



Financial Services in the Czech Republic: A Handbook for Foreigners

Prague 2006



Informační centrum a knihovna Multikulturního centra Praha

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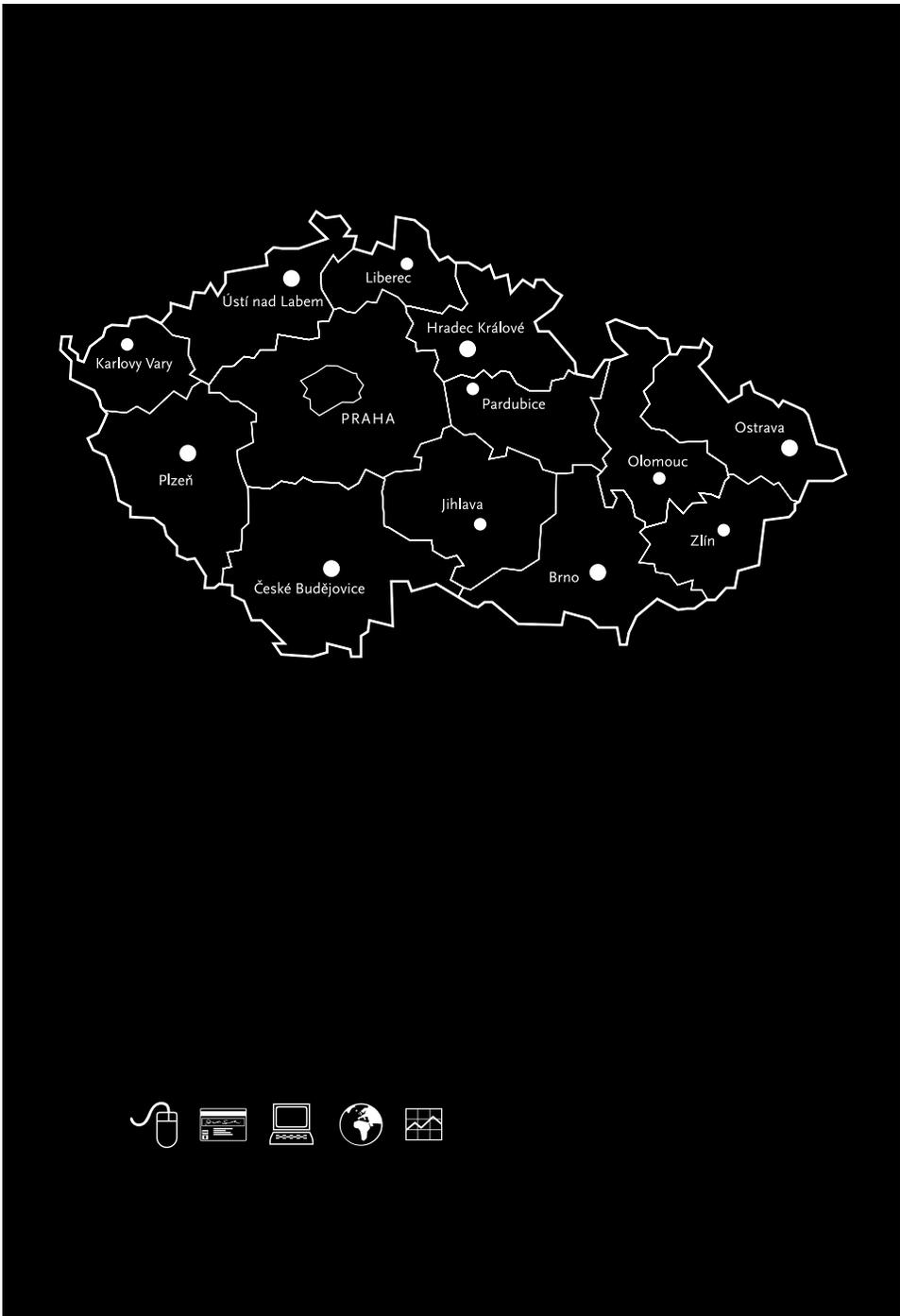
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Foreword

There is probably a no more complicated area in everyday life than financial services. Lots of strange words and specialist jargon, heaps of forms, important information printed in almost illegible letters in obscure places and legal language means often a native Czech cannot understand everything, never mind a foreigner who is learning Czech. This is roughly what financial services are like in the Czech Republic in 2006.

Fortunately, though, the situation is changing. Two years of criticism from the media and clients have given financial institutions the impetus to change the way they behave. A number of them did so, they began to simplify their price lists and the way they inform clients, but for some the previous way of life had been too comfortable. That is why last year the Ministry of Finance entered into a public discussion with three simple requirements. Despite initial resistance a number of things are beginning to change and I believe that the changes will not only make services clearer for clients but will lead to better conditions so that everybody feels valued. After all we are buying a service from the financial houses, not asking them for a favour...

The first of the Ministry of Finance's requirements was for information to be comprehensible. We want the same service to be called by the same name all the time, with clear understandable descriptions and explanations and for the employees in financial institutions to be able to explain the benefits and pitfalls of financial products even to people who have not studied law and economics. Each client should receive simple basic information, which does not leave out anything important and is written in language that is easy to understand.

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This is a seemingly simple requirement but a relatively unpleasant one for some financial houses. I am not talking here about large financial groups that realise that they need clients' loyalty over a long period but rather about various companies whose profit is based on their customers' lack of knowledge. Whether it be from the various providers of loans or so-called advisors who recommend financial products according to the amount of commission they will get, it is important to not accept the first advice you are given. Think it over, ask – and unless you are one hundred percent sure that you understand everything and know all the risks, do not sign. Do not forget that the important thing is what you are signing and not what somebody is saying. Signing something too quickly could turn out to be very expensive.

The second of the Ministry of Finance's requirements was for information to be comparable. This is not something that can be achieved over a couple of days but the purpose of our work is to ensure that everybody can compare various competitors' offers quickly and simply. At present, competition is restricted by the very fact that each package is slightly different, as various institutions calculate various indicators and charges differently.

This means that the client is surrounded by many offers and has no chance of correctly choosing the best product.

These two base requirements are needed in order for people to fully use the range of financial services for their own benefit. It is bad if there are groups of people in society who lose money just because financial institutions are incapable of (or do not want to) explain the conditions of products or do not advise them responsibly about their choices.

In a number of countries help for these groups of people is one of the priorities of consumer protection organisations and the gradually increasing client protectors should start looking into this problem.

The Ministry of Finance's third requirement was to make it easier for a client to transfer if he or she is not satisfied with the services being offered. We are annoyed by the high walls, that prevent a dissatisfied customer from slamming the door behind them.

Whether it is the charges and fines for cancelling a product or the deliberately complicated processes involved in terminating a contract, these are practices that have no place in a civilised market. We therefore recommend that everybody, before signing a contract, should find out how much it will cost to walk away if they are not satisfied. It happens far too often that a free start for clients ends very differently.

It is good that books like this exist. I believe it will act as a reliable guide to its readers and help them through the complicated world of financial services. Furthermore, I hope that the foreword for the next edition will be far more optimistic.

TOMÁŠ PROUZA
Deputy Minister of Finance

P.S.: If you wish to share your experiences about financial services in the Czech Republic, write to us at the Ministry of Finance. At the e-mail address spotrebitel@mfcr.cz we gather together the experiences of clients who we work with in preparing amendments which should help all of us.

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Introduction

In 2004 there were 254 294 foreigners living in the Czech Republic, of whom 99 467 had permanent residence and 154 827 had some type of temporary residence for over 90 days. The greatest numbers of foreigners with residence permits came from Ukraine (78 263), Slovakia (47 352), Vietnam (34 179), Poland (16 256), Russia (14 743) and Germany (5 772).

A survey, carried out by Multicultural Centre Prague among foreigners living in the Czech Republic, showed that they have difficulty with the range of banking services on offer in this country. Some of them have language difficulties, some of them mention cultural misunderstandings, others do not understand banking services because they have not had any experience with banks before.

The aim of this handbook therefore is to provide a basic summary of the banking sector in the Czech Republic and the range of bank products available. Products which have to be used for everyday life in the Czech Republic (for example, a current account) are described in detail. Briefer descriptions are given of other products which foreigners do not use so much or which are used or can be used by only a small proportion of foreigners living in the Czech Republic.

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In some chapters, for example those on current accounts and loans, there are descriptions of the services offered by selected banks. The banks have been chosen with regards to their size, the availability of their branches and according to the experiences of foreigners we have spoken to. The banks are listed alphabetically. There are, of course, other banks on the banking market, whose services may be of interest to foreigners (you will find contacts to them in the appendix).

This handbook is published in Czech, English, German, Russian, Ukrainian and Vietnamese. It can also be downloaded on the internet at www.migraceonline.cz/finance.

We would like to thank the Citigroup Foundation for the financial support they have given in putting together this handbook. We also thank Pavlína Jiřková at GE Money Bank and Michal Gorec at Citibank for their invaluable advice and comments.

HANA ŽÁKOVÁ PETROVÁ
Multicultural Centre Prague

01

Basic tips on how to use this handbook

WHAT TO DO WHEN YOU NEED...?

TO PAY AND RECEIVE PAYMENTS

You can pay and receive payments in **CASH**, for example with a postal order at a Czech post office (see chapter 3) or by direct transfer.

For **NON-CASH PAYMENTS** you will need a bank account (see chapter 4). You can open one at a bank branch and banks will usually provide this service to any foreigner with legal residence in the Czech Republic (see chapter 4). However, there are significant differences in the types of accounts and 'packages' on offer, which include various services and various charges. Because you will also have to pay for services that you do not need, we recommend that first of all you consider **FOR WHAT PURPOSE YOU WILL BE USING YOUR ACCOUNT**: whether it is for depositing money for confirmation for the foreign police department, for regular payments in the Czech Republic, in order to send regular payments abroad, etc.

When choosing a bank and a services package it is also a good idea to take into consideration **HOW YOU ARE GOING TO MANAGE YOUR ACCOUNT**: whether in person at the branch of your bank or via the internet or by telephone. Here it is important to know in which languages your bank is capable of communicating with its clients (see chapter 2).

