

BLANK DRAFTS TO SECURE OBLIGATIONS WITHOUT FINANCIAL RISK

^aMAREK VOCHOZKA

^a *Pan-European University, Faculty of Law, Tomášikova 20, 821 02 Bratislava, Slovak Republic*
email: "vochozka@znalcivste.cz"

Abstract: Blank drafts have become an increasingly popular payment instrument used by banks and creditors to reduce financial risk. Bank drafts have a specific legal status, containing inconsistencies between a partial filling-in and their transformation into securities. The study aims to analyze blank drafts as an instrument in modern business transactions, their strengths and weaknesses, legal aspects, and related risks. Blank drafts are a flexible instrument used in multiple business transactions. Issuing an incomplete security paper allows the parties to agree on the terms and conditions of the transaction and then complete the necessary information, dramatically speeding up the processes. On the other hand, blank drafts impose a risk and may lead to harmful consequences.

Keywords: blank drafts, drafts, security, risk

1 Introduction

Financial instruments enjoy enormous interest, attracting financial historians, political economists, and antiquarians (Barnes & Newton, 2022).

A draft is a written document binding one party to pay a fixed sum of money to another party within a predetermined period or at sight and is not valid until signed by the drawee (Alharthi, 2022). A draft may be issued via an attorney, but the drawee assumes full-scale liability for its performance. Companies issue drafts via authorized bodies. Although signed by the attorney, the company is fully liable to perform obligations arising from the document (Şafak & Şengül, 2020).

Lyonnet et al., (2022) explored the relationship between the currencies used by exporters and financial security papers, revealing that large companies frequently use security papers when valuing a foreign currency. The authors also argue that by using these instruments, firms will tend to set prices in a foreign currency. The extended model of the drafting currency suggests that the general availability of security papers will make large corporations used to trading in the domestic currency prioritize invoicing in foreign money.

Chi et al., (2023) analyzed the optimal strategy for the risk management of insurers. They used the expected value theory to calculate the insurance premium and examine the effect of security papers, revealing that although stop-loss insurance is always viable, the full-scale risk transfer is optimal only upon meeting reasonable requirements.

Having financial security papers available helps companies decide on currency and risk management, requiring meticulous financial planning and risk analyses in the business environment.

Bolton & Guidi-Bruscoli, (2021) conducted a historical analysis, revealing that in the Middle Ages, drafts were used to transfer capital between regions and effectively run the business. Studying the drafts of Filippo Borromei & Partners disclosed their variable maturity, allowing enterprises to change deadlines and pay in installments. They also served as security against contracts and guaranteed business transactions. Their value and rates changed dynamically, allowing smooth capital transfers. In the late Middle Ages, drafts helped enterprises manage financial transactions and develop business relationships.

Although the previous historical study proved that drafts played an essential role in this security and financing, Hungary is still reluctant to trust this security paper. Szalay et al., (2020) argue that although Act CLXXXV came into force in 2017, Hungary is still cautious about issuing and using drafts and promissory notes. The authors further suggest that drafts could ensure the cash flow of small and medium-sized enterprises when other short-term securities are not available.

Traditional or modern drafts have great global potential Zhongmin, (2023) argues that drafts are essential in letters of credit (LC). However, disputes over various explanations of the drafting order within multiple legal areas arose. The author claims that drafts are imperative in the LC management's payment verification, maturity date, and receiver. The article aims to assess the utility of blank drafts in modern banking transactions, analyze their strengths and weaknesses, and explore legal aspects and related risks.

2 Methods

The article reflects the *de lege ferenda* theory, including four parts. The first phase defines and explores the relationship between blank and regular drafts, analyzing laws and by-laws under the Draft of Exchange and Cheque Act and articles indexed in the Web of Science.

The second phase deals with the use of blank drafts within economic relationships as the security against risks using the content analysis of the Czech law judicature.

The third phase involves expert's opinions on blank drafts and the fourth part explores situations where the law is not obeyed, including content analysis and Czech law judicature.

The data processing contains the instruments of formal logic, including analysis, synthesis, generalization, deduction, abduction, induction, comparison, observation, etc.

3 Results

3.1 Defining Blank Drafts

Blank drafts involve partially filled-out issued securities. Even if completed after the new Draft of Exchange and Cheque Act has come into effect, the issued blank draft is subject to Act No. 191/1950 Sb., as amended and governed by Judicature No. Rv I 1377/29.

The difference between the terms 'blank draft' and 'draft' involves many factors on top of a different name in the text. Judicature No. 29 Cdo 4535/2014 governs that a change in the terminology does not deny the validity of the draft. The court rules that unless the subject matter of the draft is changed, no terminological modifications revoke the effect of the document.

