

UDC 336.76:33.021(477)

DOI <https://doi.org/10.26661/2414-0287-2024-4-64-12>**ANALYSIS OF FINANCIAL INSTRUMENTS OF THE CAPITAL MARKET OF UKRAINE****Bolduieva O.V., Gorbunova A.V., Kisilyova I.Yu.***Zaporizhzhia National University**Ukraine, 69011, Zaporizhzhia, Universytetska str., 66**vlada.ox@ukr.net, gor_an_v@ukr.net, inna_kisileva@ukr.net**ORCID: 0000-0001-5267-1816, 0000-0001-6450-4740, 0000-0002-6486-6546***Key words:**

capital market, financial instruments, stocks, bonds, domestic government bonds, issuers, investors.

The financial instruments of the capital market of Ukraine are analyzed. It was found that such instruments as shares, shares of a foreign issuer, KIF shares, corporate bonds, bonds of internal state loans of Ukraine, bonds of external state loans of Ukraine, bonds of a foreign state, investment certificates, corporate bonds, bonds of a foreign issuer of Ukraine are present on the market. It was found that despite such a variety of financial instruments, the largest volume of trading in financial instruments on organized capital market operators was with domestic government bonds of Ukraine. Today, government bonds serve as a means of mobilizing the state's financial resources to cover the budget deficit. The factors that influence the popularity of this instrument are the limited market, easy availability, high profitability, and reliability.

It was found that the second most popular financial instrument on the capital market is corporate bonds. It was noted that corporate bonds are a rather risky financial instrument. Payments on them are guaranteed only by the issuer – that is, the company that issues them. Among other financial instruments present on the capital market of Ukraine, it is also necessary to highlight shares and investment certificates. The article states that the issuer of shares is exclusively a joint-stock company. The procedure for making a decision on the issue of shares by the relevant body of a joint-stock company is determined by the law regulating the issues of creation, activity and termination of joint-stock companies. Shares exist exclusively in electronic form. The National Securities and Stock Market Commission registers the issue of shares in accordance with the procedure established by it. Share trading is permitted after the National Securities and Stock Market Commission registers the report on the results of the share issue and issues a certificate of registration of the share issue. Although the stock market in Ukraine is small, over the past year there has been a tendency for its revival. It has been established that despite the presence of exchanges and regulators, the capital market of Ukraine does not provide its main function – attracting capital to the real sector of the economy, but serves to form the state's credit resources.

АНАЛІЗ ФІНАНСОВИХ ІНСТРУМЕНТІВ РИНКУ КАПІТАЛІВ УКРАЇНИ**Болдуєва О.В., Горбунова А.В., Кисільова І.Ю.***Запорізький національний університет**Україна, 69600, м. Запоріжжя, вул. Університетська, 66***Ключові слова:**

ринку капіталу, фінансові інструменти, акції, облігації, облігації внутрішньої державної позики, емітенти, інвестори.

Проаналізовано фінансові інструменти ринку капіталу України. Виявлено, що на ринку присутні такі інструменти як акції, акції іноземного емітента, акція КІФ, корпоративні облігації, облігації внутрішніх державних позик України, облігації зовнішніх державних позик України, облігації іноземної держави, інвестиційні сертифікати, облігації підприємств, облігації іноземного емітента України. Встановлено, що не дивлячись на таке розмаїття фінансових інструментів, найбільший обсяг торгів фінансовими інструментами на операторах організованих ринків капіталу відбувався з облігаціями внутрішніх державних позик України. На сьогоднішній день, ОВДП слугують засобом мобілізації фінансових ресурсів держави для покриття бюджетного дефіциту. Факторами, які впливають на популярність зазначеного інструменту є обмеженість ринку, легка доступність, висока дохідність, надійність.

