The Czech Republic

RISK & COMPLIANCE REPORT

DATE: January 2017

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Executive Summary - Czech Republic	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	None
Medium Risk Areas:	Compliance with FATF 40 + 9 recommendations US Dept of State Money Laundering assessment

Major Investment Areas:

Agriculture - products:

wheat, potatoes, sugar beets, hops, fruit; pigs, poultry

Industries:

motor vehicles, metallurgy, machinery and equipment, glass, armaments

Exports - commodities:

machinery and transport equipment, raw materials and fuel, chemicals

Exports - partners:

Germany 31.8%, Slovakia 9.1%, Poland 6.1%, France 5.1%, UK 4.9%, Austria 4.7% (2012)

Imports - commodities:

machinery and transport equipment, raw materials and fuels, chemicals

Imports - partners:

Germany 29.5%, Poland 7.7%, Slovakia 7.4%, China 6.3%, Netherlands 5.8%, Russia 5.3%, Austria 4.3% (2012)

Investment Restrictions:

The right of foreign and domestic private entities to establish and own business enterprises is guaranteed by law in the Czech Republic. Enterprises are permitted to engage in any legal activity with limitations in some sensitive sectors such as the media and aerospace.

Contents

Section 1 - Background

At the close of World War I, the Czechs and Slovaks of the former Austro-Hungarian Empire merged to form Czechoslovakia. During the interwar years, having rejected a federal system, the new country's predominantly Czech leaders were frequently preoccupied with meeting the increasingly strident demands of other ethnic minorities within the republic, most notably the Slovaks, the Sudeten Germans, and the Ruthenians (Ukrainians). On the eve of World War II, Nazi Germany occupied the Czech part of the country and Slovakia became an independent state allied with Germany. After the war, a reunited but truncated Czechoslovakia (less Ruthenia) fell within the Soviet sphere of influence. In 1968, an invasion by Warsaw Pact troops ended the efforts of the country's leaders to liberalize communist rule and create "socialism with a human face," ushering in a period of repression known as "normalization." The peaceful "Velvet Revolution" swept the Communist Party from power at the end of 1989 and inaugurated a return to democratic rule and a market economy. On 1 January 1993, the country underwent a nonviolent "velvet divorce" into its two national components, the Czech Republic and Slovakia. The Czech Republic joined NATO in 1999 and the European Union in 2004.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

The Czech Republic is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in The Czech Republic was undertaken by the Financial Action Task Force (FATF) in 2011. According to that Evaluation, The Czech Republic was deemed Compliant for 4 and Largely Compliant for 21 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 3 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2011):

The evaluators were informed by the authorities that a specific AML/CFT risk assessment had not been undertaken since the last evaluation. From the authorities with whom the issue was discussed, it was clear that, like other countries, organised crime groups remain a continuing and serious risk and that they are operating significan tly in white-collar crime and internet fraud and that the proceeds of their crimes are laundered in the Czech Republic. A comprehensive national risk assessment is essential to identify vulnerable sectors within the Czech financial system in terms of ML/FT.

The total damage from economic crime in 2009 was 1,068,230,000 Euros. None-the-less there is little evidence of significant money laundering cas es being taken forward by the police and the prosecution, with a tendency noted in the previous evaluation to treat money laundering as subsidiary to the other offences. The Czech authori ties need to analyse why there is such a major discrepancy between the types of money laundering c ases being prosecuted and the incidence of money laundering in the country.

The Czech authorities consider the FT risk to be low.

The FIU is working effectively, and more reports ar e now being sent to law enforcement than in the earlier part of the period under review. The overall impact of FIU reports on law enforcement results is difficult to quantify in the absence of relevant statistics.

The lack of reliable and comprehensive ML/FT supervisory statistics hinders the full analysis and comprehension of the ML/FT risks within the Czech f inancial sector as well as the implementation of an effective risk based approach. The supervisory cycle for the financial sector is very extended and some of the riskier areas may not be covered for several years. In particular, exchange bureaux should be subject to more targeted ML/FT on-site inspection.

The lack of reliable statistics and information on the performance of the law enforcement and the judicial side in money laundering investigation, prosecutions and convictions, as well as in respect of confiscation orders also makes it very difficult for the evaluators to asses the overall impact of the law enforcement response to ML and for domestic authorities to analyse their own performance in these areas. Report on fourth assessment visit of the Czech Repu blic

Progress has been made since the third evaluation with the adoption of the new AML/CFT Law implementing the 3 rd EU Money Laundering Directive and many of the preventative recommendations in the 3 rd round MER.

US Department of State Money Laundering assessment (INCSR)

The Czech Republic was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

The Czech Republic has a mid-sized, export-oriented economy. The country's central location in Europe and openness as a market economy leave it vulnerable to money laundering. Proceeds from fraud and tax evasion - especially related to the value-added tax (VAT) and excise tax - are reportedly the primary sources of laundered assets in the country. A common tactic is "carousel trading," in which a chain of related companies creates fictitious records of transactions and related invoicing, against which the final link in the chain claims a refund of the VAT. Commodities frequently misused for tax evasion include diesel and fuel oils, electric power, gas, scrap and precious metals, rapeseed, poppy seed, frozen meat, and carbon permits. Alcoholic beverages also are typically exploited in consumption tax fraud schemes. The key criteria for the selection of suitable commodities include the potential for high-volume transfers, difficulty in tracing goods, and cross-border transit.

According to the Czech police, there have been increased incidents of cyberattacks on banking networks, including cases during the past year of persons gaining illegal access to online banking systems through use of false identities, fake banking websites, breaking of passwords, skimming, and phishing. Online consumer fraud is another source of illicit funds. While perpetrators originally had targeted primarily customers interested in buying electronic goods, criminals have moved increasingly into fraudulent sale of items that fall below the $225 per item threshold for criminal prosecution, especially apparel.

The Czech police and Ministry of Finance (MOF) have also reported several cases of fraud and/or money laundering connected to bitcoin and other digital currencies. Though the government has expressed concern about potential abuse of digital currencies by criminals in connection to tax evasion, money laundering, terrorist financing, and sanctions circumvention, there were no reported cases of financing terrorism or avoidance of financial sanctions. The MOF's Financial Analytical Unit (FAU), the country's financial intelligence unit, recorded isolated cases of laundering of proceeds from tax evasion and internet fraud by purchase of bitcoin worth tens of thousands of euros.

Domestic and foreign organized criminal groups target Czech financial institutions for laundering activity, most commonly by means of financial transfers to tax havens. Illicit proceeds from narcotics, trafficking in persons, or smuggling counterfeit goods are often associated with foreign groups, particularly from the former Soviet republics, the Balkans, and Asia. Proceeds from fraud and tax evasion are typically laundered by specialized groups from various EU states and the Middle East, using the services of local lawyers and tax advisors who specialize in trading with ready-made shell companies and creating offshore structures, allowing for fund transfers under the umbrella of tax optimization. According to the Czech police, development and investment companies, real estate agencies, currency exchange offices, casinos, gaming establishments, antique shops, pawnshops, restaurants, taxi companies, (executive) auction halls, imaginary research centers, and advisory companies have all been used to launder criminal proceeds.

There are 10 free trade zones operating in the Czech Republic, but Czech authorities do not consider them to be vulnerable to money laundering.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:
"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, currency exchanges, insurance companies, and postal license holders; securities dealers and exchanges; gaming enterprises; attorneys, trusts, and company service providers; realtors, notaries, accountants, tax advisors, and auditors; pawnshops and dealers of precious metals and stones and of secondhand goods, including vehicles

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 2,723: January 1 - November 25, 2015
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, currency exchanges, insurance companies, and postal license holders; securities dealers and exchanges; gaming enterprises; attorneys, trusts, and company service providers; realtors, notaries, accountants, tax advisors, and auditors; pawnshops and dealers of precious metals and stones and of secondhand goods, including vehicles

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 148 in 2014
Convictions: 20 in 2014

RECORDS EXCHANGE MECHANISM:
With U.S.: MLAT: YES Other mechanism: YES
With other governments/jurisdictions: YES

The Czech Republic is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Czech companies issuing bearer shares must register their shares with the Central Securities Depository of the Prague Stock Exchange; have the shares held in a legal entity's safe deposit box; or convert the shares into registered stocks. Law enforcement personnel acknowledge some companies have been searching for other ways to obscure true ownership; joint stock companies showing non-transparent ownership structures reportedly include numerous dormant or inactive companies not engaged in any business activity and with no active points of contact, or an ultimate owner registered in jurisdictions friendly to non-transparent ownership structures.

The government has yet to publish any formal regulations on digital currency. In 2013, the MOF published reporting guidance for banks regarding digital currency payments. In October 2015, the European Court of Justice (ECJ) issued a judgment on bitcoins and other virtual currencies.

According to this decision, bitcoins and digital currencies are considered to be a means of payment; trading them does not constitute a commitment to pay VAT. Neither the Czech National Bank (CNB) nor the MOF has yet developed any guidance to incorporate this decision into the national legislation.

There is weak AML regulatory oversight of the gaming industry. The Czech gaming industry is represented by a powerful lobby that has succeeded in blocking many proposed regulations. Casinos continue to file a relatively small number of suspicious transaction reports (STRs). Contrary to the lottery and betting companies, other gaming entities, including bars and restaurants with electronic games and slot machines, are not yet subject to the Anti-Money Laundering Act (AMLA) requirements. Without robust oversight and the applicability of the AMLA to all gaming establishments, the potential exists for money laundering to become more significant in the gaming sector, especially resulting from a growing potential of online lottery and betting. The FAU has stated that the Government of the Czech Republic will amend the AMLA by mid-2016 following the European Commission's recent actions regarding gaming restrictions.

