

# The Mission of the Czech National Bank for the Supervision of the Czech Financial Market

## Vision

Under the powers vested in it by the laws of the Czech Republic, the Czech National Bank as the integrated financial market regulatory and supervisory authority works to ensure the stability of the financial system and the safe and smooth development of the financial market in the Czech Republic. A stable financial system and a dynamically developing financial market, based, among other things, on sound and prospering financial institutions respected by the general public, contribute significantly to the long-term growth of the economy and are in the interests of businesses and the public alike. In exercising its supervisory powers and in its activities generally, the Czech National Bank will therefore not only strive to ensure that the entities it supervises comply with the relevant regulations, but also focus on enhancing the institutional infrastructure of the Czech financial market and on increasing its transparency and competitiveness, its credibility in the eyes of the public and its attractiveness to business. The Czech National Bank will strive to be seen as a competent, dynamic and flexible institution recognised by the market, the public and specialists for working to exacting standards and for taking a professional, sensitive, yet effective approach to the regulation of the financial market and the exercise of supervision.

## Mission

In accordance with the laws of the Czech Republic, European legislation and internationally recognised standards in the field of financial market supervision, the Czech National Bank performs its role of integrated regulatory and supervisory authority primarily by means of:

- 1) **regulatory work**, in particular the setting of prudential rules and rules of conduct towards clients in the form of implementing legal regulations, which the Czech National Bank issues in the framework of, and within the bounds of, the relevant laws;
- 2) **licensing and authorisation work**, in particular the granting of authorisations to enter regulated segments of the financial market;
- 3) **supervisory work**, consisting of:
  - a. **off-site surveillance** of financial institutions, market conduct and the infrastructure of the capital market, and analyses of the financial market and its sectors,
  - b. **on-site examinations** in financial institutions and other institutions making up the infrastructure of the capital market;
- 4) **remedial measures and, where appropriate, penalties** where it uncovers shortcomings in the activities of the entities it supervises;
- 5) **the collection, processing and evaluation of information**, which is used to support supervision and inform the public about the condition and development of the Czech financial market.

## Values

In carrying out its vision and mission the Czech National Bank will be guided by the following values:

1. **A single supervisory concept for all segments of the financial services sector:** The Czech National Bank will establish a common culture of financial market supervision as part of its corporate culture, and will support this process with appropriate organisation and management of its financial market supervision units. In relation to supervised entities, the single supervisory concept primarily means applying the principle that the same kinds of financial risks and other facts relevant to regulation are subject to the same rules across all segments of the financial services sector, in order to limit the scope for regulatory arbitrage.
2. **An appropriate level of regulation:** The Czech National Bank will interfere in the business of supervised entities only as far as absolutely necessary to achieve the objectives of financial market supervision and to implement the applicable provisions of European law on the Czech financial market.
3. **Effective supervision and regulation:** The Czech National Bank will apply internationally recognised principles of effective supervision of the financial market and of the entities operating in that market and allocate personnel and financial resources in proportion to the risks to the stability of the financial system and/or the safe and smooth development of the financial market.
4. **An appropriate level of consumer and investor protection:** The Czech National Bank will strive to ensure an appropriate level of consumer and investor protection in the use of financial services offered on the financial market by entities subject to its supervision, in order to promote the development and expansion of the financial market and the stability of the financial system.
5. **Helping to defend the market against financial crime:** The Czech National Bank will contribute to measures for preventing the use of the financial market for money laundering and terrorist financing and other forms of financial crime.
6. **Promotion of market discipline:** The Czech National Bank will work to ensure regular disclosure of sufficient and up-to-date information in order to enhance the transparency and credibility of the financial system and market and to provide for a correct understanding of the risks and returns that the financial market offers.
7. **Cooperation with domestic stakeholders:** The Czech National Bank, together with other central government authorities and the entities subject to its supervision, and in particular their professional associations, will analyse the effect of regulation on the business environment in the Czech financial market and will conduct a dialogue with stakeholders on how the Czech National Bank as the supervisory authority can contribute to the development of the Czech financial market.
8. **International cooperation:** The Czech National Bank will contribute actively to the creation and implementation of the regulatory and supervisory policy for the single European financial services market in the sense of convergence of rules and procedures at European level, and develop cooperation with the supervisory authorities of the EU Member States and with other foreign regulatory and supervisory authorities and international institutions active in this area.
9. **Staff professionalism and expertise:** The unceasing development of the financial markets must be reflected in regulation and in approaches to supervision. The Czech National Bank will pay careful attention to the professionalism, qualifications, systematic training and professional growth of responsible employees as a key condition for effective supervision of the financial market.
10. **Supervisory ethics:** The Czech National Bank will strive to ensure that its employees, when performing supervision, act honestly, fairly and scrupulously and consistently abide by the legal regulations and by the internal regulations of the Czech National

