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***(last update: 2 June 2025)***

## **Act No. 256/2004 Coll., on the Capital Market Business, as amended**

Amended by Acts No. 635/2004 Coll., No. 179/2005 Coll., No. 377/2005 Coll., No. 56/2006 Coll., No. 57/2006 Coll., No. 62/2006 Coll., No. 70/2006 Coll., No. 159/2006 Coll., No. 120/2007 Coll., No. 296/2007 Coll., No. 29/2008 Coll., No. 104/2008 Coll., No. 126/2008 Coll., No. 216/2008 Coll., No. 230/2008 Coll., No. 7/2009 Coll., No. 223/2009 Coll., No. 227/2009 Coll., No. 230/2009 Coll., No. 281/2009 Coll., No. 420/2009 Coll., No. 156/2010 Coll., No. 160/2010 Coll., No. 409/2010 Coll., No. 41/2011 Coll., No. 139/2011 Coll., No. 188/2011 Coll., No. 420/2011 Coll., No. 428/2011 Coll., No. 37/2012 Coll., No. 172/2012 Coll., No. 254/2012 Coll., No. 134/2013 Coll., No. 241/2013 Coll., No. 303/2013 Coll., No. 135/2014 Coll., No. 336/2014 Coll., No. 375/2015 Coll., No. 148/2016 Coll., No. 183/2017 Coll., No. 204/2017 Coll., No. 307/2018 Coll., No. 111/2019 Coll., No. 204/2019 Coll., No. 119/2020 Coll., No. 298/2021 Coll., No. 353/2021 Coll., No. 91/2022 Coll., No. 96/2022 Coll., No. 324/2023 Coll., No. 349/2023 Coll., No. 462/2023 Coll., No. 251/2023 Coll. and No. 32/2025 Coll.

The Parliament passed the following law of the Czech Republic:

### **PART ONE**

#### **BASIC PROVISION**

##### **Section 1**

##### **Scope of application**

(1) This Act incorporates the relevant regulations of the European Union<sup>1)</sup>, at the same time follows directly applicable regulations of the European Union<sup>2)</sup> and regulates the provision of services in the area of the capital market and the protection of the capital market and investors.

(2) This Act also incorporates the relevant regulations of the European Union regulating the final settlement<sup>24)</sup> and regulates the legal regime of the final settlement.

(3) This Act further regulates the competence of the Czech National Bank and the Ministry of Finance (hereinafter referred to as the "Ministry") and offenses in connection with

- a) directly applicable regulation of the European Union regulating rating agencies<sup>49)</sup>,
- b) directly applicable regulation of the European Union regulating short selling and some aspects of credit default swaps<sup>42)</sup>,
- c) directly applicable regulation of the European Union regulating OTC derivatives, central counterparties and trade repositories<sup>43)</sup>,
- d) directly applicable regulation of the European Union regulating the improvement of the settlement of securities transactions in the European Union and the central depository of securities<sup>51)</sup>,
- e) directly applicable regulation of the European Union regulating market abuse<sup>52)</sup>,
- f) directly applicable regulation of the European Union regulating the transparency of transactions ensuring financing and reuse<sup>61)</sup>,
- g) directly applicable regulation of the European Union regulating the markets of financial instruments<sup>53)</sup>,
- h) directly applicable regulation of the European Union regulating the communication of key information regarding structured retail investment products and insurance products with an investment component<sup>60)</sup>,
- i) directly applicable regulation of the European Union regulating indices that are used as reference values in financial instruments and financial contracts or to measure the performance of investment funds<sup>62)</sup>,
- j) directly applicable regulation of the European Union regulating the general framework for securitisation and creating a special framework for simple, transparent and standardized securitisation<sup>63)</sup>,
- k) directly applicable regulation of the European Union regulating the prospectus to be published during a public offer or acceptance of securities for trading on a regulated market<sup>66)</sup>,
- l) directly applicable regulation of the European Union regulating prudential requirements for investment firms<sup>72)</sup>,
- m) directly applicable regulation of the European Union regulating the disclosure of information related to sustainability in the financial services industry<sup>73)</sup> in relation to investment firms,
- n) directly applicable regulation of the European Union governing the establishment of a framework for facilitating sustainable investments<sup>74)</sup> in relation to investment firms,
- o) directly applicable regulation of the European Union regulating European providers of crowdfunding services for businesses<sup>75)</sup>
- p) directly applicable regulation of the European Union regulating the framework for recovery procedures and crisis resolution of central counterparties<sup>76)</sup>,
- q) directly applicable regulation of the European Union regulating the pilot regime for market infrastructures based on distributed ledger technology<sup>109)</sup>.

### **Definition of some terms**

(1) In this Act it is understood

- a) the client is the person to whom the investment service is provided,
- b) a derivative is a financial instrument referred to in Section 3 subsection 1 letters d) to k) and the transferable security referred to in Section 3 subsection 2 letter e),
- c) a depository receipt, a security tradable on the capital market, which
  1. represents the ownership right to the securities of an issuer that is not based in a member state of the European Union, and
  2. may be accepted for trading on the European regulated market and traded independently of the issuer's securities according to point 1,
- d) executing orders, carrying out instructions leading to the conclusion of a contract for the purchase or sale of a financial instrument on behalf of the client, including the conclusion of a contract for the purchase of a financial instrument issued by an investment firm, bank, savings or credit union or a similar foreign person with its seat in a member state of the European Union on the client's account at the time of its issuance,
- e) trading on one's own account, trading using one's own assets leading to the conclusion of a trade,
- f) investment advice, the provision of an individualized recommendation to the client regarding trading with a specific financial instrument, regardless of whether it is provided at the initiative of the client or a potential client,
- g) a commodity derivative is a financial instrument referred to in Section 3 subsection 1 letters g) to k) and the transferable security referred to in Section 3 subsection 2 letter e) whose value is related to the commodity or to one of the indicators listed in Section 3 subsection 1 letters j) and k),
- h) personal data
  1. in the case of a legal entity and in the case of a natural person doing business, the name or names, seat and identification number of the person, if assigned,
  2. for a natural person who is not an entrepreneur, name, date of birth, or social security number, if assigned, and place of residence,
- i) initial capital is the capital that is required for the purposes of a license to operate as an investment firm,
- j) qualified participation means a direct or indirect share in the share capital or voting rights of a legal entity or their sum, which represents at least 10 % according to Section 10b subsection 1 and 2, Section 122 subsection 1, Section 122 subsection 2 letters a) to g), Section 122a subsections 1 and 2 and Section 122c subsection 1 letters b) and c) or enables the exercise of significant influence on its management,
- k) close connection close connection according to Article 4 paragraph 1 point 38 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council,
- l) the management body is the managing body [subsection 3 letter p)] and the supervisory body [subsection 3 letter q)],
- m) an employee is a person who is in a basic employment relationship with another person, a person who is a procurator of another person, a person who is a member of the body of another legal entity and who is elected, appointed or otherwise called to the position, or a person who is a member the committee of another legal entity; if a member of the body of a legal entity is a legal entity that is elected, appointed

or otherwise called to the position, a worker is a natural person designated by this legal entity to actually perform this activity,

n) a person in senior management is a natural person who ensures the day-to-day management of the performance of the activities of a legal entity, and in the performance of this function is directly subordinate to the leading body of this legal entity or its member, even if such a function is held by a member of the leading body of this legal entity persons,

o) the client's property means cash and financial instruments belonging to the client, which the investment firm has in his possession for the purpose of providing an investment service to this client; the client's property is not deposits according to the law regulating the activities of banks, which are billed by an investment firm who is a bank,

p) a composite product is a set of services or products that can be at least partially negotiated separately, offered together,

q) a permanent data carrier is a document or other information carrier that allows the client to store information intended for him personally so that it can be used for a period of time appropriate for the purpose of this information, and that allows the reproduction of this information in an unchanged form,

r) a structured deposit means a deposit according to the law regulating the activities of banks, which is payable in full only at the time of maturity (term deposit) and whose return is determined by a formula including, for example, an index, a financial instrument, an exchange rate, a commodity or another thing in the legal sense (hereinafter referred to as "thing") than a commodity, or a combination thereof; a structured deposit is not a deposit with a variable interest rate, the yield of which is linked directly to the interest rate index,

s) algorithmic trading of trading in a financial instrument, where a computer algorithm automatically, with or without limited human intervention, determines the individual parameters of the instructions, for example, the entry, timing, price or volume of the instruction or the method of handling the instruction after its submission; however, algorithmic trading is not simply routing orders to one or more trading systems, processing orders without setting any trading parameters, confirming orders or processing executed trades,

t) algorithmic trading with high frequency, algorithmic trading in which

1. automatically, without human intervention, starts the process of creating an order, its routing or execution, for individual trades or instructions,
2. enters or cancels a large number of orders or quotations during the trading day and
3. uses the infrastructure used to minimize network and other types of delays, which includes at least location together with other similar devices in the immediate vicinity of the trading system, location near the trading system, or high-speed direct electronic access,

u) direct electronic access, measures by which a trading system participant enables another person to use his trading identification data to electronically transmit instructions relating to a financial instrument directly to this trading system, including

1. direct access, which means measures that use the infrastructure or connection system of this participant to transmit instructions, and
2. sponsored access, which means measures that do not use the infrastructure or connection system of this participant to transmit instructions,

v) a European investment firm is an investment firm or a similar foreign person who has authorisation from the supervisory authority of another member state of the European Union to provide at least one main investment service,

w) by matching instructions to one's own trading account in such a way that another person is included

between the seller and the buyer in the given trade so that

1. this person is not exposed to market risk in connection with business with the seller and the buyer,
2. business with the seller and with the buyer is carried out simultaneously a
3. the business with the seller and the buyer is concluded at a price at which this person does not suffer a loss or make a profit, with the exception of a pre-announced payment, and

x) structured financial product structured financial product according to Article 2 paragraph 1 point 28 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council,

y) mediating transactions with financial instruments, an activity carried out in a business-like manner consisting in

1. offering the possibility to negotiate a deal with financial instruments or to provide an investment service on behalf of the investment service provider or on behalf of the client,
2. submitting proposals for negotiating a deal with financial instruments or providing an investment service on behalf of the investment service provider or on behalf of the client,
3. carrying out preparatory work aimed at negotiating a deal with financial instruments or providing an investment service on behalf of the investment service provider or on behalf of the client, including providing recommendations leading to the negotiation of such a deal or service,
4. negotiating trade with financial instruments or negotiating the provision of an investment service on behalf of the investment service provider or on behalf of the client, or
5. assistance in the exercise of rights and fulfilment of obligations when negotiating a trade with financial instruments or when providing an investment service on behalf of the investment service provider or on behalf of the client and

z) the clause on the right to early repayment, a clause on the basis of which, in the event of early repayment of the bond, the issuer is obliged to pay the owner of the bond an amount equal to the sum of the net present value of the payments of the remaining coupons expected until maturity and the principal amount of the bond to be repaid.

(2) In this Act, the following shall be understood:

a) an institutional investor is a domestic insurance company and an insurance company from a third country authorised to operate life insurance under the law governing the insurance industry, a domestic reinsurance company and a reinsurance company from a third country authorised to operate life insurance under the law governing the insurance industry and an employee pension insurance institution based in the Czech Republic under the law regulating the activity occupational pension insurance institution,

b) asset manager

1. investment firm,
2. a foreign person providing main and ancillary investment services in the Czech Republic through a branch of a business plant (hereinafter referred to as "branch") on the basis of an authorisation pursuant to Section 28a subsection 1,
3. manager of investment funds and foreign investment funds authorised to exceed the decisive limit,
4. manager of investment funds and foreign investment funds authorised to manage standard funds or comparable foreign investment funds,
5. a foreign person with an authorisation pursuant to Section 481 of the Act on Management companies and Investment Funds,

c) a voting advisor is a legal entity with its seat or real seat in the Czech Republic or a legal person with its seat in a state that is not a member state of the European Union, carrying out activities through a branch in the Czech Republic, which as a business provides advice and recommendations to the investor for voting at the general meeting to a pool of an issuer based in a member state of the European Union,

whose shares or similar securities representing a stake in a legal entity are accepted for trading on a European regulated market,

d) a related party is a related party according to point 9 of the International Accounting Standard IAS 24 - Disclosure of related parties, which forms an annex to Commission Regulation (EC) No. 1126/2008<sup>65)</sup>.

(3) In this Act, the following shall be understood:

a) financial institution financial institution according to Article 4 paragraph 1 point 14 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>,

b) an investment holding company is an investment holding company pursuant to Article 4 paragraph 1 point 23 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>,

c) the group of an investment firm means the group of an investment firm pursuant to Article 4 paragraph 1 point 25 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>,

d) mixed financial holding entity means a mixed financial holding entity pursuant to Article 4 paragraph 1 point 40 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>,

e) the European controlling investment firm means the parent investment firm in the Union pursuant to Article 4 paragraph 1 point 56 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>,

f) European investment holding entity means the parent investment holding company in the Union pursuant to Article 4 subsection 1 point 57 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>,

g) European mixed financial holding company means the parent mixed financial holding company in the Union pursuant to Article 4 paragraph 1 point 58 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>,

h) compliance with the group capital test of compliance with the requirements of Article 8 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup> by the controlling person in the investment firm group,

i) by the group supervisor, the supervisory authority responsible for supervising compliance with the group capital test by European controlling investment firms and European investment firms controlled by European investment holding entities or European mixed financial holding entities,

j) a mixed holding company, a controlling person who is not a financial holding company, an investment holding company, a credit institution pursuant to Article 4 paragraph 1 point 1 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council<sup>77)</sup>, a European investment firm nor by a mixed financial holding entity and whose controlled persons include at least one European investment firm,

k) the controlling person is the parent company pursuant to Article 4 paragraph 1 point 42 of the Regulation of the European Parliament and of the Council (EU) 2019/2033<sup>72)</sup>,

l) a controlled entity, a subsidiary pursuant to Article 4 paragraph 1 point 51 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>,

m) group controlling person and all persons controlled by him,

n) inspection inspection according to Article 4 paragraph 1 point 37 of Regulation (EU) No. 575/2013<sup>77)</sup>,

o) systemic risk is the risk of disrupting the continuity of the financial system with possible serious negative impacts on the financial system and the real economy,

p) managing body is the statutory body of a legal entity, or another body of a legal entity whose members are elected, appointed or otherwise called to office, which is authorised to determine the strategy, goals and overall direction of this entity, or other persons who actually manage the activity of this legal entity, even if they are not members of such a body,

q) supervisory body means a body of a legal entity whose members are elected, appointed or otherwise called to the position, which is authorised to supervise decision-making processes at the management level and monitor these processes,

r) common capital tier 1 common capital tier 1 according to part two of title I of Chapter 2 of Regulation (EU) No. 575/2013<sup>77)</sup>,

s) secondary capital tier 1 secondary capital tier 1 according to Part Two of Title I of Chapter 3 of Regulation (EU) No. 575/2013<sup>77)</sup>,

t) Tier 2 capital means Tier 2 capital according to part two of Title I of Chapter 4 of Regulation (EU) No. 575/2013<sup>77)</sup>,

u) a small and unconnected investment firm is an investment firm who meets the conditions according to Article 12 paragraph 1 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>,

v) a large or connected investment firm means an investment firm who does not meet the conditions according to Article 12 paragraph 1 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>,

w) a systemically important trader is one who has been granted a license to operate as a systemically important trader,

x) a foreign systemically important trader is a credit institution pursuant to Article 4 paragraph 1 point 1 letter b) Regulation of the European Parliament and of the Council (EU) No. 575/2013<sup>77)</sup> with its registered office in a country other than the Czech Republic.

#### (4) The trading venue is

a) European regulated market,

b) multilateral trading facility a

c) organised trading facility.

#### (5) The execution venue is

a) trading venue,

b) systematic internaliser,

c) a market maker or other liquidity provider based in a member state of the European Union, or

d) a person or a market with financial instruments based in a state that is not a member state of the European Union, with a similar activity to any of the persons or markets listed in letters a) to c).

(6) A market maker is a person who permanently operates on the financial markets as a person willing to trade on his own account in the form of buying and selling financial instruments using his own assets and at prices determined by him.

(7) Terms according to subsection 1 letters f), q), s), t) and au) also regulate Articles 3, 9, 18, 19 and 20 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>.

## Section 2a

### **Professional client**

(1) In this Act, professional client is understood as

- a) bank,
- b) savings and credit cooperative,
- c) investment firm,
- d) insurance company,
- e) reinsurance company,
- f) management company,
- g) investment fund,
- h) pension company,
- i) another person who conducts business on the financial market on the basis of authorisation granted by the supervisory authority over the financial market, with the exception of
  - 1. of a tied agent according to this Act,
  - 2. tied agent and intermediary of tied consumer credit according to the law regulating consumer credit,
  - 3. of a tied agent according to the law regulating supplementary pension savings a
  - 4. tied agent and additional insurance intermediary according to the law governing the distribution of insurance and reinsurance,
- j) a person who carries out securitisation as his decisive activity,
- k) a person who trades on his own account with financial instruments for the purpose of reducing the risk (hedging) from trades with financial instruments referred to in Section 3 subsection 1 letters d) to k) and this activity is among its decisive activities,
- l) a person who trades on his own account with financial instruments referred to in Section 3 subsection 1 letters g) to i) or commodities and this activity is among its decisive activities,
- m) a legal entity that is competent to manage the property of the state when ensuring the purchase, sale or management of its receivables or other assets, or during the restructuring of commercial companies or other legal entities with state ownership,
- n) a foreign person with a similar activity to any of the persons listed in letters a) to m),
- o) state or member state of the federation,



p) Czech National Bank, foreign central bank or European Central Bank a

q) World Bank, International Monetary Fund, European Investment Bank or other international financial institution.

(2) In this Act, professional client is further understood

a) a legal entity established for the purpose of business which, according to the latest financial statements, meets at least 2 of the 3 criteria, which are

1. total assets corresponding to an amount of at least EUR 20,000,000,
2. annual total net turnover corresponding to an amount of at least EUR 40,000,000,
3. equity equal to at least EUR 2,000,000,

b) a foreign person established for the purpose of doing business that meets the conditions set out in letter a).

(3) A client according to subsection 1 or 2 is considered a client who is not a professional client in the scope of trading with a financial instrument or investment services agreed upon with the investment firm. In the event that this agreement was not concluded in writing, the investment firm is obliged to issue to this client, at his request, a confirmation of the facts mentioned in the first sentence.

(4) repealed

## Section 2b

### **Professional client on request**

(1) In this Act, a professional client also means a person,

a) which asks the investment firm to treat it as a professional client, and the latter agrees to the request, and

b) which meets at least 2 of the following 3 criteria:

1. for each of the last 4 consecutive quarters in the relevant area of the financial market, it has carried out trades with the financial instrument to which the application relates in a significant volume and in an average number of at least 10 trades per quarter,
2. the volume of its assets consisting of cash and financial instruments corresponds to an amount of at least EUR 500,000,
3. performed for a period of at least one year, or performs, in connection with the performance of his job, profession or function, an activity in the area of the financial market that requires knowledge of the trades or services to which the application relates.

(2) Application according to subsection 1 letter a) it must be in writing and it must be clear which trade or trades with a financial instrument or which investment service it relates to. Attached to the application is a written declaration by the applicant that he is aware that

a) this change may mean the loss of the right to compensation from the foreign guarantee system for the purpose of a similar system secured by the Investment firms Guarantee Fund,

b) the obligations set out in Sections 15 to 15r in relation to a professional client are fulfilled by an investment firm to a narrower extent than in relation to a client who is not a professional client; the investment firm will explicitly draw the applicant's attention to these facts.

(3) The investment firm may consent pursuant to subsection 1 letter a) grant if it is ensured that

the applicant meets the criteria set out in subsection 1 letter b) and has the necessary experience and expertise regarding the trade or trades with the financial instrument or investment services to which the application relates, is able to make his own investment decisions and understands the associated risks.

(4) A professional client referred to in subsection 1 is considered to be a client who is not a professional client, if he asks the investment firm to do so. It must be clear from the request which transaction or transactions with the financial instrument or which investment service such request relates to. The investment firm will comply with this request.

(5) The investment firm continuously verifies and regularly assesses whether the professional client under subsection 1 has not ceased to fulfil the conditions specified in subsection 3.

(6) repealed

#### Section 2c

### **Professional knowledge, experience and financial background of a professional client**

(1) For the purposes of requiring information by an investment firm from a client when providing an investment service (Section 15h to 15k), it is considered that the professional client referred to in Section 2a has the expertise and experience in the field of investments to make his own investment decision and evaluated the risks he undertakes in connection with the investment service or financial instrument business for which he is a professional client.

(2) For the purposes of providing investment advice, it is considered that the professional client referred to in Section 2a, subsections 1 and 2 has the financial background to undertake related investment risks corresponding to his investment goals.

#### Section 2d

### **Eligible counterparty**

(1) An investment firm is not obliged to provide the main investment services referred to in Section 4 subsection 2 letters a), b) or c) fulfil the obligations set out in Section 15 to 15r in relation to the professional client referred to in Section 2a, subsection 1. For a professional client, in relation to whom the investment firm is not providing the main investment services referred to in Section 4 subsection 2 letters a), b) or c) obliged to fulfil the obligations set out in Section 15 to 15r, is considered, if he expressly agrees, also a natural person with a residence or a legal entity with its registered office in another member state of the European Union, in relation to which according to the legal of the regulations of this member state, a foreign person who has an authorisation of this member state to provide investment services is not obliged, without his request, when providing the main investment services referred to in Section 4 subsection 2 letters a), b) or c) fulfil obligations similar to the obligations stipulated in Section 15 to 15r. It must be clear from the consent which trade or trades with the financial instrument or which investment service it relates to.

(2) The investment firm is not obliged to provide the main investment services referred to in Section 4 subsection 2 letters a), b) or c) fulfil in relation to the professional client referred to in Section 2a subsection 2 and Section 2b subsection 1 the obligations set out in Section 15 to 15r, if such a professional client requests it in writing. It must be clear from the application which trade or trades with a financial instrument or which investment service it concerns.

(3) An investment firm is obliged to provide the main investment services referred to in Section 4 subsection 2 letters a), b) or c) fulfil the obligations set out in Sections 15 to 15r in relation to a professional client, in relation to whom he does not fulfil them in the sense of subsection 1 or 2, if this client requests the investment firm in writing. It must be clear from such a request which trade or trades

with a financial instrument or which investment service it concerns.

(4) When providing the main investment services referred to in Section 4 subsection 2 letters a), b) or c), the investment firm is obliged to act in relation to a professional client towards whom he does not fulfil the obligations set out in Sections 15 to 15r in the sense of subsection 1 or 2 (hereinafter referred to as "eligible counterparty"), in a qualified, honest and fair manner and may not use communicating with him unclear, false, misleading or deceptive information; at the same time complies with the requirements according to Section 15da.

(5) Further details for the purposes of subsections 1 to 4 are governed by Articles 61 and 71 of Commission Delegated Regulation (EU) 2017/565<sup>78</sup>).

#### Section 2e

**cancelled**

## **PART TWO**

### **INVESTMENT TOOLS AND INVESTMENT SERVICES**

#### TITLE I

#### BASIC PROVISION

#### Section 3

#### **Financial instruments**

(1) Financial instruments are

a) transferable securities,

b) collective transferable securities,

c) money market instruments,

d) options, futures, swaps, forwards and other instruments, the value of which is related to the exchange rate or value of securities, exchange rates, interest rate or interest yield, allowances for greenhouse gas emissions, as well as other derivatives, financial indices or financial quantitatively expressed indicators, and from which the right to settlement in money or the right to delivery of the thing to which their value is related results,

e) instruments enabling the transfer of credit risk,

f) financial contracts for difference,

g) options, futures, swaps, forwards and other instruments, the value of which is related to commodities and which result in the right to settlement in money or the right of at least one party to choose whether it wishes to settle in money, if it is not a matter of settlement in money for the reason failure of one of the parties to the derivative or due to another reason for early termination of the derivative,

h) options, futures, swaps, forwards and other instruments, the value of which is related to commodities and from which the right to deliver this commodity results, and which are traded on a European regulated market or in a multilateral trading facility or in an organised trading facility, with the exception of

wholesale energy products pursuant to Article 2 point 4 of Regulation (EU) No. 1227/2011 of the European Parliament and Council on the integrity and transparency of the wholesale energy market traded in an organised trading facility, which result in the obligation to deliver this commodity,

i) options, futures, swaps, forwards and other instruments, the value of which is related to commodities and from which the right to deliver this commodity arises, which are not mentioned in letter h), are not intended for trading purposes and have the characteristics of other derivative financial instruments,

j) options, futures, swaps, forwards and other instruments, the value of which is related to climate indicators, transport tariffs or the rate of inflation and other economic indicators published in the section of official statistics, from which the right to settlement in money or the right of at least one party to choose, whether he wishes a cash settlement, if it is not a cash settlement due to the failure of one of the parties to the derivative or due to another reason for the early termination of the derivative,

k) instruments whose value is related to things, rights, debts, indices or quantitatively expressed indicators, which are not mentioned in letters a) to j) and have features of other derivative financial instruments; in particular those that are traded on a European regulated market or in a multilateral trading facility or in an organised trading facility, and

l) allowances for greenhouse gas emissions.

(2) Transferable securities are securities that can be traded on the capital market. Transferable securities are mainly

a) shares or similar securities representing a stake in a legal entity,

b) bonds or similar securities with which the right to repay a certain amount owed is associated,

c) depository receipts representing the ownership right to the securities referred to in letters a) and b),

d) securities authorising the acquisition or alienation of transferable securities referred to in letters a) and b),

e) securities that give rise to the right to settlement in money and whose value is determined by the value of transferable securities, exchange rates, interest rates, interest income, commodities or financial indices or other quantitatively expressed indicators.

(3) Collective transferable securities are securities representing shares in investment funds or foreign investment funds.

(4) Money market instruments are instruments that are usually traded on the money market, especially treasury bills, deposit slips and commercial papers.

(5) Financial instruments are not payment instruments.

(6) One financial instrument may, according to its characteristics, show the characteristics of several types of financial instruments.

(7) Financial instrument is also an instrument issued using distributed ledger technology.

(8) Provisions of Articles 5, 7, 8, 10 and 11 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup> regulate

a) other instruments according to subsection 1 letter d), which are not a financial instrument,

- b) wholesale energy products according to subsection 1 letter h), from which the obligation to deliver the commodity results,
- c) financial instruments according to subsection 1 letters i) and k), which have the characteristics of other derivative financial instruments,
- d) money market instruments according to subsection 4.

#### Section 4

##### **Investment services**

(1) Investment services are main investment services and activities (hereinafter referred to as "main investment services") and ancillary investment services provided on a business basis.

(2) The main investment services are

- a) receiving and forwarding instructions regarding financial instruments,
- b) execution of instructions regarding financial instruments for the client's account,
- c) trading in financial instruments on own account,
- d) management of the client's property, if it includes a financial instrument, on the basis of free consideration within the contractual arrangement,
- e) investment advice regarding financial instruments,
- f) operating a multilateral trading facility,
- g) operation of an organised trading facility,
- h) subscription or placement of financial instruments with an obligation to subscribe them,
- i) placement of financial instruments without the obligation to subscribe them.

(3) Ancillary investment services are

- a) custody and management of financial instruments for the client, including custody and related services, with the exception of account management by a central depository or a foreign central depository,
- b) providing a credit or loan to a client for the purpose of enabling trading with a financial instrument in which the credit or loan provider participates,
- c) consulting activities related to capital structure, industrial strategy and related issues, as well as the provision of advice and services related to company conversions, business plant transfers or the acquisition of a stake in a business corporation,
- d) investment research and financial analysis or other forms of general recommendations regarding trading in financial instruments,
- e) foreign exchange services related to the provision of investment services,
- f) services related to the underwriting of financial instruments,

g) a service similar to an investment service that relates to the matter to which the value of the financial instrument referred to in Section 3 subsection 1 letters g) to k) and which are related to the provision of investment services.

(4) For the provision of the investment service of receiving and forwarding instructions regarding financial instruments pursuant to subsection 2 letter a) for the purposes of this Act, mediation of transactions with financial instruments is also considered.

(5) The investment service of safekeeping and management of financial instruments for the client also includes keeping records linked to the central record of book-entry securities (Section 92), keeping separate records of financial instruments or keeping records linked to separate records of financial instruments (Section 93).

#### Section 4a

Main investment services and ancillary investment service mentioned in Section 4 subsection 3 letter a) no one may provide without an authorisation issued by the Czech National Bank, unless this Act or another legal regulation provides otherwise.

#### Section 4b

##### **Exemptions from authorisation to provide main investment services**

(1) The provision of the main investment service does not require an authorisation under this Act, if the main investment service is provided

a) insurance company or reinsurance company in the performance of the activities listed in Section 3 subsection 1 letters f) or l) of the Insurance Act,

b) a person providing main investment services exclusively

1. to persons controlling the person providing the main investment service,
2. to persons controlled by the person providing the main investment service, or
3. to persons controlled by the same person as the person providing the main investment service,

c) a person providing a main investment service only occasionally, in connection with the performance of another professional or business activity, if there is another legal regulation or code of ethics governing these activities and this regulation does not prohibit the provision of such a main investment service,

d) a person trading on his own account with financial instruments other than commodity derivatives and greenhouse gas emission allowances and their derivatives, who does not provide another main investment service in relation to financial instruments other than commodity derivatives and greenhouse gas emission allowances and their derivatives, may not if o

1. market maker,
2. a participant in a regulated market or a multilateral trading facility, with the exception of a non-financial entity that carries out transactions in the trading system that can be objectively measured as reducing risks directly related to the business activity or corporate financing of this non-financial entity or persons forming a consolidated entity with it,
3. a person having direct electronic access to the trading system, with the exception of a non-financial entity that carries out trades in the trading system that can be objectively measured as reducing risks directly related to the trading activity or corporate financing of this non-financial entity or persons that form a consolidation unit with it,
4. a person performing high-frequency algorithmic trading, or
5. a person trading on his own account when executing the client's instructions,

e) the operator of the facility or aircraft is obliged to comply with the requirements of the law regulating the conditions of trading in greenhouse gas emission allowances, who, when trading in greenhouse gas emission allowances, does not comply with the client's instructions and does not provide a main investment service other than trading on his own account, if he does not carry out algorithmic trading with high frequency,

f) a person providing main investment services only within the framework of the management of employee participation systems,

g) a person providing main investment services both within the framework of the administration of employee participation systems and also exclusively to the persons listed in letter b) points 1 to 3,

h) a member of the European System of Central Banks and other national entities performing similar functions in the European Union, other public authorities entrusted with the management of public debt in the European Union or intervening in the management of public debt in the European Union and international financial institutions created by two or more Member States for the purpose of obtaining funds and the provision of financial assistance for the benefit of its members who have serious financing problems or are threatened with such problems,

i) manager of an investment fund or foreign investment fund, pension company or depository of an investment fund, foreign investment fund, transformed fund or participating fund,

j) a person who trades on his own account with commodity derivatives or greenhouse gas emission allowances or their derivatives, including a market maker, but with the exception of a person who trades on his own account when executing client instructions, or a person who provides other main investment services, other than own account trading in relation to commodity derivatives or greenhouse gas emission allowances or their derivatives, clients or suppliers of their main business activity, if

1. in each of the above cases, individually and collectively, when assessed within the group, given their main business activity, it is an ancillary activity, and the main business activity of the group is not the provision of investment or banking services or acting as a market maker in relation to commodity derivatives (hereinafter "mainly business group")

2. this person does not perform algorithmic trading with high frequency and

3. upon request, this person informs the Czech National Bank of the reasons why he considers his activity according to the introductory part of this letter to be ancillary to his main business activity,

k) a person who provides investment advice as part of the performance of other professional activities not covered by this Act, if the provision of this investment advice is not separately remunerated,

l) a transmission system operator, a gas storage operator or a distribution system operator within the meaning of Sections 24, 25, 58, 59 and 60 of the Energy Act when performing their tasks according to the Energy Act, a directly applicable regulation of the European Union regulating the conditions of access to the network for cross-border trade in electricity<sup>54)</sup> or a directly applicable regulation of the European Union governing the conditions of access to gas transmission systems<sup>55)</sup> or according to network codes or framework instructions adopted according to the said directly applicable regulations, a person acting as a service provider for these providers in the performance of their tasks according to the said regulations, network codes or framework guidelines adopted pursuant to the said regulations and the operator or manager of the balancing system of the electricity or gas system, the network of product pipelines or the system whose objective is to maintain a balance between the supply and consumption of energy, in the performance of the said tasks; this exemption applies to a person engaged in the activities specified in this letter only if, in order to carry out such activities, he provides principal investment services in relation to commodity derivatives, and this exemption does not apply to the operation of a secondary market, including secondary trading systems for financial transmission right,

m) central depository, except for the cases provided for in Article 73 of Regulation (EU) No. 909/2014 of the European Parliament and of the Council, and

n) provider of group financing services pursuant to Article 2 paragraph 1 letter e) Regulation of the European Parliament and of the Council (EU) 2020/1503<sup>75)</sup> in the performance of its activities, if it provides the main investment service according to Section 4 subsection 2 letters a) or i).

(2) Exemption from authorisation to provide main investment services pursuant to subsection 1 letters a), i) or j) shall apply regardless of whether the conditions according to subsection 1 letter d).

(3) Rights under Section 21(4), Section 22(4), Section 24(2) and Section 25(2) are not granted to the counterparty of transactions concluded by public authorities managing the public debt or members of the European System of Central Banks within the framework of the performance of tasks set out in In the Treaty on the Functioning of the European Union and in Protocol No. 4 on the Statute of the European System of Central Banks and the European Central Bank or in the performance of equivalent tasks under national law.

(4) Provisions of Article 4 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup> regulate when, for the purposes of subsection 1 letter c) activity performed occasionally.

(5) Criteria for determining when, for the purposes of subsection 1 letter j) within the group, certain activity considered to be additional to the main business activity, are governed by Articles 1 to 7 of Commission Delegated Regulation (EU) 2021/1833<sup>80)</sup>.

## TITLE II

### INVESTMENT FIRM

#### Chapter 1

#### Basic provision

#### Section 5

(1) An investment firm is a legal entity that, on the basis of an investment firm license granted by the Czech National Bank, is authorised to provide main investment services.

(2) In this Act, with the exception of Section 5a, 6, 8a, 9a, Section 12aa to 12ad, Section 12g, 12h, Section 12j to 12m, Section 16a, 16b, Section 135a to 135c, Section 136 subsections 2 and 5, Section 137a to 137c, Section 149ga, 149gb and Section 150 to 155c, also includes a bank that is authorised to provide main investment services in the license granted to it by the Czech National Bank.

(3) For an investment firm who is an investment firm pursuant to Article 1 paragraphs 2 or 5 of Regulation (EU) 2019/2033 of the European Parliament and of the Council <sup>72)</sup>, Section 9a, Section 12 aa to 12ad, Section 12g, 12h, Section 12j to 12m, Section 16a, 16b, 135a, 135b, 135c, Section 136 subsections 2 and 5, Section 137a to 137c, Section 149ga, 149gb and Section 150 to 155b do not apply. For the purposes of Sections 3a, 20d, Sections 25 to 26b, Sections 26c to 34, Sections 36a to 36j, Sections 38c to 39 and Section 41 of the Banking Act, an investment firm who is an investment firm pursuant to Article 1 paragraphs 2 or 5 of the Regulation of the European Parliament and of the Council (EU) 2019/2033<sup>72)</sup>, is considered a bank and Section 8 subsections 2 to 10, Section 8b to 8d, Section 9a, 11b, 11c, Section 12c to 12y, Section 16, 16a, 21, 22 and 24 of the Banking Act and related implementing regulations, directly applicable regulations of the European Union and decisions of the Commission shall apply to it similarly as if it were a bank.



(4) A systemically important trader is considered to be an investment firm, provided that Section 8a, 9a, Section 12aa to 12ad, Section 12g, 12h, Section 12j to 12m, Section 16a, 16b, Section 21 to 23, Section 135a, 135b, 135c, Section 136 subsections 2 and 5, Section 137a to 137c, Section 149ga, 149gb and Section 150 to 155b do not apply to him. For the purposes of Sections 3a, 20d, Sections 25 to 26b, Sections 26c to 34, Sections 36a to 36j, Sections 38c to 39 and Section 41 of the Banking Act, a systemically important trader is considered a bank and Sections 5a, Sections 5c to 5o, Section 8 subsections 2 to 10, Section 8b to 8d, Section 9a, 10a, 11b, 11c, Section 12c to 12y, Section 16, 16a, 17a, 20, 20a, 21, 22 and 24 of the Banking Act and related implementing regulations, directly the applicable regulations of the European Union and the decisions of the Commission shall apply to it similarly as if it were a bank.

#### Section 5a

### **The authority of the Czech National Bank to decide on the application of the requirements of Regulation (EU) No. 575/2013 of the European Parliament and of the Council to certain investment firms**

(1) The Czech National Bank may, pursuant to Article 1 paragraph 2 first subparagraph letter c) Regulation of the European Parliament and Council (EU) 2019/2033<sup>72)</sup> to decide that the requirements of Regulation of the European Parliament and Council (EU) No. 575/2013<sup>77)</sup> apply to an investment firm who provides an investment service pursuant to Section 4 subsection 2 letters c) or h), if the total value of the consolidated assets of the investment firm in question, calculated as an average over the previous 12 calendar months, amounts to an amount corresponding to at least EUR 5,000,000,000 and at least one of the following criteria is met:

a) the investment firm provides these investment services to such an extent that its failure or difficulties could lead to systemic risk,

b) the investment firm is a member of the clearing system pursuant to Article 4 paragraph 1 point 3 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>, or

c) it is justified with regard to the size, nature, scope and complexity of the activities of this investment firm, taking into account the principle of proportionality and taking into account

1. the importance of the investment firm for the economy of the European Union or the Czech Republic,
2. the significance of the investment firm's cross-border activities, or
3. the connection of the investment firm with the financial system.

(2) The Czech National Bank may decide to cancel the decision pursuant to subsection 1, if the criterion pursuant to subsection 1, which was the reason for issuing the decision pursuant to subsection 1, is no longer met.

(3) The decision of the Czech National Bank pursuant to subsection 1 shall lose its legal effects if the investment firm ceases to meet the threshold value pursuant to subsection 1 calculated for a period of 12 consecutive calendar months. The investment firm shall notify the Czech National Bank of this fact without undue delay.

(4) The criteria established in subsection 1 letters a) and b) for the purpose of their uniform application, regulates the directly applicable regulation of the European Union, which supplements Article 5 of Directive (EU) 2019/2034 of the European Parliament and of the Council<sup>80)</sup>.

#### Section 6

### **Requirements for an investment firm**

(1) The Czech National Bank shall grant an authorisation for the activity of an investment firm at the request of a trading company or the founder of a trading company before the date of its registration in the commercial register, if the following conditions are met:

- a) this company has or will have the legal form of a joint-stock company or a limited liability company,
- b) the seat and real seat of this company is or should be in the Czech Republic,
- c) this company has good repute (Section 197); this is not assessed if this company is not yet registered in the commercial register,
- d) this company has an initial capital of at least the amount according to Section 8a and has, or will have, no later than the date of commencement of activity, capital of transparent and harmless origin at least in the amount according to Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>,
- e) qualified participation in this company is or will be held only by persons who meet the requirements according to Section 10d subsection 6,
- f) the close connection of this company with another person does not and will not prevent the effective exercise of supervision over the investment firm; in the case of a close connection with a person who has a registered office or actual registered office in a state that is not a member state of the European Union, the legal order of such a state and the method of its application, including the enforceability of the law, must not prevent the effective exercise of supervision over the investment firm,
- g) business plan of this company
  - 1. defines and covers the planned scope of the investment firm's activities,
  - 2. is supported by real economic calculations and
  - 3. defines the activities the performance of which he intends to entrust to another, including information on whether he intends to use employees, investment intermediaries and tied representatives,
- h) this company has or will have, at the latest on the date of commencement of activity, to the extent in which it intends to carry out the activities of an investment firm, material, personnel and organisational prerequisites for the proper performance of the activities of an investment firm enabling the fulfilment of its business activity plan and the fulfilment of the duties of an investment firm, especially in the area of rules for dealing with clients and rules for the proper and prudent provision of investment services, including
  - 1. organisational structure,
  - 2. inspections of persons with whom he performs the activities of an investment firm, a
  - 3. ensuring that the persons with whom he performs the activities of an investment firm are fully independent, have good repute and have the necessary knowledge, skills and experience,
- i) the management body of this company and its members meet the requirements according to Section 10,
- j) if it is a limited liability company, it has an established supervisory board,
- k) if it is an authorisation to provide the main investment service referred to in Section 4 subsection 2 letter f),
  - 1. the rules of trading in the multilateral trading facility meet the requirements according to Section 69 subsection 2 letter a),
  - 2. the rules for accepting financial instruments for trading in the multilateral trading facility meet the requirements according to Section 69 subsection 2 letter c) a
  - 3. the rules of access to the multilateral trading facility meet the requirements according to

Section 69 subsection 2 letter d), a

l) if it is an authorisation to provide the main investment service referred to in Section 4 subsection 2 letter g),

1. the rules of trading in the organised trading facility meet the requirements according to Section 73f subsection 1 letter a),
2. the rules for accepting financial instruments for trading in an organised trading facility meet the requirements according to Section 73f subsection 1 letter c),
3. the rules of access to the organised trading facility meet the requirements according to Section 73f subsection 1 letter d),
4. it is explained in detail why an organised trading facility will not correspond to a regulated market, an MTF or a systematic internaliser, and cannot function as such,
5. the method of applying discretion when operating an organised trading facility is described in detail, in particular, when an order entered within an organised trading facility can be cancelled and when and how 2 or more client orders in an organised trading facility will be matched, and
6. trading by matching orders to your own account is explained.

(2) In the statement part of the decision on the granting of a license to operate as an investment firm, the Czech National Bank shall indicate which main and ancillary investment services the investment firm is authorised to provide and in relation to which financial instruments and whether he is authorised to receive funds or financial instruments of clients. The authorisation must include at least one main investment service.

(3) The investment firm shall permanently comply with the requirements pursuant to subsection 1.

(4) The investment firm shall notify the Czech National Bank without undue delay after it has occurred, of any significant change in the facts on the basis of which he obtained a license to operate, unless it is a change that is subject to separate approval pursuant to this Act.

Section 6a

**Other business activity of a non-bank investment firm**

(1) An investment firm that is not a bank may only carry out further business activities after its registration by the Czech National Bank.

(2) Further business activity of the investment firm that is not a bank may consist only in the provision of other services on the financial market, in particular

a) in activities related to building savings, mortgage or other loans, supplementary pension insurance, supplementary pension savings or insurance, if they consist of mediation, or other procurement activities or consultancy,

b) in the rental of safety deposit boxes,

c) in exchange activities and non-cash trade with foreign currency,

d) in educational activities in the field of the financial market.

(3) Further business activity of the investment firm that is not a bank and is authorised to provide a main investment service in relation to a financial instrument pursuant to Section 3 subsection 1 letter g) to k), where the client of that business activity is a professional client pursuant to Section 2a, may also consist of

- a) trading in a commodity or other asset which may be the underlying asset of a financial instrument referred to in Section 3 subsection 1 letter g) to k),
- b) trading in options, futures, swaps, forwards and other instruments, the value of which relates to commodities and which are not financial instruments,
- c) the provision of services similar to investment services referred to in letter a) to e), h) and i) of Section 4 subsection 2 and Section 4 subsection 3 in relation to assets referred to in letter a) and instruments referred to in letter b); and
- d) the provision of other services in relation to financial instruments and assets referred to in letter a) or instruments referred to in letter b) to members of a group of which the investment firm is a member.

(4) The investment firm that is not a bank may continue to conduct business activities consisting of activities directly related to the management of own property.

(5) The Czech National Bank shall register the applicant's further business activity and send the applicant a certificate of registration without undue delay.

(6) In the event that the performance of another company's agency activity prevents the proper provision of investment services or the effective performance of supervision over the investment firm, or the application does not meet the conditions specified in Section 7 subsection 3, the Czech National Bank may

- a) refuse registration, or
- b) limit the scope of other business activities, or may establish conditions that the investment firm must fulfil before starting each of the other business activities, or which they must comply with during their performance.

(7) In the case of deciding on the registration of another activity referred to in subsection 4, if there are no reasons for the registration of this other business activity worthy of special consideration, which the Czech National Bank will assess in particular taking into account whether the registration of this other activity will contribute to the improvement of quality provided investment services, refusal of registration would cause significant harm to the investment firm, or what is the scope, complexity and nature of this additional activity, the Czech National Bank will refuse registration. In the decision on the registration of other activities referred to in subsection 3, the Czech National Bank may limit the scope of the registered activity, or set the conditions that the investment firm must meet before starting each of the registered activities, or that he must comply with during their performance.

#### Section 6aa

An investment firm may also perform the administration of investment funds or foreign investment funds to the appropriate extent, if he holds an authorisation to perform administration pursuant to the Act Governing Management companies and Investment Funds.

#### Section 6b

### **Authorisation to operate as a systemically important trader**

(1) A person with a registered office or actual registered office in the Czech Republic may not perform the activities of a credit institution pursuant to Article 4 paragraph 1 point 1 letter b) Regulation of the European Parliament and the Council (EU) No. 575/2013<sup>77)</sup> without a license to operate a systemically important trader.

(2) The prohibition under subsection 1 shall not apply to an investment firm until the day when

a) the average value of its total assets as of the last day of the calendar month, calculated over a period of 12 consecutive calendar months, amounts to at least an amount corresponding to EUR 30,000,000,000, or

b) the average value of its total assets as of the last day of the calendar month calculated over a period of 12 consecutive calendar months is lower than the amount corresponding to EUR 30,000,000,000 and this trader is part of a group in which the total value of the consolidated assets of all persons in this group, which have a value of total assets lower than the amount corresponding to EUR 30,000,000,000 and provide an investment service pursuant to Section 4 subsection 2 letters c) or h), reaches an amount corresponding to at least EUR 30,000,000,000, in both cases the average is calculated from the values as of the last day of the calendar month for a period of 12 consecutive calendar months.

(3) For an investment firm, the prohibition pursuant to subsection 1 shall not apply for the period during which the procedure for the application for the granting of a license to operate as a systemically important trader to this investment firm is ongoing.

(4) For the duration of the authorisation to operate a systemically important trader, the systemically important trader's potential authorisation to operate as an investment firm shall not be taken into account.

(5) The Czech National Bank shall grant an authorisation for the operation of a systemically significant trader at the request of a commercial company, if the following conditions are met:

a) this company has the legal form of a joint-stock company or a limited liability company,

b) the seat and real seat of this company is in the Czech Republic,

c) this company has an initial capital that includes only one or more items according to Article 26 paragraph 1 letters a) to e) Regulation of the European Parliament and Council (EU) No. 575/2013<sup>77)</sup> at least in an amount corresponding to at least EUR 5,000,000 and has financial resources of transparent and harmless origin at least in the amount according to Regulation of the European Parliament and Council (EU) No. 575/2013<sup>77)</sup>,

d) the management body of this company and its members meet the requirements according to Section 10 subsection 1,

e) the applicant has submitted complete information according to the directly applicable regulation of the European Commission, which supplements Article 8a of Directive 2013/36/EU of the European Parliament and of the Council<sup>81)</sup>, and

f) the applicant similarly fulfils the conditions for the granting of a banking license according to the act regulating the activities of banks, with the exception of the amount of the share capital, the legal form and the requirement according to Section 4 subsection 5 letter l) of the Act on Banks.

(6) In the operative part of the decision on the granting of a license to operate a systemically important trader, the Czech National Bank shall indicate which main and ancillary investment services the systemically important trader is authorised to provide and in relation to which financial instruments and whether he is authorised to receive funds or financial instruments from clients. The authorisation

must contain at least one investment service according to Section 4 subsection 2 letters c) or h).

(7) The Czech National Bank will decide on an application for a license to operate a systemically important trader within 6 months from the day it received an application that has the prescribed requirements and does not suffer from defects.

#### Section 6c

##### **Withdrawal of the license to operate a systemically important trader**

(1) The Czech National Bank shall withdraw the authorisation of a systemically important trader to operate as a systemically important trader, in addition to cases pursuant to Section 34 of the Banking Act, also if the average value of its total assets as of the last day of the calendar month is calculated over a period of 60 consecutive calendar months lower than the threshold values set out in Article 4 paragraph 1 point 1 letter b) Regulation of the European Parliament and the Council (EU) No. 575/2013<sup>77)</sup>.

(2) If a systemically important trader does not accept deposits from the public or provide loans for a period of 6 months, this is not a reason for revoking the license to operate a systemically important trader.

(3) If the Czech National Bank revokes a systemically important trader's license to operate as a systemically important trader pursuant to Section 34 of the Banking Act, it may simultaneously decide to withdraw his license to operate as an investment firm if the conditions pursuant to Section 145 are met.

#### Section 6d

##### **Authorisation to operate a branch of a foreign systemically important trader with a registered office or real registered office in a country that is not a member state of the European Union**

(1) A foreign systemically important trader with a registered office or actual registered office in a state that is not a member state of the European Union may conduct its activities in the Czech Republic only through a branch based on an authorisation granted by the Czech National Bank.

(2) The Czech National Bank shall grant an authorisation for the operation of a branch of a foreign systemically important trader at the request of a foreign systemically important trader with its registered office or actual registered office in a state that is not a member state of the European Union, if the following conditions are met:

a) the legal form of a foreign systemically important trader corresponds to the legal form of a joint-stock company or a limited liability company,

b) the registered office and actual registered office of the foreign systemically important trader are in the same state,

c) the financial resources that this branch has or will have at its disposal have a transparent and harmless origin, and this branch has or will have at its disposal financial resources in a sufficient volume, taking into account the scope and riskiness of the branch's activities, at the latest on the date of commencement of operations, with the minimum the amount of these financial resources amounts to at least an amount corresponding to EUR 5,000,000,

d) the applicant submitted complete information similarly according to the directly applicable regulation of the European Commission, which supplements Article 8a of Directive 2013/36/EU of the European Parliament and of the Council<sup>81)</sup>,

e) the conditions for granting a license of a branch of a foreign bank pursuant to Section 5 of the Act on Banks are similarly met, except for the amount of financial resources and legal form,

f) the applicant has an authorisation to provide investment services, which he intends to provide in the Czech Republic through this branch, granted by the supervisory authority of the state in which the applicant has its seat and real seat, and this is an authorisation to provide services that correspond to investment services according to Section 4 subsection 2 letters c) and h), a

g) the provision of investment services by the applicant is subject to supervision by the supervisory authority pursuant to letter f).

(3) The application according to subsection 2 can only be submitted electronically. The application according to subsection 2 contains, in addition to the requirements set out in the administrative regulations, also data and documents proving the fulfilment of the conditions according to subsection 2.

(4) The Czech National Bank shall decide on the application pursuant to subsection 2 within 6 months from the date on which it received an application that meets the prescribed requirements and does not suffer from defects. In the statement part of the decision on the granting of authorisation pursuant to subsection 1, the Czech National Bank shall indicate which main and ancillary investment services the systemically important trader is authorised to provide and in relation to which financial instruments and whether it is authorised to receive funds or financial instruments from clients.

Sections 28 to 28b shall not apply to a branch of a foreign systemically important trader with its registered office and real seat in a state that is not a member state of the European Union, and Section 8, subsection 11, Section 8b, subsection 10, and Sections 11a, 12a, 12b, Section 13 to 15 and Section 16b of the Act on Banks shall apply accordingly.

#### Section 6e

### **Performance of the activity of a foreign systemically important trader with its registered office in the territory of another member state of the European Union in the territory of the Czech Republic**

Section 24 subsections 1 to 3 and Section 25 subsections 1 and 2 shall not apply to the performance of the activities of a foreign systemically important trader with its registered office in the territory of another member state of the European Union in the territory of the Czech Republic, and Section 5a and Section 5c to 5 of the Act on Banks.

#### Section 7

### **Application Procedure**

(1) An application for an authorisation to operate as an investment firm can only be submitted electronically.

(2) The Czech National Bank will decide on an application for an authorisation to operate as an investment firm within 6 months from the date on which it received an application that meets the prescribed requirements and does not suffer from defects.

(3) The application for registration of further business activity can only be submitted electronically.

(4) The application for registration of another business activity contains, in addition to the requirements established by the administrative regulations, also data and documents proving the

fulfilment of the conditions according to Section 6a.

(5) The details of the application for registration of other business activities proving the fulfilment of the conditions under Section 6a, its format and other technical requirements shall be determined by the implementing legislation.

(6) The requirements for an application for a license to operate as an investment firm pursuant to subsection 1 are governed by Articles 1 to 10 of Commission Delegated Regulation (EU) 2017/1943<sup>82</sup>).

(7) The format and other technical details of the application for the granting of a license to operate as an investment firm pursuant to subsection 1 are governed by Articles 1 to 6 of Commission Implementing Regulation (EU) 2017/1945<sup>83</sup>).

#### Section 7a

**cancelled**

#### Section 7b

### **Authorisation procedure in relation to crisis resolution**

(1) The Czech National Bank may ex officio grant an authorisation for the activity of an investment firm to a bridging institution pursuant to the Act regulating recovery procedures and crisis resolution on the financial market for a limited period of time, even though this institution does not meet any of the conditions for granting an authorisation pursuant to Section 6.

(2) The Czech National Bank shall decide on the request of the acquirer of the assets or debts of the obligee pursuant to the law regulating recovery procedures and crisis resolution on the financial market for authorisation to operate as an investment firm pursuant to Section 6 without undue delay.

#### Section 8

**cancelled**

### **Chapter 2**

### **Certain conditions of business of an investment firm**

#### **Subchapter 1**

#### **Initial capital**

#### Section 8a

#### **Initial capital**

(1) Initial capital of an investment firm who is authorised to provide the main investment services referred to in Section 4 subsection 2 letters c) and h), must amount to at least an amount corresponding to EUR 750,000.

(2) Initial capital of an investment firm who is authorised to provide the main investment service specified in Section 4 subsection 2 letters g) if this investment firm trades on his own account or is authorised to provide the main investment service referred to in Section 4 subsection 2 letter c), must be



at least an amount corresponding to EUR 750,000.

(3) Initial capital of an investment firm who is authorised to provide the main investment services referred to in Section 4 subsection 2 letters a), b), d), e) and i) and is not authorised to receive cash or financial instruments from clients, must be at least an amount equivalent to EUR 75,000.

(4) The initial capital of an investment firm who is not an investment firm according to subsections 1 to 3 must amount to at least an amount corresponding to EUR 150,000.

The composition of the initial capital of an investment firm is governed by Article 9 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>.

## **Subchapter 2**

### **Capital Adequacy and Commitment**

#### Section 9

**cancelled**

#### Section 9a

(1) A large or connected investment firm shall implement reliable, effective and complete strategies and procedures for determining and continuously maintaining the volume, types and distribution of internally determined capital and liquid assets that are adequate to cover the nature and level of risks that it may pose to others or to which he himself is or may be exposed. These strategies and procedures must be appropriate and proportionate to the nature, scale and complexity of the activities of that large or connected investment firm.

(2) A large or connected investment firm shall regularly review whether the strategies and procedures under subsection 1 meet the requirements under subsection 1.

(3) Obligations according to subsections 1 and 2 are also fulfilled by a small and unconnected investment firm, if the Czech National Bank so determines by decision or measure of a general nature.

#### Section 9aa

**cancelled**

#### Section 9ab

**cancelled**

**title omitted**

#### Section 9ac

**cancelled**

#### Section 9ad

**cancelled**

#### Section 9ae

**cancelled**

**Capital reserve to cover systemic risk**

Section 9af

**cancelled**

Section 9ag

**cancelled**

Section 9ah

**cancelled**

Section 9ai

**cancelled**

Section 9aj

**cancelled**

Section 9ak

**cancelled**

**title omitted**

Section 9al

**cancelled**

Section 9am

**cancelled**

Section 9an

**cancelled**

**title omitted**

Section 9ao

**cancelled**

Section 9ap

**cancelled**

Section 9q

**cancelled**

Section 9ar

**cancelled**

Section 9as

**cancelled**

Section 9at

**cancelled**

Section 9au

**cancelled**

Section 9b

**cancelled**

Section 9c

**cancelled**

**Section 3**

### **Management body**

Section 10

**title omitted**

(1) Depending on the legal form and internal structure, the investment firm must have at least 2 members of the board of directors, 2 members of the board of directors or 2 executives who actually manage its activities; the executives form a collective body.

(2) A member of the board of directors of an investment firm is always its CEO. However, the CEO of an investment firm may not be with the chairman of the board of directors of this investment firm at the same time, unless the Czech National Bank authorisations this upon a reasoned proposal of the investment firm. The Czech National Bank will decide on the request according to the previous sentence, taking into account the effect of the concurrent functions on the regularity and prudence of the performance of the activities of this investment firm, due to their nature, scope and complexity, and taking into account individual circumstances, in particular whether this person has the time capacity for the fulfilment of established obligations and for a possible conflict of interests.

(3) The investment firm shall ensure that

a) each member of its management body had good repute and had sufficient professional knowledge, skills and experience to understand the activities of the investment firm, including the main risks involved,

b) sufficient personnel and financial resources have been set aside for ongoing professional training of

the members of its management body,

c) a policy promoting diversity was implemented in the selection of members of its management body,

d) the members of its management body fulfilled the requirements according to subsection 4,

e) a member of its management body had access to all the necessary information and documents in order to be able, if necessary, to effectively question the decisions of persons in senior management and to supervise the decision-making of persons in senior management,

f) the members of its management body had sufficient collective professional knowledge, skills and experience to understand the activities of that investment firm and

g) data on loans and guarantees provided to a member of its management body or a person related to such a member were recorded so that these data could be provided to the Czech National Bank upon request without undue delay; for the purposes of this Act, a related person means the spouse, registered partner, child or parent of a member of the management body or a legal entity in which the member of the management body or his spouse, registered partner, child or parent has a qualified participation or can exercise significant influence in it or is in this legal entity, a member of senior management or a member of its management body.

(4) A member of the management body of an investment firm for the entire period of performance of his function

a) fulfils his duties properly, honestly and independently and devotes sufficient time to the performance of this function,

b) may simultaneously hold positions in the bodies of other legal entities only if he continues to have sufficient time capacity to fulfil his duties in the investment firm's body due to the nature, scope and complexity of his activities and taking into account individual circumstances,

c) in an investment firm, which is significant due to its size, internal organisation, nature, scope and complexity of its activities, it may not simultaneously hold positions in the bodies of other legal entities to a greater extent than the performance

1. one function of a member of a body of a legal entity who holds an executive management position in this person with 2 functions of a member of a body of a legal entity who does not hold an executive management function in this person (hereinafter referred to as "non-executive member"), or

2. 4 functions of a non-executive member.

(5) Czech National Bank may, on the basis of a reasoned proposal by the investment firm, allow a member of the management body of the investment firm, who is significant due to its size, internal organisation, nature, scope and complexity of its activities, to hold one additional function as a non-executive member beyond the scope of subsection 4 letter c) in the body of another legal entity, if this does not affect the proper performance of duties in the body of this investment firm.

(6) Without prejudice to the obligation of a member of the leading body to devote sufficient time capacity to the performance of the function, for the purposes of subsection 4 letter c) the function of a member in a legal entity that does not mainly serve profit-making purposes is not taken into account, and the performance of the function of an executive and non-executive member within

a) groups,

b) of the same institutional protection system according to Article 113 paragraph 7 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council and

c) a business corporation in which the investment firm has a qualified participation.

Only a natural person can be a member of the management body of an investment firm.

#### Section 10a

##### **Notification of changes in the composition of the management body**

(1) The investment firm shall notify the Czech National Bank of any change in the composition of the management body, and at the same time provide it with the information necessary to assess the fulfilment of the requirements according to Section 10, no later than 1 month before the date of its implementation. If the change occurred independently of the investment firm's will, the investment firm shall notify the change within 10 business days after becoming aware of the change.

(2) If, on the basis of the notification pursuant to subsection 1, the Czech National Bank believes that the requirements pursuant to Section 10 are not or will not be met, it shall notify the notifier thereof within 1 month from the date on which it received the notification pursuant to subsection 1.

(3) The details of the notification pursuant to subsection 1 are governed by Article 5 of Commission Implementing Regulation (EU) 2017/1945<sup>83)</sup>. The notification according to subsection 1 must contain the details according to Article 4 of Commission Delegated Regulation (EU) 2017/1943<sup>82)</sup>.

#### Section 10aa

##### **Nomination Committee**

(1) The supervisory body of an investment firm that meets the criteria according to Section 121 subsection 6 letter a), will establish a committee for appointments composed of members of the supervisory body. The members of the Nomination Committee are appointed and dismissed by the supervisory authority.

##### **(2) Nominating Committee**

a) determines and recommends for approval to the supervisory body or the general meeting candidates for membership in the management body, assesses the balance of knowledge, skills, diversity and experience of the members of the management body and develops a description of the activities and abilities required for a specific function and estimates the expected time scale of the commitment,

b) regularly and at least once a year evaluates the structure, size, composition and activities of the leading body and submits recommendations regarding changes to the supervisory body,

c) regularly and at least once a year evaluates the knowledge, skills and experience of individual members of the management body and the management body as a whole and reports on this to the supervisory body and

d) regularly reviews the policy of the leading body in matters of selection and appointment of persons in senior management and submits recommendations to the supervisory body.

(3) The Appointments Committee also sets the target representation of the underrepresented gender in the management body and prepares a strategy to increase the number of representatives of the underrepresented gender in the management body in order to achieve the set goal. The goal, strategy and its application are published in accordance with Article 435 paragraph 2 letter c) of the Regulation of the European Parliament and the Council (EU) No. 575/2013<sup>77)</sup>.

(4) In the performance of its duties, the Nomination Committee shall continuously and to the greatest extent possible take into account the need to ensure that the decision-making of the management body is not controlled by a single person or a small group of persons in a way that would be detrimental to the interests of the investment firm as a whole.

(5) The investment firm shall ensure that the appointment committee has the necessary resources at its disposal, including external consultancy, and that it has sufficient funds available for this purpose.

#### **Subchapter 4**

### **Acquisition, increase and disposal of a qualified participation in an investment firm and its control**

#### **Section 10b**

#### **Determination and calculation of qualified participation**

(1) The person or persons acting in concert must notify their intention and have the consent of the Czech National Bank

a) to acquire a qualified participation in an investment firm,

b) to increase the qualifying participation in the investment firm to reach or exceed 20%, 30% or 50%, or

c) to become persons controlling the investment firm,

even if these persons do not exercise the voting rights associated with the thus acquired participation in the investment firm; failure to exercise voting rights does not result in a change in the share of voting rights of these or other persons.

, the voting rights listed in Section 122 subsection 2, are also considered to be voting rights arising from participation in an investment firm that is a joint-stock company; Section 122a subsections 4 to 6 and Section 122b subsections 1 to 3 apply *mutatis mutandis*.

(3) Shares in the share capital or voting rights from participating securities that relate to securities held by a credit institution or an investment firm in direct connection with the subscription or placement of securities are not included in the calculation of participation pursuant to subsection 1, if he does not exercise voting rights or otherwise interfere in the management of the issuer of securities and if he disposes of these securities within 1 year from the date of their acquisition.

(4) Subsections 2 and 3 shall apply *mutatis mutandis* to an investment firm who is a limited liability company.

(5) The information that the proposed acquirers must include in their notification pursuant to subsection 1 is governed by Articles 2 to 13 of Commission Delegated Regulation (EU) 2017/1946<sup>84</sup>.

#### **Section 10c**

### **Consent to acquisition or increase of qualifying participation or control and notification thereof**

(1) Consent pursuant to Section 10b, subsection 1 must be obtained by a person or persons acting in concert before acquiring or increasing a qualified participation in an investment firm or controlling it.

(2) A person who, without the prior consent of the Czech National Bank, acquires or increases

a qualified participation in an investment firm or controls it, is obliged to immediately inform the Czech National Bank of this fact and without undue delay to request its consent pursuant to Section 10b subsection 1.

(3) The acquisition or increase of a qualified participation in an investment firm or its control without the prior consent of the Czech National Bank does not result in the invalidity of the legal action on the basis of which these changes in the participations in the investment firm took place, but the voting rights associated with participation thus acquired may not be exercised until such time as this consent is granted.

#### Section 10d

##### **Assessment of Qualified Participation**

shall confirm its acceptance in writing to the applicant no later than 2 working days from the date of receipt of the complete request for consent pursuant to Section 10b, subsection 1; if the application is incomplete, without undue delay it will invite the applicant to eliminate the deficiencies in the application. At the same time as the confirmation of receipt of the complete application in accordance with the first sentence, the Czech National Bank shall notify the applicant of the date on which the deadline for the assessment of the application set out in subsection 2 falls. or to control an investment firm, information about the investment firm in which this participation is to be acquired or increased or which is to be controlled, information about the total amount of the share that the applicant will achieve in this investment firm by acquiring or increasing the qualified participation or obtains by taking over, and data on the person who transfers the share to the applicant. The applicant shall attach to the application the documents necessary for the assessment of the application in terms of meeting the conditions specified in subsection 6.

(2) The Czech National Bank shall issue a decision on the application no later than 60 working days from the date of sending the written confirmation of receipt of the complete application pursuant to subsection 1. If the Czech National Bank does not issue a decision within this period, approval shall be deemed to have been granted. This does not apply in the case of a request for consent submitted pursuant to Section 10c, subsection 2. If the decision on the application is related to the transfer of the activity to a private acquirer in accordance with the law regulating recovery procedures and crisis resolution in the financial market, the Czech National Bank proceeds in such a way that the implementation of the transition of this activity is not delayed and that the achievement of the purpose of crisis resolution is not hindered.

(3) If it is necessary for the assessment of the application, the Czech National Bank shall, without undue delay, but no later than the 50th working day of the period specified in subsection 2, invite the applicant in writing to submit additional information, while the Czech National Bank shall notify the applicant in writing of the acceptance of the requested information will confirm within the period specified in subsection 1. On the day this request is sent, the period specified in subsection 2 starts to run, and that for a maximum period of 20 working days. It is only possible to set the duration of this period once. The period specified in subsection 2 is extended to a period of 30 working days if the applicant

a) has a residence or headquarters in a state that is not a member state of the European Union, or

b) is not subject to the supervision of an authority of a member state of the European Union exercising supervision over banks, insurance companies, reinsurance companies, providers of investment services or managers of foreign investment funds.

(4) The request for approval pursuant to subsection 1 can only be submitted electronically.

(5) When assessing the application, the Czech National Bank examines only the fulfilment of

the conditions specified in subsection 6 and does not take into account the economic needs of the market. The Czech National Bank will not grant the request if the conditions specified in subsection 6 are not met or if the information submitted by the applicant is insufficient for the assessment of the request.

(6) The Czech National Bank will grant the request if, with regard to ensuring the proper and prudent management of the investment firm, there are no reasonable concerns about the possible influence on the performance of business obligations and if the following conditions are met:

- a) the persons requesting consent have good repute,
- b) persons who, in connection with the acquisition of a qualified participation, are proposed as members of the management body or persons in the senior management of the investment firm, fulfil without obvious doubt the conditions set forth in Section 10,
- c) the financial health of the applicant and the sufficient volume, transparency of the origin and integrity of his financial resources, in relation to the performed or planned activities at the investment firm,
- d) the investment firm will continue to be able to comply with prudent business rules on an individual and consolidated basis,
- e) the structure of the group, of which the investment firm is to be a part, does not prevent the effective supervision of the investment firm and supervision on a consolidated basis, the effective exchange of information between the Czech National Bank and the competent supervisory authority of another member state, or does not make it difficult for the individual competent authorities to perform their duties intended to exercise supervision on a consolidated basis when supervising on a consolidated basis and over persons in this group,
- f) in connection with the proposed acquisition or increase of a qualified participation in an investment firm or its takeover, there are no reasonable fears that there could be a violation of the law regulating measures against the legalization of the proceeds of crime and the financing of terrorism, or that such a violation has already occurred, and
- g) this is a case worthy of special consideration, as far as the request according to Section 10c subsection 2 is concerned.

(7) In the decision on the application, the Czech National Bank

- a) may determine the deadline for the acquisition of participation in an investment firm pursuant to Section 10b subsection 1,
- b) shall state the conclusions resulting from the opinions received in accordance with Section 149k subsection 1 letter a) before issuing a decision.

#### Section 10e

#### **Forfeiture or reduction of qualified participation**

(1) The person or persons acting in concert shall notify the Czech National Bank without undue delay that

- a) reduce their qualifying participation in the investment firm to below 50%, 30% or 20%, or dispose of it entirely, or
- b) reduce their qualified participation in the investment firm by ceasing to control it.



(2) The notification pursuant to subsection 1 contains information about the person or persons reducing or disposing of their qualified participation in the investment firm or about the person or persons ceasing to control it, data about the investment firm in which this participation is reduced or destroyed, or which ceases to be controlled, information on the total amount of the share in this investment firm after its reduction and information on the person or persons who acquire or increase the share in the investment firm.

#### Section 11

#### **title omitted**

The provisions of Section 10b to 10e do not apply to an investment firm that is a bank. In his case, the procedure is according to the law regulating the activities of banks.

### **Chapter 3**

#### **Rules of activity and management of an investment firm**

##### **Subchapter 1**

##### **Conflicts of interest**

#### Section 11a

(1) The investment firm shall take appropriate measures to identify, prevent and manage conflicts of interest between him, his employees and related representatives or any person directly or indirectly connected to him by control, and his clients or between two clients that arise in the course of the provision of investment services or a combination thereof, including those resulting from the receipt of incentives from third parties or the investment firm's own compensation and other incentive systems.

(2) If the organisational or administrative measures taken by the investment firm pursuant to Section 12a subsection 3 and Section 12ba and 12bb are not sufficient to ensure with reasonable certainty that risks of damage to the client's interests will be prevented, the investment firm shall clearly inform the client the general nature or sources of conflicts of interest and the measures taken to mitigate said risks before conducting business on his behalf.

(3) The communication according to subsection 2 must be provided on a permanent data carrier and must be sufficiently detailed, taking into account the nature of the client, so that the client can make an informed decision about the service in which the conflict of interest occurs.

##### **Subchapter 2**

#### **Efficient and prudent management**

#### Section 12

#### **Governance system to ensure efficient and prudent management**

(1) The management body of the investment firm shall establish and implement, and the supervisory body of the investment firm shall control, the management and control system, which ensures the efficient and prudent management of the investment firm, including the definition of functions, the performance of which is mutually incompatible, and the prevention of conflicts of interests, in a way that benefits the stability and functioning of the market and the interests of its clients.

(2) The system according to subsection 1 is governed by the following principles:

- a) the management body of the investment firm approves the implementation of the strategic objectives, the strategy in the area of risk and the internal administration and management of the investment firm, and the supervisory body of the investment firm carries out supervision in this area,
- b) the management body of the investment firm ensures the integrity of the accounting and financial reporting systems, including the integrity of financial and operational control and compliance with legal regulations and relevant standards,
- c) the supervisory body of the investment firm supervises the procedures for publishing information and communications,
- d) the supervisory body of the investment firm carries out effective supervision over persons in senior management,
- e) the conditions according to Section 10 subsection 2 are met.

(3) The system according to subsection 1 also ensures that the management body of the investment firm establishes and approves and the supervisory authority of the investment firm inspects

- a) the organisation of the investment firm, as regards the provision of investment services, including the skills, expertise and other knowledge required of employees, resources, procedures and measures for the provision of investment services, taking into account the nature, scope and complexity of its activity and all requirements, which the investment firm must comply with,
- b) policy in the area of services, activities, products and operations offered or provided in accordance with the willingness of the investment firm to undertake risk and the characteristics and needs of the investment firm's clients to whom they will be offered or provided, including the possible implementation of appropriate stress testing,
- c) remuneration policy for persons involved in the provision of investment services to clients, the aim of which is to promote responsible business behavior and fair treatment of clients and to prevent conflicts of interest in relations with clients.

(4) The supervisory body of the investment firm checks and regularly evaluates the adequacy and achievement of strategic goals in the provision of investment services, as well as the effectiveness of the management and control system and the adequacy of policies related to the provision of services to clients, and the management body of the investment firm takes appropriate measures to correct identified deficiencies.

## Section 12a

### **Organisational requirements**

(1) An investment firm must have

- a) proper administrative and accounting procedures,
- b) internal control mechanism,
- c) effective risk assessment procedures a
- d) effective control and protection measures for the data processing system.

(2) The investment firm shall implement appropriate strategies and procedures to ensure that he

himself and his employees and tied agents fulfil their obligations under this Act and observe appropriate rules for personal transactions carried out by such persons.

(3) The investment firm maintains and implements effective organisational and administrative measures to ensure that conflicts of interest pursuant to Section 11a do not adversely affect the interests of its clients.

(4) The investment firm shall take reasonable measures to ensure the uninterrupted and proper provision of investment services and the performance of investment activities. For this purpose, it uses appropriate and adequate systems, resources and procedures. The information and communication technology systems of the investment firm shall be established and managed in accordance with Article 7 of Regulation (EU) 2022/2554 of the European Parliament and of the Council<sup>111)</sup>.

(5) The securities broker has a proper security mechanism which

- a) guarantees the security and verification of the means for transmitting information,
- b) minimizes the risk of data damage and unauthorised access a
- c) prevents the leakage of information while maintaining the confidentiality of the data.

(6) The investment firm shall ensure that the security mechanism referred to in subsection 5 complies with the requirements set out in the directly applicable European Union regulation governing digital operational resilience in the financial sector<sup>111)</sup>.

(7) Additional requirements for the organisational measures of the investment firm pursuant to subsections 1 to 3 are governed by Articles 21 to 29 and Articles 33 to 42 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>.

#### Section 12aa

##### **Special rules for the use of the management system**

(1) Section 12ab to 12ad, Section 12g, 12h, Section 12j to 12m and Section 16b shall not apply to a small and unconnected investment firm. However, obligations according to Section 12ad subsection 1 letters a), c) and d) are also observed by a small and unconnected investment firm.

(2) If a large or connected investment firm becomes a small and unconnected investment firm, Sections 12ab to 12ad, Sections 12g, 12h, Sections 12j to 12m and Section 16b shall not apply to him until 6 months have passed from, when the conditions pursuant to Article 12 paragraph 1 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup> were fulfilled, if the investment firm during this period without interruption fulfilled the conditions pursuant to Article 12 paragraph 1 of the Regulation of the European Parliament and of the Council (EU) 2019/2033<sup>72)</sup> and informed the Czech National Bank about it.

(3) If a small and unconnected investment firm discovers that it no longer meets any of the conditions under Article 12 paragraph 1 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>, it shall inform the Czech National Bank and the requirements of Section 12ab to 12ad, Section 12g, 12h, Section 12j to 12m and Section 16b within 12 months from the date of this finding. The investment firm proceeds in accordance with Section 12l for rewards awarded for services rendered or results achieved in the accounting period after the end of the accounting period in which this finding took place.

(4) The investment firm fulfils the requirements according to Section 12ab to 12ad, Section 12g, 12h, Section 12j to 12m and Section 16b on an individual basis, if the Czech National Bank has authorised the procedure according to Article 8 of the Regulation of the European Parliament and of the Council (EU) 2019/2033<sup>72)</sup>.

(5) The investment firm fulfils the requirements according to Section 12ab to 12ad, Section 12g, 12h, Section 12j to 12m and Section 16b on an individual basis as well as on a consolidated basis, if prudential consolidation is applied according to Article 7 of the Regulation of the European Parliament and the Council (EU) 2019/2033<sup>72)</sup>. This does not apply to a controlling person that is included in a consolidated situation according to Article 4 paragraph 1 point 11 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup> and is established in a state that is not a member state of the European Union, if the application Section 12ab to 12ad, Section 12g, 12h, Section 12j to 12m and Section 16b is illegal according to the laws of the state in which this controlling person is established.

#### Section 12ab

##### **A reliable management system**

- (1) An investment firm must have a reliable system of administration and management including
- a) a clear organisational structure with well-defined, transparent and uniform responsibilities,
  - b) effective procedures for identifying, managing, monitoring and reporting the risks to which the investment firm is or may be exposed, or the risks that this investment firm may pose to other financial market participants,
  - c) adequate internal control mechanisms, including proper administrative and accounting procedures, and
  - d) remuneration policies and procedures that correspond to and support appropriate and effective risk management; these policies and procedures must be based on the equal remuneration of men and women for equal work or work of equal value.

(2) When implementing the system according to subsection 1, the criteria according to subsection 3 and according to Section 12ac, 12ad, 12g, 12h and Section 12j to 12m are taken into account.

(3) The system according to subsection 1 must be suitable and proportionate to the nature, extent and complexity of the risks associated with the business model and activities of the investment firm.

#### Section 12ac

##### **The role of the management body in risk management**

(1) The management body of the investment firm approves and the supervisory body of the investment firm regularly evaluates the strategies and principles that relate to the willingness of the investment firm to take risks and that relate to the management, monitoring and reduction of risks that the firm is or may be with securities exposed, taking into account the macroeconomic environment and the business cycle of the investment firm.

(2) The management body of the investment firm and the supervisory body of the investment firm shall devote sufficient time to ensure proper consideration of matters under subsection 1 and allocate adequate resources to manage all significant risks to which the investment firm is exposed.

(3) The investment firm shall determine the rules for reporting significant risks and risk

management principles, including their changes, to its management body and its supervisory body.

