ANNEX to RIA: Results of the public consultation

2.1 Establishing a Long-Term Investment Account

Consultation:

Question	1) Do you agree to join taxpayer limits and to extend their application to Long-Term Investment Account? 2) Do you agree to extend the application of tax depreciation in relation to employer's contributions to the Long-Term Investment Account? 3) Do you agree to apply the 60 + 60 rule to the Long-Term Investment Account? 4) Do you consider it necessary to revise the 60 + 60 rule? 5) Do you agree with the name of this new product "Long-Term Investment Account"? 6) Do you agree to define the circle of persons who will be able to maintain a Long-Term Investment Account? 7) Do you agree with the definition of assets that can be registered in the Long-Term Investment Account? 8) Do you agree with the proposed treatment of asset income in the Long-Term Investment Account? 10) Do you agree with the proposed solution to the distribution of Long-Term Investment Account? 11) Do you consider that there are other issues that need to be addressed in relation to the Long-Term Investment Account? Ideally, in relation to these questions, also suggest your preferred solution. 12) Do you think that other possibilities should be considered in the future, how should the Czech Republic support saving of citizens for old age? If so, state the main features and any foreign inspiration (taking into account the impact of the chosen solution on the state budget).

Results of the consultation

In general:

Supervisory authority

The decision on the introduction of this new product and its possible tax support is a political issue, which is the responsibility of the Ministry of Finance and the Government of the Czech Republic, and therefore we take a neutral stance on the possible creation of the "Long-Term Investment Account" regime. However, we would like to draw your attention to facts that should be taken into account before making this decision.

To sum up, the Czech Republic has four levels of tax support for pension products:

Level 1 - state contributions to pension products:

- *in 2018 the Ministry of Finance transferred the state pension contribution (transformed funds) and additional pension savings (participation funds) in the amount of 7.035 billion CZK. It is not known that such contributions exist in any state (except the Czech Republic).*

Level 2 - tax relief for the participant:

- *exemption from personal income tax on certain benefits from pension funds, private life insurance and pension insurance,*
- *deduction from the personal income tax base for contributions to pension funds and pension insurance, up to CZK 24,000 per year,*
- *deduction from the personal income tax base in the case of private life insurance contribution, up to CZK 24,000 per year,*
- *the employer's contribution to pension funds, private life insurance and pension insurance up to CZK 50,000 per year is exempt from personal income tax and is not subject to the employee's social security or health insurance contributions.*

Level 3 - tax relief for employers:

- *the employer's contribution to pension funds, private life insurance and pension insurance up to CZK 50,000 per employee per year is not subject to employer's social or health insurance.*

Level 4 - reduced income tax rate of pension funds

- *the income tax rate of pension funds is 0% instead of 19%.*

As regards the proposal to apply tax advantages also to the newly introduced "Long-Term Investment Account", we present the following:

The "60 + 60" rule is relevant only for the purposes of deduction from the taxable person's income tax base, not for expulsion of the product (existing pension products include surrender options). If a participant has applied a tax deduction and subsequently terminates the contract with surrender payment, it must, with respect to the "60 + 60" rule, tax the funds by which it has reduced its tax base in recent years.

The existence of a European variant of the 'Long-Term Investment Account', which is a "pan-European personal pension product" (PEPP) under Regulation (EU) 2019/1238, may be taken into account. The regulatory framework for PEPP lays down, inter alia, distribution requirements and information obligations, and allows for a significant expansion of the range of existing pension products.

The British "individual savings account" (ISA) and the Slovak "dlhodobé investičné sporenie" are not pension products. Citizens deposit already taxed money into their accounts, i.e. there is no 1st, 2nd or 3rd degree of tax support applied in the Czech Republic.

Of course, the above points do not prevent the Long-Term Investment Account from being subject to tax support in the Czech Republic. As this is a political issue, the CNB is neutral.

Market operator No 1

In our institutions' view, the only way to increase investor interest in the capital market, financial incentives, money, in the form of tax incentives or reliefs, is the most effective way to ensure greater investor involvement.

The development and good functioning of the capital market is essential for the efficient functioning of the economy. There are many studies available to the MF that support these conclusions. The Czech capital market will not develop due to the technical dexterity of legislators or the high expertise of specialists preparing the Strategy. Nothing new genius can be devised. The Czech capital market will not develop thanks to new technologies. Existing technologies are sufficiently efficient and safe and cheap. Promoting capital market development will only occur in the event of a political consensus of the political representatives

of the state (government and parliament), whose output will be the environment motivating investors to long-term investment in capital market instruments and, on the other hand, the interest of issuers to use the capital market for their own financing.

Of the presented areas, it seems to be the best to use the possibilities under points 2) and 10). ISA and the expansion of pension funds support, but only those, which have a majority in the portfolio of capital market instruments. The terms and conditions for each individual should be adjusted so that its growing portfolio would be recorded in a virtual individual savings (and even a special pension) account. Investing through such an account would be assessed as a single annual amount and would be somehow financial / tax / monetary motivated, e.g. by an extended tax time test, increased state contribution in its pension part, tax depreciation in case of losses, etc. and the greater the concessions or contributions or the broader tax time test, the greater the incentive for investors to invest. E.g. in England, the ISA investment account has an annual investment limit of about GBP 20,000, and all profits from these investments are not subject to any additional tax. It is necessary that the total annual amount is not unnecessarily small and that this product is interesting and fulfils the role even for higher income groups, for example saving / investing 50 thousand. monthly, 600 thousand yearly as in England. Compare incentives for retail investment in France, Sweden and other EU countries. The ISA investment account should not have the same 60/60 product parameters as the retirement account, but should be differentiated (in terms of time, tax, investment amount) so that it is in addition to pension savings (e.g. 0/0 + annual limit) and investors could develop a suitable long-term flexible investment portfolio - thereby giving them greater incentives to use all kinds of investment / savings instruments.

Market association No 1

To begin with, we would like to say that we consider the initial definition of the introduction of the Long-Term Investment Account as an absolute priority, including the timeframe, to be quite right. It is imperative that the Government of the Czech Republic will be submitted a draft amendment to the relevant laws by the end of 2019 so that this draft can be implemented as soon as possible. This is an issue that has been the subject of a number of discussions for several years and therefore deserves to be adopted in the shortest possible time.".

Ministry No 1

The Ministry of Labour and Social Affairs welcomes and supports the development of activities and programs that will increase the motivation of citizens to create additional financial security during their economically active life for the post-productive period, when they will receive the state old-age pension under the first pillar, wherever possible, there has been no significant reduction in living standards due to insufficient financial security in old age. In line with the conclusions of the Commission on Equitable Pensions, we would like to point out that it is also very important for the Ministry of Labour and Social Affairs to address the effectiveness of the system and the improvement of the pay check phase, i.e. ensuring that disbursements are not taken up almost exclusively; as they were created, i.e. ensuring regular income in old age, and allowed security during all or a large part of post-productive life.

From the perspective of the Ministry of Labour and Social Affairs, a proposal for a similar instrument does not seem appropriate for the Czech Republic, at least from the point of view of the development phase of retirement benefit systems. The Ministry of Labour and Social Affairs believes that before discussing the possible expansion of financial institutions managing supported forms of savings, it is necessary to first solve the effectiveness of the current third pillar in terms of insufficient revenues and cost regulation, especially in transformed funds, used by about 75 % of people saving on retirement at pension companies. Given the large number of citizens involved, it is unlikely that an increase in the number of people who will

start saving for old age can be expected; rather, the transfer of existing clients can be expected when creating more favourable conditions for new institutions.

From the perspective of the Ministry of Labour and Social Affairs, the introduction of other state-supported long-term investment accounts for old-age savings could lead to fragmentation of the old-age savings system and further weaken the already low efficiency. Therefore, the Ministry of Labour and Social Affairs prefers to consolidate the system as a priority, for example by setting up a state pension fund, moving clients from existing pension funds to a state pension fund, and to more appropriate profiles of participating funds. These are topics which are, among others, the subject of discussions by the Commission for Fair Pensions.

For these and other reasons, the Ministry of Labour and Social Affairs does not support the proposal to introduce a Long-Term Investment Account. We consider this intention of the Ministry of Finance to be such a fundamental intervention in the pension system of the Czech Republic that agreement between the Ministry of Labour and Social Affairs and the Ministry of Finance is highly desirable. Similarly, we consider it appropriate to discuss this intention in the framework of the Commission for Fair Pensions, which, according to the government's policy statement, must also address the forms of individual retirement security.

Market association No 3

From our point of view, not all the essential aspects of such a proposal are addressed in the Consultation Paper.

Market association No 5

We support the introduction of a Long-Term Investment Account and it is in our opinion also in the interest of our clients. This will settle the support / advantage for all substitution products (investments, pension savings, investment life insurance). The name of the account itself should reflect not only the long-term but also the sense of saving money for "pension".

Ad 1:

Trade union representative

Yes, but only with the simultaneous increase in the overall limit, e.g. to 60 thousand CZK annually.

Market association No 1

In our opinion, it would make more sense to increase the existing limits on the taxpayer in order to increase the incentive to further save for old age. This would also motivate those already using existing old-age savings products to start using Long-Term Investment Accounts. However, we prefer to have a separate limit for pension funds as well as a separate limit for the investment life insurance and the Long-Term Investment Account.

Market operator No 1

In principle, we agree with the intention to set up one investment account and one retirement savings account through which an individual would be able to invest in many other instruments / funds. As mentioned above under 1), there are many variations of motivation to imagine. It is not appropriate to combine retirement savings accounts and investment accounts into one product.

In particular, it is appropriate to distinguish between an individual investment account and an individual pension account. Both have different modes and mostly serve a different purpose. Note however, it is quite common in the UK that savings in the ISA personal investment account also serve as part of investors' income at their retirement age. It is common practice that

withdrawals (either one-off or regular) from an ISA account supplement pension income. The reason is usually a combination of different tax structures, generational planning, investment strategies, etc. However, ISA provides investors with great flexibility, by choosing from that account at any time.

