REPORT ON THE ACTIVITIES OF THE POLISH FINANCIAL SUPERVISION AUTHORITY IN 2016

According to Article 4(2) of the Act of 21 July 2006 on financial market supervision, the Polish Financial Supervision Authority is required to submit an annual report on its activities to the Prime Minister by 31 July of the following year. Complying with the above statutory obligation, the Authority adopted the *Report on the activities of the Polish Financial Supervision Authority in 2016* at its 348th meeting on 28 March 2017.

TABLE OF CONTENTS

LETTER FROM THE CHAIRMAN OF THE POLISH FINANCIAL SUPERVISION AUTHORITY 4

1. POLISH FINANCIAL SUPERVISION AUTHORITY 7

2. FINANCIAL MARKET IN POLAND - OVERVIEW 11

2.1. BANKING SECTOR 14
2.2. SECTOR OF CREDIT UNIONS (SKOK) 17
2.3. SECTOR OF PAYMENT SERVICES 17
2.4. INSURANCE SECTOR 18
2.5. PENSION SECTOR 22
2.6. CAPITAL AND COMMODITY MARKETS 28

3. LICENSE AND AUTHORISATION ACTIVITIES 40

3.1. BANKING SECTOR 40
3.2. SECTOR OF CREDIT UNIONS (SKOK) 42
3.3. SECTOR OF PAYMENT SERVICES AND ELECTRONIC MONEY 43
3.4. INSURANCE SECTOR 44
3.5. PENSION SECTOR 48
3.6. CAPITAL AND COMMERCIAL MARKET 49

4. SUPERVISORY ACTIONS OF AN ANALYTICAL NATURE 56

4.1. BANKING SUPERVISION 56
4.2. SUPERVISION OF CREDIT UNIONS (SKOK) 62
4.3. SUPERVISION OF PAYMENT SERVICE PROVIDERS 64
4.4. INSURANCE SUPERVISION 67
4.5. PENSION SUPERVISION 75
4.6. SUPERVISION OF THE CAPITAL AND COMMODITY MARKET 79

5. INSPECTION ACTIVITIES 87

5.1. BANKING SECTOR 87
5.2. SECTOR OF CREDIT UNIONS (SKOK) 99
5.3. SECTOR OF PAYMENT SERVICES 100
5.4. INSURANCE SECTOR 102
5.5. PENSION SECTOR 106
5.6. CAPITAL AND COMMODITY MARKET 106
5.7. ANTI-MONEY LAUNDERING AND TERRORIST FINANCING 114

6. REGULATORY AND PRUDENTIAL ACTIVITIES 116

6.1. RECOMMENDATIONS OF THE POLISH FINANCIAL SUPERVISION AUTHORITY 116
6.2. GUIDELINES AND POSITIONS OF THE POLISH FINANCIAL SUPERVISION AUTHORITY AND THE OFFICE OF THE POLISH FINANCIAL SUPERVISION AUTHORITY 121

7. OTHER ACTIVITIES 134

7.1. OPERATIONS TO PREVENT FRAUD ON THE FINANCIAL MARKET 134
7.2. PARTICIPATION IN LEGISLATIVE WORK 143
7.3. INTERNATIONAL COOPERATION 149
7.4. PROTECTION OF FINANCIAL MARKET PARTICIPANTS 158
7.5. ARBITRATION COURT AT THE POLISH FINANCIAL SUPERVISION AUTHORITY 167
7.6. EDUCATION AND INFORMATION ACTIVITIES 169
7.7. COOPERATION WITH STATE BODIES AND EXTERNAL ENTRIES 171

8. ORGANISATION OF THE AUTHORITY'S OFFICE 176

9. APPENDICES 191

LIST OF TABLES 238
LIST OF DIAGRAMS 241

LETTER FROM THE CHAIRMAN OF THE POLISH FINANCIAL SUPERVISION AUTHORITY

Pursuant to the Act on financial market supervision, the Polish Financial Supervision Authority (KNF) is the competent body for supervision of the market. The purpose of supervision is to ensure the proper functioning of the financial market, its stability, security and transparency, confidence in the financial market, and ensure protection of the interests of market participants.

In 2016, assets of the financial system in Poland increased by PLN 62.2 billion, i.e. 2.7% YOY, and at the end of the year amounted to PLN 2.4 trillion. At the end of 2016, safety indicators in the most important sectors of the market remained stable. The solvency ratio in the banking sector was 17.74%, the coverage of the Solvency Capital Requirement (SCR) with eligible own funds in the insurance sector amounted to 269.09%, the coverage of net assets of Open Pension Funds with liquid funds of Pension Fund Societies and guarantee fund's resources was 1.87%,* the equity coverage ratio of Investment Fund Management Companies (TFI) amounted to 443%,** and total capital ratio of brokerage houses was 28.91%. The situation of Credit Unions (SKOK) remained complex – the capital ratio of SKOK, taking into account the findings of the KNF's inspection, amounted to minus 1.06% at the end of 2016.

At the end of 2016, the number of commercial banks subject to the rehabilitation process remained at a similar level. It was 9 (including one affiliating bank), while the share of assets of commercial banks subject to the rehabilitation process in the banking sector assets amounted to 9% at the end of 2016.

In 2016, work on development or amendment of prudential regulations, which were primarily the result of review of applicable regulations, was carried out at the Office of the Polish Financial Supervision Authority. The purpose of the review was to determine the extent of the amendment of the regulations or to publish new ones. Within the framework of the above, the KNF Office worked on nine recommendations, six of which were adopted by the KNF in 2016, and work on three of them will be continued in 2017.

In particular, in 2016 two more recommendations addressed to the SKOK system (D-SKOK and E-SKOK) were adopted and, along with the Recommendations for the sector of Credit Unions published so far, provide a comprehensive framework for stable and safe functioning of the unions.

In 2016, the provisions regulating the rehabilitation process and the restructuring and resolution of banks became a new important regulatory element. From the point of view of the banking supervision, rehabilitation plans aimed at preventing the escalation of the phenomena which might lead to bankruptcy or resolution of a bank are particularly important. Rehabilitation plans also ensure continuation of activities in areas considered critical. The KNF Office monitors the preparation of rehabilitation plans, especially by systemically important banks.

*arithmetic mean of the indicators for individual entities
**arithmetic mean of indicators for individual investment fund management companies

An important issue was the discussion on the problem of foreign currency loans. This topic was in the area of interest the Financial Stability Committee (hereinafter: the FSC), which prepared, in early 2017, a set of recommendations to stimulate banks to work more closely with the clients in order to reduce the risk associated with currency exposures. As part of its mandate, the KNF repeated the process of individualised impact on banks with significant portfolios of foreign currency loans granted to unsecured borrowers, forming a part of measures reducing the risk of potential materialisation of the risk associated with these loans. In addition, by fulfilling the obligations under the Act on macro-prudential supervision, in 2016, for the first time the KNF identified 12 banks as other institutions of systemic importance and imposed the appropriate capital buffers on them. The procedure conducted in this respect is another element of the supervisory policy aimed at increasing the security of the Polish banking sector.

On 1 December 2016, the European Banking Authority (hereinafter: the EBA) published a list of instruments which meet the criteria set out in the Capital Requirements Regulation (CRR) for Common Equity Tier I, taking into account the member share in Polish cooperative banks. The publication of the updated list means successful completion of the notification process of member shares, which the KNF has been striving for since the entry into force of the CRR. In 2016, the restructuring in the sector of credit unions continued. At the end of 2016, 33 unions and 42 cooperative banks were subject to the rehabilitation process.

In 2016, the most significant event for both Polish and European insurance market was the implementation of the Solvency II regime, which introduced new requirements for the business of insurance undertakings, including the setting of capital requirements, the appropriate system of governance, the scope of publicly disclosed information and data provided to supervisors. After a year of the new system being in force, it can be said that as a result of work done jointly by the market and the Polish Financial Supervision Authority the majority of the insurance sector is well prepared for new requirements, in terms of both capital and the system of governance. The entry into force of new regulations involves continuous improvement of the quality of operations and the ongoing identification of and response to new risks.

In 2016, work in the area of personal injury compensation under compulsory insurance in respect of motor vehicles was also carried out. An important event was the adoption of Recommendations on the process of determining and paying compensation for non-material damage under contracts of motor third party liability insurance by the KNF on 21 June 2016, which began functioning as of 1 January 2017. A team whose objective was to prepare a proposal of a draft solution that would systematically regulate the issue of determining the amount of compensation for non-material damage and its payment by insurance undertakings with regard to motor third party liability (MTPL) insurance, was also established in June 2016. The name assumed by the team is the Compensation Forum. In 2016, its efforts focused on the analysis of judicial decisions related to compensation for the death of the immediate family member.

In 2016, the KNF Office became involved in work on an act implementing Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution, which is to replace the currently binding Act on insurance mediation. As of 31 December 2016, the act was at the stage of inter-ministerial review and public consultations. The new regulation is expected to enter into force in February 2018.

For the capital sector, 2016 was a year of intensive preparation for the beginning of application of the Market Abuse Regulation (MAR) since 3 July 2016. In the framework of its educational and information activities aimed at sharing knowledge of the principles of financial market functioning, the KNF Office organised, *inter alia*, a series of seminars devoted to the new obligations of the issuers resulting from the MAR, addressed to the issuers of securities listed on the regulated market and to the issuers of securities introduced to the alternative trading system. Special section on the new obligations under the MAR has been opened on the website of the KNF. In 2016, the KNF Office participated in legislative work on the act amending

the Act on trading in financial instruments. The basic objective of the act is to adapt the Polish legal system to the MAR and to implement the MAD II.

In 2016, the KNF adopted the Guidelines on the provision of brokerage services on the OTC derivative market. The document, addressed to the supervised entities offering their clients trading on the Forex market, also includes useful knowledge of the correct performance of obligations in other areas of brokerage. The purpose of the Guidelines is to present how to implement legislation on the most important aspects of the provision of brokerage services, based on many years of supervisory experience and previous positions of the Commission and the ESMA. Implementation of the Guidelines is to ensure operation in the best interest of a retail client and further strengthen client protection in relations with an investment firm.

2016 also brought a number of significant changes to the investment fund market, related to the adoption of the Act of 31 March 2016 *amending the act on investment funds and some other acts*, which implements the AIFM Directive and the UCITS V Directive to the Polish legal order. In order to fully implement the above-mentioned acts of the EU law, legislative work was carried out with the aim of amending the existing executive acts and publishing new ones, including in particular the Act on investment funds and the management of alternative investment funds, and resulted in the adoption of numerous regulations. Works on some of the executive acts will be continued in 2017.

Within the scope of sanction activities of the KNF, 340 decisions to impose fines on financial market entities were taken in 2016.

In 2016, work was carried out to resolve significant problems on the Polish financial market within the Arbitration Court at the Polish Financial Supervision Authority. More than 1800 requests were submitted to the Court, and 80% of the conducted proceedings ended with a settlement. Disputes settled by mediation were related, among other things, to insurance investment products, claims of victims of accidents, mainly traffic accidents, but there were also disputes concerning loans indexed to the Swiss franc. Dynamically growing openness of financial institutions to the mediatory settlement of disputes with their clients, and thus development of the Arbitration Court at the KNF, has been noticed. Settlement of disputes through mediation is a mechanism friendly to all its participants.

Continuing its wide involvement in the international forum, the Office actively participated, among others, in support for less developed financial markets in Central and Eastern Europe, and in this regard, in aid projects in Ukraine and Moldova.

Marek Chrzanowski
Chairman of the Polish Financial Supervision Authority (KNF)

1. POLISH FINANCIAL SUPERVISION AUTHORITY

LEGAL BASIS OF ACTIVITIES OF THE POLISH FINANCIAL SUPERVISION AUTHORITY

The Polish Financial Supervision Authority (hereinafter the "Authority," "KNF" or "supervisory authority") is operating on the basis of the Act of 21 July 2006 on financial market supervision (consolidated text Dz. U. of 2016 item 174, as amended), hereinafter referred to as the Act on financial market supervision. In accordance with the above-mentioned Act, the KNF exercises supervision of the financial market which includes: banking supervision, pension supervision, insurance supervision, capital market supervision, supervision of payment institutions, payment service offices, electronic money institutions, foreign branches of electronic money institutions, supervision of rating agencies, complementary supervision of financial conglomerates as well as credit unions, and the National Association of Credit Unions (Krajowa Spółdzielcza Kasa Oszczędnościowo-Kredytowa).

The purpose of supervision of the financial market is to ensure the proper functioning of this market, its stability, security and transparency, confidence in the financial market, and protection of the interests of market participants.

Supervision of the activities of the Authority is exercised by the Prime Minister.

COMPOSITION OF THE POLISH FINANCIAL SUPERVISION AUTHORITY

The Authority is a collegial body. As at 31 December 2016, the Authority was composed of: the Chairman, two Vice-Chairmen and five members: the minister competent for financial institutions or his/her representative, the minister responsible for the economic development or his/her representative, the minister responsible for social security or his/her representative, the President of the Narodowy Bank Polski or member of the Management Board of the NBP delegated by him/her, and a representative of the President of the Republic of Poland.

In 2016, the Polish Financial Supervision Authority acted in the following composition:

Chairman of the Authority
Andrzej Jakubiak – until 12 October 2016
Marek Chrzanowski – since 13 October 2016

Vice-Chairman of the Authority
Lesław Gajek

Vice-Chairman of the Authority
Wojciech Kwaśniak

Members of the Authority:

Representative of the minister competent for financial institutions – Undersecretary of State in the Ministry of Finance
Piotr Nowak

Representative of the Minister of Family, Labour and Social Policy
Eryk Kłossowski – until 8 February 2016
Radosław Domagalski-Łabędzki – from 8 February 2016 until 23 November 2016
Jan Wojtyła – since 24 November 2016

President of the Narodowy Bank Polski or Member of the Management Board of the NBP/Deputy President of the NBP delegated by him/her
Anna Trzecińska – Deputy President of the NBP – until 14 February 2016
Jacek Bartkiewicz – Member of the Management Board of the NBP – from 15 February 2016 to 19 July 2016
Andrzej Kaźmierczak – Member of the Management Board of the NBP – since 20 July 2016

Representative of the President of the Republic of Poland
Zdzisław Sokal

Representative of the minister competent for economic development - Deputy Director of the Department of Improving Economic Regulations in the Ministry of Economic Development
Armen Artwich – since 7 July 2016

COMPOSITION OF THE POLISH FINANCIAL SUPERVISION AUTHORITY AS AT 31 DECEMBER 2016

Chairman of the Polish Financial Supervision Authority

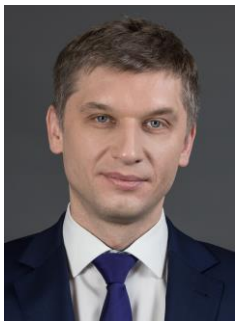
Marek Chrzanowski

Vice-Chairmen of the Polish Financial Supervision Authority

Lesław Gajek

Wojciech Kwaśniak

Other Members of the Polish Financial Supervision Authority as at 31 December 2016



Piotr Nowak

Representative of the Minister of Finance

Jan Wojtyła

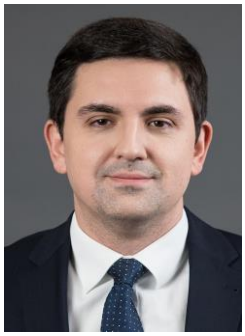
Representative of the Minister of Family, Labour and Social Policy

Andrzej Kaźmierczak

Member of the Management Board of the Narodowy Bank Polski

Zdzisław Sokal

Representative of the President of the Republic of Poland



Armen Artwich

Representative of the Minister of Economic Development

Meetings and resolutions of the Polish Financial Supervision Authority

The Polish Financial Supervision Authority, within its competence, adopts resolutions, including the issuance of administrative resolutions and orders. The Authority adopts resolutions by simple majority of votes by open vote, in the presence of at least four members, including the Chairman of the Authority or Vice-Chairman. In case of an equal number of votes, the Chairman of the Authority decides.

In 2016, 50 meetings of the Authority were held, with a total of 864 resolutions adopted, of which 806 had the form of decisions and orders.

Table 1. Number of resolutions adopted by the KNF in 2013-2016

Subject of resolution	Number of adopted resolutions			
	2013	2014	2015	2016
Matters concerning the banking sector	74	76	71	95
Matters concerning the sector of SKOK	17	47	74	93
Matters concerning the sector of payment services	17	10	312	355
Matters concerning the insurance sector	41	54	46	57
Matters concerning the pension sector	68	71	53	47
Matters concerning the capital market	209	153	155	212
Cross-sectoral matters and matters concerning internal organisation of work of the Authority	4	4	7	5
Total	**430**	**415**	**718**	**864**

Source: own calculations of the KNF Office

Detailed information on the number of adopted resolutions divided by the subject of the case is provided in Table 1.1. in Appendix 1.

Orders issued by the Chairman of the KNF

In 2016, the Chairman of the KNF issued 63 orders to institute proceedings *ex officio* - under Article 13 of the Act on capital market supervision.

Orders and administrative resolutions issued based on the authorisation of the KNF

According to Article 12(1) of the Act on financial market supervision, the KNF may authorise the Chairman of the Authority, the Vice-Chairmen and employees of the Office of the Authority to act within the competence of the Authority, including to issue orders and administrative resolutions.

In 2016, 4355 decisions and orders were issued based on the authorisation granted by the Polish Financial Supervision Authority.

Table 2. Number of decisions and orders issued based on the authorisation granted by the KNF, 2013-2016

Subject of decisions and orders	Number of decisions and orders			
	2013	2014	2015	2016

Matters concerning the banking sector	374	563	959	2380
Matters concerning the sector of payment services	247	102	260	110
Matters concerning the sector of SKOK	316	95	214	230
Matters concerning the insurance sector	347	424	412	390
Matters concerning the pension sector	293	357	236	342
Matters concerning the capital and commodity market	670	686	885	894
Matters of a cross-sectoral nature	23	19	0	0
Matters concerning other areas	0	0	9	9
Total	**2270**	**2246**	**2975**	**4355**

Source: own calculations of the KNF Office

Detailed information on the number of administrative resolutions and orders issued on the basis of the authorisation granted by the Authority, broken down by the subject of the case, is presented in Table 1.2. in Appendix 1.

Official Journal of the Polish Financial Supervision Authority

The Authority issues the Official Journal of the Polish Financial Supervision Authority. In the period covered by the report, 39 Official Journals of the Authority were published and included (if required by law), among others, resolutions issued by the KNF and announcements of Examination Boards, appointed by the Chairman of the Polish Financial Supervision Authority.

The list of items of the Official Journal of the Polish Financial Supervision Authority issued in 2016 is attached as Appendix 3.

2. FINANCIAL MARKET IN POLAND – OVERVIEW

According to preliminary estimates, the growth of GDP of Poland in 2016 amounted to 2.8%. Thus, a positive trend from previous years was maintained (an increase of 3.9% in 2015 and 3.3% in 2014), and the rate of growth may still be considered high compared to other European countries. Between 2006 and 2015, the average annual growth rate of our economy was 3.89% and it was the best result among the EU countries in that period. Growth for the entire EU28 was 0.95% and for the eurozone 0.75%. In 2016, the overall consumption increased by 3.6%, including an increase in the household consumption by 3.6% (in 2015, increase of 3.0% and 3.2%, respectively). Gross capital formation in 2016, compared to the previous year, decreased in real terms by 0.3%, of which gross fixed capital formation decreased by 5.5% (in 2015, an increase of 4.9% and of 6.1%, respectively, was recorded). The cumulative current account balance amounted to PLN -9.8 billion in 2016 (compared to PLN -11.2 billion in 2015). The positive trend present on the labour market since 2013 has continued, thanks to which the unemployment rate reached 8.3% at the end of December 2016 (compared to 9.7% at the end of the previous year). Deflation persisted until October 2016 and a price increase of 0.8% per year was not recorded until December. Throughout 2016, deflation was at the level of 0.6%. The persisting negative price dynamics had an influence on the decision of the Monetary Policy Council (MPC) to keep the NBP interest rates at the level of March 2015 (a reference rate of 1.5%). According to the MPC, this level of rates is conducive to maintaining the Polish economy on the path of sustainable growth and allows maintaining a macroeconomic balance. In 2016, there were no changes on the currency market as significant as the previous year when the sharp appreciation of the Swiss franc took place. At the end of the year, the exchange rate of Polish zloty to euro was 4.42, compared to 4.26 at the beginning of the year, of the Swiss franc 4.17 (compared to 3.90) and of dollar 4.11 (compared to 3.93). Therefore, it can be said that there has been a slight depreciation of zloty versus the main currencies. At the same time, it

should be noted that the increase in the value of dollar is related not only to its relation to the Polish currency, but above all to euro. In the analysed year, the exchange rate of zloty versus euro was within the range of 4.2 and 4.49, the exchange rate to dollar in the range between 3.72 and 4.25, and to Swiss franc in the range between 3.87 and 4.16. At the end of 2016, the interest rate of ten-year Treasury bonds amounted to 3.63% and was higher than a year ago (2.94%). In 2016, a low execution of the government deficit was recorded (84.6% of the annual plan), and the deficit reached the level of PLN 46.3 billion compared to PLN 42.6 billion the previous year. Budget revenues were implemented in 100.3% and amounted to PLN 314.6 billion (compared to PLN 289.1 billion the previous year - an increase of 8.8%). In turn, according to data from the end of the third quarter of 2016, public debt represented 53.2% of GDP and did not exceed the reference value for one of the fiscal criteria of the Maastricht Treaty of 60%. It is a slight increase compared to the same period of the previous year, when the rate in question was 51.1%.

At the end of December 2016, the balance sheet size of the banking sector amounted to 1.7 trillion and was higher than the previous year by approximately 6%. In the discussed period, banks generated a profit of PLN 13.9 billion, which was 20.8% higher than the previous year (PLN 11.5 billion). Similarly to the previous year, the Bank Guarantee Fund paid out guaranteed funds to depositors. Payments covered the following Credit Unions (SKOK): Skarbiec, Arka, Jowisz, Polska and Kujawiak.
At the end of the fourth quarter of 2016, the assets of SKOK amounted to over PLN 11.4 billion. Moreover, according to the reporting data, the SKOK sector recorded a net loss of PLN 77.77 million. The amount of own funds of the unions amounted to PLN 256.7 million at the end of 2016. The data presented is preliminary and has not been audited by a chartered auditor.

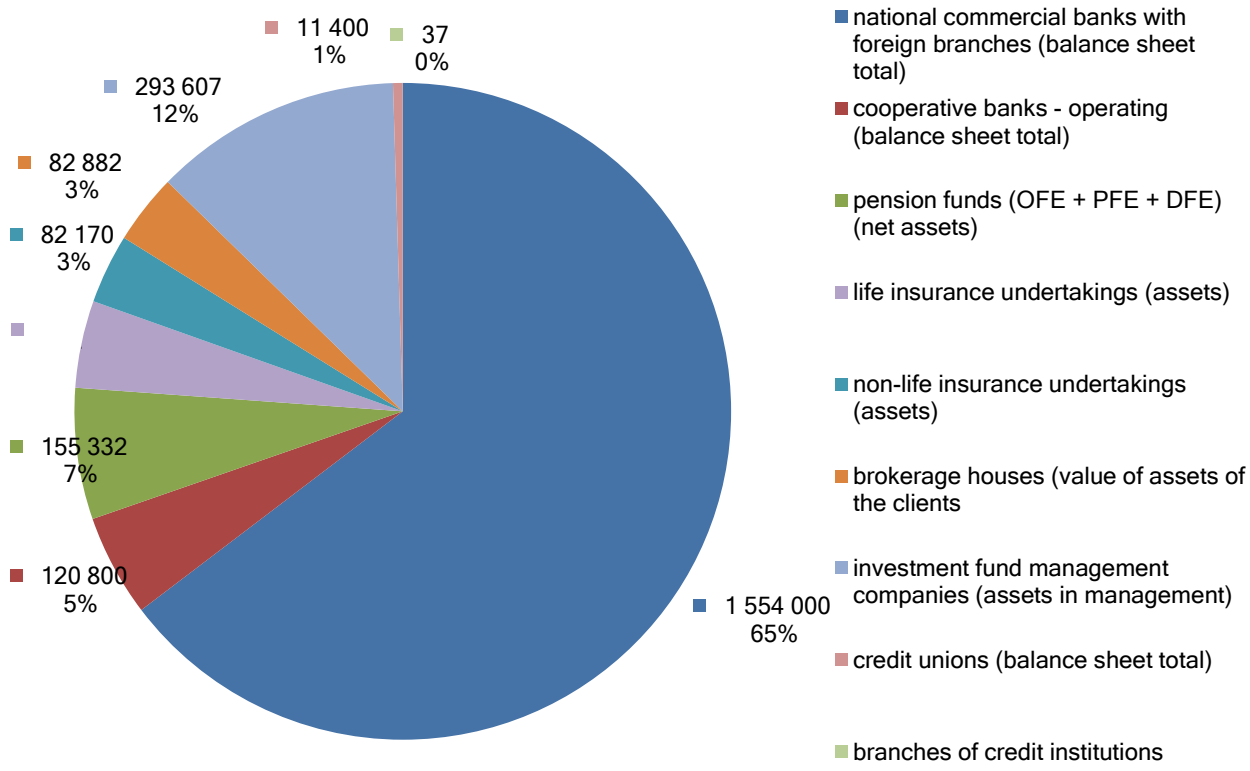
The balance sheet size of the insurance sector increased during the year by 2.97% and by the end of December 2016 amounted to PLN 185 billion, of which PLN 103 billion was attributed to the life section, and PLN 82 billion to the non-life section. In the discussed period, the insurers generated a profit of PLN 4.18 billion (of which PLN 2.25 billion in the life sector and PLN 1.93 billion in the non-life sector) and it was 26.7% lower than the previous year.

Total net assets of open pension funds (OFE), voluntary pension funds (DFE) and occupational pension funds (PFE) as at 31 December 2016 amounted to PLN 155 billion and were 9% higher than the value at the end of the previous year (PLN 142 billion).

In 2016, an increase in the indexes on the Warsaw Stock Exchange was recorded. During the year, WIG gained 11.38% and WIG20 4.77%. The value of trading in shares amounted to PLN 202 billion and was 10% lower than the previous year, while bond dealing was 5.7% higher than a year earlier and reached PLN 1.4 billion. At the end of the year, the capitalisation of domestic companies amounted to PLN 557 billion (an increase of 7.9% compared to the previous year) and of foreign companies to PLN 559 billion (a decrease of 1.4%). In the discussed period, 19 initial offerings and 19 delistings were recorded. As a result, for the first time in more than a decade, the number of listed companies did not increase during the year.

The value of assets managed by investment fund management companies (*towarzystwa funduszy inwestycyjnych* – TFI) amounted to PLN 294 billion at the end of 2016, and this level was the same as the previous year. At the end of 2016, the value of client assets recorded on the accounts of brokerage houses amounted to PLN 82.9 billion and was 26% lower than last year (PLN 112.5 billion).

Diagram 1. Asset structure of the Polish financial sector in 2016 (in PLN million)*



Source: own calculations of the KNF Office
*Presented data for 2016 has not been audited.

Table 3. The number of entities supervised by the KNF as at 31 December 2016

Type of entity	Number of entities
Commercial banks (including 1 state bank and 2 affiliating banks)	36
Cooperative banks	558
Representative offices of foreign banks and credit unions	12
Credit Unions, National Association	41
Domestic payment institutions	38
Payment service offices	1306
Life insurance undertakings	27
Non-life insurance and reinsurance undertakings	35
Insurance brokers	1 323
Reinsurance brokers	42
Open pension funds	12
Universal pension societies	12
Occupational pension funds	4
Occupational pension societies*	4
Voluntary pension funds	8
Brokerage houses	46
Banks conducting brokerage	11
Agents of investment firms	179
Custodian banks	13
Entities of the capital market infrastructure (GPW S.A. w Warszawie, KDPW S.A., KDPW_CCP, BondSpot S.A.)**	4
Issuers whose securities are admitted to trading on regulated markets	483

Investment funds	929
Investment fund management companies	62
Other entities operating investment funds or alternative investment funds, including entities entrusted with the performance of duties of an investment fund management company or managing an alternative investment firm (AIF) within the meaning of the Act on investment funds**	187
Entities of the commodity market infrastructure (Towarowa Giełda Energii S.A., Izba Rozliczeniowa Giełd Towarowych S.A.)	2
Commodity brokerage houses	1
Energy undertakings maintaining accounts or registers of exchange commodities	55

*One entity was in liquidation.
**The number includes the number of distributors of units, transfer agents, fund depositaries, external valuers, entities authorised to manage securitised liabilities of securitisation fund.
Source: own calculations of the KNF Office

Table 4. The number of entities which notified a branch in Poland as at 31 December 2016

Type of entity	Number of entities
Credit Unions [i]	29
Payment institutions [i]	6
Electronic money institutions [i]	3
Insurance undertakings [ii]	27
Reinsurance undertakings [ii]	1
Investment firms [i]	15
Management companies [i] *	2

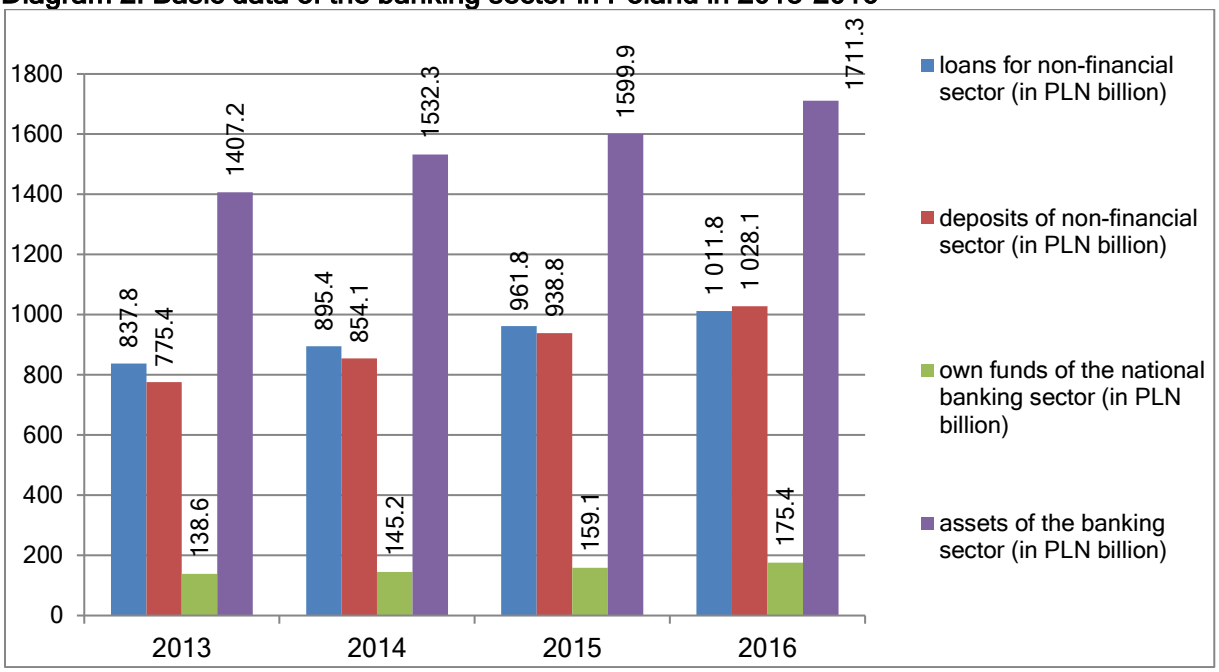
[i] In principle, supervision of the branches is exercised by the home state supervisory authority and, to a limited extent specified in sectoral laws, the host country.
[ii] Supervision of the branches of insurance and reinsurance undertakings established in a Member State other than the Republic of Poland is exercised by the home state supervisory authority.
*Entity authorised by a competent authority in a Member State to carry out activity related to the management of funds operating in accordance with the Community law governing the rules of collective investment in securities.
Source: own calculations of the KNF Office

2.1. BANKING SECTOR

At the end of 2016, the Polish Financial Supervision Authority supervised 36 commercial banks (including 1 state bank and 2 affiliating banks), 558 cooperative banks and 27 branches of credit unions.

As at 31 December 2016, cooperative banks were associated in the Bank Polskiej Spółdzielczości S.A. in Warsaw (356) and the SGB-Bank S.A. in Poznań (201). One cooperative bank operated independently (the KBS in Krakow).
In 2016, the Polish Financial Supervision Authority agreed to the merger processes in the case of one cooperative bank and the acquisition of an organised part of a banking enterprise of another cooperative bank by the bank. In 2016, the Authority appointed trustees supervising the implementation of rehabilitation programmes in two cooperative banks.

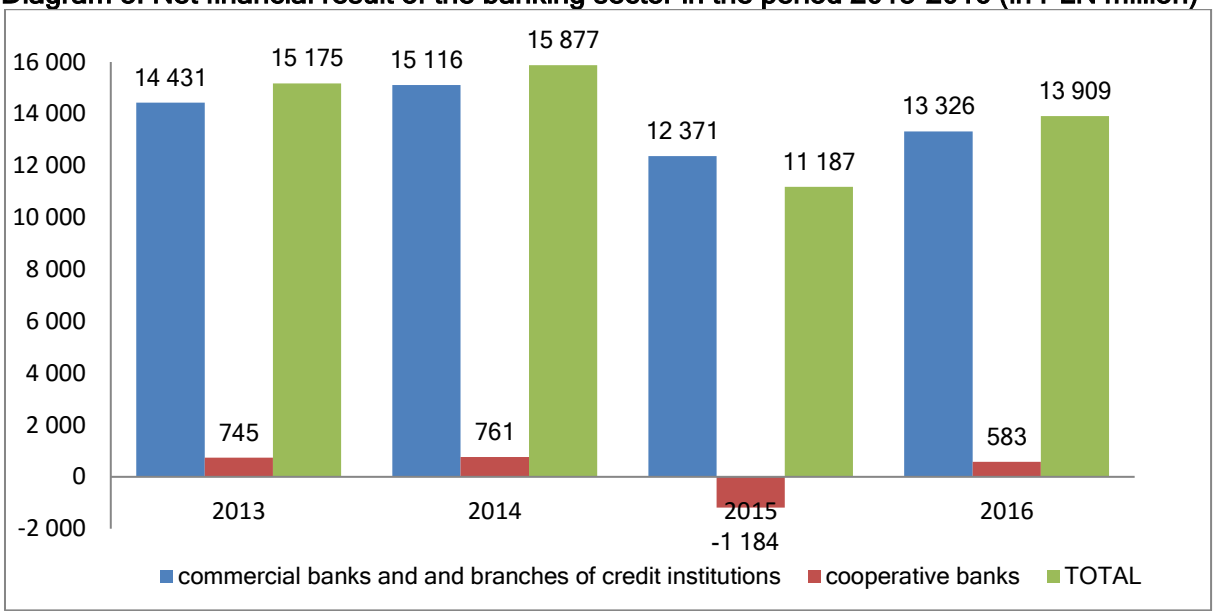
Diagram 2. Basic data of the banking sector in Poland in 2013-2016



Source: own calculations of the KNF Office
Presented data for 2016 comes from the monthly bank reporting for December 2016 and has not been audited. Data for previous years may differ from data published in previous reports due to corrections made by the banks as well as the subsequent audit process.