With your account your bank will usually offer to issue you a debit card (see chapter 5) which you can use to take money out of your account at cashpoint machines or to pay in certain shops.

TO SAVE

You can save in **SAVINGS ACCOUNTS** (see chapter 4), in which you can deposit money at whatever intervals you choose. Usually you also need to have a current account at the same bank.

TIME DEPOSITS represent another means of funds appreciation (see chapter 4). You can decide how long you want to leave your money in the bank.

Another savings product is **BUILDING SAVINGS** (see chapter 8). This involves long-term saving, the advantage of which is that the reputation provides reputation support for this type of saving. But not all foreigners living in the Czech Republic are entitled to it (see chapter 8).

Saving products are usually available to all foreigners with a Czech residence permit.

TO BORROW MONEY

If you need money for purchases (for example, of consumer goods), which you want to pay for in monthly instalments, it is best to take out **CONSUMER CREDIT** (see chapter 6). You can compare the advantages of different credits with the **APRC** figure (see chapter 6).

If you are more interested in a short-term loan, then probably the best product will be a **CREDIT CARD** (see chapter 9) or a **BANK OVERDRAFT** (see chapter 6) which you can only get if you have a current account.

To finance housing there are **MORTGAGES** (see chapter 7) or **BUILDING SAVINGS LOANS** (see chapter 8). Foreigners are restricted in acquiring property in the Czech Republic (see chapter 7).

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Individual banks have different approaches in providing loans to foreigners (see chapter 6).

TO CHANGE MONEY

You can **CHANGE** money **IN CASH** in a bank or an exchange office (see chapter 9) or you can change it by **DIRECT TRANSFER** (see chapter 9). But for this kind of exchange you will need a **FOREIGN CURRENCY ACCOUNT** (i.e. a current account in a foreign currency). If you want to avoid being cheated, or other unpleasant surprises, for clarity we recommend that you do not change money on the street.

TO SEND MONEY ABROAD

If you want to send money abroad by **DIRECT TRANSFER** (see chapter 10), you need to have a current account. The total price of the transaction consists of your bank's charges, the charges of the correspondent banks and the recipient's bank. Money can also be sent in cash to most countries (see chapter 10).

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Banks in the Czech Republic

There are currently 36 banks in the Czech Republic, of which six are building societies. There are also 12 branches of foreign banks in the Czech Republic, as well as dozens of foreign banks providing services in the Czech Republic as part of the free movement of services in the EU.

BANK RELIABILITY

After the collapse of several banks in the 1990's the Czech banking market has been cleaned up and confidence in banks has grown. There is compulsory insurance of deposits which applies to clients of all banks. All non-anonymous Czech crown and foreign currency deposits made by physical and legal entities are insured. If a bank goes bankrupt deposits are reimbursed to entitled persons in Czech crowns at an amount equal to 90% of the deposit, up to a maximum of 25 000 Euros for one person in one bank.

A list of all the banks, including contacts and basic information, can be found in English on the Czech National Bank website (www.cnb.cz) and at each branch of this bank.

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BANKS' ATTITUDES TO FOREIGNERS' NEEDS

The attitude of banks to foreigners can be divided depending on whether the client has come to deposit money (here the barriers are minimal) or whether the client wants to borrow money. In the second case the attitude of banks to foreigners is usually less obliging but it depends on the status of the foreigner and the country that he or she comes from. It generally applies that foreigners from EU countries or people with permanent residence in the Czech Republic come up against less obstacles.

The caution shown by banks in giving loans to foreigners is, to a certain extent, understandable. The bank does not know the client's bank history, it can be worried that the client will leave the Czech Republic and recovering debts abroad can be a very expensive operation for banks. On the other hand banks should take into account (and this is the stance taken by the UN's Committee for the Removal of All Forms of Racial

Discrimination) that citizenship is not the most important criterion when it comes to a person's intention or ability to pay back a loan. In this context a permanent address, employment, property and family ties can be far more important.

COMMUNICATING WITH BANKS IN A FOREIGN LANGUAGE

The best ways of finding something out about a bank and its services are by visiting its website, phoning the bank (usually free of charge), going to one of its branches or reading the bank's printed materials. You will find a directory of banks and contacts to them in the appendix. Some banks have special workstations for foreigners.

HOW DO CERTAIN CZECH BANKS COMMUNICATE WITH FOREIGNERS?

CITIBANK

Citibank communicates with clients at all levels, from branch employees to the infoline and printed information, in English and in Czech. The bank has eight branches in the Czech Republic.

ČESKÁ SPORITELNA

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The bank has special branches which it calls Expat Centers. Employees in these branches speak English, French and German. At these branches the bank also provides printed information in foreign languages. Internet, telephone and mobile banking is in English. Česká spořitelna has 647 branches.

ČSOB

The main languages, in which ČSOB is capable of providing information to foreigners in individual branches, on the telephone information lines, the internet and in printed materials, are English and Slovak.

As well as in Czech, internet, telephone and mobile banking also works in English, Hungarian, Slovak and German. The bank has 218 branches.

GE MONEY BANK

The bank does not have special workstations for foreigners. However, it should always be possible to find someone in its branches who speaks English. From 2006 internet banking in English should be in operation. The bank has 192 branches.

Banks in the Czech Republic

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KOMERČNÍ BANKA

Komerční banka has created special *Foreign Customer Desks* (FCD) in nineteen of its branches. The employees who work at them have the necessary language skills and have been trained to communicate with foreigners. Materials are available in English, German and French. On the website there is a section in English and English also serves as the language of communication on the infoline.

As well as in Czech, internet, telephone and mobile banking is also in English. The bank has 341 branches.

POŠTOVNÍ SPOŘITELNA

Poštovní spořitelna is part of ČSOB. The basic language is Czech. You will find branches at 3400 Czech post offices.

RAIFFEISENBANK

As well as in Czech, printed documents, telephone information lines and the bank's website are also in English. In each of its branches there is an employee who is able to communicate with foreigners in English or German. Internet, telephone and mobile banking is also in English. The bank has 49 branches.

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Specific characteristics of the Czech banking market and its services

WHAT SHOULD YOU KNOW ABOUT THE CZECH BANKING MARKET AND ITS SERVICES?

CURRENT ACCOUNT CHARGES

In the Czech Republic clients usually pay charges for keeping a current account and charges for individual services. The charges structure is not always clear and translations of rates of charges into other languages are not always available. It can happen that the money in an account that is not being used gradually decreases. You will find information about charges in chapter 4.

CURRENCIES IN WHICH ACCOUNTS ARE KEPT

The basic account currency is the Czech crown (CZK) but the majority of banks also keep foreign currency accounts in Euros (EUR) and American Dollars (USD). Some banks also keep accounts in other currencies of the European Union and other developed economies.

Banks generally set up foreign currency accounts in currencies other than CZK free of charge. The charge for managing them does not differ too much from Czech crown current accounts.

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TAXATION OF INTEREST

In the Czech Republic interest gained on deposits is subject to 15% income tax. For physical entities the bank deducts this tax and pays it itself and the yield of interest is not then declared as income.

STATE SUPPORT

State support can be gained for some financial products such as building savings and mortgages. You will find more information about state support in chapters 7.6 and 8.6.

POSSIBILITY OF A REDUCTION IN THE TAX BASE

In the Czech Republic there are financial products which enable a reduction to be made in the tax base, i.e. the income, from which the tax liability is calculated.

These are:

- **supplementary pension insurance**
- **life insurance**
- **building savings** (interest paid on a building savings loan and a bridging loan)

•• **mortgage credit** (interest paid on a loan given to purchase property)

You will find more information about the possibilities of a reduction in the tax base in chapters 7.6 and 8.6.

CZECHS DO NOT USE CHEQUES

The Czech economy is different in that it hardly uses cheques at all. But in all banks they know this product and are capable of redeeming them without problem. Some banks also issue cheques. Traveller's cheques, such as Visa, American Express and Thomas Cook, are generally available.

USING PAYMENT CARDS

The use of payment cards is relatively widespread for taking cash out of cash-point machines and for making non-cash payments for goods and services. The most widespread card companies are Eurocard/ Mastercard and VISA. More than 61 % of the population over the age of 15 have debit cards and more than 5 % of the population have credit cards. Number of cashpoint machines: 3 000. Number of places where you can pay by card: 50 000.

POSTAL ORDER

The postal order is a relatively widespread product. This enables you to send money in a very easy way: you fill in a form at a branch of the Czech Post Office, hand over the cash and the post office will send the money for a fee (20-30 CZK) to a particular bank account or the addressee can collect the money from a post office. The state and local authorities use postal orders for paying out support and for other payments.

SIPO

SIPO (Sdružené Inkaso Plateb Obyvatelstva = Cooperative Collection of People's Payments) is a specific payment instrument. It dates from the time when there were not many bank accounts in the Czech Republic but SIPO still functions today. You are given a SIPO number at a post office and you write down on a form the payments that you wish to make in this way. Once a month you deposit the total sum in cash at the post office or you allow payment to be made from your current account. The post office divides the remitted sum and sends it to the accounts that you have requested. SIPO is only used for regular payments. Czechs use it to pay for electricity, gas, telephone and other services.

Detailed information about this service is available at Czech post offices.

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Current account

A current account enables the owner of the account to deposit money in cash, to receive non-cash payments, to withdraw cash and to make single and regular repeated payments to other parties.

Most people in the Czech Republic have a current account. Employers often prefer to pay wages by direct transfer. By opening a bank account you establish your banking history which can enable you to have easier access to other bank products.

Banks also offer 'packages' of services which for a monthly fee include, in addition to the management of the current account, other services free of charge or at a special rate.

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A debit card can be provided with a current account which means you do not have to carry cash with you. You can use the card to pay in shops or to take money out of cashpoint machines. You will find more information about cards in chapter 5.

DIVISION OF ACCOUNTS

- **Current accounts for physical entities (people)**
 - in this handbook we concentrate on this type of account.
- **Current accounts for physical entities – entrepreneurs (traders)**
 - usually required by the revenue office
- **Current accounts for legal entities (companies).**

CONDITIONS FOR OPENING A CURRENT ACCOUNT

A person usually has to be at least 15 or 18 years old. An account can be opened for younger people by their legal representative.