(4) The investment firm shall ensure that the members of the supervisory authority have access to information about the risks to which the investment firm is or may be exposed.

#### Section 12ad

##### **Risk management**

(1) The investment firm has reliable strategies, policies, procedures and systems for identifying, measuring, managing and monitoring, as regards

a) significant sources of risk for clients and their impacts and any significant impact on capital, taking into account the requirements under Section 12e; the investment firm will consider professional liability insurance as an effective tool for risk management,

b) significant sources of risks for the market and their effects and a significant impact on capital,

(c) significant sources of risks for the investment firm, in particular those that may deplete the level of available capital, and the effects of those risks, and

d) liquidity risk for an appropriate set of time horizons, including a one-day horizon, to ensure that the investment firm maintains an adequate level of liquid resources, also taking into account the resolution of significant sources of risk under letters a) to c).

(2) Significant sources of risk for securities trading pursuant to subsection 1 letter c) include, in relevant cases, significant changes in the book value of assets, including all receivables from tied agents, client or counterparty defaults, positions in financial instruments, foreign currencies and commodities, and liabilities to defined benefit pension plans.

(3) The strategies, policies, procedures and systems pursuant to subsection 1 are appropriate to the complexity, risk profile, scope of the investment firm's activity and the investment firm's willingness to take risks and reflect the importance of the investment firm in each member state of the European Union, in in which the investment firm carries out his activity, taking into account the requirements according to Section 12e.

(4) The investment firm pays due attention to any significant risk of impact on capital, if such risk is not adequately captured in the capital requirements calculated in accordance with Article 11 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>.

(5) If it is necessary for the investment firm to terminate or cease operations, it shall, with regard to the viability and sustainability of its business models and strategies, pay due attention during the process of exiting the market to requirements and necessary resources that are realistic in terms of time schedule and maintenance capital and liquid resources.

(6) When the strategies, policies, procedures and systems of investment firms are considered reliable is governed by the directly applicable regulation of the European Union, which supplements Article 29 of Directive (EU) 2019/2034 of the European Parliament and of the Council<sup>80)</sup>.

#### Section 12ae

##### **Compulsory insurance of a small and unconnected investment firm and his non-participation in the guarantee system secured by the Guarantee Fund**

(1) A small and unaffiliated investment firm must be insured for the entire period of his activity

in the event of an obligation to compensate the client for damage caused by a breach of one of the obligations of a small and unaffiliated investment firm established by this Act

a) with an insurance benefit limit of at least CZK 13,500,000 per insured event and at least CZK 20,250,000 in the event of multiple insured events in one calendar year, and

b) with the insured's co-participation in the compensation of the incurred damage, if it was stipulated in the insurance contract, no higher than 10% of the amount that the insured is obliged to compensate.

(2) Sections 128 to 134 shall not apply to a small and unconnected investment firm.

#### Section 12b

**cancelled**

#### Section 12ba

### **An investment firm creating a financial instrument offered to clients**

(1) An investment firm that creates a financial instrument offered to clients shall establish, maintain and apply procedures for approving each such financial instrument and its significant changes before offering or distributing it to clients.

(2) The investment firm continuously verifies and regularly evaluates the procedures according to subsection 1 and negotiates the corresponding remedy without unnecessary delay.

(3) Procedures under subsection 1 must

a) determine the target market for each financial instrument,

b) ensure an assessment of all risks for the target market and

c) ensure that the intended sales strategy corresponds to the target market.

(4) Part of the procedures according to subsection 1 is

a) appropriate organisational arrangement for the creation of financial instruments offered to clients,

b) conflict of interest management and compliance with remuneration rules when creating a financial instrument,

c) evaluating the structure of costs and fees associated with the relevant financial instrument and

d) ensuring that the financial instrument does not harm clients and threaten the integrity of the market.

(5) An investment firm who creates a financial instrument offered or distributed to clients continuously verifies and regularly evaluates the financial instruments it offers and negotiates without undue delay the corresponding correction of identified deficiencies, while

a) takes into account all events that could significantly affect potential risks for the target market,

b) assesses whether the financial instrument continues to meet the needs of the target market, and

c) assesses whether the sales strategy is still appropriate.

(6) An investment firm who creates a financial instrument offered to clients shall provide the investment firm referred to in Section 12bb with all necessary information about

- a) this financial instrument,
- b) procedures for approving this financial instrument a
- c) the target market of this financial instrument.

(7) Subsections 1 to 6 shall not apply to

- a) financial instrument offered only to eligible counterparties,
- b) transferable security according to Section 3 subsection 2 letter b) which does not contain an embedded derivative element other than the clause on the right to early repayment, a
- c) a depository receipt representing the ownership right to a transferable security according to letter b).

#### Section 12bb

##### **An investment firm offering a financial instrument not created by him**

If an investment firm offers or recommends a financial instrument that does not create, implement, maintain and apply appropriate procedures to

- a) obtaining information in accordance with Section 12ba subsection 6, including from persons who are not an investment firm who creates a financial instrument offered to clients,
- b) understanding the characteristics of this financial instrument a
- c) understanding the intended target market of this financial instrument, taking into account available information about its clients.

#### Section 12c

##### **Record keeping**

(1) The investment firm shall ensure record keeping

- a) book-entry or immobilized securities, with the owner of which he concluded an agreement on keeping an asset account, in which he records the owner's book-entry or immobilization securities, which are simultaneously registered in the central register of book-entry securities on the client's account; this record is kept in a record linked to the central record of book-entry securities,
- b) documentary financial instruments that he took over from clients for safekeeping, or immobilized securities; this record is kept in a separate record of financial instruments (Section 93),
- c) foreign financial instruments that he took over from clients for the purpose of providing an investment service; this record is kept in a separate record of financial instruments (Section 93),
- d) financial instruments that he took over from clients for the purpose of providing an investment service and which are not listed in letters a) to c) and whose nature allows it; this record is kept in a separate record of financial instruments (Section 93).

(2) Records according to subsection 1 are kept in electronic form.

#### Section 12d

##### **Activities performed through another person**

(1) If an investment firm entrusts another person with the performance of a significant operational activity, he is obliged to introduce, maintain and apply appropriate measures to manage related risks and to exclude the occurrence of unreasonable operational risk.

(2) An investment firm shall ensure that a significant operational activity, the performance of which has been entrusted to another person, is not carried out in a manner that would significantly reduce the quality of the governance system or the possibility of the Czech National Bank to supervise compliance with the investment firm's obligations<sup>3)</sup>. By entrusting another person with the performance of a significant operational activity, the investment firm's obligation in relation to third parties to compensate for damage caused by a breach of his obligation established by this Act, on the basis of this Act or directly applicable regulations of the European Union in the field of activity on financial markets<sup>2)</sup> remains unaffected.

(3) The operational activity of an investment firm is considered to be significant if a deficiency in its performance would seriously disrupt the proper and smooth provision of investment services or the fulfilment of investment firm's obligations, threaten its financial stability or represent a change in the assumptions on the basis of which the investment firm is granted an investment firm's license.

(4) It is not considered a significant operational activity of an investment firm

a) legal or other consultancy, training of its employees, activities related to the billing of services provided to it, protection of its premises and employees or other services provided by the investment firm, if these services are not part of the investment services provided by the investment firm,

b) receiving standardized services, including market and price information.

(5) By performing activities related to the provision of the main investment service pursuant to Section 4 subsection 2 letter d) a client who is not a professional client can be entrusted with another person based in a country that is not a member state of the European Union, if

a) this person has an authorisation or registration to perform this activity in the state in which it has its seat, and is subject to supervision of compliance with the rules for the prudent provision of investment services, and

b) The Czech National Bank concluded a cooperation agreement with the relevant supervisory authority.

(6) If the conditions set out in subsection 5 are not met, the investment firm may entrust the performance of the activity according to subsection 5 to another person based in a state that is not a member state of the European Union, only if he notifies the Czech National Bank of this intention in advance and The Czech National Bank will not prohibit this authorisation within 2 months from the date of delivery of the notification due to inappropriateness from the point of view of proper and prudent provision of investment services. No appeal is admissible against this decision.

(7) In connection with the conditions set out in subsection 5, the Czech National Bank is authorised to enter into cooperation agreements with the supervisory authorities of states that are not a member state of the European Union. The Czech National Bank will publish in the Czech National Bank Bulletin and on its website the list of supervisory authorities with which it has entered into a cooperation agreement.



(8) Other requirements for the purposes of subsections 1 to 7 are governed by Articles 30 to 32 Commission Delegated Regulation (EU) 2017/565<sup>78</sup>).

#### Section 12e

##### **Protection of client property**

(1) When dealing with the client's financial instruments, the investment firm is obliged to implement measures to protect the client's ownership rights, especially in the case of bankruptcy of the investment firm, and to exclude the use of the client's financial instruments for transactions on his own account or on the account of another client, except when the client has given express consent to the investment firm for such a procedure.

(2) When dealing with the client's funds, the investment firm is obliged to implement measures to protect the client's rights to this asset and, with the exception of deposits with the investment firm, which is a bank, to exclude the use of this asset for transactions on its own account or to another client's account.

(3) The investment firm is obliged to have the adequacy of the measures taken for the purpose of protecting the client's assets verified by a person authorised to carry out audit activities according to the Act on Auditors (hereinafter referred to as the "auditor"); on the verification of the adequacy of the measures taken by the investment firm for the purpose of protecting the client's property, the auditor will prepare a report on the verification of the adequacy of the measures taken by the investment firm for the purpose of protecting the client's property at least once a year, which he will provide to the Czech National Bank.

#### Section 12f

##### **Implementing legal regulation**

The implementing legislation provides

- a) more detailed requirements for an investment firm when creating, offering or distributing financial instruments within the limits of Section 12ba and 12bb,
- b) requirements, deadlines and method of sending the auditor's reports according to Section 12e subsection 3 a
- c) requirements for organisational arrangements in relation to ensuring the protection of the client's property.

#### Section 12g

##### **Risk Committee**

(1) The supervisory body of an investment firm that meets the criteria according to Section 121 subsection 6 letter a), shall establish a risk committee composed of members of the supervisory body. The members of the risk committee are appointed and dismissed by the supervisory authority.

(2) A member of the risk committee must have adequate expertise, skills and experience to fully understand the risk strategy and risk appetite of the investment firm, and to be able to manage and monitor that strategy and appetite.

(3) The risk committee informs the supervisory authority about the overall current and future willingness of the investment firm to take risks and its strategy in the area of risks and assists the

supervisory authority in supervising the implementation of said strategy by persons in senior management.

#### Section 12h

##### **The supervision of the Czech National Bank over remuneration principles**

(1) The Czech National Bank collects information made available pursuant to Article 51, first subparagraph letter c) and d) of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup> and information provided by investment firms on the gender pay gap and uses this information as benchmarks for pay trends and practices.

(2) The investment firm shall submit to the Czech National Bank no later than 4 months after the end of the accounting period information for the past accounting period on the number of employees of the investment firm whose remuneration amounts to at least EUR 1,000,000 in one accounting period, including information about their job duties, relevant field of activity, main salary components, bonuses, rewards linked to the fulfilment of long-term goals and contributions to old-age savings products. The obligation according to the first sentence is considered fulfilled if the investment firm publishes this information in accordance with Article 46 paragraph 1 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>.

(3) The investment firm shall submit to the Czech National Bank upon request the total amount of remuneration of each member of the management body or each person in senior management.

(4) The implementing legislation shall determine the details, form, manner and structure of the fulfilment of the information obligations under subsections 2 and 3.

#### Section 12i

##### **Reporting mechanism**

(1) The investment firm shall establish, maintain and implement an effective mechanism for its employees to report violations or threatened violations of this Act, the legal regulations implementing it and the directly applicable regulation of the European Union in the area of activities on financial markets <sup>2)</sup> through a special, independent and separate communication channel. This reporting mechanism may be established by the social partners while ensuring the same degree of protection as required under subsection 2 letters b) and c).

(2) The reporting mechanism under subsection 1 includes at least

a) procedures for reporting violations or imminent violations and their evaluation,

b) the protection of a person who reports a breach or imminent breach; if the worker is at least before discrimination or other types of unfair treatment,

c) the protection of the personal data of a person who reports a breach or threatened breach, or who is allegedly responsible for a breach or threatened breach, unless disclosure is required by national law in connection with further investigation or subsequent legal proceedings.

(3) The implementing legal regulation sets out the requirements for the reporting mechanism pursuant to subsection 1.

#### Section 12j

##### **Remuneration policy**

(1) An investment firm in creating and applying its remuneration policies for individual categories of employees, including persons in senior management, employees whose activities are associated with taking risks, and employees in control functions and all employees who are paid a total remuneration equal to with at least the lowest remuneration paid to persons in senior management, or employees whose activities are associated with taking risks and whose work activities have a significant impact on the risk profile of the investment firm or the assets it manages, adheres to the following principles:

- a) remuneration principles are clearly documented and proportionate to its size and internal organisation and the nature, scope and complexity of its activities,
- b) remuneration principles are based on equal remuneration for men and women for equal work or work of equal value,
- c) remuneration policies are in line with and support appropriate and effective risk management,
- d) the principles of remuneration are in accordance with the business strategy and goals of the investment firm and also take into account the long-term effects of the adopted investment decisions,
- e) remuneration principles contain measures to avoid conflicts of interest, encourage responsible business and promote risk awareness and prudent risk-taking,
- f) the principles of remuneration are accepted and regularly reviewed in the investment firm by the supervisory body, which also supervises their implementation,
- g) the implementation of remuneration principles is subject to a central and independent internal review by control functions, at least once a year,
- h) workers in control functions are independent of the business units they supervise, have appropriate authority and are remunerated according to the degree of fulfilment of the objectives associated with their functions, regardless of the results of the business areas they control,
- i) the remuneration of persons in senior management responsible for risk management and compliance with regulations is directly supervised by the remuneration committee according to Section 12m, and if such a committee is not established, by the supervisory body,
- j) remuneration principles, when taking into account the legal regulations for determining wages, clearly distinguish between the criteria used for determining
  - 1. the basic fixed components of the remuneration, which mainly reflects the relevant professional experience and organisational responsibility arising from the type of work of the worker within the terms of his employment relationship or the performance of his function,
  - 2. variable remuneration components that reflect the worker's sustainable risk-adjusted results as well as results beyond what is implied by the worker's type of work, and
- k) the fixed component constitutes a sufficiently large part of the total remuneration to enable the implementation of a fully flexible system of payment of the variable remuneration component, including the possibility of not paying the variable remuneration component.

(2) For the purposes of subsection 1 letter k) the investment firm determines the appropriate ratios between the variable and fixed components of the total remuneration in its remuneration principles, taking into account its business activity and related risks, as well as the impact that different categories of workers according to subsection 1 have on its risk profile.

(3) The criteria for determining the categories of workers whose work activities have a

significant impact on the risk profile of the investment firm according to subsection 1 are regulated by the directly applicable regulation of the European Union, which supplements Article 30 of Directive (EU) 2019/2034 of the European Parliament and of the Council<sup>80)</sup>.

#### Section 12k

##### **Investment firm using extraordinary public financial support**

If an investment firm uses extraordinary public financial support according to Section 2 subsection 1 letter s) of the Act on Recovery Procedures and Resolution of the Financial Market Crisis,

- a) does not pay the members of the management body a variable component of remuneration a
- b) the variable component of the remuneration paid to employees other than members of the management body is limited to a part of the net income, if the variable component of the remuneration would not be in accordance with the maintenance of a reliable capital base of the investment firm and its timely termination of extraordinary public financial support.

#### Section 12l

##### **The variable component of the reward**

(1) The variable component of the remuneration, which the investment firm awards and pays to the categories of workers according to Section 12j, subsection 1, meets all the following requirements proportionate to its size and internal organisation and the nature, scope and complexity of its activities:

- a) if the variable component of the remuneration is linked to results, the total amount of the variable component of the remuneration is based on a combination of the assessment of the results of the employee in question, the business department concerned and the overall results of the investment firm,
- b) financial and non-financial criteria are taken into account when assessing the employee's results,
- c) the assessment of the results according to letter a) is based on a multi-year period, taking into account the business cycle of the investment firm and his business risks,
- d) the variable component of the remuneration does not affect the investment firm's ability to ensure a reliable capital base,
- e) there is no guaranteed variable remuneration component, with the exception of this remuneration component for new employees, and only for the first year of their employment and only if the investment firm has a strong capital base,
- f) payments associated with early termination of employment or the performance of a function reflect the results achieved by the worker in a given period and are not a reward for failure or breach of duties,
- g) remuneration related to compensation or payment from contracts in previous employment or from previous performance of a function must be in accordance with the long-term interests of the investment firm,
- h) the performance measurement used as a basis for calculating the set of variable remuneration components takes into account all kinds of existing and future risks and costs of capital and liquidity required in accordance with Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>,
- i) the allocation of variable remuneration components within the investment firm takes into account all

types of existing and future risks,

j) at least 50% of each variable component of remuneration consists of

1. participating securities or, depending on the legal structure of the given investment firm, equivalent ownership shares,
2. instruments linked to participating securities or, depending on the legal structure of the given investment firm, equivalent non-monetary instruments,
3. Additional Tier 1 instruments or Tier 2 instruments or other instruments that are fully convertible into Common Equity Tier 1 instruments or written off and that adequately reflect the credit quality of the investment firm during its lifetime, or
4. non-monetary instruments that reflect the structure of instruments of managed portfolios,

k) if the investment firm does not issue any of the instruments under letter j), the Czech National Bank may approve the use of alternative methods of achieving the same objectives,

l) at least 40% of the variable remuneration component is deferred as needed for a period of 3 to 5 years depending on the investment firm's business cycle, the nature of its activity, the risks associated with it and the activities performed by the employee in question, with the exception of a particularly high variable remuneration component, where the share of the deferred variable component of the remuneration is at least 60%; deferment of the maturity of the variable remuneration component is not granted more quickly than it would be on a pro rata basis,

m) up to 100% of the variable remuneration component is contractually conditional if the financial results of the investment firm are worse or negative, including the right not to recognize the variable remuneration component or its part or the right to demand the return of the variable remuneration component or its part according to the criteria set by the investment firm, which relate in particular to situations where the worker in question

1. participated in actions that led to significant losses for the investment firm, or was responsible for such actions, or
2. is no longer considered professionally competent and having good reputation, and

n) special pension benefits are consistent with the business strategy, goals, values and long-term interests of the investment firm.

(2) Section 12j, subsection 1, natural persons may not use personal insurance strategies or remuneration or liability insurance for the purpose of weakening the principles according to subsection 1.

(3) The variable component of the remuneration is not paid using financial instruments or methods that allow non-compliance with this Act or Articles 1 to 59 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>.

(4) For the purposes of subsection 1 letter j) an appropriate retention policy is applied to securities and instruments, which is intended to align employee incentives with the longer-term interests of the investment firm, its creditors and clients. The Czech National Bank may, by decision or measure of a general nature, limit the types and characteristics of securities or instruments pursuant to subsection 1 letter j) or possibly prohibit the use of certain securities or instruments for variable remuneration components.

(5) For the purposes of subsection 1 letter n) applies that

a) in the event that a worker terminates his employment or performance of a function with an investment firm before reaching the age for the entitlement to a retirement pension, the investment firm shall withhold special pension benefits in the form of securities or instruments pursuant to subsection 1 letter j) for a period of 5 years a

b) if the worker reaches the age for entitlement to old-age pension and retires, this worker will be paid special pension benefits in the form of instruments according to subsection 1 letter j), whereby the worker in question holds these securities or instruments for at least 5 years from the date of retirement.

(6) Subsection 1 letters j) and l) and subsection 5 apply only to

a) an investment firm whose balance sheet and off-balance sheet assets, during the four-year period immediately preceding the accounting period in question, are on average higher than the amount corresponding to EUR 100,000,000, and

b) a natural person whose annual variable remuneration component exceeds the amount corresponding to EUR 50,000 or represents more than one quarter of the total annual remuneration of that person.

(7) Specification of the class of instruments according to subsection 1 letter j) point 3 and possible alternative methods according to subsection 1 letter k) regulates the directly applicable regulation of the European Union, which supplements Article 32 of Directive (EU) 2019/2034 of the European Parliament and of the Council<sup>80</sup>.

## Section 12m

### **Remuneration Committee**

(1) The supervisory body of an investment firm that meets the criteria according to Section 12l subsection 6 letter a), will establish a remuneration committee from the members of the supervisory body; this does not apply if the remuneration committee is established at group level.

(2) The members of the remuneration committee are appointed by the supervisory authority. If the law requires employees to elect a member of the supervisory body, at least one member of the supervisory body elected by the employees in an employment relationship shall be a member of the remuneration committee.

(3) The Remuneration Committee must

a) be balanced with regard to the representation of men and women and

b) competently and independently assess the principles and procedures of compensation and incentives created for the management of risk, capital and liquidity.

(4) The Remuneration Committee prepares decisions regarding remuneration, including decisions that have implications for the risk of the investment firm concerned and its risk management, to be adopted by the management body. In preparing this decision, the remuneration committee will take into account the public interest and the long-term interests of the shareholders, investors and other stakeholders of the investment firm.

## **Subchapter 3**

### **Diary of an investment firm**

## Section 13

### **title omitted**

(1) An investment firm keeps a diary, which is understood as a record of received instructions for the purchase, sale or other transfer of financial instruments and trades concluded on the basis of those

instructions, as well as trades concluded by an investment firm on his own account and a record of documents according to Section 17 subsection 6.

(2) The investment firm's diary is kept in electronic form. For the purposes of keeping the investment firm's diary, the investment firm is entitled to keep the social security numbers of the participants in the transactions.

(3) The method of keeping and the details of the investment firm's diary shall be determined by an implementing legal regulation.

## **Subchapter 4**

### **Expertise**

#### **Section 14**

##### **Personnel resources**

The personnel resources of the investment firm must be commensurate with the nature, scope and complexity of its activities.

#### **Section 14a**

##### **Certain conditions of activity of an investment firm**

(1) When dealing with a client or potential client within the scope of the provision of investment services, an investment firm may only be represented by his employee, an investment intermediary or his tied agent.

(2) The investment firm shall ensure that its employees, its authorised representatives and the employees of its authorised representatives who deal with clients or potential clients as part of the provision of investment services, or who are responsible for dealings with clients, permanently meet the conditions of professional competence (Section 14b) and credibility.

(3) Compliance with the condition of professional competence shall not be required for a person who, within the scope of the provision of investment services, deals exclusively with the persons listed in Section 2a subsection 1 or 2 or Section 2b.

#### **Section 14b**

##### **Competence**

(1) In this Act, professional competence means the acquisition

a) general knowledge necessary for dealing with a client or potential client within the framework of the provision of investment services and

b) professional knowledge and skills necessary for dealing with a client or potential client in the context of the provision of investment services.

(2) The general knowledge necessary for dealing with a client or potential client in the context of the provision of investment services is demonstrated by a high school leaving certificate or proof of higher education.

(3) Professional knowledge and skills necessary for dealing with a client or potential client in

the context of the provision of investment services are demonstrated by a certificate of successful completion of a professional examination (Section 14f).

(4) Expert knowledge and skills necessary for dealing with a client or potential client in the context of the provision of investment services are understood in this Act with regard to the provided investment services and financial instruments

a) knowledge

1. to the extent of the professional minimum on the financial market,
2. the structure, entities and functioning of the capital market,
3. regulation of the provision of investment services, including the pan-European personal pension product and ethical codes in the area of the capital market, if they exist,
4. financial instruments and their issues, investment services and investment funds,
5. investments, investment strategies and portfolios and related risks a
6. financial analyses a

b) skill

1. explain to the client or potential client the financial instrument, investment service and investment funds, including the pan-European personal pension product,
2. perform an analysis of available financial instruments and
3. offer the client or potential client an investment tool that meets their needs.

Section 14c

**Requirements for an accredited person**

Only an accredited person may hold professional examinations aimed at proving the professional knowledge and skills necessary for dealing with a client or potential client within the framework of the provision of investment services.

(2) Accredited person in this Act means a person who has been granted accreditation by the Czech National Bank.

(3) The Czech National Bank shall grant or extend accreditation to the applicant if

a) is fully independent, if he is a natural person, and has good repute; the controlling person of the applicant must also meet the condition of good repute, if it is a legal entity,

b) has material, qualification, organisational and personnel prerequisites for the activity of an accredited person, in particular meets the organisational and technical requirements for holding professional examinations,

c) submits the examination regulations according to Section 14f subsection 2 a

d) the data provided in the application enable the identification of the applicant in the relevant basic register.

(4) An application for accreditation or change of accreditation can only be submitted electronically.

(5) The application pursuant to subsection 4 contains, in addition to the requirements established by the administrative regulations, also data and documents proving the fulfilment of the conditions pursuant to subsection 3.

(6) The Czech National Bank shall grant the request pursuant to subsection 4, if the conditions



pursuant to subsection 3 are met, within a period of 3 months from the date on which the request was delivered to the Czech National Bank.

(7) The accredited person is obliged to notify the Czech National Bank without undue delay of a change in conditions pursuant to subsection 3. The notification shall be submitted electronically.

#### Section 14d

##### **Duration, extension and termination of accreditation**

(1) Accreditation is granted for a period of 5 years.

(2) Accreditation can be repeatedly extended by another 5 years, based on an application.

(3) The application according to subsection 2 can only be submitted electronically.

(4) The Czech National Bank shall comply with the request pursuant to subsection 2, if the conditions established by this Act are met, within a period of 3 months from the date on which the request was delivered to the Czech National Bank. If the Czech National Bank does not issue a decision within this period, it is valid that the accreditation has been extended.

(5) Accreditation expires

a) death of a natural person,

b) the demise of a legal entity,

c) upon expiry of the period for which the accreditation was granted, if the accreditation was not extended according to subsection 4, or

d) by revocation (Section 14e).

#### Section 14e

##### **Withdrawal of accreditation**

(1) The Czech National Bank withdraws accreditation if the accredited person so requests.

(2) The Czech National Bank may withdraw accreditation if

a) the information on the basis of which the accreditation was granted was false or misleading,

b) the accredited person has ceased to meet the conditions for granting accreditation,

c) the accredited person has seriously or repeatedly violated the obligations set forth in this Act.

(3) The application under subsection 1 is submitted electronically.

#### Section 14f

##### **Professional exam and certificate of successful completion of the professional exam**

(1) An accredited person conducts professional examinations based on a set of examination questions prepared by the Czech National Bank in cooperation with the Ministry of Finance.

(2) When conducting the professional examination, the accredited person proceeds according to the examination regulations, the content of which ensures the proper course of the professional examination.

(3) The professional exam can also be written only. The proper course of the professional examination is ensured by a credited person through a committee that has an odd number of members. Committee members must have good repute.

(4) The accredited person shall publish with sufficient advance notice on its website

- a) the date of the professional examination,
- b) how many people can take the professional exam in the given term,
- c) amount of payment for taking a professional exam a
- d) examination regulations.

(5) The accredited person shall inform the examinee of the result of the professional examination without undue delay.

(6) The accredited person shall, without undue delay, issue a certificate of successful completion of the professional examination to the person who has successfully completed the professional examination, which always contains

- a) identification data of the person who performed the professional examination,
- b) identification data of the accredited person,
- c) information on the scope of the professional examination,
- d) the date of the professional examination,
- e) list of commission members a
- f) signature of the person authorised to act on behalf of the accredited person.

#### Section 14g

##### **Document storage**

(1) An accredited person shall keep documents relating to the conduct of professional examinations, in particular

- a) records of the course and results of professional examinations a
- b) records of issued certificates of successful completion of the professional examination.

(2) The accredited person keeps the documents according to subsection 1 for at least 10 years from the date of the professional examination to which the documents relate; this also applies to the person whose accreditation was withdrawn or expired, as well as to his legal successor, including the insolvency administrator and liquidator.

#### Section 14h

### **Implementing legislation**

The implementing legal regulation is new

- a) scope of professional knowledge and skills according to Section 14b subsection 4,
- b) the minimum scope of requirements for material, qualification, organisational and personnel prerequisites according to Section 14c subsection 3 letter b),
- c) details of the requirements of applications according to Section 14c subsection 4 and Section 14d subsection 2, including attachments proving the fulfilment of the conditions according to Section 14c subsection 3, their formats and other technical details,
- d) details of the notification according to Section 14c, subsection 7, its formats and other technical details,
- e) formats of the application according to Section 14e subsection 1 and its other technical details,
- f) requirements for the course, form, scope and method of assessment and the minimum standard of the professional examination according to Section 14f,
- g) rules for providing a set of prepared examination questions in accordance with Section 14f subsection 1 to accredited persons, dealing with them and updating them, and
- h) requirements for examination regulations according to Section 14f subsection 2 and the manner of meeting and composition of the commission according to Section 14f subsection 3.

### **Subchapter 5**

#### **Transactions of an investment firm with clients**

##### **Section 15**

#### **General obligations when dealing with clients**

(1) The investment firm provides investment services with professional care. Providing investment services with professional care means, in particular, that the investment firm acts competently, honestly and fairly and in the best interest of clients, in particular fulfilling the obligations set out in this section.

Sections 15 to 15r do not apply to the conclusion of transactions between participants of a European regulated market or a multilateral trading facility, or to the conclusion of transactions between the operator of a multilateral trading facility and participants of this system. This does not affect the obligation of an investment firm who is a member or participant of this market or system to comply with the obligations according to Sections 15 to 15r in relation to his clients, if he acts on their behalf and if he executes their instructions on this market. Obligations according to Section 15 to 15r apply to the conclusion of transactions in an organised trading facility.

(3) When providing investment services, an investment firm may not accept or provide payment or any other monetary or non-monetary advantage (hereinafter referred to as "incentive"), including research, which may lead to a violation of the obligation set forth in subsection 1 or the obligation pursuant to Section 11a. A payment or other monetary or non-monetary benefit received from a client or a person acting on their behalf or provided to a client or a person acting on their account is not considered an inducement.

(4) An incentive according to subsection 3 is permissible only if

- a) is intended to contribute to the improvement of the quality of the service provided and does not conflict with the obligation set out in subsection 1, or
- b) enables the provision of investment services or is necessary for this purpose and its nature does not conflict with the obligation set out in subsection 1, especially if it is a fee for safekeeping, a fee for settlement, a fee to transfer offices, an administrative fee or a fee for legal services.

(5) If the investment firm informs the client that the main investment service referred to in Section 4 subsection 2 letter e) provides independently, or if it provides the client with the main investment service specified in Section 4 subsection 2 letter d), the investment firm may not retain an incentive in the form of a payment or other monetary benefit in connection with the provision of these services, nor may he accept an incentive in the form of a non-monetary benefit; this does not apply to a smaller non-monetary advantage that can contribute to the improvement of the quality of the service provided and which, taking into account its scope and nature, cannot be considered an advantage leading to a breach of the investment firm's obligation to act in the best interest of the client, if the client is clearly informed about it.

(6) The obligations in relation to the client set out in Sections 15 to 15k are fulfilled by the investment firm also in relation to the potential client.

(7) The implementing legal regulation provides

- a) the conditions under which the research provided to the investment firm is not considered an incentive according to subsection 3 of the first sentence,
- b) the conditions under which it is considered that the incentive is intended to contribute to the improvement of the quality of the service provided pursuant to subsection 4 letter a),
- c) the manner in which the investment firm demonstrates the improvement of the quality of the service provided pursuant to subsection 4 letter a),
- d) more detailed requirements for the transfer of the received incentive in the form of payment or other monetary benefits to the client according to subsection 5 and according to Section 15e subsection 2,
- e) more detailed requirements for informing clients about incentives according to Section 15e subsections 1 and 2,
- f) the conditions under which the benefit can be considered a minor non-monetary benefit according to subsection 5 of the sentence after the semicolon.

(8) Further details for the purposes of subsection 1 are regulated by Articles 58, 64, 65 and Articles 67 to 69 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>.

**title omitted**

Section 15a

### **Communication with clients**

(1) An investment firm must not use unclear, untrue, misleading or deceptive information when communicating with a client, including personal negotiations or promotional communications, regarding investment services or financial instruments. In the case of a promotional communication, the investment firm shall further ensure that its content and form make it clear that it is a promotional

communication.

(2) The information referred to in Section 15d and in Section 15e subsections 1 and 2 shall be provided by the investment firm in a comprehensible manner so that the client is able to sufficiently understand the nature and risks of the investment service offered and the type of financial instrument offered and to be able to then make an informed investment decision.

(3) The investment firm is obliged to notify the client at least once before providing an investment service by telephone, which includes receiving, forwarding or executing the client's instruction, of the fact that their telephone calls, which lead or may lead to the conclusion of a trade with a financial instrument, will be recorded.

(4) An investment firm may not provide an investment service over the telephone to a client whom he has not notified in advance pursuant to subsection 3, which includes the receipt, transmission or execution of the client's instruction.

(5) The investment firm shall provide the client with records according to his request pursuant to Section 17 subsections 2 to 5, which relate to his person.

(6) Information requirements for the purposes of subsection 1 are governed by Article 44 of Commission Delegated Regulation (EU) 2017/565<sup>78</sup>.

#### Section 15b

##### **Obligations when creating a financial instrument**

(1) If an investment firm creates a financial instrument offered to clients, it is obliged to ensure that this financial instrument is created in a way that meets the needs of the target market determined pursuant to Section 12ba subsection 3 letter a) and Section 2a to 2d.

(2) The investment firm referred to in subsection 1 is obliged to ensure that the strategy for offering the financial instrument created by it corresponds to the nature of the target market determined pursuant to Section 12ba subsection 3 letter a).

(3) The investment firm referred to in subsection 1 is obliged to take all reasonable steps to ensure that the financial instrument created by him is offered to the target market determined in accordance with Section 12ba subsection 3 letter a).

(4) Subsections 1 to 3 shall not apply to

a) financial instrument offered only to eligible counterparties,

b) transferable security according to Section 3 subsection 2 letter b) which does not contain an embedded derivative element other than the clause on the right to early repayment, a

c) a depository receipt representing the ownership right to a transferable security according to letter b).

#### Section 15c

##### **Obligations when offering or recommending a financial instrument to a client**

(1) The investment firm must understand the financial instrument that he offers or recommends to the client.

(2) The investment firm must assess whether the financial instrument that he offers or

recommends to the client meets the needs of the target market to which the client belongs, determined pursuant to Section 12ba subsection 3 letter a).

(3) The investment firm shall ensure that, when providing investment services, he does not reward or evaluate the performance of his employees and tied representatives in a manner that leads to a breach of the obligation to act in the best interest of clients. In particular, any arrangement regarding remuneration, sales targets or any other arrangement that could encourage his employee or tied representative to offer or recommend a certain financial instrument to a client who is not a professional client, even though he could offer or recommend another financial instrument, is inadmissible an instrument that would better meet the needs of the target market determined pursuant to Section 12ba subsection 3 letter a) to which the client belongs.

(4) If the investment firm informs the client that the main investment service referred to in Section 4 subsection 2 letter e) provides independently, is obliged to assess a sufficient number of financial instruments available on the market, which are sufficiently diverse in terms of their type and issuers or persons who create financial instruments, so that the client's investment goals can be fulfilled accordingly.

(5) When assessing financial instruments according to subsection 4, the investment firm must not limit himself to financial instruments issued or created

a) by this investment firm,

b) by persons who have a close connection with him, or

c) by other persons who have a financial, commercial or other contractual relationship with him, which poses a risk of disruption of the fact that the main investment service referred to in Section 4 subsection 2 letter e) provides independently.

(6) Additional requirements for the assessment according to subsection 4 are regulated by Article 53 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>.

## Section 15ca

### **Research in relation to small and mid-cap companies**

(1) If a joint payment is provided for the execution of instructions and for research provided to the investment firm, this research is not considered an incentive pursuant to Section 15 subsection 3 first sentence, if

a) before the provision of this research, the investment firm concluded an agreement with the research provider, in which it is determined which part of the joint payment relates to the research,

b) the investment firm informs its clients about this joint payment and

c) this research only concerns issuers whose market capitalization at the end of the 3 calendar years prior to the provision of the research did not exceed the amount corresponding to EUR 1,000,000,000.

(2) If the participating securities issued by the issuer were not accepted for trading on a regulated market or in a multilateral trading facility at the end of the calendar year, they are considered market capitalization according to subsection 1 letter c) value of own capital at the end of the accounting period.

(3) Research according to subsection 1 means a research service or information from research concerning

- a) financial instrument or other asset,
- b) the issuer or potential issuer of the financial instrument or
- c) of a particular industry or market in such a way that they help to evaluate financial instruments, assets or issuers within that industry or market.

(4) Research according to subsection 1 further means a service or information that expressly or tacitly recommends or proposes an investment strategy and includes a reasoned opinion regarding the current or future value or price of a financial instrument or asset or includes analyses and original insights and reaches conclusions on the basis of new or existing information that could be used to supplement information in the creation of an investment strategy or be relevant and have added value for the decision of the investment firm on behalf of the client who is charged for this research.

### **Informing clients**

#### **Section 15d**

(1) The investment firm is obliged to inform the client in sufficient time before providing the investment service about

- a) personal data,
- b) the investment services it provides,
- c) financial instruments, which the investment service is to cover, and proposed investment strategies,
- d) transfer points,
- e) all costs and related payments, if it is not an investment service provided to a professional client other than that specified in Section 4 subsection 2 letters d) and e), a
- f) the client compensation system and the deposit claim insurance system that relate to the client's property, including the amount and scope of coverage provided by the client compensation system; the investment firm informs the client at his request about the terms of compensation, the procedure for claiming compensation and its payouts.

(2) Information according to subsection 1 letter c) must contain

- a) reasonable instructions and warnings regarding the risks associated with investments in these financial instruments or with certain investment strategies and
- b) information on whether the given financial instrument is intended for clients who are not professional clients or professional clients, also with regard to the target market determined pursuant to Section 12ba subsection 3 letter a).

(3) Information according to subsection 1 letter e) must contain information

- a) regarding the main and ancillary investment services,
- b) about possible consultancy costs,
- c) on the costs of the financial instrument offered or recommended to the client,
- d) on costs and fees associated with the investment service or the financial instrument, which do not

arise as a result of market risk, and

e) on payment conditions, including the possibility of making payments through other persons.

(4) Information according to subsection 1 letter e) are expressed in aggregate so that the client can understand the total costs and can assess their overall impact on the return on investment. At the client's request, the investment firm will provide this information broken down by individual items.

(5) The investment firm is obliged to inform the client in sufficient time before providing the main investment service referred to in Section 4 subsection 2 letter e) on whether

a) provides this investment service independently or not,

b) the provision of this investment service is based on extensive or limited analysis of various types of financial instruments,

c) the analysis according to letter b) is limited only to financial instruments issued or created by this investment firm, persons who have a close connection with him, or other persons who have such close legal or economic relations with him that they pose a risk of disruption the independence of the provided investment advice, and

d) will regularly carry out an evaluation according to Section 15h subsection 2 in relation to the financial instruments that he recommends or offers to this client.

(6) The obligation to provide information pursuant to subsection 1 or 5 does not apply to cases where the investment service is offered as part of a composite product that is subject to a comparable obligation to inform the client pursuant to the Act Governing the Activities of Banks, the Act Governing the Activities of Savings and Credit Cooperatives or the Act on consumer credit.

(7) Additional information requirements according to subsections 1 and 5 are governed by Articles 45 to 52 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>.

## Section 15da

### **Provision of information in electronic form**

(1) The investment firm shall provide information pursuant to this Act to the client in electronic form, unless the client, who is not a professional client, requests the provision of information in paper form, in which case the investment firm shall provide him with information pursuant to this Act in paper form free of charge.

(2) The investment firm informs the client, who is not a professional client, about the possibility of providing information in paper form.

(3) The investment firm shall provide an existing client, who is not a professional client and to whom information pursuant to this Act has been provided in paper form, with a notice that this information will continue to be provided to him in electronic form, no later than 8 weeks before the date of commencement of provision this information in electronic form.

(4) The communication pursuant to subsection 3 also contains information that an existing client who is not a professional client may, within a period of 8 weeks from the date of delivery of this communication, request that the information pursuant to this Act continue to be provided to him in paper form, and information that if he does not do so, the information will continue to be provided to him exclusively in electronic form.



(5) For the purposes of subsections 1 to 4, electronic form means a permanent data carrier that is not a document.

#### Section 15e

(1) The investment firm is obliged to inform the client in a clear, detailed, accurate and comprehensible way before providing the investment service about the existence, nature and amount of the incentive in accordance with Section 15 subsection 4 and Section 15ca, or about the method of its calculation, if its amount cannot be determined.

(2) Where it is considered, the investment firm is obliged to inform the client in sufficient time before the provision of the investment service about the method of transfer of the incentive in the form of payment or other monetary benefit obtained in connection with the provision of the investment service to the client.

(3) When providing the main investment service referred to in Section 4 subsection 2 letter e) before executing the trade, the investment firm shall provide the client on a permanent data carrier with a statement of suitability containing information on

a) provided investment advice and

b) how the provided investment advice meets the preferences, goals and other characteristics of the client who is not a professional client.

(4) If, as a result of the provision of the main investment service referred to in Section 4 subsection 2 letter e) a contract for the purchase or sale of a financial instrument is concluded through a means of distance communication and it is not possible to provide a statement of suitability according to subsection 3 before the conclusion of this contract, the investment firm may provide this statement on a permanent data carrier without delay after the client is this contract committed if the following conditions are met:

a) the client agreed to receive a declaration of suitability without undue delay after the conclusion of the contract, and

b) the investment firm has given the client the option to postpone the conclusion of the contract so that the client receives a declaration of suitability in advance.

(5) Subsections 3 and 4 do not apply to the provision of the main investment service referred to in Section 4 subsection 2 letter e) to a professional client, unless the professional client informs the investment firm on a permanent data carrier that he insists on fulfilling these obligations.

(6) If the contract for the purchase or sale of a financial instrument is concluded via a means of remote communication and it is not possible to provide information in accordance with Section 15d subsection 1 letter e) before the conclusion of this contract, the investment firm may provide this information on a permanent data carrier without undue delay after the conclusion of the contract, if the following conditions are met:

a) the client agreed to receive information pursuant to Section 15d subsection 1 letter e) without unnecessary delay after the conclusion of the contract,

b) the investment firm has given the client the option to postpone the conclusion of the contract so that the client receives information pursuant to Section 15d subsection 1 letter e) in advance, a

c) the investment firm offered the client the option of providing information pursuant to Section 15d subsection 1 letter e) by telephone.

(7) If an investment firm offers the client a main investment service as part of a composite product, or as a condition for negotiating a composite product, he is obliged to inform the client in sufficient time before the provision of the investment service about which components of the composite product can be negotiated separately and which is the payment for these components, if they are negotiated separately.

(8) If an investment firm offers a client who is not a professional client a main investment service as part of a composite product, or as a condition for negotiating a composite product, he shall describe to him how the risks arising from the composite product differ from the risks arising from the components of the composite product, if they are negotiated separately; this does not apply if the risks arising from the composite product are not clearly different from the risks arising from the components of the composite product if they are negotiated separately.

#### Section 15f

The investment firm complies with Section 1843 of the Civil Code, which stipulates the obligation to provide information in connection with the conclusion of a contract for financial services; Section 1845 of the Civil Code is not affected by this law.

#### Section 15g

(1) The investment firm is obliged to provide the client on a permanent data carrier with adequate information about the services he has provided.

(2) The information pursuant to subsection 1 includes information on regular communication with the client, taking into account the type and complexity of transactions with financial instruments and the nature of the services provided, and where applicable, also the costs associated with transactions and services provided.

(3) Where it comes into consideration, the investment firm is obliged to provide the client with information pursuant to Section 15d subsection 1 letter e) regularly throughout the duration of the investment, but at least once a year.

(4) If the investment firm provides the main investment service referred to in Section 4 subsection 2 letter d), or if informed according to Section 15d subsection 5 pí sm. d) the client that he will regularly carry out an evaluation according to Section 15h subsection 2, the information according to subsection 1 must contain an updated statement by the investment firm about how the investments suit the preferences, goals and other characteristics of the client who is not a professional client.

(5) Subsections 1, 2 and 4 do not apply when providing investment services to a professional client, unless the professional client informs the investment firm on a permanent data carrier that he insists on fulfilling these obligations.

(6) Further information requirements according to subsection 1 are governed by Articles 59 to 63 of Commission Delegated Regulation (EU) 2017/565<sup>78</sup>).

### **Requesting information from the client**

#### Section 15h

(1) When providing the investment service referred to in Section 4 subsection 2 letters d) and e) the investment firm is obliged to obtain from the client the necessary information about his

a) expert knowledge in the field of investments,

- b) experience in the field of investments,
- c) financial background, including the ability to bear losses, and
- d) investment goals, including risk tolerance.

(2) The investment firm is obliged to obtain information according to subsection 1 to the extent that it enables him to evaluate whether the provision of the investment service referred to in subsection 1, the provision of advice regarding a financial instrument or the execution of a trade with a financial instrument as part of the investment service referred to in subsection 1, corresponds to the client's financial background, his investment objectives and the expertise and experience needed to understand the associated risks, in particular his risk tolerance and ability to bear losses.

(3) If, when providing the investment service referred to in subsection 1, the investment firm recommends a composite product in accordance with Section 15e, subsection 5 or 6, he evaluates this composite product in accordance with subsection 2 as a whole.

(4) When providing the main investment service referred to in Section 4 subsection 2 letters d) and e), which involves the exchange of a financial instrument, the investment firm must perform a cost-benefit analysis of the exchange of the financial instrument.

(5) When providing the main investment service referred to in Section 4 subsection 2 letter e), which includes the exchange of a financial instrument, the investment firm must inform the client whether the benefits of the exchange of the financial instrument exceed the costs associated with this exchange.

(6) The exchange of a financial instrument in subsections 4 and 5 means the sale of a financial instrument and the purchase of another financial instrument or the exercise of the right to make a change in respect of an existing financial instrument.

(7) Subsections 1 to 6 do not apply when providing investment services to a professional client, unless the professional client informs the investment firm on a permanent data carrier that the fulfilment of these obligations is ongoing.

(8) Further details for the purposes of subsections 1 to 3 are regulated by Articles 54 and 55 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>.

#### Section 15i

(1) In the provision of main investment services, with the exception of the services listed under Section 4 subsection 2 letters d) and e), the investment firm is obliged to ask the client for information about his

- a) professional knowledge in the field of investments and
- b) experience in the field of investments.

(2) The investment firm is obliged to request the information referred to in subsection 1 to the extent that it enables him to evaluate whether the provision of the investment service referred to in subsection 1 or advice regarding a financial instrument or the execution of a trade with a financial instrument as part of the investment service referred to in subsection 1 corresponds to the professional knowledge and experience needed to understand the associated risks.

(3) In the event that the investment firm evaluates the obtained information referred to in

subsection 1 in such a way that the provision of the relevant investment service, advice regarding a financial instrument or the execution of a trade with a financial instrument within the framework of the investment service referred to in subsection 1 does not correspond to his professional knowledge or experience, will notify the client of such findings.

(4) In the event that the client refuses to provide the information referred to in subsection 1 or does not provide it to the required extent, the investment firm shall inform the client that such an attitude will not allow him to evaluate whether the provision of the relevant investment service, advice regarding the financial instrument or execution of a trade with a financial instrument within the framework of the investment service referred to in subsection 1 corresponds to his professional knowledge or experience needed to understand the related risks.

(5) If, when providing the investment service referred to in subsection 1, an investment firm offers a composite product in accordance with Section 15e subsection 5 or 6, he evaluates this composite product in accordance with subsection 2 as a whole.

(6) Further details for the purposes of subsections 1 to 5 are regulated by Articles 55 and 56 of Commission Delegated Regulation (EU) 2017/565<sup>78</sup>).

#### Section 15j

(1) An investment firm may rely on information obtained from a client that has been forwarded to him by another European investment firm.

(2) The investment firm may rely on recommendations provided to the client by another European investment firm.

#### Section 15k

(1) When providing the main investment service referred to in Section 4 subsection 2 letter a) or b), or possibly ancillary investment services related to it, the investment firm is not obliged to ask the client for information according to Section 15i, if the following conditions are met:

a) the required investment service is provided at the client's initiative and only concerns a simple financial instrument,

b) the investment firm complies with the obligations set out in Section 11a and has informed the client within the specified period that he is not obliged to ask the client for information according to Section 15i for the required main investment service.

(2) Subsection 1 does not apply if the ancillary investment service referred to in Section 4 subsection 3 letter b) is provided at the same time, whereby previously agreed loans and advances are not taken into account.

(3) For the purposes of this provision, a simple financial instrument is understood

a) shares or similar securities representing a stake in a legal entity accepted for trading on a European regulated market or on a market equivalent to a regulated market in a state that is not a member state of the European Union, if this market is recognized by the European Commission as equivalent to a European regulated market, or in a multilateral trading facility, with the exception of shares issued by a special fund, a fund of qualified investors or a comparable foreign investment fund and shares that contain a derivative,

b) bonds or similar securities, which are associated with the right to repay a certain amount owed, accepted for trading on a European regulated market or on a market equivalent to a regulated market in

a state that is not a member state of the European Union, if this market is recognized by the European Commission as equivalent to a European regulated market, or in a multilateral trading facility, with the exception of those that contain a derivative or have a structure that makes it difficult for the client to understand the associated risk,

c) securities replacing the securities listed in letters a) and b),

d) money market instruments, with the exception of those that contain a derivative or have a structure that makes it difficult for the client to understand the associated risk,

e) shares or unit certificates of a standard fund or securities of a foreign standard fund, with the exception of securities of structured standard funds listed in Article 36 paragraph 1 of Commission Regulation (EU) No. 583/2010,

f) structured deposits that do not have a structure that makes it difficult for the client to understand the associated return risk or the cost of terminating the product before maturity, and

g) other financial instruments listed in the directly applicable regulation of the Commission in delegated authority (EU), supplementing Directive 2014/65/EU of the European Parliament and of the Council.

### **Execution of instructions under the best conditions**

#### **Section 151**

(1) The investment firm executes the client's instructions under the best conditions, while taking into account

a) the price that can be achieved at the point of transfer,

b) the total volume of payments charged to the client,

c) the speed with which the instruction can be executed,

d) the probability of execution of the instruction,

e) the volume of the required trade,

f) settlement conditions,

g) type of instruction, or

h) any other factor relevant to the execution of the client's instructions under the best conditions.

(2) If the investment firm receives a specific order from the client regarding the execution of the order, he shall execute the order in accordance with this order. The investment firm may deviate from the obligation according to subsection 1 only within the limits set by the client's order.

(3) To ensure the execution of orders under the best conditions, the investment firm shall establish and maintain an organisational structure and rules for the execution of client orders, which include at least

a) transfer points where the investment firm can carry out client orders permanently under the best conditions, and

b) material information about the transfer points where the client's instructions regarding the various

financial instruments are executed and a description of the facts that influenced the investment firm in the selection of these transfer points.

(4) Before executing an instruction from a client, the investment firm must have the client's consent to the rules for executing client instructions pursuant to subsection 3.

(5) The investment firm is obliged to monitor the effectiveness of the organisational structure and the rules for the execution of orders in order to identify and correct any deficiencies, in particular, he is obliged to regularly verify whether the transfer points specified in the rules for the execution of client orders allow the execution of client orders for the best conditions; at the same time, it takes into account the information published pursuant to Section 15n subsection 5 and Section 73l.

(6) Before executing a client's order outside the trading system, the investment firm must have the client's express consent to such execution of his order, either in general or in relation to a specific trade with a financial instrument.

(7) The criteria for determining the relative importance of the various factors which, according to subsection 1, must be taken into account when determining the best possible result with regard to the size and type of the instruction and the non-professional or professional nature of the client, are regulated by Article 64 of the Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>.

(8) The factors that an investment firm should take into account when reviewing its enforcement measures and the circumstances in which changes to those measures may be appropriate for the purposes of subsection 5 are governed by Article 66 paragraph 1 of the Commission Regulation in delegated powers (EU) 2017/565<sup>78)</sup>.

#### Section 15m

At his request, the investment firm shall document to the client that he is carrying out or has carried out his instruction or instructions in accordance with the rules for the execution of client instructions set out in Section 15l subsection 3.

#### Section 15n

(1) If an investment firm executes an instruction of a client who is not a professional client, the best conditions are determined with regard to the total costs, which include the price of the financial instrument and the costs associated with the execution of the instruction.

(2) The costs associated with the execution of an instruction according to subsection 1 include all costs charged to the client that are directly related to the execution of the instructions for this client, including

- a) payments to the transfer point,
- b) payments for the settlement of a trade concluded on the basis of this instruction a
- c) additional payments to other persons involved in the execution of this instruction.

(3) If there are several transfer points where an instruction regarding a financial instrument can be executed, the investment firm shall fulfil his obligation under subsection 1 in such a way that, within the framework of the assessment and comparison of the results for the client, which he would achieve by executing the instruction in each the transfer place, which is specified in the rules for the execution of instructions of this investment firm and at which the given order can be executed, will also take into account its own commissions and costs associated with the execution of the order at individual available transfer places.

(4) An investment firm may not receive an incentive in connection with the routing or entry of an instruction at a specific transfer point, which may lead to a breach of the obligation set forth in subsection 1 or the obligation pursuant to Section 11a.

(5) An investment firm who executes client instructions shall publish once a year for individual types of financial instruments

a) 5 transfer points at which he carried out client instructions in the last calendar year and which are the most important for him in terms of the volumes of transactions carried out, and

b) summary and conclusions of the analysis resulting from the monitoring of the quality of the execution of trades with financial instruments at the transfer points where he executed client instructions in the last calendar year.

(6) The content and format of the information to be published by the investment firm pursuant to subsection 5 are governed by Articles 3 and 4 of Commission Delegated Regulation (EU) 2017/576<sup>85)</sup>.

### **Processing instructions**

#### **Section 15o**

(1) An investment firm who has an authorisation to provide the main investment service referred to in Section 4 subsection 2 letter b), executes the client's instructions in relation to the instructions of other clients or instructions for his own account fairly and without unnecessary delays; to this end, it shall establish, maintain and apply rules for the processing of instructions which ensure at least

a) execution of otherwise comparable client instructions according to the time priority of their receipt,

b) in the case of instructions to procure the purchase or sale of a financial instrument referred to in Section 3 subsection 2 letter a) which has been accepted for trading on a European regulated market or which is traded in a trading system, which contain a limit price at which such a financial instrument is to be bought or sold, in a specified volume and which could not be carried out without unnecessary delays due to currently prevailing market conditions, making such information available to other participants of the trading system or forwards this instruction to the trading system, unless the client specifies otherwise.

(2) The conditions and nature of the procedures and measures leading to prompt, fair and expeditious execution of client instructions, as well as the situations or types of trades in which the investment firm may reasonably deviate from prompt execution in order to obtain more favourable terms for the client, and the various methods by which an investment firm may be deemed to have fulfilled his obligation to disclose to the market client limit orders that are not immediately actionable are regulated for the purposes of subsection 1 by Articles 67 to 70 of the Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>.

#### **Section 15p**

The Czech National Bank may, by measures of a general nature, establish that the obligation under Section 15o letter b) does not apply in the case of a limit order that has a large scope compared to the usual market volume determined pursuant to Article 4 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council.

### **title omitted**

#### **Section 15q**

**cancelled**

## Section 15

### **Informing clients in relation to the execution of instructions**

(1) An investment firm that executes client instructions shall provide the client with information about its rules for executing client instructions pursuant to Section 15l, subsection 3.

(2) The information pursuant to subsection 1 must contain a clear, sufficiently detailed and comprehensible explanation of the method of carrying out the client's instructions.

(3) The investment firm is obliged to inform the client of all substantial changes in its organisational structure pursuant to Section 15l subsection 3 or in its rules for the execution of client instructions pursuant to Section 15l subsection 3.

(4) The investment firm is obliged to inform the client without undue delay after the execution of this client's instruction about the transfer point at which his instruction was executed.

(5) If the rules for the execution of client instructions according to Section 15l, subsection 3, regulate the possibility for the client's instructions to be executed outside the trading system, the investment firm shall inform the client thereof.

(6) The nature and scope of the information to be provided to clients on the rules for implementing the instructions pursuant to Section 15l subsection 3 for the purposes of subsections 1 to 5 is regulated by Article 66 paragraphs 2 to 9 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>.

## Section 15s

**cancelled**

## **Subchapter 6**

### **Information obligations of the investment firm**

## Section 15t

**cancelled**

## Section 16

**title omitted**

(1) No later than 4 months after the end of the accounting period, the investment firm shall submit to the Czech National Bank and publish on its website its annual report and consolidated annual report in accordance with the Act on Accounting, which include financial statements or consolidated financial statements verified by an auditor and information on the amount of the basis for calculating the contribution to the Guarantee Fund (Section 129, subsection 1). This does not affect the obligations of a joint-stock company or a limited liability company in publishing financial statements and annual reports according to other legal regulations.

(2) If the investment firm's general meeting does not approve the financial statements or consolidated financial statements within the period referred to in subsection 1, the investment firm shall



submit them to the Czech National Bank together with the reasons for which they were not approved and the method of resolving the comments of the general meeting; will simultaneously publish this information on its website. After its approval, the investment firm shall submit the financial statements or consolidated financial statements to the Czech National Bank and publish them on its website without undue delay.

(3) The investment firm informs the Czech National Bank about

- a) closed, settled and cancelled transactions with financial instruments,
- b) all received instructions to procure the purchase, sale or other transfer of a financial instrument,
- c) financial instruments to which instructions and trades were concerned,
- d) order originators, clients, counterparties, tied agents and other persons who performed professional business activities related to the order and trade, and
- e) securities, other financial instruments and funds owned by the client.

(4) An investment firm who is not a bank shall also inform the Czech National Bank of

- a) its organisational structure, including information on branches abroad, members of the management body, contact persons, share capital, voting rights and employees,
- b) persons with qualified participation and persons in whom he has qualified participation,
- c) your financial and economic situation, including information about your assets, debts, equity, receivables, overdue securities, the structure of derivative instruments, repo transactions, revenues, costs, accounting profit, accounting loss, financial assets provided as collateral or about adjustment items,
- d) the economic situation of the group of which it is a part, including information on assets, liabilities, equity, promises made and received, guarantees, receivables and liabilities from derivatives,
- e) the structure of the group of which it is a part, and the persons included in it, including data on the members of the leading bodies,
- f) transactions with the controlling mixed holding company and its controlled persons a
- g) internally determined capital and liquid assets; this does not apply to a small and unconnected investment firm, unless the Czech National Bank has determined by a decision or measure of a general nature that a small and unconnected investment firm fulfils the obligations according to Section 9a subsections 1 and 2.

(5) Part of the information according to subsections 3 and 4 may also include data on the birth number of the client or a person with a qualified participation or a person with a close connection. For this purpose, the investment firm is authorised to obtain the social security numbers of these persons.

(6) An investment firm who is not a bank shall inform the Czech National Bank without undue delay that

- a) has lost the authorisation according to another legal regulation to perform an activity that was registered according to Section 6a,
- b) learned about a change for which consent is required pursuant to Section 10b subsection 1, a

c) became aware of the change to be notified pursuant to Section 10e subsection 1.

(7) The implementing legal regulation shall determine the details, form, method and structure of the fulfilment of information obligations pursuant to subsections 1 to 4. The implementing legal regulation shall also determine the periodicity and deadlines for the fulfilment of information obligations pursuant to subsections 3 and 4.

## **Subchapter 7**

### **Disclosure by the Investment firm**

#### **Section 16a**

##### **Investment policy**

(1) Investment firm who meets the criteria according to Section 12l subsection 6 letter a), will publish, in accordance with Article 46 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup> the following information for the immediately preceding accounting period:

a) the share of voting rights associated with shares or similar securities, if the security is accepted for trading on a European regulated market, which the investment firm directly or indirectly holds, broken down by European Union member state and sector,

b) a full description of voting at general meetings or similar gatherings of owners of securities of companies whose shares or similar securities are held pursuant to subsection 3, an explanation of voting and the share of proposals presented by the company's management body for which the investment firm voted,

c) explanation of the use of voting advisors and

(d) voting instructions on matters relating to companies whose shares are held pursuant to subsection 2.

(2) Requirement to publish information according to subsection 1 letter b) does not apply if, according to the contractual arrangements of all shareholders represented by the investment firm at the general meeting of shareholders, the investment firm does not have the right to vote on their behalf, unless the shareholders give him explicit voting instructions after receiving the agenda of the general meeting. This applies similarly to contractual arrangements with other owners of securities and their representation at meetings of owners similar to a general meeting.

(3) An investment firm pursuant to subsection 1 shall comply with the requirements pursuant to subsection 1 only in relation to each company whose shares are admitted to trading on a European regulated market and in relation to shares with which voting rights are attached, if the proportion of voting rights, which the investment firm directly or indirectly holds, exceeds the threshold of 5% of all voting rights attached to the shares issued by the company. Voting rights are calculated on the basis of all shares with which voting rights are associated, even if voting rights cannot be exercised. This applies similarly to voting rights attached to other securities similar to shares.

(4) Templates for making information available according to subsection 1 are governed by a directly applicable regulation of the European Union, which supplements Article 52 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>.

#### **Section 16b**

##### **Country-by-country reporting**

(1) An investment firm that has a branch or a controlled entity that is a financial institution pursuant to Article 4 paragraph 1 point 26 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council<sup>77)</sup>, in another member state of the European Union or in a state that is not a member state of the European Union, annually publishes the following information broken down by member state of the European Union or by state that is not a member state of the European Union:

- a) a list of the activities it performs and their geographical location,
- b) annual net turnover,
- c) average number of employees,
- d) profit or loss before taxation,
- e) corporate income tax or a similar tax paid abroad a
- f) received public support.

(2) Information according to subsection 1 is published in the annex to the financial statements, or if consolidated financial statements are prepared, in the annex to the consolidated financial statements.

Section 16c

**cancelled**

Section 16d

**cancelled**

Section 16e

**cancelled**

## **Subchapter 8**

### **Retention of documents and records**

Section 17

**title omitted**

(1) The investment firm shall keep records and documents relating to investment services and transactions sufficient to enable the Czech National Bank to monitor compliance with the requirements of this Act, the directly applicable regulation of the European Union governing market abuse<sup>52)</sup> and the directly applicable of the regulation of the European Union regulating the markets of financial instruments<sup>53)</sup>, in particular whether the investment firm complies with his obligations towards clients or potential clients and whether he does not disrupt the proper functioning of the market. Records of telephone calls and electronic communications shall be kept by the investment firm only in the cases referred to in subsection 2.

(2) Records pursuant to subsection 1 include records of telephone calls and electronic

communications relating to trades concluded by the investment firm on his own account and investment services provided to the client, which involve the receipt, transmission or execution of a customer's order. These records are kept even if their purpose was to close a deal or provide an investment service according to the first sentence, but neither the deal nor the provision of this investment service took place.

(3) Clients may communicate their instructions by other means, but this communication must be captured on a permanent data carrier, such as letter shipments, fax, e-mail or documentation of client instructions taken at meetings. By taking a written record or report, the content of the relevant personal calls with the client can be recorded in particular. These instructions are considered equivalent to telephone orders.

(4) The investment firm shall take all reasonable steps to

a) recorded the relevant telephone calls and electronic communications made, sent or received using equipment provided to the employee or supplier, or the use of which was authorised or approved by the employee or supplier, and

b) prevented the employee or supplier from making, sending or receiving relevant telephone calls or electronic communications using a private device that the investment firm is unable to record or copy.

(5) The investment firm keeps the records according to subsection 1 for at least 5 years; this also applies to a person whose license to operate as an investment firm has been revoked or expired, as well as to his legal successor, including the insolvency administrator and liquidator. In justified cases, the Czech National Bank may decide that the investment firm keeps the records in accordance with subsection 1 for up to 7 years.

(6) The investment firm keeps the documents that were agreed upon between the investment firm and the client and which result in their mutual rights and obligations, and other conditions under which the investment firm provides services to the client; the mutual rights and obligations of the investment firm and the client may be indicated by reference to other documents or legal texts. Records of the commitment, including contractual terms, relating to the required investment service shall be kept by the investment firm for the duration of the contract; this also applies to a person whose license to operate as an investment firm has been revoked or expired, as well as to his legal successor, including the insolvency administrator and liquidator.

(7) The records and documents according to subsection 1 also include information on the birth number of the client and the participants in the trade. For this purpose, the investment firm is authorised to keep the social security numbers of these persons.

(8) The details of the retention of records and documents according to subsections 1 to 6 are governed by Articles 35, 43, 56, 58 and Articles 72 to 76 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>.

## **Subchapter 9**

### **Systematic internaliser**

#### **Section 17a**

(1) A systematic internaliser is a European investment firm who trades outside the trading system on his own account in an organised, frequent, systematic and significant volume while executing client instructions relating to financial instruments without operating a market in financial instruments.

(2) Frequency and systematicity is assessed according to the number of trades with a certain

financial instrument carried out in accordance with subsection 1.

(3) The significance of the volume is assessed according to the volume of transactions with a certain financial instrument carried out pursuant to subsection 1 in proportion to the total volume of transactions of this firm with a certain financial instrument, or in proportion to the total volume of transactions with a certain financial instrument in the entire European Union.

(4) A European investment firm is a systematic internaliser according to subsection 1 if it exceeds the threshold values for frequency, systematicity and volume set out in Articles 12 to 17 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>, which is supplemented by Directive 2014/65/EU of the European Parliament and of the Council, or if they choose the systematic internaliser regime.

#### Section 17b

#### **title omitted**

An investment firm who starts or ends the activity of a systematic internaliser shall notify the Czech National Bank of this fact in writing without undue delay.

### **Subchapter 10**

#### **Algorithmic trading, direct electronic access and clearing services**

#### Section 17c

#### **Algorithmic trading and related organisational requirements**

(1) An investment firm who carries out algorithmic trading shall establish, maintain and apply effective systems and risk controls that are appropriate for the activities performed by him and which ensure that his systems for trading

a) they are durable and have sufficient capacity, in accordance with the requirements under Chapter II of Regulation (EU) 2022/2554 of the European Parliament and of the Council<sup>111)</sup>,

b) have established reasonable thresholds and limits for trading,

c) prevents the sending of an erroneous instruction or the operation of these systems in a manner capable of disrupting or endangering the proper functioning of the market,

d) cannot be used for any purpose that is in conflict with the directly applicable regulation of the European Union governing market abuse<sup>52)</sup> or with the rules of the trading system to which it is connected, and

e) have been fully tested and properly monitored to ensure that they meet the requirements set out in points a) to d) and subsection 2 and Chapters II and IV of Regulation (EU) 2022/2554 of the European Parliament and of the Council<sup>111)</sup>.

(2) An investment firm who carries out algorithmic trading shall establish, maintain and apply effective measures and procedures, including information and communication technology business continuity policies and plans and information and communication technology response and recovery plans established pursuant to Article 11 of Regulation (EU) 2022/2554 of the European Parliament and of the Council<sup>111)</sup> to ensure the orderly and smooth performance of the activity in the event of a failure of its trading systems.

(3) The organisational requirements for an investment firm who carries out algorithmic trading

according to subsections 1 and 2 and Section 17d to 17j are governed by Articles 1 to 28 of Commission Delegated Regulation (EU) 2017/589<sup>86</sup>).

#### Section 17d

##### **Obligations to supervisory authorities in relation to algorithmic trading**

(1) An investment firm who carries out algorithmic trading shall notify the Czech National Bank and the supervisory authority of another European Union member state that has granted authorisation to the operator of a trading system in which this investment firm carries out algorithmic trading as a participant in this system, that it performs algorithmic trading with this trading system, without undue delay after starting the performance of this activity.

(2) An investment firm who carries out algorithmic trading shall provide or regularly provide at the request of the Czech National Bank

- a) description of the nature of its strategies for algorithmic trading,
- b) details of trading parameters or limits to which the system is subject,
- c) key procedures for monitoring compliance with legal obligations and for monitoring risks that it has implemented to meet the conditions set out in Section 17c,
- d) details of the testing of its systems and
- e) other information related to algorithmic trading and the systems used for this trading.

(3) The Czech National Bank shall, without undue delay, provide the information obtained pursuant to subsection 2 at the request of the supervisory authority of another member state of the European Union, which has granted authorisation to the operator of a trading system in which the investment firm in question carries out algorithmic trading as a participant of this system.

(4) An investment firm who carries out algorithmic trading shall ensure that sufficient records are kept of the matters referred to in Section 17c and subsections 1 and 2 so that the Czech National Bank can monitor compliance with the requirements under this Act on their basis.

#### Section 17e

##### **High frequency algorithmic trading**

(1) An investment firm who carries out high-frequency algorithmic trading shall also keep, in an approved form, faithful and chronological records of all his entered orders, including cancelled orders, executed orders and quotations in trading systems.

(2) An investment firm who carries out high-frequency algorithmic trading shall provide records pursuant to subsection 1 upon request without undue delay to the Czech National Bank.

#### Section 17f

##### **Algorithmic trading to execute a market making strategy**

(1) An investment firm who carries out algorithmic trading for the purpose of implementing a market-making strategy is obliged, taking into account the liquidity, scope, nature of the specific market and the characteristics of the traded instrument

- a) with the exception of extraordinary circumstances, perform market-making activities continuously during the specified part of the trading system's trading time and thus provide liquidity to the given trading system in a regular and predictable manner,
- b) conclude a written agreement with the trading system, in which at least the obligations of this investment firm are stated according to letter a),
- c) establish, maintain and apply effective systems and controls to ensure that it fulfils its obligations under the agreement referred to in letter b) at all times.

(2) It applies that an investment firm who carries out algorithmic trading implements a market-making strategy if the strategy of this firm as a participant in one or more trading systems includes, in the case of trading on his own account, the publication of binding simultaneous two-way quotations of a comparable size at the market price prices that relate to one or more financial instruments in one or more trading systems, resulting in regular and frequent provision of liquidity throughout the market.

(3) Further details regarding the market-making strategy according to subsections 1 and 2 are governed by Articles 1 to 7 of Commission Delegated Regulation (EU) 2017/578<sup>87)</sup>.

#### Section 17g

##### **Direct electronic access and related organisational requirements**

(1) An investment firm that provides direct electronic access to a trading system shall establish, maintain and apply effective systems and controls that ensure that

- a) the suitability of clients using this service has been properly assessed and reviewed, clients using this service could not exceed reasonable and predetermined trading and credit limits,
- b) the trading of clients using this service was properly monitored and
- (c) adequate risk controls have prevented trading that could
  - 1. threaten this investment firm,
  - 2. lead or contribute to disrupting the proper functioning of the market,
  - 3. be in conflict with the directly applicable European Union regulation governing market abuse 52), or
  - 4. be contrary to the rules of the trading system.

(2) Direct electronic access that does not comply with the requirements of subsection 1 is prohibited.

(3) An investment firm who provides direct electronic access to a trading system is responsible for ensuring that clients using this service comply with

- a) the requirements of this Act, the legal regulations implementing it and the directly applicable regulations of the European Union in the field of activities on financial markets <sup>2)</sup> and
- b) trading system rules.

(4) An investment firm who provides direct electronic access to the trading system monitors the trades of clients using this service and evaluates whether there are

- a) to violate the rules of the trading system,
- b) to the emergence of an extraordinary situation on the market a

c) to actions that may indicate market abuse and should be reported as such to the Czech National Bank or another supervisory authority of a member state of the European Union.

(5) An investment firm who provides direct electronic access to the trading system must have a written agreement with each client to whom he provides direct electronic access, which defines the basic rights and obligations arising from the provision of this service and on the basis of which the firm remains with securities liable in accordance with the requirements under this Act.

#### Section 17h

##### **Obligations towards supervisory authorities in relation to direct electronic access**

(1) An investment firm who provides direct electronic access to the trading system shall notify the Czech National Bank and the supervisory authority of another European Union member state that granted authorisation to the operator of the trading system to which this investment firm provides direct electronic access that provides direct electronic access to this trading system, without undue delay after starting the performance of this activity.

(2) An investment firm that provides direct electronic access to the trading system shall provide or regularly provide at the request of the Czech National Bank

a) description of the systems and controls referred to in Section 17g subsection 1 a

b) evidence of the application of the systems and controls referred to in Section 17g subsection 1.

(3) The Czech National Bank shall, without undue delay, provide the information obtained pursuant to subsection 2 at the request of the supervisory authority of another member state of the European Union, which has granted authorisation to the operator of the trading system to which the investment firm in question provides direct electronic access.

(4) An investment firm that provides direct electronic access to the trading system shall ensure that sufficient records are kept of the matters referred to in Section 17g and subsections 1 and 2 so that the Czech National Bank can monitor compliance requirements arising from this law.

#### Section 17i

##### **Clearing services and related organisational requirements**

(1) An investment firm who, as a general member of the clearing system, offers a clearing service to other persons,

(a) establish, maintain and apply effective systems and controls to ensure that clearing services are extended only to persons who are suitable and meet clear criteria, and

(b) require those other persons to comply with appropriate requirements in order to reduce their risks and the risks to the market.

(2) An investment firm who, as a general member of the clearing system, offers a clearing service to other persons, must have a binding written agreement with each client to whom he provides clearing services, which defines the basic rights and obligations arising from the provision of this service.

#### Section 17j



For a person according to Section 4b subsection 1 letters a), e), i) or j), which is a participant in a European regulated market or a multilateral trading facility, Section 17c to 17i shall apply mutatis mutandis.

## **Chapter 4**

### **Cancellation, change of the subject of business or transformation of the investment firm and transfer, suspension or lease of the trading plant of the investment firm**

#### **Section 18**

##### **Cancellation or change of the investment firm's business**

(1) If the general meeting of an investment firm decides to dissolve the company with liquidation or to amend the statutes consisting of a change in the subject of business, the investment firm is obliged to notify the Czech National Bank of this fact immediately after the decision of the general meeting. If the investment firm's partners, if it is a limited liability company, decide to dissolve the company with liquidation or to change the articles of association or articles of association consisting of a change in the subject of business, the investment firm is obliged to notify the Czech National Bank of this fact immediately after decisions of the partners. He has the same obligation even if the general meeting of the limited liability company decides in this way.

(2) From the day an investment firm enters into liquidation or from the date of a change in its subject of business, a person who has entered into liquidation or changed the subject of business may not provide investment services, and if it is not a bank, it may only issue clients' property and settle its receivables and debts arising from investment services provided; until such claims and debts are settled, such person shall be deemed to be an investment firm. Upon entry into liquidation or a change in the subject of business, the authorisation to operate as an investment firm expires.

(3) In the event of a change in the subject of the business, which occurred as a result of a change in the scope of the authorisation (Section 144) or as a result of the registration of another business activity or a change in its scope pursuant to Sections 6a, 6aa and 7, the provisions of subsection 2 shall not apply.

#### **Section 19**

##### **Conversion of an investment firm**

(1) For the merger of an investment firm, for the division of an investment firm, for a change in the legal form of an investment firm, for the transfer of the business assets of an investment firm to his partner or for the transfer of the assets of another person to the investment firm, it is necessary authorisation of the Czech National Bank. Before issuing a decision, the Czech National Bank will also request an opinion from the authority exercising supervision on a consolidated basis in the case of a group whose member is an investment firm who is not a bank, as well as from other supervisory authorities affected by this fact, unless the decision cannot be delayed or such the consultation may have compromised the purpose of the decision; in such a case, it informs the supervisory authorities concerned without undue delay after issuing the decision.

(2) The application according to subsection 1 can only be submitted electronically.

(3) The application for an authorisation pursuant to subsection 1 contains, in addition to the requirements established by the Administrative Code, also data and documents necessary for assessing the consequences of a merger, division, change of legal form or transfer of business assets.

(4) The details of the application for an authorisation pursuant to subsection 1, including the

annexes proving the fulfilment of the conditions pursuant to subsection 1, its format and other technical requirements shall be determined by the implementing legislation.

(5) The provisions of subsections 1 to 3 shall not apply to an investment firm that is a bank. In this case, the procedure is according to the law governing the activities of banks.

## Section 20

### **Transfer, stoppage or lease of the business plant of the investment firm**

(1) Authorisation of the Czech National Bank is required to enter into an agreement on the transfer, mortgaging or lease of the business plant of an investment firm or a part of such a business plant, which would mean a substantial change in the activities of the investment firm. The provisions of Section 19 subsection 1 second sentence apply similarly.

(2) The application for an authorisation according to subsection 1 can only be submitted electronically.

(3) The application for an authorisation pursuant to subsection 1 contains, in addition to the requirements established by the administrative regulations, also data and documents necessary for assessing the consequences of the transfer, mortgage or lease of the business plant of the investment firm or its part.

(4) The details of the application for an authorisation according to subsection 1, its format and other technical requirements shall be determined by the implementing legislation.

(5) The provisions of subsection 1 shall not apply to an investment firm that is a bank.

## TITLE III

### PROVISION OF INVESTMENT SERVICES IN THE TERRITORY OF THE MEMBER STATES OF THE EUROPEAN UNION

#### **Chapter 1**

#### **Provision of investment services by an investment firm in another member state of the European Union**

## Section 21

(1) An investment firm who intends to provide investment services in another member state of the European Union (hereinafter referred to as the "host state") through a branch shall notify the Czech National Bank of this fact in advance. The provision of investment services in a host state through a tied agent domiciled, resident or domiciled in that host state shall be deemed to be the provision of investment services through a branch for the purposes of this Act.

