

# Methodology for submitting an application for a licence to operate as a non-performing credit servicer

## I. Introduction

Pursuant to Section 5 of Act No. 84/2024 Coll., on the non-performing credit market (hereinafter the “NPCMA”), a non-performing credit servicer (hereinafter a “Servicer”) is a legal person authorised to service a non-performing credit on the basis of a licence to operate as a non-performing credit servicer granted by the Czech National Bank (hereinafter the “CNB”) on the basis of an application for a licence to operate as a non-performing credit servicer (hereinafter an “Application”).

The particulars of an Application are set out in Section 7(1) of the NPCMA, while the details of the particulars of an Application are set out in Implementing Regulation No. 86/2024 Coll., on the implementation of the Non-Performing Credit Market Act (hereinafter the “Regulation”).

The CNB will grant a licence to operate as a non-performing credit servicer if the applicant meets the conditions for granting authorisation to operate pursuant to Section 6 of the NPCMA, which they demonstrate through an Application that contains all the mandatory information and documents pursuant to Section 7(1) of the NPCMA and Section 3 of the Regulation.

The relevant legislation, as well as other methodological and interpretative materials, are available on the CNB website (Supervision, regulation – Legislation – Consumer protection and consumer credit): <https://www.cnb.cz/en/supervision-financial-market/legislation/consumer-protection-and-consumer-credit/>

Information on the submission of an Application is available on the CNB website (Supervision, regulation – Conduct of supervision – Licensing and approval proceedings conducted by the Czech National Bank – Licensing and approval proceedings under the Consumer Credit Act): <https://www.cnb.cz/en/supervision-financial-market/conduct-of-supervision/licensing-and-approval-proceedings/licensing-and-approval-proceedings-under-the-consumer-credit-act/>

Any questions regarding the submission of an Application can be sent using the form available on the CNB website: <https://www.cnb.cz/en/public/contacts/form-professional-regulatory-enquiries/application-form-for-professional-regulatory-queries/>

## II. Legal form of the applicant

An applicant for a licence to operate as a non-performing credit servicer may only be a legal person that is a business corporation and that has its registered office and place of establishment in the Czech Republic.

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An Application may also be filed on behalf of a business corporation that has not yet been established. In the proceedings on such Application, acts may be taken by a person who has been designated as a statutory body by the founding legal act. The business corporation that has not yet been established is then considered to be a party to the proceedings.

### **III. Administrative fee**

Acceptance of an Application is subject to an administrative fee of CZK 20,000 pursuant to item No. 65(4)(f) of the List of Tariffs, which forms an annex to Act No. 634/2004 Coll., on administrative fees, as amended. Pursuant to Section 5(2) of the same law, the administrative fee is payable upon receipt of the Application. The administrative fee may not be reimbursed even in the event of withdrawal of the Application.

The CNB recommends paying the administrative fee only on the basis of a payment instruction or an administrative fee notice in which the CNB will provide the applicant with the account number and the relevant variable symbol.

### **IV. General requisites of an Application**

In addition to the requisites laid down in Act No. 500/2004 Coll., the Code of Administrative Procedure, as amended (hereinafter the “CAP”), the application must contain information on compliance with the conditions for the activities of a provider pursuant to Section 7 of the NPCMA, which the applicant shall provide with supporting documents.

#### **1. Requisites of an Application pursuant to the CAP**

It must be clear from the Application who is submitting it, which case it relates to, and it must also be clear what the applicant is requesting. The application must contain the name or business name of the legal person, its identification number or similar information, and the address of the registered office or other address for service. The Application must identify the administrative authority to which it is addressed (i.e. the CNB) and feature the signature of the person submitting it.

#### **2. Language of documents**

The official language of the administrative proceedings is Czech. However, the parties to the proceedings may also act and submit documents in Slovak (Section 16(1) of the Code of Administrative Procedure). Documents drawn up in a foreign language must be submitted in the original together with an officially certified translation into Czech, unless the CNB informs the party that it does not require such a translation (Section 16(2) of the CAP).

