

## **Abstract**

The main aim of this work is to describe and explain the capital requirements of the banking sector. Both economically and legally. The thesis is divided into five main parts. First, I deal with the theoretical description and reasoning behind the banking sector regulation. This part of the work emphasized the relation between financial and business cycle, I illustrate their close relation and mutual interaction. Furthermore, the thesis defines capital adequacy in general, its importance and its most important elements and features. Subsequently, the development of the Basel regulation is described in detail, which despite its legal non-binding nature represents the basic rules for capital adequacy. The main emphasis is put on Basel II and Basel III and its implementation in European and Czech law, where the most important concepts are elaborated in detail to analyze and evaluate them. The main topics I deal with are the structure of capital and measurement of market, credit and operational risk. Particular emphasis is placed on the pro-cyclicality of capital requirements, the implications of this pro-cyclicality, and the tools in Basel III to mitigate this feature. Therefore, I describe in detail the additional capital buffers and liquidity requirements introduced in response to tackle this feature. The fourth part of the thesis deals with the implementation of Basel into the legal system, where the European dimension of the CRD and CRD IV is elaborated. In the context of Czech law, I briefly deal with the Act on Banks and associated sub-legal regulations. The last part of the thesis describes the banking sector in the Czech Republic in terms of capital requirements, where the view of high resilience of the Czech banking sector is presented. In conclusion, I present an evaluation and reflection on the possible impacts that this regulation can bring.