

CZECH NATIONAL BANK – LEGAL STATUS AND CONTENT OF ACTIVITIES

Diploma paper

First chapter is called The Introduction. This chapter describes the filling of my diploma paper. There is also short outline of transformation from statism to free economy in our history. This transformation affects our banking system significantly. Second chapter defines what the banking system is. It consists of banking institutions and relations between these institutions. That's why the banking system has two components – institutional component and functional component. Institutional component of banking system implies every single bank. Functional component of banking system comprises arrangement of all relations between banking institutions. It is proper to make differences among single stage, two stage and three stage banking systems. Central bank has different position and legal powers in each of these systems. There is short mention about Czech banking system too.

Third chapter is called The Beginning and Development of Central banks. This chapter describes main reasons, that causes establishing Central banks in market oriented economies. Central banks were established later than trading banks and in some states they were even transformed from trading banks. Part of this chapter is also the development of Central bank in our territory.

Fourth chapter is called The Legal Status of Czech National Bank. The Czech National Bank is the central bank of Czech republic and it is established under the Constitution of Czech republic and carries out its activities in compliance with Act on the Czech national bank and other regulations (mainly in Act on banks).

Fifth chapter is called The Content of Activities of Czech National Bank. It describes main functions in monetary policy, issuance of banknotes and coins, payment systems, bank of state, statistics. Czech National Bank also represents state in international financial institutions.

Fifth chapter is called The Banking Regulation and Supervision. It describes conditions that have to be satisfied by bank to obtain the banking licence and join the banking system and also special rules (prudential rules), which have to be followed by bank in order to exist in the banking system. The basic prudential rules are laid down directly in the Act on Banks. Other part of this chapter deals with The Banking Supervision. There are describes two basic supervisory methods, they are using by Czech National Bank – off-site and on-site supervision. Remedial instrumentals and sanctions are appointed here too. Integration of the financial market supervisory authorities into the Czech National Bank was accomplished in 2006. This process should work towards the goals of development and stability of the financial market, while reducing the regulatory costs of participants, and high transparency and effective decision-making by the supervisory authorities.

Last chapters include summary and list of literature.