The 2013 amendment to the excise tax law had required fuel distributors to post an annual deposit of CZK 20 million (approximately $2.9 million) against liabilities for fuel-related excise tax. While this tool proved effective at combating tax evasion, it also drove out tax-compliant distributors that lacked the cash flow to post such a large deposit. This has left only 8 percent of the fuel distributors operating in 2013 still active in the Czech market. In 2015, the government reduced the surety requirement to CZK 10 million (approximately $1.5 million).

The introduction in 2013 of VAT reverse charges on some commodities – applied to business customers - has proven to be an effective measure against VAT evasion in some instances. Its effectiveness is limited, however, because EU law permits them only through an exemption process. Criminal entities are also able to shift their activities quickly to commodities not covered by reverse-charge rules, and to jurisdictions that offer more favorable conditions for fraud. The government took several measures against commodity-related fraud and trade-based money laundering in 2015, including implementation of a surety (bond) for gasoline distributors and a reverse VAT charge on various commodities, including on non-ferrous metals, scrap and some waste, carbon permits, cell phones, computers, and some cereals.

In 2014, the government established a specialized team consisting of experts from the Tax Authority, Counter-Financial Criminality Unit of the Czech police, and Czech Customs. The team deals primarily with cases that originated prior to the implementation of measures to combat tax evasion. Since the launch, the team has seized criminal proceeds of approximately $94.5 million.

According to the Czech Penal Code, police are always required to start an investigation under the supervision of a public prosecutor when there is a justified suspicion a criminal offense has been committed. It pertains also to the laundering of assets. Two aspects of the Czech legal framework, however, continue to constrain efforts to prosecute money laundering. First, prosecutors must prove the accused also committed a predicate offense resulting in the laundering of assets. Second, a court can only sentence an individual to prison for one crime, even if several crimes were committed. Since convictions for predicate offenses generally result in prison sentences at least as long as those for money laundering, prosecutors have typically had little motivation to pursue money laundering convictions. Nevertheless, the Czech police report the situation is improving, as some prosecutors have expressed willingness to prosecute both the predicate offense and the money laundering in one procedure. Police investigated 678 criminal cases of money laundering in 2014, which resulted in approximately CZK 878 million (approximately $36 million) in frozen assets.

The Czech Republic should strengthen its oversight of the gaming industry and ensure all appropriate entities are covered under the AMLA. Additionally, the government should expand its definition of terrorist financing to include the collection of funds for terrorist purposes and make such an offense prosecutable without the funds being used or linked to a specific terrorist act. Furthermore, the Czech Republic should establish corporate criminal liability for all terrorist financing offenses.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, The Czech Republic does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

EU White list of Equivalent Jurisdictions

The Czech Republic is on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

The Czech Republic is not considered to be an Offshore Financial Centre

Reports

US State Dept Narcotics Report:

No report available

US State Dept Trafficking in Persons Report 2014 (introduction):

The Czech Republic Is classified a Tier 1 country - is a country whose government fully complies with the Trafficking Victims Protection Act's (TVPA) minimum standards.

The Czech Republic is a source, transit, and destination country for women and girls who are subjected to forced prostitution, and a source, transit, and destination country for men and women subjected to forced labor. Women from many countries, including the Czech Republic, Bulgaria, Moldova, Nigeria, the Philippines, Romania, Slovakia, Ukraine, and Vietnam are subjected to forced prostitution in the Czech Republic and also transit through the Czech Republic en route to Western European countries where they are subjected to forced prostitution. Men and women from the Czech Republic, Bulgaria, Moldova, the Philippines, Romania, Ukraine, and Vietnam are subjected to forced labor in the construction, agricultural, forestry, manufacturing, and service sectors in the Czech Republic and also transit through the Czech Republic to other countries in the European Union, including Austria, Cyprus, Germany, Ireland, the Netherlands, and the United Kingdom (UK). Roma women from the Czech Republic are subjected to forced prostitution and forced labor internally and in destination countries, including the UK.

The Government of the Czech Republic fully complies with the minimum standards for the elimination of trafficking. The government enrolled substantially more victims into its program to protect individuals assisting law enforcement, due in part to a new law that provided legal representation to participating victims. Authorities convicted more traffickers during the reporting period, and appellate courts continued to issue final decisions in forced labor cases. The government reestablished funding for NGOs to run awareness campaigns in 2013 after eliminating such funding in 2012, but the government did not provide targeted outreach to vulnerable groups, such as Roma communities.

US State Dept Terrorism Report 2009

The Czech Ministry of Interior's office with primary responsibility for counterterrorism analysis, the National Contact Point for Terrorism (NCPT), concluded that there was no acute risk of a terrorist incident, but assessed that the overall security situation in the Czech Republic was unpredictable. The NCPT is the Ministry of Interior's lead office for collecting and analyzing law enforcement data related to terrorism. A relatively new organization, the NCPT continued to recruit and train needed personnel, and to establish reporting protocols within the Czech National Police to ensure effective and timely dissemination of information. The NCPT determined that the country's membership in NATO and the EU, and its military presence in Afghanistan, made it a potential target for an attack. Czech law enforcement officials also remained vigilant for signs that the country was being used as a logistical or staging base for potential terrorist attacks within Europe.

The NCPT perceived an emerging risk in a possible connection between increasingly violent right-wing extremism and terrorism. In October, a group of 10 individuals was arrested by the Czech National Police on suspicion of preparing to conduct a terrorist attack, possibly directed against an infrastructure facility such as a power plant. These individuals were members of the illegal right- wing extremist organization White Justice, which declared itself to be a militant neo-Nazi group. Evidence indicated that members of the group were conducting military training camps to teach small- unit military tactics. There were no other arrests related to terrorism in 2009.

The Czech government's overall efforts against terrorism are established in its "National Counterterrorism Action Plan for 2007- 2009". This strategic document set goals in four areas: improving communication and coordination between intelligence and law enforcement agencies; protecting the public and critical infrastructure; preventing the isolation and radicalization of immigrant communities; and conducting foreign policy to counter international terrorism. In October, after receiving the Ministry of Interior's evaluation of the effectiveness of the 2007-2009 Plan, the Czech National Security Council tasked the Ministry of Interior to prepare a new plan for the period 2010-2011.

The Ministry of Finance's Financial Analysis Unit and the Customs Service cooperated with the NCPT to combat terrorist financing. The NCPT has a public website with an anonymous Internet hotline.

The Czech Republic actively participated in the counterterrorism and nonproliferation efforts of multilateral bodies such as NATO, the EU, and the UN. The country's bilateral cooperation with the United States was also close. The NCPT characterized the level and quality of cooperation it received from U.S. agencies and law enforcement offices as exceptionally good and very successful.

The Czech parliament approved an ongoing deployment of up to nearly 540 military personnel in Afghanistan. The Czech Ministry of Defense also slightly increased the size of its Provincial Reconstruction Team of civilian experts in Afghanistan's Logar Province.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	55
World Governance Indicator – Control of Corruption	67

Corruption and Government Transparency - Report by US State Department

Current law criminalizes both giving and receiving bribes, regardless of the perpetrator's nationality. Prison sentences for bribery or abuse of power can be as high as twelve years for officials, and police investigate bribery with tools such as wiretapping. Corruption of public officials is prosecuted on the regional level to ensure that prosecutors have specialized knowledge and avoid bias. The special Organized Crime Police Unit (UOOZ) and the Unit for Combating Corruption and Serious Financial Criminality are primarily responsible for investigating high-level corruption cases. Bribes are not tax deductible, and all anti-corruption laws apply equally to Czech and foreign investors. Criminal procedure law allows for the seizure of criminal proceeds paid or transferred to family members of corrupt officials, though their prosecutions depend on evidence.

Although the former government of Petr Necas listed the fight against corruption as its main priority, it made only limited improvements. In 2013, the government canceled the lifetime immunity of politicians, abolished anonymous bearer shares, and abandoned the practice of "losovacka" (lottery), which had allowed the government to limit the number of bidders in public procurements by drawing lots. The Necas government, however, collapsed in the wake of its own corruption scandal in June 2013.

In October 2013, the caretaker cabinet of Prime Minister Jiri Rusnok approved an anti-corruption program that applies to all governmental departments and offices that went into effect immediately. Government agencies had three months to bring themselves into compliance with the program, which included the introduction of internal codes of conduct. However, the lack of a Civil Service Act makes it difficult to enforce such codes, and impedes protection of whistleblowers and civil servants from political pressure. Many international companies have effective internal controls, ethics, and compliance programs in place to detect and prevent bribery.

Despite the anti-corruption efforts of NGOs and other concerned stakeholders, inadequate legislation on financial disclosure, weak campaign finance rules, and limited funding for investigations continues to limit the ability of authorities to root out corruption.

A law introducing criminal liability for legal entities came into effect on January 1, 2012. The government ratified the OECD anti-bribery convention in January 2000 and the UN Convention Against Corruption (UNCAC) in January 2014. According to Transparency

International (TI) reports, there is little or no enforcement of the OECD convention in the Czech Republic. TI cites insufficient definition of foreign bribery offenses, jurisdictional limitations, lack of coordination between investigation and enforcement entities, inadequate whistleblower protection, and lack of awareness as the causes for this lack of enforcement.

The Czech Republic became a member of the Open Government Partnership in 2011, and in 2012 approved an Action Plan including the adoption of an Act on Civil Servants, which was supposed to lead to a system allowing freer access to information and publication of data. Yet due to the 2013 collapse of the Necas Government, none of the goals have been fulfilled.

In 2013 a new anti-corruption initiative called Reconstruction of the State was launched. This platform of 20 locally-renowned anti-corruption organizations, headed by Transparency International, Frank Bold, and Oživení, works towards strong anti-corruption reform in the Czech Republic and at the adoption of eight new pieces of anti-corruption legislation.

