

TABLE OF CONTENTS

TABLE OF CONTENTS	3
INTRODUCTION	9
1 FUTURE TRENDS IN THE GLOBAL FINANCIAL MARKETS	10
1.1 11 September	10
1.2 The Economic Outlook	10
1.3 The Internet	11
1.4 Electronic Trading	11
1.4.1 Instinet	11
1.4.2 Island	12
1.4.3 SelectNet	12
1.5 Mergers and Cooperation	13
1.6 Emerging Markets	13
1.7 Economic Centres	13
1.7.1 Europe	13
1.7.2 Japan	13
1.7.3 Emerging Markets	14
1.7.4 Asia and Russia	14
1.7.5 Latin America	15
1.8 Globalisation	16
1.9 New Technologies	16
1.10 Worldwide Trading	17
1.11 High Volatility	17
1.12 Commodity Prices Growth	17
1.12.1 Crude Oil	17
1.12.2 Oil Brent	18
1.12.3 Propane	19
1.12.4 Copper	19
2 EMERGING MARKETS	21
2.1 Definition	21
2.2 Emerging Markets throughout the World	22
2.3 Asia	23
2.3.1 China	23

2.3.2	Hong Kong.....	25
2.3.3	Taiwan.....	26
2.3.4	Thailand.....	27
2.3.5	India.....	29
2.3.6	Indonesia.....	30
2.3.7	Malaysia.....	31
2.3.8	South Korea.....	32
2.4	America.....	34
2.4.1	Brazil.....	34
2.5	Europe.....	35
2.5.1	Russia.....	35
2.5.2	Poland.....	37
2.5.3	Czech Republic.....	39
2.5.4	Hungary.....	40
2.6	Middle East.....	42
2.6.1	Turkey.....	42
2.6.2	Israel.....	43
2.7	Africa.....	44
2.7.1	Egypt.....	44
2.7.2	South Africa.....	46
3	THE CZECH FINANCIAL SYSTEM.....	48
3.1	The Economy System.....	48
3.1.1	The Economic System.....	48
3.1.2	The Role of Markets in the Economic System.....	48
3.2	The Financial System.....	49
3.2.1	Types and Functions of the Financial System.....	49
3.2.2	Types of Financial Transaction.....	49
3.2.3	Functions of the Financial System.....	50
3.2.4	Financial Institutions in the Financial System.....	50
3.3	Market Regulation and Protection.....	51
3.3.1	Capital Market and the Reason for Its Regulation.....	51
3.3.2	Confidence in the Capital Market and the Role of Regulation.....	51
3.3.3	Czech Securities Commission as a Regulator.....	52
4	HISTORY DEVELOPMENT.....	55
4.1	Starting Conditions and the Early Years of Transition.....	55
4.2	Problems in 1994–2001 and Policy Response.....	57
4.3	Privatization Process.....	63
4.3.1	The Organizational Structure.....	63

4.4	Overview of Privatization Programs	65
4.4.1	Re-privatization.....	65
4.4.2	Small Privatization	66
4.4.3	Large Privatization	66
4.4.4	Voucher Privatization	68
4.4.5	Establishment of Corporations	71
5	BANKING SECTOR IN THE CZECH REPUBLIC	72
5.1	Development	72
5.1.1	2002	72
5.1.2	2003	73
5.1.3	2004	74
5.1.4	2005	76
5.2	Development of Czech Banking Sector in Charts and Tables ...	77
6	MARKET REGULATION AND PROTECTION (SEC).....	86
6.1	Integration of the Financial Market Supervisors.....	86
6.2	Czech Securities Commission as a Regulator	86
6.2.1	Investor Protection.....	88
6.2.2	Development and Edification	88
6.2.3	Financial Crime.....	89
6.2.4	Tools of the Commission for the Capital Market Regulation	89
6.2.5	Activities Targeting the Investor Public.....	90
6.2.6	Activities Targeting the Regulated Persons.....	90
6.2.7	Activities Targeting the Market as a Whole	94
6.2.8	Cooperation with Other Administrative Authorities and Institutions.....	95
6.2.9	Cooperation with International Organizations.....	95
6.2.10	Cooperation with Professional Associations.....	96
7	PRAGUE STOCK EXCHANGE.....	97
7.1	Company Profile.....	97
7.1.1	Selected Indicators	97
7.1.2	Key Annual Data.....	98
7.1.3	Company Structure.....	98
7.1.4	Foreword of the Chief Executive Officer.....	99
7.2	PSE's Activities in 2005.....	99
7.2.1	Trading and Securities.....	99
7.2.2	Information and Trading System	100
7.2.3	Inspection Work.....	100
7.2.4	Performance and Results	100

