Polish
Financial
Supervision
Authority

Financial markets supervision: Poland`s case

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Plan of presentation:

- History
- Present time
- Recommendations

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The beginnings of financial supervision in Poland:

- The Governor of the NBP /*National Bank of Poland*/ supervised the banking sector: 1989 – 1997
- The Department of Insurance in Ministry of Finance supervised the insurance sector until 1996
- The Polish SEC /*Securietes and Exchange Commission*/ supervised the capital market: 01.06.1991 – 19.09.2006

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The Polish SEC was the first instituton in Poland created exclusively to supervise part of the financial market /the capital market/.

- The government authority
- The commission as collegial body had the decision – making power
- The Act on Public trading from 1991 regulated its activity
- Supervised by the Prime Minister /*the Minister of Finance from 1997*/
- Able to issue technical regulations for supervised entities /*until 1997*/

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The most important changes up until September 19, 2006:

- The Prime Minister appoints the Chairman of the PSEC for 5 year term and shall dismiss him only under circumstances laid down in the Act */from 1994/*
- The budget had been financed partly by the capital market and from 2003 in full
- The Composition of the commission had been to ensure an adequate level of competence

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The banking sector:

- The Governor of NBP /1989 – 1997/
- The Commission of Banking Supervision: collegial body with the Governor of NBP /1998 -2006/ and than with the Chairman of PFSA /to the end of 2007/ as its a Chairman
- The composition of the commission had been to ensure an adequate level of competence
- Funded by the NBP budget

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The insurance sector:

- The Department of Insurance in the Ministry of Finance */until 1996/*
- The State Insurance Suprvisory Authority - SISA /1996 – 2003/
- The Chief of Authority was a single body of the state administration with decision – making power
- The Minister of Finance supervised Authority /appointed the Chief for 5 year term and shall dismiss him only under circumstances laid down in the Act/
- The budget financed partly by the insurance market

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The pension funds sector:

- The pension reform has been starting in Poland in 1997
- The Pension Funds Supervisory Authority – PFSA was created in 1998 /*existed until 2003*/
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- The Chief of Authority was a single body of state administration with decision – making power
- The Prime Minister supervised Authority /appointed the Chief of Authority for 5 year term and shall dismiss him only under circumstances laid down in the Act/
- The budget funded partly by the pension funds market

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The Commission of Insurance and Pension Funds Supervisory /CIPFS/ was created on April 1st, 2003 by merging the State Insurance Supervisory Authority and the Pension Funds Supervisory Authority.

- The collegial body with decision – making power
- The Prime Minister appointed the Chairman for 5 year term and shall dismiss him only under circumstances laid down in the Act
- The Minister of Finance supervised the Commission
- The composition of the commission had been to ensure an adequate level of competence
- The budget was funding by insurance and pension fund markets

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In European Union three models of financial supervision are being practiced:

- A three sector /*pillar*/ model (banking, insurance, securities)
- A two pillar model (prudential *versus* conduct of business)
- An integrated model (all types of supervision under one roof)

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There are three operating committees on the EU level coordinating the work of national supervisors:

1. **CESR** – The Committe of European Securities Regulators
2. **CEBS** – The Committe of European Banking Supervisors
3. **CEIOPS** – The Committe of European Insurance and Occupational Pensions Supervisors

- A three sector /pillar/ aproach
- On the basis of these three committees will be created three new EU agencies with wider superviosory power in 2011

January 1st, 2008 Poland joined the group of countries with integrated financial supervision.

- First step, September 19, 2006 as a result of the merger of the PSEC and the IPFSC the PFSA was established.

- In the next step the PFSA has assumed supervision of the banking sector since January 1st, 2008

Tasks of the PFSA cover banking supervision, capital market supervision, insurance supervision, pension scheme supervision and supervision of electronic money institutions.

- The PFSA is a collective organ with decision - making power
- Act of 21 July 2006 on financial market supervision regulates the PFSA activity
- Composition of the commission to ensure an adequate level of competence
- The PFSA is supervised by the Prime Minister
- The Prime Minister appoints the PFSA`s Chairman for 5 year term and shall dismiss him under circumstances laid down in the Act
- The PFSA shall present an annual report on its operations to the Prime minister by July 31st, of the following year
- The budget of the PFSA is fully financed by the market

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Recommendations:

the choice between the integrated or the other model of supervision depends on the specific conditions in a country.

- A history of financial market /*supervisory experience*/
- A size of financial market and its segments
- A level of development market infrastructure /*complexity of financial instruments, the education of inwestors*/
- Economies of scale
- Cultural and political factors

Recommendations (II):

Factors distinguishing a correct model of financial supervision:

- Independence from the influence of the current policy on its activity: *a term for a Chairman - e.g. 5 year, a collegial body with the composition of committee to ensure an adequate level of competence, an independent budget financed by the market*
- Possibility of challenging the decision in an administrative court
- Transparency

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Recommendations (III)

To consider:

- The right issue regulations on the technical side of supervised entities
- The Prosecutorial powers in the fight against crime in the financial markets

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Recommendations (IV)

- In the case of several supervisors in the financial markets very important is the agreement for exchange of confidential information between supervisors

- In the case of model bases on collective bodies very important is the mutual representation by chairmen and members in other bodies

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Conclusions:

- **Every supervisor should be effective, efficient and... inexpensive!!!**

- I hope, that my short presentation helps you to achieve this **GOAL!!!**

THANK YOU!