

February 2020

New obligations for joint-stock companies and limited joint-stock partnerships from 1 January 2020

The Act of 30 August 2019 amending the Commercial Companies Code and certain other acts (Journal of Laws of 2019, item 1798; hereinafter: "the Act") regulates changes significant from the joint-stock companies' and limited joint-stock partnerships' point of view. The new obligations are aimed at preparing these two types of companies for changes related to the obligatory dematerialization of registered and bearer shares and the introduction of the register of shareholders. The first of the new regulations entered into force on 1 January 2020.

Main assumptions of changes

According to the Act, shares in companies are to be dematerialized (change of the form of shares from physical certificates to electronic records). Share documents will be subject to submission to the company and their binding force will expire by operation of law on 1 January 2021. The entries in the register of shareholders will then become legally binding. In accordance with the provisions of the Act, until 1 January 2026, the share documents will remain valid as evidence, but only to the extent that the shareholder demonstrates to the company that he or she is entitled to share rights. The register of shareholders will therefore be the primary source of information on the rights of participation in the company.

Preparation for the dematerialization of shares or other titles of participation in the income or division of the company's assets

In the process of preparation for dematerialization of shares or other titles of participation in the income or division of the company's assets, it will be crucial to take appropriate actions. The requirement to do so is provided for by new regulations.

Company website

From 1 January 2020, each joint-stock company and limited joint-stock partnership **is obliged to have a website**.

The website of a joint-stock company and a limited joint-stock partnership should contain basic company data. According to the Act, companies shall also publish on these websites, in places designated for communication with shareholders, announcements from companies required by law or their statutes.

In addition, as of 1 January 2020, **the website address** of a joint-stock company and a limited joint-stock partnership **should be disclosed in the National Court Register**.

Importantly, the Act also obliges joint-stock companies and limited joint-stock partnerships, by 30 June 2020, to:

- adopt resolutions of the General Meeting of Shareholders on the selection of the entity keeping the register of shareholders,
- sign an agreement to keep the register of shareholders,
- make the first (out of the five obligatory) shareholders' calls for the return of share documents held.

Register of shareholders

The maintenance of the register of shareholders will be entrusted to qualified entities, i.e. entities authorized to maintain securities accounts in accordance with the regulations on trading in financial instruments. The decision on the choice of the register keeper will be made by way of a resolution by the General Meeting, whereas the choice on the establishment of the company will be made by the founders. The company will conclude an agreement with the selected entity to keep the register of shareholders. The Act contains a detailed indication of the scope of data disclosed in the register of shareholders.

Sanctions for management

The Company's failure to fulfil its new obligations, in particular those relating to: concluding an agreement to keep the register of shareholders and making shareholders' calls to submit share documents, is subject to a fine of up to PLN 20,000. Also, allowing the company to issue documents for shares or other titles of participation in income or assets distribution is punishable by a fine, restriction of liberty or imprisonment for up to 6 months. The corresponding liability is borne by persons authorized to manage the affairs and represent the company.

Other relevant changes

The regulations introduced by the Act bring consequential amendments to 12 other acts. The most significant changes relate to, among others, the Act of 17 June 1966 on enforcement proceedings in administration, to which regulations on execution on property rights registered in the register of shareholders were introduced.

Recommendations

If you are interested in the details concerning the impact of the described changes on your business,

need any assistance in preparation of the relevant documentation (in particular in terms of action schedule, shareholders' calls for shares and written receipts issued

to the shareholder after the submission of shares) or require our support in implementing the dematerialization process, please contact us.

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