## Content

Introduction	16
General Background	18
Part I: Global Scheme	28
1. Introduction	28
2. From Basel I to Basel III	32
2.1. Pillar 1: Minimum Capital Requirements	33
2.2. Pillar 2: Supervisory Review Process	43
2.3. Pillar 3: Market Discipline	44
3. Benefits and Threats	48
3.1. Benefits	49
3.1.1. Leverage Ratio	49
3.1.2. Capital Quality	50
3.1.3. Liquidity Standards	50
3.1.4. Countercyclical Buffer	51
3.1.5. OTC Capital Charge	52
3.2. Threats	53
3.2.1. Cornerstones of Capital and Liquidity Standards	53
3.2.2. Moral Hazard	55
3.2.3. Exogenous Treatment of Systemic Risk	57
3.2.4. Broad Definition of Objectives	59
3.2.5. Imperfect Global Coordination	61
4. Overall Impact on the Banking Industry	64
4.1. Compliance Costs	65
4.2. Level Playing Field	67
4.3. Powers and Responsibilities	68
4.4 Structure of the Banking Industry	70
5 Conclusion	72

Part II: European Union	76
1. Introduction	76
2. Capital Requirements Directive	80
2.1. Content	82
2.1.1. Discretionary Buffers and Enforcement	83
2.1.2. Remuneration	86
2.1.3. Corporate Governance	88
2.2. Benefits and Threats	88
2.2.1. Benefits	89
2.2.2. Threats	91
2.3. Overall Impact on the Banking Industry	92
3. Bank Recovery and Resolution Directive	98
3.1. Content	100
3.1.1. Preparation	101
3.1.2. Early Intervention	103
3.1.3. Resolution	104
3.2. Benefits and Threats	111
3.2.1. Benefits	111
3.2.2. Threats	113
3.3. Overall Impact on the Banking Industry	117
4. Banking Union	124
4.1. Content	126
4.1.1. Single Resolution Mechanism	126
4.1.2. Single Supervisory Mechanism	128
4.1.3. Deposit Guarantee Scheme	131
4.2. Benefits and Threats	133
4.2.1. Benefits	133
4.2.2. Threats	135
4.3. Overall Impact on the Banking Industry	138
5. Taxation of the Banking Sector	142
5.1. Content	144
5.1.1. Financial Sector Taxes in the EU	144
5.1.2. Enhanced Cooperation on European Financial Transaction Tax	144

5.2. Benefits and Threats	147
5.2.1. Benefits	147
5.2.2. Threats	149
5.3. Overall Impact on the Banking Industry	151
6. Conclusion	154
Part III: The Czech Republic	160
1. Introduction	160
2. Analysis of the Czech Banking Sector	164
2.1. Size, Ownership Structure and Competition	165
2.2. Balance Sheet Composition	169
2.3. Liquidity and Profitability	175
3. Risk Implications	184
4. Impact of European Regulation on the Czech Banking Sector	188
4.1. Capital Requirements Directive	189
4.2. Banking Recovery and Resolution Directive	190
4.3. Banking Union	192
4.4. Taxation	194
5. Conclusion	196
Concluding Remarks and Outstanding Challenges	200
References	208
Appendix	216