

# **European Corporate Governance Network**

## **A survey of corporate governance and disclosure rules in the Slovak and Czech Republics.<sup>1</sup>**

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# 1 Company types: main features

All references, unless otherwise noted, are made to the respective Commercial Code (CC) as of June 2001.<sup>2</sup>

Indicator	Sole entrepreneur	General commercial partnership (a.k.a. unlimited partnership)	Limited partnership	Limited liability company	Co-operative	Joint-stock company
<b>Local name</b>						
Slovak Republic	Name and surname of the individual – with possible addendum ensuring uniqueness (Art. 9-10)	Verejná Obchodná Spolocnosť; ver. obch. spol./v.o.s. – or, in the case the business name includes the surname of one of the partners the addendum “a spol.” suffices (Art. 77)	Komanditná Spolocnosť; kom. spol./k.s. (Art. 95)	Spoločnosť s Rucením Obmedzeným; spol. s.r.o./s.r.o. (Art. 107)	Družstvo; also, the name “co-operative” (družstvo) must be included in the business name (no abbreviations allowed)	Akciová Spoločnosť; akc. spol./a.s. (Art. 154)
Czech Republic	Soukromý podnikatel	Verejný obchodní společnost; v.o.s.; (Art. 77)	Komanditní společnost; k.s.; (Art. 95)	Společnost s ručením omezeným; s.r.o.; (Art. 107)	Družstvo (Art. 221 par. 3)	Akciová společnost; a.s.; (Art. 154 par. 2)
<b>Limited vs. unlimited liability?</b>						
Slovak Republic	Unlimited liability	Unlimited liability (Art. 86) – jointly and severally	General partner (komanditisti): unlimited liability; Limited partner (komplementári): limited liability	Limited liability	Limited liability (the Statutes may however provide that its members, or part thereof, should have a compensation duty towards the co-operative exceeding their original contribution – Art. 222:2)	Limited liability

<sup>2</sup> For parts of the survey on the Czech Republic, Commercial Code (Act No. 513/1991 Col. as amended) as of September 14, 2000 was used.

Indicator	Sole entrepreneur	General commercial partnership	Limited partnership	Limited liability company	Co-operative	Joint-stock company
Czech Republic	Unlimited liability	Unlimited Liability	Unlimited for general partners (one or more); Limited for limited partners	Limited liability	Limited liability <sup>3</sup>	Limited liability
<b>Minimum capital?</b>						
Slovak Republic	No minimum	No minimum. Contributions both in cash and kind are possible, and become the property of the partnership (Art. 80).	No minimum. The pledged contributions of the limited partners is stated in the Partnership Agreement (Art. 94) – not so though for the general partners.	Sk 200,000/USD 4,000 (min. Sk 30,000/member)	Sk 50,000/USD 1,000 (Art. 223) <sup>4</sup>	Sk 1,000,000/USD 20,000 (Art. 162:3) – no change is envisaged in the draft Commercial Code (2002)
Czech Republic	No minimum	No minimum	No minimum for general partner(s); Kc 5,000 /USD 130 per each limited partner (Art. 97a).	Kc 200,000 /USD 5,000; and min 20,000 per each partner (Art. 108 par. 1 and Art. 109 par. 1).	Kc 50,000 /USD 1,250 (Art. 223 par. 2).	Kc 20,000,000 /USD 507,000 for company founded via a public offering; Kc 2,000,000 /USD 50,700 otherwise (Art. 162 par. 3).
<b>Minimum number of owners?</b>						
Slovak Republic	n.a.	Min. 2 founders	Min. 2 founders (one general partner and one limited partner)	Min. one founder (max. 50 members) (Art. 105)	Both individuals and legal entities may become members of a co-operative; if the members are legal entities then min. two members (legal entities), otherwise min. five members	If the establisher is a legal entity then min. one founder, otherwise min. two founders (Art. 162).

<sup>3</sup> The general meeting may decide that certain members of the co-operative have a compensation duty (duty to cover losses) that is higher than their initial membership contribution. This compensation duty, however, cannot be higher than triple of their initial membership contribution.

<sup>4</sup> Prior the incorporation of a co-operative into the Business register no less than one half of the registered capital must be paid up. The minimum contribution is not set up by the Commercial Code and can be either the payment of a member's contribution as stipulated by the Statutes (a "member's basic contribution") or the payment of a specific portion of the member's basic contribution stipulated in the Statutes (an "entry contribution").

Indicator	Sole entrepreneur	General commercial partnership	Limited partnership	Limited liability company	Co-operative	Joint-stock company
					(Art. 221).	
Czech Republic	n.a.	2 or more partners (Art. 76).	2 or more partners (Art. 93 par. 1)	At least 1 owner, but not more than 50 (Art. 105)	5 individuals or at least 2 legal entities (Art. 221 par. 4).	1 if the founder is a legal entity; 2 or more otherwise (Art. 162 par. 1).
<b>Minimum number of managers?</b>						
Slovak Republic	n.a.	The CC implicitly stipulates that each partner shall be a manager (statutory body), unless the Partnership Agreement stipulates that all partners manage jointly. When only some partners are authorized by the Partnership Agreement to manage in all the matters on behalf of the partnership, then only these partners are considered the managers (statutory body) (Art. 81, Art. 85).	Only the general partner (partners) shall be entitled to manage the partnership (Art. 97). It is to say that the CC provisions governing general commercial partnerships apply <i>mutatis mutandis</i> to a limited partnership and the provisions governing limited liability companies apply <i>mutatis mutandis</i> to the legal status of limited partners.	One or more (Art. 133); board is not required.  The owners of the company (members) exercise their rights with respect to the management of the company and supervise its operations by participating in General Meetings to the extent described in the Memorandum of Association or in the Articles of Association, as appropriate (Art. 122).	Board of Directors is mandatory, but no minimum number of members is given by the law. <sup>5</sup>	Board of Directors is mandatory, min. 3 members.  Members of the Board of Directors shall elect its Chairman. (Art. 194)

<sup>5</sup> However implicitly, it shall consist of at least 2 members, since Art. 243 stipulate that the Cooperative shall be represented by its Chairman or Vice-Chairman in front of third parties, unless the Statutes imply otherwise. If, however, a legal action taken by the Board requires written form, then the signatures of at least two members of the Board are necessary. The Statutes may stipulate that the day- to-day business shall be organized and managed by a Director to be appointed and recalled by the Board.

Indicator	Sole entrepreneur	General commercial partnership	Limited partnership	Limited liability company	Co-operative	Joint-stock company
Czech Republic	n.a.	Minimum one partner, if set out so in the partnership agreement, otherwise all partners (Art. 81).	Minimal one (only a general partner) (Art. 97).	One or more (Art. 133); board is not required	Board of Directors is mandatory, but no minimum number of members is given by the law (Art. 237, 243) <sup>6</sup>	Board of Directors has at least 3 members (Art. 194 par. 3); members of the Board of Directors shall elect its chairman; chief executive director does not have to be a board member
<b>Mandatory registration?</b>						
Slovak Republic	Yes, according to the Small Traders' Act, they shall be registered by the Small Trader's Register (Zivnostensky register) in charge of Small Trader's Units at (Zivnostensky urad) the District Offices (District is the smallest administrative unit).	Yes, by application for incorporation to the Companies Register (not later than 90 days after establishment)	Yes, by application for incorporation to the Companies Register (not later than 90 days after establishment)	Yes, by application for incorporation to the Companies Register (not later than 90 days after establishment)	Yes, by application for incorporation to the Companies Register (not later than 90 days after establishment)	Yes, by application for incorporation to the Companies Register (not later than 90 days after establishment)
Czech Republic	No. Business Register at his/her request	Yes. Business Register	Yes. Business Register	Yes. Business Register	Yes. Business Register	Yes. Business Register
<b>Establishing documents</b>						
Slovak Republic	Small Trader's Card that licences the holder to run small business (Zivnostensky list). (Art. 47 of the Small Traders' Act No. 455/1991) <sup>7</sup>	Partnership Agreement (decides upon the rights and duties of the partners – Art. 79-83) – in addition the business activities should be laid down in	Partnership Agreement (decides upon the rights and duties of the partners, e.g. who is general vs. limited partner – Art. 94). Usually there is also	Memorandum of Association and Articles of Association (the latter not mandatory – may, if issued, give more detailed regulation	Deed on Establishment and Statutes (Art. 224)	Memorandum of Association (if two or more founders) <i>or</i> Deed on Establishment (if one single founder, see above) (Art. 162:2).

<sup>6</sup> However, implicitly it shall consist of at least 2 members since Art. 243 par. 3 stipulates that if a legal action taken by the Board requires written form, then the signatures of at least 2 members of the Board are necessary.

<sup>7</sup> This shall contain: (i) in case that small trader is a natural person: personal data of the small trader and the person responsible for the small business if required, business name, identification number, object of business, central location of business, time limitation of the small trader's licence, day of commencing of small business, day of

Indicator	Sole entrepreneur	General commercial partnership	Limited partnership	Limited liability company	Co-operative	Joint-stock company
		this document.	information on rights an obligation of partners, form of voting, prohibition of competition, division of profit and loss, dissolution of the company etc.  In addition the business activities should be laid down.	than the former) (Art. 110)		
Czech Republic	Small Trader's Card (a kind of license) given to the entrepreneur by the Small Traders' office (Zivnostensky urad)	Partnership agreement that contains name and address of the firm, name and addresses of all partners, and the business activity/ activities of the firm (Art. 78)	Partnership agreement that contains name and address of the firm, names and addresses of all partners; business activity of the firm; indication of general / limited type for each partner; and the initial contribution of each limited partner (Art. 94)	Partnership agreement <sup>8</sup> and Articles of Association (the latter not mandatory); prove of repayment of the initial contributions of all partners; and business licence (Art. 112)	Articles of Association; prove that the Establishing General Meeting took place; a document evincing the payment of the prescribed part of the registered stock capital <sup>9</sup> ; and other documents (Art. 225)	Memorandum of Association (if two or more founders) or Deed on Establishment (if one single founder) (Art. 162 par. 2); Articles of Association; a Deed executed by a Notary Public from the Constituent General Meeting; prospectus of eminent (in case public offering took place); <sup>10</sup> and other documents that shall be deposited to the Business Register (Art. 175).

issuing of small trader's card; (ii) in case that small trader is a legal entity: business name, main location of the business, identification number if any before granting the licence, while special types of small business prescribed by law also personal data of a person responsible for the business, object of business, time limitation of the small trader's licence, day of commencing of small business, day of issuing of small trader's card...

<sup>8</sup> The partnership agreement of a limited liability company (s.r.o.) has to contain the following: (1) name and address of the firm; (2) list of owners; (3) business activity; (4) total initial capital and contributions of each of the partners including the manner and time schedule of repayment; (5) names and addresses of the first statutory bodies of the firm and the way the act in the name of the company; (6) names and addresses of members of the first Supervisory Board (if constituted); (7) administrator of the capital; and other documents if prescribed by the law.