Banks do not usually stipulate any restrictions for foreigners with various types of residence in the Czech Republic. They generally require a foreigner to submit AN IDENTITY CARD (PASSPORT) OR OTHER FORM OF IDENTITY AND ANOTHER DOCUMENT CONFIRMING A PERSON'S IDENTITY (FOR EXAMPLE, A DRIVER'S LICENCE). They can also ask for other documents: a valid visa for countries with a visa requirement;

Current account

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a residence permit; a document proving the purpose of your stay in the Czech Republic, etc. Usually a minimum amount of money needs to be deposited in the account.

AT WHICH BANKS CAN FOREIGNERS OPEN AN ACCOUNT (SELECTED BANKS)*?							
FOREIGNER'S STATUS	CITIBANK	ČESKÁ SPOŘITELNA	ČSOB	GE MONEY BANK	KOMERČNÍ BANKA	POŠTOVNÍ SPOŘITELNA	RAIFFEISEN BANK
ASYLUM SEEKER	no	yes	yes	yes	yes	yes	n.a.
RECOGNISED REFUGEE	yes	yes	yes	yes	yes	yes	n.a.
EU CITIZEN – RESIDENCE UP TO 3 MONTHS	yes	yes	yes	yes	yes	yes	n.a.
EU CITIZEN – TEMPORARY RESIDENCE	yes	yes	yes	yes	yes	yes	yes
EU CITIZEN – PERMANENT RESIDENCE	yes	yes	yes	yes	yes	yes	yes
NON-EU – SHORT-TERM RESIDENCE UP TO 3 months	yes	yes	yes	yes	yes	yes	n.a.
NON-EU – LONG-TERM RESIDENCE	yes	yes	yes	yes	yes	yes	yes
NON-EU – PERMANENT RESIDENCE	yes	yes	yes	yes	Yes	yes	yes
FOREIGNER WITH A VALID PASSPORT WHO DOES NOT HAVE A VALID CZECH RESIDENCE PERMIT	yes	yes	no	Yes	no	no	n.a.

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* This is only a selection of all the banking subjects in the Czech Republic; information valid as of 15. 12. 2005.

YIELD FROM MONEY IN THE ACCOUNT – INTEREST

For Czech crown accounts the interest rate is between 0.05-0.5 % p.a. (per annum – per year) of the account balance. Accounts which are kept in foreign currencies have different interest rates.

SERVICES AND CHARGES

OPENING AN ACCOUNT

The majority of banks do not charge for opening an account.

MONTHLY CHARGE FOR THE MANAGEMENT OF THE ACCOUNT

The charge for the management of a current account varies between 0-100 CZK. The charge for packages of services is 50-400 CZK and varies depending on the amount of services included in the package.

WHAT SERVICES ARE USUALLY OFFERED AS PART OF A PACKAGE OF SERVICES?

- Payment card with the account free of charge.
- Some payment operations (payment orders, payments received) each month free of charge.
- Some withdrawals from cashpoint machines each month free of charge or at a special price.
- Internet, telephone, mobile banking free of charge.
- Monthly account statement
- Other additional services, for example: accident insurance or travel insurance.

Some banks offer to manage your account free of charge but this is usually conditional on:

- A minimum balance of thousands or tens of thousands of CZK.
- Regular deposits of thousands of CZK in the account.

ACCOUNT STATEMENT

The account statement provides you with a detailed summary of all movements in the account. The bank will charge you 45-100 CZK for a monthly statement which you collect in person from your branch. Sending statements by post costs 0-35 CZK.

CONFIRMATION OF ACCOUNT BALANCE ISSUED AT THE CLIENT'S REQUEST (FOR EXAMPLE, FOR THE FOREIGN POLICE DEPARTMENT)

You will usually pay 100-600 CZK for confirmation. Some banks do not give the precise amount of this charge in their list of prices.

Tip: The foreign police department also accepts a monthly account statement.

DOMESTIC PAYMENTS

A domestic payment is used for the transfer of Czech crowns between banks registered in the Czech Republic.

INCOMING PAYMENTS

For the cost of incoming payments banks often do not differentiate between a payment from their own or another bank. The prices are the same or the difference is minimal.

- Incoming payment in CZK from a bank in the Czech Republic: 0-7 CZK.

OUTGOING PAYMENT – SINGLE PAYMENT ORDER

You can give a payment order in writing (you fill in the correct form and hand it in at a branch of your bank) or through direct banking if you use it.

A payment order to the same bank as where you have your account usually costs:

- Over the counter 0-53 CZK.
- Through other channels, for example internet banking 0-6 CZK.

A payment order to another bank in the Czech Republic usually costs:

- Over the counter 0-55 CZK
- Through other channels, for example internet banking 0-6 CZK.

There is a lot of difference in the prices for payment orders. In the majority of cases the type of account does not affect the price of the individual transaction. Most frequently it is bank policy that as part of a package of services you have the opportunity to make several payment orders a month free of charge.

OUTGOING PAYMENT – STANDING PAYMENT ORDER

A standing order is used for regular, usually monthly repeated payments.

The bank will make payment on the day you request (for example, the 12th day of the month). The cost of the standing order transfer is around 10 CZK. For some kinds of account there is a charge for starting (0-50 CZK), amending (0-50 CZK) and cancelling the standing order (0-50 CZK).

The large range of prices is because there are different charges for the channels used (you pay more at a branch of a bank for an amendment to an order than if you use internet banking).

FOREIGN PAYMENT SYSTEM

A foreign payment is any payment in a foreign currency (i.e. to a bank in the Czech Republic or abroad) and payment in Czech crowns to abroad. We will look in detail at making payments abroad and receiving money from abroad in chapter 10.

CLOSING AN ACCOUNT

Until recently banks used to charge for closing an account. However, the majority of banks have now stopped charging for this service.

ACCESS TO THE ACCOUNT AND ITS MANAGEMENT

BRANCHES

The banks with the most branches in the Czech Republic are Česká spořitelna, ČSOB, Poštovní spořitelna and Komerční banka. You can carry out all operations at a bank branch. Banks generally try to restrict clients' visits to branches by setting higher charges for operations over the counter and encourage them to use direct banking (via the internet, mobile phone or a fixed telephone line). The branches of individual banks have different opening hours but usually there are extended opening hours on Monday and Wednesday (generally till 6 p.m.) and early closing on Friday.

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DIRECT BANKING

Direct banking is a way of managing your account long-distance without the need to visit a branch. In this way you can find out the balance of your account, give payment orders, etc. Activation fees and monthly charges for direct banking are usually part of various packages of services and are already included in the monthly charge for managing the account. If they are not, the charges are usually in the tens of Czech crowns a month.

- **Telebanking** – You manage your account using an ordinary or a mobile telephone. You call a (usually) free telephone number and after giving your identification number you are connected with a telephone banker or you communicate with an automatic voice system (during your call you need to make sure that nobody is listening to you).

- **GSM banking** – You communicate using a banking application installed into your mobile phone's SIM card. You have to own a mobile phone that supports SIM Toolkit technology and a GSM banking SIM card.

- **Internet banking** – You can manage your account with an ordinary computer that has an internet browser and connection. At the bank's internet address set up for access to internet banking you give your access name and password and any other information requested by the bank and you will then get into the internet banking application (the bank's special web page). Transmitted data is encoded.

•• Home banking

This allows you to manage your account using a computer connected to the internet and software which the bank supplies you with.

For foreigners who do not speak Czech or English these ways of communicating with the bank are not much of an advantage. You will find a summary of the languages which the banks speak in chapter 2.

SEPARATE ACCOUNTS FOR THE BETTER APPRECIATION OF AVAILABLE FUNDS

A SAVINGS ACCOUNT is a financial product which acts as a suitable supplement to a current account for the appreciation of available funds by gradually depositing money. The interest rate is higher than in a current account and is 0.7-2 % p.a.

A savings account is generally set up for an indefinite period. In some banks you have to leave the money in the account for a fixed amount of time, at others you can withdraw money as soon as you need it. Savings accounts are not used for ordinary payment systems.

A TIME DEPOSIT, to be put it simply, is a single deposit in a bank account, in which the money accrues interest at a higher rate than in a current account for a fixed amount of time (weeks to years). The client is usually penalised for withdrawing money outside the contractual period. A deposit can also be made in other currencies. The interest on time deposits is around 0.3%-2.5% p.a. for CZK, depending on the size of the deposit and how long the money is deposited.

Time deposits are not used for ordinary payment systems.

05

Payment cards

WHY HAVE A CARD?

Nowadays a payment card is a vital part of life in the Czech Republic (more than 60 % of the population over the age of 15 has a payment card). But on the other hand, you do not have to worry that cash has disappeared from real life. A payment card has one big advantage – the money is safe in the bank and at the same time cash is easily available. When using a card you must follow the safety rules preventing card misuse.

DIVISION ACCORDING TO TYPE

ELECTRONIC CARDS – the most common cards in the Czech Republic are VISA Electron and Maestro. They can only be used for transactions which are verified on-line in the card centre, i.e. for withdrawals from cashpoint machines and paying in shops that have electronic payment points.

Advantages:

- lower price,
- lower charges for stoplisting lost or stolen cards,
- there is no way that a stoplisted card can be misused.

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Disadvantages:

- restricted use in places that do not have electronic terminals,
- cannot usually be used for payments on the internet.

EMBOSSSED CARDS – they have all the necessary information printed in plastic.

Advantages compared to electronic cards:

- can be used for paying in more places
 - payment not only in shops with electronic payment points but also in places which have card-swiping machines,
 - payments on the internet.

Disadvantages:

- higher price,
- the card can be misused in places where card-swiping machines are used, including after the card has been stoplisted,
- higher charges for stoplisting the card.

TYPES OF CARD

DEBIT – this is a card that can be used to pay in a shop or to withdraw money from a cashpoint machine. However, there must be sufficient money in the account for which the card has been issued. It is the most frequently issued type of card.

CREDIT – you can purchase goods or services with the card on credit.

There is detailed information on credit cards in chapter 6.

