

# LEGAL NEWS - FINANCIAL MARKET

**Bulletin - January & February 2008**



Brzobohatý Brož & Honsa

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## 1. Investment instruments, commodities and markets

### *European Union*

#### **Late MiFID transposition and proceedings against Czech Republic at European Court of Justice**

At the end of January, the European Commission instituted proceedings at the European Court of Justice against the Czech Republic, Poland and Spain. These countries did not implement the Markets in Financial Instruments Directive (MiFID)<sup>1</sup> within the stipulated period.

In case the Court of Justice finds that there was a breach of duty to transpose the directive in time, the countries will be obliged to remedy such breach without delay. In case the Court of Justice, upon submitting the issue to the Commission again, acknowledges that the respective member countries did not comply with its judgment, it may impose a fine or payment of flat sum on them. The term for transposition of the Directive expired in vain at the end of January 2007. However, in the Czech Republic, the government bill implementing MiFID was not submitted to the Chamber of Deputies until mid-February 2008.

MiFID develops new framework for legal regulation of investment services and investment instrument market organization in EU.

Detailed information on proceedings initiation are available at: [www.europa.eu](http://www.europa.eu).

<sup>1</sup> European Parliament and Council Directive 2004/39/EC of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC

### *Czech Republic*

#### **Amendment to Capital Market Act concerning MiFID in Parliament**

In February, an amendment to the Capital Market Act and other acts concerning the provision of investment services and regulated market organization was submitted to the Chamber of Deputies. The amendment incorporates the requirements of the Markets in Financial Instruments Directive (MiFID) and related implementing directive and implementing provision.<sup>2</sup>

The amendment brings about many changes; first of all, investment service and instrument regulation is extended - as compared to present condition. The amendment brings about substantial changes to stock brokers, both as regards internal operation requirements and client handling. Unified regime both for controllable investment instrument markets and its organizer is introduced for the first time, therefore the exchange market and non-exchange market will not be distinguished any longer. For more information on the prepared amendment, see special issue of BBH bulletin.<sup>3</sup>

The act is supposed to come into effect on the first day of the calendar month upon its promulgation. Only in case of acknowledging the manner of checking the expertise, the effect of the act beginning in January 2009 is proposed on the part of the Czech National

<sup>2</sup> It concerns the following regulations:

- European Parliament and Council Directive 2004/39/EC of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC (MiFID)
- Commission Directive 2006/73/EC of 10 August 2006 implementing Directive 2004/39/ES of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (“Implementing Directive”)
- Commission Regulation (EC) No. 1287/2006 of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards recordkeeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading, and defined terms for the purposes of that Directive (“Implementing regulation”)

<sup>3</sup> Bulletin is available at <http://www.bbh.cz>.

Bank. The act is supposed to be approved by mid-2008.

Government amendment including the preamble is available at: <http://www.mfcr.cz>

### **Czech Capital Market Association (AKAT) and Association of Fund and Asset Management of the Czech Republic (AFAM) join**

At the beginning of January, general meetings of the Czech Capital Market Association (AKAT) and the Association of Fund and Asset Management of the Czech Republic (AFAM ČR) took place, in which the unification of the two associations was approved. The new association will be referred to as the Capital Market Association (AKAT).

The joined association AKAT unites 64 member companies in total, out of which 39 are regular members (stock brokers and investment companies) and 25 are associated members.

In connection with the unification of the Association, the Articles of Association have been modified, new association management has been appointed and new management bodies of the Association have been set up - the Management Board and the Executive Committee. By joining the two associations, the long lasting process aimed at setting up association of companies dealing with investment services and asset management was completed.

For more information, visit: <http://www.akatcr.cz>

### **Amendment to Capital Market Act concerning Securities Brokers Guarantee Fund**

In mid-January, amendment to the Capital Market Act<sup>4</sup> regarding the Securities Brokers Guarantee Fund (“Guarantee Fund”) was adopted. The amendment concerns in particular the issues of provision of returnable financial aid on the part of the government. The amendment came into effect on 16 January.

Temporary provisions of the amendment include the rules for calculation of contributions to the Guarantee Fund for the calendar year 2007. The fees or commissions accepted by stock brokers in the calendar year 2007, however, accounted in the profits as early as the calendar year 2006, are considered for the purposes of determination of the contribution to the Guarantee Fund as the profits of the stock

broker for the calendar year 2007. The fees or commissions accepted by stock brokers in the calendar year of 2006, however, not accounted in the profits until the calendar year 2007, are considered for the purposes of determination of the contribution to the Guarantee Fund as profits of the stock broker for 2006.

