*DISCLAIMER: English is not an official language of the Czech Republic. This translation is provided for information purposes only and has no legal force. The following text has been translated using predominately a machine translation and may therefore contain misleading information. It has been edited by civil servants and employees of the Ministry of Finance of the Czech Republic in their capacities to the maximum extent possible, having regard to their ordinary duties in the Capital Markets Unit (Financial Markets II Division). It should therefore serve as a public good and is not intended for commercial purposes. Should you wish to engage in legal cases, we recommend you to use professional translations and professional legal services. Due to the nature of translation, it is not possible to exclude possible translational nuances that may arise in connection with the translation of expert texts and which must be taken into account when accessing and working with the published materials. If you find a translation incomprehensible, please contact us – we will try to provide a better one. The word “Section” can be abbreviated, if appropriate, to “§” (section sign, signum sectiōnis) or “Sec.”. Words importing female persons include male persons and corporations and words importing male persons include female persons and corporations. All footnotes are at the end of this document (numbering of footnotes preserves the original numbering).*

***draft translation for public consultation, version effective from 29 May 2022***

***(last update: 13 April 2023)***

**Act No. 190/2004 Coll., on Bonds, as amended**

Amended by Acts No. 378/2005 Coll., No. 56/2006 Coll., No. 57/2006 Coll., No. 296/2007 Coll., No. 230/2008 Coll., No. 227/2009 Coll., No. 230/2009 Coll., No. 281/2009 Coll., No. 160/2010 Coll., No. 199/2010 Coll., No. 355/2011 Coll., No. 172/2012 Coll., No. 227/2013 Coll., No. 303/2013 Coll., No. 137/2014 Coll., No. 183/2017 Coll., No. 307/2018 Coll., No. 119/2020 Coll., No. 237/2020 Coll. and No. 96/2022 Coll.

 The Parliament passed the following law of the Czech Republic:

**PART ONE**

**BASIC PROVISION**

TITLE I

INTRODUCTORY PROVISIONS

Section 1

**Subject of modification**

 This law incorporates the relevant regulation of the European Union1) and regulates the procedure for issuing bonds, regardless of who is the person issuing the bonds (hereinafter referred to as the "issuer"), and some other issues related to bonds, including the procedure for issuing similar securities and book-entry securities with which the right to repayment of the owed amount is associated.

Section 2

**Bond and bond issue**

 (1) A bond is a security or a book-entry security, which is associated with the right to the repayment of a certain debt amount corresponding to the nominal value by its issuer, all at once or gradually at a certain point in time, and possibly also other rights arising from the law or from the bond issue conditions (hereinafter referred to as "emission conditions").

 (2) Bonds can only be exchanged.

 (3) A bond that is not a book- entry security or an immobilized security (hereinafter referred to as a "documented bond") is a listed security. The identification of the transferee shall be indicated in the back copy of the deed bond.

 (4) Bond issue means a set of bonds issued on the basis of the same issue conditions and having the same issue date and the same maturity date. Bonds of the same issue with the same rights will be assigned the same identifier according to the International Securities Identification Numbering System (ISIN).

Section 3

**Disclosure of emission conditions**

 (1) The issuer may issue bonds only if, at the latest on the date of their issue, the issue conditions were made available to investors on an information carrier that enables investors to reproduce the issue conditions in an unchanged form and preserve the issue conditions so that they can be used at least until the maturity date of these bonds.

 (2) If the bond prospectus (hereinafter referred to as the "prospectus") is published no later than the bond issue date and if their issue conditions are made available on the issuer's website no later than the same date, disclosure on the information carrier referred to in subsection 1 is not required. In that case, however, the issuer will ensure that the issue conditions are made available on this website free of charge and in an unchanged form permanently at least until the maturity date of these bonds and have the form of a data file suitable for download in a commonly used format.

 (3) If the owner of the bonds requests it, the issuer is obliged to provide him with one copy of the current issue conditions of these bonds free of charge.

Section 4

**List of owners**

 (1) The issuer keeps a list of the owners of the documentary bonds issued by it. The list of owners of bonds that are book-entry securities or immobilized securities (hereinafter referred to as "book-entry bond") is kept by the person in charge of the relevant register of investment instruments.

 (2) In order for the transfer of a documentary bond to be effective against the issuer, the presentation of a bond with a continuous series of endorsements or other proof that the relevant person is the owner of the bond is required; the issuer shall enter the change of ownership in the list pursuant to subsection 1 of the first sentence without undue delay after such change is proven to him.

Section 5

**Types of bonds**

 Bonds issued by the same issuer, which are associated with the same rights, form one type.

Section 6

**Requisites of the bond**

 (1) The bond contains at least

a) the designation "bond", if it is a covered bond, state treasury bill or Czech National Bank bill,

b) information on the type of bond, which can also be indicated by reference to the issue conditions, if it is not a bond with which no special right is associated,

c) data identifying the issuer,

d) nominal value as the amount owed,

e) the yield of the bond, or the statement that the yield is determined by the difference between the nominal value of the bond and its issue rate; or it is at least clear from the bond that the bond has no yield or where it is possible to learn how the yield is determined,

f) the date or other moment of repayment (hereinafter referred to as the "maturity date") of the owed amount (repayment of the bond), or information that the owed amount is to be repaid in instalments,

g) data identifying the owner of the bond, if it is not a book-entry bond,

h) signature of the issuer, if it is a book-entry bond,

i) numerical designation of the bond, if it is not a book-entry bond,

j) date of issue a

k) identification mark of the bond according to the international numbering system for the identification of securities.

 (2) For a book-entry bond, it is sufficient that the data specified in subsection 1 letter a) to f) and j) can be ascertained from the relevant register of investment instruments.

 (3) If a collective bond was issued, this debt report also contains information on how many bonds and what type they are replacing.

 (4) For the assessment of whether the bond is properly issued, it does not affect whether it contains the requirements listed in subsection 1, if it contains at least the requirements listed in subsection 1 letter c) to h) and k), or if these data can be ascertained from the relevant register of investment instruments; subsections 2 and 3 are not affected by this.

Section 7

**The total nominal value of the bond issue**

 (1) The issuer may issue bonds

a) in a smaller total nominal value of the bond issue than the expected total nominal value of the bond issue, if it was not possible to subscribe to the expected total nominal value of the bond issue by the end of the subscription period,

b) in a larger total nominal value of the bond issue than the expected total nominal value of the bond issue, even after the expiry of the subscription period, if this possibility is indicated in the issue conditions, or

c) up to the expected total nominal value of the bond issue even after the expiry of the subscription period, if this option is specified in the issue conditions.

 (2) If the issuer proceeds according to subsection 1 letter b) or c) and if the period determined for subscription is not sufficient, it shall determine an additional period for subscription, which will end no later than the day that is decisive for the repayment of individual instalments of the nominal value of the bond or the repayment of the bond, and shall make it available in the same way as the issue conditions.

 (3) In the case of book-entry bonds, the issuer shall, without undue delay, notify the person in charge of the relevant register of investment instruments of the fact pursuant to subsection 1 and make it available in the same way as it made available the issue conditions, without undue delay. In the case of the issue of municipal bonds, the issuer shall notify the fact pursuant to subsection 1 letter a) also to the Ministry of Finance (hereinafter referred to as "the Ministry").

 (4) In the case of the issue of government bonds issued as book-entry bonds, the Ministry shall announce the fact in accordance with subsection 1 letter b) or c) without undue delay to the person keeping the relevant register of investment instruments and shall announce or publish it in the same way as he announced or published the issue conditions.

 (5) The issuer shall make available to investors information on the expected total nominal value of the bond issue together with the issue conditions in the manner in which these issue conditions are made available.

TITLE II

ISSUING TERMS

**title omitted**

Section 8

**Basic provision**

 The issue conditions define in more detail the rights and obligations of the issuer and bond owners, as well as information about the issue of bonds, including by reference to the information contained in the prospectus.

Section 9

**Matters of emission conditions**

 (1) The issue conditions always contain at least a reference to the information contained in the prospectus

a) facts listed in Section 6 subsection 1 letter a) to f) and a),

b) information on whether it is a deed bond, an immobilized security or a book-entry security,

c) the deadline for underwriting the bond issue,

d) issue rate, possibly the method of its determination,

e) information on how the yield of the bond is determined, or that the bond has no yield,

f) the method and place of subscribing the bond, the method and deadline for handing over the bonds to individual subscribers and the method and place of payment of the issue price of the subscribed bond,

g) information on how and where the bond is to be repaid, including any information on the maturity date and the amount of individual instalments, if the amount owed is to be repaid in instalments,

h) data on the taxation of bond income,

i) data necessary to identify the persons who participate in securing the issuance of the bond, the repayment of the bond and the payment of the yield of the bond, indicating the manner of their participation in these activities,

j) identification mark of the bond according to the international numbering system for the identification of securities,

k) the method of announcing the meeting of bond owners (hereinafter referred to as the "meeting of owners"), and the method of publishing and making available other information about the bond,

l) information about by whom, when and with what result the rating was granted, if this information is known to the issuer,

m) determination of the day that is decisive for participation in the meeting of owners,

n) information on whether and to what extent the Czech National Bank supervises the issue of bonds and their issuer, and

o) information that if the prospectus is approved by the Czech National Bank,

1. this prospectus is assessed by the Czech National Bank only in terms of the completeness of the data contained therein,

2. when approving it, the Czech National Bank does not assess the economic results or the financial situation of the issuer and

3. by approving the prospectus, the Czech National Bank does not guarantee the future profitability of the issuer or its ability to repay the proceeds and nominal value of the bond.

 (2) In accordance with the intentions of the issuer, the issue conditions also contain at least a reference to the information contained in the prospectus

a) the issuer's decision that the bond issue will be issued gradually (in tranches) within the subscription period,

b) the right of the issuer to proceed according to Section 7 subsection 1 letter b), or the right of the issuer to proceed according to Section 7 subsection 1 letter c),

c) information on when, how and where the yield of the bond is to be paid, if the yield is not determined by the difference between the nominal value of the bond and its issue rate,

d) information on the fact that the repayment of the bond or the payment of its yield is secured by a third party, and information on where the contract for securing is available to investors,

e) data on the right of lien on a bond, where repayment of the bond or payment of its income is secured by a lien, and the manner in which the right of lien will be exercised, including any information pursuant to Section 20,

f) the method of drawing a bond, the yield of which is linked to the bond being drawn,

g) information on other rights associated with the bond,

h) information that the issuer has decided according to Section 17,

i) a statement that information pursuant to this Act will be published and made available in a language other than Czech,

j) information on who will keep the records of the booked bonds,

k) information on the issuer's decision to exclude the possibility of separating the right to the payment of the bond yield from the bond,

l) authorization of the issuer to repay the bond before its maturity date, including the proportional return, with the definition of the conditions and method of early repayment and also the method of calculating the value of unpaid unreturned coupons according to Section 19 subsection 4,

m) authorization of the bond owner to request the repayment of the bond or, where appropriate, the proportional yield before the maturity date and the definition of the conditions under which he is authorized to do so,

n) the wording of the arbitration clause, if disputes about the rights and obligations associated with the bond are to be resolved in arbitration,

o) in the case of an exchangeable bond, the method of notification of the date from which the right to exchange for another bond or other bonds or a share or shares can be exercised, and the place and deadline for exercising this right; if the exchangeable bonds are book-entry bonds, the day that is decisive for determining the person authorized to exercise rights from these bonds,

p) in the case of a priority bond, the method of notification of the day from which the right to preferential subscription of shares can be exercised, and the place and deadline for exercising this right; if the priority bonds are book-entry bonds, the day that is decisive for determining the person authorized to exercise rights from these bonds,

q) in the case of a subordinated bond, an agreement that the claim corresponding to the rights associated with this bond will be satisfied only after all other claims have been satisfied, with the exception of claims that are bound by the same or comparable condition of subordination in the event

1. entry of the issuer into liquidation,

2. issuance of a decision on the bankruptcy of the issuer, or

3. if the issuer is a foreign person, also of another similar measure,

r) for a subordinated bond, determining a different order of satisfaction of claims from subordinated bonds, including in relation to the satisfaction of other claims, including claims from other subordinated bonds, or differently in relation to a claim corresponding to the right to repay the bond and other rights associated with the bond.

