

ACT

No. 87/1995 Coll.

of 20 April 1995

on Credit unions and certain related measures and on the amendment of the Czech National Council Act no. 586/1992 Coll., on Income Taxes, as amended

Amendment: 100/2000 Coll.
Amendment: 406/2001 Coll.
Amendment: 212/2002 Coll.
Amendment: 257/2004 Coll., 280/2004 Coll.
Amendment: 377/2005 Coll.
Amendment: 413/2005 Coll.
Amendment: 56/2006 Coll., 57/2006 Coll., 70/2006 Coll.
Amendment: 120/2007 Coll.
Amendment: 296/2007 Coll.
Amendment: 126/2008 Coll.
Amendment: 254/2008 Coll.
Amendment: 230/2009 Coll.
Amendment: 285/2009 Coll.
Amendment: 156/2010 Coll.
Amendment: 160/2010 Coll.
Amendment: 281/2009 Coll., 409/2010 Coll.
Amendment: 41/2011 Coll.
Amendment: 73/2011 Coll.
Amendment: 139/2011 Coll.
Amendment: 41/2011 Coll. (in part)

The Parliament has adopted this Act of the Czech Republic:

CHAPTER I

Section 1 General Provisions

(1) This Act implements the relevant regulations of the European Union ¹⁾ and governs some relationships related to the incorporation, business activities, and termination of the legal existence of savings and credit cooperatives (hereinafter the “credit union”). This Act shall also govern supervision of credit unions performed by the Czech National Bank and insurance of deposits in credit unions.

(2) A credit union shall be a cooperative that, in order to support management of its members, carries out financial activities, i.e. namely the receipt of deposits and provision of loans, guarantees, and financial services in various forms.

(4) The trade name (hereinafter the “trade name”) of a credit union shall contain the title of “spořitelní a úvěrní družstvo”, “credit union”, “spořitelní družstvo” or “úvěrní

družstvo”; only a legal entity established pursuant to this Act shall be entitled to use the aforementioned title.

(5) A credit union is not a bank pursuant to an act governing the business activities of banks, and its business activities shall not be deemed a performance of a trade. ²⁾

(6) A credit union

a) Shall only be entitled to perform activities set forth in this Act, within the scope of a license to act as a credit union pursuant to Section 2a (hereinafter the “license”);

b) Shall, in the course of its business activities, act with prudence and due care, in particular carry out its business activities in a way that does not endanger the return of deposits of its members and its safety and stability;

c) Shall not enter into contracts under conspicuously disadvantageous conditions for the credit union, in particular those that bind the credit union to provide economically unsubstantiated performance or performance conspicuously incommensurate with the provided counter value; a breach of this condition shall establish invalidity of the contract, whereas such invalidity shall be assessed pursuant to the provision of the Commercial Code governing business contracts.

d) May not be an issuer of subordinated bonds ³⁾.

e) May not acquire receivables subject to subordination in terms of an act governing bonds ³⁾ from other credit institution, financial institution or a person having a qualified interest in a credit union, either on its own or in concern with another entity.

(7) Approved financial statement ^{3a)}, annual report, and copy of a license shall be published in a publicly accessible place in the registered office of a credit union, its branches, offices and agencies.

(7) A credit union shall seek prior consent of the Czech National Bank to the conclusion of a contract, which might relate to the disposition of enterprise of any par thereof. A pledge of enterprise or any part thereof by a credit union shall be inadmissible.

(8) A credit union shall not be entitled to acquire a direct or indirect share in the registered capital of a legal entity, become a member, partner, shareholder of a legal entity or otherwise gain influence on management of a legal entity.

(9) For the purposes of this Act, close links shall mean:

a) Relation between two or more entities in which one of the entities has a direct or indirect share in the registered capital of another entity, the sum of which represents a minimum of 20%;

b) Relation between two or more entities in which one of the entities has a direct or indirect share in voting rights, the sum of which represents a minimum of 20%;

c) Relation between two or more entities in which one of the entities controls the other entity or other entities; or

d) Relation between two or more entities controlled by the same entity.

Section 1a

(1) For the purposes of this Act

a) A credit institution shall mean a credit union or an entity whose activities or business involve receipt of deposits or other payable funds from the public and provision of loans at its own account, including foreign entities pursuing similar activities;

b) A financial institution shall mean an entity different from a credit institution whose decisive or major activities involve acquiring or holding shares in legal entities or whose decisive or major activities involve one or more activities performed by banks ^{3b}, with the exception of receipt of deposits or other payable funds from the public, and also investment company, investment fund, pension fund, insurance company, reinsurance company, which carry out their activities pursuant to special legal regulations, all including foreign entities pursuing similar activities;

c) An affiliate shall mean an entity in which another entity exercises major influence, meaning such major influence on management or operation of enterprise of such entity that is not control, is not only temporary and whose aim is to participate in the business activities of this entity; major influence shall always occur if a direct or indirect share assessed separately or as a sum represents a minimum of 20% of the registered capital or voting rights, unless it is control;

d) A consolidation unit shall mean a group of the controlling credit institution or a group of the financial holding entity or a group of the mixed holding entity; whereas a consolidation unit is made up of at least 2 entities;

e) A controlling credit institution entity shall mean a credit institution which controls at least one credit union;

f) A financial holding entity shall mean a controlling entity that

1. Is a financial institution other than a securities broker, is a foreign entity with its registered office in a member state of the European Union or other state forming the European Economic Area, which is entitled to provide investment services in such state, insurance company or reinsurance company;

2. Is not a mixed financial holding entity pursuant to the legal regulation governing the supplementary supervision of financial conglomerates ^{3c)}; and

3. Solely or predominantly controls credit or financial institutions, whereas at least one of the controlled entities is a credit union;

g) A mixed holding entity shall mean a controlling entity that is not a credit institution, financial holding entity or mixed financial holding entity pursuant to the legal regulation governing the supplementary supervision of financial conglomerates ^{3c)} and at least one of the controlled entities is a credit union;

h) A group of controlling credit institutions shall mean a group comprising a credit institution, entities controlled by it and affiliates;

i) A financial holding entity group shall mean a group comprising a financial holding entity, entities controlled by it and affiliates;

j) A consolidated group shall mean a group controlling credit institutions or a financial holding entity group or a mixed holding entity group; a consolidated group shall include at least 2 entities;

k) A domestic financial holding entity shall mean a financial holding entity with its registered office in the Czech Republic, which is not an entity controlled by a credit institution or another financial holding entity with its registered office in the Czech Republic;

l) A European controlling credit institution shall mean a controlling credit institution with its registered office in a member state that, at the same time, is not an entity controlled by another credit institution, to which a license to carry out business activities has been granted in any member state, or a financial holding entity with its registered office in any member state;

m) A European financial holding entity shall mean a financial holding entity with its registered office in a member state that is not controlled by a credit institution, to which a license to carry out business activities has been granted in any member state, or another financial holding entity with its registered office in any member state;

n) An obliged credit union within a financial holding entity group shall mean a credit union controlled by a financial holding entity with its registered office:

1. in the Czech Republic, provided such financial holding entity does not control any bank;
2. in another member state, provided such financial holding entity does not also control a credit institution, to which a license to carry out business activities has been granted in such member state, or a credit institution with a higher balance sheet total, to which a license to carry out business activities has been granted in another member state; or
3. in other than member state, provided the Czech National Bank did not refrain from supervision - on a consolidated basis – of such financial holding entity pursuant to Section 25e(5);

In case the consolidation unit comprises several credit unions, an obliged credit union within a financial holding entity group shall mean a credit union with the highest balance sheet amount;

o) An obliged credit union within a controlling credit institution group shall mean a credit union controlled by a credit institution, to which a license to carry out business activities has been granted in another member state, provided the Czech National Bank did not refrain from supervision - on a consolidated basis – of such controlling credit institution group pursuant to Section 25e(5); in case the consolidation unit comprises several credit unions, an obliged credit union within a controlling credit institution group shall mean a credit union with the highest balance sheet amount;

p) A subsidiary service company shall mean a legal entity that provides services aimed at the support of business activities of credit institutions;

q) A member state shall mean a member state of the European Union or another state forming the European Economic Area.

(2) In case relations of entities within a consolidated unit are such that it is not possible to unambiguously determine a controlling entity or its type, the Czech National Bank shall be entitled to determine the controlling entity of the consolidated unit or its type in agreement with a pertinent supervisory authority over credit or financial institutions.

(3) The Czech National Bank shall set forth, by means of its decree, criteria for excluding entities from a consolidation unit for the purpose of adhering to the rules of prudential business activities on a consolidated basis.

Some provisions relating to the establishment and incorporation of a credit union

Section 2 Heading omitted

(1) A credit union shall have a minimum of 30 members.

(2) The registered capital shall be a minimum of CZK 500,000.

(3) Before applying for a license is filed (Section 2a), a minimum amount of CZK 35,000,000 shall be fully paid, which represents the registered capital or risk fund and reserve fund - provided such funds are created when a credit union is established.

(4) It shall not be admissible for persons to be represented at a constituent members' meeting.

(5) Enclosed to an application for a registration into the Commercial Register shall be the license. Granting of the license, its withdrawal, and changes thereof shall be part of the registration into the Commercial Register.

(6) A registered office of a credit union must be within the territory of the Czech Republic.

Section 2a

(1) A license shall be necessary for the incorporation and business activities of a credit union. The license shall be granted by the Czech National Bank on the basis of a written application. The application for consent may only be filed on a prescribed form, to which an applicant shall enclose documents corroborating the fulfillment of conditions specified in subsection 4. The templates of individual forms as well as the contents of their appendices shall be set down by an implementing legal regulation.

(2) The Czech National Bank shall make a decision on the application to grant or change a license upon an assessment of conditions that govern granting or changing of a license within 6 months from the commencement day of the administrative proceedings, and shall deliver its decision within this time limit. In case the application was not complete and the Czech National Bank required the application to be supplemented, the Czech National

Bank shall make a decision within 12 months from the commencement day of the administrative proceedings and shall deliver its decision within this time limit. Provided the Czech National Bank required the application to be supplemented and the supplemented application is not complete or provided the time limit for supplementing the application set by the Czech National Bank is not met by the applicant, the Czech National Bank shall be entitled to suspend the administrative proceedings to grant a license. Prior to issuing its decision concerning a license, the Czech National Bank shall discuss its intention with a supervisory authority over credit unions in the given state, provided this is required by an international treaty.

(3) A license shall be granted for an indefinite period of time. The license shall contain a specification of licensed activities and may contain a specification of scope of licensed activities; however not within the meaning of limiting the number of individual business cases. The license may also contain a stipulation of conditions a credit union shall be bound to meet before commencing any licensed activity or adhere to when performing any licensed activity. The license shall be terminated on the day when a decision on withdrawing the license comes into effect or on the day when a credit union is wound up.

(4) The following conditions must be met for granting a license:

a) Professional qualifications, credibility and experience of persons in control – i.e. for the purpose of this Act, persons elected into the position of members of the board of directors, control committee, and credit committee, as well as other persons proposed for executive positions in the credit union, such positions being associated with powers and liability set forth in articles of association of the credit union;

b) Technical and organizational prerequisites for the performance of proposed activities of the credit union that namely result from articles of association of the credit union, a proposed management and control system of the credit union including a risk management system or other internal guidelines of the credit union; for the purposes of this Act technical and organizational prerequisites shall namely mean justification of the purpose for establishment of the credit union, strategic objectives of its market development, prepared in particular with respect to members of the credit union, economic sector, region, type and kind of services that are to be provided, provision of appropriate computer, information, accounting, and statistical and record-keeping systems of the credit union, provision of a sufficient number of employees who will ensure planned activities of the credit union, and provision of adequate structure and organization of the credit union;

c) Feasibility of the business plan and ability to develop the credit union in a safe manner with a view to general knowledge and experience;

d) Credibility and capacity of individuals or legal entities having qualified interest in the credit union (Section 2b(1)) and members having further member's investment - provided they do not have qualified interest (Section 2b(1)) - to perform rights of a member in relation to the business activities of the credit union in accordance with Section 1(5)(b);

e) Transparent and unobjectionable origin of the amount stated in Section 2(3) that forms the registered capital, risk fund and reserve fund - provided they have been created;

f) Full payment of the amount stated in Section 2(3);

- g) Transparency of a group of entities having close links with the credit union;
- h) Close links within a group pursuant to paragraph (g) do not prevent performance of supervision;
- i) There are no legal or factual obstacles preventing performance of supervision in a state on whose territory the group has close links pursuant to paragraph (g).

(5) For the purposes of this Act, a credible individual shall be a person:

- a) Who has not been sentenced in the past by a final and conclusive judgment for a crime against property, for an offence whose facts are related to the objects of business activities of a credit union or for another intentional offence;
- b) On whom a final and conclusive penalty or liability to pay damages has not been imposed for a serious or repeated breach of statutory duty based on fault, which has significantly endangered or damaged creditors, clients, partners and shareholders of share investment funds, damaged integrity or transparency of the financial market or caused misuse of confidential information;
- c) On whose assets a bankruptcy order has not been issued;
- d) Who, in the course of the past 5 years, has not been a member of a statutory body or another body of a legal entity, where conservatorship has been imposed or a bankruptcy order has been issued or a bankruptcy order filed against such legal entity has been dismissed on grounds of insufficient assets.

(8) For the purposes of this Act, a credible individual shall also be an individual in whose case facts stated in paragraph 5(c) and (d) have occurred, if:

- a) A court:
 - 1. Has cancelled a bankruptcy order otherwise than by a resolution to cancel bankruptcy proceedings on grounds that the resolution to distribute the bankrupt's estate has been complied with or on grounds that the bankrupt's assets are not sufficient to cover the costs of bankruptcy proceedings;
 - 2. Has cancelled an insolvency order on grounds of assets of the debtor being insufficient to cover the costs of insolvency proceedings;
- b) The person was elected into his/her position when the legal entity had already been bankrupt; or
- c) The person proves before a competent court that he/she performed his/her position to date with due care;
- d) The person is a liquidator who has met his/her statutory duty to file a bankruptcy order on grounds of excessive debts of a wound-up company^{3d)}.

(7) Compliance with the condition stated in paragraph 5(a) shall be proven by an extract from Criminal Records not older than 1 month. If a person who is a citizen of the

Czech Republic continuously resided in another state for a period exceeding 6 months in the course of the past 3 years, he/she shall also submit a document issued by this state similar to an extract from Criminal Records no older than 3 months. A foreign national shall also submit a similar document no older than 3 months issued by the state whose national the person is, as well as by states in which the person continuously resided for a period exceeding 6 months in the course of the past 3 years.

(8) For the purposes of this Act, a professionally qualified person shall be a person who:

a) Has completed full secondary school education and has a minimum of 5 years of experience in a field related to activities stated in Section 3(1) or in Section 3(2)(a), (b), (d), (e); or

b) Has completed university education and has a minimum of 2 years of experience in a field related to activities stated in Section 3(1) or in Section 3(2)(a), (b), (d) and (e).

(9) The Czech National Bank shall set forth in its decree a list of documents and their elements to prove:

a) Professional qualifications and credibility of persons elected into the position of members of the board of directors, control committee and credit committee, and other persons proposed for executive positions in a credit union pursuant to paragraph 4(a);

b) Credibility and capacity of individuals or legal entities having qualified interest in a credit union and members having further member's investment to exercise member's rights in compliance with the provisions of subsection 4(d).

(10) The Czech National Bank shall make a decision to change a license upon a written application of a credit union. When making a decision to change a license, the Czech National Bank shall proceed in the same manner as when it makes a decision to grant a license. This provision shall not apply to a decision of the Czech National Bank pursuant to Section 28. When making a decision to change a license, conditions pursuant to paragraphs 4(e) and (f) shall not apply. The Czech National Bank shall always dismiss application to change a license, if the capital of the credit union is not a minimum of CZK 35,000,000.

