

Regulation No. 57/2006 Coll.
Amendment Act in connection with the integration of financial market
supervision

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PART THREE

Amendment to the Act on the Czech National Bank

Article. In

Law No. 6/1993 Coll., The Czech National Bank, as amended by Act No. 60/1993 Coll., Act No. 15/1998 Coll., Act No. 442/2000 Coll., The Constitutional Court No. 278/2001 Coll., Act No. 482/2001 Coll., Act No. 127/2002 Coll., Act No. 257/2004 Coll. and Act No. 377/2005 Coll., as follows:

First in § 1, paragraph 1, the words "and the supervisor of the financial market."

2nd In § 2, paragraph 2. c) the word "bank," the words "foreign bank branches and credit unions".

3rd In § 2, paragraph 2, letter d) reads:

" **d)** exercise supervision over entities operating in the financial market, analyzes the evolution of the financial system, the sound operation and development of the financial market in the Czech Republic and contributes to the stability of the financial system as a whole. "

4th In § 2, paragraph 2, letter e), including footnotes 1a and 1b deleted and the letter f) is renumbered as paragraph e).

5th In § 2, paragraph 3, the words "banks and electronic money institutions" are deleted.

6th In § 3, paragraphs 6-8, including footnotes 17, 18 and 19 are deleted.

7th In § 3 the following new § 3a is inserted:

"§ 3a

Czech National Bank shall submit the Chamber of Deputies at least once a year for information a report on financial stability. "

8th In § 5, at the end of paragraph 1, the words "and measures in the field of financial market supervision."

9th V 5, paragraph 2, at the end of the text is replaced by a comma and the letter h), which reads:

" **h)** decide on appeals against decisions of the Czech National Bank in the first instance. "

10th In § 6, paragraph 7, point. d) the words "bank" shall be deleted and the word "issues" with the words "and in the financial market."

11th In § 10, paragraph 2, the word "banking" is replaced by "financial market".

12th In § 24 letter a), including footnote No. 1 reads as follows:

" **a)** measures promulgated in the Bulletin of the Czech National Bank's prudential rules for banks, branches of foreign banks, credit unions, electronic money institutions ^{1a)} and branches of foreign electronic money institutions operating in the Czech Republic under a single license,

¹) § 18b of Act No. 124/2002 Coll. Transfers of Funds, Electronic Payment Instruments and Payment Systems (Payment System Act), as amended by Act No. 257/2004 Coll. "

13th in § 25 paragraph 1, the words "banks", the words "foreign bank branches and credit unions."

14th in § 25 paragraph 2, the words "bank reduced the Bank's obligations to other banks" are replaced by "an institution that has an obligation under paragraph 1, less the liabilities of the institution to other institutions that have an obligation under paragraph 1".

15th in § 26 paragraph 1, the words "If the Bank", the words ", a branch of a foreign bank or savings and loan association."

16th in § 26 paragraph 2, the word "bank" is replaced by "institutions, subject to the requirement under § 25."

17th In § 29 the following new § 29a is inserted:

"§ 29a

Stores that Czech National Bank shall, pursuant to Part Six with banks may perform similarly with foreign bank branches and credit unions. ".

18th In § 36 point. a) after the word "bank", the words "credit unions".

19th In § 36 letter c) is deleted including footnote No. 6

20th in § 37 paragraph 2 reads:

" **(2) The** Czech National Bank and the Ministry of Finance shall submit to the government draft legislation on foreign exchange management and regulation of electronic money. ".

21st In § 37 the following paragraph 3 is added:

" **(3) The** Czech National Bank is working with the Ministry of Finance in drafting legislation on the financial market, the provisions of paragraphs 1 and 2 are not affected. ".

22nd In § 38, paragraph 1, the words "credit unions ^{4a)} "the words" and branches of foreign banks. "

23rd In § 38, paragraph 1, the reference to footnote 4 deleted.

24th in § 38 paragraph 3 reads:

" **(3) The** Czech National Bank provides to ensure uniform payments and settlement decree

a) the manner of execution of payments between banks, credit unions and branches of foreign banks and clearing accounts with banks, credit unions and branches of foreign banks,

b) how to use credit by banks, credit unions and branches of foreign banks in the payment system. ".

