

Act No. 6/1993 Coll.
of 17 December 1992,
on 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 ruling promulgated under 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.

Note: This text is a working material for information only, and is not an official translation of the Czech legislation

ACT ON THE CZECH NATIONAL BANK

The Czech National Council has passed this Act:

PART ONE
Basic provisions

Article 1

- (1) The Czech National Bank shall be the central bank of the Czech Republic.
- (2) The Czech National Bank shall be a legal entity governed by public law having its registered address in Prague; it shall not be incorporated in the Companies Register.
- (3) The Czech National Bank shall be entrusted with the powers of an administrative authority to the extent defined in this Act and in special legislative acts.¹⁾
- (4) The Czech National Bank shall independently and with due diligence manage the assets entrusted to it by the state.

Article 2

- (1) The primary objective of the Czech National Bank shall be to maintain price stability. Without prejudice to its primary objective, the Czech National Bank shall support the general

¹⁾ e.g. Act No. 21/1992 Coll., on Banks, as amended, and Act No. 219/1995 Coll., the Foreign Exchange Act.

economic policies of the Government leading to sustainable economic growth. The Czech National Bank shall act in accordance with the principle of an open market economy.

(2) In accordance with its primary objective, the Czech National Bank shall:

- a) set monetary policy;
- b) issue banknotes and coins;
- c) manage the circulation of currency, administer payments and clearing between banks, promote smooth and efficient operation thereof, and contribute to the safety, soundness and efficiency of payment systems and to the development thereof;
- d) supervise the activities of banks, foreign bank branches and any consolidated groups that contain a bank having its registered address in the Czech Republic, and see to the sound operation and purposeful development of the banking system in the Czech Republic;
- e) carry on other activities pursuant to this Act and pursuant to special legislative acts.¹⁾

(3) When performing its tasks, the Czech National Bank shall co-operate with the central banks of other countries, with the authorities supervising the banks and financial markets of other countries, and with international financial organisations and international organisations engaged in the supervision of banks and financial markets.

Article 3

(1) The Czech National Bank shall submit a report on monetary development to the Chamber of Deputies of Parliament at least twice a year for review. If the Chamber of Deputies so resolves, the Czech National Bank shall submit an extraordinary report on monetary development within thirty days. The resolution of the Chamber of Deputies must state what the extraordinary report should contain.

(2) The report on monetary development shall be submitted to the Chamber of Deputies by the Governor of the Czech National Bank, who in such an event shall be entitled to attend the session of the Chamber of Deputies and must be called upon to speak.^{1a)}

(3) The Chamber of Deputies shall acknowledge the report on monetary development or shall ask for a revised report.

(4) If the Chamber of Deputies asks for a revised report, the Czech National Bank shall within six weeks submit a revised report that complies with the requirements of the Chamber of Deputies.

(5) The Czech National Bank shall inform the public on monetary development at least once every three months.

(6) The Czech National Bank shall send a copy or transcript of any decision made pursuant to a special legislative act¹⁷⁾ to the Securities Commission.

^{1a)} Article 52(2) of Act No. 90/1995 Coll., on the Standing Orders of the Chamber of Deputies.

¹⁷⁾ Article 16(2) of Act No. 15/1998 Coll., on the Securities Commission and on Amendments to Other Laws

(7) Pursuant to a special legislative act¹⁸⁾ the Czech National Bank shall inform the Securities Commission of any trades in investment instruments and, if asked, carry out an inspection of any financial transactions connected with such trades.

(8) Pursuant to a special legislative act¹⁹⁾ the Czech National Bank shall inform the Securities Commission and the Ministry of Finance of the initiation and course of any proceedings the subject of which is the imposition of remedial measures and penalties.

PART TWO

Organisation of the Czech National Bank

Article 4

The Czech National Bank shall comprise:

- a) a headquarters having its registered address at Prague;
- b) branch offices;
- c) special-purpose organisational units.

Article 5

(1) The supreme governing body of the Czech National Bank shall be the Bank Board of the Czech National Bank (hereinafter referred to as the “Bank Board”). The Bank Board shall set monetary policy and the instruments for implementing this policy, and shall decide upon the fundamental monetary policy measures of the Czech National Bank.

(2) Furthermore, the Bank Board shall, in particular:

- a) set forth the principles for the activities and transactions of the Czech National Bank;
- b) approve the budget of the Czech National Bank,
- c) set forth the organisational structure and fields of competence of the organisational units of the Czech National Bank;
- d) define the types, amounts and uses of the funds of the Czech National Bank;
- e) execute the rights and duties arising from labour-law relations in respect of the staff of the Czech National Bank. The Bank Board may delegate these activities to other members of staff;
- f) grant its consent to the entrepreneurial activities of the staff of the CNB.
- g) fix the salary and other emoluments of the Governor; the salaries and other emoluments of Vice-Governors and other members of the Bank Board shall be fixed by the Governor.