Section 10

**Change in emission conditions**

 (1) Prior consent of the owners' meeting is required to change the emission conditions.

 (2) The consent of the meeting of owners is not required

a) to a change directly caused by a change in legislation,

b) to a change that does not affect the position or interests of bond owners, or

c) in the event that none of the issued bonds to which the issue conditions apply is owned by a person other than the issuer.

 (3) The issuer shall, without undue delay, make this amendment to the issuance terms and the full text of the issuance terms after the amendment made available to investors in the manner in which the issuance terms were made available.

 (4) An investor who has agreed to buy or subscribe to a bond and has not yet acquired ownership rights to the bond prior to the release of the change in the issue conditions, for which the prior consent of the owners' meeting is required, is entitled to withdraw from the purchase or subscription within 5 working days after, what is made available to change the issue conditions, if the issuer does not specify a longer period in the issue conditions.

Section 11

**Bond programme**

 (1) Common issue conditions for an undetermined number of bond issues are referred to as a bond programme.

 to the bond programme for the given issue are considered to be the issue conditions of the individual issue within the bond programme.

 (3) The supplement to the bond programme contains at least

a) supplementing the requirements of the issue conditions according to Section 9, which are not contained in the bond programme,

b) a link to the bond programme and information on where it can be found, and

c) specific conditions of the bond issue to which the supplement of the bond programme applies.

**Doubts about the content of the special right associated with the bond**

Section 12

**title omitted**

 (1) In case of doubt as to the content of a special right associated with a bond, the court may, at the proposal of the owner of the bond,

a) decide what special right is associated with the bond, if it is clear from the circumstances that such a right expresses the will contained in the issue conditions or is closest in content to this will, or

b) if it is not possible to proceed according to letter a), decide that the bond is a bond with which no special right is associated.

 (2) The procedure referred to in subsection 1 is a procedure according to Section 83 subsection 2 letter d) of the Code of Civil Procedure.

 (3) The issuer shall make the information on the initiation of the proceedings pursuant to subsection 1, together with the file mark of the proceedings, the designation of the competent court and information on the subject of the dispute, available without undue delay after the initiation of the proceedings on the same website on which it made the issue conditions available, so that the requirements are similarly met referred to in Section 3 subsection 2 second sentence or in the manner in which he made the emission conditions available. In the same way, the issuer will also make available the court's decision in this matter with the legal authority clause marked.

 (4) If the party to the proceedings pursuant to subsection 1 is a natural person, the issuer shall make available only the name of his/her personal data.

**title omitted**

Section 13

 (1) If the court decides according to Section 12 subsection 1 letter b) the owner of the bond, the type of which has been decided, may demand within 1 month from the day when the issuer made the decision available to the court in accordance with Section 12 subsection 3, that the issuer buy this bond from him for a reasonable price, unless the doubt was already obvious at the time the owner acquired the bond. The issuer will buy the bond from the bond owner within 15 working days from the day it received the proposal for concluding the contract.

 (2) If the issuer does not fulfil the obligation set out in subsection 1 or if the issuer does not make available the decision pursuant to Section 12 subsection 1 letter b) in accordance with Section 12, subsection 3, second sentence, within 1 month from the date of its acquisition of legal power, the authorized owner of the bond may demand the conclusion of the contract in court or demand compensation for damages, no later than within 6 months from the date when the issuer ran out of proposal to conclude a contract.".

Section 14

**cancelled**

TITLE III

BONDS ISSUANCE AND OWNER'S BONDS PURCHASED BY THE ISSUER

Section 15

**Bond issue**

 (1) The issuance of bonds is ensured by the issuer or a person authorized by him, who procures the issuance of the issue or contractually undertakes to become the first purchaser of the issue or part of it.

 (2) It is possible to issue bonds within the subscription period also gradually in parts (tranche h), if this possibility is indicated in the issue conditions.

 (3) If the bonds are not issued, the issuer is obliged within 30 days after the end of the subscription period to return to the subscriber the amount subscribed and paid by him, and unless the issue conditions stipulate otherwise, plus the interest that the payment service provider, who kept the account into which the amount was repaid, charged in respect of that amount.

 (4) Bonds which, upon their issuance, are first entered into the issuer's asset account in the appropriate register of investment instruments, are considered to have been properly issued at the time of their entry into this account, if the other requirements set forth by law for the issuance of bonds are met.

Section 15a

**Own bonds**

 (1) Own bonds acquired by the issuer before their maturity date do not expire, unless the issuer decides otherwise.

 (2) The issuer does not exercise an exchange or priority right (Section 33) associated with its own bonds.

 (3) Own bonds acquired by the issuer expire on their maturity date or on the date specified by the issuer, if it precedes the maturity date.

 (4) For the purposes of the provisions of this Act governing the meeting of owners, own bonds owned by the issuer are not taken into account.

TITLE IV

BOND PROCEEDS, PAYMENT OF BOND PROCEEDS AND REPAYMENTS OF THE BOND

**title omitted**

Section 16

**Bond yield**

 The yield of the bond can be determined in particular

a) fixed interest rate,

b) the difference between the nominal value of the bond and its issue rate,

c) a drawable premium or a premium depending on the maturity date of the bond, or

d) a floating interest rate derived, for example, from other interest rates or interest income, exchange rate movements, financial indices or commodity prices.

Section 17

**The decisive day for the repayment of the bond and the payment of the yield of the bond**

 (1) If the issuer has decided in the issue terms and conditions that the right to redeem the bond belongs to a person who is authorized to exercise the rights associated with the bond on a date other than the bond's maturity date, the day thus determined may not precede such maturity date by more than 30 days or follow this date.

 (2) Subsection 1 shall be applied similarly to the right to pay the yield of the bond and the right to repay individual instalments of the bond.

Section 18

**Separation of the right to the yield of the bond**

 (1) If the issue conditions do not exclude it, the right to the yield of the bond may be separated from the bond and linked to the coupon as a security or a book-entry security issued to exercise this right.

 (2) The coupon sheet for the documentary bond must be issued at the same time as the bond is issued, with a separate coupon for each individual yield; in the case of a book-entry bond, the provisions of the first sentence apply proportionately for registration in the relevant register of investment instruments.

 (3) Each of the bond coupons must be marked with the right associated with it and the date that is decisive for the exercise of this right.

 (4) If the bond is assigned an identification mark according to the international numbering system for the identification of securities, this identification mark must be assigned separately for

a) bond with coupons,

b) bond without coupons (hereinafter referred to as "separated principal")

(c) each bond coupon.

 (5) At the request of the person authorized to exercise the rights associated with the bond, the person in charge shall carry out the appropriate registration of investment instruments

a) division of the bond into separate principal and coupons, or

b) rejoining the separated principal with coupons, if their owner is also the owner of the separated principal. The merger can only take place if the owner of the principal owns all the coupons for which the day decisive for the exercise of the right associated with them has not yet occurred.

Section 19

**Redemption of bond and payment of bond proceeds**

 (1) The maturity of the bond is determined once on a certain date, or in instalments, the amount of which is determined in the issue conditions.

 (2) The issuer is entitled to redeem individual bonds, including a proportionate yield, before their maturity date only if the issue conditions allow this method of redemption and define the conditions for early maturity. The issue conditions may specify that in case of early repayment of the bonds, the entire outstanding amount corresponding to the nominal value may not be repaid, if the bond owner is repaid at least the issue rate paid by him.

 (3) The owner of the bond may request repayment of the bond before the set maturity date, only if the terms of the issue allow this method of repayment or if this law so provides; unless something else follows from the emission conditions, a proportional yield can also be requested.

 (4) If the bond is redeemed early, all coupons that are not yet due must be returned together with the bond. In case of non -fulfilment of this obligation, the value of unreturned coupons, determined according to the issue conditions, will be deducted.

 (5) The right to the yield of the bond associated with the coupon, which was not returned to the issuer upon early repayment of the bond, remains preserved.

 (6) Repayment of the bond and payment of the bond yield can be carried out by the issuer itself or through a bank, savings and credit cooperative, securities dealer, postal service operator or a person who is authorized under the law of the foreign country under which it was founded to carry out similar activities as these persons and is authorized to do business in the territory of the Czech Republic.

CHAPTER V

SECURITY AGENT

Section 20

**Bond Collateral and Collateral Agent**

 (1) Repayment of the bond and payment of the bond yield and other bond-related debts can also be ensured in relation to each bond issue by establishing a lien or other security in favour of the bond owners and, where appropriate, also other persons listed in the issue conditions (hereinafter referred to as "authorized persons") on the basis of a written agreement entered into between the collateral agent as a pledgee or beneficiary of other collateral and the issuer or other provider of collateral. Claims secured in this way can be contingent claims or claims to be incurred in the future, as well as claims of a certain type arising at a certain time or different claims arising for the same legal reason. Only one collateral agent may be appointed in relation to one issue of bonds.

 (2) The security agent exercises the rights of the creditor, mortgagee or other security beneficiary in its own name for the benefit of authorized persons; this also applies in the event of insolvency proceedings, execution of a decision or execution concerning the pledgee or other security provider or their property. The performance obtained from the collateral (hereinafter referred to as "obtained performance") belongs to the authorized persons in the ratio specified in the issue conditions; if the collateral agent is a bank or stockbroker, the performance obtained to this extent is considered to be the customer's property according to the Capital Market Business Act.

 (3) The issue conditions of secured bonds pursuant to subsection 1 must contain the information necessary to identify the collateral agent and its designation as a collateral agent. If the issuer does not make the contract according to subsection 1, or at least its essential part, available to investors in the same way as the issue conditions, the issue conditions of bonds secured according to subsection 1 must contain at least a description of the rights and obligations of the underwriting agent.

 (4) If another legal regulation or legal action requires information about the mortgage creditor or the secured debt, the information necessary to identify the collateral agent, the data identifying the bond, and the identification of the secured debt shall be provided at least by reference to the contract according to subsection 1 or another document.

 (5) The contract pursuant to subsection 1 shall regulate the conditions and procedure in the event of a change in the person of the security agent.

 (6) With a change in the person of the reinsurance agent, the rights and obligations of the reinsurance agent are transferred in full to the new reinsurance agent. The document documenting the legal fact on the basis of which the change in the person of the security agent took place is the basis for recording the change in the person of the security agent in the public list or public register; a proposal for registration is also always authorized to be submitted by a new collateral agent.

Section 20a

**Rights and Responsibilities of Collateral Agent**

 (1) The security agent is always bound by the decision of the bond owners pursuant to Section 20 subsection 1 adopted at the owners' meeting by at least a simple majority of votes regarding how to exercise the rights from the respective bond issue in relation to the lien or other security pursuant to Section 20 subsection 1.

 (2) If the meeting of owners decides on a change in the person of the security agent, the rights and obligations from the contract according to Section 20, subsection 1 and the issue conditions are transferred to the new security agent.

 (3) The collateral agent shall make available to authorized persons without undue delay essential information regarding the right of lien or other security in accordance with Section 20 subsection 1, in particular information on the possible enforcement of the right of lien or other security.

 (4) The security agent performs its activities with professional care, in particular it acts in a qualified, honest and fair manner and in the best interest of bond owners pursuant to Section 20, subsection 1.

 (5) The security agent is authorized

a) exercise all rights associated with a lien or other security in favour of authorized persons,

b) check, in connection with a lien or other security, the fulfilment of the emission conditions by the issuer,

c) perform other actions for the benefit of authorized persons or otherwise protect their interests in connection with a lien or other security.

 (6) When exercising the rights under subsection 5, the security agent is viewed as if he were the creditor of each secured claim.

 (7) To the extent that collateral rights associated with bonds are exercised by the collateral agent, bond owners may not exercise such rights separately pursuant to Section 20, subsection 1; this does not affect the right of these bond owners to decide on a change in the person of the security agent.

 (8) The provisions of the Civil Code on the management of foreign property do not apply to the security agent.

TITLE VI

MEETING OF OWNERS

**title omitted**

Section 21

**Basic provision**

 (1) The issuer shall without undue delay convene a meeting of owners in the event

a) a proposal for changes to emission conditions, if her consent to change emission conditions is required,

b) termination of the security agent's activity in accordance with the contract according to Section 20 subsection 1,

c) a request for a change in the person of the security agent by the owners of bonds whose nominal value represents at least 5 % of the total nominal value of the given bond issue,

d) other situations that define emission conditions,

 (hereinafter referred to as "changes of a fundamental nature").

