

FLASH REPORT

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Contacts:

Ron Barden

Partner & TLS Leader
ron.j.barden@ua.pwc.com

Adrian Opaits

Manager
Tax and Legal Services
adrian.opaits@ua.pwc.com

PricewaterhouseCoopers

75 Zhylyanska Street, Kyiv
Tel: + 380 44 490 6777
Fax: + 380 44 490 6738

www.pwc.com/ua

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services department.

New restrictions on issue of bonds

From 12 April 2008, a legal provision limiting bond placement amounts will come into force.

A legal entity may place bonds in an amount not exceeding:

- triple the amount of its own capital (assets less its liabilities); or
- the amount of a security provided by a third party. Under Ukrainian legislation, such bond securities include guarantees, sureties and non-payment risk insurance, as well as mortgages for mortgage bonds.

This provision will apply to all legal entities, including limited liability companies.

It is not yet clear whether the existing restriction for joint-stock companies (JSC) will continue to apply once the new rules take effect. Currently a JSC may only issue bonds in an amount not exceeding one times its share capital or the amount of security provided by a third party.

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