You may find the text of the amendment at: <http://www.epravo.cz>

### ***Slovak Republic***

#### **Slovak National Bank’s measure concerning financial information by issuers from EU non-member countries**

In late February, the Slovak National Bank (NBS) issued measure<sup>5</sup>, by which the terms for evaluation of financial information released by issuers of securities, which were accepted for trading on regulated market, from EU non-member countries as comparable with European standards, are stipulated. NBS measure follows the Implementing Directive implementing the transparency Directive.<sup>6</sup> The measure came into effect on 1 March 2008.

The text of the measure is available at: <http://www.zbierka.sk/>

## **2. Collective investment**

### ***European Union***

#### **Standardization of key information for fund investors**

In mid-February, CESR issued recommendations for the European Commission concerning the

<sup>5</sup> Measure of the Slovak National Bank of 19 February 2008, by which equal requirements for issuers with the registered office in non-member countries, the securities of whom are accepted for trading on regulated market, are stipulated

<sup>6</sup> Commission Directive 2007/14/EC of 8 March 2007 laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market

<sup>4</sup> Act No. 29/2008 Coll., amending Act No. 256/2004 Coll., on Undertaking on the Capital Market, as amended by subsequent regulations

content and form of the document containing “Key investor information” (“Key Information Document”). The purpose of this standardized document is to simplify and emphasize the main aspects the minor investor should consider while purchasing securities of standard collective investment fund (UCITS, Undertakings for Collective Investment in Transferable Securities). Within the revision of the UCITS directive, this document should replace the existing simplified status of collective investment funds.

The main features of this information document should be brevity and clear arrangement (maximum two A4 pages), its language should be comprehensible to minor investors and it should include 12 standard informational items.<sup>7</sup>

The text of CESR recommendation is available at [www.cesr.eu](http://www.cesr.eu).

### *Czech Republic*

n/a

### *Slovak Republic*

n/a

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<sup>7</sup> Such information include:

- Fund, manager and promoter identification
- Investment objectives and strategies
- Specification of relevant risks and yield factors
- Previous yield information
- Summary of direct and indirect costs for investor
- Dividend policy
- Practical information (where and how to buy or sell securities of the respective fund, frequency of NAV (net asset value) calculation etc.)
- Brief information on tax regime
- Information on IS/IF liability for content of standard information document
- Where to find more information
- Respective supervision institution identification
- Date of drawing up of standard information document

## 3. Banking and payment systems

### *European Union*

#### **SEPA project launch**

The European payment system SEPA (The Single Euro Payments Area) was launched at the end of January. The project was prepared by the European Payments Council (EPC) which was formed on the basis of bank initiatives with the aid of the European Central Bank and the European Commission. EPC sets up uniform standards for processing non-cash payments in Euro currency in EEC countries and Switzerland. The project is aimed at setting up unified market for non-cash payments, which will eliminate unsubstantiated differences between intrastate and cross-border money transfers.

The European Commission assumes that the financial savings related to launching of SEPA system will amount to EUR 123 billion during the next 6 years. From the point of view of consumers and other payment service users, SEPA implies the opportunity to perform all non-cash payments in EUR through one account.

Last year, the Directive on payment services<sup>8</sup> was adopted as the legislative framework for this project, which should help eliminate barriers for provision of payment services. Member states should transpose its provision within September 2009. Information on the progress of transposition in the Czech Republic and public discussion organized by the Ministry of Finance was mentioned in the last issue of BBH Bulletin<sup>9</sup>.

For more information on SEPA project launch, visit [www.ec.europa.eu](http://www.ec.europa.eu), <http://www.europeanpaymentscouncil.eu>.

### *Czech Republic*

#### **Preparation of new Act on Czech National Bank**

The Czech National Bank submitted amendment to the Act on Czech National Bank prepared for

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<sup>8</sup> Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC

<sup>9</sup> The BBH Bulletin is available at <http://www.bbh.cz/>.

the period following the accession of the Czech Republic to Euro area and introduction of Euro as its currency for consultation to the European Central Bank (“ECB”).

The amendment is aimed at full harmonization of the legislation, concerning the position, powers and activities of the central bank for the period following the accession of the Czech Republic to Euro area and introduction of Euro as its currency. The act will come into effect on the day of introduction of Euro as the currency in the Czech Republic.