Under § 1 Act No. 191/1950 Sb., a draft of exchange involves a designation in the language of the document, an irrevocable order to a payment, the name of the paying party (payor), maturity date, place of the payment, the name of the beneficiary (payee), date and place of issuing and the drawee's signature. Under the § 2 Act No. 191/1950 Sb., unless the draft of the exchange meets all requirements set out in the previous text, the document is not legally effective, subject to the cases in the following text. Second, a draft missing a maturity date is presumed payable at sight. Third, if not stated otherwise, the place mentioned next to the payor's name is deemed the place of the payment and the permanent address of the payor. Last, unless the draft contains the place of issuing, it is presumed that the place next to the drawee's name is the place of issuing.

Although Clause I. § 10 of the Draft of Exchange and Cheque Act of Judicature No. 29 Odo 1261/2004 does not specify the term 'blank draft', the act permits issuing a partially filled-out draft, subsequently completed under the agreed terms and conditions. Under Clause § 10 Act No. 191/1950 Sb., unless the partially filled-out draft complies with the agreed terms and conditions, the draft owner is not entitled to any objections against violating the agreement, subject to the situations when the owner acts in bad faith or is accused of gross negligence upon issuing the draft. Under the listed conditions, the owner of the partially filled-out draft is protected by the law.

Judicature No. 29 Odo 721/2006, §10 Act No. 191/1950 Sb., neither prescribes any formal requirements for completing a blank draft nor specifies or denies requirements for further completion. Second, the effect of converting a blank draft into a fully completed *ex tunc* draft, obligating the guarantor (avalist) to sign it. Last, if the issuer signed the blank draft after the maturity date, the draft would not become legally effective until signed. Although converting the blank draft into the fully completed draft of exchange is operative *ex tunc*, the debtor may not perform his obligations 'to the draft of exchange' until provided by the drafted sum of money and other related requirements. Under Judicature No. 29 Cdo 538/2007, if the debtor receives the blank draft before the date of its completion, he may not perform his obligations.

Under Judicature No. 29 Cdo 1047/2007, a missing signature of the issuer on the draft of exchange when the guarantor agreed to secure the document does not relieve the guarantor of the obligations arising from the document. The Draft of Exchange and Cheque Act or any other legislation does not regulate the order of the data or signatures on the draft. Last, the fully completed draft of the exchange is deemed issued when the first owner receives the document.

3.2 Using Blank Drafts

Blank drafts are open documents with no sum of money written in them and, therefore, pose a risk. However, the owner of a blank draft may exercise the right to complete the document to minimize the risk.

The right to complete the blank draft (empowering the owner to fill out the missing requirements to convert it into a draft of exchange) is agreed (subject to an agreement) between the party signed on the blank draft and the receiving party (the owner). This provision regulated the right to complete the blank draft (when and how the bearer may fill out the missing data). Under Judicature No. 29 Cdo 2861/2014, the agreement does not have to be in writing (verbal or implied-in-fact agreement is sufficient) and involves only a unilateral statement creating the right to complete the blank draft.

Blank drafts are like empty sheets of paper. Although the right to complete the blank draft allows its owner to write what he wants, he may get into trouble. The following text explains what can happen when the guarantor denies the payee the right to complete the draft. Under Judicature No. 29 Cdo 1591/2014, unless the guarantor grants the right to complete the blank draft to the payee, the blank draft will be null and void (issued incomplete), relieving the guarantor of all obligations arising from the document (without the prior agreement he cannot have been) later completed with the full text.

Under Judicature No. 9 Cmo 274/2004, the right to complete the blank draft is not time-barred, i.e. the owner is entitled to complete the blank draft anytime, irrespective of the lapse of time. If the agreement binds the owner to write in a maturity date, he is entitled to fill in any date he wants. In the event of security drafts, the maturity date must not expire before the secured debt is payable. Under Judicature No. 29 Cdo 860/2012, the agreement on the right of the owner to fill out the missing data (regarding its definiteness) is ineffective not only because it does not specify the way of completing the blank draft. Unless agreed otherwise, if the issued blank draft secures another (causal) debt, the causal relationship between these facts is decisive for granting the right to complete the document (when and how the bearer can complete the missing information).

Both previous judicatures entitle the owner of the blank draft to complete the document and observe the terms and conditions arising from the contract. In the event of security drafts, the maturity date and the deadline before the security debt is payable must not be exchanged.

