legal issues in issuing a covered bond: the bondholder representative, registration of pledge and exclusion of pledged assets from bankruptcy estate.

2. Acorex Wine Holding

Acorex is a Moldovan wine producer and exporter. The company approached ATCI/Moldova with a request for assistance in issuing a bond; the consultant has determined that the Project shall not assist Acorex in a bond issuance. NOTE: edited to retain confidentiality.

3. Banca de Economii

On June 12, the consultant met with representatives of Banca de Economii in the bank's offices. Conducting the meeting on behalf of the bank was Mr. Baxan, Vice President.

The discussion was relatively broad, with topics ranging from economic development in Moldova to the general economic outlook for Europe and the United States. On the issue of financial sector development in Moldova, Mr.

Baxan was not particularly sanguine, adopting a tone of disgust when speaking of the legal basis for securities issuance. While interested in cooperating with ATCI/Moldova, the bank was unable to offer the Project specific candidates for corporate issuance from its client base.

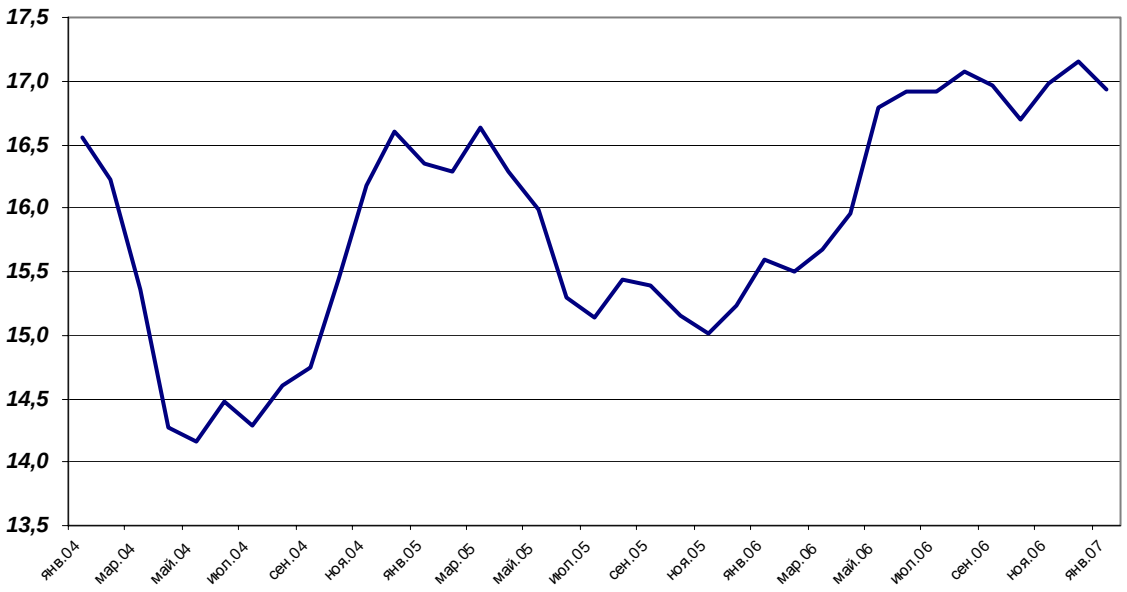
4. IMC Leasing

On June 15, the consultant met with the CEO of IMC Leasing, who earlier this year agreed to work with ATCI/ Moldova on a potential lease-backed covered bond. NOTE: edited to retain confidentiality. IMC therefore requested that any work on the lease-backed bond be postponed until at least next year.

5. MAIB Leasing

The consultant met with MAIB Leasing and its underwriter, Agroindbank, on June 14 in MAIB Leasing's offices. MAIB Leasing is proceeding with its second bond issue and has requested the assistance of ATCI/Moldova in bringing the issue to market. As planned, the issue will be in the amount of Lei 28.0 million for a term of three and a half years; it will be Euro-indexed and bear interest rates that descend from 11.0% on the first coupon to 6.5% on the last. The minimum denomination of the bond has also been decreased from ten thousand to one thousand Lei in order to attract retail investors. Both of these items are worthy of comment.

Figure 9: Moldovan Lei vs. Euro
(Jan 2004-Jan 2007)



The Euro has been strengthening against the Moldovan lei since November 2005. Even the most recent Euro-lei history shows, however, that lei devaluation is not a one-way street. Lei-Euro chart by Mihail Gherghircic.

First, the bond's descending scale rate structure appears to fly in the face of the consensus rate outlook in the West; that is, the US yield curve has turned positive and most rate gurus are predicting rising rates, not falling rates for most of the Western world for the foreseeable future. Of course, Moldova is not yet fully incorporated into the Western world—at least not the Western world's financial sector—and what Western gurus are predicting need not be the case for Moldova. Further, since the bond will be indexed to the Euro, one must look not only at interest rate expectations, but also at expectations of the Lei-Euro exchange rate. There the underlying expectation is for further appreciation of the Euro against the Lei. Now, if in fact that expectation materializes at the modest rate of, say, one percent per year (one half a percent per coupon period, as in **Figure 10**, below), then the bond's actual yield in Lei will be the coupon rate plus accumulated Euro appreciation through the coupon period, and the bond's average yield will rise from the coupon rate of 8.75% to the actual yield average of 10.75%. Whether investors will hurry to place a three and a half year bet on the Euro is another matter.

Figure 10: Interest Rate Structure of MAIB Leasing Bond

Coupon Period	1	2	3	4	5	6	7
Interest Rate	11,00	10,25	9,50	8,75	8,00	7,25	6,50
Euro Appreciation	0,50	1,00	1,50	2,00	2,50	3,00	3,50
Actual Yield	*11,50*	*11,25*	*11,00*	*10,75*	*10,50*	*10,25*	*10,00*

An advertising campaign, aimed specifically at retail investors, will precede the issue. Just how successful Agroindbank, the underwriter, will be in placing the issue with retail investors remains to be seen; if nothing else, the effort recognizes the absence of a corps of institutional investors in the country and takes alternative aim. Retail investors will, however, be reluctant to buy such a 'long term' issue if the issuer does not guarantee liquidity—i.e., offer to buy back at least some portion of issue at something like a 'market price.' Agroindbank and MAIB Leasing are currently discussing the possibility of a limited liquidity facility.

ATCI/Moldova has agreed to assist MAIB Leasing with the launch of the bond by participating in pre-sale meetings with potential investors and in a round table discussion on corporate bonds, all planned as a part of the publicity campaign preceding the issue some time in the fall.

6. National Securities Commission

In an appointment made later in the week, the consultant met with representatives of the National Securities Commission, Alex Savva, Advisor to the Chairman and Elena Piu, Head of Issuance Department on June 14. The consultant described his work while in Chisinau as well as the goals of providing technical assistance to companies willing, desirous, and able to issue debt securities. Among other things discussed, it was concluded that in Moldova, there is a lack of institutional investors (i.e., mutual funds, pension funds, insurance companies) to absorb the bond issuances, as well as a lack of bond issuances for investors' interests. However, this is not precisely a "chicken or egg" scenario, as the introduction of product, such as quality bond issues, should find homes in portfolios of institutional and possibly individual investors. The consultant stressed that although the mortgage lending institutions have provided mortgages, they have not analyzed the criteria or reviewed their mortgage portfolios as well as they must. The representatives of the NSC would welcome the consultant's reviews of current and draft legislation and the implementing regulations regarding bond issuance.

MEMORANDUM

DATE: 24 June 2007
FROM: Stephen S. Moody
TO: Rick Dvorin, Country Director, ATCI/Moldova
David Lucterhand, COP, ATCI/Ukraine
Re: Consultant's Report: Kishinev 11-15 June 2007

The report above summarizes the consultant's activities in Kishinev during 11-15 June 2007.

The report pays particular attention to the covered bond project with Moldova Agroindbank since at present that is the consultant's primary activity in Moldova and, understandably, the area in which most questions addressed to either to the Country Director or COP are likely to arise.

List of Attachments to the Report

1. Attachment 1: Presentation to Agroindbank Management on Covered Bonds
2. Attachment 2. Mortgage Calculator: Duration with Prepayment
3. Attachment 3. Acorex Pro-forma Financial Statements

NOTE: Attachments omitted to retain confidentiality

ATTACHMENT 10

Summary of Survey of Mortgage Activity as of End 2006

"Baseline Activities and Impact of Project"

The following statistics summarize the mortgage activity of the 8 active mortgage lending companies as of the end of 2006. These are "summary statistics" due to the need to keep information confidential. These statistics shall be compared to statistics received by the Project periodically (e.g., every 6 months) from similar surveys sent out to the mortgage lending companies. The Project shall compare results for the overall market activity as well as for each specific mortgage lending institution, thus the following statistics shall form a baseline from the beginning of the Project.

The comparative results shall more than likely show growth and expansion in the mortgage lending market, some of which is due to the impact of the ATCI/Moldova Project's activities concerning the primary market, secondary market, and the associated mortgage market infrastructure. Through other surveys and questionnaires, the Project shall try to determine the overall impact on the mortgage market in Moldova.

Summary of Statistics and Mortgage Activities in Moldova as of End 2006:

- The volume of mortgage lending as of December 31, 2006 was estimated as 583.3 million lei or over $44.4 million constituting 3254 issued loans. The average value of a loan is 179 thousand lei or $13.6 thousand.

- Mortgage loans were granted by 7 financial institutions: 6 banks (Moldova-Agroindbank, Mobiasbank, Victoriabank, FinComBank, Moldindconbank and Investprivatbank) and a financial company (Prime Capital).

- The target segment for financial institutions in mortgage lending is represented by the layer of the population with documentary confirmed salaries net superior to average salaries, as well as persons with stable collections/revenues from abroad (remittances).

- The most experienced player on the market is Moldova-Agroindbank with 2 years of granting classic mortgage loans. Previously, it developed and implemented a mortgage product with elements based on savings. The largest range of products is offered on the financial mortgage market by the financial company Prime Capital: 5 products.

- The existing gap between the weight of financial institutions upon volume and number of extended loans denotes the difference existing between the average volumes of extended loans within each institution.

- The term of a loan is varying between 6.4 and 15 years; 7 years term is prevailing. Average term is less to the one indicated in the contract, due to anticipated prepayments of loans by the population, regardless of applying penalties for

anticipated prepayment (1-2%). The existence of this phenomenon is caused by the relatively high interest rates, for the majority of the population, applied on mortgage loans.

- Average annual interest applied on mortgage lending, as of the end of 2006, was 15-16% for loans in MDL and 12-14% for loans adjusted in USD or Euro.