The emphasis of the relation of the Czech National Bank and the European Central Bank will be an innovation; it is emphasized that the Czech National Bank develops its activities both within the European system of central banks, which consists in particular in monetary, statistics and payment system sectors, and outside this system, where the dominant activity of the Czech National Bank is financial market supervision.

The bill is based on adaptation principle which means that after the introduction of Euro, a substantial part of existing powers of the Czech National Bank will be passed to the powers of European institutions and will be modified directly by effective European legislation<sup>10</sup> and the new Act on Czech National Bank, which will exist as well, will modify basic mission of the Czech National Bank and performance of other activities.

The text of the amendment including the preamble is available at: <http://www.cnb.cz>

### **Czech National Bank starts releasing credit assessment institution lists**

Following the implementation of European regulations on capital adequacy, the Czech National Bank is obliged to, under the Act on Banks<sup>11</sup>, keep [credit assessment institution lists](#), where the institutions that ask for entering and that fulfill the requirements based on the Act on Banks and other following regulations, are entered.

Other institutions, which will meet necessary requirements, will be gradually completed to this list, which serves for the purposes of calculation of capital requirements of regulated entities, and they will be published on ČNB web pages in the section

<sup>10</sup> In particular by the Treaty establishing the European Community and the Protocol on the Statute of the European system of central banks and of the European Central Bank.

<sup>11</sup> Section 12b of Act No. 21/1992 Coll., on Banks, as amended by subsequent regulations

“Financial market supervision”. Detailed information, concerning in particular the scope of applied credit assessment and matching these credit assessments to credit quality levels, may be entered directly from the concerned list. Well-arranged information on credit assessment institutions will also be included in the information published by the Czech National Bank within the so-called [Supervisory disclosure](#).

The document and the rating agency list is available at: <http://www.cnb.cz/>

## **Slovak Republic**

### **Amendment to Payment System Act**

The amendment to Payment System Act<sup>12</sup> was submitted for amendment procedures at the end of February. This amendment is included in the

National plan for the introduction of Euro in the Slovak Republic, which should be implemented at the end of 2009. The amendment concerns modifications of SIPS payment system operated by the Slovak National Bank with link to TARGET2<sup>13</sup> payment system. From 1 January 2009, SIPS (Slovak Interbank Payment System) should be modified to a clearing system and the clearing of calculated positions will take place in TARGET2-SK payment system. This Amendment is supposed to come into effect with the introduction of Euro, i.e. on 1 January 2009.

The document is available at: <http://www.mfsr.sk>

### **Modification of acts related to Euro introduction**

By mid-February, the Ministry of Finance released an information on the amendment modifying and amending certain acts<sup>14</sup> related to the introduction of Euro in the Slovak Republic. The amendment is based on the National plan for

<sup>12</sup> Act No. 510/2002 Coll., on payment system and on amendments and modifications to certain acts.

<sup>13</sup> European Automated Real-time Gross Settlement Express Transfer

<sup>14</sup> Act of Slovak National Council No. 71/1992 Coll.; Act of Slovak National Council No. 78/1992 Coll.; Act of Slovak National Council No. 511/1992 Coll.; Act of National Council of the Slovak Republic No. 145/1995 Coll.; Act No. 200/1998 Coll.; Act No. 150/2001 Coll.; Act No. 431/2002 Coll.; Act No. 446/2002 Coll.; Act No. 595/2003 Coll.; Act No. 98/2004 Coll.; Act No. 104/2004 Coll.; Act No. 105/2004 Coll.; Act No. 106/2004 Coll.;

introduction of Euro and it should follow the Act on the introduction of Euro currency in the Slovak Republic<sup>15</sup>. The amendment is supposed to be submitted to the government in August 2008.

The document is available at: <http://www.mfsr.sk>

#### **New decree on price accounting, conversion and rounding off**

The Slovak Ministry of Finance issued a decree, which stipulates rules for accounting and conversion of money in connection with the introduction of Euro for accounting, tax and customs purposes. The issue of this decree follows the Act on the introduction of Euro currency in the Slovak Republic. The decree is effective from 15 March 2008.

