

Quotes

1.

“European financial law is not foreign law in the Czech Republic, but an integral part of the national legal order since accession to the EU.”

2.

“The harmonisation of financial law in the European Union is particularly visible in the areas of banking supervision, capital market regulation, and budgetary discipline.”

3.

“The Czech Republic stands in European financial law between integration and sovereignty — a tension that continues to shape legislation to this day.”

4.

“Without European financial law, the stability of the internal market would be unthinkable, and without the internal market, the Czech economy would not be the same.”

5.

“European financial law often operates indirectly in the Czech Republic, but its consequences are immediate — especially in tax law and banking law.”

6.

“The implementation of European financial regulations is less a legal obligation than an economic necessity.”

7.

“Explaining European financial law in the Czech Republic is like reading the VAT Directive — everyone knows it is important, but nobody reads it voluntarily.”

8.

“In theory, European financial law harmonises everything. In practice, it mainly harmonises confusion.”

9.

“The EU says what financial law should look like, Prague says how it will be implemented, and tax advisers say everything has become more complicated.”

10.

“European financial law is the only field in which a comma can cost millions — and yet it often stands in the wrong place.”

Case Study 1 – Implementation of an EU Directive

The EU adopts a directive on banking supervision. The Czech Republic implements it late. A bank relies directly on the directive before a Czech court.

What applies?

- A) Directives never apply directly
- B) Directives always apply directly
- C) Directives may have direct effect under certain conditions
- D) Only regulations can be used before courts

Case Study 2 – EU Regulation in Tax Law

An EU regulation sets reporting obligations in the financial sector. Czech law is different.

What applies?

- A) National law has priority
- B) EU regulation applies directly and has priority
- C) Both apply simultaneously without priority
- D) Regulation applies only after implementation

Case Study 3 – State Aid

The Czech government grants state support to a bank without approval of the European Commission.

What is correct?

- A) Allowed in national interest
- B) Allowed in banking crisis without EU
- C) Not allowed without Commission approval
- D) Forbidden only for eurozone states

Case Study 4 – Eurozone vs Non-Eurozone

The Czech Republic is not a member of the eurozone. Which statement is correct?

- A) EU financial law applies only to euro states
- B) The Czech Republic is not bound by EU financial law
- C) Only tax law applies
- D) Many financial rules apply even without adopting the euro

Case Study 5 – Budgetary Discipline in the EU

The EU recommends that the Czech Republic reduce its budget deficit.

What is correct?

- A) Recommendations are legally binding
- B) Recommendations are political but not directly binding
- C) Recommendations apply only to euro states with sanctions
- D) Recommendations must be implemented immediately

Case Study 6 – Free Movement of Capital

A Czech law restricts investments from another EU state.

What applies?

- A) Possible without limitation
- B) Prohibited because free movement of capital applies
- C) Forbidden only for banks
- D) Forbidden only for euro states

Case Study 7 – Competence of the European Commission

The EU Commission examines a Czech tax regime as possible illegal state aid.

Is this possible?

- A) No, tax law is purely national
- B) Yes, if competition is affected

- C) Only for euro states
 - D) Only for banks
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Case Study 8 – European Central Bank

The ECB adopts a rule on banking supervision. Does it apply in the Czech Republic?

- A) Yes, automatically for all banks
 - B) No, never
 - C) Only if the Czech Republic participates in the banking union system
 - D) Only for state banks
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Case Study 9 – Primacy of EU Law

A Czech court finds that a national law conflicts with EU law.

What must it do?

- A) Apply national law
 - B) Ask parliament
 - C) Disapply the national law and apply EU law
 - D) End the procedure
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Case Study 10 – VAT in the EU

The EU VAT Directive requires certain rules which the Czech Republic implemented incorrectly.

What can a company do?

- A) Apply only national law
- B) Apply the directive directly if conditions are fulfilled
- C) Sue only before EU courts
- D) Do nothing

Case Study 1 – Late Implementation of a Financial Directive

The European Union adopts a directive regulating investment funds, introducing stricter requirements for transparency and risk management.

Member States must implement this directive within two years.