(2) The notification pursuant to subsection 1 contains

- a) the host state in which the branch is to be located,
- b) a business activity plan containing, in particular, investment services to be provided in the host state, and information on whether these activities will be performed through a tied agent,
- c) organisational structure of the branch,

- d) the address of the branch where information and documents can be requested,
- e) data on the head of the branch.

(3) If the Czech National Bank has no objections to the location of the investment firm's branch in the host state, it shall, within 3 months from the date of delivery of the notification pursuant to subsection 1, communicate the data pursuant to subsection 2 to the supervisory authority of the host state and inform it of the conditions for providing reimbursements from the Guarantee Fund. The Czech National Bank shall, without undue delay, inform the investment firm of the communication of the data to the supervisory authority of the host state.

(4) An investment firm may start providing investment services in the host state as soon as it receives a notification from the supervisory authority of the host state that this authority has received data from the Czech National Bank pursuant to subsection 2, or after 2 months have passed from the day the authority supervisor of the host state will receive data from the Czech National Bank in accordance with subsection 2.

(5) If the Czech National Bank does not consider the location of an investment firm's branch in the host state to be suitable due to the organisational structure or financial situation of the investment firm in relation to the branch's business plan, it shall send a notification pursuant to subsection 1 to the firm within 3 months from the date of delivery with securities, a decision that it refuses to communicate the data according to subsection 2 to the supervisory authority of the host state. No appeal is admissible against this decision.

(6) An investment firm that has a branch located on the territory of the host state shall notify the Czech National Bank of any change in the facts referred to in subsection 2 letters b) to e) no later than 1 month before the date of its execution; if the investment firm cannot meet this deadline for objective reasons, it will notify the change without undue delay. Subsection 3 or 5 shall be applied *mutatis mutandis* when assessing changes. The Czech National Bank will notify the supervisory authority of the host state of this change without undue delay.

(7) The Czech National Bank shall, without undue delay, inform the supervisory authority of the host state of any change regarding the conditions for the provision of compensation from the Guarantee Fund.

(8) The procedure according to subsections 1 to 7 does not apply to an investment firm who is a bank; for a management company authorised to manage standard funds or comparable foreign funds or a comparable foreign person performing any of the activities pursuant to Section 11 subsection 1 letters c) to f) or according to Section 11 subsection 6 letter a) of the Act governing management companies and investment funds shall, however, apply.

(9) Details of the information to be reported according to subsections 1 to 7 are regulated by Articles 6 and 7 of Commission Delegated Regulation (EU) 2017/1018<sup>88</sup>.

(10) Standard forms, templates and procedures for the transmission of information according to subsections 1 to 7 are governed by Article 2 and Article 12 to 20 of Commission Implementing Regulation (EU) 2017/2382<sup>89</sup>.

## Section 22

(1) An investment firm who intends to provide investment services in the host state without a branch location shall notify the Czech National Bank of this fact.

(2) The notification pursuant to subsection 1 contains

- a) the host state in which the investment firm intends to provide an investment service,
- b) business activity plan containing, in particular, the investment services that the investment firm intends to provide, information on whether a tied representative will be used to provide investment services.

(3) Within 1 month from the date of delivery of the notification pursuant to subsection 1, the Czech National Bank shall forward the data specified in this notification to the supervisory authority of the host state.

(4) An investment firm may start providing investment services in the host state as soon as the supervisory authority of that state receives a notification from the Czech National Bank pursuant to subsection 1.

(5) An investment firm who provides an investment service on the territory of the host state shall notify the Czech National Bank of any change in the facts referred to in subsection 2 letter b). The Czech National Bank will notify the supervisory authority of the host state of this change without undue delay.

(6) The procedure according to subsections 1 to 5 does not apply to an investment firm who is a bank; for a management company authorised to manage standard funds or comparable foreign funds or a comparable foreign person performing any of the activities pursuant to Section 11 subsection 1 letters c) to f) or according to Section 11 subsection 6 letter a) of the Act governing management companies and investment funds shall, however, apply.

(7) Details of the information to be reported according to subsections 1 to 5 are regulated by Articles 3 and 4 of Commission Delegated Regulation (EU) 2017/1018<sup>88</sup>).

(8) Standard forms, templates and procedures for the transmission of information according to subsections 1 to 5 are governed by Articles 2 to 7 of Commission Implementing Regulation (EU) 2017/2382<sup>89</sup>).

#### Section 22a

(1) An investment firm may be a participant in a foreign regulated market, either by using access abroad or through its branch office. The participation of an investment firm in a foreign regulated market is not the provision of investment services in the state in which this foreign regulated market is headquartered.

(2) An investment firm may be a participant in a settlement system based in another member state of the European Union.

#### Section 23

The Czech National Bank shall, without undue delay, inform the supervisory authority of the host state about the withdrawal of the investment firm's license.

### Chapter 2

#### **Provision of investment services by a foreign person who has the authorisation of the supervisory authority of another member state of the European Union on the territory of the Czech Republic**

#### Section 24

### **Provision of investment services through branches y**

(1) To a foreign person who has authorisation from the supervisory authority of another member state of the European Union to provide investment services (hereinafter referred to as "home state") and who intends to provide investment services in the Czech Republic through a branch, Czech National Bank

a) immediately sends information that it has received data from the supervisory authority of the home state regarding the intended provision of investment services by this person in the Czech Republic,

b) communicate within 2 months from the day on which it received from the supervisory authority of the home state the data relating to the intended provision of investment services in the Czech Republic, information obligations and rules for dealing with clients.

(2) A foreign person who has the authorisation of the supervisory authority of another member state of the European Union to provide investment services may start providing investment services in the Czech Republic through a branch from the day on which the Czech National Bank informed him of the information obligations and rules for dealing with clients, or after the expiry of the period according to subsection 1 letter b).

(3) The Czech National Bank informs a foreign person who provides investment services in the Czech Republic pursuant to subsection 2 of any change in information obligations and rules for dealing with clients.

(4) The procedure according to subsections 1 to 3 does not apply to a foreign person proceeding according to the law regulating the activities of banks.

(5) A foreign person who provides investment services in the Czech Republic pursuant to subsection 2, or a foreign person based in another member state of the European Union, who is authorised to provide investment services in the Czech Republic on the basis of a unified license pursuant to the act regulating the activities of banks,

a) is required to keep an investment firm's diary according to Section 13; records are kept regarding the investment services that the said person provided through the branch,

b) fulfils the investment firm's information obligations pursuant to this Act to the extent of Section 16 subsection 3 and Section 16 subsection 4 letters a) to c) and publishes data, according to Section 16b; the information according to Section 16 subsection 3 and Section 16b shall be provided regarding the investment services that the said person provides through a branch, or regarding clients to whom investment services are provided in this way,

c) provides investment services with professional care similarly according to Section 15 subsection 1; Section 2a to 2d apply mutatis mutandis to clients of this foreign person,

d) fulfils the obligations set out in Articles 14 to 26 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council,

e) keeps documents and records in the manner specified in Section 17 a

f) fulfils the conditions according to Section 14a subsection 2.

(6) For the purposes of this Act, the provision of investment services through a tied agent with headquarters or residence in the Czech Republic is considered to be the provision of investment services through a branch.

Section 24a

**cancelled**

Section 24b

**cancelled**

Section 25

**Providing investment services without a branch location**

(1) A foreign person who has the authorisation of the supervisory authority of another member state of the European Union to provide investment services may, in accordance with the law of the European Union, provide investment services in the territory of the Czech Republic without the location of a branch, for which he has the authorisation of the supervisory authority of the home state, temporarily or occasionally, if they are not investment services provided to professional clients according to Section 2a, to whom investment services can also be provided permanently in this way. The Czech National Bank informs this person without undue delay that it has received data from the supervisory authority of the home state regarding the intended provision of investment services by this person in the Czech Republic.

(2) A foreign person who has the authorisation of the supervisory authority of another member state of the European Union to provide investment services may start providing investment services in the Czech Republic without the location of a branch from the day the Czech National Bank receives from the supervisory authority of the home state data relating to the provision investment services by this person in the Czech Republic, or after the expiry of 1 month from the date on which the data was received by the supervisory authority of the home state.

(3) The procedure according to subsections 1 and 2 does not apply to a foreign person proceeding according to the law regulating the activities of banks.

(4) If a foreign person who has authorisation from the supervisory authority of another member state of the European Union to provide investment services and intends to provide investment services in the Czech Republic through tied agents who do not have their registered office or residence in the Czech Republic, the Czech National Bank may apply to the supervisory authority home state to provide a list of such tied agents. The Czech National Bank may publish this list on its website.

Section 25a

A foreign person who has the authorisation of the supervisory authority of another member state of the European Union to provide investment services can be a participant in the trading system, either using access from abroad or through its branch. The participation of this person in the trading system is not the provision of investment services in the Czech Republic.

Section 26

**Information obligation in relation to the European Banking Authority**

The Czech National Bank forwards to the European Banking Authority the information collected for the purpose of comparing the remuneration systems and procedures implemented by other investment firms on

- a) the number of persons whose incomes reach at least the amount corresponding to 1,000,000 euros, broken down according to their job duties and areas of activity of the investment firm,
- b) the main components of wages, bonuses, rewards based on performance over a longer period of time and special pension benefits of persons according to letter a).

#### Section 27

**cancelled**

#### TITLE IV

### PROVISION OF MAIN INVESTMENT SERVICES IN THE CZECH REPUBLIC BY A FOREIGN PERSON WITH A REGISTERED OR ACTUAL REGISTER IN A STATE THAT IS NOT A MEMBER STATE OF THE EUROPEAN UNION

#### Section 28

(1) If it is not a foreign person registered by the European Supervisory Authority (European Securities and Markets Authority)<sup>32)</sup> (hereinafter referred to as "the European Securities and Markets Authority") in the register maintained pursuant to Article 48 of the Regulation of the European Parliament and the Council (EU) No. 600/2014, a foreign person with a seat or actual seat in a state that is not a member state of the European Union may provide main and ancillary investment services in the Czech Republic only through a branch based on an authorisation granted by the Czech National Bank.

(2) Subsection 1 shall not apply in the case

a) provision of an investment service to a client who requested this provision on his own initiative; this does not entitle the foreign person under subsection 1 to offer additional products or services to that client, or

b) providing an investment service to a professional client pursuant to Section 2a subsection 1 letter a) to h) and o) to q), if the following conditions are simultaneously met:

1. the seat and actual seat of the foreign person is in a state that is not a high-risk third country according to Article 1 and the Annex of Commission Delegated Regulation (EU) 2016/1675<sup>90)</sup>,
2. the foreign person has authorisation from the supervisory authority of the home country to provide an investment service that he intends to provide also in the Czech Republic,
3. there is an agreement between the supervisory authority of the foreign person's home state and the Czech National Bank enabling the exchange of information and
4. it is not a foreign person whose registration has been cancelled by the European Securities and Markets Authority in accordance with Article 49 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council<sup>53)</sup>.

(3) A foreign person with a seat or actual seat in a state that is not a member state of the European Union may be a participant in the trading system, either using access from abroad or through its branch. The participation of this person in the trading system is not the provision of investment services in the Czech Republic.

#### Section 28a

(1) The Czech National Bank shall grant authorisation to provide investment services through a branch at the request of a foreign person pursuant to Section 28, subsection 1, if the following conditions are met:

a) the registered office and the actual registered office of this person are in the same state,

b) this person has good reputation,

c) the funds that this branch has or will have at its disposal have a transparent and harmless origin, and this branch has or will have funds at its disposal no later than the date of commencement of operations in an amount that enables the proper provision of investment services in the Czech Republic through this branches,

d) qualified participation in this person has only persons who have good reputation and there are no reasonable fears in this connection that there could be a violation of the law regulating measures against the legalization of the proceeds of crime and the financing of terrorism, or that such a violation has already occurred,

e) the close connection of this person with another person does not and will not prevent the effective exercise of supervision under this Act; in the case of a close connection with a person who has a registered office or actual registered office in a state that is not a member state of the European Union, the legal order of such a state and the manner of its application, including the enforceability of the law, must not prevent the effective performance of supervision pursuant to this Act,

f) business activity plan of this branch

1. defines and covers the planned scope of activity of this branch,
2. is supported by real economic calculations and
3. defines the activities the performance of which he intends to entrust to another, including information on whether and to what extent he intends to use employees, investment intermediaries and tied representatives,

g) this branch has, or will have, no later than the date of commencement of activities to the extent that it intends to provide investment services in the Czech Republic, material, personnel and organisational prerequisites for this provision of investment services enabling the fulfilment of its business activity plan and the fulfilment of obligations under this Act, especially in the area of rules for dealing with clients and rules for the proper and prudent provision of investment services, including

1. organisational structure,
2. inspections of persons with whom he will carry out his activities, a
3. ensuring that the persons with whom the branch carries out its activities are fully independent, have good reputation and have the necessary knowledge, skills and experience,

h) the person in charge of this branch similarly meets the requirements according to Section 10, with the exception of Section 10 subsection 1,

i) this person meets the requirements of Section 133,

j) this person has an authorisation to provide investment services, which he intends to provide in the Czech Republic through this branch, granted by the supervisory authority of the state in which this person has its seat and actual seat,

k) the provision of investment services by this person is subject to the supervision of the supervisory authority pursuant to letter j), taking into account the recommendations of the Financial Action Committee of the Organisation for Economic Cooperation and Development,

l) The Czech National Bank and the supervisory authority pursuant to letter j) have agreed on the exchange of information necessary for the performance of supervision pursuant to this Act,

m) the state pursuant to letter a) has an agreement with the Czech Republic that corresponds to the principles set out in Article 26 of the Model Tax Treaty of the Organisation for Economic Cooperation and Development on income and property and which ensures the exchange of information in tax matters,



n) if it is an authorisation to provide the main investment service referred to in Section 4 subsection 2 letter f),

1. the rules of trading in the multilateral trading facility meet the requirements according to Section 69 subsection 2 letter a),
2. the rules of access to the multilateral trading facility meet the requirements according to Section 69 subsection 2 letter b) a
3. the rules for accepting financial instruments for trading in the multilateral trading facility meet the requirements according to Section 69 subsection 2 letter c), a

o) if it is an authorisation to provide the main investment service referred to in Section 4 subsection 2 letter g),

1. the rules of trading in the organised trading facility meet the requirements according to Section 73f subsection 1 letter a),
2. the rules for accepting financial instruments for trading in an organised trading facility meet the requirements according to Section 73f subsection 1 letter c),
3. the rules of access to the organised trading facility meet the requirements according to Section 73f subsection 1 letter d),
4. it is explained in detail why an organised trading facility will not correspond to a regulated market, an MTF or a systematic internaliser, and cannot function as such,
5. the method of applying discretion when operating an organised trading facility is described in detail, in particular when an order entered within the organised trading facility can be cancelled and when and how 2 or more client orders in the organised trading facility will be matched, and
6. trading by matching orders to your own account is explained.

(2) The application according to subsection 1 can only be submitted electronically.

(3) The application pursuant to subsection 1 contains, in addition to the requirements established by the administrative regulations, also data and documents proving the fulfilment of the conditions pursuant to subsection 1.

(4) The details of the requirements of the application, including the annexes proving the fulfilment of the conditions under subsection 1, its format and other technical requirements shall be determined by the implementing legislation.

(5) The Czech National Bank shall decide on the application pursuant to subsection 1 within 6 months from the date on which it received an application that has the prescribed requirements and does not suffer from defects.

(6) In the preamble of the decision on the granting of authorisation pursuant to subsection 1, the Czech National Bank shall indicate which investment services a foreign person is authorised to provide pursuant to Section 28, subsection 1, and in relation to which financial instruments, and whether he is authorised to receive funds or financial instruments clients. The authorisation must include at least one main investment service.

## Section 28b

(1) A foreign person according to Section 28 subsection 1 permanently complies with the requirements according to Section 28a subsection 1.

(2) A foreign person pursuant to Section 28 subsection 1 shall notify the Czech National Bank without undue delay after it occurs of any significant change in the facts on the basis of which he obtained the authorisation pursuant to Section 28a subsection 1.

(3) A foreign person pursuant to subsection 1 shall, to the extent that he provides investment services in the Czech Republic through a branch office, similarly comply with the obligations imposed by this Act on an investment firm, in particular the obligations pursuant to Section 10 subsections 2 to 7, Section 10a, 12 to 14b, 15 to 17i, 69 to 73a and 73d to 73k.

(4) Articles 3 to 26 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council shall apply *mutatis mutandis* to the foreign person referred to in subsection 1.

(5) A foreign person pursuant to Section 28, subsection 1, who has obtained an authorisation from the Czech National Bank to provide investment services through a branch, shall provide the Czech National Bank with the following information each year:

- a) scope and purpose of investment services provided by the branch in the Czech Republic,
- b) if it provides the main investment service according to Section 4 subsection 2 letter c), their monthly minimum, average and maximum exposure to counterparties in the European Union,
- c) if it provides the main investment service according to Section 4 subsection 2 letter h), the total value of financial instruments originating from counterparties in the European Union that were subscribed or placed on the basis of a firm commitment in the last 12 months,
- d) turnover and aggregate value of assets corresponding to services and activities according to letter a),
- e) a detailed description of the investor protection measures offered to the branch's clients, including the rights of these clients arising from the investor compensation system,
- f) its policy and systems in the field of risk management, which the branch applies to the services and activities according to letter a),
- g) system of administration and management, including persons holding key functions for the activities of the branch a
- h) other information determined by the Czech National Bank for the purpose of monitoring the activities of the branch.

## TITLE V

### INVESTMENT INTERMEDIARY

#### Section 29

##### **Basic provision**

(1) An investment intermediary is a person who, on the basis of an investment intermediary license granted by the Czech National Bank, is authorised to provide only the main investment services listed in Section 4 subsection 2 letter a) or e).

(2) An investment intermediary may not accept funds or financial instruments from clients in connection with the provision of investment services.

(3) The investment intermediary is authorised to provide the main investment services listed in Section 4 subsection 2 letter a) or e) only in relation to

- a) collective transferable securities issued by collective investment funds or comparable foreign investment funds,

- b) collective transferable securities issued by qualified investor funds or comparable foreign investment funds,
- c) bonds issued by the Czech Republic,
- d) mortgage bonds or
- e) bonds for which a prospectus or a comparable document has been issued.

(4) An investment intermediary may, when providing the main investment service referred to in Section 4 subsection 2 letter a) or e) give instructions only to an investment firm, bank, management company or self-managed investment fund or comparable foreign person authorised to provide investment services in a member state of European Union.

### Section 30

#### **Requirements for an investment intermediary**

(1) The Czech National Bank shall grant an authorisation for the activity of an investment intermediary at the request of a trading company or the founder of a trading company before the date of its registration in the commercial register, if the following conditions are met:

- a) the seat and real seat of this company is or should be in the Czech Republic,
- (b) this company has good repute; this is not assessed if this company is not yet registered in the commercial register,
- c) the initial capital of this company has a transparent and harmless origin and there are no reasonable concerns that this company has or will have equity capital in an amount that enables the proper performance of the activity of an investment intermediary,
- d) qualified participation in this company is or will be held only by persons who have good repute and there are no reasonable fears in this connection that there could be a violation of the law regulating measures against the legalization of proceeds from criminal activity and the financing of terrorism, or that such a violation may already occur occurred
- e) the close connection of this company with another person does not and will not prevent the effective exercise of supervision over the investment intermediary; in the case of a close connection with a person who has a registered office or actual registered office in a state that is not a member state of the European Union, the legal order of such a state and the method of its application, including the enforceability of the law, must not prevent the effective exercise of supervision over the investment intermediary,
- f) business plan of this company
  - 1. defines and covers the planned scope of the investment intermediary's activity,
  - 2. is supported by real economic calculations and
  - 3. defines the activities, the performance of which he intends to entrust to another, including information on whether and to what extent he intends to use employees and tied agents,
- g) this company has or will have, no later than the date of commencement of activity, to the extent that it intends to carry out the activities of an investment intermediary, material, personnel and organisational prerequisites for the proper performance of the activity of an investment intermediary enabling the fulfilment of its business activity plan and the fulfilment of the obligations of an investment intermediary, in particular in the area of rules for dealing with clients and rules for the prudent provision of investment services, including

1. organisational structure,
2. inspections of the persons with whom it performs the activity of an investment intermediary,
- a
3. ensuring that the persons with whom it performs the activities of an investment intermediary are fully independent, have good reputation and have the necessary knowledge, skills and experience,

h) the management body of this company and its members meet the requirements according to Section 10 a

i) this company is or will be insured according to Section 31 at the latest on the date of commencement of operations.

(2) The Czech National Bank shall grant an authorisation for the activity of an investment intermediary at the request of a natural person, if the following conditions are met:

a) the domicile, seat and real seat of this person is or should be in the Czech Republic,

b) this person is fully independent, has good reputation and professionally qualified,

c) business plan of this person

1. defines and covers the planned scope of the investment intermediary's activity,
2. is supported by real economic calculations and
3. defines the activities, the performance of which he intends to entrust to another, including information on whether and to what extent he intends to use employees and tied agents,

d) this person has or will have, no later than the date of commencement of activities, to the extent in which he intends to carry out the activities of an investment intermediary, the material, personnel and organisational prerequisites for the proper performance of the activities of an investment intermediary enabling the fulfilment of his business activity plan and the fulfilment of the obligations of an investment intermediary, in particular in the area of rules for dealing with clients and rules for the prudent provision of investment services, including

1. organisational arrangement, including measures to ensure proper and prudent management and due consideration of the interests of clients and the integrity of the market, taking into account that it will not meet the requirement according to Section 10 subsection 1,
2. inspections of the persons with whom it performs the activity of an investment intermediary,
- a
3. ensuring that the persons with whom it performs the activities of an investment intermediary are fully independent, have good reputation and have the necessary knowledge, skills and experience,

e) this person is or will be insured according to Section 31 at the latest on the date of commencement of activity,

f) this person has established a data box of a natural person doing business; in the case of an application submitted by a natural person who is not yet an entrepreneur, this person shall request the establishment of a data box of an entrepreneurial natural person without undue delay, no later than 30 days from the date of the acquisition of legal force of the decision on the granting of an authorisation to operate as an investment intermediary, and

g) this person is not a member of the management body of a person according to Section 29, subsection 4.

(3) The investment intermediary permanently complies with the conditions according to subsection 1 or 2.

(4) The investment intermediary shall notify the Czech National Bank without undue delay after it occurs, of any significant change in the facts on the basis of which it obtained a license to operate.

(5) The investment intermediary informs the Czech National Bank about

- a) types and scope of services provided,
- b) all received and forwarded instructions,
- c) financial situation and economic results.

(6) The implementing legal regulation shall determine the details, form, method, structure, periodicity and deadlines for the fulfilment of the information obligation pursuant to subsection 5.

#### Section 30a

##### **Application Procedure**

(1) The application according to Section 30 subsections 1 and 2 can only be submitted electronically.

(2) The application pursuant to Section 30 subsections 1 and 2, contains, in addition to the requirements established by the administrative regulations, also data and documents proving the fulfilment of the conditions pursuant to Section 30, subsection 1 or 2.

(3) The details of the requirements of the application, including the annexes proving the fulfilment of the conditions according to Section 30 subsection 1 or 2, its format and other technical requirements shall be determined by the implementing legislation.

(4) The Czech National Bank shall decide on an application pursuant to Section 30, subsections 1 and 2, within 3 months from the date of submission of an application that has the prescribed requirements and does not suffer from defects. If it is necessary from the point of view of the proper assessment of the application, the Czech National Bank may by resolution extend this period by up to 3 months.

(5) In the statement part of the decision on the granting of an authorisation for the activity of an investment intermediary, the Czech National Bank shall state which main investment services the investment intermediary is authorised to provide and in relation to which financial instruments.

#### Section 30b

##### **Duration of authorisation to operate as an investment intermediary**

(1) The license to operate as an investment intermediary lasts until the end of the calendar year following the calendar year in which the decision to grant this license became legally binding.

(2) The license to operate as an investment intermediary is always extended by another 12 months upon payment of the administrative fee. The Czech National Bank shall confirm to the investment intermediary that the administrative fee has been paid without undue delay.

(3) The method of payment of the administrative fee will be published by the Czech National Bank in a way that enables remote access.

(4) The license to operate as an investment intermediary expires

- a) upon expiry of the duration of the authorisation according to subsection 1, if there is no extension according to subsection 2,
- b) death of a natural person,
- c) the dissolution of a legal entity,
- d) by granting an authorisation to an investment intermediary to operate as an investment firm, or
- e) by revoking the license to operate as an investment intermediary (Section 145).

#### Section 30c

##### **Imputability of the illegal act of the investment intermediary and the tied agent of the investment intermediary**

(1) An illegal act committed by an investment intermediary against clients even in the course of its activities binds the investment intermediary, even if it acted on behalf of the person referred to in Section 29 subsection 4; however, if the person referred to in Section 29, subsection 4 has carelessly selected the investment intermediary or has insufficiently supervised him, he is liable for the fulfilment of his obligation to compensate for damages. The provision of Section 2914 of the Civil Code does not apply.

(2) An illegal act committed by a tied agent of an investment intermediary against a client in the course of his activities binds the investment intermediary, even if the tied agent acted on behalf of the person referred to in Section 29 subsection 4; however, if the person referred to in Section 29, subsection 4 has carelessly selected the investment intermediary or has insufficiently supervised him, he is liable for the fulfilment of his obligation to compensate for damages. The provision of Section 2914 of the Civil Code does not apply.

#### Section 31

##### **Mandatory insurance of the investment intermediary**

The investment intermediary must be insured for the entire period of its activity in case of the obligation to compensate the client for damage caused by the violation of any of the obligations of the investment intermediary established by this law

- a) with an insurance benefit limit of at least CZK 13,500,000 per insured event and at least CZK 20,250,000 in the event of multiple insured events in one calendar year, and
- b) with the insured's co-participation in the compensation of the incurred damage, if it was stipulated in the insurance contract, no higher than 10% of the amount that the insured is obliged to compensate.

#### Section 32

##### **Similar performance of duties of an investment firm**

Sections 10 and 10a shall apply mutatis mutandis to investment intermediaries, with the exception of Section 10 subsection 4 letter c) and Section 10 subsections 5 and 6, which do not apply.

(2) For the investment intermediary, Section 11a, 12, 12a, 12d and Section 12ad subsection 1 letters a), c) and d) shall apply similarly, with the exception of the second sentence of Section 12a subsection 4 and Section 12a subsection 6.

(3) Section 12bb applies mutatis mutandis to an investment intermediary.

(4) The investment intermediary keeps electronic records of received and forwarded instructions relating to financial instruments and records of contracts relating to provided investment services. The investment intermediary also keeps records and documents similarly according to Section 17, including the records kept in the records according to the first sentence. For these purposes, the investment intermediary is authorised to keep the personal identification numbers of clients.

(5) When dealing with a client or potential client in the context of providing investment services, an investment intermediary may only be represented by an employee or a tied agent. Section 14, Section 14a subsection 2 and Section 14b shall apply mutatis mutandis for an investment intermediary. The provisions of Section 14a subsection 2 do not apply to a person who, in the context of the provision of investment services, deals exclusively with the persons listed in Section 2a subsection 1 or 2 or in Section 2b.

(6) The investment intermediary provides investment services with professional care. The provision of investment services by an investment intermediary with professional care means in particular that the investment intermediary acts in a qualified, honest and fair manner and in the best interest of clients. The provisions of Title II, Part 3, Section 5, governing dealings with clients, with the exception of Section 15, subsections 1 and 2, Section 15b and Section 15l to 15r, shall apply similarly to the investment intermediary. For the purposes of Section 2a subsection 3, Section 2b, 2c and 2d, the investment intermediary is regarded as if he were an investment firm.

(7) The implementing legal regulation establishes the requirements and method of keeping records according to subsection 4.

## TITLE VI

### TIED AGENT

#### Section 32a

#### **Basic provision**

(1) For the purposes of this Act, a tied agent is a person who is authorised on the basis of an entry in the list pursuant to Section 32c, subsection 4 for the represented

- a) to arrange, and possibly conclude, transactions relating to the main investment service referred to in Section 4 subsection 2 letter a) or i), if the representative is authorised to provide them,
- b) provide the investment service specified in Section 4 subsection 2 letter e), or
- c) promote investment services that the representative is authorised to provide.

(2) A tied agent performs activities under subsection 1 exclusively for one represented person on the basis of a written contract.

(3) He can only be represented

- a) investment firm,
- b) investment intermediary,
- c) a management company that has an authorisation to perform any of the activities listed in Section 11

subsection 1 letters c) to f) of Act No. 240/2013 Coll., on management companies and investment funds, as amended, for another, or

d) a foreign person who provides investment services in the Czech Republic through a branch.

#### Section 32b

##### **Termination of representation**

(1) The representative is obliged to immediately terminate the obligation from the contract according to Section 32a, subsection 2, if he discovers that the tied agent does not meet the conditions established by this law for the activities of a tied agent and if it is not possible to negotiate a remedy without unnecessary delay; upon delivery of the notice to the tied agent, this obligation ceases.

(2) The tied agent is obliged to immediately terminate the obligation from the contract in accordance with Section 32a subsection 2, if he ceases to meet the conditions established by this law for the activities of the tied agent and if it is not possible to negotiate a remedy without unnecessary delay; upon delivery of the notice to the representative, this obligation ceases. Until remedial action is taken, the tied agent may not perform activities according to Section 32a, subsection 1.

(3) The representative is obliged to notify the Czech National Bank without undue delay that the obligation from the contract has ceased pursuant to Section 32a subsection 2.

#### Section 32c

##### **Enrollment in the list**

(1) Czech National Bank, on the basis of a notification pursuant to Section 32d submitted by the representative, shall enter the tied agent in the list pursuant to subsection 4, if

a) the person who intends to perform the activities of a tied agent is not one of the persons listed in Section 32a subsection 3, an employee or tied agent of any of the persons listed in Section 32a subsection 3, nor a person with qualified participation in any of the persons listed in Section 32a subsection 3 a

b) the data specified in the notification enable the identification of the persons specified in the notification in the relevant basic register.

(2) The Czech National Bank shall enter the tied agent in the list pursuant to subsection 4 without delay, but no later than within 5 working days from the date of delivery of the notification.

(3) The Czech National Bank informs the representative electronically about the entry of a tied agent in the list pursuant to subsection 4 or the failure to make an entry and the reason for such non-enrollment; parts two and three of the administrative regulations do not apply.

(4) In the list of tied representatives of the persons referred to in Section 32a subsection 3, the following data, including their changes, shall be entered for the tied representative:

a) data on the person of the tied agent, with the exception of the social security number,

b) data on the person represented, with the exception of the social security number,

c) activities listed in Section 32a subsection 1, which he is authorised to perform and in relation to which financial instruments,

d) the date of creation of the authorisation to operate and the duration of the authorisation to operate,



- e) the date of termination of the activity authorisation and its reason,
- f) an overview of legally imposed fines and enforceable remedial measures imposed by the Czech National Bank,
- g) date of acquisition of legal force of the bankruptcy decision a
- h) the date of entry of the legal entity into liquidation.

(5) Against the person who acts in confidence in the entry in the list according to subsection 4, the person to whom the entry relates cannot object that the entry does not correspond to reality, with the exception of the data specified in subsection 4 letters g) and h).

#### Section 32d

##### **Notice of the tied agent**

(1) The representative may only notify as a tied agent a person who has a place of residence or registered office as well as an actual registered office in the territory of the Czech Republic.

(2) Notification according to subsection 1 may be submitted by the representative only through the electronic application of the Czech National Bank for the registration of entities.

(3) The notification pursuant to subsection 1 contains, in addition to the submission requirements established by the administrative regulations, also

- a) details of the person who intends to perform the activities of a tied agent,
- b) data on the fulfilment of the conditions established by this Act for the performance of the activity of a tied agent a
- c) the activities listed in Section 32a subsection 1, which the tied agent should be authorised to perform and in relation to which financial instruments.

#### Section 32e

##### **Document storage**

Documents proving the fulfilment of the conditions established by this Act for the activity of a tied agent shall be kept by the representative for the duration of the entry in the list pursuant to Section 32c subsection 4, and for at least 5 years from the date of its cancellation.

#### Section 32f

##### **Changing the data entered in the list**

(1) With regard to the data concerning his tied agent, the representative shall notify the Czech National Bank without undue delay of a change in the data entered in the list in accordance with Section 32c subsection 4, and also of a change in the data of

- a) fulfilment of the conditions established by this Act for the performance of the activities of a tied agent,
- b) bankruptcy decision, or

c) entry into liquidation.

(2) The obligation under subsection 1 does not apply to changes to data that are kept in basic registers as reference data.

(3) The notification pursuant to subsection 1 is submitted via the electronic application of the Czech National Bank for the registration of entities. The notification shall be accompanied by documents proving the facts contained therein.

(4) The Czech National Bank is obliged to make changes to the data kept in the list according to Section 32c subsection 4, within 5 working days from the day on which it became aware of the change, unless the change is a reason for revoking the authorised representative's activity.

#### Section 32g

##### **Creation and duration of authorisation to act as a tied agent**

(1) Authorisation to act as a tied agent is created by entering the tied agent in the list pursuant to Section 32c subsection 4.

(2) In the event that a person is notified as a tied agent by more than one representative, the Czech National Bank will enter it in the list of the first representative who notified him.

(3) The authorisation to act as a tied agent lasts until the end of the calendar year following the calendar year in which the entry in the list was made.

(4) Authorisation to act as a tied agent can be extended by an additional 12 months by paying an administrative fee. The Czech National Bank will confirm payment of the administrative fee to the representative without undue delay.

(5) At the same time as the administrative fee is paid, the representative shall notify the Czech National Bank through the Czech National Bank's electronic application for the registration of entities to whom the authorisation is to be extended on the basis of the paid administrative fee.

(6) The method of payment of the administrative fee shall be published by the Czech National Bank in a manner that enables remote access.

#### Section 32h

##### **Termination of authorisation to operate**

(1) The authorisation to act as a tied agent ceases

a) death of a natural person,

b) the demise of a legal entity,

c) notification of the termination of the activity of a tied agent,

d) by the termination of the obligation according to Section 32a subsection 2 between the tied agent and the represented,

e) by the termination of all authorisations for the activity of the representative pursuant to this Act, to which the representation relates,

f) upon expiry of the authorisation period, if the authorisation is not extended according to Section 32g subsection 4, or

g) by withdrawal.

(2) The tied agent submits a notification pursuant to subsection 1 letter c) through a representative. If the representative does not provide him with the necessary cooperation, the tied agent can submit the notification separately.

(3) Notification pursuant to subsection 1 letter c) is submitted through the electronic application of the Czech National Bank for the registration of entities.

#### Section 32i

##### **Withdrawal of authorisation to act as a tied agent**

(1) The Czech National Bank may withdraw authorisation to act as a tied agent if

a) the tied agent ceases to meet the conditions established by this Act for the performance of the tied agent's activities,

b) the remedial measures imposed did not lead to remedial measures,

c) the tied agent repeatedly or seriously violates the obligation established by this law or by a directly applicable regulation of the European Union in the field of activities on financial markets <sup>2)</sup>,

d) the tied agent violates a condition or obligation set forth in an enforceable decision issued pursuant to this Act, or

e) the tied agent was entered in the list pursuant to Section 32c subsection 4, on the basis of false or misleading information.

(2) Participant in the procedure for revocation of authorisation to act as a tied agent is the tied agent and the represented.

(3) The Czech National Bank may inform the public in an appropriate manner about the revocation of the authorisation to act as a tied agent, after the decision by which the authorisation to act was revoked has become legally binding.

#### Section 32j

##### **Representation of a tied agent**

A tied agent may only be represented by his employee when dealing with a client or potential client within the scope of the provision of investment services.

#### Section 32k

##### **Obligations of the representative**

The representee shall ensure that the tied agent

a) fulfils the conditions established by this Act for the performance of the activities of a tied agent, including the conditions established in Section 14a subsection 2,

- b) does not accept cash or financial instruments from clients,
- c) when performing the activities referred to in Section 32a subsection 1, communicates data about the person represented to clients and potential clients,
- d) when performing the activities listed in Section 32a subsection 1, he communicates to clients and potential clients information about the activities listed in Section 32a subsection 1, which he is authorised to perform and in relation to which financial instruments,
- e) does not perform the activities referred to in Section 32a subsection 1 in a way that threatens compliance with the legal obligations of the represented party, in particular the obligations according to Section 15 subsection 1,
- f) does not carry out activities other than those listed in Section 32a subsection 1 in a manner that threatens the proper performance of the activities listed in Section 32a subsection 1.

### **PART THREE**

#### **PUBLIC AUCTION OF SECURITIES**

##### **Section 33**

(1) Public securities auctions may only be organised by an investment firm who has an authorisation to provide investment services referred to in Section 4 subsection 2 letter b), or a foreign person who has authorisation to provide this investment service (hereinafter referred to as "securities auctioneer").

(2) The public auction of securities shall be subject to the law regulating public auctions, unless this law provides otherwise or unless the nature of the matter indicates otherwise.

(3) The rules for organising a public auction of securities shall be regulated by the securities auctioneer in the auction rules.

(4) The Czech National Bank approves the auction rules and any changes to them. If the Czech National Bank does not send a decision on this request to the applicant within 30 days from the date of delivery of the request for approval of the auction rules or its changes, it is valid that the auction rules or its changes have not been approved. If the application procedure is interrupted, this period does not run.

(5) In the case of a compulsory sale by auction of transferable securities, the auctioneer shall ensure that the object of the compulsory sale by auction is valued at the normal price. If the starting price of the object of the compulsory sale by auction exceeds CZK 100,000, its normal price shall be determined by an expert opinion. The auctioneer shall publish this expert's report or, if the starting price of the object of the compulsory sale by auction does not exceed CZK 100,000, other evidence of the valuation on its website for at least one year. The auctioneer shall also send the auction notice containing the normal price of the auction item to the Czech National Bank within the time limits set by the law governing public auctions.

(6) If the object of a public securities auction is a book-entry security, the person in charge of the securities register shall register the transfer of the ownership right to the book-entry security to the auctioneer on the basis of a confirmation of the conclusion of the sales contract at the time of knock down on the order of the securities auctioneer or the auctioneer. In the case of order security, the securities auctioneer shall mark the transfer of title to the auctioneer on the security. The provisions of Sections 1103 and 1104 of the Civil Code, with the exception of Section 1103 subsection 2, second sentence, shall not apply.

(7) If the subject of a public securities auction are bearer securities and the securities auctioneer does not know the owners of these securities, the securities auctioneer is not obliged to send the owners the auction decree and other documents.

(8) A compulsory sale by auction of securities can also be carried out,

a) if the petitioner proves that the owner of the security is in arrears with taking over, presenting or handing over the security, despite having been warned about the possible sale of the security at auction, or

b) if the claim secured by a security lien is not fulfilled properly and on time.

(9) The Czech National Bank shall send to the Ministry for Regional Development for the purpose of publication in the central register of public auctions the following data on the securities auctioneer:

a) business firm, legal form, registered office address and identification number, in the case of an investment firm, and the name, location address and identification number of its organisational unit in the Czech Republic, in the case of a foreign person,

b) information on authorisation to organise public auctions of securities

c) the date of creation of authorisation to organise public auctions of securities,

d) the date of suspension of the authorisation to organise public auctions of securities and the duration of the suspension; and

e) the date of termination of the authorisation to organise public auctions of securities.

(10) The provisions of this part shall also be applied to other types of financial instruments than securities, unless the nature of the matter indicates otherwise.

## **PART FOUR**

### **CERTAIN PROVISIONS RELATING TO THE PROSPECTUS**

**title omitted**

#### **Section 34**

#### **Responsibility for the content of the prospectus**

(1) The person who compiled the prospectus and the guarantor are responsible for the correctness and completeness of the data given in the prospectus, if they are listed in the prospectus and have guaranteed the correctness of the data. If more than one person compiled the prospectus together, each of these persons is responsible for the content for the prospectus. The prospectus must include information on the persons responsible for the correct compilation of the prospectus and their declaration that, to the best of their knowledge, the information contained in the prospectus is correct and that no facts have been concealed therein that could change the meaning of the prospectus.

The person referred to in subsection 1 is only responsible for the correctness of the data given in the summary of the prospectus in accordance with the directly applicable regulation of the European Union governing the prospectus, which is to be published during a public offer or acceptance of securities for trading on a regulated market<sup>(66)</sup> only if the summary is of the prospectus misleading or

inaccurate when read together with other parts of the prospectus, or if the summary of the prospectus when read together with other parts of the prospectus does not contain the required information.

(3) The persons listed in subsection 1 are responsible for the correctness and completeness of the data specified in the registration document or universal registration document, if such document is an integral part of the approved prospectus.

(4) If the law uses the term "prospectus", it means a prospectus according to the directly applicable regulation of the European Union governing the prospectus, which is to be published during a public offer or acceptance of securities for trading on a regulated market<sup>66</sup>.

**title omitted**

Section 35

**Reporting mechanism**

A person who is subject to obligations or prohibitions according to a directly applicable regulation of the European Union governing a prospectus to be made public when securities are offered or accepted for trading on a regulated market<sup>66</sup>, if it is not an investment firm, an organiser of a regulated market or provider of data reporting services, shall establish, maintain and apply a mechanism for reporting violations or imminent violations of this directly applicable regulation, similarly according to Section 12i subsection 1.

Section 35a

**cancelled**

Section 35b

**cancelled**

**title omitted**

Section 36

**cancelled**

Section 36a

**cancelled**

Section 36b

**cancelled**

Section 36c

**cancelled**

Section 36d

**cancelled**

Section 36e

**cancelled**

Section 36f

**cancelled**

Section 36g

**cancelled**

Section 36h

**cancelled**

Section 36i

**cancelled**

Section 36j

**cancelled**

Section 36k

**cancelled**

Section 36l

**cancelled**

Section 36m

**cancelled**

## **PART FIVE**

### **TRADING VENUES**

#### **TITLE I**

#### **REGULATED MARKET ORGANISER**

**title omitted**

Section 37

#### **Basic provision**

(1) The organiser of a regulated market is a legal entity a, which is authorised to organise a regulated market based on an authorisation granted by the Czech National Bank.

(2) Only the organiser of the regulated market may organise a regulated market in the Czech Republic.

## Section 38

### **Requirements for the organiser of the regulated market**

(1) The Czech National Bank shall grant an authorisation for the activity of a regulated market organiser at the request of a business company or the founder of a business company before the date of its registration in the commercial register, if the following conditions are met:

- a) this company has or will have the legal form of a joint-stock company or a limited liability company,
- b) the seat and real seat of this company is or should be in the Czech Republic,
- c) this company has good repute; this is not assessed if this company is not yet registered in the commercial register,
- d) the initial capital of this company in a minimum amount corresponding to at least EUR 730,000 has a transparent and harmless origin, and this company has or will have equity capital in an amount that enables the proper performance of the activities of the regulated market organiser at the latest on the day of commencement of activity,
- e) qualified participation in this company is or will be held only by persons suitable from the point of view of proper and prudent management of the organiser of the regulated market,
- f) the close connection of this company with another person does not and will not prevent the effective exercise of supervision over the organiser of the regulated market; in the case of a close connection with a person who has a registered office or actual registered office in a state that is not a member state of the European Union, the legal order of such a state and the method of its application, including the enforceability of the law, must not prevent the effective exercise of supervision over the organiser of the regulated market,
- g) business plan of this company
  - 1. defines and covers the planned scope of activity of the regulated market organiser,
  - 2. is supported by real economic calculations and
  - 3. defines the activities the performance of which he intends to entrust to another, including information on whether he intends to use workers,
- h) the rules of trading on the regulated market meet the requirements under Section 62, the rules for accepting financial instruments for trading on the regulated market meet the requirements under Section 56 and the rules of access to the regulated market meet the requirements under Section 63,
- i) this company has or will have, no later than the date of commencement of activity, to the extent in which it intends to carry out the activity of a regulated market organiser, the material, personnel and organisational prerequisites for the proper performance of the activity of a regulated market organiser enabling the fulfilment of its business activity plan and the submitted trading rules in the commercial system, rules for accepting financial instruments for trading in the trading system and rules for accessing the trading system and fulfilling the obligations of the regulated market organiser, including
  - 1. organisational structure,
  - 2. inspections of persons with whom he performs the activities of the organiser of the regulated market, a
  - 3. ensuring that the persons with whom he performs the activities of the regulated market organiser are fully independent, have good repute and have the necessary knowledge, skills and experience,
- j) if it is a limited liability company, it has a supervisory board, and this supervisory board has the same powers and authority as the supervisory board of a joint-stock company according to the law governing



the legal relations of commercial companies and cooperatives,

k) the management body of this company and its members meet the requirements according to Section 10,

l) if it is an authorisation to provide the main investment service referred to in Section 4 subsection 2 letter f),

1. the rules of trading in the multilateral trading facility meet the requirements according to Section 69 subsection 2 letter a),
2. the rules for accepting financial instruments for trading in the multilateral trading facility meet the requirements according to Section 69 subsection 2 letter c) a
3. the rules of access to the multilateral trading facility meet the requirements according to Section 69 subsection 2 letter d), a

m) if it is an authorisation to provide the main investment service referred to in Section 4 subsection 2 letter g),

1. the rules of trading in the organised trading facility meet the requirements according to Section 73f subsection 1 letter a),
2. the rules for accepting financial instruments for trading in an organised trading facility meet the requirements according to Section 73f subsection 1 letter c),
3. the rules of access to the organised trading facility meet the requirements according to Section 73f subsection 1 letter d),
4. it is explained in detail why an organised trading facility will not correspond to a regulated market, an MTF or a systematic internaliser, and cannot function as such,
5. the method of applying discretion when operating an organised trading facility is described in detail, in particular when an order entered within the organised trading facility can be cancelled and when and how 2 or more client orders in the organised trading facility will be matched, and
6. trading by matching orders to your own account is explained.

(2) The application according to subsection 1 can only be submitted electronically.

(3) The application pursuant to subsection 1 contains, in addition to the requirements established by the administrative regulations, also data and documents proving the fulfilment of the conditions pursuant to subsection 1.

(4) The details of the requirements of the application, including the annexes proving the fulfilment of the conditions according to subsection 1, its format and other technical requirements shall be determined by the implementing legal regulation.

(5) In the statement part of the license to operate the regulated market organiser, the Czech National Bank shall state whether the regulated market organiser is authorised to operate a multilateral trading facility or an organised trading facility.

(6) The organiser of the regulated market shall permanently comply with the requirements under subsection 1.

(7) The organiser of the regulated market shall notify the Czech National Bank without undue delay after it occurs of any significant change in the facts on the basis of which he obtained the authorisation to operate.

(8) Sections 10 and 10a apply mutatis mutandis to the organiser of the regulated market.

### **Other business activities of the regulated market organiser**

(1) The organiser of the regulated market may carry out further business activity only after it has been registered by the Czech National Bank.

(2) Further business activities of the organiser of the regulated market may consist only in the provision of services related to the financial market or the commodity market, in particular

- a) in the activity of the commodity exchange according to another legal regulation,
- b) in the provision of other services on the financial market according to other legal regulations,
- c) in activities related to the organisation of a regulated market or the operation of a multilateral trading facility or an organised trading facility,
- d) in educational activities.

(3) The organiser of the regulated market may continue to operate a business activity consisting of activities directly related to the management of own property.

(4) The Czech National Bank shall register the applicant's further business activity and send the applicant a certificate or registration without undue delay.

(5) The application for registration of other business activities of the organiser of the regulated market can only be submitted electronically.

(6) The application pursuant to subsection 5 contains, in addition to the requirements set forth in the administrative regulations, also data and documents proving the fulfilment of the conditions set forth in subsection 2.

(7) The details of the requirements of the application according to subsection 5, its format and other technical requirements shall be determined by the implementing legal regulation.

(8) In the event that the performance of other business activities prevents the proper organisation of a regulated market, the operation of a multilateral trading facility or the effective exercise of supervision over this organiser of the regulated market, or the application does not meet the conditions specified in subsection 2, the Czech National Bank may

- a) refuse registration, or
- b) limit the scope of other business activities, or may establish conditions that the organiser of the regulated market must fulfil before starting each other business activity, or comply with them during its performance.

(9) In the case of deciding on the registration of another activity referred to in subsection 3, if there are no reasons for the registration of this other business activity worthy of special consideration, which the Czech National Bank will assess in particular taking into account whether the registration of this other activity will contribute to the improvement of quality provided investment services, refusal of registration would cause significant harm to the regulated market organiser, or what is the scope, complexity and nature of this additional activity, the Czech National Bank will refuse registration. In the decision on the registration of other activities referred to in subsection 3, the Czech National Bank may limit the scope of the registered activity, or set the conditions that the organiser of the regulated market must fulfil before starting each of the registered activities, or that they must comply with during their performance.

#### Section 40

##### **title omitted**

The subject of business of a regulated market organiser may only be the activities listed in the authorisation for the activity of the regulated market organiser or registered by the Czech National Bank pursuant to Section 39.

#### Section 41

##### **title omitted**

(1) The organiser of the regulated market organises the regulated market with professional care. Section 15 subsection 1 shall apply mutatis mutandis to the organiser of a regulated market that operates a multilateral trading facility or an organised trading facility.

(2) Organising a regulated market with professional care in name means that the organiser of the regulated market acts competently, honestly and fairly and in the best interest of the participants of the regulated market organised by him, in particular fulfils the obligations set out in this part and proceeds in accordance with the rules of trading, the rules for acceptance of financial instruments for trading and rules of access.

(3) The organiser of the regulated market may not, on the European regulated market that he organises,

- a) carry out the instruction of the participant of this market using own property or
- b) trade by matching orders on your own account.

#### Section 42

##### **title omitted**

A representative of the Czech National Bank may participate in the general meeting of the organiser of the regulated market. The organiser of the regulated market shall inform the Czech National Bank in writing in advance of the holding of the general meeting.

#### Section 43

##### **Nomination Committee**

The organiser of a regulated market, which is significant in terms of size, internal organisation and the nature, scope and complexity of its activities, shall establish a committee for appointments in accordance with Section 10aa.

#### Section 44

##### **Cancellation or change of the subject of business of the organiser of the regulated market**

(1) If the general meeting of the organiser of the regulated market decides on the dissolution of the company with liquidation or on the amendment of the statutes consisting of a change in the subject of business, the organiser of the regulated market is obliged to notify the Czech National Bank of this fact immediately after the decision of the general meeting. If the partners of the regulated market organiser, if it is a limited liability company, decide to dissolve the company with liquidation or to change the articles of association or the articles of association consisting of a change in the subject of

business, the regulated market organiser is obliged to notify the Czech National Bank of this fact immediately after the decision of the partners. He has the same obligation even if the general meeting of the limited liability company decides in this way.

(2) From the day the organiser of the regulated market enters into liquidation or from the day of the change in its subject of business, the person who entered into liquidation or changed the subject of business may not organise a regulated market or operate a multilateral trading facility or an organised trading facility and may only settle its claims and debts arising from these activities; until the settlement of claims and debts, such a person is considered the organiser of the regulated market. Upon entry into liquidation or a change in the subject of business, the authorisation to operate as a regulated market organiser expires.

(3) In the event of a change in the object of the business as a result of a change in the scope of the activity authorisation of the regulated market organiser issued pursuant to Section 38 or as a result of the registration of another business activity or a change in its scope pursuant to Section 39 subsection 2 shall not apply.

#### Section 45

##### **Transformation of the organiser of the regulated market**

(1) To the merger of the regulated market organiser, to the transfer of the business property of the regulated market organiser to its partner, to the change in the legal form of the regulated market organiser or to the transfer of the business property of the regulated market organiser to its partner or to the transfer of the business property of another person to the regulated market organiser authorisation from the Czech National Bank is required.

(2) The application for an authorisation according to subsection 1 can only be submitted electronically.

(3) The application for an authorisation pursuant to subsection 1 contains, in addition to the requirements established by the administrative regulations, also data and documents necessary for assessing the consequences of a merger, change of legal form or transfer of business assets.

(4) The details of the application for an authorisation according to subsection 1, its format and other technical requirements shall be determined by the implementing legislation.

(5) The division of the organiser of the regulated market or its merger with a person who is not the organiser of the regulated market or the operator of the settlement system is not permissible.

#### Section 46

##### **Transfer, stop or lease of a business plant of a regulated market organiser**

(1) The authorisation of the Czech National Bank is required to conclude an agreement on the transfer, suspension or lease of a business plant of a regulated market organiser or part of such a business plant, which would mean a substantial change in the activity of the regulated market organiser.

(2) The application for an authorisation according to subsection 1 can only be submitted electronically.

(3) The application for authorisation according to subsection 1 contains, in addition to the requirements established by the administrative regulations, also data and documents necessary for assessing the consequences of the transfer, stoppage or lease of the business plant of the organiser of the regulated market or its part.

(4) The details of the application for an authorisation according to subsection 1, its format and other technical requirements shall be determined by the implementing legislation.

#### Section 47

### **Acquisition, increase and loss of qualified participation in the organiser of the regulated market and its control**

(1) The consent of the Czech National Bank is required to acquire or increase a qualified participation in a regulated market organiser or to control a regulated market organiser. Sections 10b to 10d apply mutatis mutandis to the granting of this consent and to the request for this consent.

(2) The details of the requirements of the request for approval pursuant to subsection 1, its format and other technical requirements shall be determined by the implementing legal regulation.

Section 10e applies similarly to the forfeiture or reduction of qualified participation in a regulated market organiser.

(4) The organiser of the regulated market publishes on its website information about the persons who have qualified participation in it or control it, and the size of their participation.

(5) The deadlines, form and method of publication of this data shall be determined by the implementing legislation.

#### Section 48

### **Organisational requirements for the organiser of the regulated market**

(1) The organiser of the regulated market is obliged

a) to introduce procedures that will enable the detection and resolution of possible negative impacts on the activity of the regulated market or on its participants, which could arise from a conflict between the interests of the organiser of the regulated market or its partners and the proper functioning of the regulated market,

b) establish procedures for managing the risks to which it is exposed, including information and communication technology risk management in accordance with Chapter II of Regulation (EU) 2022/2554 of the European Parliament and of the Council<sup>11)</sup>; above all, to introduce appropriate measures to determine all significant risks for its operation and effective measures to limit these risks,

c) to introduce principles and procedures to ensure the proper operation of its business and other systems,

d) introduce trading rules on a regulated market that ensure fair and orderly trading and establish objective criteria for the execution of instructions,

e) to introduce measures enabling proper and timely settlement of completed transactions,

f) introduce measures to prevent market abuse,

g) maintain equity at least in the amount corresponding to the amount of EUR 730,000,

h) have sufficient financial resources available to ensure the proper functioning of the market, taking into account the nature and scope of transactions concluded on the market and the nature and level of risks to which it is exposed,

- i) establish measures for continuous monitoring and monitor whether
  1. participants of the regulated market organised by him observe the rules of trading on the regulated market and the rules of access to the regulated market,
  2. financial instruments accepted for trading on the regulated market organised by it meet the conditions for acceptance for trading on the regulated market established by this Act (Section 56) and the rules for accepting financial instruments for trading on the regulated market, and the conditions for accepting the security for trading on the official market (Section 65),
  3. issuers of transferable securities accepted for trading on the regulated market organised by them fulfil the information obligations set out in Sections 118, 119, 119a, 119b, 120 to 120c and 123 and in the directly applicable regulation of the European Union governing the prospectus to be published during a public offer or acceptance of securities for trading on a regulated market<sup>66)</sup>,
  4. a person who subsequently applied for the admission of a financial instrument to the regulated market without the consent of the issuer fulfils the information obligation according to Section 121b,
  5. there is no conduct that can be considered as conduct prohibited by a directly applicable regulation of the European Union regulating market abuse<sup>52)</sup>,
- j) consistently monitor trading on the regulated market organised by him, including the cancellation of instructions, and evaluate whether there is a violation of trading rules, the emergence of an extraordinary situation on the market or actions that can be considered as actions prohibited by the directly applicable regulation of the European Union regulating market abuse<sup>52)</sup>,
- k) to introduce procedures for enforcing the fulfilment of obligations established by the rules of trading, the rules for accepting financial instruments for trading and the rules of access to participants of the regulated market organised by it and issuers of financial instruments accepted for trading on the regulated market organised by it, including the possibility of imposing sanctions for violations of these rules,
- l) control and enforce compliance with obligations from contracts pursuant to Section 50g subsection 1 by investment firms,
- m) enable the participants of the regulated market organised by him to access information according to letter i) point 3,
- n) when dealing with the property of a participant of a regulated market or of a multilateral trading facility operated by him, to introduce measures to protect the rights of the participant to this property, especially in case of bankruptcy of the organiser of the regulated market.

(2) The organiser of the regulated market shall perform its activities properly and prudently. To ensure the prudent performance of the activity, the organiser of the regulated market shall establish, maintain and apply a management and control system. Section 12a shall apply mutatis mutandis to the management and control system of the regulated market organiser.

#### Section 48a

### **Reporting mechanism**

The organiser of the regulated market shall establish, maintain and apply a mechanism for reporting similarly according to Section 12i subsection 1.

#### Section 49

**title omitted**

(1) The organiser of the regulated market shall immediately notify the Czech National Bank

- a) a significant violation of trading rules or an extraordinary situation on the regulated market organised by him,
- b) reasonable suspicion of conduct that can be considered as conduct prohibited by a directly applicable regulation of the European Union regulating market abuse<sup>52)</sup>,
- c) violation of the information obligation of the issuer of transferable securities accepted for trading on the regulated market organised by him, the fulfilment of which he is obliged to monitor,
- d) violation of the information obligation of a person specified in Section 48 subsection 1 letter i) point 4, the fulfilment of which he is obliged to monitor,
- e) reasonable suspicion of a violation of this Act by a person authorised to conclude transactions on a regulated market,
- f) disruption of trading systems in connection with a certain financial instrument.

(2) The circumstances under which the obligation to notify pursuant to subsection 1 arises are governed by Articles 81 and 82 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>.

#### **title omitted**

#### **Section 50**

#### **Information obligations of the organiser of the regulated market**

(1) The organiser of the regulated market submits to the Czech National Bank

- a) no later than 4 months after the end of the accounting period, his annual report and consolidated annual report in accordance with the law regulating accounting, if he is obliged to compile this report according to this law, which includes the financial statements certified by the auditor,
- b) no later than 1 month after the end of the calendar quarter, the results of their management in the previous quarter.

(2) The organiser of the regulated market shall publish the reports and data pursuant to subsection 1 without undue delay after their submission to the Czech National Bank on its website.

the trading rules, rules for accepting financial instruments for trading and access rules in the current version on its website.

(4) The organiser of the regulated market shall also send to the Czech National Bank additional information on the participants, conditions, progress and results of trading on the market organised by it, financial instruments accepted for trading on the market organised by it and their issuers, and on the services provided, which are necessary for the performance of supervision.

(5) The organiser of the regulated market shall notify the Czech National Bank without undue delay

- a) all changes in the facts on the basis of which he was granted authorisation to operate as a regulated market organiser,

b) forfeiture of authorisation pursuant to another legal regulation to perform other activities that were registered pursuant to Section 39.

(6) Changes to trading rules, rules for accepting financial instruments for trading or access rules shall be sent to the Czech National Bank without undue delay by the organiser of the regulated market after their approval.

(7) The organiser of the regulated market informs the Czech National Bank about the content of the contracts pursuant to Section 50g subsection 1.

(8) The implementing legal regulation determines the content of the information obligations set out in subsections 1 and 4 and the deadlines, form and method of their fulfilment.

#### Section 50a

(1) The organiser of the regulated market shall ensure that effective systems, procedures and measures are implemented on the market organised by him to maintain operational resilience in accordance with the requirements under Chapter II of Regulation (EU) 2022/2554 of the European Parliament and of the Council<sup>(11)</sup> to ensure that its systems for trading, including the information and communication technology business continuity policy and plans established in accordance with Article 11 of Regulation (EU) 2022/2554 of the European Parliament and of the Council<sup>(11)</sup>,

- a) are durable,
- b) have sufficient capacity to process large volumes of instructions and messages,
- c) can ensure proper trading under very unfavourable market conditions,
- d) are fully tested to ensure that the conditions under letters a) to c) are met, and
- e) are subject to effective measures to ensure orderly and smooth trading in the event of their failure.

(2) The organiser of the regulated market shall ensure that effective systems, procedures and measures are implemented in the market organised by him for the rejection of orders that exceed predetermined thresholds for volume and price or are clearly erroneous.

(3) Upon request, the organiser of the regulated market shall make available to the Czech National Bank data relating to the record of instructions or shall grant it access to this record in order to monitor trading.

(4) Detailed rules for organisational requirements for systems of trading systems that authorisation or enable algorithmic trading in terms of their resilience and capacity, requirements for trading systems regarding ensuring appropriate testing of algorithms and requirements for controls regarding direct electronic access are governed by Articles 1 to 23 of Commission Delegated Regulation (EU) 2017/584<sup>(9)</sup>.

#### Section 50b

### **Suspension and restriction of trading on a regulated market**

(1) The organiser of the regulated market for insurance to be able to temporarily suspend or limit trading on the market organised by him, if there is a significant movement of the prices of the financial instrument on this or a related market within a short period of time, and to be able in cases worthy of special consideration to carry out or to force the cancellation, change or correction of a specific transaction.



(2) The organiser of the regulated market shall ensure that the parameters of the suspension or restriction of trading pursuant to subsection 1 are set in a manner that

a) takes into account

1. liquidity of various categories and subcategories of assets,
2. the nature of the market model of this market and
3. types of participants in this market a

b) is sufficient to prevent a significant disruption of orderly trading.

(3) The organiser of the regulated market shall notify the Czech National Bank in an appropriate manner of the parameters of the suspension or restriction of trading pursuant to subsection 1 and their substantial change.

(4) The organiser of a regulated market, which is significant for a specific financial instrument in terms of liquidity, shall establish, maintain and apply appropriate systems and procedures for the purpose of suspending or limiting trading pursuant to subsection 1 to ensure that it notifies the Czech National Bank in a timely manner so that the Czech National Bank could

a) coordinate the next procedure on the entire market and

b) determine whether it is appropriate to stop trading in other trading systems on which the given financial instrument is traded until trading is resumed on the original market.

(5) Determining when a regulated market is significant in terms of liquidity for the purposes of subsection 4 is governed by Article 1 of Commission Delegated Regulation (EU) 2017/570<sup>92</sup>.

#### Section 50c

#### **Algorithmic trading systems**

(1) The organiser of the regulated market shall ensure that effective systems, procedures and measures are implemented in the market organised by him, in accordance with the requirements under Chapters II and IV of Regulation (EU) 2022/2554 of the European Parliament and of the Council <sup>111</sup>, to ensure that algorithmic trading systems cannot create trading conditions that disrupt the proper functioning of the market or contribute to the creation of such conditions, and deal with any conditions market-disruptive trading based on such algorithmic trading systems, including systems limiting the ratio of unexecuted orders to trades that a participant may enter into the system to slow down the flow of orders when there is a risk that the system's capacity has been exhausted, and to limit and enforce the minimum quote step that can be taken in the market.

(2) The organiser of the regulated market shall ensure the creation of conditions for the participants of the regulated market for proper testing of algorithms according to Section 73m.

(3) The organiser of the regulated market shall ensure that its rules for infrastructure co-location services are transparent, fair and non-discriminatory.

(4) The organiser of the regulated market shall ensure that, on the basis of marking by participants, he is able to distinguish between instructions created by algorithmic trading, the various algorithms used for creating instructions and the persons who issue such instructions. This information must be provided to the Czech National Bank upon request.

(5) The ratio according to subsection 1 is governed by Articles 1 to 3 of Commission Delegated Regulation (EU) 2017/566<sup>93</sup>.

(6) The requirements to ensure that the rules for infrastructure co-location services under subsection 3 are fair and non-discriminatory are governed by Articles 1 and 2 of Commission Delegated Regulation (EU) 2017/573<sup>94</sup>).

#### Section 50d

##### **Direct electronic access**

The organiser of a regulated market that allows participants direct electronic access,

- a) implement effective systems, procedures and measures on the market organised by him to ensure that only participants who are a European investment firm or credit institution can provide this service,
- b) ensure that reasonable eligibility criteria are established and applied for participants who may be granted such access and that the participant retains responsibility for instructions and trades made using the service,
- c) establish appropriate standards of risk controls and thresholds for trading through such access;
- d) is able to distinguish orders or trades executed by a person using direct electronic access from other orders or trades executed by a participant and, if necessary, is able to stop such orders or trades and
- e) implement measures to suspend or terminate the provision of direct electronic access by the participant to the client, if the criteria according to letters a) to d) are not met.

#### Section 50e

##### **Fees**

(1) The organiser of the regulated market shall ensure that the structure of its fees, including fees for execution, ancillary fees and any discounts, is transparent, fair and non-discriminatory and does not encourage the entry, change or cancellation of orders or the execution of trades in a manner that contributes to the creation of disruptive trading conditions the proper functioning of the market or to market abuse. Discounts should be linked to a market-making obligation for individual shares or baskets of shares.

(2) The organiser of the regulated market may adjust the fees for cancelled instructions depending on the time for which the instruction was kept and adjust them differently for different financial instruments.

(3) The requirements to ensure that the fee structure according to subsections 1 and 2 is fair and non-discriminatory and that it does not create incentives to create business conditions that disrupt the proper functioning of the market or to abuse the market, are governed by Articles 3 to 5 of the Commission Delegated Regulation (EU) 2017/573<sup>94</sup>).

#### Section 50f

##### **Quotation steps**

(1) The organiser of the regulated market shall adopt the regimes of quotation steps for traded shares, depositary receipts, securities issued by ETF funds, certificates, other similar financial instruments and other financial instruments specified in the directly applicable regulation of the European Union implementing Article 49 paragraph 4 Directive 2014/65/EU. The use of quote steps does not prevent regulated markets from matching a large volume of orders to the centre between the

current bid and ask price.

(2) The listing steps regimes according to subsection 1 must adjust the listing steps for individual financial instruments in an appropriate manner. They must be set to reflect the liquidity profile of the financial instrument in different markets and the average bid-ask spread, bearing in mind that it is desirable to allow reasonably stable prices without unnecessarily restricting further spread narrowing.

(3) In this Act it is understood

a) certificate means a certificate according to Article 2 paragraph 1 point 27 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council,

b) an ETF investment fund or a foreign investment fund, if at least one type of collective transferable securities issued by it is traded continuously during the trading day in at least one trading system and with at least one market maker who ensures that the price of these securities in this trading system did not differ significantly from their current value.

(4) Minimum listing steps or listing step regimes for the purposes of subsections 1 and 2 are governed by Articles 1 to 5 of Commission Delegated Regulation (EU) 2017/588<sup>95)</sup>.

#### Section 50g

(1) An investment firm who operates a market-making strategy on a regulated market must have a written contract with the organiser of the regulated market.

(2) The organiser of the regulated market shall establish, maintain and apply procedures ensuring that it concludes contracts with a sufficient number of European investment firms, which will include the obligation for the European investment firm to provide binding quotations corresponding to market conditions, thus regularly and predictably ensuring market liquidity. The organiser of the regulated market fulfils this requirement proportionately to the nature and scope of trading on the regulated market organised by him.

(3) The contract according to subsection 1 must contain at least

a) obligations of the European investment firm relating to the provision of liquidity and any other obligations arising from the contract pursuant to subsection 2 and

b) remuneration in the form of a discount or in another form, which the organiser of the regulated market provides to the European investment firm for the provision of liquidity and any other rights arising from the contract according to subsection 2.

(4) Further details regarding the market-making strategy for the purposes of subsections 1 to 3 are governed by Articles 1 to 7 of Commission Delegated Regulation (EU) 2017/578<sup>87)</sup>.

#### Section 51

##### **Access to settlement systems**

(1) The organiser of the regulated market shall allow the participants of the regulated market organised by him to choose the settlement system, central counterparty, clearing institution and settlement system of their choice for the settlement of trades with financial instruments concluded on this market, if it exists between the regulated market and the selected settlement system, the central the counterparty, the clearing institution and the settlement system such a connection that enables the proper and timely settlement of these trades without unreasonable costs. This does not affect the provisions of Titles III, IV and V of Regulation (EU) No. 648/2012 of the European Parliament and of the Council on

OTC derivatives, central counterparties and trade data registries.

(2) The use of a settlement system other than that which is usual for the relevant regulated market pursuant to subsection 1 requires the prior consent of the Czech National Bank. The Czech National Bank will grant consent to a regulated market participant in the event that the technical conditions for the settlement of claims and debts from trades in financial instruments in a settlement system other than the usual one do not prevent the proper functioning of financial markets.

#### Section 52

The Czech National Bank may restrict or prohibit the organiser of a regulated market from using a settlement system, central counterparty, clearing house or clearing institution from another member state of the European Union to settle all or only selected trades with financial instruments concluded on the regulated market organised by it, if this is necessary to proper functioning of the regulated market; when making a decision, the Czech National Bank will take into account whether the conditions set out in Section 51 subsection 1 are met. This does not affect the provisions of Titles III, IV and V of Regulation (EU) No. 648/2012 of the European Parliament and of the Council.

#### **title omitted**

#### Section 53

The designation "regulated market" or "stock exchange" or a similar designation in connection with financial instruments in the course of its business.

#### Section 54

### **Permanent Court of Arbitration of the Regulated Market Organiser**

(1) The organiser of the regulated market may establish a permanent arbitration court.

(2) The Permanent Court of Arbitration decides disputes from trades on the regulated market organised by the founder and from the settlement of these trades, as well as disputes from trades in the multilateral trading facility operated by the founder and from the settlement of these trades. The Permanent Court of Arbitration also decides disputes from trades in commodities and disputes from other trades on the financial market, if such trades result from other business activities of the founder registered by the Czech National Bank pursuant to Section 39. The Permanent Court of Arbitration can also decide disputes from other trades with financial instruments or commodities, disputes from business in the capital market, money market, supplementary pension savings market, insurance market and supplementary pension insurance market, if the parties agree on this.

(3) Proceedings before the permanent arbitration court are subject to the law regulating arbitration proceedings and enforcement of arbitration awards<sup>9)</sup>. The manner of management and decision-making, the method of appointing arbitrators, their number, the organisational structure of the Permanent Court of Arbitration, the list of arbitrators' fees, rules on the costs of proceedings and other issues related to the activity of the Permanent Court of Arbitration and its economic provision are regulated by the Statute and Rules of the Permanent Court of Arbitration.

## TITLE II

### TRADING ON A REGULATED MARKET

#### Chapter 1

#### **Basic provision**

## Section 55

(1) A regulated market is a market with financial instruments organised by the organiser of the regulated market in accordance with the authorisation of the Czech National Bank, on which trading is carried out regularly and which has established rules for accepting financial instruments for trading on the regulated market, rules for trading on the regulated market and rules access to the regulated market, which are in accordance with this law.

(2) A European regulated market is a regulated market and a market with financial instruments similar to a regulated market that is listed in the list of regulated markets of a member state of the European Union.

(3) A foreign regulated market is a European regulated market which is not a regulated market.

### **title omitted**

## Section 56

### **Conditions for admission of a financial instrument to trading on a regulated market**

(1) The conditions for accepting financial instruments for trading on the regulated market are established by this law. Additional conditions or information obligations of the issuer than those stipulated by this law may be established by the organiser of the regulated market in the rules for accepting financial instruments for trading on the regulated market.

(2) Only such a financial instrument may be admitted to the regulated market, which has been assigned an identification mark according to the International Securities Identification Numbering System (ISIN), and in which the prerequisites for fair, orderly and efficient trading are met. The specified conditions must be ensured by the organiser of the regulated market in the rules for accepting financial instruments for trading on the regulated market.

(3) For transferable securities, in the rules for accepting financial instruments for trading on the regulated market, the organiser of the regulated market shall further ensure that only transferable securities that are freely tradable are accepted for trading on the regulated market.

(4) In the case of financial instruments referred to in Section 3 subsection 1 letters d) to l) in the rules for accepting financial instruments for trading on the regulated market, the organiser of the regulated market shall further ensure that only the financial instrument listed in Section 3 subsection 1 letters d) to l) is accepted for trading on the regulated market, which enables proper pricing and a suitable method of settlement.

(5) A financial instrument may be accepted for trading on a regulated market without the consent of the issuer.

(6) The organiser of the regulated market informs the issuer of the financial instrument without undue delay that the financial instrument issued by the issuer has been accepted for trading on the regulated market organised by him in accordance with subsection 5.

(7) The issuer of a transferable security accepted for trading on a regulated market pursuant to subsection 5 is not obliged to fulfil any information obligations towards this regulated market.

(8) Further details of the acceptance of financial instruments for trading on a regulated market for the purposes of subsections 1 to 7 are governed by Articles 1 to 8 of Commission Delegated Regulation (EU) 2017/568<sup>96</sup>.

Section 57

**cancelled**

Section 58

**Trade closed on a regulated market**

A trade concluded on a regulated market according to the rules of trading on a regulated market cannot be cancelled by the organiser of the regulated market. A mistake in an instruction when closing a trade on a regulated market does not invalidate it.

Section 59

**Registration of collective transferable securities on the regulated market**

(1) A collective transferable security that is not accepted for trading on a European regulated market may be registered on a regulated market for the purpose of publishing its value.

(2) The conditions for registration of a collective transferable security and the method of determining its value shall be determined by the organiser of the regulated market in the rules for accepting financial instruments for trading on the regulated market.

Section 60

**Deletion of a security from trading on a regulated market**

(1) An issuer that has decided to exclude participating securities from trading on a regulated market shall notify this fact immediately

a) notify the Czech National Bank and the organiser of the regulated market on which the security is accepted for trading, and

b) publish on their website.

(2) The issuer referred to in subsection 1 shall send to the organiser of the regulated market a request to remove the security from trading on the regulated market without undue delay after fulfilling all the obligations arising from the law governing the legal relations of commercial companies and cooperatives to these persons. In the case of a mandatory public proposal for a contract for the purchase of participating securities according to the law governing the legal relations of commercial companies and cooperatives, the fulfilment of the obligation is considered to be the fulfilment of debts to shareholders from the public proposal of the contract. The attachment to the application consists of a decision on the withdrawal of the security from trading on the regulated market in accordance with the law regulating the legal relations of commercial companies and corporations and proof that this fact has been notified to the Czech National Bank, and proof of the fulfilment of all obligations arising from the law regulating the legal relations of commercial companies companies and cooperatives.

(3) If, in the case of a foreign issuer, the foreign legal order stipulates obligations similar to the obligations set out in subsection 1, the issuer shall, before removing the security from trading on the regulated market, send to the organiser of the regulated market a document proving the fulfilment of these obligations.

(4) The organiser of the regulated market shall remove the security from trading on the regulated

market without undue delay after receiving the request pursuant to subsection 2 with all attachments.

(5) The organiser of the regulated market shall immediately notify the withdrawal of the security from trading on the regulated market to the central depository, the foreign central depository or the foreign central depository that has obtained a license to operate or has been recognized in accordance with the directly applicable regulation of the European Union governing the improvement of the settlement of securities transactions in the European Union and the central securities depository<sup>51)</sup> and which leads the respective issue, and the Czech National Bank.

(6) If a participating security has been removed from trading by law, the organiser of the regulated market shall ensure the termination of trading in such a security on the regulated market.

## Section 61

### **Trading suspension, resumption of trading and suspension from trading**

(1) If this does not seriously threaten the interests of investors or the proper functioning of the market, the organiser of the regulated market shall suspend trading of the financial instrument on the regulated market or exclude the financial instrument from trading on the regulated market, if the financial instrument does not meet the conditions for accepting the financial instrument for trading on the regulated market according to this law and the rules for accepting financial instruments for trading on a regulated market or the rules for trading on a regulated market, or the information obligations regarding this financial instrument arising from this law and the rules for accepting financial instruments for trading on a regulated market are not fulfilled.

(2) The organiser of the regulated market, which decided according to subsection 1, proceeds according to subsection 1 also in relation to derivatives according to Section 3 subsection 1 letters d) to k), the value of which relates to the financial instrument referred to in the decision pursuant to subsection 1, if this is necessary to achieve the purpose of the decision pursuant to subsection 1. The organiser of the regulated market proceeds similarly in relation to derivatives also if trading of a financial instrument with which trading on the regulated market has been suspended is resumed.

(3) The organiser of the regulated market shall publish the decision pursuant to subsection 1 or 2 and notify the Czech National Bank. The organiser of the regulated market proceeds in the same way if he resumes trading in a financial instrument, whose trading has been suspended pursuant to subsection 1 or 2.

(4) The list of circumstances that represent a serious threat to the interests of investors and the proper functioning of the market for the purposes of subsection 1 is regulated by Article 80 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>.

(5) Further details of the suspension of derivative trading for the purposes of subsection 2 are regulated by Article 1 of Commission Delegated Regulation (EU) 2017/569<sup>97)</sup>.

(6) The format and timetable of publication and communication for the purposes of subsection 3 are governed by Articles 1 to 6 of Commission Implementing Regulation (EU) 2017/1005<sup>98)</sup>.

## Section 62

### **Rules of trading on a regulated market**

The organiser of the regulated market establishes and observes transparent rules for trading on the regulated market, which determine in particular the structure of the regulated market that it organises and the rules for concluding trades with financial instruments on the regulated market.

Section 63

**Rules of access to the regulated market**

(1) The organiser of the regulated market establishes and observes transparent rules for access to the regulated market, which establish objective criteria for this access.

