

Government proposal

LAW

of ... 2023,

amending some laws in connection with the development of the financial market and the support of old-age insurance

The Parliament passed the following law of the Czech Republic:

PART ONE

Amendment to the Income Tax Act

Art. AND

Act No. 586/1992 Coll., on income taxes, as amended by Act No. 35/1993 Coll., Act No. 96/1993 Coll., Act No. 157/1993 Coll., Act No. 196/1993 Coll., Act No. 323/1993 Coll., Act No. 42/1994 Coll., Act No. 85/1994 Coll., Act No. 114/1994 Coll., Act No. 259/1994 Coll., Act No. 32/1995 Coll., Act No. 87/1995 Coll., Act No. 118/1995 Coll., Act No. 149/1995 Coll., Act No. 248/1995 Coll., Act No. 316/1996 Coll., Act No. 18/1997 Coll., Act No. 151/1997 Coll., Act No. 209/1997 Coll., Act No. 210/1997 Coll., Act No. 227/1997 Coll., Act No. 111/1998 Coll., Act No. 149/1998 Coll., Act No. 168/1998 Coll., Act No. 333/1998 Coll., Act No. 63/1999 Coll., Act No. 129/1999 Coll., Act No. 144/1999 Coll., Act No. 170/1999 Coll., Act No. 225/1999 Coll., the ruling of the Constitutional Court, announced under No. 3/2000 Coll., Act No. 17/2000 Coll., Act No. 27/2000 Coll., Act No. 72/2000 Coll., Act No. 100/2000 Coll., Act No. 103/2000 Coll., Act No. 121/2000 Coll., Act No. 132/2000 Coll., Act No. 241/2000 Coll., Act No. 340/2000 Coll., Act No. 492/2000 Coll., Act No. 117/2001 Coll., Act No. 120/2001 Coll., Act No. 239/2001 Coll., Act No. 453/2001 Coll., Act No. 483/2001 Coll., Act No. 50/2002 Coll., Act No. 128/2002 Coll., Act No. 198/2002 Coll., Act No. 210/2002 Coll., Act No. 260/2002 Coll., Act No. 308/2002 Coll., Act No. 575/2002 Coll., Act No. 162/2003 Coll., Act No. 362/2003 Coll., Act No. 438/2003 Coll., Act No. 19/2004 Coll., Act No. 47/2004 Coll., Act No. 49/2004 Coll., Act No. 257/2004 Coll., Act No. 280/2004 Coll., Act No. 359/2004 Coll., Act No. 360/2004 Coll., Act No. 436/2004 Coll., Act No. 562/2004 Coll., Act No. 628/2004 Coll., Act No. 669/2004 Coll., Act No. 676/2004 Coll., Act No. 179/2005 Coll., Act No. 217/2005 Coll., Act No. 342/2005 Coll., Act No. 357/2005 Coll., Act No. 441/2005 Coll., Act No. 530/2005 Coll., Act No. 545/2005 Coll., Act No. 552/2005 Coll., Act No. 56/2006 Coll., Act No. 57/2006 Coll., Act No. 109/2006 Coll., Act No. 112/2006 Coll., Act No. 179/2006 Coll., Act No. 189/2006 Coll., Act No. 203/2006 Coll., Act No. 223/2006 Coll., Act No. 245/2006 Coll., Act No. 264/2006 Coll., Act No. 29/2007 Coll., Act No. 67/2007 Coll., Act No. 159/2007 Coll., Act No. 261/2007 Coll., Act No. 296/2007 Coll., Act No. 362/2007 Coll., Act No. 126/2008 Coll., Act No. 306/2008 Coll., Act No. 482/2008 Coll., Act No. 2/2009 Coll., Act No. 87/2009 Coll., Act No. 216/2009 Coll., Act No. 221/2009 Coll., Act No. 227/2009 Coll., Act No. 281/2009 Coll., Act No. 289/2009 Coll., Act No. 303/2009 Coll., Act No. 304/2009 Coll., Act No. 326/2009 Coll., Act No. 362/2009 Coll., Act No. 199/2010 Coll., Act No. 346/2010 Coll., Act No. 348/2010 Coll., Act No. 73/2011 Coll., decision of the Constitutional Court, announced under No. 119/2011 Coll., Act No. 188/2011 Coll., Act No. 329/2011 Coll., Act No. 353/2011 Coll., Act No. 355/2011 Coll., Act No. 370/2011 Coll., Act No. 375/2011 Coll., Act No. 420/2011 Coll., Act No. 428/2011 Coll., Act No. 458/2011 Coll., Act No. 466/2011 Coll., Act No. 470/2011 Coll., Act No. 192/2012 Coll., Act No. 399/2012 Coll., Act No. 401/2012 Coll., Act No. 403/2012 Coll., Act No. 428/2012 Coll., Act No.

500/2012 Coll., Act No. 503/2012 Coll., Act No. 44/2013 Coll., Act No. 80/2013 Coll., Act No. 105 /2013 Coll., Act No. 160/2013 Coll., Act No. 215/2013 Coll., Act No. 241/2013 Coll., legal measure of the Senate No. 344/2013 Coll., ruling of the Constitutional Court, announced under no. 162/2014 Coll., Act No. 247/2014 Coll., Act No. 267/2014 Coll., Act No. 332/2014 Coll., Act No. 84/2015 Coll., Act No. 127/2015 Coll., Act No. 221/2015 Coll., Act No. 375/2015 Coll., Act No. 377/2015 Coll., Act No. 47/2016 Coll., Act No. 105/2016 Coll., Act No. 113/2016 Coll., Act No. 125/2016 Coll., Act No. 148/2016 Coll., Act No. 188/2016 Coll., ruling of the Constitutional Court, announced under No. 271/2016 Coll., Act No. 321/2016 Coll., Act No. 454/2016 Coll., Act No. 170/2017 Coll., Act No. 200/2017 Coll., Act No. 225/2017 Coll., Act No. 246/2017 Coll., Act No. 254/2017 Coll., Act No. 293/2017 Coll., Act No. 92/2018 Coll., Act No. 174/2018 Coll., Act No. 306/2018 Coll., Act No. 32 /2019 Coll., Act No. 80/2019 Coll., Act No. 125/2019 Coll., decision of the Constitutional Court, announced under No. 303/2019 Coll., Act No. 364/2019 Coll., Act No. 299 /2020 Coll., Act No. 343/2020 Coll., Act No. 386/2020 Coll., Act No. 450/2020 Coll., Act No. 540/2020 Coll., Act No. 543/2020 Coll., Act No. 588/2020 Coll., Act No. 609/2020 Coll., Act No. 39/2021 Coll., Act No. 251/2021 Coll., Act No. 284/2021 Coll., Act No. 285/ 2021 Coll., Act No. 286/2021 Coll., Act No. 297/2021 Coll., Act No. 324/2021 Coll., Act No. 329/2021 Coll., Act No. 353/2021 Coll., Act No. 142/2022 Coll., Act No. 244/2022 Coll., Act No. 366/2022 Coll., Act No. 432/2022 Coll., Act No. 458/2022 Coll. and Act No. .../2023 Coll., is amended as follows:

1. In Section 4 paragraph 1 letter l) reads:

"l) income in the form of

1. a survivor's pension for which the collection period is defined as at least 10 years or which is paid for life, or other pensions as benefits paid from supplementary pension insurance with a state contribution in accordance with the Act regulating pension insurance with a state contribution,
2. old-age pension for which the collection period is defined as at least 10 years or which is paid for life, disability pension or one-off insurance premium for a pension as a benefit paid from supplementary pension savings according to the law governing supplementary pension savings,
3. benefits from pension insurance, with the exception of one-off benefits, redemption payments, redemption payments or pensions for which the collection period is shorter than 10 years and which is not a disability pension,
4. insurance benefits from personal insurance, with the exception of one-time benefits and pensions for which the collection period is shorter than 10 years, paid from life insurance, from life insurance at a specified age or early death, or from pension insurance."

2. In Section 4, paragraph 1, a new letter zm) is inserted after letter zl), which reads:

"zm) income from paid write-off of assets from a long-term investment product provided for the benefit of this product, unless it is write-off for consideration, the usual price of which is significantly lower than the usual price of the depreciated property,".

The existing letter zm) is referred to as the letter zn).

3. In Section 6 paragraph 9 letter p) reads:

"p) income in the form of a contribution paid by the employer for tax-supported retirement

savings products for his employee up to a total of CZK 50,000 per year."

4. Paragraph 14 is repealed in Section 6.

CELEX: 32016L1164

5. In Section 8, paragraph 1, letters e) and f) read:

"e) payment from supplementary pension insurance with state contribution according to the law regulating supplementary pension insurance with state contribution, from supplementary pension savings according to the law regulating supplementary pension savings and from pension insurance,

f) benefits from life insurance, from life insurance at a specified age or earlier death and from pension insurance and benefits from other personal insurance that is not an insurance benefit."

6. In Section 8 paragraph 6 reads:

"(6) Payments from supplementary pension insurance with a state contribution according to the Act regulating supplementary pension insurance with a state contribution, from supplementary pension savings according to the Act regulating supplementary pension savings and from pension insurance are the basis of tax after reduction of the contributions paid and state contributions paid by the Czech Republic, if these state contributions were not returned; in the case of these payments in the form of a pension, the paid contributions and state contributions are spread over the defined period of receiving the pension. Benefits from life insurance, from life insurance at a specified age or early death and from pension insurance and benefits from other personal insurance that are not insurance benefits are subject to tax after reduction by the premium paid; in the case of these services in the form of a pension, the paid insurance premiums are spread over the defined period of receiving the pension."

7. Paragraph 7 is repealed in Section 8.

The existing paragraphs 8 and 9 are referred to as paragraphs 7 and 8.

8. In Section 8, paragraph 8, last sentence, the words "paragraphs 6 and 7" are replaced by the words "paragraph 6".

9. Paragraphs 5 and 6 of Section 15 read:

"(5) Contributions totalling no more than CZK 48,000 paid by the taxpayer in the tax period for his tax-supported retirement savings products can be deducted from the tax base. The contribution to the old-age savings product also means premiums for private life insurance and assets credited to the benefit of a long-term investment product.

(6) In the case of contributions to supplementary pension insurance with a state contribution according to the act regulating supplementary pension insurance with a state contribution and to supplementary pension savings according to the act regulating supplementary pension savings, only the part of the monthly contribution that exceeds the amount from which belongs to the highest state contribution according to the law governing

supplementary pension insurance with state contribution or the law governing supplementary pension savings. In the case of payment of a one-time premium for private life insurance, for the purposes of paragraph 5, the contribution paid in the tax period of the duration of the insurance is considered to be the proportional part of the one-time insurance premium attributable to this tax period, determined to the nearest day."

10. After Section 15, new Section 15a and 15b are inserted, which, including the headings, read:

"Section 15a

Old age savings product

(1) For the purposes of income taxes, the old age savings product is understood

- a) supplementary pension insurance with state contribution according to the Act regulating supplementary pension insurance with state contribution,
- b) supplementary pension savings according to the law regulating supplementary pension savings,
- c) pension insurance with a pension insurance institution,
- d) private life insurance,
- e) long-term investment product.

(2) For income tax purposes, a pension insurance institution means a provider of financial services authorized to operate a pension insurance, which is

- a) operated on the principle of fund management,
- b) established for the purpose of providing pension benefits outside the mandatory pension system ¹³⁶⁾ on the basis of a contract or on the basis of otherwise agreed participation in pension insurance and performs activities resulting therefrom and
- c) is authorized and operates pension insurance in a member state of the European Union or a state forming the European Economic Area and is subject to the supervision of the competent authority in this state.

(3) For the purposes of income taxes, private life insurance means life insurance, insurance in the event of reaching a specified age or early death, and pension insurance, to which entitlement arises no earlier than in the calendar year in which the taxpayer reaches 60 years of age, negotiated with an insurance company that is authorized to carry out insurance activities on the territory of a member state of the European Union or a state forming the European Economic Area, in which the life insurance sum, if agreed, amounts to at least

- a) CZK 40,000 if the insurance period is at least 10 and at most 20 years, or
- b) CZK 70,000 if the insurance period is more than 20 years.

(4) For the purposes of income taxes, the amount corresponding to a one-time payment in the event of survival is considered the sum insured for the case of survival in the case of pension insurance.

(5) For income tax purposes, long-term investment product means a long-term investment product according to the law regulating business on the capital market and a similar product provided by a foreign person authorized to provide such a product in a member state of

the European Union or a state forming the European Economic Area.

Section 15b

Tax support for the old age savings product

(1) An old-age savings product is tax-supported if it is agreed or otherwise determined that the payment of funds or performance from this product or the write-off of assets from a long-term investment product are beneficial

a) the taxpayer who contracted the product, and that only

1. after 120 calendar months from the creation of the product, but at the earliest in the calendar year in which the taxpayer reaches 60 years of age, and in the case of benefits from supplementary pension savings, to which, according to the law governing supplementary pension savings, entitlement arises when the taxpayer reaches the age of 5 years younger, than his retirement age according to the law regulating pension insurance, at the earliest at the moment of reaching an age 5 years lower than his retirement age according to the law regulating pension insurance,
2. in case of his disability of the third degree, or
3. in connection with the termination of the old age savings product, or

b) another taxpayer, and only if

1. death of the taxpayer who contracted the product,
2. payments to the provider of this product for its management or services related to it,
3. write-off of property from a long-term investment product for consideration provided in favour of this product, unless it is a write-off for consideration, the usual price of which is significantly lower than the usual price of the depreciated property, or
4. fulfilment of an obligation established by another legal regulation.

(2) For the purposes of exempting the employee's income in the form of a contribution paid by the employer to the employee in the old-age savings product, this product is not tax supported if it is agreed or otherwise determined that in the event of the death of the employee, the payment of funds or performance from this product or a write-off property from a long-term investment product in favour of this employer.

(3) The employee shall notify his employer that his old-age savings product has ceased to be tax-supported or that a fact has occurred that results in the return of tax support for the old-age savings product by the end of the calendar month in which this occurred.

(4) Tax support for the old-age savings product is refunded if, before the expiration of 120 calendar months from its inception or before the calendar year in which the taxpayer reaches 60 years of age,

a) there has been a payment of funds or performance from this product or a write-off of assets from a long-term investment product in favour of the taxpayer who negotiated the product, if it is not

1. payment, performance or write-off in the event of third-degree disability of the taxpayer,
2. payment, performance or write-off due to the demise of the provider of this product or withdrawal of permission to provide this product by the provider, if the received saved funds and assets are invested within 1 month from their receipt into the taxpayer's tax-

supported retirement savings product of the same type or in the event of supplementary pension insurance with a state contribution according to the law regulating supplementary pension insurance with a state contribution to his tax-supported supplementary pension savings according to the law regulating supplementary pension savings, or

3. payment from supplementary pension savings according to the law regulating supplementary pension savings, to which the right arose upon reaching an age 5 years younger than the taxpayer's retirement age according to the law regulating pension insurance,
- b) there has been a payment of funds or performance from this product or a write-off of property from the taxpayer's long-term investment product in favour of a taxpayer other than the one who negotiated the product, unless it is
1. payment, payment or write-off after the death of the taxpayer who arranged the product,
 2. payment to the provider of this product for its management or services related to it, or
 3. write-off of assets from a long-term investment product for consideration provided in favour of this product, unless it is write-off for consideration, the usual price of which is significantly lower than the usual price of the depreciated property,
- c) this product expires without the payment of funds or performance from it or the write-off of assets from the long-term investment product of the taxpayer, if it is not the demise of the product
1. due to the death of the taxpayer,
 2. due to the demise of the provider of this product or withdrawal of permission to provide this product by the provider, or
 3. with the simultaneous write-off of all saved funds and property on the taxpayer's tax-supported old-age savings product of the same type or, in the case of supplementary pension insurance with a state contribution in accordance with the law governing supplementary pension insurance with a state contribution, to his tax-supported supplementary pension savings in accordance with the law governing supplementary pension savings, or
- d) there was a payment of income from assets within the framework of a long-term investment product outside of this product.

(5) Refund of tax support for the old-age savings product is understood

- a) the creation of income according to Section 10 in the amount of the sum of the taxpayer's contributions, which were deducted from the tax base for the immediately preceding 10 tax periods, paid for this product or for an old-age savings product of the same type, from which all saved funds and property were transferred to this product,
- b) in the case of a long-term investment product, the creation of income according to Section 10 in the amount of the total income that was exempt from tax in the immediately preceding 10 tax periods, from the write-off of property from this product or from a retirement savings product of the same type, from which all savings were cash funds and assets transferred to this product, reduced by the expenses by which such income would have been reduced for determining the tax base in those tax periods if they had not been exempt from tax; the total does not include income that would have been exempt from tax in the tax period in which it arose even if it had not been a write-off of assets from a long-term investment product that is a tax-supported product for old age, and

c) the creation of income according to Section 6 in the amount of the total amount of contributions paid by the employer for this product or for an old-age savings product of the same type, from which all saved funds and property were transferred to this product, which were in the tax period in which the fact occurred, which results in the return of the tax support of the old-age savings product, and in the immediately preceding 10 tax periods exempt from tax; this income is not considered to be paid by the payer of income tax from dependent activity.

(6) If a fact occurs that results in the return of tax support for the old-age savings product,

a) this product ceases to be tax supported from

1. the tax period in which this fact occurred, for the purposes of deducting non-taxable parts of the tax base and for the purposes of exempting income from the depreciation of property from a long-term investment product, and
2. of the calendar month following the calendar month in which this fact occurred, for the purposes of exempting the employee's income in the form of a contribution paid by the employer to his tax-supported retirement savings product and

b) performance from this product is not reduced by contributions paid by the employer for this product for the purposes of determining the tax base, with the exception of

1. contributions in the amount of which income was generated according to paragraph 5 letter C),
2. contributions not exempt from personal income tax,
3. contributions paid by the employer before January 1, 2000 for supplementary pension insurance with a state contribution according to the act regulating supplementary pension insurance with a state contribution and
4. contributions paid by the employer before January 1, 2001 for private life insurance."

CELEX: 32016L1164

11. In Section 35ba paragraph 1 letter b) the words "contribution^{9a)}, state contributions to supplementary pension savings" are replaced by the words "contribution according to the act regulating supplementary pension insurance with state contribution, state contributions to supplementary pension savings according to the act regulating supplementary pension savings", the words "and a scholarship provided to students continuously preparing for a future profession and" are replaced by the words ", a scholarship provided to a student consistently preparing for a future profession," and after the text "Section 4" the words ", and income that arose as a result of violating the conditions of income exemption or applying the tax-free part are inserted tax base".

Footnote No. 9a is deleted.

12. In Section 36, paragraph 2, letter k) reads:

"k) from benefits from supplementary pension insurance with state contribution according to the act regulating pension insurance with state contribution, supplementary pension savings according to the act regulating supplementary pension savings, pension insurance, life insurance, insurance in case of living to a specified age or early death and insurance pension and from benefits from other personal insurance that are not insurance benefits,".

13. In Section 36, paragraph 2, letter o) is repealed.
The existing letters p) ar) are referred to as letters o) ap).
14. Section 38g paragraph 5 reads:
"(5) A tax return is required to be submitted by a taxpayer who has received income in accordance with Section 6 as part of the return of tax support for the old-age savings product."
15. Section 38k paragraph 5 letter f) reads:
"f) in what amount does he deduct from the tax base the contributions paid to his tax-supported old-age savings product,".
16. In Section 38k paragraph 5, letter g) is repealed.
The existing letters h) to k) are referred to as letters g) to j).
17. In Section 38l, paragraph 1, a new letter j) is inserted after letter i), which reads:
"j) a contract on a long-term investment product and an annual confirmation by the person who provides this product of the property credited by the taxpayer to the benefit of this product in the past tax period."
The existing letters j) and k) are referred to as letters k) and al).
18. In Section 38l paragraph 1 letter l) the words "by decision of the Labour Office of the Czech Republic" are deleted.
19. In footnote No. 136, the words "as amended by Regulation of the European Parliament and Council No. 988/2009" are replaced by the words "as amended".

Art. II

Temporary provisions

1. Act No. 586/1992 Coll., as amended before the date of entry into force of this Act, shall apply to tax obligations for income taxes for the tax period that began before the date of entry into force of this Act, as well as to the rights and obligations related thereto.
2. Section 4, paragraph 1 letter of l) point 3 of Act No. 586/1992 Coll., as amended before the effective date of this Act.
3. On supplementary pension insurance with state contribution according to Act No. 42/1994 Coll., on supplementary pension insurance with state contribution and on changes to certain laws related to its introduction, as amended, supplementary pension savings pursuant to Act No. 427/2011 Coll., on supplementary pension savings, as amended, pension insurance and private life insurance created before the effective date of this Act with
a) shall apply Section 6 paragraph 9 letter p), Section 6 paragraph 14, Section 8 paragraph

- 1 letter e) and f), Section 8 paragraphs 6, 7 and 9, Section 15 paragraphs 5 and 6, with the exception of the maximum amounts that can be deducted from the tax base, Section 36 paragraph 2 letter k) and o) and Section 38k paragraph 5 letter f) and g) of Act No. 586/1992 Coll., as amended before the effective date of this Act, and
- b) do not apply Section 8, Section 8, Section 15a and 15b of Act No. 586/1992 Coll., as amended from the date of entry into force of this Act.
4. Employer contributions to private life insurance paid before January 1, 2015 se
- a) shall apply Section 6 paragraph 9 letter p), Section 8 paragraph 7 and Section 15 paragraph 6 of Act No. 586/1992 Coll., as amended before January 1, 2015, and
- b) do not apply Section 8 paragraph 6 and Section 15b paragraph 5 letter c) of Act No. 586/1992 Coll., as amended from the date of entry into force of this Act.
5. The maximum amount that can be exempted from tax according to Section 6 paragraph 9 letter p) of Act No. 586/1992 Coll., as amended from the date of entry into force of this Act, is reduced by the sum of the amounts that are exempt from tax for the given tax period according to Section 6 paragraph 9 letter p) of Act No. 586/1992 Coll., as amended before the effective date of this Act.
6. The maximum amount that can be deducted for a given tax period from the tax base according to Section 15 paragraph 5 of Act No. 586/1992 Coll., as amended from the date of entry into force of this Act, is also applied to contributions and insurance premiums according to Section 15 paragraph 5 and 6 of Act No. 586/1992 Coll., as amended before the effective date of this Act.

PART TWO

Amendment to the Act on the Czech National Bank

Art. III

Act No. 6/1993 Coll., on the Czech National Bank, as amended by Act No. 60/1993 Coll., Act No. 15/1998 Coll., Act No. 442/2000 Coll., the ruling of the Constitutional Court, promulgated under no. 278/2001 Coll., Act No. 482/2001 Coll., Act No. 127/2002 Coll., Act No. 257/2004 Coll., Act No. 377/2005 Coll., Act No. 57/2006 Coll., Act No. 62/2006 Coll., Act No. 230/2006 Coll., Act No. 160/2007 Coll., Act No. 36/2008 Coll., Act No. 124/2008 Coll., Act No. 254/2008 Coll., Act No. 281/2009 Coll., Act No. 285/2009 Coll., Act No. 295/2009 Coll., Act No. 145/2010 Coll., Act No. 156/2010 Coll., Act No. 41/2011 Coll., Act No. 92/2011 Coll., Act No. 136/2011 Coll., Act No. 139/2011 Coll., Act No. 357/2011 Coll., Act No. 428 /2011 Coll., Act No. 227/2013 Coll., Act No. 135/2014 Coll., Act No. 204/2015 Coll., Act No. 375/2015 Coll., Act No. 377/2015 Coll., Act No. 258/2016 Coll., Act No. 183/2017 Coll., Act No. 89/2018 Coll., Act No. 111/2019 Coll., Act No. 277/2019 Coll., Act No. 192/ 2020 Coll., Act No. 238/2020 Coll., Act No. 219/2021 Coll., Act No. 353/2021 Coll., Act No. 417/2021 Coll. and Act No. 129/2022 Coll., is amended as follows:

1. In Section 43f, paragraph 1, a new letter f) is inserted after letter e), which reads:
- "f) for the purpose of publishing the average loan interest rates according to the law regulating consumer credit,".

The existing letters f) to h) are referred to as letters g) to i).

2. In Section 43f paragraph 1 letter h) the text "f)" is replaced by the text "g)".
3. In Section 46e, paragraph 3, after the text "CZK", the words "or determine the upper limit of the fine according to the multiple of the unauthorized benefit or according to the achieved annual turnover" are inserted.

PART THREE

Amendment to the Pension Insurance Act with state contribution

Art. IV

Act No. 42/1994 Coll., on supplementary pension insurance with state contribution and amendments to certain laws related to its introduction, as amended by Act No. 61/1996 Coll., Act No. 15/1998 Coll., Act No. 170/1999 Coll., Act No. 353/2001 Coll., Act No. 36/2004 Coll., Act No. 237/2004 Coll., Act No. 257/2004 Coll., Act No. 377/2005 Coll., Act No. 444/2005 Coll., Act No. 56/2006 Coll., Act No. 57/2006 Coll., Act No. 70/2006 Coll., Act No. 342/2006 Coll., Act No. 296/2007 Coll., Act No. 124/2008 Coll., Act No. 126/2008 Coll., Act No. 254/2008 Coll., Act No. 306/2008 Coll., Act No. 227/2009 Coll., Act No. 230/2009 Coll., Act No. 160 /2010 Coll., Act No. 199/2010 Coll., Act No. 409/2010 Coll., Act No. 188/2011 Coll., Act No. 420/2011 Coll., Act No. 99/2013 Coll., Act No. 241/2013 Coll., Senate Legal Measure No. 340/2013 Coll., Senate Legal Measure No. 344/2013 Coll., Act No. 298/2016 Coll., Act No. 183/2017 Coll., Act No. 261/2021 Coll. and Act No. 353/2021 Coll., changes as follows:

1. In Section 2, Paragraph 1, first sentence, the words "with permanent residence in the territory of the Czech Republic" are deleted.
2. In Section 2, paragraphs 2 and 3, including footnote No. 1 and b, are cancelled and the designation of paragraph 1 is also cancelled.
3. In Section 19, paragraph 1, letters f) and g) are deleted.
The existing letter h) is referred to as letter f).
4. In Section 21, the sentence is added at the end of paragraph 5: "If the participant and the person specified in the contract die at the same time or under circumstances that prevent it from being established which of them died first, it is considered established for the purposes of assessing the entitlement to a survivor's pension, that the participant survived this person and the amount calculated according to Section 23, paragraph 3, becomes the subject of inheritance under the conditions according to Section 25."
5. In Section 23, a new paragraph 2 is inserted after paragraph 1, which reads:
"(2) If the participant and the person specified in the contract die at the same time or under circumstances that prevent it from being established which of them died first, for the purposes of assessing the emergence of the right to purchase consideration, it is considered

established that the participant survived this person and the amount calculated according to paragraph 3, becomes the subject of inheritance under the conditions according to Section 25."

The existing paragraphs 2 and 3 are referred to as paragraphs 3 and 4.

6. In Section 24, paragraph 4, last sentence, the number "3" is replaced by the number "4".
7. In Section 25, the number "2" is replaced by the number "3".
8. In Section 27, paragraph 1, the words "than the amount establishing entitlement to state allowance (Section 29, paragraph 2)" are replaced by the words "than CZK 100".
9. Section 29 reads:

"Section 29

The provision of a state allowance for the benefit of a participant in supplementary pension insurance is governed by the law governing supplementary pension savings."

10. In Section 30, paragraph 1, first sentence, the words "according to Section 29" are deleted.
11. In Section 45a paragraph 4 of the introductory part of the provision, the text "para. 1" cancels.
12. In Section 45a, paragraph 6, including footnote No. 1ac, is repealed.
The existing paragraphs 7 to 10 are referred to as paragraphs 6 to 9.

PART FOUR

Change of enforcement order

Art. IN

Act No. 120/2001 Coll., on bailiffs and execution activities (execution order) and on the amendment of other laws, as amended by Act No. 6/2002 Coll., Act No. 279/2003 Coll., Act No. 360/2003 Coll., Act No. 53/2004 Coll., Act No. 257/2004 Coll., Act No. 284/2004 Coll., Act No. 499/2004 Coll., Act No. 501/2004 Coll., Act No. 377/2005 Coll., Act No. 57/2006 Coll., Act No. 70/2006 Coll., Act No. 79/2006 Coll., Act No. 133/2006 Coll., Act No. 253/2006 Coll., Act No. 296/2007 Coll., Act No. 347/2007 Coll., Act No. 254/2008 Coll., Act No. 259/2008 Coll., Act No. 274/2008 Coll., Act No. 301/2008 Coll., Act No. 7/2009 Coll., Act No. 41/2009 Coll., Act No. 183/2009 Coll., Act No. 227/2009 Coll., Act No. 281/2009 Coll., Act No. 285/2009 Coll., Act No. 286/2009 Coll., Act No. 409/2010 Coll., Act No. 188/2011 Coll., Act No. 428/2011 Coll., Act No. 89 /2012 Coll., Act No. 396/2012 Coll., Act No. 45/2013 Coll., Act No. 170/2013 Coll., Act No. 256/2013 Coll., Act No. 303/2013 Coll., Act No. 340/2013 Coll., Act No. 344/2013 Coll., Act No. 139/2015 Coll., Act No. 164/2015

Coll., Act No. 375/2015 Coll., Act No. 183/2017 Coll., Act No. 258/2017 Coll., Act No. 298/2017 Coll., Act No. 94/2018 Coll., Act No. 31/2019 Coll., Act No. 588/2020 Coll., Act No. 38/2021 Coll., Act No. 218/2021 Coll., Act No. 261/2021 Coll., Act No. 286/2021 Coll. and Act No. 214/2022 Coll., is amended as follows:

1. In Section 34, paragraph 3, sentence one, the words "for cooperation" are replaced by the words "or financial institution for cooperation" and the words "financial institution cooperation" are replaced by the words "financial institution or financial institution cooperation".
2. In Section 34, paragraph 3, sentence two, the words "is not obliged" are replaced by the words "or financial institutions are not obliged".
3. In Section 44a, paragraph 2, second sentence, the number "8" is replaced by the number "9".
4. In Section 49, a new paragraph 5 is inserted after paragraph 4, which reads:

"(5) The attachment to the execution order according to paragraph 1 letter c) and a notification that the conditions according to Section 52 paragraph 3 have been met, or a resolution to change or cancel the execution order according to paragraph 1 letter c), if it is a case of execution by ordering a claim of the debtor other than from an account with a financial institution, if the debtor is a financial institution, the data file containing the data specified in this enforcement order or notification, or the data file containing data on the change or cancellation of the enforcement order. After receiving the data file, which is an attachment to the execution order according to paragraph 1 letter c), the financial institution shall, without undue delay, inform the executor of the order of the recovered claim in a data file."