However, the Czech Republic fails to implement the directive in time. A Czech investor suffers financial loss because an investment company did not have to comply with the new EU rules. The investor relies directly on the directive before a Czech court and claims damages.

What is the legal situation under EU law?

- A) The directive may have direct effect under certain conditions and can be invoked before national courts.
- B) Directives can never be used before national courts.
- C) Only the European Commission can pursue violations of directives.

Case Study 2 – State Support for a Bank

During a financial crisis, the Czech government decides to grant a financial guarantee to a large national bank to prevent a possible collapse. The government argues that the stability of the national financial system is more important than prior approval by the European Commission.

The Commission opens proceedings for possible unlawful state aid.

Which statement is correct?

- A) Member States may support banks at any time without EU control.
- B) State aid must in principle be approved by the European Commission.
- C) State aid rules apply only to eurozone states.

Case Study 3 – Primacy of EU Law in Tax Law

A Czech law introduces a special tax for companies that are majority-owned by investors from other EU Member States. Several companies challenge the law, arguing that it violates the free movement of capital and the freedom of establishment.

The Czech court finds that a conflict with EU law may exist.

What must the court do?

- A) Apply national law until it is repealed.
 - B) Suspend the proceedings until parliament changes the law.
 - C) Disapply the national law if it conflicts with EU law.
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Case Study 4 – Participation in the Banking Union

The Czech Republic is not a member of the eurozone but considers voluntary participation in parts of the European Banking Union.

After joining, a large Czech bank falls under direct supervision of the European Central Bank within the Single Supervisory Mechanism (SSM).

The bank argues before a Czech court that only national authorities are competent because the Czech Republic has not adopted the euro.

Which statement is correct?

- A) Non-euro states can participate in the banking union, and the relevant EU rules then apply.
 - B) The ECB is competent only for banks in eurozone states.
 - C) National courts may ignore ECB decisions.
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Case Study 5 – Budget Rules and EU Surveillance

The European Commission finds that the Czech budget deficit exceeds the limits of the Stability and Growth Pact.

The Commission issues recommendations to reduce the deficit and calls for structural reforms.

A Czech politician states publicly that these recommendations have no importance because they are not legally binding.

Which statement is most accurate?

- A) EU recommendations have no legal or political effect.
 - B) Recommendations are not directly binding but may be part of a monitoring and sanction procedure.
 - C) Recommendations apply only to eurozone countries.
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Case Study 1 – Banking Crisis, State Aid and EU Control

In 2026, a large Czech bank operating in several EU Member States faces serious financial difficulties.

The Czech government fears destabilisation of the entire financial system and decides to grant the bank extensive state guarantees and direct capital support.

The government argues that rapid action is necessary to prevent a bank run.

The measures are adopted before the European Commission is officially informed.

A few weeks later, the European Commission opens proceedings for possible unlawful state aid.

The government defends itself by arguing that the Czech Republic is not a member of the eurozone and therefore has more flexibility.

At the same time, competing banks from Austria and Germany bring actions claiming that the Czech bank gained an unfair competitive advantage due to the state support.

Discussion questions

1. What role does EU state aid law play in the financial sector, especially in banking crises?
 2. Does a non-euro state like the Czech Republic have more freedom in rescue measures?
 3. How should the balance between financial stability and protection of competition be designed in EU law?
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Case Study 2 – Tax Law, Free Movement of Capital and National Sovereignty

The Czech parliament adopts a new law introducing a special tax on dividends paid to parent companies in other EU Member States.

The government justifies the law as a measure to combat tax avoidance and secure national tax revenues.

Several international companies operating in the Czech Republic argue that the rule violates the free movement of capital and the freedom of establishment under the Treaty on the Functioning of the European Union.

A Czech court is unsure whether the national law is compatible with EU law and considers referring a preliminary question to the European Court of Justice.

At the same time, political debate claims that tax law is a core area of national sovereignty and the EU should not go too far.

