

A close-up photograph of a person's hands. The right hand holds a black pen, and the left hand holds a silver smartphone. The hands are positioned over a document that contains a table with several rows of data. The background is slightly blurred, showing a laptop keyboard and a dark object on the left. The overall scene suggests a professional or administrative setting.

## E-auctioning process guidelines

# Introduction

**Neither borrower  
nor guarantor  
is allowed to buy their own debts.**



Deposit Guarantee Fund (“DGF”) was established with the purpose of protecting the bank depositors in Ukraine and in 2014 became one of the major holders of distressed assets in Ukraine following the crisis and “clean up” of the banking system.



During 2014-2017 more than 90 Ukrainian banks failed. As of July 2017 total distressed assets under DGF management amount to c. UAH 500 billion (\$19 billion).

The DGF aims to accelerate recovery of cash from its assets portfolio via promoting development of an efficient debt sales market in Ukraine.



A potential investor may acquire assets of failed banks managed by DGF using ProZorro.Sale, a platform which is administrated and overseen by Transparency International.



ProZorro.Sale was set up to ensure transparent, simple and competitive asset sale process. 39 e-marketplaces are currently connected to ProZorro.Sale and each of these platforms can be used by potential investors interested in the asset sale process to purchase the asset.

## Key points to note about the DGF organized assets sales process:

- 1 The starting price of an asset at the first auction is **GBV of the asset<sup>1</sup>**
- 2 After every unsuccessful auction the price is decreased by **10% from GBV**
- 3 The assets may be sold for up to **70% discount from GBV**

<sup>1</sup> Gross book value (GBV) calculates as aggregated amount of principal and accrued interest.

# Where can I find DGF assets for sale and get more information?



Investors can find information about DGF assets for sale through the following channels:



DGF website

<http://torgi.fg.gov.ua>

Channels



ProZorro website

[www.ProZorro.Sale](http://www.ProZorro.Sale)



All channels reflect simultaneously the same key information about the assets.

39 E-marketplaces



The assets are effectively sold via all e-marketplaces as they are connected to the central database.



Announcements on new assets put for sale are given on regular basis. To keep updated, you can subscribe to assets sales newsletter by:

- Sending subscription request to DGF ([CLO@fg.gov.ua](mailto:CLO@fg.gov.ua));
- Registering on any of the e-marketplaces and subscribing to receive announcements on new asset sales.



How can I get additional information regarding an asset?

## Steps to conduct Due Diligence on the assets:

1

Get in touch with a contact person responsible for the sale of an asset, who is indicated in an asset sale instruction document published for each asset.

2

Sign an NDA received from the contact person, and send the scanned copy back to the bank and to DGF ([CLO@fg.gov.ua](mailto:CLO@fg.gov.ua)).

3

Once NDA is signed, access to the physical data room is provided. Physical data rooms can be accessed during working hours while the assets is sold at auction. In Physical data rooms investors can review the underlying loan documentation where it will be possible to check asset documentation, assets, judicial decisions etc.



Once the investor has chosen an asset of interest on one of the channels and completed due diligence in the physical data room, what are the next steps of the buying procedure? (please see the next page).

# How can I buy DGF assets for sale?

## Step by step process

### 1 Register



Register on any e-marketplace (please see a list and links to all marketplaces in the appendix 1)

### 2 Choose the asset



Find the asset using Asset ID (№ of lot), provided in the sale instructions document.

### 3 Transfer security deposit



To participate in the open auction a potential buyer has to transfer a **security deposit of 5%<sup>1</sup> of initial price of the asset** to the bank account of the e-marketplace (bank account details are available on each marketplace and <http://torgi.fg.gov.ua/prozorrosale.php> ).

Security deposits are returned to the participants who are not announced as winner.

<sup>1</sup>Security deposit is usually 5% of initial price, but may differ. Information about security deposit is indicated in the asset sale instruction document.

### 5 Receive invitation to open auction

E-marketplace sends e-mail with a unique link to the auction to participants who submit bid before **20:00** Kyiv time the evening before the open auction. The E-marketplace and Prozorro indicate the exact start time of the open auction

### 4 Submit indicative (blind) bid



The indicative (blind) bid is submitted through the e-marketplace on which a bidder has registered.

**≥ 2**

is the minimum number of buyers for an auction to proceed to the next binding phase.

### 6 Open auction live

**1%**

is the minimum price increase of every next step during an open auction.

**3**

rounds of bidding. minutes for each round. minutes between rounds.

**≥ 1**

bidder has to raise a price in an open auction for it to be recognized as "successful".

**10%**

price reduction for the next open auction<sup>2</sup> if the previous one was unsuccessful. Maximum price reduction is 70% from GBV.

<sup>2</sup>70% of GBV is the maximum price decrease before an asset's displacement

### 7 Sign the sales agreement and make the payment



The winner of the open auction is given **3 days** to complete administrative paperwork and **20 business days** for signing the sales and purchase agreement. Draft SPA is a public and can be downloaded from DGF web-site<sup>3</sup>. Payment has to be settled until the signing of the sales contract.

If there is no response from the highest bidder or the bidder refuses to sign the sales contract or make a payment, the second highest bidder is announced as the winner<sup>4</sup>.

<sup>3</sup> <http://torgi.fg.gov.ua/shabloni-dogovor-v.php>

<sup>4</sup>If he keeps the security deposit

# Considerations

## Initial considerations

1

### Fee

Buyer pays to e-marketplace fee in the amount of 3% of the sale price.