25th In § 40 the word "bank", the words "supervisors of financial markets."

26th in § 41 paragraph 2-5, including footnotes 8 and 8a added:

" **(2) The** Czech National Bank requires to undertake its tasks necessary information and documents from

a) banks, branches of foreign banks, credit unions, electronic money institutions ^{1a)} and branches of foreign electronic money institutions operating in the Czech Republic under a single license,

b) other entities subject to its supervision (§ 44)

c) other persons who belong to the sector of financial institutions under the law of the European Communities ⁸⁾ , or persons who have the information necessary for the compilation of balance of payments Czech Republic.

Right Czech National Bank to request information pursuant to special legislation and the performance of the information duty under special legislation that does not affect ^{8a)} .

(3) The Czech National Bank provides a provision promulgated in the Bulletin of the Czech National Bank the content, form, terms and manner of submission of the information and documents required from the persons referred to in paragraph 2. a) a communication and organizational conditions for the transfer of the Czech National Bank.

(4) The Czech National Bank shall issue a decree group of entities referred to in paragraph 2. b) and c) the content, form, terms and manner of presenting them information and documents required.

(5) If the submitted information and documents do not comply with the requirements set out in paragraph 3 or 4 or where there are reasonable doubts as to the accuracy or completeness of the information and documents submitted, the Czech National Bank may request relevant details or explanations.

⁸⁾) Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community.

⁸⁾) For example, Act No. 21/1992 Coll., on Banks, as amended, Act No. 256/2004 Coll., on Capital Market, as amended, Act No. 189/2004 Coll. Collective Investment Law No. 87/1995 Coll., on savings and credit cooperatives, as amended, Act No. 363/1999 Coll., Insurance, as amended. ".

Paragraph 5 shall be renumbered as paragraph 6

27th Footnotes 9, 9a and 9b are deleted.

28th In § 43 the words "state supervision" is replaced by "supervision under special legislation ⁹⁾ . "

Footnote 9 reads:

" ⁹⁾) Law No. 15/1998 Coll., as amended.

Act No. 256/2004 Coll., as amended. ".

29th § 44 including footnotes 9a to 9f is:

§ 44

(1) The Czech National Bank shall exercise supervision over

a) banks, branches of foreign banks, credit unions, electronic money institutions, branches of foreign electronic money institutions and other entities that issue electronic money under special legislation ^{9a)} and the sound operation of the banking system,

b) securities dealers, issuers of securities central depository, other entities keeping records of investment instruments, investment companies, investment funds, settlement system operators, promoters of investment markets and other persons specified in special legislation governing business Capital Market ^{9b)} ,

- c) insurance companies, reinsurance companies, pension funds and other entities operating in the insurance and pension schemes under special legislation ^{9c)} ,
- d) safe, reliable and efficient operation of payment systems under a special law ^{9d)} ,
- e) the activities of other persons who are authorized by specific legislation ^{9e)} .

(2) Supervision includes

- a) decisions on applications for licenses, permits and approvals prior to any restrictions,
- b) checking that the conditions stipulated in licenses and permits;
- c) monitoring compliance with the law, if it is to control the Czech National Bank under this Act or special legal rules, and enforcement of regulations and provisions issued by the Czech National Bank
- d) obtaining information necessary for the exercise of supervision pursuant to special legislation and its enforcement, verifying the truthfulness, completeness and timeliness,
- e) imposition of remedial measures and penalties under this Act or special regulations,
- f) management of administrative offenses and misdemeanors.

(3) The Czech National Bank shall exercise the persons referred to in paragraph 1 also in supervision on a consolidated basis or in a group and supplementary supervision of such entities in a financial conglomerate to the extent determined by special legislation ^{9f)} .

^{9a)} Act No. 21/1992 Coll., on Banks, as amended, Act No. 87/1995 Coll., on savings and credit cooperatives, as amended, section three of Act No. 124/2002 Coll. of payments, as amended.

^{9b)} § 3. a) of Act No. 15/1998 Coll., the Securities and Exchange Commission and amending other Acts, as amended.