 (2) If the issuer does not call the meeting of owners, in the case according to subsection 1 letter b) or c), or if the terms of the issue so stipulate, the collateral agent is obliged to call the meeting of owners without undue delay. The owner of the bond is also entitled to call a meeting of owners, if it is a case where the issuer has violated its obligation according to subsection 1, or if it is another case regulated in the issue conditions, unless the collateral agent has called a meeting of owners according to the first sentence.

 (3) The contract pursuant to Section 20, subsection 1 shall regulate the procedure for a change in the person of the security agent as a result of the decision of the meeting of owners convened for the reason specified in subsection 1 letter c).

 (4) The issuer is obliged to attend the meeting of owners and to provide information necessary for the decision or adoption of the opinion of the meeting of owners. The security agent is obliged to attend the meeting of owners called for the reason specified in Section 21 subsection 1 letter b) or c) or in emission conditions.

 (5) The person in charge of the relevant records of investment instruments shall issue to the issuer, at his request, an extract from the records of the issue of the bonds in question for the purposes of convening and holding a meeting of owners.

Section 21a

**Decisive day for attending the owners' meeting**

 (1) The issuer shall determine for bond owners the day that is decisive for their participation in the owners' meeting. This day cannot precede the day of its performance by more than 30 days.

 (2) If the bonds are accepted for trading on a European regulated market, on a foreign market similar to a regulated market or on a multilateral trading system of an operator based in a member state, the day that is decisive for participation in the owners' meeting is always the seventh day preceding holding a meeting of owners.

Section 22

 (1) Organizationally and technically, the meeting of owners is ensured and the associated costs are borne by the person who convenes the meeting of owners (hereafter referred to as the "convener"), unless it is a case where the issuer has violated its obligation pursuant to Section 21 subsection 1 and convenes the meeting of owners instead of the issuer, the owner himself. In this case, the costs associated with the owners' meeting are borne by the issuer. The costs associated with participation in the owners' meeting are borne by the bond owner.

 (2) The place, date and time of the meeting of owners must be determined in such a way as to limit as little as possible the possibility of bond owners to participate in the meeting of owners.

 (3) The convener shall announce the holding of the meeting of owners in the manner specified in the issue conditions, at least 15 days before the day of its holding. The notification contains at least

a) information about the issuer according to Section 6 subsection 1 letter c),

b) name of the bond, date of issue and identification mark according to the international numbering system for the identification of securities, if assigned, or other data identifying the bond; in the case of a joint meeting of owners, the following data on all issued and outstanding issues,

c) place, date and time of the meeting of owners,

d) programme of meetings, including any proposal to change emission conditions and their justification,

e) the day that is decisive for participation in the owners' meeting.

 (4) If the meeting of owners is held at the proposal of the owner of the bond, the issuer will provide him with the necessary cooperation.

 (5) Matters that were not included in the proposed meeting agenda of the owners' meeting can only be decided at this meeting with the participation and consent of all bond owners.

 (6) If the reason for convening the owners' meeting no longer exists, the convener shall revoke it in the same manner as it was convened.

Section 23

**Proceedings of the owners' meeting**

 (1) The meeting of owners is able to resolve if it is attended by owners of bonds whose nominal value represents more than 30 % of the nominal value of the unpaid part of the bond issue on the decisive day for participation in the meeting of owners. A joint meeting of owners is capable of quorum if it is attended by owners of bonds whose nominal value represents, on the day decisive for participation in the meeting of owners, more than 30 % of the nominal value of the outstanding part of each issue issued so far. If the issues common to all issues are not resolved, the participation of the owners of 30 % of the nominal value of the unpaid part of the issues that are affected is required, unless the issue conditions determine otherwise.

 (2) If the meeting of owners, which is supposed to decide on the change of the emission conditions, is not able to reach a resolution, the convener shall convene, if it is still necessary, a substitute meeting of owners so that it takes place within 6 weeks from the date on which the original meeting was convened owners' meetings. The holding of a replacement meeting of owners with an unchanged agenda will be announced to bond owners no later than 15 days from the day on which the original meeting of owners was convened. The substitute meeting of owners is able to resolve regardless of the conditions mentioned in subsection 1.

 (3) Before the start of the meeting of owners, the convener is obliged to provide, for the purpose of controlling participation in the meeting, information on the number of all bonds entitling to participate in this meeting. Own bonds owned by the issuer on the date on which it is decisive to participate in the meeting of owners are not counted for the purposes of subsections 1 and 4.

 (4) The owners' meeting decides by a simple majority of the votes of the bond owners present. The number of votes of each bond owner corresponds to his share of the total nominal value of the outstanding part of the bond issue. The approval of three-quarters of the votes of the bond owners present is required to change the issue conditions, supplement the bond programme or to establish and remove a joint representative of the bond owners.

 (5) If the meeting of owners agreed to changes of a fundamental nature, the person who was the owner of the bond on the decisive day for participation in the meeting of owners and, according to the minutes, voted against the proposal at the meeting or did not participate in the meeting, may request early repayment of the nominal value of the bond, including a proportional yield. If the yield was determined by the difference between the nominal value of the bond and its issue rate, the issuer is obliged to repay the bond owners the issue rate and the proportional yield. The request for early repayment must be submitted within 30 days of the resolution of the meeting of owners or the joint meeting of owners being made available in accordance with subsection 7. After this period, the right to early repayment expires. The issuer is obliged to pay this amount within 30 days from the delivery of the application in the manner and at the place specified in the issue conditions for the repayment of the bond.

 (6) If the meeting of owners does not agree with the changes of a fundamental nature referred to in Section 21 subsection 1 letter b) to d), may simultaneously decide that, if the issuer proceeds in violation of its resolution, it is obliged to prematurely repay the bond owners, who request it, their nominal value, including the proportional yield; if the yield was determined by the difference between the nominal value of the bond and its issue rate, the issuer is obliged to repay the bond owners at their request the issue rate and the proportional yield. The request for early repayment must be submitted within 30 days of the resolution of the meeting of owners or the joint meeting of owners being made available in accordance with subsection 7. After this period, the right to early repayment expires. The issuer is obliged to pay this amount within 30 days from the delivery of the application in the manner and at the place specified in the issue conditions for the repayment of the bond.

 (7) The convener shall draw up the minutes of the meeting of owners within 30 days from the date of its holding. If the meeting discussed any of the changes of a fundamental nature, a notary record must be taken of the meeting. If the meeting of owners agreed to any of these changes, the names of those bond owners who agreed to the change and the number of bond units that each of these owners has as of the decisive day for participation in the meeting of owners (subsection 1) shall be stated in the notarial record in their ownership. The issuer is obliged to publish all decisions of the owners' meeting within 30 days from the date of the owners' meeting, in the manner in which it published the issue conditions.

Section 24

**Joint representative of bondholders**

 (1) In relation to each bond issue, a joint representative of all bond owners of this issue (hereinafter referred to as "joint representative") may be appointed on the basis of a written agreement concluded no later than the bond issue date between the joint representative and the issuer. For these purposes, the common agent is treated as if it were a creditor of each claim of each bondholder. The meeting of owners can also decide on the appointment or change in the person of the joint representative at any time.

 (2) Unless the contract according to subsection 1 stipulates otherwise, the joint representative also exercises all the rights of the security agent according to Section 20 and 20a, unless a person different from the joint representative is appointed as the security agent. If the joint representative exercises the rights of the security agent, he also fulfils the obligations of the security agent according to Section 20 and 20.

 (3) If the meeting of owners decides on the appointment or change in the person of the joint representative, the issuer is bound by this decision.

 (4) The joint representative performs his activities with professional care, in particular he acts in a qualified, honest and fair manner and in the best interest of bond owners. The joint representative exercises all the rights of the creditor in accordance with the terms of issue or the contract according to subsection 1 in his own name for the benefit of the owners of the bonds; this applies even after the appointment of a forced administrator of cover pools (Section 32a subsection 1) and in case of insolvency proceedings, execution of a decision or execution concerning the bond issuer or its assets.

 (5) Issuance conditions or decisions of the owners' meeting must contain the information necessary to identify the joint representative of bond owners and designate him as a joint representative. If the issuer does not make the contract according to subsection 1, or at least its essential part, available to investors in the same way as the issue conditions, the issue conditions must contain at least a description of the rights and obligations of the joint representative.

 (6) The joint representative is always bound by the decision of the bond owners adopted at the owners' meeting by at least a simple majority of votes regarding how to exercise the rights from the relevant bond issue.

 (7) The contract according to subsection 1 or the issue conditions shall regulate the conditions and the procedure for a change in the person of the joint representative. If there is a change in the person of the joint representative, the rights and obligations from the contract according to subsection 1 and the issue conditions are transferred in full to the new joint representative.

 (8) If the issue conditions or the contract pursuant to subsection 1 do not stipulate otherwise, the joint representative is authorized

a) exercise all rights associated with bonds in favour of bond owners,

b) control the issuer's fulfilment of the emission conditions,

c) perform other actions in favour of bond owners or otherwise protect their interests.

 (9) In the exercise of authority pursuant to subsection 8, the joint representative shall be treated as if he were a creditor of every claim of every bondholder. To the extent that the rights attached to the bonds are exercised by a common representative, the bondholders cannot exercise such rights separately; this does not affect the right of bond owners to decide on a change in the person of the common representative.

Section 24a

**Participation in the owners' meeting using the means of remote communication**

 (1) The terms and conditions of issue may determine the conditions under which authorized persons may participate in the owners' meeting using electronic means, enabling, for example, direct remote transmission of the owners' meeting by video and sound or direct two-way communication between the owners' meeting and the authorized person.

 (2) Organizational and technical conditions must enable verification of the identity of the person authorized to participate in the meeting of owners and the determination of shares in the total nominal value of the unpaid part of the bond issue; otherwise, neither the votes cast by such a procedure nor the participation of the bond owners voting in this way shall be taken into account.

 (3) A bond owner who exercises the rights under subsection 1 is considered to be present at the owners' meeting.

**PART TWO**

**SPECIAL CATEGORY OF BONDS**

TITLE I

STATE BONDS AND BONDS ISSUED BY THE CZECH NATIONAL BANK

**title omitted**

Section 25

 (1) Bonds issued by the Czech Republic, as well as similar securities representing the right to repay the amount owed, which the Czech Republic issues under the law of a foreign state, are government bonds. The Czech Republic can issue government bonds both in the Czech Republic and abroad.

 (2) Government bonds are issued on the basis of

a) of another act on the state bond programme, or

b) another law that authorizes the ministry to issue state bonds or allows it to issue state bonds.

 (3) On the basis of the law according to subsection 2, it is possible to issue individual issues of bonds with different issue conditions.

 (4) The Government of the Czech Republic is obliged to submit to the Chamber of Deputies of the Parliament of the Czech Republic the position of the Czech National Bank on the government's draft law on the state bond programme and on the government's draft of another law that authorizes the ministry to issue government bonds or enables it to issue government bonds; this does not apply if this other law is a law regulating budget rules.

 (5) State bonds with a maturity of up to and including 1 year are referred to as state treasury bills. Bonds issued by the Czech National Bank with a maturity of up to and including 1 year are referred to as Czech National Bank vouchers.

 (6) The provisions of subsections 2 to 5 also apply to government bonds issued abroad.

 (7) The provisions of Section 3, Section 9 subsection 1 letters k) to m), Section 10 and Section 21 to 24a do not apply to state bonds and bonds issued by the Czech National Bank.

Section 26

 (1) The Czech Republic issues government bonds through the Ministry. The issuing conditions of government bonds are determined by the ministry. The Ministry can determine common emission conditions, which are the same for an unspecified number of issues of treasury bills. The Ministry announces the issuance conditions of government bonds and the joint issuance conditions of state treasury bills in the Collection of Laws, if they are not the issuance conditions of a government bond issued abroad or under the law of a foreign country. The common issue conditions of state treasury bills are supplemented for individual issues with data according to Section 6 subsection 1 letter d), f) and j) and according to Section 9 subsection 1 letter g) and j), which are not published in the Collection of Laws, but are published by the Ministry in a way that allows remote access.

