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⁽¹⁾ Text with EEA relevance.

EN

Acts whose titles are printed in light type are those relating to day-to-day management of agricultural matters, and are generally valid for a limited period.

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I

(Legislative acts)

REGULATIONS

REGULATION (EU) 2017/1130 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**of 14 June 2017****defining characteristics for fishing vessels****(recast)**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 43(2) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee ⁽¹⁾,

Acting in accordance with the ordinary legislative procedure ⁽²⁾,

Whereas:

- (1) Council Regulation (EEC) No 2930/86 ⁽³⁾ has been substantially amended ⁽⁴⁾. Since further amendments are to be made, that Regulation should be recast in the interests of clarity.
- (2) In the framework of the Common Fisheries Policy, reference is made to the characteristics of fishing vessels, such as length, breadth, tonnage, date of entry into service and engine power.
- (3) It is essential that identical rules for determining the characteristics of fishing vessels be used in order to unify the conditions for the pursuit of the activity in the Union. Those rules should be in line with the standards of the Common Fisheries Policy.
- (4) The definitions laid down in this Regulation should be based upon initiatives already taken by specialist international organisations.
- (5) Therefore, account should be taken of the United Nations Convention on Fishing and Conservation of the Living Resources of the High Seas, signed in Geneva on 29 April 1958, the International Convention on Tonnage Measurement of Ships, signed in London on 23 June 1969 (the '1969 Convention') and the International Convention for the Safety of Fishing Vessels, signed in Torremolinos on 2 April 1977.
- (6) For fishing vessels with a length overall of less than 15 metres, the methodology laid down in Annex I to the 1969 Convention is in certain cases inappropriate. Therefore, for those vessels a simpler definition of gross tonnage is desirable.

⁽¹⁾ OJ C 34, 2.2.2017, p. 140.

⁽²⁾ Position of the European Parliament of 4 April 2017 (not yet published in the Official Journal) and decision of the Council of 16 May 2017.

⁽³⁾ Council Regulation (EEC) No 2930/86 of 22 September 1986 defining characteristics for fishing vessels (OJ L 274, 25.9.1986, p. 1).

⁽⁴⁾ See Annex II.

- (7) The International Organisation for Standardisation (ISO) has drawn up standards on internal combustion engines which are widely applied in Member States.
- (8) In order to adapt the reference to the relevant ISO International Standard setting out the requirements for the determination of the continuous engine power to technical progress, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of the adoption of the necessary amendments to the reference to the relevant ISO International Standard. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making ⁽¹⁾. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts,

HAVE ADOPTED THIS REGULATION:

Article 1

General provision

The definitions of characteristics of fishing vessels laid down in this Regulation shall apply to all Union rules concerning fisheries.

Article 2

Length

1. The length of a vessel shall be the length overall, defined as the distance in a straight line between the foremost point of the bow and the aftermost point of the stern.

For the purposes of this definition:

- (a) the bow shall be taken to include the watertight hull structure, forecastle, stem and forward bulwark, if fitted, but shall exclude bowsprits and safety rails;
- (b) the stern shall be taken to include the watertight hull structure, transom, poop, trawl ramp and bulwark, but shall exclude safety rails, bumkins, propulsion machinery, rudders and steering gear, and divers' ladders and platforms.

The length overall shall be measured in metres with an accuracy of two decimals.

2. When the length between perpendiculars is referred to in Union legislation, it shall be defined as the distance measured between the forward and the after perpendiculars as defined by the International Convention for the Safety of Fishing Vessels.

The length between perpendiculars shall be measured in metres with an accuracy of two decimals.

Article 3

Breadth

The breadth of a vessel shall be the maximum breadth as defined in Annex I to the International Convention on Tonnage Measurement of Ships (the '1969 Convention').

The overall breadth shall be measured in metres with an accuracy of two decimals.

⁽¹⁾ OJ L 123, 12.5.2016, p. 1.

*Article 4***Tonnage**

1. The gross tonnage of fishing vessels with a length overall equal to, or greater than, 15 metres shall be measured as specified in Annex I to the 1969 Convention.
2. The gross tonnage of fishing vessels with a length overall of less than 15 metres shall be measured in accordance with the formula set out in Annex I to this Regulation.
3. When net tonnage is referred to in Union rules, it shall be defined as specified in Annex I to the 1969 Convention.

*Article 5***Engine power**

1. The engine power shall be the total of the maximum continuous power which can be obtained at the flywheel of each engine and which can, by mechanical, electrical, hydraulic or other means, be applied to vessel propulsion. However, where a gearbox is incorporated into the engine, the power shall be measured at the gearbox output flange.

No deduction shall be made in respect of auxiliary machines driven by the engine.

The unit in which engine power is expressed shall be the kilowatt (kW).

2. The continuous engine power shall be determined in accordance with the requirements adopted by the International Organisation for Standardisation in its recommended International Standard ISO 3046/1, second edition, October 1981.
3. The Commission is empowered to adopt delegated acts in accordance with Article 7 concerning the amendment of paragraph 2 of this Article in order to adapt the reference to the relevant ISO International Standard to technical progress.

*Article 6***Date of entry into service**

The date of entry into service shall be the date of the first issue of an official safety certificate.

Notwithstanding the first paragraph, the date of entry into service shall be the date of the first entry in an official register of fishing vessels:

- (a) if an official safety certificate is not issued; or
- (b) in the case of fishing vessels which entered into service before 1 December 1986.

*Article 7***Exercise of the delegation**

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2. The power to adopt delegated acts referred to in Article 5(3) shall be conferred on the Commission for a period of five years from 20 July 2017. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the five-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.
3. The delegation of power referred to in Article 5(3) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.
5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
6. A delegated act adopted pursuant to Article 5(3) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 8

Repeal

Regulation (EEC) No 2930/86 is repealed.

References to the repealed Regulation shall be construed as references to this Regulation and shall be read in accordance with the correlation table set out in Annex III.

Article 9

Final provisions

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Strasbourg, 14 June 2017.

For the European Parliament

The President

A. TAJANI

For the Council

The President

H. DALLI

ANNEX I

NEW VESSELS WITH A LENGTH OVERALL OF LESS THAN 15 METRES

The gross tonnage of new fishing vessels with a length overall of less than 15 metres is defined as:

$$GT = K_1 \cdot V$$

where: $K_1 = 0,2 + 0,02 \log_{10} V$

and V is the volume, given by:

$$V = a_1 (L_{oa} \cdot B_1 \cdot T_1)$$

where:

L_{oa} = length overall (Article 2 of this Regulation)

B_1 = breadth in metres according to the 1969 Convention

T_1 = depth in metres according to the 1969 Convention

a_1 = a function of L_{oa}

VESSELS WITH A LENGTH OVERALL OF LESS THAN 15 METRES EXISTING ON 1 JANUARY 1995

The gross tonnage of fishing vessels existing on 1 January 1995 with a length overall of less than 15 metres is defined as:

$$GT = K_1 \cdot V$$

where V is volume, given by:

$$V = a_2 (L_{oa} \cdot B_1 \cdot T_1)$$

where:

L_{oa} = length overall (Article 2 of this Regulation)

B_1 = breadth in metres according to the 1969 Convention

T_1 = depth in metres according to the 1969 Convention

a_2 = a function of L_{oa}

The functions a_1 and a_2 shall be fixed on the basis of statistical analyses of pooled representative samples of the fleets of the Member States. These shall be specified together with definitions of the dimensions B_1 and T_1 and with detailed rules for the application of the formulae in a decision of the Commission.

ANNEX II

REPEALED REGULATION WITH THE AMENDMENT THERETO

Council Regulation (EEC) No 2930/86

(OJ L 274, 25.9.1986, p. 1)

Council Regulation (EC) No 3259/94

(OJ L 339, 29.12.1994, p. 11)

ANNEX III

CORRELATION TABLE

Regulation (EEC) No 2930/86	This Regulation
Article 1	Article 1
Article 2	Article 2
Article 3	Article 3
Article 4(1)(a)	—
Article 4(1)(b)	Article 4(1)
Article 4(1)(c)	Article 4(2)
Article 4(1)(d)	—
Article 4(1)(e)	—
Article 4(2)	Article 4(3)
Article 5	Article 5
Article 6	Article 6
—	Article 7
—	Article 8
Article 7(1)	Article 9
Article 7(2)	—
Annex	Annex I
—	Annex II
—	Annex III

REGULATION (EU) 2017/1131 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 14 June 2017
on money market funds
(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Central Bank ⁽¹⁾,

Having regard to the opinion of the European Economic and Social Committee ⁽²⁾,

Acting in accordance with the ordinary legislative procedure ⁽³⁾,

Whereas:

- (1) Money market funds (MMFs) provide short-term finance to financial institutions, corporations and governments. By providing finance to those entities, MMFs contribute to the financing of the economy of the Union. Those entities use their investments in MMFs as an efficient way to spread their credit risk and exposure, rather than relying solely on bank deposits.
- (2) On the demand side, MMFs are short-term cash management tools that provide a high degree of liquidity, diversification and stability of value of the principal invested, combined with a market-based yield. MMFs are mainly used by corporations seeking to invest their excess cash for a short time frame. MMFs, therefore, represent a crucial link bringing together demands and offers of short-term cash.
- (3) Events that occurred during the financial crisis have shed light on several features of MMFs that make them vulnerable when there are difficulties in financial markets in which case MMFs could spread or amplify risks throughout the financial system. When the prices of the assets in which an MMF has invested start to decrease, especially during stressed market situations, the MMF cannot always maintain its promise to redeem immediately and to preserve the principal value of a unit or share issued by the MMF to investors. That situation, which according to the Financial Stability Board (FSB) and the International Organisation of Securities Commissions (IOSCO) can be particularly serious for constant or stable net asset value MMFs, could trigger substantial and sudden redemption requests, potentially triggering broader macroeconomic consequences.
- (4) Large redemption requests could force MMFs to sell some of their investment assets in a declining market, potentially fuelling a liquidity crisis. In those circumstances, money market issuers can face severe funding difficulties if the markets for commercial paper and other money market instruments dry up. That in turn could lead to contagion within the short-term funding market and result in direct and major difficulties in the financing of financial institutions, corporations and governments, and thus the economy.
- (5) Asset managers, backed by sponsors, can decide to provide discretionary support to maintain the liquidity and the stability of their MMFs. Sponsors are often forced to support their sponsored MMFs that are losing value due to reputational risk and fear that panic could spread into sponsors' other businesses. Depending on the size of the MMF and the extent of the redemption pressure, sponsor support could reach proportions that exceed their readily available reserves. Therefore, an MMF should not receive external support.

⁽¹⁾ OJ C 255, 6.8.2014, p. 3.

⁽²⁾ OJ C 170, 5.6.2014, p. 50.

⁽³⁾ Position of the European Parliament of 5 April 2017 (not yet published in the Official Journal) and decision of the Council of 16 May 2017.

- (6) In order to preserve the integrity and stability of the internal market, it is necessary to lay down rules regarding the operation of MMFs, in particular on the composition of the portfolio of MMFs. Those rules are intended to make MMFs more resilient and limit contagion channels. Uniform rules across the Union are necessary to ensure that MMFs are able to honour redemption requests from investors, especially during stressed market situations. Uniform rules on the portfolio of an MMF are also required to ensure that MMFs are able to face substantial and sudden redemption requests by a large group of investors.
- (7) Uniform rules on MMFs are furthermore necessary to ensure the smooth operation of the short-term funding market for financial institutions, corporate issuers of short-term debt and governments. They are also required to ensure the equal treatment of investors in an MMF and to avoid late redeemers being disadvantaged if redemptions are temporarily suspended or if an MMF is liquidated.
- (8) It is necessary to provide for the harmonisation of prudential requirements related to MMFs by setting out clear rules that impose direct obligations on MMFs and the managers of MMFs throughout the Union. Such harmonisation would enhance the stability of MMFs as a source of short-term finance for governments and the corporate sector across the Union. It would also ensure that MMFs remain a reliable tool for the cash management needs of industry in the Union.
- (9) The Guidelines on a common definition of European money market funds adopted by the Committee of European Securities Regulators on 19 May 2010 to create a minimum level playing field for MMFs in the Union were, one year after their entry into force, applied by only 12 Member States, thus demonstrating the persistence of divergent national rules. Different national approaches fail to address the vulnerabilities of money markets in the Union and fail to mitigate contagion risks, thereby endangering the functioning and stability of the internal market, as evidenced during the financial crisis. The common rules on MMFs provided for in this Regulation therefore aim to provide a high level of protection for investors and to prevent and mitigate any potential contagion risks resulting from possible runs by investors on MMFs.
- (10) In the absence of a regulation setting out rules on MMFs, diverging measures might continue to be adopted at national level. Such measures would continue to cause significant distortions of competition resulting from significant differences in essential investment protection standards. Diverging requirements on portfolio composition, eligible assets, their maturity, liquidity and diversification, as well as on credit quality of issuers and of money market instruments, lead to different levels of investor protection because of the different levels of risk attached to the investment proposition associated with an MMF. It is therefore essential to adopt a uniform set of rules in order to avoid contagion of the short-term funding market which would put at risk the stability of the Union's financial market. In order to mitigate systemic risk, constant net asset value MMFs (CNAV MMFs) should only operate in the Union as public debt CNAV MMFs.
- (11) The new rules on MMFs build upon Directive 2009/65/EC of the European Parliament and of the Council ⁽¹⁾, which forms the legal framework governing the establishment, management and marketing of undertakings for collective investment in transferable securities (UCITS) in the Union, and also upon Directive 2011/61/EU of the European Parliament and of the Council ⁽²⁾, which forms the legal framework governing the establishment, management and marketing of alternative investment funds (AIFs) in the Union.
- (12) In the Union, collective investment undertakings can operate as UCITS, managed by UCITS management companies or UCITS investment companies authorised under Directive 2009/65/EC, or as AIFs, managed by alternative investment fund managers (AIFMs) authorised or registered under Directive 2011/61/EU. The new rules on MMFs build on the existing legal framework established by those Directives, including the acts adopted for their implementation, and should therefore apply in addition to those Directives. Furthermore, the management and marketing rules laid down in the existing legal framework should apply to MMFs taking into account whether they are UCITS or AIFs. Equally, the rules on the cross-border provision of services and

⁽¹⁾ Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, p. 32).

⁽²⁾ Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 1.7.2011, p. 1).

freedom of establishment laid down in Directives 2009/65/EC and 2011/61/EU should apply correspondingly to the cross-border activities of MMFs. At the same time, a number of rules in relation to the investment policies of UCITS laid down in Chapter VII of Directive 2009/65/EC should be explicitly disapplied.

- (13) Harmonised rules should apply to collective investment undertakings whose characteristics correspond to those associated with an MMF. For UCITS and AIFs that have the objective of offering returns in line with money market rates, or of preserving the value of the investment, and that seek to achieve those objectives by investing in short-term assets such as money market instruments or deposits, or entering into reverse repurchase agreements or certain derivative contracts with the sole purpose of hedging risks inherent to other investments of the fund, compliance with the new rules on MMFs should be mandatory.
- (14) The specificity of MMFs results from the combination of the assets in which they invest and the objectives they pursue. The objective of offering returns in line with money market rates and the objective of preserving the value of an investment are not mutually exclusive. An MMF can have either one of those objectives or both objectives jointly.
- (15) The objective of offering returns in line with money market rates is to be understood in a broad sense. The anticipated return does not need to be perfectly aligned with EONIA, Libor, Euribor or any other relevant money market rate. An objective which seeks to outperform the money market rate by a slight margin is not to be considered to take a UCITS or AIF outside the scope of the new uniform rules provided for in this Regulation.
- (16) The objective of preserving the value of the investment is not to be understood to be a capital guarantee promised by an MMF. It is to be understood as an aim that a UCITS or AIF seeks to pursue. A decrease in value of the investments does not imply that the collective investment undertaking has changed its objective of preserving the value of an investment.
- (17) It is important that UCITS and AIFs that have the characteristics of MMFs be identified as MMFs and that their capacity to comply on an ongoing basis with the new uniform rules on MMFs be explicitly verified. For that purpose, competent authorities should authorise MMFs. For UCITS, their authorisation as MMFs should be part of the authorisation as UCITS in accordance with the harmonised procedures under Directive 2009/65/EC. For AIFs, as they are not subject to harmonised authorisation and supervision procedures under Directive 2011/61/EU, it is necessary to provide for common basic rules on authorisation that mirror the existing harmonised rules for UCITS. Such procedures should ensure that the manager of an AIF authorised as an MMF is an AIFM authorised in accordance with Directive 2011/61/EU.
- (18) In order to ensure that all collective investment undertakings displaying the characteristics of MMFs are subject to the new common rules on MMFs, the use of the designation 'MMF', or any other term that suggests that a collective investment undertaking shares the characteristics of MMFs, should be prohibited unless that undertaking is authorised as an MMF under this Regulation. To prevent circumvention of the rules in this Regulation, competent authorities should monitor the market practices of collective investment undertakings established or marketed in their jurisdiction to verify that they do not misuse the MMF designation or suggest that they are an MMF without complying with the new legal framework.
- (19) Given that UCITS and AIFs can take different legal forms that do not necessarily endow them with legal personality, the provisions in this Regulation requiring MMFs to take action are to be understood to refer to the manager of the MMF in cases where the MMF is constituted as a UCITS or as an AIF that is not in a position to act by itself because it has no legal personality of its own.
- (20) Rules on the portfolio of MMFs should clearly identify the categories of assets that are eligible for investment by MMFs and the conditions under which they are eligible. To ensure the integrity of MMFs, MMFs should also be prohibited from engaging in certain financial transactions that would endanger their investment strategy and objectives.
- (21) Money market instruments are transferable instruments normally dealt in on the money market and include treasury and local authority bills, certificates of deposits, commercial papers, bankers' acceptances, and medium- or short-term notes. Money market instruments should be eligible for investment by MMFs only insofar as they comply with maturity limits and are considered by an MMF to be of high credit quality.

- (22) In addition to the case in which an MMF invests in bank deposits in accordance with its fund rules or its instruments of incorporation, it should be possible to allow an MMF to hold ancillary liquid assets, such as cash in a bank account accessible at any time. The holding of such ancillary liquid assets could be justified, *inter alia*, in order to cover current or exceptional payments, in the case of sales, for the time necessary to reinvest in eligible assets.
- (23) Securitisations and asset-backed commercial paper (ABCPs), should be considered to be eligible to the extent that they respect certain requirements. Due to the fact that during the financial crisis certain securitisations were particularly unstable, certain quality criteria should be imposed on securitisations and ABCPs so that only those securitisations and ABCPs that perform well should be eligible. Until such time as the Regulation of the European Parliament and of the Council for simple, transparent and standardised (STS) securitisations that is proposed (the proposed Regulation on STS securitisations) is adopted and becomes applicable for the purposes of this Regulation, MMFs should be allowed to invest in securitisations and ABCPs up to a limit of 15 % of their assets. The Commission should adopt a delegated act to ensure that the criteria identifying STS securitisations apply for the purposes of this Regulation. Once that delegated act applies, MMFs should be allowed to invest in securitisations and ABCPs up to a limit of 20 % of their assets, whereby up to 15 % should be able to be invested in securitisations and ABCPs which are not STS.
- (24) An MMF should be allowed to invest in deposits to the extent that it is able to withdraw the money at any time. The effective possibility of withdrawal would be impaired if the penalties associated with early withdrawal are so high as to exceed the interest accrued prior to withdrawal. For that reason, an MMF should take due care not to make deposits with a credit institution that requires above average penalties or to engage in too long deposits where that results in too high penalties.
- (25) In order to take account of the differences in banking structures across the Union, particularly in smaller Member States or in Member States where there is a highly concentrated banking sector, and where it would be uneconomical for an MMF to use the services of a credit institution in another Member State, such as where that would necessitate a currency exchange with all the associated costs and risks, some flexibility in the diversification requirement for deposits with the same credit institution should be allowed.
- (26) Financial derivative instruments eligible for investment by an MMF should only serve the purpose of hedging interest rate and currency risk and should only have as an underlying instrument interest rates, foreign exchange rates, currencies or indices representing those categories. Any use of derivatives for another purpose or on other underlying assets should be prohibited. Derivatives should only be used as a complement to the strategy of an MMF and not as the main tool for achieving the MMF's objectives. In the event that an MMF invests in assets labelled in another currency than the currency of the MMF, it is expected that the manager of the MMF would hedge the entire currency risk exposure, including via derivatives. MMFs should be entitled to invest in financial derivative instruments if that instrument is traded on a regulated market as referred to in point (a), (b) or (c) of Article 50(1) of Directive 2009/65/EC or traded over-the-counter (OTC) provided certain conditions are fulfilled.
- (27) Reverse repurchase agreements should be able to be used by MMFs as a means to invest excess cash on a very short-term basis, provided that the position is fully collateralised. In order to protect investors, it is necessary to ensure that the collateral provided in the framework of reverse repurchase agreements is of high quality and does not display a high correlation with the performance of the counterparty, in order to avoid a negative impact in the event of default of the counterparty. In addition, an MMF should be allowed to invest in repurchase agreements up to a limit of 10 % of its assets. Other efficient portfolio management techniques, including securities lending and borrowing, should not be used by an MMF as they are likely to impinge on achieving the investment objectives of the MMF.
- (28) In order to limit risk-taking by MMFs, it is essential to reduce counterparty risk by subjecting the portfolio of MMFs to clear diversification requirements. To that end, reverse repurchase agreements should be fully collateralised and, in order to limit the operational risk, a single reverse repurchase agreement counterparty should not account for more than 15 % of an MMF's assets. All OTC derivatives should be subject to Regulation (EU) No 648/2012 of the European Parliament and of the Council ⁽¹⁾.

⁽¹⁾ Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ L 201, 27.7.2012, p. 1).

- (29) For prudential reasons and in order to avoid the exercise of significant influence over the management of an issuing body by an MMF, excessive concentration by an MMF in investments issued by the same issuing body should be avoided.
- (30) MMFs operating solely as employee savings schemes should be able to diverge from certain requirements applicable to investments in other MMFs insofar as the participants in such schemes, who are natural persons, are subject to restrictive redemption conditions that are not linked to market developments but instead related to particular and predefined life events, such as retirement, and other special circumstances, including but not limited to the acquisition of a main residence, divorce, sickness or unemployment. It is important for employees to be allowed to invest in MMFs, which are considered to be one of the safest short-term investments. Such derogation does not endanger the objective of this Regulation to ensure financial stability, as employees investing in MMFs via their employee savings schemes cannot redeem their investment on demand. Redemptions are only able to occur in the case of certain predefined life events. Therefore, even in stressed market situations, employees will not be able to redeem their investment in MMFs.
- (31) MMFs should have a responsibility to invest in high-quality eligible assets. Therefore, an MMF should have a prudent internal credit quality assessment procedure for determining the credit quality of the money market instruments, securitisations and ABCPs in which it intends to invest. In accordance with Union law limiting over-reliance on credit ratings, it is important that MMFs avoid mechanistic reliance and over-reliance on ratings issued by rating agencies. MMFs should be able to use ratings as a complement to their own assessment of the quality of eligible assets. Managers of MMFs should undertake a new assessment of money market instruments, securitisations and ABCPs whenever there is a material change, in particular when it comes to the attention of the manager of an MMF that a money market instrument, securitisation or ABCP is downgraded below the two highest short-term credit ratings provided by any credit rating agency regulated and certified in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council ⁽¹⁾. To that end, the manager of an MMF should be able to establish an internal procedure for the selection of credit rating agencies suited to the specific investment portfolio of the MMF and for determining the frequency at which the MMF should monitor the ratings of those agencies. The selection of credit rating agencies should remain consistent over time.
- (32) Taking note of the work done on reducing investor over-reliance on credit ratings by international bodies, such as IOSCO and the FSB, as well as in Union law, including in Regulation (EC) No 1060/2009 and Directive 2013/14/EU of the European Parliament and of the Council ⁽²⁾, it is not appropriate to prohibit any product, including MMFs, from soliciting or financing an external credit rating.
- (33) In order to ensure that managers of MMFs do not use different assessment criteria for evaluating the credit quality of a money market instrument, securitisation or ABCP and thus attribute different risk characteristics to the same instrument, it is essential that managers of MMFs rely on the same criteria. To that end, the minimum criteria for the assessment of a money market instrument, securitisation and ABCP should be harmonised. Examples of internal credit quality assessment criteria are quantitative measures on the issuer of the instrument, such as financial ratios, balance sheet dynamics and profitability guidelines, each of which is evaluated and compared to those of industry peers and groups, and qualitative measures on the issuer of the instrument, such as management effectiveness and corporate strategy, each of which is analysed with a view to determining that the issuer's overall strategy does not impede on its future credit quality. A favourable outcome of the internal credit quality assessment should reflect sufficient creditworthiness of the issuer of the instruments and sufficient credit quality of the instruments.
- (34) In order to develop a transparent and coherent internal credit quality assessment procedure, the manager of an MMF should document the procedure and the credit quality assessments. That requirement should ensure that the procedure follows a clear set of rules that can be monitored and that the methodologies employed are communicated, upon request, to the investors and competent authorities in accordance with this Regulation.

⁽¹⁾ Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (OJ L 302, 17.11.2009, p. 1).

⁽²⁾ Directive 2013/14/EU of the European Parliament and of the Council of 21 May 2013 amending Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision, Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and Directive 2011/61/EU on Alternative Investment Funds Managers in respect of over-reliance on credit ratings (OJ L 145, 31.5.2013, p. 1).

- (35) To reduce the portfolio risk of MMFs, it is important to set maturity limitations, providing for a maximum allowable weighted average maturity (WAM) and weighted average life (WAL).
- (36) WAM is used to measure the sensitivity of an MMF to changing money market interest rates. When determining the WAM, managers of MMFs should take into account the impact of financial derivative instruments, deposits, repurchase agreements and reverse repurchase agreements and reflect their effect on the interest rate risk of the MMF. When an MMF enters into a swap transaction in order to gain exposure to a fixed rate instrument instead of a floating rate, that fact should be taken into account for determining the WAM.
- (37) WAL is used to measure the credit risk of an MMF's portfolio: the longer the reimbursement of the principal is postponed, the higher the credit risk. WAL is also used to limit the liquidity risk of an MMF's portfolio. In contrast to the calculation of the WAM, the calculation of the WAL for floating rate securities and structured financial instruments does not permit the use of interest rate reset dates and instead only uses a financial instrument's stated final maturity. The maturity used for calculating the WAL is the residual maturity until legal redemption, since that is the only date on which the management company can reasonably expect that the instrument will have been reimbursed. Due to the particular nature of the underlying assets for some securitisations and ABCPs, in the case of amortising instruments, the WAL should be able to be based on the maturity calculation for amortising instruments either on the contractual amortisation profile of such instruments or the amortisation profile of the underlying assets from which the cash-flows for the redemption of such instruments result.
- (38) In order to strengthen MMFs' ability to face redemptions and prevent their assets from being liquidated at heavily discounted prices, MMFs should hold on an ongoing basis a minimum amount of liquid assets that mature daily or weekly. Daily maturing assets should comprise assets such as cash, securities that mature within one working day and reverse repurchase agreements. Weekly maturing assets should comprise assets such as cash, securities that mature within one week and reverse repurchase agreements. In the case of public debt CNAV MMFs and low volatility net asset value MMFs (LVNAV MMFs), a limited percentage of government paper with a residual maturity of 190 days that can be settled within one working day should also be able to be counted towards the weekly liquidity requirements. In the case of variable net asset value MMFs (VNAV MMFs), a limited percentage of money market instruments or units or shares of eligible MMFs should also be able to be counted towards the weekly liquidity requirements provided they can be settled within five working days. To calculate the proportion of daily and weekly maturing assets, the legal redemption date of the asset should be used. The possibility for the manager of an MMF to terminate a contract on a short-term basis can be taken into consideration. For instance, if a reverse repurchase agreement can be terminated by giving prior notice of one working day, it should count as a daily maturing asset. If the manager has the possibility of withdrawing cash from a deposit account by giving prior notice of one working day, it should count as a daily maturing asset. When a financial instrument embeds a put option and the put can be freely exercised on a daily basis, or within five working days, and the strike price of the put is close to the expected value of the instrument, that instrument should count respectively as a daily or weekly maturing asset.
- (39) Given that MMFs can invest in assets with different maturity ranges, it is important for investors to be able to distinguish between different categories of MMFs. Therefore, an MMF should be classified as either a short-term MMF or as a standard MMF. Short-term MMFs have the objective of offering money market rate returns while ensuring the highest possible level of safety for the investors. With short WAM and WAL, the duration risk and credit risk of short-term MMFs are kept at low levels.
- (40) Standard MMFs have the objective of offering returns slightly higher than money market returns, and they therefore invest in assets that have an extended maturity. To achieve such outperformance, standard MMFs should be permitted to employ extended limits for the portfolio risk such as WAM and WAL.

- (41) Under Article 84 of Directive 2009/65/EC, the managers of MMFs that are UCITS have the possibility of temporarily suspending redemptions in exceptional cases where circumstances so require. Under Article 16 of Directive 2011/61/EU and in Article 47 of the Commission Delegated Regulation (EU) No 231/2013 ⁽¹⁾, the managers of MMFs that are AIFs can use special arrangements in order to cope with a supervening illiquidity of the funds' assets.
- (42) In order to ensure appropriate liquidity management, MMFs should establish sound policies and procedures to get to know their investors. The policies that the manager of an MMF puts in place should help in understanding the MMF's investor base, to the extent that large redemptions could be anticipated. So that an MMF does not face sudden massive redemptions, particular attention should be paid to large investors representing a substantial portion of the MMF's assets, such as with one investor representing more than the proportion of daily maturing assets. The manager of an MMF should whenever possible look at the identity of its investors, even if they are represented by nominee accounts, portals or any other indirect buyer.
- (43) As part of prudent risk management, MMFs should, at least bi-annually, conduct stress testing. The manager of an MMF is expected to act in order to strengthen the MMF's robustness whenever the results of stress testing point to vulnerabilities.
- (44) In order to reflect the actual value of assets, the use of mark-to-market should be the preferred method of valuation. The manager of an MMF should not be allowed to use mark-to-model when mark-to-market provides a reliable value of the asset, as mark-to-model is prone to providing less accurate valuation. Assets such as treasury and local authority bills, medium- or short-term notes are generally the ones that are expected to have a reliable mark-to-market value. For valuing commercial papers or certificates of deposit, the manager of an MMF should check if accurate pricing is provided by a secondary market. The buy-back price offered by the issuer is also considered to represent a good estimate of the value of the commercial paper. Some assets can be inherently difficult to value based on market prices, for example some OTC derivatives which are thinly traded. Where that is the case and where mark-to-market does not provide a reliable value of the assets, the manager of an MMF should assign a fair value to the asset by using mark-to-model, for example the manager of an MMF should use market data such as yields on comparable issues and comparable issuers or by discounting the asset's cash-flows. Mark-to-model uses financial models to allocate a fair value to an asset. Such models can, for example, be developed by the MMF itself, or the MMF can use existing models from external parties such as data vendors.
- (45) Public debt CNAV MMFs have the objective of preserving the capital of the investment while ensuring a high degree of liquidity. The majority of public debt CNAV MMFs have a net asset value (NAV) per unit or share set, for example, at EUR 1, USD 1 or GBP 1, when they distribute the income to the investors. Other public debt CNAV MMFs accumulate income in the NAV of the fund while maintaining the intrinsic value of the asset at a constant value.
- (46) To allow for the specificities of public debt CNAV MMFs and LVNAV MMFs, they should also be permitted to use the internationally recognised amortised cost method as set out under international accounting standards adopted by the Union for certain assets. Nevertheless, for the purpose of ensuring that the difference between the constant NAV per unit or share and the NAV per unit or share is monitored at all times, public debt CNAV MMFs and LVNAV MMFs should also calculate the value of their assets on the basis of mark-to-market or mark-to-model.
- (47) As an MMF should publish a NAV that reflects all movements in the value of its assets, the published NAV should be rounded at a maximum to the nearest basis point or its equivalent. As a consequence, when the NAV is published in a specific currency, for example EUR 1, the incremental change in value should be done every EUR 0,0001. In the case of a NAV at EUR 100, the incremental change in value should be done every EUR 0,01. In addition, if the MMF is a public debt CNAV MMF or a LVNAV MMF, the MMF should be able to publish the constant NAV and the difference between the constant NAV and the NAV. In that case, the constant NAV is calculated by rounding the NAV to the nearest cent for a NAV at EUR 1 (every EUR 0,01 move).

⁽¹⁾ Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (OJ L 83, 22.3.2013, p. 1).

- (48) In order to be able to mitigate potential investor redemptions in times of severe market stress, public debt CNAV MMFs and LVNAV MMFs should have in place provisions for liquidity fees and redemption gates to ensure investor protection and prevent a 'first mover advantage'. The liquidity fee should adequately reflect the cost to the MMF of achieving liquidity and should not amount to a penalty charge that would offset losses incurred by other investors as a result of the redemption.
- (49) External support provided to an MMF with a view to maintaining either liquidity or stability, or de facto having such effects, increases the contagion risk between the MMF sector and the rest of the financial sector. Third parties, including credit institutions, other financial institutions or legal entities in the same group as the MMF, providing such support could have an interest in doing so, either because they have an economic interest in the management company managing the MMF or because they want to avoid any reputational damage in the event that their name is associated with the failure of an MMF. Because those third parties do not always commit explicitly to providing or guaranteeing the support, there is uncertainty whether such support will be granted when the MMF needs it. In those circumstances, the discretionary nature of sponsor support contributes to uncertainty among market participants about who will bear losses of the MMF when they do occur. That uncertainty likely makes MMFs even more vulnerable to runs during periods of financial instability, when broader financial risks are most pronounced and when concerns arise about the health of the sponsors and their ability to provide support to affiliated MMFs. For those reasons, external support for MMFs should be prohibited.
- (50) Prior to investing in an MMF, investors should be clearly informed whether the MMF is of a short-term nature or of a standard nature and whether the MMF is a public debt CNAV MMF, a LVNAV MMF or a VNAV MMF. In order to avoid misplaced expectations from the investor, it should also be clearly stated in any marketing document that an MMF is not a guaranteed investment vehicle. MMFs should also make available certain other information to investors on a weekly basis, including the maturity breakdown of the portfolio, the credit profile and details of the 10 largest holdings in the MMF.
- (51) In addition to reporting already required under Directive 2009/65/EC or 2011/61/EU and to ensure that competent authorities are able to detect, monitor and respond to risks in the MMF market, MMFs should report to their competent authorities a detailed list of information on the MMF, including the type and characteristics of the MMF, portfolio indicators and information on the assets held in the portfolio. Competent authorities should collect that data in a consistent way throughout the Union in order to obtain a substantive knowledge of the main evolutions of the MMF market. To facilitate a collective analysis of potential impacts of the MMF market in the Union, such data should be transmitted to the European Supervisory Authority (European Securities and Markets Authority) (ESMA), established by Regulation (EU) No 1095/2010 of the European Parliament and of the Council ⁽¹⁾, which should create a central database of MMFs.
- (52) The competent authority of an MMF should verify whether the MMF is able to comply with this Regulation on an ongoing basis. Therefore, competent authorities should be given all the supervisory and investigatory powers, including the ability to impose certain penalties and measures, necessary for the exercise of their functions with respect to this Regulation. Those powers should be without prejudice to powers existing under Directives 2009/65/EC and 2011/61/EU. The competent authorities of the UCITS or AIF should also verify compliance of all collective investment undertakings that display the characteristics of MMFs and that are in existence at the time this Regulation enters into force.
- (53) In order to specify further technical elements of this Regulation, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union (TFEU) should be delegated to the Commission in respect of the introduction of a cross-reference to the criteria for STS securitisations and ABCPs, in respect of specifying the quantitative and qualitative liquidity and credit quality requirements applicable to assets, and in respect of specifying the criteria for credit quality assessment. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement

⁽¹⁾ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

of 13 April 2016 on Better Law-Making ⁽¹⁾. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.

