



## **Amendment to the law brings changes in the issuance of bonds**

Press Release

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**From this year, bonds can only be issued in the form of a book-entry security. The law no longer allows the issuance of certificated bonds. Only selected types of bonds, such as government bonds, will be exempted from the mandatory book-entry form. The amendment does not apply to municipal bonds or bonds that are immobilised with a central depository or a foreign central depository when they are issued.**

The obligation to issue bonds in book-entry form is introduced by an amendment to the Securities Act, which entered into force at the beginning of this year. *"The intention of the authors when modifying the legislation was mainly to reduce the risk in the area of legalization of proceeds of criminal activity and terrorist financing when issuing bonds,"* said Ľubomír Demčák, Head of the Issues Department of Centrálny depozitár cenných papierov SR (CDCP SR). A book-entry security has the form of an entry in the statutory register, which in the case of bonds is the register of book-entry securities administered by CDCP SR.

### **Registration of bonds on owners' accounts**

The difference between paper and book-entry bonds is mainly in the way they are owned. Book-entry bonds are owned by their owners by being registered in their owner's account. The initial crediting of book-entry bonds to owners' accounts is arranged by the issuer, which is the company that issued the bonds. Each owner of the bonds must therefore have an owner's account. Setting it up is simple. Individuals interested in new owner accounts can currently visit one of the participants of the central depository. For legal persons, the central depository itself will open the new owner accounts, in addition to the participants.

### **Benefits of book-entry bonds**

Owners of the bonds will be able to take advantage of all the benefits of their book-entry, especially the safe custody and comfortable handling of the security. A book-entry bond can be transferred by its owner by submitting an instruction to the participant of the central depository that maintains its owner's account. Any other services related to the book-entry bond shall be carried out only electronically through the participant. Companies issuing or considering

issuing bonds may apply to the CDCP SR for registration of the issue of book-entry bonds. *"The central depository is ready to assist new issuers of book-entry bonds in the registration of their issue. Issuers can also use the electronic access to the central depository to register the issue of book-entry bonds and apply for the registration of the issue through the CDCP Portal, which is available on the website of the depository,"* explains Ľubomír Demčák. A certificate issued to natural persons together with an ID card is used to sign documents delivered via the CDCP Portal.

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