Article 6

(1) The Bank Board shall consist of seven members, comprising the Governor of the Czech National Bank, two Vice-Governors of the Czech National Bank and four other members of the Bank Board of the Czech National Bank.

¹⁸⁾ Article 17(1) of Act No. 15/1998 Coll.

¹⁹⁾ Article 16(1)(c) of Act No. 15/1998 Coll.

(2) The Governor, Vice-Governors and other members shall be appointed and relieved from office by the President of the Republic.

(3) cancelled

(4) No person shall be allowed to hold the position of member of the Bank Board more than twice.

(5) The members of the Bank Board shall be appointed for a term of six years.

(6) Membership of the Bank Board shall be incompatible with the position of member of a legislative body, member of the Government and membership of the governing, supervisory or inspection bodies of other banks or commercial undertakings, and the performance of any independent gainful occupation, except for scientific, literary, journalistic, artistic and pedagogical activities and except for management of own assets. Membership of the Bank Board shall be incompatible with any activity which might cause any conflict of interest between the performance of this activity and membership of the Bank Board.

(7) Any citizen of the Czech Republic who:

- a) is fully competent to perform legal acts,
 - b) has completed a university education,
 - c) is of integrity,
 - d) is a person of recognised standing and professional experience in monetary and banking matters,
- may be appointed a member of the Bank Board.

(8) For the purposes of this Act, “of integrity” shall refer to a natural person who has not been lawfully convicted of a criminal offence.

(9) The members of the Bank Board shall be staff of the Czech National Bank.

(10) The performance of duties of a Bank Board member shall terminate:

- a) with the expiration of his term of office,
- b) on the day immediately following the day on which written notice of relief from office or of written notice of resignation from office is delivered, or at some later date given in the notice of relief or resignation from office.

(11) The President of the Republic shall relieve a member of the Bank Board from office:

- a) in the event of a breach of paragraph 6 or of paragraph 7(c),
- b) on the day any judgement depriving the member of competence to perform legal acts or limiting his competence to perform legal acts enters into legal force.

(12) The President of the Republic may relieve a member of the Bank Board from office if the member fails to perform his duties for a period exceeding six months.

(13) The Governor shall be relieved from office by the President of the Republic if he no longer fulfils the conditions required for the performance of his duties or if he has been guilty of serious misconduct. The President of the Republic may also relieve the Governor from office if he fails to perform his duties for a period exceeding six months. A decision to this effect may be referred

to the European Court of Justice by the Governor concerned or the Governing Council of the European Central Bank on grounds of infringement of the Treaty establishing the European Community or of any rule of law relating to its application.

Article 7

(1) The Governor, or, in his absence, a Vice-Governor nominated by him, shall chair the meetings of the Bank Board. The Bank Board shall act by a simple majority of the votes cast. The Bank Board shall have a quorum if the Governor, or his nominee, and at least three other members of the Bank Board are present. In the event of a tie, the chairperson shall have the casting vote.

(2) The Bank Board shall approve the Rules of Procedure of the Bank Board.

Article 8

The Governor shall represent the Czech National Bank externally. In his absence, a Vice-Governor nominated by him shall act on his behalf.

PART THREE

Relationship to the Government and to other bodies

Article 9

(1) When providing for the primary objective of the Czech National Bank and when carrying out other activities, neither the Czech National Bank nor the Bank Board shall seek or take instructions from the President of the Republic, from Parliament, from the Government, from administrative authorities or from any other body.

(2) The Czech National Bank and the Government shall inform each other on matters concerning the principles and measures of monetary and economic policy.

Article 10

(1) The Czech National Bank shall take a position on proposals presented to the Government for consideration that concern the fields of competence of the Czech National Bank.

(2) The Czech National Bank shall act in an advisory capacity vis-à-vis the Government in matters of monetary policy and banking.

Article 11

- (1) The Minister of Finance or another nominated member of the Government may attend the meetings of the Bank Board in an advisory capacity and may submit motions for discussion.
- (2) The Governor of the Czech National Bank or a Vice-Governor nominated by him may attend the meetings of the Government in an advisory capacity.

PART FOUR

Issuance of banknotes and coins

Article 12

The Czech National Bank shall have the exclusive right to issue banknotes and coins, including commemorative coins (hereinafter referred to as “banknotes and coins”).

Article 13

The monetary unit in the Czech Republic shall be the Czech koruna (crown), abbreviated as “Kč”. The Czech koruna shall be divided into one hundred hellers.

Article 14

The Czech National Bank shall manage the stocks of banknotes and coins, and shall organise the delivery of banknotes and coins from the manufacturers in keeping with the requirements for the circulation of money.

Article 15

The Czech National Bank shall organise the printing of banknotes and the minting of coins, and shall see to the protection and security of banknotes and coins that have not been released into circulation and to the safekeeping and destruction of printing plates, dies and invalid and withdrawn banknotes and coins.