- (54) The Commission should also be empowered to adopt implementing technical standards by means of implementing acts pursuant to Article 291 TFEU and in accordance with Article 15 of Regulation (EU) No 1095/2010. ESMA should be entrusted with drafting implementing technical standards for submission to the Commission with regard to a reporting template containing information on MMFs for competent authorities.
- (55) ESMA should be able to exercise all the powers conferred on it under Directives 2009/65/EC and 2011/61/EU with respect to this Regulation. It is also entrusted with developing draft implementing technical standards.
- (56) By 21 July 2022, the Commission should undertake a review of this Regulation. That review should consider the experience acquired in applying this Regulation and analyse the impact on the different economic aspects attached to MMFs. It should also consider the impact on investors, MMFs and the managers of MMFs in the Union. It should also assess the role that MMFs play in purchasing debt issued or guaranteed by the Member States, while taking into account the specific characteristics of such debt given that it plays a vital role in financing Member States. In addition, the review should take into account the report referred to in Article 509(3) of Regulation (EU) No 575/2013 of the European Parliament and of the Council ⁽²⁾, the impact of this Regulation on short-term financing markets, and regulatory developments at international level. Finally, by 21 July 2022, the Commission should present a report on the feasibility of establishing an 80 % EU public debt quota, since the issuance of EU short-term public debt instruments is governed by Union law, which therefore justifies, from a prudential supervisory point of view, a preferential treatment as opposed to non-EU public debt. Given the current scarcity of EU short-term public debt instruments and the uncertainty with respect to the development of the newly established LVNAV MMFs, the Commission should review the viability of establishing an 80 % EU public debt quota by 21 July 2022, including an assessment of whether the LVNAV MMF model has become an appropriate alternative to non-EU public debt CNAV MMFs.
- (57) The new uniform rules on MMFs provided for in this Regulation should comply with Directive 95/46/EC of the European Parliament and of the Council ⁽³⁾ and with Regulation (EC) No 45/2001 of the European Parliament and of the Council ⁽⁴⁾.
- (58) Since the objectives of this Regulation, namely to ensure uniform prudential, governance and transparency requirements that apply to MMFs throughout the Union, while taking full account of the need to balance safety and reliability of MMFs with the efficient operation of the money markets and the cost for its various stakeholders, cannot be sufficiently achieved by the Member States but can rather, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.
- (59) The new uniform rules on MMFs provided for in this Regulation respect the fundamental rights and observe the principles recognised in particular by the Charter of Fundamental Rights of the European Union and notably consumer protection, the freedom to conduct a business and the protection of personal data. The new uniform rules on MMFs should be applied in accordance with those rights and principles,

⁽¹⁾ OJ L 123, 12.5.2016, p. 1.

⁽²⁾ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

⁽³⁾ Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (OJ L 281, 23.11.1995, p. 31).

⁽⁴⁾ Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and of the free movement of such data (OJ L 8, 12.1.2001, p. 1).

HAVE ADOPTED THIS REGULATION:

CHAPTER I

General provisions

Article 1

Subject matter and scope

1. This Regulation lays down rules for money market funds (MMFs) established, managed or marketed in the Union, concerning the financial instruments eligible for investment by a MMF, the portfolio of an MMF, the valuation of the assets of an MMF, and the reporting requirements in relation to an MMF.

This Regulation applies to collective investment undertakings that:

- (a) require authorisation as UCITS or are authorised as UCITS under Directive 2009/65/EC or are AIFs under Directive 2011/61/EU;
 - (b) invest in short-term assets; and
 - (c) have distinct or cumulative objectives offering returns in line with money market rates or preserving the value of the investment.
2. Member States shall not add any additional requirements in the field covered by this Regulation.

Article 2

Definitions

For the purposes of this Regulation, the following definitions apply:

- (1) 'short-term assets' means financial assets with a residual maturity not exceeding 2 years;
- (2) 'money market instruments' means money market instruments as defined in Article 2(1)(o) of Directive 2009/65/EC, and instruments as referred to in Article 3 of Commission Directive 2007/16/EC ⁽¹⁾;
- (3) 'transferable securities' means transferable securities as defined in Article 2(1)(n) of Directive 2009/65/EC, and instruments as referred to in Article 2(1) of Directive 2007/16/EC;
- (4) 'repurchase agreement' means any agreement in which one party transfers securities or any rights related to that title to a counterparty, subject to a commitment to repurchase them at a specified price on a future date specified or to be specified;
- (5) 'reverse repurchase agreement' means any agreement in which one party receives securities, or any rights related to a title or security from a counterparty subject to a commitment to sell them back at a specified price on a future date specified or to be specified;
- (6) 'securities lending' and 'securities borrowing' mean any transaction in which an institution or its counterparty transfers securities subject to a commitment that the borrower will return equivalent securities at some future date or when requested to do so by the transferor, that transaction being known as 'securities lending' for the institution transferring the securities and being known as 'securities borrowing' for the institution to which they are transferred;
- (7) 'securitisation' means securitisation as defined in Article 4(1)(61) of Regulation (EU) No 575/2013;
- (8) 'mark-to-market' means the valuation of positions at readily available close out prices that are sourced independently, including exchange prices, screen prices, or quotes from several independent reputable brokers;

⁽¹⁾ Commission Directive 2007/16/EC of 19 March 2007 implementing Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards the clarification of certain definitions (OJ L 79, 20.3.2007, p. 11).

- (9) 'mark-to-model' means any valuation which is benchmarked, extrapolated or otherwise calculated from one or more market input;
- (10) 'amortised cost method' means a valuation method which takes the acquisition cost of an asset and adjusts that value for amortisation of premiums or discounts until maturity;
- (11) 'public debt constant net asset value MMF' or 'public debt CNAV MMF' means an MMF:
 - (a) that seeks to maintain an unchanging net asset value (NAV) per unit or share;
 - (b) where the income in the fund is accrued daily and can either be paid out to the investor or used to purchase more units or shares in the fund;
 - (c) where assets are generally valued according to the amortised cost method and where the NAV is rounded to the nearest percentage point or its equivalent in currency terms; and
 - (d) that invests at least 99,5 % of its assets in instruments referred to in Article 17(7), reverse repurchase agreements secured with government debt referred to in Article 17(7) and in cash;
- (12) 'low volatility net asset value MMF' or 'LVNAV MMF' means an MMF that complies with the specific requirements laid down in Articles 29, 30 and 32 and in Article 33(2)(b);
- (13) 'variable net asset value MMF' or 'VNAV MMF' means an MMF that complies with the specific requirements laid down in Articles 29 and 30 and in Article 33(1);
- (14) 'short-term MMF' means an MMF that invests in eligible money market instruments referred to in Article 10(1) and is subject to the portfolio rules set out in Article 24;
- (15) 'standard MMF' means an MMF that invests in eligible money market instruments referred to in Article 10(1) and (2) and is subject to the portfolio rules set out in Article 25;
- (16) 'credit institution' means credit institution as defined in point (1) of Article 4(1) of Regulation (EU) No 575/2013;
- (17) 'competent authority of the MMF' means:
 - (a) for UCITS, the competent authority of the UCITS home Member State designated in accordance with Article 97 of Directive 2009/65/EC;
 - (b) for EU AIFs, the competent authority of the home Member State of the AIF as defined in Article 4(1)(p) of Directive 2011/61/EU;
 - (c) for non-EU AIFs, any of the following:
 - (i) the competent authority of the Member State where the non-EU AIF is marketed in the Union without a passport;
 - (ii) the competent authority of the EU AIFM managing the non-EU AIF, where the non-EU AIF is marketed in the Union with a passport or is not marketed in the Union;
 - (iii) the competent authority of the Member State of reference if the non-EU AIF is not managed by an EU AIFM and is marketed in the Union with a passport;
- (18) 'legal maturity' means the date when the principal of a security is to be repaid in full and which is not subject to any optionality;
- (19) 'weighted average maturity' or 'WAM' means the average length of time to legal maturity or, if shorter, to the next interest rate reset to a money market rate, of all of the underlying assets in the MMF reflecting the relative holdings in each asset;
- (20) 'weighted average life' or 'WAL' means the average length of time to legal maturity of all of the underlying assets in the MMF reflecting the relative holdings in each asset;
- (21) 'residual maturity' means the length of time remaining until the legal maturity of a security;

- (22) 'short sale' means any sale by an MMF of an instrument which the MMF does not own at the time of entering into the agreement to sell, including such sale where, at the time of entering into the agreement to sell, the MMF has borrowed or agreed to borrow the instrument for delivery at settlement, not including:
- (a) a sale by either party under a repurchase agreement where one party has agreed to sell to the other a security at a specified price with a commitment from the other party to sell the security back at a later date at another specified price; or
 - (b) an entry into a futures contract or other derivative contract where it is agreed to sell securities at a specified price at a future date;
- (23) 'manager of an MMF' means, in the case of an MMF that is a UCITS, the UCITS management company, or the UCITS investment company in the case of a self-managed UCITS, and, in the case of an MMF that is an AIF, an AIFM or an internally-managed AIF.

Article 3

Types of MMFs

1. MMFs shall be set up as one of the following types:
 - (a) a VNAV MMF;
 - (b) a public debt CNAV MMF;
 - (c) a LVNAV MMF.
2. The authorisation of an MMF shall explicitly state the type of MMF, from those set out in paragraph 1.

Article 4

Authorisation of MMFs

1. No collective investment undertaking shall be established, marketed or managed in the Union as an MMF unless it has been authorised in accordance with this Regulation.

Such authorisation shall be valid for all Member States.

2. A collective investment undertaking that requires authorisation as a UCITS under Directive 2009/65/EC and as an MMF under this Regulation for the first time shall be authorised as an MMF as part of the UCITS authorisation procedure pursuant to Directive 2009/65/EC.

Where a collective investment undertaking has already been authorised as a UCITS under Directive 2009/65/EC, it may apply for authorisation as an MMF in accordance with the procedure set out in paragraphs 4 and 5 of this Article.

3. A collective investment undertaking that is an AIF and that requires authorisation as an MMF under this Regulation shall be authorised as an MMF pursuant to the authorisation procedure laid down in Article 5.
4. No collective investment undertaking shall be authorised as an MMF unless the competent authority of the MMF is satisfied that the MMF will be able to meet all the requirements of this Regulation.
5. For the purposes of authorisation as an MMF, a collective investment undertaking shall submit to its competent authority all of the following documents:
 - (a) the fund rules or instruments of incorporation of the MMF, including an indication of which type of MMF it is from those set out in Article 3(1);
 - (b) identification of the manager of the MMF;

- (c) identification of the depositary;
 - (d) a description of, or any information on, the MMF available to investors;
 - (e) a description of, or any information on, the arrangements and procedures needed to comply with the requirements referred to in Chapters II to VII;
 - (f) any other information or document requested by the competent authority of the MMF to verify compliance with the requirements of this Regulation.
6. The competent authorities shall, on a quarterly basis, inform ESMA of authorisations granted or withdrawn pursuant to this Regulation.
7. ESMA shall keep a central public register identifying each MMF authorised under this Regulation, its type in accordance with Article 3(1), whether it is a short-term or standard MMF, the manager of an MMF and the competent authority of the MMF. The register shall be made available in electronic format.

Article 5

Procedure for authorising MMFs that are AIFs

1. An AIF shall be authorised as an MMF only if the competent authority of the MMF approves the application submitted by an AIFM, that has already been authorised under Directive 2011/61/EU to manage an MMF that is an AIF, and also approves the fund rules and the choice of the depositary.
2. When submitting the application for managing an MMF that is an AIF, the authorised AIFM shall provide the competent authority of the MMF with:
- (a) the written agreement with the depositary;
 - (b) information on delegation arrangements regarding portfolio and risk management and administration with regard to the AIF;
 - (c) information about the investment strategies, the risk profile and other characteristics of MMFs that are AIFs that the AIFM manages or intends to manage.

The competent authority of the MMF may ask the competent authority of the AIFM for clarification and information concerning the documentation referred to in the first subparagraph or an attestation as to whether MMFs fall within the scope of the AIFM's management authorisation. The competent authority of the AIFM shall respond within 10 working days of such request.

3. Any subsequent modifications of the documentation referred to in paragraph 2 shall be immediately notified to the competent authority of the MMF by the AIFM.
4. The competent authority of the MMF shall refuse the application of the AIFM only in the event that any of the following applies:
- (a) the AIFM does not comply with this Regulation;
 - (b) the AIFM does not comply with Directive 2011/61/EU;
 - (c) the AIFM is not authorised by its competent authority to manage MMFs;
 - (d) the AIFM has not provided the documentation referred to in paragraph 2.

Before refusing an application, the competent authority of the MMF shall consult the competent authority of the AIFM.

5. Authorisation of an AIF as an MMF shall not be subject to a requirement either that the AIF be managed by an AIFM authorised in the AIF home Member State or that the AIFM pursues or delegates any activities in the AIF home Member State.

6. Within 2 months of submission of a complete application, the AIFM shall be informed whether or not authorisation of the AIF as an MMF has been granted.

7. The competent authority of the MMF shall not grant authorisation of an AIF as an MMF if the AIF is legally prevented from marketing its units or shares in its home Member State.

Article 6

Use of designation as MMF

1. A UCITS or an AIF shall use the designation 'money market fund' or 'MMF' in relation to itself or the units or shares it issues only where the UCITS or the AIF has been authorised in accordance with this Regulation.

A UCITS or an AIF shall not use a misleading or inaccurate designation which would suggest it is an MMF, unless it has been authorised as an MMF in accordance with this Regulation.

A UCITS or an AIF shall not have characteristics which are substantially similar to those referred to in Article 1(1), unless it has been authorised as an MMF in accordance with this Regulation.

2. The use of the designation 'money market fund', 'MMF' or of another designation that suggests that a UCITS or AIF is an MMF shall mean use in any external documents, prospectuses, reports, statements, advertisements, communications, letters or any other material addressed to or intended for distribution to prospective investors, unit-holders, shareholders or competent authorities in written, oral, electronic or any other form.

Article 7

Applicable rules

1. An MMF and the manager of the MMF shall comply at all times with this Regulation.

2. An MMF which is a UCITS and the manager of the MMF shall comply at all times with the requirements of Directive 2009/65/EC, unless otherwise specified in this Regulation.

3. An MMF which is an AIF and the manager of the MMF shall comply at all times with the requirements of Directive 2011/61/EU, unless otherwise specified in this Regulation.

4. The manager of an MMF shall be responsible for ensuring compliance with this Regulation and shall be liable for any loss or damage resulting from non-compliance with this Regulation.

5. This Regulation shall not prevent MMFs from applying investment limits that are stricter than those required by this Regulation.

CHAPTER II

Obligations concerning the investment policies of MMFs

Section I

General rules and eligible assets

Article 8

General principles

1. Where an MMF comprises more than one investment compartment, each compartment shall be regarded as a separate MMF for the purposes of Chapters II to VII.

2. MMFs authorised as UCITS shall not be subject to the obligations concerning investment policies of UCITS laid down in Articles 49 to 50a, Article 51(2), and Articles 52 to 57 of Directive 2009/65/EC, unless explicitly specified otherwise in this Regulation.

Article 9

Eligible assets

1. An MMF shall invest only in one or more of the following categories of financial assets and only under the conditions specified in this Regulation:

- (a) money market instruments including financial instruments issued or guaranteed separately or jointly by the Union, the national, regional and local administrations of the Member States or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements or any other relevant international financial institution or organisation to which one or more Member States belong;
- (b) eligible securitisations and asset-backed commercial paper (ABCPs);
- (c) deposits with credit institutions;
- (d) financial derivative instruments;
- (e) repurchase agreements that fulfil the conditions set out in Article 14;
- (f) reverse repurchase agreements that fulfil the conditions set out in Article 15;
- (g) units or shares of other MMFs.

2. An MMF shall not undertake any of the following activities:

- (a) investing in assets other than those referred to in paragraph 1;
- (b) short sale of any of the following instruments: money market instruments, securitisations, ABCPs and units or shares of other MMFs;
- (c) taking direct or indirect exposure to equity or commodities, including via derivatives, certificates representing them, indices based on them, or any other means or instrument that would give an exposure to them;
- (d) entering into securities lending agreements or securities borrowing agreements, or any other agreement that would encumber the assets of the MMF;
- (e) borrowing and lending cash.

3. An MMF may hold ancillary liquid assets in accordance with Article 50(2) of Directive 2009/65/EC.

Article 10

Eligible money market instruments

1. A money market instrument shall be eligible for investment by an MMF provided that it fulfils all of the following requirements:

- (a) it falls within one of the categories of money market instruments referred to in point (a), (b), (c) or (h) of Article 50(1) of Directive 2009/65/EC;

- (b) it displays one of the following alternative characteristics:
 - (i) it has a legal maturity at issuance of 397 days or less;
 - (ii) it has a residual maturity of 397 days or less;
 - (c) the issuer of the money market instrument and the quality of the money market instrument have received a favourable assessment pursuant to Articles 19 to 22;
 - (d) where an MMF invests in a securitisation or ABCP, it is subject to the requirements laid down in Article 11.
2. Notwithstanding point (b) of paragraph 1, standard MMFs shall also be allowed to invest in money market instruments with a residual maturity until the legal redemption date of less than or equal to 2 years, provided that the time remaining until the next interest rate reset date is 397 days or less. For that purpose, floating-rate money-market instruments and fixed-rate money-market instruments hedged by a swap arrangement shall be reset to a money market rate or index.
3. Point (c) of paragraph 1 shall not apply to money market instruments issued or guaranteed by the Union, a central authority or central bank of a Member State, the European Central Bank, the European Investment Bank, the European Stability Mechanism or the European Financial Stability Facility.

Article 11

Eligible securitisations and ABCPs

1. Both a securitisation and an ABCP shall be considered to be eligible for investment by an MMF provided that the securitisation or ABCP is sufficiently liquid, has received a favourable assessment pursuant to Articles 19 to 22, and is any of the following:
- (a) a securitisation referred to in Article 13 of Commission Delegated Regulation (EU) 2015/61 ⁽¹⁾;
 - (b) an ABCP issued by an ABCP programme which:
 - (i) is fully supported by a regulated credit institution that covers all liquidity, credit and material dilution risks, as well as ongoing transaction costs and ongoing programme-wide costs related to the ABCP, if necessary to guarantee the investor the full payment of any amount under the ABCP;
 - (ii) is not a re-securitisation and the exposures underlying the securitisation at the level of each ABCP transaction do not include any securitisation position;
 - (iii) does not include a synthetic securitisation as defined in point (11) of Article 242 of Regulation (EU) No 575/2013;
 - (c) a simple, transparent and standardised (STS) securitisation or ABCP.
2. A short-term MMF may invest in the securitisations or ABCPs referred to in paragraph 1 provided any of the following conditions is fulfilled, as applicable:
- (a) the legal maturity at issuance of the securitisations referred to in point (a) of paragraph 1 is 2 years or less and the time remaining until the next interest rate reset date is 397 days or less;
 - (b) the legal maturity at issuance or residual maturity of the securitisations or ABCPs referred to in points (b) and (c) of paragraph 1 is 397 days or less;
 - (c) the securitisations referred to in points (a) and (c) of paragraph 1 are amortising instruments and have a WAL of 2 years or less.

⁽¹⁾ Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions (OJ L 11, 17.1.2015, p. 1).

3. A standard MMF may invest in the securitisations or ABCPs referred to in paragraph 1 provided any of the following conditions is fulfilled, as applicable:

- (a) the legal maturity at issuance or residual maturity of the securitisations and ABCPs referred to in points (a), (b) and (c) of paragraph 1 is 2 years or less and the time remaining until the next interest rate reset date is 397 days or less;
- (b) the securitisations referred to in points (a) and (c) of paragraph 1 are amortising instruments and have a WAL of 2 years or less.

4. The Commission shall adopt, by 6 months from the date of entry into force of the proposed Regulation on STS securitisations, a delegated act in accordance with Article 45 amending this Article by introducing a cross-reference to the criteria identifying STS securitisations and ABCPs in the corresponding provisions of that Regulation. The amendment shall become effective at the latest by 6 months after the date of entry into force of that delegated act or from the date of application of the corresponding provisions in the proposed Regulation on STS securitisations, whichever is the later.

For the purposes of the first subparagraph, the criteria identifying STS securitisations and ABCPs shall include at least the following:

- (a) requirements relating to the simplicity of the securitisation, including its true sale character and the respect of standards relating to the underwriting of the exposures;
- (b) requirements relating to standardisation of the securitisation, including risk retention requirements;
- (c) requirements relating to the transparency of the securitisation, including the provision of information to potential investors;
- (d) for ABCPs, in addition to points (a), (b) and (c), requirements relating to the sponsor and to the sponsor support of the ABCP programme.

Article 12

Eligible deposits with credit institutions

A deposit with a credit institution shall be eligible for investment by an MMF provided that all of the following conditions are fulfilled:

- (a) the deposit is repayable on demand or is able to be withdrawn at any time;
- (b) the deposit matures in no more than 12 months;
- (c) the credit institution has its registered office in a Member State or, where the credit institution has its registered office in a third country, it is subject to prudential rules considered equivalent to those laid down in Union law in accordance with the procedure laid down in Article 107(4) of Regulation (EU) No 575/2013.

Article 13

Eligible financial derivative instruments

A financial derivative instrument shall be eligible for investment by an MMF provided it is dealt in on a regulated market as referred to in point (a), (b) or (c) of Article 50(1) of Directive 2009/65/EC or OTC and provided that all of the following conditions are fulfilled:

- (a) the underlying of the derivative instrument consists of interest rates, foreign exchange rates, currencies or indices representing one of those categories;
- (b) the derivative instrument serves only the purpose of hedging the interest rate or exchange rate risks inherent in other investments of the MMF;

- (c) the counterparties to OTC derivative transactions are institutions subject to prudential regulation and supervision and belonging to the categories approved by the competent authority of the MMF;
- (d) the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the MMF's initiative.

Article 14

Eligible repurchase agreements

A repurchase agreement shall be eligible to be entered into by an MMF provided that all of the following conditions are fulfilled:

- (a) it is used on a temporary basis, for no more than seven working days, only for liquidity management purposes and not for investment purposes other than as referred to in point (c);
- (b) the counterparty receiving assets transferred by the MMF as collateral under the repurchase agreement is prohibited from selling, investing, pledging or otherwise transferring those assets without the MMF's prior consent;
- (c) the cash received by the MMF as part of the repurchase agreement is able to be:
 - (i) placed on deposits in accordance with point (f) of Article 50(1) of Directive 2009/65/EC; or
 - (ii) invested in assets referred to in Article 15(6), but shall not otherwise be invested in eligible assets as referred to in Article 9, transferred or otherwise reused;
- (d) the cash received by the MMF as part of the repurchase agreement does not exceed 10 % of its assets;
- (e) the MMF has the right to terminate the agreement at any time upon giving prior notice of no more than two working days.

Article 15

Eligible reverse repurchase agreements

1. A reverse repurchase agreement shall be eligible to be entered into by an MMF provided that all of the following conditions are fulfilled:

- (a) the MMF has the right to terminate the agreement at any time upon giving prior notice of no more than two working days;
- (b) the market value of the assets received as part of the reverse repurchase agreement is at all times at least equal to the value of the cash paid out.

2. The assets received by an MMF as part of a reverse repurchase agreement shall be money market instruments that fulfil the requirements set out in Article 10.

The assets received by an MMF as part of a reverse repurchase agreement shall not be sold, reinvested, pledged or otherwise transferred.

3. Securitisations and ABCPs shall not be received by an MMF as part of a reverse repurchase agreement.

4. The assets received by an MMF as part of a reverse repurchase agreement shall be sufficiently diversified with a maximum exposure to a given issuer of 15 % of the MMF's NAV, except where those assets take the form of money market instruments that fulfil the requirements of Article 17(7). In addition, the assets received by an MMF as part of a reverse repurchase agreement shall be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.

5. An MMF that enters into a reverse repurchase agreement shall ensure that it is able to recall the full amount of cash at any time on either an accrued basis or a mark-to-market basis. When the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement shall be used for the calculation of the NAV of the MMF.

6. By way of derogation from paragraph 2 of this Article, an MMF may receive as part of a reverse repurchase agreement liquid transferable securities or money market instruments other than those that fulfil the requirements set out in Article 10 provided that those assets comply with one of the following conditions:

- (a) they are issued or guaranteed by the Union, a central authority or central bank of a Member State, the European Central Bank, the European Investment Bank, the European Stability Mechanism or the European Financial Stability Facility provided that a favourable assessment has been received pursuant to Articles 19 to 22;
- (b) they are issued or guaranteed by a central authority or central bank of a third country, provided that a favourable assessment has been received pursuant to Articles 19 to 22.

The assets received as part of a reverse repurchase agreement in accordance with the first subparagraph of this paragraph shall be disclosed to MMF investors, in accordance with Article 13 of Regulation (EU) 2015/2365 of the European Parliament and of the Council ⁽¹⁾.

The assets received as part of a reverse repurchase agreement in accordance with the first subparagraph of this paragraph shall fulfil the requirements of Article 17(7).

7. The Commission shall be empowered to adopt delegated acts in accordance with Article 45 to supplement this Regulation by specifying quantitative and qualitative liquidity requirements applicable to assets referred to in paragraph 6 and quantitative and qualitative credit quality requirements applicable to assets referred to in point (a) of paragraph 6 of this Article.

For those purposes, the Commission shall take into account the report referred to in Article 509(3) of Regulation (EU) No 575/2013.

The Commission shall adopt the delegated act referred to in the first subparagraph no later than 21 January 2018.

Article 16

Eligible units or shares of MMFs

1. An MMF may acquire the units or shares of any other MMF ('targeted MMF') provided that all of the following conditions are fulfilled:

- (a) no more than 10 % of the assets of the targeted MMF are able, according to its fund rules or instruments of incorporation, to be invested in aggregate in units or shares of other MMFs;
- (b) the targeted MMF does not hold units or shares in the acquiring MMF.

An MMF whose units or shares have been acquired shall not invest in the acquiring MMF during the period in which the acquiring MMF holds units or shares in it.

2. An MMF may acquire the units or shares of other MMFs, provided that no more than 5 % of its assets are invested in units or shares of a single MMF.

3. An MMF may, in aggregate, invest no more than 17,5 % of its assets in units or shares of other MMFs.

4. Units or shares of other MMFs shall be eligible for investment by an MMF provided that all of the following conditions are fulfilled:

- (a) the targeted MMF is authorised under this Regulation;

⁽¹⁾ Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 (OJ L 337, 23.12.2015, p. 1).

- (b) where the targeted MMF is managed, whether directly or under a delegation, by the same manager as that of the acquiring MMF or by any other company to which the manager of the acquiring MMF is linked by common management or control, or by a substantial direct or indirect holding, the manager of the targeted MMF, or that other company, is prohibited from charging subscription or redemption fees on account of the investment by the acquiring MMF in the units or shares of the targeted MMF;
 - (c) where an MMF invests 10 % or more of its assets in units or shares of other MMFs:
 - (i) the prospectus of that MMF shall disclose the maximum level of the management fees that may be charged to the MMF itself and to the other MMFs in which it invests; and
 - (ii) the annual report shall indicate the maximum proportion of management fees charged to the MMF itself and to the other MMFs in which it invests.
5. Paragraphs 2 and 3 of this Article shall not apply to an MMF that is an AIF authorised in accordance with Article 5, where all of the following conditions are met:
- (a) the MMF is marketed solely through an employee savings scheme governed by national law and which has only natural persons as investors;
 - (b) the employee savings scheme referred to in point (a) only allows investors to redeem their investment subject to restrictive redemption terms which are laid down in national law, whereby redemptions may only take place in certain circumstances that are not linked to market developments.

By way of derogation from paragraphs 2 and 3 of this Article, an MMF that is a UCITS authorised in accordance with Article 4(2) may acquire units or shares in other MMFs in accordance with Article 55 or 58 of Directive 2009/65/EC under the following conditions:

- (a) the MMF is marketed solely through an employee savings scheme governed by national law and which has only natural persons as investors;
 - (b) the employee savings scheme referred to in point (a) only allows investors to redeem their investment subject to restrictive redemption terms which are laid down in national law, whereby redemptions may only take place in certain circumstances that are not linked to market developments.
6. Short-term MMFs may only invest in units or shares of other short-term MMFs.
7. Standard MMFs may invest in units or shares of short-term MMFs and standard MMFs.

Section II

Provisions on investment policies

Article 17

Diversification

1. An MMF shall invest no more than:
- (a) 5 % of its assets in money market instruments, securitisations and ABCPs issued by the same body;
 - (b) 10 % of its assets in deposits made with the same credit institution, unless the structure of the banking sector in the Member State in which the MMF is domiciled is such that there are insufficient viable credit institutions to meet that diversification requirement and it is not economically feasible for the MMF to make deposits in another Member State, in which case up to 15 % of its assets may be deposited with the same credit institution.
2. By way of derogation from point (a) of paragraph 1, a VNAV MMF may invest up to 10 % of its assets in money market instruments, securitisations and ABCPs issued by the same body provided that the total value of such money market instruments, securitisations and ABCPs held by the VNAV MMF in each issuing body in which it invests more than 5 % of its assets does not exceed 40 % of the value of its assets.

3. Until the date of application of the delegated act referred to in Article 11(4), the aggregate of all of an MMF's exposures to securitisations and ABCPs shall not exceed 15 % of the assets of the MMF.

As from the date of application of the delegated act referred to in Article 11(4), the aggregate of all of an MMF's exposures to securitisations and ABCPs shall not exceed 20 % of the assets of the MMF, whereby up to 15 % of the assets of the MMF may be invested in securitisations and ABCPs that do not comply with the criteria for the identification of STS securitisations and ABCPs.

4. The aggregate risk exposure to the same counterparty of an MMF stemming from OTC derivative transactions which fulfil the conditions set out in Article 13 shall not exceed 5 % of the assets of the MMF.

5. The aggregate amount of cash provided to the same counterparty of an MMF in reverse repurchase agreements shall not exceed 15 % of the assets of the MMF.

6. Notwithstanding the individual limits laid down in paragraphs 1 and 4, an MMF shall not combine, where to do so would result in an investment of more than 15 % of its assets in a single body, any of the following:

- (a) investments in money market instruments, securitisations and ABCPs issued by that body;
- (b) deposits made with that body;
- (c) OTC financial derivative instruments giving counterparty risk exposure to that body.

By way of derogation from the diversification requirement provided for in the first subparagraph, where the structure of the financial market in the Member State in which the MMF is domiciled is such that there are insufficient viable financial institutions to meet that diversification requirement and it is not economically feasible for the MMF to use financial institutions in another Member State, the MMF may combine the types of investments referred to in points (a) to (c) up to a maximum investment of 20 % of its assets in a single body.

7. By way of derogation from point (a) of paragraph 1, the competent authority of an MMF may authorise an MMF to invest, in accordance with the principle of risk-spreading, up to 100 % of its assets in different money market instruments issued or guaranteed separately or jointly by the Union, the national, regional and local administrations of the Member States or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements, or any other relevant international financial institution or organisation to which one or more Member States belong.

The first subparagraph shall only apply where all of the following requirements are met:

- (a) the MMF holds money market instruments from at least six different issues by the issuer;
- (b) the MMF limits the investment in money market instruments from the same issue to a maximum of 30 % of its assets;
- (c) the MMF makes express reference, in its fund rules or instruments of incorporation, to all administrations, institutions or organisations referred to in the first subparagraph that issue or guarantee separately or jointly money market instruments in which it intends to invest more than 5 % of its assets;
- (d) the MMF includes a prominent statement in its prospectus and marketing communications drawing attention to the use of the derogation and indicating all administrations, institutions or organisations referred to in the first subparagraph that issue or guarantee separately or jointly money market instruments in which it intends to invest more than 5 % of its assets.

8. Notwithstanding the individual limits laid down in paragraph 1, an MMF may invest no more than 10 % of its assets in bonds issued by a single credit institution that has its registered office in a Member State and is subject by law to special public supervision designed to protect bond-holders. In particular, sums deriving from the issue of those

bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

Where an MMF invests more than 5 % of its assets in the bonds referred to in the first subparagraph issued by a single issuer, the total value of those investments shall not exceed 40 % of the value of the assets of the MMF.

9. Notwithstanding the individual limits laid down in paragraph 1, an MMF may invest no more than 20 % of its assets in bonds issued by a single credit institution where the requirements set out in point (f) of Article 10(1) or point (c) of Article 11(1) of Delegated Regulation (EU) 2015/61 are met, including any possible investment in assets referred to in paragraph 8 of this Article.

Where an MMF invests more than 5 % of its assets in the bonds referred to in the first subparagraph issued by a single issuer, the total value of those investments shall not exceed 60 % of the value of the assets of the MMF, including any possible investment in assets referred to in paragraph 8, respecting the limits set out therein.

10. Companies which are included in the same group for the purposes of consolidated accounts under Directive 2013/34/EU of the European Parliament and of the Council⁽¹⁾ or in accordance with recognised international accounting rules, shall be regarded as a single body for the purpose of calculating the limits referred to in paragraphs 1 to 6 of this Article.

Article 18

Concentration

1. An MMF shall not hold more than 10 % of the money market instruments, securitisations and ABCPs issued by a single body.
2. The limit laid down in paragraph 1 shall not apply in respect of holdings of money market instruments issued or guaranteed by the Union, national, regional and local administrations of the Member States or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements, or any other relevant international financial institution or organisation to which one or more Member States belong.

Section III

Credit quality of money market instruments, securitisations and ABCPs

Article 19

Internal credit quality assessment procedure

1. The manager of an MMF shall establish, implement and consistently apply a prudent internal credit quality assessment procedure for determining the credit quality of money market instruments, securitisations and ABCPs, taking into account the issuer of the instrument and the characteristics of the instrument itself.
2. The manager of an MMF shall ensure that the information used in applying the internal credit quality assessment procedure is of sufficient quality, up-to-date and from reliable sources.
3. The internal assessment procedure shall be based on prudent, systematic and continuous assessment methodologies. The methodologies used shall be subject to validation by the manager of an MMF based on historical experience and empirical evidence, including back testing.

⁽¹⁾ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

4. The manager of an MMF shall ensure that the internal credit quality assessment procedure complies with all of the following general principles:
- (a) an effective process is to be established to obtain and update relevant information on the issuer and the instrument's characteristics;
 - (b) adequate measures are to be adopted and implemented to ensure that the internal credit quality assessment is based on a thorough analysis of the information that is available and pertinent, and includes all relevant driving factors that influence the creditworthiness of the issuer and the credit quality of the instrument;
 - (c) the internal credit quality assessment procedure is to be monitored on an ongoing basis and all credit quality assessments shall be reviewed at least annually;
 - (d) while there is to be no mechanistic over-reliance on external ratings in accordance with Article 5a of Regulation (EC) No 1060/2009, the manager of an MMF shall undertake a new credit quality assessment for a money market instrument, securitisations and ABCPs when there is a material change that could have an impact on the existing assessment of the instrument;
 - (e) the credit quality assessment methodologies are to be reviewed at least annually by the manager of an MMF to determine whether they remain appropriate for the current portfolio and external conditions and the review shall be transmitted to the competent authority of the manager of the MMF. Where the manager of the MMF becomes aware of errors in the credit quality assessment methodology or in its application, it shall immediately correct those errors;
 - (f) when methodologies, models or key assumptions used in the internal credit quality assessment procedure are changed, the manager of an MMF is to review all affected internal credit quality assessments as soon as possible.

