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

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

The Parliament has adopted the following Act of the Czech Republic

### **PART ONE**

#### **BASIC PROVISIONS**

##### **TITLE I**

#### **INTRODUCTORY PROVISIONS**

##### **Section 1**

#### **Subject-matter of regulation**

This Act regulates the procedure of issuing bonds, with no regard to who is the person issuing bonds (hereinafter referred to as the “issuer”), and some other questions connected with bonds, including the procedure of issuing similar securities and book-entry securities to which the right to the repayment of an owed amount is attached.

## Section 2

### **Bond and issuing of bonds**

(1) Bond is a security or a book-entry security to which a right to receive payment from its issuer of the owed amount, that reflects the nominal amount, is attached, it can be made simultaneously or gradually up to certain moment and occasionally further rights resulting from the law or from the terms of issue of a bond (hereinafter referred to as the “terms of issue”) are attached to the bond as well.

(2) Bonds must be fungible.

(3) A bond that is not a book-entry bond or an immobilised security (hereinafter referred to as the “certificated bond”) is an order security. Identification of its acquirer shall be stated in an endorsement of a certificated bond.

(4) A “bond issue” means a group of bonds issued on the basis of the same terms of issue and having the same date of issue and the same maturity date. Bonds from the same issue, to which the same rights are attached, shall be assigned the same identification designation according to the international numbering system for securities identification (ISIN) will be assign to bonds from the same issue.

## Section 3

### **Disclosure of terms of issue**

(1) An issuer can issue a bond, only if he made terms of issue available on durable medium, no later than the date of issue, which allows investors to reproduce terms of issue in an unchanged form, and also allows them to preserve terms of issue so they could be used at least until maturity date of these bonds.

(2) If prospectus in relation to bonds (hereinafter referred to as the “prospectus”) is disclosed no later than the date of issue, and if their terms of issue are disclosed on issuers web pages no later than the same date, than disclosure on durable medium stated in Subsection (1) is not required. In that case issuer shall guarantee that terms of issue are disclosed on these web pages for free and in an unchanged form, permanently at least until maturity date of these bonds, and that they are in a form of data file, that is suitable for download in an usually used format.

(3) If a bondholder requests it, the issuer shall provide him with one copy of current terms of issue of these bonds for free.

## Section 4

### **List of bondholders**

(1) The issuer maintains a list of holders of the certificated bonds he issued. The list of holders of bonds that are book-entry securities or immobilised securities (hereinafter referred to as the “book-entry bond”) is maintained by a person maintaining the relevant record of financial instruments.

(2) In order for the transfer of a certificated bond registered to a name to be effective with respect to the issuer, the presenting of the bond with an uninterrupted line of endorsements or other evidence of the relevant person being the bondholder is required; the issuer shall enter the change of bondholder in the list pursuant to the first sentence of the Subsection (1), without delay after such change is proved to him.

#### Section 5

### **Types of bonds**

Bonds issued by the same issuer, to which the same rights are attached, constitute one type.

#### Section 6

### **Bonds requirements**

(1) Bond contains at least

- a) the designation “*dluhopis*” (in English: “bond”), unless it is a covered bond, a treasury bill or a bill of the Czech National Bank,
- b) information about the type of bond, which can be introduced even with reference on terms of issue, if it is not a case of bond, to which no special right is attached,
- c) identification of the issuer,
- d) nominal amount as the amount owed,
- e) bond yield or information, that yield is determined by the difference between nominal value of the bond and its issue price; or at least it is obvious from bond, that bond is without yield, or where it is possible to get informed, how is the yield determined,
- f) date or different moment of maturity (hereinafter “maturity date”) of owed amount (payment of bond), or information on when the owed amount is to be paid in instalments,
- g) identification of the bondholder, unless it is a book-entry bond,
- h) signature of issuer, unless it is a book-entry bond, and
- i) numeric designation of bond, unless it is a book-entry bond,
- j) date of issue and
- k) bond’s identification designation according to the international numbering system for securities identification (ISIN).

(2) With book-entry bond it is sufficient, that information stated in Subsection (1) (a) to (f) and (j) are detectable from relevant record of financial instruments.

(3) If a collective bond was issued, this bond also contains information about how many bonds and of what type it replaces.

(4) For assessment whether bond was properly issued, it does not matter, whether it contains requirements stated in Subsection (1), if it contains at least requirements stated in Subsection (1) (c) to (h) and (k), or if these information are detectable in relevant record of financial instruments; Subsections (2) and (3) are not affected by this.

## Section 7

### **Total nominal value of bond issue**

(1) An issuer is entitled to issue bonds

a) in a smaller total nominal value of bond issue, if the anticipated total nominal value of bond issue has not been subscribed for before the end of the issue period,

b) in a total nominal value of bond issue greater than the anticipated total nominal value of bond issue, even after the expiry of the issue period if this possibility is stated in the terms of issue, or

c) up to the anticipated total nominal value of bond issue even after the expiry of the issue period, if this possibility is stated in the terms of issue.

(2) If the issuer proceeds according to Subsection (1) (b) or (c) and if period stipulated for subscription is not sufficient, he is obliged to stipulate an additional issue period, which ends no later than on the day decisive for repayment of individual repayments of nominal value of bond or repayment of bond, and make it available in the same manner as the terms of issue.

(3) In case of book-entry bonds, the issuer, without unnecessary delay after expiration of subscription period, will notify to the person maintaining the relevant records of financial instruments the fact according to Subsection (1) and disclose the fact in the same manner as he disclosed the terms of issue. In the case of an issue of municipal bonds, the issuer is also obliged to notify the Ministry of Finance (hereinafter referred to as the “Ministry”) of the fact according to Subsection (1) (a).

(4) In the case of an issue of government bonds issued in book-entry form, the Ministry shall notify, without unnecessary delay, the person maintaining the relevant records of financial instruments the facts according to Subsection (1) (b) or (c) and shall publish it in the same manner as it published the terms of issue.

(5) Information about assumed total nominal value of bond issue will be disclosed by issuer to investors together with terms of issue, in a way in which he is disclosing these terms of issue.

**TITLE II****TERMS OF ISSUE**

## Section 8

**Basic provisions**

Terms of issue define, in a greater detail, rights and obligations of the issuer and bondholders, and it also contains information about bond issue, even with reference to information contained in prospectus.

## Section 9

**Requirements of terms of issue**

(1) Terms of issue shall always contain, at least in reference to information contained in prospectus,

- a) facts stated in Section 6 (1)(a) to (f) and (j),
- b) information about, whether it is a certificated bond, an immobilised security or book-entry security,
- c) time-limit for subscription of issue of bonds.
- d) issuing rate or possibly way of its determining,
- e) information about how a bond yield is determined, or that bond is without yield,
- f) a manner and place of bond subscription, a manner and time-limit of transfer of bonds to individual subscribers, and a manner and place of payment the issuing rate of subscribed bond,
- g) information about how and where should bond be paid, including possible information on the maturity date and the amounts of the individual instalments if the owed amount is to be paid in instalments,
- h) information about taxation of bond yield,
- i) information necessary for identification of persons, who are participating on securing bonds issuing, payment of bonds and on payment of bond yield, with stating way of their participation on these activities,
- j) identification designation of bond according to international system of numbering for identification of securities.
- k) way how the meeting of bondholders shall be announced (hereinafter referred to as the „bondholders’ meeting“) and way of publishing and disclosing of further information about bond,
- l) information about by whom, when and with what outcome was the rating granted, if this information is known to issuer,

m) determination of day, which is determined for participation on bondholders' meeting and  
n) information on whether and to what extent the CNB supervises the issue of bonds and its issuer, and

o) information, in case the prospectus is approved by the CNB, that

1. this prospectus is assessed by the CNB only in terms of completeness of data it includes,
2. the CNB, in its approval, does not take into account the economic results or financial situation of the issuer and
3. the CNB, by approving the prospectus, does neither guarantee the issuer's future profitability nor its ability to repay bonds' yields and the nominal value of the bond.

(2) Terms of issue according to issuers purposes further contains, at least in reference on information contained in prospectus,

a) decision of issuer, that issue of bonds will be, within the date for subscribing, issued gradually (in tranches)

b) right of issuer to proceed according to Section 7 (1) (b), possibly also right of issuer to proceed according to Section 7 (1) (c),

c) information about when, how and where bond yield should be paid, in case that yield is not determined by a difference between the nominal value of bonds and its issuing rate,

d) information about, that payment of bonds or payment of its yield is secured by a third person, and information about where is a contract, in which the security is negotiated, accessible to investors,

e) information about right of pledge of bond, at which payment of bond or payment of its yield is secured by pledge, and the way, how will right of pledge be applied, including any information pursuant to Section 20,

f) way of drawing lots in regard to bond, which yield is connected with bond, which is drawn lots,

g) information about further rights, that are attached to the bond,

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

i) information, that information according to this Act will be disclosed and made available in another language than is Czech,

j) information, who will maintain records of book-entry bonds,

k) information about decision of issuer about exclusion of possibility to divide right for payment of bond yield from bond,

l) authorization of issuer to repay bond, before its maturity date, including a proportionate yield, with defining conditions and the way of a premature payment and also the way of calculation of value of unpaid unreturned coupons according to Section 19 (4),

m) authorization of bondholder to demand payment of bond, or possibly also a proportionate yield before day of its maturity and definition of conditions, under which he is authorized to do so,

n) wording of arbitration clause, if disputes about rights and duties attached to bonds should be solved in arbitration proceeding,

o) in regard to convertible bond, way of announcing the day, from which right to exchange for another bond or for another bonds or share or shares, can be exercised, and place and date for exercising such right; If convertible bonds are issued by book-entry bonds, than day, which is decisive for defining person authorized to perform rights from these bonds,

p) in regard to priority bond, way of announcing the day, from which right to preferential subscription of shares can be exercised, and place and date for exercising this right; if priority bonds are issued by book-entry bonds, than day, which is decisive for defining person authorized to perform rights resulting from these bonds,

q) in regard to subordinated bond, an arrangement that claim corresponding to rights attached to this bond, will be satisfied after satisfaction of all other claims, with exception of claims, which are bound by the same or comparable condition of subordination in case of

1. entering of issuer into liquidation,

2 issuing decision about insolvency of issuer, or

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

r) in regard to subordinated bond, the determination of other ranking of satisfaction of claims from subordinated bonds, also in relation to the satisfaction of other claims, including claims from other subordinated bonds, or differently in relation to a claim corresponding to the right to the repayment of the bond and other rights associated with the bond.