Article 16

- (1) Valid banknotes and coins issued by the Czech National Bank shall be legal tender at their par value in respect of all payments made within the territory of the Czech Republic.
- (2) Coins made from precious metals, commemorative coins and special coins intended for collection may be sold at prices other than their par value.

Article 17

(1) Upon request, the Czech National Bank shall exchange any damaged banknotes and coins it has issued for undamaged banknotes and coins.

(2) The Czech National Bank may refuse to exchange banknotes or coins the design or relief of which is illegible or perforated, and the remains of banknotes smaller than one quarter of the original area of the banknote. Such banknotes and coins shall be taken from the presenter without compensation and shall be destroyed. In justified cases, the Czech National Bank may exceptionally provide compensation.

(3) The Czech National Bank shall not provide any compensation for banknotes or coins that have been destroyed or lost. It may withdraw without compensation banknotes the appearance of which has been altered, particularly those that have been written on, drawn on, overprinted, printed on or perforated, or which have been soiled by paint, glue or other such material.

Article 18

The Czech National Bank shall withdraw from circulation banknotes and coins suffering from wear and tear, destroy them and replace them with new banknotes and coins.

Article 19

(1) The Czech National Bank may declare invalid and withdraw from circulation any banknotes and coins it has issued. It shall refund their par value by exchanging them for other, newly issued banknotes and coins. The period over which such exchange may take place shall not be less than five years, save as otherwise provided in a special legislative act.

(2) At the end of the exchange period, the sum total of the banknotes and coins that have been declared invalid but have not been presented for exchange shall be deducted from the amount of money in circulation that appears in the accounts of the Czech National Bank. This sum shall be income to the Czech National Bank.

Article 20

Any kind of reproduction of banknotes, coins, cheques, securities or payment cards denominated in Czech korunas or in a foreign currency (hereinafter referred to as “money symbols”), or objects imitating them, may only be made under the terms and conditions set forth by the Czech National Bank in a legal regulation.

Article 21

Banks and legal entities (hereinafter referred to as “legal entities”) shall withdraw counterfeit or altered banknotes and coins valued in Czech korunas or in a foreign currency, or banknotes and coins for which reasonable suspicion arises that they are counterfeit or have been altered, (hereinafter referred to as “counterfeit banknotes and coins”) without compensation and shall

hand them over to the Czech National Bank. Legal entities shall be entitled to demand of the person who presented the counterfeit banknotes or coins that this person prove his or her identity in a credible manner. The legal entity that accepted the counterfeit banknotes or coins shall notify the criminal law enforcement authorities of the withdrawal of the counterfeit banknotes and coins.

Article 22

The Czech National Bank shall set forth by decree:

- a) the par values, dimensions, weight, material, appearance and other attributes of banknotes and coins and the manner of their issuance into circulation;
- b) the steps to be taken by natural and legal entities when accepting and handling legal tender, including the steps to be taken upon withdrawal of counterfeit banknotes and coins;
- c) the manner of providing compensation for incomplete and damaged banknotes and coins;
- d) the manner of terminating the validity of banknotes and coins and the manner and period of their exchange for other banknotes and coins;
- e) the terms and conditions under which money symbols may be reproduced or objects imitating them may be produced.

PART FIVE

Instruments of monetary control of the Czech National Bank

Article 23

The Czech National Bank shall set the interest rates, structures, maturities and other terms and conditions for the transactions it performs pursuant to this Act and special legislative acts.¹⁾

Article 24

The Czech National Bank shall set forth

- a) in a provision promulgated in the Bulletin of the Czech National Bank the prudential rules for banks and foreign bank branches,
- b) by decree the prudential rules for other money market participants and the terms and conditions under which transactions may be performed on the money market.

Article 25

(1) The Czech National Bank may require banks to hold a prescribed part of their funds on accounts with the Czech National Bank (hereinafter referred to as “required minimum reserves”).

(2) The required minimum reserves may not exceed 30 percent of a bank’s total liabilities net of its liabilities owed to other banks.

Article 26

(1) Where a bank fails to maintain the required minimum reserves, the Czech National Bank may charge it interest at double the effective discount rate on the amount of the required minimum reserves which the bank fails to provide.

(2) When increasing the reserve requirement, the Czech National Bank shall set a deadline by which banks have to achieve the new level.

PART SIX

Transactions of the Czech National Bank

Transactions with Banks

Article 27

The Czech National Bank shall keep the accounts of banks and accept their deposits.

Article 28

The Czech National Bank may purchase from banks or sell to them:

- a) bills of exchange maturing within six months of the date of their purchase by the Czech National Bank and bearing at least two signatures, of which at least one shall be on behalf of the bank;
- b) government bonds or other securities underwritten by the Government; these, however, the Czech National Bank may buy and hold for a period of not more than one year.

