

Summary

European banking supervision has recently undergone major changes, through mere co-ordination of supervisory instruments, to the full integration of supervisory instruments in one centralized institution; European Central Bank (ECB). This master thesis deals with banking supervision instruments in the European Union while emphasises the instruments entrusted to the ECB under the second pillar of the banking union; the Single Supervisory Mechanism (SSM) and aims to analyse and evaluate their role in preventing potential financial crises. The establishment and development of a banking union is closely linked to the monetary union. Therefore, the first chapter deals with the development of monetary integration. The second chapter of this master thesis deals with the institutional arrangements for supervision at the European Union level, with an emphasis on the description of the organization and functioning of the ECB, which is at the forefront of the supervision of the banking sector within SSM. Other institutions, or rather agencies, of the European banking supervision are European Banking Authority (**EBA**) at the micro-prudential level and European Systemic Risk Board (**ESRB**) at the macro-prudential level. Conclusion of the second chapter is therefore devoted not only to the description of their composition and functions, but also to the clarification of the discrepancies of competences between EBA, ESRB and ECB after the establishment of SSM. The third chapter starts with the characteristics of banking supervision and its objectives from a general point of view, not only from a European point of view. The fourth chapter deals with the development of banking supervision in the European Union, which started with three banking directives and was completed by integrating the banking sector's regulatory and supervisory powers within the banking union, SSM respectively. Describing and analysing trends in supervisory developments in the European Union is important for assessing the effectiveness of and progress of the banking supervision within the banking union. The penultimate chapter is devoted to the most important powers and instruments of supervision entrusted to the ECB in SSM. From the general description of SSM and its operation, the author moves first to the ECB's direct supervisory powers over significant credit institutions and consequently to the ECB's indirect oversight instruments over national competent authorities supervising the less significant credit institutions that are necessary to enable the ECB to play its essential role in SSM which is to provide the effective

functioning of the banking system and the whole credit institutions' supervisory mechanism with non-discriminatory and level playing field conditions for all banking entities within SSM. The final chapter is briefly focused on the current adjustment of European banking supervision in the Czech Republic, including the potential establishment of close cooperation between the Czech Republic and SSM.