Once filled out, blank drafts become legally binding documents, giving the right to complete the draft the utmost imperativeness

to avoid misunderstanding. Under Judicature No. 20 Cdo 2031/2009, incomplete blank drafts do not create a claim. Blank drafts are not securities, but liability-free instruments not obligating any party involved in the document. Under Judicature No. 29 Cdo 731/2015, a blank draft becomes a draft of exchange upon its completion. Unless the owner exercises the right to fill out the instrument only partially, he is entitled to compensation under the effective legislation, as it is presumed that the owner deems the blank draft 'complete'. Although the final instrument is inconsistent with the agreement on the right to complete the document, the debtor may raise objections under the Draft of Exchange and Cheque Act. The consequences of violating the right to complete the blank draft are punishable according to whether the drawee (debtor) incurred a loss arising from an incorrect completion of the blank draft.

The previous text implies that an incomplete blank draft does not create a claim and must be completed to become legally binding. The following text explains how to use the right to complete the blank draft to fill out data not previously agreed on. However convenient the situation seems for the owner of the blank draft, the drawee may get into trouble. Under Judicature No. 29 Cdo 1245/2014, if the issuer and the guarantor signed the blank draft missing the information on the money exchanged, maturity date, and the date of issue, whereas the terms and conditions of the right to complete the document were not specified, and the transferee is aware of this circumstance, the right to complete the blank draft is deemed implied in the agreement.

In this case, the judicature refers to an implied agreement and recommends filling the missing information in the blank draft upon a mutual agreement of the parties without explicitly stating some aspects of the contract.

However, the statute regulates the agreement on filling out the missing data in the blank draft. If the drawee completes the document, albeit unauthorized by the debtor, the drawee is not entitled to the payment against the obligated parties who had signed the instrument before the drawee filled out the document. Under Judicature No. 12 Cmo 391/2006, the parties had signed the instrument before it became legally operative.

By filling out missing data, we can change the content of the blank draft upon a mutual agreement. If the parties agree on the right to complete the document that the blank draft should contain only specific data, we may not fill in any other information.

We must especially observe the agreed terms and conditions of the right to complete the document when filling in the maturity date so that the draft remains valid. Under Judicature No. 29 Cdo 3507/2015, an incorrect completion of the maturity date in the blank draft does not revoke the effect of the instrument. However, the drawee may object against the owner of the blank draft on the grounds of the erroneous maturity date, which may affect the obligation to pay the agreed sum.

Under § 33 Act No. 191/1950 Sb., a draft of exchange is issued either at sight, a specific time after sight, a defined time after issuing, or a specified date. Drafts containing a maturity date other than mentioned above or are payable in installments are null and void.

In a situation when the statute does not explicitly regulate the exact wording of the clause that complies with Clause I § 34 p. 1 the Draft of Exchange and Cheque Act allowing other than a statutory time-limit for submitting a draft of exchange payable at sight, we may infer the change in the deadline from the issuer's statement to pay the draft "at sight – but no later than ...". Judicature No. 29 Cdo 894/2013 governs to provide a specific date when the period expires.

Under Judicature No. 29 Cdo 3317/2007, an issued incomplete draft intentionally missing the sum and payable at sight is discharged by frustration if the agreement on the right to complete the draft sets, apart from terms and conditions of the

payable sum, the maturity date to 'five days after sight'.

Both previous judicatures govern that changing the deadline for submitting the bill payable at sight is invalid unless performed according to the law. If it is not the case, the change is voidable.

The period for submitting a bill payable at sight is calculated from its submission at the place of payment. In such a case, a promissory note must contain a place of payment. Its issuer agrees to pay the draft at the place of payment, while the creditor's entitlement to the claim is limited to the place of payment. The draft is submitted for payment at the place of payment when it falls due, with ensuing consequences upon failure to pay the agreed sum. The information on the place of payment must be clear, without an alternative way of informing of the place of payment. In such a case, it is impossible to unequivocally decide where (at which place) the issuer is liable to perform, and the owner is entitled to the performance of the draft. The draft must contain at least a municipality or city to meet the requirements for the place of payment. The place of the draft payment usually refers to where the draft is payable and to whom to submit the payment. If the draft contains the place of payment and domicile, this information must be consistent, as governed by Judicature No. 29 Cdo 2352/2008.