Despite widespread concern about corruption, U.S. companies have not been significantly deterred from investing in the Czech Republic. The most common allegations of corruption relate to public procurement and external pressures on the judiciary. An April 2012 procurement reform law lowered the threshold for application of procurement rules to contracts valued at one million Czech crowns ($50,000) for services and three million crowns ($150,000) for construction, though the Senate later amended it by raising the threshold to its previous higher level. The law requires more than one bidder for all procurements and mandates that the tender be published. The law also requires bidders to disclose more of their ownership structure in the bidding process, but it contains some exceptions to that obligation. American businesses have also cited inconsistent competition policies as an investment obstacle.

Section 3 - Economy

The Czech Republic is a stable and prosperous market economy closely integrated with the EU, especially since the country's EU accession in 2004. The auto industry is the largest single industry, and, together with its upstream suppliers, accounts for nearly 24% of Czech manufacturing. The Czech Republic produced more than a million cars for the first time in 2010, over 80% of which were exported. While the conservative, inward-looking Czech financial system has remained relatively healthy, the small, open, export-driven Czech economy remains sensitive to changes in the economic performance of its main export markets, especially Germany. When Western Europe and Germany fell into recession in late 2008, demand for Czech goods plunged, leading to double digit drops in industrial production and exports. As a result, real GDP fell sharply in 2009. The economy slowly recovered in the second half of 2009 and registered weak growth in the next two years. In 2012, however, the economy fell into a recession again, due both to a slump in external demand and to the government’s austerity measures. The country pulled out of recession in the second half of 2013, and most analysts expect modest, but steady, growth through 2014. Foreign and domestic businesses alike voice concerns about corruption, especially in public procurement. Other long term challenges include dealing with a rapidly aging population, funding an unsustainable pension and health care system, and diversifying away from manufacturing and toward a more high-tech, services-based, knowledge economy.

Agriculture - products:

wheat, potatoes, sugar beets, hops, fruit; pigs, poultry

Industries:

motor vehicles, metallurgy, machinery and equipment, glass, armaments

Exports - commodities:

machinery and transport equipment, raw materials and fuel, chemicals

Exports - partners:

Germany 31.8%, Slovakia 9.1%, Poland 6.1%, France 5.1%, UK 4.9%, Austria 4.7% (2012)

Imports - commodities:

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Germany 29.5%, Poland 7.7%, Slovakia 7.4%, China 6.3%, Netherlands 5.8%, Russia 5.3%, Austria 4.3% (2012)

Banking

There are a number of foreign banks and large local banks in the Czech Republic offering highly professional services. Foreign and large domestic banks (such as Komercni and CSOB) offer corporate checking accounts and debit cards. Internal bank transfers take one day; domestic transfers take three days; transfers between major international and Czech banks usually take less than a week. The top Czech commercial banks offer brokerage, investment advisory and underwriting services.

Stock Exchange

Although the Prague Stock Exchange (PSE) is small (with only 15 companies listed), the overall trade volume of stocks reached CZK 389.87 billion (roughly USD 20.4 billion) in 2010 as compared to CZK 463.86 billion (roughly USD 24.5 billion) in 2009, with an average daily trading volume of CZK 1.55 billion (approximately USD 81 million). The PSE index tends to mirror movements in international markets. The PSE index increased by 9.62 percent in 2010.

In March 2007, the PSE created the Prague Energy Exchange (PXE), which has now renamed itself the Power Exchange Central Europe, to trade electricity in the Czech Republic and Slovakia. PXE's goal is to increase liquidity in the electricity market and create a standardized platform for trading energy. The PXE completed its first trade in July 2007 and its trading volume has increased steadily with a total futures market contract value in 2009 of 1.4 billion Euro.

In 1998 the government created a Securities and Exchange Commission to function as a capital market watchdog. The Commission has made important strides in establishing a regulatory framework for Czech capital markets and enforcing new rules. It has employed a large number of new staff. A new securities law was adopted in 2001 to improve regulation of brokers and dealers. Legislation adopted in 2002 gives the SEC more flexibility in issuing guidelines and requiring reporting of information. In 2006, the SEC moved into the Czech National Bank as part of a plan to bring all of the financial regulators under one roof.

Section 4 - Investment Climate

Executive Summary

The Czech Republic is a medium, open, export-driven economy. 81% of its GDP is comprised of exports – mostly from the automotive and engineering industry. Its strong dependence on foreign demand, especially from the euro zone, was highlighted in the global financial crisis of the late 2000s. However, the Czech banking sector remained relatively healthy. After recession of two years of economic contraction, estimates predict more growth in 2014, as the Czech economy begins its recovery.

In November 2012, the Czech National Bank (CNB) lowered the two-week repurchase rate – to a record low of 0.05% to address deflationary pressures. A year later, the CNB launched a foreign exchange intervention to mitigate the risk of continued deflation. Since then, the exchange rate has remained steady at about 27 Czech crowns/1 euro (as of April 2014). The Czech crown is fully convertible and all international transfers of investment-related profits and royalties can be carried out freely without delay. There is no set date for euro adoption, but the current government under Prime Minister Sobotka has demonstrated a more positive approach to EU integration than any past government.

The Czech Republic fully complies with EU law and OECD standards for the equal treatment of foreign and domestic investors. Labor laws are comparable with most developed nations, but a gap still exists between wages of Czech individuals and their neighbors in Western Europe. The U.S.-Czech Bilateral Investment Treaty provides for international arbitration of investor–state disputes. Great strides have been taken since the fall of communism to open the market to competition and privatize, but the prosecution of anti-trust violations is still less than adequate. Corruption remains a problem. The Czech Intellectual Property Rights (IPR) protections are still not optimal, but the legal framework for IPR protection has been tested and proven successful in punishing infringers. Other western concepts such as entrepreneurship and corporate social responsibility (CSR) are growing trends in the Czech business and NGO communities.

There are no general restrictions on foreign investment, although limits exist within certain sectors, for example in airport services. The Czech Republic attracts a great deal of FDI for its size, and has taken strides to diversify its traditional investments in engineering into new fields of research, development and innovative technology. In fact, EU structural funding has enabled them to open a number of world-class scientific and hi-tech centers. EU member states are the chief foreign investors in the Czech economy, but the government has signaled a desire to seek more export and investment opportunities from other non-European regions, to include the United States. The Czech Republic is a success story among former communist countries, often out-performing its fellow central and eastern European states.

1. Openness To, and Restrictions Upon, Foreign Investment

The Czech Republic is a recipient of substantial foreign direct investment (FDI). As a medium, open, export-driven economy, the Czech Republic is strongly dependent on foreign demand, especially from the euro zone. More than 80% of Czech exports go to fellow EU states, with about 60% going to the euro zone, and more than 30% to the Czech Republic's largest trading partner, Germany. The recent global economic crisis pulled the Czech

Republic into its longest historical recession and highlighted its sensitivity to economic developments in the eurozone.

The 2012 Czech per capita GDP was 81 percent of the EU average. The trade balance has been positive every year since 2005, and in 2012, it achieved a surplus of about USD 7.5 billion. Exports comprise nearly 80% of the country's GDP. The main export commodities are automobiles, machinery, and computer technology.

Over the past ten years, the Czech Republic has maintained a wait-and-see approach regarding the country's entry into the eurozone. Recent economic difficulties in the eurozone have undermined public support for the Czech Republic's adoption of the euro, and previous governments have opposed setting a target date for eliminating the Czech crown and embracing the common currency. The recently appointed new center-right/center-left cabinet – led by Prime Minister Bohuslav Sobotka (CSSD) – has expressed its readiness to adopt the Fiscal Compact, a treaty committing signatories to limit their state budget deficits to 0.5% of the GDP, and subsequently to adopt the euro. This policy is fully supported by President Milos Zeman who was elected as president in the first direct election in history, in January 2013.

Some unfinished elements in the economic transition, such as the slow pace of legislative and judicial reforms, have posed obstacles to investment, competitiveness, and company restructuring. The Czech government has harmonized its laws with EU legislation and the "acquis communautaire." This effort involved positive reforms of the judicial system, civil administration, financial markets regulation, intellectual property rights protection, and many other areas important to investors.

While there have been many success stories involving American and other foreign investors, a handful have experienced problems, mainly in heavily regulated sectors of the economy, such as in the media sector. The slow pace of the courts is often compounded by judges' lack of familiarity with commercial or intellectual property cases. In the 2013 World Bank's "Ease of Doing Business" ranking, the Czech Republic ranks 75th out of 189 economies, and 98th in "Protecting Investors."

Both foreign and domestic businesses voice concerns about corruption. Other long term economic challenges include dealing with a rapidly aging population and diversifying the economy away from an over-reliance on manufacturing toward a more high-tech, services-based, knowledge economy.

Attitude Toward FDI

Since 1990, the Czech Republic has become one of the leading countries in the Central and Eastern European (CEE) region attracting most of incoming FDI. Though Poland was the leader by total volume of FDI gained, the Czech Republic and Hungary managed to achieve the highest FDI per capita ratio. While in the early years massive volumes of FDI flowed primarily into the Czech automotive, real estate, and alternative energy sectors, in 2010, the Czech Republic, together with its fellow "Visegrad Four" countries (Slovakia, Hungary, Poland) attracted 70% of all FDI headed towards development of services and R&D projects in the CEE region. FDI inflow tripled in 2012 after a sharp drop-off during the economic crisis. Though the 2013 FDI inflow data is less optimistic, recording a year-on-year decrease of about 37%, the Czech Republic has maintained a ranking in the group of the twenty most attractive targets for FDI.

Investment Trends

Originally, the Czech Republic attracted FDI mainly in the engineering industry. New, large automotive greenfield projects emerged in the northeast and central part of the country. These investments benefited especially from lower labor costs (relative to Western countries), the strong tradition of Czech engineering, as well as the convenient location in CEE.

