

# The legal aspects of currency and payment system

## Resume:

The monetary law as a part of the financial law is concentrating mainly on institutions of currency, its emissions, payment systems and its security.

Currency is a concrete monetary system in a concrete state, which is settled by legal acts of this state. The state authority specifies not only the nominal value of banknotes and coins, but also rules of their reproduction, rules of the exchange of damages banknotes for new ones, rules of their acceptance as a payment instruments, rules o payment systems etc.

The monetary system in Czech Republic is compounded of banknotes in denomination of 50, 100, 200, 500, 1000, 2000, 5000 and coins in denomination of 1, 2, 5, 10, 20, 50. The currency named Czech koruna and it is divided into 100 hellers. The sole institution, which has a legal right to emit banknotes and coins, is the Czech National Bank by the Act no. 6/1993 Co. The CNB through its ordinances specifies the emission of a concrete banknote or coin, its size, design, weight... and beginning of validity (for example the Ordinance CNB no. 78/2009 Co. or Ordinance CNB no. 111/1993 Co.). To protect banknotes against a counterfeiting they are provided by security features as watermark, security threads, perforation, see-through mark, hologram, raised print, glossy stripe, microprinting and UV light marks. According to the Ordinance CNB no. 553/2006 Co. the CNB determines rules of reproduction of banknotes, coins, cheques, securities and payment cards and rules of producing of imitation money. The rules are harmonized with EU law.

The main legal enactment specifying a cash payment system is the Ordinance CNB no. 37/1994 Co. It is concentrating on two topics. The first topic is about procedures for receiving money and the handling. The CNB specifies the generally obligation of acceptation of money although it is graded by recipient (individual person, legal person, banks, CNB) and subject (amount of coins, used-up or damaged or counterfeit banknotes and coins). The second topic is about the exchange of incomplete and damaged banknotes and coins. The CNB applies the quarter compensation rule and ECB the half one.

A large number of payments are currently made by bank transfers. Until 2004 there was not a particular legal regulation. It was done by the Ordinance CNB no. 62/2004 Co. until quite recently. The bank transfers are done by to way – charging order or collection order. Both

orders obtain obligatory (specification of order, bank account of payer and receiver, amount in CZK, signature or code as a signature), conditionally obligate (constant symbol) and voluntary (date of payment, variable symbol, specific symbol, text, date of filling) data. Also the banks are obliged to provide to payer and receiver with information about payment in the form of account statement with concrete data.

The noncash payment system is legally regulated by the Act no. 284/2009 Co., in which there are transparently incorporated conditions of EU noncash payment system. In Czech Republic there is the noncash interbank payment system – CERTIS (Czech Express Real Time Interbank Gross Settlement System). Besides new institutions both authorized and registered and electronic money there is specified time-limit of payments and obligation of all subjects in payment system to inform. A protect of consumers becomes a great importance too. It is seen mainly by the setting of loss limit from non-authorized usage of payment card and non-charging for some services (blocking of payment card, closing of account, ect.). Also the solution moment was changed.

The CNB has obligation to protect currency and payment systems against threats and violations. It is supported by new Penal Code (Act no. 40/2009 Co.), which contains the penalties for these crimes (as forgery and altering of money or other payment instrument, producing of illegal imitation of money or other payment instrument, refusing of accept money...).

To make a solving of disputes from payment systems and from usage of electronic money faster and cheaper for participants there was in 2002 established Financial Arbitrator too.