The existing paragraphs 5 to 10 are referred to as paragraphs 6 to 11.
5. In Section 49, paragraph 6, the number "4" is replaced by the number "5".
6. In Section 49, paragraph 10, the number "7" is replaced by the number "9".

PART FIVE

Amendment to the Financial Arbitrator Act

Art. VI

Act No. 229/2002 Coll., on the financial arbitrator, as amended by Act No. 558/2004 Coll., Act No. 57/2006 Coll., Act No. 264/2006 Coll., Act No. 281/2009 Coll., Act No. 285/2009 Coll., Act No. 180/2011 Coll., Act No. 241/2013 Coll., Act No. 278/2013 Coll., Act No. 336/2014 Coll., Act No. 378 /2015 Coll., Act No. 452/2016 Coll., Act No. 171/2018 Coll., Act No. 261/2021 Coll., Act No. 91/2022 Coll. and Act No. 129/2022 Coll., is amended as follows:

1. In Section 1, at the end of paragraph 1, the period is replaced by a comma and the letter o) is added, which reads:

"o) by the provider of a long-term investment product when providing this product."

2. In Section 3, at the end of paragraph 1, the period is replaced by a comma and the letter o) is added, which reads:

"o) the provider of a long-term investment product when providing this product."

PART SIX

Amendment to the Act on Bonds

Art. VII

Act No. 190/2004 Coll., on bonds, as amended by Act No. 378/2005 Coll., Act No. 56/2006 Coll., Act No. 57/2006 Coll., Act No. 296/2007 Coll., Act No. 230/2008 Coll., Act No. 227/2009 Coll., Act No. 230/2009 Coll., Act No. 281/2009 Coll., Act No. 160/2010 Coll., Act No. 199/ 2010 Coll., Act No. 355/2011 Coll., Act No. 172/2012 Coll., Act No. 227/2013 Coll., Act No. 303/2013 Coll., Act No. 137/2014 Coll., Act No. 183/2017 Coll., Act No. 307/2018 Coll., Act No. 277/2019 Coll., Act No. 119/2020 Coll., Act No. 237/2020 Coll. and Act No. 96/2022 Coll., is amended as follows:

1. In Section 6 paragraph 1 letter e) with the words ", or the statement that the yield is determined by the difference between the nominal value of the bond and its issue rate; or from the bond" are replaced by the words "; if the bond does not contain the yield of the bond, it must be from it".
2. In Section 6 paragraph 1 letter g) the word "owner" is replaced by the words "first acquirer".
3. Section 9, including the title and footnote No. 11, reads:

"Section 9

Matters of emission conditions

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

- a) information and data referred to in Section 6 paragraph 1 letter a) to f) and j),
- b) information on whether it is a deed bond, an immobilized security or a book-entry security,
- c) deadline for subscribing bonds,
- d) information on how the yield of the bond is determined, or that the bond has no yield,
- e) information on how and where the bond is to be repaid, including any information on the maturity date and the amount of individual instalments, if the amount owed is to be repaid in instalments,

- f) the method of announcing the meeting of bond owners (hereinafter referred to as the "meeting of owners") and the method of publishing and making available other information about the bond,
- g) determination of the day that is decisive for participation in the meeting of owners,
- h) information on whether and to what extent the Czech National Bank supervises the issue of bonds and their issuer, and
- i) information that if the prospectus is approved by the Czech National Bank,
 - 1. assesses it only in terms of the completeness of the data contained in it,
 - 2. does not assess the economic results or the financial situation of the issuer. a
 - 3. the approval of the prospectus does not indicate the future profits of the issuer or its ability to repay the nominal value of the bond or its proportional yield.

(2) If the prospectus is not published by the issue date at the latest, the issue conditions shall include the following

- a) issue rate, or the method of its determination,
- b) method and place of bond subscription,
- c) method and deadline for handing over bonds to individual subscribers,
- d) method and place of payment or other settlement of the issue rate of the subscribed bond,
- e) information on the taxation of bond income,
- f) data identifying the persons who participate in the issuance of the bond, the repayment of the bond and the payment of the yield of the bond, indicating the manner of their participation in these activities,
- g) identification mark of the bond according to the international numbering system for the identification of securities a
- h) information about by whom, when, and with what result the rating was awarded according to Article 3 paragraph 1 letter a) Regulation of the European Parliament and Council (EC) No. 1060/2009 ¹¹⁾, if this information is known to the issuer.

(3) In accordance with the issuer's intention, the issue conditions also contain, at least by reference to the information and data contained in the prospectus, information on

- a) the issuer's decision that the bond issue will be issued gradually in parts (in tranches) within the subscription period,
- b) the right of the issuer to proceed according to Section 7 paragraph 1 letter b) or c),
- c) a lien or other security for a bond, for which the repayment of the bond or the payment of its income is secured, and the method of exercising the lien or other security, including any information pursuant to Section 20,
- d) the method of drawing a bond, the yield of which is linked to the bond being drawn,
- e) decision of the issuer according to Section 17,
- f) publishing and making available information pursuant to this Act in a language other than Czech,
- g) the issuer's decision to exclude the possibility of separating the right to and payment of the bond yield from the bond,

- h) authorization of the issuer to redeem the bond and the proportional yield of the bond before its maturity date with a definition of the conditions and method of early repayment and the method of calculating the value of unpaid unreturned coupons according to Section 19, paragraph 4,
- i) the authorization of the bond owner to request the repayment of the bond and possibly also the proportional yield before the maturity date and the definition of the conditions under which he is entitled to do so,
- j) the wording of the arbitration clause, if disputes about the rights and obligations associated with the bond are to be resolved in arbitration,
- k) the method of notification of the day from which the right to exchange for another bond or share can be exercised for a convertible bond, and the places and the deadline for exercising this right; if the exchangeable bond is a book-entry bond, also on the day that is decisive for determining the person authorized to exercise rights from this bond,
- l) the method of notification of the day from which the right to preferential subscription of shares can be exercised in the case of priority bonds, and the place and deadline for exercising this right; if the priority bond is a book-entry bond, also on the day that is decisive for determining the person authorized to exercise rights from this bond,
- m) conditions and degree of subordination according to Section 34 in the case of a subordinated bond a
- n) determination of a different order of satisfaction of debts from a subordinated bond, including in relation to the satisfaction of other debts, including debts from other subordinated bonds, or differently in relation to the debt corresponding to the right to repay the bond and other rights associated with the bond.

(4) If the prospectus is not published by the issue date at the latest, the issue terms, according to the issuer's intention, also contain information on

- a) when, how and where the yield of the bond is to be paid, if the yield is not determined by the difference between the nominal value of the bond and its issue rate,
- b) by the fact that the repayment of the bond or the payment of its income is secured by a third party, and by the fact that the contract by which the security is negotiated is accessible to investors,
- c) other rights that are associated with the bond, and
- d) to the person who will keep the records of the booked bonds.

¹¹⁾ Regulation of the European Parliament and the Council (EC) No. 1060/2009 of September 16, 2009 on rating agencies, as amended."

4. A new Section 9a is inserted after Section 9, which, including the title and footnote No. 12, reads:

"Section 9a

Necessities of the issue conditions of the bond offered as part of the sub-limit public offer

- (1) The bond is offered as part of a sub-limit public offer, if

- a) its issuer is a legal entity,
- b) is publicly offered in accordance with Article 2 letter d) Regulation (EU) 2017/1129 of the European Parliament and of the Council ¹²⁾,
- c) the prospectus is not published by the issue date at the latest a
- d) the total consideration value of the offered bonds on the issue date is higher than the amount corresponding to EUR 100,000 and lower than the amount corresponding to EUR 1,000,000; this amount is calculated for bonds offered in the member states of the European Union during 12 months.

(2) In addition to the information and data pursuant to Section 9, the issue conditions of the bond offered as part of the sub-limit public offer include

- a) issuer's registered office,
- b) month and year of commencement of the issuer's activities; if the date of commencement of activity coincides with the establishment of the issuer, the date of establishment of the issuer shall be indicated instead,
- c) a description of the main activities performed by the issuer,
- d) the amount of the minimum investment; if the amount of the minimum investment is the same as the nominal value of the bond as the amount owed, the nominal value is indicated instead bond,
- e) expected volume of emission,
- f) description of the purpose of using the funds obtained from the issue,
- g) the planned ratio of foreign resources to equity at least up to 12 months before the maturity date,
- h) information that the prospectus for the bond issue was not approved by the Czech National Bank or the supervisory authority of another member state of the European Union,
- i) annual reports and financial statements of the issuer for the last 2 accounting periods or the period starting with the establishment of the issuer, depending on which period is shorter, and if the financial statements were verified by an auditor, also the auditor's report on the verification of the financial statements; annual reports, financial statements and auditor's reports on the verification of financial statements can be attached as a link to the issuer's website or to a collection of documents that is part of the public register,
- j) in the case of an issuer that is part of a consolidated entity, also annual reports and financial statements for the last 2 accounting periods or the period starting with the establishment of the accounting entity obliged to prepare consolidated financial statements, whichever period is shorter, even in relation to the consolidation group, otherwise the issuer states that it is not part of the consolidation group; annual reports and financial statements can be attached in the form of a link to the website of the accounting entity obliged to prepare consolidated financial statements or to a collection of documents that is part of the public register,
- k) in the case of the existence of a legal entity that is a guarantor for the issuer's debts from bonds, also annual reports and financial statements for the last 2 accounting periods or the period starting with the establishment of the guarantor, whichever period is shorter, also in relation to the guarantor, otherwise the issuer states that the guarantor for its bond debts is not a legal entity; annual reports and financial statements can be attached in the form of a link to the guarantor's website or to a collection of documents that is part of the public register,

- l) data identifying the person offering the bonds,
- m) information about how the repayment of the owed amount is secured, or information that the repayment of the owed amount is not secured in any way,
- n) information on all persons in the top management of the issuer in accordance with the law governing the registration of beneficial owners, stating their name, academic degrees, their job position in the issuer, the name of the legal entity where they gained the most important work experience, and the number of years of their relevant experience in terms of the activity of the issuer,
- o) in the case of an issuer that is part of a consolidated group, information in graphic form about the structure of the consolidated group and
- p) data identifying the real owner of the issuer according to the law governing the registration of real owners.

(3) The issuer of a bond offered as part of a sub-limit public offer shall publish on its website the issue conditions containing information and data according to paragraph 2 no later than the issue date; Section 3, paragraph 2, sentence two shall be applied similarly.

(4) The person offering the bond as part of the sub-limit public offer shall publish on its website, at the latest on the date of commencement of the offering, the issue conditions containing the information and data according to paragraph 2 and shall ensure that these issue conditions are made available on this website free of charge and in an unchanged form permanently at least for the duration of the offering and 12 months from the end of the offering and were in the form of a data file suitable for download in a commonly used data format.

¹²⁾ Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or accepted for trading on a regulated market, and on the repeal of Directive 2003/71/EC, as amended wording."

5. In Section 10, paragraph 2, letter b) reads:

"b) to a change that does not have a negative impact on the position or interests of bondholders, or".

6. In Section 11 paragraph 3 letter a) the words "or 9a" are inserted after the text "Section 9".

7. In Section 16 letter c) the words "including any premium payable upon early maturity of the bond" are inserted after the word "bond".

8. In Section 20, paragraph 3, sentence one, the words "necessary for identification" are replaced by the word "identifying" and the words "or the manner in which a person will be appointed in the future as a security agent pursuant to paragraph 1" are added at the end of the text of the sentence.

9. In Section 20, at the end of paragraph 3, the sentence "In the event that the issue

conditions regulate only the method of appointing a person to the position of collateral agent, the issuer shall make available to investors the information and data required under paragraph 4 in the same way as the issue conditions immediately after the appointment takes place persons to the function of collateral agent."

10. In Section 20, paragraph 4, the words "necessary for identification" are replaced by the word "identifying".
11. In Section 21a, paragraph 2, the words "the European Union or another state forming the European Economic Area (hereinafter referred to as "member state")" are inserted after the word "state".
12. In Section 22 paragraph 3 of the introductory part of the provision, sentence one, the word "by means" is replaced by the words "in the same way as the emission conditions were made available, or in another way".
13. In Section 22, paragraph 4, the words "bond owner" are replaced by the words "convener who is not the issuer".
14. In Section 23, at the end of paragraph 2, the sentences are added: "The deadline for notifying the meeting of owners according to Section 22, paragraph 3, is shortened to 5 working days for the purpose of a substitute meeting of owners, if the issue conditions do not stipulate a longer deadline. The convener is entitled to call a replacement meeting of owners simultaneously with the convening of the original meeting of owners or at any time before the regular meeting of owners, so that it takes place at least 5 working days from the day on which the original meeting of owners was called. No later than the day following the day of the original meeting, the convener shall notify the bond owners that the original meeting of owners was unable to reach a resolution, in the same manner as the issue conditions were made available, or in another manner specified in the issue conditions."
15. Section 23 paragraph 5 reads:

"(5) If the meeting of owners agreed to changes of a fundamental nature, the person who was the owner of the bond on the decisive day for participation in the meeting of owners and, according to the minutes, voted against the proposal at the meeting or did not participate in the meeting, may ask the issuer for early repayment of the nominal value of the bond, including proportional yield or to buy the bond at market price. If the yield was determined by the difference between the nominal value of the bond and its issue rate, the issuer is obliged to repay the bond owner who requested it in accordance with the first sentence, the issue rate and a proportional yield or to buy the bond from him at the market price. A request for early repayment or redemption at the market price must be submitted by the bond owner within 30 days of the resolution of the meeting of owners or a joint meeting of owners being made available pursuant to paragraph 8. After this period expires, the right to early repayment or redemption at the market price expires. The issuer is obliged to pay the relevant amount within 30 days from the delivery of the application in the manner and at the place specified in the

issuance conditions for the repayment of the bond."

16. In Section 23, a new paragraph 6 is inserted after paragraph 5, which, including footnote No. 13, reads:

"(6) The right under paragraphs 5 and 7 does not belong to the owner of the bond, which, according to the issue conditions or the prospectus, is supposed to represent

- a) an instrument included in Tier 2 capital according to Article 63 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council ³⁾,
- b) an instrument included in Tier 2 capital according to Articles 72 to 75 of Commission Delegated Regulation (EU) 2015/35 ¹³⁾,
- c) eligible liabilities instrument according to Article 72b of Regulation (EU) No. 575/2013 of the European Parliament and of the Council ³⁾, or
- d) an eligible liability that should be taken into account for the purposes of fulfilling the obligation to maintain capital and depreciable liabilities at least in the amount of the minimum requirement or the internal minimum requirement according to the law regulating recovery procedures and resolution of the financial market crisis.

¹³⁾ Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking up and pursuit of insurance and reinsurance activities (Solvency II), in force wording."

The existing paragraphs 6 and 7 are referred to as paragraphs 7 and 8.

17. In Section 23, Paragraph 7, second sentence, the number "7" is replaced by the number "8".

18. In Section 23, paragraph 9 is added, which reads:

"(9) If the issue conditions modify the rights and obligations of bond owners in deviation from paragraphs 1 to 8, the issuer must draw attention to this in the prospectus or at the latest on the date of issue in the same way in which it made the issue conditions available."

19. In Section 24, paragraph 5, first sentence, the words "necessary for identification" are replaced by the word "identifying".

20. A new Section 24b is inserted after Section 24a, which, including the title, reads:

"Section 24b

Decision-making outside the owners' meeting

(1) If the issue conditions of the bonds allow decision-making outside of the owners' meeting, the person authorized to convene the owners' meeting shall notify all bond owners of the draft decision, in the same way as the issue conditions were made available, or in another way specified in the issue conditions.

(2) The draft decision contains

- a) the text of the proposed decision and its justification,
- b) the deadline for delivering the bond owner's statement determined by the issue conditions, otherwise 15 days; the date of notification according to paragraph 1 is decisive for the start of the period,
- c) the decisive day for participation in decision-making outside the meeting of owners, which cannot precede the notification according to paragraph 1 by more than 30 days,
- d) documents necessary for the adoption of a decision a
- e) additional information and data, if so determined by the emission conditions.

(3) If it is a proposal to vote on matters according to Section 21, paragraph 1, an officially verified handwritten signature is required for the vote to be validly counted, or the vote must be made via a data box.

(4) If the owner of the bond does not deliver within the period according to paragraph 2 letter b) the person authorized to convene a meeting of owners consent to the draft decision, it is valid that he does not agree with the draft. A decisive majority is calculated from the total number of votes of all bond owners.

(5) Section 23 shall be applied mutatis mutandis for decisions outside the meeting of owners. The day of the owners' meeting is considered to be the last day of the deadline set for the delivery of bond owners' statements. For the content of the notarial record, Section 80gd paragraph 2 of the Notary Code shall be applied appropriately, with the fact that instead of the data identifying the notarial record of the draft decision, the content of the proposed decision and the statement according to Section 80gd paragraph 2 letter j) of the notary's code is not mentioned.

(6) The decision is adopted on the day on which the statement of the last owner of the bonds on the proposal was delivered, or on the futile expiration of the last day of the deadline set for the delivery of the statement of the bond owners, if the number of votes needed to adopt the decision was reached."

- 21.** In Section 25 paragraph 7, the words "k) to m), Section 10 and Section 21 to 24a do not apply to" are replaced by the words "f) to i), Section 9 paragraph 2 letter h), Sections 9a, 10 and 21 to 24b shall not apply to".
- 22.** In Section 26, paragraph 1, the fourth and fifth sentences are replaced by the sentences "The Ministry publishes the issue conditions of government bonds and the joint issue conditions of state treasury bills on its website, if it is not the issue conditions of a government bond issued abroad or under the law of a foreign state. The common issue conditions of state treasury bills are supplemented for individual issues with data according to Section 6 paragraph 1 letter d), f) and j), Section 9 paragraph 1 letter e) and Section 9 paragraph 2 letter g), which are published by the Ministry on its website."
- 23.** In the last sentence of Section 26, paragraph 2, the words "and according to Section 9, paragraph 1 letter g) and)" are replaced by the words ", Section 9 paragraph 1 letter e) and Section 9 paragraph 2 letter G)".

24. In Section 26, paragraph 3, sentence one, the word "unilaterally" is inserted after the word "may not" and the words "1 letter f) ai) and Section 9 paragraph 2 letter j)" are replaced by the words "2 letter b) to d) and f) and Section 9 paragraph 4 letter d)".

25. Section 26 paragraph 4 reads:

"(4) Government bonds issued under Czech law are sold through the Czech National Bank or through a person who is authorized to carry out such activity, if the Ministry and the Czech National Bank so agree. Government bonds, the transferability of which is limited or excluded, and government bonds issued under the law of a foreign country are sold through the Czech National Bank, the Ministry or, on the basis of an agreement with the Ministry, through a person who is authorized to perform such activity, if the Ministry and this person will agree."

26. In Section 26, paragraph 9 is added, which reads:

"(9) The legal action by which a minor acquires a government bond from the issuer and the legal action related to its repayment, with the exception of a request for early repayment, and the payment of proceeds to a minor do not require the approval of the court by his legal representative."

27. In Section 28aa, paragraph 7 is added, which reads:

"(7) For the purposes of determining the net outflow of liquidity for a covered bond with an extendable maturity structure, the calculation and amount of the principal payment shall be determined according to the final maturity date in accordance with the terms of such covered bond with an extendable maturity structure."

CELEX: 32019L2162

28. In Section 30d, paragraph 4, the word "a" is added at the end of letter c), the word "a" is replaced by a period at the end of letter d), and letter e) is deleted.

29. Section 34 reads:

"Section 34

(1) A subordinated bond is a bond for which the debt corresponding to the right to repayment of the nominal value of the bond and, unless the issue conditions stipulate otherwise, other rights associated with this bond will be satisfied only after the satisfaction of all other debts or debts determined by the issue conditions.

(2) Debts from subordinated bonds pursuant to paragraph 1 shall be satisfied

a) until the satisfaction of all debts, after the satisfaction of which they are to be satisfied according to paragraph 1, a

b) in relation to any other debts of the issuer subordinated according to paragraph 1, according to another legal regulation or in a similar way according to the law of a foreign country

according to their established or agreed degree of subordination; otherwise they are quite satisfied.

(3) The fact that it is a subordinated bond must be indicated on the paper bond or in the case of a book-entry bond in the relevant register of investment instruments and also in all promotional communications relating to the subordinated bond."

30. Section 35 paragraph 1 reads:

"(1) A collective bond is a bond that represents a separate issue. Owners of collective bond shares subscribe for collective bond shares within the subscription period, and possibly additional subscription periods, subscriptions in the subscription document. The number of subscribed shares in the collective bond of each owner represents his total share in the collective bond."

31. In Section 35, paragraph 2, sentence one, the words "of bonds that it represents" are replaced by the words "that it represents," in the second sentence, the words "issue of bonds" are deleted, and in the third sentence, the word "bonds" is deleted.

32. In Section 35, at the end of the text of paragraph 4, the words "from the moment of subscribing to the share in the collective bond after the issue date are added; paragraph 2 governing the issuance of a collection bond is not affected by this".

33. In Section 36, paragraph 1, the words "and no later than the date of issue" are added at the end of the text of the first sentence.

34. In Section 36, paragraph 4, the words "from the moment of subscribing to the share in the collective bond after the date of issue, regardless of whether the moment of issuing the collective bond according to Section 35, paragraph 2, has already arrived" are added at the end of the text of the first sentence.

35. In Section 36, paragraph 5, the word "total" is inserted after the words "his size".

36. In Section 36a, at the end of paragraph 1, the sentence "A lien on a share in a collective bond can be established after the relevant share in a collective bond has been subscribed after the date of issue, regardless of whether the moment of issue of the collective bond has already arrived according to Section 35, paragraph 2. "

37. The words "**AND BONDS OFFERED WITHIN THE SUB-LIMIT PUBLIC OFFER**" are added to the title of part four.

38. A new Section 40a is inserted after Section 40, which reads:

"Section 40a

(1) The issuer of a bond offered as part of a sub-limit public offer commits an offense by failing to fulfil any of the obligations regarding the publication of the issue conditions according to Section 9a paragraph 3.

(2) A person offering a bond as part of a below-limit public offer commits an offense by failing to fulfil any of the obligations relating to the publication of the issue conditions pursuant to Section 9a paragraph 4.

(3) A fine of up to CZK 1,000,000 can be imposed for an offense under paragraph 1 or 2."

39. In Section 41, the words "and 40a" are inserted after the text "Section 40".

Art. VIII

Transitional provision

Legal relationships from bonds whose issue date precedes the date of entry into force of this Act, as well as their issue conditions published or otherwise made available before the date of entry into force of this Act, are assessed in accordance with Act No. 190/2004 Coll., as amended before the date of entry into force of this law.

PART SEVEN

Amendment to the Act on Business on the Capital Market

Art. IX

Act No. 256/2004 Coll., on doing business on the capital market, as amended by Act No. 635/2004 Coll., Act No. 179/2005 Coll., Act No. 377/2005 Coll., Act No. 56/2006 Coll., Act No. 57/2006 Coll., Act No. 62/2006 Coll., Act No. 70/2006 Coll., Act No. 159/2006 Coll., Act No. 120/2007 Coll., Act No. 296/2007 Coll., Act No. 29/2008 Coll., Act No. 104/2008 Coll., Act No. 126/2008 Coll., Act No. 216/2008 Coll., Act No. 230/2008 Coll., Act No. 7/2009 Coll., Act No. 223/2009 Coll., Act No. 227/2009 Coll., Act No. 230/2009 Coll., Act No. 281/2009 Coll., Act No. 420/2009 Coll., Act No. 156/2010 Coll., Act No. 160/2010 Coll., Act No. 409/2010 Coll., Act No. 41/2011 Coll., Act No. 139/2011 Coll., Act No. 188/2011 Coll., Act No. 420/2011 Coll., Act No. 428/2011 Coll., Act No. 37/2012 Coll., Act No. 172/2012 Coll., Act No. 254/2012 Coll., Act No. 134/2013 Coll., Act No. 241/2013 Coll., Act No. 303/2013 Coll., Act No. 135/2014 Coll., Act No. 336/2014 Coll., Act No. 375/2015 Coll., Act No. 148 /2016 Coll., Act No. 183/2017 Coll., Act No. 204/2017 Coll., Act No. 307/2018 Coll., Act No. 111/2019 Coll., Act No. 204/2019 Coll., Act No. 119/2020 Coll., Act No. 298/2021 Coll., Act No. 353/2021 Coll., Act No. 91/2022 Coll., Act No. 96/2022 Coll. and Act No. .../2023 Coll., is amended as follows:

1. In Section 6a paragraph 2 of the introductory part of the provision, the words "mentioned in Section 8a paragraphs 1 to 3" are replaced by the words "which is not a bank."
2. In Section 6a, paragraph 3, the words "listed in Section 8a, paragraphs 1 to 3" are replaced by the words "which is not a bank".

3. In Section 12e, paragraph 3, the words "at least once a year" are inserted after the words "prepared by the auditor".

4. Section 12h paragraph 4 reads:

"(4) The implementing legal regulation shall determine the details, form, method and structure of the fulfilment of information obligations pursuant to paragraphs 2 and 3."

5. In Section 12l paragraph 6 letter b) the words "and does not represent" are replaced by the words "or represents".

CELEX: 32019L2034

6. In Section 14a, paragraph 3, the words "Paragraph 2 shall not apply to a person" are replaced by the words "The fulfilment of the condition of professional competence is not required for a person".

7. In Section 17, at the end of paragraph 1, the sentence "Records of telephone calls and electronic communications shall be kept by the securities trader only in the cases referred to in paragraph 2."

8. In Section 17, paragraph 2, the words "which include the acceptance, transfer or execution of the customer's instruction" are added at the end of the text of the first sentence.

9. In Section 18, paragraph 3, the text ", 6aa" is inserted after the text "6a".

10. In Section 29, paragraph 4, the words ", the manager of a collective investment fund or a comparable foreign investment fund that manages this fund based on the permission of the Czech National Bank, or a self-managed collective investment fund" are replaced by the words "or a self-managed investment fund .".

CELEX: 32014L0065

11. In Section 43, the text "12g" is replaced by the text "10aa".

CELEX: 32014L0065

12. Section 90f, including the title, reads:

"Section 90f

Notification obligation of the operator of the settlement system with irrevocable settlement and the participant of the foreign settlement system with irrevocable settlement based in the Czech Republic

If the operator of a settlement system with irrevocable settlement or a participant of a foreign settlement system with irrevocable settlement, which has its registered office in the Czech Republic, becomes aware of a decision or other intervention by a public authority pursuant to Section 88, paragraph 2, it shall notify the Czech National the bank; this does not apply if the decision is issued or the intervention is carried out as part of insolvency proceedings."

13. In Section 90g, paragraphs 3 and 4, the words "according to Section 90f" are replaced by the words "on a decision or other intervention by a public authority according to Section 88, paragraph 2".

14. A new Section 90k is inserted after Section 90j, which reads:

"Section 90k

The provider of group financing services shall submit financial statements or consolidated financial statements certified by an auditor to the Czech National Bank no later than 4 months after the end of the accounting period."

15. After part eleven, a new part twelfth is inserted, which, including the title, reads:

“PART TWELVE

LONG-TERM INVESTMENT PRODUCT

Section 134g

Long-term investment product contract

(1) With the long-term investment product contract, the long-term investment product provider, as an entrepreneur, undertakes to provide its services as a long-term investment product in accordance with this Act for the owner of this product.

(2) It can only provide a long-term investment product

- a) bank,
- b) savings and credit cooperative,
- c) securities trader,
- d) investment company,
- e) self-managed investment fund,
- f) a foreign person with a similar activity as any of the persons under letters a) to e) authorized to provide their services in the Czech Republic.

(3) If the provider of a long-term investment product is not authorized to receive deposits from the public in accordance with the law regulating the activities of banks and if he offers this service, he is obliged to deposit the funds of the owner of the long-term investment product in his favour with a person authorized to accept deposits from the public according to the law regulating the activities of banks and to record the amount of rights to the payment of funds

within the framework of the long-term investment product provided by him.

(4) If the provider of a long-term investment product is not authorized to keep records of investment instruments kept within the framework of a long-term investment product and if he offers this service, he is obliged to entrust the keeping of records of investment instruments of the owner of the long-term investment product for his benefit to a person authorized to keep records of the relevant investment instruments and record the number and type of investment instruments within the long-term investment product provided by it.