At present, the structure of FDI is changing. FDI has begun to shift from manufacturing into other sectors, such as research and development (for example, the new ELI Beamlines laser center), strategic services, and investment projects. The Czech Republic aims to become a destination for investments with high value added, requiring less invested capital. Therefore, the Czech Republic focuses on negotiations with investors from the areas of R&D and services, to which it can offer an optimal combination of favorable investment factors, such as strategic location of the country, and highly qualified and innovative work force presenting long-term experience in numerous industrial sectors.

Other Investment Policy Reviews

The Czech Republic has had two trade policy reviews by the World Trade Organization (WTO) in March 1996 and October 2001. No trade policy review has been conducted since the Czech Republic´s entry into the EU in May 2004.

Laws/Regulations of FDI

In 2012, the Czech Parliament passed a major recodification of private law. This included the new Civil Code (effective January 1, 2014), modifications to the existing civil law, and a new regulation for business corporations – an Act on Corporations (also effective January 1, 2014).

Liability

Failure to comply with lawful standards can cause both criminal and administrative liability.

Criminal liability **–** related offences are included in the new Criminal Code, Act No. 40/2009 Coll., which has been in effect since January 1, 2010. The penalties include imprisonment, a ban on the activity, forfeiture, or other asset or fine.

Administrative liability covers administrative offenses committed by both individuals and legal entities (or individuals as entrepreneurs). Act No. 200/1990 Coll. on minor offenses particularly handles the regulation of individual offenses. Administrative offenses committed by legal entities are not included under one law, and the procedure is not uniformly regulated.

Organizational Structure of Investments

Foreign investors can, as individuals or business entities, establish sole proprietorships, joint ventures and branch offices in the Czech Republic. In addition, the government recognizes joint-stock companies, limited liability companies, general commercial partnerships, limited commercial partnerships, partnerships limited by shares, and associations.

National Treatment

Legally, foreign and domestic investors are treated identically. Both are subject to the same tax codes and laws. The government does not differentiate between foreign investors from different countries, and does not screen foreign investment projects other than in the banking, insurance and defense sectors. Upon accession to the OECD, the Czech government agreed to meet (with a small number of exceptions) the OECD standards for equal treatment of foreign and domestic investors and limitations on special investment incentives. The U.S.-Czech Bilateral Investment Treaty contains specific guarantees of national treatment and Most Favored Nation treatment for U.S. investors in all areas of the economy other than insurance and real estate. (See the section on the Bilateral Investment Treaty below).

Industrial Strategy

Industrial production, a key export component, has recovered from the economic downturn of the late 2000s. After a significant decline in 2009 and 2010, industrial production started to grow moderately in 2011, though only until 2012 when it dropped by 0.8%. In response to unfavorable economic conditions, the Czech government developed a new export strategy to address the damaging impact of an excessive, single-track geographical orientation of trade orientation towards Western Europe, as well as a significant dependence on the engineering industry, including automotive, and heavy and general industrial equipment. While the export strategy still includes traditional export destinations in Western Europe, it focuses on twelve additional so-called priority countries, namely Brazil, China, India, Iraq, Kazakhstan, Mexico, Russia, Serbia, Turkey, Ukraine, the United States, and Vietnam, in addition to another 25 so-called countries of interest. The strategy characterizes chemicals or chemical-technological products as new, promising export commodities.

Limits on Foreign Control

There are no general restrictions on foreign investment. Foreign individuals or entities can operate a business under the same conditions and in the same extent as Czech persons. Some sectors, such as banking, financial services, insurance, media, or trading in military equipment have certain limitations or registration requirements, and foreign entities need to register their permanent branches in the Czech Commercial Register. Some professions, such as architects, physicians, lawyers and tax advisors require membership in the appropriate professional chamber. These licensing and membership requirements apply equally to foreign and domestic investors.

Sector specific restrictions apply to potential foreign investment into the most important international airport in the Czech Republic – the International Václav Havel Prague Airport. According to the act No 69/2010 on Ownership of the Prague – Ruzyně Airport, the airport and all estates belonging to it must be owned only by the Czech state, or by legal entities registered in the Czech Republic, and fully controlled by the Czech state. Not only does the act prevent foreign investment in the airport, it prevents its privatization.

Privatization Program

According to the Ministry of Finance, as a result of several waves of privatization of formerly state-owned companies since 1989, almost 90 percent of the Czech economy is now in private hands. Privatization programs have been generally open to foreign investors. In fact, most major state-owned companies have been privatized with foreign participation. The government evaluates all investment offers for state enterprises. Many complainants have alleged non-transparent or unfair practices in connection with past or planned privatizations.

In early 2013, the Czech government approved the sale of a 44% stake in the national airline, Czech Airlines (CSA), to Korean Air. The Czech government sought a strong, non-European investor who would help CSA to further develop, and to expand the number of CSA flights to overseas destinations. The tender process met EU rules, and the final purchase conditions were subject to approval by the European Commission. The government attempted, unsuccessfully, to privatize the airline in 2009. A local private carrier, Travel Service, acquired an additional 34%stake in CSA. Czech Aeroholding, an umbrella company which includes a national group of companies operating in air transport and related services, holds a minority stake of 19.74%.

Competition Law

The Antimonopoly Office (*Urad pro ochranu hospodarske souteze*) reviews both domestic and international transactions for competition-related concerns, including fair competition, public procurement, and concessions.An Act on the Protection of Economic Competition took effect in 2001, adopting antitrust rules consistent with EU competition policy related to restrictive agreements, abuse of a dominant market position, practices disotring competition, and merger control.

TABLE 1

Measure	**Year**	**Rank or value**	**Website Address**
TI Corruption Perceptions index	2013	(57 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation’s Economic Freedom index	2014	(26 of 178)	http://www.heritage.org/index/ranking
World Bank’s Doing Business Report “Ease of Doing Business”	2013	(75 of 189)	http//doingbusiness.org/rankings
Global Innovation Index	2013	(28 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener

World Bank GNI per capita	2012	USD 18,120	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

The Czech crown is fully convertible. Imports or exports equal to or exceeding 10,000 euros (approximately USD 13,000) in cash, travelers' checks, money orders, securities or commodities of high value (such as precious metals or stones) must be declared at the border.

The Ministry of Finance, Czech National Bank (CNB), regional and local authorities, and state funds administer the foreign exchange market. Foreign exchange authorities, the Ministry of Finance, and the CNB supervise compliance with foreign exchange regulations.

Remittance Policies

All international transfers of investment-related profits and royalties can be carried out freely and without delay.

The U.S.-Czech Bilateral Investment Treaty guarantees repatriation of earnings from U.S. investments. A 15% withholding tax is charged on repatriation of profits from the Czech Republic. This tax is reduced under the terms of applicable double taxation treaties. For instance, under the U.S. treaty, the rate is 5 percent if the U.S. qualifying shareholder is a company controlling more than 10 percent of the Czech entity, and 15 percent in other cases. There are no administrative obstacles for removing capital. The law permits conversion into any currency. The average delay for remitting investment returns meets the international standard of three working days.

Currency Manipulation

Similar to the central banks in most other developed economies, the CNB uses the managed floating exchange rate of the national currency, the Czech crown, and uses monetary policy for other purposes, such as stabilizing employment and prices. In November 2012, the CNB lowered its key interest rate – the two-week repurchase rate – to a record low of 0.05% to address deflationary pressures. After a series of verbal interventions and warnings regarding its readiness to intervene to weaken the Czech crown if inflation dipped below the 1% floor of the inflation target range, the CNB launched a foreign exchange intervention in November 2013. With interest rates at the technical zero point and excess liquidity in the banking sector, the CNB employed the only policy tool left at its disposal to prevent a slide into deflation. The CNB intervened through monetary expansion, placing a large volume of Czech crowns on the open market to weaken the crown´s value to the target exchange rate floor of 27 Czech crowns per 1 euro. The intervention is expected to last until early 2015. The CNB, however, clearly expressed its commitment to strengthen the intervention at any time to prevent the Czech crown from appreciating until inflation is closer to the 3% ceiling of the target band.

3. Expropriation and Compensation

The Embassy is unaware of any expropriation of foreign investment since 1989. Government acquisition of property is done only for public purposes in a non-discriminatory manner, and in full compliance with international law. It is unlikely that any investor losing property due to a governmental action would not receive full compensation.

In 1990 and 1991, the federal government of Czechoslovakia enacted various laws aimed at restitution and compensation to those people whose property was confiscated by the communist regime during the period of 1948-1989. Under the restitution laws, individuals have the right to claim compensation for property taken from them by the communist government. Most claims for restitution of non-agricultural property were due by October 31, 1991, and agricultural property by December 1992. There was an additional open season for claims in 1998, when the condition for permanent residency of claimants was abolished but the deadline for filing these claims was July 8, 1999. In 1994, a law was approved which allowed for restitution or compensation of Jewish private property confiscated by the Nazis in 1939-1945. The deadline for filing claims was January 1, 1995. In 2000, another law to alleviate some of the property damages suffered during the Holocaust entered into force. It amended the restitution laws allowing the state to return to entitled Jewish communities and individuals, subject to certain conditions, communal Jewish property, private works of art and land illegally seized by the Nazis. While the claims deadline for land expired in 2001, claims for art can be filed indefinitely.

The Act on Church Restitution adopted in November 2012 is the final stage of the restitution process in the Czech Republic. According to the law, about 273,000 hectares of arable land and forests confiscated by the Communist regime in 1948-1989 that are in state possession shall be returned to churches. While the deadline for filing claims was December 31, 2013 and the official timeline for processing claims is 6 months, it will take much longer before all claims are settled. Many institutions are not willing to return property claimed by churches so churches will have to turn to the courts to prove their claim.