Bank, thus ensuring impartial analysis and assessment of all relevant facts using both publicly available and confidential information.

## **Principles applied in carrying out the mission**

In carrying out its vision, mission and related values, the Czech National Bank will be guided by the following principles:

### **GENERAL PRINCIPLES**

1. **Predictability:** The Czech National Bank will notify supervised entities on an ongoing basis, usually at the preparation stage, of the criteria it expects to be fulfilled in the supervision of the financial market, and will see to it that they are applied consistently.
2. **Application of internationally recognised standards:** The Czech National Bank will continue to rigorously implement internationally recognised standards in the field of financial market regulation and supervision. Any national divergences from these principles will be based on a rational analysis of relevant factors, in particular the costs and benefits. In the framework of international cooperation the Czech National Bank will support the harmonisation of supervisory criteria and procedures.
3. **Consistency between supervisory strategy and supervisory practice:** The Czech National Bank will, in regulation and supervision, pursue the strategic objectives derived from its legal mandate and react flexibly to changes in the financial market and take on board new trends in regulation and supervision.
4. **Information openness and public accountability:** The Czech National Bank will, in accordance with the laws of the Czech Republic and with international standards, regularly disclose information on the financial market and on financial market supervision so that the public, market participants and foreign investors can form an objective opinion about the financial system in the Czech Republic, about the rules of regulation of the financial market and about the actions of the Czech National Bank in supervising that market. As part of its policy of information openness and accountability, the Czech National Bank will work in cooperation with consumer groups and market participants.
5. **Cooperation with the Ministry of Finance of the Czech Republic and other central government authorities:** The Czech National Bank will work in close cooperation with the Ministry of Finance of the Czech Republic and other central government stakeholders in creating the single concept and other rules of financial market regulation and supervision.

### **PRINCIPLES APPLYING TO INDIVIDUAL VALUES**

1. **The single supervisory concept:**
  - 1.1. **Regulatory consistency and integrity:** The Czech National Bank will focus on unifying the rules for granting licences and authorisations to carry on business in the financial market and on ensuring that the same financial risks are regulated in the same way across the various sectors of the financial market so that regulation promotes a level playing field for competition in the financial market. This process also includes revision and unification of the methodology and internal procedures and, no less importantly, an emphasis on intelligibility and clarity. The Czech National Bank will respect the specific features of individual sectors of the financial market wherever it is appropriate to do so.
  - 1.2. **Taking into account the individual risk profiles of supervised entities:** When creating the single supervisory concept and in the actual exercise of supervision the Czech National Bank will rigorously take account of the individual risk profiles of supervised entities.