ISSUING A DEBIT CARD

Banks routinely issue debit cards to clients – foreigners. Some will give you a card almost immediately after your current account has been opened, others after three months.

Banks set limits for these cards – the maximum amount that can be withdrawn from the account over a particular period (a day, a week). Banks also set separate limits for withdrawals from cashpoint machines and for payments in shops.

The card and PIN are sent to you in two separate packages. The client may choose whether to collect the card and PIN in person at the branch of the bank or have it sent to an address of his or her choice.

See chapter 6. for information about the issuing of a credit card.

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SPECIMEN SIGNATURE AND PIN

The use of the card is protected by a specimen signature and PIN number.

On receiving it you must sign the card on the reverse side. When paying with the card in shops, you will be asked to sign the bill and the shop employee will compare your signature with the signature on your card.

The Personal Identification Number (PIN) is a security number (password) which you must remember. In no circumstances should you divulge it to anyone and do not keep it with the card (for example, in your wallet or purse). When withdrawing money from a cashpoint machine or paying in a shop you will be asked for it (without giving it correctly the transaction will not be carried out). In some shops the PIN is not required.

CHARGES FOR ADMINISTERING A DEBIT CARD

There are usually annual charges for administering the card. Some banks offer certain types of card free of charge together with a current account. You will pay on average 0-300 CZK for an electronic card and up to 800 CZK for an embossed card annually.

For information on the charges for the administration of a credit card see chapter 6.

WITHDRAWALS FROM A CASHPOINT MACHINE

You can withdraw cash from almost 3000 cashpoint machines with a VISA card or MasterCard (American Express and Diner's Club are not particularly widespread).

Using a cashpoint machine is the same as anywhere else in the world – the instructions on the cashpoint machine are usually in several languages.

You should make sure you are on your own when withdrawing money from a cashpoint machine so that nobody can find out your PIN (after stealing the card they could take money from your account and pay in shops). If somebody comes up to you while you are using the machine and says that he is a bank employee, do not believe him and carry on with your transaction. There have been cases of thieves who let clients finish their transactions and use the imperfections of some cashpoint machines and withdraw the client's money. If the place where you insert the card shows suspicious signs (it is larger than usual or loose) then use a different machine.

The charges for making withdrawals from cashpoint machines with a debit card in the Czech Republic:

A cashpoint belonging to the issuing bank – preferential rate of 0-20 CZK.

A cashpoint belonging to a different bank – a higher rate of 15-50 CZK.

22**PAYING IN A SHOP**

Shops where you can pay by card are indicated with the card company's logo. In 2004 it was possible to pay with an electronic card in approximately 34 000 places which are connected on-line with the bank. The shop assistant may ask you to give your PIN (in most places) and/or sign the receipt according to the specimen signature on the card. In 2004 it was possible to pay in a further 16 000 places with an embossed card.

Before signing a bill always check the amount you are being charged for. In the Czech Republic it is normal for the shopkeeper to pay for the cost of the transaction and the customer does not incur any costs when paying by card.

PAYING BY CARD ON THE INTERNET

With some types of card, usually embossed cards, you can shop on the internet.

Some cards are stoplisted for payment on the internet but in some cases they can be unblocked on request. Certain banks issue special types of cards which are intended only for shopping on the internet.

At present shopping on the internet is risky and is not that widespread in the Czech Republic. For example, payment for goods from internet shops is usually made in cash when the goods are handed over.

Be careful when paying on the internet and only give details about your payment card to reliable subjects for which you have a positive reference.

LOSS OF A CARD

When you lose your card you must get it stoplisted immediately so that it can not be misused. The card can be STOPLISTED by telephone (including from abroad), either on an infoline or on a special emergency number where you report the loss to the operator. Operators can usually speak a foreign language (see chapter 2).

Electronic cards are usually stoplisted immediately (in some cases the bank will assume liability for any unauthorised use of the card from midnight), with embossed cards only operations verified electronically are stoplisted immediately (withdrawals from cashpoint machines and payments via an electronic terminal). Unauthorised use of embossed cards is also a risk in places that use card-swiping machines. You can take out insurance against the unauthorised use of your card. This insurance costs 100-300 CZK per year.

For stoplisting cards banks charge 0-200 CZK for electronic cards and up to 2000 CZK for embossed cards. Ask your bank from when will the card be stoplisted and when will the bank assume liability for any unauthorised use of the card.

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06

Loans

INTRODUCTION

If you need money you can go to a bank and ask for a bank loan.

As well as a loan from a bank, it is also possible to get consumer goods through **A PURCHASE IN INSTALMENTS**: usually in the shop where you are buying the goods you sign a contract and when it has been approved you take the goods away. You usually pay the first instalment in the shop and then pay the rest according to the terms in the contract.

Another option is **LEASING** – this is a lease where you pay regular instalments and after the last instalment has been paid you buy the object at a residual price.

There are also non-banking institutions on the Czech market which offer **QUICK CASH LOANS** but their interest is high.

In this handbook we give information about bank loans.

PROVIDING LOANS

Banks are generally careful about providing loans and there is no legal entitlement to a loan. Each bank has its own loans policy. Before a bank provides a loan or signs a loan contract it determines the **CLIENT'S CREDIT RATING** – see chapter 6.

24**BANKS' ATTITUDE TO FOREIGNERS**

Because of the high costs involved in recovering debts outside the Czech Republic banks are cautious about providing loans to foreigners. Foreigners have the disadvantage that banks do not usually know their banking history and because it is difficult to verify data their income and property abroad is not included when calculating their credit rating. Recently there has been a significant increase in the number of mortgages provided to foreigners from EU countries but there have been cases recorded where a foreigner with permanent residence in the Czech Republic has been given a mortgage with worse terms only because he was not a Czech citizen (see chapter 7).

**AT WHICH BANKS CAN FOREIGNERS GET A CONSUMER CREDIT,
OVERDRAFT AND CREDIT CARD*?**

FOREIGNER'S STATUS	CITIBANK	ČESKÁ SPOŘITELNA	ČSOB	GE MONEY BANK	KOMERČNÍ BANKA	POŠTOVNÍ SPOŘITELNA	RAIFFEISEN BANK
ASYLUM SEEKER	No	No	N.a.	No	N.a.	N.a.	N.a.
RECOGNISED REFUGEE	No	Yes	N.a.	No	N.a.	N.a.	N.a.
EU CITIZEN – RESIDENCE UP TO 3 MONTHS	No	No	Yes	No	N.a.	Yes	N.a.
EU CITIZEN – TEMPORARY RESIDENCE	No	Yes	Yes	No	Yes	Yes	Yes
EU CITIZEN – PERMANENT RESIDENCE	No	Yes	Yes	No	Yes	Yes	Yes
NON-EU – SHORT-TERM RESIDENCE UP TO 3 months	No	No	Yes	No	N.a.	Yes	
NON-EU – LONG-TERM RESIDENCE	N/a	Yes	Yes	No	N.a.	Yes	Yes
NON-EU – PERMANENT RESIDENCE	N/a	Yes	Yes	No	N.a.	Yes	Yes
FOREIGNER WITH A VALID PASSPORT WHO DOES NOT HAVE A VALID CZECH RESIDENCE PERMIT	N/a	No	No	No	N.a.	No	N.a.

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* This is only a selection of all the banking subjects in the Czech Republic; information valid as of 15. 12. 2005.

AS A FOREIGNER YOU ARE MORE LIKELY TO GET A LOAN IF YOU:

- have permanent residence in the Czech Republic,
- have a job contract here for an indefinite period which guarantees a regular income,
- get a Czech citizen with a regular income to act as your guarantor,
- own property in the Czech Republic and the EU or something else of value that can be pledged.

TERMS WHICH IT IS USEFUL TO KNOW WHEN APPLYING FOR A LOAN

PRINCIPAL – This is the nominal value of the loan or, in other words, the amount you are borrowing. The interest is calculated from this amount.

INSTALMENT – A regularly repeated payment which the debtor remits to the **CREDITOR** (the bank) in order to gradually pay off the debt (principal and interest).

INTEREST – The amount of money that **THE DEBTOR PAYS THE CREDITOR** (the bank) for the loan of the funds, or the price of the money. The size of the interest depends on the amount of the principal, the interest rate and how long the loan or investment is to last.

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INTEREST RATE – **THE PERCENTAGE AMOUNT IN RELATION TO A PARTICULAR INTEREST PERIOD.** The interest rate indicates what percentage of the principal the interest is for a set period. **ON THE BASIS OF THE INTEREST RATE AND THE INTEREST PERIOD** the amount of interest on the principal is calculated. The interest rate is given as a percentage for a particular period of time, usually for a year – per annum (p.a.).

DEBTOR – The person who must pay back the loan to the bank.

CREDITWORTHINESS – Client's creditworthiness - assessment of how capable the client is of meeting his or her obligations and properly paying back the loan. Usually the client's financial situation, property situation and trustworthiness is evaluated.

SECURING THE LOAN – Securing the repayment of a loan is possible, for example, by pledging property, pledging movable assets, appointing a guarantor or immobilising an investment (a pledge in favour of the creditor).

GUARANTOR – The guarantor is the party that undertakes in a written declaration to meet the creditor's claim if the debtor does not pay it.

JOINT DEBTOR – The joint debtor is the party that together with the debtor must pay back the debt to the bank. If your creditworthiness is insufficient, the joint debtor may increase it. Available funds are added together. This means that the joint debtor and the debtor must together have sufficient funds to pay back the loan.

APRC – see chapter 6.

BANK OVERDRAFT

A bank overdraft is short-term credit which the bank provides to the client – the owner of a current account – by allowing the client to make withdrawals from this account that make it go into the negative. The client may draw on the credit up to a maximum of the set CREDIT FRAME. A credit contract is concluded for an indefinite period.

During the term of the contract you can draw on the credit repeatedly. When you pay back the “loan” (i.e. when you increase the state of your account by the amount which you have borrowed, plus the interest) you can make use of the credit again. Also with an overdraft you have to settle the debt incurred by a certain deadline and have a positive balance in your account. The longest deadline is one year. If the deadline is not met the interest goes up dramatically.

