Covid-19 coronavirus

The Czech National Bank has wider trading opportunities and is ready to help with liquidity shortages

Today, an amendment to the Act on the Czech National Bank which lifts the existing restrictions on entering into transactions on financial and capital markets by the Czech National Bank (the CNB) has entered into force and will be valid until the end of 2021.

The amendment reflects the need to respond to the current situation and restrictions declared by various countries that negatively affect financial markets. Following the decision of both the Czech government and the Czech Parliament, the CNB will play an important role in limiting the impacts on Czech financial and capital markets.

Until today, the CNB was limited to entering into transactions on the financial markets only in respect of bills of exchange, governmental bonds and other state-guaranteed securities, money market securities having their maximum maturity of one year, gold, and FX values or contracts. The counterparties to these transactions were limited only to Czech credit institutions or branches of foreign credit institutions located in the Czech Republic.

Following the amendment, the CNB is able to make any kinds of transactions on the financial market in respect of any financial instruments, precious metals, receivables and other assets without any restriction on the type of its counterparty. The CNB may particularly:

a) keep accounts of Czech credit institutions, branches of foreign banks and receive their deposits;

b) trade in financial instruments and other securities, FX values or contracts, precious metals, receivables and other assets in the form of purchases and sales, repos, deposits, borrowings, loans or futures (this is a demonstrative list only); and

c) carry out credit operations, provided that the CNB obtains sufficient collateral.

To improve the liquidity situation of Czech banks, branches of foreign banks and Czech savings and credit unions, the CNB may also provide them with short-term loan that are sufficiently collateralised or enter into a repo operation. The maximum period of these liquidity injections is three months.

We have observed that Czech banks have responsibly prepared in line with their contingency plans and have prepared documentation for quick issuance of securities such as covered bonds to be used as collateral for the loans or repo operations.
If you have any questions, please do not hesitate to contact us.

Petr Vybiřal  
Counsel  
Contact here →

Tomáš Kirner  
Associate  
Contact here →

ALLEN & OVERY

Follow us:  
LinkedIn   Twitter   YouTube   Instagram   San Francisco

Unsubscribe

Please read our privacy policy for further information on how Allen & Overy use your personal information.

Allen & Overy means Allen & Overy LLP and/or its affiliated undertakings. A current list of Allen & Overy offices is available here. Allen & Overy LLP is a limited liability partnership registered in England and Wales with registered number OC306763. Allen & Overy (Holdings) Limited is a limited company registered in England and Wales with registered number 07462870. Allen & Overy LLP and Allen & Overy (Holdings) Limited are authorised and regulated by the Solicitors Regulation Authority of England and Wales.

The term partner is used to refer to a member of Allen & Overy LLP or a director of Allen & Overy (Holdings) Limited or, in either case, an employee or consultant with equivalent standing and qualifications or an individual with equivalent status in one of Allen & Overy LLP’s affiliated undertakings. A list of the members of Allen & Overy LLP and of the non-members who are designated as partners, and a list of the directors of Allen & Overy (Holdings) Limited, is open to inspection at our registered office at One Bishops Square, London E1 6AD.

allenover.com  © Allen & Overy LLP 2020. This email is for general guidance only and does not constitute definitive advice.