- Mortgage lending financial sources of financial institutions are: their own resources, credit lines and long term loans attracted from abroad for this purpose, and deposits.

- Range of LTV (loan to value) is from 47 to 70%, with most indicating 60-70% LTV. This level indicates a good risk management policy, applied by all financial institutions.

- Delinquency rate (indebted more than 30 days) reported by financial institutions, participating in the survey, as of the end of 2006, is 0% demonstrating the existence of a good potential for mortgage lending development in Moldova. (*NOTE: this statistic can be challenged*)

ATTACHMENT 11

REPORT

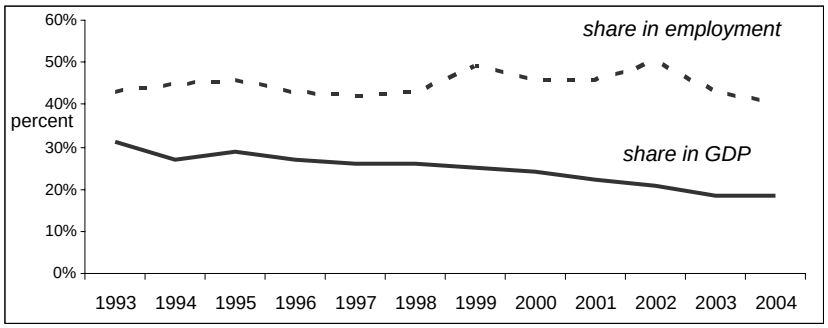
RURAL AND AGRICULTURE FINANCE[1]

SECTOR BACKGROUND

1.1. The Role of Agriculture in Moldovan Economy

- Agriculture remains the largest sector of Moldovan economy accounting for a 15 percent share in GDP in 2006 (16.4% in 2005), closely followed by the industrial sector (14 percent).
- During the economy-wide decline that started in 1991, agriculture served as a safety net to absorb some of the labor that has been released from other sectors *(Figure 1).*

Figure 1: Share of Agriculture in GDP and Employment, 1993-2004



Source: Department of Statistics of the Republic of Moldova[2]

- The role of agriculture is further amplified by the agro-processing industry, which accounts for nearly half of the Gross Industrial Product (GIP), contributing close to an additional 5-10 percent to Moldova's GDP.
- Primary agricultural and agro-processed products represent the largest share of Moldovan exports, namely more than 44 percent in 2006 (earlier - 60%): wines and other alcoholic drinks, tobacco products, fruits and vegetables (fresh and processed).
- CIS continue to absorb the biggest part of Moldovan agro-food exports. Recent Russian embargo (on wine and fruits) and the financial crisis, which clearly showed the vulnerability of Moldovan exports concentrating primarily on one single market, did not reverse this trend.
- The major reasons for the limited market access to international agricultural markets (except to CIS countries) are the low quality of the Moldovan fresh produce, coupled with infrastructure related shortages and lack of post-harvest and handling facilities.

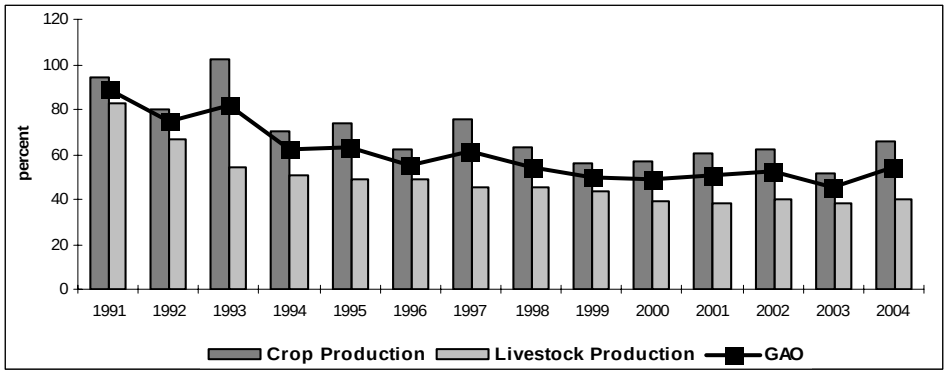
[1] Developed based on existing studies and reports, including "Land Reform and Interlocking Agricultural Markets: The Case of Moldova", Max Spoor and Felicia Izman, January 2006.

[2] If not otherwise indicated, the source of all charts and tables presented in this paper is the Department of Statistics of Republic of Moldova.

1.2. Agriculture Sector Performance

- In 2006 the Gross Agricultural Output (GAO) accounted for only 50 percent of the one estimated for 1990. Livestock production proved more vulnerable to structural changes as compared to crop production. As a result, the share of livestock in the total GAO declined to 30 percent (down from a stable 40 percent registered during the Soviet period).

Figure 2: Evolution of Agricultural Production, 1991-2004 (1990=100%)



- 2001, the first post-privatization year, marked the start of a modest growth (+6 percent) in agriculture, followed by a consequent growth in 2002, 2004, 2005. Year 2003 would have pursued the same positive pattern, but a severe summer drought practically destroyed the wheat harvest, thus leading to a GAO reduction in 2003.
- In macroeconomic respect the year 2006 represented a less favorable background for the economic growth of the country and especially for the rural sector. Even though in the year 2006 was registered a economic growth of 4% its level was lower comparing with the year 2005; for the first time in the last 6 years industrial production registered a decrease of 7% comparing with 2005, due to the embargo imposed on exporting Moldovan wine products to Russia
- Respectively in the rural sector connected fields have suffered – first of all the vineyard producers, but also fruit producers and wrapping industry for keeping the fruits fresh for the export. Country's agricultural product decreased in 2006 comparing to 2005 with 4.6%. Therefore, the increase of remittances from citizens working abroad continued to stimulate consumption and contributed to increasing the level of inflation up to 14.1%.
- Sector demonetization has pushed the expansion of areas under low-value staple crops (such as wheat, corn, and sunflower) and concomitant reduction of areas under high-value crops (fruits, vegetables and tobacco). Currently, grains and sunflower occupy as much as 75 percent of the total cultivated area in Moldova, while in the past this indicator was in the range of 50-55 percent.
- Radical yield drop over the last decade is another highly negative factor.

- The current level of the Moldovan HVA sector is far from its productive potential. A recent study[3] indicates that the 1985 yields of Moldovan HVA crops were higher than the current (average) HVA yields registered in the neighboring Romania and Bulgaria.
- A major concern today is the lack of private and public investments in the sector, particularly long-term investments, both local and foreign, that could rapidly enhance agricultural productivity and encourage the international competitiveness of Moldovan products.

LAND REFORM: ACHIEVEMENTS AND CHALLENGES

2.1. The Process of Land Reform and Farm Restructuring

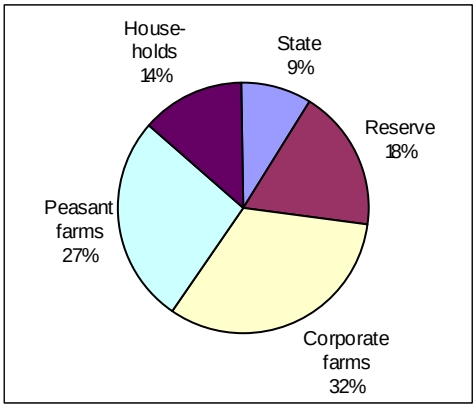
- Along with country's independence in 1991, the first phase of land reform began with the distribution of household plots (with an average size of 0.30 hectares). The second phase began in 1992, with the adoption of a new Land Code and the Law on "Peasant Farms". Land and other collective and state farm assets were distributed as paper shares that could be exchanged for land or other assets.
- The National Land Program (NLP), launched in 1998 by the Moldovan Government, with support from USAID and the World Bank, essentially accelerated the process of land reform in Moldova. In basically two years by the end of 2000 a land fund of nearly 1.7 million ha and most of public farms' assets were transferred through an equitable process from over 1,000 bankrupt kolhozes and sovhozes to around 1 million individual beneficiaries (on average each owner received three parcels of land, with an average parcel size of 0.5 hectares).
- The NLP program also included the establishment of a register of individual land titles and an extensive education campaign explaining to individual farmers their legal rights and diverse market options associated with the new environment.
- The mass privatization process thus led to the emergence of a dual structure, based, however, on solely private ownership of land: small-scale peasant farms (of 1 to 5 ha) representing the individual sector, and the corporate farms of different types, such as Limited Liability Companies (LLC), and Joint Stock Companies (JSC), and Production Cooperatives (PC).

2.2. Land Use Patterns in the Post-Privatization Moldova

- Not all of those 1 million beneficiaries had the necessary capacity and skills to develop an efficient agricultural operation based on the received land and assets, especially that a large part of them were pensioners at the time of privatization.

[3] "Moldovan High Value Agriculture Export Competitiveness Study", CNFA/USAID, Chisinau, 2004.

Figure 3: Agricultural Land Tenure in Moldova as of January 1, 2005



Note: Total agricultural land in Moldova accounts for 2.52 million hectares.

- An expected outcome of the post-privatization phase was that the private land ownership and secure property rights would promote the transfer of land from less efficient to more efficient producers, or from passive landowners to energetic active operators. So far this expectation has not become a reality in Moldova and it still represents a challenge.
- The **state sector**, including state enterprises and institutions, as well as the reserve fund (that is leased on annual basis to various agricultural enterprises) holds around 27 percent (18+9) of total agricultural land.
- The **individual sector**, composed of peasant farms and household plots, has currently in its use over 40 percent of the total agricultural land. The average size of a peasant farm is fairly small (1.3 ha) and on the top of this is subdivided in a number of tiny land plots.
- The **corporate sector** that has in use 32 percent of land is on the other extreme in terms of farm size. It is composed of relatively large-scale corporate farms, mainly LLCs, but also PCs and JSCs, that operate on the basis of leasing of land and assets from the less active landowners (in the individual sector). The average size of LLCs and JSCs is about 500 ha, while the production coops are larger with about 800 ha.
- In a relatively short period of time from 2001 to 2003 the active land lease markets have facilitated land consolidation for nearly half of the privatized agricultural areas in Moldova. The other half is still confronted with the problematic issue of small farm size and high transaction costs.
- The search for the 'optimal size' of farms (and administrative modes to promote this) is not seen so relevant anymore, as this depends completely on the product-mix, capital/labor ratio, level of technology and insertion in markets and commodity chains.

AGRICULTURAL MARKETS

3.1. Land Markets

- The active **land lease markets** in a relatively short period of time from 2001 to 2003 have resolved the problem of land fragmentation for nearly half of the privatized agricultural areas in Moldova. The current land lease agreements represent mainly short-term (one to three years) contracts; the lessees have exclusively short-term goals in exploiting the leased lands. Long-term investment initiatives, such as the plantation of orchards and vineyards, which are so much needed in Moldova, are rather rare on leased lands.
- Another form of land consolidation, promoted through the **land sales market**, has so far registered a much slower pace, mainly because of the general lack of finances in rural

areas, and the unattractiveness of farming in Moldova that is seen as an activity of high risk and low return.