 (2) The issue conditions of bonds issued by the Czech National Bank are published in the Journal of the Czech National Bank and are published in a way that allows remote access. The Czech National Bank may determine common issue conditions, which are the same for an unspecified number of issues of Czech National Bank vouchers. Common emission conditions are published or made public in accordance with the first sentence and are supplemented for individual emissions with data according to Section 6 subsection 1 letter d), f) and j) and according to Section 9 subsection 1 letter g) and j), which are not published in the Journal of the Czech National Bank, but are published by the Czech National Bank in a way that enables remote access.

 (3) The Ministry may not change the issue conditions of state bonds, unless it concerns the requirements according to Section 9 subsection 1 letter f) and i) and Section 9 subsection 2 letter j). The Czech National Bank may not change the issue conditions of bonds issued by the Czech National Bank.

 (4) Government bonds issued under Czech law are sold through the Czech National Bank. Government bonds, the transferability of which is limited or excluded, and government bonds issued under the law of a foreign state are sold through the Czech National Bank, the Ministry, a legal entity established by the Ministry under another law in connection with the management of the government debt, or on the basis of an agreement with the Ministry through a person who is authorized to perform such activity.

 (5) Activities connected with the administration and repayment of state bonds are ensured by the ministry or a person authorized by it.

 (6) The issue conditions may exclude the transferability of government bonds. The issue conditions can also limit the transferability of government bonds, if they simultaneously determine the conditions under which their transferability is permissible. Limiting or excluding the transferability of a government bond is binding on everyone.

 (7) If the transferability of government bonds is excluded or limited, the issue conditions may also exclude the possibility of establishing a lien on the government bonds, or, if they simultaneously determine the conditions under which the establishment of a lien is permissible, limit this possibility as well. The limitation or exclusion of the possibility to establish a lien on government bonds is binding on everyone.

 (8) The transfer of a government bond in violation of subsection 6 or the establishment of a constitutional right to a government bond in violation of subsection 7 shall not be taken into account.

TITLE II

MUNICIPAL BONDS

Section 27

 (1) A municipal bond is a bond issued by a territorial self-governing unit. Its name contains the designation "municipal"; no other bond may contain this designation in its name.

 (2) The territorial self-governing unit must have the prior consent of the Ministry to issue municipal bonds.

 (3) The Ministry shall grant consent pursuant to subsection 2 to a territorial self-governing unit if

a) the economic situation of the territorial self-governing unit makes it possible to meet the debts arising from municipal bonds and these debts do not and will not have a significantly negative impact on its management and development,

b) the territorial self-governing unit intends to obtain funds by issuing municipal bonds only for the purpose of using the funds thus obtained for

1. investment in long-term tangible assets used to exercise the authority of the territorial self-governing unit,

2. removal of damage caused by natural or other disasters, or

3. financing of a project co-financed from the funds of the European Union a

c) the maturity period of municipal bonds that the territorial self-governing unit intends to issue is no longer than 15 years from the date of issue.

 (4) To the request for consent pursuant to subsection 2, the applicant shall attach documents certifying the fulfilment of the conditions set forth in subsection 3. The sample of the application and the content of its attachments, including attachments proving the purpose of using the funds in accordance with subsection 3 letter b) points 1 to 3, shall be determined by the Ministry by decree.

 (5) The territorial self-governing unit keeps funds obtained by issuing municipal bonds in a separate bank account or accounts for them separately in such a way as to be able to document the purpose of their use at any time.

 (6) The provisions of Section 7 subsection 1 letter b) does not apply to the issue of municipal bonds.

 (7) Subsections 2 to 5 shall also apply to municipal bonds issued abroad or similar securities representing the right to repay the amount owed by a territorial self-governing entity under the law of a foreign state.

TITLE III

COVERED BONDS

**Part 1**

**Requirements for covered bonds and their issuer**

**title omitted**

Section 28

**Covered bond**

 (1) A covered bond is a bond or a similar security representing the right to repay the amount owed, issued according to the law of a foreign country, the issuer of which is a bank and which, on the date of issue, meets the requirements according to Section 28a subsections 1 and 2.

 (2) A covered bond can be a mortgage bond (Section 28b subsection 1), a public law bond (Section 28b subsection 2), or a mixed bond (Section 28b subsection 3).

 (3) A mortgage loan is a loan that is at least partially secured by a lien on immovable property, starting from the date of the legal effects of the lien.

 (4) The real estate according to subsection 3 must be located in the territory of a member state.

 (5) In relation to covered bonds that are issued under the law of a foreign state, in this Act

a) emission conditions, a document according to the law of this foreign country comparable to the emission conditions, or a contract according to the law of this foreign state comparable to the emission conditions and

b) joint representative a person under the law of this foreign state in a position comparable to the joint representative; such person shall be deemed to have similar powers as a joint representative under this Act.

Section 28a

**Portfolio rules**

 (1) The aggregate value of all cover assets (Section 30a) in the cover portfolio (Section 30c subsection 1) must be equal to at least 102 % of the aggregate value of all debts that this cover portfolio serves to cover (Section 31a subsection 1) and which with it forms a cover pool, if the emission conditions do not set a higher limit. When fulfilling this obligation, cover assets, with the exception of derivatives, are expressed in their nominal value, debts, with the exception of derivatives, are expressed in their nominal value plus accrued and unpaid income, and derivatives in the cover pool are expressed in their fair value according to international accounting standards modified by Commission Regulation (EC) No. 1126/2008 of November 3, 2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, as amended, whereby

a) for the issuer of covered bonds, the positive fair value of the derivatives is taken into account in the cover portfolio only up to the amount of collateral received for the derivatives in the form of cash or items according to Section 31 subsection 2 letter b) or c), which is part of a cover pool, and

b) for the issuer of covered bonds, the negative fair value of the derivatives in the cover portfolio is not taken into account, and this negative fair value of the derivatives enters the cover pool as a debt that this cover portfolio is used to cover [Section 31a subsection 4 letter d)], unless the issuer has provided the other contracting party with collateral for derivatives in the form of cash or items pursuant to Section 31 subsection 2 letter b) or c) which is part of the cover pool.

 (2) The aggregate value of all cover assets in the cover portfolio must be equal to at least 85 % of the aggregate value of all debts that this cover portfolio serves to cover, unless the issue conditions set a higher limit. When fulfilling the obligation according to the first sentence, cover assets according to Section 31 subsection 2 letters d) and e) and according to Article 129 subsection 1 letter c) and Article 1 29 subsection 2 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council are not taken into account.

 (3) The nominal value of the claim from the mortgage loan in the cover portfolio may not exceed 100 % of the mortgage value of the mortgaged immovable property (Section 29), which is used to secure this claim, if the issue conditions do not specify a lower limit. To the extent that the claim from the mortgage loan exceeds this limit, it is not taken into account for the purposes of subsections 1 and 2.

 (4) For the purposes of subsections 1 and 2, the nominal value of the claim in the cover portfolio shall be reduced by 100 % in the event of debtor default pursuant to Article 178 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, or upon fulfilment of a stricter condition pursuant to the issue conditions.

 (5) For the purposes of subsection 1, the total value of all debts shall also include the estimated amount of related debts pursuant to Section 31a subsection 4 letter a) to c) and e), which amounts to 1 % of the nominal value of the covered bonds in the cover pool.

Section 28aa

**Liquidity reserve of the cover portfolio**

 (1) The cover portfolio always contains a liquidity reserve consisting of assets according to subsection 3, which are available to cover the maximum cumulative net outflow of liquidity from the cover pool for the next 180 days.

 (2) Net liquidity outflow means all outgoing payments due on one day, including payments of principal and interest and payments according to derivatives in the cover pool, after deducting all incoming payments due on the same day and related to the assets in the cover portfolio.

 (3) The liquidity reserve of the cover portfolio consists of the following types of assets entered in the register of cover assets [ Section 32 subsection 3 lit. a) ]:

a) level 1, level 2A or level 2B assets according to Articles 10 to 12 of Commission Delegated Regulation (EU) 2015/61 2) which are valued in accordance with this Regulation and which have not issued

1. the issuer of the covered bonds in question,

2. the parent company of the issuer of the bonds in question pursuant to Article 4 subsection 1 point 15 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council3) (hereinafter referred to as the "controlling person") other than a public sector entity that is not a credit institution pursuant to Article 4 subsection 1 point 1 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council3) (hereinafter referred to as "credit institution")

3. a subsidiary of the issuer of the bonds in question pursuant to Article 4 subsection 1 point 16 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council3) (hereinafter referred to as "controlled person") or another controlled person of its controlling person, or

4. securitization unit for a special purpose according to Article 2 point 2 of Regulation (EU) 2017/2402 4), with which this issuer has a close connection according to Article 4 subsection 1 point 38 of Regulation (EU) No. 575/2013 of the European Parliament and Council3),

b) short-term exposures to credit institutions that belong to credit quality level 1 or 2, or short-term deposits with credit institutions that belong to credit quality level 1, 2 or 3 according to Article 129 subsection 1 letter c) Regulation of the European Parliament and the Council (EU) No. 575/20133).

 (4) The liquidity reserve of the cover portfolio does not include receivables from exposures that are considered receivables in default according to Article 178 of Regulation (EU) No. 575/2013 of the European Parliament and Council3).

 (5) If the issuer of covered bonds is subject to liquidity requirements specified in directly applicable regulations of the European Union, which overlap with the liquidity reserve of the cover portfolio, subsections 1 to 4 shall not apply for the period specified in these directly applicable regulations of the European Union.

 (6) The degree of credit quality in this Act means the degree of credit quality according to Part Three of Title II, Chapter 2 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council3).

Section 28ab

**Extendable maturity structures**

 (1) The structure of an extendable maturity is a mechanism enabling the planned maturity of covered bonds to be extended by a predetermined period in the event that a certain decisive event specified in the issue conditions occurs in accordance with this law.

 (2) Covered bonds may be issued with extendable maturity structures if investor protection is ensured in at least the following ways:

a) the maturity of covered bonds is extended only if on their maturity date or on another date specified in the issue conditions,

1. the issuer or the forced administrator of the cover pools does not repay all the covered bonds of the given issue,

2. any of the situations according to Section 32a subsection 1 letter a) to d),

3. crisis resolution measures have been taken against the issuer, or write-off or conversion of depreciable capital instruments and intra-group eligible liabilities has been carried out in accordance with the law regulating recovery procedures and crisis resolution on the financial market,

4. of the legal facts has occurred according to Article 54 subsection 1 letter a) points i) or ii) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council3), or

5. the issuer does not meet the liquidity reserve requirements according to Section 28aa or, as a result of the repayment of the given issue, would not meet the liquidity requirements set out in the directly applicable regulations of the European Union,

b) information on the maturity structure provided to investors sufficiently enables the risk of the covered bond to be determined and includes a detailed description

1. events leading to the extension of the maturity of the covered bonds of the given issue,

2. the consequences of the bankruptcy or resolution of the covered bond issuer's crisis for extending the maturity a

3. tasks of the Czech National Bank and the forced administrator of cover pools in relation to the extension of maturity a

c) the final maturity date of the covered bond can always be determined.

 (3) In the event of bankruptcy or crisis resolution of the issuer of covered bonds, the extension of the maturity in liv does not affect the order of the owners of the covered bonds, nor does it change the order of maturity of the covered bonds according to the original schedule of issuance of the covered bonds.

 (4) According to the issue conditions of the covered bonds, the issuer or the forced administrator of the cover pools must notify the owners of the covered bonds of the fact that the maturity of the covered bonds will be extended in the manner and within the time limits specified in the issue conditions.

 (5) Maturity extension does not change the structural characteristics of covered bonds and cover pool.

Section 28b

**Types of covered bonds**

 (1) A mortgage bond is a covered bond, the conditions of issue of which imply that the obligation according to Section 28a subsection 2 is to be fulfilled only with the use of cover assets according to Section 31 subsection 2 letter a) or according to Article 129, subsection 1 letter d) to f) Regulation (EU) No. 575/2013 of the European Parliament and the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012. Only mortgage bonds may contain the designation "mortgage bond" in their title. Mortgage bonds may also include in their title a designation in a foreign language corresponding to their meaning.