For an investment account, it is necessary to count with one-time deposits and high withdrawals even before reaching retirement age (e.g. I sell a property and buy a new one after 5 years, meanwhile I want to invest in various e.g. 5 funds through ISA). This simple investment account should complement the pension account. It should offer other tax benefits so that investors are offered more flexibility and incentives to use both the pension and investment accounts. The 60/60 rule would be unfortunate for both types of accounts, as many people already fear that they have access to pension accounts only on their 60th birthday, and that their private pension can become nationalized at any time. As already mentioned, an alternative retirement account could be a personal investment account that would not, for example, offer tax support on initial investment but allow withdrawal without any tax and time burden, but would specify an annual deposit limit for each investment account holder. This is how the UK personal investment account (ISA) works and is very popular in the UK. This account can be opened only by institutions that have obtained permission from the tax office and their duty is to monitor the limits set by investors. ISA does not burden either the investor or the tax office, since profits / withdrawals do not have to be filled in the annual tax clearance.

The retirement account should primarily be intended for long-term savings up to the selected retirement age (in the UK, private retirement savings have a retirement age of 10 years lower than the state, i.e. the state retirement age is 65 and the "private"retirement age is 55)with regular payments and its gradual withdrawals, not one-off, after the end of working life. However, the pension part should also be set to higher income groups.

Supervisory authority

State aid of 3rd pillar incl. possible changes are currently being discussed on the Commission's Platform for Fair Pensions. The CNB takes a neutral view on the possible extension of tax relief to citizens' contributions to the "Long-Term Investment Account" and related legislative changes. However, it should be noted that it would be appropriate - whether or not extension will take place - to have a thorough discussion of efficiency of 3rd pillar in connection with its tax support.

As already mentioned, account should also be taken of the existence of a pan-European personal pension product (PEPP), which makes it possible to significantly broaden the range of existing pension products while imposing, inter alia, distribution requirements and disclosure obligations to participants and tax support to the Long-Term Investment Account as another type of pension product.

Market association No 2

No, because for those who are already using old-age savings products, this change does not provide any incentive to further increase old-age savings (even for those who do not use existing old-age savings products, this change does not constitute any new incentive). Instead, we propose that the taxpayer limit be raised in connection with the introduction of Long-Term Investment Accounts. This would encourage those already using existing retirement savings products to start using Long-Term Investment Accounts.

Market association No 4

"The introduction of another state aid product, moreover for the same purpose as it is already supported, does not make much sense in terms of motivation and will only increase the

confusion of the market and the unpredictability of the state's access to voluntary pension savings for citizens. We have been criticizing the plan for a long time, especially because we do not notice public demand. In our experience, pension savings should be concentrated in a simple, understandable and safe product in order to allow the calculation of pensions, not to be broken down into different, difficult to compare products, especially if they are to receive the same state aid (tax relief) or similar terms (such as employer's contributions). So-called pension savings for which state aid is granted should logically be registered with one administrator. We do not consider the requirement for the 60 + 60 rule to be sufficient, as existing pension products and their providers are also substantially regulated in other respects (e.g. investment, fee and commission limits). The possible extension of the possibility of drawing state aid to other financial products should ensure comparable conditions in the regulation of such products and thus also the competitiveness on the market. It should be preceded by an analysis of the impact on the pension system whether broad state support for savings in bank accounts or mutual funds will actually contribute to increasing the volume of savings earmarked for retirement security, will lead to disbursement of such savings in the form of pensions and the actual impact such an extension of state aid will mean for the state budget.

Market association No 3

It can be agreeable to join the limits, but we suggest raising these limits and also suggest that you allow contributions to account beyond these limits.

Ad 2:

Supervisory authority

The Ministry of Finance is in charge for extending the application of the existing tax breaks for employees in relation to the employer's contributions to pension products as well as to the employer's contributions to the "Long-Term Investment Account", concerning this matter, the CNB has neutral position. In this context, we would like to point out that the "individual savings account" in the United Kingdom, the "individual retirement account" in the USA and the "dlhodobé investičné sporenie" in Slovakia cannot be considered as inspirational models for this purpose, where the above type of support does not exist. The issue of tax relief for employees on employers' contributions to the "Long-Term Investment Account" should also be generally discussed in the context of effectiveness assessment 3rd pillar.

Private person 1

It is not clear from the description how this should work. If it was about abolishing of the tax deduction for the employer and replacing it by increasing the limit for the taxpayer, then I disagree. Employer should continue to be motivated to contribute to saving their employees.

Educational institution

Yes. We support the introduction of the Long-Term Investment Account as a form of old-age security frequent in developed countries in Western Europe.

Market association No 4

Employer contributions should not be directed to more equally targeted products, especially if other financial products are not treated from the perspective of the possibility of influencing the employee's choice of providing company by the employer's perspective in similar matter as supplementary pension savings work.

Market association No 3

The question is, however, whether it would be more appropriate to concentrate only on the exemption of income on the account, i.e. to allow the savings saved not to be taxed and,

conversely, to allow the limit to be increased.

Ad 3:

Market operator No 1

No, see above. The investment account should not have a time limit.

Private person 2

In relation to the possibility of extending assets (stocks, bonds, etc.), a revision of rule 60 + 60 would be appropriate, at least in relation to this "other" asset - e.g. in the form of creating another rule applicable to this type of asset investment as Slovakia uses, e.g. long termism of investment.

Market Association No 4

We consider this single rule to be inadequate. Furthermore, in our opinion, it would be at least necessary that the Long-Term Investment Account not only allows for a one-off withdrawal, but also a regular payment in the form of a fixed-term pension or life annuity, otherwise it will not fulfil the full role of old-age security. One of the possible forms of payment should be the transfer of funds from such an account to supplementary pension savings, e.g. due to the payment of pre-retirement fund.

Ad 4:

Market operator No 1

It does not seem necessary for a retirement account. Not suitable for an investment account.

Trade union representative

With regard to the pension purpose, it would be necessary to extend the investment phase to at least 120 months and consider the age shift to 65 years in accordance with the statutory retirement age in the Czech Republic.

Ad 5:

Market operator No 1

It would be more appropriate to set up two new accounts - a personal investment account (let's call it ISA) and a personal pension account (let's call it SIPP), so that it is clear what comes under and does not fall under pension legislation.

Trade union representative

NO, we propose the name "pension investment account".

Private person No 3

No. I believe that the name should reflect the fact that the account is used to secure the pension. Also, the acronym "ÚDI" seems to me somewhat unfortunate. For example, I would suggest a long-term investment pension account ("PÚDI").

Market association No 1

Given the application of the 60 + 60 rule, we consider the "personal pension account" to be more appropriate.

Private person No 4

Rather, a "Personal Long-Term Investment Account" or a "personal savings account".

Ad 6:

Trade union representative

YES, it is not permissible to offer and maintain an account without the need for their expertise.

Market association No 1

Yes. Here, we consider it essential that these be exclusively licensed, regulated and supervised entities.

Market association No 6

We propose to expand the circle of people by credit unions.

Market association No 3

It is not clear to us what services the account manager will provide. If it was just an administrative account, we see no reason why the circle of people should be limited. If investment services such as portfolio management are also provided, restrictions are in place.

Ad 7:

Market association No 1

We assume that the definition of assets will be the subject of a specific proposal, but we expect that these will only be instruments that are regulated.

Private person No 2

It would be worth considering restrictions on publicly traded assets (stocks, bonds, etc.). Otherwise, you could buy shares in "doubtful" companies (e.g. empty SPVs).

Market association No 3

Assets that can be placed on the Long-Term Investment Account are very unclear in the Consultation Paper. However, we would recommend minimizing restrictions as much as possible. We see no reason to limit investment instruments in an account other than as part of the investment service provided.

Ad 8:

Trade union representative

The material does not contain any, only foreign models.

Private person No 3

The article does not specify the treatment of revenues. Question 2.9. is deleted, has the wrong question been deleted by mistake? In general, I would like to see that the proceeds from the funds of ÚDI (dividends, interest) can be reinvested and (without penalty) continuously withdrawn. A situation where the client would have the opportunity to regularly "touch" the revenues already during the savings phase would have an incentive for further savings.

Private person No 2

Yes, income from the sale of assets from this account, the funds of which would subsequently be used for a re-investment meeting the account criteria, should not be subject to taxation. If bank deposits (current accounts) were excluded from the appropriate assets of the accounts, it would be appropriate to define the length of the period when the funds must be re-converted from "cash" into the correct assets in the form of shares, bonds, etc.

Market association No 3

We agree with these points, but while taking into account the comments on point 2.3.

Furthermore, it should be possible to transform assets that are already subject to the 60 + 60 regime into assets on a Long-Term Investment Account without tax.

Ad 10:

Trade union representative

YES, it is not permissible to offer and maintain an account without the need for their expertise.

Market association No 1

Yes. We believe that only regulated entities should be able to offer this account.

Any product should be distributed only to those authorized by the investment intermediaries.

Private person No 1

Any product should be distributed only to those authorized by the investment intermediaries.

Private person No 2

Yes, I understand that the investment would be purchased from non-taxed income and any withdrawal of funds from the account before meeting the conditions (60 + 60 or, for example, the long-term investment) would be subject to taxation. It is necessary to define in this context:

- in what regime would the taxation at exit be carried out - taxation as other income according to Section 10 would seem appropriate

- further consider the possibility of maximum taxation of past contributions - e.g. 10 years, as is currently the case for life and pension insurance breaches.

- to consider the tax regime for extra funds - that is, beyond the exempted legal limits, i.e. the funds will be invested already once taxed) - the tax regime for such proceeds at exit should only capture realized profit. However, if there is already the possibility of exemption in the Income Taxes Act (e.g. holding securities after a certain period of time (3 years) or exempting trading income of up to 100,000), then this exemption should also apply to withdrawing funds from the account.

- similarly, if the shares or bank deposits to this account will flow more benefits in the form of e.g. dividend or interest will be treated with the appropriate tax treatment of those benefits. By default, these incomes are subject to a 15% withholding tax on their payment to individuals. It would be useful to consider this opportunity to introduce non-taxation of such income, if they flow to the account.

- in case of breach of conditions and early withdrawal (sale of assets), it would be advisable to set up a tax regime so that only withdrawal of funds is taxed - e.g. deposited untaxed funds 100 and only 80 profit due to loss of share value and not additional taxation 100. it would be appropriate to be able to apply the current tax exemptions in the form of a time test or income level (see above) in case of breach of the conditions.

Market association No 4

The distribution of the Long-Term Investment Account to serve as a pension product should be subject to regulation similar to that of supplementary pension savings.