Виявлено, що другим по популярності фінансовим інструментом на ринку капіталів є корпоративні облигації. Відмічено, що корпоративні облигації – це досить ризикований фінансовий інструмент. Виплати за ними гарантуються лише емітентом – тобто компанією, яка їх випускає. Серед інших фінансових інструментів, які присутні на ринку капіталів України, також потрібно виділити акції, інвестиційні сертифікати. У статті зазначено, що емітентом акцій є виключно акціонерне товариство. Порядок прийняття відповідним органом акціонерного товариства рішення про емісію акцій визначається законом, що регулює питання створення, діяльності та припинення акціонерних товариств. Акції існують виключно в електронній формі. Реєстрацію випуску акцій здійснює Національна комісія з цінних паперів та фондового ринку у встановленому нею порядку. Обіг акцій дозволяється після реєстрації Національною комісією з цінних паперів та фондового ринку звіту про результати емісії акцій та видачі свідоцтва про реєстрацію випуску акцій. Хоча ринок акцій в Україні невеликий, проте за останній рік намітилися тенденція до його поживлення. Встановлено, що незважаючи на наявність бірж та регуляторів, ринок капіталів України не забезпечує головну свою функцію – залучення капіталу у реальний сектор економіки, а слугує для формування кредитних ресурсів держави.

Statement of the problem

The capital market is an important component of the country's financial market. The capital market is a set of certain institutions and transactions that form the supply and demand for medium- and long-term capital. It includes the debt securities market, in particular government debt securities, corporate bonds and the stock market, as well as a number of other financial instruments. In highly developed countries, capital markets play a critically important role in financing economic growth. Therefore, it is important to investigate the purpose for which the domestic capital market works through the prism of the analysis of the financial instruments that circulate on it.

Analysis of recent studies and publications

The issues of analyzing the features of the development of the government debt securities market in Ukraine under the influence of institutional changes and martial law in the country were studied by L. Bogrinovtseva, O. Klyuchka. In particular, they note in their study that the government uses the issue of debt securities to influence money circulation and regulate the money supply in the country.

The current state of the corporate securities market in Ukraine, as well as the opportunities and prospects for the development of this segment of the stock market in modern conditions, were studied by T. Pilyavoz, L. Glushchenko, N. Koval.

Objectives of the article

The aim of the article is to analyze the financial instruments of the capital market of Ukraine. To study the structure of financial instruments and their role in financing the real sector of the economy.

Statement of the main material

According to the information note on the capital markets of Ukraine during January – December 2023 [1], financial instruments on the operators of organized capital

markets were represented by the following types: shares; shares of a foreign issuer; shares of a corporate investment fund; corporate bonds; bonds of domestic government loans of Ukraine; bonds of external government loans of Ukraine; bonds of a foreign state; investment certificates; bonds of enterprises; bonds of a foreign issuer of Ukraine. Table 1 presents the distribution of the specified financial instruments by trading volumes on the operators of organized capital markets of Ukraine.

Let's analyze the structure of the presented financial instruments (Figure 1).

As we can see from Figure 1, the capital market of Ukraine is represented mainly by domestic government bonds, which indicates that the modern capital market serves to form the credit resources of the state.

Let us consider this financial instrument in more detail.

The issue of domestic government bonds is regulated by the Resolution of the Cabinet of Ministers of Ukraine dated 01.31.2003 No. 80 «On the placement (issue) of domestic government bonds», which provides that their issuer is the Ministry of Finance of Ukraine.

According to the information presented on the website of the Ministry of Finance: «Government bonds of Ukraine are divided into domestic government bonds of Ukraine, foreign government bonds of Ukraine, treasury bonds and special-purpose bonds of domestic government loans of Ukraine.

Domestic government bonds are government securities placed exclusively on the domestic stock market and confirm Ukraine's commitment to pay bond holders the nominal value with the coupon payments in accordance with the terms of bonds issue. The nominal value of the bond is UAH 1000. It may also be determined in foreign currency. Ukrainian domestic government bonds are classified into the three categories according to their maturity:

- long-term (more than five years);
- medium-term (from one to five years);
- short-term (up to one year).

The Ministry of Finance, in accordance with the Resolution of the Cabinet of Ministers of Ukraine No. 80 dated

31 January, 2001 «On Issue of Domestic Government Bonds», holds placement of domestic government bonds in the form of auctions through the National Bank of Ukraine (NBU). NBU performs public debt service operations related with the placement of domestic government bonds: their redemption and debt-service payments, as well as depositary activities.

