

## Abstract

### A. Objectives

The main goal of the dissertation „The Czech National Bank, legal status and content of activity“ is to quantify, qualify and draw as exact as possible conclusions **about some aspects of the development, status and activities of the Czech National Bank in the future**. To solve this task, the author has used in the introduction of this work three following key questions:

Goals

1. **What are the implications for the Czech National Bank of the new bodies supervising the financial markets at european level?**
2. **What are the benefits and negatives of adopting the euro for the Czech Republic and should the Czech Republic actually join the European Monetary Union?**
3. **What impact will have the amendment of the Capital Adequacy Directive (the "Basel II") on the activities of the Czech National Bank?**

### B. Methods

By creating this work was used a wide range of research methods to ensure that there will be drawn conclusions with the best possible informative value. It is possible to mention particularly the **method of recherche, abstraction, comparison** and **synthesis**.

Methods

### C. Sources

As the most important sources used by creating the work can be mentioned especially, **scientific publications, monographs, articles** published in newspapers and specialized journals, **articles on the web sites** of institutions, **annual reports** and other.

Sources

### D. Conclusions

A. The main conclusions of the thesis are following:

Ad 1. As regards the first question, we can state the following facts. **The impact of the new European supervisory authorities to deal with and resolve the crisis in the financial sector will be rather minimal**. From the viewpoint of the Czech National Bank, we can see lot of negatives. As regards its activities, the creation of a new European supervisory institutions will have following implications. Czech National Bank will be limited in its scope of discretion – it will be created a procedure, with which will be the **national supervisory authority forced to comply with relevant European rules**, even if it did not intend to do so. Czech National Bank will be also **restricted in its decision-**

1. European System of Financial Supervision (ESFS)

**making powers in the situations of a crisis in financial markets** - namely by establishing the European framework for dealing with similar situations, to which the local supervisors will have to obey. It will also be used a **procedure for solution of cross-border disputes** between the supervisory authorities of EU Member States. **Amendment of national legislation** to which CNB will have to contribute, will be necessary, nevertheless not essential, because changing the national rules will be made through mainly indirect regulations of the European Parliament and Council. It will be also necessary to **adapt some subordinate legislation** to the new technical standards created by each of the newly created institutions.

Ad 2. Conclusions of the analysis concerning the adoption of a common European currency by the Czech Republic can be summarized as follows. **Despite the Czech Republic's commitment to do so, the question of entering the European Monetary Union is still actual and legitime.** The works analysis sums up following. In a situation when there is no crisis shaking the global economy, it would be advantageous for the Czech Republic to use as its domestic currency, the euro. However, **in periods when there are economic shocks, it is more profitable for our country to use its own currency.** Given that the world economy is not circumventing without crises, **it is advisable to wait and analyse the further development and success of the European Monetary Union project.**

2. Entering the EMU

Ad 3. The third basic question should be then answered as follows. The **main impact** of the activity of the Czech National Bank will have **primarily the CRD II directive**, which will newly regulate especially the agreement between home and host supervisors in determining the amount of capital requirements for consolidated groups, rules for joint action in emergency situations in the European financial markets, establishment of colleges of regulators, to take into account the complex implications of decisions issued by the surveillance activities, strengthening of information obligations between the different regulators and others. **CRD I and IV** will have an impact primarily on the performance of monetary policy of the Czech National Bank, because they relate to the amendment of requirements on the financial markets subjects. **The smallest impact will have the CRD III**, because this directive modifies especially the increase of the capital requirements for specific and market risk in the trading portfolio of obliged subjects. Here will be the responsibility of our central bank in particular the monitoring of implementation of the new rules by the financial market subjects.

3. Capital Requirements Directive (CRD)

B. Other conclusions of this thesis, that were established by the author during its creation, can be summarized as follows:

I believe that after the unification of financial supervision at the institutional level that was realized in 2006, **it would also be appropriate to carry out the surveillance unification in the procedural area, thus creating a uniform Act on Supervision**, which would deal with fragmentation of the existing regulation. In my opinion, one of the most important principles of this law should be **unconditional subsidiarity of the Administrative Code**.