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On 30 November 2016, the CNB published on its official notice board<sup>1</sup> a statement pursuant to Section 16(2) of the CAP on the language of documents submitted to the CNB in administrative proceedings conducted under the CCA, according to which it will apply the following approach in the case of an Application:

- Financial statements and annual reports, including consolidated, may also only be submitted in English. Other documents drawn up in English will have to be submitted with a translation into Czech, but an official translation will not be required. The CNB may request the submission of a document drawn up in English together with a (an official) translation in a specific case.
- For the submission of documents drawn up in a foreign language other than English, Section 16(2) of the CAP will apply in full. Such documents must therefore be submitted to the CNB as originals with official translations into Czech, unless the CNB informs the party that it does not require such translation in a specific case.

The CNB will apply the same approach to an application for authorisation to operate as a non-performing credit servicer.

### 3. Parties to the proceedings persons authorised to act for them

#### 1. An Application is submitted by a legal person

The applicant is a party to the proceedings. An Application must be filed by a person authorised to act on their behalf in administrative proceedings. This method of acting on behalf of a legal person must be distinguished from the method of acting on behalf of a legal person in the case of substantive acts arising from the founding document and entered in a public register, if only with regard to the requirement of Section 30(2) of the CAP, according to which only one person may act on behalf of a legal person in the same matter at the same time.

Within the meaning of Section 30(1) of the CAP, a person may act on behalf of a legal person in administrative proceedings if they are authorised to do so in proceedings before a court pursuant to Section 21 of Act No. 99/1963 Coll., the Civil Procedure Code (hereinafter the “CPC”), which stipulates that the following may act on behalf of a legal person (unless the CPC or a special law stipulates that other persons may act on behalf of the legal person):

- a) a **member of its statutory body**; where the statutory body consists of more than one person, the legal person is represented by the **chairman of the statutory body** or by a member of it **authorised** to do so; if the chairman or authorised member is a legal person, it is always a natural person who is authorised or otherwise permitted to do so by such legal person;
- b) one of its **employees (members)**, who has been entrusted with this by the statutory body (on the basis of a mandate);
- c) the **head of its branch** in the case of matters relating to that branch; according to Section 503 of the Business Corporations Act, a branch is a business

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<sup>1</sup> <https://www.cnb.cz/cs/povinne-odkazy/uredni-deska-ceske-narodni-banky/index.html>

- registered in the Commercial Register; or  
d) its **proctor**, if they can act independently as constituted.

A legal person may be represented in proceedings on the basis of a power of attorney granted by a duly authorised person, i.e. a person authorised to act on behalf of the legal person in accordance with the above rules (Section 33 of the CAP).

Anyone who acts on behalf of a legal person must demonstrate their authorisation (in particular the power of attorney, authorisation by the statutory body).

The formal requisites for authorisation by the statutory body are not laid down by legislation. According to the case-law in relation to Section 21 of the CPC, this may involve authorisation for a particular act, but also, for example, authorisation under the organisational rules or other internal regulation.

A power of attorney must be distinguished from authorisation from the statutory body, especially from the perspective of service. In the case of authorisation on the basis of a power of attorney, pursuant to Section 34(2) of the CAP, documents are to be served only by the representative, except in cases where the represented person is to perform something in person during the proceedings.

2. An application filed on behalf of a business corporation that has not yet been established.

The party to the proceedings (applicant) is a business corporation that has not yet been established. In the proceedings for such application, acts may be taken by a person designated as a statutory body by the founding legal act. The CNB will grant this business corporation a licence to operate as a non-performing loan servicer if it can reasonably be assumed that it will meet the conditions laid down in Section 6(1) and (2) of the NPCMA on the date of its establishment. The effects of the decision to grant a licence to operate as a non-performing credit servicer may come into effect no earlier than on the date of establishment of the business corporation. Where the business corporation is not established within 6 months from the date on which the decision to grant the licence to operate as a non-performing credit servicer came into force, this authorisation will be deemed not to have been granted.