Potential investors should first ensure they have clear title to all land and property associated with potential projects. The process of tracing the history of property and land acquisition can be complex and time-consuming, but it is necessary to ensure clear title. Title insurance is still a relatively new concept in the Czech Republic. Investors participating in privatization of state-owned companies are protected from restitution claims through a binding contract signed with the government.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Czech commercial code and civil code are largely based on the German legal system. The commercial code details rules pertaining to legal entities and is analogous to corporate law in the United States. The civil code deals primarily with contractual relationships among parties. When the Czech Republic was formed in 1993, the new Czech government maintained the previous commercial and civil codes. The laws have been extensively amended since then, but gray areas remain. The judiciary is independent, but decisions may vary from court to court.

Bankruptcy The 2007 bankruptcy law addressed important structural impediments such as the slow and uneven performance of the courts, weakness of creditors' legal standing, and the lack of provisions for corporate restructuring. According to local legal experts, the law shortened court proceedings and made them much more transparent, gave a stronger position to creditors, and incorporated some elements designed to increase efficiency.

Investment Disputes

The Czech Republic in 1993 ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. The U.S.-Czech Bilateral Investment Treaty provides for international arbitration of investment disputes with the state.

International Arbitration

The Czech Republic has ratified the New York Convention on the Recognition and Enforcement of Arbitral Awards. As a signatory to the latter convention, it is required to uphold binding arbitration awards in disputes between Czech and foreign parties. However, arbitration of disputes between two Czech corporations outside the Czech Republic is not permitted, even if the owners are foreign. Applications for enforcement of foreign judgments can be made to the Czech courts and are determined in accordance with a bilateral recognition treaty or, if such a treaty does not exist, in a manner otherwise consistent with Czech law. Judgments rendered in other EU countries are enforceable in accordance with applicable EU regulations.

Duration of Dispute Resolution

Legal proceedings for commercial disputes can last six years or longer for the most complex cases involving multiple appeals. However, many cases reportedly are resolved within one to three years.

5. Performance Requirements and Investment Incentives

Investment Protection

The Czech Republic is a member of the Multilateral Investment Guarantee Agency (MIGA), an international organization for protection of investments, which is part of the World

Bank-IMF group. The Czech Republic has signed a number of bilateral treaties supporting and protecting foreign investments, including treaties with the United States, Germany, the United

Kingdom, France, Austria, Switzerland, Italy, Belgium, Luxembourg, the Netherlands,

Finland, Norway, Denmark, and China. The Czech Republic has also signed numerous bilateral agreements to avoid double taxation.

Investment Incentives

The Czech Republic provides several aid programs targeting various areas of business. These programs, available to both Czech and foreign investors, are financed from EU structural funds – the operational program Enterprise and Innovation and the operational program Human Resources and Employment, in addition to the Czech Republic's national sources provided by way of investment incentives.

Legislation effective from July 2012 expanded the group of sectors supported by incentives. The Czech Republic now offers incentives to foreign and domestic firms that invest in the manufacturing sector , technology and strategic service centers (including research and development centers), and business support service centers in software development, shared services and high-tech repairs. Standard incentive package includes relief from corporate income taxes for up to ten years, job-creation grants, re-training grants, and opportunities to obtain low-cost land. Financial grants for job-creation and/or re-training are provided to those firms operating in regions where the annual unemployment rate exceeds the national average by at least 50 percent. Strategic investments in the manufacturing or technology sectors, are eligible for potential cash grants on capital investment for up to 5% of declared cost, with a maximum of 75 million dollars (for investments in the manufacturing sector), or USD 25 million (for technology center-related investments).

For more information contact CzechInvest, at incentives@czechinvest.org, or www.czechinvest.org.

Research and Development

Over the past fifteen years, the Czech Republic's expenditure on R&D has increased from 0.95% of GDP to 1.86% (2011), making the Czech Republic a regional R&D leader. After the entry of the Czech Republic into the EU, the inflow of structural funds into the R&D sector accelerated the development of new science and technology parks. These include the **Central European** Institute of Technology in Brno, focusing on life sciences and advanced materials and technologies; the International Clinic Research Centre in Brno which is focused on cardiovascular and neurological diseases; the IT4Innovations in Ostrava, a super computer facility combining IT research and applications; and two science parks located close to the capital of Prague – the Biotechnology and Biomedicine Centre and the Extreme Light Infrastructure (ELI) Beamlines. ELI Beamlines is a high-powered laser system which will support cutting-edge research and innovations in medicine, biology, physics, and material sciences. The Lawrence Livermore National Laboratory in California will provide the Czech Academy of Sciences (Institute of Physics) with the initial laser for about $46 million, but the total project cost is listed at $340 million.

6. Right to Private Ownership and Establishment

As of early 2012, U.S. and other non-EU nationals can purchase real property, including agricultural land, in the Czech Republic without restrictions. Czech legal entities, including 100 % foreign-owned subsidiaries, may own real estate without any limitations. The right of foreign and domestic private entities to establish and own business enterprises is guaranteed by law in the Czech Republic. Enterprises are permitted to engage in any legal activity with the previously noted limitations in some sensitive sectors. Laws on auditing, accounting and bankruptcy are in force. These laws include the use of international accounting standards (IAS) for consolidated corporate groups.

7. Protection of Property Rights

Existing legislation guarantees protection of all forms of property rights, both intellectual and physical. Secured interests in land (mortgages) and in personal property are permitted. Government subsidy programs are making mortgage financing more accessible, and consumers are becoming more accustomed to using both secured and unsecured forms of credit.

Real estate (land and buildings) located in the Czech Republic must be registered in the Cadastral Register, which is maintained by the Cadastral Office. The Cadastral Register is the primary source of information on real estate (including related encumbrances, easements or liens). The Cadastral Register, containing information on plots of land and buildings, housing units and non-residential premises, is publicly available and information on a particular real estate can be obtained in the form of written extract from the Cadastral Register. Transfer of an ownership title to real estate (e.g., sale and purchase agreement) is effective from a date of an execution of a written agreement and registration of the transfer of the ownership title in the Cadastral Register. The Czech Republic is ranked 37 for ease of "registering property" in the 2013 World Bank´s Doing Business Report.

Real Property

As of January 2014, the Czech Republic adopted a new Civil Code reestablishing existing principles of civil law, and introducing completely new legal concepts, especially with respect to real estate. The Commercial Code, a key piece of legislation covering commercial and business issues, was abolished on December 31, 2013. Its agenda is newly covered by two independent laws, a newly introduced Act on Commercial Corporations (covering the agenda of an operation of business entities and co-operative groups), and by updated Civil Code. Detailed provisions for mergers and time limits on decisions by the authorities on registering of companies are covered, as well as protection of creditors and minority shareholders.

About 3.5% of the total area of arable land and forests is subject to the November 2012 Act on Church Restitution. Several churches filed restitution claims until the Dec 31, 2013 deadline, and many of these claims will lead to clear title for this property in the near future.

Intellectual Property Rights

The Czech Republic is a signatory to the Bern, Paris, and Universal Copyright Conventions. In 2001, the government ratified the World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Treaty on Performances and Phonograms. Domestic legislation protects all intellectual property rights, including patents, copyrights, trademarks, industrial designs, and utility models. Amendments to the trademark law and the copyright law have brought Czech law into compliance with relevant EU directives and WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) requirements. The civil procedure code provides for *ex parte* search and seizure in enforcement actions. Literary works enjoy copyright protection for from 50 to 70 years. The customs service and the Czech Commercial Inspection have legal authority to seize counterfeit goods. A 2006 amendment to the Law on Civil Procedure made ex-parte search more accurate, clearer and easier to apply and enforce. The amendment also made it easier to define and recover losses caused to owners by piracy. The Criminal Code which came into effect January 1, 2010, increased maximum penalties for trademark, industrial rights and copyright violations from two to eight years.

Intellectual property rights (IPR) violations at markets on the borders of Germany and Austria were once an issue of greater concern, but since 2008, Czech authorities have made substantial efforts against physical markets and have adopted an acceptable legal framework for IPR protection. In recognition of this fact, USTR removed the Czech Republic from the Special 301 Watch List in 2011. While online piracy is a growing concern, the legal framework for IPR protection has been tested and proven successful in punishing infringers. The Embassy will continue to work with U.S. industry and Czech government officials to strengthen enforcement of intellectual property rights.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/**.**

Resources for Rights Holders:

The Embassy POC covering the IPR issues in the Czech Republic:

- **Steven R. Butler (after July 1 – Marko Velikonja)**
- **Senior Economic Officer**
- **+420 257 022 000**

Country/Economy resources:

American Chamber of Commerce (**AmCham**), address: Dušní 10, Prague 1, Postal Code: 110 00, phone: +420 222 329 430, fax: +420 222 329 433, http://www.amcham.cz/

Association for Foreign Investment, address: Stepanska 11, Prague 2, Postal Code: 120 00, phone: +420 224 911 750-1, http://afi.cz/

CzechInvest, the Investment and Business Development Agency, address: Štěpánská 15, Prague 2, Postal Code: 120 00, phone: +420 296 342 500, fax: +420 296 342 502, www.czechinvest.org

Czech Chamber of Commerce, address: Freyova 27, Prague 9, Postal Code: 190 00, phone: +420 266 721 300, fax: +420 266 721 532, http://www.komoracz.eu/

Ministry of Industry and Trade of the Czech Republic, address: Na Františku 32, Prague 1, Postal Code: 110 15, phone: +420 224 851 111, fax: +420 224 811 089, www.mpo.cz

Commercial Register, address: Vyšehradská 16, Prague 2, Postal Code: 128 10, phone: +420 221 997 111, fax: +420 224 919 927, www.justice.cz

Trade Register, www.rzp.cz

Ministry of Finance of the Czech Republic, address: Letenská 15, Prague 1, Postal Code: 118 10, phone: +420 257 041 111, www.mfcr.cz

Czech National Bank, postal address: Na Příkopě 28, Prague 1, Postal Code: 115 03, phone: +420 224 411 111, fax: +420 412 404, filing room address: Senovážná 3, Prague 1, Postal Code: 115 03, www.cnb.cz

Ministry of Foreign Affairs of the Czech Republic, Doing Business Guide including contact information for investors: https://www.mzv.cz/beijing/cz/obchod_a_ekonomika/kdo_jsme_a_kde_nas_najdete/all_you_have_to_know_about_doing/index.html

8. Transparency of the Regulatory System

Tax, labor, environment, health and safety, and other laws generally do not distort or impede investment. Policy frameworks are consistent with a market economy. All laws and regulations are published before they enter into force. Opportunities for prior consultation on pending regulations exist, and all interested parties, including foreign entities, can participate. A biannual governmental plan of legislative and non-legislative work is available on the Internet, along with information on draft laws and regulations (often only in the Czech language). Business associations, consumer groups and other non-governmental organizations, including the American Chamber of Commerce, can submit comments on laws and regulations.