Article 20

Internal credit quality assessment

1. The manager of an MMF shall apply the procedure laid down in Article 19 to determine whether the credit quality of a money market instrument, securitisation or ABCP receives a favourable assessment. Where a credit rating agency registered and certified in accordance with Regulation (EC) No 1060/2009 has provided a rating of that money market instrument, the manager of the MMF may have regard to such rating and supplementary information and analysis in its internal credit quality assessment, while not solely or mechanistically relying on such rating in accordance with Article 5a of Regulation (EC) No 1060/2009.
2. The credit quality assessment shall take into account at least the following factors and general principles:
- (a) the quantification of the credit risk of the issuer and of the relative risk of default of the issuer and of the instrument;
 - (b) qualitative indicators on the issuer of the instrument, including in the light of the macroeconomic and financial market situation;
 - (c) the short-term nature of money market instruments;
 - (d) the asset class of the instrument;
 - (e) the type of issuer distinguishing at least the following types of issuers: national, regional or local administrations, financial corporations, and non-financial corporations;
 - (f) for structured financial instruments, the operational and counterparty risk inherent within the structured financial transaction and, in case of exposure to securitisations, the credit risk of the issuer, the structure of the securitisation and the credit risk of the underlying assets;
 - (g) the liquidity profile of the instrument.

The manager of an MMF may, in addition to the factors and general principles referred to in this paragraph, take into account warnings and indicators when determining the credit quality of a money market instrument referred to in Article 17(7).

*Article 21***Documentation**

1. The manager of an MMF shall document its internal credit quality assessment procedure and credit quality assessments. Documentation shall include all of the following:
 - (a) the design and operational details of its internal credit quality assessment procedure in a manner that allows competent authorities to understand and evaluate the appropriateness of a credit quality assessment;
 - (b) the rationale for and the analysis supporting the credit quality assessment, as well as the manager of the MMF's choice of criteria for, and the frequency of, the review of the credit quality assessment;
 - (c) all major changes to the internal credit quality assessment procedure, including identification of the triggers of such changes;
 - (d) the organisation of the internal credit quality assessment procedure and the internal control structure;
 - (e) complete internal credit quality assessment histories on instruments, issuers and, where relevant, recognised guarantors;
 - (f) the person or persons responsible for the internal credit quality assessment procedure.
2. The manager of an MMF shall keep all the documentation referred to in paragraph 1 for at least three complete annual accounting periods.
3. The internal credit quality assessment procedure shall be detailed in the fund rules or rules of incorporation of the MMF and all documents referred to in paragraph 1 shall be made available upon request to the competent authorities of the MMF and to the competent authorities of the manager of the MMF.

*Article 22***Delegated acts for the credit quality assessment**

The Commission shall adopt delegated acts in accordance with Article 45 in order to supplement this Regulation by specifying the following points:

- (a) the criteria for the validation of the credit quality assessment methodology, as referred to in Article 19(3);
- (b) the criteria for quantification of the credit risk, and of the relative risk of default of an issuer and of the instrument, as referred to in point (a) of Article 20(2);
- (c) the criteria for establishing qualitative indicators on the issuer of the instrument, as referred to in point (b) of Article 20(2);
- (d) the meaning of material change as referred to in point (d) of Article 19(4).

*Article 23***Governance of the credit quality assessment**

1. The internal credit quality assessment procedure shall be approved by the senior management, the governing body, and, where it exists, the supervisory function of the manager of an MMF.

Those parties shall have a good understanding of the internal credit quality assessment procedure and the methodologies applied by the manager of an MMF, as well as a detailed comprehension of the associated reports.

2. The manager of an MMF shall report to the parties referred to in paragraph 1 on the MMF's credit risk profile, based on an analysis of the MMF's internal credit quality assessments. Reporting frequencies shall depend on the significance and type of information and shall be at least annual.

3. Senior management shall ensure, on an ongoing basis, that the internal credit quality assessment procedure is operating properly.

Senior management shall be regularly informed about the performance of the internal credit quality assessment procedures, the areas where deficiencies were identified, and the status of efforts and actions taken to improve previously identified deficiencies.

4. Internal credit quality assessments and their periodic reviews by the manager of an MMF shall not be performed by the persons performing or responsible for the portfolio management of an MMF.

CHAPTER III

Obligations concerning the risk management of MMFs

Article 24

Portfolio rules for short-term MMFs

1. A short-term MMF shall comply on an ongoing basis with all of the following portfolio requirements:

- (a) its portfolio is to have a WAM of no more than 60 days;
- (b) its portfolio is to have a WAL of no more than 120 days, subject to the second and third subparagraphs;
- (c) for LVNAV MMFs and public debt CNAV MMFs, at least 10 % of their assets are to be comprised of daily maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of one working day or cash which is able to be withdrawn by giving prior notice of one working day. A LVNAV MMF or public debt CNAV MMF is not to acquire any asset other than a daily maturing asset when such acquisition would result in that MMF investing less than 10 % of its portfolio in daily maturing assets;
- (d) for a short-term VNAV MMF, at least 7,5 % of its assets are to be comprised of daily maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of one working day, or cash which is able to be withdrawn by giving prior notice of one working day. A short-term VNAV MMF is not to acquire any asset other than a daily maturing asset when such acquisition would result in that MMF investing less than 7,5 % of its portfolio in daily maturing assets;
- (e) for LVNAV MMFs and public debt CNAV MMFs, at least 30 % of their assets are to be comprised of weekly maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of five working days or cash which is able to be withdrawn by giving prior notice of five working days. A LVNAV MMF or public debt CNAV MMF is not to acquire any asset other than a weekly maturing asset when such acquisition would result in that MMF investing less than 30 % of its portfolio in weekly maturing assets;
- (f) for a short-term VNAV MMF, at least 15 % of its assets are to be comprised of weekly maturing assets, reverse repurchase agreements which are able to be terminated by giving prior notice of five working days, or cash which is able to be withdrawn by giving prior notice of five working days. A short-term VNAV MMF is not to acquire any asset other than a weekly maturing asset when such acquisition would result in that MMF investing less than 15 % of its portfolio in weekly maturing assets;
- (g) for the purpose of the calculation referred to in point (e), assets referred to in Article 17(7) which are highly liquid and can be redeemed and settled within one working day and have a residual maturity of up to 190 days may also be included within the weekly maturing assets of a LVNAV MMF and public debt CNAV MMF, up to a limit of 17,5 % of its assets;

- (h) for the purpose of the calculation referred to in point (f), money market instruments or units or shares of other MMFs may be included within the weekly maturing assets of a short-term VNAV MMF up to a limit of 7,5 % of its assets provided they are able to be redeemed and settled within five working days.

For the purposes of point (b) of the first subparagraph, when calculating the WAL for securities, including structured financial instruments, a short-term MMF shall base the maturity calculation on the residual maturity until the legal redemption of the instruments. However, in the event that a financial instrument embeds a put option, a short-term MMF may base the maturity calculation on the exercise date of the put option instead of the residual maturity, but only if all of the following conditions are fulfilled at all times:

- (i) the put option is able to be freely exercised by the short-term MMF at its exercise date;
- (ii) the strike price of the put option remains close to the expected value of the instrument at the exercise date;
- (iii) the investment strategy of the short-term MMF implies that there is a high probability that the option will be exercised at the exercise date.

By way of derogation from the second subparagraph, when calculating the WAL for securitisations and ABCPs, a short-term MMF may instead, in the case of amortising instruments, base the maturity calculation on one of the following:

- (i) the contractual amortisation profile of such instruments;
- (ii) the amortisation profile of the underlying assets from which the cash-flows for the redemption of such instruments result.

2. If the limits referred to in this Article are exceeded for reasons beyond the control of an MMF, or as a result of the exercise of subscription or redemption rights, that MMF shall adopt as a priority objective the correction of that situation, taking due account of the interests of its unit holders or shareholders.

3. All MMFs referred to in Article 3(1) of this Regulation may take the form of a short-term MMF.

Article 25

Portfolio rules for standard MMFs

1. A standard MMF shall comply on an ongoing basis with all of the following requirements:

- (a) its portfolio is to have at all times a WAM of no more than 6 months;
- (b) its portfolio is to have at all times a WAL of no more than 12 months, subject to the second and third subparagraphs;
- (c) at least 7,5 % of its assets are to be comprised of daily maturing assets, reverse repurchase agreements which can be terminated by giving prior notice of one working day or cash which can be withdrawn by giving prior notice of one working day. A standard MMF is not to acquire any asset other than a daily maturing asset when such acquisition would result in that MMF investing less than 7,5 % of its portfolio in daily maturing assets;
- (d) at least 15 % of its assets are to be comprised of weekly maturing assets, reverse repurchase agreements which can be terminated by giving prior notice of five working days or cash which can be withdrawn by giving prior notice of five working days. A standard MMF is not to acquire any asset other than a weekly maturing asset when such acquisition would result in that MMF investing less than 15 % of its portfolio in weekly maturing assets;
- (e) for the purpose of the calculation referred to in point (d), money market instruments or units or shares of other MMFs may be included within the weekly maturing assets up to 7,5 % of its assets provided they are able to be redeemed and settled within five working days.

For the purposes of point (b) of the first subparagraph, when calculating the WAL for securities, including structured financial instruments, a standard MMF shall base the maturity calculation on the residual maturity until the legal redemption of the instruments. However, in the event that a financial instrument embeds a put option, a standard MMF may base the maturity calculation on the exercise date of the put option instead of the residual maturity, but only if all of the following conditions are fulfilled at all times:

- (i) the put option is able to be freely exercised by the standard MMF at its exercise date;
- (ii) the strike price of the put option remains close to the expected value of the instrument at the exercise date;
- (iii) the investment strategy of the standard MMF implies that there is a high probability that the option will be exercised at the exercise date.

By way of derogation from the second subparagraph, when calculating the WAL for securitisations and ABCPs, a standard MMF may instead, in the case of amortising instruments, base the maturity calculation on one of the following:

- (i) the contractual amortisation profile of such instruments;
- (ii) the amortisation profile of the underlying assets from which the cash-flows for the redemption of such instruments result.

2. If the limits referred to in this Article are exceeded for reasons beyond the control of a standard MMF or as a result of the exercise of subscription or redemption rights, that MMF shall adopt as a priority objective the correction of that situation, taking due account of the interests of its unit holders or shareholders.

3. A standard MMF shall not take the form of a public debt CNAV MMF or a LVNAV MMF.

Article 26

MMF credit ratings

An MMF that solicits or finances an external credit rating shall do so in accordance with Regulation (EC) No 1060/2009. The MMF or the manager of the MMF shall clearly indicate in the MMF's prospectus, and in all communication to investors in which the external credit rating is mentioned, that the rating was solicited or financed by the MMF or by the manager of the MMF.

Article 27

'Know your customer' policy

1. Without prejudice to any more stringent requirements set out in Directive (EU) 2015/849 of the European Parliament and of the Council ⁽¹⁾, the manager of an MMF shall establish, implement and apply procedures and exercise all due diligence with a view to anticipating the effect of concurrent redemptions by several investors, taking into account at least the type of investor, the number of units or shares in the fund owned by a single investor and the evolution of inflows and outflows.

2. If the value of the units or shares held by a single investor exceeds the amount of the corresponding daily liquidity requirement of an MMF, the manager of the MMF shall consider, in addition to the factors set out in paragraph 1, all of the following:

- (a) identifiable patterns in investor cash needs, including the cyclical evolution of the number of shares in the MMF;

⁽¹⁾ Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L 141, 5.6.2015, p. 73).

- (b) the risk aversion of the different investors;
- (c) the degree of correlation or close links between different investors in the MMF.

3. Where investors route their investments via an intermediary, the manager of an MMF shall request the information to comply with paragraphs 1 and 2 from the intermediary in order to manage appropriately the liquidity and investor concentration of the MMF.

4. The manager of an MMF shall ensure that the value of the units or shares held by a single investor does not materially impact the liquidity profile of the MMF where it accounts for a substantial part of the total NAV of the MMF.

Article 28

Stress testing

1. Each MMF shall have in place sound stress testing processes that identify possible events or future changes in economic conditions which could have unfavourable effects on the MMF. The MMF or the manager of an MMF shall assess the possible impact that those events or changes could have on the MMF. The MMF or the manager of an MMF shall regularly conduct stress testing for different possible scenarios.

The stress tests shall be based on objective criteria and consider the effects of severe plausible scenarios. The stress test scenarios shall at least take into consideration reference parameters that include the following factors:

- (a) hypothetical changes in the level of liquidity of the assets held in the portfolio of the MMF;
- (b) hypothetical changes in the level of credit risk of the assets held in the portfolio of the MMF, including credit events and rating events;
- (c) hypothetical movements of the interest rates and exchange rates;
- (d) hypothetical levels of redemption;
- (e) hypothetical widening or narrowing of spreads among indices to which interest rates of portfolio securities are tied;
- (f) hypothetical macro systemic shocks affecting the economy as a whole.

2. In addition, in the case of public debt CNAV MMFs and LVNAV MMFs, the stress tests shall estimate for different scenarios the difference between the constant NAV per unit or share and the NAV per unit or share.

3. Stress tests shall be conducted at a frequency determined by the board of directors of the MMF, where applicable, or the board of directors of the manager of an MMF, after considering what an appropriate and reasonable interval in light of the market conditions is and after considering any envisaged changes in the portfolio of the MMF. Such frequency shall be at least bi-annual.

4. Where the stress test reveals any vulnerability of the MMF, the manager of an MMF shall draw up an extensive report with the results of the stress testing and a proposed action plan.

Where necessary, the manager of an MMF shall take action to strengthen the robustness of the MMF, including actions that reinforce the liquidity or the quality of the assets of the MMF and shall immediately inform the competent authority of the MMF of the measures taken.

5. The extensive report with the results of the stress testing and proposed action plan shall be submitted for examination to the board of directors of the MMF, where applicable, or the board of directors of the manager of an MMF. The board of directors shall amend the proposed action plan if necessary and approve the final action plan. The extensive report and the action plan shall be kept for a period of at least 5 years.

The extensive report and the action plan shall be submitted to the competent authority of the MMF for review.

6. The competent authority of the MMF shall send the extensive report referred to in paragraph 5 to ESMA.

7. ESMA shall issue guidelines with a view to establishing common reference parameters of the stress test scenarios to be included in the stress tests taking into account the factors specified in paragraph 1. The guidelines shall be updated at least every year taking into account the latest market developments.

CHAPTER IV

Valuation rules

Article 29

Valuation of MMFs

1. The assets of an MMF shall be valued on at least a daily basis.
2. The assets of an MMF shall be valued by using mark-to-market whenever possible.
3. When using mark- to-market:
 - (a) the asset of an MMF shall be valued at the more prudent side of bid and offer unless the asset can be closed out at mid-market;
 - (b) only good quality market data shall be used; such data shall be assessed on the basis of all of the following factors:
 - (i) the number and quality of the counterparties;
 - (ii) the volume and turnover in the market of the asset of the MMF;
 - (iii) the issue size and the portion of the issue that the MMF plans to buy or sell.
4. Where use of mark-to-market is not possible or the market data is not of sufficient quality, an asset of an MMF shall be valued conservatively by using mark-to-model.

The model shall accurately estimate the intrinsic value of the asset of an MMF, based on all of the following up-to-date key factors:

- (a) the volume and turnover in the market of that asset;
- (b) the issue size and the portion of the issue that the MMF plans to buy or sell;
- (c) market risk, interest rate risk, credit risk attached to the asset.

When using mark-to-model, the amortised cost method shall not be used.

5. A valuation carried out in accordance with paragraphs 2, 3, 4, 6 and 7 shall be communicated to the competent authorities.
6. Notwithstanding paragraphs 2, 3 and 4, the assets of public debt CNAV MMFs may additionally be valued by using the amortised cost method.
7. By way of derogation from paragraphs 2 and 4, in addition to the mark-to-market referred to in paragraphs 2 and 3 and the mark-to-model referred to in paragraph 4, the assets of LVNAV MMFs that have a residual maturity of up to 75 days may be valued by using the amortised cost method.

The amortised cost method shall only be used for valuing an asset of a LVNAV MMF in circumstances where the price of that asset calculated in accordance with paragraphs 2, 3 and 4 does not deviate from the price of that asset calculated in accordance with the first subparagraph of this paragraph by more than 10 basis points. In the event of such a deviation, the price of that asset shall be calculated in accordance with paragraphs 2, 3 and 4.

*Article 30***Calculation of NAV per unit or share**

1. An MMF shall calculate a NAV per unit or share as the difference between the sum of all assets of the MMF and the sum of all liabilities of the MMF valued in accordance with mark-to-market or mark-to-model, or both, divided by the number of outstanding units or shares of the MMF.
2. The NAV per unit or share shall be rounded to the nearest basis point or its equivalent when the NAV is published in a currency unit.
3. The NAV per unit or share of an MMF shall be calculated and published at least daily on the public section of the website of the MMF.

*Article 31***Calculation of the constant NAV per unit or share of public debt CNAV MMFs**

1. A public debt CNAV MMF shall calculate a constant NAV per unit or share as the difference between the sum of all of its assets valued in accordance with the amortised cost method, as provided for in Article 29(6), and the sum of all of its liabilities, divided by the number of its outstanding units or shares.
2. The constant NAV per unit or share of a public debt CNAV MMF shall be rounded to the nearest percentage point or its equivalent when the constant NAV is published in a currency unit.
3. The constant NAV per unit or share of a public debt CNAV MMF shall be calculated at least daily.
4. The difference between the constant NAV per unit or share and the NAV per unit or share calculated in accordance with Article 30 shall be monitored and published daily on the public section of the website of the MMF.

*Article 32***Calculation of the constant NAV per unit or share of LVNAV MMFs**

1. A LVNAV MMF shall calculate a constant NAV per unit or share as the difference between the sum of all of its assets valued in accordance with the amortised cost method as specified in Article 29(7), and the sum of all its liabilities, divided by the number of its outstanding units or shares.
2. The constant NAV per unit or share of a LVNAV MMF shall be rounded to the nearest percentage point or its equivalent when the constant NAV is published in a currency unit.
3. The constant NAV per unit or share of a LVNAV MMF shall be calculated at least daily.
4. The difference between the constant NAV per unit or share and the NAV per unit or share calculated in accordance with Article 30 shall be monitored and published daily on the public section of the website of the MMF.

*Article 33***Issue and redemption price**

1. The units or shares of an MMF shall be issued or redeemed at a price that is equal to the MMF's NAV per unit or share, notwithstanding permitted fees or charges as specified in the prospectus of the MMF.

2. By way of derogation from paragraph 1:

- (a) the units or shares of a public debt CNAV MMF may be issued or redeemed at a price that is equal to that MMF's constant NAV per unit or share;
- (b) the units or shares of a LVNAV MMF may be issued or redeemed at a price that is equal to that MMF's constant NAV per unit or share, but only where the constant NAV per unit or share calculated in accordance with Article 32(1), (2) and (3) does not deviate from the NAV per unit or share calculated in accordance with Article 30 by more than 20 basis points.

In relation to point (b), when the constant NAV per unit or share calculated in accordance with Article 32(1), (2) and (3) deviates from the NAV per unit or share calculated in accordance with Article 30 by more than 20 basis points, the following redemption or subscription shall be undertaken at a price that is equal to the NAV per unit or share calculated in accordance with Article 30.

Potential investors shall, prior to the conclusion of the contract, be clearly warned in writing by the manager of an MMF of the circumstances in which the LVNAV MMF will no longer redeem or subscribe at a constant NAV per unit or share.

CHAPTER V

Specific requirements for public debt CNAV MMFs and LVNAV MMFs

Article 34

Specific requirements for public debt CNAV MMFs and LVNAV MMFs

1. The manager of a public debt CNAV MMF or of a LVNAV MMF shall establish, implement and consistently apply prudent and rigorous liquidity management procedures for ensuring compliance with the weekly liquidity thresholds applicable to such funds. The liquidity management procedures shall be clearly described in the fund rules or instruments of incorporation, as well as in the prospectus.

In ensuring compliance with the weekly liquidity thresholds, the following shall apply:

- (a) whenever the proportion of weekly maturing assets as set out in point (e) of Article 24(1) falls below 30 % of the total assets of the public debt CNAV MMF or of the LVNAV MMF and the net daily redemptions on a single working day exceed 10 % of total assets, the manager of the public debt CNAV MMF or of the LVNAV MMF shall immediately inform its board thereof and the board shall undertake a documented assessment of the situation to determine the appropriate course of action having regard to the interests of the investors and shall decide whether to apply one or more of the following measures:
 - (i) liquidity fees on redemptions that adequately reflect the cost to the MMF of achieving liquidity and ensure that investors who remain in the fund are not unfairly disadvantaged when other investors redeem their units or shares during the period;
 - (ii) redemption gates that limit the amount of shares or units to be redeemed on any one working day to a maximum of 10 % of the shares or units in the MMF for any period up to 15 working days;
 - (iii) suspension of redemptions for any period up to 15 working days; or
 - (iv) take no immediate action other than fulfilling the obligation laid down in Article 24(2);
- (b) whenever the proportion of weekly maturing assets as set out in point (e) of Article 24(1) falls below 10 % of its total assets, the manager of a public debt CNAV MMF or of a LVNAV MMF shall immediately inform its board thereof and the board shall undertake a documented assessment of the situation and, on the basis of such assessment and having regard to the interests of the investors, shall apply one or more of the following measures and document the reasons for its choice:
 - (i) liquidity fees on redemptions that adequately reflect the cost to the MMF of achieving liquidity and ensure that investors who remain in the fund are not unfairly disadvantaged when other investors redeem their units or shares during the period;
 - (ii) a suspension of redemptions for a period of up to 15 working days.

2. When, within a period of 90 days, the total duration of the suspensions exceeds 15 days, a public debt CNAV MMF or a LVNAV MMF shall automatically cease to be a public debt CNAV MMF or a LVNAV MMF. The public debt CNAV MMF or the LVNAV MMF shall immediately inform each investor thereof in writing in a clear and comprehensible way.
3. After the board of the public debt CNAV MMF or of the LVNAV MMF has determined its course of action with regard to both points (a) and (b) of paragraph 1, it shall promptly provide details of its decision to the competent authority of that MMF.

CHAPTER VI

External support

Article 35

External support

1. A MMF shall not receive external support.
2. External support means direct or indirect support offered to an MMF by a third party, including a sponsor of the MMF, that is intended for or in effect would result in guaranteeing the liquidity of the MMF or stabilising the NAV per unit or share of the MMF.

External support shall include:

- (a) cash injections from a third party;
- (b) purchase by a third party of assets of the MMF at an inflated price;
- (c) purchase by a third party of units or shares of the MMF in order to provide liquidity to the fund;
- (d) issuance by a third party of any kind of explicit or implicit guarantee, warranty or letter of support for the benefit of the MMF;
- (e) any action by a third party the direct or indirect objective of which is to maintain the liquidity profile and the NAV per unit or share of the MMF.

CHAPTER VII

Transparency requirements

Article 36

Transparency

1. An MMF shall indicate clearly which type of MMF it is in accordance with Article 3(1) and whether it is a short-term or a standard MMF in any external document, report, statement, advertisement, letter or any other written evidence issued by it or by the manager of the MMF, addressed to or intended for distribution to prospective investors, unit-holders, or shareholders.
2. The manager of an MMF shall, at least weekly, make all of the following information available to the MMF's investors:
 - (a) the maturity breakdown of the portfolio of the MMF;
 - (b) the credit profile of the MMF;
 - (c) the WAM and WAL of the MMF;
 - (d) details of the 10 largest holdings in the MMF, including the name, country, maturity and asset type, and the counterparty in the case of repurchase and reverse repurchase agreements;

- (e) the total value of the assets of the MMF;
 - (f) the net yield of the MMF.
3. Any document of an MMF used for marketing purposes shall clearly include all of the following statements:
- (a) that the MMF is not a guaranteed investment;
 - (b) that an investment in MMFs is different from an investment in deposits, with particular reference to the risk that the principal invested in an MMF is capable of fluctuation;
 - (c) that the MMF does not rely on external support for guaranteeing the liquidity of the MMF or stabilising the NAV per unit or share;
 - (d) that the risk of loss of the principal is to be borne by the investor.
4. No communication by the MMF or by the manager of an MMF to investors or potential investors shall in any way suggest that an investment in the units or shares of the MMF is guaranteed.
5. Investors in an MMF shall be clearly informed of the method or methods used by the MMF to value the assets of the MMF and calculate the NAV.

Public debt CNAV MMFs and LVNAV MMFs shall explain clearly to investors and potential investors any use of the amortised cost method or of rounding or both.

Article 37

Reporting to competent authorities

1. For each MMF that it manages, the manager of the MMF shall report information to the competent authority of the MMF on at least a quarterly basis.

By way of derogation from the first subparagraph, for an MMF whose assets under management in total do not exceed EUR 100 000 000, the manager of the MMF shall report to the competent authority of the MMF on at least an annual basis.

The manager of an MMF shall upon request provide the information reported pursuant to the first and second subparagraphs also to the competent authority of the manager of an MMF, if different from the competent authority of the MMF.

2. The information reported pursuant to paragraph 1 shall comprise the following points:
- (a) the type and characteristics of the MMF;
 - (b) portfolio indicators such as the total value of assets, NAV, WAM, WAL, maturity breakdown, liquidity and yield;
 - (c) the results of stress tests and, where applicable, the proposed action plan;
 - (d) information on the assets held in the portfolio of the MMF, including:
 - (i) the characteristics of each asset, such as name, country, issuer category, risk or maturity, and the outcome of the internal credit quality assessment procedure;
 - (ii) the type of asset, including details of the counterparty in the case of derivatives, repurchase agreements or reverse repurchase agreements;
 - (e) information on the liabilities of the MMF, including:
 - (i) the country where the investor is established;

- (ii) the investor category;
- (iii) subscription and redemption activity.

If necessary and duly justified, competent authorities may solicit additional information.

3. In addition to the information referred to in paragraph 2, for each LVNAV MMF that it manages, the manager of an MMF shall report the following:

- (a) every event in which the price of an asset valued by using the amortised cost method in accordance with the first subparagraph of Article 29(7) deviates from the price of that asset calculated in accordance with Article 29(2), (3) and (4) by more than 10 basis points;
- (b) every event in which the constant NAV per unit or share calculated in accordance with Article 32(1) and (2) deviates from the NAV per unit or share calculated in accordance with Article 30 by more than 20 basis points;
- (c) every event in which a situation mentioned in Article 34(3) occurs and the measures taken by the board in accordance with points (a) and (b) of Article 34(1).

4. ESMA shall develop draft implementing technical standards to establish a reporting template that shall contain all the information referred to in paragraphs 2 and 3.

ESMA shall submit those draft implementing technical standards to the Commission by 21 January 2018.

Power is conferred on the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulation (EU) No 1095/2010.

5. Competent authorities shall transmit to ESMA all information received pursuant to this Article. Such information shall be transmitted to ESMA no later than 30 days after the end of the reporting quarter.

ESMA shall collect the information to create a central database of all MMFs established, managed or marketed in the Union. The European Central Bank shall have a right of access to that database, for statistical purposes only.

CHAPTER VIII

Supervision

Article 38

Supervision by the competent authorities

1. The competent authorities shall supervise compliance with this Regulation on an ongoing basis.
2. The competent authority of the MMF or, where relevant, the competent authority of the manager of an MMF shall be responsible for supervising compliance with Chapters II to VII.
3. The competent authority of the MMF shall be responsible for supervising compliance with the obligations set out in the fund rules or in the instruments of incorporation, and the obligations set out in the prospectus, which shall be consistent with this Regulation.
4. The competent authority of the manager of an MMF shall be responsible for supervising the adequacy of the arrangements and organisation of the manager of the MMF so that the manager of the MMF is in a position to comply with the obligations and rules which relate to the constitution and functioning of all the MMFs that it manages.
5. Competent authorities shall monitor UCITS and AIFs established or marketed in their territories to verify that they do not use the MMF designation or suggest that they are an MMF unless they comply with this Regulation.

*Article 39***Powers of competent authorities**

Without prejudice to powers vested in competent authorities in accordance with Directive 2009/65/EC or 2011/61/EU, as applicable, competent authorities shall, in accordance with national law, have all supervisory and investigatory powers that are necessary for the exercise of their functions with respect to this Regulation. They shall, in particular, have the power to do all of the following:

- (a) request access to any document in any form, and to receive or take a copy thereof;
- (b) require an MMF or the manager of an MMF to provide information without delay;
- (c) require information from any person related to the activities of an MMF or the manager of an MMF;
- (d) carry out on-site inspections with or without prior announcement;
- (e) take appropriate measures to ensure that an MMF or the manager of an MMF continues to comply with this Regulation;
- (f) issue an order to ensure that an MMF or the manager of an MMF complies with this Regulation and desists from a repetition of any conduct that could infringe this Regulation.

*Article 40***Penalties and other measures**

1. Member States shall lay down the rules on penalties and other measures applicable to infringements of this Regulation and shall take all measures necessary to ensure that they are implemented. The penalties and other measures provided for shall be effective, proportionate and dissuasive.

2. By 21 July 2018, the Member States shall notify the Commission and ESMA of the rules referred to in paragraph 1. They shall notify the Commission and ESMA without delay of any subsequent amendment thereto.

*Article 41***Specific measures**

1. Without prejudice to powers vested in competent authorities in accordance with Directive 2009/65/EC or 2011/61/EU, as applicable, the competent authority of an MMF or the manager of an MMF shall, while respecting the principle of proportionality, take the appropriate measures referred to in paragraph 2 where an MMF or the manager of an MMF:

- (a) fails to comply with any of the requirements regarding asset composition, in infringement of Articles 9 to 16;
- (b) fails to comply with any of the portfolio requirements, in infringement of Article 17, 18, 24 or 25;
- (c) has obtained authorisation through false statements or any other irregular means, in infringement of Article 4 or 5;
- (d) uses the designation 'money market fund', 'MMF' or of another designation that suggests that a UCITS or AIF is an MMF, in infringement of Article 6;
- (e) fails to comply with any of the requirements regarding the internal credit quality assessment, in infringement of Article 19 or 20;

- (f) fails to comply with any of the governance, documentation or transparency requirements, in infringement of Article 21, 23, 26, 27, 28 or 36;
 - (g) fails to comply with any of the requirements regarding valuation, in infringement of Article 29, 30, 31, 32, 33 or 34.
2. In the cases referred to in paragraph 1, the competent authority of the MMF shall, as appropriate:
- (a) take measures to ensure that the MMF or the manager of an MMF concerned complies with the relevant provisions;
 - (b) withdraw an authorisation granted in accordance with Article 4 or 5.

Article 42

Powers and competences of ESMA

1. ESMA shall have the powers necessary to carry out the tasks attributed to it by this Regulation.
2. ESMA's powers in accordance with Directives 2009/65/EC and 2011/61/EU shall be exercised also with respect to this Regulation and in compliance with Regulation (EC) No 45/2001.
3. For the purpose of Regulation (EU) No 1095/2010, this Regulation shall be included under any further legally binding Union act which confers tasks on the Authority referred to in Article 1(2) of Regulation (EU) No 1095/2010.

Article 43

Cooperation between authorities

1. The competent authority of the MMF and the competent authority of the manager of an MMF, if different, shall cooperate with each other and exchange information for the purpose of carrying out their duties under this Regulation.
2. Competent authorities and ESMA shall cooperate with each other for the purpose of carrying out their respective duties under this Regulation in accordance with Regulation (EU) No 1095/2010.
3. Competent authorities and ESMA shall exchange all information and documentation necessary to carry out their respective duties under this Regulation in accordance with Regulation (EU) No 1095/2010, in particular to identify and remedy infringements of this Regulation. The competent authorities of the Member States responsible for the authorisation or supervision of MMFs under this Regulation shall communicate information to the competent authorities of other Member States where such information is relevant for monitoring and responding to the potential implications of the activities of individual MMFs or MMFs collectively for the stability of systemically relevant financial institutions and the orderly functioning of markets on which MMFs are active. ESMA and the European Systemic Risk Board (ESRB) shall also be informed and shall forward that information to the competent authorities of the other Member States.
4. On the basis of the information transmitted by national competent authorities pursuant to Article 37(5), ESMA shall, in accordance with powers conferred on it under Regulation (EU) No 1095/2010, prepare a report to the Commission in light of the review outlined in Article 46 of this Regulation.

CHAPTER IX

Final provisions

Article 44

Treatment of existing UCITS and AIFs

1. By 21 January 2019, an existing UCITS or AIF that invests in short-term assets and has as distinct or cumulative objectives offering returns in line with money market rates or preserving the value of the investment shall submit an application to the competent authority of the MMF together with all documents and evidence necessary to demonstrate the compliance with this Regulation.

2. No later than 2 months after receiving the complete application, the competent authority of the MMF shall assess whether the UCITS or AIF is compliant with this Regulation in accordance with Articles 4 and 5. The competent authority of the MMF shall issue a decision and notify it immediately to the UCITS or AIF.

Article 45

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Articles 11, 15 and 22 shall be conferred on the Commission for an indeterminate period of time from the date of entry into force of this Regulation.
3. The delegation of power referred to in Articles 11, 15 and 22 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.
5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
6. The delegated acts adopted pursuant to Articles 11, 15 and 22 shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of 2 months of notification of that act to the European Parliament and to the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by 2 months at the initiative of the European Parliament or of the Council.

Article 46

Review

1. By 21 July 2022, the Commission shall review the adequacy of this Regulation from a prudential and economic point of view, following consultations with ESMA and, where appropriate, the ESRB, including whether changes are to be made to the regime for public debt CNAV MMFs and LVNAV MMFs.
2. The review shall in particular:
 - (a) analyse the experience acquired in applying this Regulation, the impact on investors, MMFs and the managers of MMFs in the Union;
 - (b) assess the role that MMFs play in purchasing debt issued or guaranteed by the Member States;
 - (c) take into account the specific characteristics of the debt issued or guaranteed by the Member States and the role that the debt plays in financing the Member States;
 - (d) take into account the report referred to in Article 509(3) of Regulation (EU) No 575/2013;
 - (e) take into account the impact of this Regulation on the short-term financing markets;
 - (f) take into account the regulatory developments at international level.

By 21 July 2022, the Commission shall present a report on the feasibility of establishing an 80 % EU public debt quota. That report shall have regard to the availability of short-term EU public debt instruments and assess whether LVNAV MMFs might be an appropriate alternative to non-EU public debt CNAV MMFs. If the Commission concludes in the report that the introduction of an 80 % EU public debt quota and the phasing out of public debt CNAV MMFs that include an unlimited amount of non-EU public debt are not feasible, it should present the reasons for that. In the event that the Commission concludes that the introduction of an 80 % EU public debt quota is feasible, the Commission may make legislative proposals to introduce such a quota, whereby at least 80 % of the assets of public debt CNAV MMFs are to be invested in EU public debt instruments. In addition, if the Commission concludes that LVNAV MMFs have become an appropriate alternative to non-EU public debt CNAV MMFs, it may make appropriate proposals to remove the derogation for public debt CNAV MMFs altogether.

The results of the review shall be communicated to the European Parliament and to the Council, accompanied, where necessary, by appropriate proposals for amendments.

Article 47

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 21 July 2018, with the exception of Article 11(4), Article 15(7), Article 22 and Article 37(4) which shall apply from 20 July 2017.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Strasbourg, 14 June 2017.

For the European Parliament

The President

A. TAJANI

For the Council

The President

H. DALLI

DIRECTIVES

DIRECTIVE (EU) 2017/1132 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 14 June 2017

relating to certain aspects of company law

(codification)

(Text with EEA relevance)

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 50(1) and (2)(g) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee ⁽¹⁾,

Acting in accordance with the ordinary legislative procedure ⁽²⁾,

Whereas:

- (1) Council Directives 82/891/EEC ⁽³⁾ and 89/666/EEC ⁽⁴⁾ and Directives 2005/56/EC ⁽⁵⁾, 2009/101/EC ⁽⁶⁾, 2011/35/EU ⁽⁷⁾ and 2012/30/EU ⁽⁸⁾ of the European Parliament and of the Council have been substantially amended several times ⁽⁹⁾. In the interests of clarity and rationality those Directives should be codified.
- (2) The coordination provided for in Article 50(2)(g) of the Treaty and in the General Programme for the abolition of restrictions on freedom of establishment, which was begun by the First Council Directive 68/151/EEC ⁽¹⁰⁾, is especially important in relation to public limited liability companies because their activities predominate in the economy of the Member States and frequently extend beyond their national boundaries.
- (3) In order to ensure minimum equivalent protection for both shareholders and creditors of public limited liability companies, the coordination of national provisions relating to the formation of such companies and to the maintenance, increase or reduction of their capital is particularly important.