## Section 10

### **Change of terms of issue**

(1) The prior approval of bondholders' meeting is required to change terms of issue.

(2) The approval of bondholders' meeting is not required

a) for change directly induced by change of legal regulations.

b) for change, which is not connected to position or interests of bondholders, or

c) in case, that none of issued bonds, to which terms of issue relates, are not in assets of person different to the issuer.

(3) An issuer, without undue delay, after the change of terms of issue, disclose this change of terms of issue and the full consolidated version of terms of issue after the conducted change, to investors.

(4) An investor, who, before disclosing change of terms of issue, to which prior approval of bondholders' meeting is demanded, agreed to buy or subscribe bonds and did not yet acquired ownership right to this bond, is authorized to withdraw from purchase or subscription in period of 5 working days after the change of terms of issue is disclosed, if issuer will not determine longer period in terms of issue.

## Section 11

### **Bonds programme**

(1) Common terms of issue for previously undetermined number of bonds issue are designated as a bonds programme.

(2) Terms of issue of the individual issue within bonds programme shall be considered to be bonds programme and bonds programme supplement in regard to the given issue.

(3) A bonds programme supplement contains at least

- a) amend of requirements of terms of issue according to Section 9, which are not contained in bonds programme,
- b) reference to bonds programme and information, where it is possible to acquaint with it, and
- c) specific conditions of a bond issue, to which a bond programme supplement is related.

### **Doubts about the content of special right attached to a bond**

## Section 12

(1) In case of doubt about content of special right attached to a bond, the court can, on basis of bondholder's proposal,

- a) decide which special right is attached to a bond, if it is apparent from the circumstances, that such a right express a will contained in terms of issue or it is closest to such will in terms of content, or
- b) decide that bond is a bond, to which no special right is attached, if it is not possible to proceed according to letter (a).

(2) The proceedings stated in Section 1 is proceedings according Section 83 (2) (d) of Civil Procedures Code.

(3) Information about commence of proceedings according to Subsection (1) together with a file number of proceedings, designation of concerned court and information about subject of the dispute shall be disclosed by an issuer, without an undue delay after the commencement of proceedings, on the same web page, on which he disclosed terms of issue, in a way, that conditions stated in the second sentence of the Section 3 (2) would be fulfilled mutatis mutandis, or in a way he disclosed terms of issue. An issuer will, in a same way, also disclose a decision of a court in this matter, with marked clause of legal force.

(4) If participant of proceedings according to Subsection (1) is a physical person, issuer, from the personal information of such physical person, will disclose only its name.

### Section 13

(1) If the court decides according to Section 12 (1) (b), a holder of bond, of which type such court decided, can demand, within 1 month from the day on which issuer disclosed decision of the court according to Section 12 (3), that an issuer shall purchase this bond from him for an adequate price, unless there was an apparent doubt when such holder acquired the bond. An issuer shall buy a bond from its holder within 15 working days since the day, when he received a proposal to enter into contract.

(2) An entitled bondholder can seek entering into the contract before the court or demand the compensation for damage, and that he can do no later than in time period of 6 months from the day, when issuer received offer to enter into the contract, if issuer will not fulfil obligation stated in Subsection (1), or if an issuer will not disclose decision according to Section 12 (1) (b) in accordance with the second sentence of Section 12 (3), within 1 month since the day of acquiring its legal force.

### Section 14

*Cancelled*

## **TITLE III**

### **ISSUING OF BOND AND OWN BONDS ACQUIRED BY ISSUER**

#### Section 15

##### **Bond issuing**

(1) Bond issuing is organised by an issuer or by another person he authorizes, who organises issuing of an issue or contractually bound himself to become first acquirer of issue or its part.

(2) Issue of bond is possible to issue within period for subscribing and also gradually in parts (tranches), if this possibility is stated in terms of issue.

(3) If issuing of bonds will not occur, an issuer is then obliged, within 30 days since the time period for subscribing ends, to return to the subscriber the amount subscribed and paid, including interest in the amount of weight average of repo rates of the Czech National Bank, for a time period starting from payment date.

(4) Bonds that were registered, during their issuing, firstly on assets account of issuer in the relevant records of financial instruments, are viewed as properly issued in the moment of their entry on this account, if other requirements set by the law for issuing bonds are fulfilled.

Section 15a

**Own bonds**

(1) Own bonds acquired by an issuer before the date of their maturity, does not cease to exist, unless the issuer decides differently.

(2) An issuer does not exercise convertible or priority right (Section 33) attached to his own bonds.

(3) Own bonds, acquired by an issuer, cease to exist before their maturity day or day determined by an issuer, if it precedes the date of maturity.

(4) For the purposes of provisions of this Act regulating bondholders' meeting, the own bonds in assets of an issuer shall not be taken in consideration.

**TITLE IV**

**BOND YIELD, PAYMENT OF BOND YIELD AND REPAYMENT OF BOND**

Section 16

The yield of bond may be determined, in particular, by

- a) a fixed interest rate,
- b) the difference between the nominal value of the bond and its issue price,
- c) a premium drawn by lot or a premium being dependent on the maturity of the bond, or
- d) a floating interest rate derived, for example, from other interest rates or yields, fluctuations in exchange rates, financial indices or commodity prices.

Section 17

**Decisive day for repayment of bond and payment of bond yield**

(1) If an issuer decided in terms of issue, that the right to repay a bond belongs to a person, who is authorized to perform rights attached to bond at a different day, than is the date of bond maturity, than this day, that was determined by such matter, can't precedes the date of maturity by more than 30 days, and it can't follow after this date.

(2) Subsection (1) shall be used mutatis mutandis in case of a right to payment of bond yield and of right to payment of individual repayments of bond.

## Section 18

**Separation of the right to bond yield**

(1) Unless the terms of issue exclude this, the right to yield from a bond may be separated from the bond and attached to the coupon being a separate security or a book-entry security issued in order to exercise such right.

(2) A coupon sheet of a certificated bond must be issued together with the issuing of bond in the form of a separate coupon for each individual yield; in relation to a book-entry bond, the provision of the first sentence applies appropriately to the entry in the relevant records of financial instruments.

(3) Each of the coupons of a bond must indicate the right attached to it and, in case of a book-entry bond, the decisive day for an execution of the right.

(4) If an identification designation according to the international numbering system for securities identification is assigned to a bond, such identification designation must be assigned separately to:

- a) a bond with coupons,
- b) a bond without coupons (hereinafter referred to as the “separated principal“),
- c) each coupon of the bond.

(5) At the request of the person entitled to exercise rights attached to a bond, the person maintaining the relevant record of financial instruments shall carry out

- a) division of the bond into separated principal and coupons, or
- b) re-unification of the separated principal and coupons, if their owner is, at the same time, the owner of the separated principal. The unification may occur only if the holder of the principal owns all coupons for which the decisive day to execute the right attached to it has not come so far.

## Section 19

**Repayment of bond and payment of bond yield**

(1) Bond maturity is being determined as a lump sum to a certain date, or by repayments, which amount is set in terms of issue.

(2) Issuer is authorized to pay individual bonds, including proportionate yield before the day of their maturity, only if terms of issue permits this way of payment and define conditions for a premature maturity. The terms of issue may determine that in an early repayment of bonds there does not have to be repaid the entire owed amount that corresponds to the nominal value if the bondholder is repaid at least the issue price that had been paid by him.

(3) A bondholder can demand payment of bond before stated date of maturity, only if terms of issue permits this way of paying and if this Act lays it down; a proportionate yield can be demanded, if anything else does not arise from terms of issue.

(4) If premature payment of bond occurs, than all coupons, that are not mature yet, has to be returned together with bond. In case of failure to fulfil this obligation is value of unreturned coupons, determined according to terms of issue, deducted.

(5) A right to bond yield attached to a coupon, which was not returned to issuer during premature payment, remains preserved.

(6) Repayment of bond and payment of bond yield can be executed by an issuer himself or through bank, savings and credit cooperative, broker, operator of mail services or person, which has an authorization, according to law of a foreign state, according to which it was founded, to exercise analogical activities as these persons and is authorized to perform business in the Czech Republic.

## **TITLE V**

### **SECURITY AGENT**

#### **Section 20**

#### **Securing of a bond and security agent**

(1) In relation to a every bond issue, the repayment of a bond and the payment of the bond yield and other debts associated with bonds may be secured also by the creation of a security interest or other security for the benefit of bondholders or other persons set out in the terms of issue (hereinafter referred to as the “entitled persons”) based on a written agreement entered into between the security agent as a pledgee or recipient of other security, and the issuer or other security provider. The claims secured in this way may include contingent claims, non-contingent claims or claims that shall arise in the future, and claims of a certain type created at a certain time, or various claims created based on the same legal basis. Only one security agent may be appointed in relation to a single bond issue.