The decree regulates the procedures concerning the conversion of finance data from Slovak crowns to Euro, rules for money data accounting in tax returns, aggregate statements, reports, applications for tax overpaid returns, customs regulations and also the procedure concerning decisions in tax and customs issues. The proposal for the decree also regulates the procedures concerning rounding off of money and other values performed in periods before the introduction of Euro, which are included e.g. in decisions, reports or records issued by tax administrators after the introduction of Euro.

The document is available at: <http://www.mfsr.sk>

## **4. Insurance**

### *European Union*

#### **European Commission prepared another version of Solvency Directive**

At the end of February, the European Commission published revised amendment to new Solvency Directive for insurance and reinsurance companies. The amendment is based on establishing prerequisites for adequate risk management in insurance and reinsurance companies and securing their sufficient capital ratio. The new solvency concept should also reflect new risks which the insurance and

reinsurance sector faces. The new directive is also aimed at establishing platform for effective cooperation of supervision institutions in EU member states and institutions for supervision over insurance groups operating across the borders. The new Solvency Directive should be approved at the beginning of 2009.

The text of the directive amendment is available at [http://ec.europa.eu/internal\\_market/insurance](http://ec.europa.eu/internal_market/insurance)

#### **CEIOPS started consultations concerning issues of proportionality of solvency requirements and insurance groups solvency**

At the end of February, CEIOPS published consultation material concerning the issues of proportionality and insurance group issues within the preparation of new solvency directive.

The consulting document concerning proportionality issues deals with topics of applying requirements of introduced solvency directives to insurance and reinsurance companies of different sizes. The CEIOPS proposal assumes the consideration of scope and structure of insurance and reinsurance activities carried out by respective insurance or reinsurance companies and allowing flexibility to supervision institutions while considering risk management system and the use of internal models.

In the field of applying solvency requirements within CEIOPS insurance groups, the consulting document of CEIOPS deals with issues of provision of financial aid within the insurance groups in particular on the part of parent company, terms, under which the provision of such aid is admissible with regard to solvency concept, and the issues of publishing information on provided financial aid. The consulting material further deals with terms and rules for cooperation of supervision institutions of individual member states, in which the insurance group operates. Within the consultation, public hearing will take place on 2 April 2008.

The document is available at: <http://www.ceiops.eu>

### *Czech Republic*

#### **Statement of the Czech National Bank concerning annual statements of insurance intermediaries**

In mid-January, the Czech National Bank published official statement on submission

<sup>15</sup> Act No. 659/2007 Coll., on the introduction of Euro currency in the Slovak Republic

of annual statements of insurance agent and insurance broker activities. The annex to the Czech National Bank's statement includes sample application statements intended for reporting on the activities of insurance intermediaries in 2007. It also includes fill-in instructions and instructions on entering the data in the electronic Information System of Insurance Intermediaries (ISPOZ). Under the Act on insurance intermediaries<sup>16</sup>, the term for submission of such information to ČNB expires on 31 March.

The text of official statement of the Czech National Bank is available at <http://www.cnb.cz/>.

### *Slovak Republic*

#### **NBS issued new measures for insurance companies**

At the beginning of January, the Slovak National Bank issued measure<sup>17</sup>, which stipulates maximum amount of technical interest rate. This measure will come into force on 1 May 2008.

NBS also issued measure<sup>18</sup>, which stipulates maximum amount of guarantee fund of insurance company or foreign insurance company branch. This provision comes into force on 1 April 2008.

The documents are available at: <http://www.nbs.sk/>

#### **Amendment procedures to NBS measures for insurance companies**

At the end of February, NBS submitted the proposal of measure based on the powers under the new Act on Insurance, which will come into effect on 1 April 2008, to amendment procedures. The proposal stipulates the manner of proving fulfillment of terms for granting permit for performance of insurance and reinsurance activities. The proposal of measure includes the list of specific documents and certificates required for documenting the facts required by law. The proposal will replace the existing

<sup>16</sup> Act No. 38/2004 Coll., on insurance intermediaries and on independent loss adjusters, as amended by subsequent regulations

<sup>17</sup> Measure of Slovak National Bank No. 1/2008

<sup>18</sup> Measure of Slovak National Bank No. 2/2008

<sup>19</sup> Act No. 8/2008 Coll., on Insurance and on amendments and modifications to certain acts

NBS's decree regulating identical issues, which will be repealed when the new Act on Insurance comes into effect.