According to its mandate, the Ministry of Finance of Ukraine performs the following activities:

- develops and publishes indicative calendars for the placement of domestic government bonds, defines the time and amount of bonds to be placed (approved calendar, as well as adjustments to it are periodically published on the official website of the Ministry of Finance);
- determines the forms and ways of placement of domestic government bonds, sets the maturity of domestic government bonds as well as redemption dates and coupon payment dates (for coupon bonds);

Table 1 – Trading volume of financial instruments on operators of organized capital markets with distribution by type of financial instrument during January-December 2023, UAH million

	Share	Foreign issuer share	CIF share	Corporate bond	Domestic government bond of Ukraine	External government bond of Ukraine	Foreign government bond	Investment certificate	Enterprise bond	Foreign issuer bond	Overall summary
January	1,6	1,3	0,1	4,2	27303,7	1,8	1674,5	0,0	0,0	0,0	28987,0
February	1,8	0,8	0,001	171,0	19830,3	2,2	1229,4	0,03	31,6	0,0	21267,2
March	3,0	1,2	0,0	867,3	31003,4	6,9	2313,9	0,03	0,0	0,0	34195,8
April	18,3	1,3	0,0	290,7	36021,2	14,5	2405,6	0,8	0,0	22,4	38774,9
May	9,8	0,2	0,0	452,3	41444,3	5,5	3871,0	0,7	40,2	8,6	45832,6
June	13,9	1,1	0,0	435,7	22295,7	24,3	2962,4	0,3	0,0	65,2	25798,5
July	7,1	0,0	0,0	489,1	27611,0	20,2	2368,6	0,1	0,1	14,6	30510,8
August	0,3	0,2	0,0	519,3	28963,6	14,2	326,5	0,6	1,6	10,3	29836,5
September	1,4	0,2	0,0	926,2	45368,6	17,2	1064,0	3,2	1,0	0,0	47381,8
October	21,9	0,1	0,0	2059,8	41798,9	11,7	1012,8	1,3	23,8	0,0	44930,4
November	14,7	0,1	0,0	1529,4	47355,5	29,3	713,6	0,6	3,4	0,0	49646,5
December	16,2	0,5	0,0	1054,1	37012,6	52,5	1129,5	3,4	1,4	0,0	39270,2
Total	109,9	7,1	0,1	8799,0	406008,7	200,3	21071,7	11,2	103,0	121,1	436432,1

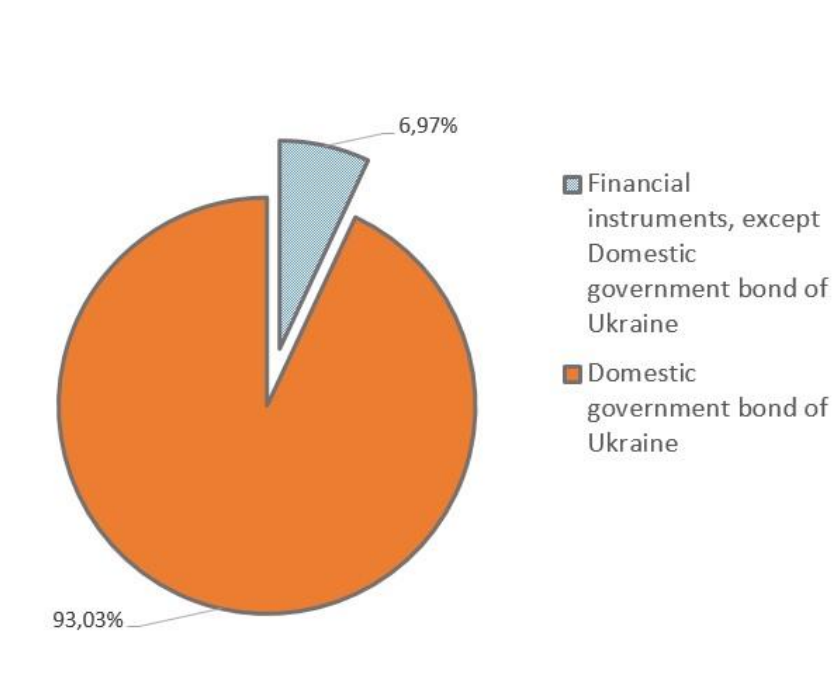


Fig. 1 – Financial instruments on the capital markets of Ukraine, %

- establishes the marginal level of the yield of domestic government bonds, according to which bidders' applications are satisfied;
- publishes information on the results of placement of domestic government bonds;
- finalizes issues of government bonds with global certificates;
- ensures timely domestic government bonds' redemptions and interest payments.

