Polish
Financial
Supervision
Authority

The PFSA - Five Years in Summation

The Polish Financial Supervision Authority (PFSA) has existed since September 2006, and since January 2008 it has been a single, unified authority responsible for all sectors of the financial market in Poland. These five years have marked a continuous test of the supervision model adopted, supervisory powers granted to the authority and its capacity to prevent contagious effects of the international financial crisis. Some key developments of those five years are summarized below.

- Since 2006, no financial institution in Poland has failed.
- A potential PLN 47 billion in public support for financial institutions was avoided.
- Market conditions improved significantly from 2006-2011, despite the financial crisis.
- Polish subsidiaries were immune to problems of foreign "mother-companies".
- A PFSA policy choice to discourage banks from paying out any dividends out of 2008 profit enabled the Polish banking sector to build up a capital cushion, allowing credit institutions to successfully avoid liquidity problems.
- In January 2009, the PFSA introduced a capital maintenance buffer (minimum solvency ratio = 8% + 2%).
- In 2009, banks acquired PLN 17 billion in foreign funding.
- Poland was the pioneer for liquidity standards for Polish banks. It initiated strict supervision of banks' liquidity; for example, by requiring some banks to report liquidity measures daily. It was due to these standards that no banks in Poland lost liquidity.
- "Recommendation T" prevented Polish banks from assuming excessive risks by outlining the principles of credit analysis, emphasizing the increased ratio of income and/or collateral to debt in retail credit.
- The PFSA revised and tightened Recommendation S by specifying the way to determine the base level from which the calculation of the 20% buffer for the currency risk is performed and strengthening the standards for risk management by banks.
- Stability of the financial sector supports balanced economic growth.
- The PFSA implemented stress testing of Polish banks, which run parallel to EU-wide exercises.

- Further PFSA recommendations reduced excessive foreign exchange risk in the banking system.

- Effective maximum debt-to-income ratio for foreign credit was lowered to 35%.

- Diversification of investments by insurance undertakings allowed for greater liquidity of banks.

- Additional reporting by the insurance sector increased transparency.

- Standards for credit risk management and concentration of risk were significantly raised.

- The new electronic Insurance Supervision System (SNU) was launched as a means to enhance the exchange of information between insurance undertakings and supervisory authorities.

- Stress tests and the pre-application process allowed insurance undertakings to prepare for Solvency II.

- The private pension system continues to be the second largest market segment, in terms of assets, after the banking sector.

- The minimum capital requirements for pension companies depend on the assets of pension funds under their management.

- Pension funds should compete based on their investment performance, not "crafty salesmanship". Lowering of acquisition costs will lead to lower expenses in pension funds.

- Changes in investment policy increase the efficiency of pension funds.

- Faster approval of prospectuses by the PFSA stimulated the capital market.

- Licensing proceedings for investment funds have now a shorter duration.

- Implementation of the Markets in Financial Instruments Directive has given investors better protection.

- Greater transparency of listed companies provides better protection to investors.

- The intensity of supervisory activities is determined by the risks generated by supervised entities.

- All financial institutions are evaluated in accordance with a comprehensive methodology involving research and supervisory assessment (consistent with standards of Supervisory Review Process under Solvency II).

- The PFSA increased penalties for violations of the laws and regulations.

- The PFSA has engaged in constant dialogue with other, European institutions, and has been actively cooperating within the CEE region with competent authorities responsible for supervising similar markets i.e. markets with predominant share of foreign institutions.

- Customer complaints have been investigated and utilized to identify and eliminate inappropriate market practices of financial institutions in Poland.

- Advertising of financial services has become more reliable through PFSA warnings and educational activities.

- The PFSA introduced uniform principles for processing customer complaints.

- Processing of insurance agents registration is thirty times faster than before.

- Eight thousand employees of the domestic financial sector have been trained in the Education Centre for Market Participants (CEDUR).

- Foreign supervisors shared their experiences in Training Initiative for Financial Supervision, a long-standing PFSA project aimed at training assistance.

- The 2010 Initiative to Streamline Financial Markets by the PFSA has eliminated regulatory actions deemed to impose excessive burden on market participants.

- The PFSA follows the rule that the law should keep pace with market developments.