(5) Each long-term investment product may have only one provider; this does not prevent the provider from using the services of another person when providing the long-term investment product.

(6) The conclusion of a contract on a long-term investment product does not affect the rights and obligations arising from contracts on accounts or on property accounts in which funds or investment instruments that constitute assets within the framework of a long-term investment product are registered.

Section 134h

Obligations of the long-term investment product provider

(1) The provider of a long-term investment product may not carry out an instruction of the owner of this product, which would result in the return of tax support for this product, unless the provider of this product informs him in advance on a permanent data carrier about these effects and the owner of this product declares on a permanent data carrier that is aware of these impacts.

(2) Provider of long-term of the investment product or a person authorized by him must have in custody the securities within the long-term investment product.

(3) Depositing funds with another person pursuant to Section 134g paragraph 3, authorizing another person to keep records pursuant to Section 134g paragraph 4, using the services of another person pursuant to Section 134g paragraph 5 or entrusting another person with custody pursuant to paragraph 2 remains in relation to the owner of the long-term investment product is not affected by the obligation of the provider of the long-term investment product to compensate for damage caused by failure to fulfil his obligation.

Section 134i

Assets within a long-term investment product

(1) The provider of a long-term investment product shall ensure that the property within the framework of the long-term investment product they formed only

- a) monetary resources,
- b) investment securities,
- c) collective investment securities,
- d) money market instruments a
- e) derivatives that are not investment securities and that are negotiated solely for the purpose of securing property within a long-term investment product, if the value to which the value of this instrument relates is an interest rate, exchange rate or currency.

(2) If there is a sale, redemption or repayment of an investment instrument pursuant to paragraph 1 letter b) to d) or if settlement in money is provided from the derivative according to paragraph 1 letter e), the provider of the long-term investment product will ensure that the obtained funds remain part of the property within the long-term investment product; this also applies to funds obtained due to the demise of the issuer of the investment instrument, investment instruments obtained in exchange for other investment instruments within the framework of a long-term investment product and for income from assets within a long-term investment product.

Section 134j

Prohibition of influencing an employee when choosing a provider of a long-term investment product

The employer may not influence the employee when choosing a provider of a long-term investment product or accept an incentive that may lead to a violation of this prohibition."

The twelfth to fifteenth parts so far are referred to as the thirteenth to sixteenth parts.

16. In Section 136a, the words "or 156" are deleted.

17. A new Section 158b is inserted after Section 158a, which reads:

"Section 158b

(1) As an employer, a natural person commits an offense by influencing an employee in the selection of a provider of a long-term investment product or by accepting a prohibited incentive in violation of Section 134j.

(2) A fine of up to CZK 1,000,000 can be imposed for an offense under paragraph 1."

18. In Section 163, a new paragraph 4 is inserted after paragraph 3, which reads:

"(4) As a provider of a long-term investment product, a legal person commits an offense by

- a) in violation of Section 134g, paragraph 3, deposits the funds of the owner of a long-term investment product with a person who is not authorized to receive deposits from the public according to the law regulating the activities of banks, or does not record the amount of rights to the payment of funds within the framework of the long-term investment product provided by him,
- b) in violation of Section 134g paragraph 4, entrusts the keeping of records of investment instruments to a person who is not authorized to keep such records or does not record the number and type of investment instruments within the framework of the long-term investment product provided by him,
- c) executes an instruction of the owner of a long-term investment product in violation of Section 134h paragraph 1,
- d) does not ensure that the property within the long-term investment product consists only of the items listed in Section 134i paragraph 1, or

e) in violation of Section 134i, paragraph 2, does not ensure that the obtained funds remain part of the property within the framework of a long-term investment product. "

The existing paragraphs 4 to 6 are referred to as paragraphs 5 to 7.

19. In Section 163, paragraph 7, the words "or 3" are replaced by the words ", 3 or 4".

20. A new Section 163b is inserted after Section 163a, which reads:

Section 163b

(1) As an employer, a legal entity or a natural person who runs a business commits an offense by influencing an employee in the selection of a long-term investment product provider or by accepting a prohibited incentive in violation of Section 134j.

(2) A fine of up to CZK 1,000,000 can be imposed for an offense under paragraph 1."

21. In Section 164, paragraph 3, the words "or 4 or Section 16a" are added at the end of the text of letter b).

22. A new Section 173b is inserted after Section 173a, which reads:

"Section 173b

(1) The provider of group financing services commits an offense by failing to fulfil the information obligation pursuant to Section 90k.

(2) A fine of up to CZK 500,000 can be imposed for an offense under paragraph 1."

23. In Section 199 paragraph 2, the text "Section 9 and paragraph 6" is deleted and the text "Section 12h paragraph 4" is inserted after the text "Section 12g paragraph 3".

24. In Section 199, paragraph 6, the text "9al, 9am, 9an, 9ao" is deleted.

PART EIGHT

Amendment of the Insolvency Act

Art. X

Act No. 182/2006 Coll., on Bankruptcy and Methods of Solving it (Insolvency Act), as amended by Act No. 312/2006 Coll., Act No. 108/2007 Coll., Act No. 296/2007 Coll., Act No. 362/2007 Coll., Act No. 301/2008 Coll., Act No. 458/2008 Coll., Act No. 7/2009 Coll., ruling of the Constitutional Court, promulgated under No. 163/2009 Coll., Act No. 217/2009 Coll., Act No. 227/2009 Coll., Act No. 285/2009 Coll., decision of the Constitutional Court, announced under No. 241/2010 Coll., decision of the Constitutional Court, announced under No. 260/ 2010 Coll., Act No. 409/2010 Coll., Act No. 69/2011 Coll., Act No. 73/2011 Coll., Act No. 139/2011 Coll., Act No. 188/2011 Coll., Act No. 466/2011 Coll., Act No. 167/2012

Coll., Act No. 334/2012 Coll., Act No. 396/2012 Coll., Act No. 399/2012 Coll., Act No. 45/2013 Coll., Act No. 185/2013 Coll., Act No. 294/2013 Coll., Act No. 375/2015 Coll., Act No. 377/2015 Coll., Act No. 298/2016 Coll., Act No. 64/2017 Coll., Act No. 183/2017 Coll., Act No. 291/2017 Coll., Act No. 182/2018 Coll., Act No. 307/2018 Coll., Act No. 31/2019 Coll., Act No. 80/2019 Coll., Act No. 230/2019 Coll., Act No. 119/2020 Coll., Act No. 191/2020 Coll., Act No. 460/2020 Coll., Act No. 527/2020 Coll., Act No. 588/2020 Coll., Act No. 261/2021 Coll., Act No. 298/2021 Coll., Act No. 96/2022 Coll., Act No. 416/2022 Coll. and Act No. .../2023 Coll., is amended as follows:

1. Paragraph 6 is repealed in Section 82.
2. In Section 113, paragraph 3, the second sentence is repealed.
3. Paragraph 3 is repealed in Section 118.
4. In Section 172, paragraph 2, the words "or other similar subordinated security representing the right to repay the amount owed issued under the law of a foreign state" are added at the end of the text of the first sentence.
5. Section 247 is repealed.
6. In Part Two, Chapter IV, part 4 is added, which, including the title, reads:

"Part 4

Informing the Czech National Bank by the insolvency court

Section 388d

The Insolvency Court shall notify the Czech National Bank without undue delay of the initiation of bankruptcy proceedings or of the issuance of a decision on the bankruptcy of a person pursuant to Section 367 paragraph 1, a clearing agent or a clearing institution pursuant to the Act Governing the Payment System, if it is a participant in a payment system with the irrevocability of settlement pursuant to the Act regulating the payment system or a participant in the settlement system with irrevocability of the settlement according to the law regulating business on the capital market.

CELEX: 31998L0026

Section 388e

If the debtor is the operator or participant of a payment system with irrevocability of settlement or a foreign payment system with irrevocability of settlement according to the law governing the payment system, or if the debtor is the operator or participant of a settlement system with irrevocability of settlement or a foreign settlement system with irrevocability of settlement according to the law regulating business on capital market, the insolvency court simultaneously with the publication of the decision in the insolvency register shall notify the

Czech National Bank without undue delay of

- a) issuance of a bankruptcy decision,
- b) issuance of a preliminary measure pursuant to Section 82 paragraph 3 or Section 113 paragraph 1,
- c) declaration of a moratorium,
- d) declaration of bankruptcy."

Art. XI

Transitional provision

Act No. 182/2006 Coll., as amended before the date of entry into force of this Act, shall apply to claims registered before the date of entry into force of this Act.

PART NINE

Amendment to the Act on Supplementary Pension Savings

Art. XII

Act No. 427/2011 Coll., on supplementary pension savings, as amended by Act No. 399/2012 Coll., Act No. 403/2012 Coll., Act No. 241/2013 Coll., Act No. 377/2015 Coll., Act No. 183/2017 Coll., Act No. 296/2017 Coll., Act No. 111/2019 Coll., Act No. 119/2020 Coll., Act No. 261/2021 Coll. and Act No. 96/2022 Coll., is amended as follows:

1. In Section 3, the period at the end of letter r) is replaced by a comma and the letters s) and) are added, which read:
"s) a thing that can be replaced by a commodity, which can be the subject of physical delivery, the value of which is ascertainable and which can be traded,
t) a commodity derivative is a derivative whose underlying asset is a commodity."
2. Section 13 paragraph 1 reads:
"(1) A participant is entitled to state allowance,
a) who was not granted an old-age pension from the pension insurance a
b) which has
 1. permanent residence in the territory of the Czech Republic, or
 2. residence in the territory of a member state and is a participant in pension insurance according to the legal regulations of the Czech Republic ³⁾ or is a participant in public health insurance in the Czech Republic ⁴⁾."
3. In Section 14, paragraph 1, the amount "CZK 300" is replaced by the amount "CZK 500".
4. In Section 14 paragraph 2 letter a) reads:

"a) CZK 500 to 1,699, the amount of the monthly state allowance is 20% of the amount of the participant's monthly allowance,".

5. In Section 14 paragraph 2 letter b) the number "1,000" is replaced by the number "1,700" and the amount "CZK 230" is replaced by the amount "CZK 340".

6. In Section 15, at the end of paragraph 1, the period is replaced by a comma and the letter e) is added, which reads:

"e) statistical."

7. In Section 15, paragraph 3, after the words "Ministry of the Interior," the words "Ministry of Defence, Ministry of Justice" are inserted.

8. In Section 20 paragraph 1 letter b) and in Section 20 paragraph 3 letter b) the number "60" is replaced by the number "120" a the part of the sentence after the semicolon, including the semicolon, is deleted.

9. In Section 20, paragraph 2, the word "insurance²⁾" is replaced by the word "insurance³⁾".

10. In Section 24, new paragraphs 2 and 3 are inserted after paragraph 1, which read:

"(2) Participant's funds can be divided only once within the framework of the combination of benefits according to paragraph 1, namely when all the funds of a participant who meets the right to a one-time settlement are settled at the same time.

(3) If the participant and the specified person die at the same time or under circumstances that prevent it from being established which of them died first, for the purposes of assessing the emergence of a right to a one-time settlement, it is considered established that the participant survived the specified person and the one-time settlement becomes the object of inheritance."

The existing paragraphs 2 to 4 are referred to as paragraphs 4 to 6.

11. In Section 25, a new paragraph 2 is inserted after paragraph 1, which reads:

"(2) If the participant and the designated person die at the same time or under circumstances that prevent it from being established which of them died first, for the purposes of assessing the emergence of the entitlement to the redemption fee, it is considered established that the participant survived the designated person and the redemption fee becomes object of inheritance."

The existing paragraphs 2 to 4 are referred to as paragraphs 3 to 5.

12. Section 25 paragraph 5 reads:

"(5) Partial withdrawals up to one third of the value of the participant's funds without employer contributions paid for the participant and without state contributions belong to the

participant who has reached the age of 18, if the savings period lasted at least 120 calendar months and no funds were transferred during the last 24 calendar months participant to another pension company. A request for a partial withdrawal can be submitted within the 24 calendar months immediately following the date on which the participant reached the age of 18. The participant's supplementary pension savings does not expire by submitting an application or by paying a partial withdrawal. Unless stipulated otherwise, the provisions of this Act on sale shall apply to partial sale.

13. In Section 60, paragraph 4, the word "multiplied" is replaced by the word "multiplied".
14. In Section 77h, at the end of the text of letter e), the words "whereas the content of the records is determined by the implementing legislation" are added.
15. In Section 94, paragraph 3 is added, which reads:

"(3) If a pension company creates and manages an alternative participation fund pursuant to Sections 108a to 108c, it must simultaneously create and manage a participation fund that is not an alternative participation fund or a mandatory conservative fund; this does not affect the obligation under paragraph 1."
16. In Section 98, paragraph 5, the second sentence is replaced by the sentence "Property that is not insured against currency risk may constitute no more than 1% of the value of the property in the mandatory conservative fund."
17. In Part Seven, a new Title VI is inserted after Title V, which, including the title, reads:

"Chapter VI

Alternative Participating Fund

Section 108a

Asset composition in an alternative participating fund

(1) The alternative participant fund invests the participant's funds in compliance with the principles of spreading the risk associated with investing in assets pursuant to paragraph 2 and pursuant to Section 100 paragraph 2.

(2) The alternative participation fund invests in

- a) investment securities that are not listed in Section 100 paragraph 2 letter a) and b),
- b) securities issued by an investment fund or a foreign investment fund that can be publicly offered in the Czech Republic in accordance with the law governing investment companies and investment funds,
- c) commodities or to certificates that represent them,
- d) commodity derivatives,
- e) immovable property,

- f) shares in a legal entity whose main activity is the acquisition of immovable property, the management of immovable property and the transfer of ownership rights to immovable property for the purpose of making a profit,
- g) public infrastructure according to the Building Act,
- h) intellectual property rights,
- i) vessels, aircraft, railway vehicles or machines,
- j) rights to payment of funds,
- k) shares in trading companies that are not embodied in a security.

Section 108b

Exception for remuneration of the pension company in relation to the alternative participating fund

(1) Amount of payment according to Section 60 paragraph 1 letter a) in the case of an alternative participating fund, it may not exceed 2.5% of the average annual value of the fund's own capital in the alternative participating fund. The average annual value of the fund equity in each alternative participating fund is determined as of the last day of the relevant period as a simple arithmetic average of the values of the fund equity of the alternative participating fund for each day of the relevant period.

(2) Amount of payment according to Section 60 paragraph 1 letter b) in the case of an alternative participation fund, it is no more than 25% of the difference between the average value of the pension unit in the relevant period and the highest average annual value of the pension unit in the years preceding the relevant period since the creation of the alternative participation fund multiplied by the average number of pension units in the relevant period.

(3) Section 60 paragraphs 3 and 4 shall not apply to the alternative participation fund.

Section 108c

Investment of an alternative participation fund in collective investment securities

(1) A pension company may invest no more than 10% of the value of assets in an alternative participant fund in securities issued by one investment fund or one foreign investment fund.

(2) Section 105 does not apply to the alternative participation fund."

to date are referred to as Titles VII to X.

18. In Section 115, paragraph 4, the words "fair value" are replaced by the words "according to the law regulating accounting".

19. Paragraph 5 is repealed in Section 115.

20. In Section 136, the words "; the pension company will not comply with the participant's choice if it is a savings strategy including an alternative participant fund".

21. A new Section 165b is inserted after Section 165a, which reads:

"Section 165b

The provisions of this law on securities shall also apply to book-entry securities, unless their nature or this law precludes this."

22. In Section 170, paragraph 1, the text "Section 77h letter e)," and the text "Section 115 par. 5," are deleted.

23. In Section 188, paragraph 3, the words "on supplementary pension insurance, and if the Act on supplementary pension insurance does not contain corresponding rules, then according to special legal regulation" are cancelled.

24. Section 190 reads:

"Section 190

(1) A participant in supplementary pension insurance can acquire additional pension savings from the first day at the earliest

a) of the calendar month immediately following the date of commencement of payment of benefits from the last pension, or

b) the first full calendar month when the supplementary pension insurance is interrupted.

(2) A participant in supplementary pension savings may pay contributions to supplementary pension insurance only if the payment of the participant's contribution has been interrupted in accordance with Section 11 paragraphs 3 and 4 and before the interruption he paid contributions to supplementary pension savings for at least 36 calendar months or at least 12 consecutive calendar months starting from the last interruption of the payment of contributions with the same pension company, or if the payment of benefits from all sources has started, but from the first day

a) of the first full calendar month when payment of the participant's contribution is interrupted, or

b) of the calendar month immediately following the start date of benefit payment from all funds.

(3) A participant in supplementary pension insurance who is also a participant in supplementary pension savings can only pay contributions to supplementary pension savings if the supplementary pension insurance has been interrupted or the payment of benefits from the last pension has started, but no sooner than on the first day

a) of the first full calendar month when supplementary pension insurance is interrupted, or

b) of the calendar month immediately following the date of commencement of payment of benefits from the last pension.

(4) The rights and obligations of the participant in the transformed fund and the recipient of the supplementary pension insurance benefit from the transformed fund are governed by the Act on supplementary pension insurance, the agreed pension plan and the contract on supplementary pension insurance. Their rights remain, with the exception of the limitation of the right to transfer funds to another fund."

25. In Section 191, paragraph 3, first sentence, the words "with the pension company that manages this transformed fund" are deleted.
26. In Section 191, at the end of paragraph 3, the sentence "It is not possible to transfer funds from a participating fund to a transformed fund."
27. In Section 192, paragraph 3, the words "; the profit reported in the financial statements of the transformed fund means the sum of the profit for the accounting period and retained earnings from previous periods reduced by the loss for the accounting period and the outstanding loss from the previous period".
28. Paragraph 4 is repealed in Section 193.

The existing paragraphs 5 to 8 are referred to as paragraphs 4 to 7.

Art. XIII

Transitional provisions

1. The conditions for entitlement to state allowance according to Sections 13 and 14 of Act No. 427/2011 Coll. wording effective before the date of entry into force of this Act.
2. The conditions for the duration of the savings period according to Section 20 of Act No. 427/2011 Coll., as amended from the date of entry into force of this Act, do not apply to additional pension savings contracts concluded before the date of entry into force of this Act.

PART TEN

Amendment to the Act on Consumer Credit

Art. XIV

Act No. 257/2016 Coll., on consumer credit, as amended by Act No. 183/2017 Coll., Act No. 303/2017 Coll., Act No. 307/2018 Coll., Act No. 186/2020 Coll., Act No. 237/2020 Coll., Act No. 353/2021 Coll. and Act No. 96/2022 Coll., is amended as follows:

1. In Section 2, paragraph 5 is added, which reads:

"(5) If it is partly a consumer loan for housing according to paragraph 2 letter b) and partly for a consumer loan for housing according to paragraph 2 letter a), which is not purposefully designated according to paragraph 2 letter b), decides whether the given consumer loan for housing is considered a consumer loan for housing in accordance with paragraph 2 letter b) or for a consumer loan for housing according to paragraph 2 letter a), which is not purposefully designated according to paragraph 2 letter b), the prevailing purpose of the consumer loan. If the predominant purpose cannot be determined, the adjustment of the consumer loan for housing according to paragraph 2 letter a), which is not purposefully designated according to paragraph 2 letter b)".

2. In Section 5 paragraph 4, the number "117" is replaced by the number "117a".
3. In Section 117, paragraph 3, new letters e) and f) are inserted after letter d), which read:
"e) in the case of a consumer loan for housing, if at least 24 months have passed since the conclusion of the consumer loan agreement, if there has been a transfer of ownership rights to immovable property, a transfer of real property rights to immovable property, a transfer of a cooperative share in a housing cooperative or a transfer of participation in another to a legal entity establishing the right to use an apartment or family house, if the consumer loan for housing was secured by this immovable property or if the purpose of the consumer loan for housing referred to in Section 2 paragraph 2 letter b) this immovable object or its part, a cooperative share in a housing cooperative or participation in another legal entity establishing the right to use an apartment or a family house,
f) in the case of a consumer loan for housing, if at least 24 months have passed since the conclusion of the consumer loan agreement, in connection with the settlement of the joint property of the spouses, the object of which was immovable property, a real right to immovable property, a cooperative share in a housing cooperative or participation in another legal entity to a person establishing the right to use an apartment or a family house, if the consumer loan for housing was secured by this immovable property or if the purpose of the consumer loan for housing referred to in Section 2 paragraph 2 letter b) this immovable object or its part, a cooperative share in a housing cooperative or participation in another legal entity establishing the right to use an apartment or a family house,".

The existing letters e) and f) are referred to as letters g) and h).

4. In Section 117, paragraph 3, the words "; if the prematurely repaid part of the consumer loan exceeds 25% of the total amount of the consumer loan, the creditor may not demand compensation for the costs of early repayment according to paragraph 2 from that part of the prematurely repaid part of the consumer loan that does not exceed 25% of the total amount of the consumer loan".
5. In Section 117, paragraph 4, first sentence, the words "in the case of a consumer loan other than for housing and in a consumer loan for housing pursuant to Section 2, paragraph 2 letter a), which is not purposefully designated according to Section 2 paragraph 2 letter b) or is not a consumer loan for housing according to Section 2 paragraph 2 letter c)

CELEX: 32014L0017

CELEX: 32008L0048

6. In Section 117 paragraph 4, the last sentence is replaced by the sentence "For a consumer loan for housing according to Section 2 paragraph 2 letter b) or c) the amount of reimbursement of costs pursuant to paragraph 2 may not exceed 2% of the prematurely repaid part of the total amount of the consumer loan.".

CELEX: 32014L0017

7. In Section 117, paragraph 5, the sentence "For a consumer loan for housing pursuant to

Section 2, paragraph 2 letter b) or c) the amount of reimbursement of costs pursuant to paragraph 2 may not further exceed the amount of purposefully incurred costs determined pursuant to Section 117a."

CELEX: 32014L0017

8. In Section 117 paragraph 6 letter b) the word "assumed" is inserted after the words "data about".

CELEX: 32014L0017

9. In Section 117, paragraph 7 is added, which reads:

"(7) If early repayment is to occur in a different calendar month than the one in which the creditor was notified of the consumer's intention to repay the consumer housing loan early, for the purpose of providing information on the amount of reimbursement of costs pursuant to paragraph 6 letter b) for a consumer loan for housing according to Section 2 paragraph 2 letter b) or c) the average lending interest rates published by the Czech National Bank in the calendar month preceding the day on which the creditor received the consumer's notification of his intention to repay the consumer housing loan early shall be used for a group of comparable consumer housing loans. Determining the amount of purposefully incurred costs incurred by the creditor in connection with early repayment for the purposes of reimbursement of costs pursuant to paragraph 2 in accordance with Section 117a is not affected by this."

10. A new Section 117a is inserted after Section 117, which reads, including the title:

"Section 117a

Determining the amount of purposefully incurred costs for early repayment

(1) For the purpose of reimbursement of costs for early repayment pursuant to Section 117 paragraph 2 for a consumer loan for housing pursuant to Section 2 paragraph 2 letter b) or c) to a creditor who is authorized to provide a consumer loan for housing, the average loan interest rate means the average loan interest rate for consumer loans for housing negotiated in a period of 3 consecutive calendar months, which the Czech National Bank calculates every 3 consecutive calendar months for consumer loans for housing divided into groups according to the comparable length of the period for which a fixed lending interest rate is agreed, and according to whether it is a consumer loan for housing according to Section 2 paragraph 2 letter b) secured by a lien on immovable property or not secured by such a lien or by a consumer loan for housing pursuant to Section 2 paragraph 2 letter c) secured by a lien on immovable property or not secured by this lien.

(2) The Czech National Bank publishes the average lending interest rates on its website monthly in the second calendar month following the period for which the average lending interest rates are calculated, by the tenth day of this month for a period of 10 years from the calendar month following the their publication.

(3) Details of the determination of the comparable length of the period for which a fixed loan interest rate is agreed, and the division of consumer loans for housing into groups according to the comparable length of the period for which a fixed loan interest rate is agreed, and according to whether it is a consumer loan for housing according to Section 2 paragraph 2

letter b) secured by a lien on immovable property or not secured by such a lien or by a consumer loan for housing pursuant to Section 2 paragraph 2 letter c) secured by a lien on immovable property or not secured by this lien, shall be provided by the implementing legal regulation."

11. Section 117a paragraph 1 reads:

"(1) For the purpose of reimbursement of costs for early repayment pursuant to Section 117, paragraph 2, for a consumer loan for housing pursuant to Section 2, paragraph 2 letter b) or c) means a creditor who is authorized to provide a consumer loan for housing

- a) purposefully spent costs incurred by the creditor in connection with early repayment, an amount corresponding to the positive sum of the necessary administrative costs for early repayment, the amount of which may not exceed the amount of CZK 1,000, and the interest difference,
- b) interest rate difference is the difference between the contractual interest rate and the reference interest rate,
- c) contractual interest is the amount of interest that the consumer would pay according to the consumer loan agreement for the period from the date of early repayment to the end of the period for which a fixed lending interest rate is agreed,
- d) the reference interest is the amount of interest that the consumer, using the installment amount agreed in the consumer loan agreement, would pay for the period from the date of early repayment to the end of the period for which a fixed lending interest rate is agreed, if the unpaid part of the total amount of the consumer loan was from on the day of early repayment, interest is paid by the average lending interest rates published by the Czech National Bank in the calendar month preceding the day of early repayment for a group of comparable consumer loans for housing,
- e) the unpaid part of the total amount of the consumer loan, the part of the total amount of the consumer loan that the consumer would be obliged to repay in the event that there was no early repayment,
- f) a group of comparable consumer loans for housing means a group of consumer loans for housing whose period for which a fixed lending interest rate is negotiated is comparable to the period from the date of early repayment to the end of the period for which a fixed interest rate is negotiated for the early repayment consumer loan for housing lending interest rate, and which are comparable to a consumer loan for housing that is repaid early, depending on whether it is a consumer loan for housing according to Section 2 paragraph 2 letter b) secured by a lien on immovable property or not secured by such a lien or by a consumer loan for housing pursuant to Section 2 paragraph 2 letter c) secured by a lien on immovable property or not secured by this lien,
- g) average lending interest rates means the average lending interest rates for consumer housing loans negotiated in a period of 3 consecutive calendar months, which the Czech National Bank calculates for every 3 consecutive calendar months for consumer housing loans divided into groups according to the comparable length of the period, for which a fixed loan interest rate is agreed, and depending on whether it is a consumer loan for housing according to Section 2 paragraph 2 letter b) secured by a lien on immovable property or not secured by such a lien or by a consumer loan for housing pursuant to Section 2 paragraph 2 letter c) secured by a lien on immovable property or not secured by this lien."

12. In Section 117a, a new paragraph 2 is inserted after paragraph 1, which reads:

"(2) In the case of partial early repayment of a consumer loan for housing according to paragraph 1, the proportional part of the contractual and reference interest is used to determine the interest difference. The proportional part of the contractual interest is determined as a multiple of the contractual interest and the share of the prematurely repaid part of the total amount of the consumer loan and the unpaid part of the total amount of the consumer loan. The proportional part of the reference interest shall be determined as a multiple of the reference interest and the share of the prematurely repaid part of the total amount of the consumer loan and the unpaid part of the total amount of the consumer loan."

The existing paragraphs 2 and 3 are referred to as paragraphs 3 and 4.

13. In Section 160, the words "and Section 69 para. 5" are replaced by the words ", Section 69 para. 5 and Section 117a para. 3".

14. In Section 160, the words "Section 117a paragraph 3" are replaced by the words "Section 117a paragraph 4".

Art. XV

Transitional provisions

1. The Czech National Bank will start publishing average lending interest rates in accordance with Section 117a paragraph 2 of Act No. 257/2016 Coll., as amended from the date of entry into force of Article XIV points 10 and 13, from the eighth calendar month following the date of publication of this of the law.
2. The provisions of Act No. 257/2016 Coll., as amended from the date of entry into force of Article XIV points 1 to 9, 11, 12 and 14, governing the early repayment of a consumer loan for housing shall also apply to a consumer loan for housing agreed in advance on the date of entry into force of Article XIV points 1 to 9, 11, 12 and 14.

PART ELEVEN

EFFICIENCY

Art. XVI

This Act shall take effect on January 1, 2024, except as otherwise provided

- a) the second part of Article III points 1 and 2, the tenth part of Article XIV points 10 and 13 and Article XV point 1, which take effect on the first day of the fourth calendar month following the day of its announcement,
- b) part ten of Article XIV points 1 to 9, 11, 12 and 14 and Article XV point 2, which take effect on the first day of the ninth calendar month following the date of its announcement,
- c) part four of Article V, which takes effect on January 1, 2025.

REASONABLE REPORT

to the bill amending some laws in connection with the development of the financial market

GENERAL PART

1. Evaluation of the applicable legal status

The aim of the submitted draft law is to introduce some measures to contribute to the development of the capital market in the Czech Republic. The main proposed measures are the so-called long-term investment product and some changes in III. pension pillar. The draft law builds on the concept of the development of the capital market in the Czech Republic 2019–2023, which was approved by the government on March 4, 2019.