⁽¹⁾ OJ C 264, 20.7.2016, p. 82.

⁽²⁾ Position of the European Parliament of 5 April 2017 (not yet published in the Official Journal) and decision of the Council of 29 May 2017.

⁽³⁾ Sixth Council Directive 82/891/EEC of 17 December 1982 based on Article 54(3)(g) of the Treaty, concerning the division of public limited liability companies (OJ L 378, 31.12.1982, p. 47).

⁽⁴⁾ Eleventh Council Directive 89/666/EEC of 21 December 1989 concerning disclosure requirements in respect of branches opened in a Member State by certain types of company governed by the law of another State (OJ L 395, 30.12.1989, p. 36).

⁽⁵⁾ Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of limited liability companies (OJ L 310, 25.11.2005, p. 1).

⁽⁶⁾ Directive 2009/101/EC of the European Parliament and of the Council of 16 September 2009 on coordination of safeguards which, for the protection of the interests of members and third parties, are required by Member States of companies within the meaning of the second paragraph of Article 48 of the Treaty, with a view to making such safeguards equivalent (OJ L 258, 1.10.2009, p. 11).

⁽⁷⁾ Directive 2011/35/EU of the European Parliament and of the Council of 5 April 2011 concerning mergers of public limited liability companies (OJ L 110, 29.4.2011, p. 1).

⁽⁸⁾ Directive 2012/30/EU of the European Parliament and of the Council of 25 October 2012 on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 54 of the Treaty on the Functioning of the European Union, in respect of the formation of public limited liability companies and the maintenance and alteration of their capital, with a view to making such safeguards equivalent (OJ L 315, 14.11.2012, p. 74).

⁽⁹⁾ See Annex III, Part A.

⁽¹⁰⁾ First Council Directive 68/151/EEC of 9 March 1968 on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, with a view to making such safeguards equivalent throughout the Community (OJ L 65, 14.3.1968, p. 8).

- (4) In the Union, the statutes or instrument of incorporation of a public limited liability company must make it possible for any interested person to acquaint oneself with the basic particulars of the company, including the exact composition of its capital.
- (5) The protection of third parties should be ensured by provisions which restrict to the greatest possible extent the grounds on which obligations entered into in the name of companies limited by shares or otherwise having limited liability are not valid.
- (6) It is necessary, in order to ensure certainty in the law as regards relations between companies and third parties, and also between members, to limit the cases in which nullity can arise and the retroactive effect of a declaration of nullity, and to fix a short time limit within which third parties may enter an objection to any such declaration.
- (7) The coordination of national provisions concerning disclosure, the validity of obligations entered into by, and the nullity of, companies limited by shares or otherwise having limited liability, is of special importance, particularly for the purpose of protecting the interests of third parties.
- (8) The basic documents of a company should be disclosed in order for third parties to be able to ascertain their contents and other information concerning the company, especially particulars of the persons who are authorised to bind the company.
- (9) Without prejudice to substantive requirements and formalities established by the national law of the Member States, companies should be able to choose to file their compulsory documents and particulars by paper means or by electronic means.
- (10) Interested parties should be able to obtain from the register a copy of such documents and particulars by paper means as well as by electronic means.
- (11) Member States should be allowed to decide to keep the national gazette, designated for publication of compulsory documents and particulars, in paper form or electronic form, or to provide for disclosure by equally effective means.
- (12) Cross-border access to company information should be facilitated by allowing, in addition to the compulsory disclosure made in one of the languages permitted in the company's Member State, the voluntary registration in additional languages of the required documents and particulars. Third parties acting in good faith should be able to rely on the translations thereof.
- (13) It is appropriate to clarify that the statement of the compulsory particulars set out in this Directive should be included in all company letters and order forms, whether they are in paper form or use any other medium. In the light of technological developments, it is also appropriate to provide that that statement of compulsory particulars be placed on any company website.
- (14) The opening of a branch, like the creation of a subsidiary, is one of the possibilities currently open to companies in the exercise of their right of establishment in another Member State.
- (15) In respect of branches, the lack of coordination, in particular concerning disclosure, gives rise to some disparities, in the protection of shareholders and third parties, between companies which operate in other Member States by opening branches and those which operate there by creating subsidiaries.
- (16) To ensure the protection of persons who deal with companies through the intermediary of branches, measures in respect of disclosure are required in the Member State in which a branch is situated. In certain respects, the economic and social influence of a branch can be comparable to that of a subsidiary company, so that there is public interest in disclosure of the company at the branch. To effect such disclosure, it is necessary to make use of the procedure already instituted for companies with share capital within the Union.
- (17) Such disclosure relates to a range of important documents and particulars and amendments thereto.
- (18) Such disclosure, with the exception of the powers of representation, the name and legal form, and the winding-up of the company and the insolvency proceedings to which it is subject, can be confined to information concerning a branch itself together with a reference to the register of the company of which that branch is part, since under existing Union rules, all information covering the company as such is available in that register.

- (19) National provisions in respect of the disclosure of accounting documents relating to a branch can no longer be justified following the coordination of national law in respect of the drawing up, audit and disclosure of companies' accounting documents. It is accordingly sufficient to disclose, in the register of the branch, the accounting documents as audited and disclosed by the company.
- (20) Letters and order forms used by a branch should give at least the same information as letters and order forms used by the company, and state the register in which the branch is entered.
- (21) To ensure that the purposes of this Directive are fully realised and to avoid any discrimination on the basis of a company's country of origin, this Directive should also cover branches opened by companies governed by the law of third countries and set up in legal forms comparable to companies to which this Directive applies. For such branches it is necessary to apply specific provisions that are different from those that apply to the branches of companies governed by the law of other Member States since this Directive does not apply to companies from third countries.
- (22) This Directive in no way affects the disclosure requirements for branches under other provisions of, for example, employment law on workers' rights to information and tax law, or for statistical purposes.
- (23) The interconnection of central, commercial and companies registers is a measure required to create a more business-friendly legal and fiscal environment. It should contribute to fostering the competitiveness of European business by reducing administrative burdens and increasing legal certainty and thus contributing to an exit from the global economic and financial crisis, which is one of the priorities of the agenda of Europe 2020. It should also improve cross-border communication between registers by using innovations in information and communication technology.
- (24) The Multiannual European e-Justice action plan 2009–2013 ⁽¹⁾ provided for the development of a European e-Justice portal ('the portal') as the single European electronic access point for legal information, judicial and administrative institutions, registers, databases and other services and considers the interconnection of central, commercial and companies registers to be important.
- (25) Cross-border access to business information on companies and their branches opened in other Member States can only be improved if all Member States engage in enabling electronic communication to take place between registers and transmitting information to individual users in a standardised way, by means of identical content and interoperable technologies, throughout the Union. This interoperability of registers should be ensured by the registers of Member States ('domestic registers') providing services, which should constitute interfaces with the European central platform ('the platform'). The platform should be a centralised set of information technology tools integrating services and should form a common interface. That interface should be used by all domestic registers. The platform should also provide services constituting an interface with the portal serving as the European electronic access point, and to the optional access points established by Member States. The platform should be conceived only as an instrument for the interconnection of registers and not as a distinct entity possessing legal personality. On the basis of unique identifiers, the platform should be capable of distributing information from each of the Member States' registers to the competent registers of other Member States in a standard message format (an electronic form of messages exchanged between information technology systems, such as, for example, xml) and in the relevant language version.
- (26) This Directive is not aimed at establishing any centralised registers database storing substantive information about companies. At the stage of implementation of the system of interconnection of central, commercial and companies registers ('the system of interconnection of registers'), only the set of data necessary for the correct functioning of the platform should be defined. The scope of those data should include, in particular, operational data, dictionaries and glossaries. It should be determined taking also into account the need to ensure the efficient operation of the system of interconnection of registers. Those data should be used for the purpose of enabling the platform to perform its functions and should never be made publicly available in a direct form. Moreover, the platform should modify neither the content of the data on companies stored in domestic registers nor the information about companies transmitted through the system of interconnection of registers.

⁽¹⁾ OJ C 75, 31.3.2009, p. 1.

- (27) Since the objective of Directive 2012/17/EU of the European Parliament and of the Council ⁽¹⁾ was not to harmonise national systems of central, commercial and companies registers, that Directive did not impose any obligation on Member States to change their internal systems of registers, in particular as regards the management and storage of data, fees, and the use and disclosure of information for national purposes.
- (28) The portal should deal, through the use of the platform, with queries submitted by individual users concerning the information on companies and their branches opened in other Member States which is stored in the domestic registers. That should enable the search results to be presented on the portal, including the explanatory labels in all the official languages of the Union, listing the information provided. In addition, in order to improve the protection of third parties in other Member States, basic information on the legal value of documents and particulars disclosed pursuant to the laws of Member States adopted in accordance with this Directive should be available on the portal.
- (29) Member States should be able to establish one or more optional access points, which may have an impact on the use and operation of the platform. Therefore, the Commission should be notified of their establishment and of any significant changes to their operation, in particular of their closure. Such notification should not in any way restrict the powers of Member States as to the establishment and operation of the optional access points.
- (30) Companies and their branches opened in other Member States should have a unique identifier allowing them to be unequivocally identified within the Union. The identifier is intended to be used for communication between registers through the system of interconnection of registers. Therefore, companies and branches should not be obliged to include the unique identifier in the company letters or order forms mentioned in this Directive. They should continue to use their domestic registration number for their own communication purposes.
- (31) It should be made possible to establish a clear connection between the register of a company and the registers of its branches opened in other Member States, consisting of the exchange of information on the opening and termination of any winding-up or insolvency proceedings of the company and on the striking-off of the company from the register, if this entails legal consequences in the Member State of the register of the company. While Member States should be able to decide on the procedures they follow with respect to the branches registered in their territory, they should ensure, at least, that the branches of a dissolved company are struck off the register without undue delay and, if applicable, after liquidation proceedings of the branch concerned. This obligation should not apply to branches of companies that have been struck off the register but which have a legal successor, such as in the case of any change in the legal form of the company, a merger or division, or a cross-border transfer of its registered office.
- (32) The provisions of this Directive relating to the interconnection of registers should not apply to a branch opened in a Member State by a company which is not governed by the law of a Member State.
- (33) Member States should ensure that, in the event of any changes to information entered in the registers concerning companies, the information is updated without undue delay. The update should be disclosed, normally, within 21 days of receipt of the complete documentation regarding those changes, including the legality check in accordance with national law. That time limit should be interpreted as requiring Member States to make reasonable efforts to meet the deadline laid down in this Directive. It should not be applicable as regards the accounting documents which companies are obliged to submit for each financial year. That exclusion is justified by the overload of work on domestic registers during reporting periods. In accordance with general legal principles common to all Member States, the time limit of 21 days should be suspended in cases of *force majeure*.
- (34) If the Commission decides to develop and/or operate the platform through a third party, this should be done in accordance with Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council ⁽²⁾. An appropriate degree of Member States' involvement in this process should be ensured by establishing the technical specifications for the purpose of the public procurement procedure by means of implementing acts adopted in accordance with the examination procedure referred to in Article 5 of Regulation (EU) No 182/2011 of the European Parliament and of the Council ⁽³⁾.

⁽¹⁾ Directive 2012/17/EU of the European Parliament and of the Council of 13 June 2012 amending Council Directive 89/666/EEC and Directives 2005/56/EC and 2009/101/EC of the European Parliament and of the Council as regards the interconnection of central, commercial and companies registers (OJ L 156, 16.6.2012, p. 1).

⁽²⁾ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

⁽³⁾ Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

- (35) If the Commission decides to operate the platform through a third party, the continuity of the provision of services by the system of interconnection of registers and a proper public supervision of the functioning of the platform should be ensured. Detailed rules on the operational management of the platform should be adopted by means of implementing acts adopted in accordance with the examination procedure referred to in Article 5 of Regulation (EU) No 182/2011. In any case, the involvement of Member States in the functioning of the whole system should be ensured by means of a regular dialogue between the Commission and the representatives of Member States on the issues concerning the operation of the system of interconnection of registers and its future development.
- (36) The interconnection of central, commercial and companies registers necessitates the coordination of national systems having varying technical characteristics. This entails the adoption of technical measures and specifications which need to take account of differences between registers. In order to ensure uniform conditions for the implementation of this Directive, implementing powers should be conferred on the Commission to tackle those technical and operational issues. Those powers should be exercised in accordance with the examination procedure referred to in Article 5 of Regulation (EU) No 182/2011.
- (37) This Directive should not limit the right of Member States to charge fees for obtaining information on companies through the system of interconnection of registers, if such fees are required under national law. Therefore, technical measures and specifications for the system of interconnection of registers should allow for the establishment of payment modalities. In this respect, this Directive should not prejudice any specific technical solution as the payment modalities should be determined at the stage of adoption of the implementing acts, taking into account widely available online payment facilities.
- (38) It could be desirable for third countries to be able, in the future, to participate in the system of interconnection of registers.
- (39) An equitable solution regarding the funding of the system of interconnection of registers entails participation both by the Union and by its Member States in the financing of that system. Member States should bear the financial burden of adjusting their domestic registers to that system, while the central elements, namely the platform and the portal serving as the European electronic access point, should be funded from an appropriate budget line in the general budget of the Union. In order to supplement non-essential elements of this Directive, the power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of the charging of fees for obtaining company information. This does not affect the possibility for the domestic registers to charge fees, but it could involve an additional fee in order to co-finance the maintenance and functioning of the platform. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.
- (40) Union provisions are necessary for maintaining the capital, which constitutes the creditors' security, in particular by prohibiting any reduction thereof by distribution to shareholders where the latter are not entitled to it and by imposing limits on the right of public limited liability companies to acquire their own shares.
- (41) The restrictions on a public limited liability company's acquisition of its own shares apply not only to acquisitions made by a company itself but also to those made by any person acting in his own name but on the company's behalf.
- (42) In order to prevent a public limited liability company from using another company in which it holds a majority of the voting rights or on which it can exercise a dominant influence to make such acquisitions without complying with the restrictions imposed in that respect, the arrangements governing a company's acquisition of its own shares should cover the most important and most frequent cases of the acquisition of shares by such other companies. Those arrangements should cover subscription for shares in the public limited liability company.
- (43) In order to prevent the circumvention of this Directive, companies limited by shares or otherwise having limited liability governed by this Directive and companies governed by the laws of third countries, and having comparable legal forms, should also be covered by the arrangements referred to in recital 42.
- (44) Where the relationship between a public limited liability company and another company such as referred to in recital 42 is only indirect, it would appear to be justified to relax the provisions applicable when that relationship is direct, by providing for the suspension of voting rights as a minimum measure, for the purpose of achieving the aims of this Directive.

- (45) Furthermore, it is justifiable to exempt cases in which the specific nature of a professional activity rules out the possibility of the attainment of the objectives of this Directive being endangered.
- (46) It is necessary, having regard to the objectives of Article 50(2)(g) of the Treaty, that the Member States' laws relating to the increase or reduction of capital ensure that the principles of equal treatment of shareholders in the same position and of protection of creditors whose claims exist prior to the decision on reduction are observed and harmonised.
- (47) In order to enhance standardised creditor protection in all Member States, creditors should be able to resort, under certain conditions, to judicial or administrative proceedings where their claims are at stake, as a consequence of a reduction in the capital of a public limited liability company.
- (48) In order to ensure that market abuse is prevented, Member States should take into account, for the purpose of the implementation of this Directive, the provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council ⁽¹⁾.
- (49) The protection of the interests of members and third parties requires that the laws of the Member States relating to mergers of public limited liability companies be coordinated, and that provision for mergers be made in the laws of all the Member States.
- (50) In the context of such coordination, it is particularly important that the shareholders of merging companies be kept adequately informed in as objective a manner as possible, and that their rights be suitably protected. However, there is no reason to require an examination of the draft terms of a merger by an independent expert for the shareholders if all the shareholders agree that it can be dispensed with.
- (51) Creditors, including debenture holders, and persons having other claims on the merging companies should be protected so that the merger does not adversely affect their interests.
- (52) The disclosure requirements for the protection of the interests of members and third parties should include mergers so that third parties are kept adequately informed.
- (53) The safeguards afforded to members and third parties in connection with mergers of public limited liability companies should cover certain legal practices which in important respects are similar to merger, so that the obligation to provide such protection cannot be evaded.
- (54) To ensure certainty in the law as regards relations between the companies concerned, between them and third parties, and between the members, it is necessary to limit the cases in which nullity can arise by providing that defects be remedied wherever that is possible, and by restricting the period within which nullification proceedings can be commenced.
- (55) This Directive also facilitates the cross-border merger of limited liability companies. The laws of the Member States should allow the cross-border merger of a national limited liability company with a limited liability company from another Member State if the national law of the relevant Member States permits mergers between such types of company.
- (56) In order to facilitate cross-border merger operations, it should be specified that, unless this Directive provides otherwise, each company taking part in a cross-border merger, and each third party concerned, remains subject to the provisions and formalities of the national law which would be applicable in the case of a national merger. None of the provisions and formalities of national law, to which reference is made in this Directive, should introduce restrictions on freedom of establishment or on the free movement of capital, save where these can be justified in accordance with the case-law of the Court of Justice of the European Union and in particular, by requirements of the general interest and are both necessary for, and proportionate to, the attainment of such overriding requirements.
- (57) The common draft terms of a cross-border merger should be drawn up in the same terms for each of the companies concerned in the various Member States. The minimum content of such common draft terms should therefore be specified, while leaving the companies free to agree on other terms.

⁽¹⁾ Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (OJ L 173, 12.6.2014, p. 1).

- (58) In order to protect the interests of members and others, both the common draft terms of the cross-border merger and the completion of the cross-border merger should be publicised for each merging company via an entry in the appropriate public register.
- (59) The laws of all the Member States should provide for the drawing-up at national level of a report on the common draft terms of the cross-border merger by one or more experts on behalf of each of the companies that are merging. In order to limit experts' costs connected with cross-border mergers, provision should be made for the possibility of drawing up a single report intended for all members of companies taking part in a cross-border merger operation. The common draft terms of the cross-border merger should be approved by the general meeting of each of those companies.
- (60) In order to facilitate cross-border merger operations, it should be provided that monitoring of the completion and legality of the decision-making process in each merging company should be carried out by the national authority having jurisdiction over each of those companies, whereas monitoring of the completion and legality of the cross-border merger should be carried out by the national authority having jurisdiction over the company resulting from the cross-border merger. The national authority in question could be a court, a notary or any other competent authority appointed by the Member State concerned. The national law determining the date on which the cross-border merger takes effect, this being the law to which the company resulting from the cross-border merger is subject, should also be specified.
- (61) In order to protect the interests of members and others, the legal effects of the cross-border merger, distinguishing as to whether the company resulting from the cross-border merger is an acquiring company or a new company, should be specified. In the interests of legal certainty, it should no longer be possible, after the date on which a cross-border merger takes effect, to declare the merger null and void.
- (62) This Directive is without prejudice to the application of the legislation on the control of concentrations between undertakings, both at Union level, by Council Regulation (EC) No 139/2004 ⁽¹⁾, and at Member State level.
- (63) This Directive does not affect Union legislation regulating credit intermediaries and other financial undertakings and national rules made or introduced pursuant to such Union legislation.
- (64) This Directive is without prejudice to Member State legislation demanding information on the place of central administration or the principal place of business proposed for the company resulting from the cross-border merger.
- (65) Employees' rights, other than rights of participation, should remain subject to the national provisions referred to in Council Directives 98/59/EC ⁽²⁾ and 2001/23/EC ⁽³⁾, and in Directives 2002/14/EC ⁽⁴⁾ and 2009/38/EC ⁽⁵⁾ of the European Parliament and of the Council.
- (66) If employees have participation rights in one of the merging companies under the circumstances set out in this Directive and, if the national law of the Member State in which the company resulting from the cross-border merger has its registered office does not provide for the same level of participation as operated in the relevant merging companies, including in committees of the supervisory board that have decision-making powers, or does not provide for the same entitlement to exercise rights for employees of establishments resulting from the cross-border merger, the participation of employees in the company resulting from the cross-border merger and their involvement in the definition of such rights should be regulated. To that end, the principles and procedures

⁽¹⁾ Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation) (OJ L 24, 29.1.2004, p. 1).

⁽²⁾ Council Directive 98/59/EC of 20 July 1998 on the approximation of the laws of the Member States relating to collective redundancies (OJ L 225, 12.8.1998, p. 16).

⁽³⁾ Council Directive 2001/23/EC of 12 March 2001 on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses (OJ L 82, 22.3.2001, p. 16).

⁽⁴⁾ Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for informing and consulting employees in the European Community (OJ L 80, 23.3.2002, p. 29).

⁽⁵⁾ Directive 2009/38/EC of the European Parliament and of the Council of 6 May 2009 on the establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees (OJ L 122, 16.5.2009, p. 28).

provided for in Council Regulation (EC) No 2157/2001 ⁽¹⁾ and in Council Directive 2001/86/EC ⁽²⁾, should be taken as a basis, subject, however, to modifications that are deemed necessary because the resulting company will be subject to the national laws of the Member State where it has its registered office. A prompt start to negotiations under Article 133 of this Directive, with a view to not unnecessarily delaying mergers, may be ensured by Member States in accordance with Article 3(2)(b) of Directive 2001/86/EC.

- (67) For the purpose of determining the level of employee participation operated in the relevant merging companies, account should also be taken of the proportion of employee representatives amongst the members of the management group, which covers the profit units of the companies, subject to employee participation.
- (68) The protection of the interests of members and third parties requires that the laws of the Member States relating to divisions of public limited liability companies be coordinated where Member States permit such operations.
- (69) In the context of such coordination, it is particularly important that the shareholders of the companies involved in a division be kept adequately informed in as objective a manner as possible, and that their rights be suitably protected.
- (70) Creditors, including debenture holders, and persons having other claims on the companies involved in a division of public limited liability companies, should be protected so that the division does not adversely affect their interests.
- (71) Disclosure requirements under Section 1 of Chapter III of Title I of this Directive should include divisions so that third parties are kept adequately informed.
- (72) The safeguards afforded to members and third parties in connection with divisions should cover certain legal practices which in important respects are similar to division, so that the obligation to provide such protection cannot be evaded.
- (73) To ensure certainty in the law as regards relations between the public limited liability companies involved in the division, between them and third parties, and between the members, the cases in which nullity can arise should be limited by providing that defects should be remedied wherever that is possible and by restricting the period within which nullification proceedings can be commenced.
- (74) Company websites or other websites offer, in certain cases, an alternative to publication via the companies registers. Member States should be able to designate those other websites which companies can use free of charge for such publication, such as websites of business associations or chambers of commerce or the central electronic platform referred to in this Directive. Where the possibility exists of using company or other websites for publication of draft terms of merger and/or division and of other documents that have to be made available to shareholders and creditors in the process, guarantees relating to the security of the website and the authenticity of the documents should be met.
- (75) Member States should be able to provide that the extensive reporting or information requirements relating to the merger or division of companies, laid down in Chapter I and Chapter III of Title II, need not be complied with where all the shareholders of the companies involved in the merger or division agree that such compliance can be dispensed with.
- (76) Any modification of Chapter I and Chapter III of Title II allowing such agreement by shareholders, should be without prejudice to the systems of protection of the interests of creditors of the companies involved, and to rules aimed at ensuring the provision of necessary information to the employees of those companies and to public authorities, such as tax authorities, controlling the merger or division in accordance with existing Union law.
- (77) It is not necessary to impose the requirement to draw up an accounting statement where an issuer whose securities are admitted to trading on a regulated market publishes half-yearly financial reports in accordance with Directive 2004/109/EC of the European Parliament and of the Council ⁽³⁾.

⁽¹⁾ Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) (OJ L 294, 10.11.2001, p. 1).

⁽²⁾ Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European company with regard to the involvement of employees (OJ L 294, 10.11.2001, p. 22).

⁽³⁾ Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ L 390, 31.12.2004, p. 38).

- (78) An independent expert's report on consideration other than in cash is often not needed where an independent expert's report protecting the interests of shareholders or creditors also has to be drawn up in the context of the merger or the division. Member States should therefore have the possibility in such cases of dispensing companies from the reporting requirement regarding consideration other than in cash or of providing that both reports can be drawn up by the same expert.
- (79) Directive 95/46/EC of the European Parliament and of the Council ⁽¹⁾ and Regulation (EC) No 45/2001 of the European Parliament and of the Council ⁽²⁾ govern the processing of personal data, including the electronic transmission of personal data within the Member States. Any processing of personal data by the registers of Member States, by the Commission and, if applicable, by any third party involved in operating the platform should take place in compliance with those acts. The implementing acts to be adopted in relation to the system of interconnection of registers should, where appropriate, ensure such compliance, in particular by establishing the relevant tasks and responsibilities of all the participants concerned and the organisational and technical rules applicable to them.
- (80) This Directive respects fundamental rights and observes the principles enshrined in the Charter of Fundamental Rights of the European Union, in particular Article 8 thereof, which states that everyone has the right to the protection of personal data concerning him or her.
- (81) This Directive should be without prejudice to the obligations of the Member States relating to the time limits for the transposition into national law and the dates of application of the directives set out in Annex III, Part B,

HAVE ADOPTED THIS DIRECTIVE:

TITLE I

GENERAL PROVISIONS AND THE ESTABLISHMENT AND FUNCTIONING OF LIMITED LIABILITY COMPANIES

CHAPTER I

Subject matter

Article 1

Subject matter

This Directive lays down measures concerning the following:

- the coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 54 of the Treaty, in respect of the formation of public limited liability companies and the maintenance and alteration of their capital, with a view to making such safeguards equivalent,
- the coordination of safeguards which, for the protection of the interests of members and third parties, are required by Member States of companies within the meaning of the second paragraph of Article 54 of the Treaty, in respect of disclosure, the validity of obligations entered into by, and the nullity of, companies limited by shares or otherwise having limited liability, with a view to making such safeguards equivalent,
- the disclosure requirements in respect of branches opened in a Member State by certain types of company governed by the law of another State,
- mergers of public limited liability companies,
- cross-border mergers of limited liability companies,
- the division of public limited liability companies.

⁽¹⁾ Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (OJ L 281, 23.11.1995, p. 31).

⁽²⁾ Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data (OJ L 8, 12.1.2001, p. 1).

CHAPTER II

Incorporation and nulity of the company and validity of its obligations

Section 1

Incorporation of the public liability company*Article 2***Scope**

1. The coordination measures prescribed by this Section shall apply to the provisions laid down by law, regulation or administrative action in Member States relating to the types of company listed in Annex I. The name for any company of the types listed in Annex I shall comprise or be accompanied by a description which is distinct from the description required of other types of companies.

2. Member States may decide not to apply this Section to investment companies with variable capital and to cooperatives incorporated as one of the types of company listed in Annex I. In so far as the laws of the Member States make use of this option, they shall require such companies to include the words 'investment company with variable capital', or 'cooperative' in all documents indicated in Article 26.

The term 'investment company with variable capital', within the meaning of this Directive, means only those companies:

- the exclusive object of which is to invest their funds in various stocks and shares, land or other assets with the sole aim of spreading investment risks and giving their shareholders the benefit of the results of the management of their assets,
- which offer their own shares for subscription by the public, and
- the statutes of which provide that, within the limits of a minimum and maximum capital, they may at any time issue, redeem or resell their shares.

*Article 3***Compulsory information to be provided in the statutes or instruments of incorporation**

The statutes or the instrument of incorporation of a company shall always give at least the following information:

- (a) the type and name of the company;
- (b) the objects of the company;
- (c) where the company has no authorised capital, the amount of the subscribed capital;
- (d) where the company has an authorised capital, the amount thereof and also the amount of the capital subscribed at the time the company is incorporated or is authorised to commence business, and at the time of any change in the authorised capital, without prejudice to Article 14(e);
- (e) in so far as they are not legally determined, the rules governing the number of, and the procedure for, appointing members of the bodies responsible for representing the company vis-à-vis third parties, administration, management, supervision or control of the company and the allocation of powers among those bodies;
- (f) the duration of the company, except where this is indefinite.

*Article 4***Compulsory information to be provided in the statutes or instruments of incorporation or separate documents**

The following information at least shall appear in either the statutes or the instrument of incorporation or a separate document published in accordance with the procedure laid down in the laws of each Member State in accordance with Article 16:

- (a) the registered office;
- (b) the nominal value of the shares subscribed and, at least once a year, the number thereof;

- (c) the number of shares subscribed without stating the nominal value, where such shares may be issued under national law;
- (d) the special conditions, if any, limiting the transfer of shares;
- (e) where there are several classes of shares, the information referred to in points (b), (c) and (d) for each class and the rights attaching to the shares of each class;
- (f) whether the shares are registered or bearer, where national law provides for both types, and any provisions relating to the conversion of such shares unless the procedure is laid down by law;
- (g) the amount of the subscribed capital paid up at the time the company is incorporated or is authorised to commence business;
- (h) the nominal value of the shares or, where there is no nominal value, the number of shares issued for a consideration other than in cash, together with the nature of the consideration and the name of the person providing the consideration;
- (i) the identity of the natural or legal persons or companies or firms by which or in whose name the statutes or the instrument of incorporation, or where the company was not formed at the same time, the drafts of those documents, have been signed;
- (j) the total amount, or at least an estimate, of all the costs payable by the company or chargeable to it by reason of its formation and, where appropriate, before the company is authorised to commence business;
- (k) any special advantage granted, at the time the company is formed or up to the time it receives authorisation to commence business, to anyone who has taken part in the formation of the company or in transactions leading to the grant of such authorisation.

Article 5

Authorisation for commencing business

1. Where the laws of a Member State prescribe that a company may not commence business without authorisation, they shall also make provision for responsibility for liabilities incurred by or on behalf of the company during the period before such authorisation is granted or refused.
2. Paragraph 1 shall not apply to liabilities under contracts concluded by the company conditionally upon its being granted authorisation to commence business.

Article 6

Multiple-member companies

1. Where the laws of a Member State require a company to be formed by more than one member, the fact that all the shares are held by one person or that the number of members has fallen below the legal minimum after incorporation of the company shall not lead to the automatic dissolution of the company.
2. If, in the cases referred to in paragraph 1, the laws of a Member State permit the company to be wound up by order of the court, the judge having jurisdiction shall be able to give the company sufficient time to regularise its position.
3. Where a winding-up order as referred to in paragraph 2 is made, the company shall enter into liquidation.

Section 2

Nullity of the limited liability company and validity of its obligations

Article 7

General provisions and joint and several liability

1. The coordination measures prescribed by this Section shall apply to the laws, regulations and administrative provisions of the Member States relating to the types of company listed in Annex II.

2. If, before a company being formed has acquired legal personality, action has been carried out in its name and the company does not assume the obligations arising from such action, the persons who acted shall, without limit, be jointly and severally liable therefor, unless otherwise agreed.

Article 8

Effects of disclosure with respect to third parties

Completion of the formalities of disclosure of the particulars concerning the persons who, as an organ of the company, are authorised to represent it, shall constitute a bar to any irregularity in their appointment being relied upon as against third parties, unless the company proves that such third parties had knowledge thereof.

Article 9

Acts of the organs of a company and its representation

1. Acts done by the organs of the company shall be binding upon it even if those acts are not within the objects of the company, unless such acts exceed the powers that the law confers or allows to be conferred on those organs.

However, Member States may provide that the company shall not be bound where such acts are outside the objects of the company, if it proves that the third party knew that the act was outside those objects or could not in view of the circumstances have been unaware of it. Disclosure of the statutes shall not of itself be sufficient proof thereof.

2. The limits on the powers of the organs of the company, arising under the statutes or from a decision of the competent organs, may not be relied on as against third parties, even if they have been disclosed.

3. If national law provides that authority to represent a company may, in derogation from the legal rules governing the subject, be conferred by the statutes on a single person or on several persons acting jointly, that law may provide that such a provision in the statutes may be relied on as against third parties on condition that it relates to the general power of representation; the question whether such a provision in the statutes can be relied on as against third parties shall be governed by Article 16.

Article 10

Drawing up and certification of the instrument of constitution and the company statutes in due legal form

In all Member States whose laws do not provide for preventive administrative or judicial control, at the time of formation of a company, the instrument of constitution, the company statutes and any amendments to those documents shall be drawn up and certified in due legal form.

Article 11

Conditions for nullity of a company

The laws of the Member States may not provide for the nullity of companies otherwise than in accordance with the following provisions:

- (a) nullity must be ordered by decision of a court of law;
- (b) nullity may be ordered only on the grounds:
 - (i) that no instrument of constitution was executed or that the rules of preventive control or the requisite legal formalities were not complied with;
 - (ii) that the objects of the company are unlawful or contrary to public policy;

- (iii) that the instrument of constitution or the statutes do not state the name of the company, the amount of the individual subscriptions of capital, the total amount of the capital subscribed or the objects of the company;
- (iv) of failure to comply with provisions of national law concerning the minimum amount of capital to be paid up;
- (v) of the incapacity of all the founder members;
- (vi) that, contrary to the national law governing the company, the number of founder members is less than two.

Apart from the grounds of nullity referred to in the first paragraph, a company shall not be subject to any cause of non-existence, absolute nullity, relative nullity or declaration of nullity.

Article 12

Consequences of nullity

1. The question whether a decision of nullity pronounced by a court of law may be relied on as against third parties shall be governed by Article 16. Where the national law entitles a third party to challenge the decision, he may do so only within six months of public notice of the decision of the court being given.
2. Nullity shall entail the winding-up of the company, as may dissolution.
3. Nullity shall not of itself affect the validity of any commitments entered into by or with the company, without prejudice to the consequences of the company's being wound up.
4. The laws of each Member State may make provision for the consequences of nullity as between members of the company.
5. Holders of shares in the capital of a company shall remain obliged to pay up the capital agreed to be subscribed by them but which has not been paid up, to the extent that commitments entered into with creditors so require.

CHAPTER III

Disclosure and interconnection of central, commercial and companies registers

Section 1

General provisions

Article 13

Scope

The coordination measures prescribed by this Section shall apply to the laws, regulations and administrative provisions of the Member States relating to the types of company listed in Annex II.

Article 14

Documents and particulars to be disclosed by companies

Member States shall take the measures required to ensure compulsory disclosure by companies of at least the following documents and particulars:

- (a) the instrument of constitution, and the statutes if they are contained in a separate instrument;
- (b) any amendments to the instruments referred to in point (a), including any extension of the duration of the company;
- (c) after every amendment of the instrument of constitution or of the statutes, the complete text of the instrument or statutes as amended to date;

- (d) the appointment, termination of office and particulars of the persons who either as a body constituted pursuant to law or as members of any such body:
 - (i) are authorised to represent the company in dealings with third parties and in legal proceedings; it shall be apparent from the disclosure whether the persons authorised to represent the company may do so alone or are required to act jointly;
 - (ii) take part in the administration, supervision or control of the company;
- (e) at least once a year, the amount of the capital subscribed, where the instrument of constitution or the statutes mention an authorised capital, unless any increase in the capital subscribed necessitates an amendment of the statutes;
- (f) the accounting documents for each financial year which are required to be published in accordance with Council Directives 86/635/EEC ⁽¹⁾ and 91/674/EEC ⁽²⁾ and Directive 2013/34/EU of the European Parliament and of the Council ⁽³⁾;
- (g) any change of the registered office of the company;
- (h) the winding-up of the company;
- (i) any declaration of nullity of the company by the courts;
- (j) the appointment of liquidators, particulars concerning them, and their respective powers, unless such powers are expressly and exclusively derived from law or from the statutes of the company;
- (k) any termination of a liquidation and, in Member States where striking off the register entails legal consequences, the fact of any such striking off.