The placement of domestic government bonds is based on the current financing needs of the State Budget of Ukraine» [2].

An important characteristic of any financial instrument is its yield, and therefore its attractiveness to investors. Let's analyze the yield of government bonds over the last 5 years.

As the authors Lyudmila Bogrinovtseva and Olga Klyuchka note, analyzing the trends in the yield of domestic government bonds: «we can observe that in 2018 the weighted average yield on domestic government bonds was 17.79%. Over the next two years, this indicator decreased by 7.59%. But from 2020 to 2022, there was an increase in the yield on domestic government bonds by 7.63%. One of the main factors affecting the yield on the government bond market is the level of the state budget deficit. This is due to the fact that with the increase in the state budget deficit, the interest rate on the yield on bonds also increases. It should also be noted that the discount rate of the National Bank of Ukraine is another factor affecting the yield on government bonds. A decrease in the discount rate leads to a decrease in the yield on bonds. It is worth noting that today we can observe the opposite situation, since in recent years the weighted average yield on domestic government bonds has been growing and reaches 18.26% in 2022. As of July 31, 2023, this indicator has increased to 19.1%. The increase in the yield on domestic government bonds over the past year is primarily explained by the increase in the current needs of the state in attracting financial resources and the increase in the discount rate by the National Bank of Ukraine» [3].

When analyzing OVDPs, it should also be noted that the NBU is a depository for OVDPs, that is, an institution that maintains centralized accounting of OVDPs in a non-documentary form. Also, according to the information presented on the NBU website: «Domestic government

bonds are debt securities sold by the Government to primary dealers and their clients in the primary market to finance the needs of the state budget. Transactions for the purchase/sale of OVDPs in the secondary market take place between professional participants in the stock market and their clients (individuals and legal entities, non-residents. In order to facilitate the attraction of foreign investments in OVDPs, the NBU establishes correspondent relations with foreign depositories.)» [4].

Let us conclude the consideration of the OVDP financial instrument by explaining its advantages and reasons for its popularity. On financial analytics sites, one can find the thesis that OVDPs are a bestseller among investors.

The first reason for this phenomenon is that the financial market after the invasion is limited, and Ukrainians cannot buy shares of global companies, because the NBU has imposed restrictions on capital transactions abroad. But, as financial analysts say: «although before the war in Ukraine there were no other options: there were no derivatives through the stock exchange, the corporate bond market was almost non-existent... Therefore, OVDPs have become an excellent alternative» [5].

The second reason for the popularity of OVDPs is their maximum accessibility for investors of various categories. The threshold for purchasing OVDPs has been lowered to UAH 1,000 and they can be purchased not only in authorized banks, but also in «Diya». Banks do not check the origin of money for amounts up to UAH 400,000. (in accordance with the financial monitoring rules adopted in 2020).

The third reason is rates higher than deposits. «With inflation at 12.8% in July 2023, the rates for government bonds were 18-19.75%, according to the data of the then auction of the Ministry of Finance. Now the rates are lower, but they still cover inflation» notes O. Grazhdan. The fourth reason is reliability. Every country has government bonds and the state undertakes to pay everything under any circumstances.

Ukraine currently has a record budget deficit and is learning to finance its budget payments without international financial assistance. However, for Ukraine to continue growing, it needs to develop its financial market more [5].

Let us analyze the structure of financial instruments on the Ukrainian capital market, excluding government bonds, Ukrainian external government bonds, and foreign

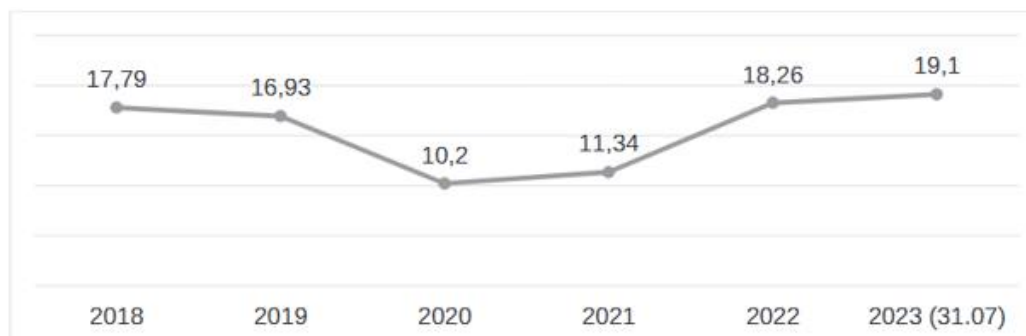


Fig. 2 – Dynamics of the weighted average yield on government bonds in Ukraine, %

Source: [3]

government bonds – that is, excluding government debt securities.