1. Act on Supervision

In reference to a **new Act on the Czech National Bank**, I would strongly advice to **eliminate the problem of inadequate self-regulation** by the Czech National Bank. It would therefore be appropriate that the new Act on the Czech National Bank, would be prepared by the Ministry of Finance, not by the Czech National Bank. The new Act should particularly define the euro as the currency of the Czech Republic and regulate acting of the Czech National Bank within the European System of Central Banks. **In my opinion it is inappropriate to presume, that the new Act will not define the instruments of monetary policy**, which could be deduced from the fact that after entering the EMU the exercise of monetary policy will be fulfilled by the European Central Bank.

2. New Act on CNB

The results of the comparison of the ten major central banks of the world can be summarized in the following premises. In most examined countries is the **supervision of different financial market sectors unified** in the hands of a single institution. The main reason for this is highly probably the effort for more effective supervision of financial conglomerates. **Sectoral model** of supervision is **on retreat** and more and more is **taking up a single model of financial supervision**. Another conclusion is that there is continuously **diminishing role of central banks in prudential supervision**. This trend is to be found in Germany, France and Switzerland. As very strong trend of recent years is also considered the **creation of more structured institutional and regulatory framework for the the consumer protection on financial markets**. This could be illustrated by developments in the UK (creating Markets and Consumer Protection Authority), USA (Dodd-Frank Act), but also on European level (creation of the Consumer Credit Directive). It is also necessary to mention the still ongoing tendency of the **enhancing independence of central banks**. In recent years, there is possible to notify this trend by the Reserve Bank of Australia in 1996, and by the central bank of Japan in 1997.

3. Central banks comparison

C. Next are some partial results of the thesis. With regard to possible adjustments of the Act on the Czech National Bank, it would be appropriate to **extend the provision of § 6 of the Act by the incompatibility of membership in the Bank Board with the function of senator or President.** I also believe that the **system of remuneration of the Bank Board members should be changed.** The manner in which the salary of the Bank Board members and of the governor is established would not be certainly described as the best. Another appropriate amendment of the Act would be **to repeal the Financial Market Committee,** that in my opinion does not meet the conceptual intentions.

Changes in the Act on Czech National Bank

In case of the Constitution amendment in connection with creation of the new Act on Czech National Bank **would also be appropriate to make changes in the appointment procedure of the governor and other members of the Bank Board.**

Changes in the Constitution

It would be also very useful if the **administrative punishment in certain sectoral Acts** of financial market **would be regulated in more detail** (particularly in the Banking Act) to facilitate more effective supervision.

Changes in the Sectoral Acts

Furthermore, I believe that the **terms supervision, surveillance and control should be used in our legislation in following senses.** The narrowest term „control“ in cases where it is necessary to determine how the current state of the analysed reality corresponds to the state that should be without including any sequel. The broader notion „surveillance“ includes the monitoring of non-subordinated subjects and involves the application of consequences. The broadest term „supervision“ also involves activities (e.g. licensing, approvals, consents), which do not fall within the surveillance activities.

Notions

The author believes that the **creators of financial market regulation and the central bank regulation, whose main objective is in most cases the maintenance of price stability should in principle be separate entities.** The main argument here is the first case, the need for subordination to the executive power and the need for independence from the executive power in the latter. The issuing of **primary legislation of the financial market should be exclusively reserved for the Ministry of Finance.**

Relation between the regulation and execution of monetary policy

Furthermore, I believe that recently often mentioned **contemplations of restoring the gold standard should not be considered as feasible in the reality.** Czech Republic should also maximize its effort to **maintain the widest possible independence of the European Central Bank,** which is impaired by some events of recent years.

Gold standard Independence of ECB