The place of payment is shown on the blank draft and remains valid even after transferring or assigning the draft to another person. By transferring or passing the blank draft to another person, the right to complete the draft devolves upon the assignee of the instrument without a need to enter into a contract on a claim assignment or a related agreement. The content of the right to complete the draft cannot change even in the event of transferring or assigning the draft to another person. Under Judicature No. 29 Cdo 336/2010, even upon transferring or assigning the blank draft to another person, only the agreement on the completion is decisive. Judicature No. 29 Cdo 4610/2014 supplements the general rule for transferring or assigning blank drafts to another person in a situation when the debtor of the causal claim changes. Under the judicature, the draft is securing to the causal relationship prejudiced by the change in the debtor (§ 531 sec 1 the Civil Code) only if the drawee (the debtor) agrees to the change in the obligated subjects (involving a possible change in agreed terms and conditions when the creditor may exercise the draft against the debtor or complete the missing data).

Although agreements denying the draft transfer exist, they do not invalidate the transfer of a draft to order or the name if made under the law of negotiable instruments, as governed by Judicature No. 5 Cmo 242/2004.

Under Judicature No. 20 Cdo 2977/2018, upon signing the blank draft, the guarantor agrees to secure the draft under the warranty that the instrument will be completed and converted into an ultimate draft. By completing the instrument, the draft containing guarantors' signatures becomes retroactive (*ex tunc*) and considered effective from the beginning, i.e. from the date of issuing, including signatures of all debtors and the avalist.

The circumstance under which the blank draft was completed does not affect the retroactivity of the draft completion and its conversion into an ultimate draft.

The previous text dealt with general principles of the right to complete a draft, giving examples of its exercise. The following paragraphs will focus on specific cases when completing a draft may get the drawee into trouble. Under Judicature No. 9 Cmo 536/2003-53, if a blank draft was completed for no other reason than an adjudication of bankruptcy to the bankrupt's estate whose causal obligation had been secured without agreeing on terms and conditions of the right to complete the draft, the draft was not completed according to the agreement.

We must consider many factors before using blank drafts and carefully assess the situation from a legal viewpoint, e.g. settling a marital obligation.

Under Judicature No. 31 Cdo 4087/2013, the community property may affect the validity of the blank draft, including the law of negotiable instruments. The creditor knows the contractual terms and conditions, and the husband knows his wife's future *ex tunc* obligation. Using a blank draft related to the community property, both spouses must know about this legal alteration. Under Judicature No. 20 Cdo 5588/2016, an agreement to reduce and settle the community property of spouses during the marriage when one of the spouses became the exclusive owner of the thing that had been in the community property until then is insufficient to deny the creditor the right to seize the property when seeking the performance of the obligation assumed by one of the spouses during marriage.

Blank drafts are risky when related to the community property or involving several drawees.

Mere signatures of several people on the blank draft do not automatically create a joint debt or joint-guarantee obligation. An obligation arises when the signature attests to the prior agreement under Judicature No. Rv II 885/36, governing that countersignatures on a blank draft require an additional agreement.

Blank draft inheritance involves another specific case to consider using the draft. Under Judicature No. 29 Cdo 1844/2015, if the parties to probate proceedings acquire property by inheritance, they also acquire the rights and duties of the deceased guarantor, including rights and obligations arising from the agreement on the right to complete the draft of the deceased guarantor had entered into with the owner of the blank draft. Blank draft inheritance may also pose a risk to the heirs, who become the guarantors and may be liable to pay, although they had been unaware of this fact before. The heirs must be informed of all the drafts payable by the deceased to avoid this situation.

Blank draft inheritance poses a risk to the heir, who becomes the guarantor and may be liable to pay the agreed sum even though the blank draft was lost and destroyed.

Losing or destroying a blank draft may get the owner into serious trouble. Under Judicature No. 24 Co 210/2003 § 185i of the Civil Procedure Code, a lost or destroyed blank draft may be redeemed. When redeeming a blank draft, the court observes the general rules for redeeming instruments (§ 185m Clause 2 of the Civil Procedure Code) and not regulations applicable to redeeming drafts and cheques (§ 185m Clause 3 and 4 of the Civil Procedure Code).

3.3 Expert's opinion on blank drafts

Blank drafts are a specific category that does not contain a sum of the bill payable. Although involving the debtor's signature, blank drafts do not provide further information, like the payable amount. The lack of essential data makes blank drafts objectionable and subject to abuse.

Any legal dispute arising from this incompleteness requires an expert's opinion to authenticate the drawee's signature. Missing factual information about the bill payable may prompt the court to focus on the signatures when deciding upon the authentication of the instrument.

An expert opinion is required when disputing the bill payable where the plaintiff shoulders the burden of proof. In the dispute over the bill payable, the burden, including the authenticity of the draft and signatures, is on the plaintiff, i.e. the party who submitted the instrument as proof to assert his claim before the court. The authenticity of the disputed instrument (or signature) may be proved either by an expert's opinion or other (relevant) means of evidence. Under Judicature No. 29 Cdo 4049/2017, the situation when the conclusion of the expert's opinion on the authenticity of the plaintiff's signature is not resolute does not mean that the plaintiff failed to bear the burden of proof relating to the authenticity of the submitted draft.

