

Information for shareholders – The obligation to register the beneficial owners of legal entities in Czech public registers

Komerční banka, a. s., hereby informs its shareholders that Act No. 37/2021 Coll., the Act Providing for the Registration of Beneficial Owners, is taking effect on 1 June 2021.

Compared with the legislation already in force, the Act introduces a substantial change consisting in the introduction of sanctions for a breach of the obligation to register one's beneficial owner. Apart from the imposition of fines, this includes:

- a ban on the distribution of a share in the benefits of a corporation;
- a ban to exercise voting rights at the General Meeting;
- the unenforceability of cover-up legal transactions.

Should the beneficial owner of a corporation fail to be registered in the beneficial owners register, neither this beneficial owner nor a legal entity or a legal arrangement beneficially owned by this owner may be paid a share of the profits. This applies by analogy also in the case that a corporation has no beneficial owner registered in the beneficial owners register. Unless the share of the profits was paid out by the end of the reporting period during which it was decided upon the share payment, in accordance with the said ban, the right to the share in the profits or in other own resources becomes extinguished.

Furthermore, if a beneficial owner fails to be registered in the beneficial owners register, such owner may not vote at the General Meeting. A legal entity or a person acting on behalf of a legal entity the beneficial owner of which fails to be registered in the register may not vote either. Moreover, the right to vote at the General Meeting may not be exercised by a legal entity or a person acting on behalf of a legal arrangement with no beneficial owner registered in the beneficial owners register.

Both of these sanctions also apply in the case that the owners register includes a note regarding a discrepancy. The sanctions do not apply to foreign persons.

Beneficial owners registration and money-laundering prevention

Komerční banka, a.s. as an entity bound by Act No. 253/2008 Coll., the Act Providing for Selected Measures Against the Legitimization of Proceeds of Crime and the Financing of Terrorism, identifies and checks its clients and business partners in order to prevent the establishment or continuation of business relationships with non-transparent entities.

Sufficient knowledge of the ownership and management structure and beneficial owners of an entity represents one of the basic control activities regarding legal entities.

The effect of the Act Providing for the Registration of Beneficial Owners will also entail amendments to Act No. 253/2008 Coll., meaning that all banking institutions are going to monitor the registration of all the new or existing clients or business partners in the beneficial owners register.

A missing entry or a discrepancy in an entry in the beneficial owners register may constitute a reason to refuse or terminate business cooperation. Komerční banka, a.s., will also be obliged to report these cases to competent courts in charge of the register.