(2) The rules of access to the regulated market specify the obligations of the participants of the regulated market, resulting from the management and structure of the regulated market, the rules for trading on the regulated market and the rules for clearing and settlement of trades concluded on the regulated market.

(3) The rules of access to the regulated market shall further regulate the requirements for the expertise of persons who are used for their activities on the regulated market by investment firms and foreign persons with the authorisation of a foreign supervisory authority to provide investment services who are participants in this market, and the rules for access of persons according to subsection 4 letter b).

(4) A regulated market participant may be

a) an investment firm and a foreign person with authorisation from a foreign supervisory authority to provide investment services, or

(b) another person who

1. has good repute and professionally competent,
2. has sufficient ability and competence to trade,
3. has appropriate organisational prerequisites a
4. has sufficient financial resources, especially with regard to ensuring the settlement of trades.

(5) The organiser of the regulated market regularly sends the Czech National Bank changes in the list of participants of the regulated market organised by him. The deadlines, content, form and method of sending are determined by the implementing legislation.

(6) The rules of access to the regulated market will enable a foreign person with the authorisation of a foreign supervisory authority to provide investment services from abroad.

(7) The organiser of a foreign regulated market may introduce technical and organisational measures in the Czech Republic that will allow participants of the regulated market organised by him with their seat or residence in the Czech Republic to access this regulated market. The Czech National Bank may request the supervisory authority of the organiser of the regulated market for data on the participants of this regulated market with headquarters or residence in the Czech Republic.

(8) The organiser of a regulated market with its registered office in the Czech Republic shall notify the Czech National Bank in which Member State of the European Union it intends to introduce technical and organisational measures that will allow participants of a regulated market with its registered office or residence in another Member State of the European Union to access the market organised by it regulated market. The Czech National Bank will communicate this information to the competent supervisory authority of this European Union member state within one month. At the request of the supervisory authority of this member state of the European Union, the Czech National Bank will announce data on participants of the regulated market with headquarters or residence in this member state of the European Union.

Section 63a

**cancelled**



## **Chapter 2**

### **The official stock market**

#### Section 64

#### **title omitted**

The organiser of the regulated market may organise as part of the regulated market an official market that meets the conditions established by this law (Section 65).

#### Section 65

#### **Conditions for acceptance of a security for trading on the official market**

(1) The organiser of the regulated market may only accept shares or bonds for trading on the official market, if

a) the conditions according to Section 56 and according to the directly applicable regulation of the European Union regulating the prospectus, which is to be published in the event of a public offer or acceptance of securities for trading on a regulated market<sup>66)</sup> are met,

b) the legal status of the issuer of these shares or bonds is in accordance with the law of the country in which the issuer has its registered office,

c) the price of the share or its expected price multiplied by the number of issued shares reaches an amount in Czech crowns corresponding to at least EUR 1,000,000; if the expected exchange rate cannot be estimated, the equity of the issuer of the shares must reach at least the stated amount; the condition of the lowest amount need not be met if the issuer has already issued shares of the same type and these shares have been accepted for trading on the regulated market on which the acceptance of the shares for trading is requested, or if problem-free trading of these shares will be ensured,

d) the total nominal value of the bond issue reaches a value in Czech crowns corresponding to at least EUR 200,000; the condition of the lowest total nominal value does not have to be met if trouble-free trading with these bonds is ensured,

e) the issuer of these shares or bonds has published financial statements in accordance with the law regulating accounting for at least three consecutive accounting periods preceding the accounting period in which the application for acceptance of the security for trading on the regulated market is submitted; the condition of publishing financial statements for three consecutive accounting periods does not have to be met if the issuer has existed according to the entry in the relevant register for less than 3 years and the acceptance of shares or bonds for trading on the official market is in the interest of the issuer or investors and if the investors have sufficient information necessary to assess the issuer and the security,

f) these shares or bonds meet the requirements of the law of the country according to which they were issued,

g) the transferability of these shares or bonds is not excluded or limited; shares may also be accepted for trading on the official market, if their transferability is limited only by the requirement for the consent of the company's authorities and if their acceptance for trading does not disrupt trading on this market,

h) the issue price of these shares or bonds is fully paid; the issue rate does not have to be fully repaid if another legal regulation allows it and if trouble-free trading with them is ensured and if their prospectus explicitly states that the issue rate has not been repaid and the measures taken in connection with it are

stated,

i) at least 25% of the shares to be accepted for trading on the official market are owned by the public of the member states of the European Union, or if the public of the member states of the European Union own at least such a percentage of shares that guarantees trouble-free trading on the official market; it is not necessary if

1. the ownership of shares by the public of the member states of the European Union is to be ensured only by trading on this market and the organiser of the regulated market considers that the required public ownership will be achieved within a short time after the acceptance of the shares for trading, or

2. shares of the same issuer and type are accepted for trading on a similar official market of a country that is not a member state of the European Union, and in this country such a volume of them is owned by the public that guarantees trouble-free trading on the official market,

j) the application for admission to trading applies to all bonds of the same issue or to all shares of the same type; the application for admission to trading does not need to include shares held for the purpose of controlling the issuer or shares that cannot be traded for a certain period of time by agreement, if trading only a part of shares of the same type does not cause any disadvantages to investors; the fact that the application for admission to trading on the official market applies only to a part of shares of the same type must be explicitly stated in the prospectus together with the reason,

k) shares or bonds that are documentary securities are printed in accordance with the requirements imposed on the printing of documentary securities according to the law of the country in which the issuer has its registered office,

l) the issuer of these shares or bonds is a person based in a state that is not a member state of the European Union, and these shares or bonds have not been accepted for trading on the official market in the state in which the issuer has its seat and actual seat, nor in the state in which the largest share of such shares or bonds is publicly owned, and the organiser of the regulated market on which admission is requested is convinced that the reason for non-admission to trading is not to protect investors,

m) these are exchangeable bonds, priority bonds or bonds with a warrant to be exchanged for shares, and shares of the same type are already accepted for trading on the official market or all the information necessary to assess the value of these shares is available to investors,

n) the issue of these shares or bonds was issued as securities or as book-entry securities and all its pieces have the same nominal value and the same identification mark according to the International Securities Identification Numbering System (ISIN),

o) the regulated market organiser is not aware of any circumstances that, in the event of acceptance of these shares or bonds for trading on the official market, could lead to damage to investors, endangering their interests or endangering important public interests.

(2) Securities representing shares may be accepted for trading on the official market if

a) the issuer of the shares represented by the security meets the conditions set out in subsection 1 letters b) and e) and fulfils the information obligations of the issuer of shares accepted for trading on the official market for the represented shares,

b) meet the conditions set out in subsection 1 letters f), g), i) to k) and in subsection 4,

c) the shares that the security represents meet the condition set out in subsection 1 letter c).

(3) If the subject of the application for admission to trading on the official market are securities with which the right to acquire securities representing a share in a company with its registered office in

another member state of the European Union is associated, and the securities representing a share in the company are accepted for trading on the official market in the state in which their issuer is domiciled, the organiser of the regulated market shall, before deciding on the application, request the opinion of the authority that decided on their admission to trading.

(4) If shares or bonds are subscribed on the basis of a public offer, trading in them can only be started after the deadline for subscription specified in the public offer; this does not apply if a deadline has not been set.

(5) Conditions for accepting securities for trading on the official market set out in subsection 1 letters b) to f), h), i) and l) to o) do not apply to government bonds issued by the Czech Republic, a member state of the European Union or a member state of the Organisation for Economic Cooperation and Development, municipal bonds or bonds issued by subjects of international law.

#### Section 65a

The issuer of shares admitted to trading on the official market for shares it newly issues and which are of the same type as the shares it issued and admitted to trading on the official market, shall submit an application for admission to trading on this market within 1 year from the date of their issue, unless their acceptance without request.

#### Section 66

### **Acceptance of the security for trading on the official market**

The organiser of the regulated market is obliged to inform the applicant, within 6 months from the date of delivery or completion of the application for acceptance of the security for trading on the official market, whether the security is accepted for trading on the official market.

## **Chapter 3**

### **cancelled**

#### Section 67

### **cancelled**

#### Section 68

### **cancelled**

## **TITLE III**

### **TRADING IN A MULTILATERAL TRADING FACILITY**

#### Section 69

### **title omitted**

(1) A multilateral trading facility is a market with financial instruments operated by an investment firm or an organiser of a regulated market or a similar foreign person who has authorisation from the supervisory authority of another member state of the European Union to provide investment services or organise European regulated markets, which has established rules for the acceptance of

financial instruments for trading in the multilateral trading facility, the rules of trading in the multilateral trading facility and the rules of access to the multilateral trading facility, which are in accordance with this law or with a similar provision of the law of another member state of the European Union.

(2) The operator of the multilateral trading facility shall establish, maintain and apply

a) transparent trading rules in the multilateral trading facility, which ensure fair and orderly trading and establish objective criteria for the execution of instructions,

b) technical and organisational measures ensuring the operation of an organised trading facility, including measures in the event of disruption of this system,

c) transparent rules for accepting financial instruments for trading in the multilateral trading facility which

1. establishes objective criteria for determining whether a financial instrument can be traded in this system,

2. they may also establish the information obligations of issuers of financial instruments accepted for trading in this system or of persons who applied for the acceptance of a financial instrument for trading in a multilateral trading facility without the consent of the issuer,

d) transparent rules for access to the organised trading facility, which establishes objective and non-discriminatory criteria for this access, and publishes these rules on its website; for access to the organised trading facility, Section 63 subsections 4 and 6 shall apply mutatis mutandis,

e) technical and organisational measures to detect and solve possible negative impacts on the activities of the multilateral trading facility or on its participants, which could arise from a conflict between the interests of the multilateral trading facility, the operator of the multilateral trading facility or its partners and the proper functioning of the multilateral trading facility,

f) measures and procedures to manage the risks and to detect and mitigate the risks to which the multilateral trading facility is exposed, and

g) technical and organisational measures to ensure the timely completion of trades in the multilateral trading facility.

(3) The operator of a multilateral trading facility is obliged to have sufficient financial resources available to enable the proper functioning of the multilateral trading facility, taking into account the nature and scope of trades concluded in this multilateral trading facility and with regard to the scope and degree of risks that this system poses exposed

(4) The operator of a multilateral trading facility shall ensure that this system has at least 3 active participants who enter into contractual relations with other participants and participate in the creation of prices in this system.

(5) The operator of a multilateral trading facility is obliged to ensure that the participants of the multilateral trading facility it operates have access to publicly available data on financial instruments accepted for trading in the multilateral trading facility.

(6) A financial instrument may be accepted for trading in a multilateral trading facility without the consent of the issuer.

(7) The issuer of a financial instrument accepted for trading in a multilateral trading facility pursuant to subsection 6 is not obliged to fulfil any information obligations towards this multilateral trading facility.

(8) The operator of a multilateral trading facility with headquarters in another member state of the European Union may introduce technical and organisational measures in the Czech Republic that will enable persons with headquarters or residence in the Czech Republic to access this multilateral trading facility. The Czech National Bank may request the supervisory authority of the operator of the multilateral trading facility for data on the participants of this multilateral trading facility with headquarters or residence in the Czech Republic.

(9) The operator of a multilateral trading facility based in the Czech Republic shall notify the Czech National Bank in which member state of the European Union it intends to introduce technical and organisational measures that will enable persons with headquarters or residence in another member state of the European Union to access this multilateral trading facility. At the request of the supervisory authority of this member state of the European Union, the Czech National Bank will announce data on the participants of this multilateral trading facility with headquarters or residence in this member state of the European Union.

(10) The operator of the multilateral trading facility shall provide the Czech National Bank upon request

- a) description of the functioning of this multilateral trading facility,
- b) a description of any links to the trading system or systematic internaliser owned by this operator, including a description of the direct or indirect share in the share capital or voting rights, and
- c) a list of participants in this multilateral trading facility.

(11) The specification of the information to be reported for the purposes of subsection 9 is regulated by Article 5 of Commission Delegated Regulation (EU) 2017/1018<sup>88</sup>.

(12) Standard forms, templates and procedures for the transmission of information for the purposes of subsection 9 are governed by Article 2 and Article 8 to 11 of Commission Implementing Regulation (EU) 2017/2382<sup>89</sup>.

(13) Determining the content and format of the description for the purposes of subsection 10 is governed by Articles 1 to 9 of Commission Implementing Regulation (EU) 2016/824<sup>90</sup>.

## **title omitted**

### **Section 70**

#### **Access to settlement systems**

(1) The operator of a multilateral trading facility is obliged to take the necessary measures enabling the effective settlement of trades concluded in a multilateral trading facility and to inform participants of a multilateral trading facility about their rights and obligations and the rights and obligations of participants in ensuring the settlement of trades concluded in a multilateral trading facility.

(2) The Czech National Bank may restrict or prohibit the operator of a multilateral trading facility from using a settlement system, central counterparty, clearing house or clearing institution from another member state of the European Union to settle all or only selected transactions with financial instruments concluded in this multilateral trading facility, if that necessary for the proper functioning of this system; when making a decision, the Czech National Bank will take into account whether the circumstances specified in Section 49 have not occurred.

### **Section 71**

(1) The operator of a multilateral trading facility is obliged to introduce measures for continuous monitoring of whether

a) participants of this multilateral trading facility comply with the rules of trading in the multilateral trading facility regulated in Section 69 subsection 2 letter a) and whether there is any conduct that can be considered as conduct prohibited by the directly applicable regulation of the European Union regulating market abuse<sup>52)</sup>,

b) financial instruments accepted for trading in this multilateral trading facility meet the rules for accepting financial instruments for trading in the multilateral trading facility regulated in Section 69 subsection 2 letter c).

(2) The operator of the multilateral trading facility statutorily monitors trades in this multilateral trading facility and evaluates whether there are any violations of the rules of trading in the multilateral trading facility, the emergence of an extraordinary situation on the market or conduct that can be considered as conduct prohibited by a directly applicable regulation of the European Union regulating market abuse<sup>52)</sup>.

(3) The operator of the multilateral trading facility is obliged to immediately notify the Czech National Bank

a) a significant violation of trading rules in the multilateral trading facility or an extraordinary situation on the market,

b) reasonable suspicion of conduct that can be considered as conduct prohibited by a directly applicable regulation of the European Union regulating market abuse<sup>52)</sup>,

c) reasonable suspicion of a violation of this Act by a person authorised to conclude transactions in the multilateral trading facility,

d) disruption of trading systems in connection with a certain financial instrument.

(4) The operator of the multilateral trading facility shall also send the Czech National Bank additional information on the participants, conditions, progress and results of trading in the system operated by it, financial instruments accepted for trading in the system operated by it and their issuers, and services provided, which are necessary for the performance of supervision. The operator of the multilateral trading facility informs the Czech National Bank about the content of the contracts pursuant to Section 50g subsection 1.

(5) The details, deadlines, form and method of sending information pursuant to subsection 4 shall be determined by the implementing legislation.

(6) The circumstances under which the notification obligation arises for the purposes of subsection 3 are governed by Articles 81 and 82 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>.

## Section 72

### **title omitted**

The operator of a multilateral trading facility may not, in the multilateral trading facility it operates,

a) execute the instruction of the participant of this system using one's own property and

b) trade by matching orders on your own account.

**title omitted**

Section 73

**title omitted**

(1) A trade concluded in a multilateral trading facility according to the rules of trading in a multilateral trading facility cannot be cancelled by the operator of a multilateral trading facility. A mistake in an instruction when concluding a trade in a multilateral trading facility does not invalidate it.

(2) Sections 50a to 50e, Section 50f subsections 1 and 2 and Section 50g apply mutatis mutandis to the operator of a multilateral trading facility.

(3) The operator of a multilateral trading facility is obliged to check and enforce compliance with obligations from contracts pursuant to Section 50g subsection 1 by investment firms.

Section 73a

**Trading suspension, resumption of trading and suspension from trading**

Section 61 shall be applied mutatis mutandis for the suspension of trading in a financial instrument, the resumption of trading in a financial instrument and the exclusion of a financial instrument from trading in the multilateral trading facility.

TITLE IV

MARKET OF SMALL AND MEDIUM-SIZED ENTERPRISES

Section 73b

(1) The market of small and medium-sized enterprises is a multilateral trading facility registered in the list of markets of small and medium-sized enterprises maintained by the Czech National Bank or the supervisory authority of another member state of the European Union. SME markets are also listed in the list of SME markets maintained by the European Securities and Markets Authority. The designation "market of small and medium-sized enterprises" or a comparable or interchangeable designation may only be used in relation to the market of small and medium-sized enterprises.

(2) The Czech National Bank shall enter a multilateral trading facility in the list of markets of small and medium-sized enterprises at the request of the operator of this system, if the following conditions are met:

- a) this system operator has its seat or real seat in the Czech Republic,
- b) at least half of the issuers whose financial instruments are accepted for trading in this system are small and medium-sized enterprises,
- c) appropriate criteria are established for the initial and ongoing acceptance of financial instruments issued by issuers pursuant to letter b) for trading in this system,
- d) upon the initial admission of financial instruments for trading in this system, sufficient published information is available to enable investors to make an informed judgment about whether to invest in these financial instruments, in the form of either
  - 1. a prospectus, if it is necessary to prepare it for a public offer made in connection with the initial acceptance of a financial instrument for trading in this system, or

2. proper admission document,

e) issuers according to letter b), or persons acting on their behalf, regularly report adequate financial data, in particular audited annual reports and consolidated annual reports,

f) issuers pursuant to Article 3 paragraph 1 point 21 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council referred to in letter b), persons with management authority of these issuers pursuant to Article 3 paragraph 1 point 25 of the Regulation of the European Parliament and of the Council (EU) No. 596/2014 and persons closely connected with these issuers pursuant to Article 3 paragraph 1 point 26 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council comply with the requirements under this Regulation,

g) information regarding issuers according to letter b), which must be published, is stored and publicly disseminated, and

h) the operator of this system has established, maintained and implemented effective systems and controls in order to prevent and detect market abuse in accordance with Regulation of the European Parliament and Council No. 596/2014.

(3) The operator of a multilateral trading facility, which is registered in the list of markets of small and medium-sized enterprises maintained by the Czech National Bank, permanently complies with the conditions according to subsection 2.

(4) For the purposes of this Act, a small and medium-sized enterprise is defined as an issuer that, based on year-end quotations, has an average market capitalization of less than EUR 200,000,000 for the previous 3 calendar years.

(5) The specification of the conditions according to subsection 2 is governed by Articles 78 and 79 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>.

### Section 73c

(1) Part of the management and control system of the operator of the multilateral trading facility, which is entered in the list of markets of small and medium-sized enterprises, are also effective regulations, systems and procedures that ensure the fulfilment of the prerequisites according to Section 73b subsection 2, with the condition that according to Section 73b subsection 2 letter b) must be fulfilled in each calendar year.

(2) If the issuer's financial instrument is accepted for trading on one market of small and medium-sized enterprises, it may be traded on another market of small and medium-sized enterprises only if the issuer has been informed about it and has not expressed his disagreement with it. In such a case, the issuer is not subject to the requirements of that other SME market that do not apply to it in the original SME market.

(3) The Czech National Bank shall delete a multilateral trading facility from the list of markets of small and medium-sized enterprises, which it maintains, if

a) the operator of this system requests it, or

b) the requirements according to Section 73b subsection 2 or 3 or subsection 1 are not met.

## TITLE V

### ORGANISED TRADING FACILITY



## **Chapter 1**

### **Basic provision**

#### **Section 73d**

(1) An organised trading facility is a market with financial instruments,

- a) which is not a European regulated market or a multilateral trading facility,
- b) on which only bonds, structured financial products, greenhouse gas emissions allowances and derivatives are traded, and
- c) which is operated in accordance with this law or similar provisions of the law of another member state of the European Union.

(2) Only a person who has the authorisation of the Czech National Bank or the supervisory authority of another member state of the European Union to operate an organised trading facility may operate an organised trading facility.

(3) The operator of an organised trading facility may not carry out client instructions in the organised trading facility on his own account or on the account of persons who are part of the same group or legal entity as this operator.

(4) If the client has given his consent, the operator of the organised trading facility may be involved in trading by matching instructions on his own account with

- a) bonds,
- b) structured financial products,
- c) allowances for greenhouse gas emissions or
- d) derivatives, with the exception of derivatives for which a clearing obligation has been established pursuant to Article 5 of Regulation (EU) No. 648/2012 of the European Parliament and of the Council.

(5) The operator of the organised trading facility shall take measures to ensure that, when trading by matching instructions on his own account pursuant to subsection 4, he complies with the requirements set forth in Section 2 subsection 1 letter w).

(6) The operator of an organised trading facility may trade on his own account other than by trading by matching orders on his own account according to subsection 4 only when trading in public law debt instruments for which there is no liquid market.

(7) In this Act it is understood

a) a liquid market means a market for a financial instrument or for a type of financial instrument on which there are continuously ready and willing buyers and sellers, taking into account the specific market structure of a specific financial instrument or a specific type of financial instrument according to the following criteria:

1. the average frequency and volume of trades within the range of market conditions, taking into account the nature and life cycle of the products within the given type of financial instrument,
2. the number and type of market participants, including the ratio of market participants to traded instruments within the given product,
3. the average size of the spread between the buying and selling price, if available,

b) a public law debt instrument is a debt instrument whose issuer is

1. European Union,
2. a member state of the European Union, including a ministry, government organisation or purpose-built company of this member state,
3. in the case of a federative or federal member state of the European Union, a member of the federation or federal state,
4. a purpose-built company for several member states of the European Union,
5. an international financial institution established by 2 or more member states of the European Union, the purpose of which is to raise funds and provide financial assistance for the benefit of its members who are affected or threatened by serious financial problems, for example the European Stabilization Mechanism, or
6. European Investment Bank.

#### Section 73e

(1) A market maker in an organised trading facility may be a European investment firm who

a) is different from this operator of the organised trading facility and

b) does not have a close connection with this operator of the organised trading facility.

(2) The operator of an organised trading facility may not systematically internalize a financial instrument that is traded in this system.

(3) The operator of the organised trading facility shall ensure that the organised trading facility is not interconnected

a) with a systematic internaliser in such a way as to allow for the interaction of orders in that system and orders or quotations in such internaliser, and

b) with another organised trading facility in such a way that would allow the interaction of instructions in these systems.

(4) The operator of the organised trading facility shall provide the Czech National Bank upon request

a) description of the functioning of this organised trading facility,

b) a description of any links to trading systems or systematic internalisers owned by this operator, including a description of the direct or indirect share in share capital or voting rights, and

c) list of participants of this organised trading facility.

(5) The operator of an organised trading facility with its seat in the Czech Republic shall notify the Czech National Bank in which member state of the European Union it intends to introduce technical and organisational measures that will allow persons with their seat or residence in another member state of the European Union to access this organised trading facility. At the request of the supervisory authority of this member state of the European Union, the Czech National Bank will announce data on the participants of this organised trading facility with headquarters or residence in this member state of the European Union.

(6) The operator of an organised trading facility with headquarters in another member state of the European Union may introduce technical and organisational measures in the Czech Republic that will allow persons with headquarters or residence in the Czech Republic to access this organised trading

facility. The Czech National Bank may request the supervisory authority over the operator of the organised trading facility for data on the participants of this organised trading facility with headquarters or residence in the Czech Republic.

(7) Determining the content and format of the description according to subsection 4 is governed by Articles 1, 2 and Articles 6 to 9 of Commission Implementing Regulation (EU) 2016/824<sup>99)</sup>.

(8) The specification of the information to be reported pursuant to subsection 5 is governed by Article 5 of Commission Delegated Regulation (EU) 2017/1018<sup>88)</sup>.

(9) Standard forms, templates and procedures for the transmission of information pursuant to subsection 5 are governed by Article 2 and Article 8 to 11 of Commission Implementing Regulation (EU) 2017/2382<sup>89)</sup>.

## Section 73f

### **Organisational requirements**

(1) The operator of the organised trading facility shall establish, maintain and apply

- a) transparent trading rules in an organised trading facility that ensure fair and orderly trading and establish objective criteria for the execution of instructions,
- b) technical and organisational measures ensuring the operation of an organised trading facility, including measures in the event of disruption of this system,
- c) transparent rules for accepting financial instruments for trading in an organised trading facility which
  - 1. establishes objective criteria for determining whether a financial instrument can be traded in this system, and
  - 2. may also establish the information obligations of issuers of financial instruments accepted for trading in this system or of persons who applied for the acceptance of a financial instrument for trading in this system without the consent of the issuer, and
- d) transparent rules for access to the organised trading facility, which establishes objective and non-discriminatory criteria for this access, and publishes these rules on its website; for access to the organised trading facility, Section 63 subsections 4 and 6 shall be applied *mutatis mutandis*.

(2) The operator of an organised trading facility shall ensure that the organised trading facility operated by him has at least 3 active participants who enter into contractual relations with other participants and thus participate in the formation of prices in this system.

(3) The operator of an organised trading facility is obliged to ensure that the participants of the organised trading facility operated by him have access to publicly available data on financial instruments accepted for trading in this system.

(4) The operator of the organised trading facility shall establish, maintain and apply

- a) measures for continuous monitoring, whether
  - 1. participants of the organised trading facility operated by him shall comply with the rules of trading in the organised trading facility regulated in subsection 1 letter a) a
  - 2. there is no conduct that can be considered as conduct prohibited by a directly applicable regulation of the European Union regulating market abuse <sup>52)</sup>,
- b) measures for continuous monitoring of whether financial instruments accepted for trading in the organised trading facility operated by it meet the rules for accepting financial instruments for trading in

the organised trading facility regulated in subsection 1 letter c), a

c) technical and organisational measures to detect and solve possible negative impacts on the activity of the organised trading facility operated by it or on the participants of this system, which could arise from a conflict between the interests of the organised trading facility, the operator of the organised trading facility or its partners and the proper functioning of the organised trading facility system.

(5) The operator of the organised trading facility shall immediately notify the Czech National Bank

a) a significant violation of trading rules in the organised trading facility operated by him or an extraordinary situation on the market,

b) reasonable suspicion of conduct that can be considered as conduct prohibited by a directly applicable regulation of the European Union regulating market abuse <sup>52)</sup>,

c) reasonable suspicion of a violation of this Act or the legal regulations implementing it by a person authorised to conclude transactions in the organised trading facility operated by him,

d) disruption of trading systems in connection with a certain financial instrument.

(6) The operator of the organised trading facility shall also send the Czech National Bank additional information about the participants, conditions, progress and results of trading on the market organised by it, financial instruments accepted for trading on the market organised by it and their issuers, and on the services provided, which are necessary for the performance supervision. The operator of the organised trading facility informs the Czech National Bank about the content of the contracts pursuant to Section 50g subsection 1.

(7) The deadlines, details, form and method of sending information pursuant to subsection 6 shall be determined by the implementing legislation.

## **Chapter 2**

### **Trading in an organised trading facility**

#### **Section 73g**

(1) Instructions in an organised trading facility are carried out at the sole discretion of its operator.

(2) The operator of the organised trading facility is guided by his own judgment only when deciding on

a) placing or withdrawing an instruction in this system, or

b) by not matching the client's specific instruction with another instruction available in his trading systems at a certain moment, if this is in accordance with the specific orders received from the client and with the operator's obligations according to Section 15l to 15n and 15r.

(3) In a trading system in which client orders meet each other, the operator of the organised trading facility can decide whether and when to match 2 or more orders in the given system and in what volume he wants to match them.

(4) The operator of an organised trading facility in accordance with Section 73d subsections 2 to 5 and Section 73e subsections 1 to 3 may facilitate negotiations between the participants of the trading

system operated by him with the aim of merging 2 or more potentially compatible trading interests into one trade; this does not affect the provisions of Section 73d subsection 6.

(5) Subsections 1 to 4 are not affected by Section 15l to 15n, Section 15r, 17b, 69, 70, 73f, Section 73g subsection 6 and Section 73i.

(6) A financial instrument may be accepted for trading in an organised trading facility without the consent of the issuer. The issuer of such a financial instrument is not obliged to fulfil information obligations towards this organised trading facility.

#### Section 73h

#### **title omitted**

Section 61 shall be applied mutatis mutandis for the suspension of trading in a financial instrument, the resumption of trading in a financial instrument and the exclusion of a financial instrument from trading in an organised trading facility.

Sections 50a to 50e, Section 50f subsections 1 and 2 and Section 50g apply mutatis mutandis to the operator of an organised trading facility.

(3) The operator of the organised trading facility controls and enforces compliance with obligations from contracts pursuant to Section 50g subsection 1 by investment firms.

#### Section 73i

#### **Access to settlement systems**

##### Operator of an organised trading facility

a) takes the necessary measures enabling the effective settlement of trades concluded in the organised trading facility operated by him and

b) informs the participants of the organised trading facility operated by him about his and their rights and obligations in ensuring the settlement of trades concluded in this system.

#### TITLE VI

#### COMMON PROVISIONS

#### Section 73j

#### **Business hours**

(1) Trading systems and their participants shall synchronize the trading clocks they use to record the date and time of each event that must be reported.

(2) The degree of accuracy with which trading hours are to be synchronized for the purposes of subsection 1 is governed by Articles 1 to 4 of Commission Delegated Regulation (EU) 2017/574<sup>100</sup>.

#### Section 73k

#### **Position limits for commodity derivatives**

At least once a day, the participant of the trading system reports to the operator of this trading

system with detailed information about his positions according to Section 134a subsection 1 held through contracts traded in this trading system, as well as the positions of his clients and their clients, up to the end client.

#### Section 73l

##### **Publishing information about the quality of trade execution**

(1) The operator of a transfer point, which has its registered office in the Czech Republic, shall publish free of charge at least once a year information on the quality of execution of trades with financial instruments at this transfer point.

(2) The operator of the trading system and the systematic internaliser shall comply with the obligation according to subsection 1 in particular in relation to financial instruments which are subject to the obligation to trade them according to Article 23 and Article 28 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council.

(3) Information according to subsection 1 contains, in relation to individual financial instruments, details of at least

- a) price,
- b) costs,
- c) speed a
- d) trade execution probabilities.

(4) The content, format and periodicity of the information according to subsection 1 are governed by Articles 3 to 11 of Commission Delegated Regulation (EU) 2017/575<sup>101</sup>).

#### Section 73m

Trading system participants are required to carry out appropriate algorithm testing to ensure that algorithmic trading systems cannot create trading conditions that disrupt the proper functioning of the market or contribute to the creation of such conditions.

### **PART SIX**

#### **DATA REPORTING SERVICE PROVIDER**

##### Section 74

**cancelled**

##### Section 75

**cancelled**

##### Section 76

**cancelled**

Section 77

**cancelled**

Section 78

**Reporting mechanism**

The data reporting service provider shall establish, maintain and apply a reporting mechanism in accordance with Section 12i subsection 1. In this provision, the provider of data reporting services means a person according to Section 135 subsection 1 letter i).

Section 79

**cancelled**

**title omitted**

Section 80

**cancelled**

Section 81

**cancelled**

**PART SEVEN**

**SETTLEMENT SYSTEM WITH NON-APPEAL OF SETTLEMENT**

**TITLE I**

**BASIC PROVISION**

Section 82

**Settlement system with settlement irrevocability**

- (1) A settlement system with irrevocable settlement is a system,
- a) which has at least 3 participants listed in Section 84 subsection 1 letters a) to g),
  - b) who carries out the settlement [Section 83 letter a)] on the basis of established rules,
  - c) whose participants, at least one of whom has its seat or real seat in the Czech Republic, have agreed that the legal relations between them shall be governed by Czech law when carrying out the settlement, and
  - d) the existence of which the Czech National Bank has notified to the European Securities and Markets Authority pursuant to Section 90g subsection 1 or 2.

(2) A foreign settlement system with settlement irrevocability is a settlement system whose existence has been notified to the European Securities and Markets Authority by the competent authority of another member state in accordance with the European Union regulation governing the irrevocability of settlements in securities settlement systems<sup>30)</sup>.

(3) A settlement system with irrevocable settlement and participation in this system are established by contract.

## Section 83

### **Definition of some terms**

For the purposes of this Act,

a) settlement

1. set-off of mutual claims from trades with financial instruments, or
2. fulfilment of mutual debts from deals with financial instruments by transfer of financial instruments or funds,

b) settlement order instructions of a participant of the settlement system with irrevocable settlement or of a participant or operator of a system linked pursuant to Section 89, on the basis of which the settlement is to be carried out in accordance with the rules of the settlement system with irrevocable settlement (hereinafter referred to as the "rules of the system"),

c) central counterparty means the central counterparty pursuant to Article 2 point 1 of Regulation (EU) No. 648/2012 of the European Parliament and of the Council,

Section 84 subsection 1 letters a) to g), i) or n) for the participants of the irrevocable settlement system the account on which settlement is carried out,

e) a clearing institution means a person who settles by offsetting the mutual claims of participants in the settlement system with the irrevocability of the settlement referred to in Section 84 subsection 1 letters a) to g), i), j) or n),

f) an operating day, a regularly recurring period established by the rules of the system, during which the settlement system with irrevocability of settlement accepts and executes settlement orders and other actions related to this settlement.

## Section 83a

### **cancelled**

## Section 84

### **Participant of the settlement system with irrevocable settlement**

(1) A participant in the settlement system with irrevocable settlement may only be

- a) bank,
- b) savings and credit cooperative,
- c) investment firm,



- d) a foreign person whose business corresponds to the activity of one of the persons listed in letters a) to c),
- e) a legal person under public law or a legal person whose debts are guaranteed by a person under public law,
- f) Czech National Bank, foreign central bank or European Central Bank,
- g) a legal entity with a special status that is exempt from the scope of the European Union regulation regulating access to the activity of credit institutions and its performance<sup>31)</sup>,
- h) settlement system operator with irrevocability of settlement (Section 90),
- i) central counterparty,
- j) accountant,
- k) clearing institution,
- l) a member of a central counterparty that has obtained a license to operate pursuant to Article 17 of Regulation (EU) No. 648/2012 of the European Parliament and of the Council,
- m) a person who performs a similar activity as any of the persons listed in letters h) to k) in a payment system with irrevocable settlement, in a foreign settlement system with irrevocable settlement or in a foreign payment system with irrevocable settlement, or
- n) a person not mentioned in letters a) to m), for whom it is appropriate with regard to the degree of systemic risk resulting from the scope of his activity.

(2) The activities of the central counterparty, clearing house or clearing institution may also be performed by several participants in the settlement system with irrevocability of the settlement.

## TITLE II

### OPERATING THE SETTLEMENT SYSTEM WITH IRREVOCABLE SETTLEMENT

#### **System rules**

##### Section 85

#### **title omitted**

(1) The operator of the settlement system with irrevocable settlement establishes the rules of the system.

(2) The rules of the system regulate at least

- a) business company or the name, registered office and identification number, if assigned, of the operator of the settlement system with irrevocability of the settlement,
- b) conditions of participation in the settlement system with irrevocable settlement, which must be transparent and must contain objective criteria for access to the settlement system with irrevocable settlement; persons based in another member state of the European Union must not be disadvantaged for reasons other than economic ones,

- c) the rights and obligations of the participants in the settlement system with irrevocability of the settlement resulting from their participation in this system,
- d) the method and conditions of securing debts resulting from participation in the settlement system with irrevocable settlement,
- e) method and conditions of settlement, including determining the procedure for correcting errors arising during settlement,
- f) details of the settlement order, the method and conditions of its entry into the settlement system with irrevocability of the settlement,
- g) data that the participant of the settlement system with irrevocable settlement provides to the operator of the settlement system with irrevocable settlement to fulfil his obligations, and the method of providing them,
- h) measures that the operator of the settlement system with irrevocable settlement can apply to the participant of the settlement system with irrevocable settlement, and the procedure for their application,
- i) the time schedule for carrying out the settlement, including the schedule of the individual phases in which the settlement takes place,
- j) definition of the operating day,
- k) the moment at which the settlement order is considered accepted by the settlement system with irrevocability of the settlement,
- l) the moment at which the settlement order entered into the settlement system with settlement irrevocability is considered unilaterally irrevocable, and the technical conditions for ensuring its irrevocability,
- m) financial instruments and currency in which settlement is carried out, and
- n) risk approach rules, which include at least
  1. risks to which the settlement system with irrevocable settlement is or may be exposed, including systemic risk, operational risk, liquidity risk and credit risk,
  2. procedures for recognizing, evaluating, measuring, monitoring and reporting risks a
  3. procedures for taking measures leading to risk reduction, including setting appropriate conditions for participation in the settlement system with irrevocable settlement.

## Section 86

### **title omitted**

(1) The operator and other participants of the irrevocable settlement system shall comply with the rules of the system.

(2) The rules of the system in the current version must be published on the operator's website and must be available for public inspection at the seat of the settlement system operator with irrevocability of the settlement during its office hours. If the operator of the settlement system with irrevocability of the settlement establishes an establishment, the rules of the system must also be available for inspection by the public in this establishment.

## Section 87

### **Changing system rules**

(1) Changes to the rules of the system become effective at the time of publication, unless the operator of the irrevocable settlement system sets a later effective date. A change in the rules of the system cannot be published until the Czech National Bank gives its consent to this change.

(2) Only the operator of the settlement system with the irrevocability of the settlement is a participant in the procedure for granting consent to change the rules of the system. If the Czech National Bank does not issue a decision on the request for approval to change the rules of the system within 1 month from the day it received the request, the approval is deemed to have been granted.

Section 87a

**cancelled**

### **Irrevocability of settlement order**

Section 88

**title omitted**

(1) From the moment specified in the rules of the system, the settlement order cannot be revoked unilaterally.

(2) A decision on bankruptcy or a decision or other intervention by a public authority aimed at stopping or limiting the settlement, to exclude or limit the use of financial instruments or funds on the account on which the settlement is carried out, or to exclude or limit the exercise of the right to satisfaction from collateral have no effect on

a) the validity, effectiveness or enforceability of the settlement order, if this order was accepted by the settlement system with the irrevocability of the settlement before the issuance of this decision or before the implementation of this intervention,

b) the possibility to use financial instruments or funds in the account of a participant of the settlement system with irrevocable settlement, on which the settlement is carried out, to fulfil the debts incurred by him in the settlement system with irrevocable settlement or in the system connected according to Section 89, if the financial instruments or monetary the funds are thus used during the operating day during which this decision was issued or this intervention was carried out, and

c) the validity, effectiveness or enforceability of the right to satisfaction from collateral provided to a participant or operator of a settlement system with the irrevocability of a settlement or a system connected pursuant to Section 89.

(3) To exclude the effects of a bankruptcy decision or a decision or other intervention by a public authority pursuant to subsection 2 letter a) occurs even if the settlement order was accepted by the settlement system with irrevocability of settlement after the issuance of this decision or after the implementation of this intervention, if

a) the settlement is carried out during the business day during which this decision was issued or this intervention was carried out, and

b) the operator of the settlement system with irrevocable settlement was not informed of the issuance of this decision or the implementation of this intervention at the time when the settlement order became irrevocable according to subsection 1, nor should it otherwise have been known; the fact that the

bankruptcy decision was published in the insolvency register does not in itself mean that this decision was known or should have been known to the operator of the irrevocable settlement system.

(4) A decision on bankruptcy or a decision or other intervention by a public authority pursuant to subsection 2 does not have retroactive effects on rights and obligations that arose in the settlement system with irrevocable settlement or in the system connected pursuant to Section 89 before the issuance of this decision or before the implementation of this intervention.

### **Interconnection of systems**

#### **Section 89**

##### **title omitted**

(1) If the operator of a settlement system with irrevocable settlement concludes a system interconnection agreement with another operator of a settlement system with irrevocable settlement, a payment system with irrevocable settlement, a foreign settlement system with irrevocable settlement or a foreign payment system with irrevocable settlement enabling the mutual execution of orders to settlement, it does not establish a new settlement system with irrevocability of settlement.

(2) If possible, the operator of a settlement system with irrevocable settlement shall ensure that the rules of the system and the rules of the interconnected system pursuant to subsection 1 are coordinated with regard to the moment at which the settlement order is considered unilaterally irrevocable and the moment at to which such command is deemed to have been received by the system. If the parties do not agree otherwise in the contract according to subsection 1, the rules of interconnected systems apply independently of each other as regards these moments.

(3) If the operator of an irrevocable settlement system provides collateral to the operator of a system connected pursuant to subsection 1, the bankruptcy decision or a decision or other intervention of a public authority in accordance with Section 88, subsection 2, vis-à-vis the beneficiary of the collateral shall not affect the collateral provider's rights to the object of this collateral.

### **TITLE III**

#### **OPERATOR OF SETTLEMENT SYSTEM WITH IRREVOCABLE SETTLEMENT**

##### **Section 90**

(1) The operator of a settlement system with irrevocable settlement is a legal entity that is authorised to operate a settlement system with irrevocable settlement on the basis of an authorisation to operate a settlement system with irrevocable settlement granted to it by the Czech National Bank.

(2) The operator of a settlement system with irrevocable settlement may also, if it is stated in the authorisation to operate a settlement system with irrevocable settlement, provide for its participants the investment service specified in Section 4 subsection 3 letter a).

(3) The operator of the settlement system with irrevocability of settlement is obliged to operate the settlement system with irrevocability of settlement with professional care. Operating a settlement system with irrevocability of settlement with professional care in particular means that the operator of this system acts competently, honestly and fairly and in the best interests of the participants of the settlement system operated by him, in particular fulfils the obligations established for the operation of a settlement system with irrevocability of settlement by this law and proceeds in accordance with system rules.

(4) Funds or financial instruments that were entrusted to the settlement system operator with

irrevocability of the settlement for administration or as security for debt arising from the settled business with financial instruments are not part of the property of the settlement system operator. The operator of the settlement system accounts for the assets of third parties in his possession separately from his own assets.

### **Authorisation to operate a settlement system with settlement irrevocability**

#### **Section 90a**

(1) The Czech National Bank shall grant authorisation to operate a settlement system with irrevocable settlement to the applicant,

- a) which is a joint-stock company or a limited liability company,
- b) which has its seat and real seat in the territory of the Czech Republic,
- c) which has good repute,
- d) which has an initial capital of at least EUR 730,000,
- e) whose initial capital has a transparent and harmless origin,
- f) who submits a business plan based on real economic calculations,
- g) whose material, technical, personnel and organisational prerequisites are suitable from the point of view of proper and prudent operation of the settlement system with irrevocability of the settlement,
- h) whose business, if any, consisting of activities other than the operation of a settlement system with irrevocable settlement does not represent a substantial threat to the financial stability of the operator of the settlement system with irrevocable settlement, nor can it prevent the effective exercise of supervision over the activities of the operator of the settlement system with irrevocable settlement,
- i) in which the qualified participation of persons suitable from the point of view of proper and prudent management of the settlement system operator with irrevocable settlement,
- j) whose close connection with another person does not prevent effective supervision of the activity of the operator of the settlement system with irrevocability of the settlement; in the case of a close connection with a person who is governed by the legal order of a state that is not a member state, this legal order or the manner of its application must not hinder the effective exercise of supervision over the activity of the settlement system operator with the irrevocability of the settlement,
- k) if the members of its management body have good repute,
- l) if the members of its management body, who actually manage the activity in the field of operating the settlement system with irrevocable settlement, are professionally qualified and have sufficient experience in terms of the proper and prudent operation of the settlement system with irrevocable settlement and
- m) who presented the rules of the system, which are suitable from the point of view of proper and prudent operation of the settlement system with the irrevocability of the settlement and from the point of view of systemic risk.

(2) The Czech National Bank shall also grant authorisation to operate a settlement system with irrevocable settlement to an applicant who

- a) is a legal entity,
- b) has its seat and real seat in another member state of the European Union,
- c) has good repute,
- d) is authorised to operate a system similar to the settlement system with the irrevocability of the settlement, in which the legal relations between the participants of the system during the execution of the settlement are governed by the law of another member state of the European Union, and
- e) submitted the rules of the system, which are suitable from the point of view of proper and prudent operation of the settlement system with irrevocability of the settlement and from the point of view of systemic risk.

(3) An application for granting authorisation to operate a settlement system with irrevocability of settlement can only be submitted electronically.

(4) The application pursuant to subsection 3 contains, in addition to the requirements established by the administrative regulations, also data and documents proving the fulfilment of the conditions pursuant to subsection 1 or 2.

(5) The details of the requirements of the application proving the fulfilment of the conditions according to subsection 1 or 2, its format and other technical requirements shall be determined by the implementing legislation.

#### Section 90b

Czech National Bank shall decide on an application for authorisation to operate a settlement system with irrevocable settlement within 6 months from the date of its delivery.

(2) The Czech National Bank shall approve the rules of the system in the decision to grant authorisation to operate a settlement system with irrevocable settlement.

(3) In the decision to grant authorisation to operate a settlement system with irrevocability of settlement, the Czech National Bank may set conditions that the operator of the settlement system must meet before starting operations, or must comply with during the performance of its operations.

(4) The operator of the settlement system with irrevocable settlement shall notify the Czech National Bank without undue delay of a change in the data specified in the application for authorisation to operate the settlement system with irrevocable settlement or its annexes, on the basis of which the authorisation to operate was granted.

#### TITLE IV

##### INFORMATION OBLIGATIONS OF THE OPERATOR AND PARTICIPANT OF THE SETTLEMENT SYSTEM WITH IRREVOCABLE SETTLEMENT

#### Section 90c

(1) The operator of the irrevocable settlement system shall inform the Czech National Bank without undue delay of

- a) the business company or the name or the name and surname of the participants in the settlement system with irrevocable settlement, their headquarters or place of residence, their identification number, if assigned, and in the case of natural persons, their date of birth and social security number, if assigned,

and about changing these data and

b) a proposal for a decision on its cancellation with or without liquidation or on changing its object of business; it also informs about the adoption of such a decision by the competent authority of the settlement system operator with the irrevocability of the settlement.

(2) The participant of the settlement system with irrevocable settlement without unnecessary delay informs the operator of the settlement system with irrevocable settlement about the data within the scope of subsection 1 letter a).

(3) The operator of the settlement system with the irrevocability of the settlement shall immediately inform the participants of the settlement system with the irrevocability of the settlement and the operator of the system connected pursuant to Section 89 of the notification pursuant to Section 90g, subsection 4.

(4) The operator of the settlement system with irrevocable settlement shall send the Czech National Bank the information and documents necessary for the supervision of its financial situation, the results of its management and the fulfilment of the conditions for the performance of its activities. Deadlines for sending information and documents, details of their content, form and method of sending are determined by implementing legislation.

(5) The operator of a settlement system with irrevocable settlement based in another member state of the European Union is obliged to provide the Czech National Bank with the required information and necessary explanations for the purpose of assessing the fulfilment of the conditions for the performance of its activity.

#### Section 90d

Upon request, the participant of the settlement system with irrevocable settlement informs the person who certifies a legal interest in it about the settlement system with irrevocable settlement in which he participates and its rules.

#### Section 90e

Participant of a foreign settlement system with irrevocable settlement, which has its seat on the territory of the Czech Republic,

a) upon request, informs the person who certifies a legal interest about this system and its rules and

b) informs the Czech National Bank without undue delay of its participation in this system, of the member state of the European Union that notified the existence of this system to the European Securities and Markets Authority, of its registered office address and of any change in these facts.

### TITLE V

#### NOTIFICATION OBLIGATIONS OF PUBLIC AUTHORITIES

#### Section 90f

##### **Notification obligation of the operator of a settlement system with irrevocable settlement and of a participant in a foreign settlement system with irrevocable settlement, which has its seat in the Czech Republic**

court or other public authority that carried out the intervention shall notify the Czech National Bank without undue delay of the issuance of a bankruptcy decision or the issuance of a decision or other intervention by a public authority pursuant to Section 88, subsection 2, against a participant in the

settlement system with irrevocable settlement. A court or other public authority shall also notify the Czech National Bank if it has issued these decisions or made similar interventions against a participant of a foreign settlement system with irrevocable settlement, which has its seat on the territory of the Czech Republic.

If the operator of a settlement system with irrevocable settlement or a participant in a foreign settlement system with irrevocable settlement, which has its seat in the Czech Republic, becomes aware of a decision or other intervention of a public authority pursuant to Section 88 subsection 2, it shall notify the Czech National Bank of this fact without undue delay; this shall not apply if the decision is issued or the intervention is carried out in the context of insolvency proceedings.

#### Section 90g

### **Notification obligations of the Czech National Bank**

(1) The Czech National Bank shall, without undue delay, notify the European Securities and Markets Authority of the existence of a settlement system with irrevocable settlement, the operator of which it has granted authorisation to operate a settlement system with irrevocable settlement. In the notification, the Czech National Bank shall indicate the operator of the settlement system with irrevocable settlement. If there are any changes mentioned in this announcement, the Czech National Bank will inform the European Securities and Markets Authority without undue delay. If the authorisation to operate a settlement system with irrevocable settlement has been withdrawn, the Czech National Bank shall notify the European Securities and Markets Authority of the termination of this settlement system with irrevocable settlement without undue delay after the settlement has been completed based on the orders received before the day of withdrawal of the authorisation.

(2) The Czech National Bank may notify the European Securities and Markets Authority of the existence of a securities trade settlement system, which it operates in accordance with the law governing the status and powers of the Czech National Bank, if this system meets the conditions set out in Section 82 subsection 1 letters a) to c). In the notification, the Czech National Bank will state that it is the operator of this system. For this system and for the Czech National Bank when performing the activities of its operator, Section 87 subsection 1 sentence two and subsection 2, Section 90a, 90b, Section 90c subsection 1 and subsection 4 do not apply. The Czech National Bank shall revoke the notification pursuant to the first sentence without undue delay if the system ceases to meet the conditions specified in Section 82 subsection 1 letters a), b) or c).

(3) If the Czech National Bank receives a notification of a decision or other intervention by a public authority pursuant to Section 88 subsection 2, which concerns a participant in a foreign settlement system with irrevocable settlement, which has its registered office in the territory of the Czech Republic, it shall immediately notify the European Securities and Markets Authority, the European Systemic Risk Board<sup>36)</sup> and to the competent authority of the Member State of the European Union, which notified the existence of this system to the European Securities and Markets Authority.

(4) If the Czech National Bank receives a notification of a decision or other intervention by a public authority pursuant to Section 88 subsection 2 or a similar notification from an authority of a member state of the European Union, which concerns a participant in a settlement system with irrevocable settlement, it shall immediately notify the operator of this settlement system with irrevocable settlement.

## **PART EIGHT**

### **CERTAIN PROVISIONS REGARDING THE PROVISION OF GROUP FUNDING SERVICES**

#### Section 90h



The conditions for providing the activity of a provider of group financing services are governed by the directly applicable regulation of the European Union regulating European providers of group financing services for businesses <sup>75)</sup>.

Section 90i

**Content of key investor information document**

The project owner shall ensure that the information provided in the document with key information for investors pursuant to Article 23 of Regulation (EU) 2020/1503 of the European Parliament and of the Council<sup>75)</sup> is not misleading, inaccurate or does not omit key information that is a necessary aid to investors in their consideration, whether to fund a crowdfunding project.

Section 90j

**Platform level key investor information document content**

The crowdfunding service provider shall ensure that the information provided in the platform-level key investor information document pursuant to Article 24 of Regulation (EU) 2020/1503 of the European Parliament and of the Council<sup>75)</sup> is not misleading, inaccurate or omits key information that is a necessary aid to investors when considering whether to invest through individual loan portfolio management.

**PART NINE**

**RECORD OF FINANCIAL INSTRUMENTS**

**TITLE I**

**INTRODUCTORY PROVISIONS**

**Chapter 1**

**Administrative provisions**

Section 91

Book-entry securities, with the exception of book-entry collective transferable securities kept in a separate register of financial instruments and book-entry government bonds according to the Act on Budgetary Rules, can be registered according to Czech law only in the central register of book-entry securities and in the register connected to the central register of book-entry securities.

**Chapter 2**

**Types of records of financial instruments**

Section 92

**Central registration of book-entry securities**

(1) The central record of book-entry securities is the record of book-entry securities maintained by a central depository or a foreign central depository in accordance with Czech law.

(2) He may keep records connected to the central record of book-entry securities

- a) investment firm who has the investment service of safekeeping and management of financial instruments, including related services, specified in the authorisation,
- b) a person who is authorised according to the law governing management companies and investment funds to carry out the safekeeping of securities or the keeping of records of book-entry securities of an investment fund, if it concerns the registration of share certificates or founding or investment shares issued by an investment fund,
- c) Czech National Bank,
- d) a foreign person whose activity corresponds to the activity of the persons listed in letters a), b) or f),
- e) a central depository, a foreign central depository or a foreign central depository that has obtained a license to operate or has been recognized according to a directly applicable regulation of the European Union governing the improvement of the settlement of securities transactions in the European Union and central securities depositories <sup>51)</sup> or a foreign person authorised to keep records financial instruments,
- f) a bank that has the investment service of safekeeping and management of financial instruments, including related services, specified in its banking license.

(3) The central register of book-entry securities is also the register of book-entry securities maintained by the Czech National Bank pursuant to the Act governing the activities of the Czech National Bank. The rules for keeping these records and their changes are published by the Czech National Bank on its website.

(4) The central record of book-entry securities is also the record of immobilized securities pursuant to Section 93a, if this record is kept by a central depository, a foreign central depository or the Czech National Bank under Czech law.

### Section 93

#### **Separate registration of financial instruments**

(1) They may be registered in a separate register of financial instruments

- a) book-entry securities of collective investment,
- b) documented financial instruments in custody or immobilized securities,
- c) foreign financial instruments held by an investment firm for the purpose of providing an investment service,
- d) financial instruments that are not listed in letters a) to c) and whose nature allows it.

(2) Separate records of financial instruments may be kept

- a) an investment firm who has the investment service of safekeeping and management of financial instruments, including related services, specified in his activity authorisation,
- b) the person who is authorised according to the law governing management companies and investment funds to carry out the safekeeping of securities or the keeping of records of book-entry securities of an investment fund, if it concerns the registration of share certificates or founding or investment shares issued by an investment fund,
- c) the operator of the settlement system, if it maintains this record for the financial instruments referred

to in subsection 1 letters b) to d), for which he is authorised to settle trade receivables and debts,

d) a bank that has the investment service of safekeeping and management of financial instruments, including related services, specified in its banking license,

e) a foreign person whose activity corresponds to the activity of one of the persons listed in letters a), b) and d) and who is authorised to provide investment services in the Czech Republic.

(3) He may keep records following separate records

a) an investment firm who has the investment service of safekeeping and management of financial instruments, including related services, specified in his activity authorisation,

b) the person who is authorised according to the law governing management companies and investment funds to carry out the safekeeping of securities or the keeping of records of book-entry securities of an investment fund, if it concerns the registration of share certificates or founding or investment shares issued by an investment fund,

c) the operator of the settlement system, if it maintains this record for the financial instruments referred to in subsection 1 letters b) to d), for which he is authorised to settle trade receivables and liabilities,

d) a bank that has the investment service of safekeeping and management of financial instruments, including related services, specified in its banking license,

e) a foreign person whose activity corresponds to the activity of one of the persons listed in letters a), b) and d),

f) central depository,

g) a foreign central depository, a foreign central depository that has obtained a license to operate or has been recognized according to a directly applicable regulation of the European Union governing the improvement of the settlement of securities transactions in the European Union and central securities depositories <sup>51)</sup> or a foreign person authorised to keep records of financial instruments.

(4) The person referred to in subsection 2 or subsection 3 letters a) to f) keeps separate records of financial instruments or records following on from separate records of financial instruments in the manner established by implementing legislation. The implementing legal regulation further stipulates the requirements for organisational and technical security of keeping such records and the details of the extract from the records.

(5) repealed

#### Section 93a

#### **Special provisions on immobilized securities**

(1) If the issuer decides to immobilize already issued securities in accordance with the Civil Code or a directly applicable regulation of the European Union governing the improvement of the settlement of securities transactions in the European Union and the central depository of securities <sup>51)</sup>, it proceeds appropriately in accordance with the legal regulations governing the conversion of deed securities to book-entry securities. When depositing securities in collective custody, the issuer may also decide to replace all documentary securities that have been returned to it or that have been declared invalid with a collective document or several collective documents.

(2) If the issue conditions or a directly applicable regulation of the European Union governing

the improvement of the settlement of securities trades in the European Union and the central depository of securities <sup>51)</sup> allow, the issuer of an immobilized security may decide to remove all immobilized securities from safekeeping. If he does not decide at the same time to entrust them for safekeeping to another custodian according to subsection 3 or to change their form, the appropriate procedure is followed according to the legal regulations governing the conversion of a book-entry security into a document. The custodian issues immobilized securities to the issuer.

(3) If the issuer decides in accordance with subsection 2 to remove all immobilized securities from safekeeping and entrust them to another custodian, the original custodian is obliged to hand over to the new custodian all the documents and data necessary for keeping separate records of immobilized securities, within 3 months from the date on which such decision was notified to him in writing, or to another later date specified in the issuer's decision, but not before the custody agreement is concluded with the new custodian.

(4) As of the date referred to in subsection 3, all rights and obligations from the contracts related to the safekeeping of these immobilized securities concluded between the previous custodian and their owners and from the contracts with the persons managing these immobilized securities in the records following the separate records are transferred to the new custodian, to the extent related to the registration of these immobilized securities.

(5) A joint-stock company, whose articles of association allow it, may enter into an agreement on the safekeeping of immobilized shares issued to it only with a person who keeps a central register of book-entry securities, or a foreign central depository that has obtained a license to operate or has been recognized in accordance with a directly applicable regulation of the European Union regulating the improvement of the settlement of securities transactions in the European Union and the central depository of securities <sup>51)</sup>, by an investment firm authorised to provide the investment service of custody and management of financial instruments or with a foreign person with a similar object of activity who is authorised to provide services in the Czech Republic. A joint-stock company, whose shares are accepted for trading on a regulated market or in a multilateral trading facility, may conclude an agreement on the safekeeping of immobilized shares issued to it only with a person who keeps a central register of book-entry securities or a foreign central depository that has obtained a license to operate or was recognized according to the directly applicable regulation of the European Union regulating the improvement of the settlement of securities transactions in the European Union and the central depository of securities<sup>51)</sup>.

(6) Shareholders cannot demand the issuance of immobilized shares to owners from collective custody. Exclusion of immobilized bearer shares from collective custody is permissible only if their form or shape changes at the same time, or if they are simultaneously entrusted to another custodian in accordance with the procedure in this provision.

(7) Provisions regulating the registration of issues of book-entry securities shall also be applied to the registration of immobilized securities.

### **Chapter 3**

#### **Principles of keeping records of financial instruments**

##### **Section 94**

#### **Types of accounts**

(1) The property account must contain information about the person for whom it is kept and, in the case of a natural person, also the social security number. At least financial instruments, separately transferable rights associated with financial instruments, liens on financial instruments and the suspension of the exercise of the owner's right to dispose of booked financial instruments are recorded

in the asset account. In addition, data on the person authorised to exercise these rights and data on the person who is the mortgage creditor are recorded. In the case of a natural person authorised to exercise these rights and in the case of a natural person who is a mortgage creditor, the social security number is also registered. If a natural person has not been assigned a birth number, the date of birth is recorded. In the case of securities, restrictions on the transferability of the security determined by the issuer are also recorded. The person who keeps the central records of book-entry securities, in the case of central records, and the implementing legislation (Section 93 subsection 4) in the case of separate records, specifies in more detail what data is recorded in individual types of property accounts. A property account is established by a contract between the person, for whom this account is maintained and the person authorised to establish this account.

(2) The person who keeps the central record of book-entry securities keeps this record on the accounts of owners or accounts of clients. If the person who keeps the central record of book-entry securities maintains the owner's account, he may not transfer the pledged security recorded in this account to a new owner without the consent of the pledgee.

(3) The person who keeps records connected to the central record of book-entry securities keeps these records on the accounts of the owners. This person may not transfer the pledged securities registered on this account to a new owner without the consent of the mortgagee.

(4) A person who keeps separate records of financial instruments keeps these records on the accounts of owners or accounts of clients. If this person maintains the owner's account, he may not transfer the mortgaged security recorded in this account to the new owner without the consent of the mortgagee.

(5) A person who keeps records related to separate records of financial instruments keeps these records on the accounts of owners or accounts of clients. He may maintain a client account only for the person specified in Section 93 subsection 3 letters e) or g), which maintains follow-up records abroad according to the foreign legal order. If the person who keeps the records connected to the separate records of financial instruments maintains an owner's account, he may not transfer the pledged security recorded in this account to a new owner without the consent of the mortgagee.

(6) Central records of book-entry securities and separate records of book-entry collective transferable securities are also kept in the issue register. Data on the issuer's person and data on individual securities are recorded in the issue records in accordance with subsection 1. The issue records are kept on the basis of a contract with the issuer. The Czech National Bank determines the method of keeping records of the issue in its rules published pursuant to Section 92, subsection 3.

(7) Section 94a subsections 2 and 3 shall be applied proportionately to a person who keeps separate records of book-entry collective transferable securities and a person who keeps records following on from separate records of book-entry collective transferable securities; the scope of the communicated data is determined by the implementing legislation according to Section 93 subsection 4.

#### Section 94a

##### **Record of issues of book-entry securities**

(1) The person who keeps a central record of book-entry securities keeps records of issues of book-entry securities on the basis of a contract with the issuer.

(2) The person who keeps the central register of book-entry securities shall hand over to the issuer an extract from the issue register when issuing or cancelling the issue of book-entry securities or at the request of the issuer; the extract from the issue register contains information about the owner of the account in which the book-entry securities are registered, the number of pieces of securities,

information about the trustee or other person authorised to exercise the rights associated with these securities and other information determined by the person who keeps the central register of the book-entry securities. The person who keeps the central record of book-entry securities shall also include in the statement the information received from the owner of the client's account in accordance with subsection 4.

(3) The central depository or a foreign central depository shall provide the Czech National Bank with an extract from the records of the issue of the bank's shares at its request. On the basis of this request, the central depository or foreign central depository shall, through its participants, invite all client account holders to provide it with data on the ownership of shares registered in the client's account, and shall include this data in the extract from the issue register.

(4) For the purposes of the extract from the issue register, the owner of the client account is obliged to communicate to the person who keeps the register of book-entry securities, information about the owner of the owner's account and other information determined by the person who keeps the central register of book-entry securities.

## Section 95

### **Entry in the register of financial instruments**

(1) Decisive data for the exercise of rights associated with a book-entry financial instrument are the data recorded in the owner's account at the end of the day determined by the central depository or a foreign central depository, implementing legal regulations for separate records (Section 93 subsection 4) or in the rules for keeping records of valuables papers by the Czech National Bank (Section 92 subsection 3). This does not affect the provisions of Section 99, Subsection 4.

(2) Entry in the register of financial instruments is made on the basis of the order of the authorised person. The entry is made immediately after receiving the order, unless the authorised person sets a later time for entry.

(3) If a person gives an order to register financial instruments through a participant, the participant of the person who keeps the register of financial instruments verifies the authorisation of this person to submit the order. In other cases, the person who maintains this register verifies the authorisation of the person to submit an order for registration in the register of financial instruments.

## Section 95a

### **Participant orders**

(1) A participant of a person who keeps a central register of book-entry securities submits an order to that person

- a) establishment or cancellation of an asset account,
- b) making changes to the property account,
- c) performance of the service.

(2) Without the order of the participant, the person who keeps the central register of book-entry securities shall make an entry in the register of book-entry securities only upon order

- a) the issuer, who has a contract with the person who keeps the central register of book-entry securities, according to Section 94a, subsection 1, if it is related to the entry in the register of the issue, or

b) persons according to Section 115 subsection 1, if they are authorised to do so according to another legal regulation.

## Section 96

### **Effects of Transfer of Financial instrument**

(1) If a registered financial instrument is transferred to a new owner, ownership is transferred at the time of registration in the client's account. The owner of the client account is obliged to write this change on the owner's account immediately, but no later than by the end of the day; the change is recorded at the moment of registration on the client's account.

(2) If a book-entry financial instrument is transferred and the change is not recorded on the client's account, ownership is transferred at the moment of recording on the owner's account; the change is recorded immediately, but no later than the end of the day.

(3) Unless another legal regulation provides otherwise, the person to whom the book-entry security is transferred becomes the owner of this security even if the transferor did not have the right to transfer the book-entry security; this does not apply if the person to whom the book-entry security is transferred knew or must have known that the transferor did not have this right at the time of the transfer. In doubt, good faith is assumed.

(4) The investment firm who procured the transfer of the financial instrument shall immediately issue an order to record the change resulting from the transfer in the relevant records.

(5) If the transfer of a financial instrument takes place on a regulated market or in a multilateral trading facility, the organiser of the regulated market, the operator of the multilateral trading facility or the operator of the settlement system gives the order to record the changes resulting from the transfer in the relevant records.

## Section 97

### **Suspension of the owner's right to dispose of the financial instrument**

(1) The order to record the suspension of the exercise of the owner's right to dispose of the financial instrument (hereinafter referred to as "suspension of disposal of the financial instrument") in the register of financial instruments gives

a) the organiser of a regulated market, the operator of a multilateral trading facility or the operator of a settlement system, if the book-entry financial instrument is to be transferred,

b) the competent court, executor or administrative authority, if it is necessary in connection with the issuance of a preliminary measure, enforcement order or for other purposes of judicial or administrative proceedings or if it is stipulated by another legal regulation,

c) a person who keeps a central record of book-entry securities, if this is necessary in connection with the settlement or other services provided,

d) depository of an investment fund or foreign investment fund,

e) a third party, if he gives the order in his favour and has the consent of the owner.

(2) The order to record the suspension of handling of the financial instrument shall state the period for which the handling of the financial instrument is suspended.

(3) The suspension of handling the financial instrument ceases

- a) upon expiry of the period for which handling of the financial instrument was suspended,
- b) from the order of the person who gave the order to record the suspension of handling of the financial instrument, or
- c) from the order of a person who proves his authority to cancel the registration of the suspension of handling of the financial instrument.

(4) An administrative authority or a court authorised to issue an order to record the suspension of handling of a financial instrument pursuant to subsection 1 letters b) may also give an order to cancel the suspension of handling of a financial instrument, for which another person gave the order.

(5) During the suspension of handling of the financial instrument, it is not possible to enter a change of owner by transfer of this financial instrument in the register of financial instruments, nor is it possible to enter a contractual lien on this financial instrument. During the suspension of handling of the financial instrument, a paper financial instrument registered in a separate register cannot be released from custody.

## Section 98

### **Correction of errors in the register of financial instruments**

(1) A person who keeps records of financial instruments shall correct an error in his records

- a) based on the objection of the account holder, the issuer, the participant of the person who keeps the central register of book-entry securities, the organiser of the regulated market, the operator of the multilateral trading facility or the operator of the settlement system, which he recognizes as authorised,
- b) on the basis of a valid decision of a court or other authority,
- c) on his own initiative, or
- d) on the basis of a correction made in the register of financial instruments maintained by another person, if the correction of the error was requested by this person and the request is recognized as justified.

(2) A person who keeps records of financial instruments shall correct an error in his records as of the date on which the error in the records occurred, unless otherwise indicated by law or a decision of a court or other authority. If this day cannot be determined, the error will be corrected on the day on which the error was detected.

(3) The person who keeps records of financial instruments also keeps documentation of corrected errors.

(4) The person who keeps the register of financial instruments shall send the person whose account has corrected the error a statement from his account with the justification of the change made, immediately after the error has been corrected.

(5) Persons who keep records of financial instruments cooperate in such a way that every error in the data contained in the records of financial instruments is eliminated in the shortest possible time.

## Section 99

### **Extract from the register of financial instruments**



(1) The person who keeps the register of financial instruments shall issue an extract from the register to the owner of the account kept in this register or to the issuer of the financial instrument kept in this register. The person who keeps the central record of the securities in the book always issues the statement to the account holder through his participant.

(2) The person who keeps records of book-entry financial instruments shall issue an extract from the records to the mortgagee at his request. In this statement, he shall list the financial instruments pledged in favour of the mortgage creditor held on the owner's account and any additional liens on the financial instrument, including the order of the liens. If the statement is issued by a participant of a person who keeps a central record of book-entry securities, the participant is simultaneously a mortgagee or a pledgee of book-entry financial instruments in the statement and these pledged financial instruments are registered on his owner's account maintained by a person who keeps a central record of book-entry securities, the mortgagor may request confirmation of the correctness of the statement from this person, and this person is obliged to issue it without undue delay.

(3) An extract from the register of financial instruments proves the facts entered in this register at the end of the day determined by the central depository or a foreign central depository, the implementing legal regulation for separate registers (Section 93, subsection 4) or the rules for keeping securities registers by the Czech National Bank (Section 92 subsection 3), to which it was issued, and is effective against all persons, unless the contrary is proven.

(4) If the data on the statement from the emission register differs from the data on the statement from the asset account, the data on the statement from the emission register is considered to be the decisive data.

#### Section 99a

(1) The person who keeps the record of financial instruments is obliged to keep this record and all documents related to the data entered in the record for a period of 10 years from the end of the calendar year in which the data was entered in the record.

(2) A person who keeps records of financial instruments is authorised to provide data from these records and documents kept pursuant to subsection 1 without the consent of the person for whom the asset account was established, only if this Act or another legal regulation so provides, and in cases where he files a criminal complaint.

## TITLE II

### CENTRAL DEPOSITORY AND FOREIGN CENTRAL DEPOSITORY

#### **Basic provision**

#### Section 100

(1) The central depository is a person pursuant to Article 2 paragraph 1 point 1 of Regulation (EU) No 909/2014 of the European Parliament and of the Council, which has its registered office in the Czech Republic.

(2) A foreign central depository is a legal entity which

a) does not have its registered office in the Czech Republic,

b) obtained a license to operate or was recognized according to a directly applicable regulation of the European Union governing the improvement of the settlement of securities transactions in the European

Union and the central depository of securities <sup>51)</sup> and

c) is authorised to provide services in accordance with the directly applicable regulation of the European Union governing the improvement of the settlement of securities transactions in the European Union and the central depository of securities <sup>51)</sup> in the Czech Republic.

(3) The business name of the central depository must include the designation "central securities depository". A person who is not a central depository or a foreign central depository may not use the designation "central securities depository

(4) The central depository and the foreign central depository establish the rules for the provision of information pursuant to Section 115. These rules are binding for participants of the central depository and foreign central depository, issuers of book-entry financial instruments maintained in the central registry and owners or other authorised persons in relation to financial instruments registered pursuant to Section 202a and persons who keep records connected to the central registry of book-entry securities. When providing information pursuant to Section 115, subsection 3, these rules are also binding for persons who keep separate records of financial instruments.

#### Section 101

(1) In relation to owners of financial instruments whose accounts are kept in the records of the Securities Centre, the central depository has taken over the central depository pursuant to Section 202 and who have not yet concluded a contract with a central depository participant, the central depository is entitled to use the following data to fulfil its obligations set out in this Act and other legal regulations.

- a) from the basic register of residents,
- b) from the information system of the population register,
- c) from the information system of foreigners,
- d) from the information system of the register of identity cards,
- e) from the information system of the register of travel documents,
- f) from the basic register of legal entities, entrepreneurial natural person and public authorities.

(2) The data used pursuant to subsection 1 letter a) are

- a) name, or names, surname, maiden name,
- b) gender,
- c) address of residence,
- d) date, place and district of birth and, in the case of a data subject born abroad, the date, place and country of birth,
- e) date of death; if a decision of a court declaring the data subject dead is issued, the day stated in the decision as the day of death or the day on which the data subject declared dead did not survive,
- f) citizenship,
- g) numbers and types of identification documents and the date of their expiry,

- h) marital status or registered partnership,
- i) restrictions on legal capacity.

(3) The data used pursuant to paragraph 1 letter a b) are

- a) name, or names, surname, maiden name,
- b) date of birth,
- c) gender,
- d) place and district of birth and, in the case of a data subject who was born abroad, the place and country of birth,
- e) social security number,
- f) citizenship,
- g) address of permanent residence,
- h) date of entry into force of the decision of a court approving the agreement on decision-making assistance or representation by a household member, including the reference number and the designation of the court that approved the agreement or representation, date of entry into force of the decision of a court on the restriction of legal capacity, including the reference number and the designation of the court that decided on the restriction of legal capacity, date of entry into force of the decision of a court on the cancellation of the restriction of legal capacity, date of dismissal of the decision-making assistant by the court and date of termination of representation by a household member,
- i) date of death,
- j) day that was stated in the decision of a court on the declaration of death is given as the date of death or the day on which the data subject declared dead did not survive,
- k) guardianship data in the following scope

1. name, or names, surname, maiden name, social security number, if assigned, and personal identification number, if assigned, of the guardian who is a natural person; if the guardian was not assigned a social security number, the date, place and district of his/her birth and, in the case of a guardian who was born abroad, the place and state where he/she was born,
2. name and address of the registered office of the guardian who is a legal person,
3. date of entry into force of the decision of a court appointing the guardian, the reference number of this decision and the designation of the court that decided on the appointment of the guardian, the date of entry into force of the cancellation of the decision of a court appointing the guardian.

(4) The data used pursuant to paragraph 1 letter a c) are

- a) name, or names, surname, maiden name,
- b) date of birth,
- c) gender,

- d) place and state or district of birth,
- e) social security number,
- f) citizenship, or multiple citizenships,
- g) type and address of place of residence in the territory, if this place is the seat of an administrative authority, also information that it is an office address, or the address to which documents are to be delivered under another legal regulation,
- h) date of entry into force of the decision of a court on the restriction of legal capacity, including the reference number and the designation of the court that decided on the restriction of legal capacity,
- i) date of death,
- j) the day that was stated in the decision of a court on the declaration of death as the day of death or the day that the data subject declared dead did not survive,
- k) number and validity of the residence permit,
- l) beginning of residence, or date of end of residence in the Czech Republic.

(5) The data used pursuant to subsection 1 letter d) are

- a) the number or series of the identity card,
- b) the date of issue of the identity card,
- c) the designation of the authority that issued the identity card,
- d) the date of expiry of the identity card,
- e) the date of actual expiry of the invalid identity card.

(6) The data used pursuant to subsection 1 letter e) are

- a) the number and type of the travel document,
- b) the date of issue of the travel document,
- c) the date of expiry of the travel document,
- d) the designation of the authority that issued the travel document,
- e) the date of expiry of the lost, stolen or invalid travel document.

(7) The data used pursuant to subsection 1 letter f) are the name, or names, and surname of a entrepreneurial natural person or a foreign person and the organisational unit of a foreign person, including data kept in the form of a reference link (agency identifier code of the natural person) to a reference data in the population register.

(8) The central depository is authorized to establish and manage an information system that allows it to use data kept in public administration information systems pursuant to subsection 1.

(9) The information system pursuant to subsection 8 must enable remote and continuous evaluation of records of the provision and use of data for the needs of data protection records.

Section 102

**cancelled**

Section 103

**cancelled**

Section 103a

**cancelled**

Section 104

**cancelled**

Section 104a

**cancelled**

Section 104b

**cancelled**

Section 105

**cancelled**

Section 106

**cancelled**

Section 107

**cancelled**

Section 107a

**cancelled**

Section 108

**cancelled**

Section 109

**cancelled**

Section 110

**cancelled**

Section 111

**cancelled**

**title omitted**

**title omitted**

Section 112

**cancelled**

Section 113

**cancelled**

Section 114

**cancelled**

TITLE III

PROVISION OF DATA BY THE PERSON KEEPING THE RECORD OF FINANCIAL  
INSTRUMENTS

Section 115

(1) The person who maintains the central register of book-entry securities and the person who separately maintains the register of financial instruments shall provide data from the register and documents that are required to be kept pursuant to Section 99a, subsection 1

- a) court for the purposes of court proceedings,
- b) to the executor for the purposes of enforcement proceedings in which the owner of the financial instrument is a participant,
- c) to law enforcement authorities for the purposes of criminal proceedings,
- d) tax administrators for the purposes of tax administration of the owner of the financial instrument,
- e) Czech National Bank for purposes
  - 1. financial market supervision,
  - 2. the banking information system according to the law governing the activities of the Czech National Bank,
  - 3. compiling the balance of payments of the Czech Republic,
- f) to the insolvency administrator for the purposes of insolvency proceedings in which the owner of the financial instrument is a participant,
- g) To the Security Information Service for the purpose of performing tasks according to the law regulating the activities of the Security Information Service,
- h) to the Financial analytical office when fulfilling the reporting obligation under the Act on Combating the Legalization of Criminal Proceeds and the Financing of Terrorism or the Act on the Implementation of International Sanctions for the Purpose of Maintaining International Peace and Security, Protecting

Basic Human Rights and Combating Terrorism,

i) to the Ministry for the purposes of compiling government financial statistics and fulfilling requirements related to the notification of the government deficit according to the directly applicable legal regulation of the European Union<sup>12a)</sup>.

(2) The person who keeps the records connected to the central register of book-entry securities shall, upon request, provide the person who keeps the central register of book-entry securities with data from the register and documents that he is obliged to keep according to Section 99a from subsection 1.

(3) A person who keeps separate records of financial instruments may provide data according to subsection 1 through the central depository under the conditions set by the contract concluded with the central depository.

(4) The person who keeps the records connected to the separate record of financial instruments shall, upon request, provide the person who manages the separate record of financial instruments with data from the records and documents that he is obliged to keep according to Section 99a, subsection 1.

(5) A person who keeps a central record of book-entry securities and a person who keeps a separate record, when providing data to the persons referred to in subsection 1, is entitled to payment of the incurred costs against these persons. The method of determining the amount of physical costs incurred and the method of their payment shall be determined by an implementing legal regulation.

