

UBO Act Amendment and Trade Registry Representative

Article By:

Danica Šebestová

Marek Hruběš

Do you know that an amendment to Act No. 37/2021 Coll., on the Registration of Beneficial Owners (the UBO Act) becomes effective on 1 October 2022?

The new legislation:

- **Makes it easier to register companies with a dispersed shareholder structure, e.g. major listed corporations**

The most serious sanctions under the UBO Act, i.e. the prohibition of (i) distribution of profit and other benefits, and (ii) voting at general meetings, will no longer apply if these companies fail to register the correct members of management as their ultimate beneficial owners (UBOs). This will benefit major listed companies with extensive boards, who have been struggling to comply with the UBO Act. We note that the lack of registration/incorrect registration still carries a risk of fines, however, the change will allow a more pragmatic approach to structuring the UBO registration.

- **Changes the definition of the beneficial owner**

The change is rather formal and therefore unlikely to affect many companies. The beneficial owner will now be any individual ultimately owning or controlling the corporation, i.e. anyone with direct or indirect (i) shareholding, voting rights or share in profits exceeding 25 %, (ii) control in the parent company (or companies) with more than 25% shareholding in the given corporation, or (iii) control over the given corporation through other means. As before, if no such individual is identified, top management of the ultimate parent must be registered.

- **Provides more flexibility in case of a change in the beneficial owner (e.g. after a transaction closing)**

The amendment extends the period for making the registration of the new beneficial owner, from 15

days before the prohibition of voting at the general meetings starts to apply, to 30 days.

We recommend reviewing whether a new filing is necessary with the UBO registry as a result of the amendment.

Trade Registry Representative

On a separate but related note, we also recommend reviewing your registration in the Trade Registry. Even though there has been no change in the regulation, we have noticed that many companies fail to keep their records in the Trade Registry up to date, such as appointing a new responsible representative (in Czech – *odpov?dný zástupce*) after the termination of engagement of the previous representative.

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