 (2) A public mortgage bond is a covered bond, the conditions of issue of which imply that the obligation according to Section 28a subsection 2 is to be fulfilled only with the use of cover assets according to Section 31 subsection 2 letter b) and c) or according to Article 129 subsection 1 letter a) and b) Regulation of the European Parliament and the Council (EU) No. 575/2013. If the obligation according to Section 28a subsection 2 is fulfilled mainly with the use of cover assets according to Section 31 subsection 2 letter b) and c), the limit according to Section 28a subsection 1 is increased to 110 %.

 (3) A mixed bond is a covered bond that is neither a mortgage bond nor a public bond.

Section 28c

**Obligation to comply with the rules for the cover portfolio and the rules for the designation of covered bonds**

 (1) The issuer of covered bonds shall ensure compliance with the requirements according to Section 28a. Only covered bonds may contain the designation "European covered bond" or its translation into an official language of the European Union.

 (2) The issuer of covered bonds, which in their name contain the designation "CRR" or the designation "European covered bond (premium)" or its translation into an official language of the European Union, shall ensure, in relation to these covered bonds, that the requirements pursuant to Article 129 of the Regulation are met of the European Parliament and the Council (EU) No. 575/2013. Only covered bonds that meet the requirements of Article 129 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council may contain the designation "CRR" or the designation "European covered bond (premium)" or its translation into the official language European Union.

 (3) In relation to these covered bonds, the issuer of mortgage bonds shall ensure the fulfilment of the requirement according to Section 28b, subsection 1.

 (4) In relation to these covered bonds, the issuer of public mortgage bonds shall ensure the fulfilment of the requirement according to Section 28b subsection 2.

 (5) From the moment of the appointment of the forced administrator of cover pools, the requirements according to Section 28a, 28b and the requirements according to Article 129 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council shall not apply.

Section 28d

**Information for investors**

 (1) The issuer of covered bonds provides sufficiently detailed information about its cover pools so that investors can assess the profile and risks of the given cover pool and proceed with due diligence.

 (2) Information is provided to investors by the issuer of covered bonds at least once per calendar quarter and includes at least the following information about the portfolio:

a) the value of the cover portfolio and outstanding covered bonds,

b) a list of identifiers according to the International Securities Identification Numbering System (ISIN) for all issues of covered bonds within the given cover pool to which this identifier has been assigned,

c) geographical distribution and type of cover assets, size of relevant loans and valuation method,

d) data relating to market risk, including interest rate risk and currency risk, and credit and liquidity risks,

e) maturity structure of cover assets and covered bonds, including an overview of events decisive for maturity extension, if relevant,

f) the level of required and available coverage and statutory, contractual and voluntary reinsurance a

g) the percentage of loans deemed to have defaulted according to Article 178 of Regulation (EU) No. 575/2013 of the European Parliament and Council 3), including loans more than 90 days past due.

 (3) The issuer of covered bonds publishes the information provided to investors under subsection 1 on its website.

Section 29

**The mortgage value of the mortgaged real estate**

 (1) The collateral value of the pledged real estate is determined by the issuer of the covered bonds. Issuer of covered bonds. is obliged to adjust in its internal regulations the rules for determining the mortgage value of mortgaged real estate, which must respect the principles stated in subsection 2.

 (2) Mortgaged real estate is valued at the usual price or market value, according to a special legal regulation governing the valuation of property, taking into account

a) permanent and long-term sustainable properties of immovable property,

b) income achievable by a third party in the proper management of real estate,

c) rights and defects with real estate related to a

d) local conditions of the real estate market, including its effects and expected development.

 (3) The pledge value of pledged immovables, determined pursuant to subsection 2, may not exceed their usual or market value.

 (4) The collateral value of the mortgaged immovable property must be determined by a person who has the necessary qualifications, skills and experience and who is independent of the credit decision-making process. When assessing value, this person does not take into account speculative elements and documents the value transparently and unambiguously.

Section 30

**Preferential rights in mortgaged immovable property**

 (1) The mortgaged immovable property may not be attached to a third party's lien, which would be in the same or priority order than the lien securing the mortgage loan claim entered in the register of cover assets. The transfer of the mortgaged immovable property may not be restricted by a previously created restriction on the transfer of the immovable property. These conditions must be met for the entire period during which the mortgage loan claim is entered in the register of cover assets; the nominal value of a claim that does not meet this requirement is equal to zero for the purposes of Section 28a subsections 1 and 2.

 (2) An immovable object is not considered encumbered by a lien or restriction on the transfer of an immovable object, if the debt secured in this way disappears as a result of the use of a mortgage loan for its repayment.

Section 30a

**Cover assets**

 The thing referred to in Section 31 subsections 1 and 2 and entered in the register of cover assets is a cover asset.

Section 30b

**Rules for the register of cover assets**

 (1) After the appointment of a forced administrator of cover pools, the matter can be entered in the register of cover assets only with the prior consent of the owners of the covered bonds. Registration made without this prior consent will not be considered.

 (2) The issuer of covered bonds must delete from the register of cover assets an item that ceases to be an item specified in Section 31 subsection 1 or 2 after its registration. The forced administrator of cover pools does not have this obligation.

 (3) Neither the issuer of covered bonds nor the forced administrator of cover pools must delete any item from the register of cover assets, even if the aggregate value of all cover assets within one cover portfolio exceeds the limit of 102 % of the aggregate value of all debts that this cover portfolio serves to cover.

 (4) If the aggregate value of all cover assets within one cover portfolio exceeds the limit of 102 % of the aggregate value of all debts covered by this cover portfolio after the appointment of a forced administrator of cover pools, the forced administrator of cover pools may, with the consent of the owners of the covered bonds, delete any from items from the register of cover assets.

 (5) If, after the appointment of the forced administrator of the cover pools, all the debts that the cover portfolio serves to cover are paid off, the forced administrator of the cover pools shall cease to carry out the full management of this cover pool without undue delay and shall ensure that the things that remain in the cover portfolio, have ceased to be registered as part of this cover portfolio.

Section 30c

**Cover portfolio**

 (1) A cover portfolio is a part of the assets of the issuer of covered bonds, separated for records, made up of things entered in the register of cover assets and things listed in Section 31, subsection 4, which serves to cover debts according to Section 31a.

 (2) The issuer of covered bonds shall create one or more cover portfolios at its discretion.

 (3) A cover portfolio is created by registering at least one item in the register of cover assets separately from other items already entered in the register of cover assets and by determining the debts that this cover portfolio is intended to cover, at least in the records pursuant to Section 32 subsection 3 letter c). Determining debts is not required if the covered bond issuer has created only one cover portfolio; in such a case, the cover portfolio serves to cover the debts of all covered bonds issued by this issuer in circulation.

 (4) Each thing entered in the register of cover assets must be entered as part of exactly one cover portfolio.

 (5) Things entered in the register of cover assets cannot be transferred, pledged or otherwise used as collateral. This applies even after the application of one of the crisis prevention measures or crisis resolution measures pursuant to the Act on recovery procedures and crisis resolution on the financial market against the issuer of covered bonds by the Czech National Bank.

Section 30d

**Cover pool**

 (1) A cover pool is a part of the assets of the issuer of covered bonds, separated for records, consisting of the cover portfolio and the debts that this cover portfolio serves to cover.

 (2) Liquidation, measures of the Czech National Bank pursuant to the Act on Banks, nor measures to prevent crises or measures to resolve crises pursuant to the Act on Recovery Procedures and Crisis Resolution on the Financial Market, nor the appointment of a forced administrator of cover pools regarding the issuer of covered bonds do not affect the rights and obligations arising from the assets and debts that form the cover pools of this issuer.

 (3) The issuer of covered bonds must have a permit for the cover pool granted by the Czech National Bank no later than on the date of issue and for the entire period of issuance of covered bonds. This permission must be granted for each cover pool.

 (4) The Czech National Bank will grant permission if the following conditions are met:

a) the plan of business activities defines and covers the issuance of covered bonds,

b) policies, processes and methodologies for the approval, changes, renewal and refinancing of loans or other cover assets included in the cover portfolio sufficiently ensure the protection of investors,

c) managers and other employees reserved for the cover pool are appointed, who have appropriate qualifications and knowledge in the area of issuing covered bonds and managing cover pools,

d) the organizational structure and monitoring of the cover portfolio meets the requirements according to this Act and

e) emission conditions are in accordance with the requirements of this Act.

 (5) The Czech National Bank may withdraw the authorization if

a) was granted on the basis of false, misleading or incomplete data,

b) the conditions for its award have ceased to be met, or

c) the covered bond issuer has repeatedly or seriously violated its obligations set forth in this Act.

Section 31

**Eligible cover assets and related matters**

 Article 129, subsections 1 and 2 of Regulation (EU) No. 575/2013 of the European Parliament and Council can be entered in the register of cover assets, while the issuer of covered bonds must meet the conditions according to Article 129, subsection 1a to 3 of the Regulation of the European Parliament and the Council (EU) No. 575/20133) and the derivative must meet the conditions according to subsection 2 letter e) and subsection 3.

 (2) The following items can also be entered in the register of cover assets, even if they do not meet the requirement according to subsection 1:

a) receivable from a mortgage loan,

b) a claim against a person controlled by a public administration entity pursuant to the Act regulating certain measures to make financial relations transparent in the area of public support (hereinafter referred to as "public enterprise"),

c) a claim for which a public enterprise guarantees,

d) funds of the issuer in an account maintained by a person specified in Section 72 subsection 2 of the Act on Investment Companies and Investment Funds and other assets according to Section 28aa subsection 3, and

e) rights arising from a derivative according to Article 2 point 5 of Regulation (EU) No. 648/2012 of the European Parliament and of the Council, which is used to secure risks related to cover assets included in this cover portfolio or covered bonds, if it is from the conditions, for which this derivative was negotiated, it is clear that it is being negotiated in relation to covered bonds, and if it is determined that the insolvency or resolution of the crisis of the issuer of the covered bonds does not mean the early termination of this derivative.

 (3) The derivative referred to in subsection 2 letter e) can be entered in the register of cover assets or deleted from the register of cover assets only with the prior consent of the other contracting party, if this other contracting party is a financial contracting party pursuant to Article 2 point 8 of Regulation of the European Parliament and of the Council (EU) no. 648/2012 8), it is assigned at least credit quality level 3 and the negotiation of the derivative is properly documented.

 (4) The following items belong to the cover portfolio without the need to be entered in the register of cover assets:

a) rights arising from security provided in relation to the cover assets included in this cover portfolio, in particular from the lien on immovable property in relation to mortgage loans,

b) rights arising from contracts concluded in relation to cover assets included in this cover portfolio, in particular from insurance contracts,

c) thing provided as security for a derivative according to subsection 2 letter e), unless the emission conditions determine otherwise,

d) rights arising from contracts concluded in relation to the management of the hedged block, of which this hedge portfolio is a part, and

e) from the moment of the appointment of the forced administrator of the cover pools, funds received as payment for the payment of a debt from a matter included in this cover portfolio or in direct connection with it, or funds obtained as proceeds from the monetization of cover assets pursuant to Section 32e subsection 4 or pursuant to Section 32f subsection 1; the funds received in this way belong exclusively to the relevant cover portfolio.

 (5) The issuer of covered bonds or the forced administrator of cover pools shall keep records of the matters referred to in subsection 4 in accordance with Section 32 subsection 3 letter b).

 (6) A claim from a mortgage loan can only be entered in the register of cover assets on the day when the issuer of the covered bonds becomes aware of the legal effects of the creation of a lien on the immovable property. The issuer of covered mortgages must have procedures in place to check that these immovables are sufficiently insured against the risk of damage and that the insurance claim belongs to the cover portfolio according to subsection 4 letter b).

 (7) A mortgage loan provided by another bank can also be entered into the register of cover assets, if this claim has been transferred to it or provided as financial collateral in accordance with the law governing financial security.

 (8) The claim according to subsection 2 letter b) and c) can be entered in the Register of Covering Assets if the public enterprise meets the following conditions:

a) provides basic public services on the basis of a license, concession pursuant to the law governing the awarding of public contracts or another form of authorization granted by a public authority,

b) is subject to public supervision and

c) has sufficient prerequisites to generate income due to the fact that

1. has adequate flexibility in selecting and increasing fees for services provided, in order to be able to ensure its financial health and solvency,

2. is legally entitled to sufficient contributions to ensure his financial health and solvency in exchange for the provision of basic public services, or

3. has concluded a contract on the transfer of profits and losses with a public authority.

