

# **The Commercial Register of the Czech Republic**

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## **1. History of the Commercial Register**

The Czech Republic started to make more extensive use of computer technology for the field of public and state administration registers, especially after the change of the political system in 1989 (at that time still as the Czech and Slovak Federative Republic). In 1991 the so-called companies' registers were kept at district courts.

To be able to cope with the onset on registration and changes of new economic subjects and also to support the origin of the private sector in the economic sphere, a number of legislative and organizational measures have been adopted. The essential legislative component of these changes was the adoption of the Commercial Register (law No.513/1991 Coll.) that newly provided for the basic rules for conducting business and that till now, as amended, provides for the way of keeping the Commercial Register (hereinafter "OR" only).

The Commercial Register is kept with the so-called Register courts that are a section of regional courts. They are located, on the whole, in 7 towns of the Czech Republic: in Prague, \_eské Bud\_jovice, Plze\_, Ústí nad Labem, Hradec Králové, Ostrava and Brno. The topology of the system is formed on the principle of the star-shaped structure. Available for each register court are the data from the whole republic.

These register courts were one of the priorities in the equipment of the branch of justice with computer technical equipment, so that in 1991 already the first version of the application software was prepared that served for keeping the Commercial Register. The first version of that software used the data base means FoxBase 2.11 and was applied at all register courts.

In 1992 the places of business of commercial registers were equipped with new technical equipment that enabled the use of a newer and more efficient data base means. The whole agenda was analyzed newly, including the requirement for the adjustment of the software to the environment of the data base system FOXPRO, version 2.0. The software was completed and handed over for use at all register courts in 1994.

Of course, with regard to the increased need of security of data, to the extensive character and newly required functions of the system, it was necessary to direct the further development into the environment of the UNIX operating system and selected by the Ministry of Justice data base means INFORMIX. The first version of that application software was completed in the 1<sup>st</sup> half of 1995. That application software of the 3<sup>rd</sup> generation ensured the keeping of the complete all-republic data base of the Commercial Register at all register courts and complete processing of the agenda of the Commercial Register by means of computer technical equipment from the level of the first filing up to the issue of the resolution of the court. Solved was also the automatic transfer of files on the change of the seat of the firm, including the registration of received mail. Available at each register court in the Czech Republic was

the all-republic data base, when the changes made in the course of the day at the individual of the seven register courts were reflected to the other six places always during the night hours.

The Commercial Register is, according to the wording of the Commercial Register, a public list recorded into which are the data provided for by the law relating to entrepreneurs, or other persons for whom it is provided for by the special law. The facts recorded in the Commercial Register are efficient in relation to each since the day on which the entry was made.

The following data are registered in the Commercial Register:

- a) trade name, for juridical persons the seat, for physical persons the place of residence and place of business, if different from the place of residence;
- b) identification number;
- c) subject of business (activity);
- d) legal form of the juridical person;
- e) name and place of residence of the person or persons who are the statutory body or its members, with the specification of the way in which they act on behalf of the juridical person;
- f) marking, seat and subject of business (activity) of the branch of the enterprise, name of the head and his place of residence;
- g) name of the confidential clerk and his place of residence;
- h) other facts, if provided so by the law.

Registered further in the Commercial Register are the following:

- a) for a general commercial partnership the names and places of residence of the partners, or the trade name or name and seat of the juridical person as the partner;
- b) for a limited partnership the names and places of residence of the partners, or the trade name or name and seat of the juridical person as the partner, with the specification who is the general partner and who is the limited partner, the height of investment of each limited partner and extent of its repayment;
- c) for a company with limited liability the names and places of residence of the partners, or the trade name or name and seat of the juridical person as the partner, with the specification of the height of the registered capital, height of investment of each partner and extent of its repayment, as well as the names and places of business of the members of the supervisory board, if it was established;
- d) for a joint-stock company the height of capital stock, the number, kind and nominal value of shares, as well as the names and places of residence of the members of the supervisory board;
- e) for a cooperative the height of registered authorized capital, as well as the height of basic members' investments;
- f) for a state enterprise the founder and owner's equity.

In September, 1997 a turn occurred, when the data of the Commercial Register were made public by the Ministry of Justice free of charge in the Internet network at the address [www.justice.cz](http://www.justice.cz). In the course of the several first weeks of operation that event caused an immense interest of the public and resulted, apart from other, in a dramatic increase of the computer performance of central servers and Internet interconnection of the Ministry.

## **2. The current state of the Information System for Commercial Registers**

At present the Information System for Commercial Registers (hereinafter ISOR only) represents a set of technical equipment and software that is made uniform use of at all register courts.

Among the new properties of the Czech ISOR it is possible to mention the electronic collection of documents as a part of the Commercial Register. The collection of documents is divided into the registration of the content and the digitalized documents themselves. Another property of ISOR is its universal topology enabling a flexible change of the number of register courts. The ISOR system is formed in the graphic environment and, last but not least, it is necessary to stress the ability of the ISOR system to communicate with other information systems by means of XML interface.