Indicator	Sole entrepreneur	General commercial partnership	Limited partnership	Limited liability company	Co-operative	Joint-stock company
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Dissolution procedure?	
Slovak Republic	<p>Dissolution procedure per se is regulated in the Article 68 of the CC. According to it a company dissolute on the date on which it is officially deleted from the Commercial Register (Art. 30 par. 3). The dissolution shall be done via two forms: either by liquidation of the company in question (Art. 70-75) or without liquidation; the latter shall be applicable only if the company's assets and liabilities are transferred to its successor-in-law (voluntary dissolution of the company - Art. 69). The liquidation shall neither be required if a bankruptcy action has been rejected due to the lack of property, or if there is no assets left after the bankruptcy proceedings.</p> <p>Further the situations to dissolute company are listed as such:</p> <ol style="list-style-type: none"> <li>1. the expiration of the period of time for which it was established;</li> <li>2. attaining the purpose for which it was established;</li> <li>3. on date which upon the decision of the partners, members or shareholders or of the appropriate body has been stipulated as the termination date; otherwise on the date on which such a decision was passed;</li> <li>4. on date specified in a court's ruling to dissolute company; otherwise on the date on which such a court's ruling shall become effective;</li> <li>5. by an agreement of the partners, members or shareholders or of the appropriate body on taking over, merging or dividing the partnership or the company, or on its transformation into another form of partnership or company or a co-operative; or,</li> <li>6. by proclaiming to start bankruptcy proceedings or rejecting a bankruptcy action due to the lack of property.</li> </ol> <p>It is necessary to say that the CC stipulates the conditions according to which the court has the right to dissolute a company (Art. 68, par. 6,7). The motion shall be made by a public authority or a person who has proven to have a legal interest or even ex officio in the following instances:</p> <ol style="list-style-type: none"> <li>a) in the event that for more than one year no General Meeting has been held, no elections to partnership's or the company's bodies have taken place, or the partnership or the company has not undertaken any activities;</li> <li>b) in the event that the partnership or the company no longer has authorisation to undertake business;</li> <li>c) in the event that the prerequisites required by law for the incorporation of the partnership or the company have ceased to exist, or in the event that the partnership's or the company's establishment, merger or take-over has violated the law;</li> <li>d) in the event that the partnership or the company failed to establish the Reserve Fund upon its own establishment or failed to keep supplementing such fund on regular basis (Art. 124 par. 1);</li> <li>e) in the event that the partnership or the company violates the provisions of Art. 56, par. 3.</li> </ol>

<sup>9</sup> Prior to filing an application for incorporation of a co-operative no less than one half of the registered stock capital must be paid up.

<sup>10</sup> The prospectus must be approved by the Securities Commission.

Indicator	Sole entrepreneur	General commercial partnership	Limited partnership	Limited liability company	Co-operative	Joint-stock company
Czech Republic	Dissolution procedure per se is regulated in the Article 68 of the CC. According to it a company dissolute on the date on which it is officially deleted from the Commercial Register (Art. 31 par. 4). The dissolution shall be done via two forms: either by liquidation of the company in question or without liquidation; the latter shall be applicable only if the company's assets and liabilities are transferred to its successor-in-law (voluntary dissolution of the company). The liquidation shall neither be required if a bankruptcy action has been rejected due to the lack of property, or if there is no assets left after the bankruptcy proceedings. <sup>11</sup>					
Slovak Republic	See Small Trader's Act, Articles 57,58.	See Commercial Code, Art. 88. <sup>i</sup>	See Commercial Code, Arts. 102-104. <sup>ii</sup>	See Commercial Code, Arts. 151-153. <sup>iii</sup>	See Commercial Code, Arts. 254-256. <sup>iv</sup>	See Commercial Code, Arts. 218-220. <sup>v</sup>
Czech Republic		Art. 88	Art. 102-104	Art. 151-153	Art. 254-259	Art. 218-220
<b>Notes</b>						
Slovak and Czech Republics (together)			“Hybrid company” in that it combines traits of both personal- and capital-companies – e.g. the legal position of the general partner is regulated by the legal regulations about the positions of partners in an unlimited partnership. The company type, however, is not very common.		Co-operatives are most commonly active in the area of housing estates, supermarkets (foodstuff) and agriculture.	

<sup>11</sup> Art. 68 par. 3 lists further situations to dissolute company. They are identical to the points 1-5 for Slovakia, plus two points, namely: (6) by dissolution of a bankruptcy action, and (7) rejecting a bankruptcy action due to the lack of property.

## 2 Legal definitions of groups

<b>What is the definition of group according to the rules on drawing up consolidated accounts (transposition of Directive 83/349/EEC)?</b>	
Slovak Republic	<p>The definition of “group” according to the Slovak <u>Act on Accounting</u> (Act no. 563/1991 Coll.), which according to Slovak authorities (TAIEX) partially implement the Seventh Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts (together with the Ministry of Finance measure from 22 December 1993 [N. 65/393/1993]), is such that it requires all entities ‘<u>having at least a 20 per cent ownership interest in another company or being authorized to manage another company on the basis of a contract or company statutes (articles of association), regardless of the level of its ownership interest</u>’ (Art. 22, para. 2) to observe ‘the required procedures for consolidating the financial statements prescribed by the [Federal] Ministry of Finance’ (Art. 4, para. 2). Further, the Accounting Act applies to all ‘legal entities (juristic persons) and individuals (natural persons) engaged in business or other profit-making activity under specific legislation’ (Art. 1, para. 1). To make this viable the law states that for the controlled entity it is mandatory to submit the financial statements to the controlling entity (Art. 22 para).</p> <p>The corresponding measure from the Ministry of Finance of 22 December 1993 (N. 65/393/1993) dealing with consolidated accounts is issued in accordance with the Accounting Act and states that...</p>
Czech Republic	<p>According to the Accounting Act<sup>12</sup> a company that has at least 20% stake in another company or manages another company due to an agreement or based on Articles of Association has to draw up consolidated accounts (the latter two cases are regardless of the parent company’s stake in the controlled company).</p>
<b>What is the legal definition of the group, as set out in company law (if different from the previous definition)?</b>	
Slovak Republic	<p>Slovak company law (the Commercial Code) lacks a clear definition of groups. No change is envisaged in the draft revised version of the Commercial Code to be adopted in 2001/2002.</p> <p>Article 66a of the Commercial Code nevertheless defines controlled and controlling entity in the following manner:</p> <p>(1) The controlled entity is a company or partnership in which a certain entity owns the majority of the voting rights since it has an interest on the company or the partnership or holds shares of the company to which the majority of the voting rights is attached or since it has entered into agreements with other authorized parties and may thus exercise most of the voting rights regardless whether such agreement is valid or not (Art. 186a).</p> <p>(2) The controlled entity is the entity controlled by the controlling entity as provided in subsection 1.</p> <p>(3) The percentage of the voting rights pursuant to subsection 1 shall be increased by any voting rights:</p> <ol style="list-style-type: none"> <li>a) associated with the interest on the controlled Entity or with the shares of the controlled entity, which are owned by other parties controlled directly or indirectly by the controlling entity,</li> <li>b) exercised by other parties in their own name and on the account of the controlling entity.</li> </ol> <p>(4) The percentage of the voting rights under subsection 1 shall be reduced by the voting rights associated with the interest on the controlled entity or with the shares of the controlled entity, if</p>

<sup>12</sup> (Act no. 563/1991 as amended by Act. no. 117/1994 Coll., Act no. 227/1997 and Act No. 492/2000 Coll.)

	<p>a) the controlling entity exercises such voting rights on the account of a entity other than the entity thereby controlled directly or indirectly or a entity controlling it,</p> <p>b) such interest or shares are transferred to the controlling entity as a security and the controlling entity must abide by the instructions of the entity, which provided the security when exercising the voting rights.</p>
Czech Republic	<p>Art. 66a of the Commercial Code defines group as formed by mother and daughter companies. Mother company is a company that has really or legally direct or indirect decisive influence on management of another company (the daughter company). More precisely a mother company is defined as a controlling entity that is a company. A controlling entity is always: (1) a majority partner (owner); (2) an entity that controls majority of voting rights based on agreement settled with other partners; or (3) can force hiring of firing majority of members of the Board of Directors or majority of members of the Supervisory Board. Controlling entity is also a person or a company that has at least 40% of voting right in case other entity does not have an equal or higher voting stake in the company. Entities that act in agreement that have 40% and higher voting stake in a company are controlling entities.</p>
<b>What is the definition of group applied by the competition authorities (if different from the previous definition)?</b>	
Slovak Republic	<p>A slightly different definition of “group” is applied by the Slovak competition authorities (the Antimonopoly Office of the Slovak Republic) in the <u>Act on the Protection of the Economic Competition</u> of 8 July 1994 (Act no. 188/1994 Coll.). In this act one speaks about “concentration” rather than “groups” and such a “concentration” should be reported to the Antimonopoly Office if one party has <u>‘the possibility to exercise decisive influence on an enterprise’s activities, especially by means of: (a) ownership or the right to use the whole enterprise or a part thereof; (b) right, contracts or other means which permit the exercise of decisive influence on [the] composition, voting or decisions of the organs of the enterprise.’</u> (Art. 8, para. 2) This definition is thus more far-reaching than that outlined in the Act on Accounting in that it does not necessitate the existence of a written contract.</p> <p>The act continues to outline the specific circumstances under which reporting to the Antimonopoly Office is mandatory. It states that “concentration” is subject to control by the Office if the total turnover of the entities is more than Sk 300 mn and at least two of the entities had a turnover of no less than Sk 100 mn – or, alternatively, if the combined market share of the grouping (“concentration”) exceeds 20 per cent (Art. 9, para. 1). In these cases the definition of “group” is further extended to include not only the ‘participants of concentration’ as defined above but also the turnover/market share of (Art. 9, para 2, sections b-d):</p> <ul style="list-style-type: none"> <li>(b) entrepreneurs, in which the participant of concentration owns more than half of the capital, or has the power to exercise more than half of the voting rights, or the power to appoint more than half of the members of organs of the enterprise, or the right to manage the enterprise</li> <li>(c) entrepreneur who owns or has the rights described in part (b) in an enterprise of the participant of concentration</li> <li>(d) all other entrepreneurs in which the entrepreneur mentioned in part (c) owns or has the rights described in part (b)</li> </ul> <p>It may be noted that the act explicitly includes <u>control over enterprises by mutual funds and investment companies</u>. In this case control is defined as the investment company/mutual fund holding more than 10 per cent of the capital or voting rights – or in any other way has the right to manage the enterprise (Art. 9, para. 3).</p>
Czech Republic	<p>There is no special definition of a group in regulation applied by the competition authority. However, concentration (as opposed to a group) is defined in the new Act on the Protection of Economic Competition (Act No. 63/1991 Coll. as amended). As the third form of concentration mentioned in the Act is the one which say that as a concentration shall be regarded a situation, when one or more persons who are not entrepreneurs, but already control at least one company, or if one or more entrepreneurs acquire direct or indirect control over another company, in particular: (a) by acquisition of stocks, business or membership interests, or (b) by a contract or by any other means allowing them to determine or influence the behaviour of the controlled company.</p>

### 3 Ownership disclosure rules

#### 3.1 Company law (all companies)

Indicator	Sole entrepreneur	General commercial partnership (a.k.a. unlimited partnership)	Limited partnership	Limited liability company	Co-operative	Joint-stock company
<b>Does the list of owners have to be deposited at the company register (or elsewhere) when the company is founded?</b>						
Slovak Republic	Not applicable for a self-employed person who is natural person; in case of a legal entity it is required.	Yes.	Yes.	Yes.	Yes.	No.
Czech Republic	Not applicable for a self-employed person who is natural person; in case of a legal entity it is required.	Yes.	Yes.	Yes.	Yes.	Yes.
<b>If yes, what information about the owners does the list contain (name, address)?</b>						
Slovak Republic	See Articles 45, 46, 47, 48, 50, 51 and 54 of the Act No. 455/1991 on Small Trader's Act.	The names and addresses of the partners, or, as appropriate, the business name (designation) and the registered office of the legal entity being a partner in the general commercial partnership concerned, (Art. 28).	The names and addresses of the partners or, as appropriate, the business name (designation) and the registered office of the legal entity being a partner in the limited partnership concerned, the details of who is a general partner and who is a limited	The names and addresses of its members or, as appropriate, the business name (designation) and the registered office of the legal entity being a member, the amount of stock capital, the individual amounts of each member's pledged and paid up	The amount of its registered stock capital plus the amounts of the basic member's contributions (Art. 28)	No ownership info – but the amount of its stock capital, the number and the class of shares plus their nominal value, as well as the names and addresses of members of the Supervisory Board (Art. 28).