#### 4. Method of filing an Application and format of documents

An Application may be submitted pursuant to Section 7(1) of the NPCMA **only electronically**, i.e. via a data box or by e-mail with a recognised electronic signature<sup>2</sup> to the CNB e-mail address [podatelna@cnb.cz](mailto:podatelna@cnb.cz)<sup>3</sup>.

An Application may also be submitted via the CNB electronic application for the registration of persons, i.e. the REGIS application – <https://www.cnb.cz/cnb/regis>.

The CNB will not take into account an Application submitted in any other way, and such

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<sup>2</sup> Section 6(2) of Act No. 297/2016 Coll., on trust services for electronic transactions.

<sup>3</sup> <https://www.cnb.cz/en/public/contacts/>

Application submitted in that way will have no legal effect.

Pursuant to Section 11 of the Regulation, an Application is submitted in a data format commonly used in electronic communications and which does not permit a change to its contents. The Application and other documents should be machine-readable (especially if they are documents created by the applicant, e.g. draft internal regulations relating to Section 11 of the NPCMA).

The CNB will accept simple scanned documents (including the application form), i.e. it does not require these documents to undergo authorised conversion pursuant to Act No. 300/2008 Coll., on electronic transactions and authorised conversion of documents, as amended.

This is without prejudice to the CNB's ability to request the submission of the original of a document to verify its authenticity.

In order for public documents issued by the authorities of foreign states to have the character of a public document within the meaning of Section 53(3) of the CAP, the authenticity of official stamps and signatures on them must be verified by the competent authorities (superlegalization), unless otherwise stipulated by an international treaty that is part of the legal order (Section 53(4) of the CAP). More detailed information is available on the website of the Ministry of the Interior of the Czech Republic:

<https://www.mvcr.cz/docDetail.aspx?docid=21672800&doctype=ART>

## 5. Recommended Application form

The CNB has prepared a recommended [form for submitting an Application](#) containing all the mandatory requisites. This form is available on the above website dedicated to authorisation and approval proceedings pursuant to the NPCMA.

## V. Failure to submit an annex

Where the nature of the matter precludes the submission of information or the Application document required by the Regulation, the person concerned shall state this fact pursuant to Section 12(1) of the Regulation in a separate annex to the Application, together with the reasons why the information cannot be provided or the document cannot be submitted, and shall adequately substantiate these reasons.

Where, in the Application, the applicant does not demonstrate the meeting of any of the conditions for granting authorisation due to the preferential application of an international treaty that is part of the Czech legal order, they shall indicate pursuant to Section 12(4) of the Regulation this international treaty and the provision they are invoking.

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## VI. Specific requirements and annexes to an Application pursuant to Section 3 of the Regulation

### a) Identification data of the applicant

The applicant's identification data must be included in the Application; pursuant to Section 2(c) of the Regulation this means the following:

1. in the case of a legal person and a natural person engaged in business, the name, the business name if different from the name, the registered office and the identification number of the person, if assigned, and
2. in the case of a natural person not engaged in business, the name and personal identification number or, if not assigned, date of birth and place of residence

In addition, where applicable:

3. where the applicant is a legal person that has not yet been established, the founding legal act,
4. the address of the applicant's place of establishment, if different from the registered office,
5. the applicant's e-mail address and website, if available, and
6. an indication of whether the applicant is a different regulated institution

### b) description of the applicant's organisational arrangement and related documents

Pursuant to Annex 1 to the Regulation, these include

7. a detailed organisational chart showing each of the applicant's departments and a description of the responsibilities of each department,
  8. the expected number of employees in the first 3 accounting periods of non-performing credit servicing pursuant to the Act,
  9. an indication of the operational activities whose performance the applicant intends to entrust to an authorised person and, for each of these activities, a description of the arrangements for the performance of these activities by the authorised person, including the identification data of the persons to whom the applicant intends to entrust the performance of operational activities, and the place of performance of their activities, an indication of the identification data of the staff directly responsible for the management and control of the operational activities entrusted to the authorised person and their classification in the applicant's organisational structure, and a description of the operational
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activities, and their scope,

10. contracts or draft contracts with the authorised persons to whom the applicant intends to entrust the performance of a significant operational activity,
11. a description of the use of the branch, where the non-performing credit servicer intends to carry out their activities in the host Member State through a branch.