## **PART TEN**

### **CERTAIN PROVISIONS RELATING TO CENTRAL COUNTERPARTIES**

#### **Section 115a**

##### **Authorisation to operate a CCP**

(1) In the Czech Republic, the competent authority for authorising central counterparties according to the directly applicable regulation of the European Union governing OTC derivatives, central counterparties and trade repositories<sup>43)</sup> is the Czech National Bank.

(2) An application for authorisation to operate a central counterparty can only be submitted electronically.

(3) The application pursuant to subsection 2 contains, in addition to the requirements established by the administrative regulations, also data and documents proving the fulfilment of the conditions for granting an authorisation.

(4) The details of the requirements of the application according to subsection 2, its format and other technical requirements shall be determined by the implementing legal regulation.

#### **Section 115b**

##### **Notification obligation**

If the requirements pursuant to Article 70 paragraph 1 of Regulation (EU) 2021/23 of the European Parliament and of the Council<sup>76)</sup> are fulfilled, a member of the board or senior management of the central counterparty shall notify the Czech National Bank without undue delay.

#### **Section 115c**

### **Bid obligation**

By acquiring a decisive share of voting rights in a central counterparty as a result of the application of measures to resolve the crisis of the central counterparty pursuant to Title V of Regulation (EU) 2021/23 of the European Parliament and of the Council<sup>76)</sup>, the acquirer does not have a tender obligation under the law governing takeover bids.

#### Section 115d

### **Proceedings of the general meeting**

If the conditions for the application of early intervention measures are met according to Article 18 of Regulation (EU) 2021/23 of the European Parliament and of the Council<sup>76)</sup> and if there is a capital increase on the agenda of the general meeting or a similar body of the central counterparty, which is necessary to prevent the fulfilment conditions for the application of measures to resolve the crisis of the central counterparty according to Article 22 of Regulation (EU) 2021/23 of the European Parliament and of the Council<sup>76)</sup>, the time limit for convening a general meeting or a similar body according to another legal regulation can be shortened to at least 11 days.

#### Section 115e

### **Change in the amount of the share capital**

(1) When applying measures to resolve the crisis of the central counterparty according to Title V of Regulation (EU) 2021/23 of the European Parliament and of the Council<sup>76)</sup>, the provisions of the Act governing the legal relations of commercial companies and cooperatives on changes in the amount of the share capital shall not be applied.

(2) The change in the amount of the registered capital of the obliged entity, which occurred due to the application of measures to resolve the crisis of the central counterparty according to Title V of Regulation (EU) 2021/23 of the European Parliament and of the Council<sup>76)</sup>, shall be entered in the commercial register. The effects of the change in the amount of the share capital occur through the enforceability of the decision to apply measures to resolve the crisis.

(3) The basis for registration in the commercial register is the decision to apply measures to resolve the crisis of the central counterparty pursuant to Title V of Regulation (EU) 2021/23 of the European Parliament and of the Council<sup>76)</sup>. This decision is based on a collection of documents.

#### Section 115f

### **Transformations**

(1) If there is a transformation of a central counterparty, which is subject to a crisis prevention measure pursuant to Article 2 point 48 of Regulation (EU) 2021/23 of the European Parliament and of the Council<sup>76)</sup> or against which a measure to resolve the crisis of a central counterparty is applied according to Title V of Regulation (EU) 2021/23 of the European Parliament and of the Council<sup>76)</sup>, the procedure shall be in accordance with the law governing the transformation of commercial companies and cooperatives, unless subsections 2 to 7 stipulate otherwise. This applies similarly to a person participating in such conversion with a CCP.

(2) In the case of a conversion involving a central counterparty pursuant to subsection 1, the provisions of the law governing the conversion of commercial companies and cooperatives and the law governing public registers of legal and natural persons shall not apply in relation to the central counterparty, or the person participating in the conversion with that central counterparty, its partners or members, employees and creditors on



- a) appointment of an expert
- b) information about conversion,
- c) creditor protection,
- d) the right to call,
- e) right of redemption and withdrawal from a company,
- f) liability for damage,
- g) invalidity of conversion,
- h) employee participation and employees' right to information,
- i) review of the transformation by an expert,
- j) certificate of cross-border conversion and the certificate of registration in the commercial register,
- k) conditions for registration of the conversion in the commercial register.

(3) The conversion report involving a central counterparty, referred to in paragraph 1 or persons involved in a conversion with that central counterparty, does not need to be processed, or may be processed in a condensed form.

(4) The conversion is approved by the general meeting or similar supreme body of the central counterparty of the Czech National Bank pursuant to subsection 1. The Czech National Bank will ensure the development of the project for the transformation of the central counterparty pursuant to subsection 1 at the expense of the obliged person. The conversion project and the decision of the Czech National Bank taken within the scope of the general meeting or a similar supreme body of the central counterparty pursuant to subsection 1 on the approval of the conversion do not have to be in the form of a notary record.

(5) The preliminary estimate and valuation of the assets and debts of the central counterparty pursuant to subsection 1 will be carried out in accordance with the directly applicable regulation of the European Union regulating the framework for recovery procedures and crisis resolution of central counterparties <sup>76)</sup>.

(6) The Czech National Bank shall publish information on the conversion of the central counterparty pursuant to subsection 1 within the scope of the data pursuant to the Act regulating public registers of legal and natural persons on its website without undue delay. In such a case, the legal effects of the conversion of the central counterparty pursuant to subsection 1 towards the persons pursuant to subsection 2 shall take effect on the date of publication of such information on the conversion by the Czech National Bank; publication or disclosure of information on the conversion of such central counterparty pursuant to the Act on conversions of companies and cooperatives shall not be required in this case.

(7) Creditors and owners of instruments of participation in the central counterparty pursuant to subsection 1 will be satisfied in accordance with the directly applicable regulation of the European Union regulating the framework for recovery procedures and crisis resolution of central counterparties <sup>76)</sup>.

(8) In connection with the conversion of the central counterparty pursuant to subsection 1, the

Czech National Bank may decide to apply the depreciation and conversion tool and take this fact into account in the conversion project.

#### Section 115g

##### **Decision**

(1) The decision of the Czech National Bank on measures to resolve the crisis of the central counterparty is enforceable at the time of notification of this decision to the parties to the proceedings, unless otherwise stipulated by the decision of the Czech National Bank. The decision can be delivered by public decree. The decision is considered delivered at the moment of its publication on the website of the Czech National Bank. Publication on the official board is not required.

(2) The first act in the procedure for the issuance of a decision pursuant to subsection 1 may be the issuance of this decision.

(3) The court shall give a priority decision on the action against the decision pursuant to subsection 1. It is believed that granting a suspensive effect to this lawsuit would be contrary to an important public interest in the sense of Section 73, subsection 2 of the Administrative Procedure Code, unless proven otherwise.

#### Section 115h

##### **Measures of a general nature**

(1) The use of the CCP crisis resolution tool pursuant to Article 27 paragraph 1 of Regulation (EU) 2021/23 of the European Parliament and of the Council<sup>76)</sup> to an unspecified group of persons shall be carried out by the Czech National Bank through measures of a general nature.

(2) A measure of a general nature pursuant to subsection 1 is issued without proceedings on a draft measure of a general nature. A measure of a general nature takes effect at the moment of publication, unless a later time of taking effect is specified.

(3) Persons whose rights, obligations or legitimate interests may be affected by a measure of a general nature are entitled to submit written, reasoned objections to a measure of a general nature within a period of 5 working days from the date of its publication. The Czech National Bank will deal with the submitted objections by communication. The Czech National Bank can use the submitted objections as a basis for changing or cancelling the issued measure of a general nature.

## **PART ELEVEN**

### **PROTECTION OF THE CAPITAL MARKET AND INVESTORS**

#### **TITLE I**

##### **OBLIGATION OF CONFIDENTIALITY**

#### Section 116

##### **title omitted**

(1) A natural person who is or was an investment intermediary, a tied agent, a person with management authority pursuant to Article 3 paragraph 1 point 25 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council, a forced administrator, a temporary administrator and a person carrying out administration for crisis resolution pursuant to the law regulating recovery

procedures and crisis resolution in the financial market, a liquidator, an insolvency administrator, a partner of an insolvency administrator or an employee of a person who keeps records of financial instruments, a regulated market organiser, an investment firm, a foreign person providing investment services in the Czech Republic, through a branch, investment intermediary, tied representative, settlement system operator or person included in a consolidation unit subject to supervision on a consolidated basis by the Czech National Bank, is obliged to maintain the confidentiality of information that may be relevant to the assessment of developments on the capital market or may significantly damage it a person using services provided on the capital market, and which has not been published.

(2) The obligation of confidentiality continues even after the termination of the activities of the persons referred to in subsection 1.

## Section 117

### **title omitted**

Unless otherwise stated by law, the persons listed in Section 116 are exempt from the obligation to maintain confidentiality for the purposes of

- a) civil court proceedings,
- b) administrative court proceedings,
- c) criminal proceedings,
- d) administration of taxes and fees,
- e) financial market supervision,
- f) providing information to the Ministry in fulfilling its obligations under the Law on Combating the Legalization of Criminal Proceeds and the Financing of Terrorism or the Law on the Implementation of International Sanctions for the Purpose of Maintaining International Peace and Security, Protecting Basic Human Rights and Combating Terrorism,
- g) the banking information system of the Czech National Bank in accordance with the law governing the activities of the Czech National Bank,
- h) balance of payments of the Czech Republic compiled by the Czech National Bank,
- i) enforcement proceedings,
- j) insolvency proceedings,
- k) inspections and imposition of sanctions by the organiser of the regulated market,
- l) providing information to the Security Information Service when performing tasks according to the law that regulates the activities of the Security Information Service.

## TITLE II

### INFORMATION OBLIGATION OF THE ISSUER OF CERTAIN TRANSFERABLE SECURITIES AND OTHER PERSONS

#### Section 117a

For an exchangeable bond, a priority bond or a similar security issued abroad, which, after the transfer or exercise of the right arising from it, entitles the acquisition of a share or a similar security representing a share in a company or other legal entity, for the purposes of this part of the Act, the legal adjustment for a share or similar security representing a stake in the issuer [Section 118 subsection 1 letter a)].

## Section 118

### **Annual financial report of the issuer**

(1) The issuer is obliged to publish the annual financial report no later than 4 months after the end of the accounting period

a) a share or a similar security representing a stake in this issuer, if this security is accepted for trading on a European regulated market and if this issuer has its registered office in the territory

1. of the Czech Republic, or
2. of a state that is not a member state of the European Union, if this issuer has chosen the Czech Republic as the reference state (Section 123),

b) a bond or similar security representing the right to repayment of the amount owed by this issuer or another transferable security, the value of which is related to the repayment of the amount owed by this issuer, including securitized debt, if the nominal value of this security on the date of its issue is not nearly equal or greater than the amount corresponding to EUR 1,000 if this security is admitted to trading on a European regulated market and if this issuer is established in the territory

1. of the Czech Republic, or
2. of a state that is not a member state of the European Union, if this issuer has chosen the Czech Republic as the reference state,

c) a bond or similar security representing the right to repayment of the amount owed by this issuer or another transferable security whose value is related to the repayment of the amount owed by this issuer, including securitized debt, if the nominal value of this security on the date of its issue is almost equal to or higher than the amount corresponding to EUR 1,000, if this security is accepted for trading on a European regulated market and if this issuer has chosen the Czech Republic as the reference country, or

d) another transferable security, if this security is accepted for trading on a European regulated market and if this issuer has chosen the Czech Republic as the reference state.

(2) The issuer's annual financial report is an integral whole and always constitutes it

a) financial statements verified by an auditor and consolidated financial statements verified by an auditor, if the issuer is required to compile them,

b) an annual report pursuant to the law governing accounting or a consolidated annual report pursuant to the law governing accounting, if the issuer is required to draw up consolidated financial statements; the issuer's annual financial report is viewed as an annual report pursuant to the law governing accounting or as a consolidated annual report pursuant to the law governing accounting, if the issuer is required to prepare consolidated financial statements, and

c) a statement by the issuer's responsible persons, together with their names and functions, that to the best of their knowledge

1. the financial statements and consolidated financial statements, if the issuer is required to prepare them, drawn up in accordance with the applicable set of accounting standards, give a true and fair view of assets, liabilities, financial situation and financial results of the issuer and the units included in the consolidation as a whole

2. the annual report according to the law regulating accounting or the consolidated annual report

according to the law regulating accounting contains a true overview of the development and results of the issuer and the position of the issuer and the units included in the consolidation as a whole, together with a description of the main risks and uncertainties it faces,

3. the sustainability report or consolidated sustainability report, if the issuer is required to prepare one, is prepared in accordance with the sustainability reporting standards adopted by the European Commission and the requirements established pursuant to Article 8 paragraph 4 of the directly applicable European Union regulation governing the framework for the facilitation of sustainable investments<sup>74</sup>).

(3) The issuer prepares the annual financial report in accordance with the directly applicable regulation of the European Union regulating the uniform electronic format for reporting<sup>67</sup>). The issuer shall ensure that the published annual financial report is publicly accessible for at least 10 years.

(4) Part of the annual report or consolidated annual report pursuant to subsection 2 letter b) the issuer according to subsection 1 is also the report on the management and administration of the company, which it contains

a) information on the management and administration codes of the company, which

1. are binding for him, and information on where the code can be viewed, a
2. complies voluntarily, and information on where the code can be viewed,

b) information on company management and administration procedures used beyond the requirements of this Act and their detailed description, if used,

c) instead of the information according to letters a) and b) information that it does not comply with certain provisions of the Code of Management and Administration of the company, or that it does not comply with any code, including the justification why it does not comply with this provision or any code,

d) description of the main parameters of internal control and risk management systems in relation to the financial reporting process,

e) a description of the rights associated with the relevant type of share or similar security representing a stake in the issuer, at least with a reference to

1. the law governing the legal relations of commercial companies and cooperatives and the articles of association of the issuer, if it is a type of share, or
2. a comparable foreign legal regulation and a similar document of the issuer, if it is a type of similar security representing a share in the issuer,

f) a description of the composition and decision-making procedures of the issuer's management body and its committees, if established,

g) a description of the decision-making procedures and the basic scope of competence of the issuer's general meeting or a similar gathering of owners of securities representing a stake in the issuer,

h) in the case of an issuer that, as of the balance sheet date, exceeds at least 2 threshold values according to Section 1b, subsection 3 of the Accounting Act, also a description of the diversity policy applied to the issuer's management body, taking into account gender and other criteria such as age, disability or education and professional knowledge and experience, including information about

1. the objectives of this policy,
2. methods of its application and
3. the results of its application in the relevant accounting period,

i) instead of the information according to letter h), information that the issuer does not apply the diversity policy according to letter h), including the justification why it does not apply this policy, and

j) instead of the information according to letter h) and i), information that this information is included in the sustainability report, if this information is included therein.

(5) Report on management and administration pursuant to subsection 4 of the issuer pursuant to subsection 1 letter a) also contains numerical data and information about

a) the structure of the issuer's equity capital, including securities not accepted for trading on the European regulated market and including the possible designation of different types of shares or similar securities representing a share in the issuer and a share in the share capital of each type of shares or similar securities representing a share in the issuer, together with an indication of the rights and obligations associated with such securities and with an indication of the percentage of the total share capital that it represents,

b) restrictions on the transferability of securities,

c) significant direct and indirect shares in the voting rights of the issuer,

d) proprietary securities with special rights, including a description of these rights,

e) limitation of voting rights,

f) contracts between shareholders or similar owners of securities representing a share in the issuer, which may result in difficulties in the transferability of shares or similar securities representing a share in the issuer or voting rights, if known to the issuer,

g) special rules determining the election and dismissal of members of the issuer's management body and the amendment of the issuer's articles of association or similar document,

h) special powers of the issuer's management body,

i) significant contracts to which the issuer is a party and which become effective, change or expire in the event of a change of control under the Business Corporations Act of the issuer as a result of a takeover offer, and the effects resulting therefrom, with the exception of such contracts, the publication of which would be seriously damaging to the issuer; this does not limit any other obligation to publish such information pursuant to this Act or other legal regulations,

j) contracts between the issuer and members of its management body or employees, which the issuer is obliged to fulfil in the event of the end of their function or employment in connection with the takeover offer, and

k) the control system of the program based on which members of the management body or employees of the issuer acquire participating securities of the company, options on these securities or other rights to them, if they do not exercise these rights themselves.

(6) The management body of the issuer referred to in subsection 1 letter a) at the regular general meeting or a similar regular meeting of the owners of securities representing a stake in the issuer, he shall submit to the shareholders or similar owners of securities representing a stake in the issuer a summary explanatory report regarding the matters referred to in subsection 5.

(7) The annual report or the consolidated annual report of the issuer pursuant to subsection 1 with its registered office in a state that is not a member state of the European Union must contain information equivalent to the information contained in the annual report pursuant to the law governing accounting or the consolidated annual report pursuant to the law governing accounting.

(8) If the general meeting or a similar meeting of owners of securities representing a share in the issuer does not approve the financial statements or consolidated financial statements or if a judicial

authority decides on the invalidity of the general meeting or a similar meeting of owners of securities representing a share in the issuer that approved the financial statements or consolidated financial statements statement, the issuer shall publish these facts without undue delay; the information shall also state the method of resolving the comments of the general meeting or a similar gathering of owners of securities representing a stake in the issuer.

#### Section 119

##### **Semi-annual financial report**

(1) The issuer pursuant to Section 118 subsection 1 letter a).

(2) The half-yearly financial report always contains

a) abbreviated set of financial statements,

b) a description of important events that occurred in the first 6 months of the accounting period and their impact on the abbreviated set of financial statements, together with a description of the main risks and uncertainties for the remaining 6 months of the accounting period, and for issuers pursuant to Section 118 subsection 1 letter a) also a description of transactions with related parties in the first 6 months of the accounting period, which significantly affected the economic results of the issuer or its consolidated unit, and

c) a statement by the responsible persons of the issuer, together with their names and functions, that to the best of their knowledge, the abridged set of financial statements presents a true and fair view of the assets, liabilities, financial situation and financial results of the issuer and its consolidated entity, and a description according to letter b) contains a faithful overview of the information required under letter b).

(3) If the half- yearly financial report has been verified by an auditor and if the auditor's review report is not part of the content of the half-yearly financial report, the issuer shall publish the auditor's report together with the half-yearly financial report. If the semi-annual financial report has not been verified by an auditor, the issuer shall state this in the semi-annual financial report.

(4) If the issuer is required to prepare consolidated financial statements, the abbreviated set of financial statements contains numerical data and information in the scope of interim financial statements according to the international accounting standard IAS 34 - Interim financial reporting, according to the annex to Commission Regulation (EC) No. 1126/2008<sup>65)</sup>.

(5) If the issuer is not required to prepare consolidated financial statements, the abbreviated set of financial statements contains at least numerical data and information to the extent of the abbreviated balance sheet, abbreviated income statement and selected explanatory notes. When preparing the abbreviated balance sheet and the abbreviated income statement, the issuer follows the same accounting and valuation principles as when preparing the annual financial report.

#### Section 119a

##### **Report on payments paid to the state**

The issuer referred to in Section 118, subsection 1, which operates in the mining industry, timber or forestry, shall publish a report on a consolidated basis containing figures and information on payments made to state administration bodies in accordance with the Act on Accounting no later than 6 months after the end of the accounting period. The issuer will ensure that this published report is publicly accessible for at least 10 years.

## Section 119b

### **Posting Additional Information**

(1) The issuer referred to in Section 118 subsection 1 letter a) shall publish without undue delay any change in the rights associated with a certain type of shares or similar securities representing the right to a share in the issuer. He has the same obligation in the event of a change in the rights associated with the financial instrument issued by the issuer and which is associated with the right to acquire shares issued by him or similar securities representing the right to a share in the issuer accepted for trading on a European regulated market.

(2) The issuer referred to in Section 118 subsection 1 letter b), c) or d) shall publish without undue delay any change in the rights associated with the transferable security referred to in Section 118 subsection 1 letter b) and c) that issued, in particular, shall publish information about a change in the emission conditions or a document similar to the emission conditions.

## Section 119c

### **Exemptions from the obligation to publish information**

(1) The obligations set forth in Sections 118 to 119a do not apply to

a) the issuer referred to in Article 1 paragraph 2 letter b) Regulation of the European Parliament and the Council (EU) 2017/1129<sup>66)</sup> a

b) an issuer that exclusively issues any of the financial instruments listed in Section 118 subsection 1 letter c) if the nominal value of such a financial instrument corresponds to at least EUR 100,000 on the date of issue.

(2) The obligations set forth in Section 119 do not apply to the issuer who

a) is a person specified in Section 2a subsection 1 letter a) or b) or a foreign person with a similar activity, whose shares are not accepted for trading on a regulated market and which continuously or repeatedly exclusively issues financial instruments referred to in Section 118 subsection 1 letter c) if their total nominal value did not exceed the amount corresponding to EUR 100,000,000 and the issuer of these instruments did not publish a prospectus in accordance with the directly applicable regulation of the European Union governing the prospectus to be published in the event of a public offer or acceptance of securities for trading on a regulated market<sup>66)</sup>, or

b) was established before January 1, 2004 and issues exclusively the financial instruments listed in Section 118 subsection 1 letter c) unconditionally and irrevocably guaranteed by the Czech Republic or a territorial self-governing unit of the Czech Republic.

### **Other obligations of the issuer**

## Section 120

(1) The issuer referred to in Section 118 subsection 1 shall submit without undue delay to the organiser of the European regulated market on which the transferable security issued by it is accepted for trading, and to the Czech National Bank, a proposal for each decision to reduce or increase the share capital.

(2) The issuer referred to in Section 118 subsection 1 letters a), b) or c)

a) ensure equal treatment of all owners of transferable securities issued by him, who have the same status



as a result of ownership of these securities; it is not a breach of this obligation if a transferable security of the same type is associated with a different number of voting rights,

b) ensures the payment of income from a transferable security or other monetary performance associated with a transferable security issued by him; the issuer pays the proceeds or other monetary payments through the person designated by it referred to in Section 2a subsection 1 letters a) to c) or foreign persons with similar activities.

(3) The issuer referred to in Section 118 subsection 1 letters a), b) or c) at the latest on the day of publication of the notice of the holding of the general meeting or a similar meeting of owners of securities representing a stake in the issuer or a meeting of bond owners or a similar meeting of owners of securities representing the right to repay the amount owed, or on the day of sending the invitation to shall make such meeting of security holders available in paper form to any person at its registered office until the date of such meeting of security holders or, in the case of an issuer that provides information by electronic means that authorisation the transmission of data by wire, radio, optical or other electromagnetic means, processing data including digital compression and data storage (hereinafter referred to as "electronic means"), in accordance with subsection 5, shall send by electronic means a form of power of attorney to represent the security owner at the meeting of security owners. The issuer will simultaneously publish this form on its website.

(4) Everyone has the right to request the sending of the power of attorney form e according to subsection 3 at his own expense and risk in paper form or by electronic means. The owner of a security issued by the issuer must be notified in the invitation to make available the power of attorney form in accordance with subsection 3 in paper form at the issuer's headquarters, its publication on the issuer's website, and the right to request that it be sent in paper form or by electronic means at his own expense and risk to the meeting referred to in subsection 3 or in the notice of the meeting referred to in subsection 3. Issuer pursuant to Section 118 subsection 1 letter a) ensure the possibility of announcing the granting of a power of attorney for representation at a general meeting or a similar gathering of securities owners, as well as its revocation by the principal, by electronic means.

(5) If the articles of association or a document similar to the articles of association of the issuer referred to in Section 118 subsection 1 letter a) or bond issue conditions or a document similar to the issuer's bond issue conditions pursuant to Section 118 subsection 1 letter b) or c) no longer contain this option, then the general meeting or a similar gathering of the owners of securities representing a share in the issuer, if it is an issuer pursuant to Section 118 subsection 1 letter a), or a meeting of bond owners or a similar gathering of owners of securities representing the right to repayment of the owed amount, if it is an issuer pursuant to Section 118 subsection 1 letter b) or c), may decide to provide information regarding the exercise of the rights of the owner of a security issued by this issuer by electronic means only if this issuer

a) does not bind the provision of information relating to the exercise of the security owner's rights by electronic means to the residence or registered office of the security owner, an agent authorised to represent him or the person referred to in Section 122 subsection 2 letters a) to h),

b) ensures effective management of data on the owner of the security or on the person authorised to exercise voting rights on his behalf and ensures technical conditions for the protection of processed, stored and transmitted data,

c) informs the owner of the security issued by him or the person authorised to exercise voting rights on his behalf of the decision of the meeting of security owners to provide information regarding the exercise of the security owner's rights by electronic means, without undue delay, in the manner in which he convenes such a meeting of security owners expressing consent within a reasonable period, with the understanding that if he does not express his objections within this period, his consent is considered to be given and

d) provides any information regarding the exercise of the security owner's rights by electronic means to each owner of securities issued by him and to each person referred to in Section 122 subsection 2 letters a) to e); this does not apply to a person who has asked the issuer in writing to send information at his own expense and risk in paper form.

(6) The issuer referred to in subsection 5 shall also ensure the fulfilment of the conditions set out in subsection 5 in the event that the articles of association or a document similar to the articles of association or the issue conditions or a document similar to the issue conditions contain the possibility to provide information regarding the exercise of the rights of the owner of the given security by electronic means.

(7) The issuer referred to in Section 118 subsection 1 letters b), c) or d) provides information on

a) payment of income from a transferable security or a similar monetary payment connected to a transferable security issued by the issuer,

b) convening a general meeting of the issuer or a similar meeting of owners of securities representing a stake in the issuer, or a meeting of bond owners or a similar meeting of owners of securities issued by the issuer representing the right to repayment of the owed amount,

c) changes in the rights associated with a transferable security according to Section 119b,

d) other facts relating to the exercise of rights associated with a transferable security, which the issuer is obliged to publish according to other legal regulations.

(8) The person who keeps the central register of book-entry securities shall publish the information received pursuant to subsection 7 on his website.

#### Section 120a

(1) In addition to the requirements established by the law governing the legal relations of commercial companies and cooperatives or comparable requirements of foreign legislation, it contains, in the case of the issuer pursuant to Section 118 subsection 1 letter a), an invitation to a general meeting or a similar meeting of owners of securities representing a share in the issuer or a notice of a general meeting or a similar meeting of owners of securities representing a share in the issuer

a) notification of the rights of the owner of a security related to participation in a general meeting or similar gathering of owners of securities representing a share in the issuer and information on the total number of shares and securities representing a share in the issuer and the voting rights associated with them,

b) a clear and specific description of how to participate, including on the basis of a power of attorney, a general meeting or a similar gathering of owners of securities representing a stake in the issuer, and how to vote at a general meeting or a similar meeting of owners of securities representing a stake in the issuer, including information about

1. the right to apply proposals and counter-proposals to proposals, the content of which is stated in the invitation to the general meeting or a similar meeting of the owners of securities representing a share in the issuer or in the notice of the holding of the general meeting or a similar meeting of the owners of securities representing a share in the issuer,

2. the right to request the inclusion of a specified matter on the agenda of the general meeting or a similar meeting of owners of securities representing a stake in the issuer and the deadlines related to the exercise of this right; in the event that information about this right is provided on the issuer's website, it is sufficient if the invitation or notification contains information on the deadlines related to the exercise of this right and a link to the issuer's website, including where the relevant information can be found,

3. the manner in which the issuer receives, by electronic means, a communication on the granting of a power of attorney to represent the owner of a security at a general meeting or a similar gathering of owners of securities representing a stake in the issuer,
4. the method and procedure for postal voting or voting by electronic means, if the issuer allows such voting,

c) data on the method and place of obtaining the documents referred to in Section 120b subsection 1,

d) a link to the issuer's website, including information on where the information referred to in Section 120b subsection 1 can be found.

(2) If there is to be a meeting of the general meeting or a similar meeting of owners of securities representing a stake in the issuer referred to in Section 118 subsection 1 letter a) a decision on the payment of income from a security or other monetary payment connected to a security, this issuer shall publish together with the notice of the holding of the general meeting or a similar meeting of the owners of securities representing a share in the issuer or send to the owners of the securities together with the invitation to the general meeting or a similar gathering of owners of securities representing a share in the issuer, the proposed schedule for the payment of income or other monetary benefits and information about the person through whom the income or other monetary benefits will be paid. In the same way, the issuer informs the owner of the security or his proxy without unnecessary delay about the outcome of the meeting of the general meeting or a similar gathering of owners of securities representing a stake in the issuer.

(3) If it is to be on the agenda of the general meeting or a similar meeting of owners of securities representing a stake in the issuer referred to in Section 118 subsection 1 letter a) the decision to increase or decrease the share capital, to split securities, to merge several securities into one or to change the form or type of security, shall be published together with the notice of the holding of the general meeting or a similar gathering of the owners of securities representing a stake in the issuer or sends the owner of a security together with an invitation to a general meeting or a similar gathering of owners of securities representing a stake in the issuer, information on the impact of such a decision on the rights of the owner. In the same way, the issuer informs the owner of the security or his proxy without unnecessary delay about the outcome of the meeting of the general meeting or a similar gathering of owners of securities representing a share in the issuer at this point of the meeting.

(4) If the statutory body decides to increase or decrease the share capital on the basis of the mandate of the general meeting or a similar gathering of owners of securities representing a share in the issuer, subsection 3 shall be applied proportionately.

#### Section 120b

(1) The issuer pursuant to Section 118 subsection 1 letter a) is obliged, no later than the date of publication of the notice of the holding of the general meeting or a similar meeting of the owners of securities representing a share in the issuer or the day of sending the invitation to the general meeting or a similar meeting of the owners of securities representing a share in the issuer, to publish

a) this notice or this invitation,

b) every document related to the meeting agenda of the general meeting or a similar meeting of owners of securities representing a stake in the issuer; the document does not have to be published in whole or in part, if it follows from careful business judgment that its publication could cause harm to the issuer, or, in the case of the information contained in the document, it is inside information or information that is the subject of a commercial, banking or similar secret issuer or classified information according to another legal regulation; the issuer's statutory body will decide whether it is such information,

c) a form that can be used to vote by mail or by electronic means,

d) draft resolution of the general meeting or a similar gathering of owners of securities representing a stake in the issuer, or the opinion of the issuer's statutory body on individual points of the proposed meeting agenda of the general meeting or a similar gathering of owners of securities representing a stake in the issuer,

e) the written wording of the delivered proposal or counter-proposal of the shareholder or the owner of a security representing a share in the issuer to the proposals, the content of which is stated in the invitation to the general meeting or a similar meeting of the owners of securities representing a share in the issuer or in the notice of the holding of the general meeting or a similar meeting of owners of securities representing a stake in the issuer and

f) the total number of shares and securities representing a stake in the issuer issued as of the date of publication of the notice or sending of the invitation, as well as the total number of votes associated with them; if the issuer has issued different types of shares and securities representing a share in the issuer, it shall state this information separately for each type of share and security representing a share in the issuer.

(2) The issuer pursuant to Section 118 subsection 1 letter a) publish within 15 days from the date on which the general meeting or a similar gathering of owners of securities representing a stake in the issuer was held, information on

a) the number of valid votes cast when voting on each proposal, the number of shares and securities representing a stake in the issuer with which these votes are associated, and the amount of the share in the issuer's share capital or voting rights represented by these shares and these securities representing a stake on the issuer, a

b) the total number of valid votes cast for the proposal, against the proposal and the number of votes regarding which voters abstained from voting.

(3) The issuer referred to in Section 118 subsection 1 letter a) make the documents referred to in subsection 1 available to shareholders or owners of securities representing a stake in the issuer and publish the information referred to in subsection 2 free of charge on its website. The obligation to publish a notice or invitation to the general meeting according to the law governing the legal relations of commercial companies and cooperatives is not affected by this.

#### Section 120c

(1) The issuer referred to in Section 118 subsection 1 letter b) or c) is obliged to publish or send a notice of holding a meeting of bond owners or a similar gathering of owners of securities representing the right to repayment of the owed amount; in the same way, it shall publish or send, without undue delay, information on the exercise of the right arising from the ownership of such security, the payment of yield, subscription, cancellation or redemption of such security. This does not affect the requirements established by another legal regulation for a document convening a meeting of bond owners, or comparable requirements of a foreign regulation for a document convening a meeting of owners of securities representing the right to repay the amount owed.

(2) If the meeting of bond owners or a similar meeting of owners of securities representing the right to repayment of the owed amount is to be attended only by the owners of the transferable security referred to in Section 118 subsection 1 letter b) or c), the nominal value of which on the issue date corresponds to at least an amount equivalent to EUR 100,000, such meeting of owners or such similar gathering may be held in any Member State of the European Union, provided that the necessary information is provided in that Member State of the European Union and conditions for that owner to exercise their rights.

## Section 121

The issuer referred to in Section 118 subsection 1 may not, when fulfilling its information obligations

- a) use false, misleading or misleading information,
- b) conceal facts important for investors' decision-making,
- c) offer benefits whose reliability cannot be guaranteed,
- d) provide incorrect information about their economic situation.

## Section 121a

If the transferable security referred to in Section 3 subsection 2 letter c) accepted for trading on a European regulated market, fulfils the obligations set out in Section 118, Section 119b subsection 2, Section 120 subsections 1 and 5 and in Section 121 the issuer of a transferable security that is a security referred to in Section 3 subsection 2 letter c) replaced, regardless of whether this replaced transferable security is accepted for trading on a European regulated market.

## Section 121b

If the transferable security was accepted for trading on a regulated market without the consent of the issuer, the obligation to publish information according to this title and title V of this part of the law and according to Article 17 paragraph 1 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council, if the issuer is subject to information obligations under this Act, or comparable information, if the issuer is subject to information obligations under the legal system of another member state of the European Union, the issuer is replaced by the person who applied for admission to trading on the regulated market, or the organiser of the regulated market who himself accepted a transferable security for trading on a regulated market without the consent of the issuer. This obligation is fulfilled if the obliged person publishes the information according to Title VII of this part of the Act without undue delay after it has been published by the issuer; if the requirements for the method and language of publication are complied with, the obliged person will fulfil this obligation even by publishing a link to the place where the information published by the issuer is available.

## TITLE III

### IDENTIFICATION OF SHAREHOLDERS, TRANSFER OF INFORMATION AND FACILITATION OF THE EXERCISE OF SHAREHOLDER RIGHTS

## Section 121c

### **Scope**

The provisions of this title shall apply only in relation to shares or similar securities representing a stake in an issuer based in a member state of the European Union, if they are admitted to trading on a European regulated market.

### **Transmission of information by persons managing property accounts**

## Section 121d

- (1) The person who keeps records of financial instruments shall, at its request, provide the issuer

with information about the owner of the owner's account on which the securities issued by this issuer are registered.

(2) The person who maintains the central registry of book-entry securities shall forward the request pursuant to subsection 1 to the persons who maintain securities issued by the same issuer in the registry connected to the central registry of book-entry securities. If the person who keeps the records connected to the central register of book-entry securities receives a request from the issuer according to subsection 1, he passes it on to the person who keeps the central register of book-entry securities.

(3) If a person who keeps a separate record of financial instruments or records connected to a separate record of financial instruments receives a request pursuant to subsection 1, he shall forward it

- a) to the owner of a client account on which he registers securities issued by the same issuer, a
- b) to a person who maintains a client account for them, on which securities issued by the same issuer are registered.

(4) The data according to subsection 1 are

- a) information about the owner of the owner's account, which they are
  - 1. for a legal entity, the name, identification number of the person and contact address, including e-mail address, if available,
  - 2. for a natural person, name and contact address, including e-mail address, if available,
- b) the number of pieces of securities held by the holder of the owner's account, a
- c) the type of share or similar security or the date from which the holder of the owner's account holds it, if the issuer requires this information.

(5) The form and scope of the issuer's request, the deadlines and the method of submitting the request and data on the owner of the owner's account are determined by the directly applicable regulation of the European Union implementing Article 3a paragraph 8 of Directive 2007/36/EC of the European Parliament and of the Council.

#### Section 121e

(1) The issuer provides, in the period in which it is obliged to publish information, to the person who keeps the central register of book-entry securities and who keeps the issue register for him, information according to Section 120 subsection 7 or information about where this information is published for owners of securities on the issuer's website. This does not apply if the issuer sends the information directly to all shareholders.

(2) If the person who keeps the central register of book-entry securities receives information from the issuer pursuant to subsection 1, he shall forward it

- a) to the owner of a client account on which he registers securities issued by the same issuer, a
- b) to the owner of the owner's account on which he registers securities issued by the same issuer.

(3) If the person who keeps the records connected to the central securities register receives the information according to subsection 1, he passes it on to the persons for whom he keeps the securities issued by the same issuer on the owner's accounts.

(4) If a person who keeps separate records of financial instruments, or a person who keeps records connected to separate records of financial instruments, receives from the issuer or another person

who keeps records of financial instruments, information pursuant to Section 120 subsection 7, will pass on this information

- a) to the owner of a client account on which he registers securities issued by the same issuer, a
- b) to the owner of the owner's account on which he registers securities issued by the same issuer.

(5) The person who keeps records of financial instruments,

- a) informs the issuer of information from the holder of the owner's account regarding the exercise of the rights associated with the security, or
- b) forwards the information according to letter a) to the person who keeps securities issued by the same issuer on the client's account for him.

(6) The form and scope of information, deadlines and the method of their transmission according to subsections 1 to 5 are determined by the directly applicable regulation of the European Union, which implements Article 3b paragraph 6 of Directive 2007/36/EC of the European Parliament and of the Council.

#### Section 121f

##### **Reimbursement of costs incurred in providing information**

A person who registers financial instruments is only entitled to remuneration for the fulfilment of obligations under Sections 121d and 121e if the remuneration is non-discriminatory and proportionate to the actual costs incurred in the fulfilment of these obligations. The person who keeps records of financial instruments shall publish the payment for individual services in accordance with Section 121d and 121e.

#### Section 121g

##### **Relation to foreign registration of financial instruments**

The provisions of this title apply similarly to persons who do not have their registered office in a member state of the European Union and keep shares or similar securities representing a stake in an issuer with a registered office in a member state of the European Union in the register of financial instruments, if they are accepted for trading on a regulated market.

#### Section 121h

##### **Retention of information**

The issuer and the person who keeps records of financial instruments shall keep and process personal data obtained pursuant to this title for a maximum period of 12 months from the day on which they learn that no shares or similar securities issued by the issuer are held on the account of the owner of the given owner.

#### Section 121i

##### **Voting confirmation**

(1) The issuer shall, upon request, send the shareholder or a person authorised by him information on whether and how the shareholder's votes were counted during voting at the general meeting. The issuer is not obliged to comply with the request for information if the information is already

available to the shareholder or a person authorised by him or if the request for information is received more than 3 months after the date of the general meeting.

(2) If the person who keeps records of financial instruments receives from the issuer the information according to subsection 1, he shall pass it on to the account holder of the owner or clients on which he registers the shares issued by the same issuer.

(3) In the case of voting at the general meeting or decision-making outside the general meeting using technical means, the issuer shall electronically send information to the person who voted in this way whether his vote was accepted.

(4) The form and scope of information, deadlines and the method of their transmission according to subsections 1 to 3 are determined by the directly applicable regulation of the European Union, which implements Article 3c, subsection 3 of Directive 2007/36/EC of the European Parliament and of the Council.

## TITLE IV

### COMPENSATION AND SIGNIFICANT RELATED PARTY TRANSACTIONS

#### Section 121j

##### **Scope**

The provisions of this title apply only to the issuer referred to in Section 118 subsection 1 letter a).

#### Section 121k

##### **Submission, approval and publication of the remuneration policy**

(1) The issuer shall draw up a remuneration policy in accordance with Section 121l. The board of directors or the board of directors of the issuer shall submit it for approval at the latest to the first general meeting held 90 days after the date of acceptance of the shares for trading on the European regulated market, which approves the financial statements of the issuer. If the board of directors or the board of directors of the issuer does not present the remuneration policy according to the second sentence, the performance of the functions of the members of the board of directors or the members of the board of directors is free of charge, from the date of the general meeting according to the second sentence until the day of the general meeting to which the remuneration policy was submitted for approval.

(2) The board of directors or the board of directors of the issuer shall present the remuneration policy to the general meeting for approval upon each substantial change or at least once every 4 years.

(3) If the issuer's general meeting does not approve the submitted remuneration policy, the board of directors or the board of directors shall submit an amended remuneration policy to the next general meeting for approval.

(4) The issuer shall, without undue delay, publish the approved remuneration policy, together with the date of its approval and the data pursuant to Section 120b subsection 2, on its website free of charge, and shall keep it published for the duration of its application.

#### Section 121l

##### **Content of remuneration policy**



(1) The remuneration policy is understandable, supports the business strategy of the issuer, its long-term interests and sustainability and clarifies how it does so.

(2) The remuneration policy contains in relation to persons according to Section 121m subsection 1

a) description of all fixed and variable remuneration components, including all bonuses and other benefits in any form and their ratio,

b) if the issuer provides a variable remuneration component,

1. unambiguous, complete and diverse criteria for awarding the variable remuneration component,
2. key indicators of financial and non-financial performance of the issuer, possibly including criteria related to social responsibility of the issuer,
3. an explanation of how the indicators according to point 2 contribute to the fulfilment of the requirements according to subsection 1,
4. methods of determining to what extent the performance indicators according to point 2 have been met,
5. rules for postponing the entitlement to the variable remuneration component or its part, if they are established, a
6. information on the right of the issuer to demand the return of the variable component of the remuneration or its part,

c) if the issuer provides compensation in the form of shares, the period during which stock options cannot be exercised, or the period during which the shares acquired as a result of the option cannot be alienated, and an explanation of how the compensation in the form of shares contributes to the fulfilment of the requirements under subsection 1,

d) the length of the term of office or the employment relationship with persons according to Section 121m subsection 1, notice period, terms of termination of the position or employment relationship, including payments associated with their termination,

e) the main characteristics of the pension benefits that the issuer provides, a description of the issuer's contributions to the supplementary pension system and the main characteristics of the early retirement benefit schemes that the issuer offers,

f) information on how the salary and working conditions of the issuer's employees were taken into account when creating the remuneration policy, and

g) the decision-making process followed in determining, reviewing and implementing the remuneration policy, including measures to prevent conflicts of interest and how to resolve them, and, where applicable, the role of the remuneration committee or other committees.

(3) If the remuneration policy is amended in accordance with Section 121k subsection 2 or 3, it contains a description and justification of all significant changes and the way in which the result of the shareholders' vote at the general meeting and their opinions on the remuneration policy and the remuneration report were taken into account, namely in the period since the last vote on the remuneration policy at the general meeting.

## Section 121m

### **Determining the amount and payment of rewards**

(1) Unless this law provides otherwise, the issuer pays remuneration to the members of the board

of directors and the supervisory board or the board of directors, to a natural person who is directly subordinate to the issuer's managing body and to whom this body has delegated business management, at least to the extent of the daily management of the issuer as whole, and representatives of that person, if any, only in accordance with the approved remuneration policy.

(2) If there is no approved remuneration policy, the issuer pays remuneration to the persons referred to in subsection 1 in accordance with current practice; Section 121k subsection 1, last sentence is not affected by this.

(3) A contract for the performance of a function, other legal act or an internal regulation of the issuer regulating the remuneration of a member of the board of directors, supervisory board or administrative board ceases to be effective to the extent that it is in conflict with the approved remuneration policy, on the day the decision of the general meeting approving it becomes effective remuneration policy. This does not affect the payment of the remuneration for the performance of the function for the period preceding the date of entry into force of the decision of the general meeting according to the first sentence.

(4) A contract for the performance of a function, other legal act or an internal regulation of the issuer regulating the remuneration of a member of the board of directors, supervisory board or administrative board has no legal effects to the extent that it conflicts with the approved remuneration policy.

#### Section 121n

##### **Deviation from compensation policy**

The issuer may temporarily deviate from the remuneration policy if the deviation is necessary from the point of view of the long-term interests and sustainability of the issuer or from the point of view of maintaining the operation of its business plant and if the remuneration policy contains procedural rules for temporary deviation and a list of rules from which such deviations can be made deviate.

#### Section 121o

##### **Preparation, approval and publication of the remuneration report**

(1) The issuer shall draw up a clear and comprehensible report on remuneration, which provides a complete overview of remuneration, including all benefits in any form, provided or payable during the last completed accounting period to persons pursuant to Section 121m subsection 1.

(2) The person pursuant to Section 121m, subsection 1, shall notify the issuer without undue delay after the end of the accounting period of all remunerations that were provided to him or are payable in the accounting period for which the remuneration report is drawn up, by a person who belongs to the same group as the issuer.

(3) The board of directors or the board of directors shall submit the report on remuneration to the general meeting for approval at the latest, which approves the financial statements on accounting period for which the report on remuneration is drawn up. If the general meeting does not approve the remuneration report, the board of directors or the board of directors shall explain in the next remuneration report how the result of the voting at the general meeting was taken into account in the preparation of the new report.

(4) The issuer shall publish the remuneration report free of charge, together with information on whether the remuneration report was approved by the general meeting, on its website without undue delay after the holding of the general meeting pursuant to subsection 3, and shall keep it published for a

period of 10 years.

(5) The Issuer may decide that the remuneration report will be available on the website even after the expiry of the period according to subsection 4; in such a case, the remuneration report must not contain personal data of persons according to Section 121m subsection 1.

### **Contents of the remuneration report**

#### **Section 121p**

(1) The report on remuneration in relation to each person pursuant to Section 121m subsection 1 contains

- a) the total amount of remuneration broken down by components, the ratio of fixed and variable components of remuneration, an explanation of how the total amount of remuneration corresponds to the remuneration policy, including how it supports the long-term performance of the issuer, and information on how performance criteria are applied,
- b) the annual change in the total amount of remuneration for at least the 5 most recent accounting periods that follow the day the shares are accepted for trading on a European regulated market, presented in a way that allows comparison,
- c) information according to Section 121o subsection 2,
- d) the number of shares and share options granted or offered and the main conditions for exercise of rights from the option program, including the price and date of exercise of the option, and any changes to these conditions,
- e) information on the use of the issuer's right to demand the return of the variable component of the remuneration or its part a
- f) information on deviations from the implementation procedure of the remuneration policy stated in the remuneration policy pursuant to Section 121l subsection 2 letter g) and about deviations from the remuneration policy in accordance with Section 121n, including an explanation of the reason for the deviation and specifying the specific rules of the remuneration policy from which the issuer deviated, unless such remuneration has not been provided or payable to the person or the issuer has not acted in such a manner.

(2) The remuneration report also contains the annual change in the issuer's financial and non-financial key performance indicators and the annual change in the average remuneration of the issuer's employees, who are not persons according to Section 121m subsection 1, calculated per employee with the specified weekly working hours, for at least 5 of the most recent accounting periods following the date the shares were admitted to trading on a regulated market, presented together in a manner that allows comparison.

(3) The remuneration report does not contain special categories of personal data according to the directly applicable regulation of the European Union governing the protection of personal data <sup>64)</sup> or personal data relating to the family situation of persons according to Section 121m subsection 1.

#### **Section 121q**

The auditor verifies whether the report on remuneration contains information according to Section 121p subsection 1.

#### **Section 121r**

**cancelled**

Section 121s

**Significant transactions concluded by the issuer**

(1) A significant transaction concluded by the issuer is a contract or agreement on the basis of which the

a) alienation or acquisition of property by the issuer in an amount exceeding 10% of the assets resulting from the financial statements on accounting period immediately preceding the accounting period in which the transaction is concluded, or

b) an increase of only the issuer's debts by debt or conditional debt in an amount exceeding 10% of the assets resulting from the financial statements on accounting period immediately preceding the accounting period in which the transaction is concluded.

(2) Transactions with the same related party concluded during the same accounting period are added together for the purposes of subsection 1.

Section 121t

**Closing and approving significant related party transactions**

The issuer may conclude a significant transaction with a related party only with the approval of the general meeting. In the invitation to the general meeting, the issuer shall include the information in accordance with Section 121u subsection 1; if the exact date of the conclusion of a significant transaction is not known, he shall at least state the period in which he reasonably expects the conclusion of the transaction. In the case according to Section 121u subsection 3, the invitation to the general meeting also contains information according to Section 121u subsection 1 letters c) to f) about each partial transaction that is not subject to approval by the general meeting and the total amount of the transactions.

Section 121u

**Disclosure of significant related party transactions**

(1) The issuer shall publish on its website no later than the date of conclusion of a significant transaction with a related party

a) information on the nature of the issuer's relationship with a related party,

b) the name of the related party,

c) the subject of a significant transaction,

d) date of conclusion of a significant transaction,

e) the amount of a significant transaction a

f) other information necessary to assess whether a significant transaction is fair and reasonable from the perspective of the issuer and shareholders who are not related parties.

(2) A person controlled by the issuer shall inform the issuer of information pursuant to subsection 1 about a significant transaction concluded between it and another related party of the issuer

without undue delay after the conclusion of this transaction. The issuer will publish this information without undue delay after receiving it on its website.

(3) If the criteria for the significance of the transaction are met as a result of the addition of transactions concluded with the same related party pursuant to Section 121s subsection 2, the issuer shall publish information pursuant to subsection 1 about each partial transaction and at the same time indicate the total amount of all transactions.

(4) Subsections 1 to 3 do not affect the rules for publishing inside information according to Article 17 paragraph 1 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council.

#### Section 121v

##### **Exceptions to approval and disclosure of material related party transactions**

(1) The provisions of Sections 121t and 121u do not apply to a significant transaction with a related party concluded in the course of ordinary business dealings and under normal market conditions.

(2) The provisions of Section 121t and 121u shall no longer apply to significant transactions

a) regarding the remuneration of persons according to Section 121m subsection 1 in accordance with Section 121k to 121n,

b) entered into between the issuer and a person controlled by him, if the issuer is its sole partner or if no related party of the issuer is a partner, and

c) concluded by the bank on the basis of decisions or measures of a general nature aimed at protecting its stability issued by the Czech National Bank or on the basis of decisions or measures of a general nature issued pursuant to the Act on recovery procedures and crisis resolution in the financial market by the authority responsible for crisis resolution.

(3) In the case of significant transactions according to subsection 1, the issuer's supervisory or board of directors shall adjust an internal procedure allowing to regularly assess whether the conditions according to subsection 1 are met; a member of the supervisory or board of directors who is a related party of the issuer does not participate in the assessment.

#### TITLE V

##### NOTIFICATION OBLIGATION OF SHAREHOLDERS AND OTHER PERSONS

#### Section 122

##### **Notification of share of voting rights**

(1) A person who reaches or exceeds the share of all voting rights of the issuer referred to in Section 118 subsection 1 letter a) in the amount of 1%, if the issuer's share capital is higher than CZK 500,000,000 or the corresponding amount in foreign currency, 3%, if the issuer's share capital is higher than CZK 100,000,000 or the corresponding amount in foreign currency, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50% or 75%, or reduces its share of all voting rights below these limits, shall notify the issuer and the Czech National Bank of this fact. This notice can be made in the English language. The obligation according to the first sentence also applies to a person who has a share according to the first sentence in the voting rights of the issuer referred to in Section 118 subsection 1 letter a) at the moment when the shares issued by him or similar securities representing a stake in this issuer are first accepted for trading on a European regulated market.

(2) For the purposes of fulfilling the notification obligation according to subsection 1, voting rights from financial instruments are included in the share of all voting rights of the issuer,

- a) possessed by another person who acts in concert with the person referred to in subsection 1,
- b) which the person referred to in subsection 1 has the possibility to temporarily perform on the basis of a paid contract,
- c) which were provided to the person referred to in subsection 1 as security, if this person publishes a statement that he will exercise these voting rights,
- d) to which the person referred to in subsection 1 has a lifetime right of use,
- e) which the person referred to in subsection 1 administers, manages or is stored with him, if he has not been given special instructions regarding voting by the owner,
- f) which has the possibility to be performed on behalf of the person referred to in subsection 1 by another person,
- g) which are exercised by the person referred to in subsection 1 on the basis of a power of attorney, if he can exercise these rights at his discretion and if no special instructions regarding voting have been given to him by the principal,
- h) of which, on the basis of the contract, the person referred to in subsection 1 has the right to acquire, or the right to decide whether to acquire, shares or similar securities with voting rights, or
- i) which do not meet the conditions under letter h), which relate to shares meeting the conditions under letter h), and which have an economic effect similar to that of financial instruments meeting the conditions under letter h), regardless of whether they give rise to a right to settlement by delivery of the thing to which their value relates or for settlement in money.

(3) If a share in voting rights pursuant to subsection 1 is acquired or lost by persons acting in concert, their shares in voting rights are added together for the purposes of fulfilling the notification obligation; The obligation of an individual person according to subsection 1 is not affected by this. The notification obligation is also subject to a change in the distribution of voting rights among persons acting in concert to the extent that the notification obligation is established.

(4) The person referred to in subsection 1 shall notify the achievement, exceeding or reduction of the share according to subsection 1 without unnecessary delay, but no later than within 4 working days after he learns or could have learned about the fact that gives rise to the obligation to notify according to subsection 1. Applies, that the person referred to in subsection 1 became aware of this fact no later than 2 working days after the day on which this fact occurred. If the obligation according to subsection 1 arises for several persons, these persons may fulfil the notification obligation by a joint notification. The notification obligation is fulfilled if a written notification is sent within the specified period.

(5) If the power of attorney in the sense of subsection 2 letter g) granted only for the purposes of one general meeting or a similar meeting of owners of securities representing a share in the issuer, the notification according to subsection 1 may be made by the principal and the proxy in the form of a single notification that contains information about the share of voting rights during the general meeting or a similar meeting of owners of securities representing a share in the issuer, information about the share in voting rights at the moment when this proxy can no longer exercise voting rights at his discretion, and further information about when this moment occurs.

(6) Failure to comply with the notification obligation set forth in subsection 1 does not result in

the invalidity of the legal act on the basis of which the participation in the issuer was acquired or increased, but the voting rights associated with the participation thus acquired may not be exercised until the notification obligation is fulfilled.

(7) The Czech National Bank shall publish the facts notified to it pursuant to subsection 1, while publishing the information on the amount per share of voting rights no later than 3 working days from the date of delivery of the notification or from the day on which it discovers this information itself.

(8) The requirements of the notification pursuant to subsection 1, the form and method of sending it shall be determined by implementing legislation s.

(9) Number of voting rights according to subsection 2 letter i) is calculated with regard to the total value of the shares that are the underlying value of the given financial instrument, except in cases where the financial instrument allows exclusively cash settlement, namely that the number of voting rights is calculated on the basis of taking into account the delta value by multiplying the value of the underlying shares by the delta value of this instrument. To this end, the holder shall compile and report all financial instruments relating to the same underlying issuer. Only long positions are taken into account when calculating voting rights. Long positions are not netted against short positions relating to the same underlying issuer.

(10) The methods of calculating the number of voting rights according to subsection 9 in the case of financial instruments related to a basket of shares or to an index and the methods of determining the delta value for the purpose of calculating the voting rights related to financial instruments that allow exclusively cash settlement according to subsection 9 are regulated by Articles 4 and 5 Commission Delegated Regulation (EU) 2015/761<sup>102)</sup>.

## Section 122a

### **Procedure for reporting share of voting rights**

A person whose share of voting rights has increased or decreased as a result of an increase or decrease in the share capital also has a reporting obligation pursuant to Section 122 subsection 1.

(2) The obligation according to Section 122 subsection 1 arises regardless of the fact that the person does not exercise voting rights for any reason. As a result of the fact that this person does not exercise voting rights, there is no change in his or her share or the share of other persons in voting rights pursuant to Section 122 subsection 1.

(3) The person referred to in Section 2a subsection 1 letters a) to c) or a foreign person with a similar activity does not include shares in voting rights in the share of voting rights pursuant to Section 122, subsection 1,

a) which relate to the business portfolio according to Article 4 paragraph 1 point 86 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council,

b) if they do not exceed a share of voting rights of 5%, a

c) which does not perform or otherwise interfere with the management of the issuer.

(4) A person controlling a person who has an authorisation to provide investment services referred to in Section 4 subsection 2 letter d), or a foreign person who has authorisation from another member state of the European Union to provide an investment service similar to the investment service referred to in Section 4 subsection 2 letter d), in the share of voting rights according to Section 122 subsection 1, does not include shares of voting rights that relate to property that is managed by a controlled person, if

- a) the controlled person exercises voting rights only according to the client's written order, or
- b) the controlling person does not interfere in any way with the exercise of these voting rights.

(5) A person who controls the manager of an investment fund or a foreign investment fund does not include voting rights that are associated with assets in investment funds or foreign investment funds managed by this controlled person in the share of voting rights pursuant to Section 122 subsection 1, unless he intervenes controlling person in any way to the exercise of these voting rights.

(6) Subsections 4 and 5 shall also apply to the controlling person of a person who, in accordance with the legal order of a state that is not a member state of the European Union, provides in that state a service comparable to the investment service specified in Section 4 subsection 2 letter d), if

- a) the legal order of such state provides the controlling person that the voting rights that relate to the securities that are part of the managed property are to be exercised by this person only according to the written order of the client, or to ensure procedures to limit the possibility of a conflict of interests between the persons entrusted with the management of the property and other persons,
- b) the controlling person does not interfere in any way with the exercise of voting rights that relate to securities that are part of the managed property, and
- c) the controlled person, in the event of a conflict of interests between him and the controlling person, is obliged to prioritize his interests over the interests of the controlling person.

(7) The methods for calculating the threshold value according to subsection 3 are governed by Articles 2, 3 and 6 of Commission Delegated Regulation (EU) 2015/761<sup>102</sup>.

#### Section 122b

##### **Additional conditions and requirements for notification of share in voting rights**

(1) The provisions of Section 122a subsections 4 to 6 shall apply to the controlling person only if he sends the Czech National Bank without undue delay

- a) data on the controlled person according to Section 122a subsections 4 to 6 and on the supervisory authorities to whose supervision they are subject,
- b) declaration of fulfilment of the conditions set out in Section 122a subsections 4 to 6; the statement is not sent if it relates exclusively to financial instruments that enable the acquisition of securities within the meaning of Section 122 subsection 2 letters h) or i), a
- c) changes in the information or declaration according to letter a) or b).

(2) The controlling person pursuant to Section 122a subsections 4 to 6 shall, at the request of the Czech National Bank, provide evidence without undue delay that

- a) the controlling person and the controlled person have an organisational structure enabling voting rights to be exercised in accordance with Section 122a subsection 4 letter b) or Section 122a subsection 5,
- b) in the event that the controlling person is a client of the controlled person or has a share in property that is managed by the controlled person, it follows from the written documentation that their relationship is a normal relationship with other clients.



(3) The issuer referred to in Section 118 subsection 1 letter a) who acquired or disposed of own shares by himself or through another person acting on behalf of the issuer, shall publish information that he has reached or exceeded the share of his voting rights pursuant to Section 122 subsection 1 first sentence, or that he has reduced his share of voting rights under these boundaries. The issuer will publish this information within 4 working days after the fact that gives rise to this obligation occurs.

(4) The issuer referred to in Section 118 subsection 1 letter a) in the information according to subsection 3, he shall publish the total number of voting rights and the amount of the share capital in the calendar month in which his share of voting rights was changed.

(5) For the purposes of fulfilling the notification obligation pursuant to Section 122 subsection 1, the shares in all voting rights of the issuer are not included in the shares in voting rights from securities acquired during the repurchase or price stabilization of the financial instrument under the conditions set by the directly applicable regulation of the European Union, which Directive of the European Parliament and the Council on market abuse<sup>14a)</sup> is implemented, if the person who acquired these securities does not exercise voting rights or otherwise interferes in the management of the issuer.

#### Section 122c

#### **Exceptions to the reporting obligation**

(1) The notification obligation according to Section 122 subsection 1 does not apply to

- a) a person for whom the reporting obligation has been fulfilled by the person who controls it,
- b) a person who acquires or disposes of transferable securities referred to in Section 118 subsection 1 letter a) for the purpose of settling trades with these financial instruments, if the deadline for their settlement is no more than 3 working days, or
- c) a person who has in his possession the transferable securities referred to in Section 118 subsection 1 letter a) and exercise the voting rights associated with these financial instruments exclusively according to the owner's written order.

(2) The reporting obligation pursuant to Section 122 subsection 1, does not apply to market makers,

- a) who is an investment firm or a person who has authorisation from the supervisory authority of another member state of the European Union to provide investment services,
- b) if his share of the issuer's voting rights reaches or exceeds the limit of 5%, or if he reduces his share below this limit,
- c) under the condition that it does not influence the management of the issuer, a
- d) if he notifies the issuer's supervisory authority within the period specified in Section 122 subsection 4, that he is performing or intends to perform the activities of a market maker in the issuer's securities.

(3) The person referred to in subsection 2 shall notify the issuer's supervisory authority without undue delay of the termination of the market maker's activity.

(4) The reporting obligation pursuant to Section 122(1) does not apply to a member of the European System of Central Banks if, in the performance of the tasks of the European System of Central Banks, he reaches or exceeds the amount of shares in voting rights specified in Section 122(1) or the amount of his share of voting rights falls below these limits, and at the same time does not exercise these voting rights and exceeds said limits for a short period of time and in accordance with the regulations

governing the activities of the European Central Bank and central banks. In these cases, the notification obligation also does not apply to another contractual party to this transaction.

(5) The methods for calculating the threshold value according to subsection 2 are governed by Articles 2 and 3 of Commission Delegated Regulation (EU) 2015/761<sup>102</sup>).

## Section 123

### Choice of reference state

(1) The issuer referred to in Section 118 subsection 1 letter a) point 2, Section 118 subsection 1 letter b) point 2, Section 118 subsection 1 letter c) or d) or in subsection 4 chooses one member state of the European Union as the reference state, in which it will fulfil the obligations according to part nine of chapters II and VII or comparable obligations according to the legal system of another member state of the European Union. The state chosen in this way can only be a member state of the European Union in which this issuer has its registered office or in which the securities issued by it are accepted for trading on a European regulated market. This choice is binding for him for at least 3 years from the date of its implementation, unless the transferable security issued by this issuer ceases to be traded on all European regulated markets.

(2) The issuer referred to in Section 118, subsection 1 shall publish information on which Member State of the European Union it will fulfil its obligations under part nine of Chapters II and VII or comparable obligations under the legal order of another Member State of the European Union, and at the same time announce this The Czech National Bank and the supervisory authority of another member state of the European Union in which the securities issued by it are accepted for trading on the European regulated market and in which this issuer has its registered office.

(3) If the issuer referred to in Section 118 subsection 1 letter a) point 2, Section 118 subsection 1 letter b) point 2 or Section 118 subsection 1 letters c) and d) his choice according to subsection 1 within 3 months from the date of the first acceptance of the securities issued by him for trading on a European regulated market, it is considered that he has chosen as reference the Member State of the European Union in which the securities issued by him were accepted securities for trading on the European regulated market. If there are more than one such country, each of these European Union member states is deemed to have chosen as the reference country, until the issuer chooses a single European Union member country as the reference country and publishes and announces its choice according to subsection 2.

(4) If the current reference state of the issuer pursuant to subsection 1 can no longer be its reference state, the issuer shall without undue delay choose a new reference state pursuant to subsection 1 and shall publish and announce this choice pursuant to subsection 2.

(5) If the issuer does not notify its choice pursuant to subsection 4 within 3 months from the day on which it learned that its current reference state pursuant to subsection 1 can no longer be its reference state, it is considered that it has chosen the reference state the state of the European Union in which the securities issued by it were accepted for trading on the European regulated market. If there are more than one such country, each of these European Union member states is deemed to have chosen as the reference country, until the issuer chooses a single European Union member country as the reference country and publishes and announces its choice according to subsection 2.

## TITLE VI

### PROTECTION AGAINST MARKET ABUSE

#### Protection of inside information

#### Section 124

A person who is subject to obligations or prohibitions under a directly applicable regulation of the European Union governing market abuse <sup>52)</sup>, if it is not an investment firm, a regulated market organiser or a data reporting service provider, establishes, maintains and applies a mechanism to report violations or imminent violation of this directly applicable regulation similarly according to Section 12i subsection 1.

#### Section 125

**cancelled**

#### Section 126

**cancelled**

### TITLE VII

#### DISCLAIMER OF MANDATORY PUBLISHED INFORMATION

#### Section 127

##### **Basic provision**

(1) Compulsorily published information for the purposes of this Act means information that the issuer or another person who applied for the acceptance of a transferable security for trading on a regulated market without the consent of the issuer, or the organiser of a regulated market who himself accepted the transferable security for trading without the consent of the issuer, obliged to publish according to Titles II and V of this part of the Act and according to Article 17 paragraph 1 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council. Compulsorily published information is also considered to be information according to Section 120a subsection 2 and 3, Section 120b subsection 1 letter a) and Section 120c subsection 1. The power of attorney form pursuant to Section 120 subsection 3, as well as information pursuant to Section 120b subsection 1 letters b) to f) and subsection 2 to the extent that it does not correspond to the mandatory published information according to the first or second sentence.

(2) The person referred to in subsection 1 shall immediately publish the information that must be published by ensuring non-preferential, easy and free access to it; at the same time, it will send this information to the Czech National Bank. This person is also required to keep essential data related to the mandatorily published information, in particular data on the natural person who sent the mandatorily published information for publication for the person mentioned in subsection 1, data on the security of sending the mandatorily published information for publication and the date and time, when the mandatorily published information was sent for publication.

(3) The implementing legal regulation determines the scope of essential data according to subsection 2, the form and method of publication of mandatorily published information and the structure, form and method of sending mandatorily published information and information in accordance with Regulation (EU) of the European Parliament and of the Council No. 596/2014 Czech National bank.

#### Section 127a

##### **Mandatory disclosure method**

(1) The Czech National Bank shall make available to the public the information sent to it

pursuant to Section 127(2) in a manner that

- a) meets the requirements for security and reliability of the origin of the information,
- b) contains a time record of the insertion of mandatorily published information,
- c) meets the requirements for easy availability of mandatory published information for the end user and
- d) enables the transfer of information between the comparable system of other member states of the European Union and the European Committee of Securities Market Regulators through an electronic means.

(2) The Czech National Bank shall immediately, in the manner specified in subsection 1, make available to the public the notices it publishes pursuant to Section 122 subsection 6, and information published in a state that is not a member state of the European Union, according to the legal order of that state, which in connection with the supervision of the financial market, will find out if the disclosure of this information could be of importance to the public in the European Union.

(3) The Czech National Bank shall also make available to the public the announcements made pursuant to Article 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council, in the manner specified in subsection 1.

#### Section 127b

The Czech National Bank may enter into an agreement with the European Board of Securities Market Regulators on the interconnection of mandatorily published information through an electronic communications network and on the management of this network.

#### Section 127c

### **Language of publication**

(1) The issuer referred to in Section 118 subsection 1, whose transferable securities are accepted for trading only on the regulated market, shall publish the mandatory published information in the Czech language or in the English language.

(2) The issuer referred to in Section 118 subsection 1, whose transferable securities are accepted for trading on a regulated market and at the same time on a foreign regulated market, shall publish the information required to be published in the Czech language or in the English language, and further in the English language or in the language, in which documents can be submitted to the competent supervisory authorities of other member states of the European Union in which these foreign regulated markets are based.

(3) The issuer listed in Section 118 subsection 1, whose transferable security is not accepted for trading on a regulated market, but is accepted for trading on a foreign regulated market, shall publish the mandatory published information

a) in the English language or a language in which documents can be submitted to the competent supervisory authorities of other Member States of the European Union in which these foreign regulated markets are based, and

b) in Czech or English.

(4) The issuer referred to in Section 118 subsection 1, if it is a transferable security whose nominal value corresponds to at least an amount corresponding to EUR 100,000, or if it is a transferable

security referred to in Section 118 subsection 1 letter c) and its nominal value corresponds to at least an amount corresponding to EUR 100,000 on the date of issue, provided that such transferable security is accepted for trading on one or more European regulated markets, shall publish the mandatory information in the Czech language or in the English language, and furthermore, in the language in which documents can be submitted to the competent supervisory authorities of other Member States of the European Union in which these European regulated markets have their headquarters, or in the English language.

#### Section 127d

##### **Allowing an exemption from the fulfilment of obligations for an issuer that has its registered office in a state that is not a member state of the European Union**

(1) The Czech National Bank shall grant an exemption from the fulfilment of obligations set out in Sections 118 to 119a, Section 120a subsection 1 letter a), Section 120c subsection 1 or in Section 122b subsection 3 or 4 to an issuer that has its registered office in a state that is not a member state of the European Union and that fulfils comparable obligations under the legal order of that state, if the liable person proves to the Czech National Bank, that the obligation according to the legal system of a state that is not a member state of the European Union is comparable to the obligation set out in Sections 118 to 119a, Section 120 and subsection 1 letter a), Section 120c subsection 1 or in Section 122b subsection 3 or 4. Cases where the obligation under the legal order of a state that is not a member state of the European Union is comparable to the obligation set forth in Section 118 to 119a, Section 120a subsection 1 letter a), Section 120c subsection 1 or in Section 122b subsection 3 or 4, establishes implementing legislation following the law of the European Union.

(2) Conditions when the accounting principles resulting from the legal system of the country in which the issuer listed in subsection 1 has its registered office are comparable to international accounting standards IAS 34 - Interim financial reporting, which forms an annex to Commission Regulation (EC) No. 1126/2008, as well as the cases in which these principles can be considered comparable to international accounting standards, are defined by the directly applicable regulation of the European Union, which establishes a mechanism for determining the equivalence of accounting standards used by issuers of securities from third countries<sup>17e)</sup>.

(3) An issuer to which the Czech National Bank has granted an exemption in accordance with subsection 1 is obliged for the information it publishes in accordance with the obligations established by the legal order of the state in which it has its registered office, and which is comparable to the obligation from which the Czech the National Bank has granted an exception, proceed similarly to a person publishing compulsorily published information pursuant to Section 127 subsection 2 and Section 127c, and at the same time he is obliged to inform the Czech National Bank without undue delay of any change in the facts on the basis of which he was granted the exception.

(4) Czech National Bank informs the European Securities and Markets Authority about the authorisation of the exception pursuant to subsection 1.

#### TITLE VII

##### OBLIGATIONS OF CERTAIN QUALIFIED INVESTORS AND OTHER SELECTED ENTITIES

#### Section 127e

##### **Scope**

(1) The provisions of this title apply in the event that an institutional investor owns shares or similar securities representing a stake in an issuer with its registered office in a member state of the European Union, if they are accepted for trading on a European regulated market.

(2) The provisions of this title apply to the asset manager in the event that the asset manager provides an investment service pursuant to Section 4 subsection 2 letter d) or manages investment funds and foreign investment funds in accordance with the law regulating management companies and investment funds, in relation to shares or similar securities representing a stake in an issuer based in a member state of the European Union, if they are accepted for trading on a European regulated market.

(3) The provisions of Sections 127l to 127n shall apply to a voting advisor with a seat or actual seat in the Czech Republic and to a voting advisor with a seat or actual seat in a state that is not a member state of the European Union, who operates in the Czech Republic through a branch.

## **Engagement Policy**

### **Section 127f**

(1) The institutional investor and the asset manager shall draw up a policy for the exercise of voting rights and their further involvement in relation to the issuer (hereinafter referred to as the "engagement policy") and publish it free of charge on their website.

(2) The engagement policy contains

- a) the way in which the institutional investor's investment strategy regulates its involvement in relation to the issuer,
- b) the manner in which the asset manager's investment strategy regulates the involvement of shareholders whose shares or similar securities it manages in relation to the issuer,
- c) the manner in which the institutional investor or asset manager monitors significant matters relating to the issuer, in particular
  - 1. strategy of the issuer's activity,
  - 2. financial and non-financial key performance indicators,
  - 3. risks to which the issuer is exposed,
  - 4. capital structure of the issuer,
  - 5. social and environmental impacts of the issuer's activity a
  - 6. the manner in which the issuer is managed and managed,
- d) method of communication with the issuer,
- e) method of exercising voting rights or other rights associated with a security representing a share in the issuer,
- f) method of cooperation with other shareholders on the exercise of voting rights and other involvement in relation to the issuer,
- g) method of communication with relevant stakeholders,
- h) the procedure for dealing with actual or potential conflicts of interest in connection with the involvement of an institutional investor or asset manager in relation to the issuer.

### **Section 127g**

(1) The institutional investor and asset manager shall annually publish free of charge on its website in relation to the issuer

- a) a description of how the engagement policy was implemented,

- b) general strategy for voting,
- c) information on how they voted at the issuer's general meetings, if this vote is significant in relation to the subject of the vote or the size of the share in the issuer,
- d) explanation of their vote at the issuer's general meeting, unless the vote does not have a significant impact on the issuer's activity or the share in the issuer is negligible, and
- e) information on using the services of voting advisors.

(2) If the asset manager implements an engagement policy including voting at the general meeting on behalf of the institutional investor, the institutional investor shall publish a link to the asset manager's website, on which the information pursuant to subsection 1 or the justification pursuant to Section 127h is published.

#### Section 127h

Institutional investors and asset managers do not have to publish information according to Section 127f and Section 127g, subsection 1, if they publish sufficient justification for doing so.

#### Section 127i

When developing an engagement policy, the institutional investor and the asset manager apply similarly the procedures they apply to prevent conflicts of interest.

#### Section 127j

### **Investment strategy of an institutional investor**

strategy on his website free of charge

- a) correspond to the structure and maturity of its debts, with an emphasis on long-term debts, and
- b) contribute to the medium and long-term performance of his investments.

(2) If an institutional investor has a share or a similar security representing a stake in the issuer in its assets, which are traded on a European regulated market, and this asset is managed by an asset manager based on its own discretion, the institutional investor shall publish on its website the following facts, which are part of the agreement with the asset manager on asset management:

- a) how the arrangement motivates the asset manager to
  1. aligned its investment strategy and its investment decisions with the structure and maturity of the institutional investor's debts, especially long-term debts,
  2. made investment decisions based on an assessment of the medium-term and long-term performance of the issuer whose securities representing a stake in the issuer he manages,
- b) how the asset manager is involved in the activities of the issuer, with the aim of improving its medium and long-term performance,
- c) the manner in which the method and time period for evaluating the activity of the asset manager and the remuneration for asset management are in accordance with the structure and maturity of the institutional investor's debts, especially long-term debts, and how they take into account the overall performance of the issuer,

d) the way in which the institutional investor

1. supervises the costs incurred by the asset manager in connection with the turnover of managed assets,
2. determines and monitors the target turnover or the target turnover range of the managed property,

e) the duration of this agreement.

(3) An institutional investor shall publish information pursuant to subsection 2 also if he invests in a security representing a stake in the issuer through an investment fund or a foreign investment fund.

(4) If the agreement on the management of the assets of the institutional investor by the asset manager does not contain any of the facts according to subsection 2, the institutional investor shall publish on its website sufficient justification as to why this is the case.

(5) The institutional investor shall update the information according to subsections 1 to 3 once a year if there is a substantial change in it.

(6) Instead of publishing it on its website, an institutional investor may include information according to subsections 2 to 4 in its report on solvency and financial situation in accordance with the act governing the insurance industry.

#### Section 127 k

##### **Investment strategy of the asset manager**

(1) If the asset manager manages the assets of an institutional investor, which includes securities representing a stake in the issuer, he shall inform the institutional investor annually how his investment strategy and its implementation are in accordance with the management agreement and how it contributes to medium- and long-term performance institutional investor. This also applies if the asset manager manages an investment fund or a foreign investment fund through which the institutional investor invested in securities representing a stake in the issuer.

(2) The communication according to subsection 1 contains information about

- a) the main mid-term and long-term risks associated with the investment,
- b) the structure of the investment managed by the asset manager,
- c) turnover of the investment and costs incurred in connection with the turnover,
- d) the use of voting advisors for the purposes of fulfilling the engagement policy,
- e) the policy applied when lending securities and its use for the engagement policy, especially at the time of the issuer's general meeting,
- f) the facts of how the investment strategy is based on the assessment of the medium-term and long-term performance of the issuer, including the assessment of non-financial key indicators of the issuer's performance,
- g) a conflict of interest that occurred in connection with the implementation of the engagement policy and the method of its resolution.

(3) The asset manager does not have to disclose information according to subsections 1 and 2 if it is publicly available.



## **Voting Adviser's Information Obligations**

### **Section 127l**

(1) The voting advisor shall publish free of charge

- a) a reference to the code of conduct that it applies when preparing analyses, advice or voting recommendations related to the exercise of voting rights and information on how it applies this code, or
- b) sufficient justification why the code of conduct according to letter a) does not apply.

(2) If the voting advisor applies the code of conduct pursuant to subsection 1 letter a) and if he deviates from its provisions, he shall publish which provision he deviated from, explain the reasons for the deviation and publish any other measures he may have taken.

(3) The voting advisor shall publish the information pursuant to subsections 1 and 2 free of charge on its website and update it at least once a year.

### **Section 127m**

(1) At least once a year, the voting consultant shall publish the following information regarding the preparation of his analyses, advice and voting recommendations related to the exercise of voting rights:

- a) a basic description of the methodologies and models it uses,
- b) the main information sources he uses,
- c) a description of the measures taken to ensure quality, including the professional qualifications of the relevant workers,
- d) whether and how it takes national market conditions into account,
- e) whether and how it takes into account the requirements established by legal regulations and internal regulations of the issuer,
- f) a basic description of the voting policy it applies for individual markets,
- g) whether it communicates with the issuer and relevant stakeholders,
- h) scope and description of communication according to letter g),
- i) how it prevents a conflict of interest and how it resolves a conflict of interest that has arisen.