(11) The Czech National Bank shall be entitled to require an extract from Criminal Records related to individuals who establish a credit union, members of a body of the credit union or who are proposed as executives.

Section 2b

(1) For the purposes of this Act, qualified interest shall mean a direct or indirect share in the registered capital or voting rights or the sum thereof of at least 10% or a possibility to exercise a major influence on management of the credit union. For the purpose of this Act, an indirect share shall mean a share held through an entity or group of entities acting in concert.

(2) For the purpose of calculating the qualified interest in a credit union pursuant to subsection 1, it is also necessary to take into account any shares in the registered capital or

voting rights, which might be exercised by a representative of the person specified in subsection 3 on the basis of a power of attorney.

(3) A person or persons acting in concert must have consent of the Czech National Bank:

a) To acquire qualified interest in a credit union;

b) To increase such interest in a credit union so that it reaches or exceeds 20%, 30% or 50%;
or

c) To become entities controlling a credit union,

Even in case such entities do not actually exercise their voting rights associated with such acquired share in a credit union; a failure to exercise voting rights does not lead to the change in the share of voting rights of such or any other persons.

(4) The Czech National Bank shall, no later than 2 working days from receiving an application for consent pursuant to subsection 3, confirm its receipt to an applicant, informing the applicant about the final day of the final of the deadline for assessing the application specified in subsection 6. The application shall contain information about the person / persons intending to acquire or increase qualified interest in or gain control of a credit union, information about the credit union, in which such interest is to be acquired, increased or over which control is to be gained, information about the total share, which the applicant will have in the credit union upon acquiring or increasing the qualified interest or by gaining control, and data about a person who transfers such share to the applicant. The applicant shall enclose to his/her application any documents necessary for assessing such application from the perspective of the fulfilling the terms and conditions specified in subsection 9. The application for consent may only be filed on a prescribed form, to which an applicant shall enclose documents corroborating the fulfillment of conditions specified in subsection 9. The templates of individual forms as well as the contents of their appendices shall be set down by an implementing legal regulation.

(5) The Czech National Bank shall seek a position of a supervisory authority of another member state of the European union following a receipt of the application for consent in cases specified in subsection 3, in case the person with qualified interest in the person applying for such consent, is a person with a license of such supervisory authority of such member state to act as a bank, insurance company, reinsurance company, investment company, of investment service provide, or is a controlling entity of such person.

(6) In case the submitted application is incomplete or shows other defects, the Czech National Bank shall – no later than on the 50th day of the deadline specified in subsection 7 – ask the applicant to remedy such defects in the application or, as the case might be, to submit further information necessary for an assessment of the application, whereas the Czech National Bank shall confirm the receipt of such requested information to the applicant within the deadline specified in subsection 4. The deadline specified in subsection 7 shall be suspended upon dispatching the aforementioned request, for up to 20 working days. The deadline specified in subsection 7 shall be suspended for up to 30 working days, if the applicant:

- a) Has a residence, registered office, or place of business in a state, which is not a member state; or
- b) Is a supervisory authority of another member state of the European Union exercising supervision over banks, insurance companies, reinsurance companies, investment service providers, or standard funds pursuant to an act governing collective investments.

(7) The Czech National Bank shall render its decision on the application no later than 60 working days from the dispatch of the written confirmation of the receipt of the application pursuant to subsection 3. In case the Czech National Bank fails to render its decision within the aforementioned period, the consent is deemed to have been given. This does not apply in case of a request for consent submitted pursuant to subsection 14.

(8) When assessing the application, the Czech National Bank shall only review the fulfillment of the terms and conditions specified in subsection 9, disregarding any economic needs of the market.

(9) The Czech National Bank shall comply with an application, if – from the perspective of potential influence on the activities of a credit union – the following conditions are met:

- a) Persons applying for consent shall be credible;
- b) Persons proposed as executives and for executive positions in a credit union meet – without any obvious doubts – the precondition of credibility, professional qualification, and experience;
- c) Sufficient volume, transparent origin and unobjectionable nature of the applicant's funds, in respect to any executed and planned activities in a credit union;
- d) A credit union will continue to meet the rules of prudential business activities on individual and consolidated basis;
- e) Structure of the consolidation unit, in which a credit union is to be included, does not prevent effective supervision over the credit union, effective information sharing between the Czech National Bank and another member state's supervisory authority effecting supervision over the financial market, or does not complicate the sphere of authority of individual supervisory authorities over such consolidation unit and over persons/entities included in the consolidation unit; and
- f) There are no reasonable doubts in connection with the proposed acquisition or increase of qualified interest in a credit union that such conduct have resulted or may result in the breach an act governing measures against legitimization of proceeds of crime and financing of terrorism.

(10) In the decision on application, the Czech National Bank:

- a) May limit the period for acquiring the interest pursuant to subsection 3;

b) Shall state conclusions arising from the positions received by following the procedure pursuant to subsection 5 prior to rendering its decision.

(11) A person or persons acting in concert shall, without any undue delay, inform the Czech National Bank that:

a) They are reducing their qualified interest in a credit union so that it decreases below 50%, 30% or 20%, or that they are reducing it to zero; or

b) They are reducing their qualified interest in a credit union to such degree that they will no longer control it.

(12) The notification pursuant to subsection 11 shall contain information about a person or persons reducing or losing their qualified interest in a credit union or person/persons losing their control over it, information about a credit union, and information about the share in a credit union following such reduction.

(13) For the purpose of the application pursuant to subsection 4 and notification in subsection 11, information about the person/entity shall mean:

a) With regard to a legal entity: trade name or name, registered office, and identification number – if assigned;

b) With regard to an individual: first name and surname, date of birth, personal identification number (if assigned), domicile; for an entrepreneur registered in the Commercial Register: trade name, or – as the case might be – a place of business, and identification number – if assigned.

(14) The consent in terms of subsection 3 may also be given post facto, in special cases.

(15) Acquisition or increase of the qualified share in a credit union or gaining control over it without the prior consent of the Czech National Bank shall not result in the legal act, which was the basis for such changes in interest in a credit union, being null and void; however, any voting rights associated with such acquired interest cannot be exercised until the aforementioned consent is in fact given.

(16) The consent pursuant to subsection 3 or notification pursuant to subsection 11 shall not be required, if the qualified interest is acquired or increased in such manner that it reaches or exceeds 20%, 30% or 50% or the qualified interest is reduced below 50%, 30%, 20 %, 10% or to zero otherwise than on the basis of the conduct of the person or persons acting in concert.

(17) The consent to acquire qualified interest in a credit union shall also be considered a consent to acquire direct or indirect share or the sum thereof, which represents less than 10% of the registered capital or voting rights of a credit union. The consent to increase qualified interest in a credit union so that it reaches or exceeds 20%, 30% or 50% in a credit union, shall also be considered a consent to increase such interest so that it reaches or exceeds direct or indirect share or the sum thereof, which represents less than the concerned share in the registered capital or voting rights of a credit union.

Section 2c

(1) If the Czech National Bank establishes that an entity having qualified interest in a credit union acts contrary to the provisions of Section 1(5)(b) or that the entity had acquired or increased qualified interest in a credit union above the limits stated in Section 2b(3) without a prior consent, the Czech National Bank shall be entitled to make a decision to suspend the right of the entity having qualified interest to participate in a members' meeting and vote therein, and the right to require a members' meeting to be convened. It is only possible to suspect the exercise of all the above mentioned rights. Only the entity having qualified interest and the credit union shall be participants in the proceedings. Any appeal filed shall not have deferring effect.

(2) A credit union shall not permit an entity whose rights have been suspended by the Czech National Bank pursuant to subsection 1 to participate in a members' meeting. When assessing the capacity of a members' meeting of a credit union to make decisions and when voting at a members' meeting, votes of members, whose right to participate in a members' meeting and to vote has been suspended, shall be disregarded. The Czech National Bank shall cancel suspension of rights pursuant to subsection 1, if the grounds for its issuance have ceased to exist.

(3) A credit union shall inform the Czech National Bank in writing if entities have acquired or changed qualified interest in the credit union, provided these changes - made also by acts of other members - exceed or decrease the limits stated in Section 2b(3) and 2b(11) within 5 working days from the establishment of decisive facts.

(4) The fact that the rights pursuant to subsection 1 were suspended in respect of the entity having qualified interest in a credit union shall not result in the change of the share in voting rights of such person or other persons.

Section 2d

(1) Credit unions shall be entitled to establish branches within the territory of another member state (hereinafter the "host state") and carry out business activities within the territory of such state to the extent of the license solely with consent of the Czech National Bank.

(2) In its application to grant consent to establish a branch pursuant to subsection 1, a credit union shall state in particular:

- a) Specification of the host state, in the territory of which it intends to establish a branch;
- b) Business plan of the branch, containing a list of prospective activities;
- c) Organizational structure of the branch;
- d) Address of the branch in the host state where it will be possible to obtain necessary documents;

e) Data enabling unambiguous identification of persons in charge of management of the branch, i.e. first name(s) and surname(s), place of residence, personal identification number date of birth if no personal identification number was assigned;

f) Amount of capital of the credit union as of the last day of a month preceding submission of the application;

g) Amount of capital adequacy of the credit union as of the last day of a month preceding submission of the application.

(3) The Czech National Bank shall make a decision on the application for the consent to establish a branch of the credit union within the territory of a host state within 2 months from the day of delivery of a complete application. If the Czech National Bank gives its consent, it shall send information to a supervisory authority in the host state about facts stated in subsection 2 within the period of 14 days from the day the decision on the application comes into legal force. The prerequisites for giving the consent comprise:

a) Economic stability of the credit union;

b) Organizational structure of the credit union that makes it possible to do business in accordance with Section 1(5)(b).

(4) The Czech National Bank shall notify the credit union of the delivery of information pursuant to subsection 3 within 14 days from the receipt of confirmation of its delivery; however, in any case within 30 days from the day when the information is sent.

Section 2e

(1) A credit union shall be entitled to establish a branch and carry out business activities within the territory of a host state under conditions set forth in legal regulations of the host state and under conditions stipulated by a supervisory authority in that country for establishing a branch and carrying out business activities. If the credit union does not receive the conditions pursuant to the first sentence within two months from the day of delivery of information to the supervisory authority in the host state pursuant to Section 2d(3) and (4), it shall be entitled to establish a branch and commence its activities upon the expiry of this time limit.

(2) If a credit union intends to make changes to facts stated in Section 2d(2)(b) to (e), it shall notify the Czech National Bank and a supervisory authority in the host state thereof at least 1 month before implementing them. Unless stipulated otherwise by this Act, changes of facts stated in Section 2d(2)(b) to (e) shall be subject to a consent of the Czech National Bank and possibly also a notice or stipulation of conditions by a supervisory authority in the host state pursuant to subsection 1. When making a decision on granting its consent, the Czech National Bank shall proceed pursuant to Section 2d(3). The Czech National Bank shall make a decision on changes within 30 days from the day it receives a complete notification of changes intended by the credit union.

Section 2f

If a credit union intends to carry out activities within the territory of a host state within the scope of a license granted to it by the Czech National Bank without establishing a branch, if their performance does not have the nature of a permanent economic activity, it shall notify the Czech National Bank thereof in writing and shall specify the performed activities at least 60 days before it commences these activities. The Czech National Bank shall notify a supervisory authority in the host state of the intention of the credit union to carry out its activities within the territory of such state within 30 days from receiving a complete notification of changes intended by the credit union.

Section 2g

(1) Supervision of a branch of a credit union within the territory of a host state shall be performed by the Czech National Bank. Supervision of liquidity of a branch of a credit union shall also be performed by a supervisory authority in the host state. The branch shall be subject to measures taken by the host state as part of its monetary policy; in the case of states that introduced the Euro as their currency, it shall be subject to measures taken by the European Central Bank.

(2) Upon a request of a host state, a credit union shall provide information and regular reports to it in the form of statistical data about the business activities of its branch within the territory of the host state within the scope in which these data are provided by credit unions having registered office on its territory.

(3) If a supervisory authority in a host state establishes that a credit union or its branch within its territory breaches provisions of legal regulations in fields that are in the powers of the host state and despite a call made by the supervisory authority in the host state the credit union fails to terminate this unlawful state of affairs, the Czech National Bank shall take necessary measures upon a request made by the supervisory authority in the host state to ensure that the unlawful state of affairs is ended and shall inform the supervisory authority in the host state thereof.

Section 2h

(1) The Czech National Bank shall inform the relevant supervisory authority in the host state about the issuance of a decision that prohibits depositors to dispose of their deposits pursuant to this Act, provided the credit union carries out business activities within the territory of that country; this information shall be provided to the relevant supervisory authority without undue delay following its issuance.

(2) Before making a decision to change or withdraw a license of a credit union carrying out business activities within the territory of a host state, the Czech National Bank shall consult its intention with a supervisory authority in that country. If the matter cannot be delayed, the Czech National Bank shall inform the supervisory authority of its intention to change or withdraw a license. The Czech National Bank shall inform supervisory authorities in the states where the credit union does business without delay.

(3) The Czech National Bank shall inform a supervisory authority in the host state where the credit union used to carry out its business activities about the withdrawal of a license pursuant to Section 28g without delay.

Section 2i

The business activities of credit unions, including their branches acting within the territory of a host state, shall be subject to supervision of the Czech National Bank, including on-site inspections upon prior notification to a supervisory authority in the host state. The Czech National Bank may request the relevant supervisory authority in the host state to perform an inspection within the territory of the host state.

Section 2j

Granting of a license to a credit union in a group

(1) Before rendering a decision on the application for consent to a credit union (Section 2a), the Czech National Bank shall require a standpoint of supervisory authorities in the host state where the supervisory entity with supervision over credit institutions, securities dealers or insurance companies, provided the person, to whom the consent is to be given, is controlled by:

- a) Foreign credit institution based in a member state;
- b) Entity with a license issued by the relevant supervisory authority of the member state for the provision of investment services;
- c) Insurance company with a license issued by the relevant supervisory authority of the member state;
- d) Entity, which controls the entity specified under a), b) or c).

(2) The relevant authorities pursuant to subsection 1 shall inform one another in particular when assessing suitability of members, executives of supervised entities, and shall share information on an ongoing basis that is important when granting a license to perform activities and when inspecting their activities.

Section 3

Line of business of a credit union

(1) As part of its business activities, a credit union shall be entitled to perform the following activities:

- a) Receipt of investments from members;
- b) Provision of loans to members;
- c) Financial leasing for members;
- d) Payment system, clearing, and issuance and administration of payment instruments ^{3e)} for members;
- e) Provision of guarantees for loans and bank guarantees on behalf of members;
- f) Opening of letters of credit for members;

- g) Provision of collection for members;
- h) Purchase and sale of foreign currency for members;
- i) Rental of security boxes to members.

(2) Solely for the purposes of performing activities pursuant to subsection 1, a credit union shall be entitled to:

- a) Deposit deposits in credit unions and banks and branches of foreign banks;
- b) Receive loans from credit unions and banks;
- c) Acquire assets and dispose thereof;
- d) Trade, on its own account, in foreign currencies and exchange rate and interest instruments in order to secure risks ensuing from activities pursuant to subsection 1;
- e) Trade, on its own account, in registered securities, unless stipulated otherwise by this Act.

(3) Other assets than those a credit union is entitled to acquire pursuant to subsection 2 may be acquired only in relation to securing its receivables, for a maximum period of 6 months. In this case the provision of Section 1(9), first clause, shall not apply. This period shall not apply to assets acquired on the basis of a security transfer of rights^{3f)} pursuant to the Civil Code or on the basis of a transfer of financial collateral in favor of the financial collateral beneficiary pursuant to an act governing financial security^{3g)}.