Article 29

(1) The Czech National Bank may grant to banks for a maximum of three months credits guaranteed by the securities referred to in Article 28 or by government bonds or other securities underwritten by the Government, or by stock lists of bulk goods fully insured against loss and damage, or by other assets.

(2) In the interests of maintaining a bank's liquidity, the Czech National Bank may exceptionally provide short-term credit for a period of up to three months. When providing such credit, the Czech National Bank shall require adequate collateral.

Transactions with the Czech Republic

Article 30

(1) The Czech National Bank shall keep accounts pursuant to the Act on Budgetary Rules and on the Amendment of Some Related Acts.

(2) The Czech National Bank may not provide returnable funds or any other financial support to the Czech Republic or its bodies, or to regional authorities, bodies governed by public law or legal entities under the control of the state, a regional authority or a body governed by public law, with the exception of banks, not even through the purchase of debt securities from such entities where such entities are the issuers thereof. Moreover, it may not carry on transactions with such entities that might give rise to a Czech National Bank claim against such entities.

Article 31

(1) The Czech National Bank shall offer government bonds for sale pursuant to a special legislative act³⁾ and by agreement with the Ministry of Finance may perform on its behalf and for an agreed remuneration activities relating to the management, redemption and transfer of government bonds, the payment of interest on such bonds and other activities as required.

(2) The Czech National Bank shall be authorised to keep a record of the securities issued by the Czech Republic and maturing within one year, a record of the securities issued by the Czech National Bank (Article 33) and a record of bonds maturing within one year, and shall be authorised to operate a settlement system for these investment instruments.

Article 31a

Pursuant to a special legislative act governing budgetary rules^{3a)}, the Czech National Bank may, upon the request of the Ministry of Finance, deal in investment instruments^{3b)}. This shall be without prejudice to the provision of Article 31(1).

Other transactions of the Czech National Bank

Article 32

Save as otherwise provided in this Act, the Czech National Bank may purchase and sell securities in order to regulate the money market.

Article 33

The Czech National Bank may issue, and trade in, short-term securities maturing within six months.

³⁾ Article 19(2) of Act No. 530/1990 Coll., on Bonds.

^{3a)} Act No. 218/2000 Coll., on Budgetary Rules and on Amendment of Some Related Acts (The Budgetary Rules), as amended.

^{3b)} Act No. 256/2004 Coll., on Capital Market Undertakings.

Article 34

(1) The Czech National Bank may, under terms and conditions customary in the banking sector, keep the accounts of its staff and provide other banking services to them. It may also keep accounts and provide banking services for legal entities. The Czech National Bank shall publish a list of these legal entities in its annual financial report.

(2) A special legislative act⁴⁾ shall apply *mutatis mutandis* to the carrying on of the activities referred to in paragraph 1.

PART SEVEN

Powers of the Czech National Bank in respect of foreign exchange management

Article 35

The Czech National Bank shall:

- a) after discussion with the Government stipulate the exchange rate regime of the Czech currency vis-à-vis foreign currencies, with the proviso that the primary objective of the Czech National Bank must not be jeopardised;
- b) declare the exchange rate of the Czech currency vis-à-vis foreign currencies;
- c) set the price of gold in the banking operations of the Czech National Bank;
- d) hold, manage and dispose of monetary reserves in gold and foreign exchange.

Article 36

The Czech National Bank shall:

- a) trade in gold and foreign exchange assets and conduct all types of banking transactions with domestic and foreign banks and payments with other countries;
- b) issue securities in foreign currencies;
- c) issue foreign exchange licences and special permits and conduct foreign exchange inspections pursuant to a special legislative act.⁶⁾

PART EIGHT

Other activities and powers of the Czech National Bank

Article 37

(1) The Czech National Bank shall submit to the Government draft legislation on the currency, the circulation of money, the money market and the payment system, and legislative amendments concerning the fields of competence and position of the central bank.

⁴⁾ Act No. 21/1992 Coll.

⁶⁾ The Foreign Exchange Act.

(2) The Czech National Bank, together with the Ministry of Finance, shall submit to the Government draft legislation on foreign exchange management and on banking issues.

Article 38

(1) The Czech National Bank shall be authorised to operate interbank payment systems. In addition to banks, credit unions^{4a)} and foreign bank branches, participants in these systems may include entities which perform the role of a central counterparty, a settlement agent or a settlement institution within a settlement system pursuant to a special legislative act governing capital market undertakings^{3b)}, or in a settlement system stated in the list of the Commission of the European Communities, and which by their participation in the Czech National Bank's system shall be responsible for discharging the financial obligations arising from orders accepted by this system. Pursuant to a special legislative act⁴⁾, an account analogous to an interbank payment account shall be maintained for the aforementioned entities in the Czech National Bank's system, provided that the Czech National Bank concludes with these entities a contract on maintenance of a payment system account and submission of interbank payment data.

