

Equity certificate as object of legal relationships

Abstract

With the new Business Corporations Act, which entered into effect on 1st January 2014, several new legal institutes have been added to Czech legal system. One of them is also equity certificate, participatory commercial paper issued by a Limited Liability Company.

In my theses I will present basic characteristics of these equity certificates as contained in the Czech law. I study the nature of equity certificate, its requirements, conditions, procedure of issuing and other legal aspects. I also focus on bases of our legal regulations from historical point of view (participatory commercial papers in business corporations others than Joint-Stock Company in former regulations).

The introduction of new legal institutes carries with it the risk of unclarity of interpretation caused by the absence of practical experience with them. I identify and analyze these issues in my work. Regarding to the newness of this regulation there is often no judicial decisions available to clarify the problems of interpretation, therefore I build on publications of law experts, my own analysis and comparison with similar institutes. The main areas of concern are transfer of ownership, whether by endorsement or other way. I also examine the issue of commercial register, public offering and trading on public markets and the pledge.

The closest institute similar to the equity certificate is share of the Joint-Stock Company, so I am also examining the similarity of these two regulations, especially the areas which I have identified as questionable. This comparison can help to bridge some interpretative problems, as the regulation of shares is time-tested and used widespread. Finally, I am assessing the regulation of the equity certificates by identifying their benefits and discovering obstacles that could complicate their use in praxis.

Keywords: equity certificate, security, limited liability company