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Financial Crime in the Czech Republic: Study Undertaken as Part of Research Into Economic Crime¹

2001-2004

ISBN 80-7338-029-3

Extended summary

This study of financial crime in the Czech Republic was prepared as part of the Economic Crime research project undertaken in IKSP between 2000 and 2003. The author of the study was Ing. Vladimír Baloun (the whole study has 151 pages including appendices, and contains a number of tables and other factual material in graphical form).

The basic aim of the research into financial crime was to map a phenomenon which did not essentially exist in the Czechoslovak Socialist Republic before 1989 (this applies only to financial crime). It was with the new role of banks and similar institutions, with the emerging capital market and with the completely new concept of the tax and levies system that offences against this perhaps most important segment of the economy appeared (its importance can be regarded as lying in the fact that it has an irreplaceable signalling function); for this reason it was the imminent duty of criminological research to react to this negative development. It cannot be said that financial crime has been totally ignored in world criminological research (though it has also been treated as a component of what is termed white collar crime as a whole); nevertheless the specific features of a society in transition from a planned economy to a market economy are of such a type that criminal behaviour in this economic sector is to a significant extent specific. A secondary aim of the researcher was therefore to demonstrate the definite specificity of financial crime in economic crime, ie specify the areas in which the two types of criminal behaviour differ. The fact is that a specific stage of this kind has been mapped out which will never occur again (this applies in particular to offences against banks and the capital market – especially offences committed in connection with the process of privatising state assets); other segments of this criminal activity (offences against insurance companies, savings and loan associations, offences against public budgets and so on) are conversely not so firmly linked to the transformation phase and description of them may also prove to be relevant in the future.

This specification of aims also provides a clear definition of the problem studied. Financial crime was defined right from the start of the research as a particular sub-group of economic crime, as deliberate unlawful activity committed against property in connection with financial investment business and directed against it. To put it another way, it is paradoxically best defined by the group of institutions (namely **financial institutions**²) against which it is directed. It is necessary to add that the researcher had to work in particular with economic concepts, which gave the study a somewhat didactic form; it is precisely in this area that a shortcoming came to light even among the economically educated public,

¹ Baloun, V. Finanční kriminalita v České republice. Praha : IKSP, 2004. 151 stran.

² Financial institutions are generally institutions dealing with money and loan transactions. They collect liquid funds and provide them to a variety of entities in the form of loans; they offer a range of services (payment operations, transactions with securities, deposit deals, insurance, leasing etc).

created by a considerable underestimation of the task of finance in the planned economy system. So a political history introduction to the area contained in the study was necessary; for many phenomena in this period resulted from trends either still rooted in the system of economic management prior to 1989 or from trends rooted in the initial period of transformation.

It is also necessary to add that financial crime is conceived as highly latent and very sophisticated; it is possible to agree with the former assertion but less so with the latter.

Latency of financial crime is logical and stems from economic reality: the law can never cover all economic phenomena and interests, and this area is also 'governed' by a whole range of non-criminal standards, breach of which **sometimes** has impacts up to the criminal phase, but at other times not. In this conjunction we also need to mention the completely informal phenomenon usually referred to as business ethics, which in countries with a longer history of a functioning market economy to a certain extent put the brakes on the latency of this form of crime.

The **sophistication** of financial crime is largely a myth; undoubtedly there are offences which require this feature to a certain extent, but in most a relatively simple *modus operandi* can be found after eliminating elements of external phenomena. Though here, of course, it cannot be argued that investigation of cases of financial crime and particularly proof of criminal behaviour is a simple matter – quite the opposite.

The author of the study – as has been said above – tried to separate financial crime from the concept of economic crime as it is generally perceived; he grouped the results in 14 areas which differentiate financial crime from economic crime. *Inter alia* he claimed that financial crime has a specific feature which no other area of crime has; this lies in the number of victims of this criminal activity (the technical term victim is not quite appropriate and the term injured parties is more suitable in this case, i.e. traditional victimological approaches to victims rather lose their original meaning). For financial crime in the Czech Republic (and here too a specific factor arising from the unrepeatability of transformation can be seen) has a harmful impact on three types of injured party: institutions themselves, their customers and, through the redistributive mechanisms of the state budget *de facto* the whole population (here it is necessary to add that what is termed the rescues of the banks and principally the subsequent rescues of savings and loan institutions were a purely political decision, which has nothing to do with either economics or criminology).