The balance sheet total of the Polish banking sector amounted to PLN 1,711.3 billion at the end of December 2016 (an increase of 7.0% compared to the end of December 2015). Domestic commercial banks (with foreign branches) account for 90.8% of the sector's assets, branches of credit unions for 2.1%, and cooperative banks for 7.1%.
In the structure of assets, 70.0% (PLN 1,198.6 billion) were loans and other receivables, 17.8% (PLN 304.5 billion) financial assets available for sale, 2.2% financial assets held for trading (PLN 37.9 billion) and 3.2% (PLN 55.2 billion) - cash and operation with central banks. As for liabilities, deposits accounted for 71.0% of the balance sheet total (PLN 2,114.4 billion) and equity for 10.7% (PLN 183.8 billion). Gross receivables from the non-financial sector increased 5.2% in 2016, reaching PLN 1,011.8 billion at the end of December.
An important element of assets of the banking sector are housing loans, including those denominated in Swiss franc (CHF) or indexed to this currency. In 2016, for another year, there was a clear decrease in the volume of loans in CHF - their sum in the original currency decreased from CHF 34.9 billion at the end of December 2015 to CHF 32.6 billion at the end of December 2016, which means a decrease of 6.7%, and in a five-year perspective a decrease of 27.5% (from CHF 45.0 billion at the end of December 2011). At the same time, the quality of housing loans, including those denominated in CHF, remains good - in 2016, it remained at the level close to 2015, and out of all portfolios, the share of non-performing loans in the portfolio of housing loans was the lowest.

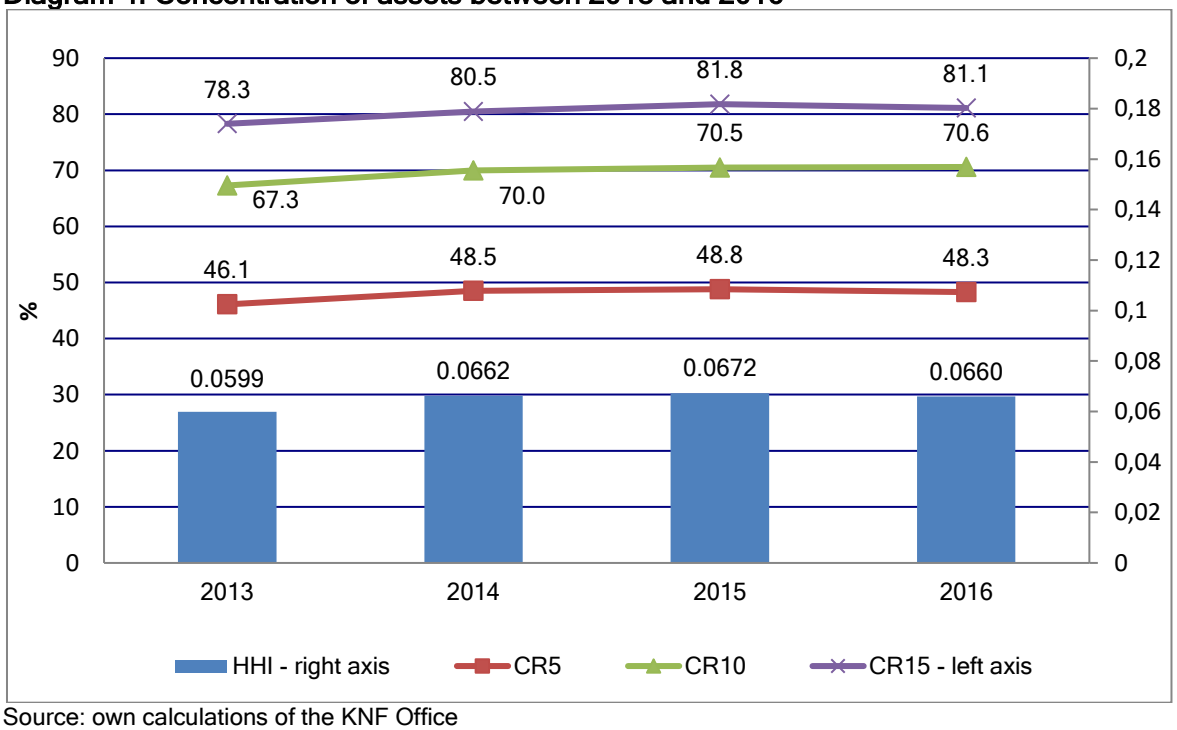
Diagram 3. Net financial result of the banking sector in the period 2013-2016 (in PLN million)



Source: own calculations of the KNF Office
Presented data for 2016 comes from the monthly bank reporting for December 2016 and has not been audited. Data for previous years may differ from data published in previous reports due to corrections made by the banks as well as the subsequent audit process.

In 2016, the net financial result of the banking sector amounted to PLN 13.9 billion and was 24.3% higher compared to 2015. The interest revenue was PLN 38.1 billion (7.6% YOY), of which interest income amounted to PLN 53.9 billion (2% YOY), and interest expense amounted to PLN 15.9 billion (-9.4%). The commission income was at the level of PLN 12.6 billion (-5.4% YOY). The result on banking activity increased 6.1% to PLN 59.3 billion in the period under review. Bank operating expenses were 2.9% higher than the previous year and amounted to PLN 31.5 billion, and asset revaluation write-off decreased 14.1% YOY to PLN 7.3 billion.

Diagram 4. Concentration of assets between 2013 and 2016



Source: own calculations of the KNF Office

CR5, CR10, CR15 - indicators specifying shares of 5, 10 and 15 largest banks in total banking sector assets.

HHI – the Herfindahl-Hirschman index (the sum of squares of banks' shares in the banking sector assets), being a measure of market concentration, used to assess the level of competition in a given market. This indicator takes into account not only the number of entities, but also their relative size. The HHI at the level of 0.066 describes a competitive market.
Presented data for 2016 comes from the monthly bank reporting for December 2016 and has not been audited. Data for previous years may differ from data published in previous reports due to corrections made by the banks as well as the subsequent audit process.

2.2. SECTOR OF CREDIT UNIONS (SKOK)

At the end of 2016, the Polish Financial Supervision Authority supervised 40 credit unions (SKOK) and the National Association (KSKOK).
As at 31 December 2016, the KSKOK associated 40 credit unions. In 2016, the Authority appointed commissioned regulators in eight credit unions, and in case of three SKOK decided on their takeover by domestic banks.

At the end of the fourth quarter of 2016, the assets of SKOK amounted to over PLN 11.4 billion. Moreover, according to the reporting data, the SKOK sector recorded a net loss of PLN 77.77 million. The amount of own funds of the unions amounted to PLN 256.7 million at the end of 2016. Presented data is preliminary as it has not been audited by a chartered auditor, and can change.

2.3. SECTOR OF PAYMENT SERVICES

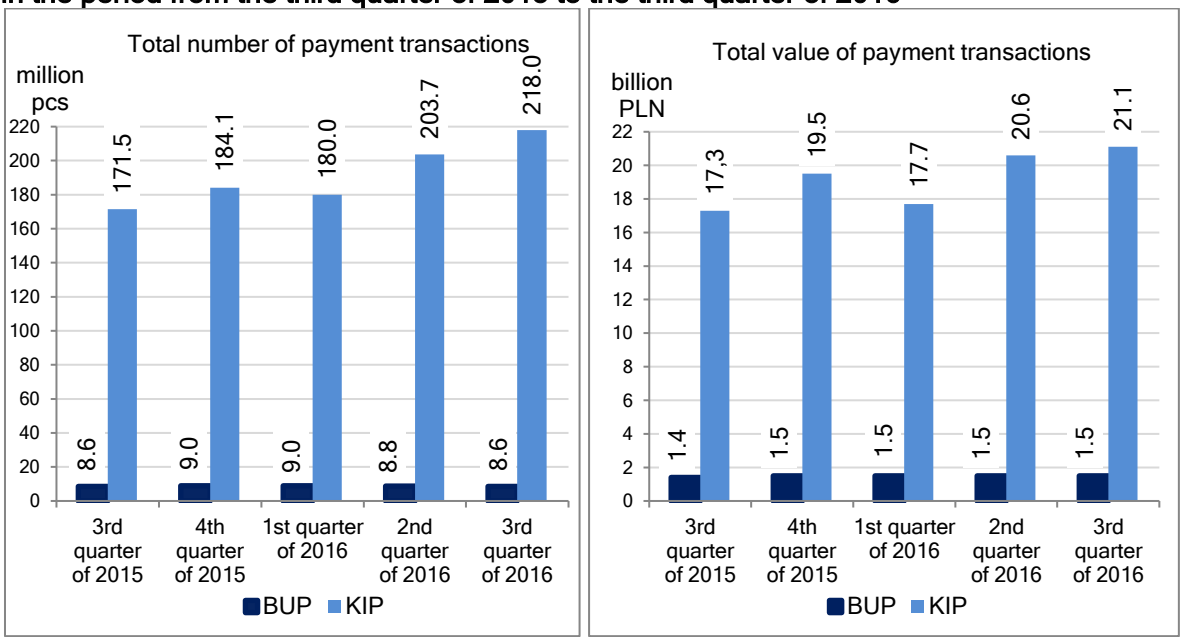
The Act on payment services (Dz.U. of 2016, item 1572, consolidated text, hereinafter: the "APS") introduced a closed directory of payment service providers. Two new categories of payment service providers, i.e. domestic payment institutions (hereinafter: KIP) and payment service offices (hereinafter: BUP), have been covered by the supervision of the Polish Financial Supervision Authority.

As at 31 December 2016, 38 domestic payment institutions were authorised by the KNF and the register of payment services included 1306 payment service offices.

Due to the conditions specified in the APS and dates of providing reporting data by payment service providers, at the end of the year covered by the report, the KNF had reporting data of KIP and BUP for the period covering the first, second and third quarter of 2016.

Data held by the KNF indicates that along with consecutive entities obtaining licences to carry out activity as domestic payment institutions, the disproportion between the total scale of activity of KIP and BUP, measured by the total number and total value of transactions made by these entities, is growing dynamically in successive quarters.

Diagram 5. Comparison of the total number and value of payments conducted by BUP and KIP in the period from the third quarter of 2015 to the third quarter of 2016



Source: own calculations of the KNF Office

2.4. INSURANCE SECTOR[1]

ENTITIES OF THE INSURANCE SECTOR

As of the end of 2016, 62 domestic insurance undertakings were authorised to pursue insurance activities in Poland (i.e. 27 life insurance undertakings and 35 non-life insurance undertakings, including 1 reinsurance undertaking). The insurance market increased in two new insurance undertakings. In 2016, the authorisations to pursue insurance activities were granted to: the Nationale-Nederlanden Towarzystwo Ubezpieczeń Spółka Akcyjna and the Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych, of which the Nationale-Nederlanden Towarzystwo Ubezpieczeń Spółka Akcyjna did not commence insurance activities in a given year. In 2016, the Towarzystwo Ubezpieczeń Wzajemnych MEDICUM, the Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych and the Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych started insurance activities. The first two of above-mentioned undertakings were granted authorisations to pursue activities in the fourth quarter of 2015.

In 2016, the UNIVERSUM Towarzystwo Ubezpieczeń na Życie S.A. in liquidation terminated its activity and was removed from the National Court Register (KRS) on 22 April 2016.

BALANCE OF INSURANCE UNDERTAKINGS

In 2016, the value of assets of insurance undertakings amounted to PLN 185.37 billion and increased 2.82% compared to the previous year, i.e. by PLN 5.09 billion.
Assets of life insurance undertakings, equal to PLN 103.19 billion, increased 0.36% (i.e. by PLN 0.37 billion) compared to the previous period.

[1] Presented data for 2016 comes from the financial statements of insurance and reinsurance undertakings for the fourth quarter of 2016 and should be treated as preliminary. Data for previous years may differ from data published in previous reports due to corrections made by undertakings.

In non-life insurance undertakings, the value of assets amounted to PLN 82.17 billion, which, in comparison to the corresponding period of the previous year, represented an increase of 6.09%, i.e. by PLN 4.72 billion.

Diagram 6. The balance sheet size between 2013 and 2016 (in PLN billion)

Source: own calculations of the KNF Office

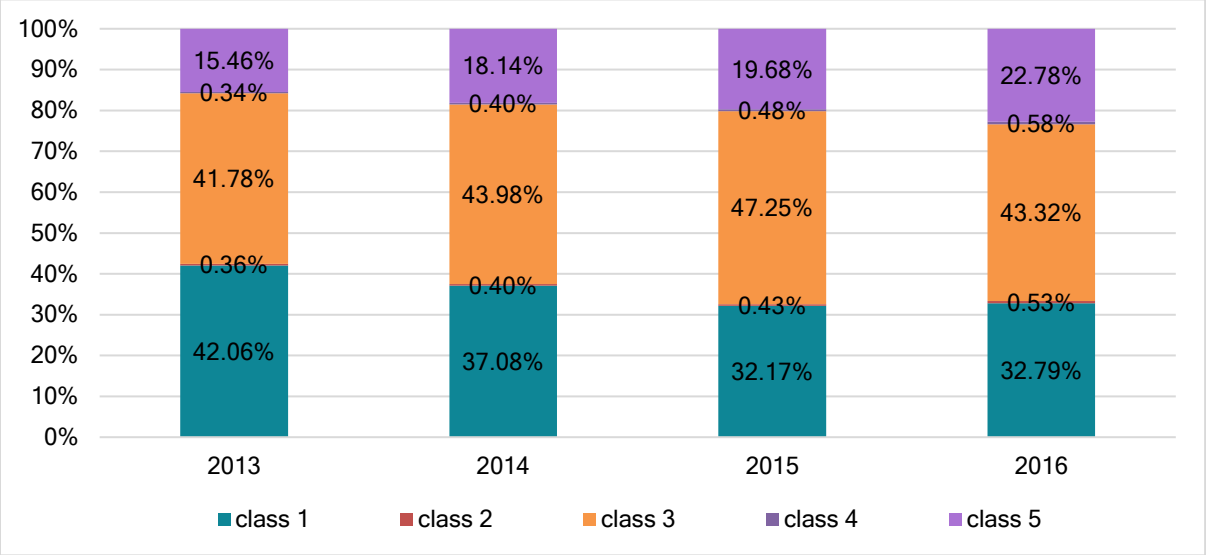
The main item of assets of life and non-life insurance undertakings are investments (asset item B), accounting for 56.11% of the balance sheet total, and net assets for life assurance when the investment risk is borne by the policy holder, with a share in the balance sheet total of 30.73%. The structure of liabilities was dominated by technical provisions net of reinsurance, which constituted 70.94% of assets, and capital and reserves of 18.45%.

REVENUE OF INSURANCE UNDERTAKINGS

In 2016, the gross written premium, being the main source of income of insurance undertakings, amounted to PLN 56.04 billion, which means that the insurance sector recorded an increase of 2.23% compared to 2015. This increase was mainly due to the increase of the premium in the non-life sector by PLN 4.89 billion, i.e. 17.92% (premium of PLN 32.18 billion). In the case of the life sector, the gross written premium amounted to PLN 23.86 billion and decreased by 13.33%.

The direct insurance portfolio of the life sector was dominated by class 3 (unit-linked life insurance products and insurance in which benefits are determined based on specific indices or other underlying values) with a premium of PLN 10.33 billion, which accounted for 43.32% of the total gross written premium from direct insurance of life insurance undertakings. This class recorded a decrease of gross written premium by PLN 2.67 billion. Class 1 (life insurance) with a premium of PLN 7.81 billion (annual decrease by PLN 1.03 billion) accounted for 32.79% of direct insurance of in the life sector. The decrease in the premium written in the life sector was mainly due to the reduction of sales of short-term life insurance (the so-called saving insurance policies) and a decrease in interest in the unit-linked life insurance products.

Diagram 7. Structure of the insurance portfolio of life sector between 2013 and 2016



Source: own calculations of the KNF Office

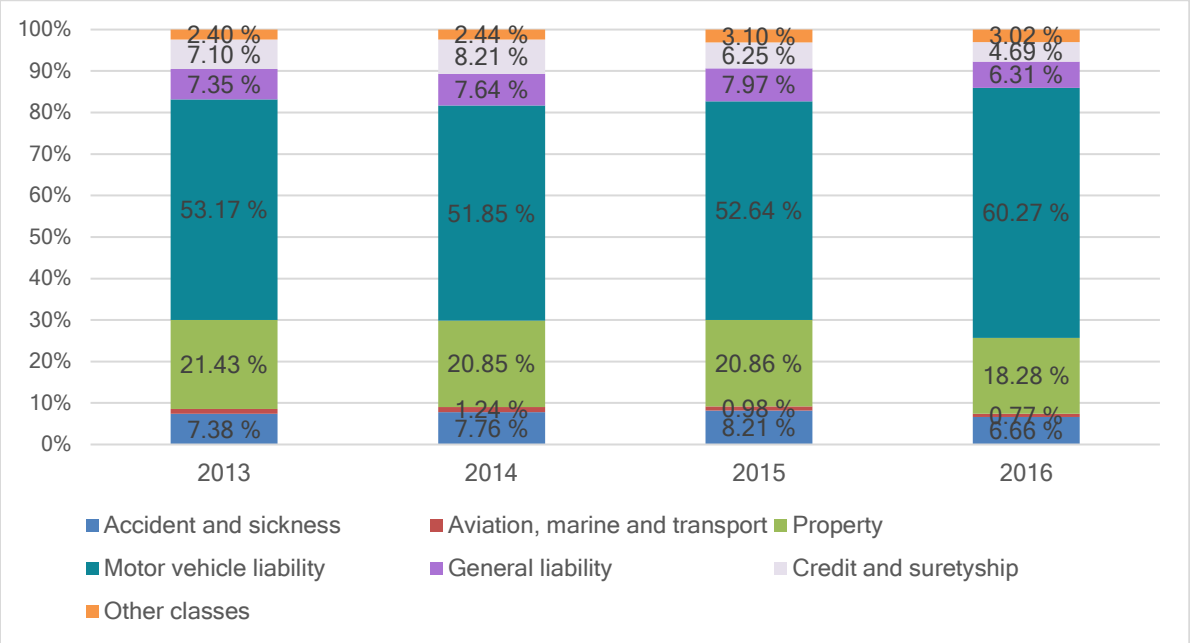
In the case of non-life insurance undertakings, the largest increase in the gross written premium was recorded in motor vehicle insurance, i.e. in class 10 (MTPL insurance), by PLN 3.50 billion, to PLN 11.65 billion (42.86% YOY) and in class 3 (casco insurance), by PLN 1.11 billion, to PLN 6.57 billion (20.34% YOY). It should be noted that the increase in premiums in these insurance classes is caused mainly by increases in motor vehicle insurance policy prices in 2016.

The largest drop in premium occurred in the following classes: 16 (insurance of different financial risks), 13 (insurance against civil liability), 1 (accident insurance) and 17 (legal protection insurance) by PLN 0.56 billion in total:

- in class 16 (insurance of different financial risks), the gross written premium amounted to PLN 0.67 billion and was lower by PLN 0.19 billion (21.97%) compared to the previous year,
- in class 13 (insurance against civil liability), the premium decreased by PLN 0.15 billion (7.59%) and amounted to PLN 1.86 billion,
- in class 1 (accident insurance), PLN 1.39 billion was collected from premiums, i.e. PLN 0.12 billion less (7.76%) than in the corresponding period of the previous year,
- in class 17 (legal protection insurance), the gross written premium amounted to PLN 0.75 billion and compared to the previous year was lower by PLN 0.10 billion (57.72%).

The insurance structure of the non-life sector is still dominated by motor vehicle insurance (MTPL and casco insurance), which accounts for 60.27% of the direct insurance portfolio.

Diagram 8. Structure of the insurance portfolio of non-life sector between 2013 and 2016



Source: own calculations of the KNF Office

RESULTS OF INSURANCE UNDERTAKINGS

Overall, the insurance sector recorded a technical profit of PLN 3.37 billion (9% higher than in 2015) and a financial profit of PLN 4.18 billion (25.55% lower than last year).
The life insurance sector achieved a technical profit of PLN 3.02 billion (6.10% higher than in the same period last year) and a financial profit of PLN 2.25 billion (26.11% lower than in the same period of the previous year). From the point of view of the results of individual insurance classes, the improvement of technical profit was mainly determined by the improvement in technical result in class 1 (life assurance) - by PLN 0.24 billion (34.77%).
Non-life insurance achieved a technical profit of PLN 0.35 billion (42.58% higher compared to the corresponding period of the previous year) and a net financial profit of PLN 1.93 billion (24.88% lower than in the analogous period of the previous year). From the point of view of the results in individual insurance classes, an increase in technical profit over the year was mainly determined by the improvement in class 3 (casco insurance) - the largest increase in non-life sector by PLN 0.16 billion (from a loss of PLN 0.12 billion to a profit of PLN 0.04 billion) and the persisting technical loss in class 10 (MTPL insurance) at a similar level compared to the previous year. The improvement of the technical result was also observed in class 1 (accident insurance) - by PLN 0.11 billion (29.95%) over the year.

Table 5. Basic figures characterising activities of life insurance undertakings between 2013 and 2016 (financial data in PLN billion)

Detailed list	2013	2014	2015	2016
Selected balance sheet items				
Deposits (item B)	45.46	45.18	41.78	40.86
Net assets of life insurance when the investment risk is borne by the policy holder	49.83	53.99	55.44	56.97
Equity capital	12.79	12.98	12.43	12.24
Gross technical provisions	83.73	86.56	86.52	87.36
Balance sheet total	101.37	105.31	102.83	103.19
Selected items of profit and loss accounts				
Gross written premiums	31.26	28.67	27.53	23.86
Gross claims incurred	23.09	20.36	19.36	18.28

Detailed list	2013	2014	2015	2016
Costs of insurance activities	6.05	6.38	6.25	5.42
Acquisition costs	4.47	4.91	4.72	3.93
Administrative costs	1.67	1.68	1.76	1.71
Technical result	3.01	3.28	2.84	3.02
Net profit (loss)	2.81	2.96	3.05	2.25

Source: own calculations of the KNF Office

Table 6. Basic figures characterising activities of non-life insurance undertakings between 2013 and 2016 (financial data in PLN billion)

Detailed list	2013	2014	2015	2016
Selected balance sheet items				
Deposits (item B)	53.53	59.12	61.93	63.15
Equity capital	20.76	21.58	21.65	21.95
Gross technical provisions	43.13	46.45	50.65	55.37
Balance sheet total	65.87	73.17	77.45	82.17
Selected items of profit and loss accounts				
Gross written premiums	26.60	26.26	27.29	32.18
Gross claims incurred	13.72	13.81	15.49	18.39
Costs of insurance activities	7.01	7.34	7.63	7.95
Acquisition costs	5.96	6.21	6.50	7.11
Administrative costs	1.81	1.81	1.86	1.99
Technical result	1.26	0.79	0.25	0.35
Net profit (loss)	6.11	3.72	2.57	1.93

Source: own calculations of the KNF Office

2.5. PENSION SECTOR

OPEN PENSION FUNDS AND UNIVERSAL PENSION SOCIETIES

As of the end of 2016, 12 open pension funds (OFE) and the same number of universal pension societies (PTE) managing them had authorisations to pursue activities.

In 2012, pension contributions to OFE amounted to 2.5% of the contribution assessment base, and increased to 2.8% in 2013 and to 3.1% in January 2014. Due to the substantial legal changes in the pension system, which were adopted in December 2013, the premium rate applicable since February 2014 is 2.92%. As from July 2014, contributions to the OFE have been paid only for persons who submitted the right declaration about paying them and persons who became subject to social insurance and joined the OFE. At the end of 2016, contributions were paid for only 15.7% of members of the OFE.

Table 7. Value of net assets of open pension funds (OFE) at the end of the period 2013-2016

Open pension fund	Net value of assets (PLN million)				Market structure (%)
	2013	2014	2015	2016	
AEGON OFE	12 645.8	6 329.6	5 812.5	6 312.0	4.1
Allianz Polska OFE	9 104.3	6 669.3	6 343.8	6 964.6	4.5
Aviva OFE Aviva BZ WBK	66 710.3	33 285.2	30 935.6	33 682.2	22.0
AXA OFE	18 639.0	9 490.3	9 072.0	9 867.1	6.4
Generali OFE	15 006.1	7 500.7	6 905.2	7 483.0	4.9
MetLife OFE	23 953.2	11 836.7	11 228.2	12 326.6	8.0
Nationale-Nederlanden OFE	72 157.6	35 862.2	34 265.8	37 556.3	24.5
Nordea OFE	13 532.8	6 882.5	6 435.2	7 154.3	4.7
Pekao OFE	4 510.2	2 217.6	2 046.5	2 262.6	1.5
PKO BP Bankowy OFE	13 186.7	6 645.3	6 344.5	7 015.0	4.6

OFE Pocztylion	5 692.7	2 781.5	2 605.1	2 831.5	1.8
OFE PZU “Złota Jesień”	40 114.7	19 553.7	18 501.7	19 979.3	13.0
OFE WARTA	4 019.1	-	-	-	-
Total	**299 272.5**	**149 054.6**	**140 496.1**	**153 434.5**	**100.0**

Source: own calculations of the KNF Office based on daily reports of OFE

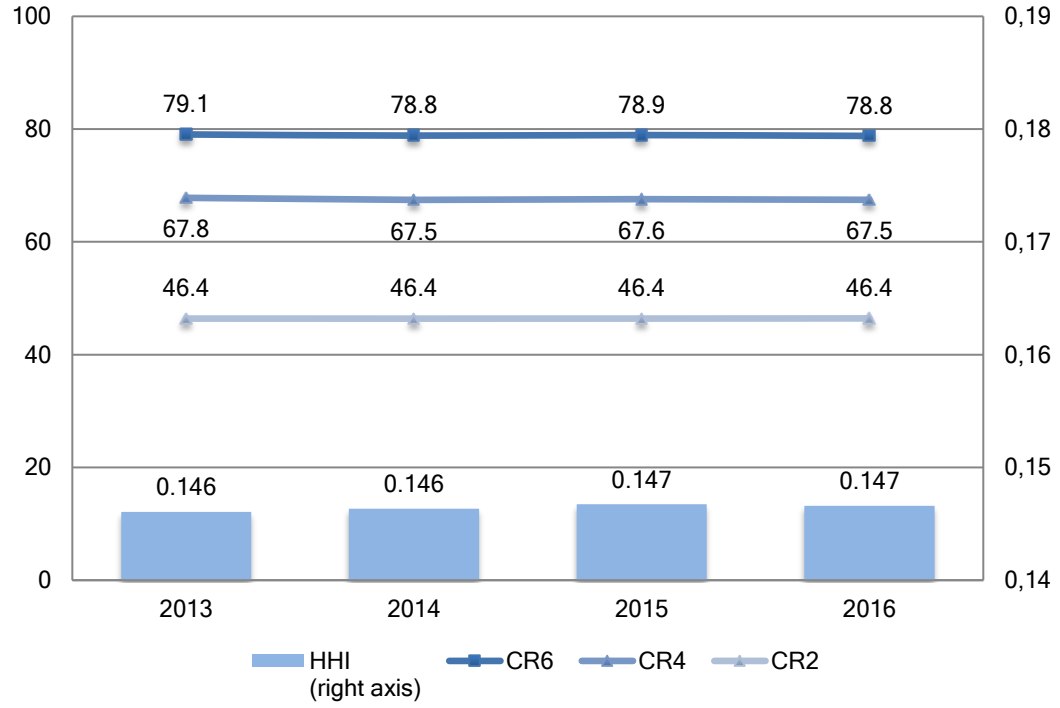
At the end of 2016, net assets of open pension funds reached PLN 153.4 billion and increased 9.2% (PLN 12.9 billion) during the year.
The increase in the value of net asset of the OFE in 2016 was mainly the result of the following factors:

- positive financial result of the OFE: PLN 13.7 billion,
- transfer of contributions to the OFE by the Polish Social Insurance Institution (ZUS): PLN 3.2 billion.

The main factor hindering the increase in the value of assets was the so-called safety slider, i.e. the transfer of funds by the OFE to the ZUS from the accounts of members who would reach the pensionable age in less than 10 years. For this reason, open pension funds transferred PLN 3.5 billion to the ZUS in 2016.

The market share of four largest pension funds measured by the net asset value at the end of 2016 was 67.5% (decrease of 0.1 pp year on year). From 2013 to 2016, changes in CR2, CR4 and HHI were very small, indicating a stable market structure.

Diagram 9. Concentration of net assets of open pension funds between 2013 and 2016



Source: own calculations of the KNF Office
CR2, CR4, CR6 - indicators specifying shares of 2, 4 and 6 largest OFE in total assets.

HHI - the Herfindahl-Hirschmann index: a measure of market concentration that determines the estimated level of market concentration in a given industry and the level of competition in a given market, calculated as the sum of the square of market shares of individual entities (e.g. the sum of the squares of individual OFE in total assets of OFE).

At the end of 2016, 16.5 million people belonged to the OFE. The market share of four largest funds measured by the number of members did not change compared to the previous year, when it was 57.6%.

Table 8. The number of members of open pension funds at the end of the period 2013-2016

Open pension fund	Number of members (thou. people)				Market structure %
	2013	2014	2015	2016	
AEGON OFE	941.3	929.0	921.4	913.9	5.6
Allianz Polska OFE	593.0	1 082.5	1 077.0	1 072.2	6.5
Aviva OFE Aviva BZ WBK	2 676.4	2 667.0	2 649.3	2 631.0	16.0
AXA OFE	1 163.8	1 158.2	1 152.2	1 146.7	7.0
Generali OFE	1 010.3	1 005.9	1 000.5	995.0	6.1
MetLife OFE	1 537.3	1 601.1	1 591.6	1 581.4	9.6
Nationale-Nederlanden OFE	3 060.3	3 081.5	3 077.8	3 061.7	18.6
Nordea OFE	925.4	994.5	989.9	982.2	6.0
Pekao OFE	342.0	338.4	335.5	332.9	2.0
PKO BP Bankowy OFE	956.9	949.9	943.2	937.4	5.7
OFE Pocztylion	594.8	589.4	585.5	582.3	3.5
OFE PZU “Złota Jesień”	2 229.8	2 224.3	2 208.4	2 188.1	13.3
OFE WARTA	346.3	-	-	-	-
Total	**16 377.7**	**16 621.7**	**16 532.1**	**16 424.8**	**100.0**

Source: Polish Social Insurance Institution (ZUS)

The rates of return achieved by open pension funds largely depend on the financial market situation. In 2016, the rates of return generated by the OFE were positive and ranged between 8.4% and 11.7% (market average was 10.2%).

Table 9. Rates of return of open pension funds between 2013 and 2016 (in %)

Open pension fund	2013	2014	2015	2016
AEGON OFE	5.5%	1.9%	-6.3%	10.0%
Allianz Polska OFE	6.3%	1.6%	-4.2%	9.9%
Aviva OFE Aviva BZ WBK	6.3%	1.7%	-5.8%	9.7%
AXA OFE	6.2%	2.3%	-3.5%	9.1%
Generali OFE	6.6%	0.3%	-7.2%	8.4%
MetLife OFE	8.0%	0.6%	-2.9%	11.5%
Nationale-Nederlanden OFE	8.4%	-0.9%	-4.7%	8.9%
Nordea OFE	8.4%	1.7%	-5.8%	11.7%
Pekao OFE	7.4%	-0.7%	-6.4%	11.3%
PKO BP Bankowy OFE	7.9%	1.5%	-3.2%	11.4%
OFE Pocztylion	7.5%	-0.6%	-3.9%	10.7%
OFE PZU “Złota Jesień”	7.2%	-0.2%	-2.9%	10.2%
OFE WARTA	7.4%	-	-	-
Average	**7.2%**	**0.8%**	**-4.7%**	**10.2%**

Source: own calculations of the KNF Office based on daily reports of the OFE

In 2016, the dominant categories in the account of the universal pension societies were revenues and expenses related to the management of pension funds (OFE and DFE), including:

- revenue from management fee of the OFE (80.2% of revenues),

– revenue from contributions to the OFE (5.7% of revenues),

and expenses:

– general management of the PTE (34.8% of expenses),
– OFE and DFE transfer agent (27.4% of expenses),
– acquisitions for the OFE and the DFE (7.3% of expenses).

OCCUPATIONAL PENSION FUNDS AND SOCIETIES

As at 31 December 2016, 4 occupational pension societies managed 4 occupational pension funds. In 2016, the shareholders of the Pracownicze Towarzystwo Emerytalne Nestlé Polska S.A. managing the Pracowniczy Fundusz Emerytalny Nestlé Polska decided to change the form of operation of the occupational pension scheme from the pension fund to the agreement on the payment of employees' contributions to the investment fund by the employer. The liquidation process of the PFE Nestlé Polska and the Society managing it will be completed in 2017.

At the end of 2016, occupational pension funds had 39.4 thousand members. This represents a decrease of 11.5% compared to the previous year. In the period covered by the report, basic and additional contributions of PLN 126.5 million were transferred to the accounts of members of the PFE. The value of net assets accumulated in occupational pension funds amounted to PLN 1771.5 million at the end of 2016. Thus, compared to 2015, the value of net assets of the PFE decreased PLN 23 million, i.e. 1.3%. The decline in the aggregate asset value was primarily the result of the transfer of assets of PLN 55.9 million accumulated in the PFE Nestlé Polska to the NN Stable Growth Sub-fund.

Table 10. Net assets of occupational pension funds between 2013 and 2016 (as at 31 December)

Detailed list	Net assets (PLN million)				Share in the market (in %)
	2013	2014	2015	2016	
PFE NESTLE POLSKA	43.8	50.7	55.4	0	0
PFE “Nowy Świat”	390.6	405.1	408.9	426.1	24.1
PFE Orange Polska	1 167.0	1 258.1	1 262.8	1 268.2	71.6
PFE Słoneczna Jesień	385.9	-	-	-	-
PFE UNILEVER POLSKA	51.5	60.9	67.3	77.2	4.4
Total	**2 038.9**	**1 774.8**	**1 794.5**	**1 771.5**	**100.0**

Source: occupational pension funds

In 2016, all occupational pension funds achieved positive rates of return, ranging from 3.2% to 4.9%. The change in the value of units of account resulted from the financial market conditions.

Table 11. Rates of return of occupational pension funds in 2013-2016 (in %)

Fund	2013	2014	2015	2016
PFE NESTLE POLSKA	5.2	4.4	-1.2	-
PFE “Nowy Świat”	5.7	2.6	-1.3	3.9
PFE Orange Polska	3.5	3.9	-2.7	3.2
PFE Słoneczna Jesień	5.2	-	-	-
PFE UNILEVER POLSKA	4.6	4.9	-1.0	4.9

Source: Occupational pension funds

VOLUNTARY PENSION FUNDS

As of the end of 2016, 8 voluntary pension funds (DFE), managed by universal pension societies, were authorised to pursue activities. In 2016, one entity was liquidated – the PTE PZU S.A. took over management of the Nordea DFE. All operating DFE collected funds within the IKZE (individual pension savings accounts), and additionally members of four of them (Allianz DFE, MetLife DFE, Nationale-Nederlanden DFE and PKO DFE) had funds within the IKE (individual pension accounts).

At the end of 2016, the DFE had 90.2 thousand members (an increase of 8% compared to the previous year), who collected savings in the form of the IKZE or IKE. The value of the aggregate net assets in the DFE amounted to PLN 182.6 million, which was an increase of 75% over the previous year.

In 2016, all voluntary pension funds achieved positive rates of return. They ranged from 3.6% to 18.3%. Large diversification of investment results was largely the consequence of different investment strategies and the diversification of financial instruments in individual investment portfolios of the DFE with relatively small assets.

