

Issuance of money by the central bank and its prospect after accession to the European Monetary Union

(abstract)

The presented thesis analyzes the problems of issuance of money by the Central Bank in the Czech Republic. The issuance of money is analyzed particularly from the viewpoint of its legal regulation but attention is also paid to its practical implementation in the official practice of our Central Bank. The aim of the thesis is to comprehensively elaborate substantial part of the legal regulation in this area. Attention is paid particularly to applicable legal regulation but also to regulations that have been repealed in the period from establishment of the Czech Republic to the present time. This area of our day to day life has not been frequently explored and there is only minimum related financial-law literature. This, on the other hand, provides more space for the analysis of little known information from official practice.

The first part of the thesis provides an overview of the history of issuance of money in our territory after 1918. Initially, it deals with the Austro-Hungarian crown currency and its banknotes and coins that had been circulating in this country after the establishment of the independent Czechoslovak state. It further analyzes the development of cash circulation of the Czechoslovak Republic since the separation of the Czechoslovak currency from the Austro-Hungarian currency which took place according to the plan of the first Finance Minister Alois Rašín. Subsequently, it monitors the issuance of the first Czechoslovak definitive treasury notes by the Bank Office of the Ministry of Finance and assumption of its functions by the National Bank of Czechoslovakia in 1926. The thesis then monitors issuing activity of the National Bank of Czechoslovakia up until its dissolution in 1950, including the Second World War period during which it operated under the name of the National Bank for Bohemia and Moravia. Subsequently, it monitors the complex currency development after 1945 including two monetary reforms in 1945 and 1953. It further monitors the development of issuance of banknotes for the period of existence of the State Bank of Czechoslovakia which controlled monetary circulation in this country for more than 40 years until the end of 1992.

The second part deals in more detail with the Czechoslovak banknotes and coins that were used in monetary circulation after the establishment of the independent Czech Republic. These were the banknotes and coins originating from several sets up to 40 years old and, consequently, were inconsistent from artistic and technical point of view. Therefore, already since 1990, the State Bank of Czechoslovakia had been preparing new sets of banknotes and coins with the new state symbols, different motifs and better fraud protection. However, these new sets were never issued due to the break-up of the common Czechoslovak state. These payment instruments include also several dozens of types of Czechoslovak of commemorative silver coins that had been issued between 1954 and 1992 and annually since 1964.

The third part of the thesis describes the development of issuance of money and monetary circulation after the decision on separation of the common Czechoslovak state in mid-1992. The economic development lead inevitably to the so-called currency split, i.e. separation of the currency of the Czech Republic and of the currency of the Slovak Republic from the Czechoslovak currency. The thesis deals with the state of money supply and situation in the new supplies from the production. It subsequently discusses incorporation of the currency split into the legislation and its organizational provision. During the currency split, the Czechoslovak money in circulation was separated and the banknotes with higher denominations were stamped which confirmed their validity in only one part of the former common territory.

The fourth part deals with the current Czech banknotes and coins. It clarifies the circumstances of contracting the preparation of designs of the Czech coins in autumn of 1992 and looking for suitable foreign mint to which the production of the new Czech coins would be entrusted. The designs of banknotes were selected between 1991 and 1992, as part of the prepared new Czechoslovak issue, and the first banknote, two hundred-crown note, was prepared for series production. However, political and economic development required preparation of new payment instruments of the independent Czech Republic and all designs of banknotes of the State Bank of Czechoslovakia were re-designed to the Czech National Bank and Czechoslovak crowns were modified to the Czech crowns.

The fifth and, from the viewpoint of legal research, most important part deals with the legal regulation of issuance of money and monetary circulation of the Czech Republic. This regulation was initially incorporated in the Czech National Bank Act but its substantial part was transferred to the Act on Circulation of Banknotes and Coins in 2011. Only basic provisions on the exclusive right of the Czech National Bank to issue banknotes and coins including commemorative coins were left in the Czech National Bank Act. The substance of operational nature was transferred to the Act on Circulation of Banknotes and Coins. The thesis subsequently deals with the individual areas of activity of the Central Bank in the area of cash money. It includes e.g. monitoring the needs of monetary circulation, contracting the production of money and managing its supply. The thesis analyzes also the individual types of payment instruments issued by the Czech National Bank. Attention is also paid to the aspects of packaging of banknotes and coins, exchange of payment instruments worn during circulation and damaged, etc. Special attention is also paid to the developments in the legal regulation, i.e. areas that have not been regulated in the existing regulations at all.

Subsequently, the thesis deals in detail with some selected areas of the legal regulation. Special attention is paid to the problem of reproduction of payment instruments where the respective regulations changed twice during several years and were harmonized with the law of the European Union. The provisions of the legal regulations are supplemented by a number of illustrations allowing correct understanding of possibilities in reproducing payment instruments and by practical examples of permitted and illegal reproductions. This part also analyses the disposal of suspicious money and deals with the bodies of the European Union combating money counterfeiting.

The last sixth part is devoted to the research of some aspects related to money counterfeiting, in particular to the forms of counterfeiting and practical examples of different methods of fraudulent modifications of banknotes and coins. It explains the individual forms of counterfeiting as well as classification of counterfeits by the degree of danger.

