A legal person as a member of an elective body of a limited company

Abstract

This thesis deals with one of the significant novelties in Czech company law adopted in connection with the recodification of private law, namely the general option to appoint a legal person as a member of a statutory, supervisory or another elective body of a limited company, i.e. limited liability company or joint stock company.

The thesis presents the topic in a broader context and it is aimed to provide the reader with a basic idea of what the benefits and the risks are, which this concept brings into Czech law, and how usable it is in practice. For this purpose, an overview is given of how foreign legal orders regulate the membership of legal persons in elective bodies of limited companies, the extent to which this concept is widespread (not only in Europe) and what the existing, both positive and negative, experience is. Particular attention is paid to the legislation in Great Britain, because in this country, the issue of membership of legal persons in elective bodies of limited companies is currently being subject to breakthrough (albeit not yet effective) legislative changes consisting in a general ban on appointment of a legal person as a member of an elective body of a limited company.

The thesis is divided into four chapters.

The first chapter includes a comparison of which European countries (with a focus on member states of the European Union) as well as important non-European countries (exclusively common law jurisdictions) allow a legal person to be appointed member of an elective body of a limited company and which do not. In case of the former group, essential legal rules of each state concerning the membership of legal persons in elective bodies of limited companies are described and a necessary overview of company law of that particular state is given.

The second chapter discusses the extent to which Czech law allowed the membership of legal persons in elective bodies of another legal person (with a focus on elective bodies of limited companies) before the recodification and the extent to which it is permitted de lege lata. Inter alia, attention is paid to the former legal regulation of acting on behalf of a legal person in its capacity as a body member. The purpose of this
brief historical digression is to better understand the current regulation of membership of legal persons in elective bodies of limited companies. The thing is that not only foreign law, but also previous Czech law, served the legislator as a source of inspiration when creating the wording of new legal rules.

The third chapter is fully devoted to the current legislation relating to the membership of legal persons in elective bodies of limited companies. In the light of findings made in the first two chapters, the key provisions of s. 154 NOZ and s. 46 para. 3 and 4 ZOK are analyzed. The chapter deals with the specifics of performing the role of a body member by a legal person as opposed to the “typical” case when it is performed by a natural person, and with the way in which the legislation regulates the representation of a legal person while acting as a body member. Furthermore, the possible solutions to selected problems and questions of interpretation are presented, namely those, whose answering is of direct and capital importance for the evaluation of benefits and risks connected with the eventuality to appoint a legal person as a member of an elective body of a limited company.

The fourth, final chapter presents the main advantages, disadvantages and risks that are generally linked to this concept and it is considered, which of them are relevant also under Czech law and to what extent. The seriousness of particular risk is assessed in the context of law concerning limited companies, as a whole.