- 1.3. **Cooperation in the field of law-making:** The single supervisory concept requires corresponding laws defining, among other things, the core legal framework for the implementing regulations through which the Czech National Bank, as the institution responsible for secondary legislation in the financial market area, lays down detailed terms and conditions of business for the entities it supervises. When drafting these laws and implementing regulations, the Czech National Bank will work particularly closely with the Ministry of Finance of the Czech Republic as the authority responsible for primary legislation in the financial market area, and with professional associations as the representatives of market participants.
2. **An appropriate level of regulation:**
  - 2.1. **A preference for general principles over detailed rules:** The Czech National Bank is aware that the same objective can be achieved in various different ways, and therefore will not excessively restrict the freedom of choice of regulated entities.
  - 2.2. **An appropriate level of regulation:** The Czech National Bank will, under its powers and responsibilities, strive to ensure that the level of regulation respects the competitive environment, and will restrict neither the diversity of the financial products and services on offer nor the flexible introduction of new products and services.
3. **Effective supervision and regulation:**
  - 3.1. **Taking into account regulatory and supervisory costs:** The Czech National Bank will sensitively assess the costs it imposes on regulated entities as the supervisory and regulatory authority.
  - 3.2. **Effective communication:** The Czech National Bank will strive to ensure frequent and open communication with regulated entities and other stakeholders to help eliminate or limit any bureaucratic or other unwarranted obstacles in the activities of the Czech National Bank in the field of financial market supervision.
4. **An appropriate level of consumer and investor protection:**
  - 4.1. **Transposition of European law:** The Czech National Bank will help to ensure that the level of consumer and investor protection on the financial market is compliant with European law and will not impose on the entities it supervises excessively strict regulation that goes beyond the requirements of European law.
  - 4.2. **Professional codes:** The Czech National Bank will work in cooperation with the Ministry of Finance of the Czech Republic, other central government authorities, professional associations of financial services providers and consumer protection organisations to create codes of conduct towards clients for financial institutions.
5. **Helping to defend the financial market against financial crime:**
  - 5.1. **Measures to prevent the use of the financial market for money laundering and terrorist financing:** The Czech National Bank will contribute to the refinement and use of the system for preventing the use of the financial market for money laundering and terrorist financing. The Czech National Bank, acting in partnership with the Ministry of Finance of the Czech Republic, and in particular its Financial Analytical Unit, will continue striving to ensure that the aforementioned system is incorporated into the single supervisory concept and consistently applied to all the entities it supervises, and will support its application to other entities that are bearers of similar risks of financial crime.
  - 5.2. **Safe operation of payment and settlement systems:** The Czech National Bank will continue to do all it can to promote and support high requirements for safeguarding payment and settlement systems against failure and abuse. This support will include conducting preventive checks, setting and enforcing high standards for the operation of such systems, and implementing new procedures and standards where appropriate.

6. **Promotion of market discipline:**
  - 6.1. **Consistency between information disclosed and risk management:** The Czech National Bank will focus on ensuring that the information disclosed by supervised entities faithfully reflects their financial condition and their financial risk measurement and management practices.
  - 6.2. **Market efficiency and reduction of the likelihood of market abuse:** The Czech National Bank will strive to ensure that the information disclosed by those required to do so supports the efficient operation of the financial market, thereby reducing the likelihood of market manipulation and mitigating the risk of abuse of insider information.
7. **Cooperation with domestic stakeholders:**
  - 7.1. **Self-regulation:** The Czech National Bank will support self-regulation via professional associations of regulated entities wherever it is appropriate to do so as regards performing the tasks of financial market supervision. Being aware that in most cases self-regulation requires an appropriate legal framework, the Czech National Bank will work in cooperation with the Ministry of Finance of the Czech Republic and other central government authorities to prepare relevant laws.
  - 7.2. **Co-regulation:** The Czech National Bank will, in line with European trends, support the planned transfer of some supervisory authority powers in certain areas to professional associations of market participants, while simultaneously supervising the performance of this transferred responsibility.
8. **International cooperation:**
  - 8.1. **Integration of the European financial services market:** The Czech National Bank will support initiatives to further the integration of the single European financial services market, including convergence of the rules and procedures of supervisory authorities.
  - 8.2. **A balanced relationship between home and host supervisors:** The Czech National Bank will support a relationship between home and host supervisors which is balanced and which guarantees that both the home supervisor and the host supervisor have adequate powers to discharge their legal duties. When applying its powers vis-à-vis members of international groups, the Czech National Bank will work in close cooperation with the home supervisor in order to achieve balanced supervision of the entire group.
  - 8.3. **Crisis management:** The Czech National Bank will get involved in establishing the European multilateral system of cooperation between supervisory authorities, central banks and finance ministries for dealing with cross-border financial crises.
9. **Staff professionalism and expertise:**
  - 9.1. **A professional approach and high internal standards:** The Czech National Bank will measure its supervisory work against high standards that are equal to, or more exacting than, those required of supervised entities.
10. **Supervisory ethics**
  - 10.1. **Code of ethics:** The Czech National Bank will focus on ensuring that its employees abide by its code of ethics, which, alongside the generally recognised ethical standards, is the cornerstone of the moral and ethical profile of every employee of the Czech National Bank.