Ad 11:

Market operator No 1

Do not mix investment account and pension account into one product. See above.

Private person No 3

Yes: - In particular, dividends on equities held by ÚDI, as well as interest on bonds, should be exempt from tax (if 60 + 60 is abided).

- Direct active asset management in ÚDI by its owner should be allowed (similar to Self Managed Superannuation Funds in Australia)

Private person No 1

Consider cross-border aspects, i.e. whether or not foreign bank or investment firm branches or even foreign banks and investment firms could run an account without a branch.

Market association No 4

The above-mentioned need for unification of regulation conditions.

Market operator No 3

In the questions consulted, I first of all miss the question of whether it makes sense to create another product with state support - the so-called "Long-Term Investment Account". In the introduction it is written that even existing products, the state supports in the form of a contribution or tax support that these products are not fully used by citizens. E.g. low monthly contributions to pension funds. There is a question, then, whether the introduction of another similar product is a solution that will truly increase the interest in long-term savings / investment of citizens? Which of the citizens will really orientate themselves in the flood of various "state-supported" products and will ultimately make the right choice? What will be the cost of the state budget, not only due to state aid / tax relief, but also the control of these contributions, etc.?

Market association No 3

The proposal appears to be a Long-Term Investment Account as an individually managed account, but also to be available to the general public. This concept goes against current practice, where savings are linked to a specific product: pension savings, investment life insurance, building savings, investment funds. Therefore, great resistance can be expected from the institutions that currently manage these products. We also see the fee structure as a big problem, as it will surely be quite difficult to manage such an account and will require additional fees.

Market association No 5

The material suggests that the 60 + 60 rule should be maintained when transforming assets in the Long-Term Investment Account so that tax deductions previously applied are not necessary taxed. We would also like to make sure that investment transformation will not result in income tax if the previous investment instruments have not been held for at least 3 years (tax test).

We consider it appropriate to harmonize output taxation, for example, where the employer's contribution currently has a different regime for investment life insurance, supplementary pension savings paid once and supplementary pension savings paid regularly.

In order to bring the conditions of the product included in the Long-Term Investment Account as close as possible, consideration should be given to identifying the beneficiary who would receive the benefit regardless of the outcome of the succession procedure.

Ad 12:

Market operator No 1

Combination of different investment accounts that offer different features to give investors more options to invest and withdraw (for example, there are life assurance bonds in the UK that offer a withdrawal of 5% pa from the contributed capital with deferred tax liability).

Tax advantage for more risky investments = SMEs (eg shares on START market or directly start-up companies). The parameters should be precisely defined. In the UK, for example, there is a 30% tax relief on initial investment in Enterprise Investment Schemes (EISs) and Venture Capital Trusts (VCTs). Shares on the AIM market (similar to the START market in the Czech Republic) may be part of the EIS.

Market association No 1

See the answer to question 2.1. - In our opinion, it would make more sense to increase the existing limits on the taxpayer in order to increase the incentive to further save for old age. This would also motivate those already using existing old-age savings products to start using Long-Term Investment Accounts. However, we prefer to have a separate limit for pension funds as well as a separate limit for the investment life insurance and the Long-Term Investment Account.

Private person No 1

Increase the yields of current pension funds (see below).

Private person No 4

I do not see the possibility-benefits in case of opening an account to minors, but also to parents (grandmother, grandfather) - tax benefits for parents in pension insurance until the child starts work (26 years). And also, the possibility of sending money to parents' account, which will increase their pension and yet again the possibility of applying the tax deduction of the taxpayer as in the case of minors, perhaps increase the 48 000 even to 60 000!? And, above all, to keep the possibility to withdraw money at any time - albeit with some financial loss, but it is necessary to maintain this possibility due to the long-term commitment of the funds. But there should be no shortening of early withdrawals due to death or disability.

Market association No 4

The main changes in individual retirement savings could be a mandatory contribution from employers and automatic entry into the youth system with the possibility of exit (see e.g. OECD recommendations, reform proposal in Poland, etc.).

Market operator No 3

No. I think that the state budget will have different concerns / priorities. In addition, is it at all a question whether to promote saving of citizens for old age financially? Isn't it a better way to increase financial literacy? Perhaps this dismal state, among other things, is a result of resignation from the compulsory "leaving examination" in mathematics.

2.2 Simple joint stock company

Consultation:

Question	1) Do you welcome the possibility of introducing a simpler form of joint stock company in the Czech Republic? 2) Do you consider the current registered capital of a joint-stock company to be the only restriction that prevents startups from establishing a joint-stock company? 3) What other instruments or measures can simplify a joint-stock company in order to create a simpler joint-stock company? 4) What is the optimum amount of registered capital for a simpler joint stock company? 5) How do you perceive the establishment of a simpler form of joint-stock company and, at the same time, the impossibility of public subscription of shares - as is the case in some foreign regulations? 6) Should a simpler form of joint-stock company be established in the form of a notarial deed? 7) How do you perceive the possibility of issuing only registered book shares and the obligation to register in the share register maintained by the Central Securities Depository?

Ad 1:

Market operator No 1

We do not understand what this form will contribute to the development of the capital market. When the company goes to the capital market for money, it must be of some size, it must have a minimum capital of about EUR 1m. It is not a problem for such a company to have the registered capital of 2 million CZK required by Corporations Act for joint stock company Anyway, a simple joint stock company would have to be transformed into a regular joint stock company, so that it starts from the beginning as a limited liability company with a capital of 1 CZK an then changes into joint stock company when it wants to offer shares or bonds. As mentioned above, the non-institutionalized capital market in the form of PE, VC, BA works very well. We see the MF National Strategy for the Development of the Capital Market in the Czech Republic 2019 - 2023 as an institutional market development concept, where the goal is to bring more listed issuers and issues so that investors can invest more, both retail and institutional. A simple joint stock company can initially help start-ups before turning to the institutionalized capital market for funding. But we are not sure that private equity, venture capital or business angels will invest in this form, and this is irrelevant for the development of the capital market.

Supervisory authority

We do not agree with the MF's proposal to introduce a simpler joint stock company and do not consider the MF's reasoning convincing. First of all, we point out that the law of commercial corporations, as contained in particular in the Corporations Act, is a priori the general regulation for "business" legal entities. If the MF mentions a problem in the cumbersome nature of this general legal regulation (high registered capital for a non-public joint stock company, or a complicated establishment and creation by registration in the Commercial Register), then it should be addressed to all entrepreneurs, respectively all as, not just for start-ups on the capital market. We do not consider the creation of another distinctive form of a legal

entity desirable (even only in the capital market area and for "start-ups") without further detailed analysis, even for the development of the capital market. If the Ministry of Finance states that the main reason for the creation of a simplified company is the possibility to reduce or eliminate the capital requirement, then it should be added that even for a common joint stock company the capital requirement can be reduced from EUR 80,000 to EUR 25,000 , this is allowed by the EU regulations and for a corporation that should raise capital from the public, the amount of EUR 25,000 (approx. CZK 625,000) is relatively small and its further reduction is not desirable. In addition, start-ups can be used to establish a legal form of a limited liability company (without offering the public or offering a capital investment in another form) or modern forms of raising capital (cf. e.g. blockchain and project share). In addition, start-up capital can be hedged from a limited set of individuals - professional investors, or through the issuance of debt securities or non-securities / investment instruments (see blockchain). Establishing a distinctive simplified form of joint stock company only for the needs of start-up would, in our opinion, give rise to the need to define start-ups or other conditions for using the simplified form of joint stock company, otherwise the concept of joint stock company could be completely emptied as practically only listed companies (and potentially also limited issuers' interest in listing quotations). Moreover, it is not clear in the MF material whether a start-up once established in the form of a simple joint stock company would remain in the form of a simple joint stock company forever, even if it was no longer a start-up and the reasons given for the simplified regime would no longer exist. Furthermore, it would be necessary to elaborate the rules for the conversion of a simplified joint stock company into a full-fledged joint stock company (or justify the reason for excluding such conversion), and to analyse in detail the regulation in other countries how much can it inspire the Czech environment, what were its reasons and if they are applicable even in the Czech Republic, all relatively soon after the adoption of the new Corporations Act. Without such an analysis, it is not useful to propose a new form of joint stock company and it cannot be discussed responsibly.

We do not agree with the introduction of a simpler form of joint stock company proposed by the MF without further analyses and discussions with representatives of market entities and other stakeholders that would confirm the validity and applicability of such a form. Please note that the consultation paper does not address whether the entrepreneur established in the form of a simplified as could choose this form without specific conditions for its establishment (e.g. be a start-up) and depending on whether he could keep it after it no longer fulfils the conditions for its establishment.

Market operator No 3

No, I think that it would be sufficient to reduce the required amount of registered capital as to, for example, 500 thousand CZK.

Market operator No 2

Any simplification is welcome. However, it must not occur that the founding will be misused to hide the final owners, beneficiaries. This could also endanger investors in various types of investment instruments.

Market association No 3

Overall, we believe that these proposals would rather be supported with a view to developing venture capital investment in the Czech Republic. However, we do not see this issue as critical because of the liberalization of business corporations in Corporations Act. The aim should be: exclusion of certain rules required by European law for public limited liability companies; setting "default" solutions to which shareholders could easily join or modify or exclude. The most suitable form seems to be the sub-form of a classic joint stock company with the possibility

of: registered capital of CZK 1; looser rules for the payment of profits and other own resources, including advances; public subscription, respectively; public tenders, with the scope of addressees being limited; looser rules for subscription and acquisition of own shares; free transferability of shares by share type (similar to limited liability company); statutory anchoring of debt to equity conversion; relaxation of the rules on capital increase, in particular the abandonment of constitutive entries in the Commercial Register; ESOP; default arrangements typical of shareholder agreements with publicity in the Commercial Register. The possibility of establishing in a simple form would make the process cheaper, but it would not be systematic in the Czech environment, and we do not perceive this requirement as essential. The abandonment of the public document would be more helpful in changing the share capital and subsequent changes in the articles of association. We prefer book-entry shares only as an option, with compulsory bookkeeping needing to solve the cost problem. It would be more practical to remain in certificated shares/bulk share certificates and to strengthen the importance of the list of shareholders maintained by the company itself or by another independent person (notaries, lawyers).