^{9c)} Act No. 363/1999 Coll., Insurance, as amended, Act No. 42/1994 Coll., on pension insurance with state contribution, as amended, Act No. 38/2004 Coll. Insurance Intermediaries and Independent Loss Adjusters.

^{9d)} Part IV of the Act No. 124/2002 Coll., as amended.

^{9e)} Act No. 219/1995 Coll., the Foreign Exchange Act, as amended.

^{9f)} Act No. 377/2005 Coll., on the supplementary supervision of banks, credit unions, electronic money institutions, insurance undertakings and investment firms in a financial conglomerate and amending other laws (Act on Financial Conglomerates), Act No. 21 / 1992 Coll., as amended, Act No. 256/2004 Coll., on Capital Market, as amended, Act No. 363/1999 Coll., on insurance and amending certain related acts (Act on Insurance). "

30th In § 45, the existing text as paragraph 1 indicates In it, the word "supervision" is replaced by "oversight". Footnote No. 9b is referred to as footnote 9 grams, including the reference to the footnote.

31st In § 45 the following paragraph 2, which including footnote No. 11a reads:

" **(2)** An employee Czech National Bank shall exercise supervision in the form of on-site inspections in cases where the person close ^{11a)} to the controlled person or a person who has controlled entity status that might affect its operation.

¹¹⁾ § 116 of the Civil Code. "

32 Under § 45, the following new § 45a-45d, including the title added:

§ 45a

Financial Market Committee

(1) A committee on the financial market (hereinafter referred to as "the Committee") as an advisory body to the Board for the supervision of financial markets.

(2) The Committee has seven members, namely:

- a) a Chairman, Vice Chairman and another member of the committee, elected by the Budget Committee of the Chamber of Deputies in the drafting of professional organizations or interest groups financial market participants, after the Czech National Bank and the Ministry of Finance of the proposed persons; these committee members must be credible and recognized experts financial market,
- b) a member of the board appointed and dismissed by the Bank Board,
- c) two senior officers of the Ministry of Finance appointed and dismissed by the Minister of Finance,
- d) Financial Arbitrator.

(3) The term of office of an elected member of the Committee on the Budget Committee of the Chamber of Deputies is three years. It may be re-elected. Budget Committee shall elect a member of the Committee not later than three months from the expiry of his term of office, death, resignation or dismissal of a previous committee member of the Budget Committee due to loss of credibility.

(4) Members of the Committee shall serve impartially and performance of them are not remunerated.

§ 45b

(1) The Committee shall meet regularly at least twice a year.

(2) Negotiations Committee chaired by the Chairman and in his absence the Vice Chairman.

(3) The Governor of the Czech National Bank and the Finance Minister are entitled to attend meetings of the Committee.

(4) The Committee shall adopt its rules of procedure specifying detailed rules for its meetings.

(5) Employee Czech National Bank, the Bank Board shall be the Secretary of the Committee.

§ 45c

(1) The Committee monitors and discusses

a) general concepts, strategies and approaches to financial market supervision,

b) significant new trends in the financial market in the supervision or control,

c) systemic issues and financial market supervision over him,
a national and international nature.

(2) The Committee is authorized to submit to the Bank Board opinions and recommendations in the areas referred to in paragraph 1, and in these cases the chairman and in his absence the Vice-Chairman shall be entitled to participate in the discussion of the opinions or recommendations of the Committee of the Bank Board. Similar opinions and recommendations of the Committee is entitled to submit to the Ministry of Finance.

(3) The Czech National Bank shall inform the Committee at least twice a year, the main activities in the field of financial supervision in the past year, including decisions. It will do so at the request of the Committee, the same information duty at the request of the Committee and the Ministry of Finance and the Financial Arbiter.

§ 45d

Report on Supervision of the Financial Market

(1) The Czech National Bank is prepared each year and not later than 30 June of the following year by the Chamber of Deputies, the Senate and the Government for information on the performance of financial market supervision.

(2) Before the report on supervision must have it discussed by the Committee, which has the right to append its expression. "

33 § 46 reads as follows:

"§ 46

Remedial Measures

(1) If the Czech National Bank determines that the person referred to in § 24 point. b) violation of this Act, other legislation or measures issued by the Czech National Bank requires that person to refrain from incorrect procedure or ceased operations.