Section 31a

**Eligible debts and related debts**

 (1) The issuer of covered bonds or the forced administrator of cover pools keeps records of debts for each cover portfolio in accordance with Section 32 subsection 3 letter c) and d), which this cover portfolio serves to cover.

 (2) To the records according to Section 32 subsection 3 letter c) debts from covered bonds in circulation are recorded, in particular the obligation to repay the covered bond and to pay the accrued yield of the covered bond. Debts according to the first sentence may be registered according to Section 32 subsection 3 letter c) defined in particular by specifying one or more issues of covered bonds. Covered bonds in circulation are covered bonds owned by persons other than the issuer or covered bonds owned by the issuer that were provided by the issuer to another person as collateral. Debts can also be defined by determining issues of covered bonds that have not yet been issued.

 (3) To the records according to Section 32 subsection 3 letter d) debts related to debts according to subsection 2, which are specified in the issue conditions or in the prospectus of these covered bonds or in the contract relating to covered bonds, the relevant part of which has been made available to investors by the covered bond issuer in the same way as the issue conditions or the covered bond prospectus, are recorded.

 (4) The related debt according to subsection 3 may in particular be the debt corresponding to the claim

a) forced administrator of cover pools,

b) arising from the legal action of the forced administrator of cover pools on account of this cover portfolio,

c) common representative of covered bond owners,

d) the other contracting party of the derivative according to Section 31 subsection 2 letter e) from this derivative or in direct connection with it, or

e) other persons specified in the issue conditions or in the prospectus of the covered bonds, who participated in the issuance of these covered bonds or in the management of the cover pool, which includes debts according to subsection 2.

Section 32

**Registration of cover pools and information obligations of the issuer**

 (1) The issuer of covered bonds keeps a record of cover pools for all its issues of covered bonds in circulation and for all its covering portfolios, providing complete data for assessing whether and how it fulfils its obligations under Section 28a.

 (2) From the moment of the appointment of the compulsory manager of cover pools, the compulsory manager of cover pools keeps records of cover pools, to the same extent as the issuer of covered bonds. The issuer of covered bonds shall provide the forced administrator of the cover pools immediately after his appointment with all documents for the registration of the cover pools, as well as the calculation of the total value of the cover assets in the cover portfolio against the total value of the debts that this cover portfolio serves to cover.

 (3) The records of cover pools are the following lists of things and debts kept by the issuer of covered debt deposits or the forced administrator of cover pools:

a) register of cover assets kept separately for each cover pool,

b) records of things related to cover assets kept separately for each cover pool,

c) records of debts from covered bonds kept separately for each cover pool,

d) records of debts related to debts under letter c) and items under letters a) and b) kept separately for each cover pool.

 (4) Lists according to subsection 3 are not public lists. The data in these lists are subject to bank secrecy. Section 38 of the Banking Act applies mutatis mutandis to the provision of data from these lists.

 (5) The issuer of covered bonds regularly informs the Czech National Bank about whether and how it fulfils its obligations under this Act.

 (6) The requirements and method of keeping records of cover pools pursuant to subsection 1 and the manner of fulfilling the information obligations of the issuer of covered bonds pursuant to subsection 5, including periodicity, shall be determined by the Czech National Bank by decree.

**Part 2**

**Forced administrator of cover pools**

Section 32a

**Appointment of a forced administrator of cover pools**

 (1) The Czech National Bank shall, without undue delay, appoint a compulsory administrator of cover pools for all cover pools of the issuer of covered bonds, if

a) a proposal was submitted by the Czech National Bank to initiate insolvency proceedings against this issuer,

b) insolvency proceedings have been initiated against this issuer,

c) this issuer entered into liquidation, or

d) the bank license of the issuer was revoked by the Czech National Bank.

 (2) The forced administrator of cover pools can only be

a) bank, or

b) a foreign bank based in another Member State that issues securities comparable to covered bonds, or that manages things comparable to cover assets.

 (3) The forced administrator of cover pools may not be an insolvency administrator, temporary administrator or liquidator of the issuer of covered bonds or any other person with a risk of conflict of interests.

Section 32b

**Rights and obligations of the forced administrator of cover pools**

 (1) The forced administrator of cover pools performs full management of all cover pools of the respective issuer of covered bonds. The management of cover pools by the forced administrator of cover pools ends if all cover pools have been transferred in accordance with Section 32d, or if they have ceased to exist according to the procedure in accordance with Section 32e.

 (2) The forced administrator of cover pools performs his activities with professional care. Carrying out the activities of the forced administrator of cover pools with professional care in particular means that the forced administrator of cover pools acts competently, honestly and fairly and in the best interest of the owners of covered bonds, in particular fulfilling the obligations set out in this chapter and in the issue conditions or in the prospectus of the relevant covered bonds.

 (3) A legal action relating to a matter entered in the register of cover assets, which is not the fulfilment of a debt and which was made after the appointment of a forced administrator of cover pools by a person different from this administrator without the consent of this administrator, shall not be taken into account.

 (4) The forced administrator of cover pools exercises rights and fulfils obligations always in favour of the relevant cover pool.

 (5) The forced administrator of cover pools can arrange a commitment in favour of or to the detriment of the cover pool only for the purpose of improving liquidity or hedging against risk.

 (6) The issuer of the covered bonds, the Czech National Bank, the insolvency administrator, the liquidator or the temporary administrator of the issuer of the covered bonds shall provide cooperation to the forced administrator of the cover pools so that he can fulfil his obligations.

 (7) The forced administrator of cover pools provides cooperation to the issuer of covered bonds, the Czech National Bank, the insolvency administrator, the liquidator or the temporary administrator of the issuer of covered bonds, and these persons could fulfil their obligations.

 (8) If, after the initiation of insolvency proceedings against the issuer of covered bonds, the aggregate value of the cover assets in the cover portfolio is lower than the aggregate value of the debts that this cover portfolio is used to cover, the forced administrator of the cover pools shall quantify the claims of the owners of the covered bonds and creditors of claims corresponding to the related debts according to Section 31a subsection 3, to the extent that they are not covered by the cover portfolio, and will send this calculation to the insolvency court without undue delay within the deadline set for filing claims in insolvency proceedings. In the event that the forced trustee of the cover pools does not send the quantification of the claims of the owners of the covered bonds and creditors of claims corresponding to the related debts according to Section 31a subsection 3 to the insolvency court without unnecessary delay within the period for reporting claims in insolvency proceedings, he has the right to report his claim to the extent that is not covered by a cover portfolio, as well as every owner of a covered bond and every creditor of a claim corresponding to the related debt according to Section 31a subsection 3, at any time within 1 year from the date of expiry of the deadline for registering claims in insolvency proceedings.

Section 32c

**Accounts for the benefit of the cover portfolio**

 (1) The forced administrator of cover pools shall, without undue delay after his appointment, establish an account with the person referred to in Section 72, subsection 2 of the Act on Investment Companies and Investment Funds to receive payments pursuant to Section 31, subsection 4 letter e) or payments according to subsection 2 and informs the persons who may be affected by this about the unique identifier of this account and also informs them of other information that is essential.

 (2) The person who receives the payment in favour of the cover portfolio shall transfer it without undue delay to the account according to subsection 1, or, if he does not know the unique identifier of this account, transfer it in another way to the forced administrator of the cover pools in favour of the relevant cover portfolio; this applies even after the initiation of insolvency proceedings against the covered bond issuer.

Section 32d

**Cover pool conversion forced by cover pool manager**

 (1) With the consent of the Czech National Bank, the forced administrator of cover pools may transfer the cover pool to a person pursuant to Section 32a, subsection 2; the transfer of the cover pool without this consent is not taken into account. The forced administrator of the cover pools may not transfer the cover pool to himself; the transfer of a cover pool to a forced administrator of cover pools is not considered. If the cover pool is transferred for a fee, the forced administrator shall transfer this fee without undue delay, after taking into account his remuneration for the management and transfer of the cover pool, to the property or the property of the issuer of the covered bonds whose cover pool was thus transferred.

 (2) The Czech National Bank shall grant consent in accordance with subsection 1 at the request of the forced administrator of cover pools, if it is in the interest of the owners of the respective covered bonds.

 (3) No other public or private law approval or notification is required for the transfer of a cover pool pursuant to subsection 1 or its effectiveness vis-à-vis third parties, apart from the approval of the Czech National Bank. The validity of such a transfer or its effectiveness vis-à-vis third parties does not require any legal action other than a contract between the forced administrator of the cover pool and the person pursuant to Section 32a subsection 2.

 (4) If the owners of the covered bonds, which are linked to the debts that are part of the cover pool pursuant to subsection 1, decide on this by at least a simple majority of votes in relation to each issue of covered bonds in question, the forced administrator of the cover pools must apply to the Czech National Bank for consent pursuant to subsection 1 and, if this consent is granted, to transfer the cover pool pursuant to subsection 1.

 (5) The forced administrator of cover pools is always bound by the decision of the owners of covered bonds regarding the transfer of the cover pool.

 (6) If a cover pool is transferred pursuant to subsection 1, the Czech National Bank may deposit

a) to the person managing the relevant register of investment instruments or another list in which the covered bonds with which these debts are associated are listed, making or changing an entry in the register or another list in which these covered bonds are listed, or

b) to the acquirer of the cover pool to ensure the withdrawal of the covered bonds with which these debts are associated from circulation for the purpose of their exchange and marking new data about the acquirer of the respective cover pool as their issuer.

Section 32e

**Proportional reduction of debts, monetization of all cover assets in cover portfolio and early repayment of covered bonds**

 (1) If the aggregate value of the cover assets in the cover portfolio after the appointment of the forced administrator of the cover pools is lower than the aggregate value of the debts from the covered bonds and related debts according to Section 31a subsection 3, which this cover portfolio serves to cover, the forced administrator of the cover pools may with the consent of the Czech National Bank, to decide that these debts, with the exception of related debts according to Section 31a subsection 4 letter a), c), d) and f), cease to be part of the cover pool in the corresponding proportional amount and are proportionally reduced for these purposes. A proportional reduction of debts does not lead to a reduction in the nominal value of the covered bonds with which these debts are linked, nor to a reduction or extinction of claims from these covered bonds to the extent of the reduction in their nominal value, nor to a reduction of claims corresponding to related debts pursuant to Section 31a subsection 3 to the extent reduction according to the first sentence, but such receivables from covered bonds and receivables corresponding to related debts according to Section 31a subsection 3 to this extent will only cease to be part of the cover pool. Claims from covered bonds, which to a given extent cease to be part of the cover pool, may be registered at any time during the duration of the insolvency proceedings of the issuer of the cover pools, including after the expiry of the period set for the registration of claims in insolvency proceedings, by the forced administrator of the cover pools or the relevant owner of the covered of the bond or by the relevant creditor of the claim corresponding to the related debt according to Section 31a subsection 3, if these have not already been registered according to the procedure according to Section 32b subsection 8.

 (2) The Czech National Bank shall grant consent pursuant to subsection 1 at the request of the forced administrator of cover pools, if it is in the interest of the owners of covered bonds, which are linked to the debts for which the cover portfolio serves to cover pursuant to subsection 1.

 (3) If the owners of the covered bonds, which are associated with the debts that the cover portfolio is used to cover pursuant to subsection 1, decide to do so, at least by a simple majority of votes in relation to each issue of covered bonds in question, the forced administrator of the cover pools must request the Czech National by the bank for consent pursuant to subsection 1 and, if this consent is granted, to make a decision pursuant to subsection 1.

 (4) With the consent of the Czech National Bank, the forced administrator of the cover pools may decide that all the cover assets in the cover portfolio will be liquidated and that the covered bonds, which are linked to the debts that the cover portfolio serves to cover, will be repaid early, namely in full or only in a proportional amount corresponding to the amount of proceeds from the monetization of all cover assets in the cover portfolio. The forced administrator of cover pools can make such a decision regardless of whether or not there is a proportional reduction of debts according to subsection 1. If, as a result of the monetization of all cover assets in the cover portfolio, there is no early repayment of all covered bonds, which are linked to the debts that the cover portfolio serves to cover, subsection 1 shall be applied mutatis mutandis for reporting claims from covered bonds by the owners of the covered bonds or the forced administrator of the cover pools. Subsections 2 and 3 shall apply mutatis mutandis.