Indicator	Sole entrepreneur	General commercial partnership	Limited partnership	Limited liability company	Co-operative	Joint-stock company
			partner, the amount of pledged and paid up contributions of each limited partner (Art. 28).	contributions, as well as the names and addresses of the members of the Supervisory Board, if established (Art. 28).		
Czech Republic	For a natural person: name, citizenship, address, personal number and identification number of entrepreneur and personal data of responsible representative (if such a position exists)  For legal entity: personal data about person or persons who are statutory bodies or members of a statutory body or responsible representative of a firm if such a position is established.	Name and address (Art. 78)	Name and address; type of partnership (general / limited); initial contribution of each limited partner (Art. 94).	Name and address; pledged initial contribution, and manner and time schedule of repayment (Art. 110)	Name, address, pledged and paid up membership contribution (Art. 228)	Name and address (in case the company issued dematerialised shares or physical shares to a named person – registered shares), class and form of shares, and nominal value (Art. 156 par. 2).
<b>What is the legal procedure for transferring shares (e.g. anonymous, registered shares can only be transferred with the consent of the company, the company has a shareholder register which is public/for the eyes of the management only)?</b>						
Slovak Republic	n.a.	Not applicable. However a partner can step out of the partnership or a new partner can join, and then a new partnership agreement is required (Art. 83).	Limited partner may not wind-up of the partnership (Art. 102 par. 1).  For unlimited partner see general commercial partnership (v.o.s.)	Consent of the General Meeting is required for transfer of shares to another partner (Partnership agreement may require a different procedure) (Art. 115);  Partnership agreement may allow transfer of	Any member may transfer his rights and duties to another member of the co-operative, unless such a transfer is ruled out by the Statutes; consent of the Board of Directors is required	The transfer of database-entry shares will be carried out pursuant to special legislation. The Articles of Association may not restrict the transferability of a publicly negotiable

Indicator	Sole entrepreneur	General commercial partnership	Limited partnership	Limited liability company	Co-operative	Joint-stock company
				<p>shares to a third party, consent of the General Meeting may be required</p> <p>The changed list of partners has to be presented to the Business Register</p>	<p>for transfer of membership; Articles of Association may prescribe reasons when membership transfer is not possible (Art. 229)</p> <p>The Board shall enable anyone who proves to have legal interest to inspect the list of members. A co-operative member is entitled to examine the list (Art229).</p>	<p>share. In case of registered paper form shares the transfer will be carried out pursuant to special legislation under an underlying agreement, by endorsement and delivery of share (Art156 par3).</p>
Czech Republic	Not applicable	Not applicable. However a partner can step out of the partnership or a new partner can join, and then a new partnership agreement is required (Art. 83).	<p>Limited partner may not wind-up of the partnership (Art. 102 par. 1).</p> <p>For unlimited partner see general commercial partnership (v.o.s.)</p>	<p>Consent of the General Meeting is required for transfer of shares to another partner (Partnership agreement may require a different procedure) (Art. 115);</p> <p>Partnership agreement may allow transfer of shares to a third party, consent of the General Meeting may be required</p> <p>The changed list of partners has to be presented to the Business Register</p>	<p>Any member may transfer his rights and duties to another member of the co-operative, unless such a transfer is ruled out by the Statutes; consent of the Board of Directors is required for transfer of membership; Articles of Association may prescribe reasons when membership transfer is not possible (Art. 229)</p> <p>The Board shall enable anyone who proves to have legal interest to inspect the list of members. A co-operative member is entitled to examine the</p>	<p>Bearer shares are freely transferable (Art. 156 par. 7);</p> <p>Transferability of registered shares can be restricted by the Articles of Association (Art. 156 par. 4);</p> <p>Company that issued shares registered shares keeps the share register;</p> <p>The Securities Centre (SCP) keeps the register of dematerialised shares;</p>

Indicator	Sole entrepreneur	General commercial partnership	Limited partnership	Limited liability company	Co-operative	Joint-stock company
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					list (Art229).	
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Are the directors of the company allowed to hold ownership certificates <u>in their own name</u> and up to what percentage of nominal capital?						
Slovak Republic	Not applicable	Only the partners of the partnership, i.e. irrespective whether they are members of the statutory body or not.	Only general partners of the Limited Partnership	No restrictions, if the directors are at the same time members	No restriction, if the directors are at the same time members.	No restrictions.
Czech Republic	Not applicable	Only partners are statutory bodies of the partnership (hence, directors are owners by definition) (Art. 81, 85)	Only general partners are statutory bodies of the partnership (hence, directors are owners by definition) (Art. 97 par. 1)	No restrictions.	Members of all firm bodies have to be members of the co-operative (hence, directors are owners by definition); no other limits apply (Art. 238).	No restrictions

### 3.2 Company law (a.s. + s.r.o.)

	Limited liability company (s.r.o.)	Joint-stock company (a.s.)
<b>Are the directors/the company allowed to purchase ownership certificates in the <u>name of the company</u> and if yes up to what percentage of nominal capital?</b>		
Slovak Republic	---	Regarding the second company law directives we chose to focus on the provisions that limits public companies with regard to purchasing their own shares. In the current reading of Commercial Code not much of the directive is implemented. It is therefore positive that in the draft Commercial Code all aspects regarding the purchase of own shares are implemented in the text. However, the one important amendment to the directive which was made in 1992, i.e. paragraph 24a which was amended in order to avoid a loophole whereby companies could use their subsidiaries to buy their own shares, is unluckily not implemented.
Czech Republic	Acquisition of own shares not allowed.	In general not allowed. Company can acquire own shares itself or via other person acting on its own name only under special conditions (Art. 161a). <sup>13</sup> When acquired, the shares shall not grant the company any rights of a shareholder (Art161d par1).
<b>Does the company have to notify the company register (or similar) when it acquires or holds a stake in another company? What are the thresholds for such notifications?</b>		
Slovak Republic	---	---
Czech Republic	Limited liability company (s.r.o.) with only one partner cannot own 100% of another company.	In general, a firm does not have to report an acquisition of a stake in another company. However, shareholders of a company with a seat in the Czech Republic that has registered shares have a reporting obligation according Art. 183d (implementation of the Large Holdings Directive, see below for more details).
<b>Is the information from the company register (or similar) only available on paper or in computer readable form as well?</b>		
Slovak Republic	The papers (legally binding) are stored in the eight different register courts that administer the commercial register. In addition, for information purposes only (not legally binding) basic data have begun to be made available through the internet.	

<sup>13</sup> There are three cases when the company can acquire its own shares: (1) by resolution of the General Meeting; (2) nominal value of all shares acquired is less than 10% of the company's nominal share capital; and (3) the company has money to be put to a special reserve fund for its own shares. Exceptions from this regulation are stipulated in Art. 161b (e.g. for the purpose of decreasing basic capital conditions specified in the Art. 161a need not to be met).

Czech Republic	The Business Register data is available to everybody. Everybody has a right to see all the information in the Business Register, and make copies of them. Basic data have begun to be made available through the internet (information purposes).
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General comments Czech Republic:

- In general, a firm does not have to report an acquisition of a stake in another company. However, shareholders of a company with a seat in the Czech Republic that has registered shares have a reporting obligation according the Art. 183d (implementation of the Large Holdings Directive, see below for more details).

### 3.3 Accounting rules (joint-stock companies)

<b>What ownership information do these companies have to report in the annex of their annual reports (Fourth Company Law Directive, 78/660/EEC of 25 July 1978 covering all limited liability companies; Seventh Company Law Directive 83/349/EEC of 13 July 1983 on consolidated accounts)?</b>	
Slovak Republic	According to the Art. 40 of the Commercial Code joint-stock companies shall publicize the data from their audited financial statements, other types of partnerships and companies and co-operatives shall be required to do so only if so stipulated by a special Act, see the next question.
Czech Republic	Act No. 563/1991 Coll. and Act No. 591/1992 Coll. as amended. Number of shares that are owned by the members of BoD, supervisory board and top management of an issuer (these persons are obliged to inform the issuer upon request about number of shares of the issuer which they have in their holding- but only as total figure for each body mentioned).
<b>Which national law transposed the accounting standards directives? (4th Directive 78/660/EEC and 7th Directive 83/349/EEC)</b>	
Slovak Republic	In Slovakia there are two framework legal acts that transposed the accounting acquis: the Act No. 563/1991 Coll. on Accounting as amended (the last amendment was adopted under the No.336/1999 and is efficient from 1 January 2000) and the Act No. 73/1992 on Auditors and the Slovak Chamber of Auditors. <sup>14</sup> Both are partially aligned with the acquis and the new fully harmonised law on accounting is being prepared by Ministry of Finance, proposed efficiency date is 1 January 2003.
Czech Republic	---
<b>Has the country imposed additional requirements via its national accounting standards (e.g. as a result of the activities of the International Accounting Standards Committee or rival standards)?</b>	
Slovak Republic	Ministry of Finance acts as a separate authority, which sets national accounting standards. The accounting standards are issued in the form of legal regulations, thus they are binding for all companies to which they concern and are publicly accessible in the Collection of Laws. The Ministry of Finance in co-operation with the Methodological Council of the Slovak Chamber of Auditors issues the accounting standards. The Ministry of Finance has established the National Steering Commission for Auditing for gradual application and interpretation of the international accounting standards (IAS). Statutory audits are carried by the tax offices, which are the only competent national authorities established for this purpose. Auditors carry out their duties concerning the annual accounts, where law requires it.
Czech Republic	---

<sup>14</sup> The Chamber of Auditors is a professional authority representing the interests of auditors responsible for registration of certified auditors, implementation of the Code of Conduct, introduction of auditing standards, permanent education and external quality assurance. It has recently established the Committee for Inspection of the Auditors that is to control, assess and supervise the alignment with the legislation.