- A specific trend that occurred over the past years is the so-called "mass land purchase", meaning that a few buyers tend to accumulate large tracts of land in a particular location. These are usually individuals or enterprises engaged in activities other than agriculture that have realized the value of land, with often an investor being behind this process.
- The processing enterprises also tend to buy large areas of agricultural land in order to ensure themselves with annual raw material. This is especially the case of wineries that were required to have planted a minimum of 500 ha of vineyards as part of their privatization package.
- Land sale/purchase transactions are showing increasing trends over time, and respectively increasing land prices. For example, in the year 2000 a total number of 10,000 transactions had been registered involving an area of 7,400 ha of land at an average price of USD 250-300 per hectare. Five years later, in 2004, 36,000 sale/purchase transactions covering an area of 44,000 ha were registered, while the average price had been at USD 400-450 per hectare of traded land[4]. Low price levels for agricultural land can also be explained by the absence of a land mortgage market in Moldova: land cannot be used as collateral when securing a bank loan and this certainly minimizes its value.
- High transaction costs in registering various types of land transactions, including sale/purchase, exchange, donation, represent another serious impediment (about 10-15 percent of the price of land).
- Overall, the land sales market is still underdeveloped. In a five year period (2000-2004) the traded agricultural area in Moldova did not exceed 105,000 ha or 6 percent of the total private agricultural lands[5]. Transactions including land inheritance and donation are also happening (and get registered) at an increasing rate. However, the overall figure is still insignificant, indicating that agricultural land sales markets remain thin, and transactions would need to accelerate in order to have a real impact on consolidation of land ownership.

3.2. Labour Markets

- About half of country's population lives in rural areas, where agriculture is the main source of employment and earnings in the absence of other employment opportunities. In fact, there is a strong connection between low agricultural incomes and lack of non-farm activities in rural areas. The only operating businesses in rural areas are related to processing of farm produce: flour and oil mills, small-scale fruit and vegetable processing units, and wineries.
- According to the data of the Ministry of Economy, landless agricultural workers are the poorest group of the rural population. The positive sign is that the poverty levels of rural households are decreasing over time, and this trend may have been influenced by the rural labor outflow and migration – a massive phenomenon taking place over the last five years

[4] It must be remembered that the reported prices for agricultural land most often do not reflect the prices paid *de facto*, since they are minimized for tax purposes.

[5] Source: Materials of the National Conference "Agricultural Land Consolidation in Moldova", Chisinau, July 2005.

in Moldova that has been stimulated by the low agricultural returns and lack of jobs outside agriculture.

- Estimates indicate between 600,000 and 1,000,000 Moldovan migrants working abroad today (temporarily or permanently), the majority of them originating from rural areas: villages and small towns. This has contributed to the (i) feminization of rural labor, as the majority of migrants are male; and (ii) an increasing scarcity of skilled labor in the countryside, which is actually pushing up agricultural wages.
- Migration presents a rather contradictory effect for the country. On one hand, it lessens the surplus labor situation, in particular in rural areas, raises the wage rate, and brings in substantial (and still growing) volumes of remittances, which reduces poverty. On the other hand, it cuts into the heart of the labor force, as mostly skilled and relatively young people leave the country. In the countryside this is noticeable with the phenomenon of rapidly ageing villages with only elderly people and children, an increasingly female labor force, and signs of a 'feminization of poverty', as more and more men migrate, permanently or temporarily.

3.3. Agricultural Machinery

- The market for agricultural machinery and machinery services is crucial for the modernization of the agricultural sector of Moldova. However, it is hampered by a process of rapid deterioration of the existing stock, while replacement investments are relatively limited because of the high costs involved.
- Official statistical data does not immediately reveal the seriousness of the current situation. Statistical figures report a reduction of 10-20 percent in the number of tractors, harvesting combines and other equipment used in agriculture.
- However, a recent survey-based study on the agricultural machinery and equipment inventory[6] shows that these data heavily underestimate the degree of decay of machinery services in Moldova. Actually, 20 percent of the tractors are completely worn out, and another 10 percent are used mainly for transport. From those that are operating, around 50 percent have been used for over 15 years, and 25 percent for around 10−15 years.

Box: **2KR Project Benefits**

Over the period 2001-2005 a total of 1350 Belarus tractors, 82 Cubota tractors, 96 harvesters (mainly Sampo), 42 Massey Fergusson tractors, 21 Landini tractors and 54 irrigation installations have been purchased and imported in Moldova within the four tranches (amounting to $10.8 million) of the 2KR Project. The procured equipment has been sold on a four-installment repayment basis on advantageous terms to beneficiaries from all over the country. These beneficiaries include over 600 agricultural enterprises, including business coops, LTD, JSC and other agricultural producers. The 2KR Project thus created over 2,500 new jobs for mechanic engineers and other specialists from rural localities.

[6] 'Efficiency of the use of agricultural machinery and tractor pool', Report prepared by PFAP and EWMI for USAID, Chisinau, 2003.

- Currently, there is a tendency in replacing at least some of the completely outdated stock of agricultural machineries, largely based on donor funding. One of the most successful projects in this area is the Moldova-Japan 2KR project initiated in 2001.

3.4. Output Markets

- The under-development of vertically coordinated supply chains in Moldova (comprising food retail chains, processors, exporters, other downstream players) that in developed economies drive the demand and set standards for the agricultural produce based on latest market requirements, has determined the poor marketing opportunities presently available to Moldovan growers.
- Farm products are presently sold either to: (i) middlemen (wholesalers/traders/exporters) that come to farm-gate and buy substantial tracks of produce; or (ii) processors located nearby; or (iii) local open markets. From the farmer' point of view, all three channels have disadvantages: the first two offer low prices, while the third requires additional resources, such as time and effort, and means of transport. The fourth marketing channel – supermarket supplies – is still in the incipient phase of development in Moldova.
- On the *supply side*, the current inadequate quality of the farm product should be addressed by:
  - developing institutions, such as marketing cooperatives that would join growers' forces in achieving produce quality and quantity improvements, increase their bargaining power in the relationships with buyers, and thus better integrate the farmers in vertically coordinated supply chains;
  - building stronger ties, based on mutual interests, between the producers and the downstream value chain, including wholesalers, packers, processors, retailers, exporters. As the buyers know the demands and requirements of the target markets, they should be able to teach and support the farmer to produce the required product. Establishing such links requires a long-term strategy, coming primarily from the 'buyer-entrepreneur'.
- On the *demand side*, there is a critical need to improve the existing marketing infrastructure, including increased storage capacities, particularly cold storages and controlled atmosphere storages, collection points, packing facilities dealing with post-harvest treatment, grading, sorting and handling of horticultural products. Investments in marketing infrastructure, as an essential part of developing vertically coordinated supply chains, should be driven by the private sector. However, the Government can encourage this type of investment by improving the business environment in Moldova.

RURAL FINANCE MARKETS

4.1. General info

- Only since the mid-1990s, rural financial markets started to emerge in Moldova. With the privatization of state banks and the emergence of a micro-finance sector, including the

Savings and Credit Associations (SCAs), new, albeit highly fragmented and inefficient, financial markets had emerged.

- In a largely agro-industrial economy as Moldova, one would expect an important portfolio of banks to be represented by this part of the economy. Currently, there are 16 banks operating in Moldova, although nearly 2/3 of the assets are concentrated in only four banks, which are Moldova Agroindbank, the Savings Bank, Victoria Bank and Moldindconbank.
- The main lender to agriculture is Moldova Agroindbank (with a 30% portfolio in agriculture-related loans) followed by the Victoria bank (20 percent), while all the other banks have very small agricultural portfolios. The total lending to agriculture and agro-processing industry (from all sources) accounted for US$201 million in 2006, up from US$193 million in 2005, US$155 million in 2004, US$128 million in 2003 and US$89 million in 2002[7].
- This positive development is however insufficient for the numerous rural clientele. The current supply of rural and agricultural financial (RAF) services is estimated to be only 20% of the potential effective demand[8]. In general the large group of small agricultural producers has very little access to bank lending. They do not have sufficient collateral, as land prices are extremely low and often very few other assets can be pledged. For the commercial banks large numbers of individual small producers represent high transaction costs, and the sector is seen as one of low productivity and high risk.
- Certain regulations make things especially difficult: banks are prohibited from lending foreign currency to exporters to finance local expenditures.
- High interest rates on loans are a critical issue as well today. Due to increasing level of inflation within the country's financial sector the interest rates for deposits went up significantly in the year 2006, reaching the level of 13.4% annually for deposits in lei (+2.6% comparing to the beginning of the year). Although official statistical data show a lower increase of the medium interest rates for credits (18.6% comparing to 17.9% in 2005), the real growth of these was latent, by increasing the commission for services and other payments connected to credits, which were not expressed in the main interest rate. Updated to these factors, the interest rates for credits also have increased in average with 2-3% during the year 2006.
- The development of a micro-finance system, represented by Savings and Credit Associations, has partly filled in the gap, left by the commercial banking system, although is insufficient in volume. These micro-finance institutions are membership-based, arrange their lending by using social collateral and peer pressure, and do not require physical collateral or a personal guarantee. SCAs provide small loans, mostly for working capital, of around 400-500 USD per member, at nominal interest rates that are comparable (around 23−29 percent in 2006) with commercial bank rates (but lower than the ones charged by the informal money lenders). During the period 2003-2006 a total of over 1,322 million lei (or 100 million USD) has been lent-out through the SCA network, serving about 173,000 members of 500 village-level SCAs located throughout the country.

[7] NBM Annual reports

[8] "Innovations in Rural and Agricultural Finance in Moldova", Report prepared by Stephanie Charitonenko and Anna Bantug, Chemonics international, Inc.for USAID, Chisinau, 2005.

- However, with the entrance of various large projects that are providing finance to rural SMEs, as well as other micro-finance institutions (MFIs) such as ProCredit (part of an international MFI), Rural Finance Corporation and MicroInvest (funded mainly by the Soros Foundation), there is an increasing trend in available credit for agricultural and rural producers, in particular the small ones that were practically excluded from the newly emerging commercial banking system.
- RFC lends mainly to SCAs but also, to a more limited extent, directly to micro and small-scale farm and non-farm entrepreneurs in rural areas whose credit needs have outgrown their local SCA. The other two MFIs – Procredit and Microinvest – are serving mainly an urban market (however, 35% of ProCredit's lending is rural, including 11% - agri-lending product based on cash flow lending; 51% of Microcredit's lending is in agriculture and processing industry).
- Nevertheless, the micro-finance system provides mainly small-size loans for short-term needs, and therefore cannot seriously contribute to the development of a commercially-oriented farming society. In Moldova there is still insufficient access to medium- and long-term (investment related) loans for small- and medium producers and SMEs in rural areas, which remains a bottleneck for further agricultural and RNFE (Rural Non-Farm Economy)-related development.