(2) The voting advisor shall publish the information pursuant to subsection 1 free of charge on its website and shall keep it available for at least 3 years from the date of its publication.

(3) If the information according to subsection 1 is already available as part of the publication according to Section 127l, it does not have to be published separately.

### **Section 127n**

## **Identification of conflicts of interest**

The voting advisor shall inform its clients without undue delay of actual or potential conflicts of interest that may affect the preparation of its analyses, advice or voting recommendations related to the exercise of voting rights. At the same time, it informs clients about how it resolves this conflict of interest.

## TITLE IX

### INVESTMENT FIRMS' GUARANTEE FUND

#### Section 128

##### **Basic provision**

(1) The guarantee fund is a legal entity that provides a guarantee system from which compensation is paid to the clients of an investment firm who is unable to fulfil his debts to his clients.

##### (2) Guarantee fund

- a) accepts contributions from investment firms,
- b) informs the Czech National Bank of the amount of contributions paid by individual investment firms to the Guarantee Fund for the relevant calendar year, and publishes this information on its website by April 30 of the following year,
- c) ensures the verification of claims for payment of compensation from the Guarantee Fund,
- d) ensures the payment of compensation from the Guarantee Fund.

(3) The guarantee fund shall be registered in the commercial register.

(4) The guarantee fund is not a state fund. Legal regulations governing the insurance industry do not apply to the Guarantee Fund.

(5) The guarantee fund is managed by a five-member board of directors, which is its statutory body. The chairman, deputy chairman and other members of the board of directors of the Guarantee Fund are appointed and dismissed by the Minister of Finance. The members of the board of directors of the Guarantee Fund are appointed for a period of 5 years, even repeatedly. At least 1 member is appointed from among the employees of the Czech National Bank, on the proposal of the Banking Board of the Czech National Bank. At least 2 members are appointed from among the members of the statutory body or employees of investment firms

(6) If a member of the Board of Directors of the Guarantee Fund ends his membership of the Board of Directors before the end of his term of office, a new member of the Board of Directors is appointed in his place, whose term of office ends on the same day as the term of office of his predecessor.

(7) A member of the board of directors is obliged to perform his function with the care of a proper manager.

(8) In the event of a breach of the obligation pursuant to subsection 7, a member of the board of directors shall compensate for the damage caused,

- a) in the case of intention in full,
- b) in the case of negligence up to a total of CZK 100,000 for the entire period of performance of their duties.

(9) Every investment firm is obliged to pay a contribution to the Guarantee Fund.

(10) The source of the Guarantee Fund's assets are contributions from investment firms, fines imposed on investment firms pursuant to this Act, fines imposed on management companies for violating provisions relating to the management of clients' assets, and income from investing funds. The guarantee fund can also accept a loan, subsidy or repayable financial assistance.

(11) The resources of the Guarantee Fund can be used for

a) compensation resulting from the investment firm's inability to fulfil its obligations consisting in the delivery of clients' assets to clients, for a reason directly related to its financial situation,

b) loan repayments or repayable financial assistance,

c) payment of costs for the activities of the Guarantee Fund.

(12) For the purposes of this chapter, the client's property means the funds and financial instruments that the investment firm took over for the purpose of providing an investment service, and the funds and financial instruments obtained for these values for the client. The second sentence Section 2 subsection 1 letter h) applies similarly.

(13) The funds of the Guarantee Fund may only be invested in a safe manner.

(14) The method of securing the activity of the Guarantee Fund, the method of investing the funds of the Guarantee Fund and the payment of the costs of the activity of the Guarantee Fund shall be regulated in detail by the statute of the Guarantee Fund, which will be issued by the board of directors after the prior approval of the Ministry. The consent of the Ministry is also required for every change in the Statute of the Guarantee Fund.

## Section 129

### **Payment of contributions to the Guarantee Fund**

(1) The investment firm pays an annual contribution to the Guarantee Fund in the amount of 2% of the volume of revenues from fees and commissions for investment services provided for the last calendar year.

(2) The annual contribution amounts to at least CZK 10,000, regardless of the number of months in which the investment firm performed his activity.

(3) The contribution to the Guarantee Fund is due annually by March 31, for the previous calendar year.

## Section 129a

### **Checking the payment of contributions**

(1) Immediately after the expiry of the deadline according to Section 129, subsection 3, the Guarantee Fund informs the Czech National Bank of the amount of contributions paid by each individual investment firm for the past period.

(2) The Czech National Bank will compare the amount of contributions actually paid in accordance with subsection 1 with the volume of income from fees and commissions for investment services provided for the last year determined on the basis of data verified by the auditor received from

the investment firm pursuant to Section 16, subsection 1, multiplied by the relevant percentage rate according to Section 129 subsection 1. If a difference is detected, the Czech National Bank will take appropriate measures to rectify it. The Czech National Bank informs the Guarantee Fund of the identified differences and the measures taken to correct them.

#### Section 129b

(1) No later than the end of the calendar month following the end of the calendar year, the investment firm shall submit to the Guarantee Fund information on the amount of the client's assets at the end of the last working day of the relevant year, for which the Guarantee Fund would provide compensation calculated according to Section 130 subsection 9. The Guarantee Fund shall provide this information to the Ministry without undue delay after receiving it.

(2) A management company and a foreign person pursuant to Section 132a subsection 1, and a foreign person pursuant to Section 28 subsection 1, who have been granted authorisation by the Czech National Bank to provide investment services in the Czech Republic through a branch, also have the obligation pursuant to subsection 1.

(3) The details, form, method and structure of the fulfilment of the information obligation pursuant to subsection 1 shall be determined by the Ministry by decree.

### **Provision of compensation from the Guarantee Fund**

#### Section 130

(1) The Czech National Bank shall notify the Guarantee Fund without undue delay that

- a) due to his financial situation, the investment firm is unable to fulfil his debts consisting in the delivery of assets to clients and it is unlikely that he will fulfil them within 1 year, or
- b) the court has issued a decision on the bankruptcy of the investment firm or has issued another decision which has the effect that the investment firm's clients cannot effectively demand the release of their assets against the investment firm.

(2) The Guarantee Fund, in agreement with the Czech National Bank, shall immediately publish a notice containing

- a) the fact that the investment firm is unable to fulfil his debts,
- b) place, method and deadline for registering claims for compensation and starting the payment of compensation from the Guarantee Fund, a
- c) any other facts related to the registration of claims.

(3) The deadline for registering claims must not be shorter than 5 months from the date of publication of the notice according to subsection 2. The fact that this deadline has passed cannot be invoked to deny payment of compensation from the Guarantee Fund.

(4) He is not entitled to compensation from the Guarantee Fund

- a) Czech Consolidation Agency,
- b) territorial self-governing unit,
- c) a person who during the 3 years preceding the notification pursuant to subsection 2

1. performed an audit or participated in the performance of an audit of an investment firm whose clients are compensated from the Guarantee Fund,
2. was a member of the management body of an investment firm whose clients are compensated from the Guarantee Fund,
3. was a person with qualified participation in an investment firm whose clients are compensated from the Guarantee Fund,
4. was a person close according to the Civil Code to the person according to points 1 to 3,
5. was a person who belongs to the same business group as an investment firm whose clients are compensated from the Guarantee Fund,
6. performed an audit or participated in the performance of an audit of a person who belongs to the same business group as an investment firm whose clients are paid compensation from the Guarantee Fund,
7. was a member of the management body of a person who belongs to the same business group as an investment firm whose clients are paid compensation from the Guarantee Fund,

d) a person in which he has or had at any time during the last 12 months immediately preceding the day on which the notification pursuant to subsection 1 was made, an investment firm whose clients are compensated from the Guarantee Fund, or a person with a qualified participation in this investment firm securities higher than 50% of the share capital or voting rights,

e) a person who, in connection with the legalization of the proceeds of crime, entrusted the investment firm, whose clients are compensated from the Guarantee Fund, with funds obtained through a criminal act,

f) a person who, through a criminal act, caused the inability of an investment firm, whose clients are compensated from the Guarantee Fund, to fulfil his obligations to clients,

g) participant of the association according to Section 829 of Act No. 40/1964 Coll., as amended by Act No. 509/1991 Coll., or a partner of the company according to Section 2719 of the Civil Code, about which, before the issuance of the decision on the bankruptcy of the investment firm or the notification according to subsection 1 letter a) the investment firm is demonstrably informed that he is a participant in an association or a partner in a company.

(5) The guarantee fund shall suspend the payment of compensation

a) for the client's property, which it is clear from the course of the criminal proceedings that it may be property according to subsection 4 letter e), or

b) to a person suspected of committing a criminal offense that caused the investment firm's inability to fulfil his obligations to clients, for the duration of the criminal proceedings conducted against this person.

(6) The guarantee fund shall suspend the payment of compensation pursuant to subsection 5 without undue delay after becoming aware of the aforementioned facts.

(7) Compensation from the Guarantee Fund is provided for the client's property, which could not be issued to him for reasons directly related to the financial situation of the investment firm. For the calculation of the compensation, as of the date on which the Guarantee Fund received the notification from the Czech National Bank pursuant to subsection 1, the values of all components of the client's property that could not be issued for reasons directly related to the financial situation of the investment firm are added up, including his co-ownership share in property in joint ownership with other clients, with the exception of the value of funds entrusted to an investment firm, which is a bank or a branch of a foreign bank, and kept by him in accounts insured under the law regulating the activities of banks. From the resulting amount, the value of the client's obligations to the investment firm due as of the date on which the Guarantee Fund received the notification from the Czech National Bank pursuant to

subsection 1 shall be deducted.

(8) For the calculation of the compensation according to subsection 7, the determining fair values of the financial instruments are valid as of the date on which the Guarantee Fund receives the notification from the Czech National Bank according to subsection 1. When calculating the compensation, the Guarantee Fund may also take into account the contractual agreement between the investment firm and by the client, if they are customary, in particular to actually accrued interest or other income to which the client was entitled on the day the Guarantee Fund received the notification from the Czech National Bank pursuant to subsection 1.

(9) Compensation is provided to the client in the amount of 90% of the amount calculated according to subsections 7 and 8, but the maximum amount in Czech crowns corresponding to EUR 20,000 for one client at one investment firm will be paid.

(10) Compensation from the Guarantee Fund must be paid within 3 months from the date of verification of the registered claim and calculation of the compensation amount. In exceptional cases, at the request of the Guarantee Fund, the Czech National Bank may extend this period by a maximum of 3 months.

(11) The investment firm shall, at its request, provide the Guarantee Fund with the documents required for the calculation of the compensation according to subsections 7 and 8 at its request within the period set by the Guarantee Fund. and resolution of the crisis on the financial market, the person designated according to the law governing recovery procedures and resolution of the crisis on the financial market has this obligation. If forced administration is introduced at an investment firm, the receiver has this obligation, if bankruptcy is declared for the assets of the investment firm, the insolvency administrator of this investment firm has this obligation. The same obligation, if requested by the Guarantee Fund, also applies to another person, if they have these documents with them.

(12) The documents according to subsection 11 contain the following data for each client:

- a) the currency and amount of funds and the type, number and unique identification of financial instruments that make up the client's property, and which could not be issued in accordance with Section 132,
- b) the amount of the client's receivables from the investment firm, arising on the basis of contractual provisions, in particular the actually accrued interest or other income to which the client was entitled,
- c) the amount of creditable receivables of the investment firm against the client.

### Section 131

(1) At the time of payment of compensation from the Guarantee Fund, the Guarantee Fund becomes a creditor of the investment firm, to the extent of the compensation paid. If the claim has already been registered in bankruptcy for the assets of the investment firm, the Guarantee Fund becomes at the same time and to the same extent a bankruptcy creditor of the bankrupt investment firm instead of the client. At the request of the Guarantee Fund, the insolvency administrator shall mark this change in the list of registered claims<sup>18)</sup> without undue delay.

(2) The client's right to payment of compensation from the Guarantee Fund expires no later than 5 years from the date on which the facts referred to in Section 130 subsection 2 were made public. If the client has registered his claim for compensation in accordance with Section 130 subsection 2 letter b), this period will not end earlier than in 3 months from the date of delivery of the application to the Guarantee Fund.

(3) In the event that the funds of the Guarantee Fund are not sufficient to pay compensation with

accessories or to cover the costs of the activity, the Guarantee Fund will obtain the necessary funds on the financial market. The Guarantee Fund ensures that the conditions under which the Guarantee Fund's funds are provided are as favourable as possible for it. If the Guarantee Fund does not obtain funds on the financial market, it may, at its request, be granted a subsidy or repayable financial assistance in the necessary amount from the state budget for reasons worthy of special attention.

#### Section 132

##### **Issuance of clients' assets after the issuance of a bankruptcy decision and a declaration of bankruptcy for the assets of an investment firm**

(1) If a decision is issued on the bankruptcy of an investment firm, the insolvency administrator is obliged to hand over the client's assets to the client without undue delay, including the proceeds from the client's assets. As long as the client's property is not handed over to the client, the insolvency administrator acts with the care of a proper householder in relation to the client's property.

(2) If the financial instruments, which are mutually substitutable, are not sufficient to satisfy all clients who are entitled to their issuance, each client shall be issued such a number of financial instruments that can be issued without having to divide the financial instrument. Financial instruments that cannot be issued to clients according to the previous sentence, the insolvency administrator will monetize them and issue to each client a share of the obtained funds that corresponds to the extent to which the client was not satisfied according to the first sentence.

(3) If the funds are not sufficient to satisfy all clients who are entitled to their issuance, the clients' claims will be satisfied proportionately.

(4) To the extent that the claim for the release of the client's property cannot be satisfied by the procedure according to subsection 2 or 3, it is a claim that the insolvent with a lawyer is obliged to assert in insolvency proceedings according to the law regulating bankruptcy and methods of its resolution <sup>20)</sup> by application; until the extent of the satisfaction of this claim is known, the claim can be claimed as subject to condition <sup>21)</sup>.

(5) The insolvency administrator shall be entitled to reimbursement of finished expenses and remuneration, which are a claim for property, for the activities according to subsections 1 to 4; in the event that the assets are not sufficient to pay compensation for out-of-pocket expenses and remuneration, the state will pay them. The method of determining the reimbursement of out-of-pocket expenses and remuneration of the insolvency administrator, their maximum amount paid by the state and the method of payment shall be determined by the implementing legislation.

#### Section 132a

(1) A management company or a foreign person with an authorisation pursuant to Section 481 of the Act Governing Management companies and Investment Funds, which is not comparable to a self-managed investment fund, which performs the activities specified in Section 4 subsection 2 letter d) or Section 4 subsection 3 letter a). The provisions of this Act on the issuance of the client's property of an investment firm shall apply mutatis mutandis to the issuance of the client's property in the event of the bankruptcy of such a management company or foreign person.

contribution to the Investment firms' Guarantee Fund is paid for monetary resources and financial instruments in the property of an investment fund entrusted to its depository as part of the activities of the depository or to its main supporter as part of the main supporter's activities.

#### Section 133

##### **Payment of contribution to the Guarantee Fund by a foreign person**

(1) A foreign person who has authorisation from the supervisory authority of another member state of the European Union to provide investment services and provides investment services in the Czech Republic does not have to participate in the guarantee system secured by the Guarantee Fund.

(2) A foreign person referred to in Section 28 subsection 1 who has been granted authorisation by the Czech National Bank to provide investment services in the Czech Republic through a branch shall participate in the guarantee system secured by the Guarantee Fund under the same conditions as an investment firm. A contribution is paid to the Guarantee Fund and reimbursements are paid for client property entrusted to a foreign person in accordance with Section 28 subsection 1, when providing investment services in the Czech Republic through a branch.

#### Section 133a

### **Processing of personal data**

#### Guarantee fund for personal data processing

a) does not have to limit the processing of personal data in the event that the data subject denies their accuracy or has raised an objection to this processing, and

b) may carry out its activities in accordance with this Act also exclusively on the basis of automated processing of personal data; the description of the computer algorithms and the selection criteria on the basis of which this processing is carried out shall be stated by the Guarantee Fund in the records of personal data processing activities and kept for at least one year from their last use for personal data processing.

#### Section 134

### **Information obligations and cooperation**

(1) The investment firm informs the Guarantee Fund of its participation in a similar foreign guarantee system.

(2) The Czech National Bank informs the foreign guarantee system, with which the investment firm has insured the assets of its clients, that the investment firm is unable to fulfil its debts consisting in the delivery of assets to clients for a reason directly related to its financial situation and it is unlikely that he will be able to fulfil them within 1 year.

(3) The guarantee fund cooperates with a foreign guarantee system with which the investment firm has insured the property of its clients, especially when providing compensation from both of these guarantee systems.

## TITLE X

### POSITION LIMITS AND CONTROLS FOR POSITION MANAGEMENT IN COMMODITY DERIVATIVES

#### Section 134a

(1) The Czech National Bank, by a measure of a general nature, sets limits on the size of the net position that a person can hold at any time in agricultural commodity derivatives and in essential or significant commodity derivatives traded in trading systems and economically equivalent OTC derivatives.



(2) A fundamental or significant commodity derivative according to subsection 1 means a commodity derivative for which the sum of the volume of all net open positions of the final position holders reaches an average of at least 300,000 lots over the period of one calendar year.

(3) The limits according to subsection 1 are determined on the basis of all positions held by a person and positions that are held on behalf of this person at the level of the entire group, with the aim

a) prevent market abuse and

b) to support proper pricing and settlement conditions, including preventing the creation of market-disrupting positions, and in particular to ensure convergence between the prices of derivatives in the month of settlement and the immediate prices of the underlying commodity to which the value of the derivatives relates, without prejudice to the pricing of this commodity on the market.

(4) The limits under subsection 1 do not apply to

a) positions held by a non-financial entity or on its behalf, which can be objectively measured as reducing risks directly related to the business activity of this non-financial entity, if the entity requests the Czech National Bank to do so,

b) positions held by a financial entity that is part of a predominantly business group and acts on behalf of or on behalf of a non-financial entity of this group, if these positions are objectively measurable as risk-reducing positions directly related to the business activity of this non-financial entity,

c) positions held by financial and non-financial counterparties, which can be objectively measured as resulting from transactions that were concluded for the purpose of fulfilling the obligation to provide liquidity in the trading system, if the fulfilment of this obligation is required by the competent authorities or trading systems, and

d) transferable securities referred to in Section 3, subsection 2, letters d) and e) which are related to the commodity or the underlying asset referred to in Section 3 subsection 1 letter j).

(5) The limits according to subsection 1 shall clearly determine the quantitative threshold values of the maximum size of the position in the commodity derivative that persons may hold.

(6) Limits according to subsection 1 are set by the Czech National Bank with regard to the provisions of Section 136 subsection 1 letter q).

(7) If there is a significant change in the market, including a significant change in the real supply or in net open positions or any other significant change in the market, the Czech National Bank, based on its own determination of the real supply and net open positions, will review the limits according to subsection 1 and sets new position limits in accordance with the calculation methodology developed by the European Securities and Markets Authority.

(8) If the limits according to subsection 1 are assessed by the European Securities and Markets Authority as incompatible with the objectives according to subsection 2 and with the established calculation methodology, the Czech National Bank

a) adjust the position limits in accordance with the opinion of the European Securities and Markets Authority, or

b) shall publish on its website without undue delay the reasons why it does not consider this amendment to be necessary.

(9) The rules for the calculation of the net position held by a certain person in a commodity

derivative and the methodology for calculating the position limits applicable to the size of this position for the purposes of subsections 1 to 8 and Section 134b to 134d are governed by Articles 2 to 21 of the Commission Delegated Regulation (EU) 2017/591<sup>103</sup>).

#### Section 134b

(1) The Czech National Bank, by means of a measure of a general nature, establishes a uniform position limit, which is applied to all trading of the affected derivatives, if the largest amount of these derivatives is traded in the trading system operated by a person with its registered office in the Czech Republic, and if

a) agricultural commodity derivatives that are based on the same underlying asset and share the same characteristics, traded in significant quantities on trading systems in multiple countries, or

b) significant or essential commodity derivatives that are based on the same underlying asset and share the same characteristics, traded in trading systems in multiple countries.

(2) The Czech National Bank consults the uniform position limit according to subsection 1 and any changes to it with the relevant operators of trading systems in which the agricultural commodity derivatives listed in subsection 1 letter a) traded in significant quantities or in which essential or significant commodity derivatives listed in subsection 1 letter b).

#### Section 134c

(1) The operator of the trading system on which commodity derivatives are traded applies the limits according to Section 134a subsection 1 and Section 134b subsection 1; in this application may

a) monitor net open positions of persons,

b) obtain information from persons, including all relevant documentation, regarding the size and purpose of the closed exposure or position, information about the beneficial owners, any collusion agreements and any related assets or liabilities in the underlying market, including, where appropriate, information about positions held in commodity derivatives that are based on the same underlying asset and share the same characteristics, in other trading systems and in economically equivalent OTC derivatives through members and participants,

c) demand that a certain person terminate the position or limit its size, temporarily or permanently and unilaterally take measures to ensure this termination or limit the position, if the person in question does not comply with the request, and

d) require the person to temporarily return liquidity to the market at an agreed price and in an agreed volume with the express intention of mitigating the effects of a large or dominant position.

(2) The limits pursuant to Section 134a subsection 1 and their application pursuant to subsection 1 must be transparent and non-discriminatory, must indicate how they are applied to persons, and take into account the nature and composition of market participants and the way in which they use traded derivatives.

(3) The operator of the trading system shall notify the Czech National Bank of the details of the application of the limits pursuant to Section 134a subsection 1 and Section 134b subsection 1.

#### Section 134d

(1) In exceptional cases, the Czech National Bank may, by measures of a general nature, establish position limits that are more restrictive than the position limits pursuant to Section 134a,

subsection 1, in cases where such limits are justified and proportionate with regard to the liquidity of a specific market and proper functioning of this market.

(2) If the Czech National Bank establishes limits pursuant to subsection 1, it shall publish details of them on its website.

(3) The limits according to subsection 1 apply for a maximum of 6 months from the date of their publication on the Czech National Bank's Internet pages. Their validity can be extended for further periods, each of which is always a maximum of 6 months, if the reasons for the given limitation continue to apply. If these limits are not extended after the mentioned six-month period, they automatically expire after this period.

(4) If the limits pursuant to subsection 1 are not considered by the European Securities and Markets Authority to be necessary to resolve an exceptional case, the Czech National Bank shall publish a notice on its website without undue delay, fully justifying why it has set these limits in this way.

## TITLE XI

### REPORTING OF POSITIONS BY POSITION HOLDER CATEGORIES

#### Section 134e

(1) The operator of a trading system on which commodity derivatives or greenhouse gas emissions allowances or their derivatives are traded,

a) if the number of persons and their open positions exceeds the minimum threshold value, it publishes a weekly report with summary positions held by individual categories of persons in individual commodity derivatives or in greenhouse gas emissions allowances or their derivatives traded in its trading system, indicating the number long and short positions by these categories, their changes since the previous report, the percentage of total net open positions by category and the number of persons holding positions in individual categories in accordance with subsection 3, and forwards this report to the Czech National Bank and the European Securities Authority and markets, a

b) provide the Czech National Bank with a complete list of positions held by all persons in the given trading system, including participants and their clients, at least once a day.

(2) An investment firm who trades in commodity derivatives or in greenhouse gas emission allowances or their derivatives shall provide at least once a day a complete breakdown of his positions obtained in economically equivalent OTC derivatives and, where appropriate, in commodity derivatives or in emission allowances of greenhouse gases or their derivatives traded in the trading system, as well as the positions of clients and their clients, up to the end client, in accordance with Article 26 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council<sup>53)</sup>, and if applies, with Article 8 of Regulation (EU) No. 1227/2011 of the European Parliament and of the Council,

a) the supervisory authority of a member state of the European Union, which has granted authorisation to the operator of the trading system where the largest number of these derivatives are traded, or

b) if there is no supervisory authority of a member state of the European Union pursuant to letter a), the supervisory authority of a member state of the European Union that has granted authorisation to the operator of the trading system where these commodity derivatives or greenhouse gas emission allowances or their derivatives are usually traded.

(3) The operator of the trading system shall classify persons according to subsection 1 letter a) according to the nature of their main business activity, taking into account any valid authorisation, such as

- a) an investment firm, a bank, a savings and credit cooperative, or a similar foreign person with its seat or real seat in another member state of the European Union,
- b) an investment fund or a foreign investment fund, distinguishing whether it is a standard fund or a comparable foreign investment fund, or another investment fund or a foreign investment fund,
- c) another authorised or regulated financial institution, including an insurance company, a reinsurance company, a pension insurance institution with a state contribution or a similar foreign person with its seat or actual seat in another member state of the European Union, including occupational pension insurance institutions,
- d) another entrepreneur, or
- e) an operator of a facility or an aircraft obliged to comply with the requirements of the law governing the conditions of trading in greenhouse gas emission allowances or similar provisions of the law of another member state of the European Union, in the case of greenhouse gas emission allowances and their derivatives.

(4) The obligation to report on positions pursuant to subsection 1 does not apply to transferable securities referred to in Section 3 subsection 2 letter d) and e) which are related to the commodity or the underlying asset referred to in Section 3 subsection 1 letter j).

(5) In reports according to subsection 1 letter a) the number of long and short positions by category of persons, any changes to them since the submission of the previous report, the percentage of total open interest positions by category and the number of persons in individual categories shall be indicated.

(6) Reports according to subsection 1 letter a) and subsection 2 distinguish between

- a) positions designated as positions that reduce the risks directly associated with business activities in an objectively measurable way, and
- b) other positions.

(7) Deadlines for sending messages according to subsection 1 letter a), report format according to subsection 1 letter a) and schedules according to subsection 2 and the threshold value according to subsection 1 letter a) adjust

- a) Article 83 of Commission Delegated Regulation (EU) 2017/565<sup>78)</sup>,
- b) Article 1 of Commission Implementing Regulation (EU) 2017/953<sup>104)</sup> and
- c) Articles 1 to 3 of Commission Implementing Regulation (EU) 2017/1093<sup>105)</sup>.

#### Section 134f

#### **Enabling Clause**

Details, form and method of sending information according to Section 134e subsection 1 letter b) lays down the implementing legal regulation.

### **PART TWELVE**

#### **Long-term investment product (§ 134g-134k)**

##### Section 134g

### **Long-term investment product contract**

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

(2) Only the following entities can provide a long-term investment product

- a) bank,
- b) savings or credit union,
- c) investment firm,
- d) management company,
- e) self-managed investment fund,
- f) a foreign person with a similar activity to any of the persons referred to in points (a) to (e) authorised to provide its services in the Czech Republic.

(3) If the provider of a long-term investment product is not authorized to accept deposits from the public under the law governing the activities of banks and if it offers this service, it is obliged to deposit the funds of the owner of the long-term investment product in his favor with a person authorized to accept deposits from the public under the law governing the activities of banks and to record the amount of the rights to the payment of funds within the long-term investment product provided by it.

(4) If the provider of a long-term investment product is not authorized to keep records of financial instruments held within the long-term investment product and offers this service, it is obliged to entrust the owner of the long-term investment product with keeping records of financial instruments for his benefit to a person authorized to keep records of the relevant financial instruments and to record the number and type of financial 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 to provide 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 property accounts in which funds or financial instruments that constitute assets within the long-term investment product are registered.

### **Section 134h**

#### **Obligations of the provider of a long-term investment product**

(1) The provider of a long-term investment product may not execute an instruction from the owner of this product that would result in the return of tax support for this product, unless the provider of this product informs him in advance on a durable medium of these effects and the owner of this product declares on a durable medium that he is aware of these effects.

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

(3) By depositing funds with another person pursuant to Section 134g subsection 3, authorizing another person to keep records pursuant to Section 134 subsection 4, using the services of another person pursuant to Section 134g subsection 5 or authorizing another person to act as a custodian pursuant to subsection 2, the obligation of the provider of a long-term investment product to compensate for damage incurred by the failure to fulfill its obligation remains unaffected in relation to the owner of the long-term investment product.

(4) A provider of a long-term investment product that has commenced or terminated the

provision of a long-term investment product in the Czech Republic shall notify the Czech National Bank of this fact without undue delay. The notification pursuant to the first sentence may only be made electronically.

#### Section 134i

##### **Assets within a long-term investment product**

(1) The provider of a long-term investment product shall ensure that the assets within a long-term investment product consist only of

- a) cash,
- b) transferable securities or money market instruments that are admitted to trading on a European regulated market or on a multilateral trading facility of an operator established in a Member State of the European Union, or on a market similar to a regulated market established in a state that is not a Member State of the European Union, or are traded on a market similar to a regulated market established in a state that is not a Member State of the European Union, if these markets are listed in the list of foreign markets similar to a regulated market established in a state that is not a Member State of the European Union, maintained by the Czech National Bank pursuant to Section 13 letter k) of the Capital Market Supervision Act,
- c) bonds or similar securities representing the right to repayment of a debt, the issuer of which is a Member State of the European Union or the central bank of such a state,
- d) covered bonds or similar securities representing the right to repayment of a debt, the issuer of which is a foreign bank with its registered office in a Member State of the European Union,
- e) collective transferable securities and
- f) derivatives that are not transferable securities and that are negotiated exclusively for the purpose of securing assets 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 financial instrument is sold, purchased or repaid pursuant to subsection 1 letter b) to e) or if a cash settlement of a derivative is provided pursuant to subsection 1 letter f), the provider of the long-term investment product shall ensure that the funds obtained remain part of the assets within the long-term investment product; this also applies to funds obtained due to the dissolution of the issuer of the financial instrument, financial instruments obtained in exchange for other financial instruments within the long-term investment product and to income from assets within the long-term investment product.

#### Section 134j

##### **Prohibition of influencing an employee in the selection of a long-term investment product provider**

The employer may not influence employees in the selection of a long-term investment product provider or accept an incentive that may lead to a violation of this prohibition.

#### Section 134k

##### **List of long-term investment product providers**

(1) The Czech National Bank shall keep an electronic list of providers of long-term investment

products who have notified the Czech National Bank of the commencement of the provision of long-term investment products in the Czech Republic pursuant to Section 134h subsection 4.

(2) The Czech National Bank shall publish the list pursuant to subsection 1 on its website. In the event of changes, the previous data shall remain permanently published.

(3) If the Czech National Bank becomes aware of a change in the data entered in the list pursuant to subsection 1, it shall update this list without undue delay.

## **PART THIRTEEN**

### **SUPERVISION AND ADMINISTRATIVE PUNISHMENT**

#### **TITLE I**

#### **SUPERVISION ON AN INDIVIDUAL BASIS**

##### **Chapter 1**

##### **Basic provision**

##### **Section 135**

##### **Persons subject to supervision**

(1) Supervision of compliance with the rights and obligations set forth in this Act, the legal regulations implementing it, the directly applicable regulations of the European Union in the field of activities on financial markets <sup>2)</sup> and the conditions set out in the decision issued pursuant to this Act is performed by the Czech National Bank. It is subject to the supervision of the Czech National Bank

- a) investment firm,
- b) a member of the management body of a person subject to supervision pursuant to this subsection,
- c) a person who has been authorised by the investment firm to carry out a significant operational activity, within the scope of this authorisation,
- d) accredited person (Section 14c subsection 2),
- e) a foreign person with an authorisation to provide investment services who provides services in the Czech Republic through a branch, in relation to investment services provided through this branch in the territory of the Czech Republic,
- f) investment intermediary,
- g) tied agent (Section 3 2a subsection 1),
- h) regulated market organiser,
- i) a person to whom the Czech National Bank granted authorisation for the operation of an approved mechanism for reporting transactions or an approved system for publishing information in accordance with the directly applicable regulation of the European Union regulating the markets of financial instruments <sup>53)</sup>,
- j) a participant in the settlement system with irrevocable settlement,

- k) the operator of the settlement system with irrevocable settlement,
- l) a participant in a foreign settlement system with irrevocable settlement, which has its seat on the territory of the Czech Republic,
- m) the person who keeps the records connected to the central records of book-entry securities,
- n) a person who keeps separate records of financial instruments,
- o) a person who keeps records connected to separate records of financial instruments,
- p) the issuer referred to in Section 118 subsection 1 when fulfilling obligations under this Act,
- q) forced administrator of persons pursuant to Section 138 subsection 1, when fulfilling obligations pursuant to Section 139 subsection 7,
- r) investment holding entity,
- s) mixed financial holding entity,
- t) a person who is subject to obligations or prohibitions pursuant to Article 4 paragraph 1, Article 5a, Article 8b, Article 8c and Article 8d of Regulation (EU) No. 1060/2009 of the European Parliament and of the Council,
- u) a person subject to obligations or prohibitions according to the directly applicable regulation of the European Union regulating short selling and certain aspects of credit default swaps<sup>42)</sup>,
- v) a person who is subject to obligations or prohibitions according to the directly applicable regulation of the European Union governing OTC derivatives, central counterparties and trade repositories<sup>43)</sup> with the exception of the trade data register,
- w) a person who is subject to obligations or prohibitions according to the directly applicable regulation of the European Union governing the improvement of the settlement of securities transactions in the European Union and the central depository of securities<sup>51)</sup>,
- x) a person who is subject to obligations or prohibitions according to the directly applicable regulation of the European Union regulating market abuse<sup>52)</sup>,
- y) a person who is subject to obligations or prohibitions according to the directly applicable regulation of the European Union governing the communication of key information regarding structured retail investment products and insurance products with an investment component<sup>60)</sup>,
- z) a person who is subject to obligations or prohibitions according to the directly applicable regulation of the European Union regulating the transparency of transactions ensuring financing and reuse<sup>61)</sup>,
- za) a person who is subject to obligations or prohibitions according to the directly applicable regulation of the European Union regulating indices that are used as reference values in financial instruments and financial contracts or to measure the performance of investment funds<sup>62)</sup>,
- zb) a person subject to obligations or prohibitions according to a directly applicable regulation of the European Union regulating the general framework for securitisation and creating a special framework for simple, transparent and standardized securitisation<sup>63)</sup>.
- zc) a person who is subject to obligations or prohibitions according to the directly applicable regulation



of the European Union governing the prospectus to be published during a public offer or acceptance of securities for trading on a regulated market<sup>66)</sup>.

zd) a person who is subject to obligations or prohibitions according to the directly applicable regulation of the European Union regulating European providers of crowdfunding services for businesses<sup>75)</sup>,

ze) a person who is subject to obligations or prohibitions according to the directly applicable regulation of the European Union regulating the framework for recovery procedures and crisis resolution of central counterparties<sup>76)</sup>.

zf) a person who is subject to obligations or prohibitions according to the directly applicable regulation of the European Union regulating the pilot regime for market infrastructures based on distributed ledger technology<sup>109)</sup>.

(2) A person who unauthorised performs or offers activities pursuant to this Act is also subject to the supervision of the Czech National Bank.

(3) The issuance of securities by the Czech National Bank, the keeping of securities records by the Czech National Bank, the operation of the settlement system by the Czech National Bank and the Czech National Bank's trading in financial instruments and securities that are not transferable securities are not subject to supervision.

#### Section 135a

##### **Investment firm Supervision and Evaluation**

(1) Taking into account the size, risk profile and business model of the investment firm, the Czech National Bank shall review to the necessary and relevant extent the systems, strategies, procedures and mechanisms applied by the investment firm in order to comply with this Act and the European Parliament's regulation and of the Council (EU) 2019/2033<sup>72)</sup>, while in order to ensure proper management and cover its risks, in appropriate and relevant cases, it will evaluate

a) risks according to Section 12ad,

b) geographical location of its exposures,

c) his business model,

d) systemic risk, taking into account the detection and measurement of systemic risk according to Article 23 of Regulation (EU) No. 1093/2010 of the European Parliament and of the Council<sup>106)</sup> or the recommendations of the European Council for Systemic Risks,

e) risks threatening the security of the investment firm's networks and information systems in order to ensure the confidentiality, integrity and availability of its processes, data and assets,

f) his exposure to the interest rate risk arising from the investment portfolio a

g) its administration and management system and the ability of members of the management body to fulfil their duties.

h) risks identified through digital operational resilience testing pursuant to Chapter IV of Regulation (EU) 2022/2554 of the European Parliament and of the Council<sup>111)</sup>.

(2) For the purposes of subsection 1, the Czech National Bank shall take into account whether the investment firm is insured in the event of an obligation to compensate for damage.

(3) The Czech National Bank shall determine the frequency and intensity of supervision and evaluation pursuant to subsection 1, taking into account the size, nature, scope and complexity of the activities of the investment firm concerned, its systemic importance, and shall take into account the principle of proportionality and the legal regulations governing the department applicable to client money held. Based on an individual assessment, the Czech National Bank will decide whether supervision and evaluation will take place at a small and unconnected investment firm and in what form, only if it deems it necessary with regard to the size, nature, scope and complexity of the investment firm's activities papers.

(4) Investment firm for the purposes of supervision and evaluation pursuant to subsection 1 letter g) provide the Czech National Bank, upon its request, with meeting programs and minutes of meetings of the management body and its committees, as well as related background documents and results of internal and external evaluation of the management body's activities.

(5) The requirements for the investment firm's systems, strategies, procedures and mechanisms, which ensure proper management and coverage of its risks, are governed by a directly applicable regulation of the European Union, which supplements Article 36 of the Directive of the European Parliament and of the Council (EU) 2019/2034<sup>80</sup>.

#### Section 135b

##### **Ongoing review of authorisation to use internal models**

The Czech National Bank will regularly, at least once every 3 years, review whether the investment firm complies with the requirements for authorisation to use internal models according to Article 22 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72</sup>, taking into account changes in its business and the application of these internal models to new products and assess whether the investment firm uses properly developed and updated techniques and procedures for them.

#### Section 135c

##### **Cooperation with the department exercising the powers of the authority for crisis resolution**

The Czech National Bank will ensure close cooperation, including the exchange of information, between the department exercising the powers of the supervisory authority and the department exercising the powers of the crisis resolution authority in relation to the additional capital requirement imposed pursuant to Section 135e subsection 2 letter a) to an investment firm who falls under the scope of the law regulating recovery procedures and crisis resolution in the financial market, and the expectation of adjustments according to Section 137b subsection 2, which relate to this investment firm.

#### Section 135d

**cancelled**

#### Section 135e

The Czech National Bank reviews and evaluates the trading of the operator of the organised trading facility by matching instructions to its own account to ensure that this method of trading meets the defining features of this method of trading and does not represent a conflict of interest between the operator of the organised trading facility and the participants of this system.

**title omitted**

Section 135f

**cancelled**

Section 135g

**cancelled**

Section 135h

**cancelled**

Section 135i

**cancelled**

## **Chapter 2**

### **Remedial and other measures**

Section 136

#### **From the basic provisions**

(1) The Czech National Bank may impose on a person subject to supervision who has violated this Act, a decision issued pursuant to this Act or a directly applicable regulation of the European Union in the area of activities on financial markets <sup>2)</sup> measures to remedy the detected deficiency corresponding to the nature of the violation and its seriousness. The Czech National Bank can further

- a) order an extraordinary audit,
- b) order a change of auditor,
- c) suspend any activity subject to supervision for a maximum period of 5 years,
- d) prohibit activities subject to supervision,
- e) suspend trading in financial instruments pursuant to Section 137,
- f) introduce forced administration according to Section 138 to 143,
- g) change the scope of the authorisation granted under this Act pursuant to Section 144,
- h) withdraw authorisation, consent or cancel registration in accordance with Section 145 or withdraw authorisation for the activities of a tied agent in accordance with Section 32i subsection 1,
- i) prohibit or suspend, for a maximum period of 10 working days, the public offering of transferable securities, trading in a transferable security on a regulated market or in a multilateral trading facility, or acceptance of a transferable security for trading on a regulated market or in a multilateral trading facility,
- j) prohibit or suspend the promotion or announcement regarding the public offer or acceptance of a transferable security for trading on a regulated market,
- k) to order the replacement of a member of the leading body of persons subject to supervision pursuant to Section 135 subsection 1,

l) order the publication of mandatory information or publish it yourself,

m) impose measures

1. according to Article 63 paragraph 2 letters a) to c) Regulation of the European Parliament and the Council (EU) No. 909/2014,
2. according to Article 22 paragraph 4 letters a) to c) Regulation of the European Parliament and of the Council (EU) 2015/2365,
3. according to Article 24 paragraph 2 letters a), b) or d) Regulation of the European Parliament and of the Council (EU) No. 1286/2014,
4. according to Article 42 paragraph 2 letters a) to e) Regulation of the European Parliament and of the Council (EU) 2016/1011,
5. according to Article 32 paragraph 2 letter d) Regulation (EU) 2017/2402 of the European Parliament and of the Council,
6. according to Article 32 paragraph 1 letters a), d) to h) and j) to m) Regulation of the European Parliament and Council (EU) 2017/1129, or
7. according to Article 30 paragraph 2 letters a) to e) and g) to i) or Article 39 paragraph 2 letters a) to c) Regulation of the European Parliament and the Council (EU) 2020/1503<sup>75)</sup>,
8. according to Article 82 paragraph 2 letters a) to c) Regulation of the European Parliament and of the Council (EU) 2021/23<sup>76)</sup>,

n) to publish information about the nature of the illegal act and the identification of the person who acted in this way, including the identification of the person who acted on behalf of the legal entity,

o) order the withdrawal of the financial instrument from trading on a regulated market, in a multilateral trading facility or in an organised trading facility,

p) to order position or exposure restrictions,

q) limit the possibility to negotiate a commodity derivative by introducing limits on the size of the position that any person can hold at any time,

r) suspend the marketing or sale of financial instruments or structured deposits if the conditions set out in Articles 40 to 42 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council are met, or

s) to suspend the marketing or sale of financial instruments, if the investment firm has not followed the procedure set out in Section 12a subsection 3, Section 12ba or 12bb.

(2) The Czech National Bank may, for the purposes of European Parliament and Council Regulation (EU) 2019/2033<sup>72)</sup> and Section 135a or 135b, or who has violated this Act, the legal regulation implementing it, decisions issued pursuant to this Act, measures of a general nature issued pursuant to this Act, a directly applicable regulation of the European Union regulating prudential requirements for investment firms<sup>72)</sup> also

a) order it to have capital in excess of the requirements according to Article 11 of Regulation (EU) 2019/2033 of the European Parliament and Council<sup>72)</sup> under the conditions according to Section 137a, or order it to adjust the capital and liquid assets required in the event of significant changes in the business of this investment firm,

b) order the strengthening of its systems, procedures, mechanisms and strategies carried out in accordance with Section 9a and 12ab,

c) order him to submit a plan to restore compliance with the supervision requirements pursuant to this Act and pursuant to Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup> within

1 year,

d) order that he use a specific system of creation of correction items and reserves or treatment of assets from the point of view of capital requirements,

e) to prohibit or limit its businesses, operations or its network or to demand the abandonment of activities that pose an excessive risk to its financial reliability,

f) order to reduce the risk contained in activities and products, including activities performed through another person according to Section 12d,

g) to order him to limit the variable component of the remuneration by determining its amount as a percentage of net revenues in the event that this component of the remuneration is incompatible with maintaining a reliable capital base,

h) order him to use the net profit to strengthen the capital,

i) to limit or prohibit the distribution of income or the payment of interest to shareholders, partners or holders of secondary capital instruments Tier 1, if such limitation or prohibition does not constitute a failure to fulfil its obligations,

j) impose additional or more frequent reporting requirements than those set forth in this Act and in Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>, including reporting on the capital and liquidity position,

k) impose special liquidity requirements according to Section 137c,

l) order the disclosure of additional information, or

m) order it to reduce the risks associated with the security of its networks and information systems in order to ensure the confidentiality, integrity and availability of its processes, data and assets.

(3) The person to whom the Czech National Bank has imposed remedial measures pursuant to subsection 1 or 2 shall inform the Czech National Bank of the elimination of the deficiency and the method of remedial action.

(4) The Czech National Bank prohibits a person or persons acting in concert to whom it has granted consent to acquire a qualified participation or to increase a qualified participation in an investment firm, a regulated market organiser or to become persons controlling an investment firm, the organiser of the regulated market, and which have ceased to meet the conditions for granting consent, exercise these voting rights or otherwise exert significant influence on their management.

(5) The Czech National Bank may further

a) order that a large or connected investment firm or an investment firm pursuant to Article 46 paragraph 2 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>

1. published information pursuant to Article 46 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup> more often than once a year, and set the deadlines for this publication, or

2. used specific places and media, especially its website, to publish information other than financial statements, and

b) to order that the controlling person in the investment firm group annually publishes a description of its legal structure, the structure of the administration and management system and the organisational structure of the given investment firm group in the form of complete information or corresponding

references to them in accordance with Section 12ab subsection 1 and Section 10b to 10e.

(6) The Czech National Bank may impose on a natural person or a legal entity not subject to its supervision, which does not fulfil the obligation imposed by this Act, a legal regulation implementing it, a decision issued pursuant to this Act, a directly applicable regulation of the European Union regulating prudential requirements for credit institutions and investment firms<sup>50)</sup> or by a regulation or decision of the European Commission to desist from this illegal act and to refrain from repeating it; The Czech National Bank can further

- a) suspend the exercise of voting rights by a shareholder or shareholders responsible for illegal conduct,
- b) temporarily prohibit a member of the statutory body, board of directors or supervisory board of an investment firm or other responsible natural person from performing a function in an investment firm or performing a function in a foreign investment firm,
- c) publish information about which person is responsible for the illegal act and what is its nature.

#### Section 136a

The Czech National Bank may also impose remedial measures pursuant to Section 136 if it has reasonable suspicion that a deficiency in activity may occur during the following 12 months.

#### Section 136b

#### **Enforcement fine**

(1) The Czech National Bank enforces compliance with remedial measures or other measures pursuant to this Act by gradually imposing enforcement fines.

(2) The amount of imposed individual coercive fine may not exceed CZK 5,000,000. The total amount of imposed coercive fines may not exceed CZK 20,000,000.

(3) Coercive fines are collected and enforced by the customs office. Income from coercive fines is income of the state budget.

#### Section 137

#### **title omitted**

(1) If this does not seriously threaten the interests of investors or the proper functioning of the market, the Czech National Bank will suspend trading by a measure of a general nature

- a) with all financial instruments in the trading system,
- b) with all financial instruments in part of the trading system, or
- c) with a certain financial instrument in the trading system.

(2) If this does not seriously threaten the interests of investors or the proper functioning of the market, the Czech National Bank will exclude it from trading on the market by a measure of a general nature

- a) all financial instruments in the trading system,
- b) all financial instruments in part of the trading system, or

c) certain financial instruments in the trading system.

(3) The Czech National Bank shall issue measures of a general nature pursuant to subsection 1 or 2, if

a) there is a risk of large economic losses or a serious threat to the interests of investors,

b) large economic losses have occurred or investors' interests have been seriously threatened,

c) it has been requested by the supervisory authority of another member state of the European Union or the authority responsible for crisis resolution pursuant to the law regulating recovery procedures and crisis resolution on the financial market,

d) was informed of the adoption of a comparable decision by the operator of the trading system, especially if the reason for the adoption of this decision was suspicion of market abuse, a takeover offer or breach of the obligation to disclose inside information pursuant to Articles 7 and 17 of Regulation of the European Parliament and Council (EU) No. 596/2014, or

e) has been informed of the adoption of a comparable measure by the supervisory authority of another member state of the European Union, which directly or indirectly concerns the financial instrument or financial instruments pursuant to subsection 1 or 2, especially if the reason for the adoption of this measure was suspicion of market abuse, a takeover offer or violation of the obligation to disclose inside information according to Articles 7 and 17 of the Regulation of the European Parliament and the Council (EU) No. 596/2014.

(4) The Czech National Bank shall issue measures of a general nature if the conditions set out in Article 458 of Regulation of the European Parliament and of the Council (EU) No. 575/2013, Article 42 of Regulation of the European Parliament and of the Council (EU) No. 600/2014 or in Article 17 of Regulation (EU) No. 1286/2014 of the European Parliament and of the Council.

(5) In connection with the issuance of measures of a general nature pursuant to subsection 1 or 2, the Czech National Bank may order the operator of the trading system to review within a specified period whether the conditions for the exclusion of this financial instrument from trading in the trading system are met, and to report on the result informed the Czech National Bank.

(6) Lower thresholds than those set pursuant to Article 3 paragraph 1 and 2 of Regulation (EU) 2022/858 of the European Parliament and of the Council may be set by the Czech National Bank pursuant to Article 3 paragraph 6 of this Regulation for an unspecified group of persons by means of a measure of a general nature.

#### Section 137a

#### **Regulation of additional capital requirement**

requirement on the investment firm pursuant to Section 136 subsection 2 letter a) if, on the basis of reviews carried out in accordance with Sections 135b and 135c, it is found that

a) the investment firm is exposed to risks or elements of risk or poses a risk to others, and these risks are significant and are not covered by the capital requirement or are not sufficiently covered by it, in particular by the requirement according to K-factors according to part three or four of the Regulation of the European Parliament and of the Council (EU) 2019/2033<sup>72)</sup>,

b) the investment firm does not meet the requirements under Section 9a and 12a and it is unlikely that other supervisory measures would sufficiently improve systems, procedures, mechanisms and strategies

within a reasonable time frame,

c) adjustments in the prudent valuation of the trading portfolio are insufficient to allow the investment firm to sell or hedge his positions in a short period of time under normal market conditions without significant losses,

d) the review carried out pursuant to Section 135c indicates that non-compliance with the requirements for the application of authorised internal models is likely to lead to an insufficient level of capital, or

e) the investment firm repeatedly does not establish or maintain an adequate amount of additional capital pursuant to Section 137b.

(2) For the purposes of subsection 1 letter a) risks or elements of risks are considered not covered or insufficiently covered by capital requirements according to parts three and four of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup> only if the amount, types and distribution of capital that are reasonable after review of the assessment made by the investment firm in the framework of supervision according to Section 9a subsection 1, higher than the capital requirement relating to the investment firm according to part three or four of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>. Capital that is considered adequate may cover risks or elements of risks that are expressly excluded from the capital requirement under parts three or four of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>.

(3) Czech National Bank shall determine the amount of additional capital required pursuant to Section 136 subsection 2 letter a) as the difference between the capital that is considered adequate according to subsection 2 and the capital requirement according to part three or four of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>.

capital requirement on the investment firm pursuant to Section 136 subsection 2 letter a) through capital, if

a) at least three quarters of the additional capital requirement is Tier 1 capital,

b) at least three quarters of tier 1 capital is tier 1 common capital a

c) this capital will not be used to meet any of the capital requirements pursuant to Article 11 paragraph 1 letters a), b) and c) Regulation of the European Parliament and of the Council (EU) 2019/2033<sup>72)</sup>.

(5) Clarification of the method of measuring risks and elements of risks according to subsection 2, including risks or elements of risks that are expressly excluded from the capital requirements set out in part three or four of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>, regulates directly applicable regulation of the European Union supplementing Article 40 of Directive (EU) 2019/2034 of the European Parliament and of the Council<sup>80)</sup>.

(6) The Czech National Bank may also impose an additional capital requirement pursuant to subsections 1 to 4 on a small and unconnected investment firm.

#### Section 137b

#### **Instructions for holding additional capital**

(1) The Czech National Bank may, with regard to the principle of proportionality and in proportion to the size, systemic importance, nature, scope and complexity of the activities of a large or connected investment firm, impose that this investment firm has an amount of capital that, according to Section 9a sufficiently exceeds the requirements according to part three of Regulation (EU) 2019/2033



of the European Parliament and of the Council<sup>72)</sup> and according to this law, including additional capital requirements according to Section 136 subsection 2 letter a) to ensure that cyclical economic fluctuations do not lead to a breach of these requirements or jeopardize the ability of the investment firm to terminate its activities in an orderly manner.

(2) In appropriate cases, the Czech National Bank will review the amount of capital that was determined pursuant to subsection 1 by a large or connected investment firm, and will communicate the conclusions of this review to the stock market, including expectations of adjustments to the amount of capital determined pursuant to subsection 1. Czech National Bank the bank shall state in such communication the date by which it requires the adjustment to be completed.

#### Section 137c

### **Special liquidity requirements**

(1) Czech National Bank imposes special liquidity requirements on the investment firm pursuant to Section 136 subsection 2 letter k) only if, on the basis of the reviews carried out in accordance with Section 135b and 135c, it comes to the conclusion that a large or connected investment firm, or a small and unconnected investment firm, which was not exempted from the liquidity requirement pursuant to Article 43 paragraph 1 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>,

a) is exposed to liquidity risk or elements of liquidity risk that are significant and are not covered or not sufficiently covered by the liquidity requirement according to part five of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>, or

b) does not meet any of the requirements under Section 9a and 12a and it is unlikely that remedial measures or other measures would sufficiently improve the systems, procedures, mechanisms and strategies within a reasonable time frame.

(2) For the purposes of subsection 1 letter a) liquidity risk or elements of liquidity risk are considered not covered or insufficiently covered by the liquidity requirement set out in Part Five of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup> only if the amount and types of liquidity that the Czech National Bank considers considered reasonable after a review of the assessment made by the investment firm in the framework of supervision pursuant to Section 9a subsection 1, are higher than the liquidity requirement relating to the investment firm set out in Part Five of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>.

(3) The Czech National Bank shall determine the special amount of liquidity required pursuant to Section 136 subsection 2 letter k) as the difference between liquidity, which is considered adequate according to subsection 2, and the liquidity requirement set out in part five of Regulation (EU) 2019/2033 of the European Parliament and of the Council <sup>72)</sup>.

(4) The Czech National Bank shall order that the investment firm fulfils the special liquidity requirement pursuant to Section 136 subsection 2 letter k) through liquid assets according to Article 43 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>.

(5) Specifying the method of measuring liquidity risk and the elements of liquidity risk according to subsection 2 in a way that corresponds to the size, structure and internal organisation of European investment firms and the nature, scope and complexity of their activities is governed by a directly applicable regulation of the European Union, which supplements Article 42 of the Directive of the European Parliament and of the Council (EU) 2019/2034<sup>80)</sup>.

### **Compulsory administration**

#### Section 138

(1) The Czech National Bank may introduce forced administration of an investment firm who is not an investment firm pursuant to Section 8a, subsection 1 and who is not a bank or an operator of a settlement system with irrevocable settlement based in the Czech Republic, who is not a bank, and further compulsory administration of the organiser of the regulated market or the central depository, if

a) this person has repeatedly or seriously violated the obligation established by this Act or the directly applicable regulations of the European Union<sup>2)</sup> or has violated a condition or obligation established in an enforceable decision issued pursuant to this Act, or

b) the interests of the persons to whom this person provides his services are at risk, and there is a risk of delay.

(2) The Czech National Bank may introduce forced administration of an investment firm pursuant to Section 8a subsection 1, which is not a bank, if the interests of the persons to whom this person provides its services are threatened and there is a risk of default.

(3) The provisions of this Act governing the introduction of forced administration of an investment firm that is not a bank do not affect the exercise of rights and the fulfilment of obligations arising from arrangements for financial security under the conditions established by the Act Governing Financial Security<sup>25)</sup> or comparable conditions of foreign legislation, if the financial security was arranged and was created before the introduction of forced administration. This also applies if the financial collateral was agreed or created on the date of the introduction of forced administration, but only after this fact occurred, unless the recipient of the financial collateral knew about such a fact or should have known and could have known about it. The provisions of this Act regulating the introduction of forced administration of an investment firm, which is not a bank, also do not affect the fulfilment of the final settlement (Section 193), if the final settlement was concluded before the introduction of forced administration.

### Section 139

(1) The decision on the introduction of forced administration contains

a) the reason for the introduction of forced administration,

b) appointment of a forced administrator and information about him,

c) the amount of the forced administrator's remuneration or the method of determining it and the date of its maturity,

d) possible restriction of the activity of the person subject to compulsory administration,

e) any obligations of the forced administrator, indicating the date of their fulfilment.

(2) Proceedings on the introduction of compulsory administration can be started by issuing a decision on the introduction of compulsory administration.

(3) The decision on the introduction of forced administration is delivered to the company for which forced administration is being introduced and to the receiver. The decision is enforceable by delivery to the receiver. An appeal filed against this decision has no suspensive effect.

(4) The Czech National Bank shall publish the decision on the introduction of forced administration on its website.

(5) By introducing receivership

a) the performance of the functions of members of the statutory body of the company is suspended; this does not affect the right of the members of the statutory body to file a lawsuit against the decision to introduce compulsory administration in accordance with the law regulating administrative justice,

b) the authority of the statutory body passes to the receiver, with the exception of the right to file a lawsuit against the decision to introduce receivership; the administrator shall, upon his written request, submit to the person who is entitled to file an appeal against the imposition of forced administration, to the extent necessary, copies of the available documentation of the investment firm who is not a bank, the operator of the settlement system, the organiser of the regulated market or the central depository, and shall enable descriptions and extracts from it.

(6) Only those restrictions on the competence of the statutory body, which are stipulated by law, apply to the forced administrator.

(7) Compulsory administrator

a) immediately take measures to remedy identified deficiencies in the activities of the person subject to compulsory administration,

b) will ensure the protection of the rights of persons who use the services of a person subject to compulsory administration,

c) convenes a general meeting of a person subject to compulsory administration, so that it takes place within 6 months of the introduction of compulsory administration, and

1. submits to it a proposal for the dismissal of the existing and the election of new persons to those bodies elected by the general meeting, and a proposal for measures to correct the identified shortcomings in the activities of the person who is under forced administration, or
2. proposes the dissolution of the company.

(8) The deadline for convening the general meeting according to subsection 7 letter c) the Czech National Bank may, at the proposal of the forced administrator, extend it for up to 1 year for reasons worthy of consideration.

(9) The costs associated with the performance of forced administration, the compensation of the forced administrator and the out-of-pocket expenses of the forced administrator are paid from the assets of the company that is subject to forced administration.

(10) If the assets of the company are not sufficient to pay the remuneration of the forced administrator and the reimbursement of his cash expenses, the state shall pay them.

(11) The method of determining the reimbursement of out-of-pocket expenses and remuneration of the forced administrator, their maximum amount paid by the state and the method of payment shall be determined by an implementing legal regulation.

Section 140

(1) The performance of the function of the forced administrator ceases

a) resignation of the forced administrator,

b) by recalling the forced administrator,

c) termination of forced administration,

d) by deletion from the list of liquidators and receivers, or

e) by the death of the trustee.

(2) The receiver shall notify the Czech National Bank of his resignation from the function of receiver at least 30 days in advance.

(3) The Czech National Bank shall dismiss the forced administrator, especially if he has seriously or repeatedly violated his duty or ceased to fulfil the prerequisites for the performance of this function.

(4) An appeal against a decision to dismiss a forced administrator does not have a suspensive effect.

(5) If the performance of the forced administrator ceases according to subsection 1 letters a), b), d) and e), the Czech National Bank appoints another compulsory administrator without undue delay.

#### Section 141

##### The receivership ends

a) on the date specified in the decision of the Czech National Bank on the termination of forced administration,

b) issuing a decision on the bankruptcy of a company that is in receivership, or

c) the day on which the liquidator of the company under receivership is appointed.

#### Section 142

(1) It is entered in the commercial register

a) the date of introduction of forced administration,

b) data on the forced administrator,

c) restriction of the activity of a person subject to compulsory administration,

d) day of termination of forced administration.

(2) A motion for authorisation of the entry of compulsory administration, the appointment of a compulsory administrator or the restriction of the activities of a person subject to compulsory administration shall be submitted to the commercial register by the compulsory administrator without undue delay after the introduction of compulsory administration.

(3) The application for authorisation to enter the termination of forced administration in the commercial register is submitted by the receiver immediately after the termination of forced administration; if the forced administrator does not do so, the statutory body of the company whose forced administration ends will submit a proposal for authorisation to register.

(4) A proposal for authorisation of the deletion of the existing receiver and the entry of a new receiver in the commercial register shall be submitted by the newly appointed receiver immediately after delivery of the decision on his appointment.

#### Section 143

A forced administrator can only be a natural person registered in the list of liquidators and forced administrators kept by the Czech National Bank,

- a) whose interests do not conflict with the interests of the person for whom forced administration is being introduced or of the persons who use its services,
- b) who does not have a qualified participation in the person for whom compulsory administration is being introduced, or is not closely connected with this person,
- c) who has not conducted an audit or participated in the audit of a person subject to compulsory administration in the last 3 years.

#### Section 144

##### **Changing the scope of authorisation**

(1) The Czech National Bank may withdraw the authorisation for an individual activity specified in the authorisation granted pursuant to this Act, if it finds out

- a) serious or repeated breach of an obligation set forth in this Act or directly applicable regulations of the European Union <sup>2)</sup> or breach of a condition or obligation set forth in an enforceable decision issued pursuant to this Act, or
- b) serious or repeated non-compliance with the conditions under which the authorisation was granted.

(2) The Czech National Bank shall change the scope of the authorisation pursuant to subsection 1 or change the scope of the authorisation upon request by issuing a new decision by which the existing authorisation shall be revoked and in which the new scope of authorised activities shall be specified.

#### Section 145

##### **Withdrawal of authorisation or consent and cancellation of registration**

(1) The Czech National Bank shall revoke the authorisation granted pursuant to this Act to a person,

- a) against whom a bankruptcy decision was issued, or an insolvency petition was rejected because the assets of such a person will not be sufficient to cover the costs of insolvency proceedings,
- b) whose activity has been banned by a court or administrative authority,
- c) who requests it, or
- d) who is an obligated person according to the law regulating recovery procedures and crisis resolution in the financial market, and who meets the conditions for the application of crisis resolution measures according to the law regulating recovery procedures and crisis resolution in the financial market, except for the existence of public interest in the resolution of the crisis of the obligated person.

(2) The Czech National Bank may withdraw the authorisation granted under this Act if

- a) the person to whom it was granted did not start to carry out the authorised activity within 12 months of the granting of the authorisation,
- b) the person who was granted does not perform the activity for which the authorisation was granted for

more than 6 months,

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

d) the person to whom it was granted has repeatedly or seriously violated an obligation set forth by this Act or directly applicable regulations of the European Union<sup>2)</sup> or violated a condition or obligation set forth in an enforceable decision issued pursuant to this Act, or

e) there has been a change in the facts on the basis of which the authorisation was granted, or

f) the continued duration of compulsory administration cannot achieve its purpose.

(3) From the date of enforceability of the decision to withdraw the license to operate as an investment firm, the person whose license was revoked may not provide investment services and is obliged to release client property to clients. If the person who was granted that authorisation is not a bank, it can only settle its claims and debts arising from the investment services provided. Until these claims and debts are settled, the person whose license has been revoked is considered an investment firm.

(4) A person whose authorisation to operate a settlement system with irrevocable settlement has been revoked shall notify the participants of this settlement system with irrevocable settlement without undue delay. Until settlement is completed based on settlement orders received before the date of withdrawal of authorisation, it shall continue to be considered the operator of the settlement system with settlement irrevocability.

(5) A person whose authorisation granted pursuant to this Act has been revoked may apply for a new authorisation of the same type no earlier than 10 years after the date of entry into force of the decision by which the previous authorisation was revoked. The provision of the first sentence does not apply to the revocation of an authorisation at one's own request or to the revocation of an authorisation for the reason specified in subsection 2 letter a) or b).

(6) Czech National Bank may withdraw consent granted pursuant to this Act if there has been a significant change in the facts on the basis of which the consent was granted.

(7) The Czech National Bank shall cancel the registration carried out pursuant to this Act to a person,

a) in respect of which a bankruptcy decision has been issued or the court has rejected an insolvency petition because its assets will not be sufficient to cover the costs of insolvency proceedings, or

b) whose activity has been banned by a court or administrative authority,

c) of which he learns that his authorisation has expired according to another legal regulation to perform an activity that was registered according to Section 6a or Section 39, or

d) who requests it.

(8) The Czech National Bank may cancel the registration made pursuant to this Act if

a) the person who was registered did not start performing the activity for which he was registered within 12 months from the date of registration,

b) the person who was registered does not perform the activity for which he was registered for more than 6 months,

- c) registration was made on the basis of false or incomplete data,
- d) the person who was registered repeatedly or seriously violates the obligations set forth in this Act, or
- e) there has been a change in the fact on the basis of which the registration was made.

Section 145a

**cancelled**

**Chapter 3**

**Supervision of the Czech National Bank in cases of supervision with elements of foreign law**

Section 146

**Supervision of a foreign person providing major investment services in the Czech Republic**

(1) Supervision of a foreign person who has its registered office in another member state of the European Union, is authorised by the supervisory authority of that state to provide investment services and provides investment services in the Czech Republic through a branch or without the location of a branch, is performed by the supervisory authority of the home state.

(2) In the event that a foreign person who has its seat in another member state of the European Union and is authorised by the supervisory authority of that state to provide investment services and provides investment services in the Czech Republic without the location of a branch, does not comply with the obligations imposed by this Act on the basis of European law union to an investment firm, the Czech National Bank will notify the supervisory authority of the home state of this fact.

(3) In the event that a foreign person who has its registered office in another member state of the European Union and is authorised by the supervisory authority of that state to provide investment services and who provides investment services in the Czech Republic through a branch does not comply with the obligations imposed by this Act on the basis of European Union law investment firm, other than those which it is obliged to comply with according to Section 24, the Czech National Bank will notify the supervisory authority of the home state of this fact.

(4) In the event that a foreign person according to subsection 2 or 3, despite the measures taken by the supervisory authority of the home country, damages or threatens the interests of investors or the proper functioning of the capital market with his actions, the Czech National Bank will notify the supervisory authority of the home country of this fact and then impose measures for correction or other action.

(5) In the event that a foreign person who provides investment services in the Czech Republic on the basis of a home state authorisation through a branch does not comply with the obligations of an investment firm, which he must comply with according to Section 24, the Czech National Bank will notify it of this fact and request that it be rectified.

(6) If a person fails to seek redress pursuant to subsection 5, the Czech National Bank may impose remedial measures or other measures. The Czech National Bank informs the supervisory authority of the home state about the remedial measures imposed.

(7) If the remedial measures taken pursuant to subsection 6 did not lead to remedial action, the Czech National Bank, after informing the supervisory authority of the home state, may impose further remedial measures or other measures, or an administrative penalty.

**title omitted**

Section 147

**Supervision of an investment firm providing major investment services in another member state of the European Union**

(1) The Czech National Bank may impose an administrative penalty, remedial measures or other measures on an investment firm who provides investment services in the host state for breach of obligations arising from European Union law in the area of the provision of investment services, the performance of which is subject to the supervision of the Czech national bank, based on the notification of the supervisory authority of the host country, or even without this notification. The Czech National Bank shall, without undue delay, inform this supervisory authority of an administrative penalty, remedial measure or other measure that the Czech National Bank imposes on the basis of notification by the supervisory authority of the host state.

(2) The Czech National Bank supervises the activities of an investment firm who provides investment services in the host state, on the territory of the host state in accordance with this Act. As regards the provision of services through a branch, the Czech National Bank is not subject to the supervision of the fulfilment of the obligations specified in Section 24 subsection 5; the fulfilment of these obligations is supervised by the supervisory authority of the host state according to the law of that state.

**title omitted**

Section 148

**Supervision of the foreign operator of the trading system**

(1) In the event that a foreign person who operates in the Czech Republic as a trading system operator based on the authorisation of a supervisory authority of another member state of the European Union does not comply with the obligations of a trading system operator arising from European Union law, the Czech National Bank shall notify the authority of this fact supervision of the home state.

(2) In the event that the person referred to in subsection 1, despite the measures taken by the supervisory authority of the home country, damages or threatens the interests of investors or the proper functioning of the capital market by his actions, the Czech National Bank shall draw the attention of the supervisory authority of the home country to this fact and then impose measures to correction or other action.

**title omitted**

Section 149

**cancelled**

**title omitted**

Section 149a

**Supervision of a trading system operator based in the Czech Republic operating a trading system in another member state of the European Union**

The operator of a trading system based in the Czech Republic, which operates a trading system in another member state of the European Union, for breaching the obligations of the trading system



operator arising from European Union law, based on a notification the supervisory authority of this other member state of the European Union, or even without this notification. The Czech National Bank shall, without undue delay, inform this supervisory authority of an administrative penalty, remedial measure or other measure that the Czech National Bank imposes on the basis of a notification by a supervisory authority of another member state of the European Union.

**title omitted**

Section 149b

**Transfer of powers under the European Union Regulation on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market**

Liability for damage caused by the decision or incorrect official procedure of the supervisory authority of another member state of the European Union when exercising supervision instead of the Czech National Bank in the area regulated in a directly applicable regulation of the European Union governing the prospectus to be published when securities are offered for public trading or accepted for trading on regulated market <sup>66)</sup> is assessed as the responsibility of the state according to the law governing liability for damage caused in the exercise of public authority.

**title omitted**

Section 149c

**cancelled**

**title omitted**

Section 149d

**cancelled**

Section 149e

**Violation of an obligation regarding a public offer or prospectus by a person not subject to the supervision of the Czech National Bank**

(1) In the event that an issuer applying for the acceptance of securities for trading on a regulated market or making a public offer in the Czech Republic, or an investment firm or a person pursuant to Section 24 subsection 5 or Section 28 subsection 6, if places or sells securities, violates the obligations arising from the law of the European Union regarding the public offer and the prospectus, the fulfilment of which is not subject to the supervision of the Czech National Bank, the Czech National Bank will bring this fact to the attention of the supervisory authority of another member state of the European Union, which supervises the fulfilment of these obligations, and the European Securities and Markets Authority.

(2) If the remedial measures taken by the supervisory authority pursuant to subsection 1 did not lead to remedial measures, the Czech National Bank shall impose remedial measures or other measures necessary to protect investors' interests on the issuer or the person pursuant to subsection 1.

Section 149f

**Violation of the information or reporting obligation by a person not subject to the supervision of the Czech National Bank**

(1) In the event that the issuer of a share or a similar security representing a share in the issuer admitted to trading on a regulated market, a bond, a similar security representing the right to repayment of a debt or a transferable security whose value is determined by the repayment of a debt, accepted for trading on a regulated market, or in the event that a person who reaches, exceeds or reduces his share of all voting rights of such an issuer in accordance with Section 122 subsections 1 and 2, violates information or notification obligations arising from European Union law, the fulfilment of which is not subject to supervision of the Czech National Bank, the Czech National Bank will notify the supervisory authority of another member state of the European Union, whose supervision the fulfilment of these obligations is subject to this fact.

(2) If the remedial measures taken by the supervisory authority pursuant to subsection 1 did not lead to remedial measures, the Czech National Bank shall impose remedial measures or other measures necessary to protect investors' interests on the issuer or the person pursuant to subsection 1.

(3) repealed

## **Chapter 4**

### **Cooperation of supervisory authorities**

#### **Section 149g**

(1) As part of the exercise of supervision pursuant to this Act, the Czech National Bank cooperates with the supervisory authorities of other member states of the European Union.

(2) The Czech National Bank provides assistance to the supervisory authorities of other member states of the European Union or to persons authorised by them, particularly in the area of supervision or provision of information. The Czech National Bank shall introduce, maintain and apply appropriate administrative and organisational measures in order to facilitate the assistance according to the first sentence.

(3) In the event that a foreign regulated market operates in the Czech Republic and its activity has become of significant importance for the functioning of financial instrument markets and the protection of investors in the Czech Republic, the Czech National Bank shall agree without undue delay on an appropriate method of cooperation with the supervisory authority of the organiser's home state regulated market.

(4) The Czech National Bank may use its powers for the purposes of cooperation also in cases according to subsection 5, when the conduct under investigation does not constitute a violation of Czech law.

(5) If the Czech National Bank receives a notification from the supervisory authority of another member state of the European Union about a reasonable suspicion of a violation of obligations arising from European Union law in the area of activities on financial markets <sup>1), 2)</sup> in the territory of the Czech Republic, or committed by a person who is subject to the supervision of the Czech National Bank, will take appropriate measures.

(6) The Czech National Bank cooperates with the supervisory authorities of other member states of the European Union, which supervise trading systems in which the derivatives of agricultural commodities referred to in Section 134b subsection 1 letter a) traded in significant quantities or in which essential or significant commodity derivatives listed in Section 134b subsection 1 letter b) are traded, among other things through the exchange of relevant data, in order to enable the monitoring and enforcement of compliance with the limit according to Section 134b subsection 1.

(7) The criteria according to which it is possible to consider the activity of a foreign regulated market operating in the Czech Republic as an activity of substantial importance for the functioning of markets with financial instruments and the protection of investors in the Czech Republic for the purposes of subsection 3 are regulated by Article 90 of the Regulation of the Commission with delegated powers (EU) 2017/565<sup>78)</sup>.

#### Section 149ga

(1) The Czech National Bank shall provide the supervisory authority of the host state without undue delay with all information and findings on any potential problems and risks that the investment firm poses for the protection of clients or for the stability of the financial system in the host state, which it has discovered during the supervision of the investment firm's activities.

(2) The Czech National Bank shall act according to the information provided by the supervisory authority of the host state by taking all measures necessary to avert or correct potential problems and risks that the investment firm poses for the protection of clients or for the stability of the financial system in the host state. Upon request, the Czech National Bank will explain in detail to the supervisory authority of the host state how it took into account the information and findings provided by this supervisory authority.

(3) If the Czech National Bank provides information pursuant to subsection 2 to the supervisory authority of the home country and if it believes that the supervisory authority of the home country has not taken the necessary measures to avert or correct potential problems and risks posed by the securities market, the Czech National Bank may the national bank, after informing that home supervisory authority, the European Banking Authority and the European Securities and Markets Authority, to take appropriate measures to protect the clients to whom the services are provided or to protect the stability of the financial system.

(4) The Czech National Bank may draw the attention of the European Banking Authority to cases in which a request for cooperation, in particular a request for the exchange of information, was rejected or was not complied with within a reasonable period of time.

(5) If the Czech National Bank does not agree with the measures of the supervisory authority of the host country, it may refer the matter to the European Banking Authority for the procedure according to Article 19 of Regulation (EU) No. 1093/2010 of the European Parliament and of the Council<sup>106)</sup>.

(6) For the purposes of assessing the fulfilment of the condition according to Article 23 paragraph 1 first subparagraph letter c) of the Regulation of the European Parliament and of the Council (EU) 2019/2033<sup>72)</sup> the Czech National Bank may request the supervisory authority of the home state of the member of the clearing system to provide it with information regarding the margin model and the parameters used to calculate the margin requirement of the investment firm concerned.

#### Section 149gb

(1) The Czech National Bank shall take into account convergence in the area of supervisory tools and procedures when performing its mandate in the application of this Act and the directly applicable regulation of the European Union regulating prudential requirements for investment firms<sup>72)</sup>.

(2) The Czech National Bank participates in the activities of the European Banking Authority and, where applicable, the college of supervisory authorities pursuant to Section 152, Article 48 of Directive (EU) 2019/2034 of the European Parliament and of the Council<sup>80)</sup> and Article 116 of Directive of the European Parliament and of the Council 2013/36/EU<sup>81)</sup>.

#### Section 149h

(1) When supervising the spot and auction markets in connection with greenhouse gas emissions authorisations, the Czech National Bank cooperates with the Ministry of the Environment, the Czech Environmental Inspection and the market operator according to the Energy Act, in order to ensure the acquisition of a consolidated overview of the markets with emission allowances.

(2) In connection with derivatives related to agricultural commodities, the Czech National Bank cooperates with public authorities that are responsible for the supervision of physical agricultural markets according to Regulation (EU) No. 1308/2013 of the European Parliament and the Council<sup>58)</sup> and for their management and regulation, and provides reports to these authorities.

In this Act, a derivative relating to agricultural commodities means a derivative relating to any of the products listed in Article 1 and in Parts I to XX and XXIV/1 of Annex I to Regulation (EU) No. 1308/2013 of the European Parliament and Council or any of the products listed in Annex I of the Regulation of the European Parliament and Council (EU) No. 1379/2013<sup>107)</sup>.

#### Section 149i

(1) The Czech National Bank may request the supervisory authority of another member state of the European Union to cooperate in the performance of supervision or on-site inspection of a person subject to its supervision.

(2) The Czech National Bank may request information and documents from foreign participants in the regulated market; informs the supervisory authority of their home Member State about this procedure.

(3) The Czech National Bank may carry out on-site inspections and request information on the activities that a foreign investment firm carries out in the territory of the Czech Republic through a branch, if it considers it important from the point of view of financial stability in the Czech Republic.

(4) Before starting an on-site inspection pursuant to subsection 3, the Czech National Bank informs the supervisory authority of the concerned state about the purpose of the inspection and, after its completion, provides the supervisory authority with all information that is significant for assessing the riskiness of the investment firm or for financial stability in the Czech Republic.

#### Section 149j

(1) Based on a request from a supervisory authority of another member state of the European Union for cooperation in the performance of supervision or an on-site inspection, the Czech National Bank shall carry out the required activity itself or provide cooperation in its performance to this supervisory authority or experts and auditors authorised by it.

(2) The Czech National Bank shall, at the request of the supervisory authority of another member state of the European Union, provide that authority without undue delay with all required information related to the exercise of supervision over the capital market; Czech National Bank may condition the provision of information on the condition that the provided information may not be further provided without its prior consent.

(3) The Czech National Bank may refuse a request to provide cooperation in the performance of supervision pursuant to subsection 1 or to provide information pursuant to subsection 2, if

a) court proceedings have been initiated in the Czech Republic on the same matter against the persons to whom the request relates, or

b) a judgment relating to the same matter and persons to whom the application is concerned has become legally binding.