Market association No 5

In general, we support efforts to simplify the business environment for start-ups. In this endeavour, however, we consider it more beneficial to initiate a discussion on the removal of the ban on publicly offering and accepting the shares of a limited liability company (rather than creating an entirely new construct of a simple joint stock company). Except for the above-mentioned ban, in our opinion the limited liability company in its present form works sufficiently in terms of start-ups. This is evidenced by the fact that most of them choose the legal form of the company. "Unblocking" the trading of common certificates in this regard, we perceive as a more rational approach, and also because existing companies (start-ups) would not have to adapt (change) their existing legal form.

Private person No 7

I don't know how you want to be inspired by the Slovakian from of simple joint stock company. For this reason, our lawmakers established a second central depository (ncdcp.sk, the first is cdcp.sk), which is the best example of their incompetence. Slovakia is now probably the only state in the world with 2 central depositories. At the same time, the NCDCP is not exclusively for shares. All other securities are also there. Only shares can be registered only in NCDCP. The depository is generating huge losses and people are not interested in being the only thing that interests me a little is that simple joint stock company in Slovakia publishes data on shareholders. The Commercial Register publishes data on shareholders (partners), but not on shareholders. On the other hand, even this is not absolutely true, because "the end user of the benefits" is published somewhere, so it is all so complicated.

Ad 2:

Market operator No 3

Yes.

Supervisory authority

We do not consider the amount of registered capital to be an important element for establishing start-ups, since the capital of start-ups can be secured not only by the public, but also by a limited group of people, through the issuance of debt securities or other constructions. On the contrary, it is not usual for retail investors to enter a generally risky start-up project and, if so, to a limited extent. We consider the premise that start-ups must raise capital from the public through the issuance of shares false.

Ad 3:

Supervisory authority

We do not see the need for tools or measures. As mentioned above, if the MF considers that other instruments or measures are necessary, the possibility of adapting the general legal regulation of a joint stock company should be primarily analysed, the primary solution should not be to create a new form of legal entity with elements of the joint stock company.

Ad 4:

Supervisory authority

We believe that the current amount of the registered capital of the company is satisfactory and we do not perceive the market demand for its reduction or the objection that the amount of capital would prevent the business in this form of legal entity. Please note that before the effective date of the Corporations Act (until 31 December 2013), the minimum share capital for public joint stock company (i.e. based on a public offer of shares) was CZK 20,000,000 and for non-public joint stock company and established without public offer of shares CZK 2,000,000. Reducing the share capital requirement below the level required by EU regulations (EUR 25 000) does not seem necessary. The purpose of the investment in the registered capital, respectively the creation of registered capital is not only a guarantee function, but also the accumulation of capital for business (which, moreover, the MF's proposals to facilitate the entry of investors are aimed at). Without minimum deposit amount, respectively registered capital however, even a meaningful business project cannot be launched. In practice, limited liability company, where the deposit is set at CZK 1, the deposit is significantly higher (partly because the project cannot be actually started with CZK 1, and such a company justifiably will not be trusted by the public). Further, according to Section 253 (1) of the Corporations Act, only 30% of the value of the subscribed shares is required for the effective establishment of a public limited company.

Market operator No 3

500 thousand CZK.

Market operator No 2

Cost of setting up a company. An amount between 100 and 500,000 CZK is adequate. These are the finances that the company only consumes during its establishment. The subsequent economy of the company will only be about actual performance of the company

Ad 5:

Supervisory authority

We refer to the disagreement with the introduction of a simpler form of joint stock company, although reserved e.g. for start-ups. In addition, offering shares to the public without further understanding the risks may jeopardize trust in the capital market if start-up shares are generally a high-risk investment. Please note that the CNB constantly strives to protect the retail public and therefore, under the mandate to ensure the safe functioning of the financial market, lays down rules for offering or restricting retail risk investment instruments (see general measures for CFDs and binary options or supervisory benchmark for corporate bonds).

Market operator No 3

Negatively.

Market operator No 2

It doesn't make sense to us. According to the accompanying text, we would assume that the intention of this company should be to reach for capital by means of a public subscription. So that it would make Start-ups easier to get to finance. Non-public trading can now be carried out by a limited liability company with issued common certificates.

Ad 6:

Supervisory authority

In general, we do not agree with the simpler form of joint stock company at this stage.

Market operator No 3

Maybe.

Ad 7:

Market operator No 1

We are ready to do so, in the case of a small registered capital, the fees would be very low and registration in the CSD Prague would ensure transparency.

Supervisory authority

Any simpler form of joint stock company should not reduce the transparency standards introduced in 2013. Without further detailed analysis, however, we generally disagree with the simpler form of joint stock company.

Market operator No 3

It's restrictive.

Market operator No 2

Okay. Make them always known owners. It will dispel any suspicions and will not be misused by such companies to mislead or conceal assets.

2.3 Self-certification of wealthy investors (potential business angels)

Consultation:

Question	1) How do you view the World Bank's proposal for self-certification? 2) Should the (self) certification also apply to exceptions other than those mentioned above (i.e. protection related to the acceptance of investment offers)? 3) In your opinion, who should certify those interested in Business Angel status? 4) What do you think should be the key parameters that a business angel should meet, i.e. it is only a question of property or other parameters? 5) How much do you think the definition of a business angel and a qualified investor should blend in? Should the application of Section 272 (1) (h) or (i) of the Management Companies and Investment Funds Act extend similarly to business angels? 6) Shall the 10% restriction be imposed on less experienced investors, as it is in the UK?

Results of the consultation

In general:

Supervisory authority

We agree with the idea of promoting business angels, but we are of the opinion that current legislation is sufficient and does not constitute an obstacle to investments of a similar type. We believe that introducing another "type" of investor into legislation is not necessary. However, if a new type of investor is to be introduced, we propose to use an analogy with a "professional customer on request" pursuant to Section 2b of the Capital Market Business Act or Section 272 of the Management Companies and Investment Funds Act. Therefore, if an investor wishes, he may declare himself to be a professional customer under Capital Market Business Act or a qualified investor under Management Companies and Investment Funds Act investor and this declaration is deposited with the investment firm or manager. We also believe that it should not be a certification granted by an institution or an equivalent to list of certified investors. We believe that this could result in a counterproductive outcome, rather discouraging investors.

Market association No 3

In our opinion, the regulation of business angels would have a rather negative impact at the moment - some entities might be discouraged because of excessive administration. If self-certification is to be enforced, it should create a market advantage for certified investors, who could thus gain a more favourable status in negotiating their investments, while at the same time providing greater confidence and certainty for the investment beneficiary. We believe that a business angel and a qualified investor are two very different categories, because each of them basically invests in different assets with different risk profiles.

Ad 1:

Supervisory authority

In our opinion, self-certification is not necessary. The current legislative framework provides ample opportunities for investment in start-ups. We do not see any obstacles in business angel type of investment in current legislation.

Market association No 1

Without an answer.

Market operator No 1

We do not understand WB's recommendations very much. If self-certification was entirely voluntary, it would not matter. It should be noted that the corporate finance market in the Czech Republic works very well, all firms in the Czech Republic are under the scrutiny of private equity firms, venture capitalists and business angels.

Market association No 2

No answer.

Market operator No 3

I consider the World Bank's proposal for self-certification unnecessary.

Private person No 5

Positively.

Private person No 3

I agree.

Ad 2:

Supervisory authority

No, as mentioned above, in our opinion, self-certification is not necessary.

Market Association No 1

Without an answer.

Market Association No 2

Without an answer.

Market operator No 3

No.

Private person No 5

I am not sure. It should apply to everything that is otherwise mandatory (all bureaucracy).

Ad 3:

Supervisory authority

Certification should not be "public status". If we consider an analogy of voluntary certification, it should be offered by the Czech Capital Market Association (AKAT).

Market association No 1

Without an answer.

Market operator No 1

There should be fixed rules for this and there is no need for BA certification. In the UK, a financial advisor must ask the investor to sign the HNW and SI certificate. If the state does not intend to favour BA in some way, for example by taxation, certification is unnecessary administration. Moreover, many investors act as BAs without calling or perceiving themselves this way. They simply provide money and advice to a business they know they think is promising. The relationship between BA and the firm in which they invest is bilateral, the role of the state

in this respect is not essential or even desirable.

Market association No 2

Without an answer.

Market operator No 3

Nobody.

Private person No 5

The candidate himself by his statement.

Private person No 3

I agree with WB's view that the certification process should not be linked to the decision-making of the authorities or institutions but would be a self-certification of the candidate. The need to go through qualification procedures would not contribute to increasing the investment activity of citizens.

Ad 4:

Supervisory authority

A qualified investor or professional customer on request should meet requirements in areas such as: property, investment experience, regularity of investment, ability to bear high risk.

Market association No 1

Without an answer.

Market association No 2

Without an answer.

Market operator No 3

I consider the proposal to be superfluous.

Private person No 5

No, respectively, just your decision.

Private person No 3

Assets and experience, but everyone should decide for himself or herself about their qualifications for this activity.

Ad 5:

Supervisory authority

We propose not to introduce the term "business angel" into the legislation, see also the CNB's general opinion above.

Market association No 1

Without an answer.

Market association No 2

Without an answer.

Market operator No 3

No.

Private person No 5

A business angel should be more open than a qualified investor.

Private person No 3

No.

Ad 6:

Supervisory authority

With the current definition of a qualified investor under the Management Companies and Investment Funds Act and a professional customer upon request under the Capital Market Business Act, such a restriction is not necessary.

Market association No 1

Without an answer.

Market association No 2

Without an answer.

Market operator No 2

You (we) will never protect everyone. It would be another condition that someone will try to circumvent - the principle will probably come up quickly. We live in the Czech Republic. Restrictions will prevent some people who are willing to bear a higher risk, evaluate their assets and protect +/- a similar number of individuals who would invest more of their assets in a product that is not suitable for them. The result will never correspond to the effort and work done. It should be noted that you will never protect everyone, always there will be angry people, and no one will admit their mistake. May people prefer to be educated from young age to retirement and take care of their money. Only then will it make sense. When "hands of people are constantly being led", they will never be independent, responsible and think. And the state will only endlessly invent their protection, which will never be effective enough.

Market operator No 3

No.

Private person No 5

At least for the beginning yes, e.g. for the first 10-20 years of such a law.

Private person No 3

No.