### c) information for the assessment of trustworthiness of the applicant

Compliance with the condition of trustworthiness is required for the **applicant and members of their statutory body, supervisory body or other similar body of a legal person**. Where a legal person is a member of the statutory body, the conditions of trustworthiness will also be assessed for the members of the statutory body of the relevant legal person or for the person designated to act on behalf of the legal person.

The term “information for the assessment of trustworthiness” represents a set of data and information necessary to evaluate the fulfilment of the condition of trustworthiness, or to demonstrate the fulfilment of the requirements set out in Section 43 of the NPCMA.

Pursuant to Section 2(b) of the Regulation, this means the personal identification number, maiden and original surname, date and place of birth, nationality, certificate of good character issued by a foreign state and data and documents on the activities of the assessed person for the period of the last 5 years, in particular on

1. the imposition of an administrative penalty in connection with the performance of employment, an office or business activity,
2. a decision on bankruptcy or rejection of an insolvency petition due to lack of assets,
3. the suspension or withdrawal of a licence for business or another activity; this does not apply if it was made on the basis of an application by the person holding such licence and this application had not been submitted at the time when the procedure for the suspension or withdrawal of a business licence was already under way,
4. the refusal of consent by a court or administrative authority to the election, appointment or other designation to office, or to the acquisition of or an increase in a qualifying holding or control of a person, where such consent was required,
5. the imposition of a disciplinary penalty or expulsion from a professional association, chamber or association of persons operating in the financial market, or the imposition of a disciplinary penalty by such associations,
6. the termination of employment or similar relationship by the employer, removal from office or dismissal from a position related to the management of assets or from a similar position,

7. an assessment of trustworthiness by a court or administrative authority, if performed at an earlier date, and the identification of that court or authority, the date of the assessment and evidence of the outcome of that assessment, and
8. any other facts relevant to the assessment of trustworthiness.

This information also includes **proof of a clean criminal record**; a person who has been finally convicted of a criminal offence against property, of an economic offence or of another criminal offence committed intentionally is not considered trustworthy.

Citizens of the Czech Republic and foreign persons residing in the Czech Republic do not need to submit an extract from the Criminal Register with the Application.

Foreign persons and citizens of the Czech Republic who have resided abroad shall prove their clean criminal record by submitting a document similar to an extract from the Criminal Register, which must not be more than 3 months old and must be issued by the state of which the natural person is a citizen or in which they have continuously resided for more than 6 months in the last 3 years, or in which a legal person has, or in the last 3 years had, its registered office, plant or branch, or in which it has carried out its activities or had its property, if the law of these states regulates the criminal liability of legal persons.

In addition, a person is considered untrustworthy if, in the last 5 years:

- 1) they have been fined for an administrative offence or banned from activity for a serious or repeated breach of a legal obligation in connection with the exercise of their profession
- 2) they have breached the obligation to cooperate with a supervisory authority or other public administration body, in particular by giving false or incomplete testimony relating to an administrative infraction or other administrative proceedings or by providing false information in an affidavit to an administrative authority
- 3) they have seriously breached the principles of fair business practice or distorted competition, misused confidential information, including personal data of other persons, breached business or banking secrecy or any other duty of confidentiality, and a final decision has been made regarding such breaches
- 4) a final decision on their bankruptcy has been issued
- 5) they have been a member of a statutory or supervisory body or other similar body of a legal person in respect of which a final decision on bankruptcy has been made, a bankruptcy decision was made on its assets, or where bankruptcy proceedings were cancelled because the assets of the legal person were completely insufficient.