The draft law tries to respond to some shortcomings of the current legislation in the area of the capital market:

- Long-term investment product: Nowadays, the Czech Republic tax-supports investments in life insurance or pension funds (participatory or transformed), which disadvantages other products for creating savings for old age (especially investment-type products). In order to level the conditions in the area of taxes, it is also advisable to adopt appropriate product regulation, which will ensure the fulfilment of at least the minimum requirements and the supervision of the CNB, or the competence of a financial arbitrator for the resolution of consumer disputes.
- Alternative participating fund: Pension funds (i.e. participating and transformed funds) currently have a very limited investment strategy that copies almost verbatim the regulation of standard funds (UCITS funds) harmonized by EU law, which are characterized, among other things, by permanently offering redemption to its investors and therefore must invest only in highly liquid assets (typically listed shares and bonds). In addition, there is a limitation on the maximum amount of the payment to the pension company, which is also designed as *an all-in-one* (i.e. no costs can be charged directly to the fund), as well as the obligation to reduce this payment by the payment paid to the manager of this fund when investing in another investment fund. This leads, among other things, to the fact that Czech pension funds do not invest in assets that are common for pension funds in developed economies, especially in so-called *private equity* funds (funds investing with an investment horizon of 10 years in large unlisted companies) and in infrastructure projects.
- Greater mobility of participants in transformed funds: Nowadays, most participants remain in transformed funds, which are closed to the entry of new participants, but existing participants continue to contribute to them regularly, while transformed funds due to the guarantee of black zero (no year must end in a loss, otherwise the pension company must cover the loss from its assets) they invest very conservatively and in most cases are not able to cover inflation, which in the long term leads to the devaluation of invested funds. In addition, due to a very conservative strategy (forced in fact by the guarantee), they only invest in government bonds and bank deposits and thus do not contribute to the development of the capital market in the Czech Republic (while at the same time representing a significant and non-negligible share of Czech citizens' savings for old age). Although transformed funds are closed to new participants, existing participants have no incentive to transfer their funds to participating funds,

which, while not offering a guarantee (and also more risky), can offer potentially more interesting returns that easily cover inflation in the long term and they can also offer a return above inflation (depending on the dynamism of the investment strategy chosen by the participant). The reason why participants do not switch from transformed funds to participation funds is often stated that they do not want to lose their entitlements from the transformed fund (e.g. the so-called retirement pension), when the current law does not allow being a participant in a transformed fund if the person in question is also a participant of the participating fund.

- The amount of state contribution in pension funds: The provision of state contribution in pension funds is today tied to the participant's contribution, with the minimum amount of the participant's contribution being CZK 300 per month and the maximum amount of this contribution, above which the state contribution no longer increases, is CZK 1,000 per month. It is proposed to increase the lower limit from the current 300 CZK to 500 CZK per month and the upper limit of the allowance from the current 1,000 CZK to 1,700 CZK per month. This is to take into account the general increase in wages that has occurred since the last adjustment in 2013, and to incentivize participants to make higher contributions. At the same time, it is proposed to set the amount of the state contribution as a linear amount of 20% of the participant's contribution. The goal is for the proposed change to be as neutral as possible in terms of impact on the state budget. Furthermore, with regard to the fact that supplementary pension savings (or supplementary pension insurance) is not intended to serve as a short- or medium-term product with state support, but rather as a means of long-term postponement of consumption in order to pay out funds during the retirement age to mitigate any financial decline of income, which may be associated with retirement, stipulates that persons who have been granted an old-age pension will not receive a state allowance.
- Support for the use of XML format by executors: Today, executors are obliged to use XML format only when communicating with banks. This creates an unjustified inequality in the market and higher costs for non-bank financial institutions in handling executor requests.
- Support for trading in corporate bonds: Currently, the issue terms and bonds do not contain any information about the issuer in principle, so it is not possible to assess the issuer's ability to repay these bonds based on them. At the same time, the prospectus typically contains information about both the issue and the issuer, however, no prospectus is drawn up for bond issues of up to €1 million. In January 2020, the Ministry of Finance published for public consultation the second version of the so-called Corporate Bond Scorecard (designated 2.0), which enables investors to better assess the risk of corporate bonds. However, the problem is often encountered that the bond issuer does not publish its financial information (typically in the collection of commercial register documents), or the published information is outdated and does not take into account the planned bond issue. It is also proposed to make changes in relation to insolvency or debt collection with regard to subordinated bonds, or subordinated claims in general.

A bill with a similar goal was prepared and submitted to the legislative process already in the last election term (parliamentary press 993, 8th term of the Chamber of Deputies),

but its legislative process was not completed before the end of the term of the Chamber of Deputies. Compared to this draft law, the proposed draft now contains the following main changes:

- In the amendment to the Act on Bonds, it is proposed to address situations where there may be interpretation difficulties in connection with the management of the child's property by the parents in relation to government bonds. It is certain that the management of the child's assets in connection with government bonds falls under the normal administration and that the permission of the court is not required for the parent to be able to buy and manage government bonds for the child, mainly because government bonds are a highly safe form of savings. It is also proposed to adjust voting per rollam (similarly to the law on business corporations) also for the meeting of bondholders, which proves to be necessary also due to the COVID-19 pandemic. Furthermore, it is proposed to specify the subordinated bonds, when it is certain under what circumstances their subordination is manifested. With regard to interpretation difficulties, it is also proposed to clarify the terminology for collective bonds.
- In the amendment to the Act on doing business on the capital market, instead of a long-term investment account and an investment pension account, there is a new term for a long-term investment product. This terminological change was made because the long-term investment product conveys the fact that its main objective is to provide for old age while avoiding the potentially confusing terms "pension" and "account"; the terminology also corresponds to the newly introduced terminology in the tax field "tax-supported old-age savings product". With regard to legal certainty, it is proposed to stipulate explicitly that a long-term investment product can only have one provider, but at the same time outsourcing is not prevented, however the responsibility of the provider is not affected by this. With regard to mutual compliance between laws on the financial market, the prohibition of discrimination against employees when choosing an old-age security product is also added, similarly according to the regulation for life insurance and for participating and transformed funds.
- The amendment to the Insolvency Act clarifies the regulation of the court's information obligations towards the CNB in the case of actions against certain persons operating on the financial market.
- In the amendment to the Act on Supplementary Pension Savings, it is proposed to adjust the lower and upper limits of the participant's monthly contribution necessary for entitlement to a state allowance. This is to take into account the general increase in wages that has occurred since the last adjustment in 2013, and to incentivize participants to make higher contributions. At the same time, it is proposed to set the amount of the state contribution as a linear amount of 20% of the participant's contribution.
- In the amendment to the Act on Consumer Credit, with the aim of strengthening the balance of the regulation of early repayment of a consumer loan for housing, it is proposed to determine the method of determining the amount of purposefully incurred costs incurred by the provider in connection with this early repayment.
- The amendment to the Act on Investment Companies and Investment Funds and the subsequent amendment to the Act on Administrative Fees are not included

in the draft law. It takes into account, firstly, the fact that the changes originally proposed in the Act on Investment Companies and Investment Funds were essentially technical in nature, while they are not directly related to the other content of the draft law, and also the fact that the area of fund investment will have to be subject to a more thorough revision, which will soon require another amendment to the aforementioned law. Two relatively complex amendments to the same law, which would follow each other in a short period of time, are not desirable from the point of view of the stability of the legal order, and therefore it is more appropriate to wait and make all the necessary changes in the Act on Investment Companies and Investment Funds in the same draft law.

2. **Justification of the main principles of the proposed legislation**

In this amendment, it is proposed to amend a number of laws, none of which is dominant, and therefore no specific law appears in the title of the amendment, and amendments to individual laws are sorted by number in the Collection of Laws. Specifically, it is proposed to amend the following laws:

- Act No. 586/1992 Coll., on income taxes, as amended (hereinafter referred to as the " **IPA** "), in which it is proposed to combine the existing limits for old-age savings products and to extend the possibility of their application to the newly introduced long-term investment product.
- Act No. 6/1993 Coll., on the Czech National Bank, as amended, in which, following the new legislation on the determination of the amount of purposefully incurred costs incurred by the provider in connection with the early repayment of a consumer loan for housing, it is expressly stipulated that the publication of averages loan interest rates for the purposes of determining the amount of these costs is not a violation of the confidentiality of statistical data.
- Act No. 42/1994 Coll., on supplementary pension insurance with state contribution and on amendments to certain laws related to its introduction, as amended (hereinafter referred to as " **ZoPP** "), especially with regard to the changes made in the Act on supplementary pension savings in order to maintain equal conditions for transformed funds and for participating funds.
- Act No. 120/2001 Coll., on court executors and enforcement activities (execution order) and on the amendment of other laws, as amended (hereinafter referred to as " **EŘ** "), where it is proposed to extend the scope of the decree of the Ministry of Justice on the use of the XML format by executors to all financial institutions (listed in Section 33, paragraph 4 of the EŘ), which have the obligation to provide cooperation to the executor free of charge. Today, the mandatory use of this format only applies to information required from banks (financial institutions).
- Act No. 229/2002 Coll., on the financial arbitrator, as amended, where it is proposed to extend the jurisdiction of the financial arbitrator to disputes between the consumer and the provider of a long-term investment product.
- Act No. 190/2004 Coll., on bonds, as amended (hereinafter referred to as " **ZDI** "), which deals with the situation that the issue conditions only contain information about the issue of bonds and do not contain information about the issuer. At the same time, information about the issuer is essential so that the investor can evaluate the riskiness of the bonds and the ability of the issuer to

meet its obligations. The inspiration for the required data is mainly drawn from the Corporate Bond Scorecard 2.0 document, which was published for public consultation on the website of the Ministry of Finance. Furthermore, it is proposed to make a number of changes that resulted from public consultations and the needs of practice. These include, for example, changes removing the redundant duplication of issue conditions and the prospectus, revising the need for a meeting of owners to approve insignificant changes to issue conditions, abolishing the obligation to publish the issue conditions of government bonds in the Collection of Laws, amending subordinated bonds respecting the possibility of creating more levels of subordination (as a rule, at least three are distinguished - senior, junior and mezzanine) and adjustment of the right to early repayment for some bonds harmonized by EU law.

- Act No. 256/2004 Coll., on doing business on the capital market, as amended (hereinafter also referred to as "**ZPKT**"), which in particular regulates the basic requirements of a long-term investment product, for example, it regulates what assets can be included in this product recorded.
- Act No. 182/2006 Coll., on Bankruptcy and Methods of Solving it (Insolvency Act), as amended, which deals with the issue of subordinated bonds issued under foreign law. Furthermore, the regulation of the court's information obligations towards the CNB in the case of actions towards certain persons operating on the financial market is clarified.
- Act No. 427/2011 Coll., on supplementary pension savings, as amended (hereinafter referred to as "**ZDPS**"), where it is proposed to introduce a new type of participation fund, the so-called alternative participation fund, which will not have such strict regulation of fees and investment strategy (e.g. the law will allow these funds to invest in so-called alternative assets). The aim is to increase the efficiency of III. pension pillar. It is also proposed to allow simultaneous participation in both the transformed and participating funds in order to allow participants to more easily transfer to participating funds without having to cancel their participation in the transformed fund. Some questions regarding the payment of benefits from III. of the pension pillar, which resulted from application practice. The minimum and maximum amount of the participant's contribution required for the payment of the state allowance is also changing, so that the lower limit moves from the current CZK 300 to CZK 500 per month and the upper limit moves from the current CZK 1,000 to CZK 1,700 per month. At the same time, the amount of the state contribution is determined as a linear amount of 20% of the participant's contribution.
- Act No. 257/2016 Coll., on consumer credit, as amended (hereinafter also referred to as "**ZSÚ**"), where, with the aim of strengthening the balance of the regulation of early repayment of consumer credit for housing, it is proposed to determine the method of determining the amount of purposefully incurred costs incurred by providers in connection with this early repayment.

Effectiveness is proposed on January 1, 2024. The exception is the amendment to the Act on Consumer Credit, where, due to the gradual introduction of the regime of publication of average loan interest rates, a divided effectiveness is proposed, and the amendment to the enforcement order, where, due to preparation for the new regime of communication between courts by executors and financial institutions, it proposes to

take effect on January 1, 2025.

3. Explanation of the necessity of the proposed legislation in its entirety

The proposed legislation is necessary due to the need to develop the Czech capital market. This requires a change in legislation, the goal cannot be achieved by mere non-legislative steps. It is especially appropriate to respond to some identified shortcomings of the Czech national regulation, which does not result from EU directives. This will strengthen the competitiveness of the Czech capital market in relation not only to advanced Western European regulations, but also to the regulations of neighbouring states and other states in the Central and Eastern European region.

4. Evaluation of the compliance of the proposed legislation with the constitutional order of the Czech Republic

The draft law is in accordance with the Constitution established by the constitutional order of the Czech Republic. The constitutional order of the Czech Republic does not contain specific legal norms affecting the area of the capital market. The draft law takes into account in particular Article 98, paragraph 1 of the Constitution, according to which the CNB's activities can only be interfered with on the basis of the law. The draft law respects the general principles of the constitutional order of the Czech Republic, e.g. the principles arising from the concept of a democratic rule of law (Article 1 of the Constitution) and the principle of enumerability of public law claims (Article 2, paragraph 2 of the Charter of Fundamental Rights and Freedoms). Furthermore, it is taken into account that ownership is binding (Article 11, paragraph 3, first sentence of the Charter of Fundamental Rights and Freedoms), and that what is not prohibited is permitted (Article 2, paragraph 3 of the Charter of Fundamental Rights and Freedoms).

5. Evaluation of the compatibility of the proposed legislation with the regulations of the European Union, the jurisprudence of the judicial authorities of the European Union or the general legal principles of the law of the European Union

EU regulations, jurisprudence of EU judicial authorities and general legal principles of EU law do not apply to the area of the proposed regulation in the sense of the need for new transposition, however, in some sub-areas the transposition is specified, or the transposition provisions are interfered with. At the same time, however, the draft law is in line with EU regulations, the jurisprudence of EU judicial authorities and the general legal principles of EU law.

6. Evaluation of the compliance of the proposed legislation with international treaties to which the Czech Republic is bound

No international treaty to which the Czech Republic is bound applies to the area of the proposed regulation. The draft law does not envisage possible interventions in the field of human rights.

7. Estimated economic and financial impact of the proposed legislation on the state budget, other public budgets and the business environment of the Czech Republic

The proposal to introduce a long-term investment product (and the resulting tax relief) may have a negative effect on public budgets. In essence, it is proposed to extend the possibilities of tax relief to this long-term investment product, which includes today's investment and savings type products. Negative impacts can be generated in two ways

that correspond to forms of tax relief:

1. Payments by employers as income of the employee exempt from income tax

In this case, the negative impact would only be generated due to the expansion of titles to which the employer can contribute, while it would be exempt income for the employee. Because the limit of 50,000 has already been agreed for existing titles. CZK is and the proposed adjustment does not change anything for them. The impact could therefore be generated in cases where the following applies at the same time: the employee will have established a long-term investment product and the employer will have the will to make new contributions, i.e. beyond the scope of existing exempt contributions (subject to legal conditions). The negative impact due to the expansion of titles that can be contributed to cannot be estimated due to the lack of data sources. In addition, other circumstances, such as the development of unemployment, wages or economic conditions or the recession of the Czech economy or real interest rates, may also have an influence on the level of impacts. Given the current level of employer contributions and the expected parameters of the long-term investment product, which are similar to existing supported products, we do not expect a massive increase in interest from employers to contribute to this product. Rather, we would expect a change in structure. Based on this assumption, the impact on public budgets in the amount of hundreds of millions of CZK per year can be considered. In this case, the negative impact would already be felt during 2024, however, taking into account that the long-term investment product is currently a non-existent product, a possible year-round impact can only be expected in 2025.

2. Application of deduction from the tax base due to contributions paid by the taxpayer

The total maximum amount by which the tax base can be reduced is proposed to be 48,000. CZK, i.e. it corresponds to the sum of the existing limits. With regard to the proposed effectiveness of the law as of 1 January 2024, it can be expected that any negative impact will manifest itself in 2025 at the earliest (taxpayers will apply the non-taxable part according to the new rules only as part of the tax return), however, taking into account that the long-term investment product is currently a non-existent product, the possible full-year impact can only be expected in 2026. In case of applied deductions from the tax base, a negative impact can be generated by both the unification of the limits for applying the deduction already for existing products (taxpayers preferring one product for which they apply the maximum deduction today, they will now have the possibility to apply a higher deduction), thus expanding the possibilities for applying deductions to another product. Currently, the estimated amount of tax relief due to deductions from the tax base is CZK 2.6 billion. Considering the total amount of the estimated tax relief, we therefore estimate the negative impact of the unification of the limits for deduction at a maximum of lower hundreds of millions of CZK. The negative impact due to the expansion of deduction options cannot be estimated due to the lack of data sources. In addition, other circumstances, such as the development of unemployment, wages or economic conditions or the recession of the Czech economy or real interest rates, may also have an influence on the level of impacts. If, for example, the newly applied 100 thousand taxpayers a deduction from the paid contributions for a long-term investment product from the tax base in the amount of 10 thousand CZK, it would have a negative impact on tax of incomes of natural persons collection in the amount of CZK 150 million per year at the level of public budgets.

In connection with the expansion of the scope of the financial arbitrator in relation to the long-term investment product, no increase in costs on the part of the Office of the

Financial Arbitrator is expected. A long-term investment product always has the nature of an investment or deposit product, i.e. products that already fall under the purview of a financial arbiter today. In practice, the proposed extension of scope will therefore only mean that, when deciding certain disputes that already fall within its scope, the financial arbitrator will also assess the aspect of the relationship between the provider of a long-term investment product and the owner of this product and the fulfilment of the obligations arising from this relationship. Should any additional costs arise in connection with this, they will be secured within the currently established limits on the number of places and the volume of funds for salaries in the Office of the Financial Arbiter.

The collection of public budgets will also be negatively affected by the change in the legislation regarding employer contributions in the case of a one-off settlement from supplementary pension insurance with a state contribution and from supplementary pension savings, in the estimated amount of hundreds of millions of CZK at the level of public budgets per year.

8. Evaluation of the social impacts of the proposed legislation

The proposed adjustments to the long-term investment product and the adjustment of the new alternative fund should have positive effects on the savings of Czech households.

9. Evaluation of the impacts of the proposed legislation on the environment

The bill has no environmental impact.

10. Evaluation of the current state and impacts of the proposed solution in relation to the prohibition of discrimination

The draft law does not contradict the prohibition of discrimination, nor does it contradict the principle of equality between men and women.

11. Assessment of the impacts of the proposed solution in relation to the protection of privacy and personal data (DPIA)

The proposed legislation will not have any negative effects on the protection of privacy and personal data. There is no expansion of the categories of data subjects whose data are processed, nor of the categories of processed data. The existing processing of personal data is not changed, nor are any new ways of processing it established.

12. Assessment of corruption risks

The proposed legislation was assessed in accordance with the approved government methodology for assessing corruption risks (*CIA - Corrupt Impact Assessment*). As part of the CIA's procedure (including their hidden forms), the authors of the proposal came to the conclusion that the legislation in no way facilitates corrupt practices, nor does it make it more difficult to detect. The proposed legislation does not foresee the emergence of new or changes to existing corruption risks.

13. Evaluation of the impact on the security or defence of the state

The bill has no implications for national security or defence.

14. Evaluation of the compliance of the proposal with the principles for the creation of digitally friendly legislation

The submitter respects the requirements for the creation of so-called digitally friendly legislation - i.e. legislation that will enable the development of the digital agenda and

which, at the same time, will not discriminate against the needs of those who have problems with electronic communication for any reason. The draft law respects the principles of digitally friendly legislation, which is manifested, for example, in the ZDI, where it is proposed to adjust voting *per rollam* (similar to the law on business corporations) also for the meeting of bond owners, which turns out to be necessary not only because of the COVID-19 pandemic. The draft law does not create obstacles in relation to digitally friendly legislation.

Abbreviations

List of abbreviations of legal regulations

| | |
|-------------|--|
| E | Act No. 120/2001 Coll., on bailiffs and execution activities (execution order) and on the amendment of other laws, as amended |
| VAT | Act No. 586/1992 Coll., on income taxes, as amended |
| ZDPS | Act No. 427/2011 Coll., on supplementary pension savings, as amended |
| ZDI | Act No. 190/2004 Coll., on bonds, as amended |
| ZoPP | Act No. 42/1994 Coll., on supplementary pension insurance with state contribution and on changes to certain laws related to its introduction, as amended |
| ZPKT | Act No. 256/2004 Coll., on doing business on the capital market, as amended |
| ZSÚ | Act No. 257/2016 Coll., on consumer credit, as amended |

SPECIAL PART

To the first part, Article I

Amendment to the Income Tax Act

Regarding point 1 [Section 4 paragraph 1 letter I]:

A new wording of Section 4 paragraph 1 letter is proposed. 1) due to the lack of transparency and inaccuracy of its current wording. Newly, each point of this provision refers to one product and clearly establishes which services from the given product are exempt from tax. In the case of supplementary pension insurance with a state contribution, supplementary pension savings and pension insurance, there are no substantive changes compared to the existing legislation. In the case of payments from personal insurance, only insurance payments are now exempt from tax (with the mentioned exceptions, which are taken over from the previous regulation - i.e. one-off payments or pensions for which the collection period is shorter than 10 years, paid out from life insurance, from insurance in the event of reaching a specified age or early death or from pension insurance), however, no performance that is not an insurance performance is exempt from tax, i.e. regardless of whether it grounds the termination of the insurance contract or not (e.g. redemption, or so-called continuous withdrawals for investment life insurance).

The following table summarizes the legal regulation of taxation of individual services:

| Supplementary pension insurance with state contribution [Section 4 para. 1 letter I) point 1] | |
|--|------------|
| Old-age, disability or long-service pension (always for life) | liberated |
| Survivor's pension set for a period of less than 10 years | unreleased |
| Survivor's pension established for a period of 10 years or longer | liberated |
| One time settlement | unexempted |
| Purchasable | unexempted |
| Supplementary pension savings [Section 4 par. 1 letter I) point 2] | |
| Retirement pension for a specified period of less than 10 years | unreleased |
| Retirement pension for a specified period of 10 years or longer | liberated |
| Disability pension for a specified period | liberated |
| One time settlement | unexempted |
| Purchasable | unexempted |
| Payment of a one-off insurance premium for | liberated |

| | |
|---|------------|
| a lifetime pension or for a pension for a precisely defined period with a precisely defined amount of pension | |
| Pension insurance [Section 4 paragraph 1 letter l) point 3] | |
| Pension other than disability for a period of less than 10 years | unreleased |
| Pension other than disability for a period of 10 years or more | liberated |
| Disability pension | liberated |
| One-time fulfilment | unexempted |
| Purchasable | unexempted |
| Redemption fee | unexempted |
| Insurance in the event of survival or in the event of survival to a specified age or earlier death and pension insurance [Section 4 para. 1 letter l) point 4] | |
| Pension for a period of less than 10 years | unexempted |
| Pension for a period of 10 years or more | liberated |
| One-time insurance payment | unexempted |
| Performance that is not insurance performance | unexempted |
| Other personal insurance (e.g. sickness insurance, accident insurance) [Section 4 para. 1 letter l) point 4] | |
| Insurance performance | liberated |
| Performance that is not insurance performance | unexempted |

The general purpose of the mentioned exceptions is not to provide a tax advantage in cases where the insurance results in income other than their primary purpose. In the case of supplementary pension insurance with a state contribution, supplementary pension savings and pension insurance, the main purpose is to receive a pension in old age, either long-term or for life. Therefore, one-off payments and pensions to be received for a period of less than 10 years are not exempt. The exception is a disability pension, where disability is an unforeseen event that can occur through no fault of the taxpayer at a time when he has not yet saved enough funds to receive the pension for a longer period of time. A similar logic applies to the regulation of exemptions in the case of benefits from life insurance, from life insurance at a specified age or early death and pension insurance, and here too it is not expedient to support one-off benefits and pensions for a period of less than 10 years. In the case of other personal insurance, all insurance payments are exempt from tax, because the purpose of these insurance products is

not to obtain a long-term income in old age, but always precisely the insurance payment that flows from the insurance in question. Payments from personal insurance other than insurance payments, i.e. e.g. redemption or continuous withdrawal, are not exempt from tax, because in such a case it is income from capital assets [see Section 8 para. 1 letter f) ZDP], which is not a reason to exempt from tax. However, for the purpose of determining the tax base, the taxpayer deducts the paid insurance premium from these services, see Section 8, paragraph 6 ZDP.

To point 2 [Section 4 paragraph 1 letter zm):

The provision follows on from the introduction of a long-term investment product, see Section 134g to 134j of the amendments to the ZPKT in this proposal, and the institute of a tax-supported retirement savings product, see the newly inserted Section 15a and 15b of the ZDP. A long-term investment product and its European foreign equivalent can be tax-supported under the conditions set out in the aforementioned provisions, and in such a case it is stipulated that the income from the transfer of the property deposited on it is exempt from personal income tax.

When a long-term investment product or a similar product is a tax-supported old-age savings product follows from Section 15a paragraph 5 in conjunction with Section 15b paragraph 1 ZDP. It must be a long-term investment product according to the ZPKT or a similar product provided by a foreign person authorized to provide such a product in a member state of the European Union or a state forming the European Economic Area, see Section 15a paragraph 5 ZDP. Section 15b paragraph 1 ZDP then states what the restrictions are for depreciating property from a long-term investment product so that it can be tax supported. According to Section 15b paragraph 1 letter b) point 3 of the ZDP, assets held within such a product can be written off in favour of another taxpayer only for a reasonable consideration provided in favour of this product, thereby ensuring that the saved value remains on the product in question and that the purpose of saving for old age is fulfilled. In other words, it is trading with assets on such a product under normal market conditions.

Exemption from personal income tax is established as an additional tax support for this product for income from paid depreciation of property from this product for consideration provided for this product, the usual price of which is not significantly lower than the usual price of the depreciated property. The exemption applies to income from the write-off of any property that may be held within such a product, which are investment securities, collective investment securities, money market instruments and derivatives that are not investment securities and which are negotiated solely for the purpose of securing property within a long-term investment product, if the value to which the value of this instrument relates is an interest rate, exchange rate or currency.

Income from the paid transfer of securities may also be exempt from other titles, on the basis that such income for the tax period does not exceed the amount of CZK 100,000, see Section 4 paragraph 1 letter w) ZDP, and on the basis of the time test according to Section 4 paragraph 1 letter x) VAT The relationship of the provisions of Section 4 paragraph 1 letter w) to the provision letter zm) is the same as the existing provision letter x), i.e. income exempted on the basis that it is income from a tax-supported long-term investment product or a similar product is included in the limit of CZK 100,000.

Regarding point 3 [Section 6 paragraph 9 letter p):

The change in provisions follows on from the change in the legislative grasp of support for taxpayers' savings for old age. The newly inserted Sections 15a and 15b of the ZDP define old-age savings products that are tax-supported, including all the conditions that these products must meet in order to be able to use them for tax benefits. It is then no longer necessary to

repeat these conditions in individual provisions establishing a specific form of tax support, i.e. in Section 6 paragraph 9 letter p) and in Section 15 paragraph 5 ZDP.

According to Section 6 paragraph 9 letter p) ZDP will therefore continue to be exempt from tax on the part of the taxpayer with income from dependent activity, the employer's contribution provided to employees in the old-age savings product, up to the limit of CZK 50,000, which applies to the total of the employer's contributions to all the employee's tax-supported products saving for old age. According to the newly proposed Section 15a paragraph 1 of the ZDP, the term old-age savings product will continue to include pension insurance with a state contribution, supplementary pension savings, pension insurance and private life insurance, as was the case until now, and also includes a long-term investment product, newly introduced by the amendment ZPKT. Therefore, there are no substantial changes in the scope of the employer's contribution exemption, for more details see the justification for Section 15a and 15b ZDP.

Regarding point 4 (Section 6, paragraph 14):

The repeal of the provision defining the institution of pension insurance follows on from a comprehensive change in the legislative understanding of taxpayers' savings support for old age, in which all the definition of old-age savings products is concentrated in the newly inserted Section 15a of the ZDP. The institution of pension insurance will therefore be newly defined in Section 15a paragraph 2 ZDP.

Regarding point 5 [Section 8 paragraph 1 letter e) and f):

Following the new concept of tax support for old-age savings products, the definition of certain incomes, which represent income from capital assets, is adjusted. Letter e) is legislatively and technically modified so that it follows on from the terminology used for these services in Section 15a ZDP, and at the same time the reference to the reduction according to paragraph 6 is removed. The income mentioned in letter e) is income from capital assets in full, the reduction according to the paragraph is carried out only for the purposes of determining the tax base from this income.

Letter f) is also being amended legislatively and technically. The term "private life insurance" for income tax purposes does not now include all private life insurance, but only that which meets the conditions in Section 15a, paragraph 3 ZDP, income from capital assets, however, is all payments from life insurance, from insurance in case of reaching the specified age or early death and pension insurance. With regard to other personal insurance, income from capital assets represents only payments that are not insurance payments, i.e. in particular redemption premiums and ongoing withdrawals.

Payments from insurance other than those listed in this provision continue to be other income according to Section 10 ZDP.

Regarding point 6 (Section 8 paragraph 6):

Paragraph 6 establishes a new rule for determining the tax base for income according to Section 8 paragraph 1 letter e) if) ZDP, which according to the previous regulation was divided into paragraphs 6 and 7. A general rule is established according to which each of the mentioned incomes is reduced by contributions, or premiums paid for the product from which it flows, regardless of who paid them. The tax base determined in this way ensures that only the income from the given products, i.e. the appreciation of the saved funds, is taxed. The possibility of deducting one's own saved funds (insurance premiums paid by the taxpayer) ensures that when the given performance is paid, the taxpayer's own funds, which are now paid to him from the given product, will not be supplied. It is de facto his expense. The possibility to deduct the

contributions paid by the taxpayer's employer for the given product ensures that these contributions are not delivered, either for the first time in the case that they were contributions to a tax-supported old-age savings product that were tax-exempt according to Section 6 par. 9 letters p) ZDP, or a second time, in the event that the employer's contributions were not tax-exempt, as it was not a tax-supported retirement savings product. Certain exceptions to this rule exist in cases of refunded tax support, see Section 15b ZDP. The tax base is also reduced by state contributions paid by the Czech Republic, otherwise they would have to be supplied. However, an exception is established for cases where these state contributions have been returned, see Section 23 paragraph 2 of the Act on supplementary pension insurance with state contribution; if state contributions are not included in the performance flowing to the taxpayer, there is no need to reduce the tax base by them.