(2) The security agent exercises the rights of a creditor, pledgee or other security recipient in its own name for the benefit of the entitled persons; this applies also in the event of insolvency proceedings, enforcement of a decision or distraint in respect of the pledgor or other security provider or their assets. The performance obtained from the security (hereinafter referred to as the “performance obtained”) belongs to the entitled persons in the proportion determined in the terms of issue; if the security agent is a bank or broker, the performance obtained is considered in this extent to be the customer’s property pursuant to the act governing capital market business.

(3) The terms of issue of bonds secured pursuant to Subsection (1) must contain information necessary for the identification of the security agent and its designation as the security agent. If the issuer fails to disclose the agreement referred to in Subsection (1), or at least its material part, to investors in the same way as the terms of issue, the terms of issue of the bonds secured pursuant to Subsection (1) must contain at least a description of the rights and obligations of the security agent.

(4) If another legal regulation or legal act requires information on the pledgee or the secured debt, there will be stated information necessary for the identification of the security agent, information identifying the bond, and identification of the secured debt at least by reference to the agreement referred to in Subsection (1), or other document.

(5) The agreement referred to in Subsection (1) will govern the terms and procedure of a change of the security agent.

(6) By a change of the security agent, the rights and obligations of the security agent will fully pass on the new security agent. The document, evidencing the legal fact based on which the security agent changed, is evidence for the registration of the change of the security agent in a public register of things or persons; the application for registration must always be filed also by the new security agent.

## Section 20a

### **Rights and obligations of the security agent**

(1) The security agent is always bound by a decision of the bondholders pursuant to Section 20 (1), adopted on a bondholders' meeting at least by a simple majority of votes, regarding how the security agent is to exercise the rights from the relevant bond issue in respect of a security interest or other security pursuant to Section 20(1).

(2) If the bondholders' meeting decides to change the security agent, the rights and obligations from the agreement referred to in Section 20(1) and the terms of issue will pass on the new security agent.

(3) The security agent will disclose to the entitled persons without undue delay any material information relating to a security interest or other security pursuant to Section 20(1), in particular information about any enforcement of the security interest or other security.

(4) The security agent carries out its activities with a professional care, in particular it acts in a qualified, honest and fair way and in the best interests of the bondholders pursuant to Section 20(1).

(5) The security agent may

- a) exercise for the benefit of the entitled persons all rights associated with a security interest or other security,
- b) inspect the observance of the terms of issue by the issuer in connection with a security interest or other security,
- c) make other acts for the benefit of the entitled persons or otherwise protect their interests in connection with a security interest or other security.

(6) In the exercise of the rights pursuant to Section 5, the security agent is deemed to be the creditor of each secured claim.

(7) In the extent in which the security agent exercises rights from a security associated with the bonds, the bondholders pursuant to Section 20(1) must not exercise the rights independently; this is without prejudice to the right of the bondholders to decide to change the security agent.

(8) The provisions of the Civil Code on administration of the property of another will not apply to the security agent.

## **TITLE VI**

### **BONDHOLDERS' MEETING**

#### Section 21

##### **Basic provisions**

(1) An issuer will convene meeting, without unnecessary delay, in the event of

- a) a proposal for amendments to terms of issue, if its approval is required to change the terms of issue,
- b) a termination of the activities of the security agent under the agreement referred to in Section 20(1),
- c) a request to change the security agent by the bondholders whose total nominal value represents at least 5% of the total nominal value of the relevant bond issue,
- d) further situations that are defined by the terms of issue (hereinafter referred to as the “changes of significant nature”).

(2) The security agent must convene the bondholders' meeting without undue delay in an event pursuant to Subsection 1 (b) or (c) or if it is so stipulated by the terms of issue, unless the bondholders' meeting is convened by the issuer. The bondholders' meeting may be convened also by a bondholder if the issuer has breached its duty pursuant to Subsection (1) or in another event governed by the terms of issue, unless the bondholders' meeting has been convened by the security agent pursuant to the first sentence.

(3) The agreement referred to in Section 20 (1) will govern the procedure of a change of the security agent as a result of a decision of the bondholders' meeting convened for this reason set out in Subsection 1 (c).

(4) Issuer is obligated to attend bondholders' meeting and to provide information necessary for decision or accepting statement of bondholders' meeting. The security agent must attend the bondholders' meeting convened for the reason set out in Section 21 (1) (b) or (c) or in the terms of issue.

(5) A person maintaining the relevant record of financial instruments issues list from the record of issue of subjected bonds for purposes of convening and holding bondholders' meeting, to issuer on his request.

#### Section 21a

##### **Decisive day for a participation in the bondholders' meeting**

(1) An issuer determines the day for bondholders that is decisive for their attendance on bondholders' meeting. This day can't precede the day on which the bondholders' meeting take place by more than 30 days.

(2) If bonds are accepted for trading on European regulated market, on foreign market that is similar to regulated market or on multilateral trading system of operator with its registered office in a member state, than day, which is decisive for a participation in the bondholders' meeting, is always seventh day preceding bondholders' meeting.

## Section 22

(1) The person that convene bondholders' meeting (hereinafter referred to as the "convener"), secures the meeting organisationally and technically, and bears the expenses connected with it, unless the issuer violates its obligation pursuant to Section 21(1) and the bondholders' meeting is convened by a bondholder instead of the issuer. In that case, expenses connected with bondholders' meeting are borne by the issuer. Costs connected with participation in the bondholders' meeting bears bondholder.

(2) Place, date and hour of bondholders' meeting must be determined in a manner that, avoids, to the maximum degree, limiting the ability of the bondholders to attend.

(3) The convener is obliged to publish the announcement of the holding of the bondholders' meeting in a manner stipulated by the terms of issue at least 15 days prior to the meeting. The announcement must include at least

a) information about the issuer according to Section 6 (1) (c).

b) name of the bond, its date of issue and identification designation according to international system of numbering for identification of securities, if it was assign, or different information identifying bond; in case of a joint bondholders' meeting, all these information about issued and yet unpaid issues,

c) place, date and hour of holding of bondholders' meeting,

d) the agenda, including occasional proposal to change the terms of issue and their reasoning,

e) the decisive day for a participation in the bondholders' meeting.

(4) If the bondholders' meeting is held on the motion of a bondholder, the issuer is obliged to render a needed assistance.

(5) Matters, which were not included in proposed agenda of bondholders' meeting negotiation, can be decided on this meeting, only in case of a participation and approval of all bondholders.

(6) If reason for convening the bondholders' meeting falls, a convener will cancel bondholders' meeting in a same way as it was convened.

## Section 23

**Bondholders' meeting course**

(1) Bondholders' meeting is quorate if it is attended by bondholders whose nominal value represents, on the decisive day for participation in the bondholders' meeting, more than 30% of the nominal value of the outstanding part of the bond issue. A joint bondholders' meeting is quorate if it is attended by bondholders whose nominal value represents, on the decisive day, more than 30% of the nominal value of the outstanding part of each issue that has been issued so far. If a matter common to all issues is not dealt with, the participation of bondholders of 30% of the nominal value of the outstanding part of those issues that are concerned by the matter is necessary, unless the terms of issue provides otherwise.

(2) If bondholders' meeting, which should decide about change of terms of issue, is not quorate, than convener convene, if it is still necessary, replacing bondholders' meeting in a way, that it is held within 6 weeks since the day, on which original bondholders' meeting was convened. Holding of replacing bondholders' meeting with unchanged agenda of negotiation will be announced to bondholders no later than 15 days since day, on which original bondholders' meeting was convened. Replacing bondholders' meeting is quorate with no regard to conditions stated in Subsection (1).

(3) Before the bondholders' meeting begins, the convener is obliged to provide information on the number of all bonds entitling participation in the meeting for the purpose of control of participation in this meeting. Own bonds owned by the issuer on the decisive day are not counted for the purposes of Subsection (1) and (4).

(4) The bondholders' meeting shall pass resolutions by a simple majority of votes of the bondholders present. The number of votes of each bondholder corresponds to his share in the total nominal value of the outstanding part of the bond issue. The consent of three quarters of votes of the bondholders present is necessary for an amendment to issue conditions, a supplement to a bond programme or for appointing and removing a joint representative of bondholders.

(5) If bondholders' meeting consents to changes of significant nature, a person that was a bondholder on the decisive day for participation in the bondholders' meeting and that, according to the minutes, voted at the meeting against the motion or did not attend the meeting may request that the nominal value of the bond be redeemed prior to maturity, including the proportionate yield. If the yield is determined by the difference between the nominal value of the bond and its issue price, the issuer is obliged to pay the bondholders the issue price and the proportionate yield. A request for repayment prior to maturity must be submitted within 30 days of the publication of the resolutions of the bondholders' meeting or joint bondholders' meeting pursuant to Subsection (7). After the expiry of this period the right to prior repayment lapses. The issuer is obliged to pay this amount within 30 days of delivery of the request in the manner and at the place stipulated by terms of issue for the bond repayment.

(6) If bondholders' meeting does not consent to changes of significant nature stated in Section 21 (1) (b) to (d), it may, at the same time, decide that if issuer proceeds in contradiction with their resolution, he is than obligated to prematurely pay bondholder, who requested that, their nominal value including variable yield; if the yield was determined by difference between nominal value of bond and its issue price, the issuer is than obligated to pay bondholders issue price and variable yield on their request. The request for early repayment must be given within 30 days after disclosure of the decision of the bondholder's meeting or a joint bondholder's meeting pursuant to Subsection (7). After the lapse of this period, the right to early repayment expires. The issuer must repay the amount within 30 days after delivery of the request in the manner and place that are stipulated by the terms of issue for the repayment of the bond.