The main problem of financial crime which differentiates it from all other forms lies in the fact that financial crime concerns areas where work is:

with money (including securities) as a commodity which can easily be stolen without any problem of putting it on the market again (owing to the convertibility of the national currency practically anywhere) and

a) exclusively with other people's money – with relatively little equity capital a disproportionately larger amount of capital (whether it be in the form of deposits, capital stakes or perhaps taxes too) is controlled.

As a result of this fact there is also a different group of offenders and 'victims' of this form of criminal activity: the offenders are persons who have legal powers of decision-making over this financial asset (i.e. either direct owners or at least members of management),

whereas the injured parties are drawn from all social groups and levels, and it has a relatively destructive impact on the **economic aspect of their lives**. No other type of crime manifests this uncommon feature – not even economic crime. Also it is not absolutely necessary to have any particularly deep knowledge to commit the offence of financial crime in the Czech Republic or be (as already stated above) particularly sophisticated. Known financial crime offenders are far from being exclusively university graduates with an economics education but are also even trainees, people with secondary school education or graduates from completely different fields from economics. Likewise those harmed, even by relatively transparent „financial“ criminal activity, are not only people with a lower IQ but also people who have been educated and trained in the sector (economists and lawyers). In certain types of financial fraud this is actually the predominant group, whether in view of the high „initial share“, or because this group is deliberately selected and „targeted“ in advance (after all, the possibility of connection to the Internet is not yet so great in the Czech Republic and in any case it is more accessible to people with higher incomes and a certain level of education – to put it in another way, in this case it is possible to characterise the target group of possible fraud with certainty).

It needs to be added that the above-mentioned principal phenomenon of financial crime – namely dealing with money (particularly other people's) as a special asset gave rise to a phenomenon which is known under the term **tunnelling**. Tunnelling is understandably not a criminal law term, but nevertheless even professional people are now also sufficiently familiar with it as a modus operandi that lawyers and even international organisations are beginning to use it in the Czech Republic³. For this reason it can also be used in criminology with certain reservations.

To put it in a nutshell, it is a **transaction the purpose of which is to divert funds from a prospering company that is operating legally, for the purpose of one's own enrichment**.

It is clear from this definition that tunnelling can be committed only by a person or persons which has/have control over the company concerned, either ownership or management. This term is also occasionally used for classical loan fraud (ie non-repayment of loans): this criminal act, however, is not tunnelling, for it does not include the element of control; the opinion can even be voiced that this criminal activity should not be classified as financial crime (it is essentially an economic offence arising in normal business dealings). There is always intent (disputes concerning the features of intentional or unintentional criminal acts, or criminal acts arising from negligence, have actually accompanied amendments to criminal codes from the start of transformation and have still not been satisfactorily resolved); with tunnelling, however, in no case has a similar dispute arisen. The explicitly stated legality of the affected company is an important characteristic feature: for at the present time it is possible to observe certain types of fraud which are differentiated precisely in that they are perpetrated by companies that exist illegally (for example, bogus brokers, who allegedly trade in securities), and this is not tunnelling but merely fraud. The methods or modi operandi of tunnelling are also well-known now and are derived from the principle that tunnelling is essentially transfer of funds from the accounts (funds) of institutions (namely banks, cooperatives or investment companies) to private accounts (either of a natural person or a legal entity). The problem of course is proving it; in a relatively

³ For example, in the report of the European Commission on the Czech Republic's Progress towards Accession published on 8 November 2000, one of the negative phenomena mentioned is „tunnelling“ or **deliberate siphoning off of assets** without further specification.

significant number of cases, with a large number of injured parties, with the necessity of knowing not only criminal law but also commercial law and related legal regulations, and furthermore also knowing these in detail, investigation of even an apparently trivial case is demanding in terms of personnel and time.