The rule for determining the tax base in case of pension payment, or pension in the case of life insurance, life insurance at a specified age or earlier death and pension insurance remains the same as under the current legislation. Newly, this provision no longer establishes exceptions for the admissibility of contributions paid by the employer, as this is dealt with within the framework of the return of tax support for retirement savings products in Section 15b paragraph 5 letter g) Social Security.

For the purpose of determining the tax base, it is of course true that paid contributions, state contributions paid by the Czech Republic and paid insurance premiums can only be counted once for the purposes of determining the tax base. Therefore, if a certain product benefits the taxpayer in the form of a pension, or pension in the case of life insurance, life insurance at a specified age or earlier death and pension insurance, or multiple benefits in a row, the tax base cannot be reduced for a certain benefit by contributions or premiums by which the tax base was already reduced in the case of the previous fulfilment from the given product. With regard to the fact that this is the tax base from which the tax is collected by deduction according to the special tax rate [see Section 36 para. 2 letter k) ZDP], the tax base cannot be determined as negative, i.e. contributions paid, state contributions paid by the Czech Republic or insurance premiums paid in a higher amount than the performance from the product cannot be claimed.

Regarding point 7 (Section 8, paragraph 7):

As a result of the transfer of the legal regulation of the determination of the income tax base according to Section 8 paragraph 1 letter f) Paragraph 7 of the ZDP is repealed.

Regarding point 8 (Section 8, paragraph 8, third sentence):

Legislative technical amendment, which is proposed due to the cancellation of paragraph 7.

Regarding point 9 (Section 15 par. 5 and 6):

The change in paragraph 5 follows on from the change in the legislative understanding of support for taxpayers' savings for old age, specifically the definition of products that are tax supported in the newly inserted Sections 15a and 15b of the ZDP. Due to the fact that the aforementioned newly inserted provisions define all old-age savings products that are tax supported, including all tax support conditions, these products and conditions no longer need to be listed in Section 15, Paragraphs 5 and 6 of the ZDP, and a mere reference through the use of the term "tax-supported retirement savings product". The rule according to which the taxpayer of personal income tax can deduct from the tax base the contributions paid in a given tax period to his supplementary pension insurance with state contribution, pension insurance, supplementary pension savings and private life insurance is still maintained. The long-term investment product, introduced in the amendment to the ZPKT, is newly included among the supported products. Given that in connection with private life insurance the payment for this insurance is the insurance premium and in the case of a long-term investment product it is a

credit to the property in favour of this product, the second sentence in paragraph 5 stipulates that the contribution to the old-age savings product also means the insurance premium on private life insurance and assets credited to the benefit of a long-term investment product.

Another change compared to the current situation is that an aggregate limit of 48,000 will be set. CZK, which can be deducted from the tax base and into which contributions to all the mentioned products are included; therefore, a separate limit of 24,000 no longer applies. CZK for contributions to supplementary pension insurance with state contribution, pension insurance and supplementary pension savings and, in addition, a separate limit of 24,000. CZK for contributions to private life insurance, as was the case according to the previous wording of Section 15, Paragraphs 5 and 6 of the ZDP.

Paragraph 6 contains deviations from the general rule stated in paragraph 5, according to which contributions paid in a given tax period are deducted from the tax base; these deviations result from the nature of some retirement savings products. The first sentence refers to supplementary pension insurance with state contribution and supplementary pension savings and takes over the existing regulation contained in Section 15 paragraph 5 letter a) and) VAT. Compared to other old age savings products, these products are specific in that, in addition to tax support, they are also provided with direct support from the state budget in the form of a state subsidy. The state contribution will now be provided in the maximum amount of CZK 340 per month, if the taxpayer's contribution for the given month amounts to at least 1.7 thousand. CZK (see the amendment to Section 14, paragraph 2 of the ZDPS; according to Section 191, paragraph 6 of the ZDPS, the Act on Supplementary Pension Savings also governs the provision of a state allowance for the benefit of a participant in supplementary pension insurance). In Section 15, paragraph 6, sentence one of the ZDP, it is therefore established that the taxpayer's contributions to supplementary pension insurance and supplementary pension savings can be deducted from the tax base only in an amount exceeding the amount from which the maximum state contribution is due, thereby preventing a situation where the taxpayer would be received a state subsidy for his contribution to the mentioned products, and at the same time, he could also deduct the part of the contribution for which he received this contribution from the tax base, and therefore there would be a double advantage in this part of this product. In practice, the rule stated in the first sentence means that for the purposes of Section 15, paragraph 5 ZDP, the taxpayer will have to deduct the amount of 1.7 thousand from his monthly pension contribution or supplementary pension savings. CZK and deduct only the amounts obtained in this way from the tax base. If the taxpayer's monthly contribution to supplementary pension insurance or supplementary pension savings is less than or equal to 1.7 thousand CZK, deduction from the tax base according to Section 15, paragraph 5 ZDP cannot be used.

The second sentence in paragraph 6 regulates a specific situation in the case of private life insurance, when contributions (premiums) do not have to be paid regularly every tax period, but once for the entire insurance period, i.e. for several tax periods in advance. For the purposes of deduction from the tax base, this contribution (insurance premium) is therefore calculated for the individual tax periods falling within the insurance period, to the nearest day. Thus, the contribution to private life insurance will be taken into account in those tax periods in which it economically falls (although it is paid once, it covers the insurance for the entire insurance period), and at the same time the taxpayer will be able to use the limit of 48,000. CZK for each tax period in which the insurance period runs, separately, and the entire one-time insurance premium will not be compared with this limit, as would be the case if this was deducted from the tax base in its entirety in the tax period in which it was paid.

For the conditions for deducting contributions for the given products, see the justification for

the newly inserted Sections 15a and 15b of the ZDP.

Regarding point 10 (new Section 15a and 15b):

Regarding Section 15a:

Provision Section 15a ZDP defines the old age savings product for income tax purposes. Section 15b of the ZDP then regulates the conditions under which this product is tax-supported, i.e. when contributions to it can be deducted from the tax base according to Section 15 paragraph 5 of the ZDP and when contributions sent by an employee to this product are exempt from tax employer, according to Section 6 paragraph 9 letter p) ZDP and income from the write-off of assets from long-term investment products and similar products for reasonable consideration provided in favour of this product.

The range of old-age savings products listed in paragraph 1 corresponds to the existing tax-supported products listed in Section 6 paragraph 9 letter p) and Section 15 paragraphs 5 and 6 ZDP, in the current wording, with the addition of a long-term investment product to the list, which is defined for income tax purposes in paragraph 5.

According to paragraph 1 letter a) is a product of old-age savings, supplementary pension insurance with a state subsidy according to the law governing supplementary pension insurance with a state subsidy. This law is Act No. 42/1994 Coll. and supplementary pension insurance with state contribution is defined in its Section 1 paragraph 2. According to paragraph 1 letter b) is a product of old-age savings, supplementary pension savings according to the Act regulating supplementary pension savings, which is ZDPS, and supplementary pension savings is defined in Section 1 paragraph 2 thereof.

According to paragraph 1 letter c) pension insurance with a pension insurance institution is also a product of old age savings. The pension insurance institution is defined in paragraph 2, in paragraph 1 letter c) it is only stipulated for the product itself that it must be pension insurance. Pension insurance and pension insurance institutions are defined in such a way that they are *de facto* similar to supplementary pension insurance with a state contribution or supplementary pension savings referred to in letters a) and b).

Private life insurance referred to in paragraph 1 letter d) is defined in paragraph 3.

The newly classified product is a long-term investment product, which is defined in paragraph 5.

Paragraph 2 defines the institution of pension insurance, taking over the definition from the previous Section 6, paragraph 14 of the ZDP. The only difference is that the term is not defined only for the purposes of the Income Tax Act, but generally for the purposes of income taxes, so it will also be applicable to other legal regulations governing income taxes, e.g. Act No. 593/1992 Coll., on reserves for determining the income tax base, as amended.

Paragraph 3 defines the concept of private life insurance. It is understood as insurance for survival, insurance for survival at a specified age or early death and pension insurance, for which the entitlement arises at the earliest in the calendar year in which the taxpayer reaches the age of 60, always with an insurance company that is authorized to operate insurance activities on the territory of an EU member state or a state forming the European Economic Area. The product of saving for old age is therefore not pension insurance, in which only third-degree disability of the taxpayer would be negotiated as an insured event, because in such a case the taxpayer would not save for old age, but only for the event of this life event; the contract may include third-degree disability pension insurance, but always together with pension

insurance upon reaching a certain age.

Another condition is set for those insurances in which the insured sum is agreed in case of survival. This insurance amount must be at least 40,000. CZK, if the insurance period is at least 10 and at most 20 years, and 70 thousand. CZK, if the insurance period is longer than 20 years. No requirement is set for an insurance period of less than 10 years, because due to the condition of tax support of the product for old age set out in Section 15b paragraph 1 letter a) point 1 of the ZDP, according to which the payment of funds or performance must be enabled no earlier than 120 calendar months after the creation of the old-age savings product, private life insurance with an insurance period of less than ten years can never be tax-subsidized, so it makes no sense to set the above condition for such insurance premiums sum insured. If no life insurance sum is agreed in the insurance, this condition does not apply, in other words, only those insurances are excluded from private life insurance in which the life insurance contract is negotiated in a lower amount than stated in this provision.

The designation of individual types of insurance is based on the list of life insurance branches in Annex 1 of Act No. 277/2009, on the insurance industry, as amended, where any type of personal insurance should fall into one of these branches, even if the name of the contract, the common name of the insurance or insurance conditions may differ from the formal name of the insurance industry. In the case of contracts covered by insurance for reaching a specified age or earlier death, these contracts may bind performance both to reaching a certain age and to the date specified in the contract. The Civil Code states in Section 2824 that in the case of personal insurance, a person can be insured both for "surviving a certain age" and "surviving the date specified in the contract". Accepting a purely grammatical interpretation of the term "life insurance or early death", i.e. without taking into account the fact that it is the name of the life insurance industry, the result would be that a contract containing life insurance specified in the contract or earlier death, would not fall under any branch of life insurance.

In the case of pension insurance, the sum insured is not negotiated, therefore paragraph 4 establishes a legal fiction according to which the sum insured for this product is the amount corresponding to a one-time payment during lifetime, which is calculated on the basis of the agreed pension. The condition for the agreement of a certain amount of insurance sum is set for private life insurance because, for this product, it is expedient to tax support such a type of insurance that guarantees payment of the accumulated amount to the insured, as this is the only way to fulfil the goal of tax support, i.e. to motivate the postponement of part of the savings for future consumption.

Paragraph 5 contains the definition of a long-term investment product for income tax purposes. It is understood not only a long-term investment product according to the ZPKT (Section 134g et seq.), which can be provided by a bank, savings and credit cooperative, securities dealer, investment company, self-managed investment fund and a foreign person with similar activities to the aforementioned persons, but the law on income taxes also grants the same treatment to a similar product provided by a foreign person authorized to provide such a product in a member state of the European Union or a state forming the European Economic Area.

Regarding Section 15b:

Provision Section 15b establishes the conditions for tax support for products for old age defined in Section 15a ZDP and the consequences when a tax-supported product ceases to meet the conditions for tax support. The basic consequence of violating the conditions for tax support, which also follows from the construction of the relevant standards, is that contributions to this product no longer enjoy the benefits specified in Section 6 paragraph 9 letter p) and Section 15 paragraph 5 ZDP, because these provisions in the newly proposed wording apply only to tax-

supported retirement savings products.

The basic conditions of tax support are set out in paragraph 1 and refer to the conditions under which the old-age savings product can result in cash payments or performance or, in the case of a long-term investment product, assets from this product can be depreciated. At the same time, these conditions are to be negotiated or otherwise determined, whereby a different determination is typically understood to be determined directly in the law governing the given retirement savings product. The provision distinguishes between the terms "disbursement of funds", "fulfilment" and "depreciation of assets", taking into account the different nature of individual retirement savings products. The essence of supplementary pension insurance, supplementary pension savings, pension insurance and private life insurance is that the taxpayer pays contributions to the person with whom this product has been set up, and after a certain period of time he becomes entitled to certain benefits from this product from this person, whether in the form of benefits stipulated in the Pension Insurance Act or in the ZDPS, or insurance benefits from private life insurance (in the case of pension insurance, the form of benefits depends mainly on the foreign legislation that is governed by it). In the case of a long-term investment product, however, the situation is different, it is a product of the taxpayer, within which funds and other property (see Section 134i, paragraph 1 ZPKT) are registered, while they can also be overwritten to it from another product of the same taxpayer (typically ordinary bank account) and then overwriting in the opposite direction or disbursement of funds. When it comes to the transfer of property between two accounts belonging to the same taxpayer or a withdrawal from the account, it is not a transfer of ownership and therefore not a performance, but only a disposal of one's own property. Therefore, the wording "disbursement of funds" and "write-off of assets from a long-term investment product" was chosen, which in this case mean the actual handling of funds and other assets.

Letter a) regulates the conditions under which the payment of funds and performance from the product and the write-off of assets from the long-term investment product can be allowed, which flow to the benefit of the taxpayer who negotiated the product, thus it refers to the withdrawal of the saved funds by the taxpayer himself.

There are three options for determining the timing of payment, fulfilment or write-off, alternatively, i.e. the product does not have to allow payment, fulfilment or write-off in all the cases mentioned, but it must never allow payment, fulfilment or write-off in a situation other than in one of the three mentioned.

The condition stated in point 1, i.e. the expiration of 120 calendar months from the creation of the product and the taxpayer reaching 60 years of age, reflects the main purpose of tax support for old-age savings products. Taxpayers are motivated to save part of their disposable income for a time when their earning capacity is likely to be reduced, i.e. after the age of 60, and at the same time it is desirable that they start preparing for this stage of life in advance, i.e. at least 120 calendar months. The creation of a product means the creation of a specific product of a given taxpayer, in the case of supplementary pension insurance it is its creation in the sense of Section 12 of the Act on supplementary pension insurance with state contribution and in supplementary pension savings according to Section 4 ZDPS, in the case of other insurances it is mainly the effective date of the given contract and for a long-term investment product, the date of its establishment on the basis of a contract pursuant to Section 134g ZPKT. In the case of supplementary pension savings, however, it is possible to draw benefits even before reaching the age of 60, and that is when the age is 5 years lower than the age required to become entitled to a retirement pension according to Act No. 155/1995 Coll., on pension insurance, as amended, see Section 22 para. 4 and Section 23 para. 6 ZDPS, so-called advance pensions. A special rule is established for this product, i.e. even in such a case, supplementary pension insurance is

considered a tax-supported retirement savings product.

Point 2 complements point 1, which concerns situations where the taxpayer's earning capacity is substantially reduced, namely the situation where this taxpayer becomes disabled in the third degree. Payment, fulfilment or write-off in this case is not conditional on a certain duration of the product, since the occurrence of third-degree disability is an unforeseen and unforeseeable fact and it is not the intention to limit the taxpayer's tax benefits on the grounds that at the time of third-degree disability, his savings within the given product did not last long enough long time. Thus, payment, performance or write-off in case of disability of the taxpayer in the third degree does not lead to the obligation to return the tax support, even though the condition "120 calendar months, 60 years of age" was not met, see paragraph 4 letter a) point 1.

Point 3 remembers the case of payment, fulfilment and write-off, which does not correspond to the meaning of tax support for old-age savings products, but is allowed for every old-age savings product, and therefore it is necessary to state it in the provision; if it were determined that only products with the possibility of payment according to points 1 and 2 are tax supported, no product would fulfil the condition of tax support. Of course, the taxpayer always has the right to terminate the product, i.e. to terminate the contract that established it. In such a case, he usually has the right to obtain the saved funds and assets, typically the right to surrender premiums in the case of supplementary pension insurance or supplementary pension savings and to redemption premiums in the case of private life insurance; the exception is, in particular, termination of the supplementary pension insurance contract within 12 calendar months, see Section 23 paragraph 1 of the Act on supplementary pension insurance, or supplementary pension savings within 24 calendar months, see Section 25 paragraph 1 ZDPS. The demise of the old-age savings product will usually result in the obligation to return the tax support, see paragraphs 4 and 5, because in this case the taxpayer stops saving for old age by his own decision and gets the saved funds back, so the purpose of the tax support for the given product is negated.

Letter b) regulates the conditions under which payment, payment or write-off from a tax-supported old-age savings product can be made in favour of a taxpayer other than the one who negotiated the product. The purpose of tax support is to support taxpayers in saving for their own old age. Savings for another person's old age is not tax-supported, so in general funds should not flow from the product to other persons, but due to the functioning of the products, several exceptions must be established. In point 1, an exception is established for the death of the taxpayer who arranged the product, because in the event of death, of course, there will be no payment, fulfilment or write-off of property from the product in favour of the taxpayer who arranged it, but other persons, whether specified in the contract or on based on the law. It can be either a one-time payment of saved funds or, for example, a survivor's pension from supplementary pension insurance. The exception in point 2 refers to the remuneration paid by the taxpayer to the product provider for the management of the given product and the service related to it. Management of the old-age savings product is usually charged, with the provider counting this payment on the funds held on the product, and individual business transactions carried out within the long-term investment product may also be charged. In this way, although the amount of funds on the given product is reduced, given that it is a standard method of paying the mentioned fees, this can be enabled for the product and does not lead to the need to return the tax support [see paragraph 4 letter b) point 2].

Point 3 establishes an exception for a long-term investment product on which investment instruments listed in Section 134i paragraph 1 ZPKT are traded. Depreciation of property from this product as part of this trading, i.e. for consideration whose usual price is not significantly lower than the usual price of the depreciated property, is of course permitted and their

implementation does not entail the obligation to return tax support, even though the property from the long-term investment product is written off to another person [see paragraph 4 letter b) point 3].

The last exception is established for cases of fulfilment of obligations stipulated by another legal regulation, it can be, for example, the transfer of property within the framework of execution conducted on the taxpayer's property. The fulfilment of these obligations cannot be excluded in the contract for the establishment of the old-age savings product, but if it occurs, it results in the obligation to return the tax support, see paragraph 4 letter b), where this reason for payment, performance or write-off in favour of another taxpayer is not listed among the exceptions from the obligation to return tax support.

Paragraph 2 supplements the conditions of tax support for the old-age savings product, and only for the purpose of exempting contributions paid by the employer to the product of its employees from income tax according to Section 6, paragraph 9 letter p) VAT. If it were agreed or otherwise determined that in the event of an employee's death, funds or benefits from his old age savings product would pass to the employer or assets from a long-term investment product would be written off in favour of this employer, the employer would thus contribute potentially to his future income, which is not with the intention of tax support. However, the taxpayer may deduct his own contributions to such an old-age savings product from his tax base in accordance with Section 15, paragraph 5 of the ZDP.

Paragraph 3 stipulates the obligation of a taxpayer who is an employee, i.e. who receives income from a dependent activity, to notify his employer if his tax-supported old-age savings product has ceased to be tax-supported or if a fact has occurred that results in the return of the tax support of the savings product to old age, by the end of the calendar month in which it occurred. The old-age savings product ceases to be tax-supported if it ceases to meet any of the conditions set out in paragraph 1 or 2. The facts that result in the return of tax support are set out in paragraph 4, and the old-age savings product ceases to be tax-supported as a result according to paragraph 6 letter and). The employer needs this information for the reason that he is the payer of income tax from the taxpayer's dependent activity and it is therefore necessary that he no longer treats the contributions that employees pay for this product as tax-exempt according to Section 6 paragraph 9 letter p) ZDP, but included them in the partial base of tax on income from dependent activity of this taxpayer.

Paragraph 4 defines the situations in which the taxpayer is obliged to return the tax support; the method of returning the tax support is given in paragraph 5. The basic prerequisite for the obligation to return the tax support is that 120 calendar months have not yet passed since the creation of the old-age savings product or the calendar year has not occurred in which the taxpayer reached 60 years of age. After the expiry of the two mentioned moments, the tax support will never be refunded, regardless of the reason for which funds are subsequently paid out, performance from the product or assets written off from the long-term investment product (i.e. whether it is a "regular" payment, performance or write-off as agreed in the contract, or whether, for example, the product will be terminated by the taxpayer), or even regardless of the fact that the product ceases to exist and no payment, performance or write-off will occur at all (however, this is more of a theoretical case, because after 120 calendar months, as a rule, the taxpayer will have saved enough funds to be entitled to certain performance or payment of funds even after the product has expired). By reaching the stated duration of the product and the age of the taxpayer, the product has already fulfilled its purpose, which is long-term (ten-year) savings for old age (i.e. the fact that the taxpayer has the saved funds available after reaching the age of 60).

Tax support is always refunded in the tax period in which one of the facts mentioned in letter

a), b), c) or d) occurred, so there is no need to submit additional tax returns for the previous tax period in which the tax support was drawn.

Pursuant to letter a), the tax support will be refunded if, before the expiration of 120 calendar months from the creation of the old-age savings product or before the calendar year in which the taxpayer reaches 60 years of age, funds are paid out, or payments are made from them, or assets are written off from a long-term investment product, in favour of the taxpayer who negotiated the product. However, there are 3 exceptions to this rule.

The exception in point 1 is established for cases where such payment, performance or write-off occurs in the event of third degree disability of the taxpayer. Disability in the third degree also represents a life event for which the savings are intended (see paragraph 1 letter a) point 2, according to which it is possible to allow payment, performance or write-off even in the case of disability in the third degree in the terms of the product, because even in this case, the taxpayer's earning capacity is reduced. Therefore, in this situation, it is not desirable to penalize him with the obligation to return the tax support that he drew on this tax-supported product in the past.

In point 2, an exception is established for situations where payment, performance or write-off occurs due to the demise of the product provider or because the provider has been revoked the permission to provide the given product. In such a case, the terms of the tax support are not violated due to the fault of the taxpayer, but for reasons on the part of the product provider, therefore it is not intended to punish the taxpayer by having to return the tax support provided for this product. However, the condition is that the taxpayer invests the received saved funds within 1 month of their receipt into another tax-supported old-age savings product of the same type, i.e. continues to save for old age. The special regulation concerns supplementary pension insurance with a state contribution, which can no longer be established anew (with exceptions arising from Section 191, paragraph 1 ZDPS), but has been replaced by the supplementary pension savings institute, therefore the saved funds must be invested in this product, or transferred to transformed fund of another pension company.

Another exception is set out in point 3 for the case of payment from supplementary pension savings, which according to ZDPS is linked to reaching an age 5 years lower than the retirement age according to Act No. 155/1995 Coll., on pension insurance, as amended, see Section 22 paragraph 4 and Section 23 paragraph 6 ZDPS, so-called advance pensions. In the event of such drawdown of benefits, there will be no obligation to return tax support according to paragraphs 4 and 5, nor the consequences listed in paragraph 6.

Letter b) establishes the obligation to return tax support in the event of payment, payment or write-off from the old-age savings product in favour of a taxpayer other than the one who negotiated the product. Exceptions to this rule correspond to the cases for which such payment, performance or write-off may be allowed according to paragraph 1 letter b), with the exception of the fulfilment of obligations established by other legal regulations. Therefore, if there is a payment, performance or write-off in favour of another taxpayer due to the death of the taxpayer who negotiated the product, due to a payment to the provider of this product or as part of trading on a long-term investment product, there is no obligation to return the tax support, in other cases such payments, performance or writing off this obligation arises.

Letter c) stipulates the obligation to return the tax support in the event that the old age savings product expires without any cash being paid out of it or any performance from it or asset write-off in the case of a long-term investment product. These are not very frequent cases when the product disappears and at the same time the taxpayer has not saved a sufficiently high amount on it to be entitled to any performance, payment or write-off from it, in the case of supplementary pension insurance and supplementary pension savings, it may be a situation

where if these products are terminated by the taxpayer before the right to sales tax arises, see above. The exception is again established for termination due to the death of the taxpayer, termination due to the termination of the product provider or withdrawal of permission to provide the product, as well as for the situation where the old-age savings product does terminate, but the taxpayer simultaneously transfers the saved funds and property to another tax-supported retirement savings product of the same type. At the same time, the type of old-age savings product refers to the items in the individual letters of Section 15a, paragraph 1 of the ZDP. The exemption from the obligation to return tax support provided for the transfer of saved funds to another tax-supported old-age savings product of the same type allows taxpayers to change the contractual party with which they have established the given product (e.g. due to the provision of higher interest or lower taxpayers for managing the product), without losing the tax support due to the early termination of the product. With such a transfer, the purpose of the tax support is preserved, the saved funds and property are simply transferred elsewhere and the taxpayer continues to save for old age. At the same time, the transfer should concern all saved funds and assets, but of course there may be a situation where e.g. fees for the given transfer must be paid; the funds with which the tact fee is paid are then no longer saved funds and the payment of such a fee does not prevent the use of the possibility of transferring funds and property without the need to return the tax support. As a special case, there is an exception for the transfer of funds saved from supplementary pension insurance to supplementary pension savings, which is allowed in Section 191 ZDPS. If, after such a transfer, the taxpayer fulfils the conditions for the return of the tax support of the old-age savings support product, he will also return the tax support used at the time when the funds and property were on the defunct old-age savings product.

Letter d) refers only to a long-term investment product and stipulates that the return of tax support will also occur when the income from property managed within this product is not paid to the taxpayer for the benefit of this product, but elsewhere, typically to a different account. The purpose of tax support for old-age savings products is to support the accumulation of funds on the given product until the condition "120 calendar months, 60 years of age" is met, not only the contributions of the taxpayer, or his employer, but also the income arising from the property within this product. In the event that the taxpayer has income from assets within the framework of a long-term investment product or a similar product paid outside of this product, that means that he can dispose of them immediately and does not save them for old age, the obligation to return the tax support for this product arises.

Paragraph 5 sets out what is meant by the return of tax support for an old-age savings product.

According to letter a), the taxpayer receives income according to Section 10 ZDP in the amount of the total contributions paid to the old-age savings product, to which the fact according to paragraph 4 relates, which were deducted from the tax base for the immediately preceding 10 tax periods. This increases the tax base by the amount by which it was reduced in the previous 10 tax periods. The chosen ten-year period is based on the maximum period for determining the tax and also the period for which it is possible to request the retention of documents on contributions deducted from the tax base and contributions paid by the employer that were exempt from tax. If, in the past 10 tax periods, there has been a transfer of saved funds and property managed within this product from another tax-supported old-age savings product of the same type, the contributions paid to this are also counted in the total of contributions from which income is generated according to Section 10 ZDP previous product that were deducted from the tax base in the past 10 tax periods. The same applies if, during the 10 tax periods mentioned, the taxpayer transferred saved funds and assets between several products of the

same type.

Letter b), similar to letter a), provides for the return of tax support that was drawn in the past 10 tax periods. In this case, it is a specific long-term investment product, because according to Section 4 paragraph 1 letter zm) ZDP income from the depreciation of property from such a product, which is a tax-supported retirement savings product, is exempt from tax. If the product ceases to be tax-supported, income that was previously exempt due to tax support must be taxed. It is therefore determined that income arises in the amount of such previously exempt income, and such income is reduced for these purposes by related expenses in the same way as it would be if it were standardly taxed in the tax period in which it arose. These are expenses listed in Section 10, paragraphs 4 and 5 of the ZDP. At the same time, in the part of the sentence after the semicolon, it is established that the income that arises in the event of a return of tax support is not the income that would be exempt from tax at the time of its creation, even if it were not a write-off of property on a tax-supported long-term investment product. Exemption from tax can also occur, for example, according to Section 4 paragraph 1 letter w) and x) ZDP, and if the income in question met these other conditions for exemption when it was created, it should not be supplied now due to the return of tax support, because there is still another reason for its exemption. It follows that the taxpayer should keep records of asset movements on a tax-supported long-term investment product in the event of an obligation to return tax support, as he will have to prove any titles so that this income does not have to be included in the total income generated in the last 10 tax periods (i.e. that in the given past tax periods it would be exempted income). As in the case of letter a), the delivery also applies to income from previous products of the same type.

According to letter c), the taxpayer will receive income according to Section 6 ZDP, i.e. income from dependent activity, in the amount of the total amount of contributions paid by the employer for this product, which were exempt in the tax period in which the tax support is refunded and in the 10 immediately preceding tax periods from income tax. Thus, there is a *de facto* increase in the tax base for the employer's contributions, which were exempt from tax in the mentioned periods. In contrast to the generation of income according to Section 10 ZDP according to letter a), here income also arises in the amount of the employer's contributions paid in the tax period in which the return of the tax support takes place, because the employer pays the monthly income tax advance for the taxpayer from dependent activity and the exemption of contributions paid by the employer for the previous part of the tax period, when it was still a tax-supported product, has already been reflected in these advances. So that the employer does not have to correct already paid advances, it is stipulated in the part of the sentence after the semicolon that the income thus generated according to Section 6 ZDP is not considered as income paid by the payer of income tax from dependent activity. Advances paid by the employer thus remain unchanged even if one of the facts mentioned in paragraph 4 occurs, and the employee is obliged to return the tax support by stating the income in the tax return in accordance with Section 15b paragraph 5 letter c) VAT. Given that the generated income is not considered to be paid by the tax payer, no social security premiums and state employment policy contributions or public health insurance premiums are paid from it. As in the case of letters a) and b), the delivery also applies to income from previous products of the same type.