<b>Is the information from this source only available on paper (the printed annual report) or in computer readable form</b>	
Slovak Republic	Simplified accounting data is made available in database format through commercial vendors, e.g. RM-System in their annually published Kniha Faktov (Factbook)
Czech Republic	---
<b>If the information is available from databases, is the information from the different sources consistent (the printed annual report being the benchmark)?</b>	
Slovak Republic	Not fully comparable as the RM-Systém data is based on their own standardised reporting format – filled out by companies traded at the OTC-market.
Czech Republic	---

### 3.4 Competition rules (joint-stock companies)

<b>Are there any competition (anti-trust) rules on ownership stake notifications that apply to this type of company?</b>	
Slovak Republic	New Act No. 136/2001 on Protection of Competition, efficient from 1 May 2001 was adopted
Czech Republic	---

### 3.5 Large Holdings Directive (88/627/EEC) (joint-stock companies)

<b>When was the Transparency Directive transposed, and in what law/regulation?</b>	
Slovak Republic	Not yet transposed. Will be transposed in accordance with the draft Securities Act (May 2001), Art. 110 in conjunction with the Commercial Code (Act no. 513/1991), Art. 66b. It can be noted that there are currently no plans on further specifying the disclosure requirements in the form of a decree by the Ministry of Finance (if this nevertheless would happen it first has to be explicitly mentioned in the law and then, following the adoption of the law, the Ministry may draft such a decree).
Czech Republic	Partially transposed with the amended Commercial Code (para. 183d) in 1996. Fully transposed with the new amendment to the Commercial Code in effect as of 1 January 2001 – still as para 183d.  The changes in January 2001 related above all to: (i) the thresholds applied (min. lowered to 5 per cent); (ii) the definitions of groups, controlled undertakings and concerted action; (iii) the level of detail in the reporting; and (iv) the possibilities for enforcement.
<b>When did the legislation become effective? (or, when is it estimated to become effective?)</b>	
Slovak Republic	1 January 2002.
Czech Republic	1996/1 January 2001
<b>Which are the "competent authorities or authorities" referred to in Article 13?</b>	
Slovak Republic	The Financial Market Authority is the authority responsible for enforcement (Art. 138); in addition notifications should be given to the issuer and to the SCP (Art. 1). The should be seen as a mere executor of the information obligation and has thus no responsibility for enforcement – rather, the SCP is also subject to supervision from the FMA.
Czech Republic	The Securities Market Commission (Komise pro cenné papíry)

<b>The Transparency Directive left the Member States a considerable degree of freedom in implementing the individual articles (see text of directive in Appendix). Indeed, Article 3 allows the Member States to tighten up the transposition at will, converting the provisions of the directive into common minimum standards – has this been done?</b>	
Slovak Republic	Only to the extent of choosing 5 per cent as the lower threshold; however, it should be noted that in the draft Securities Act there are still shortcomings with regard to the full transposition of the directive.
Czech Republic	Lower and tighter thresholds have been implemented; in addition the rules apply to owners of all issuers who are publicly tradable.
<b>Is the first time notification threshold referred to in Article 5 10% or lower?</b>	
Slovak Republic	In the current reading of the draft Securities Act there are no provisions making such an initial reporting. Representatives of the Ministry of Finance have, however, been made aware of this shortcoming and indicated that some change may be made before the draft goes to Parliament.  With regard to this two alternatives were discussed – either to make an explicit mentioning in the paragraph that blockholders would have to make a notification within e.g. 6 months of the law coming into force (a solution advocated by the representative of the ECGN), or to make Art. 1 of the paragraph apply also to blocks of shares <i>existing</i> at a level above one of the reporting thresholds (rather than only <i>passing</i> one of the thresholds), and thus relying on the general transitory provisions of the law (a solution which may lead to confusion in the future).  The conclusion is that it is still uncertain whether Article 5 of the directive will be implemented.
Czech Republic	The threshold is 5 per cent, and this reporting must be fulfilled according to the new standards as of 30 June 2001.
<b>Do natural persons or legal entities have to notify why they notified (i.e. which of the possibilities in Article 7 apply)?</b>	
Slovak Republic	Yes (Art. 5d-e). However, according to the representatives of the Ministry of Finance one will consider changing the draft to include also the concerted action which is indirectly referred to in Art. 1 (with the reference to the Commercial Code).
Czech Republic	Yes. In practice are some problems with the enforcement of this new (as of 1 January 2001) aspect of the reporting – this data is frequently missing in the notifications.
<b>Do natural persons or legal entities have to notify how they control an undertaking (a, b or c in Article 8)?</b>	
Slovak Republic	No. However, according to para. 5e legal entities and physical persons acting in concert must report the individual stakes held as well as the total (also see above).
Czech Republic	No.
<b>How much time may pass between crossing a threshold and reporting to the company (and the competent authority/authorities)?</b>	
Slovak Republic	First working day after acquisition (Art. 1).
Czech Republic	Three working days.
<b>How much time may pass between the notification of the company (and the competent authority/authorities) and the notification of the public; Art. 10(1)?</b>	
Slovak Republic	Nine calendar days after receiving notification (Art. 6).
Czech Republic	Nine calendar days.
<b>Who notifies the public; Art. 10(1)?</b>	
Slovak Republic	The Securities Centre (SCP) (Art. 6).
Czech Republic	The Securities Centre (SCP).

<b>Does the national law prescribe that "a company must also be informed in respect of the proportion of the capital held by a natural person or legal entity"; Art. 4(1)(3)?</b>	
Slovak Republic	No.
Czech Republic	No.
<b>By what means are the company and the competent authority/authorities notified; Art. 4(2)? How does the competent authority store the notifications (paper, computer)?</b>	
Slovak Republic	Written notifications to all three parties (the FMA, the SCP and the issuer). The competent authority will, subject to normal regulations, store the paper notifications for a minimum of 10 years.
Czech Republic	In writing both to the Securities Market Commission and to the Securities Centre. At the SCP the notifications are stored both in paper (10 years) and electronic form.
<b>In addition to the immediate distribution mentioned in the directive (unless the company is responsible) does the competent authority distribute the notifications cumulatively (e.g. on floppy disk upon request)?</b>	
Slovak Republic	<p>In the current reading of the draft Securities Act the only publication of the data catered for is through an advertisement made by the SCP in the daily business press (Hospodarske Noviny), i.e. in the same fashion as today is done with the ownership information of direct stakes per issue in accordance with Art. 79a of the current Securities Act.</p> <p>However, in discussions with the representative of the ECGN, the persons responsible for the draft act at the Ministry of Finance were sympathetic to making it mandatory for the SCP to make this information public to the public also "on request in cumulative form". Such a requirement in the law would very likely lead the SCP to make the notifications available also through the internet since such a solution would more cost-efficient than printing and copying all files as demanded by the public.</p> <p>It cannot be stressed enough that a more accessible publishing of the data is crucial if Slovakia is to live up to the intentions of the large holdings directive, i.e. to make control structures more transparent to non-insiders. If the current situation would prevail (i.e. with only publications in Hospodarske Noviny) it would mean that any party interested in a specific company would have to screen all issues of this particular newspaper since the introduction of the law.</p>
Czech Republic	Yes, the SCP has all the notifications since 1996 available (free of charge) on their website ( <a href="http://www.scp.cz">http://www.scp.cz</a> ). In addition they provide the data upon request on disk or CD for a minor cost.
<b>Does the competent authority/authorities have to declare how often it has applied the waiver rule set out in Article 11 (and for which natural person, legal entity)?</b>	
Slovak Republic	No waiver rule is included in the draft Securities Act.
Czech Republic	No waiver rule is catered for in the law. The SMC can, however, on the request of a securities trader remove his reporting duty if he is buying on his own account and announces that he will not use these voting rights (Commercial Code, Para. 183d, sect. 8).
<b>What are the sanctions mentioned in Article 15? How are these sanctions applied (or, what powers are conferred upon the competent authority/authorities for the performance of their duties; Art. 12(2))?</b>	
Slovak Republic	<p>The question of sanctions is one of the more problematic in the Slovak setting. In the draft Securities Act there is no specific mentioning of sanctions in case of violation of the reporting duty – only the general authority of the Financial Market Office to fine capital market participants (Art. 138) for non-fulfilment of their duties.</p> <p>However, since in Slovakia it is not possible for state authorities to give penalties to physical persons (only courts can do this) it means that the FMA can only punish licensed subjects of the capital market. In case of violation of the reporting duty by an owner which is not a licensed subject of the capital market the FMA can only</p>

	<p>hand over the matter to the Criminal Court – a situation which also applies to e.g. suspicions of insider trading by non-licensed subjects.</p> <p>Furthermore, according to the representatives of the Ministry of Finance, it is uncertain whether Art. 110 is covered by the Criminal Act – something which would be necessary for the courts even to consider such a matter.</p> <p>From this it stands clear that enforcement of the directive may come to pose a problem in Slovakia.</p>
Czech Republic	The law (para 183d, section 2) states that a party may not use voting rights in excess of the reported volume. The SMC can also nullify voting rights ex post, in addition to imposing fines (theoretical max. of 100 million LCU)
<b>Apart from the transposition of the transparency directive, are there any other regulatory rules that impose additional ownership data reporting requirements (distinguish between different markets if country has more than one)? If yes, is the ownership data available and from where?</b>	
Slovak Republic	For listed companies shareholders with direct ownership exceeding 10 per cent must be mentioned in the Annual Report.
Czech Republic	<p>In accordance with the Securities Act (Act no. 591/1992, Art. 87c, section b) information on all owners holding ten per cent or more in dematerialised securities is published by the SCP.</p> <p>The data is available at the SCP web-site and consists of the following variables: (i) date; (ii) ISIN; (iii) issue name; (iv) issuers identification number, ICO; (v) name of owner; (vi) per cent of the issue; and (vii), as of 1 January 2001, also the percentage of registered capital.</p> <p>It should be noted, however, that this applies only to dematerialised securities, i.e. for an issuer who have issued a combination of dematerialised and bearer equity only information on ownership of the former is made available through this channel.</p>
<b>Apart from the transposition of the transparency directive and any other rules imposed on the stock markets and its participants, does the stock exchange itself impose additional ownership data reporting requirements (distinguish between different markets if country has more than one)? If yes, is the ownership data available and from where?</b>	
Slovak Republic	N.A.
Czech Republic	No.
<b>What companies are subject to the Transparency Directive, and how many are actually reporting?</b>	
Slovak Republic	Once implemented it will apply to all publicly traded securities.
Czech Republic	All publicly traded issuers – irrespectively if they are traded on the Prague Stock Exchange or not. In general reporting seems to be frequent – and it has improved over time.
<b>Is there a noticeable difference between the data reported according to the directive and data available on direct stakes?</b>	
Slovak Republic	N.A.
Czech Republic	Yes.
<b>What are the thresholds chosen?</b>	
Slovak Republic	5%, 10%, 20%, 33% 50% or 66% (Art. 1).
Czech Republic	5%, 10%, 15%, 20%, 25%, 30%, one third, 40%, 45%, 50%, 55%, 60%, two thirds, 70%, 75%, 80%, 90% and 95%
<b>General comments</b>	
Slovak Republic	An additional problem in the case of Slovakia with regard to enforcement is that given that public joint-stock companies are able to issue both public and non-public shares (as well as a combination of bearer and registered shares) – and there is no active role for the issuer in “relaying” the data, nor any explicit mentioning in the law that the reporting party (owner) or the organisation responsible for publishing the data (SCP) is obliged compare the figures with the data on total capital in the

	Commercial Register (where all issues, irrespective of whether they are public or non-public, must be registered) – it is by no means certain that the owner will bother to make sure that he has accurate information on the real extent of his/her relative voting power in an issuer.
Czech Republic	Fully implemented and data easily available

### 3.6 Regulatory rules (joint-stock companies)

<b>Apart from the transposition of the transparency directive, are there any other regulatory rules that impose additional ownership data reporting requirements (distinguish between different markets if country has more than one)? If yes, is the ownership data available and from where and in what format?</b>	
Slovak Republic	Securities Act – 79a.
Czech Republic	Securities Act Art. 80a (2) specifications for annual report and 87c

### 3.7 Stock exchange regulations (joint-stock companies)

<b>Apart from the transposition of the transparency directive and any other rules imposed on the stock markets and its participants, does the stock exchange itself impose additional ownership data reporting requirements (distinguish between different markets if country has more than one)? If yes, is the ownership data available and from where?</b>	
Slovak Republic	---
Czech Republic	Companies that are listed on the main and secondary market at the Prague Stock Exchange have to regularly supply the stock exchange with relevant information. As part of the information requirements, companies are obliged to supply information concerning ownership stakes in other companies (acquisitions, losses and changes) and structure of important shareholders of the company (with voting stakes of 10% and more). This information is available in electronic form for a fee from the stock exchange.