4.2 Savings and Credit Associations

- By the number of active RAF borrowers, the SCA system is by far the largest rural and agricultural credit provider. By the end of 2006, there were 487 SCAs in operation with a total membership of 98,579[9]. The SCAs combined had 60,786 active borrowers, but the total volume of their lending (MDL341 million) was less than that of MAIB because the average loan size lent by SCAs was only MDL6,000. The SCAs offer short-term (seasonal) loans with maturities up to one year to provide working capital for profit generating activities and medium-term loans with maturities up to three years (though most are kept to 18 months in duration) to support more capital intensive investments. The vast majority of the lending, however, is short-term with loan sizes ranging from MDL200–MDL50,000. About 90% of these loans were to support agricultural activities but in order to manage risk of lending primarily to agriculture the SCAs are careful to lend not only to small-scale producers but also to processors and those with agriculture-related activities. Less than 10% of their total lending was for consumption purposes (e.g. to pay for school fees, ceremonies, etc.). The SCAs manage the risk of lending mainly to agriculture by lending to farmers as well as processors and those having agriculture-related activities. In accordance with demand, loan maturities and repayment schedules are adjusted based on the anticipated cash flow of the underlying enterprise and balloon payments are available with both short-term and medium-term loans.
- Due to their ability to charge cost-covering interest rates and to maintain good loan portfolio quality, the SCA system as a whole is financially viable. All SCAs have a business-oriented approach and they charge cost-covering interest rates of 2-8% over what

[9] National Federation of SCAs

they pay for funds, which allows accumulation of sufficient income to cover operational costs and ensure capitalization. The interest rate charged on loans varies between 23% - 29% annually depending on the loan size, term, etc. In 2006, the average lending interest rate was 25-26%. Loan repayment has been maintained at very high levels compared with international standards. Traditional collateral requirements are substituted in part by the mutual responsibility of the SCA member and by social pressure, from the traditional elements of a Moldovan village (commune system). The acceptance of a variety of collateral and partial substitution of collateral requirements with peer pressure is facilitating access to RAF even by small farmers.

- SCAs depend heavily on AIB and RFC for funds to on-lend. SCAs' sources of funds include membership shares, savings from members and credits from financial institutions. Nevertheless, until now, the main fund sources for SCAs are the loans provided by two commercial creditors (AIB and RFC), which are on-lent to SCAs members. For 2006, the SCAs borrowed a total of MDL288 million. In addition, while deposit mobilization has not been as successful, as of December 31, 2006 the SCAs had managed to attract deposit accounts with balances of MD43.9 million.
- Unfortunately the amendments that would improve the legal framework of SCAs are not in force yet; this stops greatly the future development of associations. At the moment the members depositing savings in the SCAs are underprivileged comparing to the depositors in the commercial banks due to the lack of a state guaranty for these deposits. Nevertheless, in present the SCAs continue to be the main and often the only render of financial services within villages.

4.3 Rural Finance Corporation

- Although RFC is predominantly engaged in wholesaling funds to the SCAs, RFC is also ramping up its own retail operations to registered businesses, including individual entrepreneurs and farmers, as well as group businesses formed by farmers and entrepreneurs in the rural areas. RFC's wholesale lending comprises about 65-70%10 of its total portfolio. Although small by comparison, RFC's retail lending portfolio has grown substantially since 2001 when it initiated retail operations. Since RFC is a joint stock company and not a bank, it cannot accept deposits. Instead, it relies primarily on borrowed funds to support its lending.
- RFC was established in 1997 to act as a type of apex institution for on-lending to the SCAs, under an agreement between the World Bank and the Government of Moldova. At the end of 2006, RFC had 313 SCAs as its shareholders and the SCAs now hold the majority of voting shares while the remaining shares are held by the Government and the staff. RFC's retailing and wholesaling of funds supports its institutional objective to provide RAF access to farmers and rural entrepreneurs. RFC also supports rural development through the provision of technical assistance to the SCAs.
- The maximum loan portfolio that was reached in the year 2006 constituted 300.1 million lei (as of August 31, 2006), and at the end of the year constituted 218.4 million lei due to seasoning decrease which is a characteristic for the evolution of the Corporation's

[10] www.microfinance.md, RFC Annual report 2006

portfolio. The loan portfolio of the Corporation in the year 2006 registered a general increase for all categories of clients and products.

- RFC manages its risk of lending to the agricultural sector in a couple of important ways. The institution targets the split between its retail and wholesale lending. In the year 2006 the volume of the loan portfolio offered by the Corporation to the SCAs reached the amount of 191.4 million lei at its season's peak, reducing to 116.6 million lei at the end of the year. The volume of loan portfolio offered directly constituted at the end of the ear 101.8 million lei, being affected less of the season's variations of the request. When forming the loan portfolio in the year 2006 it was taken into consideration the planed share of distributing the portfolio between the main types of clients served: 65-70% of the portfolio offered to SCAs and 30-35% offered directly. Therefore, the planed indicators for increasing the loan portfolio were reached and in some respects exceeded. In addition, RFC diversifies its retail portfolio by lending not only to agriculture but also to other activities related to agriculture like processing, construction, land improvement, and transportation.
- Since 2001, RFC has made significantly ramped up its retail lending by focusing on a specific, under-served market niche. The Corporation follows a non-competing policy with SCAs, crediting directly only clients from localities where there are no SCAs or in case of soliciting loans that are too big or for a too long term for the respective SCA. At the same time, when crediting directly the same target-group is maintained – farmers rural entrepreneurs, mostly beginning entrepreneurs. Even tough there are major risks connected with crediting these clients, the Corporation increases based on a plan the volume of crediting this segment. The average loan offered directly practically did not change during the year 2006 comparing to the previous year, increasing with only 5% for up to 90 thousand lei, this reflects the bigger necessity for investments in order to start a business comparing to the previous years, but also the inflation tendency for the prices on the raw materials and producing factors.
- The average loan offered in 2006 through SCAs constituted about 5900 lei (53% from GDP per capita), showing a growth of 40% comparing to previous year, due to both increasing the prices for main raw agricultural materials and great needs for investments in the rural area. At the same time, the average loan in the SCAs reflects the payment capacity of the SCAs' members, this being the main factor that determined the amount of average loan since 1997.
- RFC's funding comes primarily from loans from international donors. RFC has based its growth almost completely on long-term borrowed funds from international organizations (received directly or through the Moldovan Ministry of Finance). Long-term loans from the World Bank, IFAD, EBRD, and Moldovan Banks comprise 84% of RFC's funding. Shareholder's equity and retained earnings have grown in recent years and now represent 16.1% of RFC's total assets (as of December 2006).

ATTACHMENT 12

PRAGMA

Memorandum

To: Rick Dvorin, Country Director
From: Viorel Rusu, Senior Attorney
Alina Bîrsan, Attorney
Date: 21 June 2007

General Aspects Regarding Legislation on Evaluation

The evaluation activity in the Republic of Moldova is, generally, regulated by the Law on Evaluation Activity #989-XV from 18.04.2002. This Law established the legal framework of activities related with evaluation of goods and patrimonial rights on them for different purposes (goods alienation, liquidation of enterprise, taxation, etc).

The subjects of evaluation activity, on one part, are evaluators and evaluation enterprises which activity is regulated by the Law on evaluation activity and, on the other part, the beneficiaries of evaluation services.

The evaluation activity is performed by evaluation enterprises which are subject to licensing in conformity with the Law on licensing some types of activities #451-XV from July 30, 2001.

State attestation of real estate evaluators is an obligatory condition allowing the provision of qualified specialists to the evaluation services market.

The State Agency for Land Relations and Cadastre is responsible (art. 15 of the Law) for the attestation of real estate evaluators, physical persons.

The Law on evaluation is rather progressive and provides such methods of evaluation as: method of sales comparative analysis, revenues method, expenses method.

In conformity with Article 6 of the Law the national evaluation standards should have been approved by the Government. Nevertheless, till present, there are only some temporary regulations regarding evaluation activity, immovable property evaluation, and intellectual property objects evaluation with taxation purposes. We mean the following acts subsequent to the law:

- Decision of the Government of the Republic of Moldova #958 from August 4, 2003 „Regarding approval the temporary Regulation on immovable property evaluation";
- Decision of the Government of the Republic of Moldova #783 from June 30, 2003 „On the evaluation of intellectual property objects";
- Decision of the Government of the Republic of Moldova #1303 from November 24, 2004 „On the evaluation of immovable property with taxation purposes";
- Decision of the Government of the Republic of Moldova #900 from July 24, 2003 "On approval of the Regulation regarding attestation of real estate evaluators".

The evaluation domain should be completed with more complex provisions. In conformity with Article 18 of the Law the central public administration authorities together with public associations of evaluators should draft the national evaluation standards which are to be obligatorily applied, regardless of the purpose and object of evaluation.

We consider that that the Law on evaluation activity has a dual character. There is no definite clarity with respect to evaluation activity subjects. Thus, it is not clear where rights, obligations and responsibilities of evaluation enterprises and evaluators start and end.

First of all, evaluation can be made only within one evaluation enterprise (Art. 14 of the Law) and the contract is sign between the respective enterprise and evaluation beneficiary (Art. 9, of the Law).

Secondly, the evaluation is made by a certain evaluator (Chapter IV of the Law).

Thirdly, the responsibility for Law violation is shared (Art. 24 of the Law) by:

- evaluation enterprise which bears the material responsibility and needs to provide civil responsibility;

- evaluator which bears the administrative or penal responsibility.

Thus, the material responsibility of the evaluation enterprise is not clearly stated, in case when this evaluation is made by an evaluator. It might be necessary, initially, to establish the guilt and responsibility as to the evaluator and, later, to transform it into the material responsibility of the evaluation enterprise that is a difficult process for the evaluation services' beneficiary.

We consider that it would have been more rational if only the activity of the evaluator is attested and who would had the possibility to be constituted in different legal and organizational forms (commercial company) and the civil responsibility and eventual responsibility should be borne only by the person, who is participating in evaluation relations and not by some intermediaries (such as evaluation enterprises, in the respective case).

