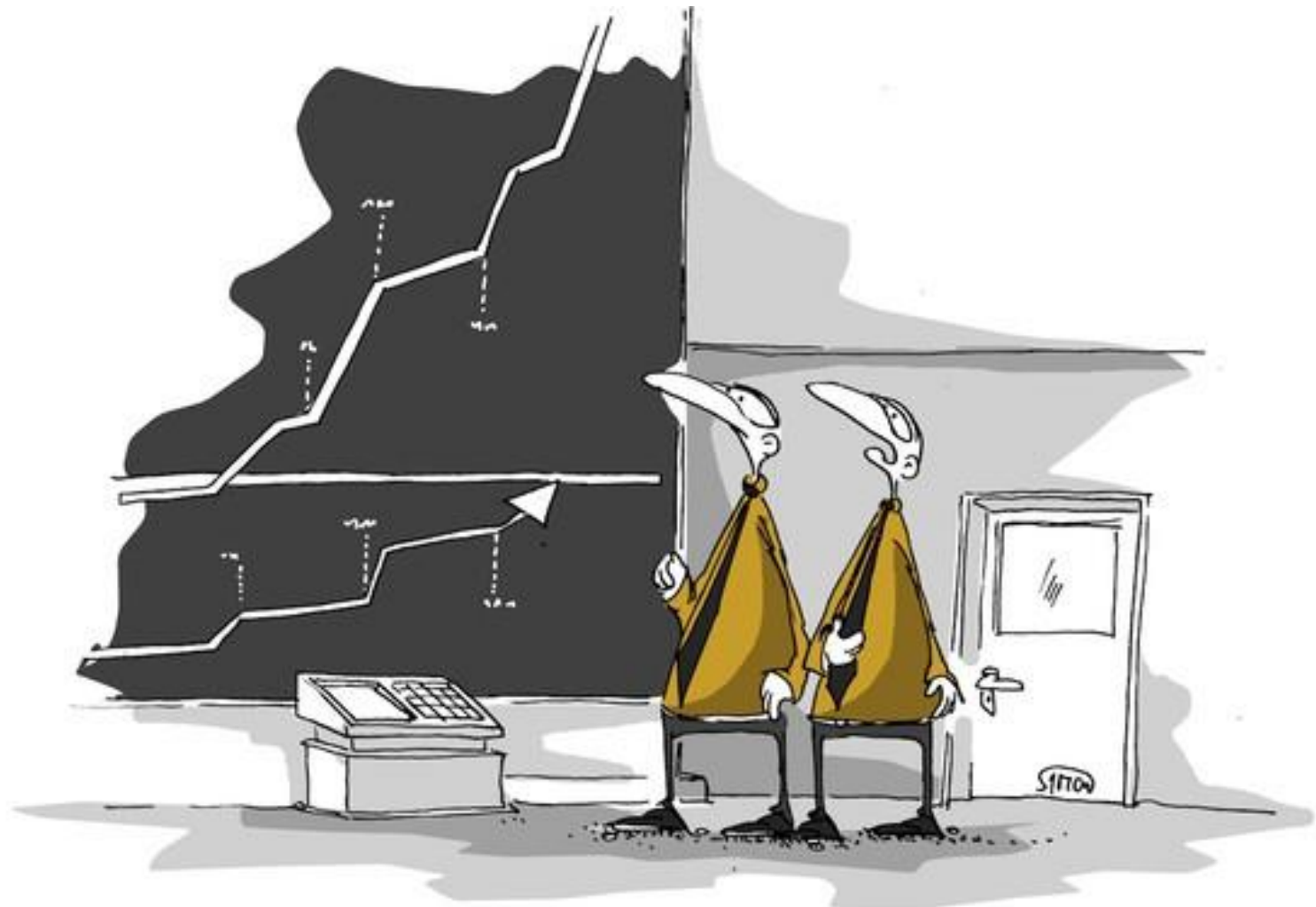


National Strategy for the Development of the Capital Market in the Czech Republic 2019 - 2023

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It is not true that we were unable to catch up the West. We just did not expect that the West will not wait for us.