#### Section 149k

(1) The Czech National Bank shall request an opinion from the supervisory authority of another member state of the European Union

a) before granting consent pursuant to Section 10b subsection 1, if the applicant for consent is a foreign bank, foreign insurance company, foreign investment firm, foreign management company or a person controlling such persons,

b) before setting uniform limits according to Section 134b a

c) before granting an authorisation to operate as an investment firm, if the authorisation applicant is controlled by a foreign investment firm, a foreign regulated market organiser or a foreign bank or a person who controls a foreign investment firm or a foreign bank.

(2) The Czech National Bank shall request an opinion from the supervisory authority of another member state of the European Union, which supervises foreign banks or foreign insurance companies, before granting an authorisation to operate as an investment firm or an authorisation to operate as a regulated market organiser, if the authorisation applicant is controlled

a) by a foreign bank or foreign insurance company, or

b) a person who controls a foreign bank or a foreign insurance company.

(3) When requesting an opinion pursuant to subsection 1 letter c) and according to subsection 2, the Czech National Bank will request, in particular, an opinion on

a) suitability of partners and participants a

b) the credibility and experience of the persons who actually manage the given activity and who participate in the management of another entity in the same group.

#### Section 149l

The Czech National Bank may turn to the European Securities and Markets Authority with a request to resolve a dispute between it and the supervisory authority of another member state of the European Union in accordance with Article 19 of Regulation (EU) No. 1095/2010 of the European Parliament and of the Council, if

a) does not agree with this supervisory authority on the establishment of uniform limits pursuant to Section 134b or a comparable provision of foreign law,

b) this supervisory authority did not comply with its request for cooperation or information exchange within a reasonable time, or rejected this request, or

c) this supervisory authority did not respond within a reasonable time to its notification of a reasonable suspicion of a violation of obligations arising from European Union law in the area of activities on financial markets<sup>1), 2)</sup>.

### Chapter 5

#### Information obligations of the Czech National Bank

#### Section 149m

(1) The Czech National Bank, through the Ministry, fulfils the information obligations in relation to the European Commission arising from the Directive of the European Parliament and the Council on markets in financial instruments or from the Directive of the European Parliament and the Council on the prudential supervision of investment firms.

Securities and Markets Authority, the European Banking Authority, the European Union Agency for the Cooperation of Energy Regulatory Authorities<sup>59)</sup> and the supervisory authorities of other Member States of the European Union, the Czech National Bank also fulfils its information obligations from the Directive of the European Parliament and the Council on markets in financial instruments and from the Directive of the European Parliament and the Council on the prudential supervision of investment firms.

## TITLE II

### SUPERVISION ON A CONSOLIDATED BASIS

#### Section 150

##### **Designation of the supervisory body of the investment firm group**

(1) If the investment firm is a European controlling investment firm, the Czech National Bank is the authority designated to perform supervision on a consolidated basis or supervision of compliance with the group capital test.

(2) If an investment firm is controlled by a European investment holding company or a European mixed financial holding company and this controlling person does not control a European investment firm with its registered office in another member state of the European Union, the Czech National Bank is the authority designated to exercise supervision on a consolidated basis or supervision of compliance with the group capital test.

(3) If the investment firm is controlled by a European investment holding company or a European mixed financial holding company based in the Czech Republic, the Czech National Bank is the authority designated to perform supervision on a consolidated basis or supervision of compliance with the group capital test.

(4) If the controlling persons consist of 2 or more European investment firms from two or more Member States of the European Union, more than one investment holding company or mixed financial holding company with headquarters in different Member States of the European Union and if in each of these member states of the European Union, a European investment firm belonging to this group, the Czech National Bank is the authority designated to exercise supervision on a consolidated basis or to supervise compliance with the group capital test, if the European investment firm with the highest balance sheet amount is an investment firm.

(5) If the investment firm is controlled by a European investment holding company or a European mixed financial holding company that controls a European investment firm with its registered office in another member state of the European Union and this controlling person is not based in the Czech Republic or in this another member state of the European Union, and if this investment firm has the highest balance sheet amount of all European investment firms controlled by this controlling person, the Czech National Bank is the authority designated to perform supervision on a consolidated basis or supervision of compliance with the group capital test.

(6) The Czech National Bank may decide that, in any of the cases referred to in subsection 1, it is not the supervisory authority designated to perform supervision on a consolidated basis or to supervise compliance with the group capital test, if the supervisory authority of another member state of the

European Union has issued a decision that it will be in exercise supervision on a consolidated basis or supervision of compliance with the group capital test, as the case may be.

(7) Czech National Bank may decide that it will be the authority designated to exercise supervision on a consolidated basis or to supervise compliance with the group capital test, even in the event that such supervision would be required pursuant to Article 46 paragraphs 3 to 5 of the Directive of the European Parliament and the Council (EU) 2019/2034<sup>80)</sup> to be carried out by the supervisory authority of another member state of the European Union, if this supervisory authority agrees and if the concerned European investment holding company, the concerned European mixed financial holding company or the concerned European investment firm with the highest balance sheet amount had or had the opportunity to express his opinion on the intended decision.

#### Section 151

##### **Information obligation of the Czech National Bank during supervision on a consolidated basis in emergency situations**

If an urgent situation occurs, including adverse developments on the financial markets, which may threaten the liquidity of the market and the stability of the financial system in a member state of the European Union in which a person controlled by a person for which the Czech National Bank is the body designated to exercise supervision on a consolidated basis is domiciled or supervision of compliance with the group capital test, the Czech National Bank will communicate all necessary information without undue delay

- a) to the European Banking Authority,
- b) To the European Council for Systemic Risks a
- c) the competent authorities of the Member States of the European Union affected by this situation.

**title omitted**

#### Section 152

##### **College above group**

(1) If the Czech National Bank is an authority designated to perform supervision on a consolidated basis or to supervise compliance with the group capital test, it may establish a college with the aim of facilitating the fulfilment of obligations pursuant to Article 48 of Directive (EU) 2019/2034 of the European Parliament and of the Council<sup>80)</sup> and ensure coordination and cooperation with the relevant supervisory authorities from states that are not a member state of the European Union. The Czech National Bank may establish a college, in particular, if it is necessary for the purposes of applying Article 23 paragraph 1 first subparagraph letter c) and Article 23 paragraph 2 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>, in order to exchange and update relevant information on the margin model with the supervisory authorities of eligible central counterparties. The establishment and operation of colleges is based on written agreements prepared by the Czech National Bank after discussions with the relevant supervisory authorities.

(2) If the Czech National Bank is the authority designated to exercise supervision on a consolidated basis or to supervise compliance with the group capital test, it may establish a college even if all controlled persons in the investment firm group controlled by the European controlling investment firm, a European investment holding company or a European mixed financial holding company have their registered office in a country that is not a member state of the European Union.

(3) The College creates prerequisites for the cooperation of the Czech National Bank, the

European Banking Authority and other relevant supervisory authorities in

- a) performance of tasks according to Section 151,
- b) coordination of requests for information, if this is necessary to facilitate supervision on a consolidated basis pursuant to Article 7 of Regulation (EU) 2019/2033 of the European Parliament and of the Council<sup>72)</sup>,
- c) coordination of multiple requests from the competent supervisory authorities of European investment firms, which are part of the same group, for information regarding the margin model and parameters used to calculate the margin requirement of the relevant European investment firms, addressed to the competent supervisory authority of the home Member State of the European Union a member of the clearing system or the relevant supervisory authority of the eligible CCP,
- d) exchange of information between all relevant supervisory authorities and with the European Banking Authority pursuant to Article 21 of Regulation (EU) No. 1093/2010 of the European Parliament and of the Council<sup>106)</sup> and with the European Securities and Markets Authority pursuant to Article 21 of the Regulation of the European Parliament and of the Council (EU) No. 1095/2010<sup>108)</sup>,
- e) efforts to reach an agreement on the voluntary transfer of tasks and duties between the relevant supervisory authorities and
- f) increasing the effectiveness of supervision by limiting duplicate requirements in its performance.

(4) Members of the college are

- a) Czech National Bank,
- (b) the competent supervisory authorities responsible for the supervision of controlled persons in an investment firm group controlled by a European controlling investment firm, a European investment holding entity or a European mixed financial holding entity, and
- c) competent supervisory authorities of other than European Union member states, if it is expedient and if, according to the unanimous assessment of all concerned competent supervisory authorities, they protect information at least to the extent required by Article 15 of the Directive of the European Parliament and of the Council (EU) 2019/2034<sup>80)</sup>.

(5) If the Czech National Bank is the body designated to exercise supervision on a consolidated basis or to supervise compliance with the group capital test, it directs the proceedings of the college and adopts decisions. Czech National Bank

- a) provides all members of the college in advance with full information about the meetings of the college, the organisation of such meetings, the main issues to be discussed and the activities under consideration,
- b) immediately informs all members of the college about the decisions taken at the meetings or the measures taken,
- c) when taking a decision, takes into account the importance of the supervision activity to be planned or coordinated by the authorities according to subsection 4.

Section 152a

**cancelled**



Section 152b

**cancelled**

Section 152c

**cancelled**

Section 153

**Cooperation requirements**

(1) For the purposes of supervision on a consolidated basis or supervision of compliance with the group capital test, the Czech National Bank provides the supervisory authorities of other Member States of the European Union with the information necessary for the performance of their supervision, in particular information on

- a) property relations between group members, the structure of administration and management, including the organisational structure of the group, including all regulated and non-regulated persons, non-regulated controlled persons and controlling persons and competent supervisory authorities of regulated persons in this group,
- b) procedures for collecting information from European investment firms in the group and verifying this information,
- c) developments in European investment firms or in other persons from the group, which may seriously threaten the financial situation of European investment firms in the group,
- d) all significant sanctions and extraordinary measures taken by the competent supervisory authorities pursuant to this Act or pursuant to foreign legal regulations implementing Directive (EU) 2019/2034 of the European Parliament and of the Council<sup>80)</sup> and
- e) imposing a specific capital requirement according to Section 135e.

(2) The Czech National Bank shall request information pursuant to subsection 1 from the supervisory authority of another member state of the European Union designated to supervise a person who is a member of the group. Also, in the case of a European controlling investment firm, a European investment holding entity and a European mixed financial holding entity, the authority designated to exercise supervision on a consolidated basis from another member state of the European Union will request information regarding the approaches and methods used in the fulfilment of prudential business rules.

(3) The Czech National Bank may inform the European Banking Authority if the supervisory authority of another member state of the European Union rejects the Czech National Bank's request for cooperation, in particular the provision of information, or does not provide the requested information within a reasonable period of time.

may affect the performance of the supervision of a supervisory authority of another member state of the European Union, the Czech National Bank shall request this supervisory authority's opinion regarding

- a) changes in the composition of partners or in the organisational or management structure of the investment firm in the investment firm group, for which the consent or authorisation of the relevant

supervisory authorities is required,

- b) significant sanctions imposed on the investment firm or regarding other extraordinary measures a
- c) specific capital requirements imposed pursuant to Section 135e.

(5) The Czech National Bank does not have to consult the facts according to subsection 4, if the matter cannot be postponed or if such consultation could jeopardize the purpose of the decision. In such a case, it shall inform the supervisory authorities in accordance with subsection 4 without undue delay.

#### **title omitted**

#### **Section 154**

#### **Verification of information relating to persons with headquarters or residence in another member state of the European Union**

(1) If the Czech National Bank receives a request from the competent supervisory authority of another member state of the European Union to verify information about an investment firm, investment holding entity, mixed financial holding entity, financial institution, auxiliary services company pursuant to Article 4 paragraph 1 point 1 Regulation of the European Parliament and of the Council (EU) 2019/2033<sup>72)</sup>, to a mixed holding entity or a controlled entity with headquarters or residence in the Czech Republic,

- a) carry out the verification itself, while the applicant may participate in such verification,
- b) enable the applicant to carry out the verification himself, or
- c) requests an independent verification by an auditor or other expert and forwards the result of the verification to the applicant without undue delay if the latter did not participate in the verification.

(2) The Czech National Bank may request the competent supervisory authority of another member state of the European Union to verify information about a European investment firm, investment holding entity, mixed financial holding entity, financial institution, auxiliary services company pursuant to Article 4 paragraph 1 point 1 of Regulation of the European Parliament and of the Council (EU) 2019/2033<sup>72)</sup>, to a mixed holding entity or a controlled entity with its seat or residence in this other member state of the European Union. The Czech National Bank may participate in such verification.

#### **Section 155**

#### **Inclusion of holding persons in the supervision of compliance with the group capital test**

An investment holding entity and a mixed financial holding entity are included in the supervision of compliance with the group capital test.

#### **Section 155a**

#### **Requirements for members of the management body of investment holding entities or mixed financial holding entities**

(1) An investment holding entity and a mixed financial holding entity are obliged to ensure that the member of their management body is a person who has good repute, sufficiently professionally qualified and experienced to perform their function and to ensure the fulfilment of the requirements arising for the investment holding entity and mixed financial holding entity from this of the law.

(2) An investment holding entity and a mixed financial holding entity are obliged to inform the Czech National Bank of proposed personnel changes in their management body, including the submission of documents necessary for assessing the professional competence, good repute and experience of the proposed persons. A natural person who is proposed as a member of the management body is obliged to provide the investment holding company or the mixed financial holding company with the necessary documents and cooperation.

(3) A person who newly becomes an investment holding company or a mixed financial holding company is obliged to fulfil the obligation according to subsection 2 within 2 months from the day on which he becomes an investment holding company or a mixed financial holding company. If he does not do so, it is considered that the member of its management body, in relation to whom the obligation was not fulfilled, does not meet the established prerequisites.

(4) The Czech National Bank may require the investment holding company or mixed financial holding company to replace a person who is a member of the management body of the investment holding company or mixed financial holding company, if this person is not sufficiently professionally qualified, experienced or does not have good repute.

#### Section 155b

##### **Mixed Holding Person**

(1) If the controlling person of the investment firm is a mixed holding company, the Czech National Bank may

(a) require the mixed holding entity to provide it with any information that may be relevant to the supervision of that investment firm, and

b) supervise transactions between the investment firm and the mixed holding entity and its controlled persons and require the investment firm to implement adequate risk management procedures and internal control mechanisms including proper reporting and accounting procedures to ensure identification, measurement, monitoring and control of these trades.

(2) The Czech National Bank is authorised to carry out an on-site inspection or to have an on-site inspection carried out for the purpose of verifying information received from persons pursuant to subsection 1 by a third party.

#### Section 155c

##### **Assessment of non-EU state surveillance and other surveillance techniques**

(1) If two or more European investment firms, at least one of which is based in the Czech Republic, who are controlled persons of the same controlling person based in a country that is not a member state of the European Union, are not subject to effective supervision at the group level, The Czech National Bank will assess whether these European investment firms are subject to supervision by a supervisory authority of a state that is not a member state of the European Union, which is equivalent to the supervision provided for in this Act and in Part One of Regulation (EU) 2019/2033 of the European Parliament and of the Council <sup>72)</sup>.

(2) The Czech National Bank shall carry out an assessment pursuant to subsection 1, if it would otherwise be the authority designated to perform supervision on a consolidated basis or supervision of compliance with the group capital test. At the same time, the Czech National Bank consults the other concerned competent supervisory authorities.

(3) If, in the assessment pursuant to subsection 1, the Czech National Bank comes to the conclusion that such equivalent supervision does not apply, it shall apply the provisions of this Act, the legal regulation implementing it, or Article 7 or 8 of the Regulation of the European Parliament and the Council (EU) 2019/2033<sup>72)</sup> or apply other appropriate supervisory procedures that ensure the objectives of supervision on a consolidated basis or supervision of compliance with the group capital test. The Czech National Bank shall notify the other participating competent supervisory authorities, the European Banking Authority and the European Commission of the measures adopted pursuant to the first sentence.

(4) In the event that the controlling person has its registered office in a member state of the European Union and the Czech National Bank is the authority designated to perform supervision on a consolidated basis or to supervise compliance with the group capital test, the Czech National Bank may, in particular, require the establishment of an investment holding entity or mixed financial holding entities based in a member state of the European Union and the application of this Act, the legislation implementing it or Article 7 or 8 of Regulation of the European Parliament and of the Council 2019/2033<sup>72)</sup> for this investment holding entity or mixed financial holding entity.

#### Section 156

**cancelled**

#### TITLE III

#### OFFENSES

#### Chapter 1

#### **Offenses of natural persons consisting in violation of the law on the capital market business**

#### Section 157

**title omitted**

(1) A natural person commits an offense by

- a) carries out activities pursuant to this Act without authorisation, which requires the authorisation of the Czech National Bank, accreditation granted by the Czech National Bank, entry in the list kept by the Czech National Bank, consent of the Czech National Bank or notification of the supervisory authority of another member state of the European Union,
- b) provides false or misleading information or fails to provide all facts in connection with an application pursuant to this Act,
- c) as a member of the management body acts in violation of Section 10, subsection 4,
- d) acquires a qualified participation in an investment firm or the organiser of a regulated market or controls it in violation of Section 10b subsection 1 or Section 47 subsection 1,
- e) does not fulfil any of the notification obligations according to Section 10e subsection 1 or Section 47 subsection 3,
- f) as a person whose activity authorisation or accreditation was withdrawn or expired, or as a person who is the legal successor of a person whose activity authorisation or accreditation was withdrawn or expired, fails to fulfil the obligation to keep documents and records according to Section 14g, Section

17 subsection 6 or Section 32 subsection 7,

g) as a person according to Section 4b subsection 1 letters a), e), i) or j) in violation of Section 17j, does not fulfil any of the obligations according to Section 17c, 17d, 17e, 17f, 17g, 17h or 17i,

h) as a trading system participant, he does not perform algorithm testing according to Section 73m, or

i) as a participant in the trading system, does not submit a report in accordance with Section 73k.

(2) As a tied agent, a natural person commits an offense by not terminating a contractual obligation in violation of Section 32b subsection 2.

(3) A natural person commits an offense by failing to establish, maintain or apply a reporting mechanism in accordance with Section 124 and Section 12i subsection 1.

(4) As a person pursuant to Section 116, subsection 1, a natural person commits an offense by failing to fulfil the obligation of confidentiality pursuant to Section 116.

(5) A natural person as an issuer pursuant to Section 118 subsection 1 letters b), c) or d) or Section 121a commits an offense by

a) fails to fulfil any of the obligations under Section 120 or Section 120c subsection 1,

b) violates the prohibition according to Section 121, or

c) fails to fulfil any of the obligations relating to mandatory published information pursuant to Section 127, subsection 2.

(6) For an offense according to subsection 1, a fine can be imposed up to

a) CZK 150,000,000, or

b) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit.

(7) A fine of up to CZK 500,000 can be imposed for an offense under subsection 2, 4 or 5.

(8) A fine of up to CZK 10,000,000 can be imposed for an offense under subsection 3.

(9) For an offense according to subsection 1 letter b) an activity ban for up to 5 years can be imposed instead of a fine or together with a fine.

## Section 158

### **title omitted**

(1) A natural person commits an offense by

a) as an issuer pursuant to Section 118 subsection 1, shall not publish an annual financial report pursuant to Section 118,

b) as a person pursuant to Section 122 subsection 1 fails to fulfil any of the notification obligations pursuant to Section 122 subsection 1, or

c) as a person who applied for the acceptance of transferable securities for trading on a regulated market

without the consent of the issuer, fails to fulfil any of the obligations under Section 127 subsection 2.

(2) A natural person, as a forced administrator or an insolvency administrator of an investment firm, or a person who has these documents with him, commits an offense by not providing the Guarantee Fund with the documents in accordance with Section 130 subsection 11.

(3) A natural person, as a forced administrator of an investment firm who is not a bank, an organiser of a regulated market, an operator of a settlement system with irrevocable settlement based in the Czech Republic or a central depository, commits an offense by failing to fulfil any of the obligations under Section 139 subsection 7.

(4) For an offense according to subsection 1, a fine may be imposed up to

a) CZK 60,000,000, or

b) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit and if the amount of the fine determined in this way exceeds CZK 60,000,000.

(5) A fine of up to CZK 5,000,000 may be imposed for an offense under subsection 2 or 3.

#### Section 158a

(1) A natural person, as a member of the board or senior management of a central counterparty, commits an offense by failing to fulfil the reporting obligation pursuant to Section 115b.

(2) For an offense under subsection 1, a fine may be imposed up to

a) CZK 128,850,000, or

b) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit and if this amount exceeds the amount specified in letter a).

#### Section 158b

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

(2) A fine of up to CZK 1,000,000 may be imposed for an offence under subsection 1.

### Chapter 2

#### **Offenses by natural persons consisting of a violation of a directly applicable regulation of the European Union in the area of the financial market**

#### Section 159

#### **Offenses by natural persons consisting of a violation of a directly applicable regulation of the European Union in the area of the financial market**

(1) A natural person commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions under Article 4 paragraph 1, Article 5a, Article 8c and Article 8d of Regulation of the European Parliament and Council (EU) No. 1060/2009, as amended.

(2) A natural person commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions under the directly applicable regulation of the European Union regulating short selling and certain aspects of credit default swaps<sup>42)</sup>.

(3) A natural person commits an offense by not fulfilling any of the obligations or violating any of the prohibitions according to the directly applicable regulation of the European Union governing OTC derivatives, central counterparties and trade repositories<sup>43)</sup>.

CZK 10,000,000 can be imposed for an offense under subsection 1, 2 or 3.

#### Section 159a

##### **Offenses of natural persons consisting in violation of the European Union regulation on improving the settlement of securities transactions in the European Union and central securities depositories**

(1) A natural person commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions listed in the directly applicable regulation of the European Union governing the improvement of the settlement of securities transactions in the European Union and the central depository of securities<sup>51)</sup>.

(2) For an offense according to subsection 1, a fine can be imposed up to

a) CZK 140,000,000, or

b) the amount of twice the amount of the unauthorised benefit obtained by committing the offense, if it is possible to determine the amount of the unauthorised benefit.

#### Section 160

##### **Offenses of natural persons consisting in violation of the European Union regulation on market abuse**

(1) A natural person commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions

a) according to Article 14 or Article 15 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council,

b) according to Article 16 or Article 17 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council, or

c) according to Article 18, Article 19 or Article 20 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council.

(2) For an offense according to subsection 1 letter a) a fine can be imposed until

a) CZK 150,000,000, or

b) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

(3) For an offense according to subsection 1 letter b) a fine can be imposed until

a) CZK 30,000,000, or

b) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

(4) For an offense according to subsection 1 letter c) a fine can be imposed until

a) CZK 15,000,000, or

b) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

#### Section 161

##### **Offenses by natural persons consisting of a violation of the European Union regulation on markets in financial instruments**

(1) A natural person commits an offense by failing to fulfil one of the obligations or violating one of the prohibitions under the directly applicable regulation of the European Union governing financial instrument markets<sup>53)</sup>, or by violating the measures adopted pursuant to Articles 40 to 42 of the Regulation of the European Parliament and the Council (EU) No. 600/2014.

(2) For an offense under subsection 1, a fine may be imposed up to

a) CZK 150,000,000, or

b) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit.

#### Section 161a

##### **Offenses of natural persons consisting in violation of the European Union regulation on securitisation**

(1) A natural person commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions listed in the directly applicable regulation of the European Union regulating the general framework for securitisation and creating a special framework for simple, transparent and standardized securitisation <sup>63)</sup>.

(2) For an offense under subsection 1, a fine may be imposed up to

a) CZK 126,650,000, or

b) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit.

#### Section 161b

##### **Offenses by natural persons consisting of a violation of the European Union Regulation on the prospectus to be published during a public offer or acceptance of securities for trading on a regulated market**

(1) A natural person commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions under Articles 3, 5, 6, Article 7 paragraphs 1 to 11, Articles 8, 9, 10, Article 11 paragraph 1 or 3, Article 14 paragraph 1 or 2, Article 15 paragraph 1, Article 16 paragraphs 1 to 3,



Article 17, 18, Article 19 paragraphs 1 to 3, Article 20 paragraph 1, Article 21 paragraphs 1 to 4 or 7 to 11, Article 22 paragraphs 2 to 5, Article 23 paragraphs 1 to 3 or 5 or Article 27 of Regulation (EU) 2017/1129 of the European Parliament and of the Council.

(2) For an offense according to subsection 1, a fine can be imposed up to

a) CZK 18,228,000, or

b) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit and if the amount of the fine determined in this way exceeds CZK 18,228,000.

#### Section 161c

### **Offenses by natural persons consisting of a violation of the European Union regulation on European providers of crowdfunding services for businesses**

(1) A natural person commits an offense by

a) fails to fulfil any of the obligations or violates any of the prohibitions pursuant to Article 23 paragraph 7 of Regulation (EU) 2020/1503 of the European Parliament and of the Council<sup>75)</sup>,

b) fails to provide the Czech National Bank with the cooperation required in the exercise of supervision pursuant to Article 30 paragraph 1 of Regulation (EU) 2020/1503 of the European Parliament and of the Council<sup>75)</sup>, or

c) provides crowdfunding services without being authorised to do so according to Article 3 paragraph 1 of Regulation (EU) 2020/1503 of the European Parliament and of the Council<sup>75)</sup>.

(2) For an offense under subsection 1, a fine may be imposed up to

a) CZK 13,230,000, or

b) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit and if this amount exceeds the amount specified in letter a).

## **Chapter 3**

### **Offenses by legal entities and entrepreneurial natural persons consisting of violations of the Act on the Capital Market Business**

#### Section 162

#### **title omitted**

(1) A legal entity or a natural person running a business commits an offense by

a) carries out activities pursuant to this Act without authorisation, which requires the authorisation of the Czech National Bank, accreditation granted by the Czech National Bank, entry in the list kept by the Czech National Bank, consent of the Czech National Bank or notification of the supervisory authority of another member state of the European Union,

b) provides false or misleading information or fails to provide all facts in connection with an application pursuant to this Act,

c) acquires a qualified participation in an investment firm or an organiser of a regulated market or controls it in violation of Section 10b subsection 1 or Section 47 subsection 1,

d) fails to fulfil any of the notification obligations pursuant to Section 10e subsection 1 or Section 47 subsection 3,

e) as a person whose activity authorisation or accreditation was revoked or expired, or as a person who is the legal successor of a person whose activity authorisation or accreditation was revoked or expired, shall not keep documents and records pursuant to Section 14g, Section 17 subsection 6 or Section 32 subsection 7,

f) as a person according to Section 4b subsection 1 letters a), e), i) or j) in violation of Section 17j, does not fulfil any of the obligations according to Section 17c, 17d, 17e, 17f, 17g, 17h or 17i,

g) as a trading system participant, fails to fulfil the obligation to perform algorithm testing according to Section 73m, or

h) as a participant in the trading system, does not submit a report in accordance with Section 73k.

(2) A legal entity or a natural person running a business commits an offense as a tied agent by not terminating a contractual obligation in violation of Section 32b subsection 2.

(3) A legal entity or a natural person running a business commits an offense by failing to establish, maintain or apply a reporting mechanism pursuant to Section 124 and Section 12i subsection 1.

(4) A legal entity or a natural person in business commits an offense by unlawfully using the designations "regulated market", "market of small and medium-sized enterprises", "stock exchange" or a similar designation or the designation "central depository of securities" in violation of Section 53 or Section 73b.

(5) An entrepreneurial natural person commits an offense as a person pursuant to Section 116 subsection 1 by failing to fulfil the obligation of confidentiality pursuant to Section 116.

(6) For an offense according to subsection 1, a fine of up to

a) CZK 150,000,000,

b) the amount of 10% of the total annual turnover of this legal entity according to its last regular financial statements or consolidated financial statements, or

c) the amount of twice the unauthorised benefit obtained by committing this offence.

(7) A fine of up to CZK 10,000,000 can be imposed for an offense under subsection 3 or 4.

(8) A fine of up to CZK 500,000 can be imposed for an offense according to subsection 2 or 5.

(9) For an offense according to subsection 1 letter b) an activity ban for up to 5 years can be imposed instead of a fine or together with a fine.

Section 163

**title omitted**

(1) A legal entity or a natural person running a business commits an offense by

a) as a person pursuant to Section 122 subsection 1 fails to fulfil any of the notification obligations pursuant to Section 122 subsection 1, or

b) as a person who applied for the acceptance of transferable securities for trading on a regulated market without the consent of the issuer, fails to fulfil any of the obligations under Section 12 7 subsection 2.

(2) A legal or entrepreneurial natural person, as a forced administrator or an insolvency administrator of an investment firm or a person who has these documents with him, commits an offense by not providing the Guarantee Fund with documents in accordance with Section 130 subsection 11.

(3) A legal entity or a natural person running a business, as a forced administrator of an investment firm who is not a bank, a regulated market organiser, an operator of a settlement system with irrevocable settlement based in the Czech Republic or a central depository, commits an offense by failing to fulfil any of the obligations under Section 139 subsection 7.

(4) A legal entity as a provider of a long-term investment product commits an offence by

a) in violation of Section 134g subsection 3, depositing the funds of the owner of the long-term investment product with a person who is not authorised to accept deposits from the public under the act regulating the activities of banks, or failing to record the amount of the rights to the payment of funds within the long-term investment product provided by it,

b) in violation of Section 134g subsection 4, entrusts the keeping of records of financial instruments to a person who is not authorised to maintain such register or failing to record the number and type of financial instruments within the long-term investment product provided by it,

c) carrying out an instruction of the owner of the long-term investment product in violation of Section 134h subsection 1,

d) failing to comply with the notification obligation pursuant to Section 134h subsection 4,

e) does not ensure that the assets within the long-term investment product consist only of the items specified in Section 134i, subsection 1, or

f) in violation of Section 134i, subsection 2, does not ensure that the funds obtained remain part of the assets within the long-term investment product.

(5) For the offense of a legal person according to subsection 1, a fine may be imposed up to

a) CZK 300,000,000,

b) the amount of 5% of the total annual turnover of this legal entity according to its last regular financial statements or consolidated financial statements, if the amount of the fine determined in this way exceeds the amount of CZK 300,000,000, or

c) the amount of twice the amount of the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit and if the amount of the fine determined in this way exceeds the amount of CZK 300,000,000.

(6) For the offense of a natural person running a business according to subsection 1, a fine can be imposed up to

a) CZK 60,000,000, or

b) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit and if the amount of the fine determined in this way exceeds the amount of CZK 60,000,000.

(7) A fine of up to CZK 5,000,000 can be imposed for an offence under subsection 2, 3 or 4.

#### Section 163a

##### **title omitted**

(1) As a member of the board or senior management of a central counterparty, a legal entity or a natural person who is a business owner commits an offence by failing to fulfil the reporting obligation pursuant to Section 115b.

(2) For the offence of a legal person according to subsection 1, fines can be imposed up to

a) CZK 128,850,000,

b) the amount of 10% of the total annual turnover of this legal entity according to its last regular financial statements or consolidated financial statements, if this amount exceeds the amount specified in letter a), or

c) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit and if this amount exceeds the amount specified in letters a) and b).

(3) For the offence of a natural person running a business according to subsection 1, a fine may be imposed up to

a) CZK 128,850,000, or

b) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit and if this amount exceeds the amount specified in letter a).

#### Section 163b

(1) A legal entity or entrepreneurial natural person commits an offence as an employer by influencing an employee in the selection of a long-term investment product provider or accepting a prohibited incentive in violation of Section 134j.

(2) A fine of up to CZK 1,000,000 may be imposed for an offence under subsection 1.

##### **title omitted**

#### Section 164

##### **Investment firm offences**

(1) An investment firm commits an offence by

a) fails to fulfil the obligation according to Section 6 subsection 3,

b) fails to fulfil any of the obligations relating to the leading body according to Section 10 subsection 3

or Section 10a subsection 1,

c) does not ensure the introduction of an adequate system of administration and management according to Section 12,

d) fails to fulfil any of the obligations related to the organisational requirements for the activity of an investment firm according to Section 12a,

e) in violation of Section 12ba subsection 1 does not introduce, maintain or apply procedures for approving a financial instrument or its significant changes,

f) in violation of Section 12ba subsection 2 does not verify or evaluate the procedures for approving the financial instrument or its significant changes, or does not seek remedial action,

g) in violation of Section 12ba subsection 5 does not verify or evaluate the financial instruments it offers, or does not seek remedial action,

h) fails to fulfil the information obligation according to Section 12ba subsection 6,

i) does not implement the procedures according to Section 12bb,

j) does not ensure the maintenance of any of the records according to Section 12c,

k) entrusts another person with the performance of an activity without introducing, maintaining or applying the corresponding measures according to Section 12d,

l) does not implement measures to protect the client's property according to Section 12e subsection 1 or 2,

m) has not verified the adequacy of the measures taken for the purpose of protecting the client's property according to Section 12e subsection 3,

n) does not keep an investment firm's diary according to Section 13,

o) does not ensure that its personnel resources meet the requirements according to Section 14,

p) in violation of Section 14a subsection 1 he is represented by another person in his activities,

q) contrary to Section 14a on dst. 2 runs its business through persons who do not meet the conditions of professional competence or good repute,

r) does not provide investment services with professional care according to Section 15 subsection 1,

fails to submit or publish an annual report or related information in violation of Section 16 subsection 1 or 2,

t) fails to fulfil the information obligation according to Section 16, subsection 6,

u) does not keep documents or records according to Section 17,

v) does not fulfil any of the obligations according to Section 17c or Section 17d subsection 1, 2 or 4 during algorithmic trading,

records in trading systems during high-frequency algorithmic trading in violation of Section 17e,

Section 17f subsection 1 during algorithmic trading for the purpose of implementing a market-making strategy,

Section 17g, subsection 1, 3, 4 or 5 or Section 17h, subsection 1, 2 or 4, when providing direct electronic access to the trading system,

z) fails to fulfil any of the obligations according to Section 17i when offering settlement services to other persons,

za) fails to comply with the notification obligation pursuant to Section 21 subsection 1 or 6 or pursuant to Section 22 subsection 1 or 5,

zb) locates the branch in violation of the decision of the Czech National Bank pursuant to Section 21 subsection 5,

zc) as a representative, fails to fulfil any of the obligations under Section 32k letters a), b), d), f) or g),

zd) as a person who runs a market-making strategy, does not have a contract according to Section 50g subsection 1, or

ze) does not fulfil the information obligation according to Section 134e, subsection 2.

(2) The investment firm further commits an offense by failing to ensure the introduction of an appropriate system of administration and management pursuant to Section 12ab.

(3) An investment firm further commits an offense by

a) does not establish, maintain or apply a reporting mechanism pursuant to Section 12i subsection 1,

b) fails to fulfil the information obligation according to Section 16, subsection 3 or 4, or Section 16a,

c) as a representative does not terminate the contractual obligation according to Section 32b subsection 1,

d) as a representative, fails to fulfil any of the obligations under Section 32k letter c) or e),

e) as a securities auctioneer, organises a public auction of securities in violation of Section 33,

f) fails to pay the contribution to the Guarantee Fund according to Section 129, or

g) fails to provide the Guarantee Fund with documents in accordance with the first sentence of Section 130, subsection 11.

(4) For an offense according to subsection 1, a fine can be imposed up to

a) CZK 150,000,000,

b) the amount of 10% of the total annual turnover of the investment firm according to its last regular financial statements or consolidated financial statements, or

c) the amount of double the unauthorised benefit, if it is possible to determine the amount of the unauthorised benefit.

(5) For an offense according to subsection 2, a fine can be imposed up to

- a) CZK 20,000,000,
- b) the amount of 10% of the total annual turnover of the investment firm according to its last regular financial statements or consolidated financial statements, or
- c) the amount of double the unauthorised benefit, if it is possible to determine the amount of the unauthorised benefit.

(6) A fine of up to CZK 10,000,000 can be imposed for an offense under subsection 3.

## Section 165

### **Offenses of a foreign person**

(1) A foreign person, as a person according to Section 24, commits an offense by

- a) does not keep an investment firm's diary according to Section 24 subsection 5 letter a) and Section 13,
- b) does not publish data according to Section 24 subsection 5 letter b) and Section 16b,
- c) does not provide investment services with professional care according to Section 24 subsection 5 letter c) and Section 15 subsection 1, or
- d) does not keep documents or records according to Section 24 subsection 5 letter e) and Section 17.

(2) A foreign person, as a person under Section 28, commits an offense by

- a) does not fulfil any of the obligations concerning the leading body according to Section 28b subsection 3 and Section 10 subsection 3 or Section 10a subsection 1,
- b) in violation of Section 28b subsection 3 and Section 12, does not ensure the introduction of an appropriate system of administration and management,
- c) in violation of Section 28b subsection 3 and Section 12a, fails to fulfil any of the obligations regarding organisational requirements,
- d) in violation of Section 28b subsection 3 and Section 12ba subsection 1 does not introduce, maintain or apply procedures for approving the financial instrument or its significant changes,
- e) in violation of Section 28b subsection 3 and Section 12ba subsection 2 does not verify or evaluate the procedures for approving the financial instrument or its significant changes, or fails to seek remedial action,
- f) in violation of Section 28b subsection 3 and Section 12ba subsection 5 does not verify or evaluate the financial instruments it offers, or does not seek remedial action,
- g) fails to fulfil the information obligation according to Section 28b subsection 3 and Section 12ba subsection 6,
- h) does not introduce procedures according to Section 28b subsection 3 and Section 12bb,
- i) does not ensure the maintenance of any of the records in accordance with Section 28b subsection 3 and Section 12c,

- j) entrusts another person with the performance of the activity without introducing, maintaining or applying the corresponding measures according to Section 28b subsection 3 and Section 12d,
- k) does not implement measures to protect the client's property according to Section 28b subsection 3 and Section 12e subsection 1 or 2,
- l) has not verified the adequacy of the measures taken for the purpose of protecting the client's property in accordance with Section 28b subsection 3 and Section 12e subsection 3,
- m) does not keep an investment firm's diary in accordance with Section 28b subsection 3 and Section 13,
- n) does not ensure that its personnel resources meet the requirements according to Section 28b on dst. 3 and Section 14,
- o) does not provide investment services with professional care according to Section 28b subsection 3 and Section 15 subsection 1,
- p) fails to submit or publish an annual report or related information in violation of Section 28b subsection 3 and Section 16 subsection 1 or 2,
- q) fails to fulfil the information obligation according to Section 28b subsection 3 and Section 16 subsection 6,
- r) does not keep documents or records according to Section 28b subsection 3 and Section 17,
- s) in violation of Section 28b subsection 3, does not fulfil any of the obligations according to Section 17c or Section 17d subsection 1, 2 or 4 during algorithmic trading,  
records in trading systems in violation of Section 28b subsection 3 and Section 17e during algorithmic high-frequency trading,
- u) in violation of Section 28b, subsection 3, does not fulfil any of the obligations according to Section 17f, subsection 1 during algorithmic trading for the purpose of implementing a market-making strategy,
- v) in violation of Section 28b subsection 3, when providing direct electronic access to the trading system, does not fulfil any of the obligations according to Section 17g subsection 1, 3, 4 or 5 or Section 17h subsection 1, 2 or 4,
- w) in violation of Section 28b, subsection 3, does not fulfil any of the obligations according to Section 17i when offering the settlement service to other persons, or
- x) as a representative, fails to fulfil any of the obligations under Section 32k letters a), b), d), f) or g).

(3) A foreign person commits an offense by

- a) as a person pursuant to Section 24, fails to fulfil any of the information obligations pursuant to Section 24 subsection 5 letter b) and Section 16 subsection 4 letters a), b) or c), or
- b) as a person pursuant to Section 28, fails to fulfil any of the information obligations pursuant to Section 28b subsection 3 and Section 16 subsection 4 letters a), b) or c).

(4) A foreign person commits an offense by

- a) as a person pursuant to Section 24, fails to fulfil the information obligation pursuant to Section 24



subsection 5 letter b) and Section 16 subsection 3,

b) as a person pursuant to Section 28, does not establish, maintain or apply a reporting mechanism pursuant to Section 28b subsection 3 and Section 12i subsection 1,

c) as a person pursuant to Section 28, fails to fulfil the information obligation pursuant to Section 28b subsection 3 and Section 16 subsection 3,

d) as a representative does not terminate the contractual obligation according to Section 32b subsection 1,

e) as a representative, fails to fulfil any of the obligations under Section 32k letter c) or e),

f) as a securities auctioneer, organises a public auction of securities in violation of Section 33, or

g) as a person according to Section 133, does not pay a contribution to the Guarantee Fund according to Section 133.

(5) A fine of up to

a) CZK 150,000,000,

b) the amount of 10% of the total annual turnover of a foreign person according to its last regular financial statements or consolidated financial statements, or

c) the amount of double the unauthorised benefit, if it is possible to determine the amount of the unauthorised benefit.

(6) For an offense according to subsection 3, a fine can be imposed up to

a) CZK 20,000,000,

b) the amount of 10% of the total annual turnover of the foreign person according to its last regular financial statements or consolidated financial statements, which includes items listed in Article 316 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, or

c) the amount of double the unauthorised benefit, if it is possible to determine the amount of the unauthorised benefit.

(7) A fine of up to CZK 10,000,000 can be imposed for an offense under subsection 4.

Section 165a

**cancelled**

Section 165b

**cancelled**

**title omitted**

Section 166

### **Offenses of an investment intermediary**

(1) An investment intermediary commits an offense by

- a) fails to fulfil any of the obligations relating to the leading body according to Section 32 subsection 1 and Section 10 subsection 3 or Section 10a subsection 1,
- b) in violation of Section 32, subsection 2 and Section 12, does not ensure the introduction of an appropriate system of administration and management,
- c) in violation of Section 32 subsection 2 and Section 12a, fails to fulfil any of the obligations regarding organisational requirements,
- d) is not insured according to Section 31,
- e) does not introduce the procedures according to Section 32 subsection 3 and Section 12bb,
- f) does not keep records of received and forwarded instructions or records of contracts pursuant to Section 32 subsection 4 and Section 13,
- g) in violation of Section 32 subsection 5 and Section 14a subsection 1, he is represented by another person in his activities,
- h) in violation of Section 32, subsection 5 and Section 14a subsection 2, conducts its activities through persons who do not meet the conditions of professional competence or good repute,
- i) does not provide investment services with professional care according to Section 32 subsection 6 and Section 15 subsection 1,
- j) does not keep documents or records in accordance with Section 32 subsection 4 and Section 17 subsection 1 or 6, or
- k) as a representative, fails to fulfil any of the obligations under Section 32k letters a), b), d), f) or g).

(2) An investment intermediary further commits an offense by

- a) does not fulfil the information obligation according to Section 30 subsection 5,
- b) is represented in the provision of main investment services in violation of Section 30c,
- c) as a representative does not terminate the contractual obligation according to Section 32b subsection 1, or
- d) as a representative, fails to fulfil any of the obligations under Section 32k letter c) or e).

(3) For an offense according to subsection 1, a fine may be imposed up to

- a) CZK 150,000,000,
- b) the amount of 10% of the investment intermediary's total annual turnover according to its latest regular financial statements or consolidated financial statements, or
- c) the amount of double the unauthorised benefit, if it is possible to determine the amount of the unauthorised benefit.

(4) A fine of up to CZK 10,000,000 can be imposed for an offense under subsection 2.

Section 167

**Offenses by an accredited person**

(1) An accredited person commits an offense by

- a) organises a professional examination contrary to the scope of the granted accreditation,
- b) fails to fulfil the notification obligation according to Section 14c subsection 7,
- c) proceeds in the conduct of professional examinations in violation of Section 14f subsection 1 or 2,
- d) does not publish information or examination regulations according to Section 14f subsection 4,
- e) does not inform the examinee without unnecessary delay about the result of the professional examination in accordance with Section 14f subsection 4,
- f) does not issue without undue delay a certificate of successful completion of the professional examination in accordance with Section 14f subsection 6, or
- g) does not keep documents or records related to the conduct of professional examinations according to Section 14g.

(2) A fine of up to

- a) CZK 5,000,000, if it is an offense according to subsection 1 letters b), e) or f),
- b) CZK 10,000,000, if it is an offense according to subsection 1 letters c), d) or g),
- c) CZK 20,000,000, if it is an offense according to subsection 1 letter a).

Section 167a

**cancelled**

Section 168

**Violations of the trading system operator**

(1) The organiser of a regulated market commits an offense by

- a) enable a person who does not meet the requirements of this Act for a member of the management body of a regulated market organiser to become or remain a member of this body,
- b) fails to fulfil the obligation according to Section 38 subsection 6,
- c) fails to fulfil any of the obligations relating to the leading body according to Section 38 subsection 8 and Section 10 subsection 3 or Section 10a subsection 1,
- d) carries out business activities in violation of Section 40,
- e) does not organise a regulated market for professional care according to Section 41 subsection 1,
- f) executes a participant's instruction or trades by pairing instructions on his own account in violation of

Section 41 subsection 3,

g) does not establish a committee for appointments according to Section 43,

h) fails to fulfil any of the obligations when acquiring, increasing and losing a qualified participation in the organiser of the regulated market according to Section 47,

i) does not fulfil any of the organisational requirements according to Section 48,

j) fails to fulfil any of the notification obligations pursuant to Section 49,

k) fails to fulfil any of the information obligations pursuant to Section 50,

l) does not ensure that its systems meet the requirements according to Section 50a,

m) fails to fulfil any of its obligations during the suspension or restriction of trading pursuant to Section 50b,

n) fails to fulfil any of the obligations under Section 50c during algorithmic trading,

o) fails to fulfil any of the obligations in providing direct electronic access pursuant to Section 50d,

p) does not ensure that the payments established by him meet the requirements according to Section 50e,

q) fails to fulfil any of the obligations during the listing according to Section 50f,

r) does not introduce, maintain or apply the procedures according to Section 50g subsection 2,

s) will not allow participants of the regulated market to choose another settlement system according to Section 51 subsection 1,

t) violates the restrictions or prohibitions of the Czech National Bank pursuant to Section 52,

u) accepts a financial instrument for trading on the regulated market in violation of Section 56 or 57,

v) fails to fulfil any of the obligations when suspending or resuming trading in a financial instrument or when excluding a financial instrument from trading on a regulated market pursuant to Section 61,

w) does not establish or observe the rules of trading on the regulated market or the rules for concluding trades with financial instruments on the regulated market pursuant to Section 62,

x) does not establish or does not comply with the rules of access to the regulated market according to Section 63,

y) fails to fulfil any of the notification obligations according to Section 63,

z) does not ensure the synchronization of business hours according to Section 73j,

za) as a person pursuant to Section 127, subsection 1, fails to fulfil any of the obligations relating to mandatory published information pursuant to Section 127, subsection 2,

zb) in violation of Section 134c, does not apply any of the limits established pursuant to Section 134a subsection 1 or Section 134b subsection 1, or

zc) fails to fulfil any of the information obligations pursuant to Section 134c subsection 3 or Section

134e.

(2) The operator of a multilateral trading facility commits an offense by

- a) does not introduce, maintain or apply the rules of measures or procedures according to Section 69 subsection 2,
- b) does not have sufficient financial resources available according to Section 69 subsection 3,
- c) his system does not have at least 3 active participants according to Section 69 subsection 4,
- d) does not provide participants with access to data pursuant to Section 69 subsection 5,
- e) fails to comply with the information obligation according to Section 69 subsection 10,
- f) does not take the necessary measures to settle trades or does not inform the participants in accordance with Section 70 subsection 1,
- g) violates the restriction or prohibition of the Czech National Bank pursuant to Section 70, subsection 2,
- h) does not monitor or evaluate transactions in accordance with Section 71 subsection 2,
- i) fails to comply with the notification obligation according to Section 71 subsection 3,
- j) fails to fulfil the information obligation according to Section 71 subsection 4,
- k) executes a participant's instruction or trades by pairing instructions on his own account in violation of Section 72,
- l) does not ensure that its systems meet the requirements according to Section 73 subsection 2 and Section 50a,
- m) fails to fulfil any of its obligations when suspending or restricting trading in accordance with Section 73 subsection 2 and Section 50b,
- n) does not fulfil any of the obligations according to Section 73 subsection 2 and Section 50c during algorithmic trading,
- o) fails to fulfil any of the obligations in providing direct electronic access pursuant to Section 73 subsection 2 and Section 50d,
- p) does not ensure that the payments determined by him meet the requirements according to Section 73 subsection 2 and Section 50e,
- q) fails to fulfil any of the obligations during the listing pursuant to Section 73 subsection 2 and Section 50f,
- r) does not introduce, maintain or apply procedures according to Section 73 subsection 2 and Section 50g subsection 2,
- s) fails to fulfil any of the obligations when suspending or resuming trading with a financial instrument or when it is excluded pursuant to Sections 73a and 61,
- t) does not ensure the synchronization of business hours according to Section 73j,

u) in violation of Section 134c, does not apply any of the limits established pursuant to Section 134a subsection 1 or Section 134b subsection 1, or

v) fails to fulfil any of the information obligations pursuant to Section 134c subsection 3 or Section 134e.

(3) The operator of an organised trading facility commits an offense by

a) carries out client instructions in violation of Section 73d subsection 3,

b) trades by matching instructions on his own account in violation of Section 73d subsection 4,

c) in violation of Section 73d subsection 5, when trading by matching instructions on his own account, does not comply with the requirements according to Section 2 subsection 1 letter q),

d) trades on his own account in violation of Section 73d subsection 6,

e) carries out systematic internalization in violation of Section 73e subsection 2,

f) does not ensure that the organised trading facility is not connected according to Section 73e subsection 3,

g) fails to fulfil the information obligation according to Section 73e subsection 4,

h) does not introduce, maintain or apply rules or measures pursuant to Section 73f subsection 1,

i) his system does not have at least 3 active participants according to Section 73f subsection 2,

j) does not provide participants with access to data according to Section 73f subsection 3,

k) does not monitor or evaluate transactions according to Section 73f subsection 4,

l) fails to fulfil any of the notification obligations pursuant to Section 73f subsection 5 or 6,

m) fails to fulfil any of the obligations when trading in an organised trading facility according to Section 73g,

n) fails to fulfil any of the obligations when suspending or resuming trading in a financial instrument or when it is excluded pursuant to Section 73h subsection 1 and Section 61,

o) does not ensure that its systems meet the requirements according to Section 73h subsection 2 and Section 50a,

p) fails to fulfil any of its obligations when suspending or restricting trading pursuant to Section 73h subsection 2 and Section 50b,

q) fails to fulfil any of the obligations under Section 73h subsection 2 and Section 50c during algorithmic trading,

r) fails to fulfil any of the obligations in providing direct electronic access pursuant to Section 73h subsection 2 and Section 50d,

s) does not ensure that the payments determined by him meet the requirements according to Section 73h subsection 2 and Section 50e,

- t) fails to fulfil any of the obligations during the listing pursuant to Section 73h subsection 2 and Section 50f,
- u) does not introduce, maintain or apply procedures according to Section 73h subsection 2 and Section 50g subsection 2,
- v) does not ensure the settlement of trades or does not inform the participants of the organised trading facility according to Section 73i,
- w) does not ensure the synchronization of business hours according to Section 73j,
- x) in violation of Section 134c, does not apply any of the limits established pursuant to Section 134a subsection 1 or Section 134b subsection 1, or
- y) fails to fulfil any of the information obligations pursuant to Section 134c subsection 3 or Section 134e.

(4) The operator of an organised trading facility commits an offense by failing to establish, maintain or apply a reporting mechanism in accordance with Section 48a and Section 12i subsection 1.

(5) A fine of up to

- a) CZK 150,000,000,
- b) the amount of 10% of the total annual turnover of the trading system operator according to its latest regular financial statements or consolidated financial statements, or
- c) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit.

fine of up to CZK 10,000,000 can be imposed for an offense under subsection 4.

#### Section 169

##### **Data Reporting Service Provider Violations**

(1) The provider of data reporting services commits an offense by failing to establish, maintain or apply a reporting mechanism pursuant to Section 78 and Section 12i subsection 1.

(2) A fine of up to CZK 10,000,000 can be imposed for an offense under subsection 1.

#### Section 170

##### **Violations of the operator and participant of the settlement system with irrevocability of the settlement**

(1) The operator of a settlement system with irrevocable settlement commits an offense by

- a) publishes a change to the rules in violation of Section 87 subsection 1,
- b) fails to comply with the notification obligation pursuant to Section 90b subsection 4, or
- c) fails to fulfil the information obligation according to Section 90c subsection 1.

(2) The operator of a settlement system with irrevocable settlement based in the Czech Republic commits an offense by

- a) does not operate a settlement system with the irrevocability of settlement with professional care according to Section 90 subsection 3,
- b) fails to fulfil the information obligation according to Section 90c subsection 3, or
- c) fails to comply with the notification obligation pursuant to Section 145 subsection 4.

(3) A participant in a settlement system with an irrevocable settlement commits an offense by failing to fulfil the information obligation pursuant to Section 90c subsection 2 or Section 90d.

(4) A fine may be imposed for an offence

- a) CZK 10,000,000, if it is an offense according to subsection 1 letter c), subsections 2 or 3,
- b) CZK 20,000,000, if it is an offense according to subsection 1 letter a) or b).

#### Section 171

#### **Violations of legal entities and entrepreneurial natural persons who keep records of financial instruments**

(1) A legal or entrepreneurial natural person who keeps records of financial instruments commits an offense by

- a) does not keep records or documents according to Section 99a,
- b) does not provide data according to Section 115 subsection 1, or
- c) violates the obligation according to Section 121d or Section 121e subsection 2, 3, 4 or 5.

(2) A legal or entrepreneurial natural person who keeps separate records of financial instruments, or a person who keeps records connected to a separate record of financial instruments, commits an offense by not keeping these records in the manner established by the implementing legal regulation issued on the basis of Section 93 subsection 4.

(3) For an offense according to subsection 1 letter a) or b) or subsection 2, a fine of up to CZK 10,000,000 can be imposed.

(4) For an offense according to subsection 1 letter c) a fine of up to CZK 1,000,000 can be imposed.

#### **title omitted**

#### Section 172

#### **Offenses by certain issuers of financial instruments**

(1) As an issuer referred to in Section 118, subsection 1 or Section 121a, a legal entity or a natural person in business commits an offense by

- a) does not publish the annual financial report according to Section 118,



- b) fails to publish a half-yearly financial report in accordance with Section 119,
- c) does not publish a report according to Section 119a, or
- d) does not publish information pursuant to Section 119b or Section 122b subsection 3 or 4.

(2) A legal entity or a natural person running a business also commits an offense as an issuer referred to in Section 118 subsection 1 or Section 121a by

- a) fails to fulfil any of the obligations under Section 120, 120a, 120b or 120c,
- b) violates any of the prohibitions in violation of Section 121, or
- c) fails to fulfil any of the obligations relating to mandatory published information pursuant to Section 127 subsection 2.

(3) The legal person shall also, as the issuer referred to in Section 118 subsection 1 letter a) commits an offense by

- a) does not provide information according to Section 121e subsection 1, or
- b) violates the obligation according to Section 121k subsection 4, Section 121o subsection 4, Section 121u subsection 1, Section 121u subsection 2 of the second sentence or Section 121u subsection 3.

Section 127d, subsection 1 or Section 121a, a legal entity or a natural person who runs a business commits an offense by

- a) does not publish information in accordance with Section 127d subsection 3, or
- b) fails to fulfil the notification obligation according to Section 127d subsection 3.

(5) For the offense of the issuer, which is a legal entity, pursuant to subsection 1, a fine may be imposed up to

- a) CZK 300,000,000,
- b) the amount of 5% of the total annual turnover of this legal entity according to its last regular financial statements or consolidated financial statements, if the amount of the fine determined in this way exceeds the amount of CZK 300,000,000, or
- c) the amount of twice the amount of the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit and if the amount of the fine determined in this way exceeds the amount of CZK 300,000,000.

(6) According to subsection 1, a fine may be imposed for an offense by an issuer who is a natural person doing business

- a) CZK 60,000,000, or
- b) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit and if the amount of the fine determined in this way exceeds the amount of CZK 60,000,000.

(7) A fine of up to CZK 1,000,000 may be imposed for an offense under subsection 2, 3 or 4.

## Section 173

### **Investment holding person, mixed financial holding person and mixed holding person offences**

(1) An investment holding company or a mixed financial holding company commits an offense by

- a) a member of its management body does not meet the requirements according to Section 155a subsection 1, or
- b) does not fulfil the information obligation or does not submit the relevant documents according to Section 155a subsection 2.

(2) A mixed holding entity commits an offense by failing to provide the Czech National Bank with information pursuant to Section 155b subsection 1 letter a).

(3) For an offense by an investment holding entity, a mixed financial holding entity or a mixed holding entity pursuant to subsections 1 and 2, a fine may be imposed up to

- a) CZK 10,000,000,
- b) the amount of 10% of the total annual turnover of this person according to his last regular financial statements or consolidated financial statements, if this amount exceeds the amount specified in letter a), or
- c) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit and if this amount exceeds the amount specified in letters a) and b).

## Section 173a

### **Institutional Investor and Asset Manager Offences**

(1) An institutional investor commits an offense by

- a) does not develop or publish an engagement policy pursuant to Section 127f, or
- b) violates the obligation according to Section 127g or 127j.

(2) An asset manager commits an offense by

- a) does not develop or publish an engagement policy pursuant to Section 127f, or
- b) violates the obligation according to Section 127g.

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

## Section 173b

(1) A crowdfunding service provider commits an offence by failing to comply with the information obligation under Section 90k.

(2) A fine of up to CZK 500,000 may be imposed for an offence under subsection 1.

## Chapter 4

**Offenses by legal entities and entrepreneurial natural persons consisting of a violation of a directly applicable regulation of the European Union in the area of the financial market**

Section 174

**title omitted**

(1) A legal entity or a natural person running a business commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions pursuant to Article 4 paragraph 1, Article 5a, Article 8c and Article 8d of the Regulation of the European Parliament and the Council (EU) No. 1060/2009, as amended.

(2) A legal or entrepreneurial natural person commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions under the directly applicable regulation of the European Union regulating short selling and some aspects of credit default swaps<sup>42)</sup>.

(3) A legal or entrepreneurial natural person commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions under the directly applicable regulation of the European Union governing OTC derivatives, central counterparties and trade repositories<sup>43)</sup>.

(4) An investment firm who provides the main investment service referred to in Section 4 subsection 2 letter d) or which provides the main investment service specified in Section 4 subsection 2 letter e) and has at least 3 employees, commits an offense by not fulfilling any of the obligations or violating any of the prohibitions according to Articles 3 to 13 of Regulation (EU) 2019/2088 of the European Parliament and of the Council<sup>73)</sup> or according to Articles 5 to 7 of the Regulation of the European Parliament and of the Council (EU) 2020/852<sup>74)</sup>.

(5) A fine of up to CZK 10,000,000 may be imposed for an offense under subsection 1, 2, 3 or 4.

Section 175

**Offenses of legal entities consisting of a violation of the European Union regulation on prudential requirements for investment firms**

(1) A legal person commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions under the directly applicable regulation of the European Union regulating prudential requirements for investment firms<sup>72)</sup>.

(2) For an offense according to subsection 1, a fine can be imposed up to

a) CZK 20,000,000,

b) the amount of 10% of the total annual turnover of this legal entity according to its last regular financial statements or consolidated financial statements, which includes the items listed in Article 316 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, or

c) the amount of double the unauthorised benefit, if it is possible to determine the amount of the unauthorised benefit.

Section 176

**Offenses by legal entities and entrepreneurial natural persons consisting in violation of the European Union regulation on improving the settlement of securities transactions in the European Union and central securities depositories**

(1) A legal entity or a natural person running a business commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions under the directly applicable regulation of the European Union governing the improvement of the settlement of securities transactions in the European Union and the central depository of securities<sup>51</sup>).

(2) For the offense of a legal person according to subsection 1, a fine can be imposed up to

- a) CZK 550,000,000,
- b) the amount of 10% of the total annual turnover of this legal entity according to its last regular financial statements or consolidated financial statements, or
- c) the amount of twice the amount of unauthorised benefit obtained by committing a misdemeanour, if it is possible to determine the amount of unauthorised benefit.

(3) For the offense of a natural person running a business according to subsection 1, a fine may be imposed up to

- a) CZK 140,000,000, or
- b) the amount of twice the amount of the unauthorised benefit obtained by committing the offense, if it is possible to determine the amount of the unauthorised benefit.

**title omitted**

Section 177

**Offenses by legal entities and entrepreneurial natural persons consisting of a violation of the European Union regulation on market abuse**

(1) A legal entity or a natural person running a business commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions

- a) according to Article 14 or Article 15 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council,
- b) according to Article 16 or Article 17 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council, or
- c) according to Article 18, 19 or Article 20 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council.

(2) For the offense of a legal person according to subsection 1 letter a) a fine can be imposed until

- a) CZK 450,000,000,
- b) the amount of 15% of the total annual turnover of this legal entity according to its latest regular financial statements or consolidated financial statements, or
- c) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

(3) For the offense of a natural person running a business according to subsection 1 letter a) a

fine can be imposed until

a) CZK 150,000,000, or

b) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

(4) For the offense of a legal person according to subsection 1 letter b) a fine can be imposed until

a) CZK 75,000,000,

b) the amount of 2% of the total annual turnover of this legal entity according to its latest regular financial statements or consolidated financial statements, or

c) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

(5) For the offense of a natural person running a business according to subsection 1 letter b) a fine can be imposed until

a) CZK 30,000,000, or

b) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

(6) For the offense of a legal person according to subsection 1 letter c) a fine can be imposed until

a) CZK 30,000,000, or

b) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

(7) For the offense of a natural person running a business according to subsection 1 letter c) a fine can be imposed until

a) CZK 15,000,000, or

b) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

#### Section 178

#### **Offenses by legal entities and entrepreneurial natural persons consisting of a violation of the European Union regulation on markets in financial instruments**

(1) A legal entity or a natural person running a business commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions according to the directly applicable regulation of the European Union governing the markets of financial instruments<sup>53)</sup>, or violates the measures taken pursuant to Articles 40 to 42 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council.

(2) For an offense under subsection 1, a fine may be imposed up to

- a) CZK 150,000,000,
- b) the amount of 10% of the total annual turnover of the legal entity according to its last regular financial statements or consolidated financial statements, or
- c) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit.

**title omitted**

Section 179

**Offenses by legal entities and entrepreneurial natural persons consisting of a violation of the European Union Regulation on the communication of key information regarding structured retail investment products and insurance products with an investment component**

(1) A legal entity or a natural person running a business commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions pursuant to Article 5 paragraph 1, Article 6, Article 7, Article 8 paragraphs 1 to 3, Article 9, Article 10 paragraph 1, Article 13 paragraph 1, 3 or 4, Article 14 or Article 19 of Regulation (EU) No. 1286/2014 of the European Parliament and of the Council.

(2) For the offense of a legal person according to subsection 1, a fine can be imposed up to

- a) CZK 138,650,000,
- b) the amount of 3% of the total annual turnover of this legal entity according to its latest regular financial statements or consolidated financial statements, or
- c) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit.

(3) For the offense of a natural person running a business according to subsection 1, fines can be imposed up to

- a) CZK 19,411,000, or
- b) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit.

Section 180

**Offenses by legal entities and natural persons running businesses consisting of violations of the European Union regulation on the transparency of transactions ensuring financing and reuse**

(1) A legal person or a natural person doing business commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions

- a) according to Article 4 of Regulation (EU) 2015/2365 of the European Parliament and of the Council,
- b) according to Article 15 of Regulation (EU) 2015/2365 of the European Parliament and of the Council, or
- c) according to Article 24 paragraph 3 of Regulation (EU) 2015/2365 of the European Parliament and of the Council.

(2) For the offense of a legal person according to subsection 1 letter a) a fine can be imposed until

a) CZK 135,100,000,

b) the amount of 10% of the total annual turnover of this legal entity according to its last regular financial statements or consolidated financial statements, or

c) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

(3) For the offense of a legal person according to subsection 1 letter b) a fine can be imposed until

a) CZK 405,300,000,

b) the amount of 10% of the total annual turnover of this legal entity according to its last regular financial statements or consolidated financial statements, or

c) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

(4) For the offense of a natural person in business pursuant to subsection 1 letter a) or b) can be fined until

a) CZK 135,100,000, or

b) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

(5) For breach of contract pursuant to subsection 1 letter c) a fine of up to CZK 1,000,000 can be imposed.

#### **title omitted**

#### **Section 181**

### **Offenses by legal entities and entrepreneurial natural persons consisting of violations of the European Union Regulation on indices that are used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds**

(1) A legal entity or a natural person running a business commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions

a) according to Article 11 paragraph 1 letter d) or Article 11 paragraph 4 of Regulation (EU) 2016/1011 of the European Parliament and of the Council, or

b) according to Articles 4 to 10, Article 11 paragraph 1 letters a), b), c) or e), Article 11 paragraph 2 or 3, Articles 12 to 16, Articles 21, 23 to 29 or Article 34 of Regulation (EU) 2016/1011 of the European Parliament and of the Council.

(2) For the offense of a legal entity according to subsection 1 letter a) a fine can be imposed until

a) CZK 6,782,500,

b) the amount of 2% of the total annual turnover of this legal entity according to its latest regular financial statements or consolidated financial statements, or

c) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

(3) For the offense of a legal person according to subsection 1 letter b) a fine can be imposed until

a) CZK 27,130,000,

b) the amount of 2% of the total annual turnover of this legal entity according to its latest regular financial statements or consolidated financial statements, or

c) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

(4) For the offense of a natural person running a business according to subsection 1 letter a) a fine can be imposed until

a) CZK 2,713,000, or

b) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

(5) For the offense of a natural person running a business according to subsection 1 letter b) a fine can be imposed until

a) CZK 13,565,000, or

b) the amount of three times the unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of the unauthorised benefit.

## Section 182

### **Offenses by legal entities and entrepreneurial natural persons consisting of a violation of the European Union regulation on securitisation**

(1) A legal or entrepreneurial natural person commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions listed in the directly applicable regulation of the European Union regulating the general framework for securitisation and creating a special framework for simple, transparent and standardized securitisation <sup>63)</sup>.

(2) An institutional investor who has received an instruction to fulfil obligations from another institutional investor pursuant to Article 5 paragraph 5 of Regulation (EU) 2017/2402 of the European Parliament and of the Council commits an offense by failing to fulfil any of these obligations.

(3) For the offense of a legal person according to subsection 1 or 2, a fine can be imposed up to

a) CZK 126,650,000,

b) the amount of 10% of the total annual turnover of the legal entity according to its last regular financial statements or consolidated financial statements, or



c) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit.

(4) For the offense of a natural person running a business according to subsection 1 or 2, a fine can be imposed up to

a) CZK 126,650,000, or

b) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit.

#### **title omitted**

#### **Section 183**

#### **Offenses of legal entities and entrepreneurial natural persons consisting of violations of the European Union regulation on the prospectus to be published during a public offer or acceptance of securities for trading on a regulated market**

(1) A legal entity or a natural person running a business commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions pursuant to Articles 3, 5, 6, Article 7 paragraphs 1 to 11, Articles 8, 9, 10, Article 11 paragraph 1 or 3, Article 14 paragraph 1 or 2, Article 15 paragraph 1, Article 16 paragraph 1 to 3, Article 17, 18, Article 19 paragraphs 1 to 3, Article 20 paragraph 1, Article 21 paragraph 1 to 4 or 7 to 11, Article 22 paragraph 2 to 5, Article 23 paragraph 1 to 3 or 5 or Article 27 of the Regulation of the European Parliament and of the Council (EU) 2017/1129.

(2) For the offense of a legal person according to subsection 1, a fine can be imposed up to

a) CZK 130,200,000,

b) the amount of 3% of the total annual turnover of the legal entity according to its last regular financial statements or consolidated financial statements, or

c) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit.

(3) For the offense of a natural person running a business according to subsection 1, fines can be imposed up to

a) CZK 18,228,000, or

b) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit.

#### **Section 184**

#### **Offenses of legal entities and entrepreneurial natural persons consisting of violations of the European Union regulation on European providers of crowdfunding services for businesses**

(1) A legal entity commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions under Article 3 paragraphs 2 to 6, Articles 4, 5, Article 6 paragraphs 1 to 6, Article 7 paragraphs 1 to 4, Article 8 paragraphs 1 to 6, Article 9 paragraphs 1 and 2, Article 10 paragraphs 1, 2 and 5, Article 11 paragraphs 1 to 3 and 6 to 9, Article 15 paragraph 3, Article 16 paragraph 1, Article 18 paragraph 1, Article 19 paragraphs 1 to 6, Article 20 paragraphs 1 and 2, Article 21 paragraphs 1 to

7, Article 22 paragraph 2 and 4 to 6, Article 23 paragraphs 2 to 4, 6 to 8, 11 and 12, Article 24 paragraphs 1 to 3, 6 and 7, Article 25 paragraphs 1 to 5, Article 26 or Article 27 paragraphs 1 to 3 of Regulation (EU) 2020/1503 of the European Parliament and of the Council<sup>75</sup>).

(2) A legal entity or entrepreneurial natural person commits an offense by

a) fails to provide the Czech National Bank with the cooperation required in the exercise of supervision pursuant to Article 30 paragraph 1 of Regulation (EU) 2020/1503 of the European Parliament and of the Council<sup>75</sup>), or

b) provides crowdfunding services without being authorised to do so according to Article 3 paragraph 1 of Regulation (EU) 2020/1503 of the European Parliament and of the Council<sup>75</sup>).

(3) An entrepreneurial natural person commits an offence by failing to comply with an obligation or by infringing a prohibition under Article 23 paragraph 7 of Regulation (EU) 2020/1503 of the European Parliament and of the Council<sup>75</sup>).

(4) For an offense of legal entity according to subsection 1 or 2, a fine may be imposed up to

a) CZK 13,230,000,

b) the amount of 5% of the total annual turnover of this legal entity according to its last regular financial statements or consolidated financial statements, if this amount exceeds the amount specified in letter a), or

c) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit and if this amount exceeds the amount specified in letters a) and b).

(5) For the offense of an entrepreneurial natural person according to subsection 2 or 3 a fine may be imposed up to

a) 13 230 000 CZK, or

b) twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit and if this amount exceeds the amount specified in letter a).

**title omitted**

Section 185

**Offenses by CCPs and members of the clearing system consisting of violations of the European Union Regulation on the framework for the recovery and resolution of CCPs**

(1) The central counterparty commits an offense by failing to fulfil any of the obligations or violating any of the prohibitions under Article 9 paragraphs 1 to 4, 6, 7, 9 to 11, 13, 14, 16 and 18 to 21 or Article 13 of Regulation (EU) 2021/23 of the European Parliament and of the Council<sup>76</sup>).

(2) A member of the clearing system commits an offense by failing to fulfil the obligation under Article 9 paragraph 23 of Regulation (EU) 2021/23 of the European Parliament and of the Council<sup>76</sup>).

(3) A fine of up to

a) CZK 128,850,000,

b) the amount of 10% of the total annual turnover of this legal entity according to its last regular financial statements or consolidated financial statements, if this amount exceeds the amount specified in letter a), or

c) the amount of twice the amount of unauthorised benefit obtained by committing this offence, if it is possible to determine the amount of unauthorised benefit and if this amount exceeds the amount specified in letters a) and b).

Section 186

**cancelled**

Section 186a

**cancelled**

**title omitted**

Section 187

**cancelled**

Section 188

**cancelled**

Section 189

**cancelled**

Section 190

**cancelled**

Section 191

**cancelled**

## **Chapter 5**

### **Common provisions on offences**

Section 192

**title omitted**

(1) Offences under this Act are discussed by the Czech National Bank.

(2) Income from fines imposed on investment firms pursuant to this Act is income of the Guarantee Fund; for the purposes of managing their payment, these revenues are viewed as resources of the public budget. Fines imposed on investment firms are collected and enforced by the customs office.

## **PART FOURTEEN**

### **SPECIAL PROVISIONS REGARDING DIRECTLY APPLICABLE REGULATIONS OF THE EUROPEAN UNION**

#### **Section 192a**

(1) The Czech National Bank is in the Czech Republic

- a) by the sectoral competent authority according to the directly applicable regulation of the European Union regulating rating agencies<sup>49)</sup>,
- b) by the competent authority according to the directly applicable regulation of the European Union regulating short selling and certain aspects of credit default swaps<sup>42)</sup>,
- c) by the competent authority in the area of the trade data register according to the directly applicable regulation of the European Union regulating OTC derivatives, central counterparties and trade repositories<sup>43)</sup>,
- d) by the competent authority according to the directly applicable regulation of the European Union governing the improvement of the settlement of securities transactions in the European Union and the central depository of securities<sup>51)</sup>,
- e) by the competent authority according to the directly applicable regulation of the European Union regulating market abuse<sup>52)</sup>,
- f) by the competent authority according to the directly applicable regulation of the European Union regulating the markets of financial instruments<sup>53)</sup>,
- g) by the competent authority according to the directly applicable regulation of the European Union governing the communication of key information regarding structured retail investment products and insurance products with an investment component<sup>60)</sup>,
- h) by the competent authority according to the directly applicable regulation of the European Union regulating indices that are used as reference values in financial instruments and financial contracts or to measure the performance of investment funds<sup>62)</sup>,
- i) by the competent authority according to the directly applicable regulation of the European Union regulating the general framework for securitisation and creating a special framework for simple, transparent and standardized securitisation<sup>63)</sup>,
- j) by the competent authority according to the directly applicable regulation of the European Union on the prospectus to be published in the event of a public offer or acceptance of securities for trading on a regulated market<sup>66)</sup>,
- k) by the competent authority according to the directly applicable regulation of the European Union on prudential requirements for investment firms<sup>72)</sup>,
- l) by the competent authority according to the directly applicable regulation of the European Union regulating European providers of group financing services for businesses<sup>75)</sup>,

m) by the competent authority for crisis resolution according to the directly applicable regulation of the European Union regulating the framework for recovery procedures and crisis resolution of central counterparties<sup>76)</sup>.

n) by the competent authority according to the directly applicable regulation of the European Union regulating the pilot regime for market infrastructures based on distributed ledger technology<sup>109)</sup>.

(2) In relation to government bonds issued by the Czech Republic and credit default swaps for these bonds, the powers of the Czech National Bank pursuant to Article 13 paragraph 3, Article 14 paragraph 2 and Articles 20 to 24 of the Regulation of the European Parliament and the Council (EU) No. 236/2012 requires the prior approval of the Ministry.

#### Section 192b

### **Authorisation to operate a CCP**

The Ministry of Finance is the competent ministry in the Czech Republic according to the directly applicable regulation of the European Union regulating the framework for recovery procedures and crisis resolution of central counterparties<sup>76)</sup>.

#### Section 192c

**cancelled**

## **PART FIFTEEN**

### **FINAL SETTLEMENT**

#### Section 193

(1) The final settlement is a provision of a contract negotiated under Czech or foreign law,

a) which can be documented in writing, or by a record that allows reproduction in an unchanged form,

b) which applies to the claims of the contracting parties, including the accessories of these claims, which can be secured by financial security according to the Act regulating financial security <sup>26)</sup>, and to the claims, including the accessories of these claims, from financial security or from a similar legal relationship according to foreign legislation and

c) according to which, in the event of an agreed event, the debts that correspond to the claims specified in letter b) will be extinguished and replaced, or the still unpaid, or even payable, claims according to letter b) will be set off, so that the result will be a single claim of one contracting party and the corresponding debt of the other contracting party to pay the resulting amount.

(2) The method of valuation of receivables according to subsection 1 letter b), the moment at which this valuation must be carried out, and the method and time of fulfilment of the resulting single claim must be the content of the final settlement and must not be in conflict with the customs of the relevant financial market.

(3) A decision or other act of a court or administrative body that affects the rights of third parties and was adopted for the purpose of maintaining or improving the financial situation of one of the contracting parties, or prohibiting or restricting the execution of certain transactions or the transfer of funds by one of the contracting parties<sup>27)</sup>, does not affect the final settlement, if the final settlement was

concluded before the adoption of a decision or execution of another act.

(4) Subsection 3 shall not apply to the effects of actions connected with the initiation of insolvency proceedings, the entry into liquidation or the introduction of forced administration or the application of measures to resolve the crisis or the write-off and conversion of depreciable capital instruments pursuant to the Act regulating recovery procedures and the resolution of the crisis in the financial market or a comparable foreign legislation; the exclusion of these effects is governed by other laws. Subsection 3 shall no longer apply for the effects of actions connected with the application of measures pursuant to Title V, Chapter III, Section 3 or Title V, Chapter IV of Regulation (EU) 2021/2376 of the European Parliament and of the Council.

## **PART SIXTEEN**

### **COMMON, TRANSITIONAL AND FINAL PROVISIONS**

#### **Section 194**

The provisions of this Securities Act shall also apply to book-entry securities, unless their nature or this Act precludes this.

#### **Section 194a**

The provisions of Section 10 subsection 3 letter e), Section 12 to 12bb, 15 to 15k, 15o to 15r, Section 17 subsection 1 and Section 128 to 192 shall also apply if an investment firm, bank or savings or credit union sells structured deposits, or in relation to them provides advice.

#### **Section 195**

If this law refers to a member state of the European Union, it also means other states forming the European Economic Area.