7.2.5	Settlement	101
7.3	Exchange Bodies	101
7.3.1	The Exchange Chamber	101
7.3.2	Supervisory Board as at 31 December 2005	101
7.4	Exchange Indices	102
7.4.1	PX Index	102
7.4.2	PX-GLOB Index	104
8	DEVELOPMENT OF CAPITAL MARKET IN THE CZECH REPUBLIC	105
8.1	2002	105
8.1.1	Privatisation Delays Support Shares	105
8.1.2	Collective Investment	105
8.1.3	Prospects for the Stock Exchange	106
8.1.4	Legislation	106
8.2	2003	107
8.2.1	The Domestic Market in a Whirlwind of Change	107
8.2.2	The Domestic Stock Market	107
8.2.3	The Attack of Foreign Funds	107
8.2.4	Worries over Legislation	108
8.3	2004	109
8.3.1	Bond Markets	109
8.3.2	The PSE in the Sign of the Bull	110
8.3.3	Collective Investment and Additional Info	110
8.4	2005	110
8.4.1	Capital Market: Very Successful Year for Investment	110
9	DEVELOPMENT OF PENSION FUNDS IN THE CZECH REPUBLIC	117
9.1	2002	117
9.1.1	Consolidation and Solid Yields	117
9.2	2003	118
9.2.1	The Dynamics of Supplementary Pension Insurance on the Rise	118
9.3	2004	119
9.3.1	Ten Years of Pension Funds in the Czech Republic	119
9.4	2005	121
9.4.1	Supplementary Pension Insurance: Success and Stability	121
9.4.2	Number of Insured and Additional Parameters	121
9.5	Selected Economic Indicators	122

10 TRANSFORMATION OF THE CZECH INSURANCE MARKET	126
10.1 Insurance Industry	126
10.1.1 Principles of Insurance	127
10.1.2 Technical Provisions	127
10.2 History of the Czech (Czechoslovak) Insurance Industry	127
10.3 Transformation of the Czech (Czechoslovak) Insurance market	128
10.4 Base and results of the transformation	128
10.4.1 Positive Events of the transformation (Legal Point of View)	129
10.4.2 Transformation of Motor Third Party Liability Insurance	131
10.4.3 Other New Acts in Insurance Industry	131
10.4.4 Negative Events during the Transformation	133
10.5 Current Czech Insurance Market	133
10.6 Basic Indicators of Czech Insurance Market Standard	134
10.6.1 Premium Written	134
10.6.2 Concentration of Insurance Market	135
10.6.3 Insurance Benefit	136
10.6.4 Loss Experience	136
10.6.5 Insurance Penetration	137
10.6.6 Other Indicators	138
10.7 Comparison of the Czech and European Insurance Market	138
10.7.1 Conclusion of the comparison	140
10.8 Insurance market in the Czech Republic year by year	141
10.8.1 Development in years 2002 - 2005	141
10.8.2 Development of Insurance Companies in Charts and Tables	148
11 AN OUTLINE OF THE CZECH CAPITAL MARKET	156
11.1 The Money Market	156
11.2 The Capital Market	156
11.2.1 The Bond Market	156
11.2.2 The Stock Market	156
11.2.3 The Derivative Market	157
11.3 A Characteristics of the Supplementary Pension Insurance Sector	157
11.3.1 Legal Regulation of Supplementary Pension Insurance	157
11.3.2 Pension Funds	158
11.3.3 A Pension Fund's Statute	158
11.3.4 A Pension Fund's Disclosure Duty	158

11.4 A Characteristics of the Collective Investment Sector	158
11.4.1 Investment Company	159
11.4.2 Collective Investment Funds	159
11.4.3 Standard and Special Funds	160
11.4.4 Provision of Services Czech Republic by a Foreign Investment Company	161
11.4.5 Statute of a Collective Investment Fund	162
11.4.6 Disclosure Duty	162
11.5 Overview	163
11.5.1 Collective Investment	163
11.5.2 Pension Funds	164
BIBLIOGRAPHY	165
LIST OF TABLES	167
LIST OF CHARTS	169