

Summary

This dissertation introduces an approach in analyzing financial and banking regulation which is not very common in the Czech legal academia – the law and economics approach – as the author considers separating legal and economic science malicious from the historical and theoretical perspective.

In the second chapter, the paper analyzes regulation from theoretical perspective. Author analyzes and depicts various theories examining regulation from different perspectives - traditional economics, political, legal as well as behavioral perspectives. Author introduces a hypothesis that (especially) financial regulation can be understood as a result of market and political pressure of banking and financial industry. Consistently, author shows that the regulation of financial sector is designed in a way that the financial sector benefits on the account of allegedly protected individuals. The paper also portrays negative effects of regulation – the increase of systemic risk, formation of various inefficiencies, dead weight loss etc. The second chapter, however, shows some alternatives to regulation pursued by regulatory bodies and brings to attention benefits that these alternatives can have on the stability. Moreover, author discusses the process of deregulation and its limits. In the last section he introduces a discussion on social necessity of regulation.

The third chapter introduces main arguments that are commonly used to defend the existence of financial and banking regulation. The analysis recapitulates most of the arguments used by politicians, regulatory bodies and banking sector in their attempt to justify the regulation. The analysis, applying a question “Cui bono”, shows the biggest beneficiaries of financial regulation and shows that the arguments, they use, mislead society and individuals and cause great costs. In this chapter, author also argues that the regulation, instead of eliminating negative externalities, causes significant costs that are born by the individuals, who do not play any role in triggering them.

The fourth chapter depicts in brief various costs that are caused by the existence of regulation. Author admits it is impossible to quantify real costs the financial sector and individuals are forced to bear, as their nature do not allow such quantification, he presents estimations and most importantly the systematization of the costs. The chapter concludes that the public in large should be aware that the current system of financial regulation is costly. As a result, the real costs are identified and improvements

are introduced in order to improve the efficiency of the regulatory process.

In the fifth chapter, the paper discusses the potential improvements to current system of financial regulation, banking regulation specifically. The presented proposals provide a regulatory concept that would guarantee not only the improvement of financial sector stability and protection of the individual but also allow further development of financial and banking markets, which are both crucial for economic development. These proposals – if implemented – would also lower the risk the financial institutions bear and cause and allow to reach efficiency on the financial market.