 (5) Apart from the consent of the Czech National Bank, no other public or private law consent or notification is required for the proportional reduction of debts pursuant to subsection 1, nor for monetization and early repayment pursuant to subsection 4, nor for their effectiveness vis-à-vis third parties. The validity of the proportional reduction of debts or early repayment or their effectiveness against third parties does not require a legal action other than the decision of the forced administrator of the cover pool pursuant to subsection 1 or 4.

 (6) The forced administrator of cover pools is always bound by the decision of the owners of covered bonds regarding the proportional reduction of debts or the monetization of the cover portfolio and the early repayment of covered bonds.

 (7) If there is a proportional reduction of debts pursuant to subsection 1 or monetization and early repayment pursuant to subsection 4, the Czech National Bank may impose

a) to the person managing the relevant register of investment instruments or another list in which the covered bonds with which these debts are associated are listed, making or changing an entry in the register or another list in which these covered bonds are listed,

b) to the organizer of a regulated market or a securities dealer, the removal of the covered bonds with which these debts are associated from trading on the market of investment instruments, or the readmission of a covered bond with a reduced nominal value to trading on the market of investment instruments, or

c) to the forced administrator of the cover pools to ensure the withdrawal of the covered bonds to which these debts are linked from circulation for the purpose of their exchange, designation of a new nominal value or destruction.

 (8) Proceeds from the monetization of all cover assets in the cover portfolio according to subsection 4, the forced administrator of the engraved blocks is obliged to send to the account established according to Section 32c subsection 1.

Section 32f

**Monetization of selected cover assets**

 (1) With the consent of the Czech National Bank, the forced administrator of the cover pools may decide to cash out the selected cover assets in the cover portfolio. The forced administrator of cover pools can make such a decision regardless of whether or not there will be a proportional reduction of debts according to Section 32e subsection 1.

 (2) The Czech National Bank shall grant consent pursuant to subsection 1 at the request of the forced administrator of cover pools, if it is in the interest of the owners of covered bonds, which are linked to the debts that the cover portfolio serves to cover pursuant to subsection 1.

 (3) If the owners of the covered bonds, which are associated with the debts for which the cover portfolio serves to cover pursuant to subsection 1, decide on this, at least by a simple majority of votes in relation to each issue of covered bonds in question, the forced administrator of the cover pools must request the Czech National Bank for consent pursuant to subsection 1 and, if this consent is granted, to decide that the selected cover assets in the cover portfolio will be monetized.

 (4) The forced administrator of the cover pools is always bound by the decision of the covered bond owners regarding the monetization of the selected cover assets.

 (5) The proceeds from the monetization of the selected cover assets pursuant to subsection 1 must be sent by the manager of the cover pools to the account established pursuant to Section 32c subsection 1.

**Part 3**

**Supervision of the Czech National Bank**

Section 32g

**Supervision of the fulfilment of obligations in relation to covered bonds**

 (1) Czech National Bank supervises the fulfilment of obligations under Sections 28 to 32e.

 (2) The issuer of covered bonds, the forced administrator of cover pools, the insolvency administrator, the liquidator and the temporary administrator of the issuer of covered bonds are subject to the supervision of the Czech National Bank pursuant to subsection 1.

Section 32h

**Remedial and other measures**

 (1) The Czech National Bank may impose measures to correct identified deficiencies, prohibit or limit the activities of the issuer of covered bonds in accordance with this Act, or publish information on the nature of the illegal act, and identification the person who acted in this way, including the identification of the person who acted on behalf of the legal entity.

 (2) The Czech National Bank enforces compliance with corrective measures or other measures pursuant to subsection 1 by means of a coercive fine, which can be imposed in the amount of up to CZK 5,000,000.

 (3) A coercive fine may be imposed repeatedly for the same breach of duty. The total of imposed fines for the same breach of duty may not exceed CZK 20,000,000.

 (4) Income from coercive fines is income of the state budget.

Section 32i

**Cooperation of supervisory authorities**

 (1) As part of the supervision of the issuer of covered bonds, the Czech National Bank cooperates with the supervisory authorities of other member states, the European Supervisory Authority (European Banking Authority)9) and the European Supervisory Authority (European Securities and Markets Authority)10) and provides them all information that is significant for the performance of their supervision, in particular information that could significantly influence the assessment of the issuance of covered bonds in another Member State.

 (2) The Czech National Bank fulfils the information obligations arising for it or for the Czech Republic from Directive (EU) 2019/2162 of the European Parliament and of the Council5), especially in relation to the European Supervisory Authority (European Banking Authority)9).

Section 32j

**Information published by the Czech National Bank**

 (1) The Czech National Bank publishes on its website

a) updated versions of laws and decrees governing the issuance of covered bonds,

b) a list of issuers that have been granted permission for a cover pool,

c) a list of covered bonds that may contain the designation "European covered bond", and

d) a list of covered bonds that may contain the designation "European covered bond (premium)

 (2) The Czech National Bank publishes information according to subsection 1 on its website in such a way that it can be compared with information of the same type published by supervisory authorities in other member states, and regularly updates it.

TITLE IV

EXCHANGEABLE AND PRIORITY BONDS

Section 33

**title omitted**

 (1) A convertible bond is a bond with the right to exchange it for another bond or other bonds or the right to exchange it for a share or shares of the same issuer, issued by their issuer in accordance with a special legal regulation. This right can be exercised instead of the right to redeem the bond.

 (2) A priority bond is a bond with the right to its repayment and the payment of bond proceeds, as well as the right to preferential subscription of shares issued by its issuer in accordance with a special legal regulation. The fact that it is a convertible or priority bond must be clearly indicated on the deed of the bond or in the relevant records and in all promotional communications relating to such bond.

 (3) The issue conditions of a convertible or priority bond must include the place and period for exercising the rights from the convertible or priority bond, indicating how the beginning of this period will be announced, and specifying the date from which the payment of the yield of the bond for which the exchange right has been exercised ceases according to subsection 1.

 (4) Exchangeable bonds, with which the right to exchange for shares is associated, and priority bonds are governed by another legal regulation.

CHAPTER V

SUBORDINATED BONDS

Section 34

**title omitted**

 (1) A subordinated bond is a bond where in case

a) entry of the issuer into liquidation,

b) issuance of a decision on the bankruptcy of the issuer, or

c) if the issuer is a foreign person, also another similar measure,

 the claim corresponding to the rights associated with this bond will be satisfied only after all other claims have been satisfied, with the exception of claims that are bound by the same or similar condition of subordination.

 (2) The fact that it is a subordinated bond must be clearly indicated on the deed bond or in the relevant records and also in all promotional communications regarding the subordinated bond.

 (3) Receivables from all subordinated bonds and other receivables that are bound by the same or similar condition of subordination are satisfied in the order specified in subsection 1. The issue conditions may determine a different order of satisfaction of claims from subordinated bonds, including in relation to the satisfaction of other claims, including claims from other subordinated bonds, or differently in relation to a claim corresponding to the right to repay the bond and other rights associated with the bond.

TITLE VI

COLLECTION BOND

**title omitted**

Section 35

 (1) A collective bond is a bond that represents a collection of individual bonds of a given issue, which are subscribed in the subscription document within the subscription period, and possibly the additional subscription period. Each collective bond is a separate issue. The number of subscribed bonds of each owner represents his share of the collective bond.

 (2) A collective bond is issued at the moment when the issue of bonds it represents is fully subscribed and when it is deposited in accordance with Section 36 subsection 1. The issue is also considered to be a fully subscribed bond issue if the issuer has used its authorization pursuant to Section 7 subsection 1 letter a). In the event of an increase or decrease in the total nominal value of the bond issue, the custodian shall, in accordance with Section 36 subsection 1, provide information on the decisive event, on the change in the total amount of the issue and, where appropriate, additional information on the issue on the collective bond. These changes will also be made in the relevant register of investment instruments.

 (3) The collective bond is the joint property of the owners of shares in the collective bond. The provisions of the Civil Code on co-ownership do not apply to the legal relations between owners of shares in a collective bond.

 (4) The owner of a share in a collective bond has all rights as the owner of the bond.

Section 36

 (1) The collective bond must be deposited with the person in charge of the relevant records of investment instruments. A collective bond is an immobilized security. A collective bond is not a collective deed.

 (2) The person referred to in subsection 1 keeps records of the owners of shares in the collective bond.

 (3) The record according to subsection 2 is a list of owners within the meaning of Section 4 subsection 2.

 (4) The owner of a share in a collective bond may, in accordance with the issue conditions, transfer a share in a collective bond to another person. The legal effects of the transfer to become an entry in the register according to subsection 2.

 (5) The person referred to in subsection 1 is obliged to issue to the owner of a share in a collective bond, at his request, an extract from the register of the size of his share in the collective bond.

 (6) The person referred to in subsection 1 is obliged to give the issuer of the collective bond at its request a list of owners of shares in the collective bond for the purpose of convening and holding a meeting of owners.

Section 36a

 (1) A lien on a share in a collective bond is created by entry in the register according to Section 36 at the behest of the mortgagee. If the order is submitted by the mortgage creditor, personal debtor or pledgee, the lien is entered if the orderer documents the establishment of the lien.

 (2) The lien pursuant to subsection 1 shall be deleted from the records at the order of the lien creditor. If the order is submitted by the mortgagee, personal debtor or pledgee, the lien is cancelled if the orderer proves that a fact has occurred that is otherwise the reason for the termination of the lien.

**PART THREE**

**STATE SUPERVISION IN CONNECTION WITH THE ISSUANCE OF MUNICIPAL BONDS**

Section 37

**title omitted**

 State supervision of compliance with the conditions under which the territorial unit was granted approval pursuant to Section 27 subsection 2 is performed by the Ministry.

Section 38

**Misdemeanours**

 (1) A territorial self-governing unit commits an offense by

a) uses funds obtained by issuing a bond or a similar security representing the right to repay the amount owed according to the law of a foreign state in violation of Section 27 subsection 3 letter b) if it is a bond, or in violation of Section 27 subsection 3 letter b) and Section 27 subsection 7, if it is a similar security,

b) issues a bond or a similar security representing the right to repay the amount owed under the law of a foreign state in violation of

1. Section 27 subsection 3 letter c) if it is a bond, or contrary to Section 27 subsection 3 letter c) and Section 27 subsection 7, if it is a similar security, with a maturity period longer than 15 years, or

2. Section 27 subsection 2, if it is a bond, or in violation of Section 27 subsections 2 and 7, if it is a similar security, without the consent of the Ministry, or

c) in violation of Section 27 subsection 5, does not keep funds obtained from signing a bond or, in violation of Section 27 subsections 5 and 7, of a similar security representing the right to repay the amount owed according to the law of a foreign state, in a separate bank account, or does not account for them separately so that he is able to document the purpose of their use.

 fine of up to CZK 20,000,000 may be imposed for an offense under subsection 1.

Section 39

**Jurisdiction**

 Offenses under Section 38 are discussed by the Ministry.

**PART FOUR**

**COVERED BONDS OFFENSES**

Section 40

 (1) An issuer of covered bonds commits an offense by

a) fails to fulfil any of the obligations under Section 28a, Section 28aa, 28b, 28c, Section 28d, or Article 129 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council,

b) issues a covered bond without being granted a permit pursuant to Section 30d subsection 3,

c) does not keep records of cover pools in accordance with Section 32 subsection 1,

d) fails to fulfil the information obligation according to Section 32, subsection 5, or

e) does not provide cooperation to the forced administrator of cover pools according to Section 32b subsection 6.

 (2) A forced administrator of cover pools commits an offense by

a) does not keep records of cover pools in accordance with Section 32 subsection 2,

b) does not carry out the activities of a forced administrator of cover pools with professional care according to Section 32b subsection 2,

c) does not provide cooperation according to Section 32b subsection 7,

d) fails to fulfil any of the obligations in relation to the accounts according to Section 32c subsection 1, or

e) fails to fulfil the obligation according to Section 32d subsection 6 or Section 32e subsection 6 by acting contrary to the decision of the owners of the covered bonds.