(7) The convener shall draw up the minutes of the bondholders' meeting within 30 days of the date it took place. If the meeting discusses any changes of a significant nature, a notarial deed of the meeting must be arranged. If the bondholders' meeting consents to any of such changes, the notarial deed shall include the names of the bondholders that consented to the change and the number of individual bonds that each of these holders owns on the decisive day for participation in the bondholders' meeting (Subsection (1)). The issuer is obliged to publish all the decisions of the bondholders' meeting within 30 days of the date of holding the meeting in the same manner as it published the issue conditions.

## Section 24

### **Common representative of bondholders**

(1) In relation to each bond issue there may be appointed a common representative of all bondholders of the issue (hereinafter referred to as the "common representative") based on a written agreement entered into between the common representative and the issuer no later than on the date of the bond issue. For these purposes, the common representative is considered to be the creditor of each claim of each bondholder. The appointment or change of the common representative may be decided at any time also by the bondholder's meeting.

(2) Unless otherwise is stipulated by the agreement referred to in Subsection (1), the common representative exercises, in addition to the rights pursuant to Subsection (8), also all the rights of the security agent pursuant to Sections 20 and 20a, unless a person other than the common representative is appointed as a security agent. If the common representative exercises the rights of the security agent, it carries out also the obligations of the security agent pursuant to Sections 20 and 20a.

(3) If the bondholder's meeting decides to appoint or change the common representative, the issuer is bound by the decision.

(4) The common representative carries out its activities with a professional care, in particular it acts in a qualified, honest and fair way and in the best interests of the bondholders. The common representative exercises all the rights of the creditor in accordance with the terms of issue or the agreement referred to in Subsection (1) in its own name for the benefit of the bondholders; this applies also after the appointment of a forced administrator of cover pools (Section 32a(1)) and in the event of insolvency proceedings, enforcement of a decision or distraint in respect of the issuer of the bonds or its assets.

(5) The terms of issue or the decision of the bondholder's meeting must include information necessary for the identification of the common representative of bondholders and its designation as the common representative. If the issuer fails to disclose the agreement referred to in Subsection (1), or at least its material part, to investors in the same way as the terms of issue, the terms of issue must contain at least a description of the rights and obligations of the common representative.

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

(7) The agreement referred to in Subsection (1) or the terms of issue will govern the terms and procedure of a change of the common representative. When the common representative changes, the rights and obligations from the agreement referred to in Subsection (1) and the terms of issue will pass on the new common representative.

(8) Unless otherwise stipulated by the terms of issue or the agreement referred to in Subsection (1), the common representative may

- a) exercise for the benefit of the bondholders all rights associated with the bonds,
- b) inspect the meeting of the terms of issue by the issuer,
- c) make other acts for the benefit of the bondholders or otherwise protect their interests.

(9) In the exercise of the powers under Subsection (8), the common representative is considered to be the creditor of each claim of each bondholder. In the extent in which the rights associated with the bonds are exercised by the common representative, the bondholders must not exercise the rights independently; this is without prejudice to the right of the bondholders to decide to change the common representative.

#### Section 24a

##### **Attendance of bondholders' meeting with the use of means of distance communication**

(1) Terms of issue can determine, under what conditions can authorized persons attend bondholders' meeting with the use of electronic means, allowing for example, direct distance transmission of bondholders' meeting by image and sound or by direct two-direction communication between bondholders' meeting and authorized person.

(2) Organizational and technical conditions has to allow verification of identity of a person, that is authorized to attend bondholders' meeting and determination of share on overall nominal value of unpaid part of bonds issue; otherwise votes expressed this way or attendance of bondholders, that vote this way, are not being taken into account.

(3) A bondholder, who use right according to Subsection (1) is considered to be present on bondholders' meeting.

**PART TWO****SPECIAL CATEGORY OF BONDS****TITLE I****GOVERNMENT BONDS AND BONDS ISSUED BY CZECH NATIONAL BANK**

## Section 25

(1) Bonds issued by Czech Republic, as well as similar securities representing right for payment of owed amount, which Czech Republic issues according to the right of a foreign state, are government bonds. Czech Republic may issue government bonds in Czech Republic and abroad.

(2) Government bonds are issued on the basis of

a) other Act on government bond program, or

b) other act, which authorizes ministry to issue government bonds or allows it to issue government bonds.

(3) On the basis of an Act according to Subsection (2), it is possible to issue individual issue of bonds under variable terms of issue.

(4) The government of the Czech republic is obligated to submit, to The Chamber of Deputies of the Parliament of the Czech Republic, the opinion of the Czech National Bank on the government draft act on the government bond programme and on the government's draft of another act, entrusts the Ministry with issuing government bonds or enables it to issue government bonds; that does not apply, if this other Act is an Act regulating budgetary rules.

(5) Government bonds having a maturity of one year or less shall be designated as treasury bills. Bonds issued by the Czech National Bank with a maturity within 1 year, including, shall be designated as a bills of the Czech National Bank.

(6) Provisions of Subsections (2) to (5) is related to government bonds issued in abroad.

(7) Provisions of Sections 3, 9 (1) (k) to (m), 10, 21, 24a are not related to government bonds and bonds issued by the Czech National Bank.

## Section 26

(1) Czech Republic issues government bonds through the Ministry. The terms of issue of government bonds are determined by the Ministry. Ministry can determine joint terms of issue, which are the same for not otherwise specified number of issue of treasury bills. The Ministry declares terms of issue of government bonds and common terms of issue of treasury bills in the Collection of Laws, if it is not a case of terms of issue of government bond issued in abroad or according to law of a foreign state, joint terms of issue of treasury bills are, for an individual issue, complemented with information according Section 6 (1) (d), (f) and (j) and according Section 9 (1) (g) and (j) and according Section 9 (1) (e), which are not being declared in the Collection of Laws, but they are disclosed by the Ministry in a way that allows distance access.

(2) Terms of issue of bonds issued are published in the Bulletin of the Czech National Bank and are published in a manner allowing distance access. The Czech National Bank may issue joint terms of issue which are identical for an indefinite number of issues of bills of the Czech National Bank. The joint terms of issue are published pursuant to the first sentence and are supplemented for the specific issues with the data referred to in Section 6 (1) (d),(f) and (j), Section 9 (1) (g) and (j) which are not published in the Bulletin of the Czech National Bank, but are published by the Czech National Bank in a manner allowing distance access.

(3) The Ministry may not amend the terms of issue of government bonds, unless if it is a case according to Section 9 (1) (f) and (i) and Section 9 (2) (j). The Czech National Bank may not amend the terms of issue of bonds issued by the Czech National Bank.

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

(5) The activity connected with administration and repayment of government bonds is secured by the Ministry or by the person authorized by the Ministry.

(6) Transferability of government bonds can be excluded by terms of issue. Transferability of government bonds can also be limited by terms of issue, if the terms of issue in the same time determines conditions, under which the transferability is acceptable. Limitation or exclusion of transferability of government bonds is applicable to everyone.

(7) If the transferability of government bonds is excluded or limited, terms of issue can also exclude option to establish right of pledge to state bonds, or, if they in the same time determines conditions, under which the establishment of pledge is acceptable, to limit this option. Limitation or exclusion of option to establish pledge to government bonds is applicable to everyone.

(8) The transfer of government bond, which is in the conflict with Subsection (6) or the establishment of pledge right to government bond which is in the conflict with Subsection (7) is not being taken in account.

## **TITLE II**

### **MUNICIPAL BONDS**

#### *Section 27*

(1) Bonds issued by a territorial self-governing unit are municipal bonds. The designation “*komunální*” (in English: “municipal”). is a part of the title of this kind of bond. Other bonds may not bear such designation.

(2) Prior consent of the Ministry is necessary for issuing municipal bonds by the territorial self-governing unit.

(3) The Ministry shall grant the consent pursuant to Subsection (2), if

a) economic situation of territorial self-governing unit allows to fulfil debts resulting from municipal bonds and these debts does not have and will not have significantly negative impact on its management and development.

b) territorial self-governing unit wants to gain financial means by issuing municipal bonds for the purpose of using financial means gained this way for

1. investments in fixed assets for execution of scope of territorial self-governing unit,

2. elimination of damage inflicted by natural or another disaster, or

3. financing project co-funded from means of the European Union, and

c) maturity period of municipal bonds, which territorial self-governing unit wants to issue is not longer than 15 years since the date of issue.

(4) For an application for a consent according to Subsection (2) an applicant shall submit documents proving fulfilment of conditions stated in Subsection (3). The template for the application and the content of its annexes, including annexes proving purpose of financial means use in compliance with Subsection (3) (b), points 1 to 3, is set by a ministerial degree.

(5) Territorial self-governing unit keeps financial means gained by issuing of municipal bonds on separate bank account or it keep accounts separately in a way, to be always capable to prove purpose of their use.

(6) Provisions of Section 7 (1) (b) do not apply to a municipal bond issue.

(7) Subsections (2) to (5) shall also apply to municipal bonds issued abroad or to similar securities representing the right for payment of owed amount issued by a territorial self-governing unit according to law of a different state.

### **TITLE III**

#### **COVERED BONDS**

##### **Chapter 1**

#### **Requirements on covered bonds and their issuer**

##### **Section 28**

#### **Covered bond**

(1) A covered bond is a bond or similar security representing the right to the repayment of an owed amount issued under the law of foreign state whose issuer is a bank and that, as at the issue date, meets the requirements of Section 28a(1) and (2).

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

(3) A mortgage loan is a loan that is, at least partially, secured by a mortgage of immovables, from the date of creation of legal effects of the mortgage. A claim from a mortgage loan may be entered in the cover pool record [Section 32(3)(a)] only from the date on which the issuer of covered bonds learns about the legal effects of the mortgage of immovables.

(4) The immovable asset referred to in Subsection (3) has to be located within the territory of an EU member state.