Otherwise being said, it might be necessary only to have a single category of evaluation activity subjects: evaluation services evaluator and beneficiary.

Those mentioned in previous paragraph, would allow diversification of market opportunities. Thus, some participants of the mortgage market might have their own evaluators and the solicitants of services might come to an agreement with them: to use the evaluation services of a service provider or an independent evaluator. Certainly, in this situation, the requirements should be tougher, including establishing a Good Conduct Code for evaluators.

ATTACHMENT 13

PRAGMA

Internal Memorandum

To: **Rick Dvorin, Country Director**
From: Viorel Rusu, Senior Attorney
Alina Bîrsan, Attorney

Date: **April 18, 2007**

Review and Comments on Law on Insurance

The Parliament of the Republic of Moldova adopted on December 21, 2006 the Law on insurance in a new edition and it was published in the Official Monitor from April 6, 2007.

The legal framework regarding the activity in insurance and re-insurance, development and strengthening of relations between insurers, insured and third persons is formed by the Constitution of the Republic of Moldova, Civil Code of the Republic of Moldova, Law on Insurance, other legislative acts, normative acts of Supervisory Authority[1], issued with the purpose to execute the Law on insurance, international treaties in this area to which Moldova is a party.

The new Law on insurance is aimed to develop the insurance market and to prepare a prudent regulatory and supervisory framework for financial markets corresponding to that valid in the European Union.

The object of the Law is regulation of insurers, re-insurers and intermediaries organization and operation in the area of insurance and/or re-insurance and supervision of their activities.

Under the provisions of the Law:

- There are two forms of insurance: obligatory and voluntary (optional) according to the procedure of execution.
- Insurance activity is performed in two categories: "life insurance" and "general insurance".
- The insurer performs its activity based on a license, issued exclusively for the activity in the category of "life insurance" or for activity in the category "general insurance".
- Re-insurance activity on the territory of the Republic of Moldova is also subject to licensing.

[1] At present, before setting up of the single regulatory authority (Mega-regulator), the Inspectorate by the Ministry of Finance is meant.

- Insurance contract is concluded in the form and under the procedure established by valid civil legislation that means in written form.
- Specific contractual clauses of life insurance, specific contractual clauses for goods insurance and specific contractual clauses for civil responsibility insurance are identified.
- Insurance (re-insurance) activity can be unfold exclusively by insurers (re-insurers), under the form of open stock company, including with foreign investments, which hold a license for this activity issued in conformity with the Law on Insurance. Thus, at present, according to legal procedure the majority of insurance companies existing on the market will have to change their legal status from Limited Liabilities Company into Stock Companies, a fact leading to greater transparency.
- The conditions regarding insurer (re-insurer) founders and shareholders are established.
- The statutory capital of insurer (re-insurer) shall increase during a period of five years. The statutory capital of insurance companies rendering general insurance services will increase up to 15 million lei. Insurance companies practicing life insurance shall be obligated to increase their capital up to 22,5 million lei, and re-insurance companies up to 30 million lei. This year the companies are obligated to increase their capital up to 4 million lei, as compared to previous valid norm in the amount of 2 million lei.
- Insurer (re-insurer) shall perform its activities in compliance with the specific prudential norms, in conformity with insurance practices.
- Insurer (re-insurer) is entitled to use actuary services. The latter is obligated to annually certify the sufficiency of technical reserves, calculation of insolvency requirements compliance and assets, covering the reserves and insolvency margin, appropriateness.
- In the conditions of the Law on insolvency, the insurance agents and insurance brokers are insurance intermediaries and re-insurance brokers are intermediaries in re-insurance. Thus, the Law regulates the brokerage activity in insurance which till present was an auxiliary activity for many companies which didn't have an insurance profile. Clear requirements to brokers are established.
- The responsibility for violation of insurance legislation has been established.

The Law can be examined from the point of view of life insurance products development especially in the field of mortgage.

In conformity with the Law on insurance in case of life insurance, insurance compensation is granted in the form of single or periodic payments. The insured sum for death insurance can differ from the insured sum for survival insurance.

Insurance compensation is paid to insured or in case of his/her death, to the beneficiary appointed by him. If no beneficiary has been appointed, insurance compensation is paid to the insured heirs as to beneficiaries.

The appointment of beneficiary is made by the insurer either on signature of the contract or during its execution by written statement communicated to the insurer or by will.
Beneficiary replacement or revoking is permitted at anytime during contract execution.

If there are several appointed beneficiaries, they have equal rights with respect to insurance compensation, unless the insured provided something else.

- ✓ Based on the above legal provisions, the possibility to develop life insurance mortgage products is outlined, thus the insured can appoint the mortgagee as beneficiary. Meanwhile, it will be necessary, while developing the products, to take into consideration the possibility of the insured to replace or revoke the beneficiary. Taking into account the mortgage specific features, a solution might be an agreement between mortgagee and insurer according to which the insurer will inform the creditor regarding beneficiary replacement or revoking.

If one of beneficiaries essentially and/or deliberately contributed to insured death, a fact proved by final court decision, the insurance compensation is paid off to other appointed beneficiaries or heirs.

In life insurance cases for which mathematical reserve is constituted, the insured can cease the payment of premium with the right to maintain the contract on a reduced insured sum or to cancel it requesting refund of the constituted reserve (redemption sum) in conformity with insurance agreement.

The insured who signed the individual life insurance contract shall have available, from the date of contract signing by the insurer, a period **of 20 days** during which he/she can denounce the respective contract. These provisions are not applied to life insurance contracts with a term longer than 6 months including.

- ✓ While developing mortgage life insurance products, this term shall be taken into account.

Insurance compensation is owed regardless of sums due to insured or beneficiary of social assistance, prejudices' reparation by persons responsible for their causing, as well as sums received from other insurers based on some other insurance contracts. The creditors of the insured have no right to enforce the insurance compensation due to the beneficiary or its legal heir, upon case.

The rights of the insured, on the sum resulted from the reserve constituted in case of life insurance for payment of insured liabilities maturing in the future, are not subject to prescription.

In case of life insurance, the quantum of investment income applied to calculation of insurance tariffs and provided in the insurance contract can't exceed the annual percentage established by the normative acts of the Supervising Authority.

The insured physical person can, upon agreement with the insurer, to benefit from a loan with the interest within the limits of reserves accumulated in case of life insurance.

In general, taking into account the above mentioned, the Law on insurance doesn't provide any obstacles for the development of mortgage life insurance products.

ATTACHMENT 14

PRAGMA

Memorandum

To: Rick Dvorin, Country Director
From: Viorel Rusu, Senior Attorney
Alina Bîrsan, Attorney
Date: April 2, 2007

Review of THE DRAFT LAW ON CREDIT HISTORY BUREAUS

The Draft Law on Credit History Bureaus (further on "Draft") is initiated with the purpose to generalize the information regarding debtors' compliance with the liabilities assumed through credit contracts.

1. The Draft, in our opinion, is not very clear with respect to exact identification of credit history formation sources (see Article 6). The accent is placed on submission of information by financial institutions (Article 5 and 6 paragraph (2)). We consider worthwhile to specify in Article 6 paragraph (2) other sources of credit history formation, such as: micro-financing organizations, credit and saving associations, etc. …utility companies (phone, gas, electricity)

2. From the point of view of information impartiality, it would be necessary to emphasize the principle of proportionality in providing information. For example, the situations when the representative of the financial institution, due to certain reasons, commits abuse in granting credit or places the client in a condition of not honoring its obligations can't be excluded. The draft should provide a mechanism of offering the possibility to credit history subjects, upon desire, to provide the information regarding problems caused during the process of credit extending and reimbursement, too. Based on that, Article 5 of the Draft shall be amended by introducing the phrase: "data and information regarding non fulfillment or violation of liabilities by the creditor" and Article 6 - with provisions regarding the possibility to submit information by credit history subjects themselves.

3. In Article 5 of the Draft the phrase "a) the address of domicile registration" shall be reviewed or excluded. The registration of domicile has already included the domicile address. We consider that the respective information is redundant and can create additional problems. The physical person identification number (IDNP) is sufficient, since the Draft mentions the State Register of the population. Moreover, the person may change his/her address at any time.

4. Within the context of those mentioned in point 2 of this Opinion, the credit history subject right of appeal, pursuant to Article 10 of the Draft, can be an insufficient measure as compared to the caused prejudice.

5. To continue those mentioned in the previous point, we consider that the mechanism of accountability of this law subjects is very vague. It is not clear if "the source of credit history formation" is responsible for submitting some false or misleading information, including the form of legal responsibility that shall be applied. We consider that the Draft shall identify the facts leading to legal responsibility proportionally to the seriousness of responsibility – disciplinary, contravention, patrimonial or penal.

6. We consider that in Article 6, paragraph (4) of the Draft, the competent public authority should establish only some minimum standards to the Agreement regarding submitting information to credit bureaus and not "requirements both to the form and content".

7. The Draft should be more complex from the regulatory point of view. The majority of domains left, in conformity with Article 15 para (2) of the Draft, to the discretion of competent public authorities, should be regulated directly by the Draft (including conditions and procedures of controls and penalties application, because there appears a conflict of interests – those who control, establish the rules of games).

8. We consider that Article 16 of the Draft is vague from the point of view of licensure procedure (such as the list of documents attached to the application to issue a license, term of application execution, etc).

