

RESUMÉ

ORGANIZATION AND FUNCTIONS OF THE CZECH NATIONAL BANK (EMPHASIZING BANKING SUPERVISION)

There have been several central banks in the history of the former Czechoslovakia, the first one was established in 1926. In 1992, when Czechoslovakia was going to be split up into two independent states, also a new central bank was necessary. The Czech National Bank (CNB) started working on 1st January 1993 and since that time it has become a strong and respected institution.

The CNB was established under the Constitution of the Czech republic, which also sets its' principal objective (as effective since 2001) – taking care of price stability. Organizational structure, main tasks, duties and powers, budget etc. are above all governed by Act No. 6/1993 Coll., on the CNB. Other important laws concerning the CNB and its' functions are e.g. Act No. 21/1992 Coll., on Banks, Act No. 15/1998 Coll., on Supervision in the Capital Market Area, Act No. 377/2005 Coll., on Financial Conglomerates, Act No. 253/2008 Coll., on Certain Measures against Legalization of Yields from Criminal Activity and Terrorist Financing and many other.

The CNB is quite different than other banks. Though it is a legal entity, it cannot be found in the Commercial register, unlike other banks (and many other subjects). It manages state's assets entrusted to it and it is not seeking to earn as much as possible, but to fulfil the statutory tasks. No matter what it does, its' independence must be secured against any influence from the outside. The headquarters of the CNB may be found in the heart of Prague, the capital of the Czech republic.

One governor, two vice-governors and four chief executive directors form the Bank Board, the supreme managing body of the central bank. All of them are appointed by the President of the Czech republic for a six-year term and have to meet many statutory requirements. Only the Board as a whole, not the governor himself, does really govern the CNB.

Respecting the principal objective, the CNB has many tasks to fulfil. The most important one is laying down a monetary policy, that will lead to a sustainable development. Other tasks are e.g. issuing banknotes and coins, keeping accounts for state and taking care of the state budget, managing the payment system etc. But still there remains one function untold,

though it really deserves it – supervision. The CNB has always been performing supervision over banks, but since 1st April 2006 its' duties in this field have considerably increased. A new law came into effect providing that from that date the whole financial market is under the supervision of the central bank. Thus three special institutions, that used to perform supervision before, were doomed. Banking sector, capital market, insurance, pension funds, electronic money institutions and exchange supervision – for all of them is now responsible only the central bank.

Of course, this is not the only way how to integrate supervision and it has its' cons, but nothing's perfect. Also Slovakia, the second part of former Czechoslovakia, has made a decision to integrate supervision the same way as Czech republic did. On the other hand Germany, another neighbour of the Czech republic, chose another way and established a brand new subject to perform the supervision. Which way is the better one? Following years have the answers.

To keep pace with the quickly developing banking sector the CNB has also to cooperate with other central banks and international organizations where it represents the Czech Republic, its' experts take part in many international workshops and conferences. The CNB is also a member of the European system of central banks (but not a member of the Eurozone, for Czech republic has not adopted euro yet).

The CNB is an essential institution for the Czech Republic, but its' significance is crossing the borders. Future without it is under present circumstances unimaginable.

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