Another basic modus operandi used in financial crime is the principle of pyramid schemes, sometimes described as “aircraft“. These ‘games’ are based on the **Ponzini scheme**, which is, according to economic theory, a fraudulent investment project in which deposits made by later investors are used to repay artificially high returns to the original investors, which attract other deposits. These fraudulent projects were used very effectively, particularly in connection with the beginnings of savings and loan associations’ business activity.

The main part of the study is broken down into chapters according to the financial institutions affected⁴, namely

- A) offences against the banking system
- B) offences against capital markets
- C) offences against savings and loans associations
- D) offences against public budgets

and each chapter has the following uniform structure

- a) general historical introduction
- b) economic and political introduction of the problem (economic theory and the political context of the particular stage of transformation),
- c) the criminological bases of the research
- d) typical cases of offences
- e) offenders
- f) injured parties

This chapter structure is scrupulously adhered to with minor modifications throughout the study.

Offences against the banking system

After 1989 and following agreement on the principles of social and economic reconstruction, the first priority had to be reform of the banking system; we need to add that it is in banking that the phenomena which finally came to be known as tunnelling have their origin. It is estimated that rescue of the banking sector „cost“ the Czech state CZK 170 billion and this may not be the final amount (for comparison: state budget income for 2004 is expected to be ca CZK 754 billion). It is of course necessary to state that these are not losses caused only by criminal activity but that there is a deeper problem, which we will try to elucidate briefly.

The basic cause of this situation lies essentially in the economic situation at the beginning of the 1970s, when after the halting of what is termed the Šik reform (connected with the events of 1968) the state budget badly required finance in order to – at least ostensibly – balance it. Turnover funds were taken from companies by government

⁴ Here it needs to be stated that the chapters are arranged chronologically, with regard to economic history, and the occurrence of criminal activity is shown in relation to the particular segment of the market.

decree (these were created from the profit of these companies) and were mainly used to finance stocks. Part of these stocks (what are termed continuously moving stocks) were financed by government decree from loans for continuously moving stocks, which were provided by the Czechoslovak State Bank at minimal interest. This was the practice up to 1989.

After this date the Czechoslovak State Bank became a real bank of issue – it was „detached“ from the commercial system and also acquired a number of new functions and competences: including supervision over the newly emerging banking system. Its commercial department was hived off to become Komerční banka, and the other state banks (Československá obchodní banka, Investiční banka, Československá spořitelna, and Živnostenská banka), which had precisely defined roles in the period of the planned economy, particularly in foreign trade, began to develop their activities in the domestic banking market as well, and with the loss of what was termed the state monopoly in foreign trade it could be said particularly in the internal banking market. State companies (which formed the majority at that time) were thus compelled to convert their continuously moving stock loans to normal operating loans at standard interest rates; this transaction – if we add the collapse of the traditional Eastern European markets and problems in the internal market, where they began to encounter hitherto unprecedented export competition and a general fall in personal income – meant that they began to get into financial difficulty (primary and finally also secondary inability to meet payments) is inability to meet their liabilities (this issue is not the subject of this research, but nevertheless it is necessary to mention it). At that time the first, now completely private banks, which were by law subject to the grant of a licence by the Czechoslovak State Bank also began to operate in the banking market; but these did not have sufficient source data or sufficient experience or enough specialists for any due diligence. Lack of specialists was after all a general problem for banks: a number of later well publicised cases could have been caused by the entirely understandable lack of bank officer know-how; we can, however, also assume that some small banks were established right from the start with fraudulent intent.

Business began to develop concurrently (this issue is beyond the scope of this research); it is relevant, however, in view of the desperate lack of finance for new entrepreneurs, which was, with some exceptions, the norm. This created excess demand for bank loans, and this again on the other hand led to a situation where the banks needed to increase their available capital more or less only by attracting depositors with high interest rates on deposits; it also follows from economic logic that firstly they also had to increase interest rates on loans provided and that secondly they were almost automatically bound – in view of their low equity capital coverage – to get into difficulty in view of the timing of the two banking transactions (i.e. immediate accrual of interest on deposits and deferred repayment and payment of interest on loans), or rather the necessity to secure immediate paying out of deposits with deferred repayment of loans.

