

Abstract

This thesis discusses the relevance of the countercyclical capital buffer proposal as a new tool of bank capital policy. The concept of buffers is based on creating additional capital reserves at a time of economic growth, which are released in order to offset the impact in a recession. In this paper are discussed main assumptions and key variables that help to determine the excessive credit period, hence the time when should be the capital reserves released. Specifically it is focused on the method of *Hodrick-Prescott filter*, where examines, whether the method proposed by the Basel Committee for adjusting the capital buffers is appropriate from the perspective of Central and Eastern Europe, especially in the case of Czech Republic. For this purpose was introduced a new set of indicators that determines the period of excessive credit growth in the economy. Based on the results we conclude that the smoothing parameter suggested by the Basel Committee on Banking Supervision used in the Hodrick-Prescott filter in the case of converging economies is overestimated and may lead to improper adjustment of the countercyclical capital buffers in given economies.

Keywords:

Basel III, excessive credit, Hodrick-Prescott filter, credit to GDP ratio, Central and Eastern Europe countries