## 4 Inside supervision

### 4.1 Boards

<b>What are the legally available board structures (one or two-tier board)?</b>	
Slovak Republic	Two-tier board structure <ul style="list-style-type: none"> <li>• Board of Directors (predstavenstvo) <ul style="list-style-type: none"> <li>○ Min. 3 members (member = clen predstavenstva)</li> <li>○ Chairman = predseda predstavenstva</li> </ul> </li> <li>• Supervisory Board (dozorna rada) <ul style="list-style-type: none"> <li>○ Min. 3 members (member = clen dozornej rady), see Art. 197:1</li> <li>○ Chairman = predseda dozornej rady</li> </ul> </li> <li>• In addition the General Shareholders Meeting (GSM) (see below) is considered a mandatory “body” of the company.</li> </ul>
Czech Republic	Two-tier board structure <ul style="list-style-type: none"> <li>• Board of Directors (predstavenstvo) <ul style="list-style-type: none"> <li>○ Min. 3 members (member = clen predstavenstva); unless the</li> </ul> </li> </ul>

	<p>company has only one shareholder in which case there is no minimum</p> <ul style="list-style-type: none"> <li>○ Chairman = predseda predstavenstva</li> <li>• Supervisory Board (dozorci rada) <ul style="list-style-type: none"> <li>○ Min. 3 members (member = clen dozorci rady); if higher than 3 the total number should still be divisible by three</li> <li>○ Chairman = predseda dozorci rady</li> </ul> </li> <li>• In addition the General Shareholders Meeting (GSM) (see below) is considered a mandatory “body” of the company.</li> </ul>
<b>Are there different categories of directors and/or of managers? What are their titles (in the original language)?</b>	
Slovak Republic	Yes; members of the Board of Directors, Supervisory Board, and top management. (CEO = Generalny riaditel, for others see the cell above)
Czech Republic	Yes; members of the Board of Directors, Supervisory Board, and top management. (CEO = Generalni reditel, for others see the cell above)
<b>What are their functions (tightly controlled agents of the directors, fairly independent day to day running of the company, supervision of management on behalf of the shareholders)?</b>	
Slovak Republic	<p><i>Supervisory board:</i> responsible for overseeing and monitoring of the actions of the Board of Directors.</p> <p><i>Board of Directors:</i> is the highest executive body of the company responsible for all business affairs of the company. In particular, the Code stipulates that (unless regulated otherwise by the Articles of Association), the Board of Directors members—and not the management—have the legal authority to sign contracts on behalf of the company.</p>
Czech Republic	<p><i>Supervisory board:</i> responsible for overseeing and monitoring of the actions of the Board of Directors.</p> <p><i>Board of Directors:</i> is the highest executive body of the company responsible for all business affairs of the company. In particular, the Code stipulates that (unless regulated otherwise by the Articles of Association), the Board of Directors members—and not the management—have the legal authority to sign contracts on behalf of the company.</p>
<b>What are their powers (directors hire and fire the senior management, managers hire and fire middle managers)?</b>	
Slovak Republic	<p><i>Supervisory Board:</i> Articles of Association may prescribe that Supervisory Board hires and fires the members of the Board of Directors instead of the GSM; members of the supervisory board have access to all company documents and books of accounts; when necessary Supervisory Board can initialise a General Meeting;</p> <p><i>Board of Directors:</i> its members are responsible for all business affairs of the company and have the right to sign contracts in the name of the company.</p>
Czech Republic	<p><i>Supervisory Board:</i> Articles of Association may prescribe that Supervisory Board hires and fires the members of the Board of Directors instead of the GSM; members of the supervisory board have access to all company documents and books of accounts; when necessary Supervisory Board can initialise a General Meeting;</p> <p><i>Board of Directors:</i> its members are responsible for all business affairs of the company and have the right to sign contracts in the name of the company.</p>
<b>Does the chairman of the board of directors have veto power or a “golden vote”?</b>	
Slovak Republic	No.
Czech Republic	No.

<b>By whom are directors/managers nominated, appointed (and for how long), re-appointed, promoted, removed, remunerated? How are these decisions taken (majority voting, unanimity)? Does anybody have veto power?</b>	
Slovak Republic	<p>The <i>Board of Directors</i> is elected by the GSM, or, if so specified in the Articles of Association, by the Supervisory Board.</p> <p><i>Supervisory Board</i> (Art. 200) shall consist of at least 3 members. Two-thirds of the Supervisory Board members shall be elected by the General Meeting and one third by the employees of the company, provided that there are more than 50 full-time employees at the time of election. The Articles of Association may stipulate a higher number of members of the Supervisory Board to be elected by the employees, however, this number may not be higher than the number of members elected by the General Meeting. The Articles of Association may also stipulate that even if the number of staff employed with the company is lower than above, the employees shall elect a member (some members) of the Supervisory Board.</p> <p>Members of the Supervisory Board shall be elected for a period stipulated by the Articles of Association, however, not exceeding 5 years.</p> <p>A member of the Supervisory Board shall not be a member of the Board of Directors, chief clerk executing procuracy, or be a person authorized in the Commercial Register to act on behalf of the company (conflict of interests).</p> <p>Management (Management Board) CEO</p> <p>Duration: The Board of Directors and the Supervisory Board are both elected on a term stipulated by the articles of association – although not for longer than 5 years.</p>
Czech Republic	<p>The <i>Board of Directors</i> are elected (and dismissed) by the GSM for a period no longer than 5 years – however, the statutes may provide that the members are elected and dismissed by the Supervisory Board in a way specified in the statutes. The chairman of the Board of Directors is elected by the Board of Directors members themselves in both cases.</p> <p>2/3 of the members of the <i>Supervisory Board</i> are elected by the GSM and, in case the company has more than 50 employees, 1/3 by the company's employees (if less than 50 also these are elected by the GSM). However, the statutes may set a higher fraction of the Supervisory Board to be elected by employees – but not higher than the number elected by the GSM.</p> <p>A member of the Supervisory Board cannot be a member of the Board of Directors or any other statutory body.</p> <p><i>Majority voting</i> in all cases; nobody has veto power.</p>
<b>Are the nomination and appointment rules set out in company law, the company statute, imposed by the stock exchange?</b>	
Slovak Republic	The general rules are set out in the Commercial Code but variations may be stipulated in the articles of association.
Czech Republic	General rules are set out in the Commercial Code; Articles of Association may adjust the rules if not prohibited by the Code.
<b>Is it possible to obtain a list with the names of the persons who sit on the board and in the various committees for each company?</b>	
Slovak Republic	Yes. The list of members of all statutory bodies of the company should be kept at the Commercial Register – also available via internet.
Czech Republic	Yes. The list of members of all statutory bodies of the company should be kept at the Business Register – also available via internet.
<b>Is it possible to find out how much the individual directors and managers earn (pay, bonuses, stock options)?</b>	
Slovak Republic	---
Czech Republic	No. Only total data for each statutory body should be included in annual report.

	(Securities Act Art. 80a)
<b>Do directors have to declare how many shares in their own company they possess and when they buy and sell?</b>	
Slovak Republic	---
Czech Republic	Only as a total sum for each statutory body and top management.

## 4.2 Manager independence

<b>For which business decision must the managers seek approval by the shareholder meeting and/or the board and/or worker representatives?</b>	
Slovak Republic	Liquidation of the company, mergers, divisions or transformations, increase and reduction of stock capital, issue of bonds, distribution of profits (Art187).
Czech Republic	Liquidation of the company, mergers, divisions or transformations, increase and reduction of share capital, issue of bonds, convertible bonds and warrants, transfer of company property or decision to rent property of the company - resolved by the general meeting (Art187).
<b>In particular, do these decision include financing decisions (IPOs, new equity issues, bond issues, bank loans, use of derivative products)?</b>	
Slovak Republic	Yes.
Czech Republic	Generally yes. The General Meeting can delegate the Board of Directors to decide about increase of share capital (via issue of new shares or from retained earnings) that is smaller than one third of the share capital – this right may not be valid longer than 5 years (Art210).
<b>Is approval granted by majority voting?</b>	
Slovak Republic	Decisions on increase or decrease of the stock capital require a 2/3 majority of votes attending shareholders (Art. 187 par. 2).
Czech Republic	Decision concerning increase or decrease of share capital require consent of at least 2/3 of holders of each class of shares (Art186 par2).
<b>Is the catalogue of decisions that the managers cannot take independently set out in the company statute, laid down by company law, stock exchange or other regulation?</b>	
Slovak Republic	Commercial Code and Articles of Association.
Czech Republic	Commercial Code and Articles of Association.
<b>Are managers allowed to buy shares in the company in the name of the company?</b>	
Slovak Republic	Generally no, only in special cases – see the information on ownership disclosure rules under the section <u>Company law (a.s. + s.r.o.)</u>
Czech Republic	Generally no, only in special cases – see the information on ownership disclosure rules under the section <u>Company law (a.s. + s.r.o.)</u>
<b>Is the management allowed to vote these shares?</b>	
Slovak Republic	No.
Czech Republic	No.
<b>Is the management allowed to vote shares in the company that belong to third parties that have signed over the voting rights to them?</b>	
Slovak Republic	---
Czech Republic	No. A shareholder shall not delegate his voting right to any member of the Board of Directors or the Supervisory Board (Art. 184 par. 1).

### 4.3 Shareholder meeting

<b>Who has the right to attend the General Shareholders Meeting (GSM)?</b>	
Slovak Republic	All shareholders (Art. 180, para. 1) and members of the Board of Directors and the Supervisory Board (indirectly in Art. 188, para. 2f). In addition representatives of the Financial Market Authority may attend the General Shareholders Meeting.
Czech Republic	All shareholders or their representatives (with proxy voting right), members of the Supervisory Board and the Board of Directors, auditors, if invited by either Board, any other person whose presence is considered relevant by either Board.
<b>Is it possible to delegate (or transfer) voting rights to third parties? If so, how?</b>	
Slovak Republic	Yes, through proxy voting (Art. 185, para. 2). [for limited liability companies the proxy must have a written power of attorney – Art. 126] There are currently no provisions in the Commercial Code catering for proxy-voting through mail.
Czech Republic	Yes, through proxy voting (Art. 184 par. 1).
<b>What percentage of the equity capital has to be present at the meeting to take binding decisions?</b>	
Slovak Republic	Shareholders representing a minimum of 30 per cent of the stock capital – unless the Articles of Association stipulate otherwise (Art. 185, para. 1). However, if at the ordinary GSM quorum is not achieved a substitute meeting is called within three weeks at which no quorum requirements are in place (Art. 185, para. 3).  In the new draft Commercial Code there are currently no provisions for any minimum limit!
Czech Republic	Shareholders representing a minimum of 30 per cent of the stock capital – unless the Articles of Association stipulate a higher participation (Art. 185 par. 1). However, if at the ordinary GSM quorum is not achieved a substitute meeting is called within 6 weeks at which no quorum requirements are in place (Art. 185 par. 3)
<b>What majority is required to change the company statute (Articles of Association)?</b>	
Slovak Republic	2/3 of votes of attending shareholders (Art. 187, para. 2)
Czech Republic	2/3 of votes of attending shareholders (Art. 186, para. 2 and Art. 187, para. 1).
<b>Can this required majority be increased or decreased in the company statute?</b>	
Slovak Republic	The Commercial Code mentions no such provisions other than that the Articles of Association should specify the procedure for amending and modifying the Articles of Association (Art. 173, section k) – and since there is no mentioning of the possibility to alter the 2/3 rule in Art. 187, para. 2 the only viable option is that <i>if</i> it can be altered it is only upwards.
Czech Republic	The Articles of Association may specify a higher fraction of the votes (Art. 186 par. 1)
<b>Is it possible to obtain a copy of the attendance list of the shareholder meeting as a shareholder/as a member of the public?</b>	
Slovak Republic	Any shareholder can ask the Board of Directors for a copy of, or an excerpt from, the minutes of the General Meeting (Art. 189, para. 2). Also, the Commercial Code states that: ‘The minutes of the General Meeting, together with the notice of the invitation to the General Meeting plus the <i>attendance list</i> shall be filed in the archives of the company for its whole existence’ (Art. 189, para. 3)
Czech Republic	The attendance list is attached to the minutes of the General Meeting. Each shareholder has a right to ask the Board of Directors for a copy of it during the existence of the firm (liquidator has to keep the records for a period of 10 years after the firm is dissolved) (Art. 189 par. 2, 3).
<b>Is it possible to obtain the minutes of the annual meeting with the results of the votes for each item on the agenda?</b>	
Slovak Republic	Yes (see below).