A 2014 OECD Country Economic Survey notes that, since joining the EU, the Czech Republic has made progress in improving its inconsistent competition policy and removing bureaucratic barriers that inhibit competition. The competition framework is on par with OECD best practices, but successful prosecution of cartels has rarely happened. The OECD survey is available at: http://www.oecd.org/czech/economic-survey-czech-republic.htm.

9. Efficient Capital Markets and Portfolio Investment

Money and Banking System, Hostile Takeovers

All large domestic banks belong to major European banking groups. Most operate conservatively and concentrate almost exclusively on the domestic Czech market. As a result, Czech banks remained relatively healthy throughout recent global financial crises. Results of regular banking sector stress tests repeatedly confirm outstanding form of the Czech banking sector, presenting a capital adequacy ratio exceeding 17%, and its sufficient resistance to potential shocks. As of February 28, 2014, the total assets of commercial banks stood at Czech crowns (CZK) 5.26 trillion (approximately USD 268 billion) according to the Czech National Bank (CNB). Foreign investors have access to bank credit on the local market, and credit is generally allocated on market terms. Domestic household borrowing in foreign currencies is negligible. In 2002, banks established a mechanism for sharing credit histories of borrowers.

The issue of hostile takeovers is covered by the EU Directive 2004/25/EC on Takeover Bids. The copy of this document is available at:

http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2004:142:0012:0023:EN:PDF

The Prague Stock Exchange (PSE) is small, with only 14 companies listed. The overall trade volume of stocks dropped from CZK 250.6 billion (USD 12.8 billion) in 2012 to CZK 174.7 billion (USD 8.9 billion) in 2013, with an average daily trading volume of CZK 699 million (USD 35.7 million). The PSE index (PX) weakened by 4.78 percent in 2013, contrary to index movements recorded on the European and world stock markets. The PX development trend reflected lower activity on the PSE which weakened by 0.6 percent in 2013, regardless the record high dividend per share paid (5.2%), significantly exceeding dividend yields gained on competing western stock markets.

In March 2007, the PSE created the Prague Energy Exchange (PXE) to trade electricity in the Czech Republic and Slovakia and, later, Hungary. (The Exchange's official name now is "Power Exchange Central Europe.") PXE's goal is to increase liquidity in the electricity market and create a standardized platform for trading energy.

In 1998 the government created a Securities and Exchange Commission to function as a capital market watchdog. The Commission has made important strides in establishing a regulatory framework for Czech capital markets and enforcing new rules. A new securities law was adopted in 2001 to improve regulation of brokers and dealers. In 2006, supervision over banks, capital markets, insurance houses and pension funds were combined under the umbrella of the Czech National Bank http://www.cnb.cz/en/index.html. This subsequently abolished the SEC.

10. Competition from State-Owned Enterprises

In general, SOEs act in accordance with the OECD Guidelines on Corporate Governance for SOEs. Issues of potentially conflicting interests are covered by existing Act No 159/2006 on Conflict of Interests. Proposed legislation on civil service sets measures preventing political influence over public administration, including operation of SOEs.

Private enterprises are generally allowed to compete with public enterprises under the same terms and conditions with respect to access to markets, credit, government contracts and other business operations, although there are frequent accusations that large domestic companies – including both SOEs and private firms – use their political clout and connections to gain unfair advantage. SOEs are subject to the same domestic accounting standards, rules and taxation policies as their private competitors. State-owned or majority state-owned companies are present in several (strategic) fields, including the energy, postal service, information & communication, and transport sectors. The Czech state also owns interests in two small banks, and in an insurance house. One of the banks and the insurance house are specialized in export financing; their services are available to both private sector and SOEs, under equal business conditions.

SOEs are usually structured as joint-stock companies, the corporate form most widely used in the Czech business sector for operation of business involving large investments. SOEs do not report directly to ministries but are managed by a Board of Directors (statutory body) and a Supervisory Board that generally include representatives of both the government and private sector. Like privately owned joint-stock companies, the SOEs are fully responsible for their obligations towards third parties though shareholders are not personally liable for company´s obligations. SOEs are required by law to publish an annual report and provide their accounting books, corresponding to international accounting standards (IAS) that require an independent audit for consolidated corporate groups.

Private enterprises and SOEs carry out procurement in accordance with the Act on Public Procurement No 137/2006 (http://www.portal-vz.cz/getmedia/f93961f9-8ea1-41dc-852f-154e657e791e/137-2012-AJ-KZ-_2) which is fully harmonized with the existing EU Directive No 2004/18 on Public Procurement. In harmony with the long-term efforts to secure single rules for public procurement purposes, the EU has recently adopted a reform of the public procurement policy. This includes a package of three proposals on public procurement directives, approved by the European Parliament on January 15, 2014. If they receive European Council approval, the new directives should take effect in Czech legislation within two years.

A list of state-owned or majority state-owned companies is available at: http://www.mfcr.cz/cs/verejny-sektor/hospodareni/majetek-statu/2014/akciove-spolecnosti-ovladane-cr-mf-16422.

The government does not interfere in control over private companies, nor does it operate any formally private enterprises. Legally, foreign and domestic investors are treated identically.

Sector specific restrictions apply to potential foreign investment in the Prague's International Václav Havel Airport. More information is available in Section 1 of this report.

11. Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a burgeoning concept in the Czech Republic. The emphasis on CSR is mainly driven by private companies, especially by international corporations with a local presence in the Czech Republic. These large companies are utilizing their knowledge, skills, and models from abroad, without encouragement from local public administration. In order to keep pace, Czech companies develop their CSR programs as well, generally motivated either by their effort to run a sustainable business or for the public relations dividends.

Public administration is slowly starting to grasp CSR. The Ministry of Industry and Trade is finalizing a National Action Plan for CSR, in coordination with NGOs and private companies with significant CSR programs. Companies are not required to publicly disclose information about their CSR activities; however, they gladly promote their efforts, for example by applying for prestigious CSR awards. Various local NGOs monitor and advise CSR programs, such as the Business Leaders Forum, Business for Society, the CSR Association, and the CSR Committee of the American Chamber of Commerce. Business for Society gives annual CSR awards to the "Top Responsible Company" in order to increase public awareness about CSR, promote and reward excellent CSR achievements, and to encourage entrepreneurship. The private sector competes for prizes in 13 various categories and the event enjoys great media attention.

OECD Guidelines for Multinational Enterprises

The Czech Republic adheres to the OECD Guidelines for Multinational Enterprises, ensured by the Director of Multilateral and Common Trade Policy Department at the Ministry of Industry and Trade.

12. Political Violence

The risk of political violence in the Czech Republic is extremely low. Two historic political changes – the "Velvet Revolution," which ended the communist era in 1989, and the division of Czechoslovakia into the Czech Republic and Slovakia in 1993 – occurred without loss of life or significant violence.

13. Corruption

Current law criminalizes both giving and receiving bribes, regardless of the perpetrator's nationality. Prison sentences for bribery or abuse of power can be as high as twelve years for officials, and police investigate bribery with tools such as wiretapping. Corruption of public officials is prosecuted on the regional level to ensure that prosecutors have specialized knowledge and avoid bias. The special Organized Crime Police Unit (UOOZ) and the Unit for Combating Corruption and Serious Financial Criminality are primarily responsible for investigating high-level corruption cases. Bribes are not tax deductible, and all anti-corruption laws apply equally to Czech and foreign investors. Criminal procedure law allows for the seizure of criminal proceeds paid or transferred to family members of corrupt officials, though their prosecutions depend on evidence.

Although the former government of Petr Necas listed the fight against corruption as its main priority, it made only limited improvements. In 2013, the government canceled the lifetime immunity of politicians, abolished anonymous bearer shares, and abandoned the practice of "losovacka" (lottery), which had allowed the government to limit the number of bidders in public procurements by drawing lots. The Necas government, however, collapsed in the wake of its own corruption scandal in June 2013.

In October 2013, the caretaker cabinet of Prime Minister Jiri Rusnok approved an anti-corruption program that applies to all governmental departments and offices that went into effect immediately. Government agencies had three months to bring themselves into compliance with the program, which included the introduction of internal codes of conduct. However, the lack of a Civil Service Act makes it difficult to enforce such codes, and impedes protection of whistleblowers and civil servants from political pressure. Many international companies have effective internal controls, ethics, and compliance programs in place to detect and prevent bribery.

Despite the anti-corruption efforts of NGOs and other concerned stakeholders, inadequate legislation on financial disclosure, weak campaign finance rules, and limited funding for investigations continues to limit the ability of authorities to root out corruption.

A law introducing criminal liability for legal entities came into effect on January 1, 2012. The government ratified the OECD anti-bribery convention in January 2000 and the UN Convention Against Corruption (UNCAC) in January 2014. According to Transparency International (TI) reports, there is little or no enforcement of the OECD convention in the Czech Republic. TI cites insufficient definition of foreign bribery offenses, jurisdictional limitations, lack of coordination between investigation and enforcement entities, inadequate whistleblower protection, and lack of awareness as the causes for this lack of enforcement.