(4) A credit union shall maintain received deposits on deposit accounts. Contracts entered into when performing activities pursuant to subsections 1 to 3 shall be in writing.

(5) Performance of activities of a credit union pursuant to subsection 1 for the state and its organizational units, higher territorial self-governing units and municipalities, legal entities established by them, or in which the state, higher territorial self-government units or municipalities are the sole shareholders, and for other public institutions disposing of public assets shall not be preconditioned by their membership.

Some provisions relating to membership in a credit union

Section 4 Heading omitted

(1) A credit union shall acquaint candidates for membership with all facts related to membership, in particular with articles of association, commercial terms and conditions, rights and duties ensuing from membership, and terms and conditions for insurance of deposits, terms and conditions for provision of loans and other activities the credit union performs upon a granted license. If these facts change, the credit union shall inform its members thereof in timely and duly manner. A credit union shall provide the above information to its members in writing in Czech or in the languages of states on whose territories it acts.

(2) Members' rights and obligations (hereinafter the "members' rights") shall pass on to a legal successor of a member, who died or ceased to exist. Unless the legal successor is a person eligible for membership in a credit union, the membership of the legal successor shall not come into existence upon the transfer of members' rights.

(3) Division of members' rights pertaining to a member, who died or ceased to exist, shall not be admissible upon the transfer of such rights to a legal successor.

(4) A member may transfer members' rights to another person. If the transfer only concerns members' rights from further member's investment, such rights may only be transferred to the credit union's member. An agreement on the transfer of members' rights to an assignee shall be subject to an approval of the board of directors of the credit union. Unless the agreement on the transfer of members' rights gives a later date, the assignee shall acquire the transferred members' rights upon the decision of the board of directors on the approval of the agreement on the transfer of members' rights. If a transfer of members' rights is subject to a prior consent of the Czech National Bank pursuant to subsection 5, the assignee may not acquire the transferred members' rights before the day the Czech National Bank gives such consent.

(5) In case the transfer of members' rights would result in the acquiring member having qualified interest in the credit union or increasing his/her qualified interest to the level reaching or exceeding the limits specified in Section 2b(3), the transfer of members' rights shall be subject to a prior consent of the members' meeting of the credit union as well as a prior consent of the Czech National Bank. The request for consent must be filed by the credit union within 30 days from the approval of the agreement on the transfer of members' rights by the members' meeting. Enclosed to the request shall be the agreement on the transfer of members' rights approved by the members' meeting, minutes of the members' meeting that approved the agreement on the transfer of members' rights, and documents necessary for assessing the fulfillment of criteria described in Section 2b(9). For the purpose of the proceedings and decision making of the Czech National Bank on the request for consent, the provisions of Section 2b(4) through (10) shall apply accordingly. The prior consent of the Czech National Bank shall replace the consent pursuant to Section 2b(3).

(6) Each member shall have one vote when voting. Members who have deposited further member's investment (Section 4b) shall also have one vote for each whole multiple of a basic member's investment. A consent of members regardless of votes ensuing from further members' investments shall also be required if a members' meeting decides to expel a member, change articles of association, elect a member of the control committee and remove him/her from office, sell or lease enterprise or its part, make another major disposition of assets, change legal form of a credit union (Section 13(5)), merge and divide and carry out other dissolution of the credit union.

(7) A credit union shall be entitled to set off its due receivables on a debtor against interest on deposits, deposits and a settlement share (Section 4c), although a decision that prohibits depositors to dispose of their deposits has been issued. A credit union shall also be entitled to refuse payment of interest, deposits or a settlement share to a debtor who is in arrears with installments or who has not settled his/her other obligations towards the credit union.

(8) Assignment of receivables of members from a credit union with respect to investments of members of the credit union shall only be possible among its members.

Section 4a
Abrogated

Section 4b
Member's investment

(1) A member's investment may be only pecuniary. The amount of a basic member's investment shall be the same for each member.

(2) If articles of association allow it and if a members' meeting agrees, a member may deposit further member's investment into the registered capital of a credit union. The amount of further member's investment deposited into the registered capital of the credit union shall always be a whole-number fivefold multiple of a basic member's investment. Further member's investment shall be fully paid in a single payment within 90 days from the day when a members' meeting granted its consent, subject to cases stated in Section 2b(3).

(3) A member shall be entitled to decrease the amount of further member's investment by a maximum of 20% of its original amount for each 12 months from its full payment under the condition that further member's investment remains a whole-number multiple of a basic member's investment. Further member's investment shall be decreased on the day when a written notification of this fact is delivered to the credit union.

(4) Property settlement in the case of a decrease in further member's investment shall be calculated in the same way as a settlement share. For the purposes of its calculation only the amount by which further member's investment is decreased shall be considered.

(5) If conditions stipulated by this Act are met, a member may acquire multiple further members' deposits.

(6) The person making a member's investment after the incorporation of a credit union shall also pay a premium – in excess to the basic member's investment or further member's investment, provided this is set down in the articles of association. The method of determining the premium shall be set down in the articles of association. The premium paid shall be part of the risk fund of a credit union.

Section 4c
Settlement share

(1) A settlement share shall be determined by a proportion of the member's investment or decrease in further member's investment of this member in a given accounting period, whose membership was terminated in the given accounting period, against a sum of all members' deposits and decreases in further members' deposits of all members related to the given accounting period as of the last day of the given accounting period, and a sum of all members' deposits and a decrease in further members' deposits of members, whose membership was terminated in the given accounting period. The proportion shall be multiplied by the amount of the registered capital after deduction of the amount of the risk fund and reserve fund. The amount of the registered capital after deduction of the risk fund

and reserve fund according to a regular financial statement for the year in which membership was terminated shall be decisive to determine the amount of settlement share. A settlement share of a member, who left the credit union, because he/she did not agree with the legal form change of the credit union, shall be determined on the basis of a regular or interim financial statement pursuant to an act governing the transformations of companies and cooperatives.

(2) A settlement share shall be payable within 3 months from the day when a regular financial statement for the accounting period in which membership was terminated is approved.

(3) A regular financial statement of a credit union shall be submitted to a members' meeting for approval within 6 months from the last day of the accounting period.

Section 5 Articles of association

Articles of association shall contain:

- a) Trade name and registered office;
- b) Line of business;
- c) Establishment, termination and conditions of membership, fundamental rights and obligations of members towards a credit union and those of the credit union towards members;
- d) Amount of basic member's investment and mode of its payment or amount of initial investment;
- e) Bodies of the credit union and number of its members, length of their term of office, mode of election, powers, mode of their convening and meetings and time limits in which they meet;
- f) Mode of distribution of profit and mode of payment of potential loss;
- g) Amount of the registered capital;
- h) Period of time for termination of membership when a member leaves;
- i) Possibility to make further members' investments;
- j) Powers and duties of executives;
- k) Amount of a registration fee, which is used for covering costs related to establishment of membership;
- l) Mode and scope of transfer of powers of the credit committee to other persons;
- m) Conditions governing provision of information;

n) Financial guidelines, which shall stipulate in particular:

1. Types of other funds, their amount and mode of their creation and use;
2. Amount of the risk fund and reserve fund, their creation and use;
3. Conditions governing provision of financial services;
4. Principles governing security of loans;
5. Basic types of deposits and loans and limits of bearing interest.

Some provisions relating to bodies of a credit union
Section 5a

(1) In order to approve a resolution of a members' meeting, at least two thirds of votes of present members shall be required when voting on a merger or division of a credit union.

(2) A substitute members' meeting may be convened by the same invitation as the original members' meeting. The invitation shall contain a notice that a substitute members' meeting shall have quorum when any number of members is present. A substitute members' meeting thus convened may be opened at the soonest after 30 minutes have passed from the planned opening of the original members' meeting stated in the invitation. Details shall be governed by articles of association.

(3) A decision of a members' meeting to decrease the amount of a basic member's investment shall be invalid without a prior consent of the Czech National Bank, which shall assess decrease in the amount of a basic member's investment with view to the duty of a credit union to comply with rules stipulated pursuant to Section 11 with regard to safety and stability of the credit union. A decision of a members' meeting on dissolution, merger and division of the credit union shall be invalid without a prior consent of the Czech National Bank.

(4) Upon a request of the Czech National Bank, a receiver in bankruptcy shall convene a members' meeting within 30 days from its delivery solely for the purpose of approving a regular financial statement. Provisions of articles of association, a special act ²⁾ and Section 5a(2) shall apply accordingly to convening a members' meeting by a receiver in bankruptcy. Costs related to convening and holding a members' meeting shall be costs related to maintenance and administration of the bankruptcy estate pursuant to a special act. ^{5a)}

Section 6
Heading omitted

(1) In addition to bodies established pursuant to a special Act ⁶⁾, a credit union shall establish a credit committee, which shall have at least three members. A member of the credit committee shall be neither a member of the board of directors, a member of the control committee of the credit union, nor a person in charge of internal audit.

(2) The credit committee shall be elected by a members' meeting of a credit union from members of the credit union.

(3) The credit committee shall decide on:

a) Provision of loans to members pursuant to articles of association;

b) Guarantee for loans or bank guarantees on behalf of members;

c) Security of loans.

(4) If stipulated by articles of association, the credit committee shall be entitled to delegate a part of performance of its powers to other persons - in the manner described in articles of association. This shall not affect liability of members of the credit committee pursuant to Section 6a(2).

(5) In addition to matters foreseen by this Act and a special Act ²⁾ or pursuant to articles of association, as appropriate, the board of directors shall make decisions on:

a) Interest on deposits and loans, provision of loans to another credit union or bank and receipt of loans from another credit union or bank and receipt of deposit from another credit union or bank, upon a proposal of the credit committee;

b) Trading - on the credit union's own account - in foreign currencies and exchange rate and interest rate instruments in order to secure risks ensuing from activities pursuant to Section 3(1);

c) Trading - on the credit union's own account - in registered securities;

d) Charges for activities and services provided to members.

(6) The board of directors shall prepare an annual report and shall submit it, together with a regular financial statement, to be approved by a members' meeting. The board of directors shall convene a members' meeting, so it is held within 6 months from the end of an accounting period for which the annual report has been prepared. Approved annual report shall be sent by the board of directors to the Czech National Bank within 10 days from its approval. Draft annual report shall be sent out to members at least 30 days from the day when a members' meeting is to be held.

(7) Each body of a credit union shall act in accordance with the rules of procedure approved by a members' meeting.

(8) Each member shall have one vote when voting in elected bodies of a credit union.

(9) Powers of a control committee related to the board of directors of a cooperative pursuant to a special Act ⁷⁾ may be applied by the control committee of a credit union also towards the credit committee.

(10) Members of elected bodies of a credit union and executives shall inform the Czech National Bank without any delay and fully about all facts that might result in endangering management of the credit union or application of a procedure pursuant to Section 28 and about the loss of professional qualifications or credibility of members of elected bodies of the credit union and executives. Members of elected bodies of a credit union and executives shall perform their activities with due professional care. They shall perform their positions so as not to endanger return of members' investments of the credit union and its safety and stability in relation to management.

(11) Members of elected bodies of a credit union who have breached their duties ensuing from their position of members of elected bodies of a credit union, which follow from legal regulations or articles of association, shall be liable jointly and severally for damage incurred by creditors of the credit union, if the credit union is not able to perform its due obligations upon this breach of duties by these members of elected bodies.

Section 6a

(1) Only a credible and professionally qualified person may become a member of an elected body of a credit union. Articles of association may stipulate to what other positions this condition shall apply.

(2) Members of an elected body who have caused damage to a credit union upon breaching their legal duties when performing the powers of an elected body shall be liable for this damage jointly and severally.

Section 7 Conflict of interest

(1) Loans may be provided to members of elected bodies of a credit union, its members who are employed in the credit union and their kin pursuant to the Civil Code ⁸⁾ only under conditions upon which loans are provided to other members of the credit union, that is:

- a) Loans may be provided to members of the control committee, members employed in the credit union and their kin only upon a prior consent of the board of directors;
- b) Loans may be provided to members of the board of directors, members of the credit committee and their kin only upon a prior consent of the control committee.

(2) A member of the credit committee and a member entrusted with powers to decide on provision of a loan credit pursuant to articles of association shall not act as guarantors guarantee for loans about whose provision they have decided.

(3) A member of a body about whose interests a decision is made shall always be excluded from a meeting and decision-making of an elected body of a credit union.

(4) An annual report shall always stipulate data about provision of loans to persons stated in subsection 1.

(5) Provisions of a special no competition act ¹⁰⁾ shall not be affected by this Act and shall apply also to members of the credit committee. Performance of position of member of an elected body of a credit union shall be incompatible with performance of position of member of an elected body of another credit union and with employment or similar relation in another credit union. A member of the board of directors of a credit union cannot simultaneously act as a statutory body, member of a statutory body, or a member of a supervisory board of another legal entity carrying out business activities. This does not apply to a member of a member of the board of directors of a credit union in statutory or supervisory bodies of financial or credit institutions different from the credit union that control the credit union, as

well as legal entities authorized to organize supply of and demand after securities and a subsidiary service company.

(6) Before a member of an elected body of a credit union or a Managerial Person are elected or appointed into their respective positions, they shall inform in writing persons who elect or appoint them about their credibility and professional qualifications, about objects of their potential business activities, about their membership in bodies of other legal entities or about whether they perform the position of proctor in other legal entities or have property participation, employment or similar relation in them, including the line of business of such legal entities. A member of an elected body of a credit union or an executive shall also inform in writing about changes that have occurred in the course of performance of their positions.

(7) Within 10 working days from the day when a member of a body of a credit union has been elected or an executive has been appointed, a credit union shall deliver to the Czech National Bank an application to assess conditions for performance of position, including documents proving compliance with these conditions. If the Czech National Bank decides that an elected member of a body of a credit union or an appointed executive does not comply with the conditions for performance of his/her position, performance of their positions shall be terminated on the day this decision is delivered to the credit union. When assessing conditions for performance of the position of member of a body of a credit union or an executive, the Czech National Bank shall make a decision within 60 days from the day of delivery of an application; otherwise the member of a credit union or an executive shall be deemed to meet the conditions.

Section 7a Management and control system

(1) A credit union must have a management and control system in place, which comprises:

a) Prerequisites of proper administration and management of a credit union, at all times:

1. Management principles and procedures;
2. Organizational structure with due, transparent, and comprehensive specification of sphere of action and power, which will also specify functions, the performance of which is incompatible, as well as procedure aimed at preventing potential conflict of interest situations;
3. Proper administrative and accounting procedures;
4. Remuneration system for persons, whose activities in the course of their employment, professional activity or position have significant impact on the risk assumed by the credit union as well as their scope, including the principles for determining of and conditions for payment fixed and variable components of remuneration, procedures for adopting resolutions on remuneration and method of assessing performance, so that the remuneration system contributes to and is in compliance with due and effective risk management;

b) Risk management, which comprises:

1. Rules governing the way the credit union manages risks, which it might be exposed to, including risks inherent to external environment and liquidity risk;
2. Effective procedures for detecting, assessing, measuring, monitoring, and reporting risks;
3. Effective procedures for adopting measures aimed at limiting any potential risks;

c) Internal control system, which shall always comprise:

1. Internal audit; and
2. Continuous monitoring of the compliance with legal obligations imposed on the credit union.

(2) The management and control system must be comprehensive and adequate to the nature, extent, and complexity of the credit union's activities.

(3) The credit union shall implement and maintain the management and control system on individual basis. In case the credit union is an obliged credit union within a financial holding entity group or obliged entity within a controlling credit institution group, it shall also have such obligations on a consolidated basis.