Table 12. Rates of return and net assets of the DFE in 2014-2016

Detailed list	2014		2015		2016	
	Net assets (PLN million)	Rate of return (%)	Net assets (PLN million)	Rate of return (%)	Net assets (PLN million)	Rate of return (%)
Allianz Polska DFE	* 3,6	** 4,0	* 5,5	** 1,6	* 8,0	** 7,8
Generali DFE	0.05	4.3	0.1	3.4	0.2	18.3
MetLife DFE	18.6	6.1	23.8	-1.9	28.1	3.8
Nationale-Nederlanden DFE	4.9	-0.7	12.9	16.2	33.6	13.3
Nordea DFE	1.5	10.8	2.8	-2.5	-	-
DFE Pekao	12.8	1.3	27.9	3.3	51.2	4.9
PKO DFE	5.9	2.5	15.7	-0.9	34.0	5.7
DFE Pocztylion Plus	0.5	-2.2	0.8	2.6	1.1	3.6
DFE PZU	8.8	3.6	14.3	9.1	26.4	16.2

* the sum of net assets on the basis of which all types of units of account are quoted
** the rate of return calculated on the basis of type A unit of account
Source: Voluntary pension funds

OCCUPATIONAL PENSION SCHEMES, INDIVIDUAL PENSION ACCOUNTS AND INDIVIDUAL PENSION SAVINGS ACCOUNTS

The occupational pension schemes (PPE), the individual pension accounts (IKE) and the individual pension savings accounts (IKZE), the participation in which is voluntary, are - unlike other forms of voluntary accumulation of savings for pension purposes - of an institutional nature, and funds are collected on them according to the rules laid down by law.
Development of the third pillar of the pension system is strengthened by incentives in the form of tax exemptions and the possibility to benefit from a reduction on social security contributions. The PPE market has existed since 1999. Development of the PPE market between 2013 and 2016 is presented in Table 13.

Table 13. Development of the Occupational Pension Scheme in 2013-2016

Detailed list	2013	2014	2015	2016
Number of the PPE	1 070	1 064	1 054	1 036
Number of participants (in thou.)	375	381	393	396
Value of accumulated assets (in PLN million)	9 407	10 259	10 623	11 394

Source: own calculations of the KNF Office, institutions managing funds of occupational pension schemes

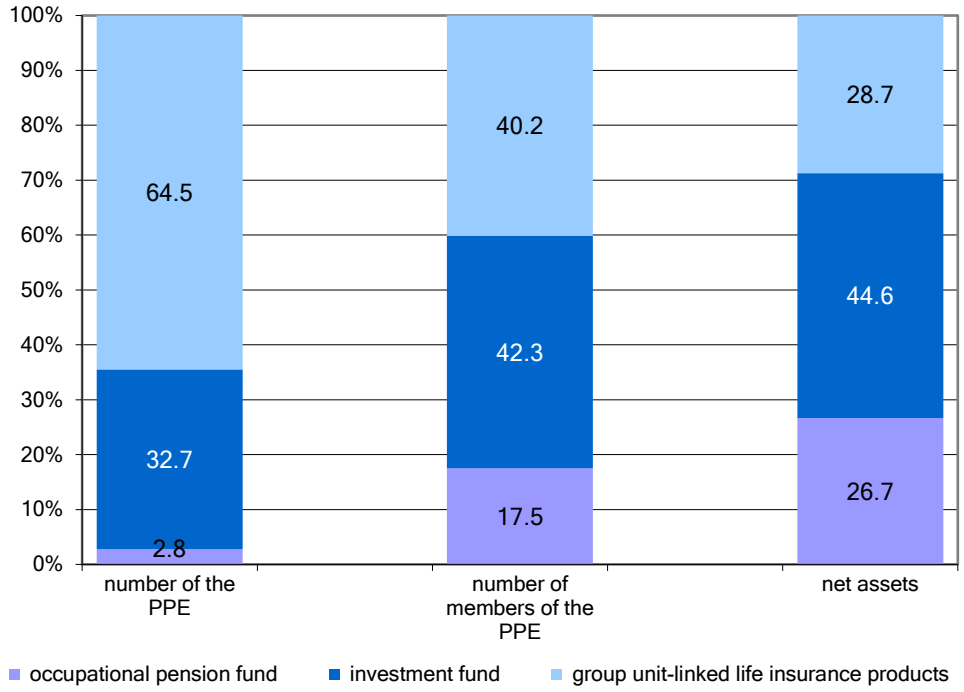
1036 occupational pension schemes were functioning as at 31 December 2016, including:
- 668 in the form of a unit-linked group life insurance contract,
- 339 in the form of an agreement on the payment of employees' contributions to the investment fund by the employer,
- 29 in the form of an occupational pension fund.

Out of employers employing a larger number of employees, in 2016, an inter-company scheme of the Tauron Dystrybucja group, which can have about 10 000 members, and the scheme of the JTI Polska Sp. z o.o., which can have about 800 members, were registered.

In the end of 2016, the PPE had 396 thousand participants and the value of collected assets amounted to PLN 11,394 million, which means an increase in the value of assets accumulated on the accounts of the PPE participants of PLN 771 million compared to 2015 (approx. 7.3%).

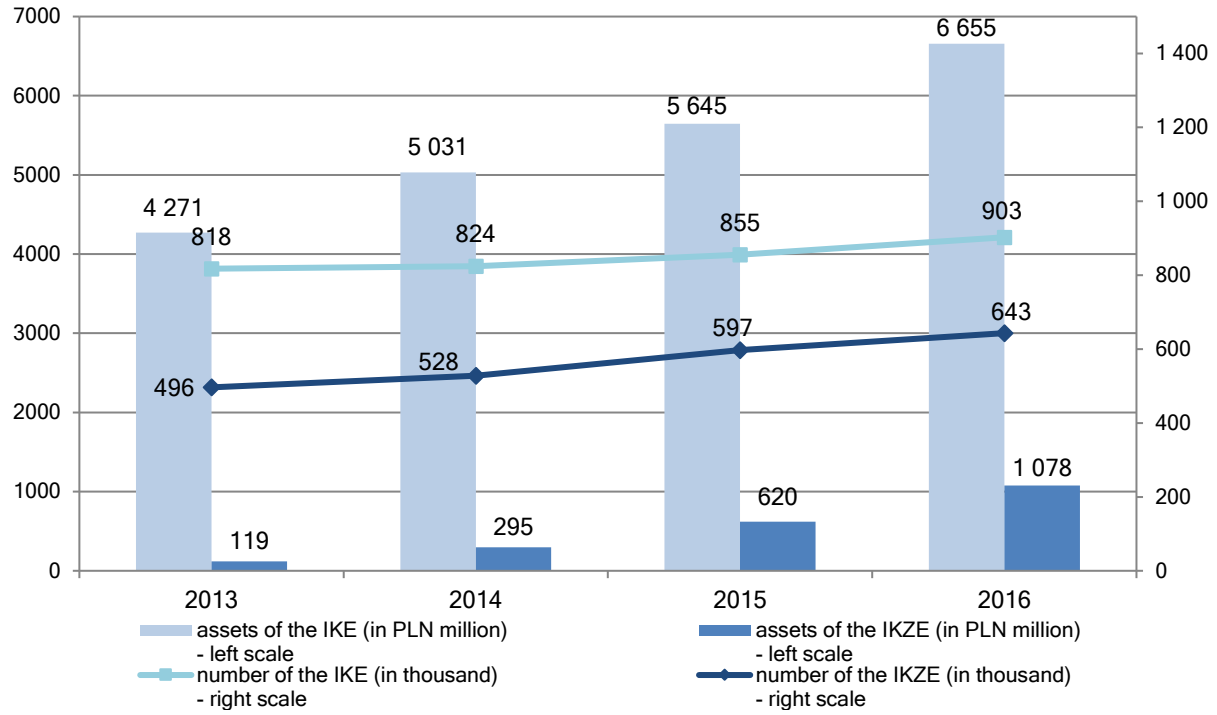
The share of individual forms in the PPE market is shown in Diagram 10.

Diagram 10. Structure of the PPE market in 2016 (in %)



Source: own calculations of the KNF Office, institutions managing funds of occupational pension schemes

Diagram 11. The value of assets and the number of the IKE and IKZE accounts in 2013-2016



Source: own calculations of the KNF Office, institutions maintaining the IKE or IKZE

The IKE (individual pension accounts) and the IKZE (individual pension savings accounts) are voluntary individual forms of saving for pension purposes. The period of their functioning is different: the IKE have been operating since 2004 and the IKZE since 2012. As of the end of 2016, entities authorised to maintain the IKE or IKZE operated 902.6 thousand IKE and 643.1 thousand IKZE, which accumulated assets in the amount of PLN 6 655.5 million and PLN 1 078.1 million, respectively. In 2016, the savers paid PLN 1 055.5 million on the IKE accounts, and PLN 503.4 million on the IKZE accounts.

Table 14. The number of accounts and the value of assets of the IKE and IKZE broken down by maintaining institutions, as at 31 December 2016

Entities maintaining the IKE or IKZE	Number of accounts				Value of assets			
	IKE		IKZE		IKE		IKZE	
	thou.	%	thou.	%	million	%	million	%
Insurance undertakings	571.1	63.3	446.1	69.4	2283.0	34.3	398.6	37.0
Investment funds	236.3	26.2	87.5	13.6	1995.2	30.0	407.9	37.8
Entities conducting brokerage	27.6	3.1	6.2	1.0	1075.6	16.2	57.0	5.3
Banks	64.0	7.1	15.6	2.4	1266.1	19.0	66.6	6.2
Voluntary pension funds	3.6	0.4	87.8	13.6	35.6	0.5	148.0	13.7
Total	**902.6**	**100.0**	**643.1**	**100.0**	**6655.5**	**100.0**	**1078.1**	**100.0**

Source: own calculations of the KNF Office, institutions maintaining IKE or IKZE

2.6. CAPITAL AND COMMODITY MARKETS

The capital and commodity markets supervised by the Polish Financial Supervision Authority are created by entities operating on the securities market and market of other financial instruments, collective investment institutions and entities operating on the commodity market.

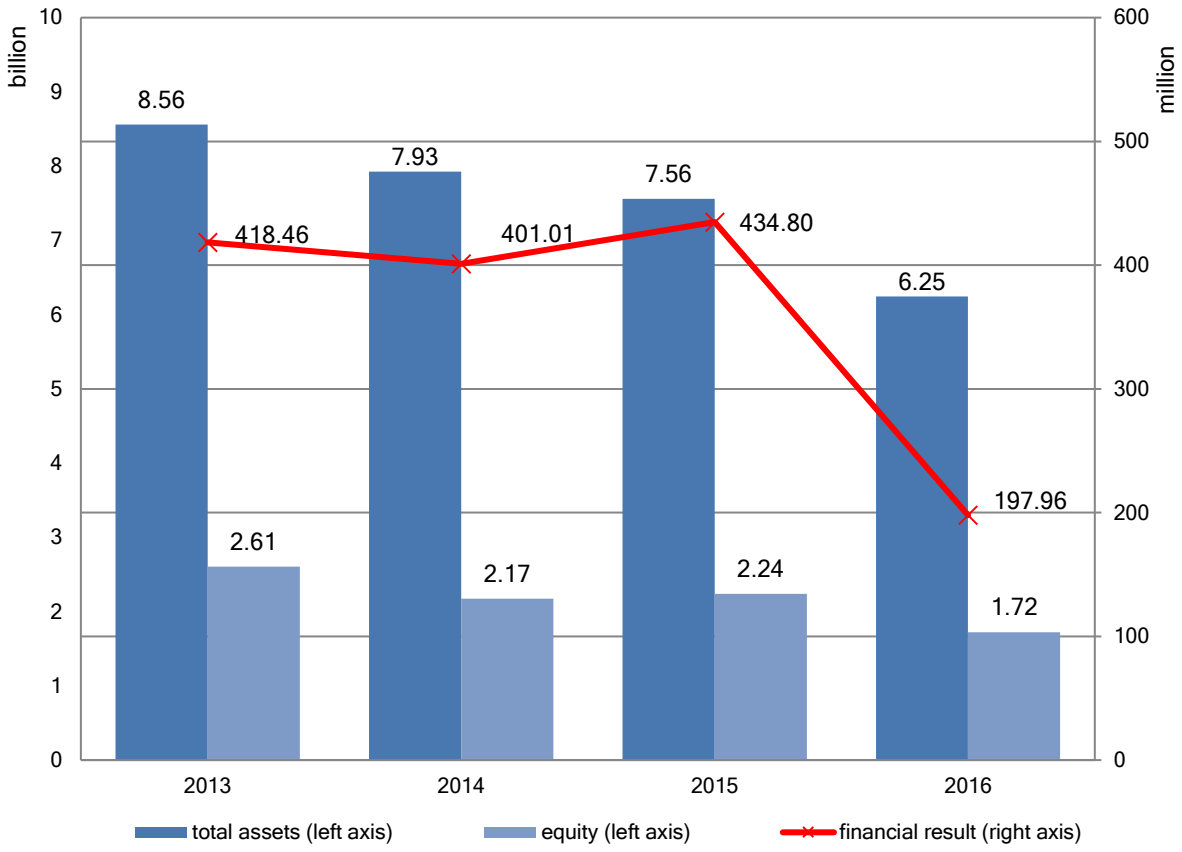
ENTITIES CONDUCTING BROKERAGE AND FIDUCIARY ACTIVITY

Table 15. The number of entities conducting brokerage and fiduciary activity in 2013-2016

Type of entity	2013	2014	2015	2016
Brokerage houses	57	53	52	46
Commodity brokerage houses	1	1	1	1
Banks conducting brokerage	14	13	12	11
Custodian banks	13	13	13	13
Total	**85**	**80**	**78**	**71**

Source: own calculations of the KNF Office

Diagram 12. Basic data of the sector of brokerage houses between 2013 and 2016



Source: own calculations of the KNF Office
Data for 2013-2015 comes from the audited financial statements, data for 2016 is derived from monthly MRF reports as at 31 December 2016.
Data does not include data of one brokerage house whose financial year does not coincide with the calendar year.

Table 16. Data on the number of client accounts of brokerage houses in 2013-2016

Detailed list	Number of client accounts				Share in total value (in %)
	2013	2014	2015	2016	2016
Brokerage houses	1 229 723	1 089 443	1 129 648	838 793	41.39%
Banks conducting brokerage	700 063	811 029	793 733	1 187 939	58.61%
Total	**1 929 786**	**1 900 472**	**1 923 381**	**2 026 732**	**100%**

Source: own calculations of the KNF Office

ORGANISED SECURITIES MARKETS

Giełda Papierów Wartościowych w Warszawie S.A.

Regulated market

The core activity of the Warsaw Stock Exchange ("Stock Exchange" or "GPW") is to operate the regulated market. The regulated market is a permanent, organised trading system for financial instruments which provides investors with a universal and equal access to market information when associating offers of purchase and sale of financial instruments, and the same terms and conditions of purchase and sale of these instruments. The regulated market operates based on the Warsaw Stock Exchange Rules, amendments to which are approved by the KNF, and the Detailed Exchange Trading Rules specifying the provisions of this document.
The main financial instruments traded on the Stock Exchange are securities: shares, bonds, subscription rights, rights to shares, investment certificates, and derivatives: futures, options, index units.

Alternative trading system of the GPW

In addition to the regulated market, the GPW also operates an organised financial instruments market in the formula of an alternative trading system (ATS). As assumed by the organisers, this market is dedicated to emerging and young companies with a relatively small capitalisation expected. Compared to the regulated market, formalities related to the introduction of financial instruments to trading are simplified and the cost of market entry is lower.

Table 17. Rates of returns on the GPW indices in 2013-2016 (in %)

Detailed list	2013	2014	2015	2016
WIG	8.06	0.26	-9.62	11.38
WIG20	-7.05	-3.5	-19.72	4.77
mWIG40	31.06	4.13	2.40	18.18
sWIG80	37.28	-15.55	9.11	7.93

Source: http://www.gpw.pl/analizy_i_statystyki

Table 18. The number of instruments listed on the GPW in 2013-2016

Detailed list	2013	2014	2015	2016
Companies	450	471	487	487
- including foreign	47	51	54	53
Number of initial offerings	23	28	30	19
Number of delistings	11	7	13	20
Bonds	94	105	122	153
- including foreign	1	1	1	4
Futures	134	220	144	166
Options	116	129	266	228

Source: http://www.gpw.pl/analizy_i_statystyki

Table 19. Capitalisation of the GPW at the end of 2013-2016 (in million)

Detailed list	2013	2014	2015	2016
Domestic companies	593 464	591 165	516 785	557 124
Foreign companies	247 316	661 793	566 077	558 596
Polish bonds	590 265	531 983	583 185	617 985
Foreign bonds	98	98	98	3 122
Total	**1 431 143**	**1 785 039**	**1 666 145**	**1 736 827**

Source: http://www.gpw.pl/analizy_i_statystyki
https://www.gpw.pl/analizy_i_statystyki_pelna_wersja

Table 20. Value of trading on the GPW in 2013-2016 (in PLN million)

Detailed list	2013	2014	2015	2016
Shares	256 147	232 864	225 287	202 293
Bonds	1 653	992	904	1 426
Futures	218 839	230 148	216 746	188 439
Options	17 419	11 584	9 679	6 833

Source: http://www.gpw.pl/analizy_i_statystyki
https://www.gpw.pl/analizy_i_statystyki_pelna_wersja

Alternative trading system (NewConnect)

In addition to the regulated market, the GPW operates an organised market of shares in the formula of an alternative trading system called NewConnect.

Table 21. Data on the NewConnect alternative trading system in 2013-2016

Detailed list	2013	2014	2015	2016
Value of the NCIndex at the end of the year	366.01	290.36	278.37	306.50
Rate of return of the NCIndex in the current year (%)	10.05	-20.68	-4.13	10.11
Capitalisation of companies at the end of the year (PLN million)	10 444.88	8 752.35	8 416.54	9 799
Number of companies at the end of the year	445	431	418	414
Number of initial offerings	42	22	19	16
Number of sessions	247	249	251	251
Trading volume (in PLN million)	940	1 220	1 722	1 360
Number of transactions per session	2 916	3 474	4 381	3 417
Average trading value per session (PLN million)	3.80	4.89	6.86	5.41

Source: http://newconnect.pl/index.php?page=statystyki_rynku_roczne

BondSpot S.A.

Regulated market

The regulated market in Poland is operated by the BondSpot S.A., supervised by the KNF. The main financial instruments traded on the BondSpot S.A. platform are treasury bonds, corporate bonds, cooperative bonds and other debt securities listed under the Catalyst system.[2]

Alternative trading system of BondSpot S.A.

In addition to the regulated market, the BondSpot S.A. also organises trading in debt instruments under the alternative trading system (ATS). This market is also one of the segments of the Catalyst system. Similarly to the regulated market organised by the BondSpot S.A., dematerialised bonds, mortgage bonds and other debt instruments incorporating property rights corresponding to the rights resulting from debt incurred can be quoted in the alternative trading system.

Table 22. Data on the regulated market and the ATS in 2013-2016

Detailed list	2013	2014	2015	2016
RRP (Regulated OTC Market) BondSpot				
Value of session trading (PLN million)	52.26	2.84	58.77	12.36
Number of session transactions	4	9	26	12
Number of instruments	94	103	115	130
ATS BondSpot				
Session trading volume (PLN million)	493.27	591.02	404.61	122.33
Number of session transactions	226	405	404	371
Number of instruments	146	183	189	214

Source: http://www.gpwcatalyst.pl/statystyki_roczne

CLEARING AND DEPOSIT SYSTEM

KRAJOWY DEPOZYT PAPIERÓW WARTOŚCIOWYCH S.A. (hereinafter referred to as the "Central Securities Depository" or the "KDPW") is the central institution responsible for maintaining and supervising the deposit and settlement system for trading in financial instruments in Poland.

In connection with the amendment of the Act on trading in financial instruments abolishing the obligation to register derivative instruments on securities accounts, on 7 November 2016, the Polish Financial Supervision Authority approved amendments to the KDPW Rules, according to which the Central Securities Depository ceased to register derivative instruments in the KDPW depository system and ceased keeping accounts of transactions, the subject of which are derivative instruments, carried out in organised trading.

[2] Catalyst is a functional combination of authorisation, approval and quotation of debt instruments in four debt markets (i.e. two regulated markets and two alternative trading systems). Out of four functionally connected markets, two are organised by the GPW and two by the BondSpot S.A. (each company organises one regulated market and one alternative trading system). According to the division made by the companies, the markets organised by the GPW constitute the so-called retail segment of the Catalyst "platform," while wholesale trade is carried out on the markets organised by the BondSpot S.A.

KDPW_CCP SA is a clearing house in which the KDPW holds a 100% share in the initial capital. Since 8 April 2014, the KDPW_CCP S.A. has been carrying out activity as the CCP under Article 14 in connection with Article 17 of Regulation (EC) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ EU L 201 of 2012, p. 1). The KDPW_CCP S.A. takes over the obligations of parties to the cleared transactions and becomes the buyer for each seller and the seller for each buyer, at the same time securing the cleared transactions with own assets.

The KDPW_CCP S.A. clears transactions carried out in organised trading, i.e. on the regulated spot and futures markets (GPW S.A. and BondSpot S.A.) and in the alternative trading systems (ATS GPW S.A. and ATS BondSpot S.A.), as well as settles derivative transactions carried out outside the organised trading and repos. The KDPW_CCP S.A. organises the system securing the liquidity of settlements accepted for clearing transactions.

On 9 August 2016, the Polish Financial Supervision Authority granted the KDPW_CCP S.A. authorisation to extend the range of the authorisation held since 2014 as regards: the settlement of transactions in euro the subject of which are securities carried out in organised trading, settlement of transactions in Polish zloty the subject of which are debt instruments carried out outside organised trading, as well as settlement of transactions in euro the subject of which are derivative instruments referring to interest rates, where the underlying instrument is the EURIBOR or EONIA, carried out outside organised trading.

PUBLIC OFFERING OF FINANCIAL INSTRUMENTS OTHER THAN INVESTMENT CERTIFICATES

In 2016, the value of public offerings increased compared to the previous year. The value of public offerings amounted to over PLN 10.7 billion in total, which represents an increase of nearly 12% compared to the previous year. There was also an improvement in the most important segment of capital raising through public sellings of shares (the so-called primary market). The number of subscriptions increased from 55 to 63, similarty to their value (more than 50%).

The number of public sellings of shares in 2016 was the largest in the last four years, although their value decreased more than 26% compared to 2015. The number of initial public offerings dropped from 57 in 2015 to 46 in 2016, and their value decreased almost half compared to the previous year. The largest segment of market for public offerings in terms of the value was the market for public offerings of bonds which, despite the very large increase in 2015 (of nearly 84%), recorded further increase of value (of 2.5%) to over PLN 6.6 billion. The number of bond offers also increased from 63 to 73.

In 2016, the issuers conducted 175 public offerings, the structure of which is presented in Table 23.

Table 23. Characteristics of public offerings carried out in 2016

<table>
<tr><td colspan="4">175 public offerings, including:
Carried out by foreign issuers</td></tr>
<tr><td colspan="3">174 cash offerings</td><td rowspan="2">1 non-cash offering</td></tr>
<tr><td>101 public sellings of shares

including:</td><td>0 public offerings of structured product</td><td>73 public offerings of bonds

including:</td></tr>
</table>

64 offerings carried out without the need for preparing and approving the prospectus *44 offerings carried out by a foreign issuer*			*29 offerings carried out without the need for preparing and approving the prospectus* *2 offerings carried out by a foreign issuer*	
38 public sellings	**63** public subscriptions			

Source: own calculations of the KNF Office

Total value of public offerings in cash in 2016 amounted to PLN 10 762.35 million, including the value of share subscription of PLN 3 561.62 million, the value of public sellings of shares PLN -579.80 million, the value of offerings of bonds PLN 6 620.93 million.

Table 24. The value and the number of public offerings in cash in 2013-2016

Year	2013		2014		2015		2016	
Detailed list	**Number of offerings ***	**Value (in PLN million)**	**Number of offerings ****	**Value (in PLN million)**	**Number of offerings *****	**Value (in PLN million)**	**Number of offerings ******	**Value (in PLN million)**
Public issue of shares	44	1 286.20	50	2 181.65	55	2 363.61	63	3 561.62
Public offerings of bonds	42	3 320.11	46	3 517.31	63	6 462.24	73	6 620.93
Public sellings of shares	32	9 395.81	30	918.73	33	785.26	38	579.80
Public offerings of structured products	9	161.82	9	86.81	1	12.79	0	
Total public offerings	**127**	**14 163.9**	**135**	**6 704.5**	**152**	**9 623.9**	**174**	**10 762.35**
Including:								
Initial public offerings	37	5 043.8	43	1 881.1	57	2 590.3	46	1 322.5

Source: own calculations of the KNF Office

*in 2013, 5 non-cash public offerings were also carried out

**in 2014, 2 non-cash public offerings were also carried out

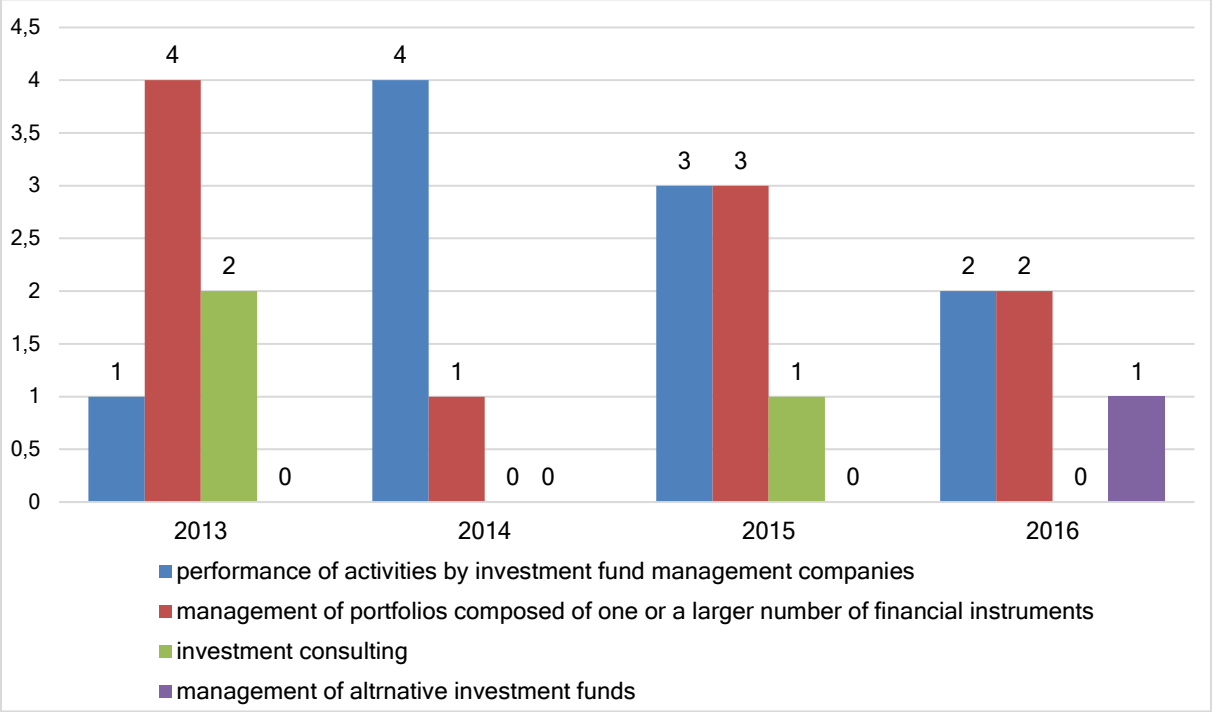
***in 2015, 2 non-cash public offerings were also carried out

****in 2016, 1 non-cash public offering was also carried out

INVESTMENT FUND MANAGEMENT COMPANIES AND INVESTMENT FUNDS

2016 was another year in which an increase in the number of supervised national entities in the investment fund sector was observed, as shown in Diagram 13 (cumulative).

Diagram 13. Total number of supervised investment fund management companies and investment funds and sub-funds at the end of 2013-2016 (cumulative, by types)

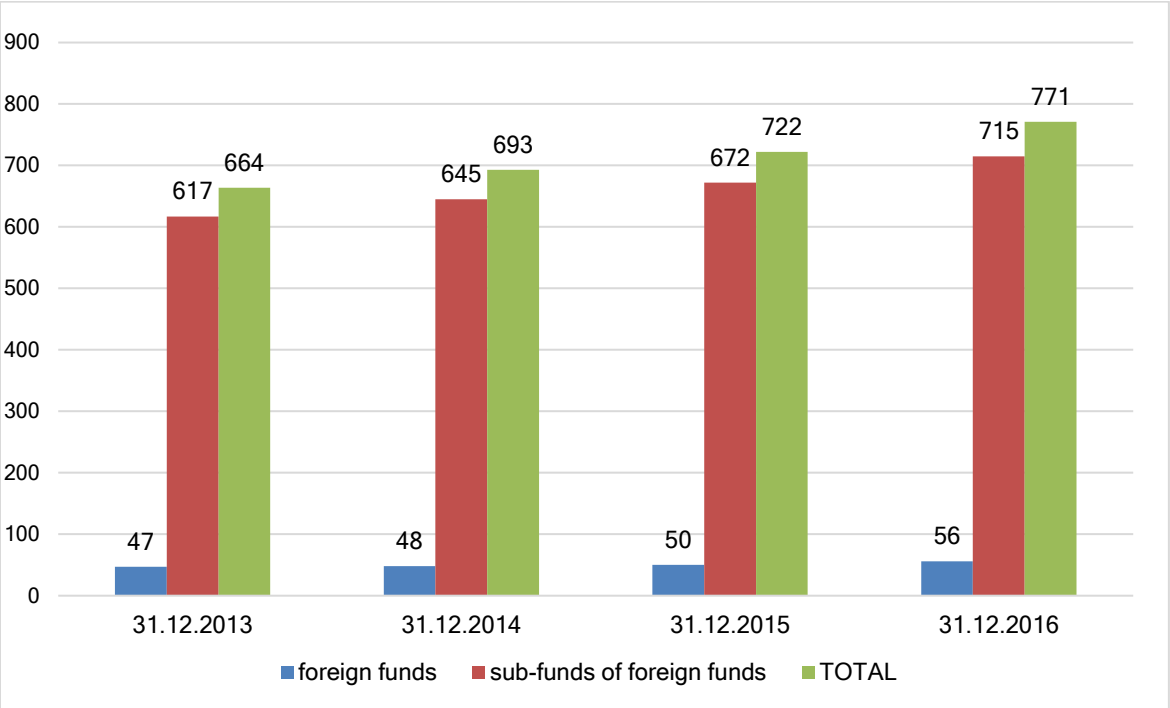


Source: own calculations of the KNF Office

As at 31 December 2016, 62 investment fund management companies, managing a total of 929 investment funds, including: 44 open-end investment funds, 53 specialised open-end investment funds and 832 closed-end investment funds, were authorised by the KNF.

The Polish Financial Supervision Authority supervises the sale of shares issued by foreign funds (UCITS) on the territory of the Republic of Poland. Moreover, an increase in the number of entities in this segment was recorded in 2016.

Diagram 14. Total number of foreign funds and sub-funds included in foreign funds (UCITS) selling shares in the Republic of Poland at the end of 2013-2016

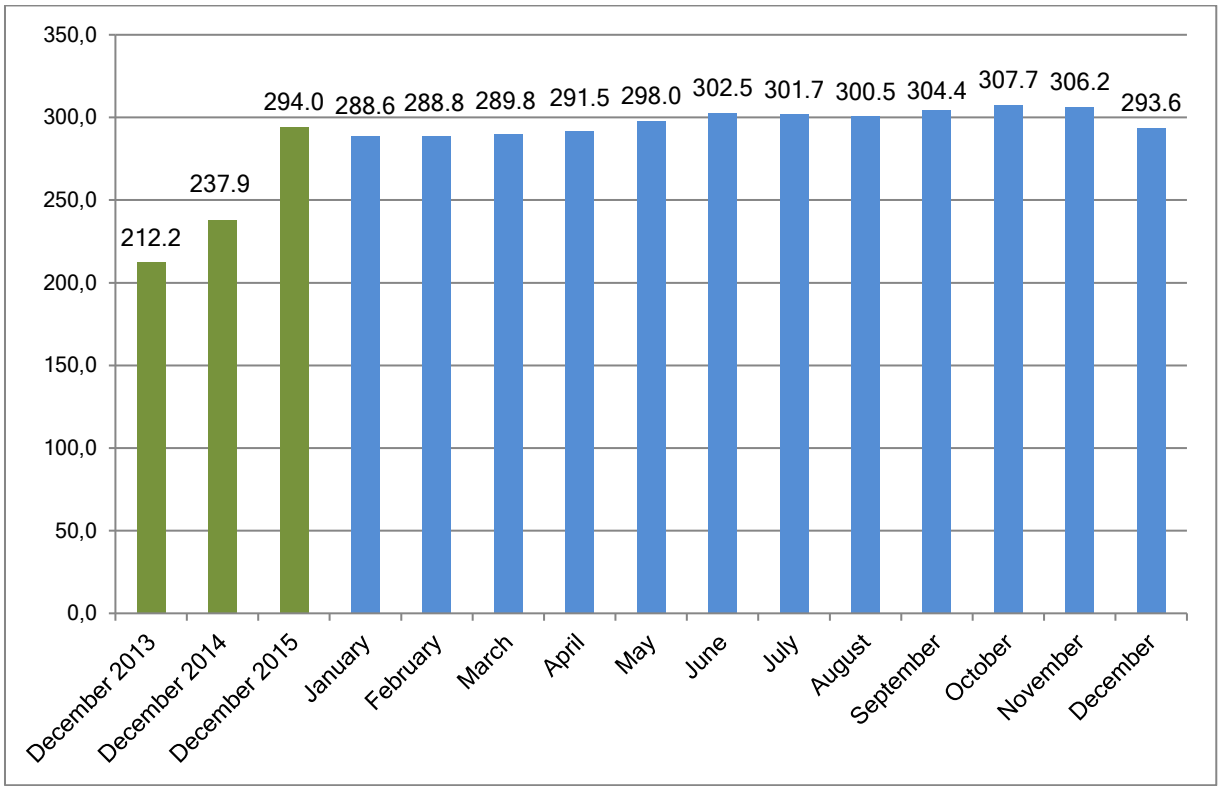


Source: own calculations of the KNF Office

At the end of December 2016, the value of assets of investment funds was close to the level at the end of the previous year. Compared to the end of December 2015, a decrease of PLN 0.4 billion was recorded, and as at 31 December 2016, the value of assets of investment funds was PLN 293.6 billion.

Figure 15 shows the value of assets of investment funds managed by the TFI at the end of 2013-2015 and in individual months of 2016.

Diagram 15. Assets of investment funds at the end of 2013-2015 and in 2016 (in PLN billion)[3]



Source: own calculations of the KNF Office

As shown in Diagram 15, after a decrease in the value of assets of investment funds observed in January 2016, their sum increased in the following months of the first half of 2016. The greatest increase was observed in May and June 2016. Despite the fact that in the second half of the year the value of assets of investment funds reached PLN 307.7 billion at the end of October 2016, eventually, in November and December, a downward trend was visible, and at the end of the year the value of assets of investment funds decreased to PLN 293.6 billion.

As a consequence of relatively small changes in the value of assets of investment funds, revenues generated by the TFI in 2016 were PLN 7 million, i.e. 0.2%, higher than their value in 2015 and amounted to PLN 3,241 million. Due to the increase in total costs of PLN 59 million (2.3%), the aggregate financial result of the TFI decreased, and at the end of December 2016 amounted to PLN 498 million and was PLN 52 million (9.5%) lower than the previous year.[4]

Table 25 provides information on the aggregate value of revenues, costs and net financial result of investment fund management companies in 2013-2016.

[3] Based on monthly reports provided by investment fund management companies (TFI). Monthly reports are not audited or reviewed by a chartered auditor, and information included in them may be subject to subsequent corrections.

[4] Based on monthly reports provided by investment fund management companies. Monthly reports are not audited or reviewed by a chartered auditor, and information included in them may be subject to subsequent corrections.