HOW TO GET A BANK OVERDRAFT?

You must apply for an overdraft at your bank and you must meet certain conditions in order for the application to be assessed favourably. You draw on the credit directly from your current account so you withdraw money from it or pay in shops from your account.

Usually you must meet the following conditions:

- You have a current account at the bank where you are applying for the bank overdraft.
- The account has been kept at this bank for a certain amount of time, usually a minimum of three months.
- A regular and sufficiently high income is going into this account.
- Sometimes a certain average account balance is required.

The availability of this product for foreigners varies at individual banks. Usually it depends on the type of residence you have and your country of origin.

SIZE OF THE OVERDRAFT, INTEREST RATES AND CHARGES

The size of the credit frame is set by the banks. Usually it is one, two or three times the client's monthly income. Interest rates for these credits are currently between 11 % and 19 % p.a. Banks can charge a fee for the creation of the overdraft of 0-250 CZK (sometimes the creation of an overdraft is included in the price of managing the current account) and, in exceptional cases, a monthly fee of 10-20 CZK for the administration of the credit.

ADVANTAGES AND DISADVANTAGES

The advantage is that you have the credit constantly available and can use it the moment you need it. You can use it for any purpose.

The disadvantage is that you must always pay back the credit at the end of the credit period. If you draw on a bank overdraft and money comes into your account, the amount owed will be paid off first. Therefore it is risky to use an overdraft other than for the payment of unexpected and preferably smaller monthly expenses. It is dangerous to use an overdraft that is greater than your regular income because if you do not deposit funds in your account in a lump sum other than your regular income it will be difficult for you to get out of debt. The interest rates are usually higher than for a consumer credit.

EXAMPLE:

Due to unplanned expenses you need to borrow 6 000 CZK from the bank for 60 days, then you will pay back the loan. The interest rate on a bank overdraft is 12 % p.a., the one-off fee for the creation of the overdraft is 100 CZK for a year. Interest + fee = $6000 \times 0.12 \times 60/360 + 100 = 220$ CZK
You will pay 220 CZK in interest and fees.

CREDIT CARD

A credit card looks the same as a debit card. A CREDIT LIMIT is allocated to the card (this means the maximum amount of credit) which enables you to pay in shops or take out cash if you do not have sufficient available funds. In the Czech Republic the use of credit cards is not particularly widespread but they are becoming more popular. Credit cards are issued either as embossed or electronic (see chapter 5). Credit cards can be issued by banks but also by non-banking subjects such as credit companies.

HOW TO GET A CREDIT CARD?

Some banks insist that you have a current account in order to be given a card, in other banks this condition does not apply. Usually you have to prove that you have a sufficient, regular income.

The availability of this product for foreigners varies at individual banks. Usually it depends on the type of residence you have and your country of origin.

SIZE OF THE CREDIT, INTEREST RATES AND CHARGES

The credit limit depends on the size of your income and can be from 5 000 to 600 000 CZK. The annual charge for administering the card is between 120 and 2 000 CZK (for exclusive cards up to 6 000 CZK) depending on the type of card and the size of the credit limit. Some banks also charge monthly fees of up to 60 CZK for administering

the card. The interest rates are 19.2-30 % p.a. If you pay back the credit within the interest-free period, you do not have to pay interest. With some credit cards the interest-free period only applies to payments made in shops, with others it also applies to cash withdrawals from cashpoint machines. In the contract it also states the minimum amount you must pay back monthly, usually 5-10 % of the current debt.

ADVANTAGES AND DISADVANTAGES

As with a bank overdraft this is a credit that you have 'in your hand'. The majority of cards offer an interest-free period (40-50 days). At most banks the interest-free period only applies to payments in shops. If you pay back the credit within this period, you do not have to pay any interest. The interest-free period does not start from when you make the purchase or the withdrawal from the cashpoint machine but from the date of the billing period laid down in the contract.

The advantage of a credit card in comparison with a bank overdraft is that the credit is separate from your current account and you can pay it back according to your abilities. The interest rates after the end of the interest-free period are significantly higher than for an overdraft or a consumer credit.

EXAMPLE FROM THE LAST SECTION:

Due to unplanned expenses you need to borrow 6 000 CZK from the bank for 60 days until you are paid your next wage, then you will pay back the loan. You can get a credit card with a credit limit of 15 000 CZK, for its administration you pay 120 CZK for a year, the interest-free period is 30 days, the interest rate is 20 % p.a. You take the money out of a cashpoint machine.

Interest for 60 days + annual fee = $6000 \times 0.2 \times 60/360 + 120$ CZK = 320 CZK.

If you paid back the credit during the 30-day interest-free period and at your bank the interest-free period applied to withdrawals from cashpoint machines, you would pay: Interest for 30 days + annual fee = $0 + 120$ CZK = 120 CZK.

WARNING: the interest-free period is calculated from the date of the billing period. If this date is set as the 1st of the month and the card owner purchases goods on 15.1., the interest-free period ends on 30.1., i.e. 15 days after the purchase.

CONSUMER CREDIT

Consumer credits are loans to people (physical entities) to finance their non-business needs. You do not usually have to have a current account at the bank where you are applying for the credit.

HOW TO GET A CONSUMER CREDIT?

Anybody can apply for a consumer credit. In the credit application you must give proof of your identity and your income, and also the incomes of any co-applicants, joint debtors and guarantors. The availability of this product for foreigners varies at individual banks. Usually it depends on the type of residence you have and your country of origin.

WHAT CAN YOU USE A CONSUMER CREDIT FOR?

Clients are usually interested in non-specific loans, i.e. ones that can be used to pay for anything. You can use specific loans only to pay for the goods or services stipulated in the contract. Usually the interest rate for specific loans is lower than for non-specific loans.

SIZE OF THE CREDIT, INTEREST RATE AND CHARGES

The size of the credit provided always depends on the client's ability to pay back the credit. Consumer credits are usually between 15 000 and 1 000 000 CZK. At some banks the maximum amount is limited, for example, to 150 000-200 000 CZK, at other banks there is no limit. The period for paying back the credit can be from one to ten years.

The interest rate is set individually according to the client's creditworthiness.

30 It depends on the type of credit, its payment period, and any other circumstances which the bank takes into consideration when setting the interest rate. Interest rates are from 7 % to 18 % p.a. The APRC between 9 and 20 %.

The majority of banks set monthly charges of 20-100 CZK for administering the credit. Banks usually demand a fee of around 1 % for the approval of the credit, some also set a minimum fee (500-600 CZK).

COMPARISON OF THE ADVANTAGES OF INDIVIDUAL CONSUMER CREDITS – APRC

Comparing individual banks' offers is made easier with the APRC – Annual Percentage Rate of Charge for a consumer credit. Compared to the interest rate it also includes other costs relating to the credit (charges for concluding a credit contract or for administering the credit) and the value of the money in time.

Banks and other subjects providing loans are obliged by law to give the credit parameters in APRC, as well as the interest rate.

EXAMPLE:

If we take out a 50 000 CZK loan for 3 years, the interest rate is 9.9 % p.a., we pay back 1614 CZK per month, the charge for concluding the loan contract is 500 CZK

APRC = 11.26 %

The APRC for all offers can be worked out on the Czech Business Inspectorate website (www.coi.cz) where you will find a way of calculating it.

Generally speaking, the APRC for bank credits is around 9-25 %, for purchases in instalments 20-50 %. At other non-banking institutions the APRC can be 100-450 %.

ADVANTAGES AND DISADVANTAGES OF CONSUMER CREDITS

Consumer credits can be paid back over 10 years, the interest rate is lower than for an overdraft or credit card. They usually take longer to arrange than an overdraft. Banks require various documents and forms of confirmation (even though advertisements claim otherwise). Although credits can be paid back prematurely banks may charge penalties for this.

07

Mortgage loan

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INTRODUCTION

A mortgage loan is a loan, the payment of which is secured by a pledge right to property. A mortgage loan is usually used to finance housing. Following the Czech Republic's entry into the European Union there is increased interest from foreigners in mortgages. Citizens of the EU, Lichtenstein, Norway, Iceland and the USA, who have a Czech residence permit or temporary residence in the country, can purchase property (apart from farmland and woodland, for which stricter rules apply). Foreigners from other countries can buy property in the Czech Republic only if they have permanent residence here.

Mortgage loan

07

Because from the bank's point of view mortgages are very well secured loans, banks are more inclined to lend to foreigners by means of a mortgage than other types of loans and the number of foreigners who are provided with mortgages is increasing year by year.

AT WHICH BANKS CAN FOREIGNERS TAKE OUT A MORTGAGE*?

FOREIGNER'S STATUS	ČESKÁ SPOŘITELNA	ČSOB	GE MONEY BANK	KOMERČNÍ BANKA	POŠTOVNÍ SPOŘITELNA	RAIFFEISEN BANK
ASYLUM SEEKER	No	No	N.a.	N.a.	N.a.	N.a.
RECOGNISED REFUGEE	No	Yes	N.a.	N.a.	N.a.	N.a.
EU CITIZEN – RESIDENCE UP TO 3 MONTHS	Yes	No	Yes	Yes	N.a.	N.a.
EU CITIZEN – TEMPORARY RESIDENCE	Yes	Yes	Yes	Yes	Yes	Yes
EU CITIZEN – PERMANENT RESIDENCE	Yes	Yes	Yes	Yes	Yes	Yes
NON-EU – SHORT-TERM RESIDENCE UP TO 3 months	No	No	Individually	N.a.	N.a.	N.a.
NON-EU – LONG-TERM RESIDENCE	No	Yes	Individually	N.a.	N.a.	Yes
NON-EU – PERMANENT RESIDENCE	No	Yes	Yes	Yes	N.a.	Yes
FOREIGNER WITH A VALID PASSPORT WHO DOES NOT HAVE A VALID CZECH RESIDENCE PERMIT	No	No	No	No	N.a.	N.a.

* This is only a selection of all the banking subjects in the Czech Republic; information valid as of 15. 12. 2005.

NOTE: Mortgage loans in the Czech Republic are usually provided as specific loans for the purchase of property or the construction or reconstruction of property. But there is also a non-specific mortgage loan, the 'American mortgage'. This must also be secured by property but the loan can be used for any purpose.