Article 15

Changes in documents and particulars

1. Member States shall take the measures required to ensure that any changes in the documents and particulars referred to in Article 14 are entered in the competent register referred to in the first subparagraph of Article 16(1) and are disclosed, in accordance with Article 16(3) and (5), normally within 21 days of receipt of the complete documentation regarding those changes including, if applicable, the legality check as required under national law for entry in the file.
2. Paragraph 1 shall not apply to the accounting documents referred to in Article 14(f).

Article 16

Disclosure in the register

1. In each Member State, a file shall be opened in a central, commercial or companies register ('the register'), for each of the companies registered therein.

Member States shall ensure that companies have a unique identifier allowing them to be unequivocally identified in communications between registers through the system of interconnection of central, commercial and companies registers established in accordance with Article 22(2) ('the system of interconnection of registers'). That unique identifier shall comprise, at least, elements making it possible to identify the Member State of the register, the domestic register of origin and the company number in that register and, where appropriate, features to avoid identification errors.

⁽¹⁾ Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (OJ L 372, 31.12.1986, p. 1).

⁽²⁾ Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings (OJ L 374, 31.12.1991, p. 7).

⁽³⁾ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

2. For the purposes of this Article, 'by electronic means' shall mean that the information is sent initially and received at its destination by means of electronic equipment for the processing (including digital compression) and storage of data, and entirely transmitted, conveyed and received in a manner to be determined by Member States by wire, by radio, by optical means or by other electromagnetic means.

3. All documents and particulars which are required to be disclosed pursuant to Article 14 shall be kept in the file, or entered in the register; the subject matter of the entries in the register shall in every case appear in the file.

Member States shall ensure that the filing by companies, as well as by other persons and bodies required to make or assist in making notifications, of all documents and particulars which are required to be disclosed pursuant to Article 14 is possible by electronic means. In addition, Member States may require all, or certain categories of, companies to file all, or certain types of, such documents and particulars by electronic means.

All documents and particulars referred to in Article 14 which are filed, whether by paper means or by electronic means, shall be kept in the file, or entered in the register, in electronic form. To this end, Member States shall ensure that all such documents and particulars which are filed by paper means are converted by the register to electronic form.

The documents and particulars referred to in Article 14 that have been filed by paper means up to 31 December 2006, shall not be required to be converted automatically into electronic form by the register. Member States shall nevertheless ensure that they are converted into electronic form by the register upon receipt of an application for disclosure by electronic means submitted in accordance with the measures adopted to give effect to paragraph 4 of this Article.

4. A copy of all or any part of the documents or particulars referred to in Article 14 shall be obtainable on application. Applications may be submitted to the register by paper means or by electronic means as the applicant chooses.

Copies as referred to in the first subparagraph shall be obtainable from the register by paper means or by electronic means as the applicant chooses. This shall apply in the case of all documents and particulars already filed. However, Member States may decide that all, or certain types of, documents and particulars filed by paper means on or before a date which may not be later than 31 December 2006 shall not be obtainable from the register by electronic means if a specified period has elapsed between the date of filing and the date of the application submitted to the register. Such specified period may not be less than 10 years.

The price of obtaining a copy of the whole or any part of the documents or particulars referred to in Article 14, whether by paper means or by electronic means, shall not exceed the administrative cost thereof.

Paper copies supplied to an applicant shall be certified as 'true copies', unless the applicant dispenses with such certification. Electronic copies supplied shall not be certified as 'true copies', unless the applicant explicitly requests such a certification.

Member States shall take the necessary measures to ensure that certification of electronic copies guarantees both the authenticity of their origin and the integrity of their contents, by means at least of an advanced electronic signature within the meaning of Article 2(2) of Directive 1999/93/EC of the European Parliament and of the Council ⁽¹⁾.

5. Disclosure of the documents and particulars referred to in paragraph 3 shall be effected by publication in the national gazette designated for that purpose by the Member State, either of the full text or of a partial text, or by means of a reference to the document which has been deposited in the file or entered in the register. The national gazette designated for that purpose may be kept in electronic form.

Member States may decide to replace publication in the national gazette with equally effective means, which shall entail at least the use of a system whereby the information disclosed can be accessed in chronological order through a central electronic platform.

6. The documents and particulars may be relied on by the company as against third parties only after they have been disclosed in accordance with paragraph 5, unless the company proves that the third parties had knowledge thereof.

⁽¹⁾ Directive 1999/93/EC of the European Parliament and of the Council of 13 December 1999 on a Community framework for electronic signatures (OJ L 13, 19.1.2000, p. 12).

However, with regard to transactions taking place before the sixteenth day following the disclosure, the documents and particulars shall not be relied on as against third parties who prove that it was impossible for them to have had knowledge thereof.

7. Member States shall take the necessary measures to avoid any discrepancy between what is disclosed in accordance with paragraph 5 and what appears in the register or file.

However, in cases of discrepancy, the text disclosed in accordance with paragraph 5 may not be relied on as against third parties; such third parties may nevertheless rely thereon, unless the company proves that they had knowledge of the texts deposited in the file or entered in the register.

Third parties may, moreover, always rely on any documents and particulars in respect of which the disclosure formalities have not yet been completed, save where non-disclosure causes them not to have effect.

Article 17

Up-to-date information on national law with regard to the rights of third parties

1. Member States shall ensure that up-to-date information is made available explaining the provisions of national law pursuant to which third parties may rely on particulars and each type of document referred to in Article 14, in accordance with Article 16(5), (6) and (7).
2. Member States shall provide the information required for publication on the European e-Justice portal ('the portal') in accordance with the portal's rules and technical requirements.
3. The Commission shall publish that information on the portal in all the official languages of the Union.

Article 18

Availability of electronic copies of documents and particulars

1. Electronic copies of the documents and particulars referred to in Article 14 shall also be made publicly available through the system of interconnection of registers.
2. Member States shall ensure that the documents and particulars referred to in Article 14 are available through the system of interconnection of registers in a standard message format and accessible by electronic means. Member States shall also ensure that minimum standards for the security of data transmission are respected.
3. The Commission shall provide a search service in all the official languages of the Union in respect of companies registered in the Member States, in order to make available through the portal:
 - (a) the documents and particulars referred to in Article 14;
 - (b) the explanatory labels, available in all the official languages of the Union, listing those particulars and the types of those documents.

Article 19

Fees chargeable for documents and particulars

1. The fees charged for obtaining the documents and particulars referred to in Article 14 through the system of interconnection of registers shall not exceed the administrative costs thereof.
2. Member States shall ensure that the following particulars are available free of charge through the system of interconnection of registers:
 - (a) the name and legal form of the company;
 - (b) the registered office of the company and the Member State where it is registered; and
 - (c) the registration number of the company.

In addition to those particulars, Member States may choose to make further documents and particulars available free of charge.

*Article 20***Information on the opening and termination of winding-up or insolvency proceedings and on striking-off of a company from the register**

1. The register of a company shall, through the system of interconnection of registers, make available, without delay, the information on the opening and termination of any winding-up or insolvency proceedings of the company and on the striking-off of the company from the register, if this entails legal consequences in the Member State of the register of the company.
2. The register of the branch shall, through the system of interconnection of registers, ensure receipt, without delay, of the information referred to in paragraph 1.
3. The exchange of information referred to in paragraphs 1 and 2 shall be free of charge for the registers.

*Article 21***Language of disclosure and translation of documents and particulars to be disclosed**

1. Documents and particulars to be disclosed pursuant to Article 14 shall be drawn up and filed in one of the languages permitted by the language rules applicable in the Member State in which the file referred to in Article 16(1) is opened.
2. In addition to the compulsory disclosure referred to in Article 16, Member States shall allow translations of documents and particulars referred to in Article 14 to be disclosed voluntarily in accordance with Article 16 in any official language(s) of the Union.

Member States may prescribe that the translation of such documents and particulars be certified.

Member States shall take the necessary measures to facilitate access by third parties to the translations voluntarily disclosed.

3. In addition to the compulsory disclosure referred to in Article 16, and to the voluntary disclosure provided for under paragraph 2 of this Article, Member States may allow the documents and particulars concerned to be disclosed, in accordance with Article 16, in any other language(s).

Member States may prescribe that the translation of such documents and particulars be certified.

4. In cases of discrepancy between the documents and particulars disclosed in the official languages of the register and the translation voluntarily disclosed, the latter may not be relied upon as against third parties. Third parties may nevertheless rely on the translations voluntarily disclosed, unless the company proves that the third parties had knowledge of the version which was the subject of the compulsory disclosure.

*Article 22***System of interconnection of registers**

1. A European central platform ('the platform') shall be established.
2. The system of interconnection of registers shall be composed of:
 - the registers of Member States,
 - the platform,
 - the portal serving as the European electronic access point.
3. Member States shall ensure the interoperability of their registers within the system of interconnection of registers via the platform.
4. Member States may establish optional access points to the system of interconnection of registers. They shall notify the Commission without undue delay of the establishment of such access points and of any significant changes to their operation.

5. Access to information from the system of interconnection of registers shall be ensured through the portal and through the optional access points established by the Member States.
6. The establishment of the system of interconnection of registers shall not affect existing bilateral agreements concluded between Member States concerning the exchange of information on companies.

Article 23

Development and operation of the platform

1. The Commission shall decide to develop and/or operate the platform either by its own means or through a third party.

If the Commission decides to develop and/or operate the platform through a third party, the choice of the third party and the enforcement by the Commission of the agreement concluded with that third party shall be done in accordance with Regulation (EU, Euratom) No 966/2012.

2. If the Commission decides to develop the platform through a third party, it shall, by means of implementing acts, establish the technical specifications for the purpose of the public procurement procedure and the duration of the agreement to be concluded with that third party.
3. If the Commission decides to operate the platform through a third party, it shall, by means of implementing acts, adopt detailed rules on the operational management of the platform.

The operational management of the platform shall include, in particular:

- the supervision of the functioning of the platform,
- the security and protection of data distributed and exchanged using the platform,
- the coordination of relations between Member States' registers and the third party.

The supervision of the functioning of the platform shall be carried out by the Commission.

4. The implementing acts referred to in paragraphs 2 and 3 shall be adopted in accordance with the examination procedure referred to in Article 164(2).

Article 24

Implementing acts

By means of implementing acts, the Commission shall adopt the following:

- (a) the technical specification defining the methods of communication by electronic means for the purpose of the system of interconnection of registers;
- (b) the technical specification of the communication protocols;
- (c) the technical measures ensuring the minimum information technology security standards for communication and distribution of information within the system of interconnection of registers;
- (d) the technical specification defining the methods of exchange of information between the register of the company and the register of the branch as referred to in Articles 20 and 34;
- (e) the detailed list of data to be transmitted for the purpose of exchange of information between registers, as referred to in Articles 20, 34 and 130;
- (f) the technical specification defining the structure of the standard message format for the purpose of the exchange of information between the registers, the platform and the portal;
- (g) the technical specification defining the set of the data necessary for the platform to perform its functions as well as the method of storage, use and protection of such data;

- (h) the technical specification defining the structure and use of the unique identifier for communication between registers;
- (i) the specification defining the technical methods of operation of the system of interconnection of registers as regards the distribution and exchange of information, and the specification defining the information technology services, provided by the platform, ensuring the delivery of messages in the relevant language version;
- (j) the harmonised criteria for the search service provided by the portal;
- (k) the payment modalities, taking into account available payment facilities such as online payment;
- (l) the details of the explanatory labels listing the particulars and the types of documents referred to in Article 14;
- (m) the technical conditions of availability of services provided by the system of interconnection of registers;
- (n) the procedure and technical requirements for the connection of the optional access points to the platform.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 164(2).

Article 25

Financing

1. The establishment and future development of the platform and the adjustments to the portal resulting from this Directive shall be financed from the general budget of the Union.
2. The maintenance and functioning of the platform shall be financed from the general budget of the Union and may be co-financed by fees for access to the system of interconnection of registers charged to its individual users. Nothing in this paragraph shall affect fees at the national level.
3. By means of delegated acts and in accordance with Article 163, the Commission may adopt rules on whether to co-finance the platform by charging fees, and, in that case, the amount of the fees charged to individual users in accordance with paragraph 2 of this Article.
4. Any fees imposed in accordance with paragraph 2 of this Article shall be without prejudice to the fees, if any, charged by Member States for obtaining documents and particulars as referred to in Article 19(1).
5. Any fees imposed in accordance with paragraph 2 of this Article shall not be charged for obtaining the particulars referred to in Article 19(2)(a), (b) and (c).
6. Each Member State shall bear the costs of adjusting its domestic registers, as well as their maintenance and functioning costs resulting from this Directive.

Article 26

Information on letters and order forms

Member States shall prescribe that letters and order forms, whether they are in paper form or use any other medium, are to state the following particulars:

- (a) the information necessary in order to identify the register in which the file referred to in Article 16 is kept, together with the number of the company in that register;
- (b) the legal form of the company, the location of its registered office and, where appropriate, the fact that the company is being wound up.

Where, in those documents, mention is made of the capital of the company, the reference shall be to the capital subscribed and paid up.

Member States shall prescribe that company websites are to contain at least the particulars referred to in the first paragraph and, if applicable, a reference to the capital subscribed and paid up.

Article 27

Persons carrying out disclosure formalities

Each Member State shall determine by which persons the disclosure formalities are to be carried out.

Article 28

Penalties

Member States shall provide for appropriate penalties at least in the case of:

- (a) failure to disclose accounting documents as required by Article 14(f);
- (b) omission from commercial documents or from any company website of the compulsory particulars provided for in Article 26.

Section 2

Disclosure rules applicable to branches of companies from other Member States

Article 29

Disclosure of documents and particulars relating to a branch

1. Documents and particulars relating to a branch opened in a Member State by a company of a type listed in Annex II, which is governed by the law of another Member State, shall be disclosed pursuant to the law of the Member State of the branch, in accordance with Article 16.
2. Where disclosure requirements in respect of the branch differ from those in respect of the company, the branch's disclosure requirements shall take precedence with regard to transactions carried out with the branch.
3. The documents and particulars referred to in Article 30(1) shall be made publicly available through the system of interconnection of registers. Article 18 and Article 19(1) shall apply *mutatis mutandis*.
4. Member States shall ensure that branches have a unique identifier allowing them to be unequivocally identified in communications between registers through the system of interconnection of registers. That unique identifier shall comprise, at least, elements making it possible to identify the Member State of the register, the domestic register of origin and the branch number in that register, and, where appropriate, features to avoid identification errors.

Article 30

Documents and particulars to be disclosed

1. The compulsory disclosure provided for in Article 29 shall cover the following documents and particulars only:
 - (a) the address of the branch;
 - (b) the activities of the branch;
 - (c) the register in which the company file referred to in Article 16 is kept, together with the registration number in that register;
 - (d) the name and legal form of the company and the name of the branch, if that is different from the name of the company;
 - (e) the appointment, termination of office and particulars of the persons who are authorised to represent the company in dealings with third parties and in legal proceedings:
 - as a company organ constituted pursuant to law or as members of any such organ, in accordance with the disclosure by the company as provided for in Article 14(d),
 - as permanent representatives of the company for the activities of the branch, with an indication of the extent of their powers;

- (f) — the winding-up of the company, the appointment of liquidators, particulars concerning them and their powers and the termination of the liquidation in accordance with disclosure by the company as provided for in Article 14(h), (j) and (k),
 - insolvency proceedings, arrangements, compositions, or any analogous proceedings to which the company is subject;
 - (g) the accounting documents in accordance with Article 31;
 - (h) the closure of the branch.
2. The Member State in which the branch has been opened may provide for the disclosure, as referred to in Article 29, of
- (a) the signature of the persons referred to in points (e) and (f) of paragraph 1 of this Article;
 - (b) the instruments of constitution and the memorandum and articles of association if they are contained in a separate instrument, in accordance with points (a), (b) and (c) of Article 14, together with amendments to those documents;
 - (c) an attestation from the register referred to in point (c) of paragraph 1 of this Article relating to the existence of the company;
 - (d) an indication of the securities on the company's property situated in that Member State, provided such disclosure relates to the validity of those securities.

Article 31

Limits on the compulsory disclosure of accounting documents

The compulsory disclosure provided for by Article 30(1)(g) shall be limited to the accounting documents of the company as drawn up, audited and disclosed pursuant to the law of the Member State by which the company is governed in accordance with Directive 2006/43/EC of the European Parliament and of the Council ⁽¹⁾ and Directive 2013/34/EU.

Article 32

Language of disclosure and translation of documents to be disclosed

The Member State in which the branch has been opened may stipulate that the documents referred to in Article 30(2)(b) and Article 31 are to be published in another official language of the Union and that the translations of such documents are to be certified.

Article 33

Disclosure in cases of multiple branches in a Member State

Where a company has opened more than one branch in a Member State, the disclosure referred to in Article 30(2)(b) and Article 31 may be made in the register of the branch of the company's choice.

In the case referred to in the first paragraph, compulsory disclosure by the other branches shall cover the particulars of the branch register of which disclosure was made, together with the number of that branch in that register.

Article 34

Information on the opening and termination of winding-up or insolvency proceedings and on striking-off of the company from the register

1. Article 20 shall apply to the register of the company and to the register of the branch respectively.

⁽¹⁾ Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (OJ L 157, 9.6.2006, p. 87).

2. Member States shall determine the procedure to be followed upon receipt of the information referred to in Article 20(1) and (2). Such procedure shall ensure that, where a company has been dissolved or otherwise struck off the register, its branches are likewise struck off the register without undue delay.

3. The second sentence of paragraph 2 shall not apply to branches of companies that have been struck off the register as a consequence of any change in the legal form of the company concerned, a merger or division, or a cross-border transfer of its registered office.

Article 35

Information on letters and order forms

Member States shall prescribe that letters and order forms used by a branch shall state, in addition to the information prescribed by Article 26, the register in which the file in respect of the branch is kept together with the number of the branch in that register.

Section 3

Disclosure rules applicable to branches of companies from third countries

Article 36

Disclosure of documents and particulars relating to a branch

1. Documents and particulars concerning a branch opened in a Member State by a company which is not governed by the law of a Member State but which is of a legal form comparable with the types of company listed in Annex II, shall be disclosed in accordance with the law of the Member State of the branch as laid down in Article 16.

2. Article 29(2) shall apply.

Article 37

Compulsory documents and particulars to be disclosed

The compulsory disclosure provided for in Article 36 shall cover at least the following documents and particulars:

- (a) the address of the branch;
- (b) the activities of the branch;
- (c) the law of the State by which the company is governed;
- (d) where that law so provides, the register in which the company is entered and the registration number of the company in that register;
- (e) the instruments of constitution, and memorandum and articles of association if they are contained in a separate instrument, with all amendments to those documents;
- (f) the legal form of the company, its principal place of business and its object and, at least annually, the amount of subscribed capital if those particulars are not given in the documents referred to in point (e);
- (g) the name of the company and the name of the branch if that is different from the name of the company;
- (h) the appointment, termination of office and particulars of the persons who are authorised to represent the company in dealings with third parties and in legal proceedings:
 - as a company organ constituted pursuant to law or as members of any such organ,
 - as permanent representatives of the company for the activities of the branch.

The extent of the powers of the persons authorised to represent the company shall be stated, as well as whether those persons may represent the company alone or are required to act jointly;

- (i) — the winding-up of the company and the appointment of liquidators, particulars concerning them and their powers and the termination of the liquidation,
 - insolvency proceedings, arrangements, compositions or any analogous proceedings to which the company is subject;
- (j) the accounting documents in accordance with Article 38;
- (k) the closure of the branch.

Article 38

Limits of compulsory disclosure of accounting documents

1. The compulsory disclosure provided for by Article 37(j) shall apply to the accounting documents of the company as drawn up, audited and disclosed pursuant to the law of the State which governs the company. Where they are not drawn up in accordance with or in a manner equivalent to Directive 2013/34/EU, Member States may require that accounting documents relating to the activities of the branch be drawn up and disclosed.
2. Articles 32 and 33 shall apply.

Article 39

Information on letters and order forms

Member States shall prescribe that letters and order forms used by a branch state the register in which the file in respect of the branch is kept together with the number of the branch in that register. Where the law of the State by which the company is governed requires entry in a register, the register in which the company is entered, and the registration number of the company in that register shall also be stated.

Section 4

Application and implementing arrangements

Article 40

Penalties

Member States shall provide for appropriate penalties in the event of failure to disclose the matters set out in Articles 29, 30, 31, 36, 37 and 38 and of omission from letters and order forms of the compulsory particulars provided for in Articles 35 and 39.

Article 41

Persons carrying out disclosure formalities

Each Member State shall determine who shall carry out the disclosure formalities provided for in Sections 2 and 3.

Article 42

Exemptions to provisions on disclosure of accounting documents for branches

1. Articles 31 and 38 shall not apply to branches opened by credit institutions and financial institutions covered by Council Directive 89/117/EEC ⁽¹⁾.
2. Pending subsequent coordination, the Member States need not apply Articles 31 and 38 to branches opened by insurance companies.

⁽¹⁾ Council Directive 89/117/EEC of 13 February 1989 on the obligations of branches established in a Member State of credit institutions and financial institutions having their head offices outside that Member State regarding the publication of annual accounting documents (OJ L 44, 16.2.1989, p. 40).

*Article 43***Contact Committee**

The Contact Committee set up pursuant to Article 52 of Council Directive 78/660/EEC ⁽¹⁾ shall also:

- (a) facilitate, without prejudice to Articles 258 and 259 of the Treaty, the harmonised application of the provisions of Sections 2, 3 and this Section, through regular meetings dealing, in particular, with practical problems arising in connection with their application;
- (b) advise the Commission, if necessary, on any additions or amendments to the provisions of Sections 2, 3 and this Section.

*CHAPTER IV****Capital maintenance and alteration****Section 1***Capital requirements***Article 44***General provisions**

1. The coordination measures prescribed by this Chapter shall apply to the provisions laid down by law, regulation or administrative action in Member States relating to the types of company listed in Annex I.
2. The Member States may decide not to apply the provisions of this Chapter to investment companies with variable capital and to cooperatives incorporated as one of the types of company listed in Annex I. In so far as the laws of the Member States make use of this option, they shall require such companies to include the words 'investment company with variable capital', or 'cooperative' in all documents indicated in Article 26.

*Article 45***Minimum capital**

1. The laws of the Member States shall require that, in order for a company to be incorporated or obtain authorisation to commence business, a minimum capital shall be subscribed the amount of which shall be not less than EUR 25 000.
2. Every five years the European Parliament and the Council, acting on a proposal from the Commission in accordance with Article 50(1) and Article 50(2)(g) of the Treaty, shall examine and, if need be, revise the amount expressed in paragraph 1 in euro in the light of economic and monetary trends in the Union and of the tendency to allow only large and medium-sized undertakings to opt for the types of company listed in Annex I.

*Article 46***Assets**

Subscribed capital may be formed only of assets capable of economic assessment. However, an undertaking to perform work or supply services may not form part of those assets.

*Article 47***Issuing price of shares**

Shares may not be issued at a price lower than their nominal value, or, where there is no nominal value, their accountable par.

⁽¹⁾ Fourth Council Directive 78/660/EEC of 25 July 1978 based on Article 54(3)(g) of the Treaty on the annual accounts of certain types of companies (OJ L 222, 14.8.1978, p. 11).

However, Member States may allow those who undertake to place shares in the exercise of their profession to pay less than the total price of the shares for which they subscribe in the course of this transaction.

Article 48

Paying up of shares issued for a consideration

Shares issued for consideration shall be paid up at the time the company is incorporated or is authorised to commence business at not less than 25 % of their nominal value or, in the absence of a nominal value, their accountable par.

However, where shares are issued for consideration other than in cash at the time the company is incorporated or is authorised to commence business, the consideration shall be transferred in full within five years of that time.

Section 2

Safeguards as regards statutory capital

Article 49

Experts' report on consideration other than in cash

1. A report on any consideration other than in cash shall be drawn up before the company is incorporated or is authorised to commence business, by one or more independent experts appointed or approved by an administrative or judicial authority. Such experts may be natural persons as well as legal persons and companies or firms under the laws of each Member State.
2. The experts' report referred to in paragraph 1 shall contain at least a description of each of the assets comprising the consideration as well as of the methods of valuation used and shall state whether the values arrived at by the application of those methods correspond at least to the number and nominal value or, where there is no nominal value, to the accountable par and, where appropriate, to the premium on the shares to be issued for them.
3. The experts' report shall be published in the manner laid down by the laws of each Member State, in accordance with Article 16.
4. Member States may decide not to apply this Article where 90 % of the nominal value, or where there is no nominal value, of the accountable par, of all the shares is issued to one or more companies for a consideration other than in cash, and where the following requirements are met:
 - (a) with regard to the company in receipt of such consideration, the persons referred to in point (i) of Article 4 have agreed to dispense with the experts' report;
 - (b) such agreement has been published as provided for in paragraph 3;
 - (c) the companies furnishing such consideration have reserves which may not be distributed under the law or the statutes and which are at least equal to the nominal value or, where there is no nominal value, the accountable par of the shares issued for consideration other than in cash;
 - (d) the companies furnishing such consideration guarantee, up to an amount equal to that indicated in point (c), the debts of the recipient company arising between the time the shares are issued for a consideration other than in cash and one year after the publication of that company's annual accounts for the financial year during which such consideration was furnished. Any transfer of such shares shall be prohibited during that period;
 - (e) the guarantee referred to in point (d) has been published as provided for in paragraph 3; and
 - (f) the companies furnishing such consideration shall place a sum equal to that indicated in point (c) into a reserve which may not be distributed until three years after publication of the annual accounts of the recipient company for the financial year during which such consideration was furnished or, if necessary, until such later date as all claims relating to the guarantee referred to in point (d) which are submitted during this period have been settled.

5. Member States may decide not to apply this Article to the formation of a new company by way of merger or division where a report by one or more independent experts on the draft terms of merger or division is drawn up.

Where Member States decide to apply this Article in the cases referred to in the first subparagraph, they may provide that the report drawn up under paragraph 1 of this Article and the report by one or more independent experts on the draft terms of merger or division may be drawn up by the same expert or experts.

Article 50

Derogation from the requirement for an experts' report

1. Member States may decide not to apply Article 49(1), (2) and (3) where, upon a decision of the administrative or management body, transferable securities as defined in point 44 of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council ⁽¹⁾ or money-market instruments as defined in point 17 of Article 4(1) of that Directive are contributed as consideration other than in cash, and those securities or money-market instruments are valued at the weighted average price at which they have been traded on one or more regulated markets as defined in point 21 of Article 4(1) of that Directive during a sufficient period, to be determined by national law, preceding the effective date of the contribution of the respective consideration other than in cash.

However, where that price has been affected by exceptional circumstances that would significantly change the value of the asset at the effective date of its contribution, including situations where the market for such transferable securities or money-market instruments has become illiquid, a revaluation shall be carried out on the initiative and under the responsibility of the administrative or management body.

For the purposes of such revaluation, Article 49(1), (2) and (3) shall apply.

2. Member States may decide not to apply Article 49(1), (2) and (3) where, upon a decision of the administrative or management body, assets, other than the transferable securities and money-market instruments referred to in paragraph 1 of this Article, are contributed as consideration other than in cash which have already been subject to a fair value opinion by a recognised independent expert and where the following conditions are fulfilled:

- (a) the fair value is determined for a date not more than six months before the effective date of the asset contribution; and
- (b) the valuation has been performed in accordance with generally accepted valuation standards and principles in the Member State which are applicable to the kind of assets to be contributed.

In the case of new qualifying circumstances that would significantly change the fair value of the asset at the effective date of its contribution, a revaluation shall be carried out on the initiative and under the responsibility of the administrative or management body.

For the purposes of the revaluation referred to in the second subparagraph, Article 49(1), (2) and (3) shall apply.

In the absence of such a revaluation, one or more shareholders holding an aggregate percentage of at least 5 % of the company's subscribed capital on the date the decision on the increase in the capital is taken, may demand a valuation by an independent expert, in which case Article 49(1), (2) and (3) shall apply.

Such shareholder(s) may submit a demand up until the effective date of the asset contribution, provided that, at the date of the demand, the shareholder(s) in question still hold(s) an aggregate percentage of at least 5 % of the company's subscribed capital, as it was on the date the decision on the increase in the capital was taken.

3. Member States may decide not to apply Article 49(1), (2) and (3) where, upon a decision of the administrative or management body, assets, other than the transferable securities and money-market instruments referred to in paragraph 1 of this Article, are contributed as consideration other than in cash the fair value of which is derived from the value of an individual asset from the statutory accounts of the previous financial year provided that the statutory accounts have been subject to an audit in accordance with Directive 2006/43/EC.

The second to fifth subparagraphs of paragraph 2 of this Article shall apply *mutatis mutandis*.

⁽¹⁾ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).

*Article 51***Consideration other than in cash without an experts' report**

1. Where consideration other than in cash as referred to in Article 50 is provided without an experts' report as referred to in Article 49(1), (2) and (3), in addition to the requirements set out in point (h) of Article 4 and within one month of the effective date of the asset contribution, a declaration containing the following shall be published:

- (a) a description of the consideration other than in cash at issue;
- (b) its value, the source of this valuation and, where appropriate, the method of valuation;
- (c) a statement whether the value arrived at corresponds at least to the number, to the nominal value or, where there is no nominal value, the accountable par and, where appropriate, to the premium on the shares to be issued for such consideration; and
- (d) a statement that no new qualifying circumstances with regard to the original valuation have occurred.

The publication of the declaration shall be effected in the manner laid down by the laws of each Member State in accordance with Article 16.

2. Where consideration other than in cash is proposed to be provided without an experts' report, as referred to in Article 49(1), (2) and (3), in relation to an increase in the capital proposed to be made under Article 68(2), an announcement containing the date when the decision on the increase was taken and the information listed in paragraph 1 of this Article shall be published, in the manner laid down by the laws of each Member State in accordance with Article 16, before the contribution of the asset as consideration other than in cash is to become effective. In that event, the declaration pursuant to paragraph 1 of this Article shall be limited to the statement that no new qualifying circumstances have occurred since the aforementioned announcement was published.

3. Each Member State shall provide for adequate safeguards ensuring compliance with the procedure set out in Article 50 and in this Article where a contribution for a consideration other than in cash is provided without an experts' report as referred to in Article 49(1), (2) and (3).

*Article 52***Substantial acquisitions after incorporation or authorisation to commence business**

1. If, before the expiry of a time limit laid down by national law of at least two years from the time the company is incorporated or is authorised to commence business, the company acquires any asset belonging to a person or company or firm referred to in point (i) of Article 4 for a consideration of not less than one-tenth of the subscribed capital, the acquisition shall be examined and details of it published in the manner provided for in Article 49(1), (2) and (3), and it shall be submitted for the approval of a general meeting.

Articles 50 and 51 shall apply *mutatis mutandis*.

Member States may also require these provisions to be applied when the assets belong to a shareholder or to any other person.

2. Paragraph 1 shall not apply to acquisitions effected in the normal course of the company's business, to acquisitions effected at the instance or under the supervision of an administrative or judicial authority, or to stock exchange acquisitions.

*Article 53***Shareholders' obligation to pay up contributions**

Subject to the provisions relating to the reduction of subscribed capital, the shareholders may not be released from the obligation to pay up their contributions.

*Article 54***Safeguards in the event of conversion**

Pending coordination of national laws at a subsequent date, Member States shall adopt the measures necessary to require provision of at least the same safeguards as are laid down in Articles 3 to 6 and Articles 45 to 53 in the event of the conversion of another type of company into a public limited liability company.

*Article 55***Modification of the statutes or of the instrument of incorporation**

Articles 3 to 6 and Articles 45 to 54 shall be without prejudice to the provisions of Member States on competence and procedure relating to the modification of the statutes or of the instrument of incorporation.

*Section 3***Rules on distribution***Article 56***General rules on distribution**

1. Except for cases of reductions of subscribed capital, no distribution to shareholders may be made when on the closing date of the last financial year the net assets as set out in the company's annual accounts are or, following such a distribution, would become, lower than the amount of the subscribed capital plus those reserves which may not be distributed under the law or the statutes of the company.
2. Where the uncalled part of the subscribed capital is not included in the assets shown in the balance sheet, that amount shall be deducted from the amount of subscribed capital referred to in paragraph 1.
3. The amount of a distribution to shareholders may not exceed the amount of the profits at the end of the last financial year plus any profits brought forward and sums drawn from reserves available for this purpose, less any losses brought forward and sums placed to reserve in accordance with the law or the statutes.
4. The term 'distribution' used in paragraphs 1 and 3 includes, in particular, the payment of dividends and of interest relating to shares.
5. When the laws of a Member State allow the payment of interim dividends, at least the following conditions shall apply:
 - (a) interim accounts shall be drawn up showing that the funds available for distribution are sufficient;
 - (b) the amount to be distributed may not exceed the total profits made since the end of the last financial year for which the annual accounts have been drawn up, plus any profits brought forward and sums drawn from reserves available for this purpose, less losses brought forward and sums to be placed to reserve pursuant to the requirements of the law or the statutes.
6. Paragraphs 1 to 5 shall not affect the provisions of the Member States as regards increases in subscribed capital by capitalisation of reserves.
7. The laws of a Member State may provide for derogation from paragraph 1 in the case of investment companies with fixed capital.

For the purposes of this paragraph, the term 'investment company with fixed capital' means only companies:

- (a) the exclusive object of which is to invest their funds in various stocks and shares, land or other assets with the sole aim of spreading investment risks and giving their shareholders the benefit of the results of the management of their assets; and
- (b) which offer their own shares for subscription by the public.

In so far as the laws of Member States make use of the option they shall:

- (a) require such companies to include the term 'investment company' in all documents indicated in Article 26;
- (b) not permit any such company whose net assets fall below the amount specified in paragraph 1 to make a distribution to shareholders when on the closing date of the last financial year the company's total assets as set out in the annual accounts are, or following such distribution would become, less than one-and-a-half times the amount of the company's total liabilities to creditors as set out in the annual accounts; and
- (c) require any such company which makes a distribution when its net assets fall below the amount specified in paragraph 1 to include in its annual accounts a note to that effect.

Article 57

Recovery of distributions unlawfully made

Any distribution made contrary to Article 56 shall be returned by shareholders who have received it if the company proves that those shareholders knew of the irregularity of the distributions made to them, or could not in view of the circumstances have been unaware of it.

Article 58

Serious loss of the subscribed capital

1. In the case of a serious loss of the subscribed capital, a general meeting of shareholders shall be called within the period laid down by the laws of the Member States, to consider whether the company should be wound up or any other measures taken.
2. The amount of a loss deemed to be serious within the meaning of paragraph 1 shall not be set by the laws of Member States at a figure higher than half the subscribed capital.

Section 4

Rules on companies' acquisitions of their own shares

Article 59

No subscription of own shares

1. The shares of a company may not be subscribed for by the company itself.
2. If the shares of a company have been subscribed for by a person acting in his or her own name, but on behalf of the company, the subscriber shall be deemed to have subscribed for them for his or her own account.
3. The persons or companies or firms referred to in point (i) of Article 4 or, in cases of an increase in subscribed capital, the members of the administrative or management body shall be liable to pay for shares subscribed in contravention of this Article.

However, the laws of a Member State may provide that any such person may be released from his or her obligation if they prove that no fault is attributable to them personally.