Paragraph 6 sets out the further consequences of the occurrence of any fact which results in the return of the tax support of the old-age savings product referred to in paragraph 4. These further consequences do not consist in the return of previously used support, but relate to the future treatment of such a product.

Letter a) stipulates that the old-age savings product will cease to be tax-supported. According to point 1, it will cease to be tax-supported from the taxation period (i.e. from its beginning) in

which any of the facts mentioned in paragraph 4 occurred, for the purposes of deducting non-taxable parts of the tax base and for the purposes of exempting income from the depreciation of property from a long-term investment product. This therefore prevents a taxpayer from reducing his tax base in a given tax period by contributions paid to a given old-age savings product before it ceased to be tax-supported. At the same time, as a result of point 1, it is impossible for the taxpayer to deduct from the tax base the contributions paid for such an old-age savings product in the future, even if the conditions for his tax support referred to in paragraph 1 are met again (i.e. there has been a change contracts); therefore, once a situation occurs that results in the return of tax support for the product in question, the contributions paid for this product can never be deducted from the tax base. The same applies to the exemption of income from the write-off of property from long-term investment product or similar product.

Point 2 regulates the end of tax support for the product for the purposes of exempting the employee's income in the form of a contribution paid for the given product by the employer. For the reasons stated above, that the employer projects the exemption of the contribution paid to a tax-supported old-age savings product into the tax advances for individual calendar months, it is determined that the product ceases to be tax-supported, and therefore this exemption does not apply until the calendar month following the month in which the fact according to paragraph 4 occurred. The taxpayer must inform his employer about this in accordance with paragraph 3, and the employer will not subsequently apply the exemption in further tax advances.

According to letter b), the fact that results in the return of tax support also has an effect on the determination of the tax base for the taxation of payments resulting from old-age savings products according to Section 8 paragraph 6 of the ZDP, i.e. only pension insurance with a state contribution, pension insurance, supplementary pension savings and private life insurance. Logically, this provision does not apply to a long-term investment product, as no payments result from this product. This method of refunding tax support is based on the existing legislation contained in the existing Section 8, paragraphs 6 and 7 of the ZDP, which limited the reduction of tax on contributions paid by the employer for certain services from the mentioned products. In connection with the new concept of tax support, this rule is established in general for all payments that result from these products after the conditions for tax support have been violated.

However, there are four exceptions. According to point 1, employers' contributions will be taken into account to determine the tax base, which represent income according to paragraph 5 letter c) of this provision, since their non-recognition when determining the tax base for the performance of this product would lead to their double taxation (once as income according to Section 6 and secondly as part of the performance of the given product, which would not be the amount of these contributions for the purposes of determining the basis taxes reduced). According to the second exception, mentioned in point 2, for the purposes of the tax base, employer contributions that were not exempt from income tax according to Section 6 paragraph 9 letter will be taken into account. p). This is, for example, a situation where the old-age savings product has ceased to be tax-supported due to a change in the terms of the product such that the conditions specified in paragraph 1 or 2 are no longer met, and the employer's contributions are thus no longer exempt. The third exception, mentioned in point 3, is taken over from the existing Section 8, paragraph 6 of the ZDP and concerns situations where, after the entry into force of this law, the taxpayer would transfer to his newly created supplementary pension savings funds from the supplementary pension insurance with a state contribution, for which he the employer contributed before January 1, 2000. The employer's contributions paid at that time were not exempt from income tax on the part of the taxpayer, so they were already taxed once and the tax base must be reduced by them when paying benefits from supplementary pension savings, otherwise they would be double taxation. The fourth exception, mentioned in point 4, is similar

to the exception according to point 3 and is taken over from the existing Section 8, paragraph 7 of the ZDP. It refers to situations where the taxpayer transferred his funds from one private life insurance to another after this law came into force. If the employer contributed to his original private life insurance before January 1, 2001, these contributions were not exempt from tax, and therefore the tax base must be reduced by them when the benefits are paid, so that they are not taxed twice. The provisions of points 3 and 4 do not apply to situations other than those of the transfer of funds between two old-age savings products, because according to the transitional provision under point 2, this proposed new regulation will only apply to old-age savings products created after the entry into force of this law; to old-age savings products created before the date of entry into force of this Act, to which the employer contributed before 1 January 2000, or 1. 1. 2001, the existing legal regulation shall therefore apply, including Section 8, paragraphs 6 and 7 of the ZDP.

Regarding point 11 [Section 35ba paragraph 1 letter b)]:

For the purposes of granting a tax discount for the spouse pursuant to Section 35ba paragraph 1 letter b) In this provision, the ZDP Act contains a list of incomes that are not included in the limit of the spouse's own income. In the case of selected exemptions from personal income tax (Section 4(1)(a) and b) in relation to Section 4b(4) ZDP, Section 4a(4a) j) ZDP and Section 6 paragraph 9 letter p) in connection with the new Section 15b paragraph 5 ZDP) ZDP stipulates that if the conditions for income exemption are not met, this income is classified as taxable income in the tax period established by law. A similar legal regulation is enshrined in selected non-taxable parts of the tax base (Section 15 para. 3 and 4 in conjunction with Section 4b para. 5 ZDP and new Section 15b para. 5 ZDP). Given that this is a measure with the aim of additional taxation of previously provided tax benefits, i.e. it is not the creation of new income, it is proposed to explicitly include these incomes in the list of incomes that are not included in one's own income for the purposes of the spouse's tax discount this husband. Furthermore, a legislative technical amendment is proposed, where references to the relevant laws are added and at the same time the non-normative reference in the footnote is cancelled.

To point 12 [Section 36 para. 2 letter to)]:

A legislative-technical amendment following the new wording of Section 8 paragraph 1 letter is proposed. e) and f) and Section 8 paragraph 6 ZDP.

Regarding point 13 [repeal of Section 36 paragraph 2 letter O)]:

The provisions of Section 36 paragraph 2 letter o) ZDP is cancelled because the benefits regulated in it are covered by the new wording of Section 36 paragraph 2 letter k) VAT

Regarding point 14 (Section 38g paragraph 5):

With regard to the change in the legislative grasp of old-age savings support, the provision is amended according to which taxpayers of income tax of natural persons are obliged to file a tax return in the event of a violation of the conditions under which the contribution paid to their old-age savings product by their employer is exempt from tax. The obligation to deliver these contributions at the moment when the conditions of tax support for such a product are violated is no longer established only for private life insurance, as was the case under the current legislation [see the current wording of Section 6 paragraph 9 letter p) point 3 ZDP], but it is generally established for all tax-supported old-age savings products in the newly proposed Section 15b paragraph 5 letter c) VAT Therefore, if the taxpayer receives income from a dependent activity according to the aforementioned provision, he is obliged to indicate this income in the tax return, because according to Section 15b paragraph 5 letter c) of the part of the sentence after the semicolon of ZDP, this income is not considered as income paid by the payer of income tax from dependent activity, and he therefore does not withhold tax from such

income.

Regarding point 15 [Section 38k paragraph 5 letter F):

In connection with the determination of the summary limit in Section 15, paragraph 5 of the ZDP, the facts that the taxpayer must declare to the tax payer are adjusted. Newly, the taxpayer will make a statement to the tax payer about the amount he wants to deduct from the tax base according to Section 15, paragraph 5 of the ZDP, in the amount of the contributions paid for the mentioned products, as part of the tax calculation and the annual settlement of advances made by the tax payer. The amendment is proposed so that when the tax support is subsequently refunded, it is clear what amount of contributions, which were deducted from the tax base by the taxpayer, must be supplied in connection with the tax support refund for an individual product. Since the collective term old-age savings product is being introduced, it is also used in this provision and letter g) is cancelled.

Regarding point 16 [Section 38k para. 5 letter G):

Letter g) is cancelled following the inclusion of its content in letter f).

Regarding point 17 [Section 38l paragraph 1 letter i):

Following the expansion of the range of amounts that can be deducted from the tax base according to Section 15, paragraph 5 ZDP, to include contributions to a long-term investment product, the manner in which the taxpayer proves the existence of this product and the amount of contributions attributed to it to the taxpayer is added.

Regarding point 18 [Section 38l paragraph 1 letter l):

Given that the Labour Office of the Czech Republic no longer decides on the status of a disabled person, but the district social security administration, see Section 6 paragraph 4 letter a) point 18 of Act No. 582/1991 Coll., on the organization and implementation of social security, as amended, corrects the incorrect indication of the office in the given provision.

To point 19 [footnote 136):

Since the EU regulation referred to in the footnote has already been amended several times, the words "as amended" are added.

To Article II

Temporary provisions

To point 1:

This transitional provision stipulates that for the application of the tax, as well as the rights and obligations arising from the law for the tax period that began before the effective date of this law, the legal regulations valid until the day before the effective date of this law (existing legal regulations) shall be used.

Regarding point 2:

The transitional provision concerns the payment of the funds of the pension savings participant, i.e. the performance that was provided pursuant to Act No. 376/2015 Coll., on the termination of pension insurance, as amended by Act No. 183/2017 Coll. These payments should already be terminated, therefore their adjustment is no longer contained in the newly proposed wording of Section 4 paragraph 1 letter l) ZDP, but to be sure, a transitional provision is proposed, on

the basis of which Section 4 para. 1 lit. l) point 3 in the current wording.

Regarding point 3:

The purpose of this transitional provision is to ensure that taxpayers who concluded a contract for supplementary pension insurance with a state contribution, supplementary pension savings, pension insurance or private pension insurance before the date of entry into force of this law can continue to use the tax treatment for these products that was effective at the time of contract, including payouts from these products. In this way, there is no false retroactivity, when the tax treatment of the mentioned products would change during the existence of them, and the legitimate expectations of taxpayers are respected. However, an exception is established for setting the maximum amounts that can be deducted from the tax base as a result of contributions to these products. According to the current legislation, it was possible to deduct a maximum of 24,000. CZK paid for supplementary pension insurance with state contribution, pension insurance or supplementary pension savings and 24 thousand CZK paid for private life insurance. Given that the new aggregate limit of 48,000 CZK for all old-age savings products, it is established that the above two limits will not be applied according to individual types of products, but the new aggregate limit will also be applied to existing products (see the transitional provisions in point 6), i.e. even for these individual products it will be possible to apply more than 24 thousand CZK, if a total of no more than 48,000 is applied. CZK for all products.

Regarding point 4:

Transitional provisions are established with respect to the different regulation that applied to employer contributions to private life insurance paid before January 1, 2015 and as a result of transitional provisions to the amendment to the ZDP contained in Act No. 267/2014 Coll. still applies to these posts. These contributions are taxed in the purchase price provided by the insurance company (they are not deducted from it), if they were also included in the creation of the taxpayer's income according to Section 15b paragraph 5 letter c), their double taxation would occur. Therefore, it is stipulated that the legislation in force before January 1, 2015 will still apply to them.

Regarding point 5:

According to the proposed transitional provision, the maximum total limit of employer contributions to tax-supported old-age products that are exempt from income tax according to Section 6 paragraph 9 letter p) ZDP, as amended from the date of entry into force of this Act, i.e. the amount of 50,000 CZK, reduces by the amount of the employer's contributions exempted according to the said provision in the wording effective before the date of entry into force of this Act, i.e. by the amount of the employer's exempt contributions to pension insurance with state contribution, supplementary pension savings, pension insurance and private life insurance incurred before the date of entry into force of this Act of the law; the current legislation will apply to these contributions as a result of the transitional provision referred to in point 3. This construction ensures that the taxpayer will be exempt from employer contributions to old-age savings products in the maximum amount of 50,000. CZK.

Regarding point 6:

The transitional provision follows on from the transitional provision in point 3 and stipulates that the maximum total limit of contributions to tax-supported products for old age, which can be deducted from the tax base according to Section 15 paragraph 5 ZDP, as amended from the date of entry into force of this Act, i.e. the amount 48 thousand CZK, is also applied to contributions that the taxpayer deducts from the tax base for the given tax period in accordance with Section 15 paragraphs 5 and 6 of the ZDP in the wording effective before the date of entry

into force of this Act, i.e. the amount of contributions to pension insurance with state contribution, supplementary pension savings, pension insurance and private life insurance created before the effective date of this Act. This construction ensures that contributions to old-age savings products will always be deducted from the taxpayer's tax base in the maximum amount of 48,000. CZK, regardless of whether it is an old-age savings product under the new legislation or products under the current legislation.

Regarding the second part, Article III

Amendment to the Act on the Czech National Bank

Regarding points 1 and 2 (Section 43f paragraph 1):

Following the amendment of the ZSÚ regulating the method of determining the amount of purposefully spent costs incurred by the provider in connection with the early repayment of a consumer loan for housing, it is expressly stipulated that the publication of average loan interest rates for the purpose of determining the amount of purposefully spent costs incurred in connection with the early repayment of a consumer loan for housing according to ZSÚ, it is not a violation of the confidentiality of statistical data.

Regarding point 3 (Section 46e paragraph 3):

In its practice, the Czech National Bank has come across cases where, as a result of the statute of limitations, or formerly preclusion, the criminality has ceased. At the same time, the reason was not a delay or unreasonable delays on the part of the Czech National Bank, but a lengthy discussion of the matter by the authorities in criminal proceedings without an adequate result, or repeated or lengthy discussion of the matter as part of a judicial review. The reaction was a special legal provision in Section 46e, paragraph 3 of the Act on the Czech National Bank with a longer statute of limitations for more serious offences. It is not specific to the financial market, cf. in that context, special legislation in Section 23 of Act No. 143/2001 Coll., on the protection of economic competition and on the amendment of certain laws (the Act on the Protection of Economic Competition), as amended. However, with regard to the development of the jurisprudence of the administrative courts, there was a need to supplement the provisions of Section 46e, paragraph 3 of the Act on the Czech National Bank. First of all, it is necessary to respond to the judgment of the Supreme Administrative Court of 25 September 2020, no. 10 Afs 72/2020 - 76, No. 4091/2020 Coll. NSS, in which the court expressed the opinion that "*The length of the limitation period for those offenses where a special law does not set the upper fine rate of CZK 100,000, but only the method of calculating the fine (e.g. as a percentage of an unclear amount in advance), is one year [Section 30 letters a) of Act No. 250/2016 Coll., on liability for misdemeanors and their proceedings]*". Therefore, it is necessary to add in Section 46e, paragraph 3 of the Act on the Czech National Bank, that even where there is no monetary penalty, the upper limit of which is at least CZK 1,000,000, but the upper limit of the rate is derived from unauthorized property benefit or from the amount annual turnover (these rates typically *de facto* exceed the threshold of CZK 1,000,000), it is necessary to ensure the application of a longer limitation period. In this matter, reference can be made to the case of the company Fair Credit International, SE (black banking), which is currently pending in court, where the Banking Act does not provide for a monetary penalty for unauthorized acceptance of deposits, but derives the upper limit of the rate from only two criteria, namely the amount of unauthorized (property) benefit or from the criterion of net annual turnover. If the legal opinion of the Supreme Administrative Court mentioned above were to become consistently adjudicated, it would mean a fundamental disproportion, where in the case of the most serious offenses (where there is no monetary sanction, but the fine is derived according to other criteria)

a shorter limitation period would apply. The term "annual turnover" in this provision means, among other things, "net annual turnover" according to the ZSUD [e.g. in Section 27b paragraph 4 letter e)] or ZOB [e.g. Section 36e paragraph 6 letter e)] or "total annual turnover" e.g. according to Section 164 paragraph 4 letter b) ZPKT or Section 604 paragraph 6 letter b) ZISIF.

Regarding the third part, Article IV

Amendment to the Act on supplementary pension insurance with state contribution

Regarding points 1 to 3 [Section 2 and Section 19 paragraph 1 repealing letters f) and g)]:

The aim of the proposed amendment is to harmonize some of the conditions for participation and termination of participation in supplementary pension insurance with the conditions for participation in supplementary pension savings. Currently, a participant whose supplementary pension insurance is terminated by law if the conditions of participation are not met has the option of transferring funds to supplementary pension savings. This is the termination of the participant's permanent residence in the territory of the Czech Republic or his loss of residence in the territory of a member state of the European Union and termination of participation in pension insurance or public health insurance in the Czech Republic. The Ministry of Finance received several complaints regarding this legislation, and the European Commission also dealt with the issue. The current conditions, with regard to the mobility of citizens within the European Union and the need to preserve the rights of the participants, can be considered too harsh, especially in view of the supplementary pension savings system newly modified from 2013, where the conditions for participation are no longer tied to the conditions for entitlement to state allowance. In practice, participants in these situations are also not always properly informed about their options and thus lose their already acquired entitlements to the state contribution, and must also deal with the so-called delivery if they choose cash-out instead of transfer. The proposed change will prevent these situations.

Regarding points 4 and 5 (Section 21 paragraph 5 and Section 23 new paragraph 2):

In practice, a situation may arise when the participant and the natural person or persons specified in the contract die together, e.g. in a traffic accident. The aim of the proposed amendment is to make sure that in a situation where a party has designated a designated person in the contract, but the person has died, the procedure is similar to a situation where the party has not designated any person in the contract. The amount calculated according to Section 23, paragraph 3 ZoPP then becomes the subject of inheritance in the sense of Section 25 ZoPP.

Regarding points 6 and 7 (Section 24 paragraph 4 and Section 25):

References are changed with regard to the renumbering of paragraphs in Section 23.

Regarding point 8 (Section 27 paragraph 1):

The lowest amount of the monthly contribution is similarly adjusted according to ZDPS to CZK 100.

Regarding point 9 (new wording of Section 29):

According to the current legislation, the claims of participants in the transformed fund are already governed by the legislation for the provision of state contribution in ZDPS. With regard to the proposed changes to the conditions of participation and the termination of participation, when these cancelled conditions would have to be moved to the provisions on the provision of a state contribution, a solution referring to the ZDPS was chosen to avoid interpretive

ambiguity.

Regarding point 10 (Section 30 paragraph 1):

Newly, Section 29 no longer regulates the state contribution and only refers to ZDPS, so the reference to Section 29 is cancelled.

Regarding points 11 and 12 (Section 45a paragraph 4 and repeal of paragraph 6):

Changes are made with regard to the changes in Section 2, which is no longer divided into paragraphs and whose paragraph 2 has been repealed.

To Part Four, Article V

Change of enforcement order

Regarding points 1 and 2 (Section 34 par. 3):

When financial market entities provide cooperation to bailiffs, excess costs are incurred in practice. For example, some bailiffs send inquiries about a single debtor to all financial institutions on the financial market without any pre-selection, e.g. according to the procedure according to Section 33d EŘ. According to financial institutions, in some cases they have to process over one million requests for cooperation per year, which results in millions of costs. It is proposed to extend the regulation in Section 34, paragraph 3 of the EŘ (for financial institutions) to other financial market entities for which the EŘ uses the abbreviation financial institution (insurance companies, investment companies and investment funds, securities dealers, pension companies, pension funds according to special legal regulation and the Financial Market Guarantee System). This adjustment should solve the problem of excessive costs in the provision of cooperation, similar to how it was solved for financial institutions.

Regarding point 3 (Section 44a paragraph 2):

With regard to the renumbering of paragraphs in Section 49, the reference is corrected.

Regarding points 4 to 6 (Section 49 new paragraph 5 and amendment of paragraphs 6 and 10):

The changes in Section 34 of the EŘ lead to an expansion of the range of entities that the executor can request for cooperation in the form of automated data exchange. Just as it is proposed to create a framework for data exchange within the framework of cooperation between court bailiffs and financial institutions, it is also proposed to supplement data exchange when sending and receiving execution orders - exactly the same as for monetary institutions (banks, etc.). In paragraphs 6 and 10, the references are corrected with regard to the renumbering of paragraphs.

To Part Four, Article V

Amendment to the Financial Arbitrator Act

Regarding points 1 and 2 [Section 1 paragraph 1 new letter o) and Section 3 paragraph 1 new letter o)]:

The jurisdiction of the financial arbitrator also extends to disputes between consumers and providers of a long-term investment product in relation to the provision of this product. A long-term investment product always has the nature of an investment or deposit product, i.e. products

that already fall under the purview of a financial arbiter today. In practice, the proposed extension of scope will therefore only mean that, when deciding certain disputes that already fall within its scope, the financial arbitrator will also assess the aspect of the relationship between the provider of a long-term investment product and the owner of this product and the fulfilment of the obligations arising from this relationship.

Regarding the fifth part, Article VI

Amendment to the Act on Bonds

To point 1 [Section 6 paragraph 1 letter E]:

Redundant words are deleted in Section 6(1), because the return determined by the difference between the nominal value and the issue rate is also the return according to Section 16.

Regarding point 2 [Section 6 para. 1 letter G]:

The terminology of the requisites of bonds is specified, where the identification of the first purchaser, who is the owner of the bond only until he transfers it by endorsement (therefore, the change of owner is not indicated on the endorsement), is specified. A security is validly issued when it meets the requirements established by law and becomes the property of the first acquirer. See also Section 4 paragraph 2 ZDI.

Regarding point 3 (Section 9):

The aim of the modifications is to remove duplicates between the issue conditions and the prospectus, if it is drawn up. According to the currently valid and effective legislation contained in Section 9 ZDI, the issue conditions always contain certain requirements, at least by reference to the information contained in the prospectus. In the event that a prospectus is drawn up, the relevant information is either duplicated in the issue conditions and the prospectus, or only a reference to the information contained in the prospectus is given in the issue conditions. In our opinion, this does not provide the investor with any additional comfort or protection and unnecessarily burdens the issue conditions with information that is already given in the prospectus. In the proposed text, the obligation to refer in the issue conditions to the information provided in the prospectus is left only for the most fundamental information, for which this duplication does not represent a serious problem (paragraph 1) or for information that is relevant for individual specific cases set out in the ZDI or different types of bonds (paragraph 3). In other cases, it is proposed to remove the obligation to refer in the issue conditions to the information provided in the prospectus, with the understanding that this information should be provided in the issue conditions only if the issuer does not draw up and publish a prospectus at the same time (paragraphs 2 and 4). The scope and form of the information provided in the prospectus are governed by EU regulations.

Regarding point 4 (new Section 9a):

Regarding paragraph 1: If the bond is publicly offered, if no prospectus is published by the issue date at the latest, and if it is a so-called sub-limit issue of bonds, the issue conditions must also contain other requirements. Provision Section 9a of the ZDI is also proposed with regard to the so-called Scorecard of corporate bonds, the aim of which is to provide small investors who do not have experience with a similar form of investment, or lack more advanced financial literacy, a simple and quick tool for the initial assessment of bonds. From this non-legislative instrument, which was created by the Ministry of Finance, the legislator subsequently formulated legal provisions that must be part of the issue conditions, so that the investor can get an overview of the overall situation and creditworthiness of the issuer, the history of its

issues, the reason why it issues, etc. The addition of issue conditions in paragraph 2 in this sense aims to increase the protection of investors in bonds. The issuer must respect these obligations of the extended issue conditions whenever it does not draw up a prospectus and it is a so-called sub-limit issue, i.e. an issue of up to € 1 million.

To paragraph 2 letter a): Unlike the ZPKT, the ZDI does not use or define the term "personal data", which means the name, registered office and ID number (see the amendment made to the ZDI by Act No. 172/2012 Coll.), therefore it is not clear whether data identifying the issuer according to Section 6 ZDI, they also include its seat. Although the issuer's registered office can be found in the commercial register, it is proposed to simplify and avoid possible interpretation difficulties that the registered office is listed in the issue conditions of sub-limit bond issues.

To paragraph 2 letter b): Bonds are currently also issued by recently established companies, for which the risk of not being able to meet their obligations is higher than for companies that have been operating for a long time. Another problem is the difference between the date of commencement of the issuer's activity and the date of its creation, as the issuer can purchase a so-called "ready-made" company that was not active but was founded, for example, five years ago. Another thing is purpose-built companies financing companies within the holding, which also do not have a long history. The indication of the year and month of the start of activity will help investors to better evaluate the risk associated with short-term operating companies and in the case of purpose-built companies, together with other points of this proposal, indicates the need to check the guarantee statement, financial guarantee and consolidated results of the group.

To paragraph 2 letter c): The main subject of the issuer's activity allows the investor to get a better idea of the sector in which the issuer does business. Based on such information, the investor evaluates the potential of the industry, the company's position on the market, market saturation and other information. This, in context with other information, provides a more comprehensive view of the issue.

To paragraph 2 letter d): The amount of the minimum investment has the main objective of informing the investor about the minimum amount he must spend on the purchase of the bond. The investor may be interested in this primarily from the point of view of diversification, when he distributes his funds among several investments with a limited investment budget. The main reason is therefore an increase in awareness, which contributes to the overall evaluation of the issue.

To paragraph 2 letter e): The main reason for the inclusion of this provision (the total volume of the issue) is again to increase awareness, which contributes to the overall evaluation of the issue, primarily from the point of view of future financial-analytical projections.

To paragraph 2 letter f): The purpose of the issue, together with the business plan, inform about why the company issues bonds, or it answers the question of why the company borrows. Also based on this, it is possible to better assess the probability of return of the investor's funds in the overall context of the issue. The purpose of the issue should be one of the first pieces of information that an investor checks, as he should invest in fields he understands or can obtain enough information about.

To paragraph 2 letter g): The planned ratio of debt to equity (active debt policy) is a very important factor for the investor. An investor usually lends money to a company when it makes sense for him, but if the company becomes twice as much in debt in the next period and the investor would know this in advance, then he would probably not invest in such a company. It is proposed to tie this ratio to 12 months before the maturity of the bonds, so that the issuer has at least 12 months to refinance the given bond issue and there is no violation of the issue

conditions.

To paragraph 2 letter h): The prospectus provides the investor with important and additional information. If the prospectus has not been approved by the CNB or the supervisory authority of another EU member state, this information should also be communicated to the investor.

To paragraph 2 letter i): Provision Section 21a of the Accounting Act regulates the mandatory publication of financial statements for accounting entities that are registered in the public register, or for those for which this is stipulated by a special regulation. In practice, however, it happens that not all issuers publish their financial statements or do not publish them in due time. It is therefore proposed that the issue conditions also contain this information on the issuer's annual accounts and financial statements. It is necessary to publish the financial statements, or the annual report, for the last 2 accounting periods, and since these two accounting periods usually also contain a reference to the previous period, it is therefore possible to take into account the situation retrospectively for the last 3 years. The audited financial statements then determine the correctness and increase the credibility of the data, while if the auditor's opinion is qualified, the assumption of the company's continued existence is called into question. The *cash flow* statement provides information about the company's income and expenses, and therefore about the actual movement of funds - its existence is a very important addition to the balance sheet and profit and loss statement, as it is based on this statement that it is possible to better determine, for example, the issuer's ability to pay. All the information included in this provision thus aims at the necessary increase in transparency and a higher ability to evaluate risks on the part of the investor through financial analysis.

To paragraph 2 letter j) and k): A very important provision is added, especially with regard to holding structures and purpose-built companies financing companies within the holding. In case the bonds are issued by subsidiaries, it is important to assess the issue from the point of view of the holding structure using consolidated statements and guarantees. In the case of a guarantor statement or financial guarantee from the parent company, the investor also checks this guarantor. Therefore, it is important to attach such facts and financial statements. All the information included in this provision thus aims at the necessary increase in transparency and a higher ability to evaluate risks on the part of the investor through financial and strategic analysis.

To paragraph 2 letter l): Distributors and arrangers of the issue are also indicators by which the quality and riskiness of the issue can be assessed. If it is an established large, well-known, renowned institution under the supervision of the CNB, it will not automatically be a risk-free investment, but it will definitely be an investment with a probably lower risk than in the case of a distributor (person, institution) who is not the CNB supervised. The name, address and identification number of these persons helps the investor to orientate and distinguish the persons offering the issues.

To paragraph 2 letter m): Collateral is considered an important factor when buying a bond, especially if the issuer is already in debt. The importance of collateral increases with the likelihood of repayment problems. In the case of buying a bond from an issuer with a higher credit rating or worse financial results/indicators, collateral is absolutely essential. Information about how the repayment of the owed amount is secured or unsecured is very helpful in choosing and investing in the bond and potentially reduces losses in the event of default.

To paragraph 2 letter n): The company's management and information about its individual members point to the transparency, quality, capabilities and experience of the company. In practice, it may also happen that members of the management bankrupt one company and then start or start working for another, which may or may not indicate risk. Publishing information

about individual members of management helps investors in the overall evaluation of the issue.

To paragraph 2 letter o) ap): Enshrining this provision is particularly important with regard to holding structures and purpose-built companies financing companies and subsidiaries within the holding. In the event that the bonds are issued by subsidiaries, it is important to assess the issue from the point of view of the holding structure using consolidated statements, guarantees and the overall ownership structure. This, among other things, helps the investor to find out, for example, whether or not the owner is a fraudulent person, information about the companies within the holding, related risks, etc.

Regarding paragraphs 3 and 4: With regard to transparency and increased investor protection, it is proposed that the issuer or other person offering the bond be obliged to publish the issue conditions on their website.

Regarding point 5 [Section 10 para. 2 letter b):

It is proposed that in cases where only changes of an administrative or technical nature are involved, or if it is a change that does not affect the bond owners negatively, the issuer is not obliged to convene a meeting of the bond owners. This change is intended to provide greater flexibility without affecting investor protection. When changing the issue conditions in accordance with these points, the issuer will have to proceed with considerable caution, precisely with regard to possible future disputes with bond owners. However, this does not mean that this amendment will not be used in practice by issuers under certain conditions, precisely for the purpose of administrative changes (change of the issuer's registered office or other data of the issuer or one of its agents, etc.) or correction of certain errors in the issuance conditions. The original wording "to a change that does not concern the position or interests of the bond owners" did not work in practice precisely because it did not allow for changes to the issue conditions that would have a neutral or even positive impact in relation to the bond owners.