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

a) terms of issue means a document under the law of that foreign state comparable with terms of issue, or an agreement under the law of that foreign state comparable with terms of issue, and

b) common representative means a person under the law of that foreign state in a position comparable with the position of a common representative; this person is considered to have similar powers as the common representative under this Act.

#### Section 28a

#### **Rules for cover portfolio**

(1) The total nominal value of all the cover assets (Section 30a) in the cover portfolio (Section 30c (1)) must equal at least 102% of the total nominal value of all debts for whose cover the cover portfolio serves (Section 31a(1)) and form together with it a cover pool, unless a higher limit is stipulated by the terms of issue. In the meeting of the obligation under the first sentence, the cover assets, except derivatives, shall be expressed in the nominal value and derivatives in the cover pool shall be expressed in the fair value according to the International Financial Reporting Standards stipulated by the Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, as amended, while

(a) for the issuer of covered bonds, the positive fair value of derivatives shall be taken into account in the cover portfolio only up to the level of the accepted securing of derivatives in the form of financial means or things pursuant to Section 31 (2) (b) or (c) which is part of the cover pool, and

(b) for the issuer of covered bonds, the negative fair value of derivatives in the cover portfolio is not taken into account, and this negative fair value of derivatives enters into the cover pool as the debt for which coverage this cover portfolio is used [(Section 31a (4) (e))] unless the issuer has provided the other party with securing derivatives in the form of funds or things pursuant to Section 31 (2) (b) or (c), which is part of the cover pool.

(2) The total nominal value of all the cover assets in the cover portfolio must equal at least 85% of the total nominal value of all debts, for whose cover this cover portfolio serves, unless a higher limit is stipulated by the terms of issue. In the meeting of the obligation under the first sentence, the cover assets pursuant to Section 31(2)(d) and (e) and under Article 129(1)(c) and Article 129(2) of Regulation (EU) No 575/2013 of the European Parliament and of the Council, shall not be taken into account.

(3) The nominal value of a claim from a mortgage loan in the cover portfolio must not exceed 100% of the mortgage lending value of the mortgaged immovable (Section 29) that serves to secure the claim, unless a lower limit is stipulated by the terms of issue. In the extent in which a claim from a mortgage loan exceeds the limit, it shall not be taken into account for the purposes of Subsections (1) and (2).

(4) For the purposes of Subsections (1) and (2), the nominal value of a claim from a mortgage loan in the cover portfolio in the event of default of an obligor under Section 178 of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council or in the event of a fulfilment of more stricter condition under the conditions of emission, shall be reduced by 100 %.

#### Section 28b

### **Types of covered bonds**

(1) A mortgage covered bond is a covered bond whose terms of issue stipulate that the obligation under Section 28a (2) must be met only using the cover assets under Section 31(2)(a) or under Article 129(1)(d) to (f) of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012. Only mortgage covered bonds may contain in their name the designation “hypotéční zástavní list” (in English: “mortgage covered bonds”). Mortgage covered bonds may contain in their name also a designation in a foreign language with the corresponding sense.

(2) A public covered bond is a covered bond whose terms of issue stipulate that the obligation under Section 28a(2) must be met only using the cover assets under Section 31(2)(b) and (c) or under Article 129(1)(a) and (b) of Regulation (EU) No 575/2013 of the European Parliament and of the Council.

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

#### Section 28c

### **Obligation to observe rules for cover portfolio**

(1) The issuer of covered bonds must ensure the meeting of the requirements under Section 28a.

(2) The issuer of covered bonds whose name includes the designation “CRR” must ensure in relation to these covered bonds the meeting of the requirements of Article 129 of Regulation (EU) No 575/2013 of the European Parliament and of the Council. Only covered bonds that meet the requirements of Article 129 of Regulation (EU) No 575/2013 of the European Parliament and of the Council may have the designation “CRR” in their name.

(3) The issuer of mortgage covered bonds must ensure in relation to these covered bonds the meeting of the requirement of Section 28b(1).

(4) The issuer of public covered bonds must ensure in relation to these covered bonds the meeting of the requirement of Section 28b(2).

(5) From the moment of appointment of a forced administrator of cover pools, neither the requirements of Section 28a and Section 28b nor the requirements of Article 129 of Regulation (EU) No 575/2013 of the European Parliament and of the Council will apply.

#### Section 28d

##### **Cover pool monitor**

(1) The issuer of covered bonds may, by a written agreement, appoint another person as cover pool monitor to monitor the cover pool and the related part of the cover pools records.

(2) If an agreement referred to in Subsection (1) has been entered into, the terms of issue or the prospectus of the covered bonds or the agreement on the covered bonds, whose relevant part has been disclosed by the issuer to investors in the same way as the terms of issue or the prospectus, include information necessary for identification of the cover pool monitor.

(3) The document referred to in Subsection (2) may include a description of the rights and obligations of the cover pool monitor and the requirements for the due exercise of this activity.

(4) The agreement referred to in Subsection (1) obliges the cover pool monitor to disclose, without undue delay, to the holders of the covered bonds material information on whether and how he the issuer of the covered bonds meets its obligations under Section 28c.

(5) The cover pool monitor carries out its activities with expert care, in particular it acts in a qualified, honest and fair way and in the best interests of the holders of the covered bonds, in particular it meets the obligations set out in Subsection (4) and in the document referred to in Subsection (2).

#### Section 29

##### **Mortgage lending value of the mortgaged immovable**

(1) The issuer of covered bonds shall determine the pledge value of the mortgaged (pledged) immovables. The issuer of covered bonds is obliged to stipulate, in its internal regulations, rules for the determination of the pledge value of mortgaged immovables, such rules must respect the principles stated in Subsection (2).

(2) The mortgaged immovables shall be valued at the usual price according to a special legal regulation governing the valuation of assets, taking into account

- a) the permanent and in the long-term sustainable characteristics of the immovable asset,
- b) the income achievable by a third person through the proper management of the immovable asset,

- c) the rights and defects attached to the immovable asset and
- d) local conditions on the real estate market including its influences and anticipated development.

(3) The pledge value of mortgaged immovable assets, determined according to Subsection (2), shall not exceed its usual price.

### Section 30

#### **Priority rights in mortgaged immovable**

(1) The mortgaged immovables must not be encumbered by any mortgage of a third party with the same or higher ranking than the mortgage securing the claim from the mortgage loan registered in the register of cover assets. The transfer of mortgaged immovables must not be restricted by the earlier restrictions on the transfer of immovable property. These conditions must be met for the entire period for which the claim from the mortgage loan is registered in the register of cover assets; for the purposes of Section 28a (1), the nominal value of a claim that fails to meet this requirement is equal to zero.

(2) An immovable asset is not considered to be encumbered with an earlier established loan or a limitation on transfer of immovable assets if the debt secured in this way ceases to exist as a result of using the mortgage loan for its repayment.

### Section 30a

#### **Cover assets**

A thing set out in Section 31(1) and (2) and registered in the register of cover assets is a cover asset.

### Section 30b

#### **Rules for register of cover assets**

(1) After the appointment of a forced administrator of cover pools, a thing may be registered in the register of cover assets only with the prior consent of the holders of covered bonds. A registration carried out without this prior consent will be disregarded.

(2) The issuer of covered bonds must delete from the register of cover assets thing that, after its registration, ceased to be a thing set out in Section 31(1) or (2). The forced administrator of cover pools has no such obligation.

(3) Neither the issuer of covered bonds nor the forced administrator of cover pools is obliged to delete from the register of cover assets any thing even if the total value of all cover assets in a cover portfolio exceeds the limit of 102% of the total value of all debts for whose cover the cover portfolio serves.

(4) If the total value of all cover assets in a cover portfolio after the appointment of a forced administrator of cover pools exceeds the limit of 102% of the total value of all debts for whose cover the cover portfolio serves, the forced administrator of cover pools, with the consent of the holders of the covered bonds, may delete a thing from the register of cover assets.

(5) If, after the appointment of a forced administrator of cover pools, there are repaid all debts for whose cover the cover portfolio serves, the forced administrator of cover pools will, without undue delay, cease to carry out full administration of the cover pool and will ensure that the things that remain in the cover portfolio stop being registered as part of the cover portfolio.

#### Section 30c

##### **Cover portfolio**

(1) A cover portfolio is a part of the assets of the issuer of covered bonds that has separate records, is composed of things registered in the register of cover assets and things set out in Section 31(4) and serves to cover the debts pursuant to Section 31a.

(2) The issuer of covered bonds creates, at its discretion, one or several cover portfolios.

(3) The cover portfolio is created by the registration of at least one thing in the register of cover assets separately from the other things that have already been registered in the register of cover assets and by the determination of the debts for whose cover the cover portfolio is to serve, at least in the records under Section 32(3)(c). Determination of debts is not required if the issuer of covered bonds has created only one cover portfolio; in such an event the cover portfolio serves to cover the debts from all the covered bonds in circulation issued by the issuer.

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

(5) Things registered in the register of cover assets must not be transferred, mortgaged or otherwise used as a security. This applies also after the application of a measure to prevent a crisis or a measure to resolve the crisis pursuant to the Act on Recovery and Resolution Measures on the Financial Market in respect of the issuer of covered bonds by the Czech National Bank.

#### Section 30d

##### **Cover pool**

(1) A cover pool is a part of the assets of the issuer of covered bonds that has separate records and is composed of a cover portfolio and debts for whose cover the cover portfolio serves.

(2) A liquidation, a measure carried out by the Czech National Bank pursuant to the Banking Act, a measure to prevent a crisis or a measure to resolve the crisis pursuant to the Act on Recovery and Resolution Measures on the Financial Market or the appointment of a forced administrator of cover pools in respect of the issuer of covered bonds does not affect the rights and obligations from the things and debts forming the cover pools of the issuer.

