

The Act of August 30, 2019, Amending the Commercial Companies Code and Certain other Acts (the "Amendment"), which came into effect on January 1, 2020, has introduced a number of changes to commercial law, including mandatory dematerialization of physical shares in joint-stock companies and partnerships limited by shares. The mandatory dematerialization does not enter into force until 2021, yet the legislator has already imposed certain obligations on the above-mentioned companies, which are still to be met in 2020.

In practice, share dematerialization means replacing physical paper securities (e.g. shares) with electronic entries. As a result, paper-issued shares will no longer be traded.

Both registered and bearer shares will be subject to mandatory dematerialization. As of January 1, 2021, only entries in shareholder registries will be legally effective, while physical shares will have become void as a matter of law. This means that only individuals disclosed in share registries will be deemed company shareholders (unless the shares have been registered with the securities depository).

Moreover, pursuant to the Amendment, all transactions involving shares will be subject to mandatory notification to, and entry in, the appropriate shareholder registry.

Even though the mandatory share dematerialization will have come into effect on January 1, 2021, the legislator has imposed a number of obligations to be met by joint-stock companies and partnerships limited by shares already in 2020:

Launching and Maintaining a Website

The Amendment has obliged companies to launch and maintain a shareholder communications website and to disclose its address in the National Court Register (KRS). Thus, companies will have to make all legally required and statutory announcements online. Pursuant to the Amendment, such websites must be launched **by January 1, 2020** – it being understood that, in practice, the register of entrepreneurs notification ought to be made within seven days following the Amendment's effective date.

Selecting the Entity Maintaining the Registry and Executing the Agreement

Share dematerialization may be effected through an entry in the securities depository or in the shareholder registry. Such registries may only be operated by entities duly authorized to maintain securities accounts, i.e. brokerages, banks or the Central Securities Depository of Poland (KDPW).

As per the current requirements, each non-public joint-stock company and partnership limited by shares is obliged to select an entity maintaining its shareholder registry and to execute an agreement to that effect **by July 30, 2020**, and in the case of the securities depository – a securities depository registration agreement. An appropriate entity is selected by the general shareholders meeting.

First Summons to File Physical Shares

Once the dematerialization form has been selected and the appropriate agreement has been executed, a company must issue **five summons** to its shareholders to file physical shares and to announce such summons on its website (launched and maintained as per Item 1). According to the Amendment, the first summons ought to be issued **by by 30 June, 2020, at the latest, and the next after two weeks, yet no later than one month following the first summons**.

The Amendment is meant to adjust the Polish law to the European Parliament and Council Directive no. 2017/828. Even though the digital revolution will not have reached us until 2021, meeting the new requirements should not be postponed, because failure on the part of the individuals duly authorized to represent the affected companies (including commercial proxies) to oblige **by June 30, 2020**, may entail a fine of up to PLN20,000.



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