Following the new Act on Insurance, NBS further submitted proposal for measure stipulating the limits of technical reserves for insurance companies for amendment procedures. The proposed limits consider the requirements of respective European regulations concerning life and non-life insurance.<sup>21</sup>

The documents are available at: <http://www.nbs.sk>

#### **NBS notifies insurance intermediaries of annual information duty**

At the end of February, NBS published notification for insurance intermediaries concerning the fulfillment of regular information duty towards NBS. The pieces of information are submitted on standardized applications within 31 March 2008.

More information may be found at: <http://www.nbs.sk/>

## **5. Financial market regulation**

### *European Union*

#### **Financial conglomerates**

<sup>20</sup> Decree of the Ministry of Finance of the Slovak Republic No. 155/2002 Coll. stipulating the Manner of Proving Fulfillment of Conditions For Granting Authorization To Carry Out Insurance Business and For Granting Authorization To Carry Out Reinsurance Business

<sup>21</sup> Council Directive 92/49/EEC of 18 June 1992 on the coordination of laws, regulations and administrative provisions relating to direct insurance other than life assurance and amending Directives 73/239/EEC and 88/357/EEC (third non-life insurance Directive)

Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance

Directive 2005/68/EC of the European Parliament and of the Council of 16 November 2005 on reinsurance and amending Council Directives 73/229/EEC, 92/49/EEC as well as Directives 98/78/EC and 2002/83/EC

At the end of February, the committees of European supervisors in banking and insurance, CEBS and CEIOPS, issued common report on supervision standard consolidated basis and supervision over financial conglomerates in third countries.

The analysis evaluated whether supervision institutions in the USA and Switzerland are, on the basis of domestic regulations and authorization of supervision institutions, able to reach similar supervision level on consolidated basis and additional supervision, as stipulated by the Directive on capital requirements<sup>23</sup> and the Directive on financial conglomerates<sup>24</sup>. The final part of the analysis evaluates legal frameworks and authorization of supervisors in the USA and Switzerland as equivalent requirements of European regulations.

The text of the report is available at <http://www.c-eps.org/>.

### **Consultations on rating agencies regulation**

In February, CESR launched public discussion on the role of rating agencies on financial market, in particular as regards structured financing and securitization. CESR consulting material focuses on some issues related to the transparency of evaluation process – for example publishing the evaluation methodology and easy access to information on the part of investors as well as monitoring quality of assessment, including its prerequisites – sufficient resources and flexibility of organization procedures of rating agencies, or limitation or regulation of possible conflicts of interests.

<sup>22</sup> Committee of European Banking Supervisors, Committee of European Insurance and Occupational Pensions Supervisors

<sup>23</sup> European Parliament and Council Directive 2006/48/EC of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions

<sup>24</sup> European Parliament and Council Directive 2002/87/EC of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC and European Parliament and Council Directive 98/78/EC and 2000/12/EC

The consulting process is aimed at evaluation of different regulation options of rating agency activities and acquiring source documents for evaluation of profits and costs of such regulation. Public hearing concerning the consulting material will take place on 26 March. At present, there are 2 rating agencies registered in the Czech Republic.

Documents for public discussion are available at <http://www.cesr.eu/>.

### **Sovereign fund regulation issues in EU**

The European Commission published the Report on Sovereign Wealth Funds – SWF, in which it calls for considering the option of regulating sovereign wealth funds on European level. SWF is a state-owned capital fund which places its investments in diversified portfolio of both domestic and foreign assets. In particular, SWF is typical of states abundant in raw materials which look for ways of investing the profits from the sale of such materials – in particular oil. The largest sovereign funds are owned by SAE, Norway, Russian and Saudi Arabia.

In its report, the Commission emphasizes the positive role of sovereign funds as the sources of investments, however, it points out to certain risks arising from the state ownership of funds and related option of disturbance of market mechanism operation. Some member states try to face such risks by control measures included in national regulations – therefore, the Commission calls for accepting common attitude in the form of Community regulation for the purposes of unification of terms on uniform European market.

The text of Commission's report is available at [www.ec.europa.eu](http://www.ec.europa.eu).

### ***Czech Republic***

n/a

### ***Slovak Republic***

#### **Amendment to Act on Securities**

The Ministry of Finance of the Slovak Republic published information on prepared amendment to

the Act on Securities<sup>25</sup>. This modification should reflect Directive<sup>26</sup> requirements related to the procedural rules and criteria for prudential assessment of acquisitions and increase in holdings in financial sector institutions. The Directive will lay down especially limits of holdings in financial institutions, for the acquisition or exceeding of which it is required to acquire approval of respective supervisory body and it also regulates procedural rules in submitting and approving of this application. The criteria, which are considered during the evaluation of the application under the Directive, include in particular good reputation and financial situation of the applicant, expertise and good reputation of target company management, etc. The list of criteria is specified enumeratively.