#### **Section 195a**

(1) The provisions of Section 119c subsection 1 letter b), Section 120c subsection 2 and Section 127c subsection 4 also apply to the issuer of a transferable security whose nominal value corresponds to an amount of at least EUR 50,000 on the date of issue, if it concerns securities that have been accepted for trading on the European regulated market no later than December 31, 2010. In the case of securities that were admitted to trading on a European regulated market after December 31, 2010, but no later than July 14, 2011, these provisions apply to their issuer only until June 30, 2012.

(2) If this law or the legal regulation implementing it stipulates something other than what follows from the provisions of the Civil Code governing the administration of foreign property, this law or the legal regulation implementing it shall apply.

(3) The provisions of Section 1401, Section 1415 subsection 1 and Section 1432 to 1437 of the Civil Code do not apply to individual activities that include investment services, unless the parties have agreed otherwise.

#### **Section 195b**

(1) The Czech National Bank will grant an exemption to a non-financial contracting party that meets the conditions under Article 10 paragraph 1 of Regulation (EU) No. 648/2012 of the European Parliament and of the Council or that became an investment firm after January 2, 2018 from the clearing obligation set out in Article 4 of Regulation (EU) No. 648/2012 of the European Parliament and Council and from the application of risk mitigation techniques set out in Article 11 paragraph 3 of Regulation

(EU) No. 648/2012 of the European Parliament and Council in relation to derivatives listed in Section 3 subsection 1 letter h), which relate to coal or oil, which are traded in an organised trading facility and which must be settled by delivery of the underlying asset.

(2) The validity of the exemption according to subsection 1 can be determined until January 3, 2021 at the latest.

(3) Proceedings for the granting of an exemption pursuant to subsection 1 shall be initiated at the request of a non-financial contracting party or an investment firm. The decision to grant an exemption will be notified by the Czech National Bank to the European Securities and Markets Authority.

(4) Positions according to Article 10 of the Regulation of the European Parliament and the Council (EU) No. 648/2012, the non-financial contracting party shall not include the derivatives referred to in Section 3 subsection 1 letter h) to which the exemption granted pursuant to subsection 1 applies.

#### Section 196

(1) If this Act requires the publication of information on the territory of the Czech Republic, this information shall be published in the Czech language, unless this Act provides otherwise. Upon request, the Czech National Bank may, after assessing specific circumstances, allow certain information to be published in English.

(2) When publishing information on websites, this information must be published in this way for at least 3 years, unless this Act provides otherwise.

(3) If this does not jeopardize the proper verification of the fulfilment of the prerequisites for the decision, the Czech National Bank may, in the application procedure pursuant to this Act

a) to allow the presentation of the attachment to be replaced by an affidavit, or

b) not require submission of an attachment; the administrative body can make a statement about such a case on its official board even for an indefinite number of proceedings in the future.

(4) Documents drawn up in a foreign language shall be submitted to the Czech National Bank in their original version and at the same time in an officially certified translation into the Czech language. The Czech National Bank may allow the submission of a document drawn up in a foreign language only in the original wording or in English. The Czech National Bank can make a declaration on the use of the option according to the previous sentence on its official board even for an indefinite number of persons or proceedings in the future. The Czech National Bank, in the form of an official notice on its website, determines for an indefinite number of persons or proceedings whether and which documents can be submitted in English.

#### Section 197

Person whose previous activity provides a prerequisite for the proper performance of activities according to this Act is considered to have good repute.

#### Section 198

##### **List of forced administrators and liquidators**

(1) The Czech National Bank maintains a list of persons who may be appointed as a forced administrator or liquidator of an investment firm who is not a bank, an organiser of a regulated market, a settlement system operator or a central depository.

(2) In the list of persons referred to in subsection 1, the Czech National Bank shall enter a person who requests it, who is fully autonomous, has good reputation and has the necessary professional knowledge, skills and experience and who has not been removed from this list in the last 5 years. He shall register a foreign person only on the condition that he has the authorisation of another member state of the European Union to act as a person referred to in subsection 1.

(3) The application for registration in the list of persons referred to in subsection 1 can only be submitted electronically.

(4) The application pursuant to subsection 3 contains, in addition to the requirements established by the administrative regulations, data and documents proving the fulfilment of the conditions pursuant to subsection 2.

(5) The details of the requirements of the application proving the fulfilment of the conditions according to subsection 2, its format and other technical requirements shall be determined by the implementing legal regulation.

(6) The authorisation to perform activities according to subsection 1 also arises when the deadline expires in vain and in the manner according to Sections 28 to 30 of the Act on the Free Movement of Services.

(7) The Czech National Bank shall delete from the list of persons referred to in subsection 1 a person who

a) has given up the position of compulsory administrator to which she was appointed by the Czech National Bank without serious reasons,

b) has seriously or repeatedly violated the duties arising from the function of forced administrator, to which she was appointed by the Czech National Bank,

c) ceased to meet the requirements for inclusion in this list,

d) requested to be removed from the list, or

e) she died.

(8) An administrative decision is issued on non-entry into the list or deletion from the list.

#### Section 198a

#### **Information published by the Czech National Bank**

(1) The Czech National Bank publishes on its website

a) updated versions of laws and decrees that regulate the rules of prudent business of investment firms on an individual and consolidated basis, and measures of a general nature and official communications of the Czech National Bank to them; this does not affect the provisions of the law regulating the manner of promulgation of laws and decrees,

b) information on the method of using the options of choice or discretion given to the member states of the European Union and their supervisory authorities by the law of the European Union in the legal regulations according to letter a),

c) information on the approach and methods of the Czech National Bank, including criteria for applying



the principle of proportionality, when performing supervision pursuant to Section 135b,

d) summary statistical data on compliance with prudent business rules by investment firms in the Czech Republic, including the number and nature of corrective measures and other measures or fines adopted in accordance with this Act.

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

#### Section 198b

(1) Authorisation to operate as a regulated market organiser in relation to the financial instruments referred to in Section 3 subsection 1 letters g) to i) will be granted by the Czech National Bank and a commodity exchange that otherwise meets the conditions for granting an authorisation; a commodity exchange may organise a regulated market, operate a multilateral trading facility or an organised trading facility only in relation to these financial instruments. For these purposes, deposits and other funds provided to the commodity exchange by its founders or members are considered as share capital for these purposes, the rule for the supervisory board of the regulated market organiser, which is a limited liability company, applies similarly.

(2) Trading rules, acceptance rules, access rules and other rules related to the regulated market and the multilateral trading facility are not part of the statute of the commodity exchange.

(3) The activity of the commodity exchange shall be registered by the Czech National Bank in accordance with Section 38 without a proposal on the date of acquisition of legal force of the decision on the authorisation for the activity of the regulated market organiser. Further business activity of the commodity exchange can only be registered under the conditions set out in Section 39 and other legal regulations.

(4) The Czech National Bank and the relevant supervisory body for commodity exchanges cooperate in the licensing and supervision of a commodity exchange that performs or intends to perform the activities of a regulated market organiser. They issue authorisations by mutual agreement.

#### Section 199

#### Authorisation

(1) The Ministry shall issue a decree in accordance with Section 115 subsection 5 and Section 129b subsection 3.

(2) The Czech National Bank shall issue a decree under Section 7 subsection 5, Section 12f, Section 12g subsection 3, Section 12h subsection 4, Section 12i subsection 3, Section 13 subsection 3, Section 14h, Section 15 subsection 7, Section 16 subsection 7, Section 16a subsection 9, Section 16b subsection 2, Section 19 subsection 4, Section 20 subsection 4, Section 28a subsection 4, Section 30 subsection 6, Section 30a subsection 3, Section 32 subsection 7, Section 38 subsection 4, Section 39 subsection 7, Section 45 subsection 4, Section 46 subsection 4, Section 47 subsection 2, Section 47 subsection 5, Section 50 subsection 8, Section 63 subsection 5, Section 71 subsection 5, Section 73f subsection 7, Section 77 subsection 3, Section 90a Section 5, Section 90c subsection 4, Section 93 subsection 4, Section 94 subsection 7, Section 115 subsection 5, Section 115a subsection 4, Section 122 subsection 8, Section 122b subsection 6, Section 127 subsection 3, Section 127d subsection 1, Section 132 subsection 5, Section 134f, Section 139 subsection 11 and Section 198 subsection 5.

(3) If the Czech National Bank is to establish deadlines or periodicity by decree pursuant to

subsection 2, it shall establish such deadlines or periodicity to the extent necessary for effective supervision pursuant to this Act; this does not apply to periods or periodicity for which their duration or frequency is determined by European Union law.

(4) The Czech National Bank may issue measures of a general nature on the basis of and within the limits of a directly applicable regulation of the European Union governing prudential requirements for investment firms<sup>72)</sup> or a directly applicable regulation of the European Union governing financial instrument markets<sup>53)</sup> where this directly applicable regulation allows the relevant authority to grant an exception or modify the application of the established rules to investment firms or a group of specified investment firms or other specified persons specified in this directly applicable regulation.

(5) Draft measures of a general nature pursuant to this Act and measures of a general nature pursuant to this Act shall be published by the Czech National Bank only in a manner enabling remote access.

(6) Measures of a general nature pursuant to Sections 134a, 134b, 134d and 137 are issued by the Czech National Bank without proceeding on the proposal of a measure of a general nature and may become effective upon publication.

### **Transitional and final provisions**

#### **Section 200**

(1) Authorisation to carry out the activities of an investment firm pursuant to Act No. 591/1992 Coll., on securities, as amended by Act No. 89/1993 Coll., Act No. 331/1993 Coll., Act No. 259/1994 Coll., Act No. 61/1996 Coll., Act No. 152/1996 Coll., Act No. 15/1998 Coll., Act No. 70/2000 Coll., Act No. 307/2000 Coll., Act No. 362/2000 Coll., Act No. 239/2001 Coll., Act No. 259/2001 Coll., Act No. 501/2001 Coll. and Act No. 308/2002 Coll., decision of the Constitutional Court published under No. 476/2002 Coll. and Act No. 88/2003 Coll., (hereinafter referred to as the "existing law") is considered a license to operate as an investment firm pursuant to this law, within the scope of the investment services specified in the license.

(2) The Investment firms' Guarantee Fund under the current Act is the Guarantee Fund under this Act; claims for payment of compensation from the Guarantee Fund according to the current law remain preserved. The average values of clients' assets according to Section 129 start to be calculated from 1 July 2004.

(3) The authorisation to establish a branch of a foreign investment firm according to the current law is an authorisation to provide investment services through an organisational unit according to this law.

(4) A license to act as a broker according to the current law is a license to perform the activities of a broker according to this law, to the extent of the professional specialization of the broker specified in the authorisation.

(5) An authorisation to organise an over-the-counter market according to the existing law is an authorisation to organise an over-the-counter market according to this law, to the extent specified in the authorisation.

(6) The license to establish a stock exchange according to the current law is a license to operate the stock market according to this law, to the extent specified in the license.

(7) A license to settle trades with financial instruments according to the current law is a license to operate a settlement system according to this law, to the extent stated in the license.

(8) Registration according to Section 45a of the current Act is registration of an investment intermediary according to this Act.

(9) Authorisation to print documentary securities according to the current Act is authorisation to print documentary securities according to this Act.

(10) On the day following the day when the central depository takes over the records of book-entry securities maintained by the Securities Centre in accordance with the current law, the authorisation to keep part of the records of the Securities Centre, as well as the performance of its other activities according to the current law, expires.

(11) Consent to the election or appointment of a member of the board of directors of an investment firm according to the current law is consent to the performance of the position of the head of the investment firm according to this law.

(12) The person in charge, for whom this Act newly establishes the obligation to have the Commission's prior consent to perform their duties, shall request the Commission's consent within 6 months from the entry into force of this Act; if he does not request approval within this period or if the Commission does not grant approval, the authorisation to perform the function shall cease.

(13) Consent to the acquisition of a participation in an investment firm according to the current law is consent to the acquisition of a participation in an investment firm according to this Act.

(14) The approval of the auction rules of an investment firm according to the current law is the approval of the auction rules according to this law.

(15) A security prospectus approved under the existing law is a security prospectus approved under this law.

(16) A narrower prospectus of a security approved under the current law is a prospectus of a security approved under this law.

(17) Compulsory administration introduced pursuant to the Civil Service Act, which has not been terminated before the entry into force of this Act, is compulsory administration pursuant to this Act.

(18) Authorisation to publish only financial statements or only consolidated financial statements according to the current law is authorisation to publish only financial statements or only consolidated financial statements according to this law.

(19) Book-entry securities according to the current law are listed securities according to this law.

## Section 201

(1) The investment firm is obliged to bring his position into compliance with this Act by December 31, 2004.

(2) The stock exchange is obliged to bring its position into compliance with this law by December 31, 2004.

(3) The organiser of the over-the-counter market is obliged to bring its position into compliance with this Act by June 30, 2005.

(4) The operator of the settlement system is obliged to bring its position into compliance with

this Act by December 31, 2004.

(5) A person who is obliged to comply with capital adequacy on a consolidated basis is obliged to bring his capital adequacy into compliance with this Act by December 31, 2006 at the latest.

(6) Data specified in Section 16a subsection 5 letters a) to c) shall be published by the investment firm for the first time by September 1, 2014 for the immediately preceding accounting period, under the conditions and in the manner specified in Section 16a.

## Section 202

(1) Until the central depository takes over the records of book-entry and immobilized securities maintained by the Securities Centre,

- a) the provisions of this Act governing the activities of the central depository shall not apply,
- b) The securities centre keeps records of book-entry and immobilized securities, records of Commission decisions and fulfils information obligations according to the existing law,
- c) the identification mark according to the international numbering system for the identification of securities is assigned by the Commission according to the existing law,
- d) The Securities Centre is subject to the supervision of the Czech National Bank.

(2) The Czech Republic, acting through the Ministry, will transfer the records of the Securities Centre to the central depository for a fee. The amount of the payment is determined based on the assessment of one expert from the field of economics, the industry of prices and estimates with the relevant specialization, based on an agreement between the Ministry and the central depository.

(3) The Czech Republic, acting through the Ministry, shall transfer the records of the Central Securities Depository, with the exception of records of decisions issued by the Commission and records of notification obligations, to the central depository without undue delay after the conclusion of an agreement between the Czech Republic, acting through the Ministry, and the central depository on the transfer of these records. The contract for the transfer of records must be concluded no later than 2 months from the date on which the central depository receives authorisation to operate.

(4) On the day when the central depository takes over the records of book-entry and immobilized securities maintained by the Securities Centre and begins to perform its activities in accordance with this Act, the Securities Centre ceases to perform its activities in accordance with existing legal regulations. The ministry will announce the notification on this day in the Collection of Laws.

(5) The rights, obligations and debts of the Securities Centre do not transfer to the central depository.

(6) An error in the records of book-entry and immobilized securities, which the central depository takes over from the Securities Centre, shall be corrected by the central depository in accordance with this Act. This does not affect the state's liability for the resulting damage.

(7) The issuer of book-entry securities, which are kept in the records of the Securities Centre on the day when the records are taken over by the central depository, is obliged to conclude an agreement with the central depository in accordance with Section 94 subsection 9, for each issue of book-entry securities. The issuer is obliged to conclude this agreement no later than 1 month from the day when the central depository begins to carry out its activities in accordance with this law. In the event that the issuer does not conclude the contract within this period, the central depository is not obliged to issue an extract from the issue register to the issuer or to make an entry in the issue register at his command. At

the same time, the central depository will assign an ISIN to each issue of financial instruments that it has taken over for its records and for which an ISIN has not yet been assigned.

(8) The central depository shall initiate negotiations for the closing of the contract pursuant to subsection 7 no later than 1 month from the date of acquisition of the legal force of its activity authorisation. In the event that the central depository does not initiate negotiations on the conclusion of the contract within this period, the period by which the issuer is obliged to conclude this contract pursuant to subsection 7 is extended to 6 months. In this case, the central depository is obliged to start negotiations on the conclusion of the contract in accordance with Section 94 subsection 9, without undue delay after it begins to carry out its activities under this Act.

(9) The issuer of book-entry shares of an open mutual fund registered in the part of the records of the Securities Centre maintained on the basis of the Commission's authorisation by another legal entity may, with the consent of that legal entity, notify the Securities Centre and the Commission that these shares will continue to be registered in a separate register of investment of instruments, which will be led by the person who until now has managed the relevant part of the records of the Securities Centre. On the date of delivery of the notification of the issuer of the book-entry share certificates to the Securities Centre or on a later date specified in this notification, the relevant part of the Securities Centre's records is changed to a separate record of financial instruments maintained by the person who until now kept the relevant part of the Securities Centre's records. The issuer can make a notification according to this provision no later than the transfer of the records of the Securities Centre to the central depository.

(10) The issuer of book-entry shares of an open mutual fund, which are registered directly by the Securities Centre, may notify the Securities Centre and the Commission that these shares will continue to be registered in a separate register of financial instruments, which will be kept by a person designated by the issuer of these shares, who is authorised to keep separate records according to this law. The Securities Centre shall hand over the statement to the person designated by the issuer in accordance with Section 113 subsection 2. From the time the statement is drawn up, the Securities Centre may not make any entries in its records relating to the share certificates listed in this statement. On the date of acceptance of the statement, the Securities Centre cancels the registration of the security in its records, and the registration of share certificates becomes a separate record according to this Act. On the day following receipt of the statement of the issue, the securities are entered into the asset accounts and into the issue register in a separate register. The issuer can make a notification according to this provision no later than the date of transfer of the records of the Securities Centre to the central depository.

(11) If the Securities Centre proceeds according to subsection 1 letter b), the provisions of Act No. 591/1992 Coll., on securities, as amended until April 30, 2004, on the registration of the suspension of the exercise of the right to a security at the order of the issuer.

#### Section 202a

(1) For owners of financial instruments whose accounts kept in the records of the Securities Centre have been taken over by the central depository in accordance with Section 202 and who have not yet entered into an agreement with a participant of the central depository, the central depository shall provide the following services:

- a) keeping records of financial instruments in the asset account to the extent stipulated by this Act,
- b) issuance of an extract from the register of financial instruments at the request of the account holder,
- c) entry of a change in an asset account, if it is a transfer or transfer of financial instruments to an asset account maintained by a participant of the central depository.

(2) Furthermore, in relation to the accounts mentioned in subsection 1, the central depository will provide the following services:

- a) entry of a change in the emission register based on the issuer's request,
- b) registration of the creation or termination of a lien, which is established otherwise than solely on the basis of a contract,
- c) registration of the establishment or termination of the suspension of the exercise of the owner's right to dispose of the financial instrument, when the suspension order is given by a person pursuant to Section 97 subsection 1 letters a) to d).

(3) Services according to subsections 1 and 2 will be provided by the central depository for a fee. The central depository has a lien on the financial instruments registered on the asset account in question to secure its payable claims arising in connection with the securing of service certificates.

#### Section 202b

(1) The Securities Centre commits an administrative offense by keeping records of book-entry and immobilized securities, keeping records of decisions of the Commission and the Czech National Bank or fulfilling information obligations [Section 202 subsection 1 letter b)] violates the obligations established by the existing law.

(2) A fine of up to CZK 20,000,000 is imposed for an administrative offense under subsection 1.

Section 192, subsections 1 to 4 and 6 shall apply *mutatis mutandis* to the administrative offense pursuant to subsection 1.

#### Section 203

(1) Proceedings on the imposition of remedial measures or sanctions, which were initiated before the date of entry into force of this Act, shall be completed in accordance with the existing Act. Remedial measures or sanctions will be imposed according to existing law.

(2) Violations of the existing law or the Commission's decision issued under the existing law are assessed according to the existing law.

(3) Procedures for the granting of authorisations, registration procedures or approval procedures initiated before the effective date of this Act shall be completed in accordance with this Act; the time periods that began to run according to the current law, start again from the date of entry into force of this law.

(4) Proceedings on consent to the granting of a concession for the assessment of the quality of a financial instrument and a capital market participant (rating) started before the date of entry into force of this Act shall be stopped on the date of entry into force of this Act.

#### Section 204

The Commission shall notify the European Commission of the list of regulated markets that have the Commission's authorisation on the date of entry into force of this Act. The annex to the notification consists of the internal regulations of the recognized regulated markets.

#### Section 204a

The data specified in Section 16a subsection 5 letters d) to f) will be provided by an internationally designated global systemically significant institution for the first time by September 1, 2014 for the immediately preceding accounting period to the European Commission, under the confidential information regime and under the conditions and in the manner specified in Section 16a.

#### Section 204b

(1) For the purposes of Section 9ag, subsections 3 and 4, a rate of 3% shall be used until 31 December 2014 instead of a rate of 5%.

(2) For the purposes of Section 9ar, the capital reserve for global systemically important institutions for the year is

- a) 2016 25% of the capital reserve determined according to Section 9ar,
- b) 2017 50% of the capital reserve determined according to Section 9ar,
- c) 2018 75% of the capital reserve determined according to Section 9ar.

#### Section 204c

The Czech National Bank may, by measures of a general nature, establish conditions, criteria, requirements or procedures pursuant to Article 124 paragraph 4 letter a), Article 150 paragraph 3, Article 153 paragraph 9, Article 181 paragraph 3 letter a), Article 182 paragraph 4 letter a), Article 197 paragraph 8, Article 221 paragraph 9, Article 312 paragraph 4 letters b) and c), Article 316 paragraph 3, Article 318 paragraph 3, Article 363 paragraph 4 letters a) and c), Article 382 paragraph 4 letter a), Article 426, Article 440 paragraph 2 and Article 443 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

#### Section 204d

The provisions of Section 73l shall not apply until February 28, 2023.

#### Section 205

Cancels:

- 1. Act No. 214/1992 Coll., on the stock exchange,
- 2. Act No. 251/2000 Coll., amending Act No. 214/1992 Coll., on the stock exchange, as amended,
- 3. Decree No. 88/1993 Coll., on the details of the technical design of publicly traded securities,
- 4. Proclamation No. 82/2001 Coll., which establishes the minimum requirements of the security prospectus and the narrower security prospectus,
- 5. Decree No. 105/2001 Coll., on the reporting of trades with financial instruments concluded outside the public market,
- 6. Decree No. 305/2001 Coll., about the brokerage exam,
- 7. Decree No. 375/2001 Coll., amending Decree No. 88/1993 Coll., on the details of the technical design of publicly traded securities,

8. Decree No. 17/2002 Coll., which establishes the form, deadline and method of publishing capital market instrument exchange rates,

9. Decree No. 178/2002 Coll., on more detailed rules for fulfilling the obligation to notify the share of voting rights,

10. Decree No. 466/2002 Coll., which lays down more detailed rules for the organisation of the internal operations of the investment firm and more detailed rules for the investment firm's conduct in relation to clients,

11. Decree No. 467/2002 Coll., on the scope of professional business activities of an investment firm carried out with the help of a broker and on the types of professional specialization of the broker,

12. Decree No. 468/2002 Coll., amending Decree No. 305/2001 Coll., about the brokerage exam,

13. Decree No. 64/2003 Coll., on the capital adequacy of an investment firm that is not a bank or a branch of a foreign bank, on an individual basis,

14. Decree No. 73/2003 Coll., on reporting the capital adequacy of an investment firm that is not a bank or a branch of a foreign bank.

#### Section 206

#### **Efficiency**

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

**Zaorálek m.p.**

**Klaus m.p.**

**Špidla m.p.**

#### **Selected provisions of the amendments**

Article II of Act 56/2006 Coll.

#### **Temporary provisions**

1. Until the day the central depository begins its activities, the provisions of Section 115, subsection 5 of Act No. 256/2004 Coll., apply to the Securities Centre, on the capital market business, as amended from the date of entry into force of this Act.

2. A security prospectus and a narrower security prospectus, approved before the effective date of this Act, shall be deemed to be a security prospectus approved pursuant to Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, and the provisions of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.

3. The prospectus of the bond program, approved before the effective date of this Act, is considered the basic prospectus approved pursuant to Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.



4. A security prospectus and a narrower security prospectus published before the date of entry into force of this Act shall be deemed to be a security prospectus published pursuant to Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.

5. A security prospectus and a narrower security prospectus, approved before the effective date of this Act, and not yet published, shall be published in accordance with Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.

6. Proceedings on the approval of a security prospectus, a narrower security prospectus or their supplement, initiated before the effective date of this Act, shall be completed in accordance with Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.

7. Contributions to the Investment firms Guarantee Fund (hereinafter referred to as the "Guarantee Fund") for the year 2006 are calculated in accordance with Section 129 subsection 1 of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act; contributions to the Guarantee Fund for the year 2005 are calculated according to the existing legal regulations.

8. The deadlines for the payment of compensation from the Guarantee Fund for claims registered before the effective date of this Act are governed by existing legal regulations.

9. The modification of the provision of documents for the calculation of compensation from the Guarantee Fund in the wording effective from the date of entry into force of this Act also applies to claims registered before the effective date of this Act, for which the full compensation has not been paid.

10. The Securities Commission may propose the exemption of the bankruptcy trustee even for bankruptcy proceedings of investment firms initiated before the date of entry into force of this Act.

11. If the statute of limitations for the client's right to payment of compensation from the Guarantee Fund began to run before the date of entry into force of this Act, the beginning and duration of this period shall be governed by existing legal regulations.

12. If, before the effective date of this Act, the client registered his claim against the investment firm in bankruptcy proceedings for the assets of this investment firm, the Guarantee Fund becomes, on the effective date of this Act, instead of the client, a bankruptcy creditor of the bankrupt investment firm to the extent that has paid compensation to this client by this time. At the request of the Guarantee Fund, the administrator of the bankruptcy estate shall mark this change in the list of registered claims without undue delay.

Article XXIX of Act 56/2006 Coll.

### **Temporary provisions**

1. Decrees issued by the Commission on the basis of Act No. 256/2004 Coll., on the capital market business, as amended until the date of entry into force of this Act, are considered to be decrees issued by the Czech National Bank on the basis of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act. Where these decrees refer to the Commission, this means the Czech National Bank, and where these decrees refer to supervision or state supervision, this means supervision.

2. Certificates of registration issued by the Commission before the entry into force of this Act according to the current legislation are considered to be certificates issued by the Czech National Bank and the rights and obligations arising on their basis are not affected.

3. Member of the board of directors of the Investment firms Guarantee Fund appointed on the proposal of the Presidium of the Commission pursuant to Act No. 256/2004 Coll., on business on the capital market, as amended until the date of entry into force of this Act, is considered to be appointed on the proposal of the Banking Board of the Czech National Bank pursuant to Section 128, Subsection 5 of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.

4. The Czech National Bank may propose the release of the bankruptcy administrator's function even for bankruptcy proceedings of investment firms initiated before the date of entry into force of this Act and.

Art. VI of Act 120/2007 Coll.

### **Temporary provisions**

Section 9a of Act No. 256/2004 Coll. does not apply to investment firms., on the capital market business, as amended from the date of entry into force of this Act, if during this time the investment firm uses a basic approach for calculating capital requirements corresponding to the existing capital adequacy rules, the conditions of use of which are determined by the Czech National Bank by decree pursuant to Section 9 subsection 8 of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act. During the period of use of this basic approach for the calculation of capital requirements, the Czech National Bank does not carry out a review and evaluation of this investment firm in accordance with Section 135 subsection 5 of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.

2. In charge of financial holding entities, which Section 155a of Act No. 256/2004 Coll., on business on the capital market, in the wording effective from the date of entry into force of this Act, imposes the obligation to have the prior consent of the Czech National Bank to perform the function, shall request the Czech National Bank's consent within 6 months from the date of entry into force of this Act.

Art. II of Act 29/2008 Coll.

### **Temporary provisions**

1. Exclusion of the right to compensation from the Investment firms Guarantee Fund (hereinafter referred to as the "Guarantee Fund") is assessed according to existing legal regulations, if the notification pursuant to Section 130, subsection 2 of Act No. 256/2004 Coll., on the capital market business, as amended by Act No. 57/2006 Coll., was made before the date of entry into force of this Act.

2. Contributions to the Guarantee Fund for the calendar year 2007 are calculated according to Act No. 256/2004 Coll., as amended from the effective date of this Act. For the purposes of determining the contribution to the Guarantee Fund, the fee or commission received by the investment firm in the calendar year 2007, but booked to income already in the calendar year 2006, is considered as the income of the investment firm for the calendar year 2007. The fee or commission received by the investment firm papers in the calendar year 2006, but booked in income only in the calendar year 2007, for the purposes of determining the contribution to the Guarantee Fund, are considered as income of the investment firm for the year 2006.

Art. II of Act 230/2008 Coll.

### **Temporary provisions**

1. A license to operate as an investment firm, granted to an investment firm in accordance with existing legal regulations, is considered to be a license granted pursuant to Act No. 256/2004 Coll., on



11. Authorisation to provide ancillary investment services referred to in Section 4 from subsection 3 letters e) Act No. 256/2004 Coll., on the capital market business, as amended before the date of entry into force of this Act, is considered an authorisation to provide the main investment service pursuant to Section 4 subsection 2 letter e) and ancillary investment services according to Section 4 subsection 3 letter d) Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.

12. Authorisation to provide an ancillary investment service referred to in Section 4 subsection 3 letter h) Act No. 256/2004 Coll., on the capital market business, as amended before the date of entry into force of this Act, is considered to be another business activity according to Section 6a subsection 2 letter b) Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, registered by the Czech National Bank.

13. A license granted to an investment firm before the effective date of this Act in relation to transferable securities is considered a license pursuant to Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, in relation to transferable securities.

14. An authorisation granted to an investment firm before the date of entry into force of this Act in relation to derivatives is considered an authorisation pursuant to Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, in relation to financial instruments pursuant to Section 3 subsection 1 letters d) to k).

15. The investment firm shall bring its affairs into compliance with Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, no later than 5 months from the date of entry into force of this Act. Until then, it complies with the rules of activity and management established in Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, proportionately.

16. A foreign person who has authorisation from the supervisory authority of another member state of the European Union to provide investment services and who provides investment services in the Czech Republic through an organisational unit shall bring its circumstances into compliance with Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, no later than 5 months from the date of entry into force of this Act. Until then, it complies with the rules of activity and management established in Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, proportionately.

17. A foreign person with a seat in another member state of the European Union, who is authorised to provide investment services in the Czech Republic on the basis of a single license pursuant to a special legal regulation governing the activities of banks, shall bring its affairs into compliance with Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, no later than 5 months from the date of entry into force of this Act. Until then, it complies with the rules of activity and management established in Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, proportionately.

18. A foreign person who is domiciled in a state that is not a member state of the European Union and has the authorisation of the Czech National Bank to provide investment services through an organisational unit shall bring its circumstances into compliance with Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, no later than 5 months from the date of entry into force of this Act. Until then, it complies with the rules of activity and management established in Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, proportionately.

19. The investment firm is not obliged to ensure the fulfilment of the requirement stipulated in Section 15d subsection 3 of Act No. 256/2004 Coll., on the capital market business, as amended from

the date of entry into force of this Act. This applies similarly, with regard to investment services provided in the territory of the Czech Republic, also for the foreign person mentioned in points 16 to 18 and the investment intermediary.

20. An investment firm who has been granted an authorisation to operate in accordance with existing legal regulations is obliged, within a period of 5 months from the date of entry into force of this Act, for each of his clients who is a client on the date of entry into force of this Act, in accordance with Section 2a to 2d of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act

a) determine whether it is a professional client, a client who is not a professional client, or a professional client towards whom the investment firm is not obliged to comply with the obligations set out in Section 15 to 15r of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act,

b) inform each of its clients about such inclusion a

c) instruct him about the right to request a change in his classification and the restrictions of protection that are related to it, in the manner provided for in Section 15e of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act. A foreign person mentioned in points 16 to 18 has a similar obligation, namely with regard to investment services provided on the territory of the Czech Republic.

21. The organiser of the regulated market shall bring its conditions into compliance with Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, no later than 5 months from the date of entry into force of this Act. Until then, it complies with the rules of activity and management established in Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, proportionately.

22. Authorisations to operate the stock exchange and authorisations to organise the over-the-counter market granted in accordance with existing legal regulations are considered to be authorisations to operate the regulated market organiser granted pursuant to Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, which also includes authorisation to operate a multilateral trading facility. The statutory body of the organiser of the regulated market, which has been granted a license to operate the stock exchange according to existing legal regulations, is the Stock Exchange Chamber. The Stock Exchange Chamber performs the function of the board of directors.

23. The investment intermediary shall bring its conditions into compliance with Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, no later than 5 months from the date of entry into force of this Act. Until then, it complies with the rules of activity and management established in Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, proportionately.

24. For a period of 21 months from the date of entry into force of this Act, a person who has passed the broker's exam in accordance with existing legislation is considered to be a person with the knowledge and experience necessary to perform the tasks assigned to him in accordance with Section 14 subsection 2 of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, within the scope of the broker exam category, if

a) carries out professional business activities in accordance with existing legal regulations as of the date of entry into force of this Act,

b) performed a professional business activity in accordance with existing legal regulations for a total of at least 12 months in the last 5 years before the date of entry into force of this Act,

c) passed the brokerage exam in accordance with existing legal regulations within 18 months before the date of entry into force of this Act, or

d) her license to operate as a broker has not been revoked according to the existing legal regulations for the reasons specified in Section 145 subsection 1 or Section 145 subsection 2 letters c) to e) of Act No. 256/2004 Coll., on the capital market business, as amended before the effective date of this Act.

25. To a person who has been granted a license to act as a broker in accordance with existing legal regulations, such license shall expire. The Czech National Bank supervises it if it carries out professional business activities in the provision of investment services in accordance with existing legal regulations.

26. A person who, on the effective date of this Act, performs an activity for which an authorisation is required pursuant to Act No. 256/2004 Coll., on business on the capital market, as amended from the date of entry into force of this Act, and the exceptions listed in Section 4b of Act No. 256/2004 Coll., on business on the capital market, as amended from the date of entry into force of this Act, may continue this activity for a maximum period of 9 months from the date of entry into force of this Act.

27. An investment intermediary who, on the effective date of this Act, performs activities pursuant to Section 29, Subsection 1 of Act No. 256/2004 Coll., on business on the capital market, as amended before the date of entry into force of this Act, for another investment intermediary, may continue this activity for a maximum period of 9 months from the date of entry into force of this Act.

28. Registration of an investment intermediary according to existing legal regulations is considered to be registration according to Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.

29. An investment intermediary, carrying out activities under the conditions established by existing legal regulations, may be under the conditions established by Act No. 256/2004 Coll., on business on the capital market, as amended from the date of entry into force of this Act, entered as a tied agent in the list of tied agents, if the application for entry into the list was submitted within 9 months from the date of entry into force of this Act. By entering the list, the registration granted to this investment intermediary in accordance with the existing legal regulations ceases.

30. Proceedings for the imposition of remedial measures or sanctions, which were initiated before the date of entry into force of this Act, shall be completed in accordance with existing legal regulations. Remedial measures or sanctions will be imposed according to existing legal regulations.

31. Transactions that took place before the date of entry into force of this Act are assessed according to Act No. 256/2004 Coll., on the capital market business, as amended before the effective date of this Act. Remedial measures or sanctions for violation of Act No. 256/2004 Coll., on the capital market business, as amended before the effective date of this Act, shall be imposed pursuant to Act No. 256/2004 Coll., on the capital market business, as amended before the effective date of this Act.

32. Procedures for the granting of authorisations, procedures for registration or procedures for the granting of consent initiated before the date of entry into force of this Act shall be completed in accordance with Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act; time limits that began to run pursuant to Act No. 256/2004 Coll., on the capital market business, as amended on the date of entry into force of this Act, shall run again from the date of entry into force of this Act. Proceedings for the granting of a license to operate as a broker initiated before the date of entry into force of this Act shall be terminated on the date of entry into force of this Act.

33. The issuer of book-entry collective transferable securities that are registered directly by the Securities Centre may notify the Securities Centre and the Czech National Bank that these securities will continue to be registered in a separate register of financial instruments, which will be kept by a person designated by the issuer of these securities, which is according to Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, authorised to keep separate records. The Securities Centre shall hand over the statement to the person designated by the issuer, similarly pursuant to Section 113, Subsection 2 of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act. From the time the statement is made, the Securities Centre may not make any entries in its records relating to the securities listed in this statement. On the date of acceptance of the statement, the Securities Centre cancels the registration of the security in its register and the register of collective transferable securities becomes a separate register according to Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act. On the day following receipt of the statement of the issue, the securities are entered into the asset accounts and into the issue register in a separate register. The issuer can make a notification according to this provision no later than the date of transfer of the records of the Securities Centre to the central depository.

34. For applications delivered to the Czech National Bank before January 1, 2009, the deadline according to Section 32c, subsection 3 of Act No. 256/2004 Coll., on business on the capital market, as amended from the date of entry into force of this Act, shall not apply.

35. The previous consent of the Czech National Bank to the performance of the function of a leading person granted in accordance with existing legal regulations is considered to be the prior consent of the Czech National Bank to the performance of the function of a leading person granted pursuant to Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.

Art. LIV Act No. 223/2009 Coll.

### **Transitional provision**

Proceedings initiated before the effective date of this Act and not completed by this date shall be completed, and the rights and obligations related to them shall be assessed according to existing legal regulations.

Art. II of Act No. 230/2009 Coll.

### **Temporary provisions**

1. Consent to the acquisition, achievement or exceeding of a qualified participation in an investment firm or its control granted pursuant to Act No. 256/2004 Coll., on business on the capital market, as amended until the date of entry into force of this Act, is considered as consent to the acquisition or increase of a qualified participation in an investment firm or its control pursuant to Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.

2. Registration of a tied agent made pursuant to Act No. 256/2004 Coll., on the capital market business, in the wording effective until the date of entry into force of this Act, is considered to be registered pursuant to Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.

3. The operator of the settlement system who, on the date of entry into force of this Act, performs activities for which an authorisation is required pursuant to Section 83, Subsection 15 of Act No. 256/2004 Coll., on business on the capital market, as amended from the date of entry into force of this Act, may continue this activity without an authorisation for a maximum period of 6 months from the

date of entry into force of this Act.

4. Authorisation to publish only financial statements or only consolidated financial statements pursuant to Section 118, Subsection 6 of Act No. 256/2004 Coll., on the capital market business, in the version effective until the date of entry into force of this Act, shall expire on the date of entry into force of this Act.

5. Provisions of Act No. 256/2004 Coll., on business on the capital market, as amended from the effective date of this Act, governing the annual report, consolidated annual report, semi-annual report, consolidated semi-annual report and interim report shall be used for the first time in the accounting period closest to the accounting period in which this Act will take effect.

6. For a period of one year from the date of entry into force of this Act, the Czech National Bank does not have to proceed in accordance with Section 127a of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act. The method by which the Czech National Bank makes available the mandatory published information sent to it pursuant to Section 127, Subsection 2 of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, may not allow the transmission of information by electronic means in accordance with Section 127a subsection 1 letter d) Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.

7. Proceedings on the imposition of remedial measures or sanctions, which were initiated before the date of entry into force of this Act, shall be completed in accordance with existing legal regulations. Remedial measures or sanctions will be imposed according to existing legal regulations.

8. Transactions that took place before the date of entry into force of this Act are assessed according to Act No. 256/2004 Coll., on the capital market business, as amended until the date of entry into force of this Act. Remedial measures or sanctions for violation of Act No. 256/2004 Coll., on business on the capital market, in the version effective until the date of entry into force of this Act, shall be imposed according to existing legal regulations.

9. Proceedings on the granting of consent to the acquisition, achievement or exceeding of a qualified participation in an investment firm or its control initiated before the date of entry into force of this Act shall be completed in accordance with Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act; time limits that began to run pursuant to Act No. 256/2004 Coll., on the capital market business, as amended until the date of entry into force of this Act, shall run again from the date of entry into force of this Act.

Art. III of Act No. 42 0/2009 Coll.

#### **Transitional provision**

Provisions of Act No. 256/2004 Coll., on business on the capital market, as amended from the date of entry into force of this Act, governing the annual report and the consolidated annual report shall be applied for the first time in the accounting period closest to the accounting period in which this Act enters into force.

Art. II of Act No. 160/2010 Coll.

#### **Transitional provision**

An investment firm and a foreign person who has its registered office in a state that is not a member state of the European Union and has authorisation from the Czech National Bank to provide investment services through an organisational unit shall ensure that the obligation set forth in Section 9, Subsection 8 of Act No. 256/2004 Coll., on the capital market business, as amended from the date of



entry into force of this Act, no later than December 7, 2010. Until then, the credit assessment of the borrower prepared by a person who met the requirements of Act No. 21/1992 Coll., on banks, can be used to calculate capital requirements, in the version effective until the date of entry into force of this Act, and which was entered into the list of agencies for credit assessment maintained by the Czech National Bank pursuant to Act No. 21/1992 Coll., on banks, as amended until the date of entry into force of this Act.

Art. XI of Act No. 409/2010 Coll.

### **Transitional provision**

The central depository will bring the operating rules into compliance with Section 104, subsection 1 of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, no later than March 31, 2011.

Art. VI of Act No. 41/2011 Coll.

### **Temporary provisions**

1. If the period established in Section 152b subsection 3 of Act No. 256/2004 Coll., on the capital market business, in the version effective from the date of entry into force of this law, will begin to run until December 31, 2012, is 6 months.

2. The investment firm shall ensure that the remunerations paid to the persons referred to in Article V point 5 from the date of entry into force of this Act are in accordance with the provisions of this Act governing the remuneration system.

Art. In Act No. 139/2011 Coll.

### **Temporary provisions**

1. Authorisations to operate a settlement system granted in accordance with existing legal regulations shall, on the date of entry into force of this Act, be considered authorisations to operate a settlement system with irrevocability of settlement pursuant to Section 90a of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act. The operator of the settlement system on the basis of an authorisation granted in accordance with existing legal regulations shall, on the date of entry into force of this Act, be deemed to be the operator of the settlement system with irrevocable settlement pursuant to Section 90 of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.

2. The operator of the settlement system, on the basis of an authorisation granted in accordance with existing legal regulations, shall bring its conditions into compliance with Part Seven of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act, no later than 3 months from the date of entry into force of this Act.

3. The settlement system operated on the basis of an authorisation granted in accordance with existing legal regulations shall, on the date of entry into force of this Act, be considered a settlement system with irrevocable settlement pursuant to Section 82 of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.

4. An application for an authorisation to operate a settlement system submitted before the date of entry into force of this Act, which has not been decided by the date of entry into force of this Act, shall be considered as an application for an authorisation to operate a settlement system with irrevocability of settlement pursuant to Section 90a of the Act on the date of entry into force of this Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this

Act.

5. The provisions of the existing legal regulations also govern legal relationships that arose before the effective date of this Act; the emergence of these legal relationships, as well as the claims arising from them before the date of entry into force of this Act, are assessed according to Act No. 256/2004 Coll., on the capital market business, as amended before the effective date of this Act.

Art. IV of Act No. 188/2011 Coll.

### **Temporary provisions**

1. A security prospectus approved or published before the effective date of this Act is deemed to be a security prospectus approved pursuant to Section 36c of Act No. 256/2004 Coll., as amended from the date of entry into force of this Act.

2. Proceedings on the application for the approval of a prospectus or an amendment to a prospectus initiated before the date of entry into force of this Act and not legally terminated before that date shall be completed in accordance with existing legal regulations. In the procedure for an amendment to a prospectus approved before the date of entry into force of this Act, the procedure shall be in accordance with existing legal regulations.

3. Until June 30, 2021, Section 118 subsection 1, Section 119c subsection 1 letter b), Section 120c subsection 2 and Section 127c subsection 4 of Act No. 256/2004 Coll., as amended from the date of entry into force of this Act, also apply to the issuer of a transferable security, the nominal value of which corresponds to an amount of at least EUR 50,000 on the date of issue, if these are securities that were issued before the date of entry into force of this Act.

Art. VI of Act No. 37/2011 Coll.

### **Temporary provisions**

1. A settlement system with irrevocability of settlement according to the existing legal regulations is considered as a settlement system with irrevocability of settlement according to Section 82 subsection 1 of Act No. 256/2004 Coll., on business on the capital market, as amended from entry into force of this Act.

2. A foreign settlement system with irrevocability of settlement according to existing legal regulations shall be considered as a foreign settlement system with irrevocability of settlement according to Section 82 subsection 2 of Act No. 256/2004 Coll., on the capital market business, as amended from the date of entry into force of this Act.

3. The procedure for the application for the authorisation of a rating agency that has its registered office in the territory of the Czech Republic, if the application was submitted before September 7, 2010, will be completed according to the existing legal regulations.

Art. VIII of Act No. 135/2014 Coll.

### **Temporary provisions**

(1) An investment firm, which means an investment firm that is an investment firm pursuant to Article 4 paragraph 1 point 2 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, is obliged to ensure that the requirements set in Section 14 subsection 8 letter c) and Section 14 subsection 10 of Act No. 256/2004 Coll., as amended from the date of entry into force of this Act, until July 1, 2014.

(2) Proceedings on the imposition of remedial measures or proceedings on the imposition of a sanction initiated before the date of entry into force of this Act and not legally concluded by that date shall be completed in accordance with existing legal regulations. Remedial measures or sanctions will be imposed according to existing legal regulations.

Article II of Act No. 148/2016 Coll.

### **Temporary provisions**

1. The provisions of Section 118, subsection 2 of Act No. 256/2004 Coll., as amended from the date of entry into force of this Act, shall not apply to annual reports that were published before November 26, 2010.

2. For issuers whose issued securities and book-entry securities were accepted for trading on the European regulated market before the date of entry into force of this Act, the period begins pursuant to Section 123, Subsection 3 of Act No. 256/2004 Coll., as amended from the effective date of this Act, to run on November 27, 2015.

3. Issuers whose transferable securities were admitted to trading on the European regulated market before the date of entry into force of this Act and which are not covered by Section 123, Subsection 3 of Act No. 256/2004 Coll., as amended from the date of entry into force of this Act, shall fulfil the obligation pursuant to Section 123, Subsection 2 of Act No. 256/2004 Coll., as amended from the date of entry into force of this Act, within 3 months from the date of entry into force of this Act.

4. Obligations under Section 118 subsections 1 to 4, Section 118 subsections 5 and 7 and Section 119 do not apply to an issuer that exclusively issues a bond or a similar security representing the right to repayment of the amount owed by this issuer or another transferable security whose value refers to the repayment of the amount owed by that issuer, including securitized debt, if

- a) the nominal value of such a financial instrument corresponds to at least EUR 50,000 on the date of issue,
- b) this transferable security was admitted to trading on a regulated market before December 31, 2010, and
- c) has not yet been repaid.

5. Until the granting of authorisation to carry out activities in accordance with the directly applicable regulation of the European Union governing the improvement of the settlement of securities transactions in the European Union and the central depository of securities, the legal conditions of the central depository are governed by Act No. 256/2004 Coll., in the version effective before the date of entry into force of this Act.

6. Administrative offenses committed before the date of entry into force of this Act shall, from the date of entry into force of this Act, be regarded as administrative offenses pursuant to Act No. 256/2004 Coll., as amended from the date of entry into force of this Act. Liability for these administrative offenses shall be assessed according to existing legal regulations, if the conduct establishing liability for the existing administrative offense took place before the date of entry into force of this Act; according to Act No. 256/2004 Coll., as amended from the date of entry into force of this Act, shall be assessed only if it is more favourable for the offender.

7. Administrative offense proceedings initiated before the date of entry into force of Act No. 256/2004 Coll., in the wording effective from the date of entry into force of this Act, as of this date legally incomplete shall be completed according to existing legal regulations.

8. Administrative proceedings initiated before the date of entry into force of Act No. 256/2004 Coll., in the wording effective from the date of entry into force of this Act, and as of this date, those not legally terminated shall be completed in accordance with existing legal regulations.

9. A person who leads according to Section 94, subsection 5 of Act No. 256/2004 Coll., as amended before the date of entry into force of this Act, on the accounts of clients of a record following the separate record of financial instruments maintained by the central depository or the Czech National Bank, may keep this record on the accounts of clients for a maximum period of 12 months from the date of entry into force of this Act.

10. The provisions of Section 118 subsection 4 letter l) in the wording effective from the date of entry into force of this Act shall be applied for the first time in the accounting period that began in 2017 or later.

## Art. II of Act No. 204/2017 Coll.

### **Temporary provisions**

1. License to operate as an investment firm granted pursuant to Act No. 256/2004 Coll., in the version effective before the date of entry into force of this Act, is considered to be an authorisation to operate as an investment firm granted pursuant to Act No. 256/2004 Coll., as amended from the date of entry into force of this Act.

2. Authorisation to provide an ancillary investment service referred to in Section 4 subsection 3 letter a) of Act No. 256/2004 Coll., in the version effective before the effective date of this Act, granted pursuant to Act No. 256/2004 Coll., in the version effective before the date of entry into force of this Act, is considered an authorisation to provide an ancillary investment service pursuant to Section 4 subsection 3 letter a) of Act No. 256/2004 Coll., as amended from the effective date of this Act, granted pursuant to Act No. 256/2004 Coll., as amended from the date of entry into force of this Act.

3. Authorisation to provide an ancillary investment service referred to in Section 4 subsection 3 letter c) Act No. 256/2004 Coll., in the version effective before the effective date of this Act, granted pursuant to Act No. 256/2004 Coll., in the version effective before the date of entry into force of this Act, is considered an authorisation to provide an ancillary investment service pursuant to Section 4 subsection 3 letter c) Act No. 256/2004 Coll., as amended from the effective date of this Act, granted pursuant to Act No. 256/2004 Coll., as amended from the date of entry into force of this Act.

4. Authorisation to provide an ancillary investment service referred to in Section 4 subsection 3 letter d) Act No. 256/2004 Coll., in the version effective before the effective date of this Act, granted pursuant to Act No. 256/2004 Coll., in the version effective before the date of entry into force of this Act, is considered an authorisation to provide an ancillary investment service pursuant to Section 4 subsection 3 letter d) Act No. 256/2004 Coll., as amended from the effective date of this Act, granted pursuant to Act No. 256/2004 Coll., as amended from the date of entry into force of this Act.

5. Authorisation to provide an ancillary investment service referred to in Section 4 subsection 3 letter e) Act No. 256/2004 Coll., in the version effective before the effective date of this Act, granted pursuant to Act No. 256/2004 Coll., in the version effective before the date of entry into force of this Act, is considered an authorisation to provide an ancillary investment service pursuant to Section 4 subsection 3 letter e) Act No. 256/2004 Coll., as amended from the effective date of this Act, granted pursuant to Act No. 256/2004 Coll., as amended from the date of entry into force of this Act.

6. Authorisation to provide an ancillary investment service referred to in Section 4 subsection 3 letter f) Act No. 256/2004 Coll., in the version effective before the effective date of this Act, granted pursuant to Act No. 256/2004 Coll., in the version effective before the date of entry into force of this Act, is considered an authorisation to provide an ancillary investment service pursuant to Section 4

subsection 3 letter f) Act No. 256/2004 Coll., as amended from the effective date of this Act, granted pursuant to Act No. 256/2004 Coll., as amended from the date of entry into force of this Act.

7. License to operate as a regulated market organiser granted pursuant to Act No. 256/2004 Coll., in the version effective before the date of entry into force of this Act, is considered to be an authorisation to operate as a regulated market organiser granted pursuant to Act No. 256/2004 Coll., as amended from the date of entry into force of this Act.

8. An investment intermediary registered on the effective date of this Act pursuant to Act No. 256/2004 Coll., in the version effective before the date of entry into force of this Act, is considered an investment intermediary who has been granted an authorisation to operate as an investment intermediary pursuant to Act No. 256/2004 Coll., as amended from the date of entry into force of this Act. At the request of this person, the Czech National Bank will draw up a statement with data on the scope of his authorisation to operate as an investment intermediary pursuant to Act No. 256/2004 Coll., as amended from the date of entry into force of this Act.

9. A tied agent registered on the effective date of this Act in the list of tied agents pursuant to Act No. 256/2004 Coll., in the version effective before the date of entry into force of this Act, is considered a tied agent entered in the list of tied agents pursuant to Act No. 256/2004 Coll., as amended from the date of entry into force of this Act.

10. A member of the management body who is a member of the management body on the date of entry into force of this Act shall be deemed to be a member of the management body, in relation to which the obliged entity has notified the Czech National Bank of a change regarding the membership of the management body pursuant to Section 10a subsection 1 of Act No. 256/2004 Coll., as amended from the effective date of this Act.

11. An investment intermediary registered on the date of entry into force of this Act shall pay the administrative fee pursuant to Section 30b of Act No. 256/2004 Coll. within 3 months from the date of entry into force of this Act, as amended from the date of entry into force of this Act, and by January 3, 2018 will conclude an insurance contract pursuant to Section 31 of Act No. 256/2004 Coll., as amended from the date of entry into force of this Act.

12. For a tied agent registered on the effective date of this Act in the list of tied agents pursuant to Act No. 256/2004 Coll., as amended before the date of entry into force of this Act, the administrative fee pursuant to Section 32g of Act No. 256/2004 Coll., as amended from the date of entry into force of this Act, shall pay within 3 months from the date of entry into force of this Act.

13. A natural person who, on the date of entry into force of this Act, provided investment services continuously for at least 1 year or dealt with clients or potential clients within the framework of the provision of investment services, is obliged to obtain general knowledge confirmed by the corresponding document according to Section 14b subsection 2 of Act no. 256/2004 Coll., as amended from the date of entry into force of this Act, within 42 months from the date of entry into force of this Act.

14. A natural person who, on the date of entry into force of this Act, provided investment services continuously for at least 5 years or dealt with clients or potential clients as part of the provision of investment services, is not obliged to acquire all general knowledge confirmed by the corresponding document according to Section 14b, subsection 2 of the Act No. 256/2004 Coll., as amended from the date of entry into force of this Act.

15. Within 24 months from the date of entry into force of this Act, the professional knowledge and skills necessary for dealing with a client or potential client in the context of the provision of investment services can also be proven by an affidavit of a person authorised to provide investment services. The affidavit may only concern employees of a person authorised to provide investment

services. A person authorised to provide investment services who is a natural person may make an affidavit on his own. The person authorised to provide investment services is responsible for ensuring that the persons about whom he has made a sworn statement according to the first sentence have the necessary professional knowledge and skills.

16. A natural person who, before the date of entry into force of this Act, completed a professional examination recognized on the basis of Section 14a subsections 2 and 3 of Act No. 256/2004 Coll., in the wording effective before the date of entry into force of this Act, is considered to be a person who has the necessary knowledge and skills within the scope of a recognized examination pursuant to Section 14b subsection 4 of Act No. 256/2004 Coll., as amended from the date of entry into force of this Act. Provisions of Section 14b subsection 3 of Act No. 256/2004 Coll., as amended from the effective date of this Act, shall not apply to this person.

17. Administrative proceedings initiated pursuant to Act No. 256/2004 Coll., before the date of entry into force of this Act, and legally incomplete on the date of entry into force of this Act, shall be completed pursuant to Act No. 256/2004 Coll., in the version effective before the date of entry into force of this Act.

18. For the purposes of Section 30 subsection 1 of Act No. 256/2004 Coll., as amended from the effective date of this Act, is considered a commercial company.

19. Until day 3. September 2019, the provider of consolidated business information does not fulfil the obligation according to Section 81 subsection 1 letter d) Act No. 256/2004 Coll., as amended from the date of entry into force of this Act, in relation to transactions published pursuant to Articles 10 and 21 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council.

Article VIII of Act No. 307/2018 S b.

### **Temporary provisions**

1. The license for the activity of an investment intermediary registered on January 3, 2018 lasts until December 31, 2019, if this investment intermediary was registered as of January 3, 2018 in accordance with the act regulating supplementary pension savings; by paying the administrative fee according to Article II point 11 of Act No. 204/2017 Coll. the license to operate this investment intermediary is extended until December 31, 2020.

2. The authorisation of a tied agent entered in the list of tied agents on January 3, 2018 lasts until December 31, 2019, if this tied agent was registered as of January 3, 2018 in accordance with the law regulating supplementary pension savings; by paying the administrative fee according to Article II point 12 of Act No. 204/2017 Coll. the authorisation of this tied agent is extended until December 31, 2020.

Article III of Act No. 204/2019 Coll.

### **Temporary provisions**

1. The board of directors or the board of directors of the issuer pursuant to Section 118 subsection 1 letter a) of Act No. 256/2004 Coll., as amended by Act No. 56/2006 Coll., Act No. 57/2006 Coll., Act No. 230/2009 Coll., Act No. 188/2011 Coll. and Act No. 148/2016 Coll., whose shares were accepted for trading on the European regulated market before the date of entry into force of this Act, shall submit a remuneration policy pursuant to Section 121k of Act No. 256/2004 Coll., as amended from the date of entry into force of this Act, for approval no later than the first general meeting that approves the financial statements of the issuer, held after 90 days from the date of entry into force of this Act. If the board of directors or the board of directors of the issuer does not present the remuneration policy according to the first sentence, the performance of the functions of the members of the board of

directors or the members of the board of directors is free of charge, from the date of the general meeting according to the first sentence until the day of the general meeting to which the remuneration policy was submitted for approval.

2. The board of directors or the board of directors of the issuer pursuant to Section 118 subsection 1 letter a) of Act No. 256/2004 Coll., as amended by Act No. 56/2006 Coll., Act No. 57/2006 Coll., Act No. 230/2009 Coll., Act No. 188/2011 Coll. and Act No. 148/2016 Coll., whose shares were accepted for trading on the European regulated market before the date of entry into force of this Act, shall submit a report on remuneration pursuant to Section 121o of Act No. 256/2004 Coll., as amended from the effective date of this Act, for approval by the general meeting, which approves the financial statements of the issuer on accounting period in which the remuneration policy was first presented to the general meeting according to Section 121k of Act No. 256/2004 Coll., as amended from the date of entry into force of this Act.

3. The issuer referred to in Section 118 subsection 1 letter a) of Act No. 256/2004 Coll., as amended by Act No. 56/2006 Coll., Act No. 57/2006 Coll., Act No. 230/2009 Coll., Act No. 188/2011 Coll. and Act No. 148/2016 Coll., shall state in the remuneration report the data according to Section 121p subsection 1 letter b) or according to Section 121p subsection 2 of Act No. 256/2004 Coll., as amended from the date of entry into force of this Act, only for accounting periods that follow the date of entry into force of this Act.

Section 25 of Act No. 91/2022 Coll.

#### **Transitional provision**

Acquiring the expertise and skills necessary for dealing with a client or potential client within the scope of the provision of investment services within the scope of expertise and skills pursuant to Act No. 256/2004 Coll., as amended from the date of entry into force of this Act, can be proven by a certificate of successful completion of the professional examination pursuant to Act No. 256/2004 Coll., in the version effective before the date of entry into force of this Act. This does not affect the provisions of Section 5 subsection 1.

Article VIII of Act No. 251/2023 Coll

#### **Transitional provision**

1. Public auctions and repeated auctions of securities or other financial instruments held on the basis of an auction or repeated auction contract concluded before the date of entry into force of this Act shall be completed in accordance with Section 33 of Act No. 256/2004 Coll., in the version effective before the date of entry into force of this Act, and Act No. 26/2000 Coll., on Public Auctions, in the version effective before the date of entry into force of this Act.

2. Section 33 of Act No. 256/2004 Coll, in the version effective before the date of entry into force of this Act, and Act No. 26/2000 Coll., on public auctions, in the version effective before the date of entry into force of this Act, shall apply to the rights and obligations related to a public auction and repeated auctions of securities or other financial instruments held on the basis of a contract for the conduct of an auction or repeated auctions concluded before the date of entry into force of this Act.

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<sup>1)</sup> Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on investor compensation schemes.

Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on the irrevocability

of settlements in payment systems and securities settlement systems, as amended by European Parliament and Council Directives 2009/44/EC, 2010/78/EU and 2019/879 and Regulation (EU) No. 648/2012 and No. 909/2014 of the European Parliament and the Council.

Directive 2001/34/EC of the European Parliament and of the Council of 28 May 2001 on the admission of securities to listing on a stock exchange and on the information to be published thereon, as amended by Directive 2003/6/EC of the European Parliament and of the Council, 2003/71/EC, 2004/109/EC and 2005/1/EC.

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonization of transparency requirements relating to information on issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, as amended of the European Parliament and Council 2008/22/EC, 2010/73/EU, 2010/78/EU and 2013/50/EU and Regulation (EU) 2021/337 of the European Parliament and Council.

Commission Directive 2007/14/EC of 8 March 2007 laying down implementing rules for certain provisions of Directive 2004/109/EC on the harmonization of transparency requirements relating to information on issuers whose securities are admitted to trading on a regulated market, as amended by Directive 2013/50/EU of the European Parliament and of the Council

Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in companies with listed shares, as amended by Directives of the European Parliament and of the Council 2014/59/EU and 2017/828.

Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directives 2002/92/EC and 2011/61/EU, as amended by Regulation (EU) No. 909/2014, 2019/2115 and 2022/858 of the European Parliament and of the Council and directives of the European Parliament and Council (EU) 2016/97, 2016/1034, 2019/2034, 2019/2177, 2020/1504, 2021/338 and 2022/2556.

Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms and Directive 98/26/EC.

Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.

<sup>1)</sup> Section 27a of Act No. 328/1991 Coll., on bankruptcy and settlement, as amended by Act No. 74/1994 Coll., Act No. 94/1996 Coll. and Act No. 105/2000 Coll.

<sup>2)</sup> Regulation of the European Parliament and of the Council (EC) No. 1060/2009 of September 16, 2009 on rating agencies, as amended.

Regulation (EU) No. 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps, as amended.

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

Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, as amended.



Regulation (EU) No. 600/2014 of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012, as amended.

Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving the settlement of securities transactions in the European Union and central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012, as amended.

Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on communications of key information relating to structured retail investment products and insurance products with an investment component, as amended.

Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on the transparency of trades ensuring financing and reuse and amending Regulation (EU) No. 648/2012, as amended.

Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices that are used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, and on the amendment of Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014, as amended.

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

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 admitted to trading on a regulated market, and on the repeal of Directive 2003/71/EC, as amended.

Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on prudential requirements for investment firms and amending Regulation (EU) No. 1093/2010, (EU) No. 575/2013, (EU) No. 600/2014 and (EU) No. 806/2014.

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on the disclosure of information related to sustainability in the financial services sector, as amended.

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.

Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for businesses and amending Regulation (EU) 2017/1129 and Directive 2019/1937.

Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on the framework for recovery procedures and resolution of the crisis of central counterparties and amending Regulation (EU) No. 1095/2010, (EU) No. 648/2012, (EU) No. 600/2014, (EU) No. 806/2014 and (EU) 2015/2365 and directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132.

Regulation (EU) 2022/858 of the European Parliament and of the Council of 30 May 2022 on a pilot regime for market infrastructures based on distributed ledger technology and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU.

Directly applicable regulations of the European Union, which implement or, in delegated authority, supplement the regulations of the European Union listed in footnote No. 1, or which implement or

supplement, in delegated authority, the directly applicable regulations of the European Union listed in this footnote.

<sup>2d)</sup> Point 3 of the International Accounting Standard IAS 24 - Related Party Disclosures, which forms an annex to Commission Regulation (EC) No. 1725/2003.

<sup>2e)</sup> Articles 38 and 39 of Commission Regulation (EC) No. 1287/2006.

<sup>2g)</sup> Directive 2002/92/EC of the European Parliament and the Council of 9 December 2002 on insurance mediation.

<sup>2h)</sup> Section 27 subsections 2 and 3 of Act No. 38/2004 Coll., on insurance intermediaries and independent liquidators of insurance claims and on the amendment of the Trade Act, as amended by Act No. 57/2006 Coll.

<sup>3)</sup> Section 14 of Act No. 15/1998 Coll., on supervision in the area of the capital market and on the amendment and addition of other laws, as amended by Act No. 308/2002 Coll., Act No. 257/2004 Coll. and Act No. 57/2006 Coll.

<sup>9)</sup> Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published in the event of a public offer or acceptance of transferable securities for trading, and on the amendment of Directive 2001/34/EC.

<sup>10d)</sup> Directive of the European Parliament and of the Council 2001/34/EC.

<sup>12a)</sup> Council Regulation (EC) No. 3605/93 of 22 November 1993 on the application of the Protocol on the Excessive Deficit Procedure annexed to the Treaty establishing the European Community.

<sup>13a)</sup> Decree No. 123/2007 Coll., on the prudential business rules of banks, savings and credit unions and investment firms.

<sup>14)</sup> Commission Regulation (EC) No. 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buyback and stabilization programs of financial instruments.

<sup>14a)</sup> Commission Regulation (EC) No. 2273/2003.

<sup>17c)</sup> Commission Regulation (EC) No. 1569/2007 of 21 December 2007 establishing a mechanism for determining the equivalence of accounting standards used by issuers of securities from third countries in accordance with European Parliament and Council Directives 2003/71/EC and 2004/109/EC.

<sup>18)</sup> Section 189 of the Insolvency Act.

<sup>20)</sup> Insolvency Act.

<sup>21)</sup> Section 173 subsection 3 of the Insolvency Act.

<sup>24)</sup> Article 23 of the European Parliament and Council Directive 2001/24/EC of April 4, 2001 on the reorganisation and liquidation of credit institutions.

Articles 7 and 8 of Directive 2002/47/EC of the European Parliament and of the Council of June 6, 2002 on financial security arrangements.

<sup>25)</sup> Act No. 408/2010 Coll., about financial security.

<sup>26)</sup> Section 2 letter a) and Section 6 subsection 1 of Act No. 408/2010 Coll., about financial security.

<sup>27)</sup> For example, Section 28 subsection 1 letters a) to c) of Act No. 87/1995 Coll., on savings and credit cooperatives and some measures related thereto and on amendments to Act of the Czech National Council No. 586/1992 Coll., on income taxes, as amended, as amended by Act No. 100/2000 Coll., Act No. 280/2004 Coll., Act No. 57/2006 Coll. and Act No. 120/2007 Coll., Section 43 subsection 1 of Act No. 42/1994 Coll., on supplementary pension insurance with state contribution and on changes to certain laws related to its introduction, as amended by Act No. 170/1999 Coll., Act No. 36/2004 Coll. and Act No. 57/2006 Coll.

<sup>30)</sup> Article 10 of Directive 98/26/EC of the European Parliament and of the Council.

<sup>31)</sup> Article 2 of Directive 2006/48/EC of the European Parliament and of the Council, as amended by Commission Directives 2007/18/EC and 2010/16/EU.

<sup>32)</sup> Regulation (EU) No. 1095/2010 of the European Parliament and of the Council of 24 November 2010 on the establishment of a European Supervisory Authority (European Securities and Markets Authority).

<sup>34)</sup> Article 112 of Directive 2013/36/EU of the European Parliament and of the Council.

<sup>36)</sup> Regulation (EU) No. 1092/2010 of the European Parliament and the Council of 24 November 2010 on macro-prudential supervision of the financial system at the level of the European Union and on the establishment of the European Council for Systemic Risks.

<sup>41)</sup> Article 113 of Directive 2013/36/EU of the European Parliament and of the Council.

<sup>42)</sup> Regulation (EU) No. 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps, as amended.

<sup>43)</sup> Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade data registries, as amended.

<sup>44)</sup> Article 4 paragraph 1 point 40 and Article 458 paragraph 1 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

<sup>49)</sup> Regulation of the European Parliament and of the Council (EC) No. 1060/2009 of September 16, 2009 on rating agencies, as amended.

<sup>51)</sup> Regulation of the European Parliament and of the Council (EU) No. 909/2014 of July 23, 2014 on improving the settlement of securities transactions in the European Union and central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012, as amended.

<sup>52)</sup> Regulation of the European Parliament and of the Council (EU) No. 596/2014 of 16 April 2014 on market abuse (Market Abuse Regulation) and on the repeal of Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, as amended.

<sup>53)</sup> Regulation (EU) No. 600/2014 of the European Parliament and Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012, as amended.

<sup>54)</sup> Regulation of the European Parliament and the Council (EC) No. 714/2009 of 13 July 2009 on the conditions of access to the network for cross-border trade in electricity and on the repeal of Regulation (EC) No. 1228/2003, as amended.

- <sup>55)</sup> Regulation of the European Parliament and the Council (EC) No. 715/2009 of July 13, 2009 on the conditions of access to gas transmission systems and on the repeal of Regulation (EC) No. 1775/2005, as amended.
- <sup>56)</sup> Commission Delegated Regulation (EU) No. 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council as regards regulatory technical standards relating to qualitative and appropriate quantitative criteria for determining the category of employees whose work activities have a significant impact on the institution's risk profile.
- <sup>57)</sup> Regulation of the European Parliament and the Council (EU) No. 575/2013.
- <sup>58)</sup> Regulation (EU) No. 1308/2013 of the European Parliament and the Council of 17 December 2013 establishing a common organisation of markets in agricultural products and repealing Council Regulation (EEC) No. 922/72, (EEC) No. 234/79, (EC) No. 1037/2001 and (EC) No. 1234/2007.
- <sup>59)</sup> Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing the European Union Agency for the Cooperation of Energy Regulatory Authorities.
- <sup>60)</sup> Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on communications of key information relating to structured retail investment products and insurance products with an investment component, as amended.
- <sup>61)</sup> Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on the transparency of transactions ensuring financing and reuse and on the amendment of Regulation (EU) No. 648/2012.
- <sup>62)</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices that are used as reference values in financial instruments and financial contracts or to measure the performance of investment funds, and on the amendment of Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014, as amended.
- <sup>63)</sup> Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 establishing a general framework for securitisation and creating a specific framework for simple, transparent and standardized securitisation and amending Directive 2009/65/EC, 2009/138/EC, 2011/61/EU and Regulation (EC) No. 1060/2009 and (EU) No. 648/2012.
- <sup>64)</sup> Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons in connection with the processing of personal data and on the free movement of such data and on the repeal of Directive 95/46/EC (General Data Protection Regulation).
- <sup>65)</sup> Commission Regulation (EC) No. 1126/2008 of November 3, 2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, as amended.
- <sup>66)</sup> 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, in force wording.
- <sup>67)</sup> Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards for the specification of a uniform electronic reporting format, as amended wording.
- <sup>72)</sup> Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on prudential requirements for investment firms and amending Regulation (EU) No. 1093/2010, (EU) No. 575/2013, (EU) No. 600/2014 and (EU) No. 806/2014.

<sup>73)</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on the publication of information related to sustainability in the financial services sector, as amended.

<sup>74)</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework for facilitating sustainable investments and amending Regulation (EU) 2019/2088.

<sup>75)</sup> Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for businesses and amending Regulation (EU) 2017/1129 and Directive 2019/1937.

<sup>76)</sup> Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on the framework for recovery procedures and crisis resolution of central counterparties and on the amendment of Regulation (EU) No. 1095/2010, (EU) No. 648/2012, (EU) No. 600/2014, (EU) No. 806/2014 and (EU) 2015/2365 and Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132.

<sup>77)</sup> Regulation of the European Parliament and Council (EU) No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012, as amended.

<sup>78)</sup> Commission Delegated Regulation (EU) 2017/565 of 5 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards the organisational requirements and operating conditions of investment firms and the definition of terms for the purposes of the directive, as amended.

<sup>80)</sup> Commission Delegated Regulation (EU) 2021/1833 of 14 July 2021 supplementing Directive 2014/65/EU of the European Parliament and of the Council by specifying the criteria for determining when a certain activity is to be considered complementary at group level to the main business activity.

<sup>80)</sup> Directive of the European Parliament and of the Council (EU) 2019/2034 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.

<sup>81)</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activities of credit institutions and on the prudential supervision of credit institutions and amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended by European Parliament and Council Directives 2014/17/EU, 2014/59/EU, (EU) 2015/2366, (EU) 2018/843, (EU) 2019/878 and (EU) 2019/2034.

<sup>82)</sup> Commission Delegated Regulation (EU) 2017/1943 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards regulatory technical standards relating to information and requirements for the authorisation of investment firms.

<sup>83)</sup> Commission Implementing Regulation (EU) 2017/1945 of 19 June 2017 laying down implementing technical standards with regard to notifications submitted and received by applicant and authorised investment firms pursuant to Directive 2014/65/EU of the European Parliament and of the Council.

<sup>84)</sup> Commission Delegated Regulation (EU) 2017/1946 of 11 July 2017 supplementing Directives 2004/39/EC and 2014/65/EU of the European Parliament and of the Council as regards regulatory technical standards to establish a list of all information to be included by the proposed acquirers in the notification of the proposed acquisition of a qualified participation in an investment firm.

<sup>85)</sup> Commission Delegated Regulation (EU) 2017/576 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards

regarding the annual publication of information on the identity of places of execution and the quality of execution by investment firms.

<sup>86)</sup> Commission Delegated Regulation (EU) 2017/589 of 19 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards regulatory technical standards specifying organisational requirements for investment firms engaged in algorithmic trading.

<sup>87)</sup> Commission Delegated Regulation (EU) 2017/578 of 13 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments as regards regulatory technical standards setting out requirements for creation agreements market and market-making regimes.

<sup>88)</sup> Commission Delegated Regulation (EU) 2017/1018 of 29 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments as regards regulatory technical standards specifying the information to be reported investment firms, market organisers and credit institutions.

<sup>89)</sup> Commission Implementing Regulation (EU) 2017/2382 of 14 December 2017 laying down implementing technical standards with regard to standard forms, templates and procedures for the transmission of information in accordance with Directive 2014/65/EU of the European Parliament and of the Council.

<sup>90)</sup> Commission Delegated Regulation (EU) 2016/1675 of 14 July 2016 supplementing Directive (EU) 2015/849 of the European Parliament and of the Council on the identification of high-risk third countries with strategic deficiencies, as amended.

<sup>91)</sup> Commission Delegated Regulation (EU) 2017/584 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards regulatory technical standards specifying organisational requirements for trading venues.

<sup>92)</sup> Commission Delegated Regulation (EU) 2017/570 of 26 May 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments as regards regulatory technical standards for the determination of a significant market liquidity in relation to the announcement of a temporary suspension of trading.

<sup>93)</sup> Commission Delegated Regulation (EU) 2017/566 of 18 May 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments as regards regulatory technical standards for the ratio of unexecuted orders and trades in order to prevent the creation of conditions that disrupt the proper functioning of the market.

<sup>94)</sup> Commission Delegated Regulation (EU) 2017/573 of 6 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments as regards regulatory technical standards for requirements to ensure fair and non-discriminatory co-location services and fee structures.

<sup>95)</sup> Commission Delegated Regulation (EU) 2017/588 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards regulatory technical standards relating to the listing steps regime for shares, securities replacing other securities and funds traded in the trading system, as amended.

<sup>96)</sup> Commission Delegated Regulation (EU) 2017/568 of 24 May 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments as regards regulatory technical standards for the admission of financial instruments to trading on regulated markets.

<sup>97)</sup> Commission Delegated Regulation (EU) 2017/569 of 24 May 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments as regards regulatory technical standards for the suspension of trading in financial instruments and their withdrawal from trading.

<sup>98)</sup> Commission Implementing Regulation (EU) 2017/1005 of 15 June 2017 laying down implementing technical standards as regards the format and deadlines for notification and publication of the suspension of trading in financial instruments and their withdrawal from trading pursuant to a directive of the European Parliament and Council 2014/65/EU on markets in financial instruments.

<sup>99)</sup> Commission Regulation (EU) 2016/824 of 25 May 2016 laying down implementing technical standards as regards the content and format of the description of the functioning of multilateral trading facilities and organised trading facilities and the notification to the European Securities and Markets Authority pursuant to the Directive of the European Parliament and the Council 2014/65/EU on markets in financial instruments.

<sup>100)</sup> Commission Delegated Regulation (EU) 2017/574 of 7 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards regulatory technical standards relating to the degree of accuracy of trading hours.

<sup>101)</sup> Commission Delegated Regulation (EU) 2017/575 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on execution quality data stores to publish execution locations.

<sup>102)</sup> Commission Delegated Regulation (EU) 2015/761 of 17 December 2014 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to certain regulatory technical standards relating to significant holdings.

<sup>103)</sup> Commission Delegated Regulation (EU) 2017/591 of 1 December 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards regulatory technical standards for the application of position limits to commodity derivatives.

<sup>104)</sup> Commission Implementing Regulation (EU) 2017/953 of 6 June 2017 laying down implementing technical standards with regard to the format and schedule of position reports submitted by investment firms and market operators operating a trading system pursuant to Directive of the European Parliament and of the Council 2014/65/EU on markets in financial instruments.

<sup>105)</sup> Commission Implementing Regulation (EU) 2017/1093 of 20 June 2017 laying down implementing technical standards as regards the format of reports on the positions of investment firms and market makers.

<sup>106)</sup> Regulation of the European Parliament and of the Council (EU) No. 1093/2010 of 24 November 2010 on the establishment of the European Supervisory Authority (European Banking Authority), on the amendment of Decision No. 716/2009/EC and on the repeal of Commission Decision 2009/78/EC, as amended.

<sup>107)</sup> Regulation of the European Parliament and of the Council (EU) No. 1379/2013 of 11 December 2013 on the common organisation of markets in fishery and aquaculture products and on the amendment of Council Regulation (EC) No. 1184/2006 and (EC) No. 1224/2009 and on the repeal of Council Regulation (EC) No. 104/2000.

<sup>108)</sup> Regulation (EU) No. 1095/2010 of the European Parliament and the Council of 24 November 2010 on the establishment of the European Supervisory Authority (European Securities and Markets Authority), on the amendment of Decision No. 716/2009/EC and on the repeal of the Commission's decision 2009/77/EC, as amended.

<sup>109)</sup> Regulation (EU) 2022/858 of the European Parliament and of the Council of 30 May 2022 on a pilot regime for market infrastructures based on distributed ledger technology and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU.

<sup>111)</sup> Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience in the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011