Czech Republic	Yes (see below).
<b>What other information do the minutes contain?</b>	
Slovak Republic	<p>The minutes should include the following (Art. 188, para. 2):</p> <ul style="list-style-type: none"> <li>• the business name and the registered office of the company,</li> <li>• place, date and time for the General Meeting</li> <li>• the names of the elected Chairman, secretary, verifiers (two) and vote tellers of the General Meeting</li> <li>• description of the discussion concerning the single items on the agenda of the meeting</li> <li>• decisions taken by the General Meeting and the votes cast</li> <li>• protests lodged by shareholders, member of the Board of Directors or the Supervisory Board against the decisions taken by the General Meeting (if so requested by the person lodging such a protest)</li> </ul> <p>In addition also the proposals and statements submitted for discussion shall be enclosed with the minutes (Art. 188, para. 3)</p>
Czech Republic	<p>The minutes should include the following (Art. 188, para. 2):</p> <ul style="list-style-type: none"> <li>• the business name and the registered office of the company,</li> <li>• place, date and time for the General Meeting</li> <li>• the names of the elected Chairman, secretary, verifiers (min. two) and vote tellers of the General Meeting</li> <li>• description of the discussion concerning the single items on the agenda of the meeting</li> <li>• decisions taken by the General Meeting and the votes cast</li> <li>• protests lodged by shareholders, member of the Board of Directors or the Supervisory Board against the decisions taken by the General Meeting (if so requested by the person lodging such a protest)</li> </ul> <p>In addition also the proposals and statements submitted for discussion and list of all persons presented at shareholders' meeting shall be enclosed with the minutes (Art. 188, para. 3)</p>
<b>Can the shareholder ask the management to disclose whether the company holds stakes in other companies?</b>	
Slovak Republic	<p>Yes, although the company is not obliged to respond to it and the CC doesn't provide for an accountability of the joint stock company in case of not responding it. It is necessary to say that the CC doesn't expressis verbis regulate such a right of shareholder . However, implicitly according to the Article 178 - Shareholders rights and duties - yes. This article in paragraph 7 regulates that the shareholder has the right to look at the reports from the meetings of the supervisory board of the company and is obliged to maintain secrete about the known facts.</p> <p>Moreover Article 180 regulates that each shareholder shall be entitled to attend the General Meeting, to vote, to ask for explanations and to submit proposals. (the law doesn't prescribe what kind of explanations or proposals he may submit). The number of a shareholder's votes shall be determined by the nominal value of his shares. The voting procedure shall be governed by the Articles of Association which may also restrict the voting rights by imposing a maximum number of votes per shareholder.</p> <p>This means - that the General Meeting is the forum where the shareholder is entitled to ask management about the issues related to the company. To decide upon the request and make it in written form, it is necessary to mention article 185 that constitutes the quorum if the General meeting is attended by shareholders holding shares with aggregate nominal value of more than 30 per cent of the company's stock capital, unless the Articles of association stipulate otherwise. If case of failure to constitute a quorum, the Board of Directors shall convene a substitute General Meeting which shall have the same agenda (e. g. disclosure of the holdings) and shall constitute quorum irrespective the number of votes.</p> <p>All the requests shall be enclosed in the report or minutes from the General Meeting. These Minutes shall be archived during the whole existence of the</p>

	company.
Czech Republic	Generally yes, but the management has no obligation to disclose such information, especially if that might cause damage to the interests of the company.
<b>Can a shareholder ask the management to disclose whether the company is participated by other companies – if the management is aware of such holdings?</b>	
Slovak Republic	As said above - explicitly it is not regulated but implicitly according to the Article 180 a shareholder has the right to ask any question and submit any proposal that is to be discussed once the quorum has been reached. The quorum is regulated in the Article 185.
Czech Republic	180 (3) – explicitly it is not regulated but this article gives a shareholder the right to ask any question and submit any proposal.
<b>How many shares (voting rights) does the shareholder need to own to make such a request? (see above)</b>	
Slovak Republic	There are a couple of alternatives: 1. the number of shares is not substantial, since any shareholder who was invited to attend the General Meeting is entitled to ask and submit any proposal, unless the Articles of Association did not restrict the voting rights by imposing a maximum number of votes per shareholder. The request, proposal shall be judged by the General Meeting only in case when the quorum according to the Article 185 has been reached. 2. shareholders holding shares representing at least 10 per cent of the stock capital may request the Board of Directors to convene an Extraordinary General Meeting to discuss the proposed matters. the Board of Directors shall convene such an Extraordinary General Meeting so that it is held not later than 30 days from the receipt of the above request. the Extraordinary General Meeting shall have the same programme and is able to discuss the issues irrespective the number of voting rights (quorum). Upon request of shareholders representing 10 per cent of the stock capital, the Board of Directors shall include on the programme of the general Meeting proposals, requests by such shareholders.
Czech Republic	Even a shareholder having one share can make such a request.
<b>Is there a mandatory one-share one-vote rule?</b>	
Slovak Republic	No, the general rule is (see 180:1) – but in practice...
Czech Republic	No. Articles of Association shall determine number of votes related to one share in such a way that to any share with the same nominal value the same number of votes shall be allocated. If there are shares with different nominal values issued by a company, then the number of votes allocated to them must be in the same ratio as is the ratio of their nominal values. Articles of Association can limit execution of voting rights by setting a voting cap (the highest number of votes per one shareholder) and this should be done in the same scale for each shareholder or also for shareholder and persons controlled by him (Art180 par2).

## 5 Outside supervision

### 5.1 Stock markets

<b>What are the main stock markets and who is in charge of supervising them?</b>	
Slovak Republic	BCPB (Bratislava Stock Exchange) and RM-System (OTC-exchange established after voucher privatisation – yet uncertain whether re-licensed as stock exchange – has applied for permit under the name of Slovakia Stock Exchange).  Supervisory authority – since November 2000 – is the newly established Financial Market Authority (Urad pre Financni Trh, UFT)

Czech Republic	Prague Stock Exchange and RM-System; both supervised by the Czech Securities Markets Commission.
<b>Who owns the main stock markets ?</b>	
Slovak Republic	The Bratislava Stock Exchange is a joint-stock company. It has 21 shareholders (as of May 11, 2001; they are banks, brokerage firms and the National Property Fund). List of owners is available at: <a href="http://www.bsse.sk/bsseApp/index.asp?LANG=SK&amp;ITM=HOME">http://www.bsse.sk/bsseApp/index.asp?LANG=SK&amp;ITM=HOME</a>
Czech Republic	The Prague Stock Exchange is a joint-stock company. It has 56 shareholders (as of Dec. 31, 2000, they are banks, brokerage firms, and the Fond of National Property). None of the shareholders has more than 20% stake.

## 5.2 Public offerings

<b>What are the listing requirements on the main, second and third tier markets?</b>	
Slovak Republic	n.a. – new rules were adopted as of 1 July and have not yet been translated into English.
Czech Republic	See table below
<b>What are the insider trading rules associated with a public offering?</b>	
Slovak Republic	---
Czech Republic	All potential investors should have equal access to information
<b>What are the information diffusion policies before a public offering?</b>	
Slovak Republic	---
Czech Republic	The issuer must publish a prospectus that shall be approved by the Securities Commission. The prospectus as well as proposal for the Articles of Association must be available to all interested parties.

## 5.3 Insider trading

<b>What are the insider trading rules that apply for the different markets?</b>	
Slovak Republic	
Czech Republic	See, Art. 81 of the Securities act

## 5.4 Takeover rules

<b>Are there any takeover rules?</b>	
Slovak Republic	---
Czech Republic	Yes. Article 183a deals with takeover bid and Article 183b with mandatory takeover bid.  <b>Article 183a</b> <i>Takeover bid</i>  (1) Takeover bid is a public proposal of an agreement on purchase of securities (hereafter referred to as "public proposal of agreement") with which is linked a right to participate at joint stock company (hereafter only "target company"), focused on owners of these securities. Bidder in this bid expresses his will to receive participant securities of the target company (hereafter only "participant securities") in scope which allows him to control the company, if it is

not a mandatory takeover bid according to the Article 183b, against payment of their price or through exchange for other securities.

(2) Bidder can make the bid only after handing over of statement of BoD of the target company according to the para 11 d. (here are other details Ö..)

(3) If not stated otherwise can takeover bid include limitation by the highest number of participant securities, for which the bid is limited (or another condition mentioned there)

(4) Takeover bid must be prepared and announced in such a way to enable the addressee make their decision in time and with full knowledge of the things. The bid should include at least:

a) firm or name and seat or name and residence of the bidder and possible scope of his participation on target company and possible level of his share on voting rights of the company according to the Article 183d.

b) identification of participant securities to which the bid is focused on, their type, form or nominal value and possibly also limitation or condition according to the para 3, in the case of registered participant securities also their identification (ISIN).

c) price

d) form of an announcement on acceptance of a takeover bid or identification of public market on which the agreement should be closed.

e) period for which the takeover bid is in force (this period must not be shorter than 4 weeks and longer than 10 weeks since the day of its announcement in nationwide distributed daily newspaper. The Commission can, upon request, permit this period to be shorter.

f) procedure for the transfer of shares and condition of paying price.

g) rules of action according para 8.

h) intentions of the bidder concerning future activities of target company, its employees and members of its bodies, including planned changes in employment.

i) source and way of financing the price.

### **Article 183b**

#### *Mandatory takeover bid in case of having control over target company*

1) If participant securities of a target company are registered, is shareholder, who receives them either alone or together with other persons acting in concert (Article 66b) share on voting rights (Article 183d) which allows him to gain control over company (Article 66a), obliged in the 60 days period since the day after the day when the shareholder received or exceeded this stake to make offer of takeover to all owners of participant securities of the target company. (In some cases this period can be extended by another 20 days). The same obligation has also shareholder and persons acting in concert which share on participant securities or voting rights reaches or exceeds two thirds (2/3) and three fourths (3/4) of voting rights.

10) As property connection is considered a stake/investment into the basic capital of other person in the level at least 10% of basic capital of this person or such a stake/investment of other person into basic capital of a shareholder. (The same para defines also personal connection)

12) If receiving of a share on voting rights according to the para 1 was made by acting in concert, then all person acting in concert have the obligation according to the para 1. This duty is fulfilled if takeover bid is made by anyone of them and if it mentions data on persons who act in concert.

*The Article 183c states that cancellation of the mandatory takeover bid is not acceptable and after the announcement is being made it can be changed only in a*

	<p><i>way which is more advantageous to interested persons.</i></p> <p><b>Article 183f</b></p> <p><i>Competitive takeover bid</i></p> <p>1) Competition takeover bid is a takeover bid made by other bidder in the period of validity of the original takeover bid.</p> <p>2) For competitive takeover bid similar paragraphs have been applied as are paragraphs for takeover bid, but the price of competitive takeover bid should be at least by 2% higher than in the original bid.</p> <p>3) If original bidder wants to increase the price of the original bid it must increase it at least by 2% over the price mentioned in the competitive takeover bid and he is not allowed to sell participant securities, which he acquired on the basis of the takeover bid, by accepting of competitive takeover bid.</p>
<b>What are the main ingredients of these rules? (expand this section)</b>	
Slovak Republic	---
Czech Republic	Equal treatment of all shareholders in regard to offer conditions and information availability. A person obtaining a controlling interest in the issuer has an obligation to make a take-over bid to all other shareholders (for the definition of a controlling shareholder see above)

## 5.5 Auditors

<b>Which documents that the companies publish are previously checked by auditors?</b>	
Slovak Republic	---
Czech Republic	Yearly accounts (balance sheet, statement of profit or loss). Auditor's report can be included also in mid-report (mid-report is provided each six months), if there are some obstacles for including it in the annual report.

