

Banking Products and their Regulation

Abstract

The purpose of my thesis is to analyse banking products in the Czech Republic, in particular their regulation. The thesis takes into account the different views on the issue, like economic or private law view, but the main emphasis is given to financial legal issues. Each product is generally described and after that analyzed with accent on identifying the most important rights, obligations, problems, risks and specifics, that commercial banks face in providing their products. The thesis is composed of five chapters, each of them dealing with different aspects of the problem.

The first chapter is the most general. It gives the broadest definitions. Above all, there are various definitions of „bank“ given by some theorists as well as defined in the Czech law. It has been further defined the very concept of banking products. Because that Czech law does not define it directly, there were used definitions of the Czech legal and economic theorists. The basic types of banks and especially banking product were recognized as well. One of these divisions, dividing type by the purpose, was chosen as the main starting point for further breakdown of chapters.

Chapter Two examines relevant Czech regulation of loans. As a key issue there is identified the problem of credit risk, other banking risks and their management. From all questions related to this problem, there are mainly discussed the issue of capital adequacy, credit exposure, monitoring the liquidity of banks and the mandatory reporting to the regulator. Requirements of European law, especially the concept Basel II, are emphasized as crucial requirements. As other institutes from this field there are also analyzed credit registries, credit collateral, bank guarantee and, as the most important example of alternative forms of financing clients, factoring and forfeiting.

Chapter Three is concerned on deposit products. It is subdivided into three parts based on major categories of sources of banks` financing. These categories are receiving deposits, emission of debt securities and borrowing by the bank. Each of them are described and discussed. In the subheads the additional information about compulsory insurance of deposits, about reserve requirements and about subordinated debt is given.

Chapter Four is dedicated to payment systems. After a brief mention of cash transactions a major accent is on non-cash transactions and documentary payments. The thesis describes

the main payments systems used in area of the Czech Republic, namely CETRIS and TARGET. All relevant forms of payment have been described, with emphasis on the new Payment System Act.

The fifth chapter is about investment banking and is divided into two chapters. The first is about transactions in securities, in the second financial derivatives are discussed.

The final chapter is concerned on treasury and foreign exchange transactions that banks provide. The circulation of cash money and the role of commercial banks in this activity are also described.