(2) Each contract referred to in paragraph 1 shall contain:

- a) the place, manner and time of submitting the payment system data,
- b) the essential elements, form and structure of the payment system data and the manner of safeguarding them from misuse,
- c) the responsibilities of the contracting parties,
- d) the interest-rate terms and conditions for the payment system account,
- e) the prices charged for executing interbank payments.

(3) In order to ensure uniform payments and settlement in the Czech Republic, the Czech National Bank shall set forth by decree:

- a) the manner of execution of payments between banks and credit unions and account settlement at banks and credit unions,
- b) the manner of use of payment instruments by banks and credit unions within the payment system.

Article 39

The Czech National Bank shall register the representative offices of foreign banks and financial institutions carrying on banking activities⁷⁾ where such offices are active within the territory of the Czech Republic. The foreign bank or financial institution shall register its representative office prior to commencing its activities. The representative office shall not transact business and shall not be incorporated in the Companies Register.

^{4a)} Act No. 21/1992 Coll.

Act No. 87/1995 Coll.

⁷⁾ Article 1(3) of Act No. 21/1992 Coll.

Article 40

Within the scope of its fields of competence pursuant to this Act, the Czech National Bank shall negotiate payment and other agreements with foreign banks and international financial institutions.

Article 41

(1) The Czech National Bank shall co-ordinate the development of the banking information system in the Czech Republic. For this purpose, it shall set forth the principles of the banking information system in a legal regulation.

(2) In order to undertake its tasks, the Czech National Bank shall demand the necessary information and documents from:

a) banks and foreign bank branches,

b) other entities belonging to the financial institutions sector pursuant to European Communities Law⁸⁾ or in which a bank has a qualifying holding⁹⁾, or entities belonging to a consolidated group which is subject to banking supervision, or entities in a financial conglomerate^{9b)}, or entities which have at their disposal information necessary for the compilation of the balance of payments of the Czech Republic.

(3) The Czech National Bank shall set forth by decree the circle of other entities referred to in paragraph 2(b) and the content, form, dates and manner of submitting the information and documents required from these entities. The Czech National Bank shall set forth in a provision promulgated in the Bulletin of the Czech National Bank the content, form, dates and manner of submitting the information and documents required from banks and foreign bank branches, a binding methodology for compiling all the information and documents, and the organisational and communicational terms and conditions for submitting them.

(4) If the submitted information and documents do not comply with the rules set pursuant to paragraph 3, or if reasonable doubts arise about their correctness or completeness, the Czech National Bank shall be entitled to request relevant details or an explanation. If the bank, the foreign bank branch or the other entity specified in paragraph 2(b) does not submit the required information and documents, or if such information and documents are repeatedly submitted as incomplete or incorrect, the Czech National Bank shall proceed in accordance with a special legislative act⁴⁾ against banks and foreign bank branches and against other entities belonging to a consolidated group or financial conglomerate where such entities are obliged to provide information for the purposes of banking supervision on a consolidated basis or supplementary supervision in accordance with a special legislative act^{9b)}. The Czech National Bank shall proceed against other entities in accordance with Article 46.

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

⁹⁾ Article 17a(4) of Act No. 21/1992 Coll., on Banks, as amended by Act No. 16/1998 Coll.

^{9b)} Act No. 377/2005, on Supplementary Supervision of Banks, Credit Unions, Electronic Money Institutions, Insurance Corporations and Securities Dealers in Financial Conglomerates and on the Amendment of Certain Other Acts (Act on Financial Conglomerates).

(5) The Czech National Bank shall set forth by decree the terms and conditions for coding by purpose the transactions necessary for the compilation of the balance of payments of the Czech Republic.

Article 42

The Czech National Bank shall be entitled to engage in commercial and investment activities insofar as is necessary to provide for its own operations.

Article 43

The issuance of securities by the Czech National Bank, the trading in securities and other investment instruments, their registration and the operation of a settlement system for them, as performed by the Czech National Bank, shall not be subject to licensing or state oversight.

PART NINE Supervision

Article 44

(1) The Czech National Bank shall perform supervision of:

- a) the activities of banks, foreign bank branches and any consolidated groups that contain a bank having its registered address in the Czech Republic, and of the sound operation of the banking system (banking supervision) pursuant to Article 2(2)(d);
- b) the activities of entities other than banks licensed pursuant to special legislative acts;⁵⁾
- c) the safe, sound and efficient operation of payment systems.

(2) Supervision shall include:

- a) the assessment of licence and permit applications pursuant to special legislative acts;^{9a)}
- b) supervision of adherence to the conditions stipulated in licences and permits;
- c) inspection of adherence to laws, insofar as the Czech National Bank has the power to conduct such inspections under this Act or special legislative acts¹⁾, and inspection of adherence to the decrees and provisions issued by the Czech National Bank;
- d) the imposition of remedial measures and penalties where shortcomings are detected pursuant to this Act or a special legislative act.⁴⁾

(3) The Czech National Bank shall perform supplementary supervision of banks and other entities in financial conglomerates to the extent set forth in a special legislative act^{9b)}.