Under Judicature No. 29 Cdo 6038/2016, an expert's opinion involves a means of evidence to authenticate a disputed instrument, whereas the court is obliged to consider other (produced by the parties) evidence which may shed light on the case according to the principle of the discretionary weighing of evidence.

Under Judicature No. 29 Cdo 1164/2010, the situation when the conclusion of the expert's opinion on the authenticity of the plaintiff's signature is not resolute (i.e. the expert's opinion did not confirm the authenticity of the plaintiff's signature) does not admit the conclusion that the plaintiff as the petitioner of the disputable instrument failed to bear the burden of proof relating to the authenticity of the submitted document without further proceedings.

An expert's opinion dealing with the unauthenticity of the defendant's signature does not establish circumstances that would disqualify the defendant from claiming his signature unauthentic as soon as objecting against the compulsory payment order in the form of a draft. Under judicial decision No. 29 Cdo 359/2020, the expert's opinion exists without prejudice to the defendant's right to challenge the authenticity of his signature when objecting against the compulsory payment order in the form of a draft.

In the event of civil proceedings, the dispute over a bill payable and punishable unless performed, the testimony of the party that should approve (or disprove) the payment is essential for deciding upon paying or not paying the designated sum. In this case, the determination of the civil court upon this testimony is not conclusive. Under the effective legislation, § 346 Clause 2 Pa. a) the Criminal Code (Act No. 40/2009 Sb., as amended) and Judicature No. 6 Tdo 528/2017, and giving false testimony on the matter creates criminal liability for perjury and false expert's opinion.

Although expert's opinions are imperative for authenticating blank drafts, they might not always be conclusive. An ambiguous conclusion of the expert's opinion requires further evidence, which should shed light on the authenticity of the blank draft. The court must consider multiple factors and other relevant proofs to resolve upon authenticating the draft. The conclusiveness of expert's opinions depends on their concordance with other evidence.

3.4 Non-observance of legislation

The failure to comply with legislation on blank drafts bears various legal consequences. Incorrect or missing information on the blank draft may cast doubts on its authenticity, giving rise to legal insecurity and potential disputes between the parties involved. Such violation may also compromise its enforcement and, in the event of ill faith, it may create criminal liability.

The law of negotiable instruments not only protects drawees but also gives security to creditors. Any failure to comply with legislation or incorrect completion of the blank draft may lead to serious legal consequences. The law of negotiable instruments seeks conformity between the interests of drawees and creditors, protecting both transacting parties. The primary goal is to establish a legal framework to optimize and regulate the relationships between transacting parties by minimizing legal uncertainty and encouraging effectiveness and trust.

The drawee should, therefore, be cautious when issuing a blank draft. He must consider its content and who the receiving party is. Violating the law might lead to severe consequences, and the drawee might become liable for a sum he has not available. When issuing a blank draft, the drawee must be vigilant and precise to avoid the risk of potential legal complications and financial losses.

The creditor must be cautious when receiving the blank draft and make sure that the blank draft was issued by an authorized person and filled out as agreed with the drawee. In the event of

violating the law of negotiable instruments, the creditor may have problems enforcing the bill payable. Therefore, the creditor must be vigilant and authenticate the blank draft to avoid the risk of complications when enforcing the obligation.

Under Judicature No. 6 Tdo 1576/2010, completing the blank draft by the authorized person, albeit excessively, is not considered a forgery or fraudulent alteration. However, if an unauthorized person intentionally filled out the missing information, which had been issued as a security instrument, and sold it with the intent to benefit from the sale, this conduct may be considered a deception offense under the Criminal Code.

Under Judicature No. 5To 17/2013, the total amount cited in the draft must be considered when inspecting the possible forgery, governing that assessing the gravity of the crime under the Criminal Code involves several factors. Aside from the total of forged or altered instruments and the nature of the crime, the total amount cited in the instrument is decisive. If the sum markedly exceeds the limit of extensive damage stipulated in the Criminal Code, even a smaller number of forged instruments is deemed extensively criminal under applicable sections of the Criminal Code.

Along with forgery, alienating the guarantor's property may create criminal liability. By signing an incomplete draft, the guarantor agrees to pay the debt to the creditor. Aside from his guarantor's duties, he becomes an immediate debtor and thereby may not dispose of his property, which would otherwise constitute a crime of an injury to the creditor, as governed by § 222 Clause 1 Par a) the Criminal Code, under Judicature No. 5 Tdo 889/2013.