Summary of the Strategy

Context

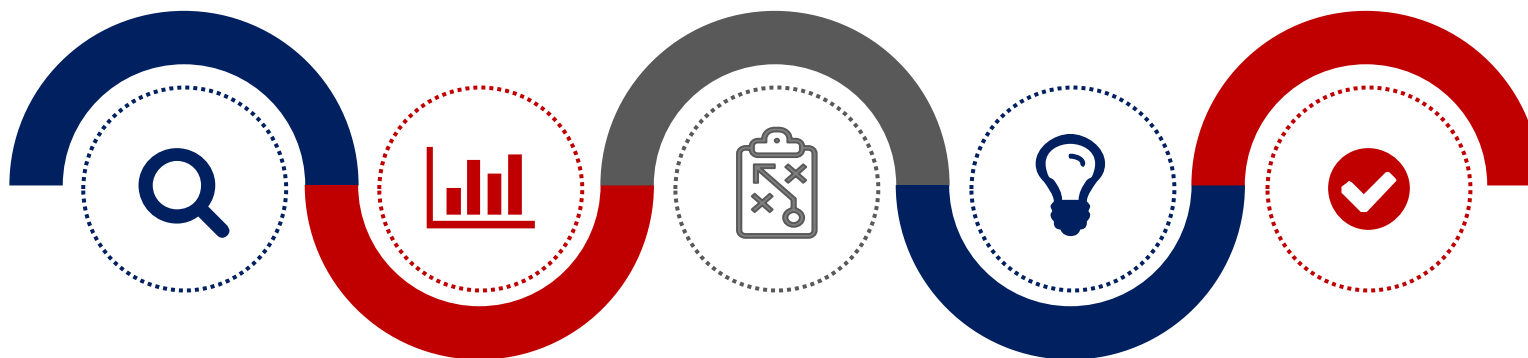
- Vision of the Strategy and how to achieve the vision
- The importance of a capital market

Regulatory Approach

- Stability and Predictability
- Bottom-up approach

Other Steps

- External commentary proceedings
- Governmental approval



Analytical Part

- Assets of Czech households
- Czech companies and capital market
- Low participation in the organized exchanges

Measures

- Support of households (investors)
- Support of companies (issuers)
- Support of the professional market participants (market infrastructure)
- Support of the Czech Republic

Context

Why (to introduce the Strategy)

- Non-existence of a Strategy
- Support of the sustainable economic growth
- Competitiveness

Vision

- To reach the EU average in
 - Market capitalisation and volume of trades
 - Financing Czech companies
 - composition of savings for Czech households

How (to achieve the Vision)

- Comprehensive revision of indicators
- Update of the Strategy
- Analysis and other

Analytical part - households

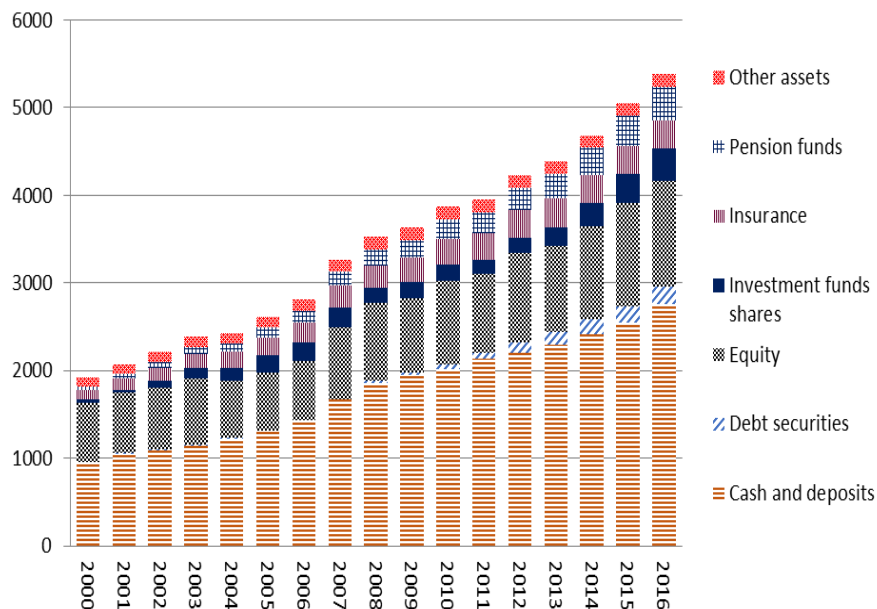
Conservative orientation of Czech portfolios