⁵⁾ The Foreign Exchange Act and Act No. 455/1991 Coll., on Trades and Entrepreneurial Activities (the Trades Licensing Act).

^{9a)} e.g. Act No. 21/1992 Coll., as amended, Act No. 219/1995 Coll., and Act No. 455/1991 Coll., as amended.

Article 45

In the performance of supervision and supplementary supervision of banks and other entities in financial conglomerates to the extent set forth in a special legislative act^{9b)} by way of on-site inspection, the relations between the Czech National Bank and the supervised entities shall follow the basic rules of inspection as set forth in a special legislative act¹⁰⁾ for state administrative bodies, with the exception of the provisions on co-operation in the area of inspection.¹¹⁾

Article 46

(1) Should the Czech National Bank detect any shortcomings in the activities of entities other than banks, these entities having been licensed pursuant to special legislative acts,⁵⁾ it may impose on such entities:

- a) measures aimed at remedying the shortcomings detected; it shall, in particular, order the entities to abandon the incorrect procedure or terminate their operations;
- b) a fine of up to CZK 1,000,000 depending on the gravity of the shortcomings.

(2) “Shortcomings” pursuant to paragraph 1 shall mean breach of the conditions stipulated in a licence granted pursuant to special legislative acts,⁵⁾ or breach of this Act, a special legislative act,⁴⁾ or of the legal regulations and provisions issued by the Czech National Bank.

(3) The Czech National Bank shall also impose the fine referred to in paragraph 1(b) on:

- a) unlicensed entities performing activities for which a licence is required pursuant to special legislative acts;⁵⁾
- b) entities which have breached the obligations ensuing from Article 41(2)–(4);
- c) entities which have breached the rules and conditions stipulated in Article 24(b).

(4) The imposition of the fine shall be without prejudice to the duties provided in other legal regulations.

(5) The regulations on administrative proceedings shall apply to the procedure for imposing the fine referred to in paragraph 1(b).¹²⁾ The Bank Board shall rule on any appeals against rulings to impose a fine.

(6) Fines imposed shall be revenue to the state budget.

(7) The Czech National Bank may impose the fine referred to in paragraph 1(b) up to one year from the day on which the shortcomings were detected, but not more than ten years from the day on which these shortcomings arose.

PART TEN

Financial Management of the Czech National Bank

¹⁰⁾ Part Three of Act of the Czech National Council No. 552/1991 Coll., on State Inspection.

¹¹⁾ Articles 21 to 23 of Act No. 552/1991 Coll.

¹²⁾ Act No. 71/1967 Coll., on Administrative Proceedings (the Administrative Procedure Code), as amended.

Article 47

(1) The Czech National Bank shall manage its finances in compliance with a budget broken down so as to show clearly the operating and investment expenditure of the Czech National Bank.

(2) The Czech National Bank shall defray the necessary costs of its operations from its income. The profit it generates shall be used to replenish its reserve fund and other funds created from profits and for other purposes in the budgeted amount. It shall transfer the remaining profit to the state budget.

(3) Within three months of the end of the calendar year, the Czech National Bank shall submit its annual financial report to the Chamber of Deputies for review. This report shall include information on the salaries of the members of the Bank Board of the Czech National Bank.

(4) The Chamber of Deputies may either:

- a) approve,
- b) acknowledge, or
- c) reject

the financial report of the Czech National Bank.

(5) If the Chamber of Deputies rejects the financial report of the Czech National Bank, the Czech National Bank shall within six weeks submit a revised report that complies with the requirements of the Chamber of Deputies.

Article 48

(1) The Czech National Bank shall keep accounts in accordance with a special legislative act.^{12a)}

(2) The annual accounts of the Czech National Bank shall be audited by one or more auditors appointed by agreement between the Bank Board and the Minister of Finance.

(3) As soon as the annual accounts are approved and audited, the Bank Board shall submit them to the Chamber of Deputies and publish them.

(4) The Czech National Bank shall publish an annual report containing basic information on monetary development.

(5) The Czech National Bank shall produce and publish every ten days a report on its financial position.

PART ELEVEN

General provisions

^{12a)} Act No. 563/1991 Coll., on Accounting, as amended.

Article 49

All banking operations of the Czech National Bank, including balances on the accounts it keeps, shall be subject to banking secrecy.

Article 49a

cancelled

Article 49b

(1) The Czech National Bank shall issue provisions (regulations) of the Czech National Bank (hereinafter referred to as “provisions”) where it is authorised to do so by law. These provisions shall be binding on banks and foreign bank branches.

(2) Each provision shall be signed by the Governor of the Czech National Bank.

(3) Each provision shall enter into force on the date of its promulgation in the Bulletin of the Czech National Bank (hereinafter referred to as the “Bulletin”).