Table 25. Aggregate costs, revenues and net financial result of investment fund management companies in 2013-2016 (in PLN million)[5]

Detailed list	2013	2014	2015	2016	
Total revenues	2 654	2 834	3 234	3 241	-
Total costs, including:	2 129	2 249	2 551	2 610	100.00%
– overhead cost	589	592	804	986	37.78%
– variable costs, including:	1 540	1 657	1 747	1 624	62.22%
○ variable distribution cost*	1 079	1 160	1 306	1 213	46.48%
Net financial result	426	477	550	498	-

* Costs directly related to the receipt and fulfilment of orders of sale, repurchase or conversion of units, or the receipt of subscriptions for investment certificates and their allocation, as remuneration for distributors or incurred for the promotion or marketing of the fund.
Source: own calculations of the KNF Office

EXCHANGE COMMODITY MARKET

Towarowa Giełda Energii S.A.

Commodity exchange

Beside the capital market, there is also the exchange commodity market functioning in Poland, including the market for electricity and natural gas operated by the Polish Power Exchange (Towarowa Giełda Energii S.A., also "TGE"). Currently, the TGE S.A. operates seven markets, whose subjects of trade may be electricity, property rights, CO2 emission rights and natural gas, and the commodity forward instruments market with physical delivery for property rights, electricity and natural gas. Regardless of the above-mentioned markets, the TGE S.A. also organises energy auctions, and since 2013 also natural gas auctions. Parties to transactions carried out on the exchange can be only entities that entered into a membership agreement with the Exchange and are authorised to operate on the exchange. The TGE S.A. is a part of the GPW S.A. Capital Group.
At the end of 2016, 71 entities were members of the TGE and 2970 were members of the Certificate of Origin Register kept by the TGE (increase of 431 participants over the year).

As of 30 October 2015, the authority responsible for performing tasks in the field of detection and prevention of cases of market manipulation and using internal information in the scope of trading in wholesale energy products, which are not financial instruments, is the President of the Energy Regulatory Office (*Urząd Regulacji Energetyki*).

Regulated market

The regulated market is operated by the Towarowa Giełda Energii S.A. under the name "Financial Instruments Market." Only financial instruments other than securities, whose underlying instrument is an exchange commodity admitted to trading on the commodity exchange, may be traded on this market. The regulated market operates on the basis of the Trading Regulations of the Financial Instruments Market of the TGE S.A., amendments to which are approved by the KNF, and the Detailed Trading Rules of the Financial Instruments Market of the TGE S.A. specifying the provisions of this document. So far, a futures financial

[5] Based on monthly reports provided by investment fund management companies. Monthly reports are not audited or reviewed by a chartered auditor, therefore information included in them may be subject to subsequent corrections.

instrument, for which the underlying instrument is the TGe24 index of electricity prices determined on the Day-Ahead Market of the TGE, has been admitted to trading.

CO2 auction platform

On 20 December 2016, the Polish Financial Supervision Authority granted the Polish Power Exchange authorisation to run an auction platform for the sale of greenhouse gas emission allowances in the form of two-day spots, provided that after obtaining the authorisation the platform would be designated as the national auction platform and entered by the European Union bodies into the register referred to in Annex III to Commission Regulation (EU) No. 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community (OJ EU series L of 2010 No. 302, p. 1). The auction platform serves the introduction of greenhouse gas emission allowances within the framework of the primary trading and is a key element of infrastructure within the EU Emissions Trading Scheme (ETS). Currently, there are only auction platforms operated by stock exchanges in Leipzig and London functioning in the European Union.

Izba Rozliczeniowa Giełd Towarowych S.A.

The Commodity Clearing House (hereinafter referred to as the "IRGiT S.A.") is authorised to run the Settlement House and the Clearing House, which is one of the conditions necessary for clearing and settlement of financial instruments on the regulated market. On 4 November 2015, the IRGiT S.A. started the settlement of financial instruments in the above-mentioned area together with the commencement of quotes on the Financial Instruments Market of the TGE S.A. According to Article 68a(14) of the Act on trading in financial instruments, the Clearing and Settlement House may act as the Exchange Clearing House within the meaning of the Commodity Exchange Act. Since June 2010, the Exchange Clearing House run by the IRGiT S.A. has been settling transactions carried out on all markets of the Polish Power Exchange (hereinafter referred to as the "POLPX" or "TGE S.A."), including the gas market. The Exchange Clearing House is a partner of the POLPX in cross-border energy trading within a market coupling project. In addition, the IRGiT S.A. is an entity owned in 100% by the Polish Power Exchange and forming part of the GPW S.A. Capital Group.

Electricity

Total trading volume on the electricity markets of the TGE S.A. amounted to 126.7 TWh in 2016 (a decrease of 32.2% compared to 2015).

On the spot market (the Day-Ahead Market and the Intraday Market) - the volume of trading was 27.7 TWh (an increase of 9.9% compared to 2015). The weighted average electricity price for twenty-four hours, of all transactions included on the DAM in 2016, amounted to 161.74 PLN/MWh. This represents an increase of 6.07 PLN/MWh compared to 2015.

Total trading on the Commodity Forward Instruments Market for electricity reached 99.03 TWh (a decrease of 38.7% compared to 2015). The volume-weighted average price of the annual contract BASE_Y-17 in 2016 was at the level of 159.26 PLN/MWh (a decrease of PLN 5.11 compared to the corresponding contract for 2016 the previous year).

Natural gas

On markets for natural gas, total trading volume reached 114.47 TWh, which represents an increase of 7.1% compared to 2015.

On the gas spot market (the Day-Ahead and the Intraday Market) - trading volume was 24.6 TWh (an increase of 76.6% compared to 2015). The volume-weighted average price of gas for twenty-four hours, of all transactions concluded on the spot market in 2016, amounted to 71.16 PLN/MWh (a decrease of 16.30 PLN/MWh YOY).

Trading on the Commodity Forward Instruments Market amounted to 89.87 TWh (a decrease of 3.3% compared to 2015). The volume-weighted average price of the GAS_BASE_Y-17 annual contract in 2016 was 74.50 PLN/MWh and was lower than the price of the GAS_BASE_Y-16 contract in 2015 by 20.85 PLN/MWh.

Property rights market

Total trading of property rights for electricity in 2016 was 50.66 TWh (a decrease of 14% YOY).

The trading volume of green certificates for energy from renewable energy sources (PMOZE and PMOZE_A) was 24.33 TWh (a decrease of 8.7% YOY), of which 7.38 TWh in session transactions on the spot market and 0.48 TWh on the newly created futures market. The weighted average price on session transactions on the spot market was 76.63 PLN/MWh (a decrease of 49.97 PLN/MWh YOY).

In September, trading in the PMOZE-BIO instrument started (the so-called blue certificates for energy produced from agricultural biogas). In 2016, the weighted average price amounted to 295.52 PLN/MWh and the total volume was 118.5 MWh.

The trading volume of property rights for energy efficiency (the so-called white certificates) amounted to 314 751 toe in 2016, which means an increase of 282.3% compared to 2015. The session trading was 290 372 toe and the weighted average annual price in the sessions was 977.35 PLN/toe (an increase of 13.91 PLN/toe YOY).

Financial instruments market

No transactions were carried out on the Financial Instruments Market organised by the TGE in 2016.

3. LICENSE AND AUTHORISATION ACTIVITIES

3.1. BANKING SECTOR

TASKS RELATED TO CHANGES IN THE GOVERNING BODIES OF BANKS

In 2016, the Polish Financial Supervision Authority adopted 39 decisions in the form of resolutions on the approval of the appointment of members of the management board, including the presidents, including:

- 7 decisions on the approval of the appointment of presidents of management boards of banks incorporated as joint stock companies,
- 21 decisions on the approval of the appointment of presidents of management boards of cooperative banks,
- 9 decisions on the approval of the appointment of members of management boards of banks incorporated as joint stock companies,
- 1 decision on the approval of the appointment of a member of the management board of the Bank Gospodarstwa Krajowego,
- 1 decision on the approval of the appointment the president of the management board of the Bank Gospodarstwa Krajowego.

In addition, 6 decisions to discontinue proceedings and 1 decision to suspend proceedings were issued in the above-mentioned cases.

In 2016, the Polish Financial Supervision Authority adopted a decision in the form of a resolution on the approval of performance of one additional function of a member of the supervisory board by a member of the bank's supervisory board.

In 2016, for the first time the Polish Financial Supervision Authority adopted 2 decisions in the form of resolutions on the approval of the appointment of a president of an institutional protection scheme management board and 3 decisions on the approval of the appointment of a member of the institutional protection scheme management board.

TASKS RELATED TO CHANGES IN THE SHAREHOLDERS' STRUCTURE OF BANKS – JOINT STOCK COMPANIES

By decision of 6 December 2016 the Polish Financial Supervision Authority deemed the Treasury of the Republic of Poland the parent entity of the Alior Bank S.A. within the meaning of Article(4)(1)(8)(b) and Article(4)(1)(14) of the Act - Banking Law.

In 2016, the Polish Financial Supervision Authority adopted 3 decisions in the form of resolutions on lack of grounds for filing the objection to the planned acquisition of bank shares or becoming the parent entity of a bank. In addition, 1 proceeding in the above-mentioned cases was discontinued.

The Polish Financial Supervision Authority issued 2 decisions permitting the merger of banks, including 1 decision on a cross-border merger, in 2016. The Authority also issued 1 decision allowing the division of a bank.

APPOINTMENT OF TRUSTEES AT MORTGAGE BANKS

In 2016, the Polish Financial Supervision Authority issued 1 decision on the appointment of a trustee in a mortgage bank.

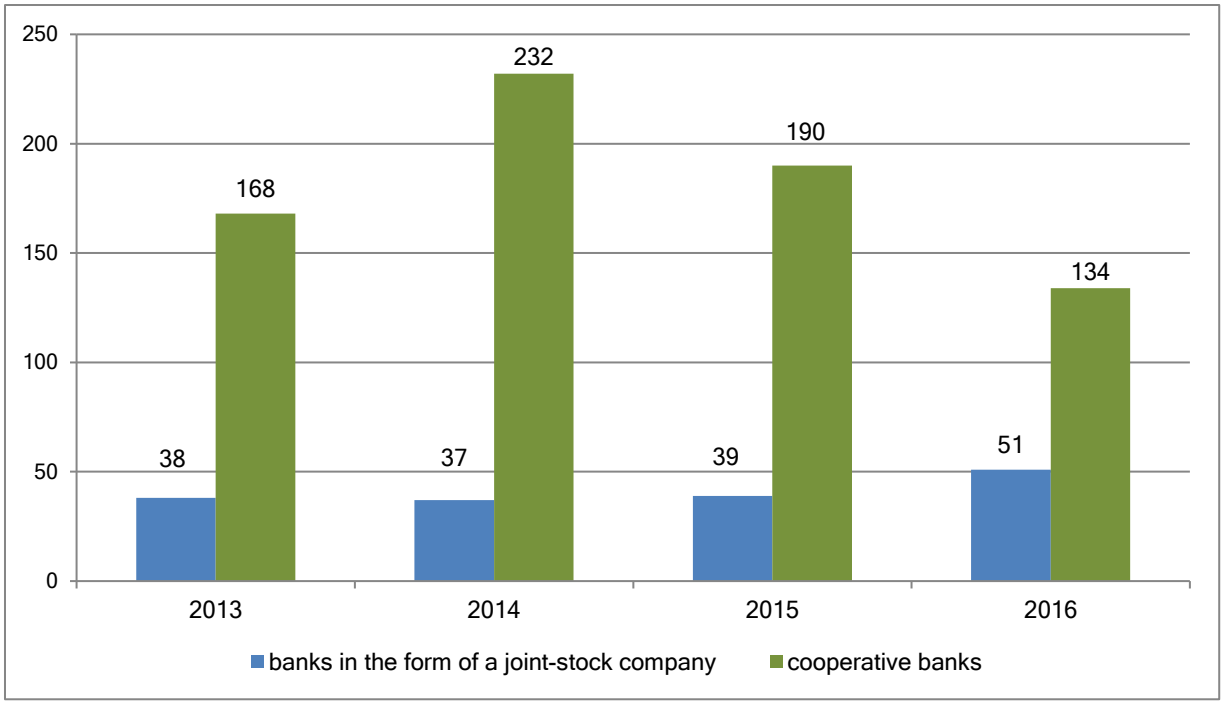
AMENDMENTS TO THE STATUTES OF BANKS

As a result of the examination of submitted applications for amendments to the statutes of banks, the Polish Financial Supervision Authority issued 185 decisions in 2016, including:
- 51 decisions on granting permission for amendments to the statutes of banks in the form of joint stock companies,
- 134 decisions on granting permission for amendments to the statutes of cooperative banks.

Moreover, the following were issued in the proceedings in relation to permissions for amendments to the statutes of a bank:
- 7 decisions discontinuing the proceeding,
- 1 order to suspend proceedings,
- 2 orders to supplement a decision.

The Polish Financial Supervision Authority also gave permission to expand the area of activity of a cooperative bank in the form of a decision.

Diagram 16. The number of issued decisions permitting amendments to the statutes of commercial banks and cooperative banks in 2013-2016



Source: own calculations of the KNF Office

OPENING AND ACTIVITY OF REPRESENTATIVE OFFICES OF FOREIGN BANKS AND CREDIT UNIONS

In 2016, the Polish Financial Supervision Authority issued 2 decisions indicating the conditions of conducting activity in the Republic of Poland for a credit union by its branch. The Polish Financial Supervision Authority also issued 3 decisions concerning the expiry of the authorisation to open a representative office of a foreign bank.

PURSUING ACTIVITY AS PART OF CROSS-BORDER ACTIVITY

In 2016, the Polish Financial Supervision Authority adopted:

- 20 notifications of credit unions on the beginning of cross-border activity in the Republic of Poland,
- 1 notification concerning the cross-border activity of a financial institution in the Republic of Poland,
- 4 notifications of intention to pursue cross-border activity by domestic banks in the countries of the EEA,
- 1 notification concerning the cross-border activity of a Polish financial institution in the countries belonging to the European Economic Area.

3.2. SECTOR OF CREDIT UNIONS (SKOK)

APPROVAL OF AMENDMENTS TO THE STATUTES OF SKOK AND THE NATIONAL UNION

In 2016, the KNF issued 20 decisions approving amendments to the unions' statutes, including one decision made as a result of proceedings for review of the case.

Moreover, 2 decisions on the statutes of the National Union were issued, including one upholding the decision refusing to approve the statutes.

APPROVAL AND APPOINTMENT OF THE PRESIDENTS OF MANAGEMENT BOARDS OF SKOK AND THE NATIONAL UNION

In 2016, the Polish Financial Supervision Authority issued 4 decisions approving/appointing a president of the management board of a union, including:
- 1 authorising the appointment of the president of the management board of a union,
- 3 refusing approval of a president of the management board of a union.

At the same time, the Polish Financial Supervision Authority discontinued 9 proceedings in relation to the appointment/approval of a president of the management board of a union and issued 1 decision refusing to initiate the review proceedings on the approval of a president of the management board of SKOK. In addition, the Polish Financial Supervision Authority repealed decisions refusing to approve a president of the management board of a union in three cases, at the same time discontinuing proceedings for review.

The Polish Financial Supervision Authority issued 1 decision approving a president of the management board of the National Union and 2 decisions on the appointment of a member/president of the management board of the National Union.

DECISIONS IN OTHER CASES

The Polish Financial Supervision Authority issued 5 decisions refusing to allow a social organisation to administrative proceedings, including 2 decisions issued in proceedings for review of a case.

In addition, the following decisions were issued in 2016:
- 15 decisions on the exclusion of a member of the KNF (including 5 concerning the exclusion of the Vice-Chairman),
- 21 decisions on discontinuation of proceedings for the exclusion of a member of the KNF,
- 1 decision on discontinuation of proceedings for the exclusion of the Chairmen of the KNF,
- 1 decision on the exclusion of an employee of the KNF,
- 1 decision declaring inadmissibility of fling a request for review of a case,
- 1 decision on the refusal to suspend proceedings,
- 2 decisions on discontinuation of proceedings in relation to the possibility of reviewing the case file,
- 2 decisions on upholding a decision,
- 2 decision on the refusal to suspend proceedings.

3.3. SECTOR OF PAYMENT SERVICES AND ELECTRONIC MONEY

PAYMENT INSTITUTIONS

In connection with the performance of tasks of supervision of payment institutions, in 2016, the Polish Financial Supervision Authority examined 16 applications for permissions to provide payment services as a domestic payment institution, including 3 applications to change such permission, whereas 2 proceedings for permission to provide payment services were suspended, of which 1 was resumed. During this period, the KNF issued 2 permissions to provide payment services as a domestic payment institution, 2 decisions refusing such permission, 2 decisions on change of the permissions to provide payment services as a domestic payment institution, and 2 decisions discontinuing proceedings for granting permission to provide payment services as a domestic payment institution.

PAYMENT SERVICE OFFICES

As part of its duties related to supervision of payment service offices (hereinafter: “BUP”), the Polish Financial Supervision Authority keeps the Register of Payment Services (hereinafter: “RUP”), which includes, among others, payment service offices.

Since the activity as a payment service office constitutes activity regulated under the Act on freedom of economic activity, it is not necessary to have a permission of the Polish Financial Supervision Authority to do so, but only to obtain an entry into the RUP, which is available through the website of the KNF (*https://erup.knf.gov.pl/View/*).

In 2016, 148 entries of the BUP and 142 changes in the entries were made, and 209 offices were deleted. The KNF issued one decision to return an application for entry of the BUP. By the end of 2016, 1306 BUP were entered into the RUP.

It should be emphasised that payment service offices can only provide the money transfer service. Both payment institutions and payment service offices may, in addition to the provision of payment services, also carry out other business activities and then obtain the status of hybrid payment institutions or hybrid payment service offices.

OPENING AND OPERATION OF BRANCHES OF PAYMENT INSTITUTIONS AND ELECTRONIC MONEY INSTITUTIONS AND THE ACTIVITIES OF AGENTS, DISTRIBUTORS AND CROSS-BORDER ACTIVITY OF THESE INSTITUTIONS

In 2016, the Polish Financial Supervision Authority adopted:

- 2 notifications of the EU payment institutions on starting activity in the Republic of Poland through a branch and 1 notification of the termination of activity of a branch,
- 84 notifications of the operation of EU payment institutions through agents,
- 127 notifications of cross-border activities of EU payment institutions in the Republic of Poland,
- 1 notification of the EU electronic money institution on starting activity in the Republic of Poland through a branch,
- 1 notification of the EU electronic money institution on activity in the Republic of Poland through a distributor,
- 9 notifications of cross-border activity of EU electronic money institutions in the Republic of Poland,
- 7 notifications of cross-border activity of a Polish financial institution in the countries belonging to the European Economic Area,
- 1 notification of a Polish payment institution about the termination of activity of a Polish financial institution in a country belonging to the European Economic Area through an agent.

3.4. INSURANCE SECTOR

AUTHORISATION TO PURSUE INSURANCE AND REINSURANCE ACTIVITIES

In 2016, 2 authorisations to pursue insurance activities were issued for domestic insurance undertakings.

TRANSFER OF THE INSURANCE PORTFOLIO

In 2016, two transfers of the insurance portfolio took place. In both cases, the KNF issued positive opinions on holding own funds by Polish insurance undertaking in the amount not

smaller than the SCR. The opinions were passed to the supervisory authorities of the home Member States, in which the head office of the insurance undertakings transferring the portfolio were seated.

NOTIFICATIONS OF PURSUANCE OF INSURANCE ACTIVITIES IN POLAND

At the end of 2016, 665 insurance undertakings from the Member States of the European Union and other countries belonging to the European Economic Area held a notification of pursuance of insurance activities, and 28 insurance undertakings, including one reinsurance undertaking, through a branch.

In 2016, the KNF received 26 notifications of foreign insurance undertakings of their intention to pursue insurance activities on a cross-border basis. In 2016, 7 insurance undertakings from the EU Member States notified their intention to change the scope of the insurance activities pursued in the Republic of Poland under the freedom to provide services.
In 2016, 7 insurance undertakings ceased their insurance activities in the Republic of Poland. In addition, the intention to transfer or takeover in full or in a part the insurance portfolio was notified by 4 insurance undertakings. One notification included the merger of two notified insurance undertakings under the freedom to provide services. A report in this area is prepared every six months and presented at the meeting of the KNF.

CHANGES IN THE GOVERNING BODIES OF INSURANCE AND REINSURANCE UNDERTAKINGS

In 2016, the Polish Financial Supervision Authority issued 35 decisions concerning approvals for members of management boards of insurance and reinsurance undertakings (11 regarding presidents and 24 regarding members of the management board of insurance undertakings responsible for risk management), and discontinued the proceedings in 13 cases. In addition, the KNF made two decisions in order to refuse consent to an appointment of presidents of the insurance undertakings' management boards.

AMENDMENTS TO THE STATUTES OF THE INSURANCE UNDERTAKINGS

In 2016, the KNF issued 35 decisions approving amendments to the statutes of domestic insurance undertakings.

ACQUISITION OR PURCHASE OF SHARES OR RIGHTS IN SHARES

In 2016, the KNF issued 3 decisions of this type. In two cases, there were no grounds to object to the direct acquisition of shares and in one case to the indirect acquisition of shares of two domestic insurance undertakings.

ENTRY INTO THE ACTUARIAL REGISTER

In the period covered by the report, 35 applications for entry into the actuarial register were submitted and 35 decisions on the entry into the actuarial register were made. In addition, in 2016, two applications for recognition of professional qualifications to perform a regulated profession of an actuary in the Republic of Poland were filed.

INSURANCE AGENTS

In 2016, 118 427 actions in the electronic register of insurance agents, consisting in the registration of applications for entry into the register, altering data included in the register and deleting from the register, were taken. 88 306 changes related to data of agents and 406 809 changes related to persons performing the agency activities were introduced. 5 291 insurance agents and 32 880 persons performing the agency activities were deleted from the register.
As at 31 December 2016, 32 298 insurance agents and 230 475 persons performing the agency activities were included in the register.

Table 26. The number of registered insurance agents and persons performing agency activities in 2013-2016

Detailed list		2013	2014	2015	2016
Agents	exclusive	7 932	7 301	5 540	5 696
	multiagents	4 510	3 523	3 417	3 916
	total	**12 442**	**10 824**	**8 957**	**9 612**
Persons performing the activity of an insurance agent	working for one agent	47 649	63 167	109 626	74 420
	working for at least two agents	11 360	11 174	14 144	17 450
	total	**59 009**	**74 341**	**123 770**	**91 870**

Source: own calculations of the KNF Office

In addition, 108 entities performing the agency activity by persons working under employment contracts, in relation to whom the law provides for simplification of obtaining qualifications, were entered into the register of insurance agents in 2016, including:

- 24 banks, pursuing agency activities through persons obliged to complete training only with regard to the general and special conditions of insurance of the insurance undertaking with which the registered entities cooperate, tariff information, the rules of calculating insurance premiums and the quantitative and qualitative settlements from the concluded insurance contracts and the collection of insurance premiums,
- 18 entrepreneurs who, on the basis of an agreement concluded with a non-life insurance undertaking, pursue agency activities as complementary to their main economic activities, if the agency activity is directly related to the main activities of that entrepreneur, does not require detailed insurance knowledge and the duration of the insurance contract does not exceed 12 months.

In 2016, as part of supervisory activities, authorised representatives of the KNF Office participated as observers in 31 examinations for people applying to perform agency activities, in accordance with § 7 of the Regulation of the Minister of Finance of 14 October 2014 (Dz.U. of 2014, item 1485) on the examination for persons applying for a licence to perform agency services, issued to the Act on insurance mediation.

INSURANCE AND REINSURANCE BROKERS

Table 27. The state of the register of brokers at the end of the period 2013-2016

Brokers		2013	2014	2015	2016
Insurance	natural persons	775	801	830	842
	legal persons	370	395	449	481
	total	**1 145**	**1 196**	**1 279**	**1 323**
Reinsurance	natural persons	8	10	10	10

	legal persons	23	23	29	32
	total	**31**	**33**	**39**	**42**

Source: own calculations of the KNF Office

In 2016, 2500 changes to data entered into the register of insurance and reinsurance brokers maintained were made. 358 changes related to data of brokers and 814 changes related to persons performing brokerage were made. In addition, 1328 activities consisting in the registration of insurance policies against civil liability of insurance and reinsurance brokers were carried out.
As at 31 December 2016, 1332 insurance brokers and 42 reinsurance brokers were registered in the register.

In 2016, the Polish Financial Supervision Authority issued 92 authorisations to pursue insurance and reinsurance brokerage, including 37 authorisations to natural persons and 55 authorisations to legal persons. In addition, 5 authorisations to legal persons to pursue brokerage in respect of reinsurance and 1 authorisation to a natural person were issued.
Within the period covered by the report, proceedings regarding the withdrawal of the authorisation to pursue brokerage in the field of insurance and reinsurance, including 39 proceedings at the request of a party and 1 proceeding initiated *ex officio*, were held.

Table 28. The number of authorisations to perform brokerage in the field of insurance issued by the KNF in 2013-2016

Detailed list	2013	2014	2015	2016
Natural persons	65	57	61	36
Legal persons	44	35	67	50
Total (without reinsurance)	**109**	**92**	**128**	**86**

Source: own calculations of the KNF Office

In the period covered by the report, 6 examinations, conducted by the Examination Board appointed by the Minister of Finance, including 3 exams for insurance brokers and 3 exams for reinsurance brokers, were held. In total, 419 people took the examinations (including 17 for reinsurance brokers). 146 people obtained a positive result (including 13 for reinsurance brokers).

Table 29. Statistics of persons taking the examination for insurance brokers in 2013-2016

Detailed list	2013	2014	2015	2016
Persons taking the exam in total	548	497	468	402
Persons with passed brokerage exam	335	370	393	133

Source: own calculations of the KNF Office

Table 30. Statistics of persons taking the examination for reinsurance brokers in 2013-2016

Detailed list	2013	2014	2015	2016
Persons taking the exam in total	13	19	37	17
Persons with passed brokerage exam	10	18	34	13

Source: own calculations of the KNF Office

NOTIFIED INSURANCE INTERMEDIARIES

In 2016, 292 insurance intermediaries intending to pursue activities in the territory of the Republic of Poland, reported by the registration authorities or the supervisory authorities of the European Union Member States, were notified and 116 notifications of the intermediaries were withdrawn.

3.5. PENSION SECTOR

PENSION FUNDS AND PENSION SOCIETIES

In the area of licensing functions, in 2016, proceedings which ended in 67 administrative resolutions were conducted. In addition, 17 orders were issued in relation to the pension market entities. The number and subject of decisions issued are presented in Table 1.2. in Annex 1.

Liquidation of the Pracowniczy Fundusz Emerytalny Nestlé Polska

On 30 August 2016, the Polish Financial Supervision Authority decided to withdraw the authorisation to create the Pracownicze Towarzystwo Emerytalne Nestlé Polska S.A. The withdrawal of the authorisation was based on Article 61 of the Act of 28 August 1997 Law on the organisation and operation of pension funds in connection with the opening of liquidation of the Society. The decision to withdraw the authorisation to establish the Society defined the date of its entry into force on 30 June 2017. In accordance with Articles 73 and 74 of the Act of Law on the organisation and operation of pension funds, liquidation of an occupational fund whose management was not taken over by another occupational society takes place on the basis of a decision of a supervisory authority to liquidate it. On 20 December 2016, the Polish Financial Supervision Authority ordered the liquidation of the Pracowniczy Fundusz Emerytalny Nestlé Polska and set the date of the beginning of the liquidation on 11 January 2017 and the date of completion of the liquidation on 11 April 2017. At the same time, it appointed the PTE Nestlé Polska S.A. in liquidation as the liquidator of the Pracowniczy Fundusz Emerytalny Nestlé Polska.
After the completion of the liquidation process of the Pracowniczy Fundusz Emerytalny Nestlé Polska, the market of occupational pension funds will consist of 3 entities.

Change of depositary of the MetLife Otwarty Fundusz Emerytalny and the MetLife Dobrowolny Fundusz Emerytalny

On 12 September 2016, the Polish Financial Supervision Authority issued authorisation to change the depositary for the MetLife Otwarty Fundusz Emerytalny and the MetLife Dobrowolny Fundusz Emerytalny. Since 27 October 2016, the fiduciary functions for the above-mentioned Funds have been performed by the Deutsche Bank Polska S.A., instead of the Bank Handlowy w Warszawie S.A. The change of the depositary allowed a significant reduction in the operating costs of the MetLife OFE and the MetLife DFE borne from the assets of these funds.

OCCUPATIONAL PENSION SCHEMES (PPE)

During the period covered by the report, the Office of the Authority recorded:
- a decrease in the number of applications to enter a scheme to the register of about 17% (24 applications in 2016 and 29 applications the previous year),
- an increase in the number of applications to enter changes in a scheme to the register of about 6% (149 applications in 2016 and 141 applications the previous year),
- an increase in the number of applications to delete a scheme from the register of about 50% (51 applications in 2016 and 34 applications the previous year),
- a decrease in the number of notifications of changing data of an employer or provider of about 55% (66 notifications in 2016 and 146 notifications the previous year).

The number and the subject of decisions issued in 2016 under the authorisation granted by the KNF related to the PPE are presented in Table 1.2. in Annex 1.

3.6. CAPITAL AND COMMERCIAL MARKET

INVESTMENT FIRMS AND CUSTODIAN BANKS

In 2016, a decrease in the number of brokerage houses was observed. This was related to the consolidation processes of brokerage within capital groups, especially in the case of banks pursuing brokerage and at the same time having subsidiaries - brokerage houses. As a result of the consolidation processes, the brokerage was transferred to brokerage houses. Moreover, transfer of activity in the area of management of portfolios that include one financial instrument or more from brokerage houses to investment fund management companies was observed, which also affected the number of brokerage houses.

In 2016, the KNF issued 7 decisions concerning authorisation to pursue brokerage extending the previous scope of activity of brokerage houses, 1 decision granting authorisation to pursue brokerage extending the previous scope of activity of banks pursuing brokerage, 1 decision granting authorisation to acquire two-day spots at auctions organised by an auction platform, 1 decision granting authorisation to pursue fiduciary activity, 2 decisions declaring expiry of authorisations to pursue brokerage, and 3 decisions partially reversing authorisation to pursue brokerage. The KNF also issued 6 decisions on discontinuation of proceedings, including 4 decisions granting authorisation to pursue brokerage, 1 decision granting authorisation to pursue fiduciary activity and 1 decision reversing authorisation to pursue brokerage.

As at 31 December 2016, 13 applications for authorisation to pursue brokerage, 2 applications for reversing authorisation to pursue brokerage and 1 application for pursuing activity of acquisition of two-day spots at auctions were under examination.

In 2016, 9 notices of the intention to acquire or purchase shares of brokerage houses were considered. In all cases the proceedings were discontinued.
As at 31 December 2016, 2 proceedings regarding the notice of the intention to acquire or purchase shares of a brokerage house were under consideration.

Notification of investment firms

In the period covered by this report, the KNF received 151 notices of the intention to pursue brokerage without a branch and 2 notices of the intention to pursue brokerage through a branch in the Republic of Poland by foreign investment firms, as well as 273 notifications concerning the change of data covered by the original notification. 57 entities resigned from pursuing brokerage in the Republic of Poland without a branch, and 2 from pursuing activities through a branch.

Table 31. The number of notified foreign investment firms at the end of 2013-2016

Type of entity	2013	2014	2015	2016
Foreign investment firms without a branch	1762	1778	1816	1919
Foreign investment firm - branch	14	14	15	15
Total	**1776**	**1792**	**1831**	**1934**

Source: own calculations of the KNF Office

In the period covered by the report, the Polish Financial Supervision Authority discontinued 4 proceedings in relation to notices of the intention to pursue brokerage by Polish investment firms without opening a branch in other Member States.
As at 31 December 2016, the Authority did not conduct any proceedings regarding the notice of the intention to pursue brokerage by Polish investment firms in other Member States.

Table 32. The number of Polish investment firms which notified their intention to conduct brokerage outside the territory of the Republic of Poland at the end of 2013-2016

Type of entity	2013	2014	2015	2016
Brokerage house (number of branches)	4 (13)	2 (8)	2 (8)	2 (8)
Brokerage house without a branch	13	13	13	12

Source: own calculations of the KNF Office

COMMODITY BROKERAGE HOUSES AND ENTITIES MAINTAINING ACCOUNTS OR REGISTERS OF EXCHANGE COMMODITIES

Issues related to the licensing of entities applying for authorisation to pursue activity of trade in exchange commodities on the commodity exchange are considered within the scope of tasks of the Polish Financial Supervision Authority. Direct parties to market transactions made only on own account may be, *inter alia*, energy undertakings within the meaning of the provisions of the Act on energy law, provided that they are authorised by the Authority to maintain accounts or registers of exchange commodities.

In 2016, 3 permissions to maintain accounts or registers of exchange commodities were granted to energy undertakings. The KNF issued 2 decisions reversing permission to maintain accounts or registers of exchange commodities.

As at 31 December 2016, 7 applications for permission and 1 application for reversing permission to maintain accounts or registers of exchange commodities were under examination. 55 energy undertakings had permissions to maintain accounts or registers of exchange commodities and 1 commodity brokerage house had authorisation to conduct activity of trade in exchange commodities.

AGENTS OF INVESTMENT FIRMS

As of 31 December 2016, the register of agents of investment firms contained 179 entities, including 29 legal persons and organisational entities without legal personality and 150 natural persons.

In 2016, 46 natural persons and 16 legal persons and organisational entities without legal personality were entered into the register of agents of investment firms.

The following actions were carried out in the register of agents of investment firms with which investment firms concluded an agency agreement: 57 entries to the register, about 69 data changes in the register, and 11 decisions on the initiation of *ex officio* administrative proceedings on deleting an agent of an investment firm from the register of agents of investment firms with which the investment firms concluded an agency agreement.

The Authority issued 10 decisions on deletion from the register of agents of investment firms, including 7 decisions under Article 79(9)(2) of the Act on trading in financial instruments, 2

decisions pursuant to Article 79(9)(3) of the above-mentioned Act and 1 decision at the request of a party.

Table 33. The state of the register of agents of investment firms at the end of 2013-2016

Agents of investment firms	2013	2014	2015	2016
Natural persons	164	185	194	150
Legal persons	29	32	35	29
Total	**193**	**217**	**229**	**179**

Source: own calculations of the KNF Office

SECURITIES BROKERS

As at 31 December 2016, the number of licensed securities brokers was 2974. 67 people were entered into the list of securities brokers in 2016.

Table 34. The number of persons entered into the list of securities brokers and total number of licensed securities brokers in 2013-2016

Detailed list	2013	2014	2015	2016
The number of persons entered into the list of securities broker in a given year	84	82	116	67
Total number of licensed securities brokers	2 710	2 791	2 907	2 974

Source: own calculations of the KNF Office

In 2016, two exams for securities broker were held. 275 people took these exams and 69 passed them. So far, 3149 people have passed the examination for securities broker.
Moreover, within the period covered by the report, 1 supplementary exam for securities broker was held. 1 person sat for this examination and passed it. So far, 99 people have passed the supplementary exam for securities brokers.

INVESTMENT ADVISERS

As at 31 December 2016, the number of licensed investment advisers was 571. 33 people were added to the list of investment advisers in 2016.

Table 35. The number of persons entered into the list of investment advisers and total number of licensed investment advisers in 2013-2016

Detailed list	2013	2014	2015	2016
The number of persons entered into the list of investment entered in a given year	67	27	34	33
Total number of licensed investment advisers	477	504	539	571

Source: own calculations of the KNF Office

In 2016, 6 partial exams of the examination for investment advisor took place. 33 people passed the entire examination cycle. In addition, two aptitude tests were held. 21 people passed the exam.