High level of caution when allocating savings

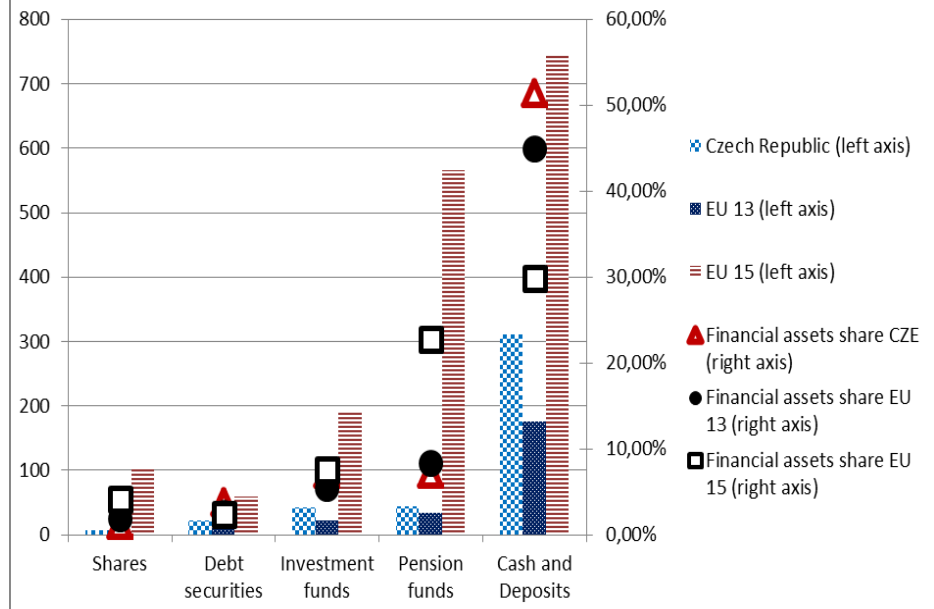
Means primarily in financial products

Despite the high level of savings, the wealth of Czech households lags behind Western neighbors

Assets of Czech households (CZK billion)



Comparison of the assets of average Czech, European from EU-13 and European EU-15



Analytical part - Companies

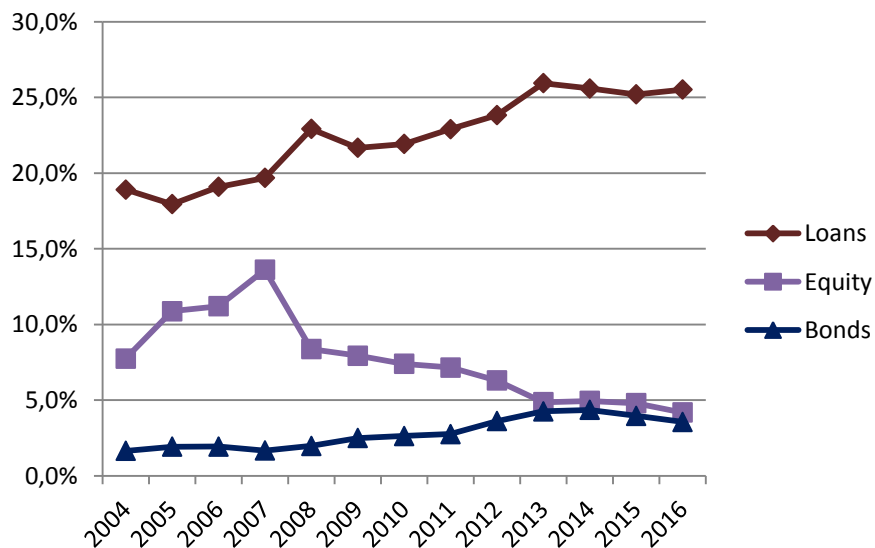
Limited awareness by enterprises of the advantage of capital market financing techniques