(4) Each provision shall take effect on the date stipulated therein. However, the earliest it can take effect is on the date of its promulgation in the Bulletin, namely the date of issue of the relevant Volume of the Bulletin.

(5) The provisions shall be marked in the Bulletin with serial numbers, with the series terminating at the end of each calendar year.

(6) The Bulletin shall be issued in sequentially numbered Volumes marked with serial numbers, with the series terminating at the end of each calendar year.

Article 50

(1) The staff of the Czech National Bank shall maintain confidentiality in the performance of their duties. This obligation shall remain in effect even after the termination of their employment or any similar relation to the Czech National Bank. The obligation of confidentiality in matters encountered in the performance of their duties shall also apply to the members of advisory bodies and to auditors.

(2) The staff of the Czech National Bank and the members of advisory bodies may be exempted from this obligation by the Governor on the grounds of the public interest.

(3) The staff of the Czech National Bank may engage in entrepreneurial activities only with the prior approval of the Bank Board.

PART TWELVE
Transitional and final provisions

Article 51

The Czech National Bank shall be established by the division of the State Bank of Czechoslovakia.¹³⁾

Article 52

A limit of seven percent of the revenues of the state budget in the previous year shall be set exceptionally for 1993 for the total stock of credits granted to the Czech Republic pursuant to Article 30(2).

Article 53

The rights and duties arising from the employment relations of the State Bank of Czechoslovakia with staff working within the territory of the Czech Republic shall be transferred to the Czech National Bank.

Article 54

The property of the State Bank of Czechoslovakia shall be transferred to the Czech National Bank to the extent set forth in a special legislative act.¹⁴⁾

Article 55

(1) Where the State Bank of Czechoslovakia is named in legal regulations issued prior to the date this Act takes effect and accepted into the legal order of the Czech Republic and in provisions, this shall be taken to mean the Czech National Bank as from the date this Act takes effect.

(2) Provisions issued by the State Bank of Czechoslovakia in force as of the date this Act takes effect shall be deemed provisions issued by the Czech National Bank.

(3) Legal acts performed by the State Bank of Czechoslovakia vis-à-vis persons having their registered address or permanent residence within the territory of the Czech Republic shall be deemed, as from the date this Act takes effect, legal acts performed by the Czech National Bank.

¹³⁾ Article 14 of Constitutional Act No. 143/1968 Coll., on the Czechoslovak Federation, as amended.

¹⁴⁾ Constitutional Act No. 541/1992, on the Division of the Property of the Czech and Slovak Federal Republic between the Czech Republic and the Slovak Republic and on its Transfer to the Czech Republic and the Slovak Republic.

Article 56

cancelled

Article 57

Accounts kept by the State Bank of Czechoslovakia within the territory of the Czech Republic as of the date of dissolution of the State Bank of Czechoslovakia shall be deemed accounts kept by the Czech National Bank in compliance with this Act.

Article 58

(1) The present senior officers of the State Bank of Czechoslovakia appointed to their posts by the President of the Czech and Slovak Federal Republic from among the citizens of the Czech Republic pursuant to Article 6 of Act No. 22/1992 Coll., on the State Bank of Czechoslovakia, shall perform their duties as members of the Bank Board of the Czech National Bank until the day the members of the Bank Board of the Czech National Bank are appointed pursuant to Article 6(2) and (3).

(2) The Bank Board may allow a derogation from the provisions of Article 6(5) for 1993.

Article 59

The Budgetary Rules of the Republic¹⁶⁾ shall apply to the Czech National Bank, with the exception of the provisions governing the duties of the central bodies of the state administration and those governing the inspection of budgetary financial management.

Article 60

Act No. 22/1992 Coll., on the State Bank of Czechoslovakia, is hereby repealed.

Article 60a

In co-operation with the Ministry of Finance and the Securities Commission, the Czech National Bank shall, within three months of the date a special legislative act²⁰⁾ takes effect, prepare a system of mutual co-operation in the capital market area.

Article 61

This Act shall take effect on 1 January 1993.

¹⁶⁾ Czech National Council Act No. 576/1990 Coll., on the Rules for Financial Management of the Budgetary Funds of the Czech Republic and of Municipalities in the Czech Republic (Budgetary Rules of the Republic), as amended.

²⁰⁾ Act No. 15/1998 Coll.

Section II of Act No. 442/2000 Coll.

amending Act No. 6/1993 Coll., on the Czech National Bank, as amended, and Act No. 166/1993 Coll., on the Supreme Audit Office, as amended by Act No. 127/2002 Coll., amending Act No. 6/1993 Coll., on the Czech National Bank, as amended, Act No. 442/2000 Coll., amending Act No. 6/1993 Coll., on the Czech National Bank, as amended, and Act No. 166/1993 Coll., on the Supreme Audit Office, as amended, and Act No. 166/1993 Coll., on the Supreme Audit Office, as amended.