2

### VAT

Loans are sold as claim rights, thus VAT is not applicable. VAT (20%) is applicable in the case of the purchase of any asset except the claim rights.

3

**Statutory duties for re-registration of the asset<sup>1</sup>** (for both individuals and legal entities):

- Real estate: at least 2% of the sale price;
- Vehicles: from 3% to 5% of the sale price;
- Land: at least 1% of the sale price.

4

### Registration of collateral:

- Mortgage: at least 0.01% of the sale price;
- Vehicles: at least 1% of the sale price.

## Future considerations

1

### Personal income tax

The individual buyer has to pay tax in amount of 5% from sale price, if one purchases any real estate asset and sells it in less than 3 years.

2

### Related to debt write-off by legal entity















- Not all corporate debts are tax deductible in case of its write-off;
- As tax agent legal entity has to pay personal income tax instead of individual borrowers in case of its write-off in the amount of 18%.

1 Depends on the type of asset and its specific characteristics











# Appendix 1: E-marketplaces (1/3)

#	Name of e-marketplace		Link
1	E-auction		<a href="https://e-auction.ua/">https://e-auction.ua/</a>
2	Prom.ua		<a href="https://zakupki.prom.ua/">https://zakupki.prom.ua/</a>
3	Ukrainian Energy Exchange		<a href="https://sale.ueex.com.ua">https://sale.ueex.com.ua</a>
4	Polonex		<a href="https://www.polonex.com.ua/">https://www.polonex.com.ua/</a>
5	Exchange.Online		<a href="https://gov.auction/">https://gov.auction/</a>
6	DTO		<a href="https://www.dto.com.ua/">https://www.dto.com.ua/</a>
7	ETS		<a href="https://etc-torgi.com/">https://etc-torgi.com/</a>
8	Kyiv Insider Fund		<a href="https://sale.kif.in.ua">https://sale.kif.in.ua</a>
9	Newtend		<a href="https://ea.newtend.com">https://ea.newtend.com</a>
10	Ekaterinoslavskaya Exchange		<a href="https://sale-tbe.com.ua">https://sale-tbe.com.ua</a>
11	SmartTender.biz		<a href="https://smarttender.biz">https://smarttender.biz</a>
12	Perspectiva Commodity		<a href="https://fgvfo.e-commodity.fbp.com.ua">https://fgvfo.e-commodity.fbp.com.ua</a>
13	Open Tender		<a href="https://eauction.open-tender.com.ua/">https://eauction.open-tender.com.ua/</a>
14	National Exchange		<a href="http://www.neb.org.ua/">http://www.neb.org.ua/</a>

# Appendix 1: E-marketplaces (2/3)

#	Name of e-marketplace		Link
15	Central Universal Merchandise Exchange		<a href="http://www.cuex.com.ua">www.cuex.com.ua</a>
16	Exp-agency		<a href="https://torgi.exp-agency.com.ua/">https://torgi.exp-agency.com.ua/</a>
17	Vidol		<a href="https://torgi.vidol.com.ua">https://torgi.vidol.com.ua</a>
18	Status Expert		<a href="https://torgi.status-expert.com.ua">https://torgi.status-expert.com.ua</a>
19	First Universal Exchange		<a href="http://birga-ukraine.com.ua/">http://birga-ukraine.com.ua/</a>
20	Innex		<a href="https://market.comminnex.com/">https://market.comminnex.com/</a>
21	KMFB		<a href="https://ti.tbkmb.com.ua/">https://ti.tbkmb.com.ua/</a>
22	Open Standard Business Partners		<a href="http://e-trading.kiev.ua">http://e-trading.kiev.ua</a>
23	Ukrainian Agricultural Commercial Exchange		<a href="https://eauction.uace.com.ua">https://eauction.uace.com.ua</a>
24	Brizol		<a href="https://eauction.brizol.net/">https://eauction.brizol.net/</a>
25	UBIZ Electronic Trading		<a href="https://ubiz.ua/">https://ubiz.ua/</a>
26	Zakupki UA		<a href="https://zakupki.com.ua/">https://zakupki.com.ua/</a>
27	Central Universal Exchange		<a href="https://eauction.centrex.com.ua">https://eauction.centrex.com.ua</a>
28	Public Bid Sale		<a href="https://public-bid.sale">https://public-bid.sale</a>

# Appendix 1: E-marketplaces (3/3)

#	Name of e-marketplace	Link
29	Tenders Auctions Bids  tenders auctions bids	<a href="https://sale.tab.com.ua/">https://sale.tab.com.ua/</a>
30	LOT.Privatbank 	<a href="https://lot.pb.ua/">https://lot.pb.ua/</a>
31	Ukrainian Interregional Specialized 	<a href="https://proumstrade.com.ua/">https://proumstrade.com.ua/</a>
32	Epsilon 	<a href="https://tbepsilon.com">https://tbepsilon.com</a>
33	Renaissance 	<a href="http://tbv.com.ua/">http://tbv.com.ua/</a>
34	Vertas 	<a href="http://vertas.com.ua/">http://vertas.com.ua/</a>
35	Educational-consulting Center 	<a href="https://sale.nkc.biz.ua">https://sale.nkc.biz.ua</a>
36	Professions 	<a href="https://www.aykcion.com/">https://www.aykcion.com/</a>
37	Prozora 	<a href="https://www.tbetb.com.ua">https://www.tbetb.com.ua</a>
38	Universal Merchandise-commodity Exchange 	<a href="https://tb.kiev.ua">https://tb.kiev.ua</a>
39	Review palata	<a href="https://palata.com.ua/">https://palata.com.ua/</a>