Exchange-traded stocks and bonds do not yet play a sufficient role in the financing of companies

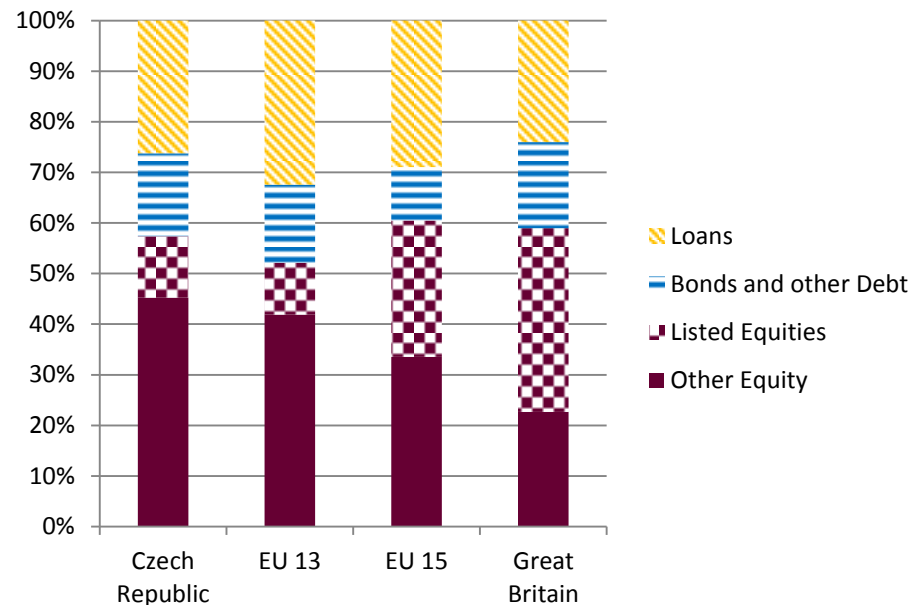
SMEs are especially dependent on funding through retained profits and bank loans

Capital market funding opportunities need to be made more attractive

Capital structure of Czech non-financial companies



Capital structure in comparison with EU-13, EU-15 and the UK

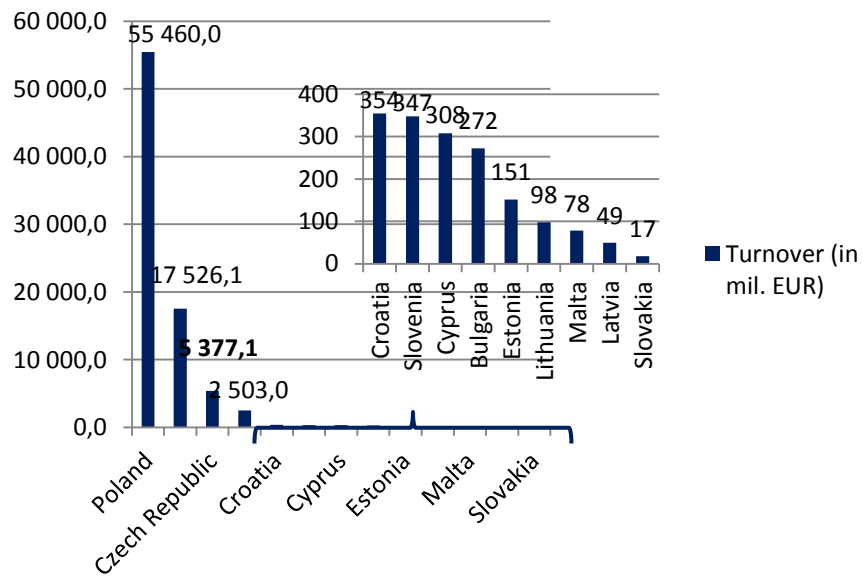


Analytical Part – Organised Exchanges

Low participation in the organized exchanges

- among the EU-13 entrants it ranks best
- a decline in liquidity in recent years may be jeopardizing the interest of investors