HOW TO GET A MORTGAGE

WHO CAN APPLY FOR A MORTGAGE?

- A physical entity
- Entrepreneurs (legal entities, physical entities)

DOCUMENTS:

The bank will always require:

- proof of the size of income of the applicants and any joint debtors or guarantors,
- valuation of the pledged property, extract from the register on the recording of the pledge right and blocking of insurance of this property in favour of the bank,
- sometimes also the blocking of the applicant's life or credit insurance in favour of the bank.

FOR THE PURCHASE of a property the bank will also require the following documents: the purchase contract and extract from the property register (whether the property exists, who owns it and that there is no other pledge right or easement attached to it). For CONSTRUCTION, RECONSTRUCTION, REPAIRS, etc.: the building permit, project documentation, construction budget, extract from the property register (existence and ownership of the building plot or property).

A mortgage is always secured by property. THE PLEDGED PROPERTY may be the subject of the loan itself (i.e. the pledging of the property for the purchase of which the mortgage loan has been taken out) or it can be another property (there can also be several properties in the pledge) which is in the Czech Republic, a member state of the European Union or another country in the European Economic Space.

PROVIDERS OF MORTGAGES

Not all banks can provide mortgage loans, only those that have special authorisation to do so:

At present 11 banks have this authorisation (licence) in the Czech Republic

- Citibank a.s.
- Česká spořitelna, a.s.
- Československá obchodní banka, a.s.
- eBanka, a.s.
- GE Money Bank, a.s.
- HVB Bank Czech Republic a.s.
- Hypoteční banka, a.s.
- Komerční banka, a.s.
- Raiffeisenbank a.s.
- Wüstenrot hypoteční banka a.s.
- Živnostenská banka, a.s.

AMOUNT AND MATURITY OF THE MORTGAGE LOAN

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The maximum amount of the mortgage loan is 100 % of the estimated price of the pledged property. The maturity of a mortgage loan is usually between 5 and 30 years. The longer the period that you back the loan, the lower the monthly instalments will be. The optimum period for paying back a mortgage loan is generally 15-20 years which gives the best ratio between the size of instalments and the costs for the loan.

INTEREST RATES AND CHARGES

Mortgage interest rates change according to the interest rate on the inter-bank market. Usually the interest rate in the mortgage loan contract is fixed. This means that the contractual interest rate will remain unchanged for a certain period of time. The client can usually choose for how long (1-30 years).

At the majority of banks the shorter the fixed period that the client chooses, the lower the interest rate. At the end of the fixed period the bank proposes a new interest rate to the client. The client either accepts the proposed interest rate or pays the mortgage back in a lump sum, without any penalties, or takes out a mortgage with another bank (but in the Czech Republic this is still unusual). At this point the client may pay back larger instalments than the normal monthly instalment without incurring any penalty.

NOTE: In the event of an additional payment outside the set instalment dates the bank will charge a high fine for premature repayment.

In the second half of 2005 fixed rates for 1 and 2 years were around 3 % p.a., and fixed rates for 4, 5, 10, 15 years 4-6 % p.a.

There are a variety of fees for providing and administering a mortgage. The majority of banks charge for the processing, handling and provision of the loan; for the issuing of a mortgage promise (a written promise from the bank that they will provide you with a mortgage under certain circumstances); for the administration and management of the loan, etc. These fees are not negligible and the various amounts make it hard to choose the best product.

Banks have promised that during 2006 they will introduce the APRC (the Annual Percentage Rate of Charge – see chapter 6) which will take into consideration interest rates and all the fees connected with the mortgage. People wanting to take out a mortgage will then have a better means of comparing individual offers.

STATE SUPPORT FOR A MORTGAGE LOAN

There are two basic types of state support for mortgages:

1. Contribution to the interest on the mortgage loan:

A) Contribution to mortgages on new flats and homes (up to two years after building completion).

B) Contribution to the purchase and reconstruction of older flats for applicants up to the age of 36.

The size of these contributions depends on the average rate of interest on mortgage loans provided in the past year. The law states that if the average interest rate, for which banks provided new mortgage loans in the previous calendar year, drops below 5 % this support will not be provided. This means that in 2005 state contributions to mortgage interest are not given.

2. Reduction of the tax base by interest paid:

The amount paid in interest on a mortgage loan to finance housing needs can be deducted from the tax base of physical entities' income, up to 300 000 CZK per year (this also applies to foreigners who have a tax domicile in the Czech Republic).

08

Building savings

INTRODUCTION

Building savings are a separate product which are only offered by building societies. It is a form of saving which also includes the option to take out a loan to finance housing (the purchase or reconstruction of a property) once certain conditions have been met.

The advantages of saving are the relatively high interest and the state contribution. You are entitled to a state contribution if you save for at least six years. However, not all foreigners are entitled to this contribution.

HOW TO GET BUILDING SAVINGS?

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Any **PHYSICAL OR LEGAL ENTITY** can participate in building savings. When signing a contract the client chooses a **TARGET AMOUNT**. When doing so you should take into account:

- what amounts you want to save monthly or annually: the minimum monthly deposit is deduced from the size of the target amount (usually 0.3-0.5 % of the target amount according to the savings option),
- how much is the loan you want to use (when the amount of funds saved, including interest and state contribution, reaches 40 or 50 % and you fulfil other contractual conditions, the building society will offer to give you a loan up to the target amount),
- whether you only want to save (you can save up to the target amount).

For a fee you can increase or reduce the target amount while you are saving.

The client also usually chooses a **SAVINGS OPTION**. You choose an option according to whether you are establishing the building savings primarily as an advantageous investment or to take out a loan. With the investment option there is higher interest on deposits and also higher interest on any loan you take out and lower minimum monthly deposits, with the loan option it is the other way round.

HOW TO GET A BUILDING SAVINGS LOAN

A client is entitled to a building savings loan **TO FINANCE HOUSING NEEDS** (as specified by law) provided the conditions laid down by the building society are met

and after the client has proved his or her ability to pay back the loan (security, creditworthiness).

CONDITIONS FOR ACQUIRING A LOAN:

- The building savings contract lasts at least 24 months.
- The client has saved the amount required by the building society (40 % or 50 % of the target amount).
- The client reaches the valuation number level (evaluation indicator) required by the building society.

WHAT IS THE VALUATION NUMBER?

The valuation number is a specific indicator which building societies use to determine a client's 'performance'. The sooner and the greater the amount you entrust to the building society, the higher the valuation number will be.

SECURITY OF THE LOAN

In certain circumstances the bank may ask you to secure the loan with the help of a guarantor (guarantors) or to pledge a property in favour of the bank (similar to a mortgage loan).

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WHAT HAPPENS IF YOU ARE NOT SUFFICIENTLY SOLVENT TO GET A LOAN?

A possible solution is to find A JOINT DEBTOR OR TO REDUCE THE TARGET AMOUNT at the building society and to apply for a smaller loan, for which you are sufficiently solvent.

PURPOSE OF THE LOAN

The client must use the loan for the housing needs specified in the loan contract.

BRIDGING LOAN

If the building society client does not fulfil any of the three conditions, i.e. he or she has not yet saved the required amount, his or her building savings contract has not lasted for at least 24 months or he or she has not been given the necessary valuation number, the client can use a bridging loan.

A bridging loan 'speeds up' the acquisition of money from building savings but the interest rate is higher than for the more advantageous building savings loan. A bridging loan runs parallel with the original building savings contract, for which the client must continue to save (if he or she has not yet saved the required amount) and lasts until the client fulfils all the conditions for the allocation of a regular building savings loan.

WHO PROVIDES BUILDING SAVINGS

By law only building societies can provide building savings.

There are the following building societies in the Czech Republic:

- Českomoravská stavební spořitelna, a.s.
- HYPO stavební spořitelna a.s.
- Modrá Pyramida stavební spořitelna a.s.
- Raiffeisen stavební spořitelna a.s.
- Stavební spořitelna České spořitelny, a.s.
- Wüstenrot – stavební spořitelna a.s.

INTEREST RATES AND CHARGES

The interest on building savings is usually from 1 % to 3 % p.a. The interest on a building savings loan is usually 3 % to 5%. The yield of interest from building savings is exempt from income tax. Deposits are insured by law.

The fee for concluding a contract is around 1 % of the target amount. You also pay around 1 % of the target amount if you want to increase this amount. The fee for the administration and management of the account is approximately 300 CZK per year.

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A regular or ordinary bank statement is usually provided free or for 50 CZK.

STATE SUPPORT

There exist two basic types of state support for building savings.

1. State support while saving, which is currently 15 % (but up to a maximum of 3000 CZK per year) of the amount saved. Other than Czech citizens only the following are entitled to state support:

- citizens of EU countries who have been granted a Czech residence permit and issued with an ID number,
- foreigners with permanent residence in the Czech Republic and an allocated ID number.

State support is credited in advance to the client's account according to the amount saved, up to a maximum of 3000 CZK per person per year regardless of the number of contracts.

In order to receive state support the client must have been saving for six years. If the client requires funds before the end of this six-year period, he or she can **TERMINATE THE CONTRACT SOONER** but will not be paid the state support and in addition will have to pay a fine for premature termination of the contract, usually 0.5 % of the target amount.

2. Reduction of the tax base by interest paid:

The amount paid in interest on a building savings loan can be deducted from the tax base of physical entities' income (this also applies to foreigners who have a tax domicile in the Czech Republic).

CONCLUSION

Since the Czech Republic's entry into the EU foreigners have been showing greater interest in building savings. Building societies are reacting to this fact and information and contracts are usually available in foreign languages (English, German).

A foreigner who meets all the same conditions as a Czech citizen can expect to be given a loan. Building societies usually require that foreigners have permanent residence or citizenship in an EU country. Only the purchase or reconstruction of a property that is in the Czech Republic can be financed with a loan.

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Changing money in the Czech Republic

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INTRODUCTION

The Czech currency is fully convertible. That means that it can be exchanged for other convertible currencies at designated places (banks and exchange offices).

CHANGING MONEY ON THE STREET

It is very risky to change money on the street. In 99 % of cases it is a trick. **WE DO NOT RECOMMEND** this way of changing money!

