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[Milestones of Corporate Governance in Ukraine](#)

On 10.20.09, In [CG key issues](#), By Arthur Nitsevych



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Introduction

In Ukraine only joint stock companies issue shares as securities. Other companies (for instance, LLCs or PLCs) cannot issue shares as securities. On 29 April 2009 the new Joint Stock Companies Law came into force providing two types of joint stock companies in Ukraine: public (that can have their shares listed at stock exchange) and private (their shares cannot be listed).

Basic regulation on corporate governance matters in Ukraine is provided by the Civil Code, 2003, and the Commercial Code, 2003, as well as the Law on Securities and Stock Market, 2006. Joint Stock Companies Law represents the main piece of legislation on Companies' corporate governance. Development of a significant number of by-laws is still required to detail important provisions of the Law.

The State Securities and Stock Market Commission of Ukraine is the principal state authority regulating activities of the Companies including corporate governance matters. In 2003 the Commission passed the Principles of the Corporate Governance, which, however, do not have the force of law and are used as recommendations only. In 2008 the Commission passed Model Regulation on Corporate Governance of the Open Joint Stock Companies.

The Articles of Association (Charter or Statute) is a mandatory constitutional document of any Company and is an important source of corporate governance regulation. It specifies the structure of the management bodies of the Company, division of powers between the management bodies, terms and procedures of management performance, etc. Specific corporate governance matters may be covered by internal regulations of the Company, such as Regulations on Holding the Shareholders' Meetings, Regulations on Supervisory Board, etc.

Ukrainian legislation does not provide specific corporate governance responsibilities or functions of members of the management bodies. According to the new Joint Stock Companies Law:

- the supervisory board is established to protect shareholders rights and to control and regulate the activity of the management board;
- the management board is responsible for management of day-to-day activities of the Company, providing access to the information to the shareholders;
- the audit commission is established to audit the financial and commercial activities of the Company.

Articles of Association of the Company, internal regulations as well as contracts entered with the members of the management bodies may specify the duties of the management bodies. So, Ukrainian law gives a significant level of discretion regarding corporate governance matters to shareholders, who may establish the required corporate procedures in the corporate documents of a company.

Generally the Ukrainian legal system is considered in this regard underdeveloped, a bit chaotic and bureaucratic. Thus, investors are advised to seek assistance on corporate governance matters from professional consultants before making a decision on investment.

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