(4) The credit union, which is responsible for implementing and maintaining the management and control system on a consolidated basis, shall also ensure that the management principles and procedures, organizational structure, procedures and mechanisms pursuant to subsection 1 applied by the consolidation unit members are mutually compatible and interconnected, and provide any and all information necessary for the purpose of decision making process of the consolidation unit as well as for the purpose of supervision.

(5) The Czech National Bank shall, by means of its decree, set down requirements for the management and control system of credit unions on both individual and consolidated basis, within the limits foreseen by subsection 1.

Section 7b Disclosure of information

(1) A credit union shall disclose basic information about itself, its members having qualified interest in the credit union, and its members having other member's investment, on the structure of the consolidation unit, which the credit union belongs to, as well as on its activities and financial situation.

(2) a credit union shall also disclose information on the fulfillment of rules of prudential business activities and risk management on individual basis; this shall not apply in case it is:

- a) An obliged credit union within a European financial holding entity group;
- b) An obliged entity within a controlling credit institution group; or
- c) Controlled entity within a controlling credit institution group or European financial holding entity group and it is taken into account in the course of disclosure of information on a consolidated basis.

(3) A credit union shall also disclose information on the compliance with the rules of prudential business activities on a consolidated basis, provided it is an obliged credit union within a European financial holding entity group or obliged entity within a controlling credit institution group.

(4) A credit union, which has a significant position on the financial market of the Czech Republic but which is not subject to the obligation pursuant to subsection 2 or 3, shall

disclose information on the rules of prudential business activities and risk management – simplified version. A credit union is deemed to have a significant position on the financial market of the Czech Republic, if at least one of the following criteria is met:

a) Average balance sheet total of a credit union is at least CZK 500,000,000 – whereas the average balance sheet total is determined as a simple average of balance sheet totals of a credit union in the last 3 regular financial statements audited by a legal entity or an individual carrying out auditing activities pursuant to an act governing auditors' activities ^{10a)} (hereinafter the “auditor”); or

b) Position of a credit union on the financial market of the Czech Republic in a certain segment of business is dominant compared to other entities of the financial market of the Czech Republic. ^{10b)}

(5) A credit union, to which the obligations under subsections (2) to (4) do not apply, shall disclose information about who and how discloses information, on a consolidated basis, on behalf of a European controlling credit institution group or European financial holding entity group, which the credit union is a member of.

(6) A credit union does not have to disclose any information on the compliance with the prudential business activities, which:

a) Is not significant; information shall be significant when – if omitted or disclosed incorrectly – it could change or affect the assessment or decisions of persons, who rely on such information in the course of their decision making; this alternative does not apply to information on approach to calculating capital requirements (Section 8);

b) Is sensitive; information shall be sensitive, if its disclosure could damage the position of the credit union vis-à-vis competition, namely if it concerns information on products or systems, which – if disclosed to other competitors – could impair the credit union's investment in such products or services;

c) Is confidential; information shall be confidential, if a credit union is bound to its clients, customers, or other counterparties to maintain confidentiality of such information.

(7) In case a credit union chooses not to disclose sensitive or confidential information, it shall disclose which disclosure requirement it concerns as well as the reason for not doing so. However, a credit union shall at least provide general information on the fact, which should have been disclosed, unless such general information is also sensitive or confidential.

(8) An auditor shall audit information on capital, capital requirements, and ratios of a credit union.

(9) The Czech National Bank shall, by means of its decree, set down the following:

a) Contents of information intended for disclosure on an individual / consolidated basis, including the simplified version of the data on the compliance with the rules of prudential business activities and risk management, as well as the form, method, structure, periodicity, and deadlines for the information disclosure; and

b) Contents of information subject to an auditor's review.

(10) A credit union shall implement internal principles and procedures for the fulfillment of disclosure requirements set down by or on the basis of this Act as well as for the assessment of adequacy of such disclosed information, including its verification and disclosure frequency. Furthermore, a credit union shall implement internal principles and procedures for assessing whether the information disclosed by it given complete and true view of all assumed risks as well as the scope thereof. In case the disclosed information fails to give such view, the credit union shall disclose any other information necessary for achieving this objective, with the exception of information described in subsection 6.

(11) A member of a credit union may, in connection with his/her business activities, ask the credit union to provide him/her, without any undue delay, with written explanation relating to his/her credit rating for the purpose of assessing his/her loan or loan application. A credit union may claim any reasonable costs associated with the provision of the credit rating explanation from the applicant.

Management of a credit union

Section 8

(1) The capital of a credit union shall be a minimum of CZK 35,000,000.

(2) A credit union shall, on ongoing and individual basis, maintain its capital at the minimum amount corresponding to the sum of individual requirements for the coverage of risks (hereinafter the “capital adequacy”). Furthermore, a credit union shall comply with the rules for the transfer of risks. At the same time, the capital of a credit union may not drop below a minimum amount set down in subsection 1.

(3) A credit union shall, on ongoing basis, maintain its consolidated capital adequacy, if it is an obliged credit union within a financial holding entity group or an obliged credit union within a controlling credit institution group.

(4) In order to calculate individual capital requirements, a credit union uses basic or special approaches.

(5) In case a credit union intends to use special approach for the capital adequacy calculation or intends to change such special approach or the conditions for the use thereof, it shall apply to the Czech National Bank for its prior consent. The Czech National Bank shall decide on the credit union’s application within 6 months. The Czech National Bank may also set binding conditions in the decision, under which the credit union may apply the special approach.

(6) A credit union, which is part of a European controlling credit institution group [Section 1a(1)(l)] or of a European financial holding entity group [Section 1a(1)(m)] or which is controlled by a European controlling securities dealer under a special legal regulation ¹¹⁾, may apply some of the special approaches for the capital adequacy calculation or may also change such applied approach if it joined a joint application of a European controlling credit institution and entities controlled by it, joint application of entities controlled by a European financial holding entity, or joint application of a European controlling securities dealer and entities controlled by it for a prior consent to the use of such special approach or change of such applied special approach.

(7) The Czech National Bank has the jurisdiction to decide on the joint application pursuant to subsection 6, in case it carries out supervision over a European financial holding entity group on a consolidated basis (Section 25g). Otherwise, the joint application shall be reviewed by a supervisory authority of the member state, which carries supervision over the consolidation unit in question. The credit union shall apply special approach or change such applied special approach on the basis of the decision of a supervisory authority of the member state on the joint application for a prior consent to the use of such special approach or to the change thereof, in compliance with the terms and conditions set down in such decision.

(8) The Czech National Bank shall rule on the joint application pursuant to subsection 6 within 6 months. The Czech National Bank shall, without any undue delay, forward a complete application to the supervisory authority responsible for the consolidation unit members, who filed the application, coordinating cooperation with such supervisory authority in the course of its assessment. The Czech National Bank shall make effort to ensure the decision is rendered after all involved supervisory authorities are consulted and the conclusion of agreement had been duly mentioned in the justification of the decision. In case the supervisory authorities fail to reach an agreement to render a decision within the period set down in the first sentence of this subsection, the Czech National Bank shall consider any standpoints and observations made by the concerned supervisory within such period when ruling on the joint application. The Czech National Bank may specify binding conditions in its decision, under which a credit union or any other party presenting the joint application may apply the special approach. The Czech National Bank shall also deliver the decision concerning its consent to all supervisory authorities in question.

(9) The Czech National Bank shall, by means of its decree, set down:

- a) Rules for the capital adequacy calculation, which comprise procedures applied by the credit union when calculating the capital adequacy, rules for determining capital, specification of individual capital requirements, and specification of approaches for the calculation thereof, including the terms and conditions for using basic and special approaches for the capital requirements calculation, as well as the rules for transferring risks;
- b) Specification of special approaches, the application and change of which are subject to consent pursuant to subsection 5 or 6;
- c) Requirements of the application for prior consent to the use of a special approach and to a special approach change submitted to the Czech National Bank.

(10) With regard to calculating capital requirements with the use of credit rating of a debtor issued by another entity, a credit union shall use such credit rating if such entity is registered in the list of credit rating agencies maintained by the Czech National Bank pursuant to an act governing activities of banks, or if an act governing activities of banks actually allows the use of such credit rating.¹²⁾

Section 8a

(1) A credit union shall adopt and apply reliable, effective, and comprehensive strategies and procedures for determining, continuous assessment, and maintaining internally determined capital in such amount, structure, and distribution, to sufficiently cover risks, to

which the credit union is or might be exposed. This shall not prejudice the obligations set down in Section 8.

(2) A credit union shall regularly review the strategies and procedures specified in subsection 1 to ensure they are functional, effective, and adequate to the nature, scope, and complexity of the credit union's activities.

(3) The obligations set down in subsections 1 and 2 shall only be imposed, on an individual basis, on a credit union, which:

- a) Is not controlled by a domestic controlling bank ^{12a)} or domestic financial holding entity;
- b) Is on an obliged credit union within a controlling credit institution group or any other credit union within such group; or
- c) Has been excluded from the consolidation unit.

(4) The obligations described in subsections 1 and 2 shall only be imposed, on a consolidated basis, on a credit union, which is an obliged credit union within a financial holding entity group or obliged credit union within a controlling credit institution group.

Section 8b

(1) A credit union shall ensure an auditor:

- a) Audits the credit union's financial statements;
- b) Audits the credit union's management and control system once every 3 calendar years, whereas the credit union shall provide the auditor with an overview of performed internal controls relating to such audit;
- c) Prepares reports on the audit of financial statements and the management and control system; the credit union shall submit such reports to the Czech National Bank within specified deadlines;
- d) Audit disclosed information pursuant to Section 7b and to the extent of a decree issued by the Czech National Bank.

The Czech National Bank shall, by means of its decree, set down the contents of the report on the audit of the credit union's management and control system pursuant to letters b) and c), method, structure, and periodicity of such report, as well as deadlines for the submission thereof.

(2) The Czech National Bank may waive the requirement for the system audit pursuant to subsection 1(b) or only limit it to some of its parts. In case the Czech National Bank waived the requirement for the system audit pursuant to subsection 1(b) for the relevant calendar year, it may require the credit union ensures the system audit (or a part thereof) pursuant to subsection 1(b) in any subsequent calendar year. The Czech National Bank shall notify the credit union its intention to waive or limit the requirement for the system audit pursuant to subsection 1(b) within 30 April of the relevant calendar year. The credit union may raise reasonable objections to the intention of the Czech National Bank within 20 working days from the delivery of such notification. The Czech National Bank shall discuss any objections

received within the given period with the credit union, informing the credit union within 30 June of the relevant calendar year whether it waives the system audit pursuant to subsection 1(b) or how it actually limits the audit.

(3) A credit union shall notify the Czech National Bank of the selected auditor. The Czech National Bank may reject the notified auditor within 30 days from receiving such notification. Financial statements of a credit union may only be audited by an auditor, who does not have any special relation with the credit union, who documents he/she audited financial statements of banks, credit unions or other financial situations in the course of at least 2 accounting periods, and whose license to provide auditor's services has not been suspended in connection with the provision of auditor's services. In case the Czech National Bank does not reject the auditor within the specified period of time, the audit shall be deemed approved. In case the auditor is rejected by the Czech National Bank, the credit union shall notify the Czech National Bank of a new auditor within 15 days from such rejection.

(4) For the purpose of this Act, persons with a special relation with a credit union shall mean members of a credit union, members of elected bodies of a credit union, executives, and their kin as defined in the Civil Code.

Section 9

(1) Profit may be divided among members of a credit union. A member's share in the profit shall be determined by the ratio of the amount of the member's investment against a sum of all members' investments of all members as of a date of balance of a regular financial statement. A members' meeting that discusses a regular financial statement shall determine the profit to be divided among members upon considering a part of profit allocated for a settlement share. The provisions of the Commercial Code relating to the division and use of profit of a cooperative shall not be applied.

(2) If a credit union reports a loss, it shall decide at a members' meeting, which approves a regular financial statement specifying this loss, on payment of this loss from the risk fund and reserve fund and undistributed profit of previous years.

(3) The board of directors shall divide profit or cover a loss of a credit union in accordance with the above subsections within 30 days from the day when a members' meeting is held, which approved a regular financial statement from which the profit or loss follow.

Section 10

Funds of a credit union

(1) A credit union shall establish the following funds:

a) Risk fund established at its incorporation to cover risks related to provision of loans and guarantees in the minimum amount of 10% of annual profit after taxes, until a time when the risk fund reaches the minimum amount of 20% of a sum of unpaid loans and guarantees provided by the credit union;

b) Reserve fund. ¹³⁾ If a reserve fund is not established already upon the credit union incorporation, it shall be created from profit after taxes reported in a regular financial statement for an accounting period in which this profit is generated for the first time, in the

amount of a minimum of 10% of profit after taxes. An amount stipulated in articles of association shall be added into this fund on a yearly basis, always by a minimum of 10% of profit after taxes, until a time when the reserve fund reaches the minimum amount of 20% of the registered capital.

(2) Articles of association may stipulate that a higher risk fund and reserve fund are established and that also other funds are established.

(3) Provisions of a special act concerning the indivisible fund of a cooperative ¹⁴⁾ shall not be applied.

Section 11

(1) A credit union shall comply with the rules which limit the amount of assets and off-balance sheet items vis-à-vis a person or group of persons depending on the capital (hereinafter the “exposure rules”) on individual basis. A credit union shall also comply with the exposure rules on consolidated basis, provided it acts as an obliged credit institution within a financial holding entity group or obliged credit union within a controlling credit institution group.

(2) A credit union shall permanently maintain its solvency. For this purpose it shall comply with set rules of liquidity and safe operation; these rules may namely govern:

a) The minimum amount of liquid assets or groups of these assets in relation to assets or liabilities or to a group of selected items of assets or liabilities;

b) Restriction and conditions relating to some types of loans, investment, deposits, guarantees and liabilities;

c) Rules for acquiring, financing, and assessing assets.

(3) The rules and indicators pursuant to subsections 1 and 2 shall be set down by the Czech National Bank by means of its decree. The rules which differ for credit unions in comparison to rules for other financial market entities shall be set down by the Czech National Bank on the basis of a provision of the Czech National Bank, promulgated in the Journal of the Czech National Bank.

Section 12

Abrogated

Section 13

Some provisions relating to the dissolution and winding up of a credit union

(1) Upon a proposal of the Czech National Bank, a body or member of a credit union or person able to prove a legal interest, a court may decide on dissolution of a credit union and its winding up, if:

a) The number of members has fallen below 30;

b) The capital has dropped below CZK 35,000,000;

c) Six months have passed from the day when the term of office of a body of the credit union ended and no new body has been elected or the duty to convene a members' meeting has been breached or the credit union has performed no activities for over one year;

d) The establishment, merger or division of the credit union has resulted in a breach of the law.

(2) Upon a proposal of the Czech National Bank, a court may decide on dissolution of a credit union and its winding up also provided provisions imposed by the Czech National Bank pursuant to Section 28 have been ineffective.

(3) A credit union shall also be dissolved on the day when a withdrawal of a license becomes legally effective.

(4) A credit union may merge only with another credit union. A credit union may be divided only into credit unions. Division or merger shall be preconditioned by a prior consent of the Czech National Bank; provisions of Section 2a shall be applied accordingly.

(5) A change of a credit union's legal form shall not be permissible. This does not apply in case of a legal form change to a joint-stock company (in Czech: "akciová společnost"), provided the Czech National Bank consented such transformation and, at the same time, decided to grant a banking license. The legal form change project of a credit union does not have to contain the number, appearance, type, form, and nominal value of shares intended for each shareholder following the registration of the legal form change in the Commercial Register, provided it contain the method for their specification.