## 5.6 Listing requirements, Czech Republic

<b>Indicators relating to listing at the Prague Stock Exchange</b>	
<i>General info</i>	<p>At the Prague Stock Exchange, securities can be traded in these four markets:</p> <ul style="list-style-type: none"> <li>- Main market</li> <li>- Secondary market</li> <li>- New market</li> <li>- Free market</li> </ul> <p>Listing of a security in the Main or Secondary markets of the Stock exchange is subject to the decision of the Stock Exchange Listing Committee which has ruled that these two prestigious markets are equal as to both the listing procedure and issuer's information disclosure duties. These two markets only differ by value and liquidity of traded issues. Based on the decision of the Stock Exchange Listing Committee, an average daily trade value required for the decisive period of one year for shares and units in the Central market of the Stock exchange has been fixed for at least CZK 1 million.</p>
<i>Basic requirements for the admission to the main and secondary markets</i>	<p>(1) Issue earmarked for trading in the Main or Secondary markets has to be fully paid up and marketable without restrictions.</p> <p>(2) Issue in the Main market has to meet the following basic listing requirements:</p> <ul style="list-style-type: none"> <li>a) Amount of the issuer's registered capital according to the Commercial Code (at least 20 million CZK)</li> <li>b) Value of that part of the issue which was released through public offering minimum CZK 200 million</li> </ul>

	<p>c) Percentage share of that part of the issue which is dispersed among general public at least 25%</p> <p>d) Period, for which the issuer has been in business or in existence at least 3 years</p> <p>e) For shares – the issue must be sufficiently liquid; the liquidity criteria are set by the Committee in its decision and this decision must be published well in advance prior to its effectiveness (at the time: an average daily trade value required for the decisive period of one year for shares and units in the Central market of the Stock exchange has been fixed for at least CZK 1 million)</p> <p>(The registered capital requirement applicable to securities issued by investment funds and closed-end unit trust funds (value per unit issue) has been fixed for CZK 500 mil. as minimum.)</p> <p>(3) Issue in the Secondary market has to meet the following basic listing requirements:</p> <p>a) Amount of the issuer’s registered capital according to the Commercial Code</p> <p>b) Value of that part of the issue which was released through public offering minimum CZK 100 million</p> <p>c) Percentage share of that part of the issue which is dispersed among general public in the total value of the issue at least 25%</p> <p>d) Period, for which the issuer has been in business or in existence at least 3 years</p> <p>(The registered capital requirement applicable to securities issued by investment funds and closed-end unit trust funds (value per unit issue) has been fixed for CZK 250 mil. as minimum.)</p> <p>(4) Exceptions from the provisions referred to in clauses (1), (2) and (3) are authorised by the Committee.</p>
<p><i>Basic requirements for the admission to the new market</i></p>	<p>The New market of the Stock exchange is an organic component of the Secondary market. In contrast to the existing Main and Secondary markets, the New market is focused on young, dynamically-developing companies possessing growth-oriented potentials. Admission of a company to the New market is subject to approval of the Stock exchange Listing Committee.</p> <p>The basic listing requirements for a security in the New market of the Stock exchange are:</p> <ul style="list-style-type: none"> <li>- issuer’s registered capital must be at least CZK 10 mil.</li> <li>- issuer’s existence in business must be at least 1 year,</li> <li>- percentage share of the issue’s part which was issued through public offering must account for at least 15% of the total value of the issue,</li> <li>- number of shares in the issue must be at least 100,000 pieces,</li> <li>- market capitalisation for the issue must be at least CZK 20 mil.</li> </ul> <p>Issuers whose securities are listed in the New market must comply with the same information disclosure duties as companies traded in the Main and Secondary markets.</p>

## 6 Basic population statistics

### 6.1 Number of registered companies, Slovak Republic

Number of active companies	1996	1997	1998	1999	2000
Total units registered (legal units)	458,217	374,950	401,393	398,809	407,949
Total number of legal entities (juridical persons)	81,433	84,414	93,856	101,278	109,437
Total business companies and partnerships	46,164	52,104	59,679	64,971	70,533
General commercial partnership (v.o.s.)	1,327	1,311	1,359	1,389	1,391
Limited partnership (k.s.)	104	112	134	146	157
Limited liability company (s.r.o.)	39,821	46,650	53,431	58,079	63,248
Joint-stock companies (a.s.)	3,499	3,961	4,690	5,297	5,683
State-owned enterprises (s.p.)	1,193	692	559	491	442
Co-operatives (druzstvo)	2,307	2,334	2,416	2,508	2,550
Individual entrepreneurs (natural persons)	376,784	290,536	307,537	297,531	298,512

Source: Slovak Statistical Office

### 6.2 Number of active companies, Slovak Republic

Number of active companies	1996	1997	1998	1999	2000
Total units registered (legal units)	352,204	352,618	379,277	379,025	384,925
Total number of legal entities (juridical persons)	79,503	75,416	83,476	83,275	88,405
Total business companies and partnerships	38,332	44,721	51,487	50,441	53,110
General commercial partnership (v.o.s.)	1,265	1,077	1,097	972	958
Limited partnership (k.s.)	101	89	109	109	116
Limited liability company (s.r.o.)	39,378	40,228	46,339	45,279	47,810
Joint-stock companies (a.s.)	3,425	3,297	3,916	4,060	4,208
State-owned enterprises (s.p.)	382	204	149	97	75
Co-operatives (druzstvo)	2,233	1,923	1,917	1,802	1,747
Individual entrepreneurs (natural persons)	272,701	277,202	295,801	295,750	296,520

Source: Slovak Statistical Office

### 6.3 Number of companies by legal type and sector, Slovak Republic (1995 and 2000)

	1995										2000									
	Sum units	Sum legal ent.	v.o.s.	k.s.	s.r.o.	a.s.	s.p.	druzstvo	ind. entrepr.	Sum units	Sum legal ent.	v.o.s.	k.s.	s.r.o.	a.s.	s.p.	druzstvo	ind. entrepr.		
A Agriculture, forestry, hunting	26,206	3,176	12	0	474	86	176	1,125	23,030	23,142	3,442	12	0	1,038	127	5	939	19,700		
B Fishing	51	14	0	0	7	1	4	0	37	40	9	0	0	5	2	1	0	31		
C Mining	208	88	0	0	39	19	15	5	120	131	96	0	0	59	30	0	3	35		
D Manufacturing	53,219	7,399	186	0	5,211	763	316	222	45,820	58,376	9,011	149	15	7,222	927	13	184	49,365		
E Electricity, gas, steam and water supply	1,381	105	1	8	51	6	13	2	1,276	684	148	2	0	86	34	10	2	536		
F Construction	40,502	3,551	112	0	2,549	209	120	153	36,951	41,867	4,728	85	4	3,968	278	1	99	37,139		
G Wholesale and retail sales, repairs	107,851	20,384	541	6	16,206	595	108	168	87,467	130,160	26,336	406	33	22,448	1,150	6	148	103,824		
H Hotels and restaurants	15,466	1,172	54	30	769	54	36	16	14,294	16,293	1,599	50	1	1,278	74	0	6	14,694		
I Transport, storage and communications	14,323	1,730	34	1	921	63	82	17	12,593	17,045	2,054	28	3	1,548	113	20	6	14,991		
J Financial intermediation	1,357	731	1	4	187	465	0	3	626	890	565	5	1	202	329	0	1	325		
K Real estate, renting and business activities	42,855	6,799	193	2	4,328	399	136	348	36,056	50,969	15,662	187	57	8,663	1,027	15	339	35,307		
L Public administration and defense, compulsory social sec.	4,037	3,523	0	15	7	0	0	0	514	3,248	3,248	0	0	0	0	0	0	0		
M Education	3,422	1,452	2	0	100	6	1	3	1,970	4,149	2,119	1	1	188	6	0	2	2,030		
N Health and social care	7,284	2,408	3	1	33	10	10	1	4,876	9,837	1,651	6	0	171	27	2	1	8,186		
O Other community, social and personal service activities	24,840	15,360	27	0	587	32	13	18	9,480	28,086	17,729	27	1	934	84	2	17	10,357		
P Private households with employed persons	0	0	0	1	1	0	0	0	0	8	8	0	0	0	0	0	0	0		
Q Extra-territorial organizations and bodies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
<b>TOTAL</b>	<b>343,002</b>	<b>67,892</b>	<b>1,166</b>	<b>68</b>	<b>31,470</b>	<b>2,708</b>	<b>1,030</b>	<b>2,081</b>	<b>275,110</b>	<b>384,925</b>	<b>88,405</b>	<b>958</b>	<b>116</b>	<b>47,810</b>	<b>4,208</b>	<b>75</b>	<b>1,747</b>	<b>296,520</b>		

Source: Slovak Statistical Office

## 6.4 Number of employees by company type, Slovak Republic

Indicator	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total number of employees	2,008,156	2,013,379	2,012,329	1,976,931	2,019,790	2,036,442	2,040,902	2,032,109	1,988,187	1,976,952
Employees in business companies and partnerships						1,100,331	1,055,354	1,038,921	990,607	934,860
Of which:										
General commercial partnership*						2,242	2,730	1,505	1,533	1,296
Limited partnership*						137	138	397	1,130	1,086
Limited liability company*						235,820	255,463	287,676	295,278	278,623
Joint-stock companies*						435,447	455,471	437,866	414,415	398,050
State-owned enterprises*						180,806	119,406	104,351	88,004	104,937
Co-operatives*						112,786	110,143	107,763	94,716	84,995
Individual entrepreneurs**						6,053	4,864	3,600	3,530	2,911
Unaccounted for (i.e. in firms with less than 20 employees)***						127,040	107,139	95,763	92,001	62,962

Source: Slovak Statistical Office

\* For enterprises with 20 and more employees

\*\* For enterprises with 20 and more employees; entrepreneurs incorporated in the Business register

\*\*\* Calculated as the difference between the total and the specified number of employees

## 6.5 Registered companies by legal forms, Czech Republic

Legal Type / Year	31 Dec. 1995	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999
Total units registered	1,321,096	1,627,626	1,781,334	1,963,319
Total number of legal entities	196,434	260,087	297,377	343,357
Total business companies and partnerships	112,514	145,859	165,123	188,058
General commercial partnership (v.o.s.)	5,879	6,377	6,840	7,336
Limited liability company (s.r.o.)	98,558	128,569	145,977	167,064
Joint-stock companies (a.s.)	7,564	10,353	11,697	13,009
State-owned enterprises	2,270	1,621	1,312	12,14
Co-operatives	6,172	7,826	9,276	10,236
Private entrepreneurs	1,000,375	1,223,195	1,327,891	1,425,743

Source: The tables were constructed based on data from the Czech statistical year-book 2000. The data are compiled on the basis of information kept in the Business Register.

