

Accounting of LLC and ALC shares in the Central Depository of Ukraine

Starting from March 2024, limited liability companies, additional liability companies and their shareholders may transfer their share accounting from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organisations (hereinafter referred to as the "USREOU register") to the share accounting system of the Central Depository of Ukraine.

In accordance with Ukrainian law, the accounting system of shares in limited liability companies and additional liability companies is a set of information and records on:

- shares in limited liability companies and additional liability companies (type, nominal value and quantity, restrictions on circulation, etc.) on the accounts of the owners of such shares;
- the company;
- owners of shares;
- restrictions on the rights of owners;
- persons authorised by the owners (managers, pledgees, other persons vested with the relevant rights in respect of the shares).

The purpose of the share accounting system is to record the facts of acquisition, termination and restriction of rights to shares, etc. Information on the ownership right to a share in a limited or additional liability company or its restriction entered into the share accounting system is considered reliable and may be used in a dispute with a third party.

The Central Depository shall keep records of shares of limited liability companies and additional liability companies exclusively in electronic form after the respective decision is made by the company founders or members.

The decision to keep or stop accounting for the company's shares in the share accounting system is within the exclusive competence of the general meeting of shareholders of LLCs and ALCs. Such decisions are made unanimously by all company shareholders having the voting rights on such matters.

Based on such a decision, the company and the Central Securities Depository enter into a relevant agreement. Upon conclusion of the agreement, the Central Depository shall submit to the Ministry of Justice of Ukraine an application in electronic form for state registration of information on the accounting of company shares in the share accounting system.

On the basis of such an application, the state registration of inclusion in the USREOU register of information on the date of commencement of accounting of company shares in the share accounting system is performed. At the same time, information on the list of shareholders of the relevant company is removed from the USREOU register.

Information on a company's shareholders must contain data on the size of such

shareholder's stake, including the percentage and quantity of shares, as well as information on the shareholder, including name and tax identification number (for legal entities) or surname, name, patronymic and tax identification number (for individuals).

The general meeting of a company shareholders whose shares are recorded in the share accounting system may be held using electronic means of communication through the share accounting system pursuant to the procedure established by the Law of Ukraine On Limited Liability Companies and the charter of the relevant company.

Such a general meeting does not require the joint presence of the company's shareholders (their representatives) and is held exclusively by electronic voting of the company's shareholders using the electronic system of the Central Depository. Voting at the general meeting on the agenda items is conducted exclusively using voting ballots certified by a qualified electronic signature of a company shareholder (his/her representative).

The company share accounting system also provides for the possibility of opening escrow or conditional storage accounts for company shares, which allows for guaranteed changes to be made to the share accounting system regarding the ownership of such shares by another person specified by the escrow account holder in the event of the fulfilment of the conditions stipulated in the company share escrow account agreement.

An escrow account is a deposit of a share that a shareholder transfers to the temporary possession of the Depository until the condition specified in the sale and purchase agreement or corporate agreement comes into effect. Until the condition is met, the Depository retains the share and, if the condition is met and duly confirmed, transfers it to the beneficiary (or does not transfer it and returns it to the owner if the condition is not met).

If the company's shareholders decide to discontinue the accounting of the company's shares in the share accounting system, the Central Depository shall notify the Ministry of Justice of Ukraine. As a result, the state registration of information on the cessation of accounting for company shares in the share accounting system is carried out. At the same time, information about the shareholders of the relevant company is entered into the USREOU register.

As a reminder, on 17 May 2023, the National Securities and Stock Market Commission approved two important regulatory documents as required by the Law of Ukraine "On Joint Stock Companies" dated 27 July 2022:

- the Procedure for Maintaining the Accounting System for Shares of Limited Liability Companies and Additional Liability Companies, approved by the NSSMC Resolution No. 525 dated 17 May 2023, and
- the Procedure for Holding General Meetings of Shareholders of Limited Liability Companies and Additional Liability Companies with the Use of Electronic Communications through the Share Accounting System, approved by NSSMC Resolution No. 526 dated 17 May 2023.

These Procedures and Resolutions came into effect on 17 May 2023 and entered into force on 1 January 2024.