 (3) The insolvency administrator, liquidator or temporary administrator of the issuer of covered bonds commits an offense by not providing cooperation to the forced administrator of cover pools pursuant to Section 32b subsection 6.

 (4) A fine of up to CZK 20,000,000 can be imposed for an offense under subsection 1 or 2.

 (5) A fine of up to CZK 1,000,000 can be imposed for an offense under subsection 3.

Section 41

**Jurisdiction to hear offences**

 Offenses pursuant to Section 40 are discussed by the Czech National Bank.

**PART FIVE**

**COMMON, TRANSITIONAL AND FINAL PROVISIONS**

Section 42

**cancelled**

Section 43

**Bond-like securities or book-entry securities**

 (1) A security or book-entry security that is not an exchangeable bond and with which is associated the right to repay a certain amount owed, which is even partially dependent on whether or not a certain circumstance occurs, is not considered a bond.

 (2) This Act or its individual provisions can only be applied to a security or a book-entry security with the right to repayment of a certain amount owed and which is not a bond, if the issue conditions of these securities or book-entry securities so require securities; however, such security or book-entry security may not contain the designation "bond".

Section 44

**Publishing, reporting and making information available**

 If this law requires the publication, announcement or making available of information in the territory of the Czech Republic, then this information is published, announced or made available in the Czech language or in another language, if it is in the interest of investors and the use of this language is regulated in the issue conditions.

Section 45

**title omitted**

 If a security agent is appointed to secure debts unrelated to the issuance of bonds, Sections 20 and 20a shall apply mutatis mutandis.

Section 46

**Temporary provisions**

 (1) The issuer may apply to the Commission for approval of a change to the emission conditions within 1 year after the effective date of this Act. Pursuant to the provisions of Section 12 subsections 1, 6 and 7, the procedure is also followed in the case of the issue conditions of bonds that were issued before the date of entry into force of this Act.

 (2) Legal relationships from bonds and issue conditions issued before the date of entry into force of this Act are assessed according to existing legal regulations.

 (3) Proceedings initiated before the effective date of this Act, with the exception of proceedings pursuant to subsection 4, shall be completed in accordance with existing legal procedural regulations.

 (4) Proceedings on the approval of the issue conditions, the bond programme and its supplement, or on the amendment of the issue conditions and the amendment of the bond programme supplement, initiated before the effective date of this Act, shall be completed in accordance with this Act. The Commission shall provide participants with a reasonable period of time to complete or amend the application in accordance with the requirements of this Act; during this period, the time limit for issuing a decision does not run.

 (5) Violations of existing legal regulations or decisions of the Commission issued under the existing law, which were discovered after the date of entry into force of this law, are assessed according to the existing law.

 (6) Loans negotiated before the date of its entry into force are also considered mortgage loans according to this Act, if they meet the conditions according to Section 28.

 (7) The issuer must submit the first rules for determining the mortgage value of mortgaged real estate to the Commission within 3 months after the effective date of this Act.

Section 47

**Cancellation provision**

 Act No. 530/1990 Coll., about bonds is repealed.

Section 48

**Entry into force**

 This Act becomes effective on the date of entry into force of the Treaty on the Accession of the Czech Republic to the European Union.

**Zaorálek m.p.**

**Klaus m.p.**

**Špidla m.p.**

**Selected provisions of the amendments**

 Art. XI of Act No. 355/2011 Coll.

**Transitional provision**

 Bonds that, prior to the date of entry into force of this Act, were first entered into the issuer's asset account in the register in accordance with another legal regulation, are considered to have been duly issued at the time of their entry into this account, if the other requirements established by the existing legal regulations have been met regulations for issuing bonds.

 Art. II of Act No. 172/2 012 Coll.

**Temporary provisions**

 1. Legal relationships from bonds issued before the date of entry into force of this Act, as well as the issue conditions of bonds approved before the date of entry into force of this Act, are assessed according to existing legal regulations.

 2. In order to determine the date that is decisive for participation in the meeting of bond owners, as well as owners of shares in the collective bond (hereinafter referred to as the "meeting of owners"), bonds issued before the date of entry into force of this Act can be followed in accordance with existing legal regulations.

 3. If the issue conditions of bonds relating to bonds issued before the date of entry into force of this Act do not include a method of announcing the holding of the owners' meeting, the convener is obliged to publish a notice of its holding in at least 2 state-wide newspapers, within a period of at least 15 days before the day of its proceedings.

 4. Management

a) for breach of the obligation stipulated by Act No. 190/2004 Coll., in the version effective until the date of entry into force of this Act,

b) for violation of the conditions stipulated in the decision issued pursuant to Act No. 190/2004 Coll., as amended until the date of entry into force of this Act, or

c) applications for the approval of bond issue conditions that the Czech National Bank initiated and which were not legally terminated by the date of entry into force of this Act shall cease on the date of entry into force of this Act; points 5 and 6 are not affected by this.

 5. Proceedings conducted by the Czech National Bank with a territorial self-governing entity for breach of the obligation stipulated in Section 27 of Act No. 190/2004 Coll., as amended until the effective date of this Act, will be completed by the Czech National Bank in accordance with existing legal regulations. If a fine is imposed in such proceedings, its collection and enforcement shall be carried out in accordance with existing legal regulations.

 6. If a decision of the Czech National Bank was issued before the date of entry into force of this Act imposing a fine on a territorial self-governing unit for breaching the obligation set forth in Section 27 of Act No. 190/2004 Coll., as amended until the effective date of this Act, and if an appeal was filed against this decision, the Banking Board of the Czech National Bank will decide on it in accordance with existing legal regulations. If the banking board of the Czech National Bank annuls such a decision and returns the matter for a new hearing, the Czech National Bank is responsible for this new hearing, which will complete the proceedings in accordance with the existing legal regulations.

 7. The fine imposed before the date of entry into force of this Act for conduct that is no longer an administrative offense under Act No. 190/2004 Coll., as amended from the date of entry into force of this Act, shall not be selected.

 8. The time limits that began to run according to existing legal regulations before the date of entry into force of this law are not affected by this law.

 Art. II of Act No. 137/2014 Coll.

**Transitional provision**

 Legal relationships from bonds issued before the date of entry into force of this Act, as well as from the issue conditions of bonds published or otherwise made available before the date of entry into force of this Act, are assessed according to existing legal regulations.

 Article II of Act No. 307/2018 Coll.

**Temporary provisions**

 1. In relation to mortgage bonds, the issuer may in accordance with Section 2 8 subsection 1 of Act No. 190/2004 Coll., in the version effective before the date of entry into force of this Act, the date of issue of which precedes the date of entry into force of this Act (hereinafter referred to as "mortgage mortgage bonds"), begin to fulfil the requirements of Act No. 190/2004 Coll., as amended from the date of entry into force of this Act, from the day it changed their emission conditions so that they correspond to these requirements. This change does not require the convening or approval of a meeting of owners, if this change occurs no later than 48 months after the effective date of this Act. He will make information about this available to investors in the same way as he made the issue conditions available. It applies that these mortgage bonds are considered covered bonds according to Act No. 190/2004 Coll., as amended from the date of entry into force of this Act.

 2. Legal relationships from mortgage bonds, in relation to which the issuer did not proceed according to point 1, as well as their issue conditions, are assessed according to Sections 28 to 32 of Act No. 190/2004 Coll., in the version effective before the date of entry into force of this Act.

 3. Legal relationships from bonds that are not mortgage bonds and whose issue date precedes the date of entry into force of this Act, as well as from their issue conditions of bonds published or otherwise made available before the date of entry into force of this Act, are assessed in accordance with Act No. 190/2004 Coll., in the version effective before the date of entry into force of this Act.

 Article V of Act No. 96/2022 Coll.

**Temporary provisions**

 1. Covered bonds and mortgage bonds whose issue date precedes the effective date of this Act, which were issued after the effective date of Act No. 190/2004 Coll., as amended by Act No. 307/2018 Coll., amending Act No. 190/2004 Coll., on bonds, as amended, and other related laws, or were issued before the effective date of Act No. 190/2004 Coll., as amended by Act No. 307/2018 Coll., whereby the issuer changed their issue conditions so that they correspond to the requirements of Act No. 190/2004 Coll., as amended from the effective date of Act No. 307/2018 Coll., are considered covered bonds according to Act No. 190/2004 Coll., as amended from the date of entry into force of this Act, without their issuer having to change their issue conditions so that they correspond to the requirements of this Act; in relation to these bonds, the issuer must meet the requirements of Act No. 190/2004 Coll., as amended from the date of entry into force of this Act, while the fulfilment of Section 28a subsection 5, Section 28aa and Section 30d subsection 3 of Act No. 190/2004 Coll., as amended from the date of entry into force of this Act. The issuer is not obliged to create separate cover portfolios or cover pools in relation to such covered bonds or mortgage bonds. This shall also apply to incremental issues of such covered bonds and mortgage-backed securities for which an International Securities Identification Number (ISIN) identifier was assigned prior to the effective date of this Act, if such issues meet the following requirements:

a) the issue date of these covered bonds is set before July 8, 2024,

b) the maturity date of these covered bonds is set before July 8, 2027,

c) the total volume of the increase after July 8, 2022 will not exceed twice the total volume of outstanding covered bonds of the given issuer as of July 8, 2022,

d) the total volume of these issues of one issuer will not exceed the amount corresponding to EUR 6,000,000,000 and

e) immovable property according to Section 28 subsection 3 of Act No. 190/2004 Coll. is located on the territory of the Czech Republic or Slovak Republic or another member state of the European Union, if such other member state of the European Union applies the requirements of Article 30 subsection 1 of Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on issuing of covered bonds and public supervision of covered bonds and on the amendment of directives 2009/65/EC and 2014/59/EU on the increase of covered bonds in the sense of this point.

 2. In relation to covered bonds or mortgage bonds other than according to point 1, the date of issue of which precedes the effective date of this Act (hereinafter referred to as "mortgage bonds"), the issuer may start fulfilling the requirements of Act No. 190/2004 Coll., as amended from the date of entry into force of this Act, from the day it changed their emission conditions so that they correspond to these requirements. This change does not require the convening or approval of a meeting of owners if it occurs no later than July 8, 2022. It will make information about it available to investors in the same way as it made available the issue terms. It applies that these mortgage bonds are considered covered bonds in accordance with Act No. 190/2004 Coll., as amended from the date of entry into force of this Act.

 3. Legal relationships from mortgage bonds, in relation to which the issuer did not proceed according to point 1 or 2, as well as legal relationships from their issue conditions, are assessed in accordance with Section 28 to 32 of Act No. 190/2004 Coll., as amended before the effective date of Act No. 307/2018 Coll. and this law.

 4. Legal relationships from bonds that are not mortgage bonds and whose issue date precedes the date of entry into force of this Act, as well as legal relationships from their issue conditions published or otherwise made available before the date of entry into force of this Act, are assessed in accordance with Act No. 190/2004 Coll., in the version effective before the date of entry into force of this Act.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1) Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issuance of covered bonds and public supervision of covered bonds and on the amendment of Directives 2009/65/EC and 2014/59/EU.

2) Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council as regards the requirement for credit institutions regarding liquidity coverage, in valid wording.

3) Regulation (EU) No. 575/2013 of the European Parliament and Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012, as amended.

4) Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 establishing a general framework for securitization and creating a specific framework for simple, transparent and standardized securitization and amending Directive 2009/65/EC, 2009/138/EC, 2011/61/EU and Regulation (EC) No. 1060/2009 and (EU) No. 648/2012.

4a) Section 33 of Act No. 6/1993 Coll., about the Czech National Bank.

8) Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade data registries, as amended.

9) Regulation of the European Parliament and of the Council (EU) No. 1093/2010 of 24 November 2010 on the establishment of the European Supervisory Authority (European Banking Authority), on the amendment of Decision No. 716/2009/EC and on the repeal of Commission Decision 2009/78/EC, as amended.

10) Regulation of the European Parliament and the Council (EU) No. 1095/2010 of 24 November 2010 on the establishment of the European Supervisory Authority (European Securities and Markets Authority), on the amendment of Decision No. 716/2009/EC and on the repeal of the Commission's decision 2009/77/EC, as amended by European Parliament and Council Directive 2011/61/EU, as amended.