Discussion questions

1. To what extent may the EU influence national tax law?
 2. How far does the free movement of capital extend in the field of direct taxation?
 3. Should the ECJ play an active role in harmonising tax law?
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Case Study 3 – EU Fiscal Rules, Political Reality and Legal Limits

After several years of economic difficulties, the Czech budget deficit increases significantly. Within the framework of the Stability and Growth Pact, the European Commission finds that

the recommended deficit limits have been exceeded and issues several recommendations for fiscal consolidation.

The Czech government publicly states that these recommendations are politically motivated and have no immediate legal effect.

Part of the opposition argues that the Czech Republic must comply more strictly with European rules in order to maintain the confidence of financial markets.

Experts also discuss that enforcement of fiscal rules in the EU has often been inconsistent and that even large Member States violated the rules in the past without serious sanctions.

Discussion questions

1. Are EU fiscal rules more legal or more political instruments?
2. Should the EU impose stricter sanctions for violations of fiscal rules?
3. How important is compliance with European financial rules for smaller Member States such as the Czech Republic?

Moot Court – Case: “BohemiaTech AG vs. EU and the Czech Republic”

Location: Fictional European Court of Financial Law (ECFL)

Year: 2026

Duration: 90 minutes

Detailed Facts of the Case

BohemiaTech AG, a medium-sized technology company based in Prague, has been expanding strongly into other EU countries since 2022, particularly into Germany, Austria, and Poland. The company employs 450 people and has made significant investments in research and development.

The finance department, led by CFO Pavla Nováková, faces several critical challenges affecting the stability and future of the company.

1. Tax Conflicts

- The Czech parliament adopted a new tax law that significantly increases taxation on dividends paid to parent companies in other EU countries.

- BohemiaTech argues that this rule violates the free movement of capital and restricts the freedom of establishment.
 - The management is concerned that this could delay the company's international investments.
 - Some subsidiaries in Germany and Poland threaten to postpone investments until the legal situation is clarified.
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2. Banking Supervision and EU Directives

- New EU directives on banking supervision and financial transparency have only been partially implemented:
 - Some banks strictly follow the new rules.
 - Other banks have not yet fully implemented them.
 - BohemiaTech argues that this unequal standard creates competitive disadvantages, because loans and financing opportunities are not distributed equally.
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3. State Aid

- During a banking crisis, the Czech Republic granted direct financial support and guarantees to several large banks.
 - BohemiaTech and other market participants criticise that this creates unfair advantages and violates EU rules on state aid.
 - The European Commission opened proceedings against the state.
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4. Macroeconomic Influences

- The Czech Republic slightly exceeds the deficit limits of the Stability and Growth Pact.
 - The EU Commission issued recommendations for fiscal consolidation.
 - BohemiaTech must decide how these recommendations indirectly affect its investment strategy:
 - interest rates may increase,
 - subsidies may be reduced,
 - credit risks may rise.
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5. Internal Tensions

- The finance department has only two weeks to prepare a report that must:
 - correctly take EU directives into account,
 - minimise tax risks,
 - secure planned investments,
 - handle bureaucracy efficiently.

- Inside the company there are disagreements:
 - Head of Research:
“EU directives slow down our projects!”
 - Legal department:
“If we ignore EU rules, penalties may follow.”
 - CFO:
must balance risk, investment, and legal compliance.
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Key Legal Issues for the Moot Court

1. Is Czech tax law compatible with the free movement of capital and the freedom of establishment?
 2. Can EU directives be invoked directly before a Czech court?
 3. Was the state aid granted to banks lawful under EU law?
 4. What consequences does the harmonisation of EU financial rules have for companies like BohemiaTech?
 5. How do EU macroeconomic recommendations influence the financial strategy of companies?
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Goal of the Moot Court

Participants simulate court proceedings before the ECFL:

- **Team A – BohemiaTech AG**
 - defends the company
 - demands annulment of the tax rule and damages
 - argues direct effect of EU directives
- **Team B – Czech Republic & European Commission**
 - defends national law and state aid
 - argues national sovereignty and correct implementation of EU directives
- **Judges**
 - evaluate the arguments
 - ask questions
 - deliver a hypothetical judgment
 - discuss the consequences