1. From the date the Treaty of Accession of the Czech Republic to the European Union enters into force:

a) the Czech National Bank shall, without prejudice to its primary objective, support the general economic policies in the European Community with a view to contributing to the achievement of the objectives of the European Community;

(b) the Czech National Bank shall be a part of the European System of Central Banks in accordance with the Treaty establishing the European Community and in accordance with the Protocol on the Statute of the European System of Central Banks and of the European Central Bank (hereinafter referred to as the “Statute”) and shall observe the provisions of the Statute to the extent of the requirements for Member States of the European Union that have not yet introduced the euro as their national currency. In performing the tasks ensuing from this position, the Czech National Bank shall act in accordance with the legal acts of the European Central Bank;

(c) when exercising the powers and carrying out the tasks and duties conferred upon them by this Act, the Treaty establishing the European Community and the Statute, neither the Czech National Bank, nor any member of its Bank Board shall seek or take instructions from European Community institutions or bodies, from any government of a Member State of the European Union or from any other body;

(d) the Czech National Bank may not provide returnable funds or any other financial support to the European Community or its institutions or bodies, or to Member States of the European Union, or to regional authorities, other bodies governed by public law or legal entities under the control of any of the Member States of the European Union, a regional authority thereof or a body governed by public law.

2. The prohibition referred to in paragraph 1(d) shall not apply to banks and other credit institutions owned by the entities referred to in paragraph 1(d), which, in the context of the provision of funds, shall be given the same treatment by the Czech National Bank as private credit institutions.

Section II of Act No. 127/2002 Coll.

amending Act No. 6/1993 Coll., on the Czech National Bank, as amended, Act No. 442/2000 Coll., amending Act No. 6/1993 Coll., on the Czech National Bank, as amended, and Act No. 166/1993 Coll., on the Supreme Audit Office, as amended, and Act No. 166/1993 Coll., on the Supreme Audit Office, as amended.

Provisions issued after the date this Act takes effect may also cancel the provisions of the Czech National Bank promulgated prior to the date this Act takes effect in the Collection of Laws of the Czech Republic pursuant to Act No. 545/1992 Coll., on the Collection of Laws of the Czech Republic or pursuant to Act No. 309/1999 Coll. on the Collection of Laws and the Collection of International Agreements, by the promulgation of their complete wording.

Section III of Act No. 127/2002 Coll.

Authorisation

The Prime Minister shall be authorised to promulgate the complete wording of Act No. 6/1993, on the Czech National Bank, in the Collection of Laws as ensuing from later acts and the ruling of the Constitutional Court.

Notes added by the CNB:

Act No. 60/1993 Coll. on the Separation of Currency took effect on 3 February 1993.

Act No. 15/1998 Coll. on the Securities Commission and on the Amendment of Other Acts took effect on 1 April 1998.

Act No. 442/2000 Coll., amending Act No. 6/1993 Coll., on the Czech National Bank, as amended, and Act No. 166/1993 Coll., on the Supreme Audit Office, as amended, took effect on 1 January 2001.

Section II of Act No. 442/2000 Coll., as amended by Act No. 127/2002 Coll., takes effect on the date the Treaty of Accession of the Czech Republic to the European Union enters into force.

Constitutional Court Ruling of 20 June 2001, promulgated under No. 278/2001 Coll., took effect on 3 August 2001.

Act No. 482/2001 Coll., amending Act No. 219/1995 Coll., the Foreign Exchange Act, as amended, and Act No. 6/1993 Coll., on the Czech National Bank, as amended, took effect on 1 January 2002.

Act No. 127/2002 Coll., amending Act No. 6/1993 Coll., on the Czech National Bank, as amended, Act No. 442/2000 Coll., amending Act No. 6/1993 Coll., on the Czech National Bank, as amended, and Act No. 166/1993 Coll., on the Supreme Audit Office, as amended, and Act No. 166/1993 Coll., on the Supreme Audit Office, as amended, takes effect on 1 May 2002 with the exception of Article 6(13) of Act No. 6/1993 Coll., as amended by Act No. 127/2002 Coll., which takes effect on the date the Treaty of Accession of the Czech Republic to the European Union enters into force (dismissal of the Governor due to serious misconduct), i.e. on 1 May 2004.

Act No. 257/2004 Coll., amending some acts in connection with the adoption of the Act on Capital Market Undertakings, the Act on Collective Investment and the Act on Bonds, takes effect on the date the Treaty of Accession of the Czech Republic to the European Union enters into force (dismissal of the Governor due to serious misconduct), i.e. on 1 May 2004.

Act No. 377/2005 Coll., on Supplementary Supervision of Banks, Credit Unions, Electronic Money Institutions, Insurance Corporations and Securities Dealers in Financial Conglomerates and on the Amendment of Certain Other Acts (Act on Financial Conglomerates), took effect on 29 September 2005.