(2) A person referred to in paragraph 1 shall inform the Czech National Bank to close the gaps without undue delay after the defects were remedied, or immediately after the activity was completed.

(3) The procedure referred to in paragraph 1 shall not apply regulations on administrative proceedings. '.

34 Footnote 12 is repealed.

35 Under § 46, the following new § 46a to 46f, including the title and footnotes 11b to 11f added:

"§ 46a

Administrative offenses in business and trading on the money market

(1) A legal entity that is not a bank, or a natural person commits an administrative offense by violating prudential rule or the conditions under which trading on the money market, fixed in accordance with § 24 point. b).

(2) An administrative offense under paragraph 1 shall be fined up to CZK 1,000,000.

§ 46b

Administrative offenses in the fulfillment of the information obligations

(1) A legal entity or a natural person referred to in § 41 paragraph 2 shall be guilty of an administrative offense by violating the obligation to submit the information or documents pursuant to § 41, or that such information or evidence is repeatedly incomplete or incorrect.

(2) An administrative offense under paragraph 1 shall be fined up to CZK 1,000,000.

§ 46c

Administrative offenses in the reproduction of the symbol of money and their imitations

(1) A legal entity or a natural person commits an administrative offense in reproducing the symbols of money and their imitations produces a reproduction of banknotes, coins, means of payment or a security denominated in Czech crowns or foreign currency, or produces, sells, imports or expanding for sale or for other commercial

purposes subject imitating them in conflict with § 20 or a directly applicable regulation of the European Communities ^{11b)} .

(2) An administrative offense under paragraph 1 shall be fined up to 500,000 CZK.

(3) A natural person commits an offense if, in reproducing the symbols of money and their imitations produces a reproduction of banknotes, coins, means of payment or a security denominated in Czech crowns or foreign currency, or produces, sells, imports or extends for sale or for other commercial purposes subject imitating them in conflict with § 20 or a directly applicable regulation of the European Communities ^{11b)} .

(4) An offense under paragraph 3 may be fined up to 500,000 CZK.

§ 46d

Administrative offenses against circulation

(1) A legal person commits an administrative offense if it does not remove the counterfeit notes or coins, although it is required to do so pursuant to § 21 or a directly applicable legal act of the European Communities ^{11c)} and do not pass the Czech National Bank.

(2) An administrative offense under paragraph 1 shall be fined up to CZK 1,000,000.

§ 46e

Administrative offenses in the payment system

(1) A legal entity or a natural person commits an administrative offense by violating the obligation under the directly applicable European Communities ^{11d)}

a) for cross-border payment charge the same price as for the corresponding payments are made within the Czech Republic,

b) inform clients in accordance with the directly applicable regulation of the European Communities ^{11e)} prices for payments, changes to these charges as well as charges for exchanging currencies related to the payment,

c) inform the client at the request of the International Bank Account Number (IBAN) and its international bank identifier code (BIC)

d) give the particulars referred to in subparagraph c) a statement of account or in an attachment to him.

(2) An administrative offense under paragraph 1. a) shall be fined in the amount of 5,000,000 CZK.

(3) An administrative offense under paragraph 1. b), c) and d) shall be fined in the amount of 1,000,000 CZK.

§ 46f

Common provisions on administrative offenses

(1) A legal person for an administrative delict if it proves that it made every effort that could be required to breach of legal duty.

(2) In determining the amount of the fine legal entity, the seriousness of the administrative offense, particularly the way it was committed, its consequences and the circumstances under which it was committed.

(3) The liability of legal persons for an administrative offense shall expire if the Czech National Bank on it did not initiate administrative proceedings within one year from the date on which it became aware of, but not later than 5 years from the date on which it was committed.

(4) Administrative offenses under § 46a to 46e discussed by the Czech National Bank.

(5) An appeal against a decision of an administrative offense decided by the Bank Board.

(6) The liability for conduct that occurred during business individuals ^{11f)} or in direct connection with, the provisions of the law on liability and sanctions for legal persons.