ATTACHMENT 15

Course 1. «Certified Leasing Specialist Program»
Chisinau, Moldova
11-13 May 2007

Time	*Friday, 11 May*	*Saturday, 12 May*	*Sunday, 13 May*
9.00-9.30	Registration of participants		
9.30 - 10.50	Session 1: History of Leasing; Global development and trends **Robert Homans** (ATCI/Ukraine)	Session 5: Lease vs. Buy Analysis; Options for Acquisition/Use of Capital Equipment; Quizzes **Natalia Tsiriulnicova** (ACAP Trainer)	Session 9: Tax Treatment of lease Transactions in Moldova; Definitions and Terminology **Tatiana Prisacari** (ACAP Trainer)
10.50 - 11.10	*Break*	*Break*	*Break*
11.10 -12.30	Session 2: Some key numbers and dates about leasing development in Moldova; Industry Standards and Ethics **Robert Homans** (ATCI/Ukraine)	Session 6 Financial Decision Making Criteria; Non-Financial Decision Making Criteria **Natalia Tsiriulnicova** (ACAP Trainer)	Session 10: Moldovan Tax Law and the latest amendments to it; The types of tax reports **Tatiana Prisacari** (ACAP Trainer)
12.30 - 13.30	*Lunch*	*Lunch*	Lunch
13.30 -14.50	Session 3: Accounting Treatment of Lease Transactions in Moldova; Quizzes **Natalia Tsiriulnicova** (ACAP Trainer)	Session 7: ***Note: Starts at 14.00*** Legal Framework in Moldova; Legal Definitions and Terminology; The Law of Leasing **Viorel Rusu** (ATCI/Moldova Sr. Legal Adviser)	Session 11 Tax framework in Moldova VAT; Customs taxes; income taxes; road taxes; pension tax, medicine tax etc. **Tatiana Prisacari** (ACAP Trainer)
14.50 - 15.10	*Break*	*Break*	*Break*
15.10 - 17.30	Session 4: National Accounting Standards (NAS); IAS 17 and GAAP 13; Problem solving **Natalia Tsiriulnicova** (ACAP Trainer)	Session 8: The Civil code; The insolvency law; Cross-border and International Lease Agreements (UNIDROIT convention); Other forms of leasing and the differences between them; Quizzes **Viorel Rusu** (ATCI/Moldova Sr. Legal Adviser)	Session 12: Problem solving; Quizzes **Tatiana Prisacari** (ACAP Trainer)

ATTACHMENT 16

ATCI/Moldova
Program „Certified Leasing Specialists”
Course 2: „ Leasing Transactions”
June 28-30, 2007

Time	***THURSDAY***	***FRIDAY***	***SATURDAY***
9.00-9.30	Registration of Participants		
9.30 - 10.50	Session 1: Leasing operations risk appreciation and potential lessee activity analysis I. Leasing operations risk appreciation Natalia Tsiriulnicova (ACAP Instructor)	Session 5: Leasing operations' documents execution (continuation...) Leasing object receipt – giving Obligations' execution guarantee means Țugulschi Iuliana (ACAP Instructor)	Session 9: III. Updating and discounting value of cash flows (monetary resources flows) Practical examples Prodan Natalia (Instructor ACAP)
10.50 - 11.10	*Break*	*Break*	*Break*
11.10 - 12.30	Session 2: II. Potential lessee activity analysis based on financial reports data III. Non financial information analysis Natalia Tsiriulnicova (ACAP Instructor)	Session 6 Leasing operations' documents execution (continuation...) Documentary execution of pledge, insurance, guarantees to suppliers Practical examples Țugulschi Iuliana (*Break*)	Session 10: IV. Leasing operations profitability Examples of problems Prodan Natalia (Instructor ACAP)
12.30 - 13.30	*Lunch*	*Lunch*	Lunch
13.30 - 14.50	Session 3: Problems solving Natalia Tsiriulnicova (ACAP Instructor)	Session 7: Leasing payments calculation I. leasing payments structure Prodan Natalia (ACAP Instructor)	Session 11 Leasing contracts fulfillment monitoring What is leasing contracts fulfillment monitoring? Leasing object monitoring Lessee activity monitoring Stanislav Șapa (ACAP Instructor)
14.50 - 15.10	*Break*	*Break*	*Break*
15.10 - 16.30	Session 4: Leasing operations' documents execution Selection of supplier, leasing object, buying-selling transaction concluding Legal execution and concluding of leasing transactions Main conditions of leasing contracts Țugulschi Iuliana (ACAP Instructor)	Session 8: II. Leasing mathematics – decision taking ways for different leasing payments Prodan Natalia (ACAP Instructor)	Session 12: Leasing rates non payment and lessor reaction Leasing object refund modalities Leasing transaction closing procedures Stanislav Șapa (ACAP Instructor)

ATTACHMENT 17

CERTIFIED LEASING SPECIALIST PROGRAM/MOLDOVA
COURSE 1 REPORT
Submitted By: Robert Homans, Jr.
May 28, 2007

Introduction – On May 11-13, 2007, I attended Course 1 of the first training session held in Moldova as part of the introduction of the CLS Program in Moldova. My attendance was under the attached TOR issued by the ATCI Program Office in Chisinau, Moldova, and approved by USAID/Chisinau. This was the first CLS Course I have attended, including in Ukraine.

In addition to acting as the Trainer for Module 1, History of Leasing, and part of Module 2, "Lease Classification and Terminology," I attended most of the other training sessions and was assisted by a translator. Other than Module 1 all the training sessions were delivered in Romanian. All the courses were delivered in the training room located at the ATCI Program office, in Chisinau, where all the attendees sat around a table and trainers were positioned at the head of the table.

The exam for Course 1 will be given on June 9. Course 2 will be given in June, and Course 3 in July, both followed by their respective exams. This schedule substantially follows the course schedule for the first CLS Course given in Ukraine, last July through September, 2006.

Content of Training – The training consisted of Modules 1 – 6 of the CLS Training Curriculum, which is the entirety of Course 1, as listed on the attached schedule, entitled "Course 1 and Trainers." The following Modules were adapted to conform to Moldovan laws and regulations: Module 3 – "Legal Framework"; Module 4 – "Tax Treatment;" Module 5 – "Accounting Treatment." Module 1 – "History of Leasing" and Module 6 – "Lease vs. Buy Analysis" were presented in similar fashion as they are in Ukraine. Module 2, "Leasing Classification and Terminology," was included as part of Modules 1 and 3 and was modified as required.

The course sequence in Moldova was different from what is normally used in Ukraine. As shown in the attached schedule the course sequence was as follows: Module 1/2; Module 5; Module 6; Module 2/3; Module 4.

Trainers – The trainers included Robert Homans (Module 1 and part of Module 2), Viorel Rusu, Senior Legal Advisor, ATCI Program Office/Chisinau (Module 3 and the balance of Module 2); Natalia Tsiriulnicova, ACAP (Modules 5 & 6); Tatiana Prisacari, ACAP (Module 4).

ACAP is an accounting/consulting/training firm based in Chisinau, Moldova, and has been retained by the ATCI Program in Chisinau as the training provider for the CLS Program in Moldova. In addition to acting as training provider ACAP also assisted the ACTI Program Office in Chisinau in modifying the following Modules 3, 4 and 5, to conform to applicable Moldovan laws and regulations.

Attendees – 25 individuals registered for Course 1. A complete list of attendees, and their titles and affiliations, are attached to this report. Of the 25 registrants 16 individuals worked for Moldovan lessors.

Of the remaining 9 attendees, 5 will be used as trainers in future CLS Courses. These individuals will take all 3 exams, and thus insure that future CLS Courses in Moldova will be taught, in whole or in part, by holders of the CLS Certificate. This arrangement is similar to that followed in Ukraine last year, when the CLS Training was first presented in Ukraine, where current trainers attended training sessions and later passed all 3 exams and were certified.

Attendee Course Evaluations – Attendee evaluations for each trainer are included in this report as attachments. Each trainer received a superior evaluation.

In addition it is my understanding that most of the attendees also attended a 4 day seminar on leasing earlier this year, presented by EBRD. This seminar was given by 3 international leasing experts. The course outline and PowerPoint presentations for the EBRD seminar attached to this report. I have been advised that the attendees considered the CLS Course to be superior to the EBRD seminar. The reasons were that the CLS Course content offered far more practical information than the EBRD seminar and, as a related matter, the CLS Course was adapted to Moldovan laws and regulations.

Evaluation – It is my conclusion, with the exception of Module 1 which I taught and subject to the results of the exams, that the Modules were extremely well presented, especially by the ACAP instructors. I did not attend Module 3, Legal Framework, and even if I did I would be unfamiliar with the content and therefore would be unable to render an evaluation.

I was especially impressed by the ACAP trainer Natalia Tsiriulnicova, who delivered the Modules on Accounting and Lease vs. Buy Analysis. Since I own a leasing company in the US I am very familiar with lease vs. buy analysis, since I do it every day in the course of my own business. Also this Module was not adapted to Moldovan conditions, so Ms. Tsirulnicova had to be able to impart "international best practices" to the class. I can say that Ms. Tsirulnicova delivered this Module in a way that could be readily understood by a trainee in the US (or other countries for that matter). In addition Ms. Tsirulnicova presented the material in an enthusiastic and engaging manner.

In all the sessions I attended I was also impressed by the involvement of the attendees. They attended all the sessions and asked many questions. In addition there were several animated discussions among instructors and attendees.

Conclusion – I think the decision to use trainers who were not certificate holders in Ukraine was the right one. With the exception of Module 1, all the trainers were extremely knowledgeable about their subjects.

Recommendations –

1. **Exam –** The exam for Course 1, and future exams, should be held in a room other than the training room of the ATCI Program Office in Chisinau. The reason for this is that the ATCI training room does not have individual chairs, making it difficult for the exam to be properly monitored. I believe arrangements are being made to hold the exam(s) in a room at the ACAP facility.

2. **Observers at Courses 2 & 3 –** Program Officers from USAID/Chisinau should be encouraged to observe Courses 2 and 3. In my opinion it is not cost effective to send observers from ATCI/Kyiv to Courses 2 and 3, because the courses are all delivered in Romanian.

Other TOR –

In addition to attending the training sessions I also met with ATCI/Moldova's Leasing Expert, Vlad Railean, as well as a member of ATCI/Moldova's legal staff, with regard to setting up a Moldovan NGO whose responsibility it will be to manage the CLS Program in Moldova. I was advised that the process of setting up such an NGO, including registration with the tax and pension authorities, takes approximately two weeks. I was advised that the registration process was to begin on Wednesday, May 16, upon Vlad's return from vacation.

ATTACHMENT 18

FEEDBACK from CLS Participants, CLS Course 1

To: MR. Vlad Railean
USAID Contractor
Sr. Financial Leasing Adviser
Access to Credit Initiative, USAID/Moldova

Date: 07.06.2007

On behalf of Leasing Company "Euroleasing" PLC I would like to thank ATCI Project for the organization of the CLS Program. Especially, I would like to thank Mr. Vlad Railean who offered us the possibility to participate in this seminar and who undertakes major efforts to organize different meetings of leasing companies, which cooperation will lead, by the end, to the improvement of the leasing sector in Moldova.

The position that I have in the company presumes knowledge of all leasing operations' aspects. The information I got during the participation in the first Module was very useful for daily work with clients. Especially, the subjects related with leasing operations accountability, as well as leasing operations taxation issues.

The exchange of opinions and experience among specialists acting in the same field is very important.

I am sure of the importance of this training for the implementation and promotion of new ideas in view of improving the quality of services offered by our company.

Respectfully,

Natalia Voscalevschi-Cucu
Deputy Director
IM "Euroleasing" SRL

„Victoria Asigurari" - Insurance Company,
Head of Operational Department,
From: Colibaba Victor

I would like to thank ATCI project, in particular Railean Vladislav, for organizing such an informative and necessary training course for the insurance sector of the Republic of Moldova.
As a result of participation in the seminar – particularly for me- the received information was very useful for the activity which I coordinate at the Insurance Company. Our Company will focus on the following issues:

- appraisal of Client's payment capacity based on studied methods;
- examining new instruments based on other countries experience;
- drafting an internal Regulation with the purpose to provide an efficient (rapid) mortgage loans granting;

Within this context, I consider such seminars opportune and useful from the point of view of their educational effect, as well as by offering the possibility to get familiarized with the experience of other countries in lending sector.