As can be seen from the figure, the leader among financial instruments in this segment of the financial market is corporate bonds, their share reaches 96.1%.

According to the Law of Ukraine “On Capital Markets and Organized Commodity Markets”: “Corporate bonds are registered bonds, the issuer of which is a legal entity (except for an international financial organization) that carries out entrepreneurial activities for the purpose of making a profit, as well as other legal entities in cases established by law.

The issue of corporate bonds is carried out by legal entities only after full payment of contributions to their authorized capital. Corporate bonds confirm the obligations of the issuer under them and do not give the right to participate in the management of the issuer. A legal entity has the right to issue interest-bearing and/or discount bonds in an amount not exceeding three times the amount of equity or the amount of security provided to it for this purpose by third parties. The procedure for the issue, circulation and redemption of target corporate bonds is established by the National Securities and Stock Market Commission. The decision on the issue of corporate bonds is made by the relevant management body of the issuer in accordance with the laws regulating the procedure for the creation, operation and termination of legal entities of the relevant organizational and legal form. The funds raised from the issue of target corporate bonds are used for the purposes specified in the prospectus or the decision on the issue of such bonds.

The registration of corporate bond issuance is carried out by the National Securities and Stock Market Commission in accordance with the procedure established by it. After the start of the placement of corporate bonds, amendments to the prospectus or the decision on the issuance of securities in the part of the securities document or the replacement of the issuer are made by the issuer with the consent of all bondholders of the relevant issue or a meeting of bondholders” [5].

It should also be noted that corporate bonds are a rather risky financial instrument. Payments under them are guaranteed only by the issuer – that is, the company issuing them. If a company goes bankrupt, then according to the Law of Ukraine “Code of Ukrainian Bankruptcy Procedures”, it will be liable for its debt obligations in the fourth place (in accordance with the priority of satisfying creditors’ claims) and there is a high probability that the investor will actually be left without the amount of the value of the bonds and the amount of expected income. A structure like the Deposit Guarantee Fund for Individuals, which returns deposits from bankrupt banks, simply does not exist here.

It should be noted that according to the information note on the capital markets of Ukraine, during January-December 2023, the Commission registered 24 bond issues, including corporate bonds worth UAH 13.05 billion and corporate bonds in foreign currency worth USD 8.0 million. Among the significant bond issues that significantly affected the overall structure of registered bond issues in December 2023, 3 bond issues of the issuer NovaPay Credit LLC worth UAH 300 million were registered. [1]. These bonds can be purchased in their own application.

The yield in hryvnia ranges from 14% to 17%, depending on the investment term.

Currently, investing in corporate bonds is primarily a matter of risk appetite. Under conditions of high profitability, they can become a tool for diversification, but investing the lion's share of one's savings in them under the current circumstances would be too reckless [6].

Regarding other financial instruments present on the Ukrainian capital market. According to Figure 3, in addition to bonds, the market also includes shares (1.2%), investment certificates (0.112%) and others, the share of which is very insignificant.

According to the Law of Ukraine “On Capital Markets and Organized Commodity Markets”: “A share is a registered security certifying the property rights of its owner (shareholder) relating to a joint-stock company, including the right to receive part of the profit of the joint-stock company in the form of dividends and the right to receive part of the property of the joint-stock company in the event of its liquidation, the right to manage the joint-stock company, as well as non-property rights provided for by the Civil Code of Ukraine, this Law and the law regulating the establishment, activity and termination of joint-stock companies.

The issuer of shares is exclusively a joint-stock company. The procedure for the relevant body of the joint-stock company to make a decision on the issue of shares is determined by the law regulating the establishment, activity and termination of joint-stock companies. Shares exist exclusively in electronic form.

A joint-stock company places only registered shares.

A joint-stock company places shares of two types – ordinary and preferred.