It is a fact that excess pressure of demand for loans logically was a direct cause of a certain part of crime: inter alia it was generally known (though understandably not proved) that bank officers (loan officers) asked for what is termed a tithe from a loan provided (10 % of the amount of the loan), that business plans were not adequately scrutinised, that highly questionable guarantees were accepted as security (the so-called precious stones case) or guarantees that were actually criminal (the KOMBA and Barak Alon cases) and so on. This also led in a historically short time to the collapses of small banks in particular - as early as 1993 the first bank had its banking licence withdrawn and then a chain of crashes followed,

which led on the one hand to tidying up the law (a number of amendments to the Act on banking and establishing a fund for insuring deposits) and so on, and on the other hand to streamlining of the whole banking market (by means of mergers and takeovers of bankrupt banks by other banks) up to progressive privatisation of the whole banking sector with varying degrees of success (the IPB – Nomura case), the fall-out from which is still being resolved today.

But there was also expressly criminal activity, which also gave rise to the previously mentioned term tunnelling, ie the fact that the owner (owners) or the management of the bank granted loans either to companies in which they had a personal interest or to companies acting in collusion. These were relatively standard cases, particularly in small banks.

Offences against capital markets

Privatisation in the Czech Republic proceeded in two steps: what is termed small privatisation (which consists in direct sale of small places of business or retail outlets or in „sale“ of long-term leases for premises suitable for small businesses, and what is termed large privatisation (this is the privatisation of big, up to that time state companies, either industrial or commercial), which took a variety of forms – from sale to a certain interested party, through auctions and so on (these sales were often tied up with the banking issue in view of the absolute shortage of legal capital), but most privatisation consisted in what is termed the coupon method of privatisation. At the beginning this was an entirely logical and a priori correct idea: they were originally national and ultimately state companies, which for forty years had been in what is termed ownership “by all the people“. This pseudo-ownership was to be replaced by real ownership and the assumption was that by means of coupons the citizens of the Czechoslovak Federal Republic, or the Czech Republic (this stage occurred in the period just before the break-up of the joint state), would „purchase“ shares in the companies selected for privatisation (essentially a joint-stock form of ownership was to be created within a short period of time). It was an open secret that this was not real privatisation, but only denationalisation; also in the first phase it was not expected that there would be any massive entry of privatisation investment funds in this process (this was to occur in the second phase, when this widely dispersed share ownership was to be concentrated to achieve genuine exercise of ownership rights). Basically right from the start this notion was in effect clearly not understood by the public, until Viktor Kožený appeared on the scene with what was termed „the ten per cent pledge“. The Harvard privatisation investment funds he set up thus became the leading funds in this ‘market’; this idea was eventually copied by other privatisation funds too. Though the Government, or rather the guarantor of this method, the Minister for the Administration of National Assets and their Privatisation, did not agree with this procedure, he could not intervene in any way, except that ex post facto a limit was set for ownership of funds in one company and that demand from privatisation investment funds was not satisfied until the demands of individuals, what were termed investment coupon holders, had been met. Privatisation investment funds were also set up by banks, so in many cases a very untransparent environment was created, including what is termed cross-ownership, when banks (meaning their management) owned themselves through their investment companies, or on the other hand owned companies to which they also gave loans. It can be said that the coupon privatisation stage did not end until what was termed the third wave of privatisation, which was not organised by the state but by the private company Motoinvest, whose owners were investigated but nothing could be proved against them.