CHANGING MONEY IN AN EXCHANGE OFFICE

This is an advantageous way of purchasing foreign currencies but sometimes it is harder to understand the table of exchange rates and the signs in the exchange office and to communicate with the staff.

For example, the sign “NO FEE” almost always only applies to the purchase of foreign currency (CZK > foreign currency) but when purchasing CZK you may be surprised to have to pay a 10 % charge.

The best option is to ask the staff to calculate the amount which you will receive for your money and to compare it with other offers.

PURCHASE OF FOREIGN CURRENCIES; CZK > FOREIGN CURRENCY (YOU WANT TO BUY FOREIGN CURRENCY FOR CZECH CROWNS)

In general street exchange offices will offer you the best exchange rates for buying foreign currencies. You will find the sign ‘PRODEJ’ (sale) for this item on the table of exchange rates. At the majority of exchange offices clients do not pay any exchange fee and the minimum amount of the transaction is in no way restricted.

SALE OF FOREIGN CURRENCIES; FOREIGN CURRENCY > CZK (YOU WANT TO BUY CZECH CROWNS FOR FOREIGN CURRENCY)

If you have foreign currency and want CZK, expect a worse exchange rate and a charge of around 9-10 % in an exchange office. For this item you will find the sign ‘NÁKUP’ (purchase) on the table of exchange rates.

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CHANGING MONEY IN A BANK

Usually banks have two exchange rates:

NON-CASH EXCHANGE RATE – this is more favourable for the client but only applies to non-cash transfers between accounts with a foreign currency. This means you have an open foreign currency account in the bank.

CASH EXCHANGE RATE – this is less favourable for the client. It is used for cash transactions with a foreign currency – to exchange money.

Purchase of foreign currencies (CZK > foreign currency) Usually a less favourable option compared to exchange offices. The majority of banks have less favourable exchange rates and, on top of that, a fee of around 1-2 % of the amount is charged for the exchange transaction.

Sale of foreign currencies (Foreign currency > CZK)

The charge is around 2 %.

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Sending money abroad

INTRODUCTION

We make a distinction between, on the one hand, non-cash transfers between two banks and, on the other hand, cash transfers where the sender deposits the cash and the addressee receives it. There are also combined transfers where the sender deposits cash which is credited to the addressee's account.

NON-CASH TRANSFER – FOREIGN PAYMENT SYSTEM

Foreign payment system includes both payments in crowns or another currency to and from abroad, and also transfers in a foreign currency within the Czech Republic. When giving this payment instruction you must always fill in the payment title – the number code indicating the reason for the payment, as well as a written description of the purpose of the payment. Your bank will provide you with more information about the codes used.

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CHARGES FOR SENDING MONEY THROUGH A BANK

The total cost of the transaction comprises the fees charged by your bank, any correspondent banks and the recipient's bank.

In the tariff rates of Czech banks only the price your bank charges for the transfer of money is given. Usually this is about 1 % of the transferred sum (sometimes a minimum amount of 200-500 CZK and a maximum amount of 2400 CZK is also set).

By entering the following codes in the payment instruction you can influence how the costs for the transaction are divided between the payer and the recipient of the money.

*Codes used:**

OUR – the payer pays all the charges (the charges made by his or her bank, the correspondent bank and the recipient's bank).

SHA – the payer only pays his or her own bank's charges, other bank charges are paid by the recipient.

Sending money abroad

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BEN – all charges are paid by the recipient (they are deducted from the payment received). * The codes are also used for other non-cash transactions, such as Euro payment, Eurogiro, etc.

EXAMPLE

Transfer of 50 000 CZK.

1 % charge = 500 CZK for the outgoing payment from the payer.

1 % charge = 500 CZK for the incoming payment to the recipient.

Correspondent bank's costs = 200 CZK.

OUR – Payer's charge for the transfer = 1200 CZK; recipient receives 50 000.

SHA – Payer's charge for the transfer = 500 CZK; recipient receives 49 300.

BEN – Payer's charge for the transfer = 0; recipient receives 48 800.

Some banks – for example, Česká spořitelna and Raiffeisenbank – favour payments to abroad within their bank group.

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EURO PAYMENT

Euro payment is a special category of its own. It is a payment within the countries of the European Union and the European Economic Space (EES) and the following conditions apply to it: it must be remitted in Euros up to a maximum of 12 500 Euros (from 2006 the maximum limit is 50 000 Euros); the client must fill in the recipient's account number in the international IBAN format and the bank identification code (BIC) known also as the bank swift code; SHA payment code. In EU countries, which use the Euro, the costs for this transaction are the same as a domestic payment.

In the Czech bank you will pay the usual charge for a foreign payment but by filling in the IBAN account number you reduce the costs of the correspondent banks because they are able to make your payment automatically.

WHAT IS IBAN?

IBAN is an international banking identifier designed for clear identification of the client's account, bank and country. Your bank will give you details and your account number in this format.

CASH TRANSFER AND COMBINED NON-CASH AND CASH TRANSFER

In the Czech Republic there are several non-banking companies that can make cash and combined transfers.

Sending money abroad

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WESTERN UNION – CASH PAYMENTS

Western Union arranges the express forwarding of money. The transfer of money between offices that handle the receipt and paying out of the money takes only a few minutes. The charge for sending money varies from 26 % for smaller amounts to 4-5 % for larger amounts. There are special rates to some countries (currently to Ukraine, Vietnam and China).

This service is available in more than 195 countries throughout the world. In the Czech Republic you will find more than 1700 branches of Western Union – for example, in travel agencies, Czech post office branches and Raiffeisen Bank.

The Western Union website in the Czech Republic also has Vietnamese and Ukrainian versions.

CZECH POST OFFICE – CASH POSTAL ORDER

It is also possible to send money from a post office using a “Z/C Postal Order”. Payment and the paying out of the amount remitted is done in cash.

You can only send cash to certain countries:

Algeria, Armenia, Azerbaijan, Belarus, Belgium, Brazil, Bulgaria, Cyprus, Estonia, France, Greece, Hungary, Israel, Italy, Latvia, Lithuania, Moldova, Monaco, Morocco, Poland, Portugal, Romania, Slovenia, Spain, Sweden, Tunisia, Turkey, Ukraine, Vietnam, Yugoslavia (Serbia and Montenegro).

Service charges

The charges are around 1-2 % of the amount sent depending on how much you are sending.

The amount of money sent by one postal order is restricted depending on the individual country, for example a maximum of 500 Euros can be sent to Belarus, to France 3 500 Euros.

It usually takes one to two weeks for a postal order to be sent from the Czech Republic and delivered abroad.

EUROGIRO POST-OFFICE SAVINGS BANKS

The Eurogiro post-office savings bank service enables both cash and non-cash payments to be made by the sender, and also cash and non-cash payments to be received by the recipient.

At present money can be sent and received in the following countries:

Austria, Belgium, Canada, Croatia*, Germany, Greece*, Hungary*, Japan, Luxembourg, Portugal*, Romania*, Slovenia, Spain*, Switzerland and Turkey*.

Sending money abroad

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* Only money that is intended to be paid out in cash can be sent to these countries.

Money is sent to the partner bank or branch of the post office in the particular country. Anyone, and not only clients of the Post-office Savings Bank, can send payments in cash abroad from all post offices.

Charges

The cost is approximately 0.6-2 % of the amount sent depending on how much you are sending. There are special rates to certain countries.

For each country there is an individual limit for payment to/from abroad which is between 1500-15 000 Euros. Payment is delivered abroad within 3 working days of being sent.

WITHDRAWING MONEY FROM CASHPOINT MACHINES ABROAD

The majority of banks issue international payment cards of internationally recognised card companies with all their accounts. Several cards can be issued for one account.

If you give your family members a card for your account in the Czech Republic, they can withdraw money from it. A card can also be issued in the name of your family member. The only problem is that he or she usually has to visit your branch of the bank. The charges for withdrawing money from cashpoint machines abroad is around 100 CZK + 0.5% of the amount. For changing money the better exchange rate for the client is used – foreign currency sale.

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Resolving incorrect transactions and disputes

Resolving incorrect transactions and disputes

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CLAIMS AT YOUR BANK

If you find discrepancies in transactions made by the bank, we recommend that you lodge a claim without delay. You can lodge a claim in writing (by post, fax and sometimes also e-mail), in person or by telephone. When making the claim it is useful to take with you all the documentation which might be useful – especially the bank statement, in which the incorrect payment appears.

Generally the bank is obliged by law to settle the claim within 30 days of it being lodged. The bank will notify you in writing of how the claim is to be settled and the reasons for this procedure. However, the majority of banks have a shorter time set in their trade terms, for example 10 or 15 days.

LANGUAGES IN WHICH A CLAIM CAN BE LODGED

At most banks claims can be lodged in Czech, Slovak or English. ČSOB also accepts claims in German.

FINANCIAL ARBITRATOR OF THE CZECH REPUBLIC

If you are dissatisfied with the bank's procedure in settling your claim concerning the system of payments, you can appeal to the financial arbitrator.

This is a special body for the out-of-court settlement of disputes which can occur between providers of payment services and their clients or between the issuers and users of electronic means of payment.

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Credit registers

INTRODUCTION

A credit register is a secure database of information about clients who have borrowed money from a banking or non-banking institution. For each client there is a list of his or her obligations (whether they are as a debtor, joint debtor or guarantor) and his or her payment record (i.e. whether the client is paying his or her obligations on time and in full).

Being in a database is not necessarily a disadvantage. The register contains both positive and negative information. A loan that is paid back properly and on time can be an advantage when you apply for another loan. There are several registers in the Czech Republic and they are not yet connected to each other. They are expected to be connected in the near future. Registers in the Czech Republic do not exchange information with similar institutions abroad.

REQUEST FOR AN EXTRACT FROM THE REGISTER

If you are in such a database and want to have a summary of what information is contained in it about you, you can ask for an extract from this register. Requests are delivered to registers in person, in a request verified by a notary and sent by post or electronically (signed with an electronically confirmed signature). In the event of discrepancies you can lodge a claim regarding your record.

