# Interrelations of the entities, that form and manage share institutions with joint investments

Ihor Oleksiv<sup>1</sup>, Iryna Shpakovych<sup>2</sup>

- 1. Management and International Business Department, Lviv Polytechnic National University, UKRAINE, Lviv, S. Bandery street 12, E-mail: ihoroleksiv@yahoo.com
- 2. Management and International Business Department, Lviv Polytechnic National University, UKRAINE, Lviv, S. Bandery street 12, E-mail: irkosp@gmail.com

Abstract – The economic basis of share institutions with joint investments was researched and observed perfected the interrelation of the entities that manage and take part in their formation. The investment consultant was suggested to be involved as an additional participant for this system. The following entities were characterized. Up-to-date functions were offered and back grounded.

Key words - share institution with joint investments, Management Company, an investment consultant.

### I. Introduction

Share institution with joint investments (SIJI) – is not a legal body, though it has all legal characteristics apart from the statute and Common state register of enterprises and organizations of Ukraine. The registration of the stock markets is held by the National Committee of Securities and Stock Market. The registration ends up with the assigning of the code to the fund and its registration to SIJI, which is run by a specialized department of the Committee. The sponsor of SIJI is a company that runs the assets (MC) and performs all necessary activities to register the share of the investment fund, hold the emission of the investment certificates and ensure its fulfillment.

## II. Sientific part

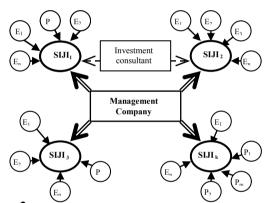
As a result of the mutual work of SIJI and MC, their members, physical persons, legal representatives, consultants there appears the system of interrelations of the entities that form and run SIJI. The following system is shown in Fig. 1 [1; 2; 3; 4; 5].

Practically all financial, legal and economic operations of SIJI are performed by MC – a legal body, created in the form of an LLC and a private joint stock company with their statute fund no less than 7 000 000, 00 mln UAH that works professionally in managing the assets of SIJI according to the license, given by the Committee and cannot combine this business with other kinds of professional activities at Stock Market. The investment funds function via MC. The asset management is the only kind of running business for such enterprises. MC is the main member of the stock market, which interrelates with the investment funds and performs the following functions regarding SIJI [1; 2; 3; 5]:

• creating share SIJI. Performing expert evaluation of the efficiency of SIJI (Committee formation: highly qualified staff with corresponding experience, info access,

performing of expertise: analytical group is to be confident with the technologies and stages of expertise performing for SIJI creation; processing of the results and their analysis);

- management of the investment funds' assets (sends investments of depositors to assets formation of such SIJI):
  - searches companies to invest in and get the profit;
- fills in fund assets by means of outlet and placement of securities of SIJI, searches under rites to invest fund certificates among investors;
- analyses securities and other instruments, that belong to investment fund assets, and calculates clear fund assets;
- chooses licensed members of stock market, that trade securities and keep them, signs contracts on profitable conditions:
  - performs accounting audit of SIJI;
  - reports in front of state organs;
  - provides SIJI business activity;
  - estimates major business activity aspects of SIJI;
- determines the factors that influence SIJI further business activity;
  - forms and provides investment policy of SIJI.



interrelation between Management Company and SIJI;

interrelation between SIJI and members; participate in SIJI formation;

provide consulting services for SIJI;

SIJI <sub>1...k</sub> – institutions of corporate investments;

E <sub>1...n</sub> – legal entityes-members SIJI;

P<sub>1...m</sub> – physical persons- members SIJI.

Fig. 1. The system of interrelations of the entities, that form and run SIJI

Resource: created by the author on the basis of literature analysis. An investment consultant was offered to be involved.

The contribution to the assets of SIJI is made by legal bodies and individual entrepreneurs. Their aim is to get profits from certain kind of investment [5].

On forming joint stock company, the founders remain the only members of the fund and follow their interests. As a rule, when the joint stock company is founded by SIJI members, their relations, industrial activity and business projects are corporative. On forming open investment fund, it imitates investment certificates, which can be sold at non regulated market or via stock markets or can be bought by depositors [3; 4].

As a result of the above mentioned operations by the members of SIJI become all bodies that have bought the securities imitated by this fund. The quantity of the members is not limited. In the process of fund activity the fund committee can be founded by SIJI members. They also appoint the head of this committee. According to the contract about the cooperation between SIJI and MC, the head of the committee monitors MC activity regarding the fund and is entitled to adopt and cancel the decisions about fund assets. The head of the committee signs fund's purchase contracts of the securities, contracts on fund's operations with other assets, and a contract with the keeper of the securities [1; 2; 5].

On the basis of the analysis of different socialeconomic subjects, we offered the following functions which are up-to-date for SIJI:

- general-social function estimates activity direction to satisfy investors' interests. The following function aims to strengthen SIJI business activity as a basis of the investment interrelations, increase business capacity of the fund and the length of its existence. In this way all necessary conditions are created for the fund to fulfill all business projects. It is efficient for favorable conditions and relations of the fund due to the realization of the legal regulations.
- the function that protects investors' interests aims to protect personal data of each depositor. In investing in SIJI, the data of the entrepreneurs and legal depositors are being collected. Such information is confidential and is forbidden to be spread without member's agreement apart from the cases foreseen by the Law of Ukraine "About Personal Data Processing". This function stands for depositors' rights to reduce the level of criminal cases.
- informational function aims to organize and provide regular access to the informational system about business activity of investment funds. SIJI are open to state organs (Tax Office, The National Committee of the Securities and Fund Market. Self-Regulated Organizations) that are checking legitimate activity of the fund and requirement to the fund and its investors that are interested in taking risks and profitability of fund operations, fund's ability to pay out the interests. To give free access to the information about the state of the investment fund and the operations performed aims to make certain decisions or realizations of depositors' plans.
- regulating function aims to eliminate certain factor, that appeared ( for example to regulate interrelations between depositors resulting in the conflict of non profitable investments). The given function was created to preserve the stability of the fund as a subject of business interrelations by means of supporting necessary correlation between different elements to remove and manage possible deviations from the planned functional process.

In this work it was offered to hold an independent expertise of the regulation, the prospect of emission and further calculations regarding the operation offered by MC due to investors' initiative, investment consultant because:

- 1. MC is interested in involving investments resulting in profits for the fulfilled services.
- 2. To maximize and decrease investors' risks, an investment consultant being independent from SIJI and MC as well as from the members of the investment fund, is to hold an independent evaluation of an offered business project.

The functions of an investment consultant:

- evaluation and expertise of business projects;
- risk evaluation and profits;
- time prospect.

An investment consultant has to be highly qualified in the sphere of the financial investments and fund market, be certified correspondingly by the National Committee of the Securities and stock market.

#### Conclusion

The article deals with the relationship of subjects that shape and manage SIJI, studied and completed their functionality. Proposed functions for mutual funds allow you to understand the role of the object in relation to the subjects that shape it. Introduction to a such structure investment advisor will let investors get a more objective assessement created or an existing investment which will provide an opportunity to build more reliable for investors object.

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