This stage resulted not only in wide-scale dubious activity in the capital market but also a relatively significant international failure of the newly created Prague Stock Exchange (BCP), which had hopes that it would be the central stock exchange for Central and Eastern Europe. Genuine investors have more or less avoided the Prague Stock Exchange so far, and the Czech stock market is dependent on a very small number of securities or companies, and the stock exchange in the Czech Republic is used only for speculation and is certainly not a source of capital for companies, which prefer to raise this by bank loans, which is to a certain extent a specific Czech feature. The dubious activity referred to also had all the signs of tunnelling (according to the definition given above), even though in specific cases there was no direct financial investment but deposit of investment coupons. Criminal activity against direct investors, which is now gradually coming to light, will not be so widespread (and it can be said that it will not be markedly different from the level of delinquency known in other countries with a market economy); on the one hand collective investment has better legal protection, and on the other hand criminal proceedings authorities now have enough knowledge to detect this activity.

The period shortly before adoption of the amended Act on investment funds and investment companies, which understandably brought a tightening up of their operation, afforded another possibility of unlawful action to the detriment of small shareholders. Unfortunately, before the amended Act came into force, a number of investment companies managed to convert themselves into holdings, to which the stricter amended version of the Act did not apply. The previously mentioned company Motoinvest, which controlled a number of them, took advantage of this. In addition, it also controlled a number of banks, which ultimately had their licences revoked and ended up in bankruptcy proceedings (for instance, a dispute is still continuing between the shareholders of the fifth biggest bank and also the largest private bank at that time – Agrobanka – and the state (the Czech National Bank) concerning the validity of withdrawing the licence. There is another long drawn-out dispute between shareholders of Harvardský průmyslový holding (HPH – Harvard Industrial Holding) and the actual management of the holding. A general meeting of a group of shareholders versus a general meeting of another group and the ban on payment of dividends issued by the Czech Ministry of Finance sparked off a protest by another group of shareholders, an international arrest warrant against Viktor Kožený and a number of other statutory representatives of the holding and the end of this dispute is not in sight. The notorious case of CCS funds, when more than a billion CZK were taken out of the Czech Republic to the detriment of shareholders in the fund, and the case of the funds of the former tennis champion, Šrejber, who was even prosecuted and convicted but then found not guilty in appeal proceedings. These are the results of this stage and the best known cases, which aroused interest in the media at their time. In addition to this, there were a number of smaller investment companies which adopted a similar modus operandi but which have not given rise to so much interest (for example, Apollón holding, which was an investment company of the previously mentioned Agrobanka; this lost shareholders' assets at the time when the previously mentioned Motoinvest was perpetrating its activities).

These cases belong to the past and the stage described. Cases are now coming up and clearly will continue to come up which are known from market economies and belong to the „traditional type“ of criminal activity (bogus brokers, insider trading, there has been an attempt to trade in gold mine shares and so on). The fact is that - in view of the downgrading of the Czech capital market into an essentially surrogate role (small deposits of savings for the purpose of appreciation in value, ie not for the purpose of raising capital) - we do not

anticipate actions of the share price manipulation type (for example, the well-known case of ENRON in the USA and others in the EU) in the Czech Republic in the immediate future.

Financial crime in the Czech Republic was after all of a specific nature and basically there cannot be a repeat of its occurrence in such widespread form even in other post-Communist states. The fact is that a number of these offences were not even prosecuted, let alone heard in court, and the number of those actually convicted is – in terms of extent and losses caused – negligible. Furthermore, even when there has been a successful prosecution and the accused has been convicted, this does not mean that the sentence is served (the previously mentioned Šrejber was freed by the court on appeal and the Motoinvest officials, Tykač and Dienst, were not even charged, Procházka and his associates from IPB were released from custody, Říha, the manager of 1. Pražská družstevní záložna, though charged and convicted, lodged an appeal, disappeared after being released and there is an international search for him, not even an indictment could be served on Viktor Kožený; a member of the management of HIF, Vostrý, left the country and is living somewhere in Central America). These are the results of the best known and biggest cases of this stage. These cases furthermore demonstrate the fact referred to above: with a few exceptions, particularly relating to the capital market, this criminal activity was „paid for“ by all the people of the Czech Republic, for compensation was paid and in the case of savings and loan associations paid from the state budget or in the form of purchase of liabilities by the Consolidation Agency. In this connection a report that a group of people connected with Motoinvest has shown considerable interest in purchasing these liabilities, that certain dealings in these liabilities have been decidedly odd (particularly as regards their price) and so on is certainly not without interest. It would seem that, though this stage we have described is still not fully completed, these are, at least we can hope they are, only reverberations.