2.4 Regulation of crowdfunding platforms marketing bonds

Consultation:

Question	1) Do you consider it a problem, in terms of consumer protection, that the advertising platforms are not supervised by the Czech National Bank? 2) Is regulation of advertisement an appropriate way to regulate these platforms, considering that these entities are not subject to regulation related to the provision of investment services?

Results of the consultation

In general:

Supervisory authority

The CNB has recently published a FAQ on internet platforms marketing bonds. This material is intended primarily for platform operators to consider a possible application for a license to perform core investment services under the Capital Market Business Act. Therefore, we believe that mandatory information on whether or not a platform operator is an investment firm authorized under Section 5 of the Capital Market Business Act would be sufficient to inform investors using platform services. We consider the introduction of the list of online advertising platforms offering bonds maintained by the CNB to be superfluous.

Market association No 5

Although we realize that in some cases the boundaries of providing investment services may not be quite clear (especially for investment advisory), and without at the same time undermining the importance of ad hoc assessment of a particular entity, we tend to believe that these types of platforms usually provide investment services. In these circumstances, we see no reason not to be subject to the relevant public regulation of the Capital Market Business Act. In this respect, we warn against the current legal situation, leaving room for such a qualification of their activities that completely excludes them from the CNB's supervisory powers. Even if no investment services were identified in a specific case, in line with the current CNB trends towards increased protection of retail investors (cf. CNB Supervision Benchmark No 2/2019), we perceive their vulnerability to the bond issues of some issuers with dubious business models. For this reason, we see a certain degree of at least the minimum involvement of the CNB (as a capital market regulator/supervisor) in the operation of Internet platforms solely "advertising" (i.e. de facto intermediating) relevant investment instruments, albeit subject to general advertising regulation rules. We consider the proposed measure of mandatory registration and reporting of the CNB's role in the supervision of these entities to be potentially beneficial. We even believe that stricter regulation would probably be envisaged.

Market operator No 2

Concerning the text: "With regard to the fact… in its list": on this text we would like to remark that investors know this very well. Most of them can find it themselves. But they only know about it until something goes wrong. That is, if they choose a title that goes well, they knew about it and they didn't mind the risk. However, if there is a problem, then they did not know anything (and are able to deny the information they have verifiably at their disposal) and try to put their responsibility on someone else.

Ad 1:

Supervisory authority

From a consumer protection point of view, we do not consider it a problem that internet platforms offering bonds that operate only services of a purely advertising nature are not supervised by the CNB. We believe that the introduction of a list of advertising platforms would not benefit consumer protection. If there were a requirement to maintain such a CNB list, we believe that it would be necessary to introduce a sanction for entities that would not be included in the list. This would mean some form of CNB supervision. The disclaimer that the activities of operators of such platforms is not subject to CNB supervision is meaningless. At the same time, we are concerned that mere entry into the list kept by the CNB should not be misused in marketing materials by the entities concerned. Moreover, if the CNB kept such a list, this would have no significance in terms of consumer protection. The list would serve practically only for registration purposes. It can also be assumed that advertising websites may also apply for registration, where investment instruments may be offered, but which primarily serve for the sale of other items (Aukro, Sbazar). In our opinion, the analogy with the lists kept by the CNB pursuant to Section 596 of the Management Companies and Investment Funds Act cannot be used, for example, for advertising internet platforms offering bonds. Entities included in these lists perform any of the regulated services (e.g. managers, administrators, investment fund depositories) or other activities (e.g. liquidator, trustee).

Market association No 1

In the interest of consumer protection, we tend to prefer to have the CNB supervise these platforms.

Market operator No 1

Conversely, if they were somehow supervised and regulated, it would give them the appearance of legitimacy. In principle, we do not mind the action crowdfunding platforms, but it should be clearly indicated that they are not licensed and are not, as well as corporate bonds without a prospectus, intended for the public offering of investment instruments to retail investors. We do not recommend raising putting off of regulatory obligations over EUR 1 million, as allowed by EU legislation in the context of gold-plating by Member States.

Market association No 2

In the interest of consumer protection, we tend to have the CNB supervise these platforms.

Trade union representative

Yes.

Market association No 3

We don't.

Market operator No 2

We are the operator of such platform. As the operator of this platform, we logically cannot see a problem in this, we do everything to do business within the framework of the applicable legislation. Since, unlike many similar and competitive platforms, we are not dependent on selling our own titles, we can cope with some form of regulation. However, we do not want to provide investment advice and facilitate the sale of investments. We do not operate and do not plan to operate such activities.

Market operator No 3

No.

Private person No 1

Given the large development of such platforms, the high proportion of consumers investing on such platforms, and the high proportion of high-risk bonds distributed through these platforms, it seems that the stricter regulation and supervision shall be performed.

Private person No 5

No, on the contrary.

Private person No 3

Yes.

Ad 2:

Supervisory authority

We believe that platform operators of a purely advertising nature are subject to advertising regulation. In terms of the capital market, however, their regulation has no practical benefits. The distribution of primary issues involves two basic areas from the point of view of the investor (consumer) and its protection. The first is enough information. In this area, we consider as a step in the right direction the proposal to add further mandatory information to the terms of issue, as stated in the next consultation measure. The second area is the expertise of the distributor of issue and the rules for dealing with the investor, i.e. in this case the operator of the sales (internet) platform and the quality of his services. In this area, the issue of limiting the distribution of primary issues to persons regulated by the Capital Market Business Act may be discussed in this area, where the issue of primary bonds could only be offered by issuers through investment firms.

Market association No 1

Yes. We consider this to be the key.

Market association No 2

Yes.

Trade union representative

Yes.

Market association No 3

We propose to wait for European legislation. We can imagine regulations aiming at greater transparency of platforms for the public, i.e. that the crowdfunding platforms can be labelled in a uniform way and the consumer can easily verify in what regime they invest their money.

Market operator No 2

It depends how the control is set. This, of course, depends very much on how such advertising regulation should be set up. Already, we are spending quite a lot of money on creating proper marketing campaigns. We strive not to use any misleading statements and if we are unsure, we always consult with an experienced law firm (on financial and investment law). We know in the market that there are misleading ads that no longer meet current standards and legislation. E.g. "Secured bonds", "risk-free investments" etc. Wouldn't it be easier to start enforcing the current law first? This will lead to the first cultivation of the market, discourage other unfair advertisers, and then come up with another regulation, law or norm. We may find that it will not be needed. If such regulation starts to come up, will it only apply to bonds? Or will it also affect similar products - such as bills of exchange that are traded on a far larger scale than bonds? Without public registers, records in the central depository and them not being subject to any regulation at all. Not to mention the quality and method of public sale.

Market operator No 3

No.

Private person No 1

Especially inappropriate is the practice where platforms often use in their promotion the fact that the prospectuses of the bonds, they offer have been approved by the CNB, thus giving less experienced consumers the feeling that there is no risk associated with investing in such bonds. Information about the CNB's approved prospectus should not be used for promotion.

Private person No 5

No.

Private person No 3

It is appropriate, but in my opinion inadequate.

2.5 Alternative participation fund

Consultation:

Question	1) Do you consider the proposal that the state support of a new alternative (more dynamic) type of participation fund as a suitable solution? 2) How much would you recommend by law to adjust the fees of the new alternative fund? 3) Do you think that the public will be interested in the alternative fund?

Results of the consultation

In general:

Supervisory authority

Investing in alternative assets such as private equity funds or long-term infrastructure projects and companies (railways, motorways, power plants, water supply, etc.) can be an interesting alternative for fund participants looking for a higher percentage appreciation of their invested funds and willing to take a higher risk compared to the current offering of investment strategies of the participation funds.

At the same time, however, we see an increased risk in buying riskier stocks into the fund's portfolio, which the pension company would not normally hold in its portfolio due to its stricter criteria, such as liquidity. Pension companies should respond to such a situation by improving their risk management system, given that they now invest mainly in government bonds.

In this context, however, we draw attention to the current amendment to Section 114 (1) of the Supplementary Pension Savings Act, under which a pension company is obliged to transfer a participant's funds to a mandatory conservative fund no later than 5 years before the participant's age for entitlement for retirement pension. After this transfer, the participant's contributions, the employer's contributions and the state contributions are only placed in the compulsory conservative fund.

Ad 1:

Supervisory authority

In principle, we do not oppose the creation of a new type of alternative participation fund if the investment in that fund is based on the informed choice of the participant.

A new alternative type of mutual fund may be a suitable solution for a certain segment of clients who do not meet the profit-risk profile of the current offering of participation funds. State aid to this type of fund makes sense in terms of stimulating the volume of funds used to save for retirement. It is possible to expect not only the transfer of funds from the existing participation funds, but also the arrival of new clients who have so far preferred other financial products in saving.

Private person 1

Yes, this type of participation fund should exist.

Market operator No 1

In principle, we agree that ordinary investment funds or pension funds intended for collective investment should be able to invest a very small part of their portfolio in private equity. This very small fraction of 1 percent should be explored in other countries and limited to some

normal average in developed markets.

There is a self-invested personal pension (SIPP) in the UK that allows alternative investments and the purchase of commercial real estate. Over the short time, however, huge practical problems began to emerge, when it was not possible to sell a PE investment or commercial property when it was necessary (e.g. reaching retirement age and transfer to annuity, or paying tax free cash or dividing pensions in the event of divorce or death). The problem was the liquidity and the impossibility to monetize these investments, and it was critical when this type of investment represented a large part of the pension account. At the moment, there are very few SIPP providers in the UK who will allow this type of investment, and if it allows it, the investor has to sign various declarations and must definitely fall into the category of self-certified SI and HNW. This fact, but will not help in the event of death, as those who inherit the SIPP may find themselves in a very complicated situation, and there may be situations where they do not have access to the "money" and may even pay penalties because they will not be able to comply with pension legislation. At present, the situation in the UK is simpler, but it should be noted that their pension legislation has recently been loosen and SIPPs can be passed on forever from generation to generation. There is no obligation to buy "annuity".

The alternative fund itself is not very suitable, but it would be advisable to examine and evaluate the overall structure of SIPPs, as this type of pension account is missing in the Czech Republic. It is an open structure where the investor can choose which funds / shares / bonds he / she wants to invest (not necessarily only PE funds), thus setting his / her investment profile / risk (with or without an advisor). SIPP may have the same investment portfolio as ISA.