## Section 31

**Eligible cover assets and related things**

(1) In the register of cover assets may be registered a thing set out in Article 129(1) and (2) of Regulation (EU) No 575/2013 of the European Parliament and of the Council, while the derivative has to fulfil conditions set out in Subsections (2)(e) and (3).

(2) In the register of cover assets may be registered also the following things even if they do not meet the requirement of Subsection (1):

a) claim from a mortgage loan,

b) claim against a Member State of the Organisation for Economic Co-operation and Development or the central bank of such a state, or a multilateral development bank or international organisation whose member is a member state of the Organisation for Economic Co-operation and Development,

c) claim guaranteed by a Member State of the Organisation for Economic Co-operation and Development or the central bank of such a state, or a multilateral development bank or international organisation whose member is a member state of the Organisation for Economic Co-operation and Development,

d) funds of the issuer on an account kept by a person set out in Section 72(2) of the Management Companies and Investment Funds, and

e) rights from a derivative under Article 2(5) of Regulation (EU) No 648/2012 of the European Parliament and of the Council serving to secure the risks associated with cover assets included in the cover portfolio or covered bonds if, from the terms under which the derivative was agreed, it is clear that it is agreed in relation to the covered bonds and if it is stipulated that insolvency or crisis resolution of the issuer of covered bonds does not mean early termination of the derivative.

(3) A derivative set out in Subsection (2)(e) may be registered in the register of cover assets or deleted from the register of cover assets only with the prior consent of the other party.

(4) The following things belong into a cover portfolio without the need to register them in the register of cover assets:

a) rights from a security granted in relation to the cover assets included in the cover portfolio, in particular mortgages of immovables in relation to mortgage loans,

b) rights from agreements entered into in relation to the cover assets included in the cover portfolio, in particular insurance agreements,

c) a thing granted as security for a derivative pursuant to Subsection 2(e),

d) rights from agreements entered into in relation to the administration of a cover pool whose part is the cover portfolio, and

e) from the moment of appointment of the forced administrator of cover pools, funds accepted as payment for the repayment of a debt from a thing included in the cover portfolio or in direct association with the thing; the funds accepted in this way belong solely to the relevant cover portfolio.

(5) The issuer of covered bonds or forced administration of cover pools keeps records about the things referred to in Subsection (4), pursuant to Section 32 (3) (b).

#### Section 31a

#### **Eligible debts and related debts**

(1) In relation to every cover portfolio, the issuer of covered bonds or the forced administrator of cover pools keeps records of the debts pursuant to Section 32(3) (c) and (d) for whose cover the cover portfolio serves.

(2) In the records pursuant to Section 32 (3) (c) are registered debts from covered bonds in circulation, in particular the obligation to repay a covered bond and pay a accrued yield of a covered bond. The debts pursuant to the first sentence may be defined in the records under Section 32 (3) (c) in particular by the determination of one or several issues of covered bonds. The covered bonds in circulation shall be defined as covered bonds whose owner is a person different to the issuer of such covered bonds or covered bonds whose owner is their issuer and such covered bonds have been provided by the issuer as a security. The debts may be defined also by the determination of issues of covered bonds that have not yet been issued.

(3) In the records pursuant to Section 32 (3) (d) are registered debts related to the debts referred to in Subsection (2) that are determined in the terms of issue or the prospectus of the covered bonds or in the agreement in respect of the covered bonds whose relevant part has been disclosed by the issuer of the covered bonds to investors in the same way as the terms of issue or the prospectus of the covered bonds.

(4) A related debt pursuant to Subsection (3) may be in particular a debt corresponding to a claim

a) of the forced administrator of cover pools,

b) arising from a legal act of the forced administrator of cover pools at the expense of the cover portfolio,

c) of the cover pool monitor,

d) of the common representative of the holders of covered bonds,

e) of the counterparty of a derivative pursuant to Section 31(2) (e) from the derivative or in direct connection with it, or

f) of other person determined in the terms of issue or the prospectus of the covered bonds that has participated in the issuing of the covered bonds or in the administration of the cover pool whose part are the debts pursuant to Subsection (2).

## Section 32

**Cover pool records and information duties of the issuer**

(1) The issuer of covered bonds keeps in respect of all its issues of covered bonds in circulation and in respect of all its cover portfolios cover pool records providing full information for assessment of whether and how the issuer meets its duties pursuant to Section 28a.

(2) From the moment of an appointment of the forced administrator of cover pools, the cover pool records are kept by the forced administrator of cover pools, in the same extent as the issuer of the covered bonds.

(3) The cover pool records are the following registers of things and debts kept by the issuer of the covered bonds or the forced administrator of cover pools:

- a) register of cover assets kept separately for each cover pool,
- b) records of things related to cover assets, kept separately for each cover pool,
- c) records of debts from covered bonds, kept separately for each cover pool,
- d) records of debts related to the debts pursuant to letter (c) and things pursuant to letter (a) and (b), kept separately for each cover pool.

(4) The registers pursuant to Subsection (3) are not public registers. Bank secrecy applies to information contained in the registers. Section 38 of the Banking Act will apply *mutatis mutandis* to the providing of information from these registers.

(5) The issuer of covered bonds regularly informs the Czech National Bank on whether and how the issuer meets its duties under Section 28c.

(6) The elements and manner of keeping of the cover pool records pursuant to Subsection (1) and the manner of meeting of the information duties of the issuer of cover bonds pursuant to Subsection (5), including the periodicity, are determined by the Czech National Bank by a regulation.

## Chapter 2

**Forced administrator of cover pools**

## Section 32a

**Appointment of forced administrator of cover pools**

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

- a) the Czech National Bank has filed an application for commencement of insolvency proceedings in respect of the issuer,
- b) insolvency proceedings have been commenced in respect of the issuer,

- c) the issuer has entered into liquidation,
- d) the Czech National Bank has withdrawn the issuer's banking licence, or
- e) the issuer is, for reasons directly related to its financial situation, unable to discharge its debts and there is no prospect that it will be able to do so.

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

- a) a bank, or
- b) a foreign bank with its registered office in another Member State that issues securities comparable to covered bonds or that administers things comparable to cover assets.

(3) The forced administrator of cover pools may not be an insolvency administrator, temporary administrator or liquidator of the issuer of covered bonds or any other persons in respect of which there is a risk of a conflict of interests.

## Section 32b

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

(1) The forced administrator of cover pools carries out full administration of all the cover pools of the relevant issuer of covered bonds. The administration of cover pools by the forced administrator of cover pools ends if all the cover pools have been transferred pursuant to Section 32d or if they ceased to exist by a procedure pursuant to Section 32e.

(2) The forced administrator of cover pools carries out its activities with expert care. The carrying out of the activities of the forced administrator of cover pools with expert care means in particular that it acts in a qualified, honest and fair way and in the best interests of the holders of the covered bonds, in particular it meets the obligations set out in this Part and in the terms of issue or the prospectus of the relevant covered bonds.

(3) Legal acts that relate to a thing registered in the register of cover portfolios, and that are not a discharge of debt and have, after the appointment of the forced administrator of cover pools, made by a person other than the administrator without the consent of the administrator are disregarded.

(4) The forced administrator of cover pools exercises the rights and discharges obligations always for the benefit of the relevant cover pool.

(5) The forced administrator of cover pools may agree an obligation for the benefit or at the expense of a cover pool only in order to improve liquidity or hedge against risk.

(6) The issuer of covered bonds, insolvency administrator, liquidator or temporary administrator of the issuer of cover bonds render assistance to the forced administrator of cover pools so that the forced administrator of cover pools may carry out its obligations.

(7) The forced administrator of cover pools renders assistance to the issuer of covered bonds, insolvency administrator, liquidator or temporary administrator of the issuer of cover bonds so that they may carry out their obligations.

(8) If, after the commencement of insolvency proceedings in respect of the issuer of covered bonds, the total value of the cover assets in the cover portfolio is lower than the total value of debts for whose cover the cover portfolio serves, the holders of covered bonds may register their claims in the extent in which they are not covered by the cover portfolio. The forced administrator of cover pools will quantify the claims of the holders of covered bonds in the extent in which they are not covered by the cover portfolio and, without undue delay, will send the quantification to the insolvency court within the period stipulated for the registration of claims in insolvency proceedings.

#### Section 32c

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

(1) Without undue delay after its appointment, the forced administrator of cover pools will open an account with a person set out in Section 72 (2) of the Act on Management Companies and Investment Funds to accept payments pursuant to Section 31(4) (e) or payments pursuant to Subsection (2), and will inform the persons whom this may concern about an unequivocal identifier of the account and will provide them also with other material information.

(2) The person that receives a payment in favour of the cover portfolio will, without undue delay, transfer it to the account referred to in Subsection (1) or, if the person does not know the unequivocal identifier of the account, will transfer it in another way to the forced administrator of cover pools in favour of the relevant cover portfolio; this will apply also after the commencement of insolvency proceedings in respect of the issuer of covered bonds.

#### Section 32d

##### **Transfer of cover pool by forced administrator of cover pools**

(1) With the consent of the Czech National Bank, the forced administrator of cover pools may transfer a cover pool to a person pursuant to section 32a (2); a transfer of a cover pool made without this consent will be disregarded. The forced administrator of cover pools must not transfer a cover pool to itself in this way; a transfer of a cover pool to the forced administrator of cover pools will be disregarded. If a cover pool is transferred for a consideration, the consideration will be transferred by the forced administrator without undue delay, after deduction of its fee for the administration and transfer of the cover pool, into the assets or the underlying assets in insolvency procedure of the issuer of covered bonds whose cover pool was transferred in this way.