06.06.2007

Dear Mr. V. Railean,

I am very grateful to you and Access to Credit Initiative Project for the courses that were held during May 11-13, current year. They were very interesting and useful for the implementation and development of leasing within Banca de Economii S.C. Moreover, we made some proposals to the management of the Bank to develop new projects regarding financial leasing.

"Banca de Economii" S.A. undertakes a lot of efforts to create a local favorable environment for clients. If we analyze the offer on the leasing market of Moldova, our proposals are among the best on the market for potential clients.

We consider that as a result of courses organized by ATCI, the professionalism and capacities of specialists involved in leasing industry, as well as of leasing in Moldova will develop.

I wish you many successes in the future,

Respectfully,

07.06.2007

Vornicescu Mihai
Economist Coordinator
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ATCI Project Moldova, attention of Vlad Railean

From: Rodica Cicala, Operational Activity Manager, MAIB Leasing

Dear Sir,

I would like to inform you that I have a special pleasure to thank all organizers of the Certified Leasing Specialists Program, and namely:
Country Director, Rick Dvorin; International leasing Specialist Robert Homans from the ATCI, Ukraine; as well as all lecturers who participated in drafting the course.

In particular, I would like to thank the moderator of the CLS Program – Mr. Vlad Railean for initiating this course in Moldova, for adapting this course to local accounting and taxation legislation and standards and, not the last, for the consistency and quality of presented material.

I consider that this program will reach the proposed purpose by creating trained and certified specialists, who will participate in the development of leasing industry in Moldova.

As a participant of this Program, I highly appreciate the content of the course, its concise and clear structuring, and accessibility for studying. The organization on the highest level will deepen the efficiency and practical value of this program favoring the assimilation of presented material.

I am very glad for the opportunity to be included among the first participants and that I will be among the first certified specialists in leasing in Moldova.

I am absolutely convinced that this course will help me to improve my knowledge in leasing by deepening practical knowledge and by implementing new ideas and concepts in my professional development.

Most respectfully,

Rodica Cicala
MAIB-Leasing; Operational Activity Manager
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Web: www.leasing.md

Good afternoon;

I am a participant of the course «*Certified Leasing Program*». I would like to thank the leadership of USAID Project, in particular, the organizer of this course – Vlad Railean for the possibility to get acquainted in details with the leasing activity. I work in a leasing company for a relatively short period of time (6 months) and during this period of time I was looking for some course to learn about accounting records of this specific type of activity, but in vain. I was extremely happy when the Director of the company informed us that a number of specialists from MAIB-Leasing SA will participate in a leasing training and I was even happier when I was included in that group. I would like to mention that I was extremely satisfied with the courses, which included several compartments: history, accounting, analyses, taxation, as well as all legal aspects.
I can definitely say that I clarified all the issues and this was done in such a short period of time!!!
I would like to wish to the Project prosperity and extension!!!
We are always ready to support you in all your activities!!!

Respectfully,

MAIB-Leasing SA employee,

Svetlana Stepanishina

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Vladislav Railean,
USAID Contractor
Sr. Financial Leasing Adviser
Access to Credit Initiative, USAID/Moldova
Implemented by The Pragma Corporation

We have a special pleasure to thank you very much for the first course of the Access to Credit Initiative Project aimed at improving professional qualification in the area of leasing and obtaining Professional Qualification Certificates of persons acting in financial area.

Even from the first module, we were pleasantly impressed by presented subjects and high qualifications of lecturers. We found many answers to questions that we had in our day by day practice and discussions with the clients. At the same time we had the possibility to make a comparison between the development and experience of local leasing companies with international ones. For us it is very important to know the legal and fiscal aspect, as well as the accounting issues, accounting formula and laws that might help us to find the optimum solution to problems that we often face.

The module organized in May 2007 included an extended and complex material that will be successfully used by leasing companies. We are sure that next modules will be also well structured and interesting.

Also, the personnel thanks for the organization of Certified Leasing Specialists Program. In out turn, we will be very glad to participate further on in Module II (June) and Module III (July) and finally to take successfully the exam and obtain the Professional Qualification Certificate, accredited by USAID and ATCI Moldova Project.

Respectfully,

representatives of „IM and Consulting Company Group" S. C.

Violeta Adam
Eugen Bahnari
Ecaterina Caplevatski

ATTACHMENT 19

PRAGMA

Internal Memorandum

To: **Rick Dvorin, Country Director**
From: Viorel Rusu, Senior Attorney
Alina Bîrsan, Attorney

Date: **April 11, 2007**

REGULATION AND FACILITIES IN LEASING AND SECURITIES MARKET SECTORS OF THE *REPUBLIC OF MOLDOVA*

I. Characteristics of enterprises with foreign investments

Enterprises with foreign investments can be set up in the Republic of Moldova in the form of *joint enterprises and enterprises with foreign capital.*

A joint enterprise is an enterprise which social capital is partially composed of foreign investments.

An enterprise with foreign capital is an enterprise which social capital is exclusively composed of foreign investments.

Non resident enterprises, their associations and international organizations are entitled to institute in the Republic of Moldova branches and trade and economic representations.

Non resident enterprises' representations are registered on the territory of the Republic of Moldova without the right of a legal person and without the right to unfold economic activity.

Enterprises with foreign investments are entitled to institute, if this right is provided by their constitution documents, trade and economic branches and representations, both in the country and abroad.

Branches and representations instituted in the Republic of Moldova by resident enterprises with foreign investments are not legal persons.

II. Registration Body

Enterprises and organizations, their branches and representations are registered by territorial offices of the State Registration House of the Ministry for Information Development (further on House) at their offices.

III. Documents Necessary for Registration

The following documents are submitted for state registration of enterprises and organizations:

1) application for registration under the sample approved by the House;
2) decision regarding foundation and constitution of enterprise or organization, depending on the form of legal organization, in two copies;
3) identity cards of founders or authorized persons pursuant to the law, as well as of the general manager of the enterprise or organization;
4) document confirming depositing by founders (associates) of their share-part in the statutory capital of the enterprise in the amount and terms provided for the respective form;
5) prove of stamp fee payment *(registration of an enterprise with statutory capital is made after collection of stamp fee in the proportion of 0,5% of the statutory capital, which is transferred to the state budget)* and prove of registration fee payment;
6) document, issued by territorial tax office, confirming that the founders of the enterprise or organization have no debts to the National Public Budget.

For registration of enterprises with foreign investments the following documents shall be attached to the application for registration:

7) extract from the National Commercial Register of investor's country of origin;
8) certificate of foreign enterprise registration;
9) foreign enterprise constitution documents;
10) foreign enterprise solvency certificate, issued by the servicing bank.

Documents listed in points 7)-9) are submitted in notary authenticated copies, legalized by consular offices of the Republic of Moldova from abroad and translated in the state language.

11) data regarding the office of the enterprise or organization.

The state registration body is not entitled to request other documents regarding confirmation of these data. Responsibility for data authenticity regarding the office is borne by the owner of the enterprise or organization pursuant to the provisions of the legislation.

IV. Registration Procedure and Terms:

State Registration Body verifies the legality of acts received for registration and during the term of less than **15 days** *(urgent registration of enterprises and organizations is made during* ***(1 one day),*** issue the decision on registration or decision on refusal to register the enterprise or organization.

The registered enterprise and organization is attributed a state identification number, which serves for identification and is indicated in the constitution documents, registration certificate and on the stamp.

The enterprise or organization is considered registered as of the date of adopting the decision on registration.

V. Tariffs for Paid Services Rendered by the State Registration House of the Ministry for Information Development.

State registration of enterprises and organizations, providing other services in the area of state registration of enterprises and organizations is performed against a fee, which quantum (in lei) is as follows:

	I. Registration of Enterprises and Organizations	MDL
1.	Registration of enterprises with the status of physical persons and modifications to their constitution documents;	54
2.	Registration of enterprises with the status of legal persons, their branches and representations, including enterprises with foreign investments and modifications to their constitution documents;	250
3.	Registration of financial institutions, insurance companies, their branches and representations;	900
4.	Registration of modifications to the constitution documents of financial institutions and insurance companies;	180
5.	Registration of modifications into the State Register of Data regarding the change of administrator;	90
6.	Issue of state registration certificate of enterprises or organizations duplicate;	180
	III. Other services	
1.	Issue of copies from certificates of:	
	a) constitution (statement) contract;	90
	b) decision (resolution, order);	36
	c) statute;	90
	d) agreement on registration of amendments (or decision on registration of amendments) to constitution documents;	54
	e) minutes;	36
2.	Name verification	39
3.	Reservation of name, including through Internet:	
	For a month;	50
	For six months;	100
4.	Execution of constitution documents for registration of enterprises or organizations:	
	a) individual enterprise;	54
	b) general partnership;	108
	c) special partnership;	108
	d) cooperative (consumption, production, construction of houses, construction of garages, etc.);	108
	e) limited liabilities company;	108
	f) stock company;	306
	g) state enterprise;	108
	h) municipal enterprise;	108
	i) union of enterprises;	306

	j) branches and representations;	108
	k) organizations;	108
5.	Execution of modifications and/or amendments to constitution documents:	
	a) individual enterprise;	36
	b) general partnership;	72
	c) special partnership;	72
	d) cooperative (consumption, production, construction of houses, construction of garages, etc.);	108
	e) limited liabilities company;	108
	f) stock company;	108
	g) state enterprise;	72
	h) municipal enterprise;	72
	i) union of enterprises;	72
	j) branches and representations;	72
	k) organizations;	72
6.	Authentication of copy of the enterprise registration certificate	6
7.	Issue of documents' samples (per page)	3
8.	Information regarding the documents of registered enterprises and organizations (some parts of them) available at the office of the State Registration House or its territorial offices.	54
9.	Publication of information in the Official Bulletin of the State Registration House.	54
10.	Translation of information issued from the State Register and constitution documents in Moldovan language:	
	a) in European languages (per page)	18
	b) in oriental languages (per page)	36
11.	Execution of texts of documents in foreign languages (per page)	18
12.	Comparing the texts in different languages (per page)	12

VI. Licensure

1) The leasing activity, including financial one, **is not licensed** or otherwise **authorized.**

2) The following types of activities are licensed for the securities market:

1) banks and other financial institutions for activities on the securities market upon the note of the National Bank of Moldova.
2) broker activities;
3) dealer activities;
4) underwriting activities;
5) fiduciary administration of investments activities;
6) register keeping activities;
7) depositing activities;

8) clearing activities;
9) stock exchange activities;
10) investment funds activities;
11) audit activities of professional participants of securities market;
12) activities on securities and assets referring to them evaluation;
13) investment consulting activities;
14) training and upgrading activities for professional participants of the securities market.
15) The activity of auto-regulation organizations (auto-regulation organization is instituted by professional participants of the securities market which unfold the same type of professional activity on the securities market with the purpose to provide conditions for professional activity of the members of the organization; to comply with professional ethics on the securities market; to defend the rights of investors, securities holders and other clients of the members of the organization).