Exceptions to points 4) and 5) are insolvency proceedings where the insolvency court cancelled the bankruptcy otherwise than i) by a resolution on the cancellation of the bankruptcy as the result of compliance with the resolution to distribute the assets, or ii) on the grounds that the debtor's assets are completely insufficient and where the



court rejected the insolvency petition and the person concerned was elected to their position during the bankruptcy of the legal person.

The CNB has published a recommended declaration form for natural and legal persons. In addition to declarations by the individual members of the statutory body, a declaration must also be submitted on behalf of the applicant – legal person.

With regard to the interpretation of the term ‘trustworthiness’, the CNB refers to the Official Information of the Czech National Bank of 5 August 2020 and to the interpretation of the terms trustworthiness and competence,<sup>4</sup> in particular with regard to the general conditions of trustworthiness under Section 43(1) and (2) of the NPCMA.

#### **d) information on the applicant’s senior officers**

Pursuant to Section 2(h), a senior officer is a member of the statutory body, supervisory body or other similar body of a legal person.

Pursuant to Annex 2 to the Regulation, information on senior officers means a list of the senior officers, and for each of these persons:

- 1) identification data,
- 2) information for an assessment of trustworthiness.
- 3) an overview of the offices performed in elected bodies and other offices in other legal persons to which the senior officer has been appointed or otherwise called, for the period of the last 5 years and, for each of these legal persons, identification data, the subject of activity, the designation of the office performed, the period of performance of this office, and whether the senior officer intends to perform the said office in this legal person in parallel with the performance of the office of a senior officer of the applicant, and whether it is the office of an executive or a non-executive member,
- 4) the proposed office of the senior officer and their integration into the organisational arrangement of the applicant, a brief description of the performance of this office in terms of the powers and responsibilities conferred, an indication of whether it is the office of an executive or non-executive member, a letter of appointment, a contract or other similar document, and the expected date and duration of the office, and
- 5) a report from the applicant on the results of an assessment of the senior officer’s suitability for the office to which they are being proposed in terms of meeting the requirements of trustworthiness and competence and this person’s experience in terms of the collective suitability of the competent authority as a whole; in this context, the applicant must submit data on the professional experience and

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<sup>4</sup> [https://www.cnb.cz/export/sites/cnb/cs/legislativa/galleries/Vestnik-CNB/2020/vestnik\\_2020\\_18\\_22320560.pdf](https://www.cnb.cz/export/sites/cnb/cs/legislativa/galleries/Vestnik-CNB/2020/vestnik_2020_18_22320560.pdf)

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education of the proposed person (name and type of educational institution, study programme, focus of the study programme, standard length of the study programme, method and date of completion of studies, any academic titles obtained, and an overview of completed professional examinations and courses, internships and study stays relevant to activity on the financial market, stating the year of their completion and focus).

**e) information on a person who, alone or acting in concert with another person, has a qualifying holding in the applicant**

A qualifying holding means a qualifying holding pursuant to Article 4(1)(36) of Regulation (EU) No 575/2013, meaning a direct or indirect holding in an undertaking which represents 10 % or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking.

Information on these persons means, in accordance with Annex 3 to the Regulation

- 1) a graphical depiction of the relationships between persons with qualifying holdings; in the case of persons acting in concert, also the facts forming the basis on which they act in concert,
- 2) a description of the structure of the group of which the applicant will be part,
- 3) a diagram showing the structure of the applicant's partners, indicating the persons who are considered to have a qualifying holding and justification for that qualifying holding,

and also for **each of the persons** with a qualifying holding (where such person is a legal person, the conditions of trustworthiness will also be assessed for members of the statutory body of the legal person or for a person designated to act on behalf of the legal person):