Article 60

Acquisition of own shares

1. Without prejudice to the principle of equal treatment of all shareholders who are in the same position, and to Regulation (EU) No 596/2014, Member States may permit a company to acquire its own shares, either itself or through a person acting in his or her own name but on the company's behalf. To the extent that the acquisitions are permitted, Member States shall make such acquisitions subject to the following conditions:
 - (a) authorisation is given by the general meeting, which shall determine the terms and conditions of such acquisitions, and, in particular, the maximum number of shares to be acquired, the duration of the period for which the authorisation is given, the maximum length of which shall be determined by national law without, however, exceeding five years, and, in the case of acquisition for value, the maximum and minimum consideration. Members of the administrative or management body shall satisfy themselves that, at the time when each authorised acquisition is effected, the conditions referred to in points (b) and (c) are respected;

- (b) the acquisitions, including shares previously acquired by the company and held by it, and shares acquired by a person acting in his or her own name but on the company's behalf, cannot have the effect of reducing the net assets below the amount referred to in Article 56(1) and (2); and
- (c) only fully paid-up shares can be included in the transaction.

Furthermore, Member States may subject acquisitions within the meaning of the first subparagraph to any of the following conditions:

- (a) the nominal value or, in the absence thereof, the accountable par of the acquired shares, including shares previously acquired by the company and held by it, and shares acquired by a person acting in his own name but on the company's behalf, does not exceed a limit to be determined by Member States; this limit may not be lower than 10 % of the subscribed capital;
- (b) the power of the company to acquire its own shares within the meaning of the first subparagraph, the maximum number of shares to be acquired, the duration of the period for which the power is given and the maximum or minimum consideration are laid down in the statutes or in the instrument of incorporation of the company;
- (c) the company complies with appropriate reporting and notification requirements;
- (d) certain companies, as determined by Member States, can be required to cancel the acquired shares provided that an amount equal to the nominal value of the shares cancelled is included in a reserve which cannot be distributed to the shareholders, except in the event of a reduction in the subscribed capital; this reserve may be used only for the purposes of increasing the subscribed capital by the capitalisation of reserves;
- (e) the acquisition does not prejudice the satisfaction of creditors' claims.

2. The laws of a Member State may provide for derogations from the first sentence of point (a) of the first subparagraph of paragraph 1 where the acquisition of a company's own shares is necessary to prevent serious and imminent harm to the company. In such a case, the next general meeting shall be informed by the administrative or management body of the reasons for and nature of the acquisitions effected, of the number and nominal value or, in the absence of a nominal value, the accountable par, of the shares acquired, of the proportion of the subscribed capital which they represent, and of the consideration for those shares.

3. Member States may decide not to apply the first sentence of point (a) of the first subparagraph of paragraph 1 to shares acquired by either the company itself or by a person acting in his or her own name but on the company's behalf, for distribution to that company's employees or to the employees of an associate company. Such shares shall be distributed within 12 months of their acquisition.

Article 61

Derogation from rules on acquisition of own shares

1. Member States may decide not to apply Article 60 to:
 - (a) shares acquired in carrying out a decision to reduce capital, or in the circumstances referred to in Article 82;
 - (b) shares acquired as a result of a universal transfer of assets;
 - (c) fully paid-up shares acquired free of charge or by banks and other financial institutions as purchasing commission;
 - (d) shares acquired by virtue of a legal obligation or resulting from a court ruling for the protection of minority shareholders in the event, particularly, of a merger, a change in the company's object or form, transfer abroad of the registered office, or the introduction of restrictions on the transfer of shares;
 - (e) shares acquired from a shareholder in the event of failure to pay them up;
 - (f) shares acquired in order to indemnify minority shareholders in associated companies;
 - (g) fully paid-up shares acquired under a sale enforced by a court order for the payment of a debt owed to the company by the owner of the shares; and

- (h) fully paid-up shares issued by an investment company with fixed capital, as defined in the second subparagraph of Article 56(7), and acquired at the investor's request by that company or by an associate company. Point (a) of the third subparagraph of Article 56(7) shall apply. Such acquisitions may not have the effect of reducing the net assets below the amount of the subscribed capital plus any reserves the distribution of which is forbidden by law.
2. Shares acquired in the cases listed in points (b) to (g) of paragraph 1 shall, however, be disposed of within not more than three years of their acquisition unless the nominal value or, in the absence of a nominal value, the accountable par of the shares acquired, including shares which the company may have acquired through a person acting in his own name but on the company's behalf, does not exceed 10 % of the subscribed capital.
3. If the shares are not disposed of within the period laid down in paragraph 2, they shall be cancelled. The laws of a Member State may make this cancellation subject to a corresponding reduction in the subscribed capital. Such a reduction shall be prescribed where the acquisition of shares to be cancelled results in the net assets having fallen below the amount specified in Article 56(1) and (2).

Article 62

Consequences of illegal acquisition of own shares

Shares acquired in contravention of Articles 60 and 61 shall be disposed of within one year of their acquisition. If they are not disposed of within that period, Article 61(3) shall apply.

Article 63

Holding of own shares and annual report in case of acquisition of own shares

1. Where the laws of a Member State permit a company to acquire its own shares, either itself or through a person acting in his or her own name but on the company's behalf, they shall make the holding of these shares at all times subject to at least the following conditions:
- (a) among the rights attaching to the shares, the right to vote attaching to the company's own shares must in any event be suspended;
 - (b) if the shares are included among the assets shown in the balance sheet, a reserve of the same amount, unavailable for distribution, shall be included among the liabilities.
2. Where the laws of a Member State permit a company to acquire its own shares, either itself or through a person acting in his or her own name but on the company's behalf, they shall require the annual report to state at least:
- (a) the reasons for acquisitions made during the financial year;
 - (b) the number and nominal value or, in the absence of a nominal value, the accountable par of the shares acquired and disposed of during the financial year and the proportion of the subscribed capital which they represent;
 - (c) in the case of acquisition or disposal for a value, the consideration for the shares;
 - (d) the number and nominal value or, in the absence of a nominal value, the accountable par of all the shares acquired and held by the company and the proportion of the subscribed capital which they represent.

Article 64

Financial assistance by a company for acquisition of its shares by a third party

1. Where Member States permit a company to, either directly or indirectly, advance funds or make loans or provide security, with a view to the acquisition of its shares by a third party, they shall make such transactions subject to the conditions set out in paragraphs 2 to 5.
2. The transactions shall take place under the responsibility of the administrative or management body at fair market conditions, especially with regard to interest received by the company and with regard to security provided to the company for the loans and advances referred to in paragraph 1.

The credit standing of the third party or, in the case of multiparty transactions, of each counterparty thereto shall have been duly investigated.

3. The transactions shall be submitted by the administrative or management body to the general meeting for prior approval, whereby the general meeting shall act in accordance with the rules for a quorum and a majority laid down in Article 83.

The administrative or management body shall present a written report to the general meeting, indicating:

- (a) the reasons for the transaction;
- (b) the interest of the company in entering into such a transaction;
- (c) the conditions on which the transaction is entered into;
- (d) the risks involved in the transaction for the liquidity and solvency of the company; and
- (e) the price at which the third party is to acquire the shares.

This report shall be submitted to the register for publication in accordance with Article 16.

4. The aggregate financial assistance granted to third parties shall at no time result in the reduction of the net assets below the amount specified in Article 56(1) and (2), taking into account also any reduction of the net assets that may have occurred through the acquisition, by the company or on behalf of the company, of its own shares in accordance with Article 60(1).

The company shall include, among the liabilities in the balance sheet, a reserve, unavailable for distribution, of the amount of the aggregate financial assistance.

5. Where a third party by means of financial assistance from a company acquires that company's own shares within the meaning of Article 60(1) or subscribes for shares issued in the course of an increase in the subscribed capital, such acquisition or subscription shall be made at a fair price.

6. Paragraphs 1 to 5 shall not apply to transactions concluded by banks and other financial institutions in the normal course of business, nor to transactions effected with a view to the acquisition of shares by or for the company's employees or the employees of an associate company.

However, these transactions may not have the effect of reducing the net assets below the amount specified in Article 56(1).

7. Paragraphs 1 to 5 shall not apply to transactions effected with a view to acquisition of shares as described in of Article 61(1)(h).

Article 65

Additional safeguards in case of related party transactions

In cases where individual members of the administrative or management body of the company being party to a transaction referred to in Article 64(1) of this Directive, or of the administrative or management body of a parent undertaking within the meaning of Article 22 of Directive 2013/34/EU or such parent undertaking itself, or individuals acting in their own name, but on behalf of the members of such bodies or on behalf of such undertaking, are counter-parties to such a transaction, Member States shall ensure through adequate safeguards that such transaction does not conflict with the company's best interests.

Article 66

Acceptance of the company's own shares as security

1. The acceptance of the company's own shares as security, either by the company itself or through a person acting in his own name but on the company's behalf, shall be treated as an acquisition for the purposes of Article 60, Article 61(1), and Articles 63 and 64.

2. The Member States may decide not to apply paragraph 1 to transactions concluded by banks and other financial institutions in the normal course of business.

Article 67

Subscription, acquisition or holding of shares by a company in which the public limited liability company holds a majority of the voting rights or on which it can exercise a dominant influence

1. The subscription, acquisition or holding of shares in a public limited liability company by another company of a type listed in Annex II in which the public limited liability company directly or indirectly holds a majority of the voting rights or on which it can directly or indirectly exercise a dominant influence shall be regarded as having been effected by the public limited liability company itself.

The first subparagraph shall also apply where the other company is governed by the law of a third country and has a legal form comparable to those listed in Annex II.

However, where the public limited liability company holds a majority of the voting rights indirectly or can exercise a dominant influence indirectly, Member States need not apply the first and the second subparagraphs if they provide for the suspension of the voting rights attached to the shares in the public limited liability company held by the other company.

2. In the absence of coordination of national legislation on groups of companies, Member States may:

(a) define the cases in which a public limited liability company shall be regarded as being able to exercise a dominant influence on another company; if a Member State exercises this option, its national law shall in any event provide that a dominant influence can be exercised if a public limited liability company:

- (i) has the right to appoint or dismiss a majority of the members of the administrative organ, of the management organ or of the supervisory organ, and is at the same time a shareholder or member of the other company; or
- (ii) is a shareholder or member of the other company and has sole control of a majority of the voting rights of its shareholders or members under an agreement concluded with other shareholders or members of that company.

Member States shall not be obliged to make provision for any cases other than those referred to in points (i) and (ii) of the first subparagraph;

(b) define the cases in which a public limited liability company shall be regarded as indirectly holding voting rights or as able indirectly to exercise a dominant influence;

(c) specify the circumstances in which a public limited liability company shall be regarded as holding voting rights.

3. Member States need not apply the first and second subparagraphs of paragraph 1 where the subscription, acquisition or holding is effected on behalf of a person other than the person subscribing, acquiring or holding the shares, who is neither the public limited liability company referred to in paragraph 1 nor another company in which the public limited liability company directly or indirectly holds a majority of the voting rights or on which it can directly or indirectly exercise a dominant influence.

4. Member States need not apply the first and second subparagraphs of paragraph 1 where the subscription, acquisition or holding is effected by the other company in its capacity and in the context of its activities as a professional dealer in securities, provided that it is a member of a stock exchange situated or operating within a Member State, or is approved or supervised by an authority of a Member State competent to supervise professional dealers in securities which, within the meaning of this Directive, may include credit institutions.

5. Member States need not apply the first and second subparagraphs of paragraph 1 where shares in a public limited liability company held by another company were acquired before the relationship between the two companies corresponded to the criteria laid down in paragraph 1.

However, the voting rights attached to those shares shall be suspended and the shares shall be taken into account when it is determined whether the condition laid down in Article 60(1)(b) is fulfilled.

6. Member States need not apply Article 61(2) or (3) or Article 62 where shares in a public limited liability company are acquired by another company on condition that they provide for:
- (a) the suspension of the voting rights attached to the shares in the public limited liability company held by the other company; and
 - (b) the members of the administrative or the management organ of the public limited liability company to be obliged to buy back from the other company the shares referred to in Article 61(2) and (3) and Article 62 at the price at which the other company acquired them; this sanction shall be inapplicable only where the members of the administrative or the management organ of the public limited liability company prove that that company played no part whatsoever in the subscription for or acquisition of the shares in question.

Section 5

Rules for the increase and reduction of capital

Article 68

Decision by the general meeting on the increase of capital

1. Any increase in capital shall be decided upon by the general meeting. Both that decision and the increase in the subscribed capital shall be published in the manner laid down by the laws of each Member State, in accordance with Article 16.
2. Nevertheless, the statutes or instrument of incorporation or the general meeting, the decision of which is to be published in accordance with the rules referred to in paragraph 1, may authorise an increase in the subscribed capital up to a maximum amount which they shall fix with due regard for any maximum amount provided for by law. Where appropriate, the increase in the subscribed capital shall be decided on within the limits of the amount fixed by the company body empowered to do so. The power of such body in this respect shall be for a maximum period of five years and may be renewed one or more times by the general meeting, each time for a period not exceeding five years.
3. Where there are several classes of shares, the decision by the general meeting concerning the increase in capital referred to in paragraph 1 or the authorisation to increase the capital referred to in paragraph 2, shall be subject to a separate vote at least for each class of shareholder whose rights are affected by the transaction.
4. This Article shall apply to the issue of all securities which are convertible into shares or which carry the right to subscribe for shares, but not to the conversion of such securities, nor to the exercise of the right to subscribe.

Article 69

Paying up shares issued for consideration

Shares issued for consideration, in the course of an increase in subscribed capital, shall be paid up to at least 25 % of their nominal value or, in the absence of a nominal value, of their accountable par. Where provision is made for an issue premium, it shall be paid in full.

Article 70

Shares issued for consideration other than in cash

1. Where shares are issued for consideration other than in cash in the course of an increase in the subscribed capital, the consideration shall be transferred in full within a period of five years from the decision to increase the subscribed capital.
2. The consideration referred to in paragraph 1 shall be the subject of a report drawn up before the increase in capital is made by one or more experts who are independent of the company and appointed or approved by an administrative or judicial authority. Such experts may be natural persons as well as legal persons and companies and firms under the laws of each Member State.

Article 49(2) and (3) and Articles 50 and 51 shall apply.

3. Member States may decide not to apply paragraph 2 in the event of an increase in subscribed capital made in order to give effect to a merger, a division or a public offer for the purchase or exchange of shares and to pay the shareholders of the company which is being absorbed or divided, or which is the object of the public offer for the purchase or exchange of shares.

In the case of a merger or a division, however, Member States shall apply the first subparagraph only where a report by one or more independent experts on the draft terms of merger or division is drawn up.

Where Member States decide to apply paragraph 2 in the case of a merger or a division, they may provide that the report under this Article and the report by one or more independent experts on the draft terms of merger or division may be drawn up by the same expert or experts.

4. Member States may decide not to apply paragraph 2 if all the shares issued in the course of an increase in subscribed capital are issued for a consideration other than in cash to one or more companies, on condition that all the shareholders in the company which receive the consideration have agreed not to have an experts' report drawn up and that the requirements of points (b) to (f) of Article 49(4) are met.

Article 71

Increase in capital not fully subscribed

Where an increase in capital is not fully subscribed, the capital will be increased by the amount of the subscriptions received only if the conditions of the issue so provide.

Article 72

Increase in capital by consideration in cash

1. Whenever the capital is increased by consideration in cash, the shares shall be offered on a pre-emptive basis to shareholders in proportion to the capital represented by their shares.

2. The laws of a Member State:

- (a) need not apply paragraph 1 to shares which carry a limited right to participate in distributions within the meaning of Article 56 and/or in the company's assets in the event of liquidation; or
- (b) may permit, where the subscribed capital of a company having several classes of shares carrying different rights with regard to voting, or participation in distributions within the meaning of Article 56 or in assets in the event of liquidation, is increased by issuing new shares in only one of these classes, the right of pre-emption of shareholders of the other classes to be exercised only after the exercise of this right by the shareholders of the class in which the new shares are being issued.

3. Any offer of subscription on a pre-emptive basis and the period within which this right shall be exercised shall be published in the national gazette appointed in accordance with Article 16. However, the laws of a Member State need not provide for such publication where all of a company's shares are registered. In such case, all the company's shareholders shall be informed in writing. The right of pre-emption shall be exercised within a period which shall not be less than 14 days from the date of publication of the offer or from the date of dispatch of the letters to the shareholders.

4. The right of pre-emption may not be restricted or withdrawn by the statutes or instrument of incorporation. This may, however, be done by decision of the general meeting. The administrative or management body shall be required to present to such a meeting a written report indicating the reasons for restriction or withdrawal of the right of pre-emption, and justifying the proposed issue price. The general meeting shall act in accordance with the rules for a quorum and a majority laid down in Article 83. Its decision shall be published in the manner laid down by the laws of each Member State, in accordance with Article 16.

5. The laws of a Member State may provide that the statutes, the instrument of incorporation or the general meeting, acting in accordance with the rules for a quorum, a majority and publication set out in paragraph 4 of this Article, may give the power to restrict or withdraw the right of pre-emption to the company body which is empowered to decide on an increase in subscribed capital within the limit of the authorised capital. This power may not be granted for a longer period than the power for which provision is made in Article 68(2).

6. Paragraphs 1 to 5 shall apply to the issue of all securities which are convertible into shares or which carry the right to subscribe for shares, but not to the conversion of such securities, nor to the exercise of the right to subscribe.

7. The right of pre-emption is not excluded for the purposes of paragraphs 4 and 5 where, in accordance with the decision to increase the subscribed capital, shares are issued to banks or other financial institutions with a view to their being offered to shareholders of the company in accordance with paragraphs 1 and 3.

Article 73

Decision by the general meeting on reduction in the subscribed capital

Any reduction in the subscribed capital, except under a court order, shall be subject at least to a decision of the general meeting acting in accordance with the rules for a quorum and a majority laid down in Article 83 without prejudice to Articles 79 and 80. Such decision shall be published in the manner laid down by the laws of each Member State in accordance with Article 16.

The notice convening the meeting shall specify at least the purpose of the reduction and the way in which it is to be carried out.

Article 74

Reduction in the subscribed capital in case of several classes of shares

Where there are several classes of shares, the decision by the general meeting concerning a reduction in the subscribed capital shall be subject to a separate vote, at least for each class of shareholders whose rights are affected by the transaction.

Article 75

Safeguards for creditors in case of reduction in the subscribed capital

1. In the event of a reduction in the subscribed capital, at least the creditors whose claims antedate the publication of the decision on the reduction shall at least have the right to obtain security for claims which have not fallen due by the date of that publication. Member States may not set aside such a right unless the creditor has adequate safeguards, or unless such safeguards are not necessary having regard to the assets of the company.

Member States shall lay down the conditions for the exercise of the right provided for in the first subparagraph. In any event, Member States shall ensure that the creditors are authorised to apply to the appropriate administrative or judicial authority for adequate safeguards provided that they can credibly demonstrate that due to the reduction in the subscribed capital the satisfaction of their claims is at stake, and that no adequate safeguards have been obtained from the company.

2. The laws of the Member States shall also stipulate at least that the reduction shall be void, or that no payment may be made for the benefit of the shareholders, until the creditors have obtained satisfaction or a court has decided that their application should not be acceded to.

3. This Article shall apply where the reduction in the subscribed capital is brought about by the total or partial waiving of the payment of the balance of the shareholders' contributions.

Article 76

Derogation from safeguards for creditors in case of reduction in the subscribed capital

1. Member States need not apply Article 75 to a reduction in the subscribed capital the purpose of which is to offset losses incurred or to include sums of money in a reserve provided that, following this operation, the amount of such reserve is not more than 10 % of the reduced subscribed capital. Except in the event of a reduction in the subscribed capital, this reserve may not be distributed to shareholders; it may be used only for offsetting losses incurred or for increasing the subscribed capital by the capitalisation of such reserve, in so far as the Member States permit such an operation.

2. In the cases referred to in paragraph 1, the laws of the Member States shall at least provide for the measures necessary to ensure that the amounts deriving from the reduction of subscribed capital may not be used for making payments or distributions to shareholders, or discharging shareholders from the obligation to make their contributions.

Article 77

Reduction in the subscribed capital and the minimum capital

The subscribed capital may not be reduced to an amount less than the minimum capital laid down in accordance with Article 45.

However, Member States may permit such a reduction if they also provide that the decision to reduce the subscribed capital may take effect only when the subscribed capital is increased to an amount at least equal to the prescribed minimum.

Article 78

Redemption of subscribed capital without reduction

Where the laws of a Member State authorise total or partial redemption of the subscribed capital without reduction of the latter, they shall at least require that the following conditions are observed:

- (a) where the statutes or instrument of incorporation provide for redemption, the latter shall be decided on by the general meeting voting at least under the usual conditions of quorum and majority; where the statutes or instrument of incorporation do not provide for redemption, the latter shall be decided upon by the general meeting acting at least under the conditions of quorum and majority laid down in Article 83; the decision shall be published in the manner prescribed by the laws of Member States, in accordance with Article 16;
- (b) only sums which are available for distribution within the meaning of Article 56(1) to (4) may be used for redemption purposes;
- (c) shareholders whose shares are redeemed shall retain their rights in the company, with the exception of their rights to the repayment of their investment and participation in the distribution of an initial dividend on unredeemed shares.

Article 79

Reduction in the subscribed capital by compulsory withdrawal of shares

1. Where the laws of a Member State allow companies to reduce their subscribed capital by compulsory withdrawal of shares, they shall require that at least the following conditions are observed:

- (a) compulsory withdrawal must be prescribed or authorised by the statutes or instrument of incorporation before the shares which are to be withdrawn are subscribed for;
- (b) where the compulsory withdrawal is authorised merely by the statutes or instrument of incorporation, it shall be decided upon by the general meeting unless it has been unanimously approved by the shareholders concerned;
- (c) the company body deciding on the compulsory withdrawal shall fix the terms and manner thereof, where they have not already been fixed by the statutes or instrument of incorporation;
- (d) Article 75 shall apply except in the case of fully paid-up shares which are made available to the company free of charge or are withdrawn using sums available for distribution in accordance with Article 56(1) to (4); in these cases, an amount equal to the nominal value or, in the absence thereof, to the accountable par of all the withdrawn shares must be included in a reserve; except in the event of a reduction in the subscribed capital, this reserve may not be distributed to shareholders; it can be used only for offsetting losses incurred or for increasing the subscribed capital by the capitalisation of such reserve, in so far as Member States permit such an operation; and
- (e) the decision on compulsory withdrawal shall be published in the manner laid down by the laws of each Member State in accordance with Article 16.

2. The first paragraph of Article 73 and Articles 74, 76 and 83 shall not apply to the cases to which paragraph 1 of this Article refers.

*Article 80***Reduction in the subscribed capital by the withdrawal of shares acquired by the company itself or on its behalf**

1. In the case of a reduction in the subscribed capital by the withdrawal of shares acquired by the company itself or by a person acting in his own name but on behalf of the company, the withdrawal shall always be decided on by the general meeting.
2. Article 75 shall apply unless the shares are fully paid up and are acquired free of charge or using sums available for distribution in accordance with Article 56(1) to (4); in these cases an amount equal to the nominal value or, in the absence thereof, to the accountable par of all the shares withdrawn shall be included in a reserve. Except in the event of a reduction in the subscribed capital, this reserve may not be distributed to shareholders. It may be used only for offsetting losses incurred or for increasing the subscribed capital by the capitalisation of such reserve, in so far as the Member States permit such an operation.
3. Articles 74, 76 and 83 shall not apply to the cases to which paragraph 1 of this Article refers.

*Article 81***Redemption of the subscribed capital or its reduction by withdrawal of shares in case of several classes of shares**

In the cases covered by Article 78, Article 79(1)(b) and Article 80(1), when there are several classes of shares, the decision by the general meeting concerning redemption of the subscribed capital or its reduction by withdrawal of shares shall be subject to a separate vote, at least for each class of shareholders whose rights are affected by the transaction.

*Article 82***Conditions for redemption of shares**

Where the laws of a Member State authorise companies to issue redeemable shares, they shall require that the following conditions, at least, are complied with for the redemption of such shares:

- (a) redemption must be authorised by the company's statutes or instrument of incorporation before the redeemable shares are subscribed for;
- (b) the shares must be fully paid up;
- (c) the terms and the manner of redemption must be laid down in the company's statutes or instrument of incorporation;
- (d) redemption can be only effected by using sums available for distribution in accordance with Article 56(1) to (4) or the proceeds of a new issue made with a view to effecting such redemption;
- (e) an amount equal to the nominal value or, in the absence thereof, to the accountable par of all the redeemed shares must be included in a reserve which cannot be distributed to the shareholders, except in the event of a reduction in the subscribed capital; it may be used only for the purpose of increasing the subscribed capital by the capitalisation of reserves;
- (f) point (e) shall not apply to redemption using the proceeds of a new issue made with a view to effecting such redemption;
- (g) where provision is made for the payment of a premium to shareholders in consequence of a redemption, the premium may be paid only from sums available for distribution in accordance with Article 56(1) to (4), or from a reserve other than that referred to in point (e) of this Article which may not be distributed to shareholders except in the event of a reduction in the subscribed capital; this reserve may be used only for the purposes of increasing the subscribed capital by the capitalisation of reserves or for covering the costs referred to in point (j) of Article 4 or the cost of issuing shares or debentures or for the payment of a premium to holders of redeemable shares or debentures;

- (h) notification of redemption shall be published in the manner laid down by the laws of each Member State in accordance with Article 16.

Article 83

Voting requirements for the decisions of the general meeting

The laws of the Member States shall provide that the decisions referred to in Article 72(4) and (5) and Articles 73, 74, 78 and 81 are to be taken at least by a majority of not less than two thirds of the votes attaching to the securities or the subscribed capital represented.

The laws of the Member States may, however, lay down that a simple majority of the votes specified in the first paragraph is sufficient when at least half the subscribed capital is represented.

Section 6

Application and implementing arrangements

Article 84

Derogation from certain requirements

1. Member States may derogate from the first paragraph of Article 48, the first sentence of Article 60(1)(a) and Articles 68, 69 and 72 to the extent that such derogations are necessary for the adoption or application of provisions designed to encourage the participation of employees, or other groups of persons defined by national law, in the capital of undertakings.
2. Member States may decide not to apply the first sentence of Article 60(1)(a) and Articles 73, 74 and 79 to 82 to companies incorporated under a special law which issue both capital shares and workers' shares, the latter being issued to the company's employees as a body, who are represented at general meetings of shareholders by delegates having the right to vote.
3. Member States shall ensure that Article 49, Articles 58(1) and 68(1), (2) and (3), the first subparagraph of Article 70(2), Articles 72 to 75, 79, 80 and 81 do not apply in the case of use of the resolution tools, powers and mechanisms provided for in Title IV of Directive 2014/59/EU of the European Parliament and of the Council ⁽¹⁾.

Article 85

Equal treatment of all shareholders who are in the same position

For the purposes of the implementation of this Chapter, the laws of the Member States shall ensure equal treatment to all shareholders who are in the same position.

Article 86

Transitional provisions

Member States may decide not to apply points (g), (i), (j) and (k) of Article 4 to companies already in existence at the date of entry into force of the laws, regulations and administrative provisions adopted in order to comply with Council Directive 77/91/EEC ⁽²⁾.

⁽¹⁾ Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).

⁽²⁾ Second Council Directive 77/91/EEC of 13 December 1976 on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, in respect of the formation of public limited liability companies and the maintenance and alteration of their capital, with a view to making such safeguards equivalent (OJ L 26, 31.1.1977, p. 1).

TITLE II

MERGERS AND DIVISIONS OF LIMITED LIABILITY COMPANIES

CHAPTER I

Mergers of public limited liability companies

Section 1

General provisions on mergers*Article 87***General provisions**

1. The coordination measures laid down by this Chapter shall apply to the laws, regulations and administrative provisions of the Member States relating to the types of company listed in Annex I.
2. Member States need not apply this Chapter to cooperatives incorporated as one of the types of company listed in Annex I. In so far as the laws of the Member States make use of this option, they shall require such companies to include the word 'cooperative' in all the documents referred to in Article 26.
3. Member States need not apply this Chapter in cases where the company or companies which are being acquired or will cease to exist are the subject of bankruptcy proceedings, proceedings relating to the winding-up of insolvent companies, judicial arrangements, compositions and analogous proceedings.
4. Member States shall ensure that this Chapter does not apply to the company or companies which are the subject of the use of resolution tools, powers and mechanisms provided for in Title IV of Directive 2014/59/EU.

*Article 88***Rules governing mergers by acquisition and mergers by formation of a new company**

Member States shall, as regards companies governed by their national laws, make provision for rules governing mergers by the acquisition of one or more companies by another company and merger by the formation of a new company.

*Article 89***Definition of a 'merger by acquisition'**

1. For the purposes of this Chapter, 'merger by acquisition' shall mean the operation whereby one or more companies are wound up without going into liquidation and transfer to another all their assets and liabilities in exchange for the issue to the shareholders of the company or companies being acquired of shares in the acquiring company and a cash payment, if any, not exceeding 10 % of the nominal value of the shares so issued or, where they have no nominal value, of their accounting par value.
2. A Member State's laws may provide that merger by acquisition may also be effected where one or more of the companies being acquired is in liquidation, provided that this option is restricted to companies which have not yet begun to distribute their assets to their shareholders.

*Article 90***Definition of a 'merger by the formation of a new company'**

1. For the purposes of this Chapter, 'merger by the formation of a new company' shall mean the operation whereby several companies are wound up without going into liquidation and transfer to a company that they set up all their assets and liabilities in exchange for the issue to their shareholders of shares in the new company and a cash payment, if any, not exceeding 10 % of the nominal value of the shares so issued or, where they have no nominal value, of their accounting par value.

2. A Member State's laws may provide that merger by the formation of a new company may also be effected where one or more of the companies which are ceasing to exist is in liquidation, provided that this option is restricted to companies which have not yet begun to distribute their assets to their shareholders.

Section 2

Merger by acquisition

Article 91

Draft terms of merger

1. The administrative or management bodies of the merging companies shall draw up draft terms of merger in writing.
2. Draft terms of merger shall specify at least:
 - (a) the type, name and registered office of each of the merging companies;
 - (b) the share exchange ratio and the amount of any cash payment;
 - (c) the terms relating to the allotment of shares in the acquiring company;
 - (d) the date from which the holding of such shares entitles the holders to participate in profits and any special conditions affecting that entitlement;
 - (e) the date from which the transactions of the company being acquired shall be treated for accounting purposes as being those of the acquiring company;
 - (f) the rights conferred by the acquiring company on the holders of shares to which special rights are attached and the holders of securities other than shares, or the measures proposed concerning them;
 - (g) any special advantage granted to the experts referred to in Article 96(1) and members of the merging companies' administrative, management, supervisory or controlling bodies.

Article 92

Publication of the draft terms of merger

Draft terms of merger shall be published in the manner prescribed by the laws of the Member States in accordance with Article 16, for each of the merging companies, at least one month before the date fixed for the general meeting which is to decide thereon.

Any of the merging companies shall be exempt from the publication requirement laid down in Article 16 if, for a continuous period beginning at least one month before the date fixed for the general meeting which is to decide on the draft terms of merger and ending not earlier than the conclusion of that meeting, it makes the draft terms of such merger available on its website free of charge for the public. Member States shall not subject that exemption to any requirements or constraints other than those which are necessary in order to ensure the security of the website and the authenticity of the documents, and may impose such requirements or constraints only to the extent that they are proportionate in order to achieve those objectives.

By way of derogation from the second paragraph of this Article, Member States may require that publication be effected via the central electronic platform referred to in Article 16(5). Member States may alternatively require that such publication be made on any other website designated by them for that purpose. Where Member States avail themselves of one of those possibilities, they shall ensure that companies are not charged a specific fee for such publication.

Where a website other than the central electronic platform is used, a reference giving access to that website shall be published on the central electronic platform at least one month before the date fixed for the general meeting. That reference shall include the date of publication of the draft terms of merger on the website and shall be accessible to the public free of charge. Companies shall not be charged a specific fee for such publication.

The prohibition precluding the charging of companies of a specific fee for publication, laid down in the third and fourth paragraphs, shall not affect the ability of Member States to pass on to companies the costs in respect of the central electronic platform.

Member States may require companies to maintain the information for a specific period after the general meeting on their website or, where applicable, on the central electronic platform or the other website designated by the Member State concerned. Member States may determine the consequences of temporary disruption of access to the website or to the central electronic platform, caused by technical or other factors.

Article 93

Approval by the general meeting of each of the merging companies

1. A merger shall require at least the approval of the general meeting of each of the merging companies. The laws of the Member States shall provide that this approval decision shall require a majority of not less than two thirds of the votes attached either to the shares or to the subscribed capital represented.

The laws of a Member State may, however, provide that a simple majority of the votes specified in the first subparagraph shall be sufficient when at least half of the subscribed capital is represented. Moreover, where appropriate, the rules governing alterations to the memorandum and articles of association shall apply.

2. Where there is more than one class of shares, the decision concerning a merger shall be subject to a separate vote by at least each class of shareholders whose rights are affected by the transaction.

3. The decision shall cover both the approval of the draft terms of merger and any alterations to the memorandum and articles of association necessitated by the merger.

Article 94

Derogation from the requirement of approval by the general meeting of the acquiring company

The laws of a Member State need not require approval of the merger by the general meeting of the acquiring company where the following conditions are fulfilled:

- (a) the publication provided for in Article 92 is effected, for the acquiring company, at least one month before the date fixed for the general meeting of the company or companies being acquired which is to decide on the draft terms of merger;
- (b) at least one month before the date specified in point (a), all shareholders of the acquiring company are entitled to inspect the documents specified in Article 97(1) at the registered office of the acquiring company;
- (c) one or more shareholders of the acquiring company holding a minimum percentage of the subscribed capital is entitled to require that a general meeting of the acquiring company be called to decide whether to approve the merger; this minimum percentage may not be fixed at more than 5 %. Member States may, however, provide for the exclusion of non-voting shares from this calculation.

For the purposes of point (b) of the first paragraph, Article 97(2), (3) and (4) shall apply.

Article 95

Detailed written report and information on a merger

1. The administrative or management bodies of each of the merging companies shall draw up a detailed written report explaining the draft terms of merger and setting out the legal and economic grounds for them, in particular the share exchange ratio.

That report shall also describe any special valuation difficulties which have arisen.

2. The administrative or management bodies of each of the companies involved shall inform the general meeting of their company, and the administrative or management bodies of the other companies involved, so that the latter may inform their respective general meetings of any material change in the assets and liabilities between the date of preparation of the draft terms of merger and the date of the general meetings which are to decide on the draft terms of merger.

3. Member States may provide that the report referred to in paragraph 1 and/or the information referred to in paragraph 2 shall not be required if all the shareholders and the holders of other securities conferring the right to vote of each of the companies involved in the merger have so agreed.

Article 96

Examination of the draft terms of merger by experts

1. One or more experts, acting on behalf of each of the merging companies but independent of them, appointed or approved by a judicial or administrative authority, shall examine the draft terms of merger and draw up a written report to the shareholders. However, the laws of the Member States may provide for the appointment of one or more independent experts for all the merging companies, if such appointment is made by a judicial or administrative authority at the joint request of those companies. Such experts may, depending on the laws of each Member State, be natural or legal persons or companies or firms.

2. In the report referred to in paragraph 1, the experts shall in any case state whether in their opinion the share exchange ratio is fair and reasonable. Their statement shall at least:

- (a) indicate the method or methods used to arrive at the share exchange ratio proposed;
- (b) state whether such method or methods are adequate in the case in question, indicate the values arrived at using each such methods and give an opinion on the relative importance attributed to such methods in arriving at the value decided on.

The report shall also describe any special valuation difficulties which have arisen.

3. Each expert shall be entitled to obtain from the merging companies all relevant information and documents and to carry out all necessary investigations.

4. Neither an examination of the draft terms of merger nor an expert report shall be required if all the shareholders and the holders of other securities conferring the right to vote of each of the companies involved in the merger have so agreed.

