

Institutional arrangement of regulation and supervision of the financial market in the Czech Republic

Abstract

The diploma thesis analyzes institutional arrangement of regulation and supervision of the financial market in the Czech Republic, it aims to compare the arrangement with theoretical concepts, models, as well as development abroad. The thesis is structured into five sections.

The first section defines the most important concepts, describes the rationale and objectives of financial markets regulation and adds a short exposition regarding the scope of regulation, proportionality and regulatory failure. The rationale is primarily approached through the lens of market failure, which is then supplemented by description of financial market specifics, which could also give a reason for regulation. The objectives are primarily described in relation to the policies used to achieve them.

The second section presents the theoretical concepts of institutional arrangement, different approaches to it, and select models. The thesis distinguishes vertical and horizontal view of institutional arrangement, and within the latter, institutional, functional, objective-based, and unified approaches. The thesis also deals with related issues, such as the role of the central bank, questions of supervisors' independence and others.

The third section dissects institutional arrangement of regulation and supervision in the Czech Republic, outlines its development, and compares it with theory. The regulatory and supervisory branches are dissected separately, following the objectives presented in the first section. The development is chronicled since the establishment of independent Czech Republic till today.

The fourth section presents comparison with select foreign jurisdictions, which are the European Union, the United States of America, Great Britain and Australia. The fifth section adds author's personal reflections on the topic.

When compared with theory, the thesis comes to the conclusion, that Czech institutional arrangement best resembles unified model with supervisory powers vested in the central bank. It views the scale of Czech financial market as the main reason for such arrangement. From the comparison with foreign jurisdictions, rising preference for the Twin Peaks model is found. The thesis finds the main reasons for this development to be increasing integration of the market, and increasing preference of the objective-based approach to horizontal view of the institutional

arrangement. The thesis finds the Czech model to be partially in alignment with this development.

Keywords: Financial market regulation, Financial market supervision, Institutional arrangement