Regarding point 6 [Section 11 paragraph 3 letter and):

This is a legislative-technical change to links.

To point 7 [Section 16 letter C):

Section 16 specifies that the premium may also consist of compensation for early repayment (the so-called make whole clause).

Regarding points 8 to 10 (Section 20 par. 3 and 4):

In Section 20, paragraphs 3 and 4, it is possible to designate the collateral agent at a later date. Terminology in relation to the terms "data necessary for identification" and "identifying data" is also unified.

Regarding point 11 (Section 21a paragraph 2):

This is a legislative-technical change returning a legislative abbreviation that was omitted by mistake.

Regarding point 12 (Section 22 paragraph 3):

Section 22 paragraph 3 regulates the method of convening a meeting of bond owners, so that it is possible to convene this meeting in a different way than just by publishing it on the issuer's website.

Regarding point 13 (Section 22 paragraph 4):

Section 22, paragraph 4 specifies that the convenor may also be another person different from

the issuer and the owner of the bond (e.g. a representative of the bond owners).

Regarding point 14 (Section 23 paragraph 2):

In Section 23, paragraph 2, a shortening of the deadline for convening a substitute meeting is proposed and related issues are resolved.

Regarding point 15 (Section 23 paragraph 5):

The provision is liberalized in favour of the issuer. The legal regulation of the right of the bond owner, who did not agree to the change of a fundamental nature adopted at the meeting of owners or did not participate in the meeting and with regard to this could request early repayment of the nominal value of the bond, is proposed as dispositive. Here, the law quite rightly gives the option of early repayment to bondholders who voted at the meeting against the proposal for a change of a fundamental nature, i.e. exercised their voting right, but were outvoted by the majority of other bondholders. Adjustments are also being made, especially in relation to the so-called *make whole clause* (the issuer's obligation to pay future revenues in their current value upon early repayment).

Regarding point 16 (Section 23 new paragraph 6):

MREL (Minimum Capital Requirements and Eligible Liabilities) type bonds should be excluded with respect to the right of early repayment.

Regarding point 17 (Section 23 par. 7):

This is a legislative-technical change, the link is corrected following the insertion of a new paragraph.

Regarding point 18 (Section 23 new paragraph 9):

A new information obligation is added in relation to the dispositive provisions, where the obligation of the issuer to inform about the exercised discretions is introduced either in the prospectus or in the way in which it made the issue conditions available.

Regarding point 19 (Section 24 paragraph 5):

This is a legislative-technical change, which unifies the terminology in relation to the terms "data necessary for identification" and "identifying data".

Regarding point 20 (new Section 24b):

The new Section 24b regulates *per rollam decision-making* (modeled on the Act on Business Corporations), the necessity of which was particularly demonstrated by the COVID-19 pandemic.

Regarding items 21 to 24 (Section 25 paragraph 7 and Section 26 paragraph 1, 2 and 3):

These are mainly changes of a legislative-technical nature, where references are corrected with regard to changes in Section 9 ZDl. Today's Section 9, paragraph 1, letter n) ao) ZDl [new Section 9 paragraph 1 letter h) ai) ZDl]. In Section 26, paragraph 1 of the ZDl, it is proposed to simplify and speed up the process of issuing government bonds, when it is proposed to publish the issue conditions on the website, and no longer in the Collection of Laws. Section 26, paragraph 3 of the ZDl deals with the possibility of adjusting for international issues of sovereign bonds similar to meetings of bond owners, so-called Collective Action Clauses (CACs), when some basic parameters of the issue can be changed with the consent of the bond

owners.

Regarding point 25 (Section 26 paragraph 4):

Current legislation entrusts the sale of government bonds issued under Czech law exclusively to the CNB. However, the CNB ensures the sale of government bonds by organizing auctions. However, this format can in some cases be limiting for the issuer (e.g. foreign currency issues under Czech law, non-public offer, etc.). As there is no material justification for limiting the way in which government bonds are sold under Czech law, it is proposed that the range of entities that could sell government bonds be expanded. There are no restrictions on how they can be sold on the primary market for other types of bonds either. The sale of government bonds through another person will be carried out on the basis of an agreement between the Ministry and the CNB, as significant sales can affect pricing and the stability of the financial market.

Regarding point 26 (Section 26 new paragraph 9):

Government bonds represent a safe form of savings for minors, and investing funds in them can be considered a routine matter when managing a minor's wealth. The proposed provision is inspired by a similar regulation in relation to building savings, which, due to state guarantees, is also associated with low risk and minimal costs, and there is no need to protect the interests of minors by court approval of the parent's action. The purpose of the amendment is, also following the amendment to the Civil Code effective from 01/07/2021, to limit the necessity of judicial decision-making in matters that fall under parental responsibility when managing the property of minors. The proposed amendment is limited to acquisition from the issuer, i.e. without the consent of the court, a parent would not be able to sell bonds to their child; but can donate without consent (no damage occurs). Dispositions with bonds (sale, mortgage, donation by parents or a third party), i.e. especially actions outside the relationship between the issuer and the owner, also require the consent of the court.

Regarding point 27 (Section 28aa paragraph 7):

It is proposed to use the discretion under Article 16(5) of Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issuance of covered bonds and public supervision of covered bonds and amending Directives 2009/65/EC and 2014/59/EU and explicitly stipulate that for extended maturity, for the purposes of the liquidity reserve (maximum cumulative net outflow of liquidity for the next 180 days), it is based on the final maturity date (*final or extended maturity date*) and not on the regular maturity date (*maturity day*), which is currently also confirmed by the CNB in its interpretation. This interpretation is and was one of the reasons for choosing an extendable maturity structure, e.g. in the case of issue ISIN XS2289128162. The use of the proper maturity date would practically lead to a significant increase in the volume of cover assets in the covered block in the period of 180 days before the proper maturity.

Regarding point 28 [Section 30d paragraph 4 repeal of letter c)] :

It is proposed to omit the approval of the issue conditions for covered bonds, when Directive 2019/2162 does not require this, and in the case of issue conditions according to foreign law, it is not even possible to ensure compliance of the issue conditions with Czech law. Practical problems also arise with the joint issue conditions of bond programs.

Regarding point 29 (Section 34):

The provision clarifies the definition of a subordinated bond and lays down the rules for satisfying debts from subordinated bonds. It is specified that their subordination is not only manifested in the case of liquidation or insolvency, but also in other cases. These cases should

be specified in the emission conditions for the avoidance of doubt.

Regarding items 30 to 36 (Section 35, 36 and 36a):

The terminology for collection bonds is being clarified with regard to the identified problems (see e.g. here: T. Sedláček, Z. Husták, T. Johanna: Isn't it time for another amendment to the collection bond? in Bulletin Advokacie 12/2020, available online here: <https://advokatnidenik.cz/2021/01/03/nenastal-cas-pro-dsi-novelizaci-sberneho-dluhopisu/>).

Regarding points 37 to 39 (heading of part four, new Section 40a and amendment of Section 41):

The provision is supplemented with regard to administrative punishment in relation to the new Section 9a ZDl. Violation of the rules for the prospectus can be fined up to 10 million CZK, here the severity is lower, therefore a fine of 1 million CZK is proposed.

To Article VIII

Transitional provision

The traditional transitional provision is added, which ensures that the new regulation will not be applied to bonds whose issue date precedes the effective date of this new regulation.

Regarding the seventh part, Article IX

Amendment to the Act on Business on the Capital Market

Regarding points 1 and 2 (Section 6a par. 2 and 3):

Following the amendment of the provisions of Act No. 96/2022 Coll. it is taken into account that Section 8a of the ZPKT has been fundamentally revised, and the previous references are no longer applicable.

Regarding point 3 (Section 12e paragraph 3):

ZPKT as amended until the amendment made by Act No. 96/2022 Coll. established the annual periodicity for submitting the auditor's report. After the entry into force of this law, this provision was changed, the purpose of which was to specify the provision in such a way that it made the auditor's responsibility clear and that his potential disciplinary action was possible. The purpose of the amendment was not to change or limit the frequency of submitting reports. Currently, the periodicity of submitting the report is not determined at all, as implementing decree No. 163/2014 Coll., regulates with regard to the authorization in Section 12f letter b) ZPKT only the deadline for submission of reports, not the periodicity of submission (in contrast to e.g. Section 16 paragraph 7 ZPKT, where it is expressly stated that in addition to deadlines, the periodicity of submission should also be determined in the implementing decree). Therefore, it is proposed to specify Section 12e paragraph 3 ZPKT so that the auditor's report on the protection of customer assets is prepared and provided to the CNB at least once a year.

Regarding point 4 (Section 12h paragraph 4):

The above information (on the differences in the remuneration of women and men and the number of employees whose remuneration reaches an amount corresponding to at least €1,000,000 in one accounting period) should be sent to the CNB via the SDAT collection system, not by data mailbox. Therefore, it is proposed to replace Section 12 paragraph 4 ZPKT with an authorization for the CNB to determine the method of sending information according

to paragraphs 2 and 3 by decree.

Regarding point 5 [Section 12l paragraph 6 letter b)] :

It is proposed to correct the transposition of Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and on the amendment of Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (hereinafter " IFD "). According to the current wording of the provisions of Section 12l paragraph 6 letter b) ZPKT, which is supposed to be a transposition of Article 32 paragraph 4 letter b) IFD applies that the rules contained in the provisions of Section 12l paragraph 1 letter j) al) and paragraph 5 (in the IFD these are the rules contained in the provisions of Article 32 paragraph 1 letter j) and l) and the third subparagraph paragraph 3) regarding the variable component of remuneration "apply only to a natural person, *whose annual variable remuneration component exceeds the amount corresponding to EUR 50,000 and does not represent more than one quarter of the total annual remuneration of that person*". In contrast, Article 32 paragraph 4 letter b) IFD stipulates that the rules referred to in Article 32 paragraph 1 letter j) al) and the third subparagraph of paragraph 3 " *shall not apply to an individual whose annual variable remuneration component does not exceed EUR 50,000 and does not represent more than one quarter of the total annual remuneration of that individual*". Rules according to Section 12l paragraph 1 letter j) al) and paragraph 5 ZPKT will therefore apply if the variable component of the remuneration is higher than EUR 50,000 and at the same time lower than or equal to one quarter of the total annual remuneration. However, according to the IFD, the rules set out in the provisions of Article 32 paragraph 1 letter j) al) and the third subparagraph of paragraph 3 shall apply in all cases, except for those where the variable component of the remuneration is less than or equal to the amount of EUR 50,000 and at the same time less than or equal to one quarter of the total annual remuneration. With regard to the inconsistency of the two provisions, it is proposed to amend the provision of Section 12l paragraph 6 of the ZPKT so that it corresponds to the relevant provision of the IFD.

Regarding point 6 (Section 14a paragraph 3):

It is proposed to limit the exemption from personnel requirements for persons dealing with professional customers only to proving professional competence according to Section 14b ZPKT, not trustworthiness. The intention of the ZPKT amendment implemented by Act No. 119/2020 Coll. according to the explanatory report, it was specified "that the rules regarding professional competence, in particular the obligation to have a professional examination, apply only to persons dealing with small customers." The purpose was therefore not to waive the requirement for the trustworthiness of persons dealing with professional customers, which, however, by excluding the application the entire Section 14a paragraph 2 ZPKT became. It is therefore proposed to limit the exception for persons dealing with professional customers only to the application of Section 14b ZPKT, which was the original intention of the proposer of the ZPKT amendment implemented by Act No. 119/2020 Coll. In fact, it is essential that only trustworthy persons operate on the financial market. The fact whether they deal with retail investors or other investors is not essential, as in both cases the lack of credibility can undermine the general credibility of the financial market.

Regarding points 7 and 8 (Section 17 par. 1 and 2):

The text of the provision is amended so that its wording corresponds to the wording of Article 16, paragraph 7 of the MiFID II Directive (2014/65/EU), and therefore reverts to the wording that was valid from 3 January 2018 to 1 May 2020. At the same time, it is ensured that the securities trader is not obliged to keep records beyond the scope of mandatory records. The reason is, on the one hand, to remove doubts about the scope of the obligation to make recordings of telephone calls, and on the other hand, to remove the associated risk of an

unjustifiably burdensome regulatory transposition of the aforementioned directive, the so-called *gold plating*. The current legislation causes confusion among the professional public and is the subject of many discussions. On 16 December 2022, the CNB issued an explanatory document entitled "CNB access to records of telephone calls and electronic communications in the provision of investment services". In this document, she explained in detail her expectations regarding the recording of phone calls. According to the CNB, if an employee of an investment service provider gives a phone number to customers, then all communication on that phone number must be recorded, even if the specific call is not related to the provision of investment services. Therefore, the CNB does not allow the practice of an employee activating recording only if a specific call relates to the provision of investment services. The CNB does not rule out the use of non-recorded phones by employees, but these phone numbers must not be given to customers, and providers must ensure that customers cannot call these phone numbers. The extensive scope of the obligation to acquire and store records of telephone conversations leads to a fundamental increase in costs on the part of investment service providers (i.e. the costs of the technical solution itself, but also of the staffing of control activities), which in the case of some smaller companies can even be liquidating. This puts investment service providers at an unjustified disadvantage vis-à-vis other financial service providers (e.g. when distributing investment life insurance, the obligation to record is not established at all), but also vis-à-vis foreign entities when other EU member states do not impose such extensive requirements.

Regarding point 9 (Section 18 paragraph 3):

In the referenced provisions, there is no reference to Section 6aa ZPKT, although this provision also regulates the specific business authorization of a securities trader beyond the scope of providing investment services. A possible change in the subject of business to the extent pursuant to Section 6aa ZPKT should not have an impact on the provision of investment services, similarly to the way that a change in the subject of business does not have an impact according to other provisions that allow a securities dealer to operate beyond the scope of investment services. It is therefore proposed to include Section 6aa ZPKT (the right of a securities trader to perform the activities of an investment fund administrator) among the provisions in the case of which a change in the subject of the securities trader's business is not a reason for the termination of the provision of investment services and settlement of customers' assets.

Regarding point 10 (Section 29 paragraph 4):

With regard to the fact that an investment intermediary can pass on instructions regarding the securities of qualified investor funds to an investment company managing a qualified investor fund, there is no reason to exclude the possibility of passing on instructions to self-managed qualified investor funds as well.

Regarding point 11 (Section 43):

Correcting the reference to the moved provision.

Regarding point 12 (Section 90f):

The text of the provision is being unified with a similar provision in the Act on Payment Systems, so that similar obligations in financial market laws are formulated uniformly.

Regarding point 13 (Section 90g par. 3 and 4):

This is a legislative and technical amendment (editing the link).

Regarding point 14 (new Section 90k):

As part of the control of compliance with the prudential requirements of crowdfunding

providers, it is not possible to rely on the supervised entity's own calculation, but external verification is necessary. Since there is no other such verifier in the Czech Republic (*national supervisor*, see Article 11, paragraph 8 of Regulation (EU) 2020/1503 on crowdfunding, the so-called ECSPR), it is appropriate to establish the obligation of verification by an auditor in order to properly adapt the ECSPR. Despite the fact that prudential reporting is assumed, in which the CNB will request data pursuant to Article 11, paragraph 8 of the ECSPR, in order to comply with the ECSPR regulation, it is necessary that the accounting statements are always independently verified. It is therefore proposed to establish the obligation for providers of group investment (*crowdfunding*) services to have their financial statements verified by an auditor.

Regarding point 15 (new part twelfth, Section 134g to 134j):

Regarding the twelfth part: A new adjustment of the so-called long-term investment product is inserted, which is a collective name for already existing financial products that enable the creation of savings for old age. This is an alternative to the already state-supported financial products on the financial market (participation/transformed funds and life insurance) aimed at accumulating assets for security purposes in the post-productive age. One of the motives is the World Bank's report on the capital market in the Czech Republic, which recommends the development of the capital market in the Czech Republic and according to which a key step to stimulate investors' interest in the capital market would be the introduction of some form of "individual savings account" (individual savings account, ISA).. An ISA type account is widely used in developed markets and helps to create greater investor interest in managing their retirement savings. By supporting this product, the state would enable citizens to invest in other financial products that can offer a higher possible appreciation, albeit at the cost of a higher risk of devaluation of the invested funds. As part of this product, it would be possible to register, for example, shares, bonds, shares in an investment fund or in a foreign investment fund, bank accounts (receivables for payment of funds from an account in Czech or foreign currency) or hedging derivatives used to cover interest or currency risks. The 120+60 rule (the product cannot be cancelled or withdrawn before the age of 60 and the product must be contracted for at least 120 months) would be maintained even if the assets within this account were "transformed", for example if shares were sold and bonds would be bought for them, or the money obtained would be deposited in a bank account. Similarly, it will be possible to change the portfolio of investment funds and possibly dispose of the money obtained from the repayment of bonds. If there was a violation of the 120+60 rule, there would be an obligation to tax the funds thus collected as income (untaxed funds were deposited into the account).

The long-term investment product is new especially from the point of view of tax support, otherwise it is just a kind of superstructure for existing products – existing products will be registered within this product and the same rules will apply to them. The business authorization of individual entities is not extended. The introduction of a long-term investment product does not affect the existing legal obligations, only new obligations relating only to the long-term investment product are added. The provider of a long-term investment product can use outsourcing services, existing rules apply here. The provider of the long-term investment product is responsible for managing it, as the obligation to provide this product stems from the long-term investment product contract. Only the provider of the long-term investment product has a relationship with the owner of the long-term investment product (and is thus also responsible for the outsourcing provider). The introduction of a long-term investment product does not affect the actual provision of related financial services.

Any dispute may be resolved alternatively before a financial arbitrator.

Regarding Section 134g: The provision establishes the basic parameters of a contract on a long-term investment product. The provider of the long-term investment product hereby undertakes

to provide its services as a long-term investment product for its owner. If he is not authorized to receive deposits from the public, he records the funds held in the bank account. If he is not authorized to hold investment instruments, he entrusts someone else with their possession (custody, storage, management) and records their number and type himself [this is not the maintenance of follow-up records, rather it is a similar record according to Section 71 paragraph 1 letter c) of the Act on Investment Companies and Investment Funds]. Furthermore, it is ensured that each long-term investment product always has exactly one manager. This does not exclude the delegation of part of the activities to another person, but the overall responsibility (including for this delegation) is borne by the provider of the long-term investment product.

Regarding Section 134h: Considering that the regulation provides for tax benefits for this financial product, including the effects in cases of early withdrawals from this product, the obligation of the manager of this product to strongly warn the owner of the long-term investment product about the tax effects in the event of a threatened return of tax support and request a written confirmation of understanding with these consequences, before the asset is withdrawn from the long-term investment product. Violation of this duty is an offence. Other obligations derive from the regulation in the ZDP, and the violation of these obligations has tax consequences (for example, the removal of assets without corresponding compensation).

Regarding Section 134i: The provision regulates which financial products can constitute property registered as part of a long-term investment product. First of all, these are monetary resources, whether in the form of cash or cash accounts. These are also investment securities, typically shares and bonds or investment certificates, or money market instruments (bonds with a maturity of up to 1 year). It can also be securities issued by investment funds and foreign investment funds. Due to the need to hedge currency or interest rate risk, hedging derivatives are also allowed to be recorded on the product. When selling property that is registered as part of a long-term investment product, the cash received for the sale remains in the product, as well as income from the property and other performance from held investment instruments.

Regarding Section 134j: Following the example of Section 10, paragraph 3 of the ZDPS and Section 51 of Act No. 170/2018 Coll., on the distribution of insurance and reinsurance, as amended, the prohibition of discrimination against employees in the selection of employees is also added to the ZPKT in relation to long-term investment products old age savings product. The main objective is primarily that the employer does not condition the provision of the employer's contribution to the conclusion of a contract with a specific provider of a long-term investment product. Promotion is not prohibited. The employer may not accept an incentive, but it is not excluded to provide an incentive (for example, favouring one's own product).

To point 16 (Section 136a)

It is proposed to remove the reference to Section 156 ZPKT, when this provision was abolished by Act No. 353/2021 Coll.

To point 17 (new Section 158a)

In connection with the modification of the ban on influencing employees when choosing a provider of a long-term investment product in Section 134j ZPKT, related offenses are established.

Regarding items 18 and 19 (Section 163, paragraphs 4 and 7):

By inserting the new part fifteen into the ZPKT, a number of obligations are imposed on the persons listed there, i.e. providers of a long-term investment product, some of which should be enforced by public law sanctions, as mere private law sanctions would clearly be insufficient and these are public law obligations. That is why related offenses are adjusted to the selected

obligations. The penalty for breaching the obligations of the above-mentioned persons is a national fine of up to 5 million CZK.

To point 20 (new Section 163b)

In connection with the modification of the ban on influencing employees when choosing a provider of a long-term investment product in Section 134j ZPKT, related offenses are established.

Regarding item 21 (Section 164, paragraph 3)

References to Section 16 paragraph 4 and Section 16a of the ZPKT are added, which also contain information obligations, the failure of which should be an offence.

To point 22 (new Section 173b)

With regard to the new obligation in Section 90k ZPKT, it is proposed to add a related offense as well.

Regarding points 23 and 24 (Section 199 par. 2 and 6)

The reference to the new authorization in Section 12h ZPKT is added and the references to the already repealed provisions are removed.

To Part Eight, Article X

Amendment of the Insolvency Act

Regarding points 1 to 3 (Section 82 paragraph 6, Section 113 paragraph 3 and Section 118 paragraph 3):

This is a legislative technical adjustment. Due to the better systematization of the law, the obligations listed in these provisions are moved to the new Section 388e.

Regarding point 4 (Section 172 paragraph 2):

The purpose of the proposed amendment is to include in the relevant regulation also receivables from subordinated bonds issued under the law of a foreign country.

Regarding point 5 (Section 247):

This is a legislative technical adjustment. For reasons of better systematization of the law, the obligations specified in this provision are moved to the new Section 388e.

Regarding point 6 (Section 388d and 388e):

In the second part, a new Chapter V is inserted, regulating the notification of the CNB in the event of an action by the insolvency court (initiation of bankruptcy proceedings, declaration of a moratorium, etc.) concerning special entities.

In Section 388d, these special entities are persons according to Section 367, paragraph 1 (for example, banks, savings and credit unions or securities traders), participants in a payment system with irrevocable settlement, etc. This is a clarification of the transposition of Directive 98/26 of the European Parliament and of the Council /EC of May 19, 1998 on the irrevocability of settlements in payment systems and securities settlement systems. If bankruptcy proceedings are initiated or a bankruptcy decision is issued for one of the listed entities, the insolvency court is obliged to inform the CNB.

Section 388e then lists some other cases when the CNB is to be informed by the insolvency court. This obligation is not being introduced anew, it is only being moved from individual

provisions to one comprehensive one due to a better systematization of the law.

To Article XI

Transitional provision

The transitional provision is intended to deal with the satisfaction of claims already registered, to which the new regulation should not apply due to the preservation of legal certainty.

To Part Nine, Article XII

Amendment to the Act on Supplementary Pension Savings

Regarding point 1 [Section 3 new letters s) and]]:

New definitions are added following the amendment of the alternative investment fund, namely the definitions of commodity and commodity derivative.

Regarding point 2 (Section 13):

In connection with the provision of state allowance to participants in supplementary pension insurance and supplementary pension savings, it is now not taken into account whether the participant is a pensioner. Due to the setting of the conditions for entitlement to state allowance, it is common practice that after the entitlement to benefits has arisen, the participant withdraws funds and concludes a new contract, and after meeting the conditions for benefits (the allowance payment period is 60 months, the age has already been reached - 60 years old) can continue in this way the so-called spinning of contracts in the long term. However, supplementary pension savings (or supplementary pension insurance) is not intended to serve as a short- or medium-term product with state support, but rather as a means of long-term postponement of consumption in order to pay out funds during the retirement age to mitigate the drop in financial income that occurs with retirement can join, i.e. as a supplement to the state pension from the 1st pension pillar.

Regarding points 3 to 5 (Section 14):

It is proposed to increase the lower limit of the participant's allowance, the achievement of which is necessary to be entitled to a state allowance, from the current CZK 300 to CZK 500 per month, and the upper limit of the participant's allowance to achieve the maximum amount of the state allowance from the current CZK 1,000 to CZK 1,700 per month. This is to take into account the general increase in wages that has occurred since the last adjustment in 2013, and to incentivize participants to make higher contributions. At the same time, it is proposed to set the amount of the state contribution as a linear amount of 20% of the participant's contribution. The goal is for the proposed change to be as neutral as possible in terms of impact on the state budget. The calculation of the impact on the state budget is based on the possible reaction of the participants, which, however, is difficult to predict, at most an estimate can be made based on how the participants reacted to the last change of borders in 2013.

To point 6 [Section 15 paragraph 1 letter E):

It is proposed to expand the defined purpose of the administration and operation of the supplementary pension savings information system (and related data kept in it) in Section 15 paragraph 1 ZDPS. According to the current legislation, the supplementary pension savings information system is managed and operated for the following purposes: a) performance of state supervision over compliance with the obligations set forth in this Act in connection with the provision and return of the state allowance; b) processing of the application for the provision

of state allowance and possible corrections of this application; c) processing of the report on the return of the state contribution by the pension company to the Ministry and d) keeping data on the participants. In addition to the above, it is also desirable to add statistical purposes. The processing and publication of more detailed statistical data can encourage the participants to, by III. of the pension pillar contributed a higher amount.

Regarding point 7 (Section 15 paragraph 3):

In connection with the adjustment of the conditions for the provision of the state allowance, the Ministry of Finance will also keep data on the granting of old-age pensions from the Ministry of Defence, the Interior and Justice in the supplementary pension savings information system, since the pensions of professional soldiers, policemen, firefighters, members of the Security Information Service and the Prison Service services are not decided by the CSSA.

Regarding points 8 and 9 (Section 20):

With regard to the objective of supplementary pension savings as a long-term financial product, the minimum savings period required so far to qualify for some benefits has proven to be too short. The extension of the required period of payment of contributions also takes into account the OECD recommendation for III. pension pillar. The change in conditions will apply to contracts concluded after the amendment to the law came into effect. Also fixes the footnote link.

Regarding points 10 and 11 (Section 24 new paragraphs 2 and 3 and Section 25 new paragraph 2):

The purpose of the proposed amendment in Section 24, paragraph 2 of the ZDPS is to remove interpretive ambiguities regarding the possible combination of benefits from part of the funds in the supplementary pension savings according to the ZDPS. According to the current wording of Section 24 paragraph 1 letter a) ZDPS one-time settlement belongs to the participant under the conditions according to Section 20, paragraph 3 of ZDPS, and if the payment of the benefit specified in Section 19 letter a), b), e) or f) ZDPS; whereby the participant can choose a combination of a one-time settlement payment and one of the benefits listed in Section 19 letter a), b), e) or f) ZDPS. In practice, however, the benefit combination institute is also used in a different way than intended, namely for the repeated division of the participant's funds, when part of the funds is paid in the form of a pension and the participant continues to save with the rest, while in the case of repeated requests for the payment of a pension for a specified period of time from parts of the funds are repeatedly applied for the same months of the savings period. With regard to the above, Section 24 ZDPS ensures that the funds of a participant can be divided only once, namely when all funds of a participant who fulfils the right to a one-time settlement are settled. In the given case, it will be a matter of dividing the funds into two parts [a one-time settlement in combination with one of the benefits listed in Section 19 letter a), e) or f) ZDPS], the payment of which will start at the same time.

Regarding changes in Section 24, paragraph 3 and Section 25, paragraph 2 ZDPS: In practice, a situation may arise when the participant and the natural person or persons specified in the contract die together, e.g. in a traffic accident. The aim of the proposed amendment is to make sure that in a situation where a party has designated a designated person in the contract, but the person has died, the procedure is similar to a situation where the party has not designated any person in the contract. The one-time settlement then becomes subject to inheritance.

Regarding point 12 (Section 25 paragraph 4):

The current wording of Section 25, paragraph 4 of the ZDPS, in particular the specification of the time period in which the right to a partial selling price arises, can lead to interpretive

ambiguities. It is not clearly established whether a claim for a partial purchase allowance can arise even before reaching the age of 18. That is why Section 25, paragraph 4 of the ZDPS is proposed to be amended so that the application for partial withdrawal can be submitted within a precisely specified period until the day when the participant reaches the age of 18. This unequivocally establishes that all participants can claim a partial purchase price within the same period of time. Determining the possibility to submit a request for a partial withdrawal only after reaching the age of eighteen is also appropriate given that the participant will usually already be fully autonomous. Furthermore, it is proposed to amend Section 25, Paragraph 4 of the ZDPS so that no state contributions will be paid to the participant as part of the partial sales allowance and all state contributions will remain in the participant's personal pension account, as the current wording of the provision in question may also lead to a different interpretation.

Regarding point 13 (Section 60, paragraph 4):

Fixes case for better clarity of provisions.

Regarding point 14 [Section 77h letter e)] :

The purpose of the proposed change is to increase the legal certainty of financial market participants supervised by the CNB in the area of registration of contracts on supplementary pension savings, which results from Section 77h letter e) ZDPS. At present, the rules relating to the content of records of contracts on supplementary pension savings are specified by the Czech National Bank staff's response, which does not have the nature of a legal act, and the court and possibly even the banking board of the Czech National Bank may take a different opinion. This has the effect of disrupting the predictability of legislation and the legal certainty of financial market participants. For this reason, it is proposed that the content of records of contracts on supplementary pension savings be determined by a decree in a similar way as it is, for example, in the case of investment intermediaries in Decree No. 308/2017 Coll.