- 1) identification data (see point (a) of this chapter),
  - 2) an indication of the amount of the interest in the share capital or voting rights, expressed as a percentage and absolute value, or a description of any other form of exercise of significant influence over the applicant, including an indication of whether the interest was acquired directly or indirectly; in the case of an indirect interest, an indication of the person through whom the interest was acquired,
  - 3) Information on an assessment of compliance with the conditions associated with **integrity and bankruptcy** pursuant to Section 6(1)(e) of the Act, i.e. that the persons have not been convicted of a criminal offence against property, an economic offence, a criminal offence of financing terrorism or a criminal offence of unauthorised handling of personal data or an intentional offence against life or health, and that a decision on bankruptcy has not come into force in the last 5 years prior to the date of submitting the application
  - 4) an extract from the Commercial Register or other similar register of
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entrepreneurs, which must not be more than 3 months old in the case of a legal person or a natural person engaged in business, and

- 5) with regard to the controlling person of the applicant, financial statements and other documents proving the origin of the financial resources from which the acquisition of the interest enabling the direct or indirect exercise of decisive influence was or is to be paid, and including more details on
  - i. the use of private financial resources and the origin and availability of such funds, including documentation showing that there was no attempt to launder money when acquiring the interest,
  - ii. the method of payment for the acquisition of the interest and on the persons used to transfer the funds,
  - iii. access to financial markets, including details of any investment instruments issued,
  - iv. the use of borrowed funds, including the identification details of the relevant creditors and details of the funds provided, including maturities, conditions, pledges and guarantees, together with information on the source of income designated for the repayment of the borrowed funds and the origin of the borrowed funds, unless the creditor is a supervised financial institution,
  - v. any financial agreement with another member of the applicant, and
  - vi. the assets of the controlling person or the applicant sold to finance the acquisition of the interest, as well as the terms of that sale, including the price, valuation, details of the characteristics of the assets and information on when and how the assets were acquired.

**f) documents attesting to the origin of the applicant's financial resources and its controlling person**

The applicant must demonstrate, by means of financial statements and other documents, that the origin of the financial resources is transparent and unobjectionable. If the applicant has a controlling person, the condition of transparent and unobjectionable origin of financial resources must also be met by the controlling person.

Financial resources in this sense are both the invested funds forming the initial capital of the applicant and other means used to ensure the performance of the planned or performed activity, e.g. accepted loans and issued bonds, which the applicant has at their disposal at the time of submitting the Application, or will have at the time of commencement of the activity on the basis of a licence. In general, these are all the financial resources of the company intended to finance the activities.

The NPCMA enables the CNB to examine the origin of any liability items, not only in the applicant's case, but also in the case of its controlling persons (in the case of the latter, in particular in relation to the financing of the participation in the applicant).

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From the point of view of the documents required pursuant to Section 3(f) of the Regulation, see (FAQ) Documents to prove the origin of funds invested in capital or used to acquire or increase an interest in a company dated 10 September 2013, as updated on 20 December 2016, published by the CNB on its website<sup>5</sup>.

The documents submitted must show the complete and transparent flow of the applicant's financial resources used.

A **controlling person** is defined by the ABC in Sections 74 and 75.

Pursuant to Article 74(1) of the ABC, a controlling person is a person which can directly or indirectly exercise decisive influence on a business corporation.

A controlling person is therefore understood to be not only a **direct partner** or shareholder of the applicant, but also **any other person that indirectly controls the applicant**. As part of the Application, it is necessary to disclose the entire structure of control over the applicant, respectively the entire chain of interconnection of controlling persons, up to the final controlling person. If the controlling person cannot be determined (e.g. in the case of a dispersed ownership structure of a person listed on a regulated market), the applicant must state this fact in the Application, including detailed information, and also submit a document confirming this fact.

According to Section 74(3) of the ABC, a dominant person pursuant to Section 79 of the ABC and a majority member are always controlling persons, unless Section 75 of the ABC stipulates otherwise in relation to the majority member.