Common shares give their owners the right to receive part of the joint-stock company's profit in the form of dividends, to participate in the management of the joint-stock company, to receive part of the joint-stock company's property in the event of its liquidation, and other rights provided for by the law regulating the establishment, operation, and termination of joint-stock companies. Common shares give their owners the same rights.

Common shares are not convertible into preferred shares or other securities of the joint-stock company.

Providing any guarantees regarding the receipt of income (dividends) on common shares is prohibited.

Preferred shares give their owners preferential rights, compared to owners of common shares, to receive part of the profit of the joint-stock company in the form of dividends and to receive part of the property of the joint-stock company in the event of its liquidation, and also give the right to participate in the management of the joint-stock company in cases provided for by the charter of such a joint-stock company and the law regulating the establishment, operation and termination of joint-stock companies.

The registration of the issue of shares is carried out by the National Securities and Stock Market Commission in accordance with the procedure established by it. The circulation of shares is permitted after the National Securities and Stock Market Commission registers the report on the

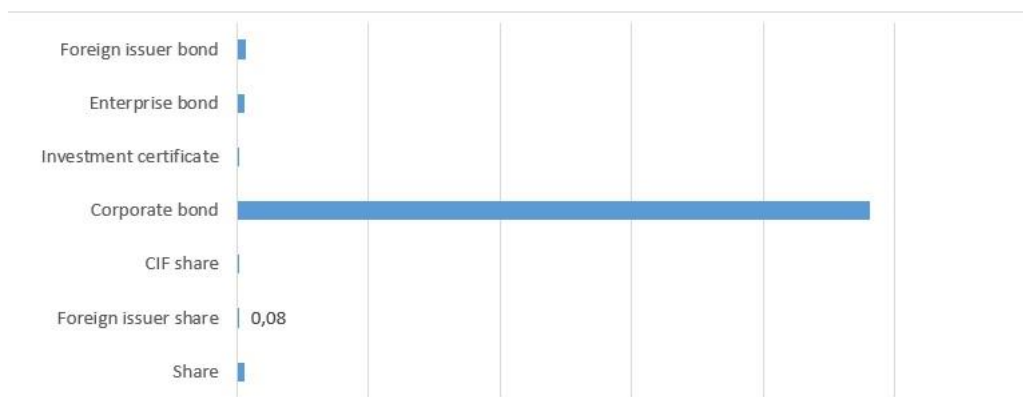


Fig. 3 – Structure of financial instruments of the capital market of Ukraine, except for government debt securities, %

results of the share issue and issues a certificate of registration of the share issue” [5].

According to [1], during January – December 2023, the Commission registered 30 share issues worth UAH 9.15 billion. Compared to the same period in 2022, the volume of registered share issues decreased by UAH 25.90 billion.

However, in 2024, there is a significant revival in this sector. During January – October 2024, the Commission registered 46 share issues worth UAH 338.07 billion. Compared to the same period in 2023, the volume of registered share issues during January – October 2024 increased by UAH 331.04 billion.

Among the significant share issues that significantly affected the overall structure of registered share issues in October 2024, the following issuers were registered: JSC "KRIS-TALBANK" for the amount of UAH 421.10 million, PrJSC "ATRATO SOLAR" for the amount of UAH 25.55 million and PrJSC "INSURANCE COMPANY ASKO-DONBAS NORTH" for the amount of UAH 18.66 million.

These facts make it necessary for the stock market to find new tasks aimed at solving the problem of providing the economy with investment resources. In the early stages of the formation of the Ukrainian stock market, the

organized stock market performed a narrow and specific function – it was one of the technical means in the process of privatization of state-owned enterprises. Thus, a primary market appeared in Ukraine, but only for the privatization process, and the initial placement of shares did not actually take place. Such a primary stock market does not provide enterprises with real investment resources. Further liberalization of Ukrainian economic policy and deepening global integration necessitate a developed stock market [7].

Conclusions

Today, Ukraine has a capital market, regulated by the National Securities and Stock Market Commission. Various types of financial instruments are traded on the market. According to the volume of trading in financial instruments on operators of organized capital markets, more than 93% of these instruments are held by government bonds. Analyzing corporate securities, we can conclude that the turnover of corporate bonds significantly exceeds the turnover of shares.

Thus, despite the presence of exchanges and regulators, the capital market of Ukraine does not provide its main function – attracting capital to the real sector of the economy, but serves to form the credit resources of the state.

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