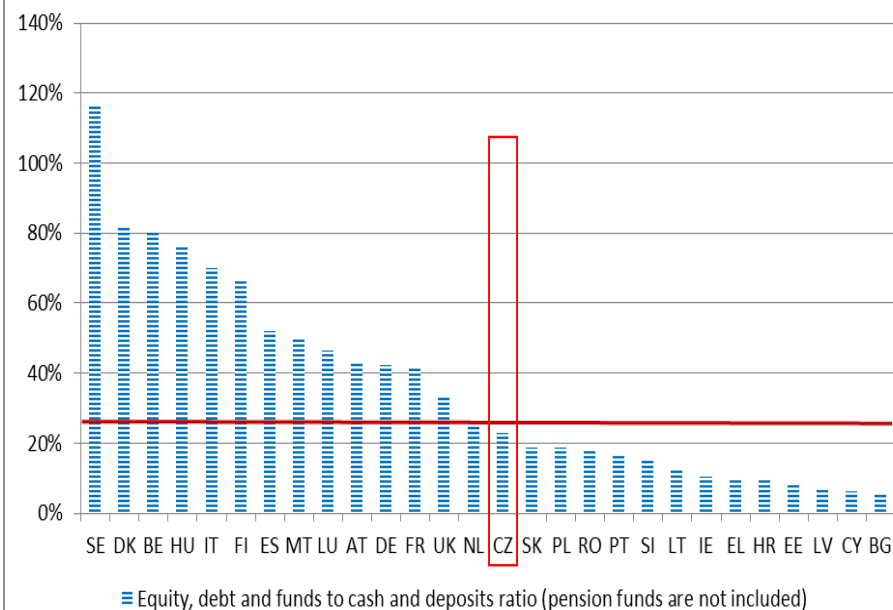
Comparison of turnovers at stock exchanges of EU 13 states in 2017



Conservative orientation of Czech households

- The Czech Republic slightly below the median, which is the Netherlands
- among the EU-13 entrants it ranks almost the best

Equity, debt and funds to deposits ratio





Measures to support households (investors)



Long-Term Investments Account



PLAN	CONCERNED ENTITIES	TERM
Propose the introduction Long-Term Investments Account and submit the draft amendment(s) of the concerned laws to the government, in particular the Tax Code or the Capital Market Undertakings Act	MF, Ministry of Labour and Social Affair (hereinafter referred to as “MPSV”), AKAT, APS CR, the Czech Insurance Association (hereinafter referred to as “CAP”), the Czech Banking Association (hereinafter referred to as “CBA”)	Q4 2019



Make the investments in the investment funds more attractive upon the investor's initiative



PLAN	CONCERNED ENTITIES	TERM
Initiate discussions on the possibility of lowering the costs while buying the securities issued by investment funds upon the investor's initiative and, if necessary, propose appropriate changes to the regulation concerning such marketing without advisory.	MF	Q4 2019



Education of retail investors
and investment consultants
about capital market



PLAN	CONCERNED ENTITIES	TERM
When revising National Strategy on Financial Education take into account two topics. the capital market and long-term investments for households with finances in surplus	MF	Q4 2019
Engage actively in the activities that relate to examination of investment consultants so the examination can serve its purpose, ie to be effective	MF, EFPA Czech Republic, University of Finance and Administration (hereinafter referred to as "VSFS"), AKAT, ČBA, Czech Association of Financial Intermediaries and Financial Advisers (hereinafter referred to as "CASF"), Masaryk University	Q4 2019



**Creation of the web centre
(signpost) for consolidated
information on securities and
their issuers**



PLAN	CONCERNED ENTITIES	TERM
Create a web centre (signpost) for consolidated information on securities and their issuers	MF	Q4 2020



Analysis of the availability of
currency hedging



PLAN	CONCERNED ENTITIES	TERM
Identify and remove obstacles of availability of currency hedging for investors	MF	Continuously