Under Judicature No. 4 Cmo 23/2016, a failure to pay the draft may constitute criminal liability. What will happen when the draft is not paid before it falls due? In this case, the owner has a direct claim against immediate drawees to all that is enforceable under § 48 and 49 Act No. 191/1950 Sb. To assert and maintain the direct claim against the drawee of the draft of exchange or payee of the promissory note requires neither a presentment to pay the draft nor a protest against the failure to pay.

If the draft is not paid, the creditor is entitled to indemnity from the drawee. By intentionally forging the signature, the drawee may become criminally liable for forgery and fraudulent money alteration.

Under Judicature No. 3 Tdo 1220/2009, the crime of forgery and fraudulent money alteration governed by § 140 clause 2 of the Criminal Code and § 143 of the Criminal Code or an attempted crime thereof under § 8 clause 1 of the Criminal Code may also be committed by procuring a forged signature of the issuer. The case is applicable even if the blank draft does not contain the date of issue and the right to complete the draft does not explicitly apply to providing this information.

Under Judicature No. 8 Tdo 361/2014, a crime of deception is committed if the offender, contrary to reality, feigns that the aval designated in the draft is a debtor.

On the other hand, under Judicature No. 29 Cdo 2971/2007, the law is not violated when the creditor has multiple security of the payment of debt, and this impediment is not involved in the agreement on the right to complete the draft.

Objections in the proceedings are an effective weapon for challenging the compulsory payment order.

Under Judicature No. 29 Cdo 4392/2018, the proceedings accept only timely and justified objections, including claims defining the extent of the disagreement with the compulsory payment order and facts substantiating the defendant's defense against the compulsory payment order.

The defendant may object that he had already discharged the bill payable or was invalid. Under Judicature No. 29 Odo 483/2002, the issuer's missing signature on the date the draft falls due does

not invalidate the draft if completed later. Second, even if the draft was not submitted for payment to the immediate debtor, the creditor may file his claims with the court, while the service of the lawsuit to the defendant bears the effects of the draft's presentment. Third, guarantors may object against the issuer of the draft of exchange to own the order that the obligation had already been discharged.

The defendant may also object that the draft is invalid, or the bill payable was already discharged.

The defendant is not entitled to a new defense after the deadline for lodging objections against the compulsory payment order has expired unless included in the previous objections. However, the defendant is entitled to provide new facts to complement the previously raised defense and justify the cause of this defense. These facts will not be considered new objections if lodged only to complement prior challenges under Judicature No. 29 Cdo 838/2011.

Objections may also be raised against incorrect blank draft completion. Under Judicature No. 29 Cdo 5333/2016, if a new owner backed the (blank) draft, the drawee is entitled to raise objections against incorrect blank draft completion (i.e. completing a blank draft contrary to the agreement on the right to complete the draft made between the debtor and drawee) only upon proving that the owner had acquired the draft in ill faith or committed the act with gross negligence.

Under Judicature No. 29 Cdo 5999/2017, if the defendant defends against the compulsory payment order based on the objections against the incorrect designation of the sum, he must include in timely and substantiated objections the correct sum. The mere statement that the sum payable is false is not enough, as it does not specify the extent the compulsory payment order is challenged and whether the total money or another sum is questioned. Under Judicature No. 9 Cmo 7/2003, the defendant also acts contrary to the law when claiming to be able to authenticate the completed sum by himself.

On the grounds of considering the objections against the compulsory payment order, the court may decide to extend the deadline for performance or pay the debt in installments, according to § 160 clauses 1, behind the semi-colon, the Civil Procedure Code. In such a case, the compulsory payment order is effective under the modified terms and conditions of performing the obligation arising from the order. The new (extended) deadline or payment in installments is subject to the court's decision, which may also regulate the amount and deadlines of the installments. This method will allow the court to ensure that the defendant adequately performs his obligations according to the law under Judicature No. 29 Cdo 3150/2019.

4 Discussion

Blank drafts are incomplete securities. Even if a blank draft is completed after the new law of negotiable instruments has become inoperative, the legislation thereof still applies to the draft.

Act No. 191/1950 Sb. governs the requirements for a valid blank draft, including a maturity date, place of the payment, drawee's name, etc. The court's decision regulates that a missing signature of the drawee on the draft of the exchange does not bear on the existence of the bill payable by the debtor, ignoring the chronology of writing the data on the instrument.

Using blank drafts to settle marital obligations or inheritance requires utmost caution when entering into agreements and dealing with other legal aspects. The succession of blank drafts may bring the successors both the benefit or risk by assuming the decedent's drafts are payable.

