

## Poland Authorizes a New Type of Corporate Entity: The "Simple Joint Stock Company"

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In an effort to promote startups and encourage investment in emerging companies, the Polish government has amended the Polish Commercial Companies Code to allow for a new and exciting type of business entity: the simple joint stock company (*prosta spółka akcyjna* - "PSA"). Beginning July 1, 2021, it will be possible to establish a PSA in Poland.

Most Polish companies are established as either joint stock companies (*spółka akcyjna* - "S.A.") or a limited liability companies (*spółka z ograniczoną odpowiedzialnością* - "Sp. z o.o."). But these types of corporate entities were not the most efficient vehicles to attract start-up capital investment. Startups typically have not used the "S.A." form of entity due to its hefty capital requirements and burdensome two-level governance structure. Even the simpler "Sp. z o.o." form of entity is laden with rather inflexible and formalistic capitalization requirements, which are not suited to startups and investors used to more flexible procedures in raising funding through subsequent funding rounds.

Over the past decade, Poland has experienced a surge in startups, especially in the IT, software, fintech and life sciences sectors. Wanting to keep this momentum going, the Polish government has recognized the need for a new, more nimble type of legal entity, such as the PSA. At the same time, the government has simplified the process of establishing a PSA, making it possible to register on-line and digitally.

Thus, the Polish Commercial Companies Code has been amended to include the PSA as a new type of legal entity, as follows:

- **Company share capital.** Only a nominal amount, 1 PLN (approximately US \$0.25), is required to capitalize a PSA. This compares to 5,000 PLN for a "Sp. z o.o." and 100,000 PLN for a "S.A." Moreover, there is no requirement to amend the PSA's articles of association when increasing the amount of the company's share capital.
- **On-line registration.** The company registration process in Poland can be quite formalistic and archaic, as it requires the articles of association to be manually signed and filed in the form of a notarial deed. For PSAs, it will be possible to register the articles of association through an on-line universal template, which will greatly simplify and expedite the registration process.
- **Shareholder resolutions.** Shareholders of PSAs will be allowed to conduct meetings and adopt resolutions via electronic communication, such as e-mail and videoconference. Their physical presence will not be required.
- **Simpler corporate governance.** PSAs can elect to have a unitary governance body – a board of directors – which both manages the company and undertakes a supervisory role on behalf of its shareholders.
- **Shares for services.** Presently, shareholders can only acquire shares in a Polish company by contributing cash or assets to the company. Notably, PSAs can issue shares to shareholders in consideration of the provision of future services to the company.
- **Share transfers.** In contrast to other types of companies, the shares of a PSA can be transferred through electronic and digitized signatures and processes, of course, subject, of course, to applicable securities regulations.

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- **Centralized share registry.** To ensure transparency with investors, a PSA's share registry can be maintained by various institutions (e.g. banks, notaries, brokerage houses), which is available to its investors. Moreover, it is expected that these share registries will be maintained through blockchain registry systems.

Concerned with the potential adverse effects of the COVID-19 pandemic on economic growth, Poland has not only introduced pandemic economic initiatives aimed at assisting businesses, but it has also taken a further step at reforming the Polish corporate legal structure by introducing the PSA as a new form of company. This reform is of keen interest not only to Polish startups, venture capital funds and foreign investors, but also to more established companies considering operations in Poland.

*Jakub Jasinski contributed to this alert.*