Improving the flow of
information from issuers to
investors



PLÁN	CONCERNED ENTITIES	TERM
Further analyse, whether the new legislation, in force since June 2019, requires issuers to send all relevant information to the CSD and whether this information is properly passed on to the end-investors and possibly propose further measures	MF, Ministry of Justice (hereinafter referred to as “MSp”)	Q4 2021



**Measures to support
companies (issuers)**



Education of CFOs of SMEs on
the possibilities of financing
through the capital market



PLAN	CONCERNED ENTITIES	TERM
<p>Analyse the best communication strategy with the small and medium-sized enterprises a further realize proposed measures</p>	<p>MF (3501), European Commission (SRSP), Ministry of Industry and Trade (hereinafter referred to as “MPO”), Ministry of Environment (hereinafter referred to as “MoE”), CzechInvest, University of Economics (hereinafter</p>	<p>Q4 2019</p>



**Improving the conditions for
the functioning of the so-
called business angels in the
Czech Republic**



PLAN	CONCERNED ENTITIES	TERM
Commission time-series data on angel investment activity to be updated annually (similar to existing venture capital market data)	MF, MPO	Q4 2019
Conduct a taxpayer base analysis to establish realistic expectations / targets for the number of individuals in Czech Republic who have the potential to be a business angel and repeat annually	MF, MPO	Q4 2019
Commission a demand side survey targeting start-up founders/entrepreneurs on an annual basis	MF, MPO	Q4 2019
Create a Czech National Angel Association (and become a member of BAE)	MF, MPO	Q4 2020
Introduce a self-certification system for business angels in the Czech Republic	MF, MPO	Q4 2021



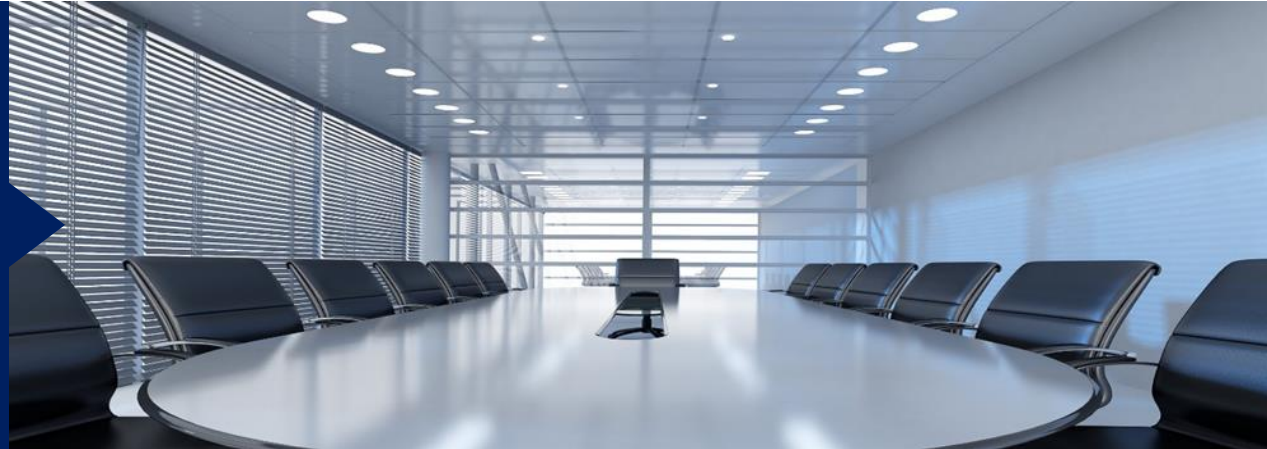
Analysis of the possibilities of
the development of investment
crowdfunding in the Czech
Republic



PLAN	CONCERNED ENTITIES	TERM
Analyse the possibilities of the development of investment crowdfunding in the Czech Republic and if applicable, propose other measures	MF, MPO	continuously



**Analysis of the possibility of
creating a simpler form of the
joint stock company**



PLAN	CONCERNED ENTITIES	TERM
Consider introducing simpler form of joint-stock company and propose other needed legislative changes	MF, MSp, MPO	Q4 2020