INFORMATION AGENCIES

In 2016, the Authority issued one decision refusing to designate a company as an information agency.

In 2016, the Authority issued 3 decisions at the request of information agencies reversing the KNF's decisions to designate a company as an information agency. Therefore, as of 31 December 2016, 4 entities had the status of an information agency: the Polish Press Agency (entity acting as the information agency the longest), the Bloomberg L.P., the Grupa INTERIA.PL sp. z o.o. sp.k., and the Notoria Serwis S.A.

COMPANIES OPERATING THE REGULATED MARKET, THE EXCHANGE COMMODITY MARKET AND THE SECURITIES DEPOSITORY

Table 36. The number of decisions issued in 2016

Entity being a party to the decision	Number of decisions
Giełda Papierów Wartościowych w Warszawie S.A.	5
BondSpot S.A.	2
KDPW S.A.	3
KDPW_CCP S.A.	5
Towarowa Giełda Energii S.A.	6

Source: own calculations of the KNF Office

The number and the subject of the above-mentioned decisions are presented in Table 1.2. in Appendix 1.

APPROVAL OF PROSPECTUSES OF FINANCIAL INSTRUMENTS OTHER THAN INVESTMENT CERTIFICATES

In 2016, the KNF issued 143 decisions on the approval of prospectuses, information memoranda and supplements updating their content, including:
- 40 decisions approving prospectuses of securities other than investment certificates (drawn up in the form of stand-alone or three-partite documents),
- 3 decisions approving information memorandum,
- 100 decisions approving supplements to prospectuses (and to information memoranda) of securities other than investment certificates.

Table 37. The number of approved prospectuses and supplements to prospectuses between 2013 and 2016

Detailed list	2013	2014	2015	2016
The number of approved prospectuses	29	45	51	40
The number of approved information memoranda/stating equivalence of an information memorandum with the requirements for a prospectus	3	1	2	3
The number of approved supplements to prospectuses	106	93	144	100

Source: own calculations of the KNF Office

Within the period covered by the report, the KNF received 44 notifications of the approval of prospectus from supervisory authorities of other Member States.

In the course of the proceedings for the approval of the prospectus (information memorandum) conducted in 2016, the KNF passed nearly 5200 comments on the submitted documents.
In addition, the KNF issued 18 decisions to suspend administrative proceedings regarding the approval of the prospectus (information memorandum, supplement to the prospectus), 16 decisions to resume suspended proceedings and 23 decisions to discontinue administrative proceedings regarding the approval of the prospectus (information memorandum, supplement to the prospectus).
In 2016, the KNF issued 14 opinions related to the public offerings carried out or the admission of securities to trading on a regulated market.

The list of issuers whose prospectuses were approved by the Polish Financial Supervision Authority in 2016 is presented in Table 2.1. in Annex 2, while the current list of prospectuses approved by the KNF is available on the Authority's website.

In 2016, the KNF also received 36 notifications of the intention to carry out promotional activities related to the public offering of securities.

ENTITIES OF THE INVESTMENT FUND MARKET

In 2016, the supervisory authority issued 240 decisions related to the entities of the investment fund market.

The number and subject of the resolutions adopted and decisions issued are presented in Table 1.1 and Table 1.2. in Annex 1, respectively.

As at 31 December 2016, 62 investment fund management companies, managing a total of 929 investment funds, were authorised by the KNF, including: 44 open-end investment funds, 53 specialised open-end investment funds and 832 closed-end investment funds.

Table 38. The number of investment fund management companies and investment funds in 2013-2016 cumulatively

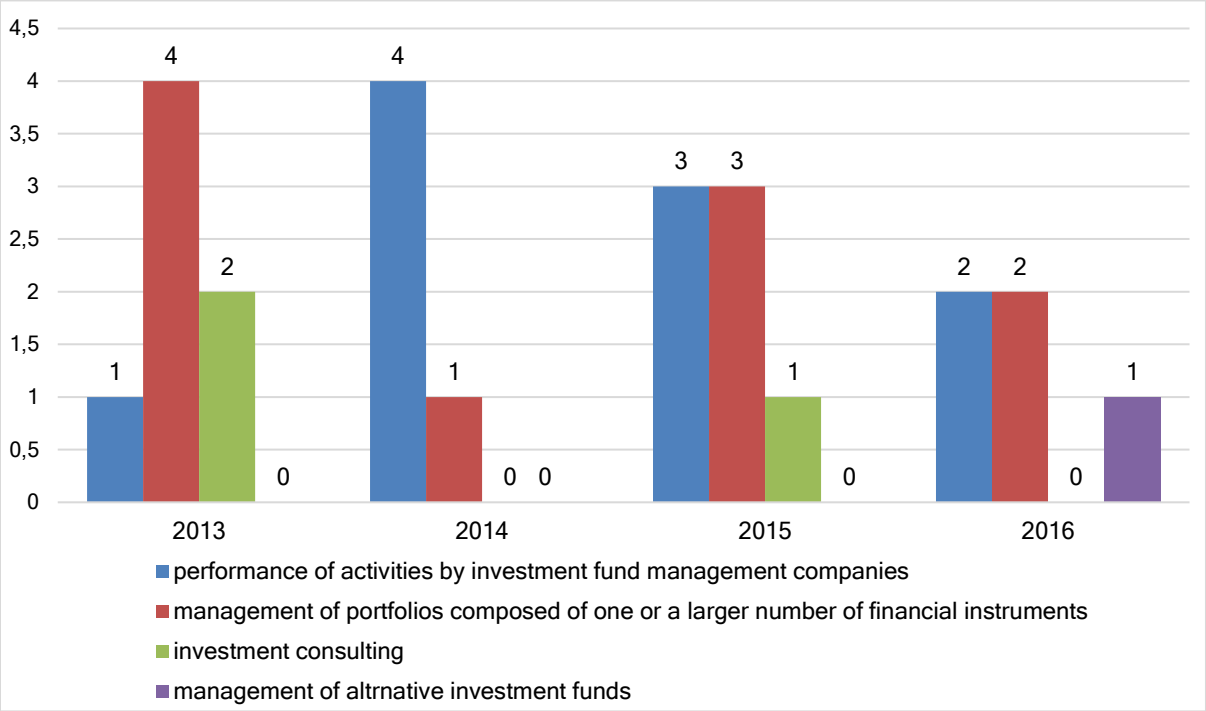
Detailed list	2013	2014	2015	2016
Investment fund management companies	55	58	60	62
Investment funds	639	681	815	929

Source: own calculations of the KNF Office

In 2016, the Polish Financial Supervision Authority issued one permission for performance of activities by an investment fund management company for the Insignis TFI S.A.

In 2016, the Polish Financial Supervision Authority issued, pursuant to the amended provisions of the Act on investment funds and the management of alternative investment funds, one permission for performance of activities by an investment fund management company together with the authorisation to manage alternative investment funds for the Skanska TFI S.A.

Diagram 17. The number of permissions regarding the activity of investment fund management companies in 2013-2016



Source: own calculations of the KNF Office

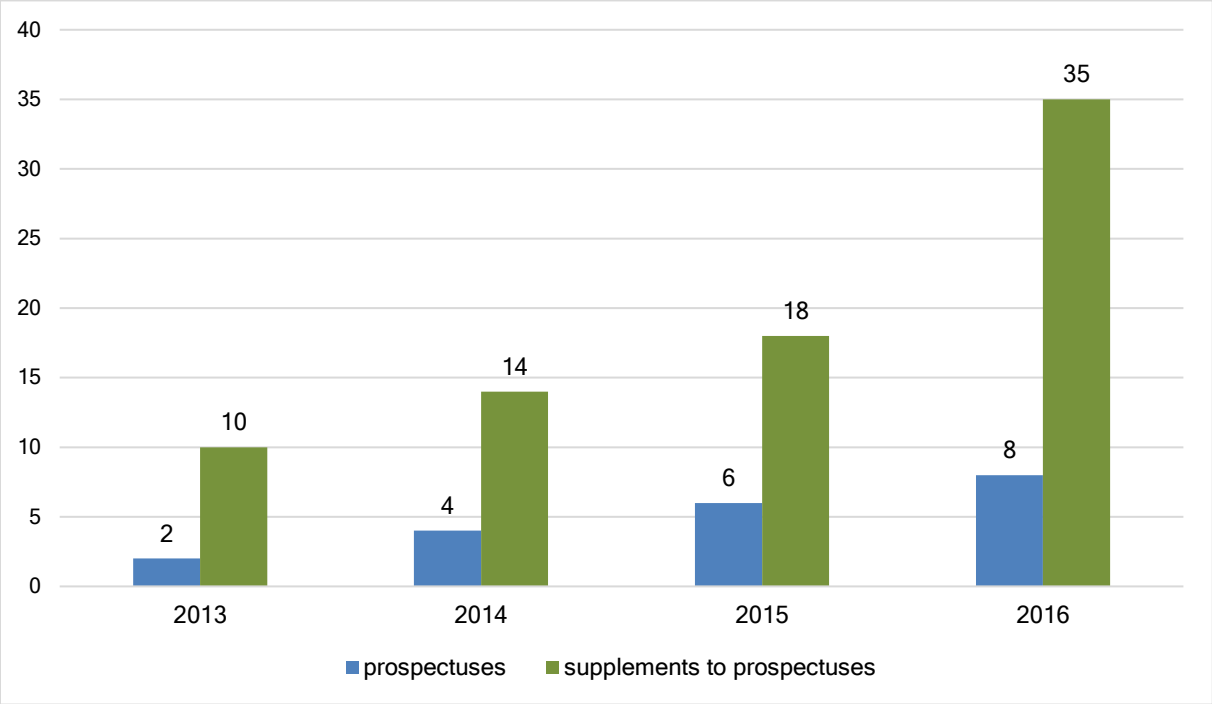
In 2016, the Polish Financial Supervision Authority issued:
- 3 permissions to establish an open-end investment fund,
- 3 permissions to establish a specialised open-end investment fund,
- 2 permissions to establish a public closed-end investment fund.

In 2016, 6 new funds with separate sub-funds began operating. As a result of their establishment and amendment to the fund's statutes related to the creation of a new sub-fund, the number of sub-funds separated within this type of funds increased from 493 sub-funds in December 2015 to 545 sub-funds at the end of December 2016.

In 2016, 161 closed-end investment funds, whose investment certificates in accordance with the fund's statutes will not be offered by public offering or admitted to trading on a regulated market or placed in the alternative trading system, were registered.

In 2016, the KNF issued 43 decisions on the approval of prospectuses and supplements in the investment fund sector, including:
- 8 decisions approving prospectuses of investment certificates issued by public closed-end investment funds,
- 35 decisions approving supplements to prospectuses of investment certificates issued by public closed-end investment funds.

Diagram 18. The number of prospectuses and supplements to prospectuses of public closed-end investment funds approved by the KNF in 2013-2016



Source: own calculations of the KNF Office

Acquisition or purchase of shares or rights in shares

In 2016, 8 notices of the intention to acquire or purchase shares of investment fund management companies were considered. In 6 cases a decision was made not to object to the intention to acquire or purchase shares of an investment fund management company and to set a date within which the acquisition or purchase may be made, and in 1 case a decision was made to object to the intention to acquire shares of an investment fund management company, and in 1 case the proceedings were discontinued.
As at 31 December 2016, 3 proceedings regarding the intention to acquire or purchase shares of investment fund management companies were pending.

Cross-border activity

In 2016, the Polish Financial Supervision Authority received by e-mail 30 complete notifications of the intention to sell shares of foreign funds (UCITS) on the territory of the Republic of Poland, which were related to 7 new foreign funds and 70 sub-funds of foreign funds. For comparison, in 2015, 17 complete notifications concerning 3 new foreign funds and 80 sub-funds of foreign funds were received.
In 2016, as opposed to the period between 2013 and 2015, when there were no notifications of management companies, the Polish Financial Supervision Authority received notifications of two management companies based outside the territory of the Republic of Poland of their intention to operate, without a branch, on the territory of the Republic of Poland.
With respect to the funds with their registered office in EU country other than the Republic of Poland, which are not UCITS funds, in 2016, the Polish Financial Supervision Authority received 75 complete notifications of the intention to market 94 alternative investment funds and 7 European venture capital funds (EuVECA) on the territory of the Republic of Poland.
Moreover, in 2016, the Polish Financial Supervision Authority received notifications from 17 alternative investment fund managers based outside the Republic of Poland of their intention to operate on the territory of the Republic of Poland without a branch.

Intermediaries in the sale or repurchase of units or shares

According to Article 32(2) of the Act on investment funds and the management of alternative investment funds, units of investment funds or shares of foreign funds may be sold and repurchased through an entity having its registered office or place of residence on the territory of the Republic of Poland.
As of 31 December 2016, the list of distributors of units authorised by the Polish Financial Supervision Authority included 90 entities. During the period covered by the report, the Polish Financial Supervision Authority issued 4 authorisations for mediation in the sale and repurchase of units of investment funds and/or shares of foreign funds.

GRANTING AUTHORISATIONS TO CONVERT SHARES INTO CERTIFIED FORM (REMETARIALISATION OF SHARES)

In 2016, the Polish Financial Supervision Authority issued 18 authorisations to convert shares in a public company into certified form (rematerialisation of shares – Article 91(1) and (2) of the Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organised trading and public companies).

4. SUPERVISORY ACTIONS OF AN ANALYTICAL NATURE

4.1. BANKING SUPERVISION

PRUDENTIAL SUPERVISION OF DOMESTIC BANKS

The supervisory activities undertaken by the KNF in 2016 consisted in the ongoing monitoring and quarterly analysis of the economic and financial situation of banks (assessment for the 4th quarter of 2015 and 3 quarters of 2016). On this basis, quarterly bank assessments were made in the KOBRA system. In 2016, all commercial banks were assessed. 136 quarterly analyses of commercial banks were prepared. In 2016, the process of cyclical review and assessment of cooperative and affiliating banks was continued. 2 241 quarterly analyses of cooperative banks and 8 quarterly analyses of affiliating banks were prepared.

In addition to the quarterly assessment, banks are subject to analysis as part of the SREP, i.e. the Supervisory Review and Evaluation Process. Detailed information on the SREP in the banking sector is provided in the section Supervisory Review and Evaluation Process (SREP). Moreover, 104 quarterly analyses of branches of credit unions were prepared (assessment for the 4th quarter of 2015 and 3 quarters of 2016).

The consolidated financial statements of banks, the economic and financial situation of holding companies and parent undertakings of banks were analysed as part of the consolidated supervision. Within the framework of direct analytical supervision, banks were selected for comprehensive and targeted inspections, and then this information was passed to the organisational units of the KNF Office responsible for inspection activities. Data for bank inspections was prepared.

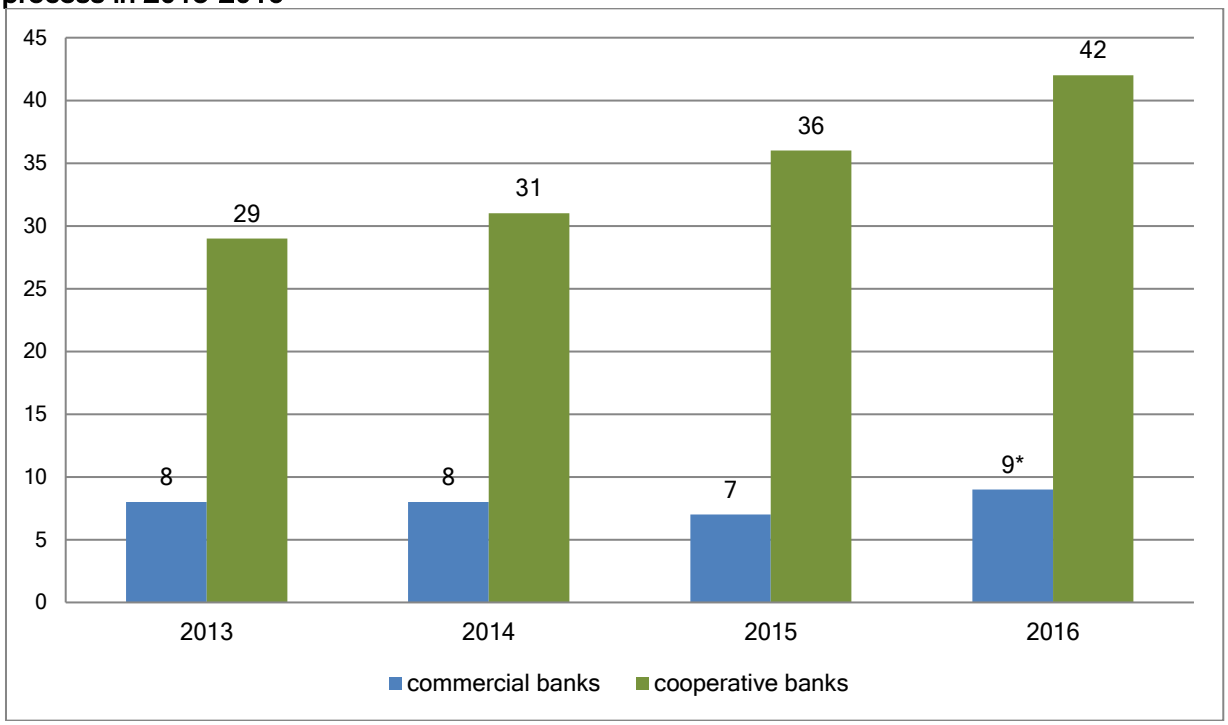
Comparative analyses of the classification of receivables from the same borrower by different banks as well as the presentation of the shareholding of some of the significant bank clients were carried out - in the event of discrepancies, suitable actions consisting in appropriate notices to the supervised entities were taken. The analysis also covered the geographic and industry structure of receivables of domestic banks and branches of credit unions.

Supervisory actions were carried out, among others, in the following areas:
– strengthening the capital base, including the principle of paying dividends,

- bancassurance,
- transformation processes,
- administrative proceedings, including applications to classify subordinated debt as funds, periodic profits, establishment of compulsory administration,
- liquidity,
- programmes of rehabilitation process (PRP), including the assessment of the level of their implementation, the completion of the PRP or the imposition of the PRP,
- the implementation of recommendations issued as part of an inspection, the SREP assessment and other issued as a result of off-site supervision.

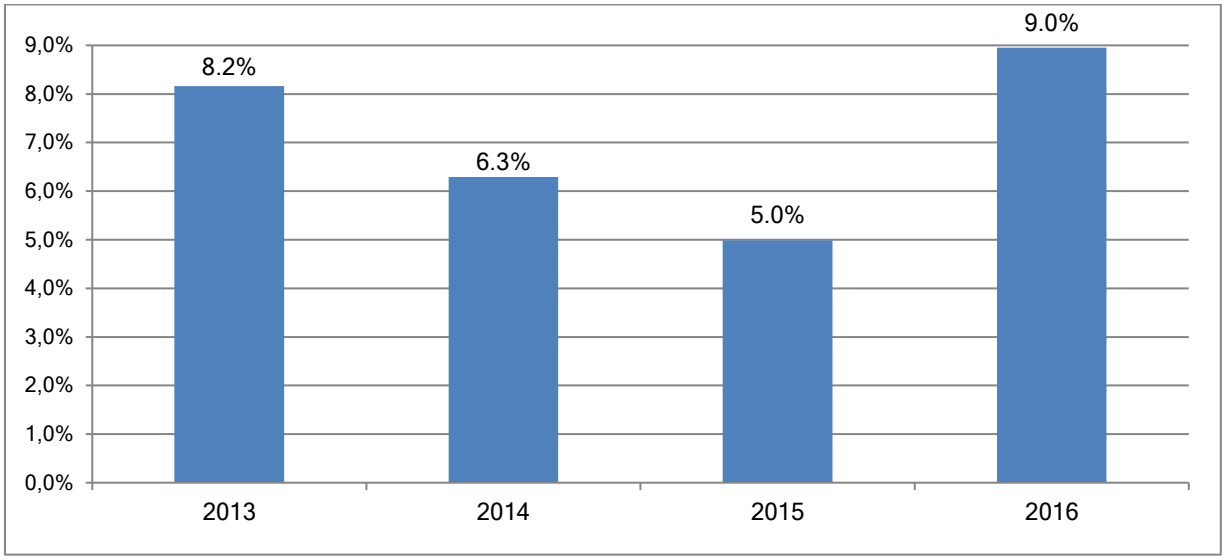
In 2016, 8 commercial banks were subject to the rehabilitation process. One bank was formally released from the implementation of the PRP (after the analysis of the financial statement for 2015 performed by a chartered auditor). At the beginning of 2016, 39 cooperative banks and one of the affiliating banks were subject to the rehabilitation process. At the end of 2016, 42 cooperative banks and one of the affiliating banks were subject to the rehabilitation process. In 2016, the Authority appointed two officers supervising the implementation of programmes of rehabilitation process of cooperative banks.

Diagram 19. The number of commercial and cooperative banks subject to the rehabilitation process in 2013-2016



*including one affiliating bank
Source: own calculations of the KNF Office

Diagram 20. Share of assets of commercial and cooperative banks subject to the rehabilitation process in the banking sector assets (in %) in 2013-2016



Source: own calculations of the KNF Office
The share of assets of cooperative banks covered by the programme of rehabilitation process in banking sector assets was 0.7% at the end of 2016.

DECISIONS ON SUBORDINATED DEBT

In 2016, the KNF issued the following decisions in individual cases related to:
- classifying subordinated debt as supplemental funds - 10 decisions,
- classifying cash generated from the issue of bonds as supplemental funds - 8 decisions,
- earlier repayment of subordinated debt – 2 decisions.

DECISIONS ON OWN FUNDS

Decisions in individual cases were related to:
- the permission to classify liabilities arising from the financial instruments issued by the Bank as Tier I capital - 5 decisions,
- the permission to classify cash of the Bank gained from the issue of long-term bonds and subordinated loans as instruments in Tier II capital - 12 decisions,
- the classification of profit for a given period to Tier I capital of the Bank - 14 decisions,
- the permission to reduce own funds - 532 decisions,
- the permission to classify shares contributed after 28 June 2013 as Tier I capital - 2 decisions.

In addition, the KNF allowed the merger of the Warmińsko-Mazurski Bank Spółdzielczy in Pisz (as the acquiring bank) with the Spółdzielczy Bank Ludowy in Olsztyn (as the acquired bank). The Authority allowed the Bank Spółdzielczy Ziemi Łowickiej in Łowicz to acquire an organised part of the banking company the SGB-Bank S.A. in the form of a branch of the SGB-Bank S.A. in Lesznowola. The Polish Financial Supervision Authority unanimously suspended the activity of the Bank Spółdzielczy in Nadarzyn as of 21 October 2016 and decided to request the competent court for declaration of bankruptcy of this cooperative bank.

INFORMATION ON THE NOTIFICATION OF AN EQUITY FUND OF COOPERATIVE BANKS TO THE EBA. INFORMATION ON THE INSTITUTIONAL PROTECTION SCHEMES (IPS)

On 1 December 2016, the European Banking Authority (hereinafter: the EBA) published a list of instruments which meet the criteria set out in the Capital Requirements Regulation (CRR)

for Common Equity Tier I (hereinafter: the CET1), taking into account the member share in Polish cooperative banks (website address: http://www.eba.europa.eu/-/eba-updates-list-of-cetl-instruments). The publication of the updated list means successful completion of the notification process of member shares, which the KNF has been striving for since the date of entry into force of the CRR.

It should be emphasised here that the successful completion of the notification procedure was possible only after the amendment of Article 10c of the Act of 7 December 2000 on the functioning of cooperative banks, their associations and affiliating banks, as defined in the Act of 10 June 2016 on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Resolution. Previous wording of Article 10c (from the Act of 25 June 2015 amending the Act on the functioning of cooperative banks, their associations and affiliating banks) did not constitute a sufficient basis to enter the member share into the list of EBA instruments meeting the criteria for the CET1.

On 27 September 2016, the KNF approved the amendment to the draft "SGB Protection System Agreement" approved on 3 November 2015, by adding a provision according to which in the case of banks that as at 31 December 2015 were obliged to prepare or were in the process of implementation of the programme of rehabilitation process, the decision to charge the contribution to the Protection System Aid Fund and the contribution to the Cooperative of the Institutional Protection Scheme of the SGB to a bank will be taken by the General Assembly of Members of the Institutional Protection Scheme of the SGB. The amendment allowed reducing the effects of the postponed accession to the Protection System of the SGB for banks which are currently members of the SGB, but are not members of the Protection System of the SGB.

Both affiliating banks submitted applications to the KNF for exemption from the requirements of Part VI of the CRR. So far, the KNF has decided on the applications related to the LCR, i.e. unanimously allowed the exemption of individual application of the provisions specified in Articles 412 and 414 of the CRR (in part referring to Article 412 of the CRR) by, respectively:

- the SGB-Bank S.A. and 191 cooperative banks being co-founders of the SGB Protection System - at the meeting on 9 August 2016,
- the Bank Polskiej Spółdzielczości S.A. and 267 cooperative banks which signed the agreement of the Protection System of the BPS - at the meeting on 11 October 2016.

The KNF also indicated the SGB-Bank and the Bank Polskiej Spółdzielczości S.A. as obliged to meet the requirements specified in Articles 412 and 414 of the CRR (in the part concerning Article 412 of the CRR) and the reporting requirements set out in Part Six Title II of the CRR on the basis of the consolidated situation of all banks forming part of the SGB Protection System and the Protection System of the BPS Association. The Authority's decisions concerns only the LCR and does not apply to the NSFR.

In 2016, the Polish Financial Supervision Authority reviewed four analyses of the situation of the cooperative banking sector: Information on the situation of the cooperative banking sector in 2015, Information on the situation of the cooperative banking sector in the first quarter of 2016, in the first half of 2016 and the third quarter of 2016. The Authority reviewed two half-yearly reports on the situation of cooperative banks subject to the rehabilitation process. The economic and financial situation of large cooperative banks was discussed separately in quarterly analyses of the cooperative banking sector.

STRESS TESTS

In 2016, for the seventh time, the KNF Office conducted stress tests of the banking sector. The purpose of these tests was to determine potential impact of the variable macroeconomic environment on the financial and capital situation of the Polish banking sector institutions and to assess the sector's resilience to shock. All commercial banks (excluding BGK and banks withdrawing from Poland) participated in the tests.

This edition of tests coincided with the pan-European stress tests coordinated by the European Banking Authority (EBA). The largest banking groups of the European Economic Area also participated in these tests. As for the domestic banks, only the PKO Bank Polski S.A. participated directly in this edition of the test, and its results were published on the EBA's website. Other banks were basing on an analogous methodology at the national level in their calculations.
When data was transferred to the KNF Office, the preliminary analysis was carried out. The verification covered internal consistency of forecasts and their compliance with the methodology, as well as the reality of extrapolated trends. Any doubts arising during this process were consulted with banks on a regular basis. In addition, models developed in the KNF Office were used to verify bank forecasts.
Published results indicate high resistance of the banking sector to hypothetical market shocks and its good capitalisation.

SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP)

In April 2016, the KNF Office provided banks with information on placing the amended SREP methodology on the KNF's website. The amendment implements the national provisions applicable since 1 November 2015 to the supervisory review and evaluation process, transposing the CRD IV to the national legal order, i.e.:

- the amended Act of 29 August 1997 - Banking Law (Dz.U. of 2015 item 128, as amended),
- the Act of 5 August 2015 on the macro-prudential supervision of the financial system and crisis management in the financial system (Dz.U. of 2015, item 1513).

The amendments also include the implementation of the requirements of other national provisions of the law, including, in particular, those relating to mortgage banks, entering into force on 1 January 2016, included in:

- the amended Act of 29 August 1997 on mortgage bonds and mortgage banks (Dz.U. of 2015 item 1588, as amended),
- Regulation of the Minister of Finance of 30 December 2015 on the calculation of the collateral of mortgage bonds and conducting the balance of coverage test and liquidity test (Dz.U. of 2015, item 2360).

In addition, the SREP included further requirements of the Guidelines on common procedures and methodologies for the supervisory review and evaluation process of 19 December 2014 issued by the European Banking Authority (EBA), which should be adopted by national supervisors since 1 January 2016. These requirements were adjusted to the specificity of the Polish banking sector. In 2016, cooperative and affiliating banks went through 643 SREP assessments, amended with the assessment of the risk management quality, while commercial banks went through 34 SREP assessments.

Works on the SREP methodology will continue in 2017. Modifications adapting the methodology to the provisions of the Act on the Bank Guarantee Fund, the deposit guarantee scheme and resolution in force since 9 October 2016 within the framework of the issues identified in the above-mentioned document of the EBA are provided for.

The SREP assessment conducted by the KNF Office takes into account, in a complementary and coherent manner, the findings of analytical and inspection activities carried out by the supervisory authorities in banks. The intensity of the SREP assessment in individual banks depends primarily on the overall SREP score given in the previous SREP cycle and the grouping of banks during the categorisation process. The SREP methodology assumes continuous updating of the SREP as part of quarterly off-site analyses and dialogue of the supervisory authorities with banks.

REHABILITATION PLANS

In 2016, regulations under Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the rehabilitation and resolution of credit unions and investment firms were introduced into the Polish legal system. Relevant provisions were included, *inter alia*, in the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee scheme and resolution (Dz. U. of 2016, item 996) and the amended Act of 29 August 1997 - Banking Law (Dz. U. of 2015, item 128, as amended).
The primary goal of the rehabilitation plan is to introduce solutions to avoid escalation of negative phenomena which, in extreme cases, may lead to bankruptcy of a bank or to resolution by a resolution authority, and to secure continuation of operations in areas deemed critical (the so-called critical functions).
The KNF Office has taken steps to first adopt individual rehabilitation plans for systemic banks which are subsidiaries of entities supervised by the European Central Bank (ECB). The KNF Office decided that banks which meet at least one of the following criteria would be obliged to draw up individual plans: banks listed on the stock exchange; banks with a market share of non-financial sector deposits above 5%. Subsequently, the group of entities was extended by the most important non-subsidiary entities supervised by the ECB - so far, 14 banks have been obliged to prepare the rehabilitation plans. At the next stage, for the proper course of the process and in order to impose a uniform assessment framework for these plans, the KNF Office prepared the guidelines for commercial banks on the preparation of rehabilitation plans.

MONITORING OF COMPLIANCE WITH THE APPLICABLE REGULATIONS BY BANKS

The KNF Office carries out regular off-site monitoring of the financial situation of banks, including the liquidity and capital situation. In 2016, once again special emphasis was placed on maintaining good quality of equity and its appropriate level by banks. Equity ensures safety for a bank in the event of adverse external events which may arise, for example, in connection with a crisis in real terms or turbulence on international financial markets.

ANALYSES OF THE SOLUTION TO THE PROBLEM OF INDEXED LOANS AND LOANS DENOMINATED IN FOREIGN CURRENCIES

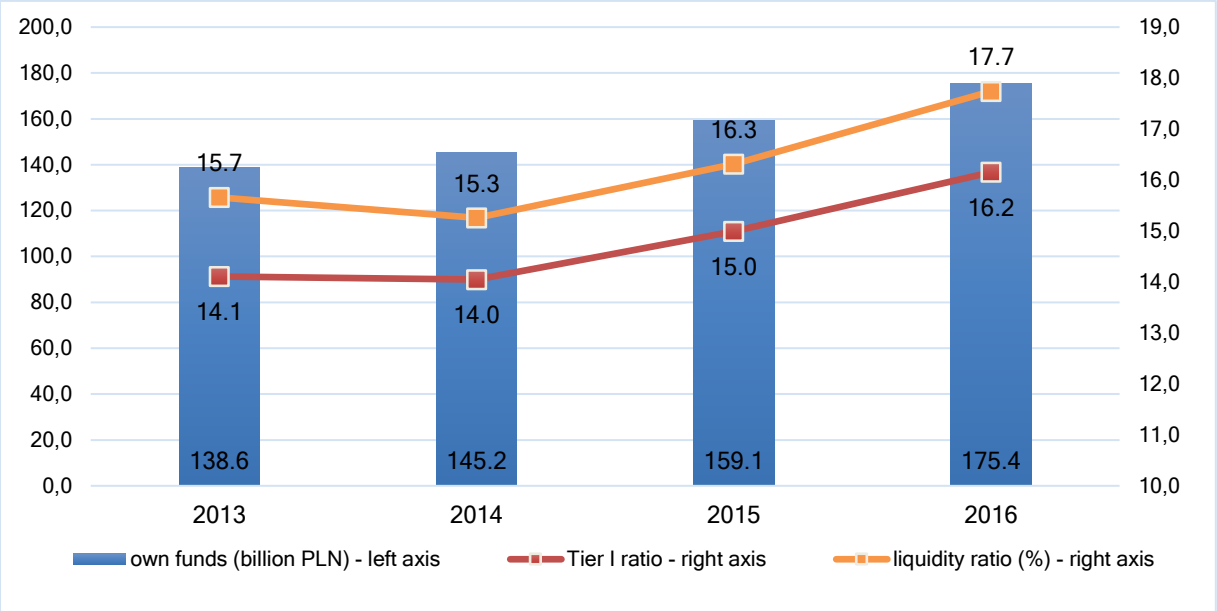
The KNF Office carried out a number of expert analyses concerning the situation of banks holding portfolios of indexed loans and loans denominated in foreign currencies, especially in Swiss franc. In particular, the KNF Office expressed its opinion on the submitted proposals of system solutions to the problem of these loans, including those sent by the Chancellery of the President of the Republic of Poland. The results of these analyses were submitted both to the Chancellery of the President of the Republic of Poland and to the Financial Stability Committee, and they were published on the website of the KNF.
The analyses focused on the calculation of the financial effects of individual variants of legislative changes, taking into account the impact of these regulations on the capital position, profits and solvency of individual banks and the entire banking sector.

DIVIDEND POLICY AND ADDITIONAL CAPITAL REQUIREMENT

In order to maintain capital adequacy at a level deemed safe, once again the supervisory authority recommended banks to limit payment of dividends. The result of the current dividend policy of the KNF Office is a stable and high solvency ratio of the sector of 17.74% at the end of 2016 (16.31% at the end of 2015).
In spite of good current situation, it is recommended to maintain a strong capital base, and in the case of some banks its further strengthening due to the level of risk already accumulated in the balance sheets of banks and the uncertainty about the future development of the economic prosperity.

To this end, in 2016, the KNF issued recommendations imposing additional capital requirements on 15 banks (on a solo or consolidated basis) resulting from the fact that they hold portfolios of mortgage-backed foreign currency loans of households in EUR and CHF. The additional capital requirement is calculated under Pillar II for loan portfolios with particularly high risk and provides individualised impact on banks with significant portfolios of foreign currency loans granted to unsecured borrowers, i.e. those who earn income in a currency other than the loan currency.

Diagram 21. Own funds and capital adequacy of the domestic banking sector in 2013-2016



Source: own calculations of the KNF Office

IDENTIFICATION OF OTHER SYSTEMICALLY IMPORTANT INSTITUTIONS (O-SIIS)

According to the Act of 5 August 2015 on macro-prudential supervision,[6] the Polish Financial Supervision Authority is obliged to identify other systemically important institutions and to impose appropriate capital buffers on them.
The identification of other systemically important institutions, made by the KNF for the first time in 2016, was based on the following criteria: the size of a given financial institution, its importance for the economy of the Republic of Poland and the European Union, the importance of its cross-border activity and the examination of interrelationship between a given institution or group and the financial system.
After making the necessary calculations and the proper proceedings, with the administrative resolutions adopted on 4 October 2016, the KNF identified 12 banks as other systemically important institutions and imposed the buffers of other systemically important institutions on them.