Savings and Loan Associations

The above-mentioned situation in the banking market had an impact on legislation in the form of tightening up conditions for setting up banks and on making bank supervision stricter, so inside banks on the procedure for granting loans and so on. Banks were not particularly interested at that time in what are termed retail customers, not even Česká spořitelna, which was prior to 1989 the only provider of consumer loans. For this reason there was a motion in the House of Deputies calling for the setting up of savings and loan associations, what are termed cooperative banks, of which there had been a tradition since the times of the monarchy. Despite opposition from the Minister of Finance and even the Prime Minister, who saw this form as not fitting into the system, an Act was successfully forced through in 1995 enabling the creation of savings and loan associations. The Act was, however, defective; it was drafted perhaps only on the basis of experience during the monarchy and the first Czechoslovak Republic and contained a number of provisions which could be abused.

The development of savings and loan associations basically copied the development in the banking market (initial steep rise), the first problems and the collapses and eventually the total disintegration of the whole system. It needs to be added that, in contrast to the banks (where after all the problems were not caused only by criminal activities), a number of cooperative banks were directly set up with the intention of tunnelling. Their very „start“ gave the impression of pyramid games (which is also the reason why pyramid games are mentioned at all in this work).

The purpose of savings and loan associations was to bring together the liquid funds of their members and offer them cheap and accessible credits and loans (they were to function more or less for their members as non-profit institutions), but nobody queried the fact that some savings and loan associations were enticing members (here there is the very important fact that these were members, not merely depositors) with promises of interest of 20-25%⁵ on their deposits or, to put it more precisely, their members' shares. Neither the Office for Supervision over Savings and Loan Associations that had been created nor the Czech National Bank (which actually did not have direct jurisdiction over savings and loan associations) nor the Ministry of Finance queried the fact that many associations conducted their campaigns very aggressively (with the participation of celebrities from the world of politics and show business), that they were also developing activities which, though not prohibited by the Act, were nevertheless at the very edge of legality (exchange rate transactions, transactions on the securities market and so on). The result was massive tunnelling of a vast majority of savings and loan associations through criminal activities, which the Czech state recognised both de facto and de jure by compensating members of these associations.

To complete the picture, we also need to mention **criminal activity against insurance companies and against public budgets** (other separate chapters); however, this is criminal activity in which the situation in the Czech Republic is in no way uncommon compared with that in other states; for this reason there is no special mention of it in this summary, however troublesome delinquency against public budgets in particular is for the state (the state budget is burdened by loss of revenue on the one hand and by unauthorised drawing from it on the other); in addition, there is an important political issue relating to this topic, which is discussed in all more developed economies: the level of the tax burden on entrepreneurs and citizens.

In the conclusion of the study the researcher attempted to take a criminological view of this issue, for it is the area of economic crime that is most frequently politicised.

Criminality as such is understood as deliberate breach of **criminal** law; to put it in another way, criminality is the same as a criminal act. A criminal act is defined then as an action of a criminally liable offender which is a danger to society and the characteristics of which are stipulated in the Criminal Code. However, it is not enough for it merely to be stipulated in the Criminal Code if there is absence of danger to society and conversely – no action which poses a danger to society and is not described in the Criminal Code can be a criminal act.