Legal disputes over the authenticity of a blank draft rely heavily on an expert's opinion, predominantly focusing on authenticating the drawee's signature. Although expert opinions

are an essential means of proof, the court must also consider other substantiated evidence and information produced by the disputing parties when authenticating the instrument.

The court must carefully examine the evidence produced, try the case without prejudice, and make a fair decision upon the validity and authenticity of the document.

5 Conclusion

Despite their utility in financial transactions, blank drafts involve substantial risk, including abuse or inconsistencies in agreements and the rights to complete the instrument. The effective use of blank drafts requires utmost caution and concordance between the issuing and receiving parties to avoid legal and financial complications.

When using blank drafts, the contracting parties must adhere to the agreement on the rights to complete the draft to comply with the agreed terms and conditions. The judicature governs that the right to complete a blank draft is limited, and any changes must abide by the law and contractual terms and conditions.

Blank drafts are a specific instrument having both strengths and weaknesses, finding their use in some modern business transactions.

The strengths involve flexibility, which allows the parties to agree on details later, and straightforwardness, which appeals even to people without extensive legal knowledge. Blank drafts serve as prompt security for a debt and allow the creditor to file the claim with a court.

On the other hand, an incomplete blank draft is subject to abuse by a dishonest holder. A failure to meet formal requirements and incorrect completion of the blank draft may nullify its effect and deny the creditor its enforcement. The debtor is less protected compared to classical contractual obligations.

Breaching the legislation governing blank drafts may lead to severe legal consequences, including relative validity, legal insecurity, and disputes. Drawees should be cautious when issuing blank drafts and carefully choose a receiver.

A failure to pay the draft and its incorrect completion may create criminal liability, including fraud. The defendant may object to the compulsory payment order and produce substantiated facts challenging the validity of the document. The court may decide to extend the deadline for the performance or pay the debt in installments according to the law. A close adherence to the legislation and careful use of blank drafts help avoid potential legal complications and disputes.

Our research yielded an ambiguous answer to using blank drafts as an instrument.

On the one hand, they are a remarkably flexible paper usable in various business situations. The advantage of issuing an incomplete negotiable instrument is that the parties may agree on the terms and conditions of the transaction and complete the missing information later, markedly speeding up the process.

On the other hand, blank drafts may be risky, leading to severe and unexpected consequences. As incorrect completion or incompleteness of the draft may give rise to legal disputes and complications, the parties must meet all legal requirements and study the legislation governing blank drafts.

Blank drafts are risky, requiring utmost caution when used. The parties must satisfy all formal requirements and consider all risks and legal aspects arising from these negotiable instruments.

Literature:

1. Alharthi, S. H. (2022). The Bill of Exchange's Regulations and the Implications of its Abolition on the Commercial

Community. *International Journal of Computer Science and Network Security*, 22(5), 303–311. <https://doi.org/10.22937/1JCSNS.2022.22.5.42>

2. Barnes, V., & Newton, L. (2022). Corporate identity, company law and currency: A survey of community images on English bank notes. *Management & Organizational History*, 17(1–2), 43–75. <https://doi.org/10.1080/17449359.2022.2078371>

3. Bolton, J., & Guidi-Bruscoli, F. (2021). ‘Your flexible friend’: The bill of exchange in theory and practice in the fifteenth century†. *The Economic History Review*, 74(4), 873–891. <https://doi.org/10.1111/ehr.13070>

4. Chi, Y., Hu, T., & Huang, Y. (2023). Optimal risk management with reinsurance and its counterparty risk hedging. *Insurance: Mathematics and Economics*, 113, 274–292. <https://doi.org/10.1016/j.insmatheco.2023.09.003>

5. Lyonnet, V., Martin, J., & Mejean, I. (2022). Invoicing Currency and Financial Hedging. *Journal of Money, Credit and Banking*, 54(8), 2411–2444. <https://doi.org/10.1111/jmcb.12966>

6. Şafak, N., & Şengül, A. K. (2020). Legal Thoughts on Determining the Primary Debtor Concerning Promissory Notes Issued Through Authorized Representative of the Company within the Scope of the Decision Dated 23.01.2017 and Numbered 2017/38-2017/444 of the Court of Appeals for the 11th Circuit. *Istanbul Law Review*, 78(1), Article 1. <https://doi.org/10.26650/mecmua.2020.78.1.0007>

7. Szalay Z., Vértesy L., & Novák Z. (2020). A kis- és közép vállalkozási szektor erősítése váltóra váltással. *Pénzügyi Szemle*, 65(3), Article 3. https://doi.org/10.35551/PFQ_2020_3_6

8. Zhongmin, Z. (2023). Bills of exchange in a letter of credit. *Вестник Санкт-Петербургского Университета. Право*, 14(2), Article 2. <https://doi.org/10.21638/spbu14.2023.216>

Judgments:

Alienation of property and the position of aval. 5 Tdo 889/2013
Bill of exchange and cheque payment order and opposition procedure. 29 Cdo 4392/2018.

