

## **REGULATION ON NON-BANK FINANCIAL TRUST SERVICES**

### **ONE. GENERAL PROVISIONS**

- 1.1. The purpose of this regulation is to stipulate and monitor relationship of the non-bank financial trust services (hereinafter referred as “trust services”), to protect consumers, to determine forms of and advance trust services, and to prevent from financial and liquidity risks liable to activities of trust services.
- 1.2. Trust services are to be offered by the Non-bank financial institution (hereinafter referred as “NBFI”), which have met requirements set out by the Financial regulatory commission (hereinafter referred as “the Commission”) and been awarded a license to run such services.
- 1.3. An NBFI shall offer trust services under rule of the Civil code, the Law on Non-bank financial activities and this Regulation, passed by the Commission in accordance with the specified Laws and other acts and decisions.
- 1.4. Parties of trust services shall hold to fundamental principles of corresponding trust, truthfulness, equality, fairness and responsibility.

### **TWO. TERMS AND DEFINITIONS OF TRUST SERVICES**

2.1. In this regulation, the following terms shall have the following meanings:

2.1.1. “trust services” are such activities whereby a trustee for the term indicated in the assets entrusted management contract controls, disposes and manages cash, loan and other assets of a trustor with the purpose of preserving the value of assets and earn revenues (proceeds);

2.1.2. “trustor” is a person or legal entity, which transfers own cash, loan and other assets to the trustee’s management for the purpose of earning revenues (proceeds) for self or for other beneficiaries;

2.1.3. “trustee” is an NBFIs with a license to conduct trust services, which has the obligation to control, dispose and manage cash, loan and other assets received from a trustor, under the assets entrusted management contract concluded between them;

2.1.4. “beneficiary” is a third party person or legal entity, which is entitled to receive the whole or partial amount of the revenue (proceeds) from the entrusted assets as specified in the assets entrusted management contract;

2.1.5. “entrusted assets” are cash, loans and other assets transferred from a trustor to a trustee under the assets entrusted management contract;

2.1.6. “assets entrusted management contract” is an agreement in written form between the trustor and the trustee pursuant article 406 of Civil code and this regulation.

### **THREE. RIGHTS AND OBLIGATIONS OF TRUSTOR**

3.1. The trustor has following rights:

3.1.1. to access financial statements and other relevant information when willing to become trust services customer of NBFIs;

3.1.2. pursuant to article 406.3 of Civil code it is the sole decision of the person whether to become trust services customer being aware of the risks;

3.1.3. to monitor management of the entrusted assets and request relevant reports and updates after an assets entrusted management contract is concluded;

3.1.4. to demand revenue (proceeds) agreed by the assets entrusted management contract;

3.1.5. to propose amendments and cancelation of the assets entrusted management contract;

3.1.6. to appeal to the court regarding any disputes arising from the assets entrusted management contract;

3.1.7. other rights described in laws and acts.

3.2. The trustor has the following obligations:

3.2.1. to transfer to the trustee the right to manage the assets, which are subject of the assets entrusted management contract;

3.2.2. to provide genuine information regarding the assets transferred to the trustee and information, which was requested from the trustee regarding the trust services to be provided;

3.2.3. to pay the reward to the trustee as specified in the assets entrusted management contract;

3.2.4. to reimburse the necessary expenses occurred to the trustee, related to the trust services provided;

3.2.5. not to provide additional instructions on the management of the entrusted assets specified in the assets entrusted management contract;

3.2.6. other obligations described in laws and acts.

#### **FOUR. RIGHTS AND OBLIGATIONS OF TRUSTEE**

4.1. The trustee has following rights:

4.1.1. to invoice rewards from the trustor for providing trust services as specified in the assets entrusted management contract;

4.1.2. to request to reimburse from the entrusted assets the necessary expenses occurred during the management of those;

4.1.3. to appeal to the court regarding any disputes arising from the assets entrusted management contract;

4.1.4. other rights described in laws and acts.

4.2. The trustee has following obligations:

4.2.1. to provide genuine information regarding the corporate financial position and disposal of assets to be entrusted to the persons interested in the trust services;

4.2.2. to exercise the rights to dispose, manage and use entrusted assets as specified in the assets entrusted management contract;

4.2.3. to engage the funds of entrusted assets strictly pursuant to the assets entrusted management contract and in the activities licensed from the Commission;

4.2.4. to keep accurate and appropriate records of disposal of the entrusted assets, produce reports and disclose them to the trustor, when necessary;

4.2.5. to be fully responsible against any third person for the obligations occurred in relation with the monitoring, management and disposal of the entrusted assets during the period specified in and on the basis of the assets entrusted management contract;

4.2.6. to treat persons equally regardless of the size of their stake, in case if the assets entrusted management contract specifies more than one beneficiary of the proceeds from managing the entrusted assets;

4.2.7. to disclose information about management of the entrusted assets to the beneficiaries upon request in written form if otherwise not stipulated by if the assets entrusted management contract;

4.2.8. to distribute revenue (proceeds) from the management of the entrusted assets to the trustor or the beneficiary as agreed in the assets entrusted management contract;

4.2.9. to develop internal regulation on trust services and run activities accordingly;

4.2.10. to inform about the size of assets received by trust services and regarding the obligations taken by the assets entrusted management contract to the other shareholders in case if the trustee's executive management is not the only shareholder of the NBFI;

4.2.11. to permanently comply with the prudential standards set out by the Commission;

4.2.12. to submit to the Commission within 10<sup>th</sup> day of each month report on entrusted assets according to the annex of this regulation and the financial and prudential ratio statements according to the Regulation on NBFI's prudential standards;

4.2.13. other obligations described in laws and acts.