At present the register courts keep, within the Commercial Register, file registration (i.e. files and registration of mail received) and file inserts which are abstracts from the Commercial Register and the collection of documents of the Commercial Register. Apart from the Commercial Register the register courts keep also other registers: the register of foundations and foundation funds, the register of utility companies, the register of associations of owners of units and the register of contributory organizations. Despite the fact that these registers are not a part of OR from the legal point of view, their management is ensured by means of ISOR from the technical point of view.

The solution of the collection of documents and the Commercial Register is divided into the local and central levels. Available at the local level that is operated at the registry courts, are all data from the collection of documents and from the Commercial Register that belongs to that register court and, consequently, the court may work independent of the central data base. The information that is recorded to the collection of documents and to the data base of the Commercial Register by the court at the local level, is sent via computer network to the central level. It obtains the necessary information from the records of the collection of documents and the Commercial Register that belongs within the competence of the other register courts from the central level. Registered in the central data base is all information of the Commercial Register, documents of the collection of documents and information is provided from there also to the Internet network. The information may be obtained not only from the Internet, but also through abstracts and copies from the register courts.

The collection of documents of the Commercial Register was founded by law 142/1996 Coll. by which law No.513/1991, Coll., the Commercial Code is amended with efficiency since July 1, 1996. Law No.370/2000 Coll. by which the Commercial Code (513/1991 Coll.) is amended and changed, provides in greater detail for the way of keeping the collection of documents and provides for the documents that the firms file to the collection of documents and under what conditions. The register court will issue, at request, officially certified complete or partial transcript of the entry or document filed in the collection of documents, abstract or confirmation about a certain entry, possibly the confirmation about the fact that the document concerned is not filed in the collection. The collection of documents includes, especially:

- the deed of association or deed of foundation
- duplicate of the notary's record with the resolution of the constituting general assembly of a joint-stock company
- Statutes of the company

- decision about the election, appointment, recalling of persons that are the statutory body or its member
- annual reports, regular, extraordinary and consolidated final accounts (unless they are a part of the annual report)
- decision about the cancellation of the juridical person,
- decision about the change of legal form and report on the change of legal form
- contract on fusion, on transfer of equity or on the division and written draft of that contract, or project of division
- decision of the court about the invalidity of the resolution of the general assembly on the change of legal form, fusion, transfer of equity or division and on the invalidity of the contract on fusion, on transfer of equity or division and/or on the invalidity of the project of division,
- expert opinion of an expert of experts on the evaluation of non-monetary investment on
- the foundation of a company with limited liability or joint-stock
- company or on the increase of their registered capital
- decisions of the court issued according to the law on bankruptcy and settlement,
- contract on the transfer of the enterprise or its part, contract of lease
- of the enterprise or its part
- control contract (§ 190b) and contract on transfer of profit (§ 190a)
- resolutions of the general assembly according to § 210
- decision of the court about the order for performance of decision by affecting the share of some partner in the company, sale of the enterprise or its part, on stopping the performance of that
- decision, execution order for the affection of the share of some partner in the company, for the sale of the enterprise or its part, as well as the decision about the stopping and cancellation of execution,
- decision of the Ministry of Education, the Youth and Physical Education about the granting of state consent to act as a private university,
- other documents about which it is so provided for by the law.

The filing of a document into the collection of documents is always performed by the register court at the proposal of the court or the company concerned.

As mentioned already, the collection of documents is divided into the registration of the content and digitalized documents themselves. The information of the content of the collection of documents is linked to the file reference or identification number. The link of the registration of the content of the collection of documents at the Commercial Register ensures that through the file reference or identification number it is possible to allocate the entry that is registered for the subject in the Commercial Register.

### **3. Selected statistical data of the Commercial Register**

The table of the number of entries in the commercial Register for 2002, 2003 and the first half of 2004 shows how the development of the number of subjects registered in the Commercial Register as a whole, and separately for the individual sections (section A – physical persons conducting independent business, general commercial partnerships, state enterprises and other juridical persons, section B – joint-stock companies and limited partnerships, section C – companies with limited liability, section D – cooperatives and the

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other cooperative organizations, Pr – contributory organizations). The table shows also the number of entries to the register of utility companies, register of foundations and foundation funds and register of the association of owners of units – however, from the legal point of view, they are not a part of the Commercial Register.

Section	State at December 31, 2002	State at December 31, 2003	State at June 30, 2004
A – physical persons, general commercial partnerships, state enterprises	104 814	101 431	100 922
B – joint-stock companies and limited partnerships	16 502	16 184	16 245
C – companies with limited liability	206 993	209 890	215 904
Dr – cooperatives and cooperative organizations	12 503	13 289	13 512
Pr – contributory organizations	1 067	4 576	5097
Commercial Register total	341 879	345 470	351 680
O – utility companies	832	915	986
N – foundations	1 248	1 293	1323
S – association of owners of units	11 934	19 847	21 822

Table No.1 Numbers of entries in the Commercial Register (sections O, N and S are not a part of the Commercial Register from the legal point of view)

The table of statistics of the Commercial Register shows the activity of the Commercial Register in the years 1996 – the 1<sup>st</sup> half of 2004. Evident from the table is the improving tendency, especially from the point of view of non-discharged matters.

