

Ukraine simplifies access of non-residents to local securities market

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Analyst: "This may lead to significant inflow of foreign currency to the country and be supportive to stability of Ukrainian hryvnia. However, to trigger speed up of such inflow, Ukraine needs to secure short-term currency stability by signing a new tranche with the IMF.

KYIV, May 16, 2018 - The Ukrainian parliament approved on May 15 legislation that introduces the category of a nominal holder of securities, Concorde Capital informed clients today in an online advisory. In this way, the law simplifies access of non-residents to Ukrainian securities, who will be able to invest via international custodians that will open nominal holder accounts in Ukraine. Nowadays, non-residents can only invest by opening individual securities accounts with Ukrainian custodians. The legislation's adoption will lead to up to 100 bln in increased exposure of international investors to local government bonds in the mid-term, according to the estimates of Ukraine's National Depository. Concorde analyst Alexander Paraschiy added: "This law is a breakthrough for the local securities market, as it indeed will make local securities much more accessible to non-residents, who currently have to spend three-six months to open individual accounts if they want to invest in Ukrainian stocks and bonds. New legislation should significantly improve liquidity on the local securities market, particularly local government bonds, which are far more attractive than equities at the moment. If demand from non-residents increases for local government bonds, the rate of short-term bonds will decrease from 17%, which is now supported by the rate of two-week certificates of deposit (the alternative investment for local banks who are the main players on domestic bond market). "Becoming more liquid, the local bond market may become more interesting for government and private issuers. In the mid-term, indeed, inflow of international investors' money to the local bond market can be observed (with their holding to increase up to 30% of total bonds float - or UAH 100 bln - alike in other emerging markets). This may lead to significant inflow of foreign currency to the country and be supportive to stability of Ukrainian hryvnia. However, to trigger speed up of such inflow, Ukraine needs to secure short-term currency stability by signing a new tranche with the IMF.

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