Notes: Number of registered companies for each legal form during the period from 1995 till 1999

## 6.6 Companies by selected legal forms and economic activity, Czech Republic

CZ-NACE activity	Total units registered	Private entrepreneurs	Business companies and partnerships	including: joint-stock companies	Co-operatives	State-owned enterprises
A Agriculture, forestry, hunting	129,966	17,764	3,452	756	1,690	60
B Fishing	548	117	63	10	1	-
C Mining	623	230	268	43	2	22
D Manufacturing	250,702	220,008	25,220	2,518	534	255
E Electricity, gas, steam and water supply	1,321	509	507	149	10	30
F Construction	209,143	181,908	13,775	719	380	96
G Wholesale and retail sales, repairs	627,464	517,593	85,144	3,581	421	134
H Hotels and restaurants	91,468	84,533	6,290	251	52	54
I Transport, storage and communications	66,414	59,493	6,289	346	61	32
J Financial intermediation	56,445	1,439	1,622	853	122	-
K Real estate, renting and business activities	313,954	245,745	39,641	3,380	6,868	482
L Public administration and defence, compulsory social sec.	13,307	2,650	39	4	2	4
M Education	22,266	15,285	1,154	27	18	-
N Health and social care	29,361	2,445	1,044	59	11	8
O Other community, social and personal service activities	149,993	75,823	3,548	313	64	37
P Private households with employed persons	114	112	2	-	-	-
Q Extra-territorial organizations and bodies	230	89	-	-	-	-
<b>TOTAL</b>	<b>1,963,319</b>	<b>1,425,743</b>	<b>188,058</b>	<b>13,009</b>	<b>10,236</b>	<b>1,214</b>

*Source:* The tables were constructed based on data from the Czech statistical year-book 2000. The data are compiled on the basis of information kept in the Business Register.

*Notes:* Cross table containing number of companies by selected legal forms active in each of the 17 main sectors as reported at the end of 1999

## 6.7 Size distribution of companies (units) according to the number of employees, Czech Republic

Number of employees	0 <sup>a</sup>	1-5	6-19	20-249	250 and more	Total number of units
1998	1,398,082	287,247	63,796	30,072	2,137	1,781,334
1999	1,602,460	268,302	60,982	29,560	2,015	1,963,319

*Source:* The tables were constructed based on data from the Czech statistical year-book 2000. The data are compiled on the basis of information kept in the Business Register.

*Notes:* <sup>a</sup> Including businesses that did not report their number of employees.

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**i Art. 88**

- (1) In addition to the cases listed in Art. 68, a partnership may also be wound-up in the following cases:
- a) by a notice of withdrawal, submitted by a partner no later than six months before the end of the calendar year in case of a Partnership Agreement entered into for an indefinite period and unless otherwise provided therein,
  - b) by a ruling of a court upon the action made by a non-defaulting partner, if any of the partners is in serious breach of the Partnership Agreement,
  - c) by the death of one of the partners, unless the Partnership Agreement allows an heir to become a partner and the heir agrees to participate in the partnership and at least two partners remain in the partnership,
  - d) by the winding-up a legal entity being a partner in the partnership,
  - e) by declaring bankruptcy over the property of any of the partners, or by rejecting the bankruptcy petition due to the lack of property,
  - f) by depriving or limiting the capacity of any of the partners to take legal actions,
  - g) for other reasons stipulated in the Partnership Agreement.
- (2) With respect to the reasons for the winding-up of the partnership specified in subsection 1, letters a), c), d), e) and f), the remaining partners may decide to amend the Partnership Agreement and continue with the partnership's business without that partner's participation.

**ii Art. 102**

- (1) Neither the death of a limited partner, nor its deprivation or limitation of the capacity to legal actions, nor the declaration of bankruptcy over his property or a refusal of the petition in bankruptcy due to insufficient assets, shall constitute a reason for the winding-up of the limited partnership. The winding-up of a legal entity being a limited partner in the limited partnership shall not result in the winding-up of the limited partnership.
- (2) In the event of declaration of bankruptcy over a limited partner's property, or in the event that a bankruptcy petition has been rejected due to insufficient assets of the said partner, the limited partner's share in the partnership shall be terminated and his entitlement to a settlement share shall become part of the bankruptcy assets.

**Art. 103**

If the participation of all limited partners is terminated, the general partners may agree to transform their limited partnership into a general commercial partnership without liquidation. The provisions of Art. 69 that regulates the dissolution of the company without liquidation shall not hereby be affected.

**Art. 104**

- (1) In the event of winding up of the limited partnership accompanied by its liquidation, all partners shall be entitled to share the liquidation balance. Every partner shall be entitled to the repayment of the paid-up contribution. Should the liquidation balance not be sufficient to cover all the partner's entitlements, the limited partners shall have a preferential right to have their contributions repaid. The residual part of the liquidation balance at hand after the repayment of the contributions shall be distributed among the partners in the same ratio as profits are distributed.
- (2) Should the liquidation balance not be sufficient for the distribution under subsection 1, it shall be distributed among the partners in the same ratio as profits are distributed.
- (3) The Partnership Agreement may stipulate another procedure for the distribution of the liquidation balance.

**iii Art. 151**

- In addition to cases stipulated in Art. 68, the company may be wound up:
- a) by the court's ruling in accordance with the provisions of Art. 152,
  - b) for other reasons stipulated in the Memorandum of Association.

**Art. 152**

The members and, if so stipulated by the Memorandum of Association or the Articles of Association, also the executives may ask the court to wind up the company on the grounds and under the conditions stipulated by the law, set out in the Memorandum of Association or in the Deed on Establishment, or Articles of Association, as appropriate.

**Art. 153**

- (1) The General Meeting shall appoint a liquidator prior to starting the liquidation of the company.
- (2) Upon the winding-up of the company accompanied by liquidation, each member shall be entitled to share the liquidation balance. Such share shall be calculated as a ratio between the paid-up part of the contribution of the member concerned and the paid-up parts of all the other members' contributions, unless the Memorandum of Association stipulates otherwise.

It is necessary to add that the members of the company are mostly at the same time the executives of the company, who have the right to act on behalf of the company in the scope defined in the Articles of Association.

**iv Art. 254**

- (1) A co-operative shall cease to exist upon its cancellation from the Commercial Register.
- (2) A co-operative shall be wound-up:

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- a) by a resolution of the Members' Meeting,
  - b) by a declaration of bankruptcy, or by rejecting the petition in bankruptcy due to the lack of property,
  - c) by a court ruling,
  - d) by the expiration of the period for which the co-operative was established,
  - e) by meeting the purpose for which the co-operative was established.

(3) The resolution of the Members' Meeting on the winding-up shall have form of a Deed executed by a Notary Public.

**Art. 255**

(1) The resolution of the Members' Meeting on the merger, take-over or split of a co-operative must specify the successor-in-law and the assets to be transferred to the successor. In the case of a split of a co-operative, the Members' Meeting shall determine how the co-operative's assets and members shall be split. Legitimate interests of individual co-operative members shall be taken into consideration when determining the co-operative's split.

(2) A member who does not agree with the transfer of his membership rights and duties to the successor-in-law of the co-operative may withdraw from the co-operative with effect as of the date when such transfer is to be effected, subject to a notice to the Board within one week following the resolution of the Members' Meeting. The successor-in-law of the co-operative shall be bound to pay the withdrawing member a settlement share arising from the member's claim under Art. 233 within one month from the transfer of the co-operative's assets.

**Art. 256**

(1) Upon the merger of co-operatives, the assets and membership are taken over by the newly established co-operative as of the date of its incorporation into the Commercial Register.

(2) Upon the take-over of a co-operative by another co-operative, the assets and membership of the taken-over co-operative are transferred to the other co-operative on the date when the taken-over co-operative is deleted from the Commercial Register.

(3) Upon the split of a co-operative, the assets of the co-operative and membership are transferred to the co-operatives, which have been established in virtue of that split as of the date when these co-operatives are incorporated into the Commercial Register. The provisions of Art. 69, subsection 4, shall apply *mutatis mutandis*.

(4) The deletion of a winding-up co-operative and the incorporation of a new co-operative established by merger, or co-operatives established by split, as well as the incorporation of a company established by the transformation of the co-operative, shall be effected in the Commercial Register on the same day. The deletion of a co-operative wound-up in virtue of a take-over, and an amendment in the entry of a co-operative, which has taken it over, shall be effected on the same day.

(5) Unless a resolution of the Members' Meeting implies otherwise, a co-operative member shall participate in the business of the successor co-operative with his member's contribution corresponding to his share in the liquidation balance which would be due to him if the co-operative were liquidated.

**Art. 257**

(1) Upon a proposal made by a public administration authority, a co-operative body, a member of a co-operative, or a person who proves to have legal interest, the court may rule on the winding-up of a co-operative and its liquidation, if:

- a) the number of members in the co-operative has dropped below the ceiling set out in Art. 221, subsection 3,
- b) the aggregate of members' contributions has been reduced below the ceiling set out in Art. 223, subsection 2,
- c) six months have elapsed since the expiration of the term of office of co-operative bodies' and new bodies have not been elected, or the Members' Meeting failed to be convened within such period, or the co-operative has not performed any business activities for more than six months,
- d) the co-operative has breached the duty to establish the Indivisible Fund,
- e) the co-operative is in breach with the provision of Art. 56, subsection 3,
- f) the law has been violated by the establishment, merger, or take-over of the co-operative.

(2) Prior to ruling on the winding-up of a co-operative, the court may set a period for the removal of the grounds due to which the winding-up has been proposed.

**Art. 258**

(1) The Members' Meeting may pass a resolution according to which a co-operative established for a definite period of time shall continue to exist even after the expiry of such period.

(2) However the resolution above must proceed the date of commencing of the distribution of the liquidation balance.

**Art. 259**

(1) Unless the law stipulates otherwise, the wound-up co-operative shall enter into liquidation. Liquidators shall be appointed in the manner specified in the Statutes of the co-operative, otherwise they shall be appointed by the Members' Meeting.

(2) Prior to distributing the liquidation balance, the liquidators shall prepare a proposal on the distribution of the liquidation balance that shall be discussed at the Members' Meeting. Any co-operative member shall be presented with the distribution proposal if he so requests.

(3) The liquidation balance shall be distributed among the members in the manner stipulated by the Statutes. Unless the Statutes stipulate otherwise, paid-up parts of members' contributions into the co-operative shall be repaid. The residual portion of the liquidation balance shall then be distributed among members whose membership in the co-operative lasted at least one year as of the day of the winding-up of the co-operative. Unless the Statutes stipulate otherwise, the residual portion of the liquidation balance shall be distributed among the

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members pro rata to their contributions to the basic capital of the co-operative. The provisions of Art. 234, subsection 1, shall apply to the return of contributions in kind mutatis mutandis.

(4) Within three months of the date of the Members' Meeting, each co-operative member may file a petition with a court proposing to declare null and void the resolution on the distribution of the liquidation balance due to being contrary to the law or the Statutes. If the court finds the proposal justified, it shall also decide on the distribution of the liquidation balance. The liquidation balance is not to be distributed prior to the expiry of three month's period or prior to the effective date of the court ruling.

**v Art. 218**

(1) A decision on the winding-up of the company shall be taken by the General Meeting. The provisions of Art. 69 shall apply to dissolution.

(2) The registration court will only cancel the company from the Commercial Register after it will have provided evidence that all the shares previously issued were cancelled or expired in accordance with special legislation.

**Art. 219**

(1) The General Meeting shall appoint a liquidator.

(2) Unless the Articles of Association provide otherwise, the shareholders holding shares corresponding to not less than 10 per cent of the stock capital may ask the Register Court to recall a liquidator appointed by the General Meeting and to appoint another person as liquidator, justifying the reasons thereof.

(3) A liquidator, who has not been appointed by the court, may be recalled by the General Meeting and replaced by another liquidator.

**Art. 220**

(1) After having satisfied all the creditors' claims, the liquidation balance shall be distributed among the shareholders pro rata to the nominal value of their shares, unless the Articles of Association stipulate otherwise.

(2) If the shares have not been fully paid, only those parts which have been paid shall be redeemed, the remaining portion of the liquidation balance shall be distributed amount the shareholders pro rata to the nominal value of their shares.

(3) If the liquidation balance is not sufficient for the redemption of the nominal value of the shares, the liquidation balance shall be distributed among the shareholders pro rata to the paid parts of the nominal value of their shares.