

Poland requires dematerialization of paper shares in Polish joint stock companies

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In 2020 all joint stock companies and limited joint-stock partnerships are required to eliminate (dematerialize) their paper shares.

Dematerialization also applies to wholly-owned joint stock companies.

In order to comply with this new requirement, management boards must, by 30 June 2020, sign agreements for maintaining their shareholders register with a brokerage house or a deposit agreement with the Central Securities Depository of Poland (KDPW). They must also summon their shareholders to return any existing paper shares.

On 1 January 2021, all paper shares not returned to the company will expire.

As of 1 January 2020, all joint stock companies and limited joint-stock partnerships are also required to register their company's website address in the court register.

Dematerialization triggers additional obligations for management boards and shareholders.

As an alternative to dematerialization, private joint stock companies and limited joint-stock partnerships may want to consider their transformation into a limited liability company, especially if the release of funds accumulated at the compulsory reserve fund (up to one-third of the share capital) is an additional benefit of such transformation.

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