It would be more appropriate to use the term pension account than a pension fund.

Private person No 5

Yes, but it must not be at the expense of the participants. I consider the possibility of a one-time change of fees by the fund, as was de facto, when the fees increased from 0.8% to 1% as inadmissible. Participants of participation funds' fee has been increased by the state and subsequently by the funds without having the real possibility to continue under the original closed conditions or to terminate the original terms prematurely (without loss of state contributions, tax deductions). This reduces the credibility and willingness to enter the 3rd pillar when the state and the funds together change the rules of the game without the usual possibility of ending the product. I do not consider the possibility of terminating a product without state contributions and tax deductions as a possibility.

Trade union representative

YES, but only if the all-in-one model is the same as for the transformed funds. Concerning pension savings instruments in general, ČMKOS believes that the principle of certainty should be clearly preferred over the risk allegedly yielding high appreciation. Again, experience from the financial crisis has shown that the clients of these various "high-yield" "pension funds" have lost their pensions.

Ad 2:

Supervisory authority

With regard to the fact that it is to be a state-funded fund, we believe that the amount of the fee should be regulated (similar to the existing participation funds). The amount of the fee should be limited to the normal value so that its creation makes economic sense to the pension company. Thus, it is possible to agree, for example, with the management fee for private equity funds in the usual amount, as stated in the consultation material.

Private person No 1

There should be a preference for recovery fees over investment volume fees, so there would be incentives for fund managers to maximize returns.

Market operator No 1

A price limit could be set for administration fee for the SIPP provider, but there should be no limit for individual funds / investments that will be chosen within the account.

Private person No 3

It does not make sense to mention specific values, but pension funds should be motivated primarily by performance, in the case of equity funds, i.e. a stricter limit on the volume fee and looser on performance fees. However, in general, the fees required by the legislation cannot be too low, given that the fund will only be interesting for dynamic investors, which are few. For financial institutions, too much "strict" product would be unprofitable for a few clients.

Private person No 5

a) No modification, no restriction. Whichever option they may choose, depending on the cost of the assets in which they will invest. At the same time, whether they have the option to lock the investment (impossibility to withdraw) or at least set up any system of entry and especially exit fee. It is not just private equity investments, but other investments. So far, I miss the real estate fund as a participation fund.

b) Do not modify, let it be. Within ISA, there will be better and freer options.

Ad 3:

Supervisory authority

The public demand for investing in a new alternative fund cannot be estimated on the basis of the available data. However, if it is possible to assess the interest in the new alternative fund by the current interest in investing in dynamic funds, there is no doubt from the available sources that the participants now prefer a more conservative way of investing (balance sheet total of dynamic funds is 18% of total participation funds).

Private person 1

Yes, such a fund could be interesting.

Market operator No 1

If an open structure is offered, as is the case with SIPPs in the UK, we think so. The fee structure can more or less be managed by the pension account owner himself.

Private person No 3

No, interest will be low, in the Czech Republic, citizens are very conservative in relation to investments. Yet support for a more aggressive fund type makes sense - even a conservative investor would be more willing to invest, for example, in a balanced fund instead of a purely bond fund if they see that there are a few more "risky" options. In general, this would have a positive side effect, even if there is less interest in the fund itself.

Private person No 5

I am not sure. As such, more informed investors and usually wealthier investors are not interested in supplementary pension savings products for other reasons (in particular the risk of a change in conditions by the state without the possibility of terminating the product

prematurely while retaining the benefits already granted, nationalization risk)and are rather investing abroad. I explain to the less informed investors the fundamentals of investment, the long-term horizon and they leave these "details" to the manager.

2.6 Introduction of sub-funds to joint stock companies and KSIL

Consultation:

Question	11.1. Do you welcome legislation that would allow legal forms other than the SICAV to form sub-funds? 11.2. In your opinion, what legal forms other than the SICAV may or should be authorized to create sub-funds? 11.3. How do you assess the potential legislation that would make it possible to create sub-funds of a qualified investor fund which is a limited partnership for investment certificates? 11.4. How do you assess the potential legislation that would make it possible to create sub-funds for an investment fund which is a normal fixed-capital joint stock company?

Results of the consultation

In general:

Private person No 6

For Chapter 11, I would like to point out that there is already a rather confusing situation on the financial market in defining different investment options through investment companies, investment funds or mutual funds - see the sheet from my course presentation: If introducing new investment opportunities in sub-funds would make the existing legislation more transparent and simpler, it would benefit retail investors in deciding where to place their available funds.

Supervisory authority

We have a neutral position on the proposal. In our opinion, the possibility of creating sub-funds for legal forms other than the SICAV will not lead to the objective of making the collective investment sector more attractive. However, if the new legislation is carefully considered, we do not find the proposal problematic. The legal form of the SICAV is often used. However, the current legislation does not mandate the creation of a sub-fund (s), and more than half of the SICAV merely separates investment assets from non-investment assets without the creation of a sub-fund, with single-sub-fund SICAVs still prevailing (more than a third of all SICAVs). More than three sub-funds have only 6 of the 129 SICAVs. Thus, the attractiveness of a SICAV as a legal form lies in its open structure (the obligation to repurchase investment shares at the investor's request) in combination with legal personality rather than in the possibility of creating sub-funds. The consultation paper argues by reducing the transfer fee between the various sub-funds and the possibility of broader risk diversification. For closed legal forms (common joint stock company and KSIL), however, investment strategies are based on a long-term investment horizon and do not support investor capital transfers. At the same time, both arguments do not succeed without further argumentation because they do not address the advantages of investing in different sub-funds over investing in several investment funds of the same manager. Overall, we do not consider the arguments presented to be sufficient to justify the draft legislation in question. We also emphasize that, with respect to the SICAV and their sub-funds, a number of problems have arisen in practice (segregation of assets, insolvency, entry in public registers, availability of credit financing, etc.). These aspects are addressed only gradually and slowly. Although we do not reduce the benefits of the existence of sub-funds and the SICAV in general, we believe that this experience needs to be taken into account.

Ad 1:

Market association No 1

Yes.

Market operator No 1

Yes.

Supervisory authority

We do not contradict the proposal; however, we believe that the need for new legislation needs to be duly justified. Especially in closed legal forms of investment funds, we do not consider the arguments presented to be relevant (since these types of investment funds are based on a long-term investment strategy and therefore do not count with the transition between individual strategies). We recommend carrying out a thorough analysis of the demand of market representatives, taking into account the legal forms in which the creation of sub-funds is of interest and for what reason. In the case of a specific legislative proposal, it would be necessary to think through the changes comprehensively in order to prevent potential problems (e.g. accounting, insolvency, registrations, etc.).

Market association No 2

Yes.

Market operator No 3

No, I think we already have enough forms of funds, and these further adjustments only make the situation unclear and complicate.

Market association No 3

We generally welcome legislation that will allow the creation of sub-funds for investment funds established as companies with a legal form other than the SICAV. In this context, we only draw attention to the accounting and tax implications that need to be addressed with the sub-funds, e.g. (i) whether the sub-fund constitutes a separate income taxpayer as in the SICAV, (ii) the application of the Parent-Subsidiary Directive to dividend income and revenues from the sale of shares, etc.

Ad 2:

Market association No 1

Yes, we believe that the creation of sub-funds should be possible for all legal forms of investment funds (not only qualified investor funds but also collective investment funds).

Supervisory authority

If the proposal is substantively justified and supported by market demand, it is possible to create sub-funds for all legal forms of investment funds. In each specific case, however, it is necessary to think carefully about the particulars and the creation and functioning of the sub-funds.

Market association No 2

We believe that the creation of sub-funds should be possible for all legal forms of investment funds (not only qualified investor funds but also collective investment funds).

Market operator No 3

None.

Market association No 3

This option is most desirable in the form of a joint stock company.

Ad 3:

Supervisory authority

See answer above.

Market association No 2

We believe that the creation of sub-funds should be possible for all legal forms of investment funds (not only qualified investor funds but also collective investment funds).

Market operator No 3

Yes.

Market association No 3

Unfortunately, in our opinion, the legal form of limited partnership for investment certificates is not viable, because its tax regime is disadvantageous compared to other legal forms. We have already pointed out these disadvantages in recent years. If the tax obstacles were removed, we believe that the possibility of creating sub-funds would further make this legal form that is typical of private equity more attractive.

Ad 4:

Market association No 1

We believe that the creation of sub-funds should be possible for all legal forms of investment funds (not only qualified investor funds but also collective investment funds).

Supervisory authority

See answer above.

Market association No 2

We believe that the creation of sub-funds should be possible for all legal forms of investment funds (not only qualified investor funds but also collective investment funds).

Market operator No 3

Yes.

2.7 Introduction of mandatory XML format for other financial market institutions

Consultation:

Question	1) Please describe how big the problem is for you regarding requests for cooperation in a execution proceedings? 2) Do you consider it appropriate to extend the existing cooperation through XML formats for the banking sector to other financial market entities? Or do you prefer a variant that would make the executor's duty to request cooperation only in electronic form? Or what other solution would you prefer? 3) Is the regulation of XML formats that applies to financial institutions (banks) appropriate for other financial market entities? If so, what data should the XML format contain for other financial market players? 4) Should the new regulation apply only to entities for which the Execution order uses the legal abbreviation of a financial institution? (insurance companies, investment companies, investment funds, investment firms, pension companies, pension funds under special legislation, Financial Market Guarantee System). 5) Is it compulsory to use the existing ISB system provided by the Central Securities Depository (CSD) as a suitable solution for judicial enforcement? 6) In your opinion, are there problems with requests for cooperation even in cases that do not concern judicial execution (e.g. cooperation in judicial proceedings)? 7) Are there any related problems?

Results of the consultation

In general:

Supervisory authority

The Czech National Bank supports standardization, which will lead to more efficient processes in processing requests for cooperation by state authorities. However, as the MF states in its consultation paper, consultation with the relevant state authorities is necessary. From the perspective of supervision of financial market entities, we have no comments on the proposal.

Ad 1:

Market association No 4

These applications significantly increase the administrative agenda of pension companies and burden their costs. Every year, we process around 230,000 calls in the sector, usually manually in 4 steps: sorting, registering, processing of a response and sending a response.

Market association No 6

Larger credit unions are already using communication in .xml format. However, our smaller members do not have the .xml format implemented to date (one of our members is currently working on full implementation, the other is now considering it).