ENG

Standardisation of provision
of information by the issuers
in English



PLAN	CONCERNED ENTITIES	TERM
Promote publication of documents in English by issuers of securities, in particular in relation to listed issuers	MF	continuously



Internationalization of financial reporting



PLAN	CONCERNED ENTITIES	TERM
Revise Czech accounting regulation with respect to IFRS and analyse the possibility to allow the use of IFRS for tax purposes	MF	Q4 2021



Introduction and the
implementation of the
“corporate governance
scorecard



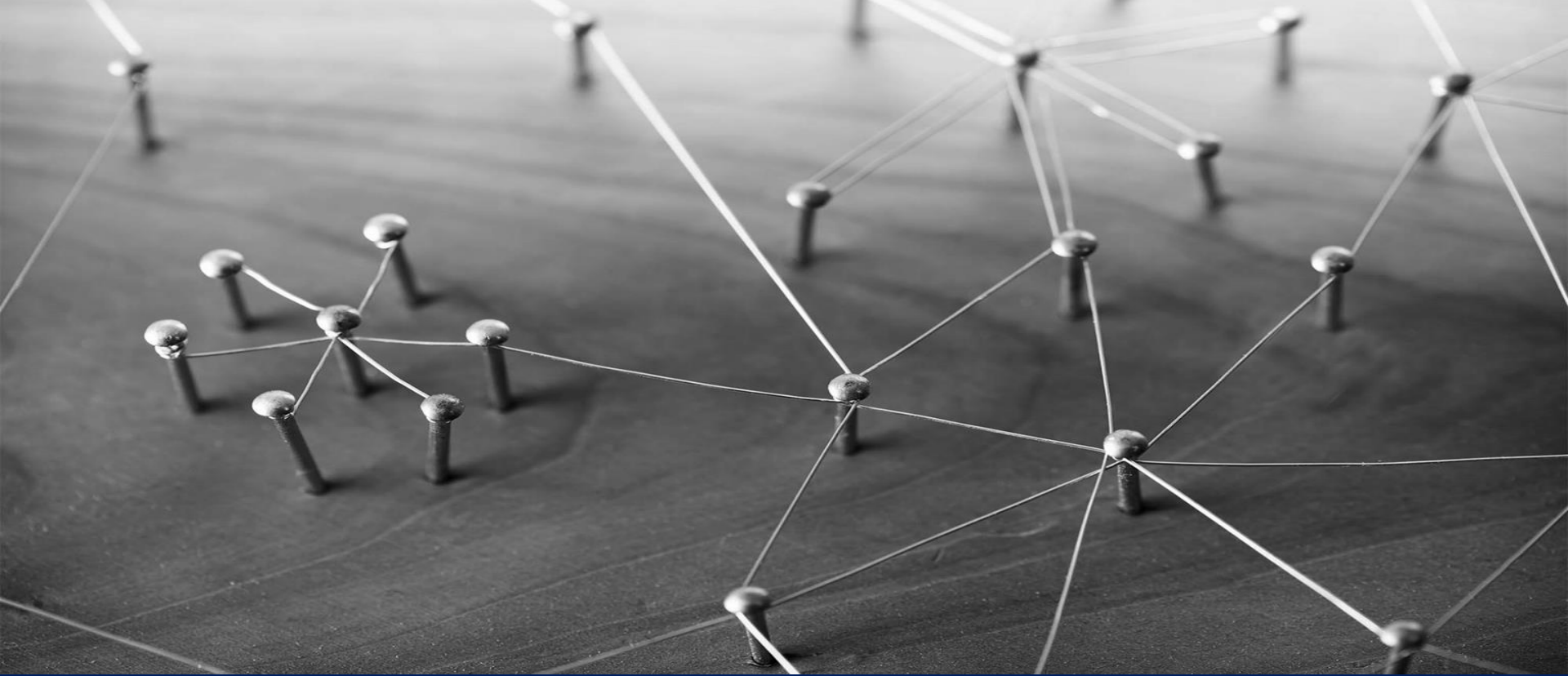
PLAN	CONCERNED ENTITIES	TERM
Support the introduction and subsequent usage of corporate governance scorecards	MF, MSp, BCPP	Q4 2020