(6) A liquidator of a credit union shall be appointed and removed from office by a court upon a proposal of the Czech National Bank. Only a person who meets conditions of credibility and professional qualifications pursuant to Sections 2a(7) to (10) and who does not or did not have a special relation towards the credit union may become a liquidator. If a license is withdrawn pursuant to Sections 28g and 28h, a person who has in the course of the past 5 years performed audit or has otherwise participated in preparing and maintaining accounting of the credit union may not be appointed a liquidator.

(7) A court shall rule on a proposal of the Czech National Bank to appoint a liquidator or to remove a liquidator from his/her office within 24 hours from the submission of the proposal. A resolution shall be put on the official board of the court on the day it is issued. The appointment of the liquidator and his/her removal from office shall become effective by putting the resolution on the official board of the court that has issued the resolution. From this moment, the resolution shall be effective for everyone. The resolution shall be delivered to the Czech National Bank, to the appointed liquidator or liquidator removed from office, and to the credit union. Only participants pursuant to the previous subparagraph may appeal against the resolution.

(8) The liquidator's remuneration and its maturity shall be determined by the Czech National Bank, considering the scope of the liquidator's activities. Determination of the liquidator's remuneration and its maturity shall not be a decision in administrative proceedings. The decree of the Ministry of Justice issued pursuant to Section 71(9) of the Commercial Code shall not be applied to determine the liquidator's remuneration. The liquidator's pocket expenses and his/her remuneration shall be paid from the assets of the

credit union. In case the assets of the credit union are not sufficient to pay the liquidator's pocket expenses and his/her remuneration, the liquidator's remuneration and his/her pocket expenses shall be paid by the Czech National Bank, which hereby establishes a claim on the credit union in the amount of the paid amounts.

(9) A liquidator shall, without any undue delay, provide the Czech National Bank with financial statements and documents prepared in the course of winding pursuant to the Commercial Code, as well as other required data, documents and information upon a request pursuant to Section 27(2).

Section 13a

(1) Credit unions participating in the payment systems operated in accordance with a special act or payment systems operated by the Czech National Bank shall transfer funds in Czech currency according to individual items established upon their own orders or orders of their clients with other participants in these payment systems on the territory of the Czech Republic.

(2) If a credit union participates in a payment system operated by the Czech National Bank, the Czech National Bank shall maintain an interbank payment account in Czech currency on the basis of a contract. The interbank payment account may not be subject to execution of judgment or preliminary measure by the court.

Section 13b

(1) If a credit union, bank, or branch of a foreign bank within the territory of the Czech Republic failed to clear a payment transaction amount in Czech currency or failed to use banking details in accordance with a client's order and has thus made a mistake in clearing, the credit union, which administers account for the unauthorized recipient, shall – upon the request of a credit union, bank, or branch of a foreign bank that caused the incorrect payment transaction execution – debit such incorrectly credit amount from the given account and transfer it to the credit union, bank, or branch of a foreign bank that caused the incorrect payment transaction execution in order to ensure the remedy of the incorrectly executed payment transaction in compliance with an act governing payment system. Furthermore, the credit union may restore the unauthorized recipient's account so that it is as if the incorrect payment transaction execution never took place (hereinafter the “corrective clearing”).

(2) The request pursuant to subsection 1 may be filed within 3 months from the occurrence of the error which resulted in the incorrect payment transaction execution.

(3) Corrective clearing debited from accounts of tax administrators shall be inadmissible; a credit union that has made a mistake in clearing shall request the relevant tax administrator to refund the amount.

Insurance of members' investments

Section 14

(1) Credit unions shall participate in a system of insurance of claims with respect to deposits pursuant to Chapter thirteen of the Act on Banks. ¹⁷⁾ Provisions of the Banking Act,

which govern rights and obligations of banks ensuing from participation in the system of insurance of claims with respect to deposits as well as provisions governing the obligations of liquidators, administrators, receivers in bankruptcy, and the Deposit Insurance Fund in the course of application of the system, shall also apply to credit unions, liquidators, and receivers in bankruptcy accordingly, including the provisions on liability for the breach thereof and application of relevant sanctions. Within the meaning of Chapter thirteen of the Banking Act, a person entitled to an insured claim with respect to a deposit maintained by a credit union shall be an authorized person.

(2) Persons, who – in terms of an act governing activities of banks – are not entitled to compensation for claims with respect to deposits from the Deposit Insurance Fund due to their special relation to a bank ^{17a)}, are:

- a) Members of an elected body of a credit union and executives;
- b) Entities controlling a credit union, entities with qualified interest in such entities, and members of the management of such entities;
- c) Kin, in terms of the Civil Code, with regard to members of elected bodies of a credit union, executives, and entities controlling a credit union;
- d) Entities with qualified interest in a credit union and entities controlled by such entities;
- e) Members of the Bank Board of the Czech National Bank;
- f) Entities controlled by a credit union.

Section 15
Abrogated

Section 16
Abrogated

Section 17
Abrogated

Section 17a
Abrogated

Section 18
Abrogated

Section 19
Abrogated

Section 20
Abrogated

Section 21
Abrogated

Section 21a
Abrogated

Section 21b
Abrogated

Supervision over credit unions

Section 22

(1) The supervision over activities of credit unions shall be performed by the Czech National Bank.

(2) The objects of supervision performed by the Czech National Bank pursuant to subsection 1 shall be the compliance with this Act, special acts, decrees of the Ministry of Finance issued pursuant to this Act and legal regulations, provisions of the Czech National Bank issued pursuant to this Act, as well as decisions issued by the Czech National Bank.

(3) The Czech National Bank shall fulfill its consultation and information obligation towards supervisory authorities in host states and bodies of the European Union. The Czech National Bank and bodies of host states shall share information about activities of credit unions that may facilitate supervision of them, or analysis of conditions for the issuance of licenses.

(4) The Czech National Bank shall namely inform the European Commission about:

- a) The number and nature of cases when it has dismissed an application of a credit union to establish a branch in a host state;
- b) Granted and withdrawn licenses;
- c) Measures taken against credit unions when establishing branches in states that are not member states;
- d) The fact that a credit union has become an entity controlled by an entity governed by the law of a state that is not a member state, and the structure of a consolidated group whose part this credit union is;
- e) Discriminatory measures applied against credit unions when establishing branches in states that are not member states;
- f) Financial holding entities in which a credit union has interest;
- g) Agreements pursuant to Section 25e;
- h) Application of procedure pursuant to Section 28 against a branch, if the matter cannot be delayed and it is necessary in the interest of members;
- i) All consolidated groups whose part a credit union is.

(5) The Czech National Bank shall immediately inform the relevant supervisory authority in a member state of the European Union in which a credit union has a branch^{5a} about a bankruptcy order on the assets of the credit union. The Czech National Bank shall aim at coordinating its activities with supervisory authorities in all member states of the European Union in which the credit union has a branch.

(6) The Czech National Bank shall inform the European Commission upon its request about an application

a) Of an entity controlled by an entity governed by the law of a state that is not a member state of the European Union to grant a license;

b) Of an entity governed by the law of a state that is not a member state or of an entity controlled by an entity governed by the law of a state that is not a member state to acquire such share in a credit union, upon which the applicant would become an entity controlling the credit union.

(7) The Czech National Bank may request an on-site inspection of entities supervised by it on the territory of host states. These entities shall enable an on-site inspection to be carried out and shall provide the Czech National Bank with necessary assistance. If the Czech National Bank has requested performance of inspection, it shall be entitled to participate in it, if it does not perform this control itself.

(8) The Czech National Bank shall, as part of the performance of its supervision, review and assess at least once a year, whether the structure, strategy, procedures, and mechanisms implemented by a credit union and the capital of a credit union ensure safe and reliable operation of a credit union and coverage of risks, to which it is/might be exposed. This review and assessment shall be carried out by the Czech National Bank to the extent and periodicity adequate to the size, importance, and position of a credit union on the financial market as well as the nature, scope, and complexity of its activities.

(9) The Czech National Bank shall provide the Committee of European Banking Supervisors with information collected for the purpose of comparing remuneration systems and procedures implemented by other credit unions on:

a) Number of persons, incomes of which amount corresponding to an equivalent of no less than EUR 1,000,000 – broken by areas of activities of individual credit unions;

b) Main components of salaries, bonuses, performance bonuses for a longer-term period, and special pension benefits for persons specified in subsection a).

Section 22a

(1) In the course of supervision over credit unions, the Czech National Bank shall cooperate with supervisory authorities in other states, in particular those on whose territory a credit union has a branch.

(2) Upon request, the Czech National Bank shall provide the supervisory authorities pursuant to subsection 1 with namely the following information:

- a) About shares in a credit union;
- b) About management of a credit union;
- c) About a capital adequacy indicator and consolidated capital adequacy indicator;
- d) Information important for the supervision of these credit unions, in particular in liquidity, solvency, insurance of deposits, capital adequacy, consolidated supervision, accounting, internal control and monitoring of risks arising from open positions on financial markets on the territory of the Czech Republic or on the territory of a state where a credit union has undergone these risks.

(3) Upon request or at its own instigation, the Czech National Bank also provides the supervisory authorities in other member states with information, which significantly affects assessment of the financial situation of a credit / financial institution in the given member state, namely information relating to:

- a) Specification of the structure of a consolidation unit, all significant credit unions within such consolidation unit, and supervisory authorities within such consolidation unit;
- b) Procedures for collecting information from credit unions within a consolidation unit and verification of such information;
- c) Developments in a credit union or any other entity that is part of a consolidation unit, which might materially impair the financial situation of a credit institution within such consolidation unit;
- d) Significant sanctions and corrective measures of exceptional significance imposed on a credit union pursuant to this Act, namely a request for increase the capital pursuant to Section 28(1)(g), and withholding consent to the use of a special approach to the capital requirement calculation pursuant to Section 8(5) or (8), or withholding consent to the change of an applied special approach.

(4) The Czech National Bank may require the information pursuant to subsection 2 and 3 from a supervisory authority in a state on whose territory a credit union has a branch or on whose territory an entity controlling a credit union / an entity controlling an entity that controls a credit union is located.

(5) A supervisory authority of another member state performing supervision over an entity, which is a member of a consolidation unit, shall apply to the Czech National Bank for information specified in subsection 3. Furthermore, a supervisory authority performing supervision, on a consolidated basis, over a European controlling credit institution shall apply for information relating to approaches and methods used to comply with the rules of prudential business activities.

Section 22b

(1) A credit union branch, through which a credit union carries out its activities within the territory of a host state, may be identified as significant by the supervisory authority of such state in compliance with the Community law (hereinafter the “significant branch”).

(2) The Czech National Bank shall adhere to an agreement of identifying a credit union branch as significant, if such credit union carries out its activities in another member state through such branch and the supervisory authority of the host state had informed Czech National Bank about its intent to identify such branch as significant, also informing the Czech National Bank about the reasons which led it to such conclusion pursuant to the Community law. The Czech National Bank shall make effort to reach this agreement within 2 months from the day it was informed about the intent to identify such branch as significant.

(3) In case a credit union carries out its activities within the territory of a host state through a significant branch, the Czech National Bank shall disclose to supervisory authorities of such state the data specified in Section 22a(3)(c) and (d), fulfilling with the tasks specified in Section 25g(1)(c) in cooperation with the supervisory authorities of such state.

(4) In case the Czech National Bank detects adverse developments in a credit union, which carries out its activities through a significant branch within the territory of a host state, it shall – without any undue delay – inform the relevant central banks of the European System of Central Banks under the terms and conditions specified in Section 25a(4)(i) as well as the public administration authorities pursuant to Section 25a(4)(k) in member states affected by such developments.

(5) In case a credit union carries out its activities through a significant branch within the territory of a host state, the Czech National Bank shall establish a collegium of supervisory authority (hereinafter the “collegium”) for the performance of tasks specified in subsections 3 and 4 and in Section 22a. The establishment and operation of the collegium shall rely on the written arrangements pursuant to Section 25d(8), which are prepared by the Czech National Bank following discussion with supervisory authorities pursuant to subsection 3. The collegium shall comprise the Czech National Bank as well as supervisory authorities of host countries, in which a credit union carries out its activities through a significant branch. The provisions of Sections 25l(4) and (5) shall apply accordingly.

(6) The Czech National Bank shall fulfill obligations specified in subsections 3 to 5 after it agreed on the identification of the branch as significant pursuant to subsection 2 or after it was informed about a credit union branch being identified as significant by the relevant supervisory authority in a host country.

Section 23

When performing supervision in the form of an on-site inspection, relations of the Czech National Bank and entities subject to this supervision shall be governed by fundamental rules of activities pursuant to a special act.^{18a)}

Section 24
Abrogated

Section 25
Abrogated

Section 25a
Confidentiality obligation

(1) Persons performing supervision of activities of credit unions shall maintain confidentiality in respect of any facts about which they have learned in relation to performance of their job, employment or position. They may provide only aggregate information to third parties, so it cannot be identified what specific credit union or member of a credit union it concerns. The confidentiality obligations shall also survive after employment or another similar relation is terminated.

(2) Information obtained during performance of activities may be used by persons stated in subsection 1 only to perform tasks of the Czech National Bank or in judicial proceedings about a petition concerning a decision made in relation to performance of supervision or in similar proceedings before an international body.

(3) The obligation to maintain confidentiality shall not be breached if information is provided, which is obtained in relation to performance of supervision to prosecuting and adjudicating body in the Czech Republic, and supervisory authority over credit unions or supplementary supervision of entities in a financial conglomerate or financial institutions or financial markets or credit institutions in another state and to the European Commission.

(4) Whilst adhering to the provisions of this Act, the obligation to maintain confidentiality shall also not be breached if information is provided, which is obtained in relation to performance of supervision to public bodies and other entities in the Czech Republic, in case such information is provided for performing the position of:

- a) Bodies acting in winding up or bankruptcy of a credit union;
- b) Supervision of a body pursuant to subsection (a);
- c) Auditor of a statutory financial statement of a credit union;
- d) Supervision of an auditor of a statutory financial statement of a credit union;
- e) Supervision of compliance with corporate law;
- f) Fight against legitimization of proceeds of crime and financing of terrorism or implementation of international sanctions in order to maintain international peace and security, protection of fundamental human rights and fight against terrorism;
- g) Supervision of payment or settlement/clearing systems;
- h) Payment or settlement/clearing system operator;
- i) Central bank of the European System of Central Banks, provided such information is significant for the performance of its tasks set down by legal regulations, including the performance of monetary policy and associated provision of liquidity, supervision of payment and settlement/clearing systems, and settlement systems of securities transactions and protection of the financial system stability;
- j) Systems of insurance of claims with respect to deposits and insurance of investors;

k) Public administration authority in charge of preparation of legal regulations relating to the supervision of credit and financial institutions, as well as persons authorized by such authorities to carry out inspection activities.

(5) Subsection 4 shall apply for the provision of information to public authorities as well as other entities in member states, with the exception of authorities specified in subsection 4, letters g), h), i) and k), in other states accordingly.

(6) Information obtained in relation to performance of supervision may be provided also to bodies of the European Union, if it is necessary to meet obligations ensuing from an international treaty.

(7) Provision of information pursuant to subsections 3 to 6 shall be possible only in case an institution or person has a regime of information protection in place at least within the scope of this Act.

(8) Information obtained from bodies in host states may not be used for another purpose than that for which it has been provided and shall not be provided to a third party without the provider's consent. Information obtained as part of an on-site supervision in another state shall not be provided to a third party without the consent of supervisory authorities in that state.

Section 25b

(1) A credit union shall keep confidential and protect against misuse any data about its member and his/her trading with a credit union.