Section 75 of the ABC further stipulates the following rebuttable presumptions of control:

- A controlling person shall be deemed to be the person who can **appoint or recall the majority of the persons** that are members of the **statutory body** of the business corporation or persons in a similar position, and members of the supervisory body of the business corporation of which it is a member, or who is able to enforce such appointment or recall.
- A person shall be deemed to be a controlling person if he or she controls a share in the voting rights representing **at least 40% of all votes** in the business corporation, unless other person or persons acting in concert control the same or a higher share
- **Persons acting in concert**, who jointly control a share in the voting rights representing **at least 40% of all votes** in the business corporation, shall be deemed to be controlling persons, unless other person or persons acting in concert control the same or a higher share.

Thus, a controlling person is not only the person who independently controls, directly or indirectly, the necessary share of the voting rights in the applicant, but also the person who controls such a share by acting in concert with another

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<sup>5</sup> <https://www.cnb.cz/cs/dohled-financni-trh/legislativni-zakladna/stanoviska-k-regulaci-financniho-trhu/RS2016-11/>

person.

Article 78(1) of the ABC defines the term **acting in concert** as meaning actions by two or more persons controlling the voting rights in order to influence, control or manage in a single manner a business corporation.

Section 78(2) of the ABC sets out rebuttable presumptions as to which persons are considered to be acting in concert. Such persons are:

- a) a legal person and a member of its statutory body, persons under its direct authority, a member of the supervisory body, liquidator, insolvency administrator and other receivers pursuant to another legal regulation, official receiver,
- b) a controlling person and persons controlled by it;
- c) influential and influenced persons,
- d) a limited-liability company and its members or only its members,
- e) an unlimited partnership and its members or only its members,
- f) a limited partnership and its general partners or only its general partners,
- g) persons closely related pursuant to the Civil Code,
- h) an investment company and the investment fund or pension fund managed by such investment company or only the funds managed by that investment company, or
- i) persons who concluded an agreement on the exercise of voting rights.

- It is also understood that a controlling person or controlling persons are those who, **alone or acting in concert**, acquire a share of the voting rights representing **at least 30% of all voting rights** in a business corporation, and this share represented, **at the last 3 consecutive meetings of the supreme body** of this person, **more than half the voting rights of the persons present**.

**g) a contract or draft contract for an account and a description of measures to protect funds (if the applicant also intends to receive funds as the payment of debt to the credit purchaser when servicing a non-performing credit pursuant to Section 10 of the NPCMA)**

Where the non-performing credit servicer accepts funds as the payment of debt to the credit purchaser when servicing a non-performing credit pursuant to Section 10 of the NPCMA, they shall ensure that these funds are recorded separately from their own funds and deposited in a separate account at a credit institution. To ensure that these requirements are met, the applicant shall submit:

- 1) a contract or draft contract for an account pursuant to Section 10(1)(b) of the Act or any other document attesting to the parties' intention to conclude such contract

- 2) a description of the measures to protect the funds, including
  - i. a description of the keeping of separate records pursuant to Section 10(1)(a) of the Act, and
  - ii. identification of persons, their offices and positions within the applicant's organisational structure who have access to accounts pursuant to Section 10(1)(b) of the Act,

**h) a description of administrative and accounting procedures, the internal control system and the system for dealing with borrowers' complaints**

The applicant shall provide a description of

1. the administrative and accounting procedures
2. the internal control system
3. the system for dealing with borrowers' complaints

This description, in accordance with Annex 4 to the Regulation, must contain:

1. **a list and description of the identified risks** to which the applicant will be exposed during its activities as a non-performing credit servicer and other related risks, and a description of measures to mitigate them, including the determination of the acceptable level of risks, with an explanation for each identified risk,
  2. **the procedures for carrying out inspections**, including the frequency of the inspections and the number of personnel designated to carry out such inspections, the identification data of these personnel, if already known, and the method of evaluating the results of the inspections and taking measures to eliminate the deficiencies identified, including verifying the effectiveness of the corrective measures taken,
  3. **accounting policies** for accounting cases relating to the activities of the non-performing credit servicer and a **description of the method of recognition of assets and liabilities** arising from the activities of the non-performing credit servicer on the balance sheet and of costs and revenues relating to the performance of the activities of the non-performing credit servicer in the profit and loss account,
  4. **the identification data and a curriculum vitae** containing information on the professional competence and experience of the person responsible: i. for the administration and management of the applicant,
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- ii. for financial management and the preparation of the financial plan,
  - iii. for risk management,
  - iv. for information systems and communication technologies, and
  - v. internal control functions, including periodic and continuous inspections and checks of compliance with internal and legal regulations and their mutual compliance,
5. a description of the procedures for managing conflicts of interest and identifying mutually incompatible functions,
  6. where the applicant intends to entrust the performance of any significant operational activity related to the activities of a non-performing credit servicer to an **authorised person, also a description of the manner in which the effectiveness of the risk mitigation measures** (as defined in point 1) is ensured, including ensuring the continuity of the activity provided, and a description of the method of monitoring and controlling this activity in order to maintain the quality level of the internal control system, including a description of the rules for the selection of this person,
  7. a description of how branches are monitored and controlled, if established, under the internal control system, including an overview of the remote and on-site inspections that the applicant intends to carry out at least once a year at the branches, and information on the frequency of their implementation and how they are carried out,
  8. a description of the group's internal governance and internal controls, where the applicant is controlled by another regulated institution,
  9. a description of the procedure for dealing with borrowers' complaints, including the contact point, e-mail address and personal identification data, and details of the departments responsible for providing assistance to borrowers in the event of complaints, and
  10. a description of the keeping of records of borrowers' complaints and records of measures taken to resolve them

**i) draft internal regulations governing compliance with obligations related to measures against money laundering and the financing of terrorism**

The applicant shall submit a draft of internal regulations governing the rules for

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compliance with obligations related to measures against money laundering and the financing of terrorism.

The requisites of the system of internal principles are set out in Section 21(5) of Act No. 253/2008 Coll., on certain measures against money laundering and financing of terrorism.

The details are then set out in Regulation No. 67/2018 Coll., on certain requirements for the system of internal principles, procedures and control measures against money laundering and terrorist financing

The CNB would also refer to Supervisory Benchmark<sup>6</sup> No. 2/2023 of 3 July 2023, which primarily applies to credit institutions, but can also be appropriately and reasonably applied to other financial market entities in proportion to their size and the structure of the products and services provided.

To a certain extent, it is also possible to use the model system of internal regulations published by the Financial Analytical Office<sup>7</sup> for the creation of internal regulations, which, however, must be adapted to the specific conditions and type of activities performed.

**j) draft internal regulations governing the rules for dealing with borrowers**

The applicant shall submit a draft of internal regulations governing the rules for dealing with borrowers that meet the requirements pursuant to Section 11(2)(d) of the Act.

These rules shall be designed in such a way as to ensure

1. compliance with borrower-protection rules,
2. integrity, fairness and competence when dealing with borrowers, and
3. the taking into account of a borrower's financial situation and, if necessary, mediating contact with the operator of a free debt counselling service within the framework of voluntary service pursuant to the Act on Voluntary Service or social services pursuant to the Act on Social Services

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<sup>6</sup> [https://www.cnb.cz/export/sites/cnb/cs/dohled-financni-trh/.galleries/vykon\\_dohledu/dohledove\\_benchmarky/download/dohledovy\\_benchmark\\_2023\\_02.pdf](https://www.cnb.cz/export/sites/cnb/cs/dohled-financni-trh/.galleries/vykon_dohledu/dohledove_benchmarky/download/dohledovy_benchmark_2023_02.pdf)

<sup>7</sup> <https://fau.gov.cz/system-vnitrich-zasad>

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