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LIST OF REGISTERS

BANK REGISTER OF CLIENT INFORMATION

The bank register is a record of physical entities (citizens and entrepreneurs) who at a participant in the register – are taking out or who have taken out a loan, are legitimately overdrawn or have a credit card. Physical entities who are still only applying for a loan or a credit card are also listed in this register.

All the participating banks in the Czech Republic give information and on the basis of it they decide whether to provide a client with a loan.

REGISTER OF CLIENTS OF NON-BANKING INSTITUTIONS

This is a register of physical entities who currently have or in the past have concluded a leasing contract or a hire-purchase contract.

SOLUS

This is a register of clients (citizens, entrepreneurs, companies) who have a contract with a leasing company or who are buying on instalments through a credit company. It only contains negative information, i.e. only information about non-payers.

LIST OF RETAIL BANKS IN THE CZECH REPUBLIC**BAWAG Bank CZ a.s.**

Václavské nám. 40, Praha 1
110 00, telephone: 224 406 260
fax: 225 015 362
email: info@bawag.cz
www.bawag.cz

CITIBANK

Evropská 423/178, Praha 6, 166 40
telephone: 233 061 111
fax: 233 061 613
www.citibank.cz
infoline: 844 888 844

ČESKÁ SPOŘITELNA

Olbrachtova 1929/62
Praha 4, 140 00
telephone: 261 071 111
fax: 261 073 032
email: csas@csas.cz
www.csas.cz
infoline: 800 207 207

ČSOB

Na Příkopě 854/14, Praha 1
– Nové město, 115 20
telephone: 224 111 111
fax: 224 225 049
email: info@csob.cz
www.csob.cz
infoline: 800 110 808

EBANKA

Na Příkopě 19, Praha 1, 117 19
telephone: 222 115 222
fax: 222 115 500
email: info@ebanka.cz
www.ebanka.cz
infoline: 800 124 100

GE MONEY BANK

Vyskočilova 1422/1a
Praha 4, 140 28
telephone: 224 441 111
fax: 224 441 500
www.gemoney.cz
infoline: 844 844 844

**HVB BANK CZECH
REPUBLIC**

nám. Republiky 2090/3a
Praha 1, 110 00
telephone: 221 112 111
fax: 221 112 132,
www.hvb.cz, infoline: 800 100 012

HYPOTEČNÍ BANKA

Budějovická 409/1, Praha 4
140 00, telephone: 261 121 111
fax: 261 122 563
email: info@cmhb.cz
www.cmhb.cz
infoline: 844 111 174

IC BANKA

Palackého 1, Praha 1, 111 21
telephone: 296 245 400(5)
fax: 296 245 428(9)
email: info@icbanka.cz
www.icbanka.cz

ING BANK N.V.

Nádražní 344/25
Praha 5, 150 00
telephone: 257 473 111
fax: 257 473 555
email: klient@ing.cz
www.ing.cz, infoline: 800 159 159

KOMERČNÍ BANKA

Na Příkopě 33/969,
Praha 1, 114 07
telephone: 222 432 111
fax: 224 243 020,
email: mojebanka@kb.cz
www.kb.cz, infoline: 800 111 055

OBERBANK AG

nám. Přemysla Otakara II 6/3
České Budějovice, 370 01
telephone: 386 710 911
fax: 386 356 747, www.oberbank.cz

POŠTOVNÍ SPOŘITELNA

Roztylská 1 Praha 25, 225 95
telephone: 222 047 805
fax: 222 047 930
www.postovnisporitelna.cz
infoline: 800 210 210

RAIFFEISENBANK,

Olbrachtova 2006/9
Praha 4, 140 21
telephone: 221 141 111
fax: 221 142 111
email: info@rb.cz
www.rb.cz
infoline: 800 900 900

**RAIFFEISENBANK IM
STIFTLAND eG**

Kubelíkova 4/602, Cheb, 350 11
telephone: 354 524 511
fax: 354 524 518-9
email: info@rbcheb.com
www.rbcheb.com

VOLKSBANK CZ

Heršpická 5, P.O.BOX 226
Brno, 658 26,
telephone: 543 525 111
fax: 543 525 555
mail@volksbank.cz
www.volksbank.cz
infoline: 800 133 444

WALDVIERTLER

SPARKASSE von 1842
Klásterská 126/II, Jindřichův Hradec
377 01, telephone: 384 344 111
fax: 384 344 108
email: info@wspk.cz, www.wspk.cz

WÜSTENROT

HYPOTEČNÍ BANKA
Nám. Kinských 2/602
Praha 5, 150 00
telephone: 257 092 201
fax: 257 092 605
email: hypoteka@wuestenrot.cz
www.wuestenrot.cz
infoline: 800 225 555

ŽIVNOSTENSKÁ BANKA

Na Příkopě 858/20, Praha 1
113 80, telephone: 224 121 111
fax: 224 125 555
email: info@zivnobanka.cz
www.zivnobanka.cz
infoline: 800 122 412

LIST OF BUILDING SOCIETIES

STAVEBNÍ SPOŘITELNA ČS

Vinohradská 180/1632, Praha 3
telephone: 224 309 111
fax: 224 309 112
email: burinka@csst.cz
www.burinka.cz
infoline: 800 207 207

ČESKOMORAVSKÁ

STAVEBNÍ SPOŘITELNA
Vinohradská 169/3218, Praha 10
telephone: 274 041 111
fax: 274 049 999
email: info@cmss.cz
www.cmss.cz
infoline: 800 120 100

HYPO STAVEBNÍ SPOŘITELNA

Senovážné náměstí 4, Praha 1
telephone: 222 878 111
fax: 222 244 300
email: hypo@hypos.cz
www.hypos.cz
infoline: 844 111 113

MODRÁ PYRAMIDA STAVEBNÍ SPOŘITELNA

Bělehradská 128/222, Praha 2
telephone: 222 824 111
fax: 222 824 113
email: info@vsskb.cz
www.vsskb.cz
infoline: 222 824 777

RAIFFEISEN STAVEBNÍ SPOŘITELNA

Koněvova 99/2747, Praha 3
telephone: 271 031 111
fax: 222 581 156
email: rstst@rstst.cz
www.rstst.cz
infoline: 800 112 211

WÜSTENROT STAVEBNÍ SPOŘITELNA

Janáčkovo nábř. 41, Praha 5
telephone: 257 092 092
fax: 257 092 149
email: kontakt@wuestenrot.cz
www.wuestenrot.cz
infoline: 800 225 555

OTHER INSTITUTIONS AND COMPANIES IN THE CZECH REPUBLIC

CZECH BANKING CREDIT BUREAU

Na Příkopě 21, Praha 1, 117 19
telephone: 222 811 055
fax: 222 811 051
email: klient@cpcb.cz
www.cpcb.cz

ČESKÁ NÁRODNÍ BANKA

Na Příkopě 28, Praha 1, 115 03
telephone: 224 411 111
fax: 224 412 404
email: podatelna@cnb.cz
www.cnb.cz

ČESKÁ OBCHODNÍ INSPEKCE

Štěpánská 15, Praha 2, 120 00,
telephone: 296 366 111
email: info@coi.cz
www.coi.cz

ČESKÁ POŠTA

Olšanská 38/9, Praha 3, 130 00
telephone: 221 132 113
email: info@cpost.cz
www.ceskaposta.cz
infoline: 800 104 410

FINANČNÍ ARBITR ČESKÉ REPUBLIKY

Washingtonova 25, Praha 1
110 00, telephone: 221 674 600
fax: 221 674 666
email: arbitr@finarbitr.cz
www.finarbitr.cz

MINISTERSTVO FINANCÍ

Letenská 15, Praha 1, 118 10
telephone: 257 041 111
email: podatelna@mfcrcz
www.mfcr.cz

WESTERN UNION

Palackého 15, Praha 1, 110 00
telephone: 224 948 252
fax: 224 948 252
email: info@intercash.cz
www.intercash.cz
infoline: 800 190 009

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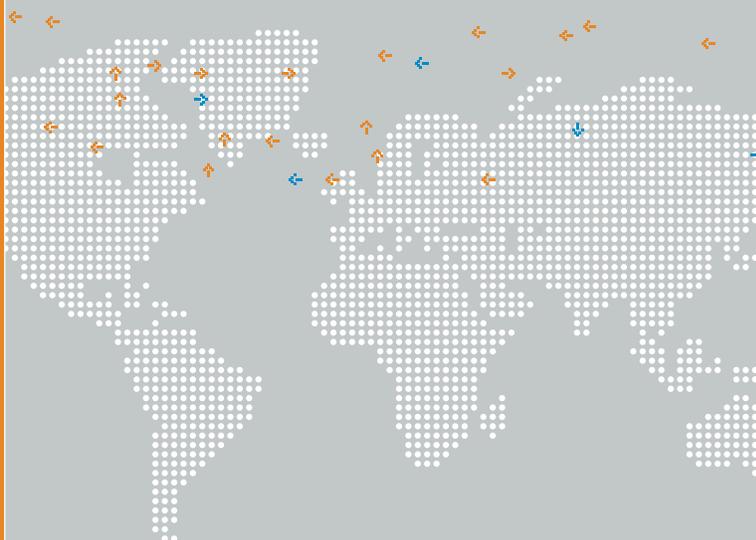
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The Migration Online is a specialised website focusing on migration issues in Central and Eastern Europe. It is based on a cooperation of an international network of analysts and organizations. Its aim is to promote dialogue and international comparisons in the field of migration. As various research results demonstrated, many forms of migration movement take place within the region of Central and Eastern European countries. What policy conditions have been created for migrants to come, work, settle or return back home? The English version of the website at www.migrationonline.cz offers both original and republished analyses, interviews and reports about migration processes in the region.

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...a tolerant
society, open
to difference
and making
the most
of cultural
variety...

The mission of the Multicultural Center Prague is to prove that multicultural coexistence in the Czech Republic is possible and enriching on all levels.

Ever since its activities began in 1999, the Multicultural Center has been fulfilling its goals through public debates, a variety of educational, cultural and public informational activities, research, publications and the establishment of links between individuals and organizations with similar aims within the Czech Republic and abroad.

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