The Czech Republic became a member of the Open Government Partnership in 2011, and in 2012 approved an Action Plan including the adoption of an Act on Civil Servants, which was supposed to lead to a system allowing freer access to information and publication of data. Yet due to the 2013 collapse of the Necas Government, none of the goals have been fulfilled.

In 2013 a new anti-corruption initiative called Reconstruction of the State was launched. This platform of 20 locally-renowned anti-corruption organizations, headed by Transparency International, Frank Bold, and Oživení, works towards strong anti-corruption reform in the Czech Republic and at the adoption of eight new pieces of anti-corruption legislation.

Despite widespread concern about corruption, U.S. companies have not been significantly deterred from investing in the Czech Republic. The most common allegations of corruption relate to public procurement and external pressures on the judiciary. An April 2012 procurement reform law lowered the threshold for application of procurement rules to contracts valued at one million Czech crowns ($50,000) for services and three million crowns ($150,000) for construction, though the Senate later amended it by raising the threshold to its previous higher level. The law requires more than one bidder for all procurements and mandates that the tender be published. The law also requires bidders to disclose more of their ownership structure in the bidding process, but it contains some exceptions to that obligation. American businesses have also cited inconsistent competition policies as an investment obstacle.

14. Bilateral Investment Agreements

Several dozen countries have signed and ratified investment agreements with the Czech Republic, and some are in the process of ratification. The Czech Republic has chosen to abrogate several treaties. The full list of agreements, including ratification dates, can be found on the Ministry of Finance website: http://www.mfcr.cz/cs/legislativa/prehled-platnych-dohod/2013/prehled-platnych-dohod-o-podpore-2012-7155

Formal discussions to renegotiate the Bilateral Investment Treaty (BIT) with the United States began in September 2011 at the request of the Czech government, and these negotiations continue. The former government of Czechoslovakia signed the original BIT with the United States in 1992, and the Czech Republic adopted this treaty in 1993, after the split with Slovakia. The Czechs amended the treaty in 2003 following negotiations with the European Commission about conflicts within the EU *acquis communautaire*. A bilateral U.S.-Czech Convention on Avoidance of Double Taxation has been in force since 1993. In 2007 the U.S. and Czech governments signed a bilateral Totalization Agreement that exempts Americans working in the Czech Republic from paying into both the Czech and U.S. social security systems. The agreement entered into force on January 1, 2009. In 2013 the U.S. and Czech governments signed a Supplementary Totalization Agreement amending the original agreement to reflect new Czech legislation on health insurance.

15. OPIC and Other Investment Insurance Programs

Finance programs of the Overseas Private Investment Corporation (OPIC), including investment insurance, have been available in the Czech Republic since 1991. Investors are urged to contact OPIC's offices in Washington directly for up-to-date information regarding availability of services and eligibility. The OPIC Info Line (202) 336-8799 offers general information 24 hours a day. Application forms and detailed information may be obtained from OPIC, 1100 New York Avenue, NW, Washington D.C. 20527. The Czech Republic is a member of the Multilateral Investment Guarantee Agency (MIGA).

16. Labor

The wide availability in the Czech Republic of an educated, relatively low-cost labor force on the doorstep of Western Europe has been a major attraction for foreign investors. While the wage gap continues to narrow, the income convergence process was slowed due to the recession. According to the Czech Statistical Office in November 2013, 55.4 % of Czechs from age 15-64 were employed, and the general unemployment rate was 6.7 percent. According to Eurostat, this is the fifth lowest unemployment rate in the EU. However, unemployment rates vary significantly between regions. The unemployment rate was lowest in Prague (5.1 percent) and highest in the northwestern region of Ústí nad Labem (11.5 percent).

Czech law guarantees workers' rights to form and join independent unions of their choice without authorization or excessive requirements. It permits them to conduct their activities without interference. The right to freely associate covers both citizens and foreign workers. The law also provides for collective bargaining. It prohibits anti-union discrimination and does not recognize union activity as a valid reason for dismissal. Workers in most occupations have the legal right to strike if mediation efforts fail, and they generally exercise this right.

Strikes can be restricted or prohibited in essential service sectors such as hospitals, electricity/water supply services, air traffic control, the nuclear energy sector, and oil /natural gas sectors. Members of the armed forces, prosecutors, and judges may not form trade unions or strike. The scope for collective bargaining is limited for civil servants, whose wages are regulated by law. Only trade unions may legally represent workers, including non-members.

The minimum age for employment is 15. Employment of children between the ages of 15 and 18 is subject to strict standards of safety, limitations on hours of work, and the requirement that work not interfere with education. Infringement of child labor rules is subject to fines up $100,000. The State Bureau for Labor Inspections (SBLI) effectively enforced these regulations. The SBLI has not reported any recent cases of child labor law violations.

The law provides for a 40-hour workweek, two days of rest per week, and a break of at least 30 minutes during a standard eight-hour workday. Employees are entitled to at least 20 days of paid annual leave. Employers may require up to eight hours per week of overtime to meet increased demand but not more than 150 hours of overtime in a calendar year. Additional overtime is subject to employee consent. The provisions of the labor code govern premium pay for overtime, which is equal to at least 125 percent of the average earnings.

The Ministry of Labor and Social Affairs establishes and enforces minimum wage standards. During the year the national minimum wage increased from $400 to $430 per month. By comparison, the "minimum subsistence cost," defined as the minimum amount needed to satisfy the basic needs of a working-age adult for a month, was $110. Enforcement of the minimum wage was one of the primary objectives of SBLI inspections.

The government sets occupational health and safety standards. The labor code obliges an employer to provide safety and health protection in the workplace, maintain a safe and healthy work environment, and prevent health and safety risks.

17. Foreign Trade Zones/Free Ports

Both Czech and EU laws permit foreign investors involved in joint ventures to take advantage of commercial or industrial customs-free zones into which goods may be imported and later exported without depositing customs duty. Free zone treatment applies to both non-Community and Community goods, and duties need to be paid only in the event that the goods brought into the free zone are introduced into the local economy. However, since the Czech Republic has been part of the single customs territory of the European Community, and offers various exemptions on customs tariffs, the use of these 11 free-trade zones has declined.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Czech Statistical Office	Eurostat	World Bank

Economic Data	Year	Amount	Year	Amount	
Czech Republic Gross Domestic Product (GDP) (***Billions*** *U.S. Dollars)*	2013	198.5	2013	198.5	2012: 196.4
Foreign Direct Investment	Czech National Bank (CNB)		Eurostat		Bureau of Economic Analysis, U.S. Department of Commerce
U.S. FDI in Czech Republic (*Millions U.S. Dollars, stock positions)*	2012	4,561.6	2012	4,444	2012: 6,389
Czech Republic's FDI in the United States (*Millions U.S. Dollars, stock positions)*	2012	42.9	2012	41.8	2012: 2*
Total inbound stock of FDI as % host GDP	2.51%	2013	5.4%	2012	World Bank, 2012: 5.4%

As a member of the European Union (EU), the Czech Republic is obliged to submit its national statistical data to EU´s central statistical body, Eurostat: http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/

Statistical data provided by the Czech Statistical Office (the national central statistic body: http://www.czso.cz/eng/redakce.nsf/i/home) and by the Czech National Bank (the national central bank: http://www.cnb.cz/en/index.html) therefore generally match the statistics by Eurostat. Minor discrepancies between the CNB and Eurostat data can be attributed to the exchange rates used. *The Department of Commerce Data likely differs from the host country's data because it takes into account that many Czech parent companies or Czech foreign affiliates of foreign parent companies are in a net liability position toward their U.S. affiliates.

TABLE 3: Sources and Destination of FDI

Czech Republic, 2012

Direct Investment from/in Counterpart Economy Data	
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*	
Inward Direct Investment	**Outward Direct Investment**

Total Inward	136,054	100%	Total Outward	16,834	100%
Netherlands	39,581	29%	Netherlands	8,446	50%
Germany	19,206	14%	Slovak Republic	2,234	13%
Austria	17,648	13%	Cyprus	1,886	11%
Luxembourg	8,045	6%	Ireland	1,176	7%
France	6,752	5%	Bulgaria	740	4%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: http://cdis.imf.org

The FDI statistics by the IMF are consistent with statistics by the Czech National Bank. Minor discrepancies should be attributed to the exchange rates used.

The top five sources and destinations for Czech inward and outward FDI are fellow EU member states that are already closely linked with the Czech Republic in trade relations. The predominant majority of both inward and outward direct investment flows to/from the Netherlands. In the early 1990s, the Netherlands has become a popular seat for domestic and foreign corporate businesses active in the Czech Republic. In earlier times, the main rationale for registering a business in the Netherlands related to the favorable corporate income taxes there, stimulating rapid development of offshore corporate structures in the Czech Republic. While the tax haven effect has dissipated (corporate income tax in the Czech Republic and Netherlands are nearly equal), Netherlands remains a popular country for large corporations because of a traditional and developed business ambiance, and its law enforcement rigor. Luxembourg attracts Czech businesses for the same reason. In 2013, 4,500 out of 12,000 Czech companies registered abroad resided in the Netherlands.

Among the other FDI partner countries, Cyprus offers the lowest level of corporate income tax in the EU (10%), and an exemption from tax on dividends. Nevertheless, all corporations are legally required to submit accounting books for an independent audit.