Period	1996	1997	1998	1999	2000	2001	2002	2003	2004 1 <sup>st</sup> half
Matters non-discharged (taken over)	23 097	29 899	30 428	22 546	20 214	27 027	25 927	20 882	15 049
Proposals registered	95 473	107 703	108 887	121 670	117 884	106 639	120 129	107 494	55 923
Proposals discharged	88 710	107 240	117 468	125 527	111 835	108 126	125 885	113 783	59 800
Not discharged	29 899	30 428	22 546	20 214	27 027	25 927	20 882	15 049	11 408
Abstracts and transcripts issued	340 233	466 776	372 630	395 855	409 921	425 495	527 665	524 530	278 677

Table No.2 Statistics of the Commercial Register in 1996 – the 1<sup>st</sup> half 2004

The next table shows the lengths of proceedings of the Commercial Register in the Czech Republic according to the individual sections in 2003 and in the 1<sup>st</sup> half of 2004.

Commercial Register Section	Original entry				Change / erasure			
	Discharge		Legal power		Discharge		Legal power	
	2003	2004	2003	2004	2003	2004	2003	2004
A – physical persons, general commercial partnerships, state enterprises	28	24	53	47	72	66	111	94
B – joint-stock companies and limited partnerships	30	30	41	39	75	61	120	99
C – companies with limited liability	22	20	38	32	85	46	130	81
Dr – cooperatives and cooperative organizations	45	28	65	54	103	59	150	97
Pr – contributory organizations	100	176	139	226	55	56	89	96

Table No.3 The lengths of proceedings of the Commercial Register in the Czech Republic according to the individual sections in 2004 and in the 1<sup>st</sup> half of 2004

#### 4. Provision of data from the Commercial Register

The data from the Commercial Register are provided primarily according to law 5136/1991 Coll., the Commercial Code. Certified abstract of the company from the Commercial Register is so provided by the relevant register court that keeps the company concerned.

Another important source of information in documentary form is the Commercial Bulletin the publishing of which is provided for by the Decree of the government 503/2000 Coll., on the Commercial Bulletin. Presented in the Commercial Bulletin, apart from other, are all data that are registered to the commercial Register, apart from that, presented in the Commercial Bulletin are the data on bankruptcies and settlement, on commercial public tenders and other data. The Commercial Bulletin is available at present in electronic form at the portal of public administration <http://portal.gov.cz> (the exact address of the particular page is [http://portal.gov.cz/wps/portal/\\_s.155/715?kam=zdroj&kod=0016383](http://portal.gov.cz/wps/portal/_s.155/715?kam=zdroj&kod=0016383)).

Another important electronic information source is the internet application for looking through the data of the Commercial Register developed and operated by the Ministry of Justice. That application was made accessible for the public in September, 1997 already and in the Czech Republic it meant a turn in making data from state administration accessible; it is possible to suppose justly that it was also a considerable impulse for the development of Internet in the field of enterprise in the Czech Republic. That application has been operated in

extended form (i.e., including the collection of documents) at the portal of justice ([www.justice.cz](http://www.justice.cz)) under the address [www.justice.cz/or](http://www.justice.cz/or) ; the data are available free of charge.

## **5. Further development of Information System for Commercial Registers**

The plan of further development of the Commercial Register is influenced to a considerable extent by Directive 2003/58/ES that completes Directive 1968/151/EHS. That Directive charges the member states with the duty to ensure that the companies and other persons or bodies having the duty to notify or the duty to cooperate in notification, could file, at the latest on January 1, 2007, all documents and data mandatory published according to article 2 of that Directive, in electronic form. All documents and data specified in article 2 of that Directive that are filed in paper or electronic form, at the latest from January 1, 2007, must be kept on file or registered in the register in electronic form. For this purpose the member states will ensure that all documents and data filed in paper form, at the latest from January 1, 2007, might be transferred, through the register, into electronic form. At request it must be possible to obtain a complete or partial copy of each document or each date that are specified in article 2. At the latest, from January 1, 2007 the requests may be handed over to the register in paper or electronic form, according to the option of the applicant.

Following up with that Directive at present the Parliament of the Czech Republic discusses a change of law No.513/1991 Coll., the Commercial Code, in the wording of later regulations and law No.99/1963 Coll., the Civil Procedure Code, in the wording of later regulations. That law, with efficiency from January 1, 2007, is to ensure the possibility of filing to the Commercial Register in electronic form. That law is also to empower the Ministry of Justice for the determination of forms of proposals for entries to the Commercial Register. The current ISOR enables the inclusion of the requirements ensuing from the European Directive.