

# FINANCIAL STABILITY REPORT

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ISBN 978-80-87225-03-5

Maintaining financial stability is defined as one of the CNB's main objectives in Act No. 6/1993 Coll., on the Czech National Bank, as amended:

## Article 2

(2) In accordance with its primary objective, the Czech National Bank shall

.....

d) supervise the activities of entities operating on the financial market, analyse the evolution of the financial system, see to the sound operation and development of the financial market in the Czech Republic, and contribute to the stability of its financial system as a whole.

The CNB defines financial stability as a situation where the financial system operates with no serious failures or undesirable impacts on the present and future development of the economy as a whole, while showing a high degree of resilience to shocks.

The CNB's definition is based on the fact that financial stability may be disturbed both by processes inside the financial sector leading to the emergence of weak spots, and by strong shocks, which may arise from the external environment, domestic macroeconomic developments, large debtors and creditors, economic policies or changes in the institutional environment.

The CNB's aim with regard to financial stability is above all to ensure a degree of resilience of the system that minimises the risk of financial instability. To fulfil this aim, the CNB as a monetary and supervisory authority uses the instruments made available to it by the Act on the CNB. Cooperation with other national and international authorities is also very important in this area. In order to maintain financial stability, the CNB focuses on prevention and broad communication with the public regarding the potential risks and factors posing a threat to financial stability. This Financial Stability Report is an integral part of such communication.