Article 97

Availability of documents for inspection by shareholders

1. All shareholders shall be entitled to inspect at least the following documents at the registered office at least one month before the date fixed for the general meeting which is to decide on the draft terms of merger:

- (a) the draft terms of merger;
- (b) the annual accounts and annual reports of the merging companies for the preceding three financial years;
- (c) where applicable, an accounting statement drawn up on a date which shall not be earlier than the first day of the third month preceding the date of the draft terms of merger, if the latest annual accounts relate to a financial year which ended more than six months before that date;
- (d) where applicable, the reports of the administrative or management bodies of the merging companies provided for in Article 95;
- (e) where applicable, the report referred to in Article 96(1).

For the purposes of point (c) of the first subparagraph, an accounting statement shall not be required if the company publishes a half-yearly financial report in accordance with Article 5 of Directive 2004/109/EC and makes it available to shareholders in accordance with this paragraph. Furthermore, Member States may provide that an accounting statement shall not be required if all the shareholders and the holders of other securities conferring the right to vote of each of the companies involved in the merger have so agreed.

2. The accounting statement provided for in point (c) of the first subparagraph of paragraph 1 shall be drawn up using the same methods and the same layout as the last annual balance sheet.

However, the laws of a Member State may provide that:

- (a) it is not necessary to take a fresh physical inventory;
- (b) the valuations shown in the last balance sheet are to be altered only to reflect entries in the books of account; the following shall nevertheless be taken into account:
 - interim depreciation and provisions,
 - material changes in actual value not shown in the books.

3. Every shareholder shall be entitled to obtain, on request and free of charge, full or, if so desired, partial copies of the documents referred to in paragraph 1.

Where a shareholder has consented to the use by the company of electronic means for conveying information, such copies may be provided by electronic mail.

4. A company shall be exempt from the requirement to make the documents referred to in paragraph 1 available at its registered office if, for a continuous period beginning at least one month before the date fixed for the general meeting which is to decide on the draft terms of merger and ending not earlier than the conclusion of that meeting, it makes them available on its website. Member States shall not subject that exemption to any requirements or constraints other than those which are necessary in order to ensure the security of the website and the authenticity of the documents and may impose such requirements or constraints only to the extent that they are proportionate in order to achieve those objectives.

Paragraph 3 shall not apply if the website gives shareholders the possibility, throughout the period referred to in the first subparagraph of this paragraph, of downloading and printing the documents referred to in paragraph 1. However, in that case Member States may provide that the company is to make those documents available at its registered office for consultation by the shareholders.

Member States may require companies to maintain the information on their website for a specific period after the general meeting. Member States may determine the consequences of temporary disruption of access to the website caused by technical or other factors.

Article 98

Protection of employees' rights

Protection of the rights of the employees of each of the merging companies shall be regulated in accordance with Directive 2001/23/EC.

Article 99

Protection of the interests of creditors of the merging companies

1. The laws of the Member States shall provide for an adequate system of protection of the interests of creditors of the merging companies whose claims antedate the publication of the draft terms of merger and have not fallen due at the time of such publication.

2. For the purposes of paragraph 1, the laws of the Member States shall at least provide that such creditors shall be entitled to obtain adequate safeguards where the financial situation of the merging companies makes such protection necessary and where those creditors do not already have such safeguards.

Member States shall lay down the conditions for the protection provided for in paragraph 1 and in the first subparagraph of this paragraph. In any event, Member States shall ensure that the creditors are authorised to apply to the appropriate administrative or judicial authority for adequate safeguards provided that they can credibly demonstrate that due to the merger the satisfaction of their claims is at stake and that no adequate safeguards have been obtained from the company.

3. Such protection may be different for the creditors of the acquiring company and for those of the company being acquired.

Article 100

Protection of the interests of debenture holders of the merging companies

Without prejudice to the rules governing the collective exercise of their rights, Article 99 shall apply to the debenture holders of the merging companies, except where the merger has been approved by a meeting of the debenture holders, if such a meeting is provided for under national laws, or by the debenture holders individually.

Article 101

Protection of holders of securities, other than shares, to which special rights are attached

Holders of securities, other than shares, to which special rights are attached shall be given rights in the acquiring company at least equivalent to those they possessed in the company being acquired, unless the alteration of those rights has been approved by a meeting of the holders of such securities, if such a meeting is provided for under national laws, or by the holders of those securities individually, or unless the holders are entitled to have their securities repurchased by the acquiring company.

Article 102

Drawing up and certification of documents in due legal form

1. Where the laws of a Member State do not provide for judicial or administrative preventive supervision of the legality of mergers, or where such supervision does not extend to all the legal acts required for a merger, the minutes of the general meetings which decide on the merger and, where appropriate, the merger contract subsequent to such general meetings shall be drawn up and certified in due legal form. In cases where the merger need not be approved by the general meetings of all the merging companies, the draft terms of merger shall be drawn up and certified in due legal form.

2. The notary or the authority competent to draw up and certify the document in due legal form shall check and certify the existence and validity of the legal acts and formalities required of the company for which that notary or authority is acting and of the draft terms of merger.

Article 103

Date on which a merger takes effect

The laws of the Member States shall determine the date on which a merger takes effect.

Article 104

Publication formalities

1. A merger shall be publicised in the manner prescribed by the laws of each Member State, in accordance with Article 16, in respect of each of the merging companies.

2. The acquiring company may itself carry out the publication formalities relating to the company or companies being acquired.

*Article 105***Consequences of a merger**

1. A merger shall have the following consequences *ipso jure* and simultaneously:
 - (a) the transfer, both as between the company being acquired and the acquiring company and, as regards third parties, to the acquiring company of all the assets and liabilities of the company being acquired;
 - (b) the shareholders of the company being acquired become shareholders of the acquiring company; and
 - (c) the company being acquired ceases to exist.
2. No shares in the acquiring company shall be exchanged for shares in the company being acquired held either:
 - (a) by the acquiring company itself or through a person acting in his own name but on its behalf; or
 - (b) by the company being acquired itself or through a person acting in his own name but on its behalf.
3. The foregoing shall not affect the laws of Member States which require the completion of special formalities for the transfer of certain assets, rights and obligations by the acquired company to be effective as against third parties. The acquiring company may carry out such formalities itself; however, the laws of the Member States may permit the company being acquired to continue to carry out such formalities for a limited period which may not, save in exceptional cases, be fixed at more than six months from the date on which the merger takes effect.

*Article 106***Civil liability of members of the administrative or management bodies of the company being acquired**

The laws of the Member States shall at least lay down rules governing the civil liability, towards the shareholders of the company being acquired, of the members of the administrative or management bodies of that company in respect of misconduct on the part of members of those bodies in preparing and implementing the merger.

*Article 107***Civil liability of the experts responsible for drawing up the expert report on behalf of the company being acquired**

The laws of the Member States shall at least lay down rules governing the civil liability, towards the shareholders of the company being acquired, of the experts responsible for drawing up on behalf of that company the report referred to in Article 96(1), in respect of misconduct on the part of those experts in the performance of their duties.

*Article 108***Conditions for nullity of a merger**

1. The laws of the Member States may lay down nullity rules for mergers in accordance with the following conditions only:
 - (a) nullity is to be ordered in a court judgment;
 - (b) mergers which have taken effect pursuant to Article 103 may be declared void only if there has been no judicial or administrative preventive supervision of their legality, or if they have not been drawn up and certified in due legal form, or if it is shown that the decision of the general meeting is void or voidable under national law;
 - (c) nullification proceedings may not be initiated more than six months after the date on which the merger becomes effective as against the person alleging nullity or where the situation has been rectified;
 - (d) where it is possible to remedy a defect liable to render a merger void, the competent court is to grant the companies involved a period of time within which to rectify the situation;

- (e) a judgment declaring a merger void is to be published in the manner prescribed by the laws of each Member State in accordance with Article 16;
 - (f) where the laws of a Member State permit a third party to challenge such a judgment, that party may only do so within six months of publication of the judgment in the manner prescribed by Section 1 of Chapter III of Title I;
 - (g) a judgment declaring a merger void does not of itself affect the validity of obligations owed by or in relation to the acquiring company which arose before the judgment was published and after the date on which the merger takes effect; and
 - (h) companies which have been parties to a merger are jointly and severally liable in respect of the obligations of the acquiring company referred to in point (g).
2. By way of derogation from point (a) of paragraph 1, the laws of a Member State may also provide for the nullity of a merger to be ordered by an administrative authority if an appeal against such a decision lies to a court. Point (b) and points (d) to (h) of paragraph 1 shall apply by analogy to the administrative authority. Such nullification proceedings may not be initiated more than six months after the date on which the merger takes effect.
3. The laws of the Member States on the nullity of a merger pronounced following any supervision other than judicial or administrative preventive supervision of legality shall not be affected.

Section 3

Merger by formation of a new company

Article 109

Merger by formation of a new company

1. Articles 91, 92, 93 and 95 to 108 shall apply, without prejudice to Articles 11 and 12, to merger by formation of a new company. For this purpose, 'merging companies' and 'company being acquired' shall mean the companies which will cease to exist, and 'acquiring company' shall mean the new company.

Article 91(2)(a) shall also apply to the new company.

2. The draft terms of merger and, if they are contained in a separate document, the memorandum or draft memorandum of association and the articles or draft articles of association of the new company shall be approved at a general meeting of each of the companies that will cease to exist.

Section 4

Acquisition of one company by another which holds 90 % or more of its shares

Article 110

Transfer of all assets and liabilities by one or more companies to another company which is the holder of all their shares

Member States shall make provision, in respect of companies governed by their laws, for the operation whereby one or more companies are wound up without going into liquidation and transfer all their assets and liabilities to another company which is the holder of all their shares and other securities conferring the right to vote at general meetings. Such operations shall be regulated by the provisions of Section 2 of this Chapter. However, Member States shall not impose the requirements set out in points (b), (c) and (d) of Article 91(2), Articles 95 and 96, points (d) and (e) of Article 97(1), point (b) of Article 105(1) and Articles 106 and 107.

*Article 111***Exemption from the requirement of approval by the general meeting**

Member States shall not apply Article 93 to the operations referred to in Article 110 if the following conditions are fulfilled:

- (a) the publication provided for in Article 92 is effected, as regards each company involved in the operation, at least one month before the operation takes effect;
- (b) at least one month before the operation takes effect, all shareholders of the acquiring company are entitled to inspect the documents referred to in points (a), (b) and (c) of Article 97(1) at the company's registered office;
- (c) point (c) of the first paragraph of Article 94 applies.

For the purposes of point (b) of the first paragraph of this Article, Article 97(2), (3) and (4) shall apply.

*Article 112***Shares held by or on behalf of the acquiring company**

The Member States may apply Articles 110 and 111 to operations whereby one or more companies are wound up without going into liquidation and transfer all their assets and liabilities to another company, if all the shares and other securities specified in Article 110 of the company or companies being acquired are held by the acquiring company and/or by persons holding those shares and securities in their own names but on behalf of that company.

*Article 113***Merger by acquisition by a company which holds 90 % or more of the shares of a company being acquired**

Where a merger by acquisition is carried out by a company which holds 90 % or more, but not all, of the shares and other securities conferring the right to vote at general meetings of the company or companies being acquired, Member States shall not require approval of the merger by the general meeting of the acquiring company if the following conditions are fulfilled:

- (a) the publication provided for in Article 92 is effected, as regards the acquiring company, at least one month before the date fixed for the general meeting of the company or companies being acquired which is to decide on the draft terms of merger;
- (b) at least one month before the date specified in point (a), all shareholders of the acquiring company are entitled to inspect the documents specified in points (a) and (b) and, where applicable, points (c), (d) and (e) of Article 97(1) at the company's registered office;
- (c) point (c) of the first paragraph of Article 94 applies.

For the purposes of point (b) of the first paragraph of this Article, Article 97(2), (3) and (4) shall apply.

*Article 114***Exemption from requirements applicable to mergers by acquisition**

Member States shall not impose the requirements set out in Articles 95, 96 and 97 in the case of a merger within the meaning of Article 113 if the following conditions are fulfilled:

- (a) the minority shareholders of the company being acquired are entitled to have their shares acquired by the acquiring company;

- (b) if they exercise that right, they are entitled to receive consideration corresponding to the value of their shares;
- (c) in the event of disagreement regarding such consideration, it is possible for the value of the consideration to be determined by a court or by an administrative authority designated by the Member State for that purpose.

A Member State need not apply the first paragraph if the laws of that Member State entitle the acquiring company, without a previous public takeover offer, to require all the holders of the remaining securities of the company or companies to be acquired, to sell those securities to it prior to the merger at a fair price.

Article 115

Transfer of all assets and liabilities by one or more companies to another company which is the holder of 90 % or more of their shares

The Member States may apply Articles 113 and 114 to operations whereby one or more companies are wound up without going into liquidation and transfer all their assets and liabilities to another company, if 90 % or more, but not all, of the shares and other securities referred to in Article 113 of the company or companies being acquired are held by that acquiring company and/or by persons holding those shares and securities in their own names but on behalf of that company.

Section 5

Other operations treated as mergers

Article 116

Mergers with cash payment exceeding 10 %

Where in the case of one of the operations referred to in Article 88 the laws of a Member State permit a cash payment to exceed 10 %, Sections 2 and 3 of this Chapter and Articles 113, 114 and 115 shall apply.

Article 117

Mergers without all of the transferring companies ceasing to exist

Where the laws of a Member State permit one of the operations referred to in Articles 88, 110 and 116, without all of the transferring companies thereby ceasing to exist, Section 2, except for point (c) of Article 105(1), and Section 3 or 4 of this Chapter shall apply as appropriate.

CHAPTER II

Cross-border mergers of limited liability companies

Article 118

General provisions

This Chapter shall apply to mergers of limited liability companies formed in accordance with the law of a Member State and having their registered office, central administration or principal place of business within the Union, provided at least two of them are governed by the laws of different Member States (hereinafter referred to as 'cross-border mergers').

Article 119

Definitions

For the purposes of this Chapter:

(1) 'limited liability company', hereinafter referred to as 'company', means:

- (a) a company of a type listed in Annex II; or

- (b) a company with share capital and having legal personality, possessing separate assets which alone serve to cover its debts and that is subject, under the national law governing it, to conditions concerning guarantees such as are provided for by Section 2 of Chapter II of Title I and Section 1 of Chapter III of Title I for the protection of the interests of members and others;

(2) 'merger' means an operation whereby:

- (a) one or more companies, on being dissolved without going into liquidation, transfer all their assets and liabilities to another existing company, the acquiring company, in exchange for the issue to their members of securities or shares representing the capital of that other company and, if applicable, a cash payment not exceeding 10 % of the nominal value, or, in the absence of a nominal value, of the accounting par value of those securities or shares; or
- (b) two or more companies, on being dissolved without going into liquidation, transfer all their assets and liabilities to a company that they form, the new company, in exchange for the issue to their members of securities or shares representing the capital of that new company and, if applicable, a cash payment not exceeding 10 % of the nominal value, or in the absence of a nominal value, of the accounting par value of those securities or shares; or
- (c) a company, on being dissolved without going into liquidation, transfers all its assets and liabilities to the company holding all the securities or shares representing its capital.

Article 120

Further provisions concerning scope

1. Notwithstanding Article 119(2), this Chapter shall also apply to cross-border mergers where the law of at least one of the Member States concerned allows the cash payment referred to in Article 119(2)(a) and (b) to exceed 10 % of the nominal value, or, in the absence of a nominal value, of the accounting par value of the securities or shares representing the capital of the company resulting from the cross-border merger.
2. Member States may decide not to apply this Chapter to cross-border mergers involving a cooperative society even in the cases where the latter would fall within the definition of a limited liability company as laid down in Article 119(1).
3. This Chapter shall not apply to cross-border mergers involving a company the object of which is the collective investment of capital provided by the public, which operates on the principle of risk-spreading and the units of which are, at the holders' request, repurchased or redeemed, directly or indirectly, out of the assets of that company. Action taken by such a company to ensure that the stock exchange value of its units does not vary significantly from its net asset value shall be regarded as equivalent to such repurchase or redemption.
4. Member States shall ensure that this Chapter does not apply to the company or companies that are the subject of the use of resolution tools, powers and mechanisms provided for in Title IV of Directive 2014/59/EU.

Article 121

Conditions relating to cross-border mergers

1. Save as otherwise provided in this Chapter,
 - (a) cross-border mergers shall only be possible between types of companies which may merge under the national law of the relevant Member States;
 - (b) a company taking part in a cross-border merger shall comply with the provisions and formalities of the national law to which it is subject. The laws of a Member State enabling its national authorities to oppose a given internal merger on grounds of public interest shall also be applicable to a cross-border merger where at least one of the merging companies is subject to the law of that Member State. This provision shall not apply to the extent that Article 21 of Regulation (EC) No 139/2004 is applicable.

2. The provisions and formalities referred to in point (b) of paragraph 1 shall, in particular, include those concerning the decision-making process relating to the merger and, taking into account the cross-border nature of the merger, the protection of creditors of the merging companies, debenture holders and the holders of securities or shares, as well as of employees as regards rights other than those governed by Article 133. A Member State may, in the case of companies participating in a cross-border merger and governed by its law, adopt provisions designed to ensure appropriate protection for minority members who have opposed the cross-border merger.

Article 122

Common draft terms of cross-border mergers

The management or administrative organ of each of the merging companies shall draw up the common draft terms of a cross-border merger. The common draft terms of a cross-border merger shall include at least the following particulars:

- (a) the form, name and registered office of the merging companies and those proposed for the company resulting from the cross-border merger;
- (b) the ratio applicable to the exchange of securities or shares representing the company capital and the amount of any cash payment;
- (c) the terms for the allotment of securities or shares representing the capital of the company resulting from the cross-border merger;
- (d) the likely repercussions of the cross-border merger on employment;
- (e) the date from which the holding of such securities or shares representing the company capital will entitle the holders to share in profits and any special conditions affecting that entitlement;
- (f) the date from which the transactions of the merging companies will be treated for accounting purposes as being those of the company resulting from the cross-border merger;
- (g) the rights conferred by the company resulting from the cross-border merger on members enjoying special rights or on holders of securities other than shares representing the company capital, or the measures proposed concerning them;
- (h) any special advantages granted to the experts who examine the draft terms of the cross-border merger or to members of the administrative, management, supervisory or controlling organs of the merging companies;
- (i) the statutes of the company resulting from the cross-border merger;
- (j) where appropriate, information on the procedures by which arrangements for the involvement of employees in the definition of their rights to participation in the company resulting from the cross-border merger are determined pursuant to Article 133;
- (k) information on the evaluation of the assets and liabilities which are transferred to the company resulting from the cross-border merger;
- (l) dates of the merging companies' accounts used to establish the conditions of the cross-border merger.

Article 123

Publication

1. The common draft terms of the cross-border merger shall be published in the manner prescribed by the laws of each Member State in accordance with Article 16 for each of the merging companies at least one month before the date of the general meeting which is to decide thereon.

Any of the merging companies shall be exempt from the publication requirement laid down in Article 16 if, for a continuous period beginning at least one month before the date fixed for the general meeting which is to decide on the common draft terms of the cross-border merger and ending not earlier than the conclusion of that meeting, it makes the common draft terms of such merger available on its website free of charge for the public. Member States shall not subject that exemption to any requirements or constraints other than those which are necessary in order to ensure the security of the website and the authenticity of the documents and may impose such requirements or constraints only to the extent that they are proportionate in order to achieve those objectives.

By way of derogation from the second subparagraph, Member States may require that publication be effected via the central electronic platform referred to in Article 16(5). Member States may alternatively require that such publication be made on any other website designated by them for that purpose. Where Member States avail themselves of one of those possibilities, they shall ensure that companies are not charged a specific fee for such publication.

Where a website other than the central electronic platform is used, a reference giving access to that website shall be published on the central electronic platform at least one month before the date fixed for the general meeting. That reference shall include the date of publication of the common draft terms of cross-border merger on the website and shall be accessible to the public free of charge. Companies shall not be charged a specific fee for such publication.

The prohibition precluding the charging of companies of a specific fee for publication, laid down in the third and fourth subparagraphs, shall not affect the ability of Member States to pass on to companies the costs in respect of the central electronic platform.

Member States may require companies to maintain the information for a specific period after the general meeting on their website or, where applicable, on the central electronic platform or the other website designated by the Member State concerned. Member States may determine the consequences of temporary disruption of access to the website or to the central electronic platform, caused by technical or other factors.

2. For each of the merging companies and subject to the additional requirements imposed by the Member State to which the company concerned is subject, the following particulars shall be published in the national gazette of that Member State:

- (a) the type, name and registered office of every merging company;
- (b) the register in which the documents referred to in Article 16(3) are filed in respect of each merging company, and the number of the entry in that register;
- (c) an indication, for each of the merging companies, of the arrangements made for the exercise of the rights of creditors and of any minority members of the merging companies and the address at which complete information on those arrangements may be obtained free of charge.

Article 124

Report of the management or administrative organ

The management or administrative organ of each of the merging companies shall draw up a report intended for the members explaining and justifying the legal and economic aspects of the cross-border merger and explaining the implications of the cross-border merger for members, creditors and employees.

The report shall be made available to the members and to the representatives of the employees or, where there are no such representatives, to the employees themselves, not less than one month before the date of the general meeting referred to in Article 126.

Where the management or administrative organ of any of the merging companies receives, in good time, an opinion from the representatives of their employees, as provided for under national law, that opinion shall be appended to the report.

Article 125

Independent expert report

1. An independent expert report intended for members and made available not less than one month before the date of the general meeting referred to in Article 126 shall be drawn up for each merging company. Depending on the law of each Member State, such experts may be natural persons or legal persons.

2. As an alternative to experts operating on behalf of each of the merging companies, one or more independent experts, appointed for that purpose at the joint request of the companies by a judicial or administrative authority in the Member State of one of the merging companies or of the company resulting from the cross-border merger or approved by such an authority, may examine the common draft terms of cross-border merger and draw up a single written report to all the members.
3. The expert report shall include at least the particulars provided for in Article 96(2). The experts shall be entitled to secure from each of the merging companies all information they consider necessary for the discharge of their duties.
4. Neither an examination of the common draft terms of cross-border merger by independent experts nor an expert report shall be required if all the members of each of the companies involved in the cross-border merger have so agreed.

Article 126

Approval by the general meeting

1. After taking note of the reports referred to in Articles 124 and 125, the general meeting of each of the merging companies shall decide on the approval of the common draft terms of cross-border merger.
2. The general meeting of each of the merging companies may reserve the right to make implementation of the cross-border merger conditional on express ratification by it of the arrangements decided on with respect to the participation of employees in the company resulting from the cross-border merger.
3. The laws of a Member State need not require approval of the merger by the general meeting of the acquiring company if the conditions laid down in Article 94 are fulfilled.

Article 127

Pre-merger certificate

1. Each Member State shall designate the court, notary or other authority competent to scrutinise the legality of the cross-border merger as regards that part of the procedure which concerns each merging company subject to its national law.
2. In each Member State concerned the authority referred to in paragraph 1 shall issue, without delay to each merging company subject to that State's national law, a certificate conclusively attesting to the proper completion of the pre-merger acts and formalities.
3. If the law of a Member State to which a merging company is subject provides for a procedure to scrutinise and amend the ratio applicable to the exchange of securities or shares, or a procedure to compensate minority members, without preventing the registration of the cross-border merger, such procedure shall only apply if the other merging companies situated in Member States which do not provide for such procedure explicitly accept, when approving the draft terms of the cross-border merger in accordance with Article 126(1), the possibility for the members of that merging company to have recourse to such procedure, to be initiated before the court having jurisdiction over that merging company. In such cases, the authority referred to in paragraph 1 may issue the certificate referred to in paragraph 2 even if such procedure has commenced. The certificate shall, however, indicate that the procedure is pending. The decision in the procedure shall be binding on the company resulting from the cross-border merger and all its members.

Article 128

Scrutiny of the legality of the cross-border merger

1. Each Member State shall designate the court, notary or other authority competent to scrutinise the legality of the cross-border merger as regards that part of the procedure which concerns the completion of the cross-border merger and, where appropriate, the formation of a new company resulting from the cross-border merger where the company

created by the cross-border merger is subject to its national law. The said authority shall in particular ensure that the merging companies have approved the common draft terms of cross-border merger in the same terms and, where appropriate, that arrangements for employee participation have been determined in accordance with Article 133.

2. For the purpose of paragraph 1, each merging company shall submit to the authority referred to in paragraph 1 the certificate referred to in Article 127(2) within six months of its issue together with the common draft terms of cross-border merger approved by the general meeting referred to in Article 126.

Article 129

Date on which the cross-border merger takes effect

The law of the Member State to whose jurisdiction the company resulting from the cross-border merger is subject shall determine the date on which the cross-border merger takes effect. That date shall be after the scrutiny referred to in Article 128 has been carried out.

Article 130

Registration

The law of each of the Member States to whose jurisdiction the merging companies were subject shall determine, with respect to the territory of that State, the arrangements, in accordance with Article 16, for publicising the completion of the cross-border merger in the public register in which each of the companies is required to file documents.

The registry for the registration of the company resulting from the cross-border merger shall notify, through the system of interconnection of registers established in accordance with Article 22(2) and without delay, the registry in which each of the companies was required to file documents that the cross-border merger has taken effect. Deletion of the old registration, if applicable, shall be effected on receipt of that notification, and not before.

Article 131

Consequences of a cross-border merger

1. A cross-border merger carried out as laid down in subpoints (a) and (c) of point (2) of Article 119 shall, from the date referred to in Article 129, have the following consequences:

- (a) all the assets and liabilities of the company being acquired shall be transferred to the acquiring company;
- (b) the members of the company being acquired shall become members of the acquiring company;
- (c) the company being acquired shall cease to exist.

2. A cross-border merger carried out as laid down in subpoint (b) of point 2 Article 119 shall, from the date referred to in Article 129, have the following consequences:

- (a) all the assets and liabilities of the merging companies shall be transferred to the new company;
- (b) the members of the merging companies shall become members of the new company;
- (c) the merging companies shall cease to exist.

3. Where, in the case of a cross-border merger of companies covered by this Chapter, the laws of the Member States require the completion of special formalities before the transfer of certain assets, rights and obligations by the merging companies becomes effective against third parties, those formalities shall be carried out by the company resulting from the cross-border merger.

4. The rights and obligations of the merging companies arising from contracts of employment or from employment relationships and existing at the date on which the cross-border merger takes effect shall, by reason of that cross-border merger taking effect, be transferred to the company resulting from the cross-border merger on the date on which the cross-border merger takes effect.

5. No shares in the acquiring company shall be exchanged for shares in the company being acquired held either:

- (a) by the acquiring company itself or through a person acting in his or her own name but on its behalf;
- (b) by the company being acquired itself or through a person acting in his or her own name but on its behalf.

Article 132

Simplified formalities

1. Where a cross-border merger by acquisition is carried out by a company which holds all the shares and other securities conferring the right to vote at general meetings of the company or companies being acquired:

— Article 122(b), (c) and (e), Article 125 and Article 131(1)(b) shall not apply,

— Article 126(1) shall not apply to the company or companies being acquired.

2. Where a cross-border merger by acquisition is carried out by a company which holds 90 % or more, but not all, of the shares and other securities conferring the right to vote at general meetings of the company or companies being acquired, reports by an independent expert or experts and the documents necessary for scrutiny shall be required only to the extent that the national law governing either the acquiring company or the company or companies being acquired so requires, in accordance with Chapter I of Title II.

Article 133

Employee participation

1. Without prejudice to paragraph 2, the company resulting from the cross-border merger shall be subject to the rules in force concerning employee participation, if any, in the Member State where it has its registered office.

2. However, the rules in force concerning employee participation, if any, in the Member State where the company resulting from the cross-border merger has its registered office shall not apply, where at least one of the merging companies has, in the six months prior to the publication of the draft terms of the cross-border merger as referred to in Article 123, an average number of employees that exceeds 500 and is operating under an employee participation system within the meaning of point (k) of Article 2 of Directive 2001/86/EC, or where the national law applicable to the company resulting from the cross-border merger does not:

- (a) provide for at least the same level of employee participation as operated in the relevant merging companies, measured by reference to the proportion of employee representatives amongst the members of the administrative or supervisory organ or their committees or of the management group which covers the profit units of the company, subject to employee representation; or
- (b) provide for employees of establishments of the company resulting from the cross-border merger that are situated in other Member States the same entitlement to exercise participation rights as is enjoyed by those employees employed in the Member State where the company resulting from the cross-border merger has its registered office.

3. In the cases referred to in paragraph 2, the participation of employees in the company resulting from the cross-border merger and their involvement in the definition of such rights shall be regulated by the Member States, *mutatis mutandis* and subject to paragraphs 4 to 7, in accordance with the principles and procedures laid down in Article 12(2), (3) and (4) of Regulation (EC) No 2157/2001 and the following provisions of Directive 2001/86/EC:

- (a) Article 3(1), (2) and (3), the first indent of the first subparagraph of Article 3(4), the second subparagraph of Article 3(4) and Article 3(5) and (7);
- (b) Article 4(1), Article 4(2)(a), (g) and (h) and Article 4(3);
- (c) Article 5;
- (d) Article 6;
- (e) Article 7(1), point (b) of the first subparagraph of Article 7(2), the second subparagraph of Article 7(2) and Article 7(3). However, for the purposes of this Chapter, the percentages required by point (b) of the first subparagraph of Article 7(2) of Directive 2001/86/EC for the application of the standard rules contained in Part 3 of the Annex to that Directive shall be raised from 25 to 33 1/3 %;
- (f) Articles 8, 10 and 12;
- (g) Article 13(4);
- (h) point (b) of Part 3 of the Annex.

4. When regulating the principles and procedures referred to in paragraph 3, Member States:

- (a) shall confer on the relevant organs of the merging companies the right to choose without any prior negotiation to be directly subject to the standard rules for participation referred to in point (h) of paragraph 3, as laid down by the legislation of the Member State in which the company resulting from the cross-border merger is to have its registered office, and to abide by those rules from the date of registration;
- (b) shall confer on the special negotiating body the right to decide, by a majority of two thirds of its members representing at least two thirds of the employees, including the votes of members representing employees in at least two different Member States, not to open negotiations or to terminate negotiations already opened and to rely on the rules on participation in force in the Member State where the registered office of the company resulting from the cross-border merger will be situated;
- (c) may, in the case where, following prior negotiations, standard rules for participation apply and notwithstanding such rules, decide to limit the proportion of employee representatives in the administrative organ of the company resulting from the cross-border merger. However, if in one of the merging companies employee representatives constituted at least one third of the administrative or supervisory board, the limitation may never result in a lower proportion of employee representatives in the administrative organ than one third.

5. The extension of participation rights to employees of the company resulting from the cross-border merger employed in other Member States, referred to in point (b) of paragraph 2, shall not entail any obligation for Member States which choose to do so to take those employees into account when calculating the size of workforce thresholds giving rise to participation rights under national law.

6. Where at least one of the merging companies is operating under an employee participation system and the company resulting from the cross-border merger is to be governed by such a system in accordance with the rules referred to in paragraph 2, that company shall be obliged to take a legal form allowing for the exercise of participation rights.

7. Where the company resulting from the cross-border merger is operating under an employee participation system, that company shall be obliged to take measures to ensure that employees' participation rights are protected in the event of subsequent domestic mergers for a period of three years after the cross-border merger has taken effect, by applying *mutatis mutandis* the rules laid down in this Article.

Article 134

Validity

A cross-border merger which has taken effect as provided for in Article 129 may not be declared null and void.

CHAPTER III

Divisions of public limited liability companies

Section 1

General provisions*Article 135***General provisions on division operations**

1. Where Member States permit the types of companies listed in Annex I coming under their laws to carry out division operations by acquisition as defined in Article 136, they shall make those operations subject to Section 2 of this Chapter.
2. Where Member States permit the types of companies referred to in paragraph 1 to carry out division operations by the formation of new companies as defined in Article 155, they shall make those operations subject to Section 3 of this Chapter.
3. Where Member States permit the types of companies referred to in paragraph 1 to carry out operations, whereby a division by acquisition as defined in Article 136(1) is combined with a division by the formation of one or more new companies as defined in Article 155(1), they shall make those operations subject to Section 2 of this Chapter and Article 156.
4. Article 87(2), (3) and (4) shall apply.

Section 2

Division by acquisition*Article 136***Definition of a 'division by acquisition'**

1. For the purposes of this Chapter, 'division by acquisition' shall mean the operation whereby, after being wound up without going into liquidation, a company transfers to more than one company all its assets and liabilities in exchange for the allocation to the shareholders of the company being divided of shares in the companies receiving contributions as a result of the division (hereinafter referred to as 'recipient companies') and possibly a cash payment not exceeding 10 % of the nominal value of the shares allocated or, where they have no nominal value, of their accounting par value.
2. Article 89(2) shall apply.
3. In so far as this Chapter refers to provisions of Chapter I of Title II, the term 'merging companies' shall mean 'the companies involved in a division', the term 'company being acquired' shall mean 'the company being divided', the term 'acquiring company' shall mean 'each of the recipient companies' and the term 'draft terms of merger' shall mean 'draft terms of division'.

*Article 137***Draft terms of division**

1. The administrative or management bodies of the companies involved in a division shall draw up draft terms of division in writing.
2. Draft terms of division shall specify at least:
 - (a) the type, name and registered office of each of the companies involved in the division;
 - (b) the share exchange ratio and the amount of any cash payment;
 - (c) the terms relating to the allotment of shares in the recipient companies;

- (d) the date from which the holding of such shares entitles the holders to participate in profits and any special conditions affecting that entitlement;
- (e) the date from which the transactions of the company being divided shall be treated for accounting purposes as being those of one or other of the recipient companies;
- (f) the rights conferred by the recipient companies on the holders of shares to which special rights are attached and the holders of securities other than shares, or the measures proposed concerning them;
- (g) any special advantage granted to the experts referred to in Article 142(1) and members of the administrative, management, supervisory or controlling bodies of the companies involved in the division;
- (h) the precise description and allocation of the assets and liabilities to be transferred to each of the recipient companies;
- (i) the allocation to the shareholders of the company being divided of shares in the recipient companies and the criterion upon which such allocation is based.

3. Where an asset is not allocated by the draft terms of division and where the interpretation of those terms does not make a decision on its allocation possible, the asset or the consideration therefor shall be allocated to all the recipient companies in proportion to the share of the net assets allocated to each of those companies under the draft terms of division.

Where a liability is not allocated by the draft terms of division and where the interpretation of those terms does not make a decision on its allocation possible, each of the recipient companies shall be jointly and severally liable for it. Member States may provide that such joint and several liability be limited to the net assets allocated to each company.

Article 138

Publication of the draft terms of division

Draft terms of division shall be published in the manner prescribed by the laws of each Member State in accordance with Article 16 for each of the companies involved in a division, at least one month before the date of the general meeting which is to decide thereon.

Any of the companies involved in the division shall be exempt from the publication requirement laid down in Article 16 if, for a continuous period beginning at least one month before the date fixed for the general meeting which is to decide on the draft terms of division and ending not earlier than the conclusion of that meeting, it makes the draft terms of division available on its website free of charge for the public. Member States shall not subject that exemption to any requirements or constraints other than those which are necessary in order to ensure the security of the website and the authenticity of the documents and may impose such requirements or constraints only to the extent that they are proportionate in order to achieve those objectives.

By way of derogation from the second paragraph, Member States may require that publication be effected via the central electronic platform referred to in Article 16(5). Member States may alternatively require that such publication be made on any other website designated by them for that purpose. Where Member States avail themselves of one of those possibilities, they shall ensure that companies are not charged a specific fee for such publication.

Where a website other than the central electronic platform is used, a reference giving access to that website shall be published on that central electronic platform at least one month before the date fixed for the general meeting. That reference shall include the date of publication of the draft terms of division on the website and shall be accessible to the public free of charge. Companies shall not be charged a specific fee for such publication.