(2) A credit union shall submit the report on data, in respect of which the credit union is to maintain confidentiality and which it is to protect from misuse, to authorities in charge of performing supervision. The provision of subsection 1 shall not be deemed breached, if the data are shared between the Czech National Bank and supervisory authorities and similar institutions in other states, provided the sharing of information concerns entities that operate or intend to operate within the territory of the relevant state. Furthermore, the obligation set down in subsection 1 shall not be breached, if the data about a member of a credit union and his/her trading are disclosed when a criminal complaint is filed or when the duty to notify is performed pursuant to the act on certain measures against legitimization of proceeds of crime and financing of terrorism or act on implementation of international sanctions. Moreover, the disclosure of information to another payment services provider or within payment system shall not be considered a breach of the obligation set down in subsection 1, provided it is necessary to prevent, detect, and investigate frauds in the area of payment system.

(3) A report on data a credit union is required to maintain confidential and protect against misuse shall be provided by the credit union without a member's consent only upon a written request of:

a) A court for the purposes of civil judicial proceedings;²⁰⁾

b) An investigating, prosecuting and adjudicating body under conditions set forth in a special act;²¹⁾

- c) Tax administrators under conditions pursuant to a special act on the administration of taxes and charges;
- d) Relevant authority pursuant to the act on certain measures against legitimization of proceeds of crime and financing of terrorism or act on implementation of international sanctions;
- e) Social security bodies in proceedings pertaining to social security insurance and contribution to national employment policy, which a member of a credit union owes, social security bodies or municipal authorities of municipalities with extended powers or designated municipality authorities in proceedings pertaining to a surplus payment of social security benefits, or national social support bodies in proceedings pertaining to a surplus payment of national social support benefits, which a member of a credit union is bound to return; this shall apply also to enforcing this insurance, contribution and surplus payment;
- f) Health insurance companies in proceedings pertaining to public health insurance, which a member of a credit union owes; this shall apply also to enforcing this insurance;
- g) A licensed executor empowered to perform execution pursuant to a special act;²²⁾
- h) Labor Office of the Czech Republic in proceedings to return funds provided to a member of a credit union from the state budget; this shall apply also to enforcing these funds.
- i) National Security Authority, intelligence service or the Ministry of the Interior that perform security proceedings pursuant to a special act.^{18c)}

A written request shall contain data according to which the credit union may identify the relevant matter.

(4) Upon a written request of social security bodies or district authorities pertaining to proceedings to return a benefit transferred to an account after the beneficiary of the benefit has died, including enforcement, a credit union shall provide identification data about its member who is the owner of the account even without his/her consent, and about persons authorized to dispose of funds on this account as well as data about issues related to this account. Following a death of a member a credit union shall also be bound to notify the Labor Office of these data upon a written request.

(5) A credit union shall be entitled to compensation of relevant costs for reporting pursuant to paragraph 3(a) and (g).

(6) A credit union shall notify a person authorized to execute a decision or tax execution of an account number of its member including identification code of the credit union and identification data of its member who is the owner of the account even without the member's consent. A credit union shall also have the same obligation in relation to a person who proves that upon his/her own wrong order to the credit union it has suffered a loss and that he/she cannot achieve his/her right to have unjust enrichment returned within the meaning of the Civil Code without such data. A credit union shall be entitled to payment of relevant costs for the provision of information.

(7) A report on data, which a credit union to keep confidential and protection protect against misuse, shall be filed by the credit union in relation to its business activities within the territory of another state even without its member's consent, if it is necessary to fulfill an obligation set forth in the legislation of the state on whose territory it carries out its business activities. This shall not affect provisions of a special act.²³⁾

(8) Data, to which the confidentiality obligation applies, may be disclosed by a credit union to a supervisory authority, it is necessary for the purposes of supervision on a consolidated basis or supplementary supervision.^{3c)}

(9) Data, to which the confidentiality obligation applies, may be disclosed by a credit union, if necessary, to a controlling entity for the purposes of preparing reports on a consolidated basis and for the purpose of complying with the rules of prudential business activities.

Section 25c

(1) Employees and members of bodies of a credit union shall maintain confidentiality in respect of service issues related to interests of the credit union and its members. The board of directors may discharge them of this duty for reasons specified in Sections 25b(2), (3), (4) and (6).

(2) The duty to maintain confidentiality shall survive even after employment or another similar relation is terminated.

Section 25d

(1) For the purpose of this Act, supervision on a consolidated basis shall mean monitoring and regulation of risks of consolidated units, to which a credit union belongs, in order to limit risks to which the credit union is exposed with view to its participation in the consolidated unit.

(2) Supervision on a consolidated basis shall not be supervision of individual entities included into a consolidated unit and shall supersede neither performance of supervision on an individual basis over credit unions pursuant to this Act nor supervision of banks pursuant to special legal regulations.

(3) When performing supervision on a consolidated basis, the Czech National Bank shall cooperate with supervisory authorities responsible for the supervision of credit or financial institutions abroad and shall be entitled to share information with these authorities. This shall not affect the provision of Section 25a.

(4) The Czech National Bank may perform an on-site inspection of entities included into a consolidated unit for the purpose of performing supervision on a consolidated basis or may request the relevant supervisory authority to perform it. The Czech National Bank shall inform the relevant supervisory authority responsible for the supervision of an inspected entity about the commencement, purpose and results of an on-site inspection. This shall not affect the provision of Section 25a.

(5) Entities included into a consolidated unit shall enable performance of an on-site inspection pursuant to subsection 4 and shall provide the Czech National Bank with any necessary assistance.

(6) In case the Czech National Bank requires information necessary for the performance of supervision on a consolidated basis, if it knows such information has already been provided to another supervisory authority by a consolidation unit member, it will – as a priority – apply for such information with the authority.

(7) Supervision carried out by the Czech National Bank over a member of a European financial holding entity group shall rely on written arrangements on coordination and cooperation with a supervisory responsible for such group on a consolidated basis. On the basis of such provisions, it is possible to delegate tasks relating to coordination and cooperation to such authority.

(8) In case the Czech National Bank performs supervision, on a consolidated basis, over a European financial holding entity group, it must have written arrangements on coordination and cooperation with authorities supervising members of such group. On the basis of such provisions, it is possible to delegate tasks relating to coordination and cooperation to the Czech National Bank.

(9) The supervisory authority of another member state supervising – on a consolidated basis – a European financial holding entity group shall be, instead of the Czech National Bank, competent to perform supervision over a member of such group based in the Czech Republic in compliance with the Community law, to the extent and under the terms and conditions set down by an international treaty, which has been implemented in the legal system. Such international shall always stipulate terms and conditions, under which the Czech Republic is entitled to a regression payment from a supervisory authority of another member state or from another member state, within the territory of which such authority is based, provided the Czech National Bank settled damages or non-property loss the supervisory authority caused in the course of the supervision by unlawful decision or incorrect official procedure. The laws of the Czech Republic shall apply to the performance of supervision by a supervisory authority of another member state. The Czech National Bank shall disclose the existence of such contract to the European Commission. Any liability for damages caused by the supervisory authority of another member state – i.e. by its decision or incorrect official procedure when performing supervision – shall be assessed pursuant to an act governing liability for damages caused while exercising public authority.²⁸⁾

(10) The Czech National Bank supervising – on a consolidated basis – a European financial holding entity group shall be, instead of the supervisory authority of another member state, competent to perform supervision over a member of such group based in another member state in compliance with the Community law²⁷⁾, to the extent and under the terms and conditions set down by an international treaty, which has been implemented in the legal system. The Czech National Bank shall disclose the existence of such contract to the European Commission.

(1) The Czech National Bank shall perform supervision on a consolidated basis over a controlling credit institution group, the member of which is an obliged credit union within a controlling credit institution group.

(2) The Czech National Bank supervises, on a consolidated basis, a financial holding entity group, a member of which is an obliged credit union within financial holding entity group. The financial holding entity group controlled by a domestic financial holding entity shall be subject to supervision on a consolidated basis, only if the group comprises a credit institution / financial institution based in another member state.

(3) The Czech National Bank a) supervises a financial holding entity group, which does not meet the terms and conditions pursuant to subsection 2(first sentence); or b) shall waive the supervision of the financial holding entity group, which meets the terms and conditions pursuant to subsection 2(first sentence), provided it agrees on this with the relevant supervisory authority of a member state and in case they feel the specification of an obliged credit union within the financial holding entity group is not appropriate pursuant to criteria set down by this Act, namely considering the important of credit unions which are members of such consolidation unit, for the financial market of the member states in question. However, in such case, the Czech National Bank or the relevant supervisory authority shall first request a standpoint of the obliged credit union within the financial holding entity group or European financial holding entity group, which are members of the given consolidation unit. If the Czech National Bank proceeds pursuant to subsection a), it shall identify a credit union, which will meet obligations of an obliged credit union within a financial holding entity group.

(4) The Czech National Bank supervises, on a consolidated basis, a mixed holding entity group.

(5) The Czech National Bank may waive the supervision, on a consolidated basis, over a consolidation unit, in case a controlling entity is based in a state that is not a member state, provided such consolidation unit is subject to comparable supervision on a consolidated basis. Prior to such decision, the Czech National Bank shall apply for a standpoint to the supervisory authority of a credit institution, which is a member of the same consolidation unit and which had been granted a license to carry out business activities in another member state, as well as the European Banking Committee.²⁵⁾ In case no supervision or comparable supervision, on a consolidated basis, is carried out in respect of such consolidation unit, the Czech National Bank may ask a consolidation unit member to establish a financial holding entity within the territory of the Czech Republic or another member state. If it does so, it will notify the fact to the supervisory authority of the credit institution, which is a member of the same consolidation unit and which had been granted a license to carry out business activities in another member state, and to the European Commission.

Section 25f

(1) An obliged credit union within a financial holding entity group, a credit union within a mixed holding entity group, and obliged credit union within a controlling credit institution group, which are members of a consolidation unit subject to supervision of the Czech National Bank on a consolidated basis pursuant to this Act, shall - on a consolidated basis – comply with:

a) Requirements for the management and control system management and control system (Section 7a);

b) Information disclosure rules (Section 7b);

c) Rules for determining capital, rules for determining capital requirements and capital adequacy (Section 8);

d) Strategies and procedures for assessing and changing internally determined capital (Section 8a);

e) Exposure rules (Section 11);

f) Requirements for transactions within a consolidation unit.

(2) Entities included in a consolidation unit shall – regularly or upon request – disclose to the Czech National Bank, either directly or via a credit union that is part of such consolidation unit, any and all information necessary for performing supervision on a consolidated basis. The Czech National Bank shall set down periodicity, deadlines, and method of delivery of regular information, as well as the scope thereof in its decree.

(3) Entities included in a consolidation unit must establish corresponding control mechanisms ensuring accuracy of information provided for the purpose of supervision on a consolidated basis.

(4) An obliged credit union within a financial holding entity group, a credit union within a mixed holding entity group, and obliged credit union within a controlling credit institution group, which are members of a consolidation unit subject to supervision of the Czech National Bank on a consolidated basis pursuant to this Act, shall – ahead of time - inform the Czech National Bank about auditors, who will audit entities included in the given consolidation unit. The Czech National Bank applies the provisions of Section 8b(3) accordingly.

(5) The Czech National Bank may require an obliged credit union within a financial holding entity group, a credit union within a mixed holding entity group, and obliged credit union within a controlling credit institution group, which are members of a consolidation unit subject to supervision of the Czech National Bank on a consolidated basis pursuant to this Act, to audit information which is disclosed for the purpose of supervision on a consolidated basis.

(6) A credit union shall duly monitor its transactions with members of the same consolidation unit, manage risks associated therewith, and subject them to corresponding internal control mechanisms.

(7) A financial holding entity shall ensure that its statutory body, member of its statutory body, or another individual, who – on its own or jointly with other persons – controls activities of such financial holding entity or of a legal entity that is its statutory body or member thereof (hereinafter the “manager”), is credible and experienced enough for holdings his/her office and to ensuring requirement resulting from this Act for such financial holding entity.

(8) A financial holding entity shall inform the Czech National Bank in advance of any proposed changes to managers, also presenting it with materials corroborating credibility and experience of the proposed persons. An entity that newly becomes a financial holding entity shall fulfill this obligation in respect to its managers within 2 months from the day it becomes a financial holding entity; otherwise, its management shall be deemed not to fulfill the prescribed prerequisites. The individual in question shall provide the financial holding entity with any necessary materials and assistance. The Czech National Bank shall set down facts and documents corroborating the credibility and experience of managers of the financial holding entity in its decree.

Section 25g

If the Czech National Bank supervises, on a consolidated basis and pursuant to this Act, a European financial holding entity group, it shall – in addition to the tasks set down by this Act or a special legal regulation²⁶⁾ – also carry out the following tasks:

- a) Coordinates the collection and disclosure of important or inevitable information in respect of the supervisory authorities of other member states;
- b) In cooperation with the relevant supervisory authorities, plans and coordinates actions of such authorities in the course of supervision; these activities comprise coordination and planning of supervision over activities of credit unions regulated by Section 7a(1)(b), Section 7b, and Section 8a, supervision performed pursuant to Section 22(8), and imposition of various measures pursuant to Section 28(1), including the coordination of supervision in terms of similar provisions of legal regulations of another member state;
- c) In cooperation with the relevant supervisory authorities and, if necessary, with central banks of other member states, it plans and coordinates actions of such authorities in preparing for adverse developments within a credit union and for exceptional situations (Section 25h(1)), and actions of such authorities during adverse developments and exceptional situations within a credit union. Furthermore, it plans and coordinates preparation of joint assessments, implementation of plans for exceptional situations, provision of information to the public, and imposition of corrective measures of exceptional significance in terms of Section 25i(1)(b) and similar provisions of foreign legal regulations;
- d) Provides supervisory authorities of other member states that supervise an entity, which is a member of such consolidation unit, with information necessary to supervise such entity, namely taking into account the importance of such entity for the financial market of the given state (Section 22a);
- e) Rules on a joint application for a prior consent to the use of one of the special approaches or change to such approach applied pursuant to Sections 8(6) to (8).

Section 25h

(1) In case the Czech National Bank supervises, on a consolidated basis, a European financial holding entity group pursuant to this Act and an exceptional situation occurs, including adverse developments on the financial markets, which could endanger market liquidity and financial system stability (hereinafter the “exceptional situation”) in a member state, in which a member of such group has its registered office or in which it carries out its

activities through a significant branch, significant branch pursuant to an act governing activities of banks, or significant branch pursuant to an act governing capital market undertakings, the Czech National Bank shall, without any undue delay:

- a) Provide central banks of the European System of Central Banks in member states affected by such situation with information, under the terms and conditions specified in Section 25a(4)(i); and
- b) Provide the public administration bodies specified in Section 25a(4)(k) in member states affected by such situation with any and all information, which might be important for them.

(2) In case the Czech National Bank identifies an exceptional situation, which can have impact in a member state, it shall immediately inform the authority supervising - on a consolidated basis – a European financial holding entity group, in which a member of such group has its registered office or in which it carries out its activities through a significant branch, significant branch pursuant to an act governing activities of banks, or significant branch pursuant to an act governing capital market undertakings.

Section 25i

(1) The Czech National Bank, prior to:

- a) Decision pursuant to Section 2b(3);
- b) Imposing serious sanction or corrective measures of exceptional significance on a credit union, namely a request for an increase of capital pursuant to Section 28(1)(g);
- c) Dismissing application for consent to the use of a special approach for the capital requirements calculation pursuant to Section 8(4), it consults the matter with the authority supervising, on a consolidated basis, the consolidation unit, which comprises the given credit union, as well as with other supervisory authorities affected by the matter.

(2) The Czech National Bank does not have to consult facts pursuant to subsection 1, if the matter cannot be delayed or such consultation could jeopardize the purpose of the decision. In such case, it informs the given supervisory authorities without any undue delay.