Market association No 2

If the XML format is used by the distrainer in accordance with the Act, banks have no problems. Unfortunately, despite the existence of legislation, some distrainers still use a mere scan of a written document (PDF format), which brings increased laboriousness to banks. It is also clear from discussions within the CBA's working structures that, in the case of multiple concurrent

executions, complicated situations lead to the problematic payment of subsistence in banks. In view of the Supreme Court's statement, the bank must allow payment at the client's request through all channels offered by the bank. These situations are solved by individual banks differently depending on technical possibilities.

Supervisory authority

From the point of view of the CNB's activities as a "financial institution" and a financial institution (the operator of the central depository), requests for cooperation in judicial execution are not a major problem. The CNB handles about 100 to 150 XML requests for cooperation daily. The internal information system ensures automated processing both in relation to cash accounts and accounts within the central depository.

Market operator No 1

The CSDP has a sophisticated system of providing information to public authorities, including distrainers. Requests are handled through the ISB system. All public authorities that have signed a contract with the CSDP to use this system have access to this system. On January 25, 2012, a meeting was held with representatives of the Chamber of Distrainers on the possibility of using ISB by distrainers, where, among other things, discussed further steps, namely to find out the possibility of linking ISB with the register of seizure orders, by the fact that the activity will come from the IT staff of the Chamber of Distrainers. Despite this arrangement, no further activity has taken place by the Chamber of Distrainers. Distrainers therefore use a written form or electronic completion of forms for individual requirements. This method is not user-friendly for any of the parties involved, as it unnecessarily time-consumes both distrainers and public authorities information staff.

Ad 2:

Market association No 1

Even the electronic form is not completely cost-free for subjects providing cooperation, on the contrary, the costs of software development and updating are significant. We therefore propose the following amendment to Section 34 (1) of the Execution Order as follows (amendment highlighted):

'(1) For the purposes of enforcement proceedings, the distrainer may request the cooperation of a third party pursuant to Section 33 and they shall be obliged to provide it free of charge. The persons referred to in Section 33 (4) to (9) and commodity markets, the regulated market, central depository and other entities entitled to keep records of investment instruments have in providing information the right to reimbursement of reasonable cash expenses, unless special legislation[33)] states their the right to reimbursement of costs incurred.

[33)] Section 115 (5) of Act No. 256/2004 Coll., on Capital Market Business, as amended"

Market association No 4

We strongly support the solution via XML format, as well as extending existing legislation on financial institutions to other financial institutions.

Market association No 6

We believe that the use of XML formats within credit unions is appropriate. However, at the time of its mandatory anchoring, relatively high costs of its implementation could arise on the part of small credit unions. However, that can be expected to be implemented in the future. Now perhaps a variant of the mandatory electronic form of communication is possible.

Market association No 2

Banks clearly prefer the duty of the distrainer to request cooperation only in electronic form. The proposal applies to other financial institutions other than banks in the sense that the already compulsory automated system for the cooperation of banks could be extended to other financial institutions. CBA understands this effort, supports it, but also appeals that the existing interface in this context should not change in any way and thus not incur additional costs on the part of banks. The material mentions the calculation of the costs of processing responses, and the law talks about reimbursement of immediate costs, but the real fact is that banks respond to a massive number of inquiries completely free of charge (there is perhaps the only institution that is able to recover fees - CSDP).

Supervisory authority

We prefer extending the existing synergies through XML formats for the banking sector to other financial market entities. We believe that standardization in this direction is a trend that is also taking place, for example, in financial or other reporting, especially according to European regulations.

Market operator No 1

At present, requests of distrainers for data from CSDP records are minimal in relation to other public authorities' applicants, up to approximately 200 queries per year. Despite this fact, the CSDP would prefer to join the ISB system in their case, which would also bring an economic advantage for the CSDP.

Ad 3:

Market association No 4

Yes, it is a suitable adjustment. Since 2016, there has been a proposal for a detailed description of electronic communication within the pension companies sector, which describes a proposal for extending the documents sent to pension companies by distrainers by a descriptive XML file, which was prepared together with the external project support department of the Chamber of Distrainers. However, the final statement of the Chamber of Distrainers is still missing, nor has it been possible to implement it on a voluntary basis.

Market association No 6

We believe that the use of XML formats within credit unions is appropriate. However, at the time of its mandatory anchoring, relatively high costs of its implementation could arise on the part of small credit unions. However, that can be expected to be implemented in the future. Now perhaps a variant of the mandatory electronic form of communication is possible.

Market association No 2

In the case of coexistence of paper (PDF format) and electronic (XML format) versions of relevant documents (call for cooperation, execution order, etc.), it is necessary to legally establish the responsibility of the person issuing the document that the content of both types of documents in practice is identical, there have been cases where the PDF version contained data other than the XML version). CBA has issued a standard for its members, which in addition to the existing decree of the Ministry of Justice contains some other data. Recent changes also concern the possibility of extending the exchange of data in the existing XML format with other authorities (issuers).

Supervisory authority

We consider the legal regulation of XML formats, which applies to financial institutions, also suitable for other financial market entities. Particular format should be discussed with stakeholders.

Market operator No 1

The activities of financial market players are diverse and broad. For this reason, we believe that it would be necessary to create several different input sentences in XML format, according to the specifics and scope of work of these entities. Due to the specifics of CSDP activities, the ISB system is fully sufficient in the area of central records and related records of book-entry securities. In case if it was decided to create a unified XML format, then this would have to include all data, which currently includes input sentence for entering the data requirements for the registration of book-entry securities by ISB.

Ad 4:

Market association No 4

It would be useful to extend such arrangements to other entities such as tax authorities, the Czech Social Security Administration, city authorities, customs authorities, which also send a large number of calls for cooperation.

Market association No 6

If you regulate it compulsorily, then apparently with this definition of entities (i.e. including credit unions).

Market association No 2

We would like to remind you that there are currently many other issuers of cooperation calls - public administration bodies (e.g. social security administration, health insurance companies, police, courts) that communicate with banks very intensively but are not yet able to use XML query structures. It is therefore logical to consider a more complex automated call processing system and to adapt and expand it in order to reduce costs and increase efficiency on both sides.

Supervisory authority

Yes, we believe that the new regulation should apply to financial institutions within the meaning of the Execution Order. We believe that, in terms of the number of applications, this is a typical group of entities where standardization makes sense.

Market operator No 1

The CSDP does not fall under "financial institutions" or financial institutions pursuant to Section 33 (4) of the Execution Order, but nevertheless believes that a system should be set up that will enable electronic filing and processing of requests not only by distrainers but also by other public authorities. CSDP has its ISB system, which is fully functional and able to cover all requirements for data collection from CSDP records. A certain disadvantage of the ISB system, which is removable, however, is that it currently does not allow batch processing of applications that would be desirable in the case of a large volume of requested entities. It is not excluded that some other entities affected by this legislation use their own systems for handling public authorities' requirements. If it were decided on a unified XML format, then there is a realistic assumption that an interface could be created that would allow connection to ISB and other individually used systems.

Ad 5:

Market association No 4

We do not use the ISB system in administrative proceedings.

Market association No 6

No.

Supervisory authority

We do not consider using the existing ISB system provided by the Central Securities Depository Prague to be a suitable solution. The legislation should provide for a technology-neutral solution and standardize only the formats or methods of sending, not the designation of a specific entity through which a legal obligation would be ensured.

Market operator No 1

The ISB system, as used by the CSDP, is prepared for the needs of keeping records of book-entry securities. However, it is a flexible platform that can also be adapted for other subjects according to their type of activity and we are not opposed to this discussion.

Ad 6:

Market association No 4

Yes, mostly in court proceedings, the court requests wider information than court executions, and to a large extent it is required to send copies of documents to the client's contract.

Market association No 6

Yes. The problem exists with tax authorities that do not always use the possibility of obtaining information from the CEÚ (central accounting of accounts). Another problematic subject is the Czech Social Security Administration, which does not use the XML format.

Market operator No 1

When providing the public authorities with data, the CSDP encounters problems of an administrative nature only; for example, the applicant has incorrectly filled in the form (typing errors, etc.). Therefore, these are not systemic problems.

Ad 7:

Market association No 4

Related implementation into internal information systems.

Market association No 6

See previous answer.

Supervisory authority

We are not aware of the related problems.

Market operator No 1

In the opinion of the CSDP, the biggest problem is the need to address the method of verifying the legitimacy of the inquiry by distrainers, for example by verifying the requirement of a specific distrainer against the register of enforceable orders. It is also necessary to solve the following problems, as will be the case, for example, when the requesting entity sends an erroneously processed entry sentence, e.g. in batch mode, whether the whole batch is not processed or only a specific erroneous entry sentence, how to proceed when it does not demonstrate the authority to obtain data for a particular entity and a number of other practical issues. Another problem is that, for some requesting entities, there is no real idea of the amount of costs involved in providing information electronically. Their perception of cash or material costs is based on past times, when only postage, travel etc. were recognized as these. However, in the time of IT technology, this view cannot be accepted. Creating suitable SW, its development with changing legislation, maintenance of systems, purchase of HW equipment brings considerable costs for users and therefore the costs stated in this material for service

providers in the amount of CZK 10 are absolutely unrealistic.

2.8 Support of trading with corporate bonds and increase of protection of investors in bonds

Consultation:

Question	14.1. Do you agree with the proposal to extend the requirements of terms of issue? 14.2. Would you agree with the introduction of a key information document (in the form of a mini-prospectus or similar document) for all issues offered? 14.3. What parameters do you think the key information document should include? For example, it is advisable to be inspired by Corporate Bond Scorecard?

Results of the consultation

In general:

Supervisory authority

We agree with extending the terms of issue according to the MF proposal. We consider some of the indicators presented as an example to supplement terms of issue as a suitable additional guide for the investor's decision. However, we have doubts about the need to introduce a document described as a mini-prospectus. On the one hand, we do not see added value in the creation of another document in the issue of bonds; on the other, we are afraid of confusion with the actual prospectus approved by the Czech National Bank under the EU Prospectus Regulation. However, we do not agree with the statement of the Ministry of Finance on Supervisory Benchmark No. 2/2019, published by the Czech National Bank on 14 March 2019. According to current CNB supervision, there are retail customers who do not pass the adequacy test for corporate bonds, i.e. not demonstrating that they have knowledge and experience to understand the risks associated with investing in illiquid corporate bonds while being either outside the target market or even within the negative target market. We do not therefore agree with the view that small investors should be able to invest 10% of their financial assets in high-risk investment instruments whose risks they do not understand.