To obtain the license to act on the securities market, applicant of the license shall attach to the application the following documents:

1) certificate of enterprise registration issued by the State Registration House;

2) statute in two copies with all modifications and amendments registered as of the date of documents' submission. The statute of the license applicant, except banks and other financial institutions, shall include the type of activity for which license is requested;

3) copy of the certificate issued by the State Tax Inspectorate Headquarters regarding fiscal code attributing;

4) document confirming the selection or appointment of the executive body of license applicant;

5) balance sheets and reports regarding financial results executed as of the last reporting date:

- quarterly reports, confirmed by censor's commission;
- annual report, genuineness confirmed by audit expertise.

If a legal person, constituted before the date established for execution of financial reports, submits an application before the indicated date, the organization-applicant of license is obligated to present the balance sheet and the report on financial activity executed as of current date. In this case the period of time between the date of above mentioned reports execution and the date of presentation of application can't exceed 30 days;

6) banking documents and other documents confirming the formation by legal person of own equities and guarantee fund;

7) copies of qualification certificates of managers and specialists of the organization – applicant of license, issued by the National Commission and copies of their labor cards with respective entries;

8) police clearance document of the manager (administrator) of the license – applicant, as well as of his deputy, issued on at least 30 calendar days before the date of the respective application submission;

9) reference from the last place of work of manager (administrator) of the license – applicant, as well as of his deputy;

10) list of persons affiliated to license applicant, executed in conformity with the provisions of valid legislation;

11) information regarding ownership of the license applicant of 5% share and more in the statutory capital of other professional participants;

12) documents confirming the existence of necessary conditions for undertaking the respective type of activity (requirements to premises, hardware, etc);

13) certificate from the State Tax Inspectorate Headquarters with respect to lack of arrears to the budget and Social Fund;

14) statement regarding confirmation of compliance with the requirements established by law and normative acts of the National Commission with respect to ledgers' keeping – in case of activities on keeping the ledger of nominative securities holders or register of nominal holder clients;

15) internal rules regarding the procedure and conditions of creation and usage of guarantee fund;

16) copy of the authorization from the National Bank of Moldova (for banks and other financial institutions);

17) internal control procedures and measures providing money laundry control and prevention.

Documents specified in points 1) and 2) are submitted in original or notary legalized copies.

The signatory of the application bears responsibility for the genuineness of information presented in the application and attached documents.

Decision regarding issue of license is adopted by Resolution of the National Commission for Securities during **15 working days from receipt of the application** with all attached documents.

VII. Fiscal Facilities

a) Income Tax

No.	Beneficiaries of Facility	Category of Facility	Term of Facility	Article and Normative Act
	1	2	3	4
Income Tax Rate for 2007 constitutes 15 % of taxable income				
1.	**Leasing activity**	The lessor calculates the depreciation on investments in fixed assets which are the object of an operational leasing contract.	Permanently	Art. 26 para (3) and (4) of the Tax Code
2.	**Leasing activity**	In case of financial leasing, the lessee is treated as the owner of fixed assets received in leasing. Calculation and deduction of fixed assets depreciation making the object of a financial leasing contract is performed by the lessee.	Permanently	Art. 26 para (3) and (4) of the Tax Code
3.	**Enterprises, including with foreign investments which statutory capital is constituted or increased or which make capital investments (expenses) in the amount exceeding a sum equivalent with 250 thousand USD.**	are exempted of income tax in the amount of 50%, beginning with fiscal period during the which an agreement with the tax office is signed on income tax exemption, upon condition that at least 80% of income tax sum calculated and non transferred to the budget is reinvested in the development of own production (works and services)	During 5 fiscal periods (5 years)	Art. 49^2 para (1)) of the Tax Code

		or state programs or sector of the national economy development programs.		
	1	**2**	**3**	**4**
4.	**Enterprises, including with foreign investments which statutory capital is constituted or increased or which make capital investments (expenses).**	are exempted of income tax beginning with the fiscal period in which the agreement with the tax body is signed on income tax exemption for the following fiscal periods, depending on the size of constituted or increased statutory capital or the amount of capital investment (expenses) made; 1) if the amount of constituted or increased statutory capital or amount of capital investments (expenses) exceeds the amount equivalent to 2 million USD, upon condition that at least 80% of income tax sum calculated and non transferred to the budget is reinvested in the development of own production (works and services) or state programs or sector of the national economy development programs;	For three years	Art. 49^2 para. (2)) of the Tax Code

		2) if the amount of constituted or increased statutory capital or amount of capital investments (expenses) exceeds the amount equivalent to 5 million USD, upon condition that at least 50% of income tax sum calculated and non transferred to the budget is reinvested in the development of own production (works and services) or state programs or sector of the national economy development programs;	For three years	
		3) if the amount of constituted or increased statutory capital or amount of capital investments (expenses) exceeds the amount equivalent to 10 million USD, upon condition that at least 25% of income tax sum calculated and non transferred to the budget is reinvested in the development of own production (works and services) or state programs or sector of the national economy development programs;	For three years	
		4) if the amount of constituted or		

		increased statutory capital or amount of capital investments (expenses) exceeds the amount equivalent to 20 million USD, upon condition that at least 10% of income tax sum calculated and non transferred to the budget is reinvested in the development of own production (works and services) or state programs or sector of the national economy development programs;	For 4 years	
		5) if the amount of constituted or increased statutory capital or amount of capital investments (expenses) exceeds the amount equivalent to 50 million USD	For 4 years	
5.	**Commercial banks and micro financing organizations**	Income obtained from loans granted for 2-3 years are exempted in the amount of 50%.	Unlimited	Art. 24 para (14) of the Law on implementation of Title I and II of the Tax Code
6.	**Commercial banks and micro financing organizations**	Income obtained from loans granted for a term longer than three years are totally exempted (100%)	Unlimited	Art. 24 para (14) din Law on implementation of Title I and II of the Tax Code
7.	**Savings and Credit Associations of citizens**	Are exempt from tax payment	Permanently	Article 53^2 of the Tax Code

	1	2	3	4
8.	**Interest of resident physical persons,** except those registered in a legal form of entrepreneurship activity, **on bank deposits, corporate securities in the form of bonds and securities, which are instruments of monetary market, such as bank certificates of deposit and bank bills, as well as from deposits of members of Credit and Saving Associations of citizens personal accounts, placed on the territory of the Republic of Moldova.**	Not taxed	Until the 1st of January 2010.	Art. 24 para (7) of the Law on implementation of Title I and II of the Tax Code
9.	**Interest of legal persons on bank deposits for a term exceeding 3 years and corporate securities in the form of bonds issued for a term exceeding 3 years.**	Not taxed.	Until January 1, 2010	Art. 24 para (8) of the Law on implementation of Title I and II of the Tax Code
	1	**2**	**3**	**4**
	Interest on Government Securities	Not taxed	Until January 1, 2010	Art. 24 alin. (9)
10.	**Non state qualified**	Income is not subject	Permanently	Article 68 of the Tax

	pension fund	to taxation but any payments made from this fund are included into the gross income of the beneficiary (for physical person, the deducted sum shall not exceed 15% of the income gained by him/her during the fiscal year)		Code

b) Value Added Tax (VAT)

No.	Beneficiaries of Facility	Category of Facility	Term of Facility	Article and Normative Act
	1	**2**	**3**	**4**
VAT standard rate constitutes 20 % of the taxable value of imported taxable goods and services and supplies performed on the territory of the Republic of Moldova. Subject to VAT is the entrepreneur who made supplies of goods and services in the sum exceeding 300,000 lei				
1.	**Lessors in financial leasing contracts**	Income in the form of interest is not a VAT taxable object	Permanent	Art. 103 para (11) of the Tax Code
2.	**Financial institutions and other participants of the financial market**	The following financial services are exempted from VAT: 1) granting or transfer of loans, loan guarantees, other guarantees of cash and crediting operations, including loans, credits, and loan guarantees		Art. 103 para (1) point 12) of the Tax Code

[1] *Except revenues from sale of goods in case of failure to reimburse the loan, from granting information, consultancy and expertise services, from procurement and renting of broker places at the stock exchange, from renting, from services of collection and delivering cash to clients, from services of storage and transfer of values, cash, securities and documents, of revenues, from fiduciary operations on management of clients' goods, from liquidation of insolvent enterprises goods, from providing the clients with normative documents against payment.*

[2] *Except those used for numismatic purposes.*

[3] *From tariff position 7108 (Gold (including platinized gold), in un processed or half processed form, or in the form of dust).*

[4] *Except intermediation services of insurance and/or re-insurance operations.*

		management on behalf of lenders (credit, transfer, fiduciary operations, related with crediting, cash transfers, searching the sums not included into accounts, opening, closing and re-execution of accounts); 2) operations related with deposit accounts evidence, including saving, transfer and budget accounts, transfers, claims, checks and other financial instruments[1], 3) operations related with currency, monetary resources, notes constituting a legal way of payment[2], goods supplied to the National Bank of Moldova[3]; 4) operations related with issue of shares, bonds and other securities, bills other securities including commercial and intermediation operations on the securities market, operations of independent registrars; 5) operations related with derivate		

		financial instruments, forward agreements, options and other financial operations; 6) services related with investment funds and non state qualified pensions funds management; 7) insurance and re-insurance operations[4].		

VIII. Other Facilities

Guaranteed lenders: lenders, who have a pledge right on goods from the total debtor's assets, are entitled to priority reparation of borrowed capital, interest and expenses from the account of pledged goods (*article 61 of the Law on insolvency, November 14, 2001).*

Enforcement of pledged goods: pledged goods can be enforced by the pledgee. He/she has priority with respect to other clients. The consecutiveness of reparation of claims on several pledge rights on the same goods or patrimonial rights, is established in the order of pledge constitution. The claims of the following pledgee are satisfied after full reparation of previous pledge claims (*Article 97 of the Enforcement Code of the Republic of Moldova from December 24, 2004*).