In connection with the modification, the Act on Banks<sup>27</sup> and the Act on Insurance<sup>28</sup> should be also modified in part. The amendment is supposed to be submitted to the government for discussion in November 2008.

The document is available at: <http://www.mfsr.sk>

## 6. Business companies

### *European Union*

n/a

### *Czech Republic*

#### **Parliament discussions on amendment to Act on transfers of business companies and cooperatives**

At the beginning of February, the Parliament Chamber of Deputies approved the amendment to Act on transfers of business companies and cooperatives (“**Act on Transfers**”). The amendment has now been discussed in the Senate. The Act on Transfers singles out the regulation of transfers of business companies and cooperatives from the Commercial Code into a separate act.

The law transposes the **Tenth Directive**<sup>29</sup> in the Czech legal order and in accordance with EC law, it enables to implement cross-border mergers of limited liability companies and joint-stock companies. Also cross-border mergers of cooperatives are permitted.<sup>30</sup> Even cross-border mergers of general commercial partnerships and limited partnerships are permitted by the amendment to the Act on Transfers, which is beyond the scope of the Tenth Directive.

The Act on Transfers includes 7 sections. The first section (General provisions) includes provisions common for all types of transfers of business companies and cooperatives. The second section (Mergers) regulates both intrastate and cross-border mergers. The third section includes provisions regulating division, the fourth section includes the transfer of property and the fifth section the change of legal form. Sections six and seven regulate common and temporary provisions of the proposed legal regulation.

The Act on Transfers introduces the uniform concept of “**transfer project**”, which uniformly replaces different terms used within the existing legal regulation, i.e. the contract on merger, contract on transfer of property to partners, contract on division and takeover of business

<sup>29</sup> Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of limited liability companies

<sup>30</sup> Under the provision of the Tenth Directive, member states may not permit cross-border mergers of cooperatives. However, the amendment to the Act on Transfers permits cross-border mergers of cooperatives.

<sup>31</sup> Also the judgment of the European Court of Justice in the case ref. No. C-411/03 SEVIC Systems AG dated 13 December 2005, which interprets Article 43 and Article 48 of the Treaty establishing the European Community and the freedom of establishment, contributed to the inclusion of cross-border mergers of general commercial partnerships and limited partnerships in the amendment to the Act on Transfers. In this regard, the Amendment of the Act on Transfers also corresponds to the recommendation of EC Commission, in which EC Commission calls the member states to allow as extensive as possible associating freedom of business companies even beyond the scope of the Tenth Directive, which concerns only stock corporations.

<sup>25</sup> Act No. 566/2001 Coll., on securities and investment services and on amendments and modifications to certain acts

<sup>26</sup> Directive 2007/44/EC of the European Parliament and of the Council of 5 September 2007 amending Council Directive 92/49/EEC and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC and 2006/48/EC as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector

<sup>27</sup> Act No. 483/2001 Coll., on Banks and on modification and amendments to certain acts

<sup>28</sup> Act No. 8/2008 Coll., on Insurance and on amendments and modifications to certain acts

property or the division project and decision on change of legal form. The Act on Transfers does not in fact distinguish between the proposal for the project and the project itself.

As concerns the regulation on mergers and division in joint-stock companies, the requirement for revision of merger project or division project by two experts is omitted and the revision of the project by one expert will be hereafter sufficient.

The act under discussion also eliminates deficiencies of the existing legal regulation of transfers. The law is supposed to come into effect by mid-2008.

Information on discussions concerning the Act is available at <http://www.psp.cz>.

### ***Slovak Republic***

n/a

Law Office Brzobohatý Brož & Honsa, v. o. s. provides its clients with legal advice regarding financial market law on a long term basis. Within its services, it also offers basic information service concerning the most significant news on financial market regulation and financial market law.

BBH Bulletin is intended for general information regarding certain important news and events in financial markets and related legal issues only. Its content is not meant as legal consulting nor recommending certain procedures in specific situations.

Should you be interested in more information, individual consultancy service or consultation, please do not hesitate to contact us at the below mentioned address.

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