Support of the money market
development



PLAN	CONCERNED ENTITIES	TERM
Analyse possibilities of the money market development and, if appropriate, propose other measures	MF, CNB	Q4 2019



**Measures to support
the professional
market participants
(market
infrastructure)**



Greater involvement of
pension funds in the
functioning of the capital
market in the Czech Republic



PLAN	CONCERNED ENTITIES	TERMÍN
Propose the introduction of a new subscription fund with higher management fees that will be able to invest in alternative assets (e.g. in private equity funds)	MF	Q4 2019
Revise the state aid system in relation to pension funds so that participants are motivated to increase monthly deposits and transfer funds saved from the transformed funds into participating funds and at the same time consider limiting the granting of state aid to the age of the participant	MF	Q4 2019



**Making the sub-funds more
attractive**



PLAN	CONCERNED ENTITIES	TERM
Allow the creation of sub-funds also for other legal forms than SICAV	MF	Q4 2019
Allow the so-called “time test” to be maintained for the transition between sub-funds of one SICAV	MF	Q4 2020



Support the XML format usage when requesting information from financial institutions (in particular in relation to distrainers)



PLAN	CONCERNED ENTITIES	TERM
Support the XML format usage while tracing the financial assets	MF, MSp, General Financial Directorate, Chamber of Distrainers	Q4 2019



**Analysis on the possibility of
the modernisation of the
register of dematerialised
securities**



PLAN	CONCERNED ENTITIES	TERM
Consider revision of the register of dematerialised securities, including multi-tier register and DLT technology, in discussion with other stakeholders and propose further measures	MF, MSp, MPO	Q4 2020



Support for the trading of
corporate bonds on the capital
market



PLAN	CONCERNED ENTITIES	TERM
Consider possibilities to support the trading of corporate bonds	MF, CNB, CDCP, BCPP, AKAT, CBA	Q4 2019



**Development and publication
of instructions on the initial
due diligence guidelines for
foreign investment funds**



PLAN	CONCERNED ENTITIES	TERM
Develop and publish guidance on initial due diligence for foreign investment funds, for example, according to the pattern of the Vienna Stock Exchange	MF, BCPP	Q4 2020



Measures to support the Czech Republic (the State)



Analysis of other options of
the development of the
government securities market



PLAN	CONCERNED ENTITIES	TERM
Analyse the impact of government bonds on the Czech capital market and also analyse the impact of the Czech capital market on the government bonds.	MF	continuousl y



Active involvement in pan-European and global initiatives



PLAN	CONCERNED ENTITIES	TERM
Enhance active cooperation with international organizations that can help develop the Czech capital market	MF, ČNB, MPO, Úřad vlády, Světová banka, IMF, EIB, EIF, EBRD, IOSCO	continuously



Active involvement in the law-making process in EU



PLAN	CONCERNED ENTITIES	TERM
Support greater activity in the law-making process in EU	MF, CNB	continuously



Securing internships for state officials and regulators



PLAN	CONCERNED ENTITIES	TERM
Enable internship for people preparing capital market regulation at the capital market participants	MF, CNB, AKAT, CBA	continuousl y



Monitoring the criteria of the status of developed capital market according to MSCI



PLAN	CONCERNED ENTITIES	TERM
Monitor the criteria in the Czech Republic in view of the possible future achievement of the status of the “developed capital market” according to the MSCI index	MF	continuously



Education of the state-controlled companies about the possibilities of financing through the capital market



PLAN	CONCERNED ENTITIES	TERM
Educate state-controlled companies about funding opportunities through the capital market	MF, other relevant ministries	continuousl y



ENG

Make available translation of
the laws regulating the capital
market into English



PLAN	DOTČENÉ SUBJEKTY	TERM
Ensure the availability of up-to-date versions of the legislation governing the capital market in English	MF, CNB	continuousl y



Aleš Králík Mgr. Bc. LL.M.

**Thanks for your
attention!**