Section 25j

If, in the course of supervision over a credit union, the Czech National Bank identifies an exceptional situation, which could affect the situation in the Czech Republic, the Czech National Bank shall, without any undue delay, inform the following entities about the fact:

- a) Central banks of the European System of Central Banks in member states affected by such situation, under the terms and conditions specified in Section 25a(4)(i); a
- b) Public administration authorities specified in Section 25a(4)(k) in member states affected by such situation, provided such information is significant for them.

Section 25k

(1) If the Czech National Bank supervises, on a consolidated basis, a European financial holding entity group pursuant to this Act, it is authorized, following an agreement with other authorities supervising members of such group, to impose on a member of the group:

- a) Corrective measures pursuant to Section 28(1)(g) – if it concerns a credit union;
- b) Corrective measures consisting in an increase of capital above the minimum level pursuant to an act governing activities of bank – if it concerns a bank or a foreign bank; or
- c) Corrective measures consisting in an increase of capital above the minimum level pursuant to an act governing capital market undertakings – if it concerns a securities dealer, who is not a bank, or a foreign securities dealer pursuant to act governing capital market undertakings.

(2) The Czech National Bank shall first inform other authorities supervising members of the given group about its intention to impose corrective measures pursuant to subsection 1, also presenting them with a report on the assessment of the risk pertaining to such group. The Czech National Bank shall make effort to reach an agreement pursuant to subsection 1.

(3) In case the agreement pursuant to subsection 1 cannot be reached within 4 months from the day the Czech National Bank presented other authorities supervising members of the given group pursuant to subsection 2, the Czech National Bank may impose the corrective measures specified in subsection 1 on members of the given group, which it supervises, even without an agreement with other authorities supervising members of the given group. The Czech National Bank shall consider the risk assessment of other members of the given group expressed in the standpoint of other authorities supervising members of the given group. It shall deliver a counterpart of a written copy of the decision to the relevant authorities for their information.

(4) The Czech National Bank will be authorized to impose corrective measures pursuant to Section 28(1)(g) on a credit union, which is a member of a European controlling credit institution group, a member of a European financial holding entity group or a member of a European controlling securities dealer group pursuant to an act governing the capital market undertakings on its own, if it is not possible to reach an agreement between the authority supervising the given group on a consolidated basis and other authorities supervising members of such group within 4 months from the day such authority supervising the given group on a consolidated basis presented the Czech National Bank with a report on the risk assessment of the group. The Czech National Bank shall consider the standpoint of the authority supervising the given group on a consolidated basis.

(5) Prior to rendering the decision pursuant to subsection 3, the Czech National Bank may seek a standpoint of the Committee of European Banking Supervisors. The Czech National Bank shall always seek such standpoint if it is requested any of the other authorities supervising members of the given group. In case the standpoint of the Committee of European Banking Supervisors was sought prior to rendering the decision pursuant to subsection 3 or subsection 4, the Czech National Bank shall rely on such standpoint, unless it provides reasons in the justification of its decision, for which it derogates from the standpoint.

(6) The Czech National Bank shall review decisions pursuant to subsections 1, 3 or 4 at least once a year, following the procedure set down in subsections 1 to 5. The Czech

National Bank may review such decisions upon a justified written proposal of an authority supervising a member of the given group. In such case, it is also possible to review the decision pursuant to subsections 1, 3 or 4 within the scope of such proposal.

(7) A credit union shall maintain its capital – on either individual or consolidated basis – at such minimum level stipulated by Section 8, provided such obligation is imposed on the credit union, in agreement with the Czech National Bank, by a supervisory authority of another member performing supervision on a consolidated basis.

Section 25l

(1) In case the Czech National Bank performs supervision pursuant to this Act on a consolidated basis over a European financial holding entity group, it shall establish a collegium to address tasks specified in Sections 25g and 25h. The establishment and operations of the collegium rely on written arrangements pursuant to Section 25d(8), which are prepared by the Czech National Bank following discussion with supervisory authorities in question. If advisable, the Czech National Bank shall coordinate the cooperation with supervisory authorities of other than member states, complying with the confidentiality obligation and other requirements set down by the law of the European Union. The establishment and operations of the collegiums shall not prejudice the powers and competency or supervisory authorities set down by the law of the European Union.

(2) The collegium generates prerequisites for cooperation of the Czech National Bank and other supervisory authorities in question while:

- a) Sharing information;
- b) Exercising arrangements and international treaties pursuant to Sections 25d(7) to (10), if practical;
- c) Stipulating plans of inspections resulting from the risk assessment of the given group pursuant to Section 22(8);
- d) Improving effectiveness of supervision by limiting duplicate requirements in the course of supervision, including the requirement for the provision of information pursuant to Section 25d(6), Section 22a(5), second clause, and pursuant to similar provisions of foreign legal regulations;
- e) Exercising uniformly rules of prudential business activities within the given group, without affecting powers of supervisory authorities set down by the law of the European Union;
- f) Planning and coordinating activities stipulated in Section 25g(1)(c), and in similar provisions of foreign legal regulations, taking activities of other bodies into account, if such bodies are in fact established for this purpose.

(3) Members of the collegium are:

- a) The Czech National Bank;
- b) Authorities supervising members of the given group;

c) Supervisory authorities of host states, in which a member of the given group carries out its activities through a significant branch, significant branch pursuant to an act governing activities of banks, or significant branch pursuant to an act governing capital market undertakings;

d) Central banks, if practical;

e) Supervisory authorities of other than member states, if this practical, and if, in the view of all supervisory authorities in question, the protection of information of such authorities is at least on the same level as required by the law of the European Union.

(4) The Czech National Bank shall govern the proceedings of the collegium, determining which members take part in its meetings or other activities. At the same time, the Czech National Bank takes into account importance of such activities for meeting its obligations set down in Sections 22b(2) and (3), as well as their importance for the collegium members. On the basis of the information available, it shall namely consider potential impact on the financial system stability in concerned member states, especially in exceptional situations.

(5) The Czech National Bank shall make effort to ensure cooperation among the collegium members. The Czech National Bank informs the collegium members about any meetings of the collegium, agenda of such meetings, and planned activities well ahead of time, whereas it shall, without any undue delay, inform them about conclusions adopted at such meetings or about other agreed activities.

(6) The Czech National Bank informs the Committee of European Banking Supervisors about activities of the collegium, even in case of an exceptional situation, providing it with any and all information which might be significant for the harmonization of supervision instruments and policies. The provisions of Section 25a shall not be affected in any way.

Section 26
Abrogated

Section 27

(1) A credit union shall prepare and submit to the Czech National Bank information and materials, the contents, form, deadlines and presentation method shall be set down by the Czech National Bank in the form of its decree.

(2) Information and materials pursuant to subsection 1, which differ for credit unions from information and materials for other financial market entities, shall be set down by the Czech National Bank on the basis of a provision of the Czech National Bank, promulgated in the Journal of the Czech National Bank.²⁶⁾

(2) In addition to information and materials pursuant to subsections 1 and 2, the Czech National Bank may require a credit union to submit other data, documents or information. A credit union shall submit the required data, documents or information within 3 days from the delivery of the request, unless a later deadline is stipulated in the request.

(3) A credit union shall inform the Czech National Bank about an intended change of articles of association related to facts that must be stated therein upon a requirement set forth in the Commercial Code or in this Act. Articles of association and changes thereof authenticated by a notary shall be filed with the Czech National Bank.

Sanctions

Section 27a Offences

(1) An individual commits an offence by:

a) Acquiring qualified interest in a credit union or increasing it and thus reaching a share in the registered capital or voting rights stated in Section 2b(3) without a prior consent of the Czech National Bank; or

b) Using the title of “spořitelní a úvěrní družstvo” or “družstevní záložna” or “úvěrní družstvo” contrary to Section 1(3).

(2) An employee or a member of an elected body of a credit union commits an offence by breaching the obligation to maintain confidentiality in service issues related to the interests of the credit union and its members (Section 25c).

(3) A member of an elected body of a credit union or an executive commits an offence by failing to inform the Czech National Bank immediately about facts stated in Section 6(10).

(4) A member of the credit committee or a member of a credit union entrusted with the power to make decisions about provision of loans pursuant to articles of association commits an offence by becoming a guarantor of a loan, on the provision of which he/she rules.

(5) A receiver in bankruptcy of a credit union commits an offence by failing to convene a members’ meeting of the credit union upon a request of the Czech National Bank within 30 days from the delivery of the request solely for the purpose of approving a regular financial statement (Section 5a(4)).

(6) An individual, who is a member of a consolidation unit that also comprises a credit union, commits an offence by failing to meet the requirement of the Czech National Bank pursuant to Section 27f(2)(a) or obligation set down by a decision of the Czech National Bank rendered on the basis of Sections 27f(2)(b) and (c).

(7) Penalty up to the amount of CZK 200,000 may be imposed for an offence pursuant to subsection 4; penalty up to the amount of CZK 500,000 may be imposed for an offence pursuant to subsection 5; and penalty up to the amount of CZK 1,000,000 may be imposed for an offence pursuant to subsections 1, 2, 3 and 6.

Section 27b Administrative offences of legal entities

(1) A credit union commits an administrative offence by:

- a) Performing activities contrary to an issued license [Section 1(5)(a)];
- b) Failing to comply with a requirement of the Czech National Bank pursuant to Section 28(1)(a) or failing to meet a duty stipulated by a decision of the Czech National Bank issued upon Sections 28(1)(b) to (e);
- c) Failing to publish an approved financial statement, annual report, copy of a license (Section 1(6));
- d) Acquiring a direct or indirect share in the registered capital of a legal entity, becoming a member, partner or shareholder of a legal entity or otherwise gaining influence on management of a legal entity in an unjustified way (Section 1(8));
- e) Permitting the participation of a person, whose rights have been suspended by the Czech National Bank pursuant to Section 2c(1), in a members' meeting;
- f) Failing to inform the Czech National Bank about acquisition or changes of qualified interest of persons in a credit union pursuant to Section 2c(3);
- g) Establishing a branch on the territory of a host state without a consent of the Czech National Bank (Section 2d(1)) or changing facts related to activities of a branch on the territory of a host state contrary to the provision of Section 2e(2);
- h) Commencing to carry out business activities within the territory of a host state without establishing a branch and without notifying the Czech National Bank of this intention in advance, including a specification of performed activities (Section 2f);
- i) The failure of its branch on the territory of a host state to comply with measures taken by the host state within its monetary policy or measures taken by the European Central Bank in states that have adopted the Euro as their currency (Section 2g(1));
- j) Failing to provide information and regular reports when required by a host state in the form of statistical data about the business activities of its branch within the territory of this host state in accordance with Section 2g(2);
- k) Breaking the provisions of legal regulations in fields within the powers of a host state by its conduct or conduct of its branch within the territory of a host state, and failing to terminate this unlawful state of affairs despite a request made by a supervisory authority in the host state (Section 2g(3));
- l) Acquiring property contrary to the provision of Section 3(3);
- m) Breaching duties set forth in a special legal regulation^{18a)} applicable for remote conclusion of financial services contracts.
- n) Uses credit rating for the calculation of capital requirements contrary to this Act.

(2) A credit union commits an administrative offence by

- a) Failing to prepare an annual report, failing to submit it together with a regular financial statement to be approved by a members' meeting within 6 months from the end of an accounting period for which it is prepared, or failing to send an approved annual report to the Czech National Bank within 10 days from its approval (Section 6(6));
- b) Providing loans to members of elected bodies of a credit union or its members employed therein or their kin under more favorable conditions than conditions under which loans are provided to its other members (Section 7(1));
- c) Failing to state data about provision of loans to members of elected bodies of a credit union, members of a credit union employed therein and their kin in an annual report in accordance with the provision of Section 7(4);
- d) Failing to deliver to the Czech National Bank, within 10 days from the election of a member of a body of a credit union or appointment of an executive, an application to assess conditions for performance of their positions, including documents proving compliance with these conditions (Section 7(7));
- e) Acquiring a claim bound by a subordination condition contrary to Section 1(5)(e);
- f) Failing to notify the Czech National Bank of a selected auditor or a new auditor, if the originally proposed auditor has been refused by the Czech National Bank (Section 8a(3));
- g) Failing to ensure that if a loss is reported a members' meeting decides on payment of this loss when approving a regular financial statement in accordance with the provision of Section 9(2);
- h) Failing to duly calculate a contribution into the Deposit Insurance Fund or failing to pay the contribution duly and timely (Section 14);
- i) Failing to perform corrective clearing in accordance with the provision of Section 13b(1);
- j) Breaching an obligation to keep confidential and protect from misuse any data about its member and his/her transactions with a credit union (Section 25b);
- k) Failing to provide required information for the purposes of performing supervision on a consolidated basis or providing information that is incomplete or that does not reflect the actual state of affairs, or failing to comply with time limits for its submission (Section 25f);
- l) Failing to submit or provide information or materials in accordance with a provision of the Czech National Bank issued pursuant to Section 27(1) or required by the Czech National Bank pursuant to Section 27(2).

(3) Penalty up to CZK 2,000,000 shall be imposed for an administrative offence pursuant to subsections 2(f) and (i); penalty up to CZK 5,000,000 shall be imposed for an administrative offence pursuant to subsection 1(c) and subsections 2(a) and (c); and penalty up to CZK 20,000,000 shall be imposed for an administrative offence pursuant to subsections 1(a) and (b), 1(d) to (n) and pursuant to subsections 2(b), (d), (e), (g), (h), (j), (k), (l) and (m).

(1) A legal entity that:

- a) Acquires or changes its qualified interest in a credit union contrary to Section 2b;
- b) Uses the title of “spořitelní a úvěrní družstvo” or “družstevní záložna” or “úvěrní družstvo” contrary to Section 1(3);
shall be subject to a penalty up to CZK 10,000,000.

(2) A legal entity that commits an administrative offence as a receiver in bankruptcy of a credit union by failing to convene a members’ meeting of a credit union upon a request of the Czech National Bank within 30 days from its delivery solely for the purpose of approving a regular financial statement (Section 5a(4)) shall be subject to a penalty up to CZK 1,000,000.

(3) A legal entity that – as a member of the consolidation unit, which also comprises the credit union – fails to meet the requirement of the Czech National Bank pursuant to Section 27f(2)(a) or the obligation set down by a decision of the Czech National Bank rendered on the basis of Sections 27f(2)(b) and (c), shall be subject to a penalty of up to CZK 10,000,000.

Section 27d

Common provisions to administrative offences

(1) A legal entity shall not be liable for an administrative offence if it proves it has exerted all effort that may have been required of it so as to prevent a breach of a legal duty.

(2) When calculating a penalty for a legal entity, seriousness of the administrative offence shall be considered, in particular mode of its commission and its effects and circumstances under which it was committed.

(3) Liability for an administrative offence shall cease to exist, in case an administrative authority has failed to initiate proceedings within 1 year from the day it had learned about it; however, always within 10 years from the day it was committed at the latest.

(4) Administrative offences pursuant to this Act shall be tried by the Czech National Banka as a first instance authority.

(5) Revenues from penalties shall form income of the state budget.

Section 27e

Abrogated

Section 27f

(1) A shortcoming in activities of an entity included into a consolidated unit that is not a credit union shall mean:

- a) A breach or evasion of this Act, special acts, legal regulations issued by the Czech National Bank and legal regulations pursuant to Section 2g;

b) Trading within a consolidated unit or externally in a way that damages interests of members of a credit union that is part of the consolidated unit or that threatens its safety and stability.