(2) The Czech National Bank will grant the consent pursuant to Subsection (1) at the request of the forced administrator of cover pools if it is in the interests of the holders of the relevant covered bonds.

(3) Except for the consent of the Czech National Bank, the transfer of a cover pool pursuant to Subsection (1) or its effectiveness in relation to third parties does not require any other public or private consent or notification. The validity of the transfer or its effectiveness in relation to third parties does not require any legal act other than the agreement between the forced administrator of the cover pool and the person pursuant to Section 32a (2).

(4) If the total value of cover assets in the cover portfolio after the appointment of the forced administrator of cover pools is lower than the total value of the debts for whose cover the cover portfolio serves, the transfer pursuant to Subsection (1) may be made only after a proportional decrease of the debts from the covered bonds pursuant to Section 32e (1).

(5) If it is decided by the holders of the covered bonds to which are related the debts that are part of the cover pool pursuant to Subsection (1), at least by a simple majority of votes in relation to each affected issue of covered bonds, the forced administrator of cover pools must ask the Czech National Bank for consent pursuant to Subsection (1), and if the consent has been granted, the forced administrator of cover pools must transfer the cover pool pursuant to Subsection (1).

(6) The forced administrator of cover pools is always bound by a decision of the holders of covered bonds on the transfer of the cover pool.

(7) If a cover pool is transferred pursuant to Subsection (1), the Czech National Bank may order

a) the person keeping the relevant records of financial instruments or other register in which are registered the covered bonds to which these debts are related, to make or change a registration in the records or other register in which the covered bonds are registered, or

b) the transferee of the cover pool to ensure the withdrawal from circulation of the covered bonds to which the debts are related, for the purposes of their exchange and recording of new information on the transferee of the cover pool as their issuer.

#### Section 32e

#### **Proportional decreasing of debts, realization of cover portfolio and early repayment of covered bonds**

(1) If the total value of cover assets in a cover portfolio after the appointment of a forced administrator of cover pools is lower than the total value of the debts from the covered bonds for whose cover the cover portfolio serves, the forced administrator of cover pools may, with the consent of the Czech National Bank, decide that these debts will be proportionally decreased. By a proportional decrease of debts there will, in the extent of the decrease, occur a permanent decrease of the nominal value of the covered bonds to which the debts are related. At the same time, there will occur a decrease or extinction of the claims from the covered bonds, in the extent of the decrease of their nominal value.

(2) The Czech National Bank will grant the consent pursuant to Subsection (1) at the request of the forced administrator of cover pools if it is in the interests of the holders of the covered bonds to which are related the debts for whose cover the cover portfolio serves pursuant to Subsection (1).

(3) If it is decided by the holders of the covered bonds to which are related the debts for whose cover the cover portfolio serves pursuant to Subsection (1), at least by a simple majority of votes in relation to each concerned issue of covered bonds, the forced administrator of cover pools must ask the Czech National Bank for the consent pursuant to Subsection (1), and if the consent has been granted, the forced administrator of cover pools must decide pursuant to Subsection (1).

(4) After the proportional decrease of debts pursuant to Subsection (1), the forced administrator of cover pools may decide with the consent of the Czech National Bank that the cover portfolio pursuant to Subsection (1) will be realized and that the covered bonds to which are related the debts for whose cover the cover portfolio serves pursuant to Subsection (1) will be repaid early. Subsections (2) and (3) will apply by *mutatis mutandis*.

(5) Except for the consent of the Czech National Bank, the proportional decrease of debts pursuant to Subsection (1), their realization and early repayment pursuant to Subsection (4) or their effectiveness in relation to third parties does not require any other public or private consent or notification. The validity of the proportional decrease of debts, their early repayment or their effectiveness in relation to third parties does not require any legal act other than the decision of the forced administrator of the cover pool pursuant to Subsection (1) or (4).

(6) The forced administrator of cover pools is always bound by a decision of the holders of covered bonds on the proportional decrease of debts or realization of a cover portfolio and early repayment of the covered bonds.

(7) If there occurs a proportional decrease of debts pursuant to Subsection (1) or realization and early repayment pursuant to Subsection (4), the Czech National Bank may order

a) the person keeping the relevant records of financial instruments or other register in which are registered the covered bonds to which these debts are related, to make or change a registration in the records or other register in which the covered bonds are registered, or

b) the organizer of a regulated market or a securities broker to withdraw the covered bonds to which these debts are related from trading on a market with financial instruments or to re-admit a covered bond with a decreased nominal value for trading on a market with financial instruments, or

c) the forced administrator of cover pools to ensure the withdrawal from circulation of the covered bonds to which the debts are related, for the purposes of their exchange and recording of the new nominal value or destruction.

## **TITLE IV**

### **CONVERTIBLE AND PRIORITY BONDS**

#### **Section 33**

(1) A convertible bond is a bond to which is attached the right to exchange it for another bond or bonds, or the right to exchange it for a share or shares of the same issuer, which their issuer issues according to a special legal regulation. Such right may be exercised instead of the right to repayment of the bond.

(2) A priority bond is a bond to which is attached the right to its repayment and payment of bond yield, as well as the right to preferential subscription for shares which the bond's issuer issues according to a special legal regulation. The fact that it is a convertible or priority bond must be clearly indicated on a certificated bond or recorded in the register of book-entry bonds as well as in all materials used to promote such a bond.

(3) The terms of issue of a convertible or priority bond must include the place and period for exercising the rights attached to the convertible or priority bond and must also state the manner of announcing the start of such period and specify the date from which the yield of the bond that has been exchanged according to Subsection (1) ceases to be paid.

(4) Convertible bonds to which the right to exchange them for shares is attached and priority bonds are regulated by other legal regulation.

## **TITLE V**

### **SUBORDINATE BONDS**

#### **Section 34**

(1) Subordinate bonds are bonds to which the following applies: in the event of

- a) commencement of the issuer's liquidation,
- b) issuing a decision on insolvency of the issuer, or,
- c) another similar measure, if the issuer is a foreign person,

the claims corresponding to the rights attached to such bonds will be satisfied only after the satisfaction of all the other claims with the exception of claims bound by the same or similar subordination condition.

(2) The fact that it is a subordinate bond must be clearly indicated on a certificated bond or recorded in the register of book-entry bonds as well as in all materials (documents) used to promote such a bond.

(3) Claims arising from all subordinate bonds and from other claims bound by the same or similar subordination condition shall be, in cases referred to in Subsection (1), satisfied according to their order. Terms of issue may determine another order of satisfying claims from subordinate bonds, and that in relation to satisfaction of other claims, including claims from different subordinate bonds or differently in relation to claim corresponding to the rights for repayment of bond and another rights attached to bond.

## **TITLE VI**

### **Collective Bond**

#### **Section 35**

(1) Collective bond is a bond that represents the sum of individual bonds of a given issue that are subscribed for in the subscription document during the issue period or the additional issue period. Each collective bond is a separate issue. The number of subscribed bonds of each holder represents his share in the collective bond.

(2) A collective bond is issued at the time when the issue of bonds it represents is fully subscribed for and when it is put into custody according to Section 36 (1). An issue is also considered to be a fully subscribed issue of bonds if the issuer uses its entitlement according to Section 7 (1) (a). In the event of an increase or decrease in the total nominal value of the issue of bonds, the information on the relevant event, information about decisive event, about change of total issue and occasionally also additional information about issue will be stated at custody according to Section 36 (1) on collective bond. These changes will be also conducted in relevant register of financial instruments.

(3) A collective bond is jointly owned by holders of shares in a collective bond. The provisions of the Civil Code concerning co-ownership do not apply to legal relations between holders of shares in the collective bond.

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

### Section 36

(1) A collective bond must be put into custody of a person keeping the relevant records of financial instruments. A collective bond is an immobilised security. A collective bond is not a collective security.

(2) The person referred to in Subsection (1) is obliged to maintain a register of holders of shares on a collective bond.

(3) The register referred to in Subsection (2) is a list of holders according to Section 4 (2).

(4) The owner of a share in a collective bond may, in accordance with the terms of issue, transfer the share in a collective bond to another person. Legal effects of the transfer are established upon entry in the register referred to in Subsection (2).

(5) The person referred to in Subsection (1) is obliged to provide the holder of individual bonds, at his request, with an extract from the register describing the size of his share in the collective bond.

(6) The person referred to in Subsection (1) is obliged to provide the issuer of a collective bond, at his request, with a list of holders of shares in the collective bond for the purposes of convening and holding a bondholders' meeting.

### Section 36a

(1) The pledge right is established to a share on collective bond, by entry in a register according to Section 36 upon an order of a pledge debtor. If a pledgee, a personal debtor, or a contracting pledgor give an order, then the pledge right is entered only if a mandator prove the establishment of such pledge right.

(2) The pledge right according to Subsection (1) is erased from the register upon order of a pledgee. If order is given by pledge debtor, personal debtor or contracting pledgor, then the pledge right will be erased, only if a mandator prove that the situation, which is otherwise reason of termination of pledge right, occurred.

**PART THREE****STATE SUPERVISION IN RELATION WITH ISSUING OF MUNICIPAL BONDS**

## Section 37

State supervision over fulfilment of conditions, under which the territorial self-governing unit was given an approval according to Section 27 (2), is performed by the Ministry.