TABLE 4: Sources of Portfolio Investment

Czech Republic, 2012

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
World	25,767	100%	World	10,359	100%	World	15,409	100%

Slovak Republic	3,567	14%	Luxembourg	2,735	26%	Slovak Republic	3,290	21%
Luxembourg	3,411	13%	Belgium	1,805	17%	Netherlands	2,147	14%
Austria	3,219	12%	Austria	1,592	15%	Austria	1,628	11%
Netherlands	2,328	9%	United States	905	9%	United States	1,024	7%
Belgium	2,120	8%	Ireland	438	4%	Poland	930	6%

Source: http://cpis.imf.org

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chiefs of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

in 2014, a new civil code will replace the existing civil law system, which is based on former Austro-Hungarian civil codes and socialist theory and has been amended 40 times since the Communist regime fell in 1989

International organization participation:

Australia Group, BIS, BSEC (observer), CD, CE, CEI, CERN, EAPC, EBRD, EIB, ESA, EU, FAO, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IEA, IFC, IFRCS, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, MONUSCO, NATO, NEA, NSG, OAS (observer), OECD, OIF (observer), OPCW, OSCE, PCA, Schengen Convention, SELEC (observer), UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO, ZC

Section 6 - Tax

Exchange control

The Foreign Exchange Act allows the Czech currency to be used freely to pay for business and other costs, for direct investment and reinvestment, and for purchase of real estate property abroad. Also, the acceptance of financial loans from non-residents is now legal.

Capital transfers have been deregulated but the reporting duty has been retained. Non-residents may use funds deposited in their accounts denominated in Czech or foreign currencies for transfers to and from abroad, providing the reporting duty is observed.

A licence is required for a financial service business. Sales of foreign currency and gold are permitted where one of the parties is an entity holding a licence or foreign currency permit.

Treaty and non-treaty withholding tax rates

Czech Republic has signed **93 agreements** (**84 DTC** and **9 TIEA** agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Albania	DTC	22 Jun 1995	10 Sep 1996	Unreviewed	No
Andorra	TIEA	11 Jun 2013	not yet in force	Unreviewed	Yes
Armenia	DTC	6 Jul 2008	15 Jul 2009	Unreviewed	Yes
Australia	DTC	28 Mar 1995	27 Nov 1995	Yes	No
Australia	DTC Protocol	9 Mar 2012	not yet in force	Yes	Yes
Austria	DTC	8 Jun 2006	22 Mar 2007	Yes	Yes
Azerbaijan	DTC	24 Nov 2005	16 Jun 2006	Unreviewed	No
Bahrain	DTC	24 May 2011	10 Apr 2012	Yes	Yes
Barbados	DTC	26 Oct 2011	6 Jun 2012	Yes	Yes
Belarus	DTC	14 Oct 1996	15 Jan 1998	Unreviewed	Yes
Belgium	DTC	16 Dec 1996	24 Jul 2000	Yes	No
Belgium	DTC Protocol	15 Mar 2010	not yet in force	Yes	Yes
Bermuda	TIEA	28 Jul 2011	not yet in force	Yes	Yes
Bosnia and Herzegovina	DTC	20 Nov 2007	12 May 2010	Unreviewed	No
Brazil	DTC	26 Aug 1986	14 Nov 1990	No	No
Bulgaria	DTC	9 Apr 1998	2 Jul 1999	Unreviewed	No
Canada	DTC	25 May 2001	28 May 2002	Yes	No
Cayman Islands	TIEA	9 Nov 2012	20 Sep 2013	Yes	Yes
China	DTC	28 Aug 2009	4 May 2011	Yes	Yes

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Colombia	DTC	22 Mar 2012	not yet in force	Unreviewed	Yes
Croatia	DTC	22 Jan 1999	28 Dec 1999	Unreviewed	Yes
Cyprus	DTC	28 Apr 2009	26 Nov 2009	Yes	No
Denmark	DTC	25 Aug 2011	17 Dec 2012	Yes	Yes
Estonia	DTC	24 Oct 1994	26 May 1995	Yes	No
Ethiopia	DTC	25 Jul 2007	30 May 2008	Unreviewed	No
Finland	DTC	2 Dec 1994	12 Dec 1995	Yes	No
Former Yugoslav Republic of Macedonia	DTC	21 Jun 2001	17 Jun 2002	Yes	No
France	DTC	28 Apr 2003	1 Jul 2005	Yes	No
Georgia	DTC	23 May 2006	4 May 2007	Unreviewed	No
Germany	DTC	19 Dec 1980	17 Nov 1983	Yes	No
Greece	DTC	23 Oct 1986	23 May 1989	Yes	No
Guernsey	TIEA	15 Sep 2011	9 Jul 2012	Yes	Yes
Hong Kong, China	DTC	6 Jun 2011	24 Jan 2012	Yes	Yes
Hungary	DTC	14 Jan 1993	27 Dec 1994	Yes	No
Iceland	DTC	18 Jan 2000	28 Dec 2000	Yes	No
India	DTC	1 Oct 1998	27 Sep 1999	Yes	No
Indonesia	DTC	4 Oct 1994	26 Jan 1996	Yes	No
Ireland	DTC	14 Nov 1995	21 Apr 1996	Yes	No
Isle of Man	TIEA	18 Jul 2011	18 May 2012	Yes	Yes
Israel	DTC	6 Dec 1993	23 Dec 1994	Yes	No
Italy	DTC	5 May 1981	26 Jun 1984	Yes	No
Japan	DTC	11 Oct 1977	25 Nov 1978	Yes	No
Jersey	TIEA	12 Jul 2011	16 Mar 2012	Yes	Yes
Jordan	DTC	10 Apr 2006	7 Nov 2007	Unreviewed	No
Kazakhstan	DTC	9 Apr 1998	29 Oct 1999	Unreviewed	No
Korea, Democratic People's Republic of	DTC	2 Mar 2004	7 Dec 2005	Unreviewed	No
Korea, Republic of	DTC	27 Apr 1992	3 Mar 1995	Yes	No
Kuwait	DTC	5 Jun 2001	3 Mar 2005	Unreviewed	No
Latvia	DTC	25 Oct 1994	22 May 1995	Unreviewed	No
Lebanon	DTC	28 Aug 1997	24 Jan 2000	No	No
Lithuania	DTC	27 Oct 1994	8 Aug 1995	Yes	No
Luxembourg	DTC	5 Mar 2013	not yet in force	Yes	Yes
Luxembourg	DTC	18 Mar 1991	30 Dec 1992	No	No
Malaysia	DTC	8 Mar 1996	9 Mar 1998	No	No
Malta	DTC	21 Jun 1996	6 Jun 1997	Yes	No
Mexico	DTC	4 Apr 2002	27 Dec 2002	Yes	No
Moldova, Republic of	DTC	12 May 1999	26 Apr 2000	Unreviewed	No
Mongolia	DTC	27 Jan 1997	22 Jun 1998	Unreviewed	No
Montenegro	DTC	11 Nov 2004	27 Jun 2005	Unreviewed	No
Morocco	DTC	11 Jun 2001	27 Dec 2002	Unreviewed	No
Netherlands	DTC	4 Mar 1974	5 Nov 1974	Yes	Yes
New Zealand	DTC	26 Oct 2007	29 Aug 2008	Yes	Yes
Nigeria	DTC	31 Aug 1989	2 Dec 1990	Yes	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Norway	DTC	19 Oct 2004	9 Sep 2005	Yes	Yes
Panama	DTC	4 Jul 2012	not yet in force	Unreviewed	Yes
Philippines	DTC	13 Nov 2000	23 Sep 2003	Yes	No
Poland	DTC	13 Sep 2011	11 Jun 2012	Yes	Yes
Portugal	DTC	24 May 1994	1 Oct 1997	Yes	No
Romania	DTC	8 Nov 1993	11 Aug 1994	Unreviewed	No
Russian Federation	DTC	17 Nov 1995	18 Jul 1997	Yes	Yes
San Marino	TIEA	25 Nov 2011	6 Sep 2012	No	Yes
Saudi Arabia	DTC	25 Apr 2012	not yet in force	Unreviewed	Yes
Serbia	DTC	11 Nov 2004	27 Jun 2005	Unreviewed	Yes
Singapore	DTC	21 Nov 1997	21 Aug 1998	No	No
Sint Maarten	TIEA	27 Oct 2012	not yet in force	Yes	Yes
Slovakia	DTC	26 Mar 2002	14 Jul 2003	Yes	No
Slovenia	DTC	13 Jun 1997	28 Apr 1998	Yes	No
South Africa	DTC	11 Nov 1996	3 Dec 1997	Yes	No
Spain	DTC	8 May 1980	5 Jun 1981	Yes	No
Sri Lanka	DTC	26 Jun 1978	19 Jun 1979	No	No
Sweden	DTC	16 Feb 1979	8 Oct 1980	Yes	No
Switzerland	DTC	4 Dec 1995	23 Oct 1996	No	No
Switzerland	DTC Protocol	11 Sep 2012	not yet in force	Unreviewed	Yes
Syrian Arab Republic	DTC	17 May 2008	12 Nov 2009	Unreviewed	No
Tajikistan	DTC	7 Nov 2006	19 Oct 2007	Unreviewed	No
Thailand	DTC	12 Feb 1994	14 Aug 1995	Unreviewed	No
Tunisia	DTC	14 Mar 1990	25 Oct 1991	Unreviewed	No
Turkey	DTC	12 Nov 1999	16 Dec 2003	Yes	No
Ukraine	DTC	30 Jun 1997	20 Apr 1999	Unreviewed	No
United Arab Emirates	DTC	30 Sep 1996	9 Aug 1997	No	No
United Kingdom	DTC	5 Nov 1990	20 Dec 1991	Yes	No
United States	DTC	16 Sep 1993	23 Dec 1993	Yes	No
Uzbekistan	DTC	2 Mar 2000	15 Jan 2001	Unreviewed	Yes
Venezuela	DTC	26 Apr 1996	12 Nov 1997	Unreviewed	No
Viet nam	DTC	23 May 1997	3 Feb 1998	Unreviewed	No
Virgin Islands, British	TIEA	13 Jun 2011	19 Dec 2012	Yes	Yes

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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