(7) Penalties for administrative offenses imposed by the Czech National Bank shall be collected and enforced by the local tax office. Revenue from fines is the income of the state budget.

^{11b)}) Council Regulation (EC) No 2182/2004 concerning medals and tokens similar to euro coins. Council Regulation (EC) No 2183/2004 on non-participating Member States the application of Regulation (EC) No 2182/2004 concerning medals and tokens similar to euro coins.

^{11c)}) Council Regulation (EC) No 1338/2001 laying down measures necessary for the protection of the euro against counterfeiting and Council Regulation (EC) No 1339/2001 extending the provisions of Regulation (EC) No 1338/2001 laying down measures necessary for the protection euro against counterfeiting to those Member States which have not adopted the euro as their single currency.

^{11d)}) Regulation of the European Parliament and Council Regulation (EC) No 2560/2001 of 19 December 2001 on cross-border payments in euro, Official Journal L 344, 28/12/2001 P. 0013-0016.

^{11e)}) Art. 4 and 6 of Regulation No 2560/2001.

^{11f)}) § 2, paragraph 2 of the Commercial Code. "

36 Under § 49, the following new § 49a, which including footnote 12b reads:

"§ 49a

Management fees for the Czech National Bank pursuant to a special legal regulation ^{12b)} are income to the Czech National Bank.

^{12b)}) Act No. 634/2004 Coll., on administrative fees, as amended. ".

37 In § 49b paragraph 1, second sentence, after the word "bank", the words "credit unions".

38 In § 49b after paragraph 5 the following paragraph 6 is added:

" **(6)** The Czech National Bank issued an official communication of the Czech National Bank, which provides information regarding the Bank Board's interest rate, interpretative opinions Czech National Bank, the conditions for the transactions of the Czech National Bank and facts important for people who work in the financial market. Official Information of the Czech National Bank shall be signed by a member of the Board and are published in the Gazette. ".

The existing paragraph 6 shall be renumbered as paragraph 7

39 In § 49b, the following paragraph 8 is added:

" **(8)** The Czech National Bank shall publish a manner allowing remote access to a copy of the Bulletin, which is not considered as Bulletin referred to in paragraph 3 and the text is not in the administrative proceedings or other proceedings in the appeal. ".

40 In § 50 paragraph 3 reads:

" **(3)** Employees of the Czech National Bank may not, without the prior consent of the Board to carry out business activities, participate in the business of others or hold positions in statutory and other bodies of any company., this provision shall not apply to the management of its own property and scientific, literary , journalistic, artistic and educational. During all these activities are employees of the Czech National Bank shall take care to avoid conflicts of interest or misuse of information obtained in the exercise of their functions in the Czech National Bank. ".

41 In § 50, the following paragraph 4 is added:

" **(4)** Employees of the Czech National Bank shall observe the rules of professional ethics laid down by the Code of Ethics Czech National Bank, which is approved by the Bank Board. ".

42 § 60a including footnote 20 is deleted.

Article. VI

Transitional provisions

First the penalty proceedings initiated before the effective date of this Act completes the Czech National Bank pursuant to the current legislation.

2nd Professional and recreational organization for financial market participants to propose two months from the date of entry into force of this Act, candidates for members of the financial market (hereinafter referred to as "the Committee") pursuant to § 45a, paragraph 2, point. a) Law No. 6/1993 Coll., the Czech National Bank, as amended by this Act. Budget Committee of the Chamber of Deputies within 4 months from the date of entry into force of this Act, the nominees selected by a Chairman, Vice-Chairman and another member of the committee. The manner and form of nomination of candidates established by the budget committee without undue delay after the entry into force of this Act and shall publish it in a manner allowing remote access. The Chairman shall convene in cooperation with the Czech National Bank at the first meeting of the committee so that it takes place within one month after his election.

Third first report in accordance with § 45d of Act No. 6/1993 Coll., the Czech National Bank, as amended by this act, shall submit to the Czech National Bank for the year 2006 to 30 June 2007.

Article. VII

Power of attorney

The Prime Minister is authorized to promulgate the full text of Act No. 6/1993 Coll., The Czech National Bank, as is clear from subsequent laws and Constitutional Court.