The researcher takes a polemical stance on this concept in the conclusion of the study, for in his view the basic question is whether breach of **any** law is criminality (this is why he prefers to use the term delinquency rather than criminality in the text). To put it a little rhetorically, he prefers to look at it from the criminological point of view rather than from a purely legal one, for the following reasons:

in view of the fact that the Criminal Code is subject to major and frequent amendment (it is even claimed that there is a mismatch of Austro-Hungarian laws and the laws of the planned economy period) and we are still waiting for root and branch reform of it, and also that sections dealing with prosecution for tax, insurance and levies offences (as well as loan and insurance frauds – see above) were expressly incorporated in criminal law until its amendment in 1998, we can regard criminality defined in this way in the economic area as

⁵ which in the period of their creation was uncommon and to achieve such appreciation in value was virtually impossible

extremely unsatisfactory. Commercial law should not really be „criminalised“, for judgement of when there is intent, intentional negligence, unintentional negligence and so on is very far from easy and contributes to uncertainty in the business environment. For ambivalent tendencies can be seen in criminal law, which create the exact opposite of a synergy effect: an attempt to specify in greater detail the particular facts of an ever increasing number of offences, however without any practical impact, which means a compromise between the legacy of our criminal law and Anglo-Saxon law, for which we have no tradition or „insight“.

Although we cannot fully agree with the condemnation of criminal negligence (the researcher has worked as a private economic adviser and so has had the opportunity to observe an entrepreneur who, by downright negligence, “failed as manager“ and so caused the bank to lose tens of millions of CZK from an unrepaid loan and other millions from what are termed debt services), the fact is that to a certain extent fears of criminalisation of the economy have a rational basis and are to a substantial extent well-founded.

According to discussions in the specialist press on the issue of commercial law and its criminalisation, the rise in economic crime allegedly makes these severe procedures necessary. It is, however, necessary to see a danger in the fact that economic difficulties arising from inadequate legal regulations, particularly the Commercial Code, tax law regulations and financial regulations are to be resolved by means of criminal law.

It can then be anticipated that criminal law conceived in this way will be replaced as part of a complete reform by commercial criminal law, which will also deal to a significant extent with the issue of the criminal liability of legal entities which the Criminal Code in its – even amended – concept will not „encompass“. This commercial criminal law would also deal with problems connected with misuse of grants and subsidies and other frauds in business practice, and also environmental damage and so on.

It is logical that this study does not contain – and cannot contain – any revealing or importantly innovative findings. It is a criminology probe into the problem of financial crime (and the structure and sequence of the chapters reflects this), performed in such a way that, as was stated in the introduction, it would be possible to document the distinctness and specificity of financial crime as a completely separate group of criminal activities.

The researcher also stresses a problem which is of concern to Czech justice in general and which can be expressed by the popular saying: „slow justice, no justice“. Incredibly long criminal proceedings, from the start of investigation to bringing in a verdict, is alarming particularly in the area of financial crime and is particularly evident in some of the cases described. If we add to this various forms of appeal, recourse and so on, it is hardly surprising that the general opinion on the practice of justice (which is the final step in the sequence of criminal proceedings) is not exactly flattering. No wonder a feeling is created of injustice which is naturally general and cannot be related only to economic or financial crime. Nevertheless, if people are confronted with phenomena which they perceive as widespread injustice and if this is also justified by the very existence of laws, then they naturally may react in such a way that they will continue to be ‘legally illiterate’ in the future too, for laws mainly protect those who breach them and do not protect people who observe them at all. The progress of many cases which are described in this study of financial crime rather supports this development of public awareness.

A particular problem which permeates the whole of the issue studied is the fact that the victims are, through the tax system, the redistributive mechanisms of the state budget and the failure of regulatory authorities to fulfil their duties, all taxpayers regardless of how greedy they are themselves (according to criminological theory greed is one of the main motives for victims of economic crime), how prudently they handle their funds and so on. Here lie the roots of the phenomenon we talked about earlier, namely the phenomenon of disregard for the law; these offences do not have that much in common with the past era; on the contrary, it is a question of abuse or rather even use of inadequate laws and abuse of the whole transformation phase, and of course it was politicians who should have taken care of regulatory mechanisms to protect this transformation.

There is a fundamental problem in getting an insight into the whole of one stage in the development of society in the Czech Republic, which the author has tried to examine from an important though nevertheless partial perspective: from the point of view of criminology, which, however - unfortunately – as a branch of science has not yet worked out or even defined the basic criteria for economic crime. The work presented also attempts – in addition to stating this fact – to bridge this gap.