

5. BANKING SECTOR IN THE CZECH REPUBLIC



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ

Výuka jazyků
prostřednictvím ICT

CZ.1.07/1.1.10/03.0026

BANKING SECTOR

- All bank institutions and their mutual interactions form the core of the Czech financial market
- Two-tier banking system:
 - central bank – ensures macroeconomic stability
 - commercial banks – run their business to make profit

CENTRAL BANK

- Czech National Bank (CNB)
 - with its headquarters in Prague
- CNB functions:
 - Bank of banks
 - Fiscal agent
 - Monetary policy
 - Supervision of
 - Capital market
 - Foreign exchange

COMMERCIAL BANKS

- Provide wide range of bank services for individuals and companies
- Are responsible to the central bank
- Make profit unlike the CNB



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UNIVERSAL COMMERCIAL BANKS

Their functions:

- Accepting deposits
- Granting loans
- Payment and clearing services
- Collecting business information
- Medium- and long-term investment
- Transferring money
- Safe custody of valuables and important documents



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SPECIALISED COMMERCIAL BANKS

- are focused on specific activities such as savings or mortgages or can have supportive functions, e.g.:
 - Czech-Moravian Guarantee and Development Bank
 - Czech Export Bank
 - European Bank for Reconstruction and Development



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DEPOSITS

- Demand (sight) deposits
 - can be withdrawn without any notice or penalty
- Term (time) deposits
 - are deposits with a fixed term (penalty is paid before its maturity)
- Savings deposits
 - are kept for a stated period of time, cannot be used directly as money

BASIC TERMINOLOGY

- **Currency** - coins and banknotes within a particular country (medium of exchange)
- **Convertibility** – the ease of exchanging one currency to gold or another currency
- **Bank profit** – surplus resulting from the difference between interests from deposits and loans, and charging customers for bank services