Bill of exchange and cheque payment order, expert opinion, and opposing. 29 Cdo 359/2020.

Bill of exchange payment order. Deadline for payment. 29 Cdo 3150/2019.

Bill of exchange; community property. 31 Cdo 4087/2013.

Bill of exchange. 4Cmo 23/2016.

Bill of exchange. 9 Cmo 536/2003–53.

Bills of exchange. 29 Cdo 4535/2014.

Bills of exchange. 29. Cdo 3317/2007.

Blank Draft Inheritance. 29 Cdo 1844/2015.

Blank Draft. 29 Cdo 731/2015.

Blank Draft. 29 Cdo 860/2012.

Blank Draft. Maturity. 29 Cdo 3507/2015.

The burden of proof concerning blank draft authenticity. 29 Cdo 4049/2017.

Certainty of opposition against bill of exchange payment order. 9 Cmo 7/2003.

Change in the person of a causal claim debtor. 29 Cdo 4610/2014.

Complementing a Blank Draft. 29 Odo 1261/2004.

Concluding a contract on narrowing and settlement of community property during marriage. 20 Cdo 5588/2016.

Credit agreement; Bill of exchange and cheque payment order; Bills of exchange. 29 Cdo 5999/2017.

Deadline for presenting a bill of exchange payable at sight for payment. 29 Cdo 894/2013.

Draft; bill of exchange; signature of the drawee; suretyship. 29 Cdo 1047/2007.

Expert opinion 29 Cdo 6038/2016.

Failure to prove the authenticity of the signature by expert opinion. 29 Cdo 1164/2010.

Forgery and alteration of money. 5To 17/2013.

Forgery of the so-called blank draft. 3 Tdo 1220/2009.

Fraud consists of false identification of the person of the aval on the promissory note. 8 Tdo 361/2014.

Illegal alteration in the text of the promissory note. 12 Cmo 391/2006.

Importance of contractual prohibition of transferring bill of

exchange. 5 Cmo 242/2004.

Judgments:

Law No. 191/1950 Coll: Particulars of the bill of exchange. Completion of missing particulars (§10). OSŘ: Opposition in the bill of exchange proceedings (§175). 29 Odo 721/2006.

Misrepresentation and offence under Section 346 (2) a) of the Criminal Code. 6 Tdo 528/2017.

Multiple collateralizations of a claim and agreement to fill in a blank draft. 29 Cdo 2971/2007.

On incomplete blank draft and the relations thereunder. 20 Cdo 2031/2009.

On the essentials of the place of payment of the promissory note. 29 Cdo 2352/2008.

On the transfer of the right to fill in a blank draft upon its transfer or assignment. 29 Cdo 336/2010.

Opposition to incorrect blank draft completion. 29 Cdo 1591/2014.

Opposition to incorrect blank draft completion. Cdo 5333/2016.

Possibility of performance to the creditor under a blank draft. 29 Cdo 538/2007.

Presentation of a blank draft and opposition. 29 Odo 483/2002.

Principle of concentration of opposition proceedings against bill of exchange payment order. 29 Cdo 838/2011.

Principle of concentration of proceedings on objections to a bill of exchange payment order. 29 Cdo 838/2011.

Redemption of a blank draft. 24Co 210/2003.

Retroactive effect of the completion of a blank draft. 20 Cdo 2977/2018.

Rv I 1377/29.

So-called covered joint suretyship of the drawee. Rv II 885/36.

The right of blank draft completion. 29 Cdo 1245/2014.

The right to fill in a blank draft. 29 Cdo 2861/2014.

The right to fill out a blank draft and its status of limitation. 9 Cmo 274/2004.

Unauthorized measure, forgery, and alteration of a means of payment; forgery and alteration (counterfeiting) of money; fraud. 6 Tdo 1576/2010-30.

Laws:

CZECHIA, Act No. 191/1950 Coll., on Bills of Exchange and Cheque Law (the Bill of Exchange and Cheque Act). In: ASPI [právní informační systém], Praha: Wolters Kluwer ČR
CZECHIA, Act No. 40/2009 Coll., Criminal Code, In: ASPI [právní informační systém], Praha: Wolters Kluwer ČR

Primary Paper Section: A

Secondary Paper Section: AG