

The Czech National Bank, its legal position and scope of activities

Abstract

As the theme of my thesis, I have chosen the Czech National Bank, its legal position and scope of activities. The aim is to analyze the legal position and activities of the CNB. This is a very large topic, due to the wide activities of the CNB at national, European and international level. The CNB is an independent, highly credible and very powerful institution.

The CNB is the central bank of the Czech Republic, the financial market supervision authority and the authority to solve crisis. Its main objective is to maintain price stability. Due to the wide range of tasks, I focused on the assessment of its monetary policy as its most important business. The implementation of monetary policy is based on the ability to choose the level of interest rates that will keep inflation at a low but stable level and there will be no unnecessary slowdown or acceleration of the growth rate of the economy. The aim of the CNB's transmission mechanism is to keep the overall inflation in the narrow corridor at 1-3 %. By comparing the real development of the average quarterly inflation rate and the forecast of monetary policy-relevant inflation for the period from 3.Q 2008 to 2.Q 2019, it can be concluded that the caused fluctuations could be hardly affected by the CNB. In principle, the CNB has always chosen an appropriate monetary policy strategy but in most cases, the extent of the impact of external factors was not predictable or very difficult. At the first glance the monetary policy of the CNB may appear unsuccessful, due to real large fluctuations compared to the projected situation but the chosen strategies were able to avert the real threats.

In the next part of my thesis I focused on the involvement of the CNB in European structures, especially its role in the European Systemic Risk Board and the European System of Central Banks. The ESRB is an independent authority within the ESFS responsible for the macroprudential oversight of the EU financial system. The CNB participates in the activities of the ESRB through the participation of the Governor of the CNB in the General Board. However, the interconnectedness of financial markets and the cross-border operation of financial conglomerates inevitably leads to the creation of a single body for supervision of capital markets and the completion of the financial union, as well as to abandoning the traditional supervisory model at national level. The General Council, which consists of the Governors of all national central banks and the President and Vice-President of the ECB, is the third decision-making body of the ESCB. The General Council guarantees a minimum level of involvement of all central banks in order to prevent any potential centrifugal forces which could arise from the differentiated rights and obligations of euro area and non-euro area countries.

Keywords: CNB, monetary policy, ESCB