

Notes: **CNB** – Czech National Bank, **IBEC** – International Bank for Economic Co-operation, **IMF** – International Monetary Fund, **NBCS** – National Bank of Czechoslovakia, **SBCS** – State Bank of Czechoslovakia, **WB** – World Bank

THE CZECH NATIONAL BANK:

PAST AND PRESENT



Manages national foreign exchange reserves and conducts foreign exchange market operations

– foreign exchange reserves are the central bank's foreign assets. They safeguard the nation's foreign exchange liquidity and guarantee the convertibility of the Czech koruna. The objective of foreign exchange reserve management is to maintain or increase the value of the reserves. The reserves consist of securities denominated in foreign currencies, cash and gold. Among the largest foreign exchange operations on the domestic markets are foreign exchange interventions, which the CNB uses where necessary to try to steer the koruna's exchange rate against other currencies.

Represents the state in monetary policy issues

– represents the Czech Republic at the meetings of various international institutions, e.g. the World Bank, the International Monetary Fund, the European Bank for Reconstruction and Development, the European Central Bank and the European Union.

Has the powers of an administrative body



Independently manages the assets entrusted to it by the state

– covers its necessary costs from its revenues. It is not a state budget expenditure item. It submits annual financial reports to the Chamber of Deputies (the lower house of the Czech Parliament).

Issues banknotes and coins and manages currency circulation

– has the exclusive right to issue banknotes and coins, including commemorative coins. It promotes smooth and efficient currency circulation, manages the stocks of banknotes and coins, withdraws from circulation and destroys worn banknotes and coins and exchanges damaged banknotes and coins for new ones. It is responsible for the technical and artistic preparation of banknotes and coins, as well as their production and distribution. It helps to prepare and implement measures to legally and technically protect banknotes and coins against counterfeiting. It examines whether money is genuine and keeps records of counterfeit and altered banknotes and coins seized in the Czech Republic.



Administers payments and clearing between banks and contributes to the development of payment systems

– sets payment rules for banks and non-banks (in particular settlement time limits), rules for the issuance and use of electronic payment instruments (e.g. credit cards) and rules for the safe and sound operation of payment systems. It operates the CERTIS interbank payment system and SKD short-term bond system. It keeps accounts and provides payment system services to the state and banks.

Is the central bank of the Czech Republic

– provides banking services to the state and the public sector. It keeps accounts for organisations connected to the state budget, i.e. revenue and customs authorities, the Czech Social Security Administration, labour offices, contributory organisations, state funds, accounts linked to the EC budget and others. Under authorisation from the Ministry of Finance it executes government-security-related transactions.

and balances any pressures causing future inflation to deviate from the target. In the run-up to joining the euro area, the inflation targets will be directed at meeting the Maastricht convergence criteria on price stability and long-term interest rates. On euro adoption, the CNB will cede independent monetary policy to the European Central Bank.

The Czech National Bank: Current status and role

The Czech National Bank

The Czech National Bank (CNB) is established by the Constitution of the Czech Republic. It performs its activities in compliance with the Act on the Czech National Bank and other legal rules. The CNB's supreme governing body is the Bank Board. It consists of seven members: the Governor, two Vice-Governors and four other members appointed by the Czech President for a six-year period. The CNB has its headquarters in Prague and seven regional branches in Prague, Ústí nad Labem, Plzeň, České Budějovice, Hradec Králové, Brno and Ostrava.



Sets monetary policy

– its primary objective is to maintain price stability. The CNB also supports the general economic policies of the Government where this does not conflict with its primary objective. The Bank Board's decisions on key interest rates are based on current macroeconomic forecasts and assessments of the risks of non-fulfilment of those forecasts. By changing interest rates the central bank affects the price of money on the market

Performs financial market supervision

– i.e. supervision of the banking sector, the capital market, insurance companies, pension schemes, credit unions and electronic money institutions, and foreign exchange supervision. The CNB sets rules safeguarding the stability of the banking sector, capital market, insurance industry and private pension market. It systematically regulates, examines, assesses and, where necessary, imposes penalties for non-compliance with the rules.

On 1 April 2006, in line with worldwide trends, financial market supervision was integrated into a single institution – the CNB, which took over the duties of the Czech Securities Commission, the Finance Ministry's Office of State Supervision of Insurance Companies and Private Pension Schemes and the Office for Supervision of Credit Unions.

Central bank buildings in history

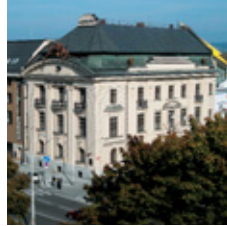


The first branch of the NBCS in Bredovského St. (today Politických vězňů St.)



The current headquarters of the Czech National Bank and its Prague branch in Na Příkopě St.

CNB branches



České Budějovice



Brno



Hradec Králové



Ostrava



Plzeň



Ústí nad Labem