Market operator No 5

One can only agree with the description of the significance of corporate bonds within the standard market economy. The background material lacks one of the important aspects of the whole issue - insufficient liquidity in the corporate bond market and thus very limited pricing information. Scorecard is certainly a suitable tool for the initial analysis of the issuer, but the lack of market comparison limits the informative ability of such an instrument. We would also like to propose a small addition to the mini-prospectus. For mini-prospectuses we would recommend, for example: supplementing mini-prospectus with an overview of covenants from the full-value prospectus, Regularly updated statement of the issuer's statutory bodies on covenant fulfilment. Suggestion: Only very limitedly is it possible to motivate bond traders to higher activity. Nevertheless, it is possible to use the web signpost platform to present all available information from individual market participants. Individual banks issue reports on bond market activity, and although it is often only a partial part (issues realized only by the banking group), it is possible to compose a more comprehensive picture of the conditions in the bond market.

Private person No 4

Unnecessary.

Ad 1:

Supervisory authority

We agree with the proposal to extend the issue conditions stipulated in Section 9 of the Bonds Act to include some indicators proposed in the consultation material. Specifically, this should include information on the purpose of the issue, the issuer's financial statements and their verification by the auditor, including the presentation of selected economic indicators (e.g. EBITDA) and the structure of the consolidation unit to which the issuer belongs. In this context, we also draw attention to the ESMA General Guidelines on Alternative Performance Indicators (ESMA / 2015 / 1415en). The declared purpose of the Guidelines for the publication of prospectuses and so-called regulated information is to ensure that the information presented is understandable and allows easy analysis. Therefore, alternative performance indicators should be defined, meaningfully labelled and reconciled with the financial statements and their meaning and reliability should be explained. Although the effectiveness of the guidelines is limited to prospectuses and so-called regulated information under the EU Transparency Directive, the stated purpose certainly applies also to issues outside the prospectus regime (perhaps even more due to the anticipated retail nature and lower expertise of investors in small bond issues). On the other hand, we consider the requirement for indicators to be presented for three accounting periods to be too extensive, even for the standard bond prospectus, it is sufficient to provide data for two accounting periods. Furthermore, the question is whether it would be more beneficial to protect retail investors by extending the content of the issuance terms to the issuer's financial statements for the last two accounting periods, either by listing them directly in the issuing terms or by reference (similar to documents included in the prospectus). Mere information as to whether the financial statements stored in the Collection of Documents of the Commercial Register, as stated in the proposal of the Ministry of Finance, seems to us insufficient.

Market association No 1

Without an answer. Yes.

Market operator No 1

In particular, public awareness should be raised that unlisted bonds are not intended for individual retail investors. Just as the state does not regulate lending of money between businesses and citizens, it should not regulate the purchase of unlisted bonds, which is nothing more than a securitized lending of money. Mock regulation will only add legitimacy and confusion to retail investors. We strongly support the listing of corporate bonds. It will benefit all portfolio managers not only in fund business. The state should support not only state or semi-state firms in the demand for capital in the form of a public offer of corporate bonds.

Market association No 5

We do not see a reason for this because, for most retail issues, the relevant information is available from the prospectus to be published on their public offer or their listing on a regulated market. In addition, the prospectus is approved by the CNB, which certifies that the information therein is sufficient to enable the investor to make an informed decision. Moreover, taking into account the fact that in the Czech conditions the prospectus is usually prepared in the form of a single document, i.e. the single document contains the terms of issue and other information published under the Prospectus Regulation, the measures under consideration could impose a duplicate obligation information. This could then be in direct contradiction with the Prospectus Regulation.

Market association No 2

Yes.

Market operator No 2

Yes. As we wrote in the previous comments, we do not have a problem with such a procedure. On the contrary, we welcome it. Due to our requirements, terms of issue of issuers that are allowed to advertise their issues with us on the portal are becoming more extensive. However, issuers do not always want to disclose all relevant data. If there is a standard that every issuer will have to comply with, then the work on market cultivation will be greatly facilitated.

Market operator No 3

No.

Private person No 1

No, the above information should be provided in the document below.

Private person No 3

Yes.

Ad 2:

Supervisory authority

In general, the introduction of this obligation could become an appropriate tool to discourage those issuers who have not considered paying the issue in the future. However, we have reservations about the concept of the so-called mini-prospectus. Firstly, we do not see the added value of creating another document in addition to the terms of issue (we would prefer to extend them), and secondly, we do not agree with its designation. A "mini-prospectus" that an investor may confuse with a standardized prospectus under the EU Prospectus Regulation (may give the impression that it has been approved by the CNB). The CNB does not seek to supervise "below-the-limit" bonds under the EU Prospectus Regulation; it is not important for it in terms of financial stability, the protection of investors as a whole or the development of the capital market.

Market association No 1

Yes, but the proposal in Annex 2 still seems somewhat incomprehensible to the average consumer.

Market association No 5

No. We perceive a mini-prospectus or similar document as an unnecessary administrative burden. For most retail issues, there is an obligation under the Prospectus Regulation to produce a summary which, from the perspective of investors, fulfils (or should fulfil) a function similar to the measure under consideration. Therefore, we also see no reason to produce a mini-prospectus (or similar document) which, in turn, would only represent a duplication (in relation to the summary) if not a triple (in relation to the summary in conjunction with the information in the prospectus also outside the summary) .

Market association No 2

Yes, but the proposal in Annex 2 still seems somewhat incomprehensible to the average consumer.

Market operator No 2

Need another document? Isn't it enough to enlarge the content of the information in the terms of issue or the prospectus? It is possible to set certain information to always appear e.g. on pages 3 to 8 of the document, but we would not add another document. It only adds to issuers

in the administration. We have experience in the insurance and banking sector, where this is done on the basis of European requirements and standards. In practice, however, clients do not care. They will receive 3 documents in which the same is the same (only volume of the information is different). They read one and overlook the other. Which would be risky for bonds. Here, on the contrary, we need investors to learn to read the thoroughly submitted documents.

International market association

There is ongoing concern that the PRIIPs KID regime has significantly reduced the availability of bonds to retail investors in the EEA (most recently resulting in the exchange of letters between ESAs and the European Commission on the product scope of the PRIIPs regime). 3. This has been partially put down to specific content requirements for the KID PRIIPs. 4. However, the articulation of the PRIIPs KID concept itself has been a significant challenge: a clear purpose for short-form disclosure should be a quick first point of information and not the basis for an informed investment decision. However, the vague position under the PRIIPs regime has raised civil liability risk to the point of undermining and borrower's certainty of funding (ie confidence that the borrowed amount can be used for the whole bond term) - certainly for investment grade benchmark-funding borrowers in the international markets (which consequently prefer to avoid retail investors unless they are clearly outside the product scope of PRIIPs). See more detailed reasoning set out in paragraphs 13-15 of ICMA's 28 September 2018 response3 to UK FCA's Call for Input: PRIIPs Regulation - initial experiences with new requirements. 5. If the proposed Czech KID is anything like the current PRIIPs of KID, it does not seem to be possible for its purpose to inform the investment decision (which "MiniProspectus" title seems to suggest), then it seems likely to replicate the reduced EEA availability at the Czech national level - but for all bonds (not just packaged) and all Czech-based investors (institutional as well as retail). 6. The introduction of the proposed Czech KID therefore seems likely to be severely detrimental to the existing debt markets in the Czech Republic, let alone their future development. 7. It also unclear what additional investor protection benefit would arise from such an introduction, which however seems to diverge from the stated key objectives of the EU Capital Markets Union initiative by imposing a regulatory burden over and above the current regulatory framework. 8. As a minor technical point, it seems PRIIPs made available to retail investors in the Czech Republic would need to duplicately produce both PRIIPs and KID as well as the proposed Czech KID.

Market operator No 3

No.

Private person No 1

Yes, such a step could make the market more transparent for investors.

Private person No 3

Yes.

Ad 3:

Supervisory authority

See the answer to the previous question.

Market association No 1

Without an answer.

Market association No 5

However, we perceive generally positively the Ministry of Finance endeavours to mitigate the

unprecedented and disproportionately stringent conclusions of the CNB Supervision Benchmark 2/2019. On the one hand, we understand (and agree) the idea of solving today's (not ideal) situation on the primary bond market (issuer vs. client), and we will welcome some form of regulation of the placement rules. However, the relevant rules should not exceed the imperative of proportionality. If one of the instruments under consideration is to include certain "warnings", resp. A 'warning' for investors, which can agree with such a procedure.

Market association No 2

Without an answer.

Market operator No 2

The following proposal is added from the annex: Purpose of the issue - we would not limit it to so few characters. The purpose must be as specified as possible and investors should know where their finances are going. Only in this way is it possible to monitor the issue and evaluate whether the issuer fulfils the conditions of the issue by its conduct. Alternatively, reference must be made to the article where the investor learns (for example, it may be followed by redemption in the event of a breach, etc. See investor protection, e.g. through the Reinsurance Agent or the Joint Representative). Availability of documents - we are still struggling to publish documents. Given how this is used in the Czech Republic to compete, the question is whether to push issuers to do so. The important thing is to have these documents available to the investor, who decides to invest it - undoubtedly - not a competitor or a journalist… We would add a Business Plan, Reinsurance - must be relevant. It is not only about assets, but also about the means of security - e.g. the Security Agent. Ownership Structure - should apply to the Issuer as well as to all of its issuers or key persons. To be clear how and where they do business and what their results are. We would add - Covenants, a specific overview of debt (what obligations the issuer already has - ideally with the possibility of verifying credit history).

Market operator No 3

No.

Private person No 1

Yes, you can be inspired by this suggestion.

Private person No 3

Yes.

Private person No 4

Scorecard would be interesting.

2.9 Abolition of compulsory registration of funds pursuant to Section 325a of the Management Companies and Investment Funds Act in list of the CNB

-

2.10 Extension of the possibility to be a fiduciary to a management company that is not entitled to exceed the decisive limit and to a person pursuant to Section 15 of the Management Companies and Investment Funds Act

-