## **FIVE. REQUIREMENTS TO RUN TRUST SERVICES**

5.1. The total amount of the entrusted assets attracted under assets entrusted management contracts shall comply with the prudential ratio set out by the Commission, which determines the prudent amount of trust services assets in relation to NBFI's paid-in capital stock.

5.2. The period of an assets entrusted management contract shall be over one year and it shall not contain nominal revenue (proceeds), it only shall contain liable revenue (proceeds) amount to be paid to the beneficiary.

5.3. A trustee may insure the assets of trust services.

5.4. The NBFI, which runs trust services shall keep a file for each contract.

5.5. The file described in 5.4. of this regulation shall contain documents as follows:

5.5.1. the assets entrusted management contract;

5.5.2. payment transactions documents according to the assets entrusted management contract;

5.5.3. questionnaire of the trustor;

5.5.4. other necessary documents and information.

## **SIX. RESTRICTIONS FOR THE NBFI, WHICH OFFERS TRUST SERVICES**

6.1. NBFI's, which offer trust services are restricted to run following activities:

6.1.1. for the NBFIs, which were granted license to conduct trust services it is prohibited to advertise or announce publicly through mass media channels about the trust services in order to attract trustors or to give promises relating to the revenue (proceeds);

6.1.2. to use the entrusted assets to finance the activities not granted licenses from the Commission for;

6.1.3. to violate the conditions of assets entrusted management contract and to misuse the entrusted assets to meet the illegal needs of trustors and beneficiaries;

6.1.4. to attempt to force the trustor's proposed requirements and conditions when concluding an assets entrusted management contract to meet the interests of the trustee;

6.1.5. to transfer entrusted assets of an assets entrusted management contract to other persons under trust services.

## **SEVEN. CONCLUSION AND TERMINATION OF AN ASSETS ENTRUSTED MANAGEMENT CONTRACT**

7.1. An assets entrusted management contract is concluded on the basis of agreement between an NBF, which was granted license from the Commission to offer trust services and a trustor, who entrusts certain rights to the NBF.

7.2. The assets entrusted management contract shall be concluded in written form according to the article 406 of the Civil code.

7.3. An assets entrusted management contract must include the following information:

7.3.1. a) full name, personal identification and registration number, address and telephone number, if the trustor is a person;

b) name, state register certificate and registration number, address, telephone number, signatory's full name, personal identification and registration number, address and telephone number, if the trustor is a legal entity;

7.3.2. trustee's name, state register certificate and registration number, address and telephone number;

7.3.3. a) full names, personal identification and registration numbers, addresses and telephone numbers, if the beneficiaries are persons;

b) name, state register certificate and registration number, address, telephone number, signatory's full name, personal identification and registration number, address and telephone number, if the beneficiary is a legal entity;

7.3.4. the amount of the assets transferred from the trustor to the trustee;

7.3.5. the purpose of disposal of the entrusted assets;

7.3.6. contract period;

- 7.3.7. the amount of revenue (proceeds), if agreed to earn from trust services;
- 7.3.8. the amount of revenue (proceeds) liable to be allocated to a beneficiary, if available;
- 7.3.9. the amounts of revenue (proceeds) liable to be allocated to beneficiaries, if available;
- 7.3.10. allocation of binding expenses related to the trust services;
- 7.3.11. reward to be paid to the trustee for the trust services;
- 7.3.12. pattern of providing the trustor with progress reports on the trust services and other relevant information;
- 7.3.13. rights and obligations of beneficiaries, if it is stipulated to allocate revenue (proceeds) to them;
- 7.3.14. rights, obligations and responsibilities of the parties involved in the trust services;
- 7.3.15. obligations of the trustee in case if due to it's faulty actions, trust services produced no revenue (proceeds) agreed by the assets entrusted management contract, the entrusted assets have diminished in value or vanished.
- 7.3.16. information and loss allocation scheme in case if due to force majeure, trust services produced no revenue (proceeds) agreed by the assets entrusted management contract, the entrusted assets have diminished in value or vanished.
- 7.3.17. conditions of termination of the assets entrusted management contract;
- 7.3.18. other conditions not prohibited by Laws and Acts.

## **EIGHT. ACCOUNTING RECORDS**

8.1. Transactions related to the trust services an NBFI shall record in accordance with the "Exemplar manual on keeping accounting records of Non-bank financial institutions" approved by the Commission decree No.05 from 2007.

## **NINE. MONITORING OF TRUST SERVICES.**

- 9.1. The trustor shall monitor the compliance of the management of the entrusted assets to the laws and the assets entrusted management contract.
- 9.2. The trustee's Representative governing board, Internal supervision unit and the Commission conduct step-by-step supervision on the correct allocation of revenues (proceeds) to the beneficiaries and on the compliance of the management of the entrusted assets to the laws and the assets entrusted management contract.

9.3. The Commission shall supervise compliance of the trustee with the prudential ratio standards through monitoring of monthly financial statements and in case if considered necessary it shall conduct on-site inspection and take relevant measures.

## **TEN. RESPONSIBILITY**

10.1. In case if the trustee did not comply with the prudential ratio standards or in cases of liable occurrence of risk situations the Commission imposes following measures:

10.1.1. Set requirement to increase paid-in capital stock;

10.1.2. Prohibit attraction of additional funds trough trust services;

10.1.3. Suspend the license of trust services;

10.1.4. Revoke the license of trust services.

10.2. If the violations of this regulation committed during trust services do not constitute criminal offence, administrative liability shall be imposed on the related person or legal entity according to the Laws.

10.3. Damages occurred from violations of the Law on Non-bank financial activities and other laws and disputes arose in relation to trust services shall be resolved by the authorized law enforcing agency pursuant to the assets entrusted management contract and relevant laws and acts.

## **THE FINANCIAL REGULATORY COMMISSION**