## Section 38

**Administrative offences**

(1) A territorial self-governing unit commits an administrative offence if it

a) use financial means acquired by issuing of bond or analogical security representing right for payment of owed amount according to law of foreign state in contradiction with Section 27 (3) (b), if it is a case of bond, or in contradiction with Section 27 (3) (b) and Section 27 (7) if it is a case of analogical security,

b) issue bond or analogical security representing right for payment of an owed amount according to law of foreign state in contradiction with

1. Section 27 (3) (c), if it is a case of bond, or in contradiction with Section 27 (3) (c) and Section 27 (7) if it is a case of analogical security with maturity longer than 15 years, or

2. Section 27 (2), in case of bond, or in contradiction with Section 27 (2) and (7), in case of analogical securities without an approval of the Ministry, or

c) in contradiction with Section 27 (5) does not keep financial means gained by issuing of bonds or in contradiction with Section 27 (5) and (7) of analogical security representing right for payment of an owed amount according to law of a foreign state on separate bank account, or it does not keep books about them separately in a way, that is would be capable to document purpose of their usage.

(2) The fine of up to 20 000 000 CZK may be charged for an administrative offence according to Subsection (1).

## Section 39

**Jurisdiction to hear administrative offences**

(1) Administrative offences pursuant to Section 38 are heard by the Ministry.

**PART FOUR****ADMINISTRATIVE OFFENCES IN RELATION TO COVERED BONDS**

## Section 40

(1) The issuer of covered bonds will commit an administrative offence if it

- a) fails to meet any of its obligations under Sections 28a, 28b, 28c or Article 129 of Regulation (EU) No 575/2013 of the European Parliament and of the Council,
- b) fails to keep the register of cover assets pursuant to Section 32 (1),
- c) fails to meet its information duty pursuant to Section 32 (5), or
- d) fails to render assistance to the forced administrator of cover pools pursuant to Section 32b (6).

(2) The forced administrator of cover pools will commit an administrative offence if it

- a) fails to keep the register of cover assets pursuant to Section 32 (2),
- b) fails to carry out the activity of a forced administrator of cover pools with professional care pursuant to Section 32b (2),
- c) fails to render assistance pursuant to Section 32b (7),
- d) fails to meet any of its obligations in relation to accounts pursuant to Section 32c (1), or
- e) fails to meet its obligation pursuant to Section 32d (6) or Section 32e (6) by acting contrary to a decision of the holders of covered bonds.

(3) The insolvency administrator, liquidator or temporary administrator of the issuer of covered bonds will commit an administrative offence if it fails to render assistance to the forced administrator of cover pools pursuant to Section 32b (6).

(4) The fine of up to CZK 20,000,000 may be imposed for an administrative offence pursuant to Subsection (1) or (2).

(5) The fine of up to CZK 1,000,000 may be imposed for an administrative offence pursuant to Subsection (3).

## Section 41

**Jurisdiction to hear administrative offences**

Administrative offences pursuant to Section 40 are heard by the Czech National Bank.

**PART FIVE****COMMON, TRANSITIONAL AND FINAL PROVISIONS**

## Section 42

*Cancelled*

## Section 43

**Securities or book-entry securities similar to bonds**

(1) Securities or book entry securities, which is not convertible bond and to which right for repayment of an owed amount is attached, which is only if just partially dependent on, whether certain circumstance occur or not, is not considered as bond.

(2) For a security or book-entry security, to which the right for repayment of an owed amount is attached and which is not bond, this Act or its individual provisions can be used only when the terms of issue of these securities or book-entry securities are calling for that; but such security or book-entry security may not contain the designation “*dluhopis*” (in English: “bond”).

## Section 44

**Disclosing, announcing and publishing information**

If this Act demands disclosing, announcing and publishing information in area of the Czech Republic, than these information are disclosed, announced and published in the Czech language or in another language, if it is in investors’ interest and usage of this language is regulated in terms of issue.

## Section 45

If a security agent has been appointed for the securing of debts not related to the issuing of bonds, Sections 20 and 20a will apply by mutatis mutandis.

## Section 46

**Transitory Provisions**

(1) An issuer may apply to the Commission for approval of an amendment to terms of issue within 1 year of the day this Act becomes effective. The provisions of Section 12 (1), (6) and (7) also apply in the case of terms of issue of bonds that were issued prior to the date this Act becomes effective.

(2) Legal relations arising from bonds and terms of issue issued prior to the date this Act becomes effective are judged according to legal regulations that have been in force up to now.

(3) Proceedings commenced prior to the day this Act becomes effective, with the exception of proceedings according to Subsection (4), shall be concluded according to legal procedural regulations that have been in force up to now.

(4) Proceedings on the approval of terms of issue, a bond programme and its supplement or proceedings on an amendment to terms of issue and an amendment to a bond programme supplement commenced prior to the day this Act becomes effective shall be concluded according to this Act. The Commission shall provide the participants with an appropriate period to supplement or amend their application according to the requirements of this Act; during this period the time-limits for issuing a ruling are suspended.

(5) Violations of a legal regulation that has been in force up to now or violations of the Commission's ruling issued according to the Act that has been in force up to now, which violations were ascertained after the day this Act becomes effective, shall be judged in accordance with the Act that has been in force up to now.

(6) Loans arranged for prior to the day this Act becomes effective that fulfil the conditions according to Section 28 are also considered to be mortgage loans according to this Act.

(7) An issuer must submit the first rules for determination of the pledge value of mortgaged assets to the Commission within 3 months of the day on which this Act becomes effective.

#### Section 47

#### **Repealing Provision**

The Act No. 530/1990 Coll., on Bonds shall be repealed.

#### Section 48

#### **Effect**

This Act shall become effective on the date when the treaty concerning the accession of the Czech Republic to the European Union comes into force.

**Zaorálek v. r.**

**Klaus v. r.**

**Špidla v. r.**

## **Selected provisions of amendments**

Article XI of Act No. 355/2011 Coll.

### **Transitory provisions**

Bonds, which were, before the day when this Act take effect during their issuing, registered, first of all on assets account of issuer in register according to another legal regulation, are being considered as properly issued in moment of their entry in this account, if other requirements set by existing legal regulation for issuing bonds were fulfilled.

Article II of Act No. 172/2012 Coll.

### **Transitory provisions**

1. Legal relations from bonds issued until the day when this Act takes effect, as well as terms of issue approved until day this Act takes effect, are assessed according to existing legal regulations.

2. For determining day, which is decisive for attendance on bondholders' meeting, as well as owners of units of collective bond (hereinafter referred to as the „bondholders' meeting“), it is possible to proceed, with bonds issued until the day this Act takes effect, according to existing legal regulations.

3. If terms of issue of bonds, relating to bonds issued until the day this Act takes effect, does not contain manner of announcing holding of bondholders' meeting, than convener is obligated to disclose announcement about its holding in at least 2 statewide distributed newspapers, and to do that in period of at least 15 days before its holding.

#### 4. Proceedings

a) for violation of obligation stated by Act No. 190/2004 Coll., in wording efficient since the day this Act takes effect,

b) for violation of condition stated in decision issued according to Act No. 190/2004 Coll., in wording efficient since the day this Act takes effect, or

c) about request to approve terms of issue of bonds, which was commenced by the Czech National Bank and which was not finalised with a legal effect the day this Act took effect, are being stopped in a day this Act take effect; points 5 and 6 are not affected.

5. Proceedings conducted by Czech National Bank with territorial self-governing unit because of violation of obligation stated in Section 27 of Act No. 190/2004 Coll., in wording efficient to day this Act takes effect, will Czech National Bank finishes according to existing legal regulations. If fine is given in such a proceeding, than it shall be proceeded according to existing legal regulations while collecting it and enforcing it.

6. If a decision of Czech National Bank was issued until day this Act take effect, which gives territorial self-governing unit fine for violation of obligation stated in Section 27 of Act No. 190/2004 Coll., in wording efficient until the day this Act takes effect and if dissolution was submitted against this decision, than board members of Czech national Bank will decide about it according to existing legal regulations. If board members of Czech National Bank cancel such a decision and returns matter for a new hearing, than Czech National Bank is authorized for such a hearing, which it finishes according to existing legal regulations.

7. Fine, given until this Act takes effect, for action, which is not administrative offence according to Act No. 190/2004 Coll., in wording efficient since day this Act takes effect, will not be charged.

8. Periods, which started running according to existing legal regulations until day this Act took effect, are not affected by this act.

Article II of Act No. 137/2014 Coll.

### **Transitory provisions**

Legal relations from bonds issued before this Act took effect, as well as from terms of issue of bonds published or otherwise disclosed before day this Act takes effect, are assessed according to existing legal regulations.

Article II of Act No. 307/2018 Coll.

### **Transitory provisions**

1. The issuer may, in relation to the mortgage covered bonds stated in Section 28 (1) of Act No. 190/2004 Coll., in wording efficient until the day this Act takes effect and whose date of issue precedes the day this Act takes effect (hereinafter referred to as the “mortgage covered bonds”), to start fulfil requirements of the Act No. 190/2004 Coll., in wording efficient since day this Act takes effect, since the day it has changed their issuance terms in order to comply with these requirements. This change does not require the convening or consent of bondholders' meeting if this change occurs within 48 months from the effective date of this Act. The information shall be disclosed to investors in the same way as disclosure of terms of issue. These mortgage covered bonds shall be considered, from the date when their issuer changed the terms of issue in relation to them according to the first sentence, are to be covered bonds pursuant to Act No. 190/2004 Coll., in wording efficient since day this Act takes effect.
2. The legal relations from the mortgage covered bonds in respect of which the issuer did not proceed according to point 1. as well as from their terms of issue shall be assessed in accordance with Sections 28 to 32 of the Act No. 190/2004 Coll., in wording efficient until the day this Act takes effect.
3. The legal relations from the bonds, that are not mortgage covered bonds and whose date of issue of these bonds precedes the day this Act takes effect as well as from their terms of issue published or disclosed in a different manner before the day efficient until the day this Act takes effect, shall be assessed in accordance with the Act No. 190/2004 Coll., in wording efficient until the day this Act takes effect.