The prohibition precluding the charging to companies of a specific fee for publication, laid down in the third and fourth paragraphs, shall not affect the ability of Member States to pass on to companies the costs in respect of the central electronic platform.

Member States may require companies to maintain the information for a specific period after the general meeting on their website or, where applicable, on the central electronic platform or the other website designated by the Member State concerned. Member States may determine the consequences of temporary disruption of access to the website or to the central electronic platform, caused by technical or other factors.

*Article 139***Approval by the general meeting of each company involved in a division**

1. A division shall require at least the approval of a general meeting of each company involved in the division. Article 93 shall apply with regard to the majority required for such decisions, their scope and the need for separate votes.
2. Where shares in the recipient companies are allocated to the shareholders of the company being divided otherwise than in proportion to their rights in the capital of that company, Member States may provide that the minority shareholders of that company may exercise the right to have their shares purchased. In such case, they shall be entitled to receive consideration corresponding to the value of their shares. In the event of a dispute concerning such consideration, it shall be possible for the consideration to be determined by a court.

*Article 140***Derogation from the requirement of approval by the general meeting of a recipient company**

The laws of a Member State need not require approval of a division by a general meeting of a recipient company if the following conditions are fulfilled:

- (a) the publication provided for in Article 138 is effected, for each recipient company, at least one month before the date fixed for the general meeting of the company being divided which is to decide on the draft terms of division;
- (b) at least one month before the date specified in point (a), all shareholders of each recipient company are entitled to inspect the documents specified in Article 143(1) at the registered office of that company;
- (c) one or more shareholders of any recipient company holding a minimum percentage of the subscribed capital is entitled to require that a general meeting of such recipient company be called to decide whether to approve the division. Such minimum percentage may not be fixed at more than 5 %. Member States may, however, provide for the exclusion of non-voting shares from this calculation.

For the purposes of point (b) of the first paragraph, Article 143(2), (3) and (4) shall apply.

*Article 141***Detailed written report and information on a division**

1. The administration or management bodies of each of the companies involved in the division shall draw up a detailed written report explaining the draft terms of division and setting out the legal and economic grounds for them, in particular the share exchange ratio and the criterion determining the allocation of shares.
2. The report shall also describe any special valuation difficulties which have arisen.

Where applicable, it shall disclose the preparation of the report on the consideration other than in cash referred to in Article 70(2) for recipient companies and the register where that report must be lodged.

3. The administrative or management bodies of a company being divided shall inform the general meeting of that company and the administrative or management bodies of the recipient companies so that they can inform their respective general meetings of any material change in the assets and liabilities between the date of preparation of the draft terms of division and the date of the general meeting of the company being divided which is to decide on the draft terms of division.

*Article 142***Examination of the draft terms of division by experts**

1. One or more experts acting on behalf of each of the companies involved in the division but independent of them, appointed or approved by a judicial or administrative authority, shall examine the draft terms of division and draw up a written report to the shareholders. However, the laws of a Member State may provide for the appointment of one or more independent experts for all of the companies involved in a division if such appointment is made by a judicial or administrative authority at the joint request of those companies. Such experts may, depending on the laws of each Member State, be natural or legal persons or companies or firms.
2. Article 96(2) and (3) shall apply.

*Article 143***Availability of documents for inspection by shareholders**

1. All shareholders shall be entitled to inspect at least the following documents at the registered office at least one month before the date of the general meeting which is to decide on the draft terms of division:
 - (a) the draft terms of division;
 - (b) the annual accounts and annual reports of the companies involved in the division for the preceding three financial years;
 - (c) where applicable, an accounting statement drawn up as at a date which shall not be earlier than the first day of the third month preceding the date of the draft terms of division, if the latest annual accounts relate to a financial year which ended more than six months before that date;
 - (d) where applicable, the reports of the administrative or management bodies of the companies involved in the division provided for in Article 141(1);
 - (e) where applicable, the reports provided for in Article 142.

For the purposes of point (c) of the first subparagraph, an accounting statement shall not be required if the company publishes a half-yearly financial report in accordance with Article 5 of Directive 2004/109/EC and makes it available to shareholders in accordance with this paragraph.

2. The accounting statement provided for in point (c) of paragraph 1 shall be drawn up using the same methods and the same layout as the last annual balance sheet.

However, the laws of a Member State may provide that:

- (a) it shall not be necessary to take a fresh physical inventory;
- (b) the valuations shown in the last balance sheet shall be altered only to reflect entries in the books of account; the following shall nevertheless be taken into account:
 - (i) interim depreciation and provisions,
 - (ii) material changes in actual value not shown in the books.

3. Every shareholder shall be entitled to obtain, on request and free of charge, full or, if so desired, partial copies of the documents referred to in paragraph 1.

Where a shareholder has consented to the use by the company of electronic means for conveying information, such copies may be provided by electronic mail.

4. A company shall be exempt from the requirement to make the documents referred to in paragraph 1 available at its registered office if, for a continuous period beginning at least one month before the date fixed for the general meeting which is to decide on the draft terms of division and ending not earlier than the conclusion of that meeting, it makes them available on its website. Member States shall not subject that exemption to requirements or constraints other than those which are necessary in order to ensure the security of the website and the authenticity of the documents, and may impose such requirements or constraints only to the extent that they are proportionate in order to achieve those objectives.

Paragraph 3 shall not apply if the website gives shareholders the possibility, throughout the period referred to in the first subparagraph of this paragraph, of downloading and printing the documents referred to in paragraph 1. However, in that case Member States may provide that the company is to make those documents available at its registered office for consultation by the shareholders.

Member States may require companies to maintain the information on their website for a specific period after the general meeting. Member States may determine the consequences of temporary disruption of access to the website caused by technical or other factors.

Article 144

Simplified formalities

1. Neither an examination of the draft terms of division nor an expert report as provided for in Article 142(1) shall be required if all the shareholders and the holders of other securities conferring the right to vote of each of the companies involved in the division have so agreed.
2. Member States may permit the non-application of Article 141 and points (c) and (d) of Article 143(1) if all the shareholders and the holders of other securities conferring the right to vote of each of the companies involved in the division have so agreed.

Article 145

Protection of employees' rights

Protection of the rights of the employees of each of the companies involved in a division shall be regulated in accordance with Directive 2001/23/EC.

Article 146

Protection of the interests of creditors of companies involved in a division; joint and several liability of the recipient companies

1. The laws of Member States shall provide for an adequate system of protection for the interests of the creditors of the companies involved in a division whose claims antedate publication of the draft terms of division and have not yet fallen due at the time of such publication.
2. For the purpose of paragraph 1, the laws of the Member States shall at least provide that such creditors shall be entitled to obtain adequate safeguards where the financial situation of the company being divided, and that of the company to which the obligation is to be transferred in accordance with the draft terms of division, make such protection necessary, and where those creditors do not already have such safeguards.

Member States shall lay down the conditions for the protection provided for in paragraph 1 and in the first subparagraph of this paragraph. In any event, Member States shall ensure that the creditors are authorised to apply to the appropriate administrative or judicial authority for adequate safeguards provided that they can credibly demonstrate that due to the division the satisfaction of their claims is at stake and that no adequate safeguards have been obtained from the company.

3. In so far as a creditor of the company to which the obligation has been transferred in accordance with the draft terms of division has not obtained satisfaction, the recipient companies shall be jointly and severally liable for that obligation. Member States may limit that liability to the net assets allocated to each of those companies other than the one to which the obligation has been transferred. However, they need not apply this paragraph where the division operation is subject to the supervision of a judicial authority in accordance with Article 157 and a majority in number representing three-quarters in value of the creditors or any class of creditors of the company being divided have agreed to forego such joint and several liability at a meeting held pursuant to point (c) of Article 157(l).
4. Article 99(3) shall apply.

5. Without prejudice to the rules governing the collective exercise of their rights, paragraphs 1 to 4 shall apply to the debenture holders of the companies involved in the division except where the division has been approved by a meeting of the debenture holders, if such a meeting is provided for under national laws, or by the debenture holders individually.
6. Member States may provide that the recipient companies shall be jointly and severally liable for the obligations of the company being divided. In such case they need not apply paragraphs 1 to 5.
7. Where a Member State combines the system of creditor protection set out in paragraphs 1 to 5 with the joint and several liability of the recipient companies as referred to in paragraph 6, it may limit such joint and several liability to the net assets allocated to each of those companies.

Article 147

Protection of holders of securities, other than shares, to which special rights are attached

Holders of securities, other than shares, to which special rights are attached, shall be given rights in the recipient companies against which such securities may be invoked in accordance with the draft terms of division, at least equivalent to the rights they possessed in the company being divided, unless the alteration of those rights has been approved by a meeting of the holders of such securities, if such a meeting is provided for under national laws, or by the holders of those securities individually, or unless the holders are entitled to have their securities repurchased.

Article 148

Drawing up and certification of documents in due legal form

Where the laws of a Member State do not provide for judicial or administrative preventive supervision of the legality of divisions or where such supervision does not extend to all the legal acts required for a division, Article 102 shall apply.

Article 149

Date on which a division takes effect

The laws of Member States shall determine the date on which a division takes effect.

Article 150

Publication formalities

1. A division shall be published in the manner prescribed by the laws of each Member State in accordance with Article 16 in respect of each of the companies involved in a division.
2. Any recipient company may itself carry out the publication formalities relating to the company being divided.

Article 151

Consequences of a division

1. A division shall have the following consequences *ipso jure* and simultaneously:
 - (a) the transfer, both as between the company being divided and the recipient companies and as regards third parties, to each of the recipient companies of all the assets and liabilities of the company being divided; such transfer shall take effect with the assets and liabilities being divided in accordance with the allocation laid down in the draft terms of division or in Article 137(3);
 - (b) the shareholders of the company being divided become shareholders of one or more of the recipient companies in accordance with the allocation laid down in the draft terms of division;
 - (c) the company being divided ceases to exist.

2. No shares in a recipient company shall be exchanged for shares held in the company being divided either:

- (a) by that recipient company itself or by a person acting in his own name but on its behalf; or
- (b) by the company being divided itself or by a person acting in his own name but on its behalf.

3. The foregoing shall not affect the laws of Member States which require the completion of special formalities for the transfer of certain assets, rights and obligations by a company being divided to be effective as against third parties. The recipient company or companies to which such assets, rights or obligations are transferred in accordance with the draft terms of division or with Article 137(3) may carry out those formalities themselves; however, the laws of Member States may permit a company being divided to continue to carry out those formalities for a limited period which may not, save in exceptional circumstances, be fixed at more than six months from the date on which the division takes effect.

Article 152

Civil liability of members of the administrative or management bodies of a company being divided

The laws of Member States shall at least lay down rules governing the civil liability of members of the administrative or management bodies of a company being divided towards the shareholders of that company in respect of misconduct on the part of members of those bodies in preparing and implementing the division and the civil liability of the experts responsible for drawing up for that company the report provided for in Article 142 in respect of misconduct on the part of those experts in the performance of their duties.

Article 153

Conditions for nullity of a division

1. The laws of Member States may lay down nullity rules for divisions in accordance with the following conditions only:

- (a) nullity must be ordered in a court judgment;
- (b) divisions which have taken effect pursuant to Article 149 are declared void only if there has been no judicial or administrative preventive supervision of their legality, or if they have not been drawn up and certified in due legal form, or if it is shown that the decision of the general meeting is void or voidable under national law;
- (c) nullification proceedings are not initiated more than six months after the date on which the division becomes effective as against the person alleging nullity or if the situation has been rectified;
- (d) where it is possible to remedy a defect liable to render a division void, the competent court grants the companies involved a period of time within which to rectify the situation;
- (e) a judgment declaring a division void is published in the manner prescribed by the laws of each Member State in accordance with Article 16;
- (f) where the laws of a Member State permit a third party to challenge such a judgment, he does so only within six months of publication of the judgment in the manner prescribed by Chapter III of Title I;
- (g) a judgment declaring a division void does not of itself affect the validity of obligations owed by or in relation to the recipient companies which arose before the judgment was published and after the date referred to in Article 149;
- (h) each of the recipient companies is liable for its obligations arising after the date on which the division took effect and before the date on which the decision pronouncing the nullity of the division was published. The company being divided shall also be liable for such obligations; Member States may provide that this liability be limited to the share of net assets transferred to the recipient company on whose account such obligations arose.

2. By way of derogation from point (a) of paragraph 1 of this Article, the laws of a Member State may also provide for the nullity of a division to be ordered by an administrative authority if an appeal against such a decision lies to a court. Point (b) and points (d) to (h) of paragraph 1 of this Article shall apply by analogy to the administrative authority. Such nullification proceedings may not be initiated more than six months after the date referred to in Article 149.

3. The foregoing shall not affect the laws of the Member States on the nullity of a division pronounced following any supervision of legality.

Article 154

Exemption from the requirement of approval by the general meeting of the company being divided

Without prejudice to Article 140, Member States shall not require approval of the division by the general meeting of the company being divided if the recipient companies together hold all the shares of the company being divided and all other securities conferring the right to vote at general meetings of the company being divided, and the following conditions are fulfilled:

- (a) each of the companies involved in the operation carries out the publication provided for in Article 138 at least one month before the operation takes effect;
- (b) at least one month before the operation takes effect, all shareholders of companies involved in the operation are entitled to inspect the documents specified in Article 143(1), at their company's registered office;
- (c) where a general meeting of the company being divided, required for the approval of the division, is not summoned, the information provided for in Article 141(3) covers any material change in the asset and liabilities after the date of preparation of the draft terms of division.

For the purposes of point (b) of the first paragraph, Article 143(2), (3) and (4) and Article 144 shall apply.

Section 3

Division by the formation of new companies

Article 155

Definition of a 'division by the formation of new companies'

1. For the purposes of this Chapter, 'division by the formation of new companies' means the operation whereby, after being wound up without going into liquidation, a company transfers to more than one newly-formed company all its assets and liabilities in exchange for the allocation to the shareholders of the company being divided of shares in the recipient companies, and possibly a cash payment not exceeding 10 % of the nominal value of the shares allocated or, where they have no nominal value, of their accounting par value.

2. Article 90(2) shall apply.

Article 156

Application of rules on divisions by acquisition

1. Articles 137, 138, 139, and 141, Article 142(1) and (2) and Articles 143 to 153 shall apply, without prejudice to Articles 11 and 12, to division by the formation of new companies. For this purpose, the term 'companies involved in a division' shall refer to the company being divided and the term 'recipient companies' shall refer to each of the new companies.

2. In addition to the information specified in Article 137(2), the draft terms of division shall indicate the form, name and registered office of each of the new companies.

3. The draft terms of division and, if they are contained in a separate document, the memorandum or draft memorandum of association and the articles or draft articles of association of each of the new companies shall be approved at a general meeting of the company being divided.

4. Member States shall not impose the requirements set out in Articles 141 and 142 and in points (c), (d) and (e) of Article 143(1) where the shares in each of the new companies are allocated to the shareholders of the company being divided in proportion to their rights in the capital of that company.

Section 4

Divisions under the supervision of a judicial authority

Article 157

Divisions under the supervision of a judicial authority

1. Member States may apply paragraph 2 where division operations are subject to the supervision of a judicial authority having the power:

- (a) to call a general meeting of the shareholders of the company being divided in order to decide upon the division;
- (b) to ensure that the shareholders of each of the companies involved in a division have received or can obtain at least the documents referred to in Article 143 in time to examine them before the date of the general meeting of their company called to decide upon the division. Where a Member State makes use of the option provided for in Article 140, the period shall be long enough for the shareholders of the recipient companies to be able to exercise the rights conferred on them by that Article;
- (c) to call any meeting of creditors of each of the companies involved in a division in order to decide upon the division;
- (d) to ensure that the creditors of each of the companies involved in a division have received or can obtain at least the draft terms of division in time to examine them before the date referred to in point (b);
- (e) to approve the draft terms of division.

2. Where the judicial authority establishes that the conditions referred to in points (b) and (d) of paragraph 1 have been fulfilled and that no prejudice would be caused to shareholders or creditors, it may relieve the companies involved in the division from applying:

- (a) Article 138, on condition that the adequate system of protection of the interest of the creditors referred to in Article 146(1) covers all claims regardless of their date;
- (b) the conditions referred to in points (a) and (b) of Article 140 where a Member State makes use of the option provided for in Article 140;
- (c) Article 143, as regards the period and the manner prescribed for the inspection of the documents referred to therein.

Section 5

Other operations treated as divisions

Article 158

Divisions with cash payment exceeding 10 %

Where, in the case of one of the operations specified in Article 135, the laws of a Member State permit the cash payment to exceed 10 %, Sections 2, 3 and 4 of this Chapter shall apply.

*Article 159***Divisions without the company being divided ceasing to exist**

Where the laws of a Member State permit one of the operations specified in Article 135 without the company being divided ceasing to exist, Sections 2, 3 and 4 of this Chapter shall apply, except for point (c) of Article 151(1).

Section 6

Application arrangements*Article 160***Transitional provisions**

Member States need not apply Articles 146 and 147 as regards the holders of convertible debentures and other securities convertible into shares if, at the time when the provisions referred to in Article 26(1) or (2) of Directive 82/891/EEC came into force, the position of those holders in the event of a division had previously been determined by the conditions of issue.

TITLE III

FINAL PROVISIONS*Article 161***Data protection**

The processing of personal data carried out in the context of this Directive shall be subject to Directive 95/46/EC ⁽¹⁾.

*Article 162***Report, regular dialogue on the system of interconnection of registers and review**

1. The Commission shall, not later than 8 June 2022, publish a report concerning the functioning of the system of interconnection of registers, in particular examining its technical operation and its financial aspects.
2. That report shall be accompanied, if appropriate, by proposals for amending provisions of this Directive relating to the system of interconnection of registers.
3. The Commission and the representatives of the Member States shall regularly convene to discuss matters covered by this Directive relating to the system of interconnection of registers in any appropriate forum.
4. By 30 June 2016, the Commission shall review the functioning of those provisions which concern the reporting and documentation requirements in the case of mergers and divisions and which have been amended or added by Directive 2009/109/EC of the European Parliament and of the Council ⁽²⁾, and in particular their effects on the reduction of administrative burdens on companies, in the light of experience acquired in their application, and shall present a report to the European Parliament and the Council, accompanied if necessary by proposals to amend those provisions.

⁽¹⁾ Directive 95/46/EC is repealed and replaced, with effect from 25 May 2018, by Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ L 119, 4.5.2016, p. 1).

⁽²⁾ Directive 2009/109/EC of the European Parliament and of the Council of 16 September 2009 amending Council Directives 77/91/EEC, 78/855/EEC and 82/891/EEC, and Directive 2005/56/EC as regards reporting and documentation requirements in the case of mergers and divisions (OJ L 259, 2.10.2009, p. 14).

*Article 163***Exercise of the delegation**

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Article 25(3) shall be conferred on the Commission for an indeterminate period of time.
3. The delegation of power referred to in Article 25(3) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
5. A delegated act adopted pursuant to Article 25(3) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of three months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by three months at the initiative of the European Parliament or of the Council.

*Article 164***Committee procedure**

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

*Article 165***Communication**

Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the fields covered by this Directive.

*Article 166***Repeal**

Directives 82/891/EEC, 89/666/EEC, 2005/56/EC, 2009/101/EC, 2011/35/EU and 2012/30/EU, as amended by the Directives listed in Part A of Annex III, are repealed, without prejudice to the obligations of the Member States relating to the time limits for the transposition into national law and the dates of application of the Directives set out in Part B of Annex III.

References to the repealed Directives shall be construed as references to this Directive and shall be read in accordance with the correlation table in Annex IV.

*Article 167***Entry into force**

This Directive shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

*Article 168***Addressees**

This Directive is addressed to the Member States.

Done at Strasbourg, 14 June 2017.

For the European Parliament
The President
A. TAJANI

For the Council
The President
H. DALLI

ANNEX I

**TYPES OF COMPANIES REFERRED TO IN ARTICLE 2(1) AND (2), ARTICLE 44(1) AND (2), ARTICLE 45(2),
ARTICLE 87(1) AND (2) AND ARTICLE 135(1)**

- Belgium:
société anonyme/naamloze vennootschap;
- Bulgaria:
акционерно дружество;
- the Czech Republic:
akciová společnost;
- Denmark:
aktieselskab;
- Germany:
Aktiengesellschaft;
- Estonia:
aktsiaselts;
- Ireland:
cuideachta phoiblí faoi theorainn scaireanna/public company limited by shares,
cuideachta phoiblí faoi theorainn ráthaíochta agus a bhfuil scairchaipiteal aici/public company limited by guarantee
and having a share capital;
- Greece:
ανώνυμη εταιρεία;
- Spain:
sociedad anónima;
- France:
société anonyme;
- Croatia:
dioničko društvo;
- Italy:
società per azioni;
- Cyprus:
δημόσιες εταιρείες περιορισμένης ευθύνης με μετοχές,
δημόσιες εταιρείες περιορισμένης ευθύνης με εγγύηση που διαθέτουν μετοχικό κεφάλαιο;
- Latvia:
akciju sabiedrība;
- Lithuania:
akcinė bendrovė;

- Luxembourg:
société anonyme;
 - Hungary:
nyilvánosan működő részvénytársaság;
 - Malta:
kumpanija pubblika ta' responsabbiltà limitata/public limited liability company;
 - the Netherlands:
naamloze vennootschap;
 - Austria:
Aktiengesellschaft;
 - Poland:
spółka akcyjna;
 - Portugal:
sociedade anónima;
 - Romania:
societate pe acțiuni;
 - Slovenia:
delniška družba;
 - Slovakia:
akciová spoločnosť;
 - Finland:
julkinen osakeyhtiö/publikt aktiebolag;
 - Sweden:
aktiebolag;
 - the United Kingdom:
public company limited by shares,
public company limited by guarantee and having a share capital.
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ANNEX II

TYPES OF COMPANIES REFERRED TO IN ARTICLES 7(1) AND 13, ARTICLES 29(1), 36(1) AND 67(1) AND POINT (a) OF ARTICLE 119(1)

- Belgium:
naamloze vennootschap/société anonyme,
commanditaire vennootschap op aandelen/société en commandite par actions,
personenvennootschap met beperkte aansprakelijkheid/société de personnes à responsabilité limitée;
- Bulgaria:
акционерно дружество, дружество с ограничена отговорност, командитно дружество с акции;
- Czech Republic:
společnost s ručením omezeným, akciová společnost;
- Denmark:
aktieselskab, kommanditaktieselskab, anpartsselskab;
- Germany:
die Aktiengesellschaft, die Kommanditgesellschaft auf Aktien, die Gesellschaft mit beschränkter Haftung;
- Estonia:
aktsiaselts, osuühing;
- Ireland:
cuideachtaí atá corpraithe faoi dhliteanas teoranta/companies incorporated with limited liability;
- Greece:
ανώνυμη εταιρεία, εταιρεία περιορισμένης ευθύνης, ετερόρρυθμη κατά μετοχές εταιρεία;
- Spain:
la sociedad anónima, la sociedad comanditaria por acciones, la sociedad de responsabilidad limitada;
- France:
société anonyme, société en commandite par actions, société à responsabilité limitée, société par actions simplifiée;
- Croatia:
dioničko društvo, društvo s ograničenom odgovornošću;
- Italy:
società per azioni, società in accomandita per azioni, società a responsabilità limitata;
- Cyprus:
δημόσιες εταιρείες περιορισμένης ευθύνης με μετοχές ή με εγγύηση, ιδιωτικές εταιρείες περιορισμένης ευθύνης με μετοχές ή με εγγύηση;
- Latvia:
akciju sabiedrība, sabiedrība ar ierobežotu atbildību, komanditsabiedrība;

- Lithuania:
akcinė bendrovė, uždaroji akcinė bendrovė;
 - Luxembourg:
société anonyme, société en commandite par actions, société à responsabilité limitée;
 - Hungary:
résztvénytársaság, korlátolt felelősségű társaság;
 - Malta:
kumpannija pubblika/public limited liability company,
kumpannija privata/private limited liability company;
 - the Netherlands:
naamloze vennootschap, besloten vennootschap met beperkte aansprakelijkheid;
 - Austria:
die Aktiengesellschaft, die Gesellschaft mit beschränkter Haftung;
 - Poland:
spółka z ograniczoną odpowiedzialnością, spółka komandytowo-akcyjna, spółka akcyjna;
 - Portugal:
sociedade anónima de responsabilidade limitada, sociedade em comandita por ações, sociedade por quotas de responsabilidade limitada;
 - Romania:
societate pe acțiuni, societate cu răspundere limitată, societate în comandită pe acțiuni;
 - Slovenia:
delniška družba, družba z omejeno odgovornostjo, komaditna delniška družba;
 - Slovakia:
akciová spoločnosť, spoločnosť s ručením obmedzeným;
 - Finland:
yksityinen osakeyhtiö/privat aktiebolag,
julkisen osakeyhtiö/publikt aktiebolag;
 - Sweden:
aktiebolag;
 - United Kingdom:
companies incorporated with limited liability.
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ANNEX III

PART A

**REPEALED DIRECTIVES WITH LIST OF THE SUCCESSIVE AMENDMENTS THERETO
(REFERRED TO IN ARTICLE 166)**

Council Directive 82/891/EEC

(OJ L 378, 31.12.1982, p. 47).

Directive 2007/63/EC of the European Parliament and of the Council (OJ L 300, 17.11.2007, p. 47).	Article 3
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Directive 2009/109/EC of the European Parliament and of the Council (OJ L 259, 2.10.2009, p. 14).	Article 3
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Directive 2014/59/EU of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).	Article 116
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Council Directive 89/666/EEC

(OJ L 395, 30.12.1989, p. 36).

Directive 2012/17/EU of the European Parliament and of the Council (OJ L 156, 16.6.2012, p. 1).	Article 1
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Directive 2005/56/EC of the European Parliament and of the Council

(OJ L 310, 25.11.2005, p. 1).

Directive 2009/109/EC of the European Parliament and of the Council (OJ L 259, 2.10.2009, p. 14).	Article 4
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Directive 2012/17/EU of the European Parliament and of the Council (OJ L 156, 16.6.2012, p. 1).	Article 2
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Directive 2014/59/EU of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).	Article 120
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Directive 2009/101/EC of the European Parliament and of the Council

(OJ L 258, 1.10.2009, p. 11).

Directive 2012/17/EU of the European Parliament and of the Council (OJ L 156, 16.6.2012, p. 1).	Article 3
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Council Directive 2013/24/EU (OJ L 158, 10.6.2013, p. 365).	Article 1 and point 1 of Part A of the Annex
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Directive 2011/35/EU of the European Parliament and of the Council

(OJ L 110, 29.4.2011, p. 1).

Council Directive 2013/24/EU (OJ L 158, 10.6.2013, p. 365).	Article 1 and point 3 of Part A of the Annex
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Directive 2014/59/EU of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).	Article 122
--	-------------

Directive 2012/30/EU of the European Parliament and of the Council

(OJ L 315, 14.11.2012, p. 74).

Council Directive 2013/24/EU (OJ L 158, 10.6.2013, p. 365).	Article 1 and point 4 of Part A of the Annex
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Directive 2014/59/EU of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).	Article 123
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PART B

TIME LIMITS FOR TRANSPOSITION INTO NATIONAL LAW AND DATES OF APPLICATION
(REFERRED TO IN ARTICLE 166)

Directive	Time limit for transposition	Date of application
82/891/EEC	1 January 1986	—
89/666/EEC	1 January 1992	1 January 1993 ⁽¹⁾
2005/56/EC	15 December 2007	—
2007/63/EC	31 December 2008	—
2009/109/EC	30 July 2011	—
2012/17/EU	7 July 2014 ⁽²⁾	—
2013/24/EU	1 July 2013	—
2014/59/EU	31 December 2014	1 January 2015 ⁽³⁾

⁽¹⁾ Under Article 16(2) of Directive 89/666/EC, Member States are required to stipulate that the provisions referred to in paragraph 1 shall apply from 1 January 1993 and, with regard to accounting documents, shall apply for the first time to annual accounts for the financial year beginning on 1 January 1993 or during 1993.

⁽²⁾ Under Article 5(2) of Directive 2012/17/EU Member States are required to, not later than 8 June 2017, adopt, publish and apply the provisions necessary to comply with:

— Article 1(3) and (4) and Article 5a of Directive 89/666/EEC,

— Article 13 of Directive 2005/56/EC,

— Article 3(1), second subparagraph, Article 3b, Article 3c, Article 3d and Article 4a(3) to (5) of Directive 2009/101/EC.

⁽³⁾ Under the third subparagraph of Article 130(1) of Directive 2014/59/EU, Member States are required to apply provisions adopted in order to comply with Section 5 of Chapter IV of Title IV of that Directive from 1 January 2016 at the latest.

ANNEX IV

CORRELATION TABLE

Directive 82/891/EEC	Directive 89/666/EEC	Directive 2005/56/EC	Directive 2009/101/EC	Directive 2011/35/EU	Directive 2012/30/EU	This Directive
—	—	—	—	—	—	Article 1
Article 1						Article 135
Article 2						Article 136
Article 3(1) and (2)						Article 137(1) and (2)
Article 3(3)(a)						Article 137(3) first subparagraph
Article 3(3)(b)						Article 137(3) second subparagraph
Article 4						Article 138
Article 5						Article 139
Article 6						Article 140
Article 7						Article 141
Article 8						Article 142
Article 9						Article 143
Article 10						Article 144
Article 11						Article 145
Article 12						Article 146
Article 13						Article 147
Article 14						Article 148
Article 15						Article 149
Article 16						Article 150
Article 17						Article 151
Article 18						Article 152
Article 19						Article 153
Article 20(a) and (b)						Article 154(a) and (b)
Article 20(d)						Article 154(c)
Article 21						Article 155

Directive 82/891/EEC	Directive 89/666/EEC	Directive 2005/56/EC	Directive 2009/101/EC	Directive 2011/35/EU	Directive 2012/30/EU	This Directive
Article 22(1), (2) and (3)						Article 156(1), (2) and (3)
Article 22(5)						Article 156(4)
Article 23						Article 157
Article 24						Article 158
Article 25						Article 159
Article 26(1)						—
Article 26(2)						Article 160(1)
Article 26(3)						—
Article 26(4)						Article 160(2)
Article 26(5)						—
Article 27						—
	Article 1					Article 29
	Article 2					Article 30
	Article 3					Article 31
	Article 4					Article 32
	Article 5					Article 33
	—					Article 34(1)
	Article 5a(1), (2) and (3)					Article 20(1), (2) and (3)
						Article 33(1)
	Article 5a(4)					Article 34(2)
	Article 5a(5)					Article 34(3)
	Article 6					Article 35
	Article 7					Article 36
	Article 8					Article 37
	Article 9					Article 38
	Article 10					Article 39
	Article 11					—
	Article 11a					Article 161
	Article 12					Article 40
	Article 13					Article 41
	Article 14					Article 42

Directive 82/891/EEC	Directive 89/666/EEC	Directive 2005/56/EC	Directive 2009/101/EC	Directive 2011/35/EU	Directive 2012/30/EU	This Directive
	Article 15					—
	Article 16					—
	Article 17					Article 43
	Article 18					—
		Article 1				Article 118
		Article 2				Article 119
		Article 3				Article 120
		Article 4				Article 121
		Article 5				Article 122
		Article 6				Article 123
		Article 7				Article 124
		Article 8				Article 125
		Article 9				Article 126
		Article 10				Article 127
		Article 11				Article 128
		Article 12				Article 129
		Article 13				Article 130
		Article 14				Article 131
		Article 15				Article 132
		Article 16				Article 133
		Article 17				Article 134
		Article 17a				Article 161
		Article 18				
		Article 19				—
		Article 20				—
		Article 21				—
			Article 1			Annex II
			Article 2			Article 14
			Article 2a			Article 15
			Article 3			Article 16
			Article 3a			Article 17
			Article 3b			Article 18

Directive 82/891/EEC	Directive 89/666/EEC	Directive 2005/56/EC	Directive 2009/101/EC	Directive 2011/35/EU	Directive 2012/30/EU	This Directive
			Article 3c			Article 19
			Article 3d			Article 20
			Article 4			Article 21
			Article 4a			Article 22
			Article 4b			Article 23
			Article 4c first and second paragraphs			Article 24 first and second paragraphs
			Article 4c third paragraph			—
			Article 4d			Article 25
			Article 4e			Article 165
			Article 5			Article 26
			Article 6			Article 27
			Article 7			Article 28
			Article 7a			Article 161
			—			Article 7(1)
			Article 8			Article 7(2)
			Article 9			Article 8
			Article 10			Article 9
			Article 11			Article 10
			Article 12			Article 11
			Article 13			Article 12
			Article 13a			Article 163
			Article 14			—
			Article 15			—
			Article 16			—
			Article 17			—
			Article 18			—
			Annex I			—
			Annex II			—
				Article 1		Article 87
				Article 2		Article 88

Directive 82/891/EEC	Directive 89/666/EEC	Directive 2005/56/EC	Directive 2009/101/EC	Directive 2011/35/EU	Directive 2012/30/EU	This Directive
				Article 3		Article 89
				Article 4		Article 90
				Article 5		Article 91
				Article 6		Article 92
				Article 7		Article 93
				Article 8		Article 94
				Article 9		Article 95
				Article 10		Article 96
				Article 11		Article 97
				Article 12		Article 98
				Article 13		Article 99
				Article 14		Article 100
				Article 15		Article 101
				Article 16		Article 102
				Article 17		Article 103
				Article 18		Article 104
				Article 19		Article 105
				Article 20		Article 106
				Article 21		Article 107
				Article 22		Article 108
				Article 23		Article 109
				Article 24		Article 110
				Article 25		Article 111
				Article 26		Article 112
				Article 27		Article 113
				Article 28		Article 114
				Article 29		Article 115
				Article 30		Article 116
				Article 31		Article 117
				Article 32		—
				Article 33		—

Directive 82/891/EEC	Directive 89/666/EEC	Directive 2005/56/EC	Directive 2009/101/EC	Directive 2011/35/EU	Directive 2012/30/EU	This Directive
				Article 34		—
				Annex I		—
				Annex II		—
					Article 1(1)	Article 2(1)
						Article 44(1)
					Article 1(2)	Article 2(2)
						Article 44(2)
					Article 2	Article 3
					Article 3	Article 4
					Article 4	Article 5
					Article 5	Article 6
					—	Article 43
					Article 6	Article 45
					Article 7	Article 46
					Article 8	Article 47
					Article 9	Article 48
					Article 10	Article 49
					Article 11	Article 50
					Article 12	Article 51
					Article 13	Article 52
					Article 14	Article 53
					Article 15	Article 54
					Article 16	Article 55
					Article 17	Article 56
					Article 18	Article 57
					Article 19	Article 58
					Article 20	Article 59
					Article 21	Article 60
					Article 22	Article 61
					Article 23	Article 62
					Article 24	Article 63
					Article 25	Article 64

Directive 82/891/EEC	Directive 89/666/EEC	Directive 2005/56/EC	Directive 2009/101/EC	Directive 2011/35/EU	Directive 2012/30/EU	This Directive
					Article 26	Article 65
					Article 27	Article 66
					Article 28	Article 67
					Article 29	Article 68
					Article 30	Article 69
					Article 31	Article 70
					Article 32	Article 71
					Article 33	Article 72
					Article 34	Article 73
					Article 35	Article 74
					Article 36	Article 75
					Article 37	Article 76
					Article 38	Article 77
					Article 39	Article 78
					Article 40	Article 79
					Article 41	Article 80
					Article 42	Article 81
					Article 43	Article 82
					Article 44	Article 83
					Article 45	Article 84
					Article 46	Article 85
					Article 47(1)	Article 86
					Article 47(2)	Article 165
					Article 48	—
					—	Article 166
					Article 49	Article 167
					Article 50	Article 168
					Annex I	Annex I
					Annex II	—
					Annex III	—
					—	Annex III
					—	Annex IV

