

A&O paves the way for a new market standard in the administration of withholding tax by Czech Eurobond issuers

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Allen & Overy announced today that, in partnership with Clearstream and Euroclear, it has led a pioneering advisory work that has resulted in the introduction of bondholder tax certification procedures.

These procedures are designed to provide for the effective management of issuers' post-issuance withholding tax compliance obligations arising under the new 2022 Czech Eurobond taxation rules. The procedures represent a complex multiparty information chain arrangement, which will enable Czech issuers to once again tap into the essential Eurobond market while allowing them to duly address the withholding tax obligations that they have as withholding agents. This should relieve issuers of the existing financial and reputational risks, and significantly reduce the costs of financing by enabling issuers to avoid the adverse consequences of grossing-up payments to investors.

A&O has put together and held pen on the draft of the certification procedures and has cooperated closely with Clearstream and Euroclear for several months on getting the procedures finalised and approved by the International Capital Market Services **Association** (ICMSA). A&O was also the first to introduce the certification procedures into legal documentation, including the terms and conditions and the agency agreement.

The advisory work was managed by a team led by partner **Petr Vybíral** in close cooperation with senior tax adviser **Michal Dušek** and junior lawyer Jan Mourek.

Commenting on the project, Eric Marega, a Senior Tax Manager at Euroclear and the Chair of ICMSA Global Tax Sub-Committee, who led the project on behalf of the ICSDs, said: “ICMSA were delighted to work with A&O as this supports our purpose of fostering standards and facilitating the efficient functioning of the Capital Market and our members are well positioned to effect these standards with immediate effect.”

Petr Vybíral, partner and head of Banking and ICM practice in Prague added: “Our direct involvement in drafting and implementing the certification procedures not only confirms our position as a market leader in the area of capital markets but also showcases the strength of our Prague-based tax practice”.