Regarding point 15 (Section 94 new paragraph 3):

The change responds to the introduction of a new type of dynamic participant fund - the so-called alternative fund, and ensures pension savings participants that the pension company will create more types of funds, not just conservative and dynamic. The aim of this regulation is to prevent all existing participating funds from converting to alternative funds with lower regulation. From the point of view of ZDP, the alternative participation fund is a fund of a pension company according to Section 17 paragraph 1 letter e) ZDP, and is therefore a separate taxpayer. From the point of view of Act No. 235/2004 Coll., on value added tax, as amended, the alternative participation account is subordinated to the term "participation fund".

Regarding point 16 (Section 98, paragraph 5):

It is proposed to remove the obligation for the conservative participation fund to be fully insured against currency risk and to establish a 1% tolerance. In the event that a conservative fund invests in foreign currency assets, due to changes in asset valuation, accrued interest, etc., it is not possible to ensure 100% hedging against currency risk at all times. In practice, this leads to constant minor violations of this limit and formal reporting of violations by pension companies and depositories, without the possibility of correcting this violation.

To point 17 (new Title VI – Section 108a to 108c):

Legislation is being introduced for a new form of participation fund, which can be oriented towards very dynamic investments, the so-called alternative participation fund.

Regarding Section 108a and 108c: The investment options of an alternative participating fund are adjusted, which are wider than in the case of a regular participating fund. For example,

investments in public infrastructure (see the definition of the term in the Construction Act), in real estate or in unlisted companies are explicitly allowed. It is assumed that the property that will actually be invested in will be more specified within the statute of the alternative participating fund and the chosen investment strategy will be appropriately communicated to the client. The intention is to enable more competition between pension companies. They are expected to continue to act with professional care and in the best interests of the participants.

Regarding Section 108b: Participating funds have the amount of fees regulated by law, which is, however, an important limit in the possible investments of such a fund in potentially profitable assets, e.g. in *private equity* funds. Such investments may be unaffordable for current participating funds, as they tend to be expensive. It is proposed to enable the creation of a new type of participation fund, which would not be so regulated in terms of fees.

Regarding items 18 and 19 (Section 115, paragraph 4 and repeal of paragraph 5):

The amendments are proposed to bring these provisions into line with applicable accounting standards. With regard to the introduction of the obligation to report financial instruments, their valuation and to provide information about them in an appendix to the financial statements according to International Accounting Standards (IFRS), some provisions of the Act and its implementing legal regulations are redundant or may even appear contradictory. Therefore, it is proposed to delete the regulation on fair value valuation and the authorization to issue an implementing regulation in Section 115 paragraphs 4 and 5 of the ZDPS and to remove the mention of valuation according to the act on supplementary pension insurance (Section 188 paragraph 3 of the ZDPS) and the exception for the valuation of state bonds of member states OECD (Section 193 par. 4 ZDPS).

Regarding point 20 (Section 136 par. 3 and 4):

The legislation builds on the new type of alternative participation fund and stipulates that the pension company cannot comply with the participant's request to conclude a supplementary pension savings contract with a savings strategy including an alternative participation fund if the participant refuses to provide the information specified in Section 136, paragraph 1 ZDPS or provides information manifestly incomplete, inaccurate or false. As an alternative mutual fund strategy can be at the highest end of the risk profile scale, it is essential that a participant interested in such a strategy understands the risk being taken in light of the nature of the long-term retirement investment. This regulation does not prevent the conclusion of a contract with another savings strategy and is therefore not an obstacle to entry into supplementary pension savings.

Regarding point 21 (new Section 165b):

Following the example of other laws governing the financial market, the ZDPS is also supplemented with an interpretive rule in relation to book-entry securities.

Regarding items 22 and 23 (Section 170 paragraph 1 and Section 188 paragraph 3):

The amendments are proposed to bring these provisions into line with applicable accounting standards. With regard to the introduction of the obligation to report financial instruments, their valuation and to provide information about them in an appendix to the financial statements according to International Accounting Standards (IFRS), some provisions of the Act and its implementing legal regulations are redundant or may even appear contradictory. Therefore, it is proposed to delete the regulation on fair value valuation and the authorization to issue an implementing regulation in Section 115 paragraphs 4 and 5 of the ZDPS and to remove the mention of valuation according to the act on supplementary pension insurance (Section 188 paragraph 3 of the ZDPS) and the exception for the valuation of state bonds of member states

OECD (Section 193 par. 4 ZDPS). The reference to the new authorization in Section 77h ZDPS is also added.

Regarding items 24 to 26 (Section 190 and Section 191, paragraph 3):

The restriction, according to which it was not possible to be a participant in supplementary pension savings and a participant in the transformed fund at the same time, is abolished, except for the situation where the participant receives a benefit and no longer pays contributions to supplementary pension insurance. It is now proposed to enable participants in transformed funds who discontinue supplementary pension insurance to participate in supplementary pension savings. It will be possible to pay the contribution in only one system at a time. The restrictive provision that allowed the participant's funds to be transferred from the transformed fund to participant funds based on the conclusion of a contract on supplementary pension savings only with the pension company that managed such a transformed fund is repealed. It is possible to transfer assets from the transformed fund to the participating fund, the opposite transfer is not possible. It is also possible to switch from a transformed fund to a participating fund of another pension company. The aim of these changes is to support the mobility of participants from transformed funds to participating funds. Transformed funds, due to their operation with a guarantee of non-negative appreciation on an annual basis, cannot overcome inflation in the long term and may not be suitable for many of their existing participants. Transformed funds are already a closed system, the share of which in this sector should be gradually reduced.

Regarding point 27 (Section 192 paragraph 3):

This is a clarification of the provisions on the calculation of the payment of the pension company from the profit of the transformed fund so that it is clear that it generally refers to any profit or loss of the transformed fund, whether it is for the current accounting period or the previous accounting period, and how the calculation of the payment is progressing.

Regarding point 28 (section 193 repeal of paragraph 4):

The amendments are proposed to bring these provisions into line with applicable accounting standards. With regard to the introduction of the obligation to report financial instruments, their valuation and to provide information about them in an appendix to the financial statements according to International Accounting Standards (IFRS), some provisions of the Act and its implementing legal regulations are redundant or may even appear contradictory. Therefore, it is proposed to delete the regulation on fair value valuation and the authorization to issue an implementing regulation in Section 115 paragraphs 4 and 5 of the ZDPS and to remove the mention of valuation according to the act on supplementary pension insurance (Section 188 paragraph 3 of the ZDPS) and the exception for the valuation of state bonds of member states OECD (Section 193 par. 4 ZDPS).

To Article XIII

Temporary provisions

To point 1:

This transitional provision stipulates that the new legal regulation of the conditions for entitlement to state allowance will be applied to contributions paid to supplementary pension savings and supplementary pension insurance from the beginning of the second calendar quarter following the day on which this amendment takes effect. The change will not affect entitlements to state allowance for allowances paid up to this time. Thus, a participant who, for example,

does not adjust the amount of his contributions and continues to pay less than CZK 500, will not be entitled to a state contribution until he adjusts the amount. The amount of the contribution is agreed in the contract, therefore it is always necessary to communicate the change with the pension company, not just adjust the payment. Regarding the old-age pension conditions, the state contribution will no longer be provided to those participants who will have been granted an old-age pension at the beginning of the second calendar quarter after the effective date of the amendment (or at any time thereafter).

Regarding point 2:

The transitional provision stipulates that the condition of the length of the savings period newly modified by the amendment to the law to be at least 120 months will only apply to contracts concluded after the amendment came into effect.

To Part Ten, Article XIV

Amendment to the Act on Consumer Credit

Regarding point 1 (Section 2 paragraph 5):

In order to maintain a uniform legal regime for combined consumer loans for housing, when a part is a loan designated for a purpose according to Section 2 paragraph 2 letter b) ZSÚ and part is a loan according to Section 2 paragraph 2 letter a) ZSÚ, which is not designated for purpose according to Section 2 paragraph 2 letter b) ZSÚ, it is established that the decisive factor for the method of determining the amount of compensation for purposefully incurred costs in Section 117 ZSÚ in case of early repayment of such a loan is the predominant purpose of the loan.

The provision thus solves the situation of the concurrence of a loan specifically intended for housing and a so-called American mortgage. If the predominant purpose of the loan will be consumption [not housing according to Section 2 paragraph 2 letter b) points 1 to 6 of the ZSÚ], the regulation in Section 117, paragraph 4, first sentence of the ZSÚ will apply. If the predominant purpose is one of the purposes listed in Section 2 paragraph 2 letter b) points 1 to 6 of the ZSÚ, the regulation in Section 117 paragraph 4 sentence three and the corresponding regulation in Section 117a of the ZSÚ will apply. If it is not possible to determine the predominant purpose of the loan, the regime established for the loan according to Section 2 paragraph 2 letter a) ZSÚ, which is not designated for purpose according to Section 2 paragraph 2 letter b) ZSÚ

This is similar to the rule contained in Section 2 paragraph 4 of the ZSÚ, which regulates the legal regime for combining a loan intended for housing with a consumer loan other than for housing.

Regarding point 2 (Section 5, paragraph 4):

In connection with the modification of the method of calculating the amount of purposefully incurred costs of early repayment of certain consumer loans for housing, the scope of the provision is also extended to Section 117a of the ZSÚ.

Regarding point 3 [Section 117 paragraph 3 letter e) and f):

In order to balance the effects of the proposed changes in connection with the definition of purposefully incurred costs for the early repayment of certain consumer housing loans and the adjustment of the limit of their compensation (see points 4 to 12), the number of cases in which the early repayment of a consumer housing loan is increased compared to the previous adjustment completely free of charge, namely in cases of sale of real estate to which the

consumer loan applies (now burdened with costs up to the amount of 1% of the early repaid principal, or CZK 50,000), and cases of settlement of joint property of spouses, if the settlement concerns real estate, which was financed by a housing loan or served to secure it (now without a legal ceiling). The benefits to consumers resulting from this extension balance the impacts resulting from the change in the calculation of the purposefully incurred early repayment costs. The amendments in letters e) and f) thus significantly reduce the potential financial burden on consumers upon termination of the credit relationship with the creditor. At the same time, the public interest, which is given by the social aspects of the given life situation, is taken into account here, similarly to other cases with which the valid legislation connects the consumer's right to free early repayment.

The provision in letter e) applies to cases where early repayment is associated with the alienation of real estate that secured the loan or that was financed by the loan (or participation in a legal entity entitling to use the real estate). It also applies to cases where the loan is repaid early, with which the original loan was refinanced in relation to the alienated real estate. The condition is that at least 24 months have passed since the conclusion of the loan agreement. In this case, early repayment is free. It does not matter when the property was stolen.

The substantive scope of the provision is wider than the original wording in paragraph 4, as the original wording does not reflect forms of housing other than owner-occupied housing, while housing loans are defined more broadly and include cooperative housing or housing through the ownership of a share in another legal entity (in particular, a limited liability company). The broader substantive scope of letter e) compared to the original sentence of the third paragraph 4 thus fully reflects the definition of consumer credit for housing contained in Section 2 paragraph 2 ZSÚ. The provision thus applies not only to cases of transfer of ownership rights to real estate, but also to cases of transfer of a cooperative share or participation in another legal entity establishing the right to use an apartment or family home.

The provision in letter f) expands the existing options for free early repayment of the housing loan to include cases of settlement of joint property of spouses, if the settlement concerns real estate that was financed by the housing loan or served to secure it. Just like the new wording of letter e), this provision also affects cooperative housing or housing through the ownership of a share in another legal entity. This expansion of free early repayment of the loan should have a positive impact on the possibilities of families in crisis situations, especially regarding the provision of housing needs after divorce.

To point 4 [Section 117 paragraph 3 letter h):

In order to ensure legal certainty for consumers and creditors, it is specified how the consumer's option to pay off a consumer loan early or part of it free of charge on the anniversary of the contract is used. In this case, the creditor may not demand reimbursement of costs for early repayment not only if the consumer early repays an amount that is less than or equal to 25% of the total amount of the consumer loan, but also if the consumer early repays an amount that exceeds this limit. In the second case, the creditor may not demand reimbursement of costs for early repayment from that part of the early repayment amount that represents 25% of the total amount of the consumer loan, the right to reimbursement of costs for early repayment can then be exercised from the remaining part of the early repayment amount.

Regarding points 5 and 6 (Section 117 paragraph 4):

The right to early repayment of a consumer loan results from European law, specifically from Article 16 of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on consumer credit agreements and repealing Council Directive 87/102/EEC (hereinafter referred to as "CCD") and Article 25 of Directive 2014/17/EU of the European Parliament and

of the Council of 4 February 2014 on consumer credit agreements for residential real estate (hereinafter referred to as "MCD"). The setting of early repayment parameters, including the parameters for the creditor's right to reimbursement of early repayment costs, is within the competence of the Member States in the case of consumer housing loans, as follows from Article 25(2), (3) and (5) of the MCD, while in the case of consumer loans of other than for housing, these parameters are already determined by the relevant directive (Article 16, paragraphs 2, 3 and 5 CCD).

According to the proposed legislation, consumer loans should have two limitation regimes for the compensation of early repayment costs. On the one hand, these are loans for financing consumption, on the other hand, they are so-called residential loans, i.e. loans whose purpose is to finance housing, and all loans provided by a building society. Consumer loans, the purpose of which is not to finance housing, but are secured by a lien on real estate, are closer in nature to consumer loans other than for housing, therefore they fall under the same regime as these consumer loans. Therefore, the purpose of the loan, not the method of securing it, is the decisive element for determining the cost reimbursement limitation regime.

The regime of consumer loans for consumption is reflected in the proposal in the first sentence of paragraph 4 by adding consumer non-purpose loans secured by real estate, sometimes called "American mortgage". In such a case, the limit for reimbursement of early repayment costs is a ceiling of 1%, or 0.5% of the early repayment principal.

The proposed regulation of the limitation of the amount of reimbursement of costs for so-called residential loans (which do not meet the requirements for the right to early repayment free of charge according to Section 117, paragraph 3 of the ZSÚ) is reflected in paragraph 4 in the new third sentence. In case of early repayment of these loans, the creditor has the legal right to apply a compensation limit of up to 2% of the early repaid part of the principal. At the same time, the subject of compensation in this case is the administrative costs of early repayment (allowable up to CZK 1,000) and the interest difference, provided that the sum of these categories of costs is positive.

The ceiling for residential loans was established in order to balance the protection of the rights of early paying consumers (borrowers) and the protection of the rights of creditors, for whom early repayment during the interest rate fixation can generate significant costs. It is not expedient to set the compensation limit too low, as this would level the effect of the interest difference, nor significantly higher, as it would mean a significant financial cost for the borrower in the case of high mortgages and a significant change in market rates.

Regarding point 7 (Section 117 paragraph 5)

In connection with the adjustment of the determination of the amount of purposefully spent costs for so-called residential loans, a rule has been added that refers to the limitation of reimbursement of costs for early repayment of a consumer loan in relation to the amount of interest that the consumer would otherwise have paid. Compensation for early repayment of these so-called residential loans will be limited to the amount of purposefully incurred costs determined according to Section 117a. If the provider were to demand a higher compensation, he would commit an offense according to Section 154 paragraph 1 letter w) ZSÚ

Regarding point 8 [Section 117 paragraph 6 letter b]):

With regard to the informative nature of the data on the amount of cost compensation for the period when the consumer informs the provider of his intention to repay the loan early, which may precede the actual early repayment by many months, it is added for the purpose of legal certainty that this is an indication of the expected amount, from which makes it more clear that this data is only informative and subject to change. It is primarily about the protection of

providers so that the figure for the amount of reimbursement of costs calculated even a few months before early repayment on the basis of current interest rates is not considered binding for future early repayment, which may or may not occur.

Regarding point 9 (Section 117 paragraph 7):

The provisions of Section 117 paragraph 6 letter b) ZSÚ stipulates that the provider is obliged to inform the consumer of the amount of cost compensation in order to consider the consequences of early repayment after the consumer has informed him of his intention. There can be a delay of many months between the activation of the information obligation and early repayment. The provision therefore contains a clarifying rule regarding the obligation to provide information on the amount of reimbursement of costs for consumers in the case of so-called residential loans, according to which for the purposes of this obligation to provide information, the average of interest rates published by the CNB one month before the provider was informed by the consumer that the consumer intends to repay the housing loan early. With regard to the legal certainty of creditors, the second sentence further stipulates that the method of determining the actual amount of purposefully incurred costs for the early repayment of a consumer loan for housing continues to be governed by the rules set out in Section 117a ZSÚ, which means that if an early repayment actually occurs subsequently, the average published by the CNB in the month preceding the implementation of the early repayment is used to determine the amount of purposefully spent costs, not the average used for the fulfilment of the information obligation pursuant to Section 117, paragraph 6 of the ZSÚ. It follows that the amount stated in the document by which the creditor fulfils its information obligation is only informative and not binding for the creditor.

Regarding points 10, 11 and 12 (Section 117a):

Due to the divided effectiveness, there are two successive amendments in point 10 and points 11 and 12. In point 10, the average lending interest rates and its publication and the rules for dividing consumer loans for housing into groups according to the comparable length of the interest rate fixation period and the type of loan, which take effect in the first phase, are adjusted. This wording will be effective in the period from the fourth to the eighth calendar month following the promulgation of the law.

Points 11 and 12 subsequently amend Section 117a of the ZSÚ in the wording mentioned in point 10 and regulate the method of determining purposefully spent costs. This wording will be effective from the ninth calendar month following the promulgation of the law.

MCD directive, or the Consumer Credit Act enshrines the consumer's right to early repayment of the consumer loan at any time, but on the other hand, it also enshrines the creditor's right to compensation for purposefully incurred costs incurred in connection with early repayment (Section 117(2) ZSÚ). The applicable law does not further regulate the procedure for calculating compensation for purposefully incurred costs. The Ministry of Finance led on the subject of the method of determination, or calculation of the amount of this compensation, a long-term debate with interested parties. It turns out that opinions differ on how compensation should be determined. The proposed proposal then represents a compromise result of several years of debate, where the proposal brings, on the one hand, the determination of the method of calculation, and, on the other hand, further expands the range of consumer life situations in which the right to free early repayment arises.

The proposal thus defines the concept of purposefully spent costs related to early repayment for certain consumer housing loans directly in the law. At first glance, this leads to a certain worsening of the position of those consumers who want to repay a consumer loan for housing prematurely outside of the cases stipulated in Section 117, paragraph 3 of the ZSÚ, when they

can do so completely free of charge. But it is necessary to realize that, with regard to the extensive options that the law gives borrowers regarding early repayment completely free of charge (now expanded by this proposal by another 2 options, see point 3 for more), the matter in question does not concern those consumers who need to repay the loan and get rid of existing debt for urgent personal reasons immediately, but only for those who want to refinance the loan by early repayment due to the currently lower rates on the market (i.e. who actually only want to "move" their debt to a provider that currently offers cheaper financing) or repay the loan immediately due to obtaining extraordinary funds. It is in these cases that, according to the submitted proposal, the creditor should have the right to reimbursement of costs incurred in connection with early repayment. Without a clearly defined logic for determining purposefully spent costs in a situation where lending interest rates will fall on the market, there may be a decrease in the willingness of banks to provide long-term fixations for consumers (especially in a period of low interest rates), the risk of interest rate increases or a general tightening of conditions to get a mortgage.

The proposed amendment will help establish a stable environment in the area of housing loans, without adversely affecting those consumers who can pay off their loan early for free due to their difficult life situation.

In addition to the general rule for early repayment of a consumer loan in Section 117 paragraph 2 of the ZSÚ, the proposal establishes a special rule in Section 117a of the ZSÚ for determining the extent of possible compensation to the creditor in case of early repayment of certain consumer housing loans (so-called residential loans). This special rule is legislatively and technically formulated through the definition of purposefully spent costs. The proposal does not interfere in any way with the general rule in Section 117 paragraph 2 ZSÚ. Both rules must therefore be interpreted autonomously, the rule in Section 117a ZSÚ thus does not affect the interpretation of the rule in Section 117 paragraph 2 ZSÚ.

The rule in Section 117a of the ZSÚ for determining the extent of possible compensation to the creditor in case of early repayment of residential loans is defined as the positive sum of the necessary administrative costs (in the maximum amount of CZK 1,000) and the interest difference, i.e. the difference between the interest that the borrower would pay until the end of the fixation period the interest rate according to the contract (contractual interest), and the interest that the borrower would pay for the same period, if the unpaid part of the total amount of the consumer loan from the date of early repayment was subject to interest at the relevant average lending interest rates published by the CNB (reference interest). The unpaid part of the loan means the current outstanding part of the principal before the early repayment, which the consumer would be obliged to pay according to the contract by the end of the agreed term of the consumer loan. The decisive moment for determining its amount is the day of early repayment, similarly to the case of determining the amount of contractual and reference interest. In the case of full early repayment, the amount of the early repayment amount and the unpaid part of the loan are equal, in the case of partial early repayment, the early repayment amount represents a part of the unpaid part of the loan.

The reference interest represents an approximation of the amount that the creditor would realize if he immediately provided the early repayment principal to another borrower at the current market lending rate with a fixation length corresponding to the time remaining until the end of the fixation of the early repayment loan.

The interest rate for calculating the reference interest is the average of the negotiated interest rates published by the CNB in the month preceding the date of early repayment, for a group of comparable loans, i.e. a group of such loans that typically correspond to the early repayment loan in terms of purpose, collateral and the person of the creditor (loans from building savings)

according to Section 2 paragraph 2 letter b) or c) ZSÚ and at the same time where the agreed duration of the interest rate fixation corresponds to the time that elapses in the case of an early repayment loan from the time of early repayment to the end of the agreed fixation period.

When calculating the interest difference, the creditor calculates the total interest that he would have received from the early repayment loan according to the contract by the end of the fixation period, i.e. at the agreed loan interest rate and the agreed repayment regime (repayment plan, interest method) provided that the loan is not repaid early. It then calculates the reference interest - it is the sum of the interest from the individual periods remaining until the end of the fixation period and is calculated using the relevant average of lending interest rates published by the CNB and the same amount and frequency of installments as in the agreed installment regime. This interest rate is used to interest the unpaid part of the loan (i.e. the principal owed before early repayment) from the day of early repayment.

In case of partial early repayment, the interest used to calculate the interest difference will be determined in proportion to the interest in case of full early repayment. The law establishes a specific method of calculating the proportional part of the contractual and reference interest, which is based on the relationship between the early repayment amount and the current principal amount owed. The basis for calculating the proportional part of the interest is always the amount of interest determined for full early repayment. If half of the remaining principal is repaid early, only half of the interest is also used to calculate the interest difference. For example, in the case of a loan where, according to the contract, CZK 4 million remains to be repaid and of which CZK 2 million is repaid early, the proportional part of the interest will be 2/4 of the interest calculated for full early repayment. The procedure is the same for both the contractual interest and the reference interest.

If the sum of the necessary administrative costs and the interest difference is positive, this amount is considered to be a purposefully spent cost incurred by the creditor in connection with the early repayment of this loan, for which compensation the creditor (with the limits contained in Section 117, paragraph 4) has the right by law. If the creditor and the consumer agree in the credit agreement on the conditions for reimbursement of purposefully incurred costs, incl. determination of their amount must correspond to the requirements of the law.

The construction of the calculation of the interest difference takes into account the availability of data on the part of the supervisory authority. The CNB already publishes interest rates on consumer loans in the framework of its publicly available ARAD statistical system, differentiated by the period of fixation and the type of loan. The concrete way in which the loans will be divided into groups according to the established criteria, i.e. according to the comparable duration of the interest rate fixation and the type of loan classification contained in Section 2 paragraph 2 of the ZSÚ (according to the purpose, secured by a lien on real estate and the creditor - building societies), determined by the CNB decree.

Due to the fact that the calculation mechanism described above requires above-average financial literacy on the part of the consumer (as is the case, for example, with the calculation of the annual percentage rate of costs), it can be assumed in practice that credit providers and other entities will enable consumers to make an indicative calculation of purposefully spent costs related to with early repayment of their individual loans through online calculators.

Regarding points 13 and 14 (Section 160):

The authorization of the CNB to issue a decree to determine comparable periods of interest rate fixation and the division of consumer loans for housing into groups according to the comparable length of interest rate fixation and the type of loan pursuant to Section 2 paragraph 2 ZSÚ (according to the purpose, secured by a lien on real estate and the creditor) for for the purpose

of calculating, publishing and using average loan interest rates for the purpose of determining the amount of purposefully spent costs.

Due to the divided effectiveness, the law contains two successive amendments concerning Section 117a (in point 10 and points 11 and 12). Based on the change in Section 117a mentioned in point 12 (renumbering of paragraphs), the reference to the relevant provision is therefore modified.

To Article XV

Temporary provisions

To point 1:

The CNB will start publishing the average lending interest rates in the eighth month following the promulgation of this law. The first period for which the average lending interest rates will be calculated will begin in the month in which the provisions of Section 117a, which contain the definition of the term average lending interest rates, the rules for dividing consumer housing loans into groups according to the comparable length of the interest rate fixation period, become effective rate and type of loan (item 10 of the ZSÚ amendment)), it will therefore be the fourth to sixth calendar month following the promulgation of the law.

Regarding point 2:

The new early repayment rules will also apply to consumer housing loans agreed before the date of entry into force of these rules, i.e. to all consumer housing loans agreed before the first day of the ninth calendar month following the date of promulgation of this law. This is therefore a so-called false retroactivity, the new early repayment rules will be applied to such early repayments that will occur only after these rules come into effect, not retroactively to early repayments that were made before the new rules came into effect. Rights related to early repayment exercised before the entry into force of the new rules are thus assessed according to the current legislation, even if the effects of the rights exercised in this way are to occur only after the entry into force of the new rules.

The transitional provision also removes the different conditions for early repayment of loans, which currently apply to consumer loans for housing agreed before the effective date of the Social Security Act (before 1 December 2016) and consumer loans for housing agreed after the effective date of the Social Security Act.

To part eleven

To Article XVI

Efficiency

It is proposed to take effect on January 1, 2024, as it is desirable that the new regulation take effect at the beginning of the calendar year, and January 1, 2024 appears to be the earliest possible date, also taking into account the length of the legislative process in the Czech Republic.

In relation to the amendment to the ZSÚ, a divided effectiveness is proposed. It is necessary for the CNB, based on the collection of statistical data, to calculate and publish average loan interest rates before the rules for determining the amount of purposefully incurred costs according to Section 117a of the ZSÚ come into effect. For this reason, it is necessary that the amendment to the ZČNB, the provisions of Section 117a as stated in point 10 of the amendment

to the ZSÚ and the authorization to issue a decree in Section 160 of the ZSÚ become effective before the rules for calculating purposefully spent costs become effective. A three-month statute of limitations is set for the provisions relating to the CNB's procedure, while an eight-month statute of limitations is established for the other provisions, which is based on a transitional provision that sets the time for the first publication of average loan interest rates. The new rules for the compensation of purposefully incurred costs in case of early repayment of a consumer loan for housing as a whole will start to apply in practice from the ninth calendar month, which will follow the publication of the law in the Collection of Laws.

The amendment contained in the amendment to the ZSÚ represents a comprehensive matter, the implementation of which is based on several steps - the collection of statistical data, the calculation and publication of average loan interest rates and, subsequently, the effectiveness of the own method of determining the amount of purposefully spent costs according to the new rules. It is therefore a comprehensive process, the individual steps of which are interconnected and follow each other within precisely defined deadlines. For the proper functionality of the new legislation, it is necessary to observe the proposed time frame for the effectiveness of individual parts of this regulation, and it is therefore not possible to establish a uniform effectiveness on a predetermined date. The proposed divided effectiveness, together with the transitional provisions, will ensure a smooth introduction of the new legal regulation into practice so that this regulation is clear and comprehensible for the addressees of the legal norm. Therefore, in the sense of Section 3, paragraph 4 of the Act on the Collection of Laws and the Collection of International Treaties, it concerns a situation where the urgent general interest requires that the legislation take effect on a date other than January 1 or July 1.

The individual steps will follow each other in the following order:

- month 0: promulgation of the law in the Collection of Laws,
- month 1 to 3: legal vacation,
- month 4: entry into force of the first part of the amendment (items 10 and 13), entry into force of the implementing decree, data collection for the purposes of calculating the average lending interest rates,
- month 5: data collection for the purpose of calculating the average loan interest rates,
- month 6: data collection for the purpose of calculating the average loan interest rates,
- month 8: first publication of average lending interest rates (based on data for months 4 to 6),
- month 9: entry into force of the second part of the amendment (effectiveness of the rules for determining the amount of purposefully spent costs as a whole).

Therefore, if the law is promulgated in the Collection of Laws on e.g. 31/12/2023, the first part of the amendment to the ZSÚ would enter into force on 1/4/2024, the first average lending interest rates calculated for the months of April, May and June would be published by the CNB in August 2024 (no later than 8/10/2024) and the second part of the amendment to the ZSÚ would then take effect on 9/1/2024.

In relation to the amendment to the EŘ, it is proposed that the effectiveness be postponed by 12 months, i.e. to 1 January 2025, so that entities can adapt to the new regulation and adjust their information systems.

In Prague on June 14, 2023

Prime Minister:

Prof. PhDr. Petr Fiala, Ph.D., LL.M., incl

Minister of Finance:

Ing. Zbyněk Stanjura, incl