(2) If the Czech National Bank identifies shortcomings in the activities of an entity included into a consolidated unit that is not a credit union, which may have adverse impact on management of a credit union that is part of the consolidated unit, it shall be, according to the nature of established shortcoming, in relation to the controlling entity entitled to:

a) Demand that good be made within a set time limit;

b) Order performance of an extraordinary audit of an entity that is part of the consolidated unit at the expense of the controlling entity;

c) Prohibit or restrict performance of transactions with entities that are part of the same consolidated unit.

Section 28

(1) If the Czech National Bank identifies shortcomings in the business activities of a credit union, it shall be, according to the nature and seriousness of the established shortcoming, entitled to:

a) Demand that the credit union make good within a set time limit, in particular by:

1. Restricting some licensed activities or terminating non-licensed activities within the meaning of the license, or by not executing some transactions and operations;
2. Limiting its distribution networks, including the reduction in the number of points of sale;
3. Replacing members of the board of directors, control or credit committee of the credit union;
4. Replacing persons making up the credit union's management;
5. Convening a members' meeting that will debate a matter designated by the Czech National Bank or its proposal;
6. Adapting the structure, strategies, procedures, and mechanisms to comply with this Act;
7. Adopting stricter rules for creating provisions to assets of a credit union and reserves or for determining capital requirements;
8. Creating sufficient amount of provisions and reserves;
9. Maintaining capital above the minimum set down by Section 8(2);
10. Limiting the variable remuneration component of persons specified in Section 7a(1)(a)(4), if it does not comply with the capital maintenance pursuant to Sections 8 and 8a; in such case, it shall fix the amount of the variable component for the credit union as a percentage of net profit or any other indicator determined by the Czech National Bank;
11. Modifying the capital structure by replacing instruments that can be – in compliance with a decree of the Czech National Bank issued pursuant to Section 8(929) included in subsidiary original capital, by a similar instrument or adequate increase in the registered capital; or
12. Not paying accessories, profit shares, or other remunerations resulting from an instrument that can be – in compliance with a decree of the Czech National Bank issued pursuant to Section 8(929) included in subsidiary original capital;
13. Using, as a priority, profit after taxation to increase registered capital.

- b) Decide to restrict or prohibit some licensed activities of a credit union for up to 120 days including disposition of deposits by their depositors; for the purposes of this Act, disposition of deposits by their depositors shall mean any disposition of a deposit;
- c) Change a license by excluding or restricting some activities stipulated therein;
- d) Order an extraordinary audit at the expense of a credit union;
- e) Order a members' meeting to be convened at the expense of a credit union and set some points on the agenda of this members' meeting;
- f) Withdraw a license.
- g) Request a capital increase above the level set down in Section 8, depending on the results of review and assessment performed pursuant to Section 22(8), namely if defects are identified in respect of structure, strategies, procedures or other mechanisms of the management and control system regulated in Section 7a or defects in strategies and/or procedures regulated in Section 8a(1), or in the application thereof, and the imposition of measures pursuant to subsections a) to f) seems to be insufficient to ensure remedy within a reasonable period of time.

(2) A measure pursuant to subsections 1(b) to (f) shall be applied, if a requirement pursuant to subsection 1(a) is not met; according to the nature of established shortcoming, in particular if the matter cannot be delayed, this procedure may be applied also without a prior requirement pursuant to subsection 1(a).

(3) A shortcoming in business activities shall mean:

- a) A breach of conditions set forth in a license or conditions for the issuance of a license;
- b) A breach or evasion of this Act, special acts, implementing regulations issued pursuant to this Act and legal regulations and provisions of the Czech National Bank issued pursuant to this Act as well as decisions issued by the Czech National Bank;
- c) Trading of a credit union in a way that damages or may damage interests of its depositors and members or that endangers safety and stability of the credit union;
- d) Management of business activities and management of a credit union by persons who do not have sufficient professional qualifications or who are not credible;
- e) If a credit union has not created sufficient provisions and reserves pursuant to special legal regulations;
- f) If an elected body of a credit union has not performed its position for over 60 days;
- g) A refusal to submit information and documents required at an inspection or default on their submission or refusal to allow entry into premises or default on allowing entry;
- h) A breach of rules and indicators determined pursuant to Section 11;

i) A failure to approve a regular financial statement of a credit union within 6 months from the last day of an accounting period;

j) A failure to comply with the notification obligation of a credit union (Section 27).

(4) Unless stipulated otherwise by this Act, only the relevant credit union shall be a participant in the proceedings.

(5) Proceedings may also be initiated by delivering a decision.

(6) Delivery into one's own hands shall be performed by the Czech National Bank either by a procedure pursuant to the Code of Administrative Procedure or by giving the decision to a member of the board of directors of a credit union or a member of the control committee or a person in charge of management of the credit union. If any of these persons refuse to receive the decision, it shall be delivered at the moment of this refusal.

(7) An appeal may be filed against a decision within 15 days from its delivery with the Bank Board of the Czech National Bank. An appeal filed against a decision pursuant to subsections 1(b), (c) and (d) shall not have a deferring effect. The provisions of the Code of Administrative Procedure for potential termination of appellate proceedings shall not apply.^{18e)}

(8) The time limit to perform a delivered decision shall be a minimum of 24 hours, subject to a decision pursuant to subsection 1(b) and (c), the performance of which may be required on the moment of delivery, unless stipulated otherwise by this Act.

(9) If the imposition of a measure pursuant to subsection 1 has failed to make good, the Czech National Bank may impose a measure pursuant to subsection 1 repeatedly or may impose another measure pursuant to subsection 1, unless stipulated otherwise by this Act.

(10) Proceedings pursuant to subsections 1(b) to (g) may be initiated within 1 year from the day the Czech National Bank had learned about facts decisive for the imposition of a pertinent measure, within 10 years from the day these facts occurred at the latest.

(11) The Czech National Bank shall also be entitled to:

a) Take part in meetings of bodies of other legal entities having close links with a credit union;

b) Enter the premises of an entity having close links with a credit union and demand submission of documents and explanation related to the objects of inspection when performing supervision.

Section 28a

In case the board of directors or the control committee establish that a credit union is or will become insolvent or that a loss has arisen or presumably will arise to a credit union, which has caused or may cause a drop in the ratio of capital to assets below the ratio stipulated by the Czech National Bank pursuant to Section 11, they shall inform the Czech National Bank thereof without delay.

Heading omitted

Section 28b
Abrogated

Section 28c
Abrogated

Section 28d
Abrogated

Section 28e
Abrogated

Section 28f
Abrogated

Withdrawal of a license

Section 28g

(1) If serious shortcomings in the business activities of a credit union persist, the Czech National Bank shall withdraw its license.

(2) A license may also be withdrawn if:

a) A credit union has not commenced to do business within 12 months from the day the license was granted or has not received deposits from members or has not provided loans to them for a period of 6 months; or

b) The license has been obtained upon false data stated in an application or through other than due means.

(3) The Czech National Bank shall also withdraw a license if it establishes that the capital adequacy of a credit union is below one third of the sum of its individual capital requirements.

(4) A license shall also expire on the day a change in the credit union's legal form to a joint-stock company (in Czech: "akciová společnost") is registered in the Commercial Register pursuant to Section 13(5).

Section 28h

(1) A decision to withdraw a license pursuant to Section 28g shall set a day as of which the license shall be withdrawn.

(2) From the day when a decision to withdraw a license becomes legally effective the relevant legal entity shall not receive deposits and provide loans and perform other activities subject to those that are necessary to settle its receivables and payables.

Section 28i

(1) The Czech National Bank shall publish the following in a manner allowing remote access:

- a) Amended wordings of laws, decrees, and provisions of the Czech National Bank, governing rules of prudential business activities of credit unions on both individual and consolidated basis, and official information of the Czech National Bank thereto; this does not prejudice provisions of special regulations on the method of promulgating legal regulations;
- b) Information on the method of using various options or considerations of member states and their supervisory authorities offered by the law of the European Union in legal regulations pursuant to subsection a);
- c) Information on access and methods of the Czech National Bank used for the supervision over credit unions pursuant to Section 22(8);
- d) Aggregate statistical data on the compliance with the rules of prudential business activities of credit unions in the Czech Republic;
- e) Information on access and methods of the Czech National Bank used when monitoring the compliance with the rules for transferring risks pursuant to Section 8;
- f) Annual report on the result of the monitoring the compliance with the rules for transferring risks pursuant to Section 8, including imposed measures;
- g) Information on change of the relevant supervisory authority responsible for a European financial holding entity group pursuant to Sections 25d(9) and (10).

(2) Information specified in subsection 1 shall be disclosed by the Czech National Bank in a manner enabling remote access, so that it is possible to compare it to information of the same type disclosed by supervisory authorities in other member states, and ensures regular updating thereof.

CHAPTER II

Section 29

Act of the Czech National Council No. 586/1992 Coll., on Income Taxes, as amended by Act no. 35/1993 Coll., Act no. 96/1993 Coll., Act no. 157/1993 Coll., Act no. 196/1993 Coll., Act no. 323/1993 Coll., Act no. 42/1994 Coll., Act no. 114/1994 Coll., Act no. 259/1994 Coll. and Act no. 32/1995 Coll., shall be amended as follows:

1. In Section 19(1), a full stop at the end of the paragraph shall be replaced by a comma and subsection (m) shall be inserted, which shall have the following wording, including note no. 18c):

“m) income of credit unions 18c) from interest and other proceeds from deposits in banks.

18c) Act no. 87/1995 Coll., on Credit unions and certain related measures and on the

amendment of the Czech National Council Act no. 586/1992 Coll., on Income taxes, as amended.”.

2. In Section 36(2)(b)(3), the following words shall be inserted at the end: “In addition to interest and other proceeds from deposits received by a credit union from its members who are its employees at the same time.”.

CHAPTER III

Transitional and final provisions

Section 30

Credit unions shall have an obligation to notify the Czech National Bank pursuant to special legal regulations.²⁰⁾

Section 31

(1) Within one month from the day the Fund is registered in the Commercial Register, a credit union shall pay one half of the estimated contribution for the year 1996 to an account of the Fund. As of 30 April 1997, the contribution shall be cleared between the credit union and the Fund against the amount of contribution calculated pursuant to Section 16(1).

(2) The Minister of Finance shall appoint members of the board of directors of the Fund for the first time after a minimum of first ten credit unions are incorporated.

(3) In the event of the first appointment of members of the board of directors of the Fund, the Minister of Finance shall appoint two members for one year, two members for two years and a deputy chairperson for three years.

Section 32

(1) The Minister of Finance shall, for the first time, appoint a managing director within one year from the day this Act comes into effect at the latest.

(2) In the calendar year when the managing director is appointed, the state shall provide returnable financial aid for the activities of the Office. Charges paid by credit unions pursuant to Section 26(4) shall not be increased in the given year.

(3) The provision of Section 2(3) shall not be applied before the Office is incorporated.

Section 33

This Act comes into effect on 1 January 1996.

Uhde m. p.
Havel m. p.
Klaus m. p.

1) Directive 94/19/EC of the European Parliament and of the Council of 30 May 1994 on Deposit Guarantee Schemes, as amended by Directives 2005/1/EC and 2009/14/EC of the European Parliament and of the Council.

Directive 2001/24/EC of the European Parliament and of the Council of 4 April 2001 on the reorganization and winding-up of credit institutions.

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC.

Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast), as amended by the Commission Directive 2007/18/EC and Directives 2007/44/EC, 2007/64/EC, 2008/24/EC, 2009/83/EC, 2009/110/EC, 2009/111/EC, and 2010/16/EU of the European Parliament and of the Council.

Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions (recast), as amended by Directives 2008/23/EC, 2009/27/EC a 2009/111/EC of the European Parliament and of the Council.

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

Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009, amending Directives 2006/48/EC, 2006/49/EC, and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management.

Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2010, amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitizations, and the supervisory review of remuneration policies.

2) Section 221 et seq. of Act no. 513/1991 Coll., Commercial Code.

2) Act no. 455/1991 Coll., on Trades and entrepreneurial activities (Trade Act), as amended.

3) Act no. 190/2004 Coll., on Bonds, as amended.

3a) Act no. 563/1991 Coll., on Accounting, as amended.

3b) Section 1(1) and (3) of Act no. 21/1992 Coll., on Banks, as amended by Act no. 16/1998 Coll., Act no. 165/1998 Coll., Act no. 126/2002 Coll., and Act no. 257/2004 Coll.

3c) Act no. 377/2005 Coll., Act No. 377/2005 Coll., on Supplementary supervision of banks, credit unions, electronic money institutions, insurance companies and investment firms in

financial conglomerates and on the amendment of certain other acts (Act on Financial Conglomerates).

3d) Section 31a(4)(b) of Act no. 513/1991 Coll., Commercial Code.

3e) Act no. 124/2002 Coll., on Transfers of funds, electronic payment instruments and payment systems (the payment system act).

3f) Section 553 of Act no. 40/1964 Coll., Civil Code, as amended.

3g) Act no. 408/2010 Coll., on Financial security.

5a) Act no. 328/1991 Coll., on Bankruptcy and composition, as amended.

6) Section 237 of the Commercial Code.

7) Section 244(6) of the Commercial Code.

8) Section 116 of the Civil Code.

10) Section 249 of the Commercial Code.

10a) Act no. 254/2000 Coll., on Auditors and on the amendment of Act no. 165/1998 Coll., as amended.

10b) Section 10(1) of Act no. 143/2001 Coll., on Protection of competition.

11) Section 151 of Act no. 256/2004 Coll., on the Capital market undertakings, as amended by Act no. 377/2005 Coll. and Act no. 57/2006 Coll.

12) Section 12a of Act no. 21/1992 Coll., as amended by Act no. 120/2007 Coll.

12) Section 12b(1) of Act no. 21/1992 Coll., on Banks, as amended by Act no. 160/2010 Coll.

12a) Act no. 21/1992 Coll., on Banks, as amended.

13) Section 67(1) of the Commercial Code.

14) Section 235 of the Commercial Code.

17) Section 41a through 41o of Act no. 21/1992 Coll., on Banks, as amended by Act no. 156/1994 Coll., Act no. 83/1995 Coll., Act no. 165/1998 Coll., Act no. 319/2001 Coll., Act no. 120/2002 Coll., Act no. 296/2007 Coll., Act no. 433/2008 Coll., Act no. 285/2008 Coll., and Act no. 156/2010 Coll.

17a) Section 41g(2)(a) of Act no. 21/1992 Coll., on Banks, as amended by Act no. 156/2010 Coll.

18) Section 66g(1) through (3) of Act no. 328/1991 Coll., on Bankruptcy and composition, as amended by Act no. 377/2005 Coll.

18a) Civil Code.

18c) Act no. 412/2005 Coll., on Protection of classified information and on security competence.

20) Civil Procedure Code.

21) Act no. 141/1961 Coll., on Criminal proceedings (Criminal Procedure Code), as amended.

22) Act no. 120/2001 Coll., on Judicial executors and on executor activities (Executory Procedure Code) and on the amendment of other acts, as amended.

23) Act no. 101/2000 Coll., on Personal data protection and on the amendment of other acts, as amended.

24) Act no. 21/1992 Coll., on Banks, as amended.

Act no. 363/1999 Coll., on Insurance and on the amendment of certain related acts (Insurance Act), as amended.

25) Article 151 of Directive 2006/48/EC of the European Parliament and of the Council.

26) Act no. 6/1993 Coll., on the Czech National Bank, as amended.

27) Article 131 of Directive 2006/48/EC relating to the taking up and pursuit of the business of credit institutions.

28) Act no. 82/1998 Coll., on Liability for damage caused in the execution of public authority by a decision or incorrect official procedure and on the amendment of Act of the Czech National Council no. 358/1992 Coll., on Notaries and their activities (Notarial Procedure Code), as amended.

29) Decree no. 123/2007 Coll., stipulating the prudential rules for banks, credit unions and investment firms, as amended.