4.2. SUPERVISION OF CREDIT UNIONS (SKOK)

In 2016, the Polish Financial Supervision Authority decided to appoint commissioned regulators in eight unions. Besides managing current operations of the unions, the commissioned regulators were holding talks with owners (members of the unions) and potential

[6] The Act of 5 August 2015 on macro-prudential supervision of the financial system and crisis management in the financial system (Dz. U. of 2015 item 1513, as amended).

investors in order to develop a restructuring model for these institutions, adequate to their financial situation.
At the end of 2016, 33 unions were subject to rehabilitation process. In 2016, the KNF decided that three credit unions would be taken over by banks under the Act of 5 November 2009 on credit unions. The Spółdzielcza Kasa Oszczędnościowo-Kredytowa im. Stefana Kard. Wyszyńskiego in Września (SKOK Wyszyńskiego) and the Powszechna Spółdzielcza Kasa Oszczędnościowo-Kredytowa in Knurów (Powszechna SKOK) were taken over by the Alior Bank S.A. The Spółdzielcza Kasa Oszczędnościowo-Kredytowa "Profit" in Rybnik (SKOK Profit) was taken over by the Śląski Bank Spółdzielczy "Silesia" in Katowice.
In 2016, after the examination of applications from the Authority, competent courts declared bankruptcy of 5 credit unions.

- On 13 April 2016, the District Court for the Capital City of Warsaw issued a decision declaring bankruptcy of the Spółdzielcza Kasa Oszczędnościowo-Kredytowa Polska in Warsaw (SKOK Polska) - file No. X GU 243/16.
- On 31 May 2016, the District Court in Toruń issued a decision declaring bankruptcy of the Spółdzielcza Kasa Oszczędnościowo-Kredytowa "Kujawiak" in Włocławek - file No. V GU 23/16.
- On 2 June 2016, the District Court in Katowice issued a decision declaring bankruptcy of the Spółdzielcza Kasa Oszczędnościowo-Kredytowa Jowisz in Czeladź - file No. X GU 242/16/3.
- On 12 July 2016, the District Court Katowice-Wschód in Katowice issued a decision declaring bankruptcy of the Spółdzielcza Kasa Oszczędnościowo-Kredytowa Arka in Dąbrowa Górnicza - file No. XGU-263/16/4.
- On 29 September 2016, the District Court in Gliwice issued a decision declaring bankruptcy of the Spółdzielcza Kasa Oszczędnościowo-Kredytowa "Skarbiec" in Piekary Śląskie - file No. XII GU 235/16/3.

The Polish Financial Supervision Authority appointed 8 commissioned regulators in credit unions:

- since 18 May 2016, the commissioned regulator of the Wielkopolska Spółdzielcza Kasa Oszczędnościowo-Kredytowa in Poznań,
- since 25 May 2016, the commissioned regulator of the Twoja Spółdzielcza Kasa Oszczędnościowo-Kredytowa in Kędzierzyn-Koźle,
- since 7 July 2016, the commissioned regulator in the Spółdzielcza Kasa Oszczędnościowo-Kredytowa "Nike" in Warsaw,
- since 4 August 2016, the commissioned regulator in the Spółdzielcza Kasa Oszczędnościowo-Kredytowa "Jaworzno" in Jaworzno,
- since 8 August 2016, the commissioned regulator in the Spółdzielcza Kasa Oszczędnościowo-Kredytowa "Wybrzeże" in Gdańsk,
- since 14 September 2016, the commissioned regulator of the Spółdzielcza Kasa Oszczędnościowo-Kredytowa "Profit" in Rybnik,
- since 16 September 2016, the commissioned regulator of the Bieszczadzka Spółdzielcza Kasa Oszczędnościowo-Kredytowa in Sanok,
- since 12 October 2016, the commissioned regulator of the Lubuska Spółdzielcza Kasa Oszczędnościowo-Kredytowa in Zielona Góra,

In 2016, in the framework of administrative proceedings, the Polish Financial Supervision Authority approved the draft credit agreement and loan agreement prepared by the National Union and agreed with the SKOK sector.

In 2016, the Polish Financial Supervision Authority reviewed four periodic reports on the situation of the sector of credit unions: Information on the situation of credit unions in 2015, in the first quarter of 2016, the first half of 2016 and the third quarter of 2016. In 2016, the Authority also took note of two half-yearly reports on the situation of the unions obliged to implement programmes of rehabilitation process.

4.3. SUPERVISION OF PAYMENT SERVICE PROVIDERS

Activity in the area of payment services carried out by the domestic payment institutions (KIP) and payment service offices (BUP) is covered by the supervision of the KNF in the scope and in accordance with the provisions of the Act on payment services and the Act on financial market supervision.

The primary objective of the KNF's supervision of domestic payment institutions is to ensure financial security of the KIP, provide for compliance of domestic payment institutions with the applicable national and Community regulations governing the functioning of the market of payment services, and to protect interests of electronic money users and holders.

With regard to payment service offices, the objective of the KNF's supervision is to ensure compliance of the BUP with the provisions of the Act on payment services and to protect interests of the participants (users) of the payment service market (money transfer).

The initial capitals of domestic payment institutions are several times higher than the minimum levels specified in the Act on payment services.

Table 39. Breakdown of own funds of the KIP (in PLN thou.)

Item	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Own funds, including:	556 907 702	676 107 924	715 342 421	563 626 386	596 127 577
- initial capital	532 070 646	646 827 457	671 315 718	488 837 970	512 681 866
- revaluation capital	1 825 461	1 825 461	1 825 461	4 292 859	3 701 024
- retained earnings	11 282 731	11 282 732	25 589 841	45 039 551	31 126 783
- profit during approval and net profit of the current reporting period	11 728 864	16 172 274	16 611 401	25 456 006	48 617 904
Deductions of own funds:	247 019 947	259 211 669	345 641 413	192 406 754	197 584 674
- own shares held by a payment institution, valued at the carrying amount, less any revaluation write-off	5 150 500	5 150 500	5 150 500	18	17
- all liabilities resulting from the issue of preference shares	0	0	0	0	7 903
- intangible assets valued according to the carrying value	47 372 555	56 501 696	90 254 055	87 815 074	87 116 689
- loss from previous years	188 601 894	188 601 902	226 516 254	80 581 342	99 411 948
- loss during approval	0	3 751 072	3 321 318	16 835 703	0
- net loss of the current period	5 894 997	5 206 499	20 399 283	7 174 616	11 048 117
Own funds (after deductions)	**309 887 755**	**416 896 255**	**369 701 008**	**371 219 632**	**398 542 903**

Source: own calculations of the KNF Office

The analysis of data submitted to the KNF (included in 102 reports of the KIP), related to the domestic market of payment services, leads to the conclusion that the dominant position in this

area is taken by several well-established KIP, which operate on a large scale. Domestic payment institutions, providing only money transfer services (Group C), carried out only 4.4% of all payments (9.6 million transactions) in the third quarter of 2016. The second group of entities (Group B) which, besides the money transfer, also provides other payment services, such as transfer orders and payments, carried out 3.4% of transactions (7.3 million transactions) in this period.
The vast majority of payments, i.e. 92.2% (201.1 million transactions), were carried out by Group A – the KIP which, apart from payment services provided in the above-mentioned Group B, also act as clearing agents under the authorisation of the President of the NBP and allow for the execution of payments initiated by or through an acceptor with the payer's payment instrument, especially consisting in the service of authorisations, sending payment orders of the payer or the acceptor to the issuer of the payment card or to payment systems, in order to provide the acceptor with funds due (acquiring).

Table 40. The number of transactions (in thou. pcs) carried out by the domestic payment institutions (KIP)

KIP	Q4 2015	Q1 2016	Q2 2016	Q3 2016
GROUP A	167 619	163 175	186 455	201 078
GROUP B	7 176	7 136	7 375	7 321
GROUP C	9 321	9 737	9 907	9 619

Source: own calculations of the KNF Office

Table 41. The value of transactions (in PLN thou.) carried out by the domestic payment institutions (KIP)

KIP	Q4 2015	Q1 2016	Q2 2016	Q3 2016
GROUP A	16 410	14 540	17 144	17 664
GROUP B	1 438	1 364	1 545	1 579
GROUP C	1 607	1 757	1 904	1 868

Source: own calculations of the KNF Office

Table 42. Fees and commissions (in PLN thou.) collected by the domestic payment institutions (KIP)

KIP	Q4 2015	Q1 2016	Q2 2016	Q3 2016
GROUP A	141 497	131 616	153 715	153 923
GROUP B	13 372	10 932	13 080	11 690
GROUP C	20 652	22 000	22 364	22 311

Source: own calculations of the KNF Office

The average value of a single payment in the KIP in the third quarter of 2016 amounted to PLN 96.8 (in the second quarter of 2016 it amounted to PLN 101.1, in the first quarter of 2016 to PLN 98.1, in the fourth quarter of 2015 to PLN 106.1 and in the third quarter of 2015 to PLN 101.1).

In accordance with the Act on payment services, payment service offices are obliged to provide the KNF with quarterly and annual reporting information, including data on the number and value of money transfers made.

In the first quarter of 2016, 1220 payment service offices (89.6%), out of 1361 entities subject to this obligation, submitted reporting information to the KNF. In the second quarter of 2016, reporting information was sent to the KNF by 1186 payment service offices (87.6%), out of 1354 entities covered by this obligation, and in the third quarter of 2016, reporting information

was submitted to the KNF by 1164 payment service offices (86.4%), out of 1348 entities subject to this obligation.
The number and value of money transfers made by payment service offices (BUP) was:
- in the first quarter of 2016 - 9.0 million transfers of PLN 1.490 billion,
- in the second quarter of 2016 - 8.8 million transfers of PLN 1.485 billion,
- in the third of 2016 - 8.6 million transfers of PLN 1.458 billion.

On the basis of reporting information for Q1-Q3 2016 received from the payment service offices, it can be stated that the obligations towards the KNF are not fulfilled by:
- about 14% of offices as regards information about the number and value of money transfers made, and
- about 11% of offices as regards providing the KNF with the original document confirming conclusion of an insurance contract, or a bank or insurance guarantee.

Under the applicable legislation governing the functioning of the national market of payment services, the supervisory authority does not have the powers to remove the BUP that fail to comply with the reporting obligations referred to above from the register.
The level of protection of transactions (level of protection of funds) carried out by payment service offices is determined based on the relation of value of collateral held by them (i.e. insurance contracts or guarantee agreements) to the average monthly value of money transfers made by these entities.

The level of protection in the third quarter of 2016 (6.72% in monthly terms) was slightly higher than in the second quarter of 2016 (6.68%) and similar to the first quarter of 2016 (6.73%).

Supervisory actions of the KNF in relation to the BUP include monitoring of timely delivery of reporting information, monitoring of compliance with the obligation to protect funds of the clients, informing the BUP of the obligation to limit the scale of operations or the need to transform into the KIP, if the statutory limit of monthly turnover of EUR 500 thousand is exceeded.

As part of its supervisory actions in relation to domestic payment institutions, the KNF carries out a substantive analysis of the applications for authorisation pursue activity as a domestic payment institution and analyses financial results of the KIP in the context of their compliance with financial plans presented at the stage of granting authorisations. In addition, in 2016, inspections were carried out in four domestic payment institutions selected by the KNF in order to verify financial security of the KIP, the compliance of data submitted in periodic reporting information with the reality and the functioning of the KIP in accordance with the applicable regulations governing the functioning of the market of payment services at the national and community level.

NECESSARY REGULATORY CHANGES IN THE FUNCTIONING OF THE BUP

Taking into account the supervisory practice of domestic payment institutions so far and the very limited scope of reporting of these entities, submitted to the KNF Office pursuant to the Act on payment services, and the growing number and scale of activities of these entities, it is necessary to make a statutory change of the scope of data covered by the periodic (quarterly and annual) reporting obligation of the domestic payment institutions in order to improve the risk assessment of the KIP activity. The current scope of reported data is highly limited and therefore not indicative of the economic situation of the supervised entities, which in practice makes it extremely difficult, if it impossible, to assess the risk of their activities. It is crucial to identify the largest number of potential and possible risks which clients of domestic payment institutions may be exposed to and to secure funds entrust by them to the KIP to carry out payments.

In October and early November 2016, in the course of parliamentary work on the amendment of the Act on payment services, the KNF Office sent letters to the Chairs of the Public Finance Committees of the Sejm and the Senate concerning the extension of the scope of financial and statistical information submitted periodically (quarterly and annually) by the domestic payment institutions to the KNF Office.
Moreover, the KNF Office criticised the proposal to change the rules for calculating supervision costs by the domestic payment institutions. The change proposed and adopted by the Sejm will result in an eightfold reduction in revenues from supervision of the KIP compared to the actual costs incurred by the KNF in 2015.

4.4. INSURANCE SUPERVISION

SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP) OF INSURANCE UNDERTAKINGS

In 2016, the sixth edition of the Supervisory Review and Evaluation Process (SREP) of insurance undertakings was carried out. Evaluation for 2015 as part of the SREP was carried out for 57 insurance/reinsurance undertakings, including 27 life insurance undertakings and 30 non-life insurance undertakings.

The SREP is a comprehensive process that uses all information available to the KNF Office about the insurance undertakings, including information obtained through licensing activities, off-site analysis and on-site inspections in the insurance undertaking as well as inquiries/surveys addressed to the insurance undertaking.

As a result of the SREP assessment, insurance undertakings receive the risk assessment and the assessment of significance which determine whether the supervisory authority, in accordance with the proportionality principle, should adopt supervisory measures, including inspections.

The main objectives of the SREP include:
- evaluation of the status of the insurance sector, including the identification of systemically important undertakings and risk areas,
- risk assessment of the insurance undertaking, including:
  - identification of the areas of activity of the insurance undertaking with an increased or high risk,
  - evaluation of the quality of the management process of the insurance undertaking,
  - evaluation of the financial situation of the insurance undertaking,
  - evaluation of the compliance of the insurance undertaking's operations with the relevant legal and internal regulations,
- prioritisation of supervisory activities and effective allocation of resources of the KNF Office to be directed to the areas and entities generating the highest risk.

Due to the implementation of the Solvency II regime on 1 January 2016, the changing business environment, and bearing in mind experience gained from the previous SREP assessment and the comments from insurance and reinsurance undertakings, including comments submitted by the Polish Insurance Association, the SREP methodology was changed.
In terms of the quantitative assessment, changes in the SREP methodology included:
- adding the capital adequacy ratio according to the Solvency II,
- changing the weights of indicators in the area of “capital adequacy” in connection with adding the capital adequacy ratio according to the Solvency II.

No changes to the weights in areas other than “capital adequacy,” taken into account when assessing insurance/reinsurance undertakings, were made in the SREP methodology for 2015.

Issues assessed in individual areas of the qualitative assessment were reviewed and specified. In addition, the following changes were made:

- the issues related to guidelines for the management of the areas of information technology and ICT environment security in insurance/reinsurance undertakings were taken into account in the evaluation of the IT system area.
- the issue related to the fulfilment of the reporting obligations by the insurance/reinsurance undertaking towards the Insurance Guarantee Fund (UFG) was taken into account in the evaluation of the reporting area.
- the issue of meeting the capital requirements according to the Solvency II Directive as of 1 January 2016 and the issue of forward-looking assessment of own risks were taken into account in the evaluation of the preparation for the Solvency II area.

The impact of evaluation of the IT system area on the final qualitative assessment of management was added as part of corrections to the qualitative assessment of management.
Correction regarding the shortage of eligible own funds to cover the solvency capital requirement or the minimum capital requirement (as of 1 January 2016) was added as part of corrections to the risk assessment.
As part of the SREP assessment for 2015, description of the correction to the evaluation was specified (currently, the correction to the evaluation refers to the impact of financial problems and possible bankruptcy of an undertaking on the financial market, whereas the previous methodology of the correction concerned the impact on the insurance market or financial market institutions).

Additionally, due to the entry into force of the Act of 11 September 2015 on insurance and reinsurance activities implementing Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (the Solvency II Directive), supervisory activities have been updated in accordance with the provisions of the above-mentioned Act.

MONITORING FINANCIAL SITUATION OF INSURANCE UNDERTAKINGS

The main task in the area of analytical supervision is constant monitoring of the financial situation and the protection of market stability and, in case of a threat, taking appropriate supervisory activities. The primary objective of these activities is to ensure that the insurance undertakings are capable of paying the benefits to policy holders, the insured persons, the beneficiaries or persons entitled under insurance contracts.
Assessment of the financial situation of insurance undertakings, and in particular assessment of their solvency, is made primarily on the basis of quarterly and annual financial statements of the undertakings as well as quantitative data and information provided by insurance undertakings.
Each of the additional financial and statistical reports submitted by insurance undertakings as well as the quantitative data and information is subject to a separate analysis, the results of which are published in the relevant reports that underpin further individual supervisory decisions. The level of detail of the reports depends on the SREP assessment of the insurance undertaking, which allows adapting the level of detail of the analyses to the level of risk identified for individual undertakings.

The financial situation of insurance undertakings was also monitored on the basis of the obligation of monthly submission of data on selected financial statement items for accounting purposes as well as other information provided by the undertakings ad hoc at the request of the supervisory authority, which is used to identify increased and high risk of capital adequacy within the Early Warning System, imposed in 2016 (a total of 714 pieces of monthly information were analysed).
The analyses indicate that in 2016 the financial situation of the majority of insurance undertakings was stable, similarly to the previous years.

The following most important activities should be indicated among those carried out in 2016, aimed at monitoring risks in the operations of insurance undertakings:

- analysis of compliance of dividend payments planned and made for 2015 with the recommendation of the Chairman of the KNF and their impact on the results of insurance undertakings, as well as development of guidelines on dividend policy for 2016 (39 pieces of information were analysed in this regard),
- analysis of compliance with the Guidelines on the process of establishment of technical provisions by insurance undertakings (59 pieces of information were analysed in this regard),
- analysis of compliance with the Recommendations on the product management system by insurance undertakings (59 pieces of information were analysed in this regard),
- analysis of rules and procedures in the area of outsourcing applicable in insurance undertakings in terms of meeting the conditions determined by the rules of law and the EIOPA guidelines for the system of governance (59 pieces of information were analysed in this regard),
- monitoring of the financial consequences of lawsuits and court decisions on cancellation fees in unit-linked life insurance contracts (7 pieces of information were analysed in this regard),
- cooperation with the Office of Competition and Consumer Protection (UOKiK) in the assessment of the impact of proceedings conducted by the UOKiK concerning the obligation of insurance undertakings to change the rules of calculating cancellation fees in unit-linked life insurance products on the financial situation of insurance undertakings, including the submission of the assessment conclusions to the UOKiK (17 pieces of information were analysed in this regard),
- continuation of the proceedings in relation to the lack of adequacy of premiums in motor insurance (class 3 and 10), and requesting insurance undertakings operating in these insurance classes to provide additional information about the actions taken or planned in connection with the position of the supervisory authority on the method of calculating premiums in this insurance (17 pieces of information were analysed in this regard),
- analysis of the problem of exhaustion of the guaranteed sums in MTPL insurance (43 pieces of information were analysed in this regard),
- analysis of data concerning change in the value of units of unit-linked fund offered by 23 life insurance undertakings between 31 December 2011 and 31 March 2016 (2938 unit-linked funds were analysed).

SUPERVISION OF INSURANCE UNDERTAKINGS IN TERM OF COMPLIANCE WITH THE DISCLOSURE AND REPORTING OBLIGATIONS AND THE RULES OF LAW

Provisions governing the insurance business impose a number of disclosure requirements on insurance undertakings, towards both the supervisory authority and the policy holders. The task of the supervisory authority in this regard is to verify both the publication of certain information and its content. Timely and complete fulfilment of disclosure requirements is one of the basic tasks of insurance undertakings and enables not only the supervisory authority but also the purchasers of insurance services to gain universal access to a part of the data related to the operations of insurance undertakings.

Due to the fulfilment of the statutory disclosure requirements by the undertakings, in 2016 the analyses covered:

- financial statements, including 237 quarterly statements, 57 annual individual statements and 8 annual consolidated statements,
- quantitative information, including 61 reports prepared as at 1 January 2016 (60 separate reports and 1 group report) and 183 quarterly reports (including 180 separate reports and 3 group reports),
- information on the implementation/change of outsourcing of functions belonging to the system of governance and basic or important activities - in 43 cases,
- information on the change of the person entrusted with bookkeeping - in 4 cases,

- information on the selection of the entity for examining financial statements - in 49 cases,
- information on changes in premium tariff of compulsory motor vehicle insurance (MTPL insurance) and compulsory agricultural insurance (farmers' insurance against civil liability and insurance of farm buildings) - in 176 cases,
- publication of annual reports of unit-linked funds on the websites of insurance undertakings as at 31 December 2015 (23 insurance undertakings, 2388 unit-linked funds) and half-yearly reports of unit-linked funds as at 30 June 2016 (23 insurance undertakings, 2343 unit-linked funds),
- information on the Individual Pension Accounts (IKE) and the Individual Pension Savings Accounts (IKZE) as at 31 December 2015 (19 life insurance undertakings),
- information on the Individual Pension Accounts and the Individual Pension Savings Accounts as of 30 June 2016 (19 life insurance undertakings).

The results of the analyses indicate that insurance undertakings, except for occasional cases, fulfil the above disclosure requirements in accordance with the applicable rules of law.

On the basis of financial statements and quantitative information, the KNF Office prepared and published 16 statements with quarterly data about the insurance sector (for 4 reporting periods analysed in 2016), 5 statements with data of the insurance sector for 2015 and 4 quarterly reports on the state of the insurance sector on the website of the KNF in the section "Publications/Insurance" (https://www.knf.gov.pl/opracowania/rynek_ubezpieczen/index.html).

In the course of ongoing supervision of the insurance activities, the compliance of the insurance undertakings' operations with the provisions of law is also monitored by examining how the recommendations are implemented. In 2016, the implementation of recommendations issued as a result of inspections carried out by the supervisory authority (36 cases) and recommendations to adapt the operations of undertakings to the provisions of law issued as part of ongoing supervision (1 case) was examined.

The tasks of the Polish Financial Supervision Authority also include exercising ongoing supervision through the participation of representatives of the KNF Office in the General Meetings of Shareholders of insurance and reinsurance undertakings (3 cases occurred in 2016).

EXAMINATION OF APPLICATIONS SUBMITTED BY INSURANCE UNDERTAKINGS AND REINSURANCE UNDERTAKINGS

Apart from activities related to the supervision of the undertakings' operation, the Polish Financial Supervision Authority was also examining applications of the supervised entities for granting specific rights or for permission to certain activities in the field of financial supervision.

In 2016, the examined applications of insurance undertakings were related to:

- granting permission to regard certain assets as assets covering technical provisions (pursuant to Article 155(9) of the Act of 22 May 2003 on insurance activities, which expired on 1 January 2016) - as a result of 9 proceedings, 5 decisions discontinuing the proceedings and 4 decisions on the refusal to initiate proceedings were issued, due to the entry into force of the provisions of the Act of 15 September 2015 on insurance and reinsurance activities since 1 January 2016,
- the approval of a plan showing the manner of maintaining or increasing own funds to the required value after the repayment of a subordinated loan (pursuant to Article 148(4) (2)(d) of the Act of 22 May 2003 on insurance activities, which expired on 1 January 2016) - as a result of 1 proceeding, 1 decision was issued,
- granting permission to amend the subordinated loan agreement whose funds are classified as own funds (pursuant to Article 148(4)(2)(g) of the Act of 22 May 2003 on insurance

activities, which expired on 1 January 2016) - as a result of 2 proceedings, 2 decisions were issued,
- granting permission to early repayment of subordinated loan, classified as own funds under the decision of the KNF (permission to repay or redeem basic items of own funds - Article 73(1d) of the Commission Delegated Regulation) - as a result of 1 proceeding, 1 decision was issued,
- reconsideration of a case concerning calculation of own funds (repealing of decision issued under Article 187(8c) of the Act of 22 May 2003 on insurance activities, which expired on 1 January 2016) - as a result of 2 proceedings, 2 decisions were issued,
- granting permission to the approval of the amount/method used to determine the amount to be taken into account in determining own funds (pursuant to Article 242, Article 243 and Article 500(1)(3) of the Act of 15 September 2015 on insurance and reinsurance activities) - as a result of 2 proceedings, 1 application was left unresolved and 1 proceeding was not completed in 2016 as the deadline for processing the case did not expire until 31 December 2016,
- granting permission to the use of a temporary deduction in relation to technical provisions (Article 497(1) of the Act of 15 September 2015 on insurance and reinsurance activities) - as a result of 1 proceeding, 1 decision was issued,
- application for permission to take the necessary measures to restore the level of eligible own funds to cover the SCR and the MCR (application for permission pursuant to Article 491(1) of the Act on insurance and reinsurance activities) - as a result of 2 proceedings, 1 decision was issued, and 1 proceeding was not completed in 2016 as the deadline for processing the case did not expire until 31 December 2016,
- approval of a realistic rehabilitation plan (pursuant to Article 312(2) of the Act of 15 September 2015 on insurance and reinsurance activities) - 1 proceeding was not completed in 2016 as the deadline for processing the case did not expire until 31 December 2016,
- approval of a short-term realistic financial plan (pursuant to Article 313(2) of the Act of 15 September 2015 on insurance and reinsurance activities) - as a result of 2 proceedings, 1 decision was issued, while 1 proceeding was not completed in 2016 as the deadline for processing the case did not expire until 31 December 2016.

Moreover, 9 *ex officio* proceedings were initiated in order to designate an entity in a capital group responsible for submitting information to the supervisory authority about transactions in the capital group. These proceedings were not completed in 2016 as the deadline for processing these cases did not expire until 31 December 2016.

STRESS TESTS IN THE INSURANCE SECTOR

In 2016, work on the use of stress tests in the supervision of insurance and reinsurance undertakings was continued, in particular as a tool to assess the resistance of the Polish insurance sector to extreme, but still probable, events, as well as on improvement of risk management in insurance and reinsurance undertakings.

Since the beginning of 2016, the KNF Office has worked on the verification of the methodology of carrying out stress tests in the insurance sector. Compared to the previous year, among others, the depth of shocks for interest rate risk was recalibrated, in case of life lapse risk, the scope of contracts covered by the stress test, the depth of shocks and the method of applying the shock were changed. On 11 March 2016, the methodology for conducting stress tests for 2015 was published on the KNF's website and insurance and reinsurance undertakings were asked to perform stress tests based on data as of 31 December 2015 with deadline until 29 April 2016.

One of the outcomes of the stress test study was the identification of insurance undertakings with a high risk of not meeting capital requirements in the stress scenario, i.e. either those which did not pass stress tests or the explanations concerning mitigation actions provided by

them were not sufficient. Those insurance undertakings were asked to conduct additional stress tests as of 30 June 2016 for the risk type that insurance undertakings did not pass stress tests.

EUROPEAN STRESS TESTS IN THE INSURANCE SECTOR

In the period from 24 May to 15 July 2016, stress tests coordinated by the European Insurance and Occupational Pensions Authority (hereinafter the EIOPA) in cooperation with the European Systemic Risk Board (ESRB) and national supervisors, including the Polish Financial Supervision Authority (KNF), were carried out. 236 insurance undertakings from 30 countries of the EEA (including 5 insurance undertakings from Poland) participated in the study. In 2016, the European stress tests focused on two market scenarios:

- the double-hit scenario,
- the low for long scenario.

Realisation of the double-hit scenario would result in a decrease of assets of EUR 2.94 billion, i.e. 12.1% compared to the baseline situation, a decrease of liabilities of EUR 0.87 billion, i.e. 6.3% compared to the baseline situation, and a decrease in the excess of assets over liabilities of EUR 2.07 billion, i.e. 20% compared to the baseline situation, among 5 domestic participants of the study. The realisation of the low for long scenario would result in an increase of the value of assets of EUR 0.22 billion, i.e. 0.9% compared to the baseline situation, an increase of liabilities of EUR 0.68 billion, i.e. 4.9% compared to the baseline situation, and a decrease in the excess of assets over liabilities of EUR 0.46 billion, i.e. 4.5% compared to the baseline situation, among 5 domestic participants of the study.

In view of the above results of the European stress tests and the revealed sensitivity of insurance undertakings, the EIOPA issued recommendations for the national supervisory authorities in respect of actions towards insurance undertakings regarding identified risks.

OUTWARD REINSURANCE OF INSURANCE UNDERTAKINGS

Due to the significant impact of catastrophic events on the activities of non-life insurance undertakings, the KNF Office assesses the state of risk mitigation of non-life insurance undertakings against the losses caused by catastrophic events. In carrying out the above task, the KNF Office requested non-life insurance undertakings to provide additional information, including the catastrophe reinsurance plans for 2016 and a description of the reinsurance policy along with information on the risks not covered by the outward reinsurance contracts.

The results of the analysis of responses of 32 undertakings confirm that when planning the reinsurance programme for catastrophic events insurance undertakings take into consideration a broader perspective and are not influenced by the results of individual years. Even though there were no major catastrophic events in Poland in 2015, most insurance undertakings did not reduce their catastrophe reinsurance programme for 2016, and nearly half of insurance undertakings increased their reinsurance programme. Increased reinsurance programme in several insurance undertakings was also associated with the desire to reduce the solvency capital requirement.

A report on reinsurance of domestic insurance undertakings, including the reinsurance of catastrophic events, was also prepared in 2016. The report focused mainly on outward reinsurance as, with few exceptions, domestic insurance/reinsurance undertakings do not carry out inward reinsurance to a significant extent. In turn, outward reinsurance is a significant area of activity for many insurance undertakings and, as shown by the results of stress tests, it is a basic risk mitigation technique, especially catastrophic risk. The report is based on annual financial statements of undertakings and an additional questionnaire on catastrophic events.

The analysis of questionnaires of 29 undertakings indicate that in 2015 the gross losses from catastrophic events amounted to PLN 524.9 million, of which 55.7% was damage caused by anthropogenic catastrophes. The largest gross losses in terms of value were in the category of events including heavy rains, hailstorms and windstorms. The gross losses for this category amounted to PLN 217.1 million, which accounted for 41.4% of all gross losses from catastrophic events that occurred in 2015. No insurance undertaking reported losses resulting from the drought of August 2015, which touched 220 thousand farms and 2 million hectares of crops.

PRE-APPLICATION PROCESSES FOR INTERNAL MODELS

The Solvency II regime gives insurance and reinsurance undertakings the opportunity to set up the solvency capital requirement in a manner adequate to their risk profile and the scale of operations. The set of tools, systems, and procedures which would allow this is the so-called internal model. This model should meet a number of strict requirements specified in the Act of 11 September 2015 on insurance and reinsurance activities (Dz.U. of 2015, No. 1844, as amended) and other provisions of the Solvency II, and its use must be approved by the competent supervisory authorities. Verification and assessment of the model is a complex process, which requires highly specialised knowledge in many areas, while the provisions of the Act on insurance and reinsurance activities provide for a relatively short time to complete it (6 months). The pre-application process meets the above-mentioned challenges and is based on a voluntary cooperation of insurance undertakings and the supervisory authority. Its purpose is better preparation of domestic insurance undertakings to submit an application for the use of the internal model to determine the solvency capital requirement. The actions carried out by the KNF Office in 2016 with regard to the internal models of domestic insurance undertakings were a continuation of the pre-application processes conducted since 2011.

As at 31 December 2016, the KNF Office continued pre-application processes for 7 domestic insurance undertakings (2 life insurance undertakings and 5 non-life insurance undertakings, which accounted for a total of 50.7% of the Polish insurance market – based on the amount of the gross written premium reported in the quarterly financial statements of insurance undertakings for the second quarter of 2016). As at 31 December 2016, work of the KNF Office on the assessment of internal models at the European level took the form of a pre-application process or a process of verification of the continuous adequacy of the model.

In 2016, the KNF Office continued intensive and comprehensive work on the assessment of internal models. The KNF Office presented the results of this work to the undertakings as part of ongoing communication, which translated into further actions of the undertakings leading to the elimination of critical errors and improvement of the models in terms of compliance with the provisions of the Solvency II.

The KNF Office also organised a bilateral meeting with the representatives of the EIOPA Centre of Expertise in Internal Models, sharing knowledge and experience of the KNF Office in the area of comparative study of internal models.

Further work on the assessment of internal models (both national and international) will continue in 2017.

Own risk and solvency assessment (ORSA)

In 2016, the KNF Office received reports from the forward-looking assessment of own risks (based on the principles of the ORSA) carried out by insurance undertakings in 2015, as well as part of the reports on own risk and solvency assessment (ORSA), which were performed fully in accordance with the Solvency II Directive in 2016. In total, the supervisory authority analysed 68 reports from 2015 and 2016. The vast majority of undertakings estimated in their reports that they would meet capital requirements in the business planning horizon. Most undertakings assessed that the standard formula reflects their risk profile relatively well, although they indicated that individual risks are overestimated or underestimated (mostly operational risk, premium and provision risk in property insurance, catastrophic, market risk). Among risks not encompassed by the standard formula, undertakings considered in most cases liquidity risk, strategic risk, reputation risk and non-compliance risk. The supervisory authority noted significant progress in the content of reports compared to the previous edition.

The analysis of reports in 2016 partly took into account recommendations from the Supervisory Review Process Handbook prepared by the EIOPA (in 2016, the recommendations for assessing overall solvency needs were adopted).
The KNF Office takes an active part in the work of a task force consisting of several supervisory authorities, preparing the chapter on own risk and solvency assessment.

Review of the standard formula of the Solvency Capital Requirement (SCR)

The European Insurance and Occupational Pensions Authority (EIOPA) is carrying out, at the request of the European Commission, work on the review of the Solvency Capital Requirement (SCR) standard formula. In its Call for Advice, the European Commission presented the issues which require re-analysis and, in some cases, recalibration of the parameters used in the SCR standard formula. Work on the revision of the SCR standard formula is carried out by the EIOPA within the SCR Review Project Group. The results of EIOPA's work will be two advices (in October 2017 and February 2018) for the European Commission with proposals of changes to the methodology of calculation the SCR according to the standard formula in the area of, among others, the assumptions, simplifications used and the parameters of the SCR standard formula, so that they were reasonably linked to the reality of the European insurance market and the risk profile of the majority of insurance/reinsurance undertakings. The regulations governing calculation of the SCR using the standard formula were adopted in practice by 2011.

In the initial phase of the project group's work, the main activity was to identify areas of the standard formula that should be changed on the basis of past experience in the supervisory practice. For this purpose, a questionnaire was distributed among the European supervisory authorities in June 2016. Several elements of the standard formula were identified as part of work of the project group. Work on the review of the SCR standard formula also entails the need for the EIOPA to obtain additional qualitative comments and quantitative data from insurance/reinsurance undertakings and national supervisory authorities. Therefore, the SCR Review Project Group prepared a study including: Discussion Paper on the review of the Solvency II implementing measures and quantitative questionnaires to collect additional data not included in statutory and Solvency II financial statements. The EIOPA study started in early December 2016 and will last until mid-April 2017.

Representatives of the KNF Office are actively involved in the work of the above-mentioned EIOPA project group through, among others:

- the coordination of work on the inclusion in the SCR standard formula: guarantees, financial instruments issued by regional governments and local authorities, re-calibration of marine risk, aviation risk and fire risk in the man-made catastrophe risk sub-module,

- participation in the work on the recalibration of the interest rate risk and consideration for the quality of credit rating in calculation of the SCR,
- development of quantitative questionnaires for the purpose of collecting additional data, not included in statutory and Solvency II financial statements;
- the coordination of the EIOPA's study at the national level.

SUPPLEMENTARY SUPERVISION OF REGULATED ENTITIES IN FINANCIAL CONGLOMERATES

According to Article 14 of the Act of 15 April 2005 on supplementary supervision of credit unions, insurance undertakings, reinsurance undertakings and investment firms included in a financial conglomerate, the Polish Financial Supervision Authority performs, at least once a calendar year, a review of the financial sector in order to identify groups meeting the relevant criteria for financial conglomerates.
A review of national capital groups conducted in 2016, covering the period from 1 January 2015 to 31 December 2015, showed that the PZU S.A. Capital Group meets the criteria identifying it as a financial conglomerate. At the same time, the KNF is the body competent to act as the coordinator for the identified financial conglomerate.

4.5. PENSION SUPERVISION

The analytical pension supervision covers the financial situation and the investment and operating activities of pension societies and funds (the so-called second and third pillar of the pension system, including the voluntary pension funds under which the IKE and the IKZE are maintained). The KNF Office also monitors compliance of these institutions with the legal regulations and their statutes and the fulfilment of disclosure requirements. The purpose of supervision in this respect is to protect the interests of members of pension funds.

MONITORING THE FINANCIAL SITUATION OF PENSION SOCIETIES AND INVESTMENT ACTIVITIES OF PENSION FUNDS

Tasks of ongoing supervision of financial activity and investment policy of open, occupational and voluntary pension funds as well as activities of general and occupational pension societies were performed through a systematic analysis of reporting data submitted by the supervised entities to the KNF Office in electronic form:

- daily and quarterly financial statements of pension funds, including balance sheets of funds together with explanatory notes, lists of investment portfolios, profit and loss accounts along with explanatory notes, statement of completed transactions and important orders, and information on the value and number of participation units,
- monthly, semi-annual and annual asset structure of funds,
- operational reports of funds concerning the concluded fund membership agreements, transferred premium, external and internal transfer payments, number of members and number of accounts kept,
- financial statements of pension societies, including balance sheets, profit and loss accounts, information on remuneration in the PTE, liabilities of the PTE and equity relations of pension societies.

Monitoring of the financial situation of pension societies and the investment policy of pension funds was carried out, among others, through the following:

- analysis of transactions made on the capital market, in terms of profitability and risk associated with the acquisition of a particular financial instrument, resulting from its construction and financial situation of the issuer,
- monitoring of the investment activities of pension funds in terms of observance of the fundamental rule of profitability and security of deposits,

- verification of valuations of financial instruments included in investment portfolios of pension funds,
- analysis of the structure of investment portfolios of pension funds, its volatility over time and the assumed level of risk,
- assessment of the effectiveness of investment activity of pension funds against the background of the current situation on the capital market and the macroeconomic situation,
- analysis of internal procedures and declarations of the principles of pursuing investment activity in the supervised entities,
- monitoring the activities of funds in the area of entrusting entities established outside the country with the management of assets, and issuing a decision ordering the fund to amend or terminate the above-mentioned agreement,
- monitoring the process of gradual transfer of capital of open pension fund members who will reach the retirement age in less than 10 years (the so-called safety slider) to the Polish Social Insurance Institution (ZUS),
- monitoring the correctness of the activities of the OFE and the PTE in the scope of the amended provisions related to the Guarantee Fund.

An important task of the supervisory authority in 2016 was the obligation to announce periodic rates of return of the OFE and periodic comparative rates of return, in accordance with the provisions of the Act of 6 December 2013 *on amendments to certain acts in connection with determination of principles for payment of pensions from funds collected in open pension funds*. By the end of June 2016, the supervisory authority established and announced rates of return 126 times.

Another key task of the supervisory authority is the obligation to each time review detailed methodology of valuation of financial instruments for which no valuation market is determined or it is impossible to carry out valuation in a market-related way on a prudent basis, sent by pension societies. During the period covered by the report, 347 valuations submitted by the OFE, DFE and PFE were evaluated by the supervisory authority.

Table 43. Methodologies of valuation sent by pension funds for acceptance of the KNF between 2013 and 2016

Type of funds	The number of methodologies sent			
	2013	2014	2015	2016
OFE	293	329	340	291
PFE	29	21	6	12
DFE	33	24	36	44

Source: own calculations of the KNF Office

Considerable part of the supervisory activities towards occupational pension societies - due to the large share of their current and successive funding by employers - is carried out under indirect supervision. This is a condition of financial security and continuity of functioning of these entities. The specificity of occupational societies is also the share of processes carried out by external entities larger than in universal pension societies and, as a result, some supervisory activities cover entities other than societies.

In the period covered by the report, the Polish Financial Supervision Authority established and published the weighted average return rate of all open pension funds two times, for periods from 29 March 2013 to 31 March 2016, and from 30 September 2013 to 30 September 2016. The minimum required rate of return of the OFE and the possible deficiency have not been determined since 2014.

Table 44. Statutory rates of return of open pension funds (OFE) calculated and published by the KNF in 2016 (in %)

Name of the open pension fund	Rate of return for the period from 29-03-2013 to 31-03-2016
PKO BP Bankowy OFE	9.074%
MetLife OFE	8.637%
AXA OFE	8.530%
Nordea OFE	8.188%
OFE PZU “Złota Jesień”	6.740%
Allianz Polska OFE	6.702%
OFE Pocztylion	6.344%
AEGON OFE	5.464%
Aviva OFE Aviva BZ WBK	5.359%
Nationale-Nederlanden OFE	4.894%
Pekao OFE	3.523%
Generali OFE	1.661%
Weighted average rate of return	6.344%

Name of the open pension fund	Rate of return for the period from 30-09-2013 to 30-09-2016
MetLife OFE	3.326%
PKO BP Bankowy OFE	3.073%
Allianz Polska OFE	2.375%
Nordea OFE	2.058%
AXA OFE	1.416%
OFE Pocztylion	1.129%
OFE PZU “Złota Jesień”	0.307%
AEGON OFE	-0.232%
Aviva OFE Aviva BZ WBK	-1.047%
Nationale-Nederlanden OFE	-2.142%
Pekao OFE	-2.833%
Generali OFE	-4.848%
Weighted average rate of return	0.133%

Source: own calculations of the KNF Office

The following reports on the activities of pension market entities were submitted at the meetings of the KNF:

- “Financial situation of universal pension societies in 2015,”
- “Individual pension accounts and individual pension savings accounts in 2015,”
- “Investment activity of pension funds in the period from 29 March 2013 to 31 March 2016,”
- “Financial situation of universal pension societies in the first half of 2016,”
- “Market of open pension funds in the fourth quarter of 2015,”
- “Market of open pension funds in the first quarter of 2016,”
- “Market of open pension funds in the second quarter of 2016,”
- “Market of open pension funds in the third quarter of 2016,”
- “Sector of pension funds in Poland - evolution, shape, perspectives,”
- “Occupational pension schemes in 2015.”

Based on all information sent to the KNF Office in 2016, monthly, quarterly or annual statistical and financial data on the OFE, PPE and IKE markets and information on transfers of the OFE members was prepared and published on a regular basis.

SUPERVISION OF COMPLIANCE WITH LEGAL REGULATIONS BY PENSION SOCIETIES AND FUNDS

Supervision carried out by the KNF Office in the field of monitoring of compliance of pension funds and pension societies with the legal regulations covered, *inter alia*, the following activities:

- meeting the capital requirements of pension societies specified by the law,
- examination of the compliance of allocating assets of pension funds in deposit categories specified by the law,
- analysis of the amount of costs covered from the assets of pension funds,
- fulfilment of the disclosure requirements by the supervised entities towards the supervisory authority.

Table 45. Legal provisions on investment limits violated by pension funds in 2016

Legal provision	Number of violations*	including unintentional**
Article 141(1) of the Act on the organisation and operation of pension funds	521	521
Article 142(2) of the Act on the organisation and operation of pension funds	55	53
Article 142(1)(4) of the Act on the organisation and operation of pension funds	49	49
§ 1(9) of the Regulation of the Council of Ministers on determining the maximum amount of assets of an open pension fund which may be allocated in individual categories of deposits	31	31
§ 2(1) in relation to point 4 of the Regulation of the Council of Ministers on additional restrictions on investment activity by pension funds	173	173

* For reporting purposes, violations of the same provision by the same fund in respect of the same instrument or group of instruments occurring on successive valuation days are treated as further violations of the investment limit.
** Violations of the provisions which resulted from changes in market prices being the basis of the valuation of assets and liabilities of funds, exchange rates or organisational or capital relations between entities whose financial instruments are the subject of a deposit of the fund's assets, or from other circumstances which the fund had no direct influence on.
Source: own calculations of the KNF Office

As part of the supervision of meeting the disclosure requirements, the KNF Office verified the timeliness and correctness of daily and quarterly financial statements of pension funds, operational reports of the OFE and the DFE, financial statements of pension societies as well as monthly, semi-annual and annual asset composition published by the OFE. Submitted daily reports and other information were received and verified on a regular basis and, at the same time, any errors found in the transmitted data were clarified.

Table 46. Reports, together with corrections, sent and verified as part of the disclosure requirements of pension funds and societies received in 2016

Types of received reports	Correct reports	Incorrect reports
Financial statements of the OFE	45 279	335
Operational reports of the OFE	3 088	27
Financial statements of the DFE	2 639	67
Operational reports of the DFE	30	-
Financial statements of the PFE	32	4
Operational reports of the PFE	32	7
Reports of the PTE	445	45
Reports of the PTE	16	4
Total	51 561	489

Source: own calculations of the KNF Office

SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP) OF THE UNIVERSAL PENSION SOCIETIES

The supervisory review and evaluation process is a comprehensive process which uses all available information obtained by the supervisory authority in the exercise of direct supervision as part of inspection activities carried out in the supervised entities and indirect supervision through licensing, analysis of reporting data and additional inquiries sent to the PTE in the form of supervisory calls or questionnaires.
The SREP of universal pension societies (PTE) for 2015 was carried out in 2016. The supervisory evaluation was made in relation to 12 PTE and its results were reported to the management boards of individual entities.

SUPERVISION OF OCCUPATIONAL PENSION SCHEMES (PPE)

The employer implementing the PPE is obliged to submit annually information on the implementation of the PPE for a given calendar year to the supervisory authority. This way, the supervisory authority obtains relevant information on the functioning of individual schemes, and after aggregating the reports - data on the market, important phenomena and trends.

In 2016, two pieces of material which included the PPE were developed and published: "Occupational pension schemes in 2015" and "Annual Bulletin. 2015 PPE market," consisting of two parts: I - Overview of the market, II - Financial data.

1036 PPE were functioning at the end of 2016, some of them being of an inter-company nature, with more than one employer involved, which means that 1107 employers who, as of 31 December 2016, were operating the PPE were obliged to submit a report on operating the PPE for 2016.
In 2016, the supervisory authority conducted 20 indirect supervisory proceedings in relation to employers operating the PPE and 116 proceedings in relation to employers who failed to fulfil the obligation to submit a report on operating the PPE for 2015 within the deadline.

4.6. SUPERVISION OF THE CAPITAL AND COMMODITY MARKET

SUPERVISION OF ENTITIES OPERATING ON THE SECURITIES MARKET

Ongoing supervision of investment firms

The Authority supervises the activities of investment firms and the financial situation of brokerage houses by carrying out:

- the analysis of current reports and periodic reports of investment firms, including financial statements of brokerage houses, submitted in accordance with the national law,
- the analysis of current reports and periodic reports resulting from the provisions of the CRR[7] and the Commission Implementing Regulation (EU) No. 680/2014 issued on its basis,[8]

[7] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit unions and investment firms and amending Regulation (EU) No 648/2012 (OJ EU L 176 of 27.06.2013, as amended)

[8] Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ EU L 191 of 28.06.2014)

– proceedings aimed at issuing decisions regarding the application of specific provisions of the CRR by individual brokerage houses.

Moreover, on the basis of Article 110r of the Act of 29 July 2005 on trading in financial instruments (Dz. U. of 2016, item 1636, as amended), the supervisory review and evaluation process is conducted in relation to the regulations, strategies, processes and mechanisms implemented by brokerage houses in the field of risk management.
In 2016, the analysis within the framework of supervision of the activities of investment firms covered monthly reports and current reports of 50 brokerage houses and 10 banks conducting brokerage in the form of brokerage houses, as well as annual financial statements for 2015, semi-annual financial statements for the first half of 2016 and reports on capital adequacy of brokerage houses. In 2016, the consolidated financial statements for 2015 and the reports on consolidated capital adequacy standards of brokerage houses, submitted in accordance with the provisions in force, were also analysed. Out of 50 brokerage houses indicated, 4 brokerage houses ceased brokerage in 2016.

As part of supervising the application of the provisions of the CRR by brokerage houses, 48 decisions and 2 orders on the application of specific provisions of the CRR by individual brokerage houses were issued as a result of proceedings conducted at the request of brokerage houses.

Table 47. The value of average capital requirements (in PLN million) and their coverage ratio in brokerage houses in 2013 and the average value of own funds, total risk exposure (in PLN million) and total capital ratio in 2013-2016

Detailed list	2013	2014	2015	2016
Average level of supervised capital	40.2			
Average total capital requirement	13.75			
Average coverage of the total capital requirement with supervised capital*	2.92			
Average level of own funds		31.36	31.55	31.14
Average total amount of risk exposure		120.84	102.93	107.72
Total capital ratio		25.95%	30.65%	28.91%

Source: own calculations of the KNF Office
Data comes from monthly MRF reports as at 31 December 2013 and quarterly COREP reports for data as of 31 December 2014, 31 December 2015 and 31 December 2016.
* Data expressed in abstract numbers, representing the average quotient of the supervised capital to the total capital requirement.

Table 48. Basic data from the balance sheets of brokerage houses (in PLN million) in 2013-2016

Balance	2013	2014	2015	2016
I. Cash and cash equivalents	5 496.12	5 161.71	5 210.80	3 955.78
II. Short-term receivables	1 936.94	1 973.86	1 559.61	1 553.23
III. Financial instruments held for trading	401.19	192.54	197.42	206.92
IV. Short term prepayments and accruals	23.71	19.46	20.31	16.64
V. Financial instruments held to maturity	83.21	85.80	88.21	88.87
VI. Financial instruments available for sale	309.93	244.02	245.01	245.60
VII. Long-term receivables	31.25	6.67	6.43	5.08
VIII. Granted long-term loans	4.40	7.69	6.97	3.50

IX. Intangible assets	81.53	71.05	63.48	38.36
X. Tangible assets	108.56	89.09	83.27	69.49
XI. Long-term prepayments and accruals	82.14	75.43	76.16	61.90
XII. Own shares and stocks				0.23
TOTAL ASSETS	**8 558.97**	**7 927.32**	**7 557.66**	**6 245.60**
I. Short-term liabilities	5 727.91	5 567.02	5 152.94	4 378.34
II. Long-term liabilities	9.50	12.69	6.69	9.71
III. Accruals	125.55	99.42	88.75	60.15
IV. Provisions for liabilities	88.80	63.04	59.94	61.57
V. Subordinated debt	0.30	10.20	10.17	14.86
VI. Equity capital	2 606.92	2 174.95	2 239.17	1 720.97
TOTAL LIABILITIES	**8 558.97**	**7 927.32**	**7 557.66**	**6 245.60**

Source: own calculations of the KNF Office
Data from 2013-2015 comes from the audited financial statements; data for 2016 is derived from monthly MRF reports as at 31 December 2016.
Data does not include data of one brokerage house whose financial year does not coincide with the calendar year.

Table 49. Basic data from the profit and loss account of brokerage houses (in PLN million) in 2013-2016

Profit and loss account	2013	2014	2015	2016
I. Income from brokerage	1 201.85	969.53	985.47	723.82
II. Costs of brokerage	1 171.89	1 001.89	1 038.43	884.39
III. Profit (loss) on brokerage (I-II)	29.97	-32.36	-52.95	-160.57
IV. Income from financial instruments held for trading	523.06	355.80	402.53	415.29
V. Costs of financial instruments held for trading	215.10	63.26	39.56	73.88
VI. Profit (loss) on operations of financial instruments held for trading (IV-V)	307.96	292.54	362.97	341.41
VII. Income from financial instruments held to maturity	2.11	2.53	2.21	2.17
VIII. Costs of financial instruments held to maturity	0.32	0.00	0.00	0.15
IX. Profit (loss) on operations of financial instruments held to maturity (VII-VIII)	1.79	2.53	2.21	2.02
X. Income from financial instruments available for sale	114.08	133.20	144.26	27.34
XI. Costs of financial instruments available for sale	1.85	2.30	21.56	1.92
XII. Profit (loss) on operations of financial instruments available for sale (X-XI)	112.24	130.90	122.70	25.42
XIII. Other operating revenues	37.77	34.30	32.80	27.98
XIV. Other operating expenses	19.48	17.65	15.55	22.43
XV. Difference in provisions and revaluation write-off	-28.26	-16.37	7.24	-4.08
XVI. Profit (loss) on operating activities (IIII+VI+IX+XII+XIII-XIV+XV)	441.99	393.89	459.43	209.75

XVII. Financial revenues	171.71	102.45	79.11	53.77
XVIII. Financial expenses	56.26	25.75	23.18	14.20
XIX. Profit (loss) on economic activities (XVI+XVII-XVIII)	557.44	470.59	515.36	249.32
XX. Extraordinary gains	0.00	0.00	0.00	0.00
XXI. Extraordinary losses	0.00	0.00	0.00	0.00
XXII. Gross profit (loss) (XIX+XX-XXI)	557.44	470.59	515.36	249.32
XXIII. Income tax	139.14	69.65	80.82	51.36
XXIV. Other statutory reductions in profit (increases in loss)	-0.15	-0.07	-0.26	0.00
XXV. Net profit (loss) (XXII-XXIII-XXIV)	418.46	401.01	434.80	197.96

Source: own calculations of the KNF Office
Data from 2013-2015 comes from the audited financial statements; data for 2016 is derived from monthly MRF reports as at 31 December 2016.
Data does not include data of one brokerage house whose financial year does not coincide with the calendar year.

Supervisory Review and Evaluation Process (SREP) of brokerage houses

On 30 December 2016, the sixth formal process of supervisory evaluation of brokerage houses was completed. 46 supervisory evaluations were made. The process of carrying out 34 supervisory evaluations was simplified and based solely on the analysis of information provided and the conclusions of the analysis of the reports submitted.
In 2016, the evaluations were made for two cut-off points, i.e. 31 December 2015 and 30 June 2016.

Companies operating the regulated market, the exchange commodity market and the securities depository

Representatives of the Polish Financial Supervision Authority took part in 49 meetings of Supervisory Boards and 7 General Assemblies of Shareholders:
- 15 meetings of the Supervisory Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.),
- 2 General Assemblies of the Warsaw Stock Exchange,
- 3 meetings of the Supervisory Board of the Krajowy Depozyt Papierów Wartościowych S.A.,
- 5 meetings of the Supervisory Board of the KDPW_CCP S.A.,
- 1 General Assembly of the KDPW_CCP S.A.,
- 9 meetings of the Supervisory Board of the BondSpot S.A.,
- 1 General Assembly of the BondSpot S.A.,
- 9 meetings of the Supervisory Board of the TGE S.A.,
- 1 General Assembly of the TGE S.A.,
- 8 meetings of the Supervisory Board of the IRGiT S.A.,
- 2 General Assemblies of the IRGiT S.A.

SUPERVISION OF ISSUERS OF SECURITIES OTHER THAN INVESTMENT FUNDS

The responsibilities of the Polish Financial Supervision Authority include supervision of the performance of disclosure requirements specified in the Act on public offering and the Act on trading in financial instruments by issuers whose securities are admitted to trading on a regulated market.

As of 3 July 2016, issuers and other participants of the capital market are required to apply the provisions of Regulation (EC) No. 596/2014 of the European Parliament and of the Council of

16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directive 2003/124/EC, 2003/125/EC and 2004/72/EC (OJ EU L 173 of 12.06.2014, p. 1, as amended, hereinafter: the MAR). The MAR is supplemented by delegated and implementing acts adopted by the European Commission. These regulations supersede the applicable provisions of the Polish law, which implement Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (the MAD). As a consequence of the entry into force of the MAR, it is necessary to repeal the provisions governing the matter in question from the Polish legal system.

As of 31 December 2016, legislative work adapting national legislation to the MAR and implementing Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse (OJ EU L 179 of 12.06.2014, p. 179, hereinafter: the MAD II), which complements the provisions of the MAR and ensures its effective implementation, was not completed.

From the issuers' point of view, the MAR regulates primarily the obligations related to the public disclosure of inside information and the procedure for delaying the public disclosure of this information, and keeping lists of persons having access to inside information. Another important area of this regulation are the notifications of transactions by persons discharging managerial responsibilities and persons closely associated with them, as well as the prohibition of carrying out transactions by persons discharging managerial responsibilities during a closed period.

In 2016, the KNF Office verified compliance with the law of more than 34 thousand current reports, periodic reports and inside information provided by public companies and over 2300 notifications transmitted by persons acquiring and disposing of large amount of shares in public companies pursuant to Article 69 of the Act on public offering, as well as about 4100 notifications submitted by the entities obligated pursuant to Article 160 of the Act of 29 July 2005 on trading in financial instruments (Dz. U. of 2016 item 1636, as amended), and in connection with the application of the MAR since 3 July 2016, pursuant to Article 19 of the MAR - concerning transactions of persons discharging managerial responsibilities and persons closely associated with them.

In the period covered by the report, the Polish Financial Supervision Authority issued:
- 26 decisions concerning demand for suspension of trading in shares of a public company by the Warsaw Stock Exchange, pursuant to Article 20(2) of the Act of 29 July 2005 on trading in financial instruments, on account of failure to timely meet disclosure requirements,
- 1 decision concerning demand for suspension of trading in shares of a public company by the Warsaw Stock Exchange, pursuant to Article 20(2) of the Act of 29 July 2005 on trading in financial instruments, on account of the publication of the periodic report in a manner incompatible with the provisions of law,
- 1 decision concerning demand for suspension of trading in shares of a public company by the Warsaw Stock Exchange, pursuant to Article 20(2) of the Act of 29 July 2005 on trading in financial instruments, on account of the receipt of a notification referred to in Article 16 of the MAR by the Polish Financial Supervision Authority,
- 2 decisions concerning demand for suspension of trading in shares of a public company by the Warsaw Stock Exchange, pursuant to Article 20(4c) of the Act of 29 July 2005 on trading in financial instruments, on account of the suspension of trading in financial instruments of the company on the Hungarian market.

In 2016, the Polish Financial Supervision Authority adopted a resolution to disclose information on the outcome of administrative proceedings, the outcome of civil proceedings, the initiation of administrative proceedings and the legal remedies taken to prevent the violation of the provisions in connection with the activities of the KNF related to a public company.

More than 830 interventions were made in 2016 in cases of detection of improper performance of disclosure requirements of public companies and their shareholders, including more than 510 interventions in the case of detection of improper performance of disclosure requirements of public companies, resulting in disclosure of current, periodic and confidential reports in accordance with the applicable regulations.

As part of supervision of reporting regime of the issuers of securities other than investment funds, in 2016, the KNF Office, among others:

- examined 217 sets of financial statements (including consolidated financial statements) of 112 issuers in terms of their compliance with the applicable accounting standards, in particular the IFRS, i.e. the International Accounting Standards, the International Financial Reporting Standards and the related Interpretations published in the form of Regulations of the European Commission, chosen based on selection methods referred to in the ESMA Guidelines on the enforcement of financial information (ESMA/2014/1293en, 28 October 2014). A report, which is then published on the website of the KNF, is prepared on the basis of the results of the analysis,
- developed and submitted 110 positions and opinions, including 74 for external entities, concerning, among others: the application of the IFRS, the correctness of fulfilment of disclosure requirements related to periodic reports by the issuers and historical financial information presented in prospectuses,
- recommendations were issued for 9 issuers to cease infringements of disclosure requirements.

The tasks of the Polish Financial Supervision Authority include supervision of the formal and legal correctness of announcing and conducting takeover bids to subscribe for the sale or exchange of shares of public companies, in connection with crossing particular thresholds in the total number of votes by shareholders. If the announced takeover bid does not meet the statutory requirements, the Polish Financial Supervision Authority may demand that the necessary changes or additions to the content of the takeover bid be introduced or the explanations about its content be provided.

In 2016, 35 formal and legal analyses of takeover bids to subscribe for the sale of shares of public companies were performed, of which 8 takeover bids to subscribe for the sale of shares were announced due to exceeding the threshold of 33% in the total number of votes in public companies, while 18 takeover bids were announced for all other shares of these companies. In 2016, 8 takeover bids were published under Article 72 of the Act on public offering and one takeover bid in connection with the intention to withdraw shares of a public company which are traded on a regulated market in another country from trading on the regulated market conducted on the territory of the Republic of Poland.
In 2016, in the case of two takeover bids the Polish Financial Supervision Authority made a request to introduce the necessary changes to their content and in two cases submitted a request for explanations. The value of the shares being the subject of takeover bids published in 2016 amounted to over PLN 6.6 billion. For comparison, in 2015 the value of takeover bids amounted to over PLN 4.7 billion, in 2014 the value of takeover bids was PLN 6.7 billion, while in 2013 the total value of takeover bids reached nearly PLN 6.2 billion.

SUPERVISION OF COLLECTIVE INVESTMENT INSTITUTIONS

The supervisory activities of the Polish Financial Supervision Authority related to the investment fund management companies and investment funds, after obtaining the necessary permits by these entities, include, among others: monitoring of the current situation of these entities by analysing current reports, current information and periodic reports.

Current reports and current information of investment funds are divided into two main groups:
- current reports and current information of open-end investment funds, specialised open-end investment funds and closed-end investment funds, submitted exclusively to the Polish Financial Supervision Authority,
- current reports of public closed-end investment funds submitted to the Polish Financial Supervision Authority and made available to the public.

In addition to the semi-annual and annual financial statements of investment funds, the following are also included in the group of periodic reports submitted obligatorily:
- quarterly reports of open-end investment funds, specialised open-end investment funds and closed-end investment funds, issuing non-public investment certificates, which are submitted only to the Polish Financial Supervision Authority,
- quarterly reports of public closed-end investment funds submitted to the Polish Financial Supervision Authority and made available to the public.

Periodic reports of investment fund management companies include:
- monthly reports,
- annual financial statements,
- semi-annual financial statements of the collective securities portfolio,
- annual financial statements of the securities portfolio,
- annual reports on the functioning of internal control.

While carrying out supervisory activities with regard to investment fund management companies and investment funds, the Polish Financial Supervision Authority also regularly analyses information sent by depositaries of investment funds pursuant to Article 231 of the Act of 27 May 2004 on investment funds (Dz. U. of 2016, item 1896).

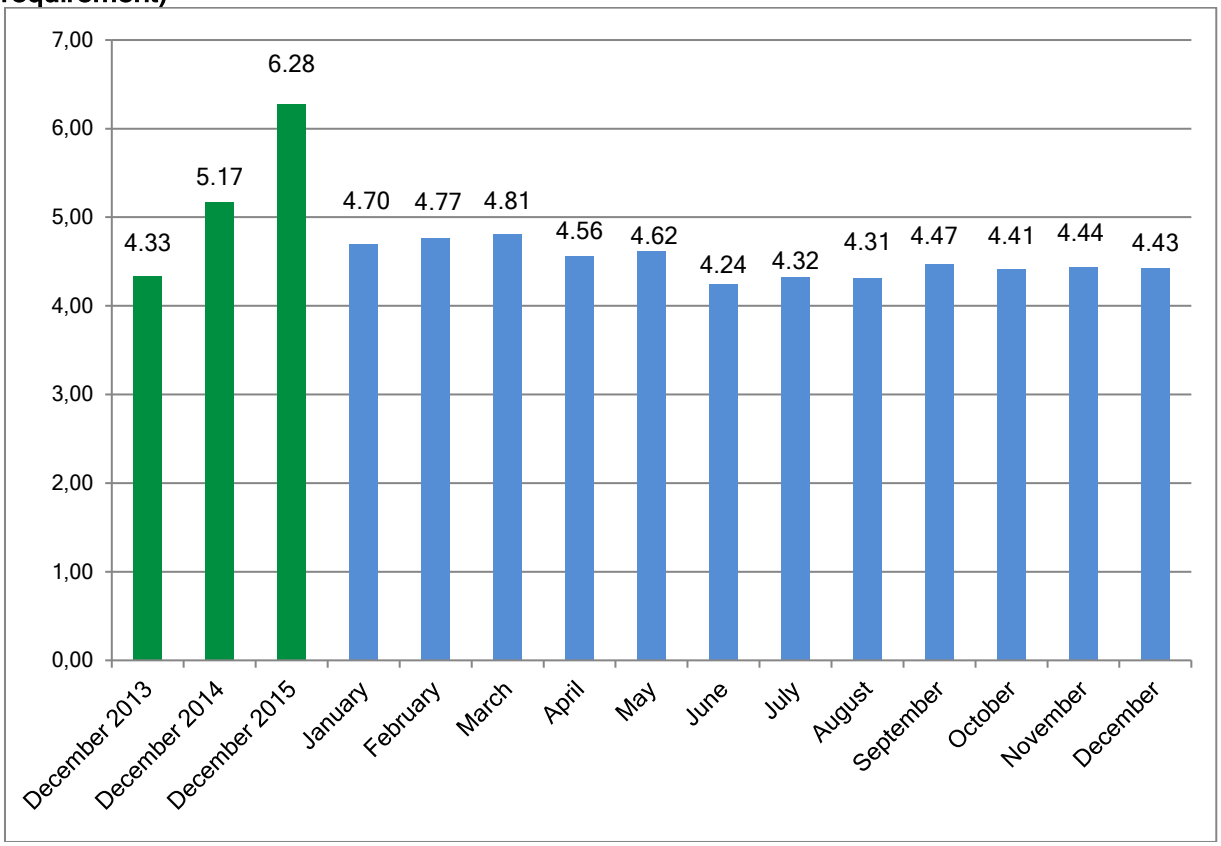
Table 50. The number of analysed current and periodic reports of investment funds and investment fund management companies and information from depositaries in 2013-2016

Type of report/information	2013	2014	2015	2016
Current and periodic reports of investment fund management companies	4120	4509	4795	6381
Current and periodic reports of investment funds	21192	22181	25864	30639
Information from depositaries	4214	4708	3774	4478
Total	**29526**	**31398**	**34433**	**41498**

Source: own calculations of the KNF Office

As part of exercising supervision, the FSC also monitors compliance with the capital requirements by the TFI.

Diagram 22. The average value of the capital requirement coverage ratio of investment fund management companies at the end of 2013-2016 and in 2016 (equity/minimum capital requirement)[9]



Source: own calculations of the KNF Office

Over the course of 2016, the average value of the minimum capital requirement coverage ratio for the entire sector of investment fund management companies ranged between 4.24 and 4.81. Therefore, equity of the companies was on average about four times higher than the level of the minimum obligatory equity required by the provisions of the Act on investment funds. The reduction of the average value of the ratio in January 2016 resulted, inter alia, from an increase in the requirement specified in Article 50(1) of the Act on investment funds on the basis of costs of investment fund management companies as of the end of December 2015. In turn, the decrease in the average value of the capital requirement coverage ratio at the end of the first half-year was caused by payment of dividends by investment fund management companies from profits for 2015, as well as the increase in the capital requirements applicable to the TFI by the amounts resulting from Article 50(4a) of the Act on investment funds in connection with the implementation of Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/61/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010.

Supervisory Review and Evaluation Process (SREP) in investment fund management companies

According to the assumption of the SREP, the following three areas were evaluated in the case of the TFI:

[9] Based on monthly reports provided by investment fund management companies (TFI). Monthly reports are not audited or reviewed by a chartered auditor, therefore information included in them may be subject to subsequent corrections.

- the risk borne by the investment fund management company,
- capital adequacy of the investment fund management company,
- quality of management in the investment fund management company.

60 TFI were subject to evaluation in the SREP assessment carried out in 2016. The evaluation is made in the range from 1 (the best evaluation) to 4 (the worst evaluation).
The average evaluation of the SREP given to companies in 2016 was 2.28 and was slightly lower compared to the average evaluation in 2015, which was 2.06.

5. INSPECTION ACTIVITIES

5.1. BANKING SECTOR

INSPECTIONS IN BANKS

In 2016, control activities in banks were carried out on the basis of the provisions of law and prudential recommendations of the KNF, taking into account guidelines of the European Banking Authority (EBA) and the Basel Committee on Banking Supervision (BCBS), based on uniform standards and test procedures included in the Inspection Manual and detailed methodologies supplementing the Manual.
Control activities were carried out in the form of comprehensive and targeted inspections, explanatory proceedings and validation proceedings.

Table 51. Control activities carried out by the KNF Office in banks in 2016

Control activities	Number
Comprehensive inspections, including:	10
– inspections in commercial banks	3
– inspections in cooperative banks	7
Targeted inspections, including:	39
– inspections in commercial banks	15
– inspections in cooperative banks	24
Validation proceedings in commercial banks	4
Explanatory proceedings, including:	11
– in commercial banks	10
– in a cooperative bank	1

Source: own calculations of the KNF Office

Inspections of the correctness of calculating and transferring the required amount of the statutory reserve were carried out as part of cooperation of the KNF Office and the NBP during 3 comprehensive inspections in commercial banks.

COMPREHENSIVE AND TARGETED INSPECTIONS IN BANKS

In the case of comprehensive inspections, control activities focused primarily on the study of the management process of particular types of risk by the banks, in particular credit, liquidity, market and operational risks, and the assessment of capital adequacy and management of the bank, including compliance with banking laws, statutes and meeting the conditions set out in the permit to establish a bank.
Control activities carried out as part of targeted inspections mainly had the form of the so-called thematic reviews, i.e. targeted at examining the same set of issues in systemically important banks. The scope of thematic reviews in commercial banks included topics such as:
- assessment of retail credit exposure management, including the adaptation of banks to Recommendation T of the KNF on good practice in the management of risk of retail credit exposures (hereinafter referred to as: Recommendation T),

- valuation and management of debt financial instruments, excluding debt instruments issued by the Treasury and the NBP,
- assessment of the adaptation of banks to Recommendation W of the KNF on model risk management in banks (hereinafter: Recommendation W),
- degree of adaptation to the provisions of the Act of 5 August 2015 on handling complaints by financial market entities and on the Financial Ombudsman,
- degree of implementation of Recommendation U of the KNF on good practice in bancassurance (hereinafter: Recommendation U).

The following areas/issues were subject to check within the framework of the remaining targeted inspections:

- liquidity risk management, including the compliance of the banks with Recommendation P on bank liquidity risk management (hereinafter: Recommendation P),
- capital adequacy,
- market risk management, taking into account: supervision of the bank's management of the treasury activity, offering of derivatives to non-financial clients, quality of managing the general interest rate risk in the non-trading book,
- the area of information technology and security of the ICT environment.

In the case of control activities in cooperative banks, the primary area of checks was credit risk. The implementation of selected recommendations of the KNF issued during the supervisory review and evaluation process (SREP) and as a result of control activities carried out in previous years was also assessed.

The findings from the control activities were included in the reports of inspection, and information on the results of inspection in banks with foreign capital was also transferred to the supervisory authorities of the bank's parent company.

Tables 52 to 60 provide a synthetic information on the significant irregularities identified (which concerned the controlled entities to a different extent) with respect to the most frequently checked areas in commercial banks, and in the case of cooperative banks in the area of credit risk.

Table 52. Significant irregularities identified during control activities in commercial banks in 2016 in the area of credit risk management, with particular focus on management of retail credit exposures (including compliance of banks with Recommendation T) and the valuation and management of debt financial instruments

	Credit risk management
1.	Irregularities related to the assessment of the creditworthiness of retail/individual clients resulting from: – accepting minimum household maintenance costs (below the social minimum announced by the Institute of Labour and Social Studies (hereinafter: the IPiSS)) in the case of clients applying for mortgages, and in the case of cash loans, credit cards granted for periods shorter than 5 years - below the subsistence level announced by the IPiSS, – failure to determine a probable decline in client's income after the retirement in the assessment of creditworthiness, – failure to present financial projections for the entire crediting period by a natural person running a business applying for a credit, – lack of differentiation in minimal household maintenance costs depending on the residential status of a retail client and the place of residence, – failure to ensure full compliance of the bank's operations with the provisions of Article 70 of the Act - *Banking Law* (Dz. U. of 2015 item 128, as amended), consisting in allowing for the possibility to assess loan collateral instead of assessing the applicant's creditworthiness, – failure to include information on the quality of retail credit exposures in the management reports, – applying derogations from the standard way of documenting income of a retail client as part of a quantitative analysis of the creditworthiness assessment process, resulting in the inability to ensure a reliable determination of the amount and the stability of repayment sources.

2.	Incomplete implementation of the provisions of Recommendation T related to: – lack of definition of portfolio of retail credit exposures (hereinafter: the RCE), – lack of developed policy of management of the RCE portfolio defining, *inter alia*, the appetite for risk of the RCE portfolio following from the bank's strategy and a cyclical assessment of its implementation, – lack of limits reducing the risk related to retail credit exposures, which take into account different risk characteristics of the RCE portfolio and its sub-portfolios, in particular concerning: o the share of the RCE portfolio in the bank's credit portfolio, o the average probability of failure to fulfil the obligation (default) broken down by individual RCE sub-portfolios, o the share of retail loans granted with derogations, o the quality of retail exposures granted on the basis of simplified creditworthiness assessment, – lack of stress tests showing the impact of the internal and external environment of the bank on the risk of retail credit exposures, – lack of submission of the report with information on the implementation of the policy of retail credit exposure risk management to the supervisory board by the bank's management board at least every half a year, – the use of defective, based solely on estimates, rules of verification of the declared income in the case of clients performing the so-called freelance professions, – lack of differentiation of the level of minimum living costs - taken into account in assessment of creditworthiness - with regard to the term of the loan and loan amount, and lack of cyclical analyses which would confirm the adequacy of the approach to the risk taken in relation to the long-term nature of lending and large amounts of loans granted without collateral, – granting loans using simplified creditworthiness assessment rules in amounts exceeding the maximum limit under Recommendation T, – lack of comparison of the quality of the portfolio of retail credit exposures granted using simplified creditworthiness assessment rules with the accepted risk appetite, – lack of limit of the level of “past due” exposures, including the so-called early delays (0-30 days), – significant delays in presenting the results of stress tests to the bank's management board and supervisory board, along with recommendations - in the area of retail credit exposures - in relation to the date of analyses, – lack of analyses justifying the value of the accepted loan amounts for which no collateral is required and analyses which resulted in an increase of the maximum value of uncollateralised exposures, – ineffective control mechanisms in the area of retail credit exposures, including functional control (in the light of cases of non-compliance with the provisions of law and internal regulations by the bank), – reservations about the quality and the scope of audits in the context of comments made as a result of inspection as to the implementation of various aspects of Recommendation T, – improper fulfilment of disclosure requirements towards clients in connection with consumer credit agreements within the meaning of the Act on *consumer credit* (Dz.U.2016.1528 - consolidated text).
3.	Failure to specify comprehensive and detailed rules in the internal regulations of banks concerning: – management of debt financial instruments, excluding debt instruments issued by the Treasury and the NBP, – internal reporting, in particular with respect to information which allows an adequate valuation and management of the above-mentioned instruments.
4.	Incorrect estimation of flows from collaterals for bonds with constant impairment (according to the debt collection scenario) due to failure to take into account previous mortgage entries to real-property registers in the process of estimating flows from collaterals on real property, and insufficient internal control in the process of estimating impairment of debt instruments.

Source: own calculations of the KNF Office

Table 53. Significant irregularities identified during control activities in commercial banks in 2016 in the area of liquidity risk management, including adaptation of banks to Recommendation P

	Liquidity risk management
1.	Irregularities related to internal procedures, including: – failure to reflect the practice of liquidity risk management adopted, – failure to regulate some of the key issues of liquidity risk management, including intraday liquidity, collateral management, liquidity surplus, the manner of generating a pool of credit receivables which can be used as collateral for a refinancing loan from the NBP, the adjustment of assets and liabilities, assumptions of stress tests, – lack of precise definition of the manner of calculating supervisory liquidity ratios and the LCR.
2.	Irregularities in the designation of supervisory liquidity standards related to the failure to fully comply with Resolution No. 386/2008 of the KNF *on the establishment of liquidity standards binding on banks*, including: – understating the size of unstable funds, – incorrect definition of the deposit base, – insufficiently conservative determination of a stable proportion of funds, – errors in determining the level of the basic liquidity reserve.
3.	Irregularities related to the calculation of the LCR, including: – incorrect outflow rate of retail deposits, including incorrect identification of deposits in transactional accounts, lack of identification of deposits requiring higher outflow rate, understating outflows from Internet deposits, – understating the level of deposits excluded from outflows, – errors in classifying to assets with high liquidity, – calculating the LCR on a monthly basis instead of daily basis.
4.	Irregularities related to the liquidity measurement methods, including: – accepting the wrong definitions of liquid assets, – lack of identification of increased risk of negotiated deposits, – reservations about the adjustment of maturities, – inadequate analyses of concentration of funding sources.
5.	Irregularities in the system of internal limits, including: – lack of some limits, significant for limiting liquidity of the bank, e.g. long-term liquidity limits, – lack of periodic review and update of the limits or failure to ensure effectiveness of the limits as a result of a review.
6.	Irregularities related to stress tests, including: – incompleteness, e.g. lack of reverse stress tests, intraday liquidity, – accepting assumptions which reduce the conservatism of scenarios (wrong definition of electronic deposit, failure to take into account the specificity of negotiated deposits), – lack of documentation and justification of the process of choosing scenarios and lack of periodic review of scenarios, among others, from the point of view of assessment of the assumptions, – test scenarios inconsistent with the contingency liquidity plan scenarios.
7.	Irregularities related to the contingency liquidity plan for maintaining liquidity, including: – reservations about defining the symptoms of a crisis in a manner ensuring an unambiguous identification of a crisis situation, – failure to take into account the possibility of interference in payment and clearing systems of entities of the bank's group, – omission in the definition of contingency liquidity sources, – insufficient preparation to use a refinancing loan collateralised by a pool of receivables.
8.	Irregularities in the management information system, including: – delayed preparation of the management information, – failure to provide current information on intraday liquidity, – failure to provide detailed and up-to-date information in extreme conditions, – lack of assessment of the risks resulting from concentration of funding sources, withdrawal of electronic deposits.

Source: own calculations of the KNF Office

Table 54. Significant irregularities identified during control activities in commercial banks in 2016 related to market risk, including the elements examined during targeted inspections (supervision of the bank's management of treasury activity, the process of offering derivatives to non-financial clients, the quality of managing general interest rate risk in the non-trading book)

Market risk management	
1.	In the area of management of general interest rate risk in non-trading book - irregularities in the measurement and control of the general interest rate risk in non-trading book, including the lack of full compliance with the requirements of the EBA Guidelines on the management of interest rate risk arising from non-trading activities.
2.	As regards the process of verifying the market conformity of transactional prices: – weaknesses in determining the market conformity of transactional prices, including cases of failure to: specify the frequency of verification of parameters used in this process, update the process assumptions and set the permissible range of variations or verify the validity of price variations of the concluded transactions from market prices, including all treasury transactions in the verification process, the requirement to document analyses being the basis for determining the value of the adopted tolerance and intervention thresholds and adapt the tolerance levels to the extent resulting from objective analyses carried out by the bank, – lack of rules for documentation and comparison of the terms of conducted transactions with market quotes in the period close to the transaction date, – failure to include information on checking the market conformity of transaction prices in the management information system for members of the management board overseeing the treasury activity and the risk.
3.	In the area of treasury activity – failure to indicate: – the principles of monitoring and control of transactions concluded by dealers or their superiors, including the director of the treasury department, – the treasury department's strategy/policy on trading activity or correct folder structure in the transaction system used in that department, ensuring a clear division into non-trading and trading book.
4.	As regards the process of offering derivatives to non-financial clients: – too narrow range and low quality of information provided to clients, – weaknesses in internal regulations related to the rules of performing stress tests in the portfolio of derivative transactions concluded with non-banking clients, – weaknesses in the process of checking the nature of a transaction concluded by the client.

Source: own calculations of the KNF Office

Table 55. Significant irregularities identified during control activities in commercial banks in 2016 related to selected issues in the area of management of the areas of information technology and ICT environment security

Management of the areas of information technology and ICT environment security	
1.	Irregularities in the area of governance: – lack of segregation of operational and control responsibilities, – insufficient frequency of reporting information about the IT environment in the management information systems, – frequent organisational changes increasing the IT risk, – lack of the KRI and KPI for the relevant areas.
2.	Irregularities in the management of incidents in the IT environment and e-banking: – lack of analysis of events performed by the Security Operations Centre (SOC) continuously 24/7/365, – initial phase of implementation of the Security Information and Event Management (SIEM), – lack of systems/components of the Advanced Threat Protection (ATP), – lack of solutions that monitor user activity in databases, preventing suspicious activity in databases, generated by the user or applications,

	– lack of scenarios for the materialisation of risks associated with breaking the protection of the bank's ICT environment.
3.	Irregularities in monitoring the activity of privileged users: – lack of monitoring and control of activity of privileged users, – lack of effective control over the process of managing accounts of privileged users.
4.	Irregularities related to the management of virtual environment security: – lack of identification and analysis of specific risks for the virtual environment, – lack of detailed standards for configuration and hardening of the virtual environment, – outdated versions of the virtualisation platform software, management tools, utility software, – lack of audit of the configuration and security of this environment.
5.	Irregularities in the process of managing the vulnerabilities: – cases of critical vulnerabilities on edge devices, – poor quality of the process of managing vulnerabilities on servers and workstations, – lack of documented risk analysis of identified vulnerabilities, – lack of management of vulnerabilities on non-standard OS of workstations - Linux, MacOS.
6.	Irregularities in control mechanisms for unsupported software: – lack of full identification of unsupported components and proper date of deprivation of support, – large scale of use of components without support of the manufacturer, – lack of analysis of the risk of using component without manufacturer support, – acceptance of risk despite the lack of its analysis.
7.	Irregularities in the management of outsourcing of IT services: – insufficient frequency of checks at the supplier, – high concentration in the case of some suppliers, – entrusting an external company with a major part of services related to, among other things, administration and maintaining applications and systems, granting authorisations and configuration, – lack of adequate control of activities of the supplier's employees, – lack of specific rules for cooperation and exchange of information between entities of the capital group with regard to the control of activities of service providers at the level of the entire group.
8.	Inadequate quality of liquidity risk management on the Internet: – lack of detailed risk assessment in the area of security of Internet payments and services related to these payments (especially in the field of mobile banking), – lack of rules to immediately inform the KNF of any serious payment security incidents in the area of payment services provided, – lack of automated monitoring and identification of transfers to suspicious accounts (accounts of the so-called money mules); – lack of possibility to define default limits for the clients using electronic access channel (e.g. quota limit for a single transaction, daily quota limit) for each product.

Source: own calculations of the KNF Office

Table 56. Significant irregularities identified during control activities in commercial banks in 2016 in the area of capital adequacy

Capital adequacy	
1.	Irregularities related to internal procedures, including: – maladjustment of procedures to the capital management practice, – lack of definition of rules for using the SME Supporting Factor when calculating capital requirements, – failure to determine the manner of calculating the scale of trading activity, – failure to specify the frequency of reporting emergency activities, – errors in definition of a public sector entity, – lack of approval of the procedure for calculating additional value adjustments of the assets appraised at fair value (AVA), – lack of rules for using the ECAI.

2.	Incorrect classification of credit exposures into the categories of exposure defined in the CRR,[10] including: – listing some of the retail and equity exposures, interests in subsidiaries and deferred tax assets in the category of "other exposures," – incorrect demonstration of exposures which fit the definition of default, – incorrect application of the criteria for the definition of fully collateralised exposures, – listing exposures to non-profit institutions serving households in the category of "exposures to public sector entities."
3.	Incorrect assignment of the CCF to off-balance-sheet exposures, including the use of the 0% CCF, despite the fact that there is lack of possibility of a real automatic cancellation of exposures due to deterioration in the borrower's creditworthiness or failure to apply the provisions of contracts which would allow an unconditional cancellation of the exposure.
4.	Incorrect assignment of risk weights to credit exposures, including: – unjustified use of a preferential risk weight of 35%, – failure to take into account the position of the KNF recommending the assignment of 100% risk weight to exposures secured fully on commercial real property instead of 50%, – the use of different risk weights by the bank and its subsidiary for the same exposures.
5.	Applying the SME Supporting Factor to entities which do not meet the definition of SMEs or not in line with the criterion set out in the CRR.
6.	Reservations about calculating the capital requirement for credit valuation adjustment (CVA), including the lack of formalised rules used for calculation and failure to discount exposure values.
7.	Irregularities related to the calculation of own funds, including: – lack of or improper consideration for additional value adjustments of the assets appraised at fair value (AVA), – lack of definition of significant investment in a financial sector entity or incorrect demonstration of significant investments in financial sector entities, – improper demonstration of deferred tax assets, – failure to review documentation related to prudential valuation at least one a year, as required.
8.	Reservations about capital planning, including: – limited effectiveness of the contingency capital plan resulting from the lack of clarification of the responsibility for its implementation, – failure to include maintenance of the level of capital ratios recommended by the KNF as well as additional capital buffers in the criteria for launching the contingency liquidity plan.
9.	Irregularities related to the process of estimating internal capital, including: – failure to establish criteria for a risk as material or inadequate measures of assessing the risk relevance level, – lack of a catalogue of risks occurring in the bank's capital group, – lack of estimation of the internal capital for some risks considered material, – lack of a proper consideration for the assessment of the capital adequacy in terms of sensitivity of the capital's economic value to changes in interest rates, – errors in estimating internal capital for some types of risk, e.g. economic cycle risk, reputation risk, model risk, business risk, – the use of diversification effect between risks not supported by analysis.
10.	Reservations about stress tests, including failure to conduct reverse stress tests and to specify a date of performing stress tests in internal procedures.
11.	Irregularities related to the management of financial leverage, including: – determination of the minimum ratio without the analysis, – periodically exceeded minimum internal leverage ratio, – lack of stress tests of the leverage ratio.

Source: own calculations of the KNF Office

[10] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit unions and investment firms and amending Regulation (EU) No 648/2012.

Table 57. Significant irregularities identified during control activities in commercial banks in 2016 in the area of bancassurance, with particular focus on the implementation of Recommendation U

Management of the bancassurance area	
1.	Lack of indication of the key risk management areas in the bancassurance policy, including: – the scope and obligation of periodic evaluation of the adopted policy by the management board, – the principles of acquiring information necessary to analyse and assess effectiveness of operations (by monitoring the number and reasons for refusal to pay benefits); – updating its records in relation to changes in the organisational structure of the bank and the provisions of law.
2.	Lack of separation of sales function, risk acceptance and risk monitoring and control in the bancassurance area.
3.	Lack of proper approach of banks to the need to eliminate conflict of interests arising in the situation of combining the functions of a policy holder and insurance mediator, resulting from: – the occurrence in the process of offering insurance (in the case of some banks applying the group insurance model) of insurance agents of bank subsidiaries, receiving remuneration from insurance undertakings, – the collection of remunerations from insurance undertakings by banks in the event of renewal or continuation of collection of premiums of group insurance offered under contracts concluded with insurance undertakings before the entry into force of Recommendation U.
4.	Insufficient scope of reports for the supervisory board, including: – lack of full information on the insurance products serviced by the bank, – lack of information on the scale of sales of insurance products, – lack of information about the cases when the bank gave up its claims of payment of benefits from insurers and about their causes.
5.	Inadequate scope of management information: – lack of information on the scale of reimbursement of contributions and remuneration, – lack of information on the manner and timeliness of dealing with complaints, – lack of data on the number and reasons for refusal to pay compensation by insurance undertakings.
6.	Lack of fully effective protection against the risks of bancassurance activity in the process of introducing a new insurance product due to the lack of analyses of: compatibility of a product with the bank's strategy, the purpose of its introduction and its expected profitability.
7.	Shortcomings in the accounting policy related to: – the presentation and settlement of fees for individual insurance products, – failure to apply the principle of determining the degree of advancement of a service (in the case of mediation in the sale of insurance investment products), – periodic analyses and the criteria determining the connection between the insurance product and the financial instrument, – the estimation and verification of the level of anticipated return of remuneration for early termination of insurance protection, – simplification of the presentation of remuneration received.
8.	Irregularities related to remuneration settlement models regarding: – failure to determine assumptions and principles of calculating fair value of a financial instrument, including the scope and sources of data used, – lack of rules for periodic verification of the values of parameters included in models, – lack of rules for the verification of fair value of the mediation service, – incorrect value of the mediation service rate, – lack of an independent model validation.
9.	Irregularities in client relations in the area of bancassurance resulting from: – cases of collecting remuneration at the level of 60-70% of share in the premium paid by the client by the bank, – failure to meet the requirement of collecting only reimbursement of costs related to the conclusion and servicing of insurance from the client (by the bank acting as the policy holder), – failure to include all relevant information in the product card.

10.	Inadequate internal control system in the area of bancassurance due to: – failure to cover the bancassurance area with a comprehensive internal audit, – maladjustment of the internal control system to the scale of activities related to insurance distribution.

Source: own calculations of the KNF Office

Table 58. Significant irregularities identified during control activities in commercial banks in 2016 related to the assessment of the bank's compliance with Recommendation W[11]

Model risk assessment (Recommendation W)	
1.	Weaknesses resulting from incomplete documentation of the model development process, inconsistencies in model documentation standards, and overly generalised methodology of model quality assessment for risk areas other than credit risk.
2.	Delays with respect to the approved plan in the case of actions in the area of model risk management (delays with regard to models' validation and models' monitoring) as well as lack of coverage of certain bank models by the established models' management process.
3.	Deficiencies in conducting a comprehensive audit of the implementation of Recommendation W.
4.	Lack of full independence of validation units from the units which own the models.
5.	Inadequacy of human resources involved in the process of model risk management relative to the size and scale of banking activity.

Source: own calculations of the KNF Office

Table 59. Significant irregularities identified during control activities in commercial banks in 2016 regarding the degree of compliance with the provisions of the Act of 5 August 2015 *on handling complaints by financial market entities and on the Financial Ombudsman* (Dz.U.2016.892 – consolidated text)

Handling complaints by financial market entities	
1.	Failure to update internal regulations in order to meet the requirements of the Act, including the lack of proper implementation of key statutory definitions in these regulations.
2.	Failure to inform or inadequate scope of informing the clients about the possibility of proceedings, if their claims arising from a complaint are not accepted.
3.	Incomplete scope of information about complaints submitted to the Financial Ombudsman.
4.	Lack of adequate control mechanisms to ensure effective compliance with the Act.
5.	Incorrect scope or frequency of reporting to the management board or supervisory board within the management information system.
6.	Failure to update systems responsible for recording complaints adapted to the requirements of the Act.

Source: own calculations of the KNF Office

Table 60. Significant irregularities identified during control activities in cooperative banks in 2016 in the area of credit risk management

Credit risk management

[11] Even though control activities related to the implementation of Recommendation W were performed only in two banks, the inspection findings indicated similar, repeated weaknesses.

1.	Errors in the process of identifying credit risk related to: – retail clients, in particular: o determining the cost of living below the minimum subsistence level, i.e. contrary to the position of the KNF Office in this area, o incorrect verification of income declared by natural persons in statements, o lack of verification of debt and credit history of borrowers pursuing business activity based on information from external databases, – economic actors, in particular: o granting loans to entities which are uncreditworthy, without meeting the requirements of Article 70(1) and (2) of the Act - Banking Law, o failure to obtain information necessary for reliable creditworthiness assessment, in particular with regard to financial plans covering the entire period of the loan applied for by the applicants, and lack of credit assessments covering that period.
2.	Irregularities in the review and classification of credit exposures, consisting in: – lack of evaluation of the implementation of financial forecasts and failure to take into account financial difficulties in the assessment of economic actors, – incorrect classification of credit exposures according to the economic and financial situation and timeliness of repayments (in particular, lack of automatic re-classification of credit exposures taking into account the timeliness criterion), constituting a violation of the provisions of the Regulation of the Minister of Finance *on the rules for creating provisions for the risk related to the operations of banks*, – failure to determine the criteria for classifying credit exposure to the risk category "under observation," other than timeliness of repayment of receivables, including determination of the industries requiring special attention, which violates the provisions of the above-mentioned Regulation of the Minister of Finance, – incorrect valuation of exposures to investment certificates of closed-end investment funds, in particular failure to take into account significant impairment of these instruments, resulting in the need to create revaluation write-off.
3.	Irregularities in the process of concentration risk management taking into account large exposures, in particular: – lack of adjustment of the bank's limit structure to the scale and complexity of the bank's business resulting in a violation of § 4(1) of Annex No. 1 to Resolution No. 384/2008 of the KNF *on the requirements for the identification, monitoring and control of exposure concentration, including large exposures*, – lack of stress testing of concentration risk, taking into account scenarios of significant deterioration in the financial situation of entities with large exposures and the value of enforceable collaterals, which violates §3(2) of the Annex to the aforementioned Resolution, – lack of analyses relate to the assessment of adequacy of established credit concentration limits, which is a violation of § 17(5) of Resolution No. 258/2011 *on detailed rules for the functioning of the risk management system and the internal control system, and the detailed conditions for estimating internal capital by banks and the review of the process of estimating and maintaining internal capital, as well as the principles of determining the variable remuneration components of persons holding managerial positions in the bank.*
4.	Failure to provide for an adequate process of valuation, updating and monitoring of the value of collateral accepted, in particular by: – failure to verify the value of real property accepted as collateral for loans granted, – failure to monitor the value of real property constituting the collateral for a loan during the term of the loan, including market analyses and information obtained from the interbank database, – failure to develop rules of use of the real property database, the scope of responsibility of users and administrators of the database, the frequency of supplying the database, – failure to develop regulations concerning rules and methods of applying real property value adjustments (including consideration for the liquidity criterion, values included in valuation reports and insurance policies) and non-standard real property valuation procedures.
5.	Failure to maintain the independence of the measurement, monitoring and control functions of credit risk from operating activities, also at the level of the management board, in violation of § 8(2) of Resolutions No. 258/2011.

6.	Irregularities in the process of debt collection and restructuring, in particular failure to properly identify restructured exposures, including: – failure to indicate the definition of restructuring in the procedures, – withdrawal from treating the use of multiple reductions in repayment, related to significant changes in repayment dates and the amount of instalments, as restructuring, – assessment of creditworthiness while granting reduction in repayment and debt restructuring in violation of Article 70 of the Act - *Banking Law*.
7.	Irregularities in the process of stress testing, consisting in: – failure to determine of the rules of exposure selection and the size of the sample on which the tests are carried out, – lack of criteria for assessing the impact of test results on the bank's operations, i.e. credit risk, financial performance and capital, – failure to specify a threshold from which actions specified in the risk management strategy are required, – failure to include, in the presentation of test results related to the impact of changes in interest rate on the level of DtI and LtV ratios, information on the level of these ratios before testing.
8.	Insufficient scope and quality of management information on credit risk, including: – failure to include information on the quality of exposures in the industries with the largest exposures and receivables transferred to off-balance accounts, as well as exposures under observation and out-of-date, and exposures for which the current LtV ratio exceeds the bank's limit values in the reports, – lack of reports presenting the loan portfolio structure according to the DtI level for retail clients and reports on derogations used and their scale, – insufficient information on the restructured exposures and the efficiency of the debt collection process.
9.	Insufficient efficiency of the internal control system in the area of credit risk, consisting in: – lack of examination of large exposures and the management of these exposures by internal audit, which violates §11 of the Annex to Resolution No. 384/2008 of the KNF, – the low quality of internal audit, including the review and classification of credit exposures and the correctness of the implementation of recommendations made by the KNF, – the occurrence of cases of violations of the law (e.g. Articles 70-71 of the Act - *Banking Law*), internal regulations and errors in reporting.
10.	Irregularities in the process of risk management related to financial instruments, consisting in: – failure to specify directions and objectives of the investment policy of the bank and the principles of building a portfolio of investments, – failure to obtain information on the valuation of investment certificates of closed-end investment funds in order to carry out an independent verification of this valuation, – failure to identify the principles of valuation of financial instruments used in practice (investment certificates) in the internal procedures of the bank and failure to define indications of impairment of financial instruments, including their systematic devaluation.

Source: own calculations of the KNF Office

If a given bank was found to be in violation of legal and prudential regulations and irregularities were identified in the risk management process, the banks received appropriate recommendations of the KNF and were obliged to prepare a detailed work plan for the implementation of the recommendations and submit it to the KNF.
The implementation of recommendations for banks after inspections is monitored as part of the off-site analysis and evaluated during subsequent control activities, as well as discussed with the bank's management and consolidation supervision.

CONTROL ACTIVITIES AND PROCEEDINGS RELATED TO SUPERVISORY VALIDATION OF INTERNAL METHODS FOR CALCULATING CAPITAL REQUIREMENTS AND APPLICATIONS FOR PERMISSION TO CALCULATE DELTA COEFFICIENTS BASED ON INTERNAL MODELS OF OPTION VALUATION

In 2016, actions in the field of supervisory validation of internal methods focused on cooperation with banks and with the European Central Bank (hereinafter: the ECB), both in the

pre-application phase, including verification of the solutions used by banks to implement the internal ratings-based approach (hereinafter: the IRB approach), and in the post-application phase, including actions taken when a bank obtains permission (or conditional permission) to apply the internal methods, including the IRB approach or the advanced measurement approach (hereinafter: the AMA approach).
These activities were carried out both in the context of the off-site analysis and during the on-site validations, and were devoted in particular to:

- the analysis of compliance with the CRR and regulations specifying regulatory and implementing technical standards, solutions adopted by banks to obtain permission to use the IRB approach for the exposures covered by the roll-out plan,
- the analysis of extensions and changes in the IRB approach and the AMA approach,
- verification of the fulfilment of conditions resulting from prior permissions,
- periodic review of the IRB approach and the AMA approach in the case of banks using these approaches (IRB - 4 banks, AMA - 2 banks).

As a result of conducted activities, the KNF:

- submitted 8 opinions or positions on the IRB approach to the consolidating supervisor (the ECB), including 1 position on the cases handled in the pre-application phase and 7 opinions and/or positions in the post-application phase,
- participated in the process of taking decisions/presenting the position by the ECB in cases arising from the post-application phase, based on the opinions/positions of the KNF sent in 2015 and 2016, including the submission of findings in this regard to domestic banks,
- was communicating and cooperating with the ECB (and other European supervisory authorities) and banks on other issues related to internal methods and their functioning.

In 2016, the KNF issued 3 permissions for the use of internal models of option valuation for calculating delta equivalent as well as cooperated with other banks in connection with their plans to use internal models for the above purpose.
The KNF also cooperated with the EBA in carrying out 2 surveys in selected commercial banks in the area of planned changes in the default definition and development of standards for the PD, LGD and ELBE modelling for the purposes of the IRB approach.
In addition, as part of activities related to the supervision of the model risk management process,[12] *Survey on Recommendation W* was sent to 37 banks. The aim of the Survey was to gather the information about the solutions used by banks in the area of the model risk management process and the degree of compliance of these solutions with the supervisory expectations formulated in Recommendation W.

SUPERVISORY ACTIVITIES IN THE AREA OF INFORMATION TECHNOLOGY AND SECURITY OF THE ICT ENVIRONMENT

In 2016, in addition to control activities, a number of other activities related to banks were carried out as part of supervision of the KNF of the area of information technology and security of the ICT environment, including in particular:

- a letter concerning consumer protection and education, aimed at highlighting the need to expand banks' activities in consumer protection and education in the area of electronic banking, was sent to banks,
- cyclical, quarterly questionnaire *Key risk indicators for the area of IT and ICT security*, aimed at gathering quantitative information on the level of banks' exposure to risks associated with the area of information technology and security of the ICT environment and the degree of their readiness to manage these risks properly, was sent to banks,
- a meeting with presidents of management boards of banks and members of management boards responsible for supervision of the ICT environment and its security, aimed at discussing the most important risks related to the area of information technology, with particular focus on the security of the ICT environment, was held,

[12] That is, as regards models used by banks for internal measurement and risk management.

– representatives of the KNF Office participated in conferences and workshops where they presented detailed supervisory expectations about the areas concerned.

Conclusions of a systemic nature in particular from the explanatory proceedings conducted by the supervisory authorities in 2016 in the area of information technology and security of the ICT environment (among others, related to the status of implementation of the Recommendation of the KNF *on the safety of Internet payments* in banks) and the supervisory questionnaire containing uniform IT risk assessment indicators were provided to commercial banks during the aforementioned meeting with their management on 21 September 2016 and in writing (on 11 October 2016).

The above-mentioned communication highlighted the significant increase in the scale of e-banking services in the Internet and mobile channels, implying an increase in the scale of threats for payment service users as well as increased risk for banks. The importance of ensuring adequate development in the field of security of the ICT environment by banks was emphasised. This development should concern not only technological solutions (systems/tools ensuring and enhancing IT security), but also the competence of employees of banks. The need to widen the activities of banks in the area of client protection was also stressed. Particular attention was paid to the emerging threats of possible cyberattacks of a systemic scale, i.e. involving clients of a larger number of banks and carried out at the same time, which could, in extreme cases, lead to destabilisation of the sector and serious disruption to the functioning of the payment system. Moreover, the need for active interbank and cross-sectoral cooperation in reducing the systemic risk and for the effective actions of banks in further enhancing the security of bank clients' infrastructure following development of new technologies used in offering financial services was emphasised.

Conclusions from the findings of control activities in the area of information technology and security of the ICT environment are described in detail earlier in this report. With reference to the results of the quarterly questionnaire *Key risk indicators for the area of IT and ICT security*, the trends appearing with subsequent reporting periods will be the basis for additional analyses and conclusions to be taken into account in the supervisory activities, including control activities.

5.2. SECTOR OF CREDIT UNIONS (SKOK)

In 2016, 1 comprehensive inspection and 16 inspections related to the quality of assets and off-balance sheet commitments and credit risk management were carried out in credit unions. The dominant issue in control activities in credit unions was credit risk management. The following irregularities (which concerned individual entities to a different extent) were identified in the controlled unions.

Table 61. Significant irregularities identified during control activities in credit unions in 2016 in the area of credit risk management

Credit risk management	
1.	The assessment of creditworthiness which does not provide for reliable credit risk identification and is contrary to Article 36(2) of the Act *on credit unions* (hereinafter: the Act on SKOK) combined with Article 70(2) of the Act - *Banking Law*, in particular due to: – failure to take into account all financial obligations of the client, – failure to assess creditworthiness when deciding to change the credit terms, – failure to apply a special method of collateralisation in the event of granting a loan/credit to an uncreditworthy member, – taking into account the household maintenance costs below the subsistence level announced by the IPiSS, – failure to link household maintenance costs with the number of people in the household and financially dependent on the applicant, and failure to take into account costs of the person running the household together with the borrower/debtor,

	– lack of rules of assessing the ability to repay the credit/loan in the case of renewal of the loan/credit line and conditions for automatic renewal of the loan/credit line for the next period, – lack of requirement for entrepreneurs to submit individual financial data from at least two full reporting periods preceding the crediting period and financial forecasts and their evaluation in the case of long-term crediting, – omitting the impact of interest rate increases on the amount of capital and interest instalments.
2.	Incorrect rules for creating revaluation write-off due to: – wrong definition of "new agreements" changing the terms of repayment of original credit/loan agreements, – lack of the principles of monitoring the economic and financial situation of a natural person not engaged in economic activity and a catalogue of indications suggesting financial problems of the debtor, as well as activities of the union after identifying these indicators, – failure to determine the rules used to classify loans covered by settlements.
3.	Irregularities related to the classification of receivables due to: – failure to classify loans and credits covered by the restructuring process into the category of overdue receivables, – taking into account the timeliness of the service counted since the last (instead of the first) change of the credit terms, – incorrect classification of receivables to a lower risk category according to the criterion of timeliness of repayment, – taking into account only the criterion of timeliness of debt repayment, i.e. without the qualitative criterion.
4.	Incorrectly diminished basis for creating legal write-offs for loan repayment collaterals due to: – failure to assess and verify the value of real property from the valuation report made by external valuers provided by the members, – lack of current property valuation (violation of § 23(4)(11) of the Regulation of the Minister of Finance *on special accounting principles for credit unions* (hereinafter: the RMF on the accounting of the SKOK)), – lack of reviews and updates of the value of collateral on the basis of own databases in accordance with the accepted procedure (violation of § 23(4)(18) of the RMF on the accounting of the SKOK), – lack of current real property insurance policies.
5.	Weaknesses of the functionalities of the *skokcom* system related to the lack of: – a correct classification of overdue receivables, – recording of accepted collateral on off-balance sheet accounts, – the possibility to introduce co-borrowers into the system (and the loan agreements).
6.	Significant irregularities related to the process of debt restructuring, i.e.: – failure to assess the creditworthiness of persons subject to restructuring (determination of the amount of the instalment only on the basis of a member's declaration on the ability to repay the instalment), – failure to assess creditworthiness of the borrower and the guarantor in case of a change in the conditions of loan repayment, – incorrect assessment of creditworthiness in the restructuring process, – possibility to change the credit conditions without the need for the guarantor's permission in case of renegotiation of credit agreements, – conclusion of a restructuring agreement with uncreditworthy members, – groundless extension of time limits for loan repayment, – failure to review structured loans, including settlements, in terms of correctness of the classification of loans and their valuation.

Source: own calculations of the KNF Office

5.3. SECTOR OF PAYMENT SERVICES

In 2016, 4 inspections in the area of testing the quality of the system of governance were carried out in domestic payment institutions (including the risk management and internal control system).
Among others, the following irregularities (which concerned individual entities to a different extent) were identified in the controlled entities - broken down by specific areas of inspection:

Table 62. Significant irregularities identified during control activities in domestic payment institutions in 2016 in the area of the system of governance

	Governance
1.	Failure to regulate the strategic planning process, monitor implementation of the strategy and its reviews, and to specify persons/units responsible for the above-mentioned processes.
2.	Lack of a formalised process of financial planning and budgeting.
3.	Failure to analyse compliance of the activity with the KNF's *Corporate Governance Principles for the supervised institutions* and to disclose information about the scope of their application.
4.	Lack of a comprehensive regulation of the management information system, i.e. failure to specify all types of reports covering the entire area of operations along with an indication of the scope and frequency of submitting reports and their recipients.
5.	Lack of a formalised process of introducing and making amendments to the internal regulations and the mode of awarding the rank of internal documents.
6.	Lack of internal regulations for reporting data corrections in the case of identifying errors in the area of accounting of payments.
7.	Incorrect qualification of payments in the reporting submitted to the KNF.
8.	Lack of protection mechanisms for cash of the users received in order to carry out payments.

Source: own calculations of the KNF Office

Table 63. Significant irregularities identified during control activities in domestic payment institutions in 2016 in the area of the risk management system

	Risk management system
1.	Failure to carry out periodic reviews of the risk management process in terms of its adaptation to the pursued activity.
2.	Failure to specify the rules for risk mapping and keeping records of incidents.
3.	Failure to develop security policy and management of IT systems and backup copies.
4.	Failure to develop a comprehensive business continuity plan and contingency liquidity plans.
5.	Failure to regulate the process of determining and updating internal limits in the area of provided payment services, failure to establish limits for some significant risks.
6.	Lack