Cross-Border Listings Guide - Prague Stock Exchange

Overview of exchange

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# Overview of exchange

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The Prague Stock Exchange (commonly referred to as the PSE) is the largest and oldest organizer of the securities market in the Czech Republic. The PSE is operated by Burza cenných papírů Praha, a.s. Currently, the largest shareholder of Burza cenných papírů Praha, a.s. with over 99.5% interest is the holding company Wiener Börse AG, which also holds a majority interest in the Vienna Stock Exchange.

Trading on the PSE is conducted via licensed securities traders who are also PSE members. These are primarily major Czech banks and non-bank investment firms. If a common investor decides to invest in the PSE, he/she needs to contact one of these PSE members.

Each issue of shares traded on the PSE is classified into one of the four trading markets. These trading markets differ from each other mainly in terms of requirements on reporting obligations of issuers. The Prime Market and the Standard Market are regulated markets, whereas the Free Market and Start Market are "unregulated" multilateral trading facilities. The Free Market allows attractive foreign securities to be admitted for trading without engaging the issuer (so-called unsponsored listing). The Start Market – a market for Czech SMEs (small and medium-sized companies) – was developed for advanced investors who are aware that investing in SMEs may bear higher risks.

PSE organizes START Days twice a year to provide a platform for investors to connect with companies listed on the START market, learn about their latest business developments and engage in meaningful discussions with company representatives. As of 1 September 2023, the START market operates in a continuous trading mode, with a minimum order size of 1 share.

Prime Market trading is intended for the largest and most prestigious issues of shares of Czech and foreign companies.

The Standard Market is intended for trading of other large and prestigious issues of shares by Czech and foreign companies. Shares already traded on another regulated market in the European Union may be admitted to trading on the Standard Market without further consent of the issuer.

The Free Market and the Start Market are multilateral trading facilities regulated only by the PSE. Their rules are adjusted to best suit the issuers while ensuring sufficient liquidity of the traded shares.

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Companies admitted to the Prime Market and the Standard Market fulfill the transparency requirements under the EU Transparency Directive and gain all the advantages of a full listing. With the Free Market and the Start Market, the PSE provides a simple, quick and cost-efficient way of including shares in exchange trading without applying the EU Transparency Directive, but with some elements of comparable transparency, which is particularly suited for SMEs.

The PSE generally does not differentiate between primary and secondary listings. However, certain rules, mostly procedural, may apply differently, based on specific characteristics of dual listing. For example, as mentioned above, securities already traded on another regulated market in the European Union may be admitted to trading on the Standard Market without further consent of the issuer. Also, some specific rules apply for certain notification and application duties related to dual listing (such as the duty to provide information about the authority exercising supervision over the issuer or the duty to submit an application for admission of dual listed securities simultaneously on all markets where the securities will be traded).

The Czech stock exchange market is rather small and the number of liquid securities traded on the PSE is relatively low. As of 29 December 2023, the aggregate market capitalization of all companies listed on the Prime Market, Standard Market, Free Market and Start Market was €765.18 billion (approximately US$845.52 billion).

Due to its rather small scope, the PSE does not currently specialize in, or encourage listings by, any particular types of companies, though some of the leading companies from the relevant industry sectors (for example, banking, telecoms, energy and media) are listed. As of 29 December 2023, 61 companies had their shares admitted to trading on the PSE.

State supervision of the PSE is carried out by the Czech National Bank (commonly referred to as the CNB) which is empowered to supervise the financial markets in general. The CNB has regulatory authority over both the PSE operator, which needs the CNB's permission to operate the PSE, as well as the respective PSE members, which generally need either a banking license or a non-bank investment firm license. As the listing on the PSE generally requires approval of a prospectus, it is, in such case, necessary to obtain the CNB's approval of such prospectus before listing the securities on the PSE.

In general, the rules governing listings of securities apply equally to both domestic and foreign companies. However, PSE rules recognize certain information reporting requirements for foreign issuers relating to the listing process (such as the duty of a foreign issuer to submit a statement declaring that the issuer's legal status complies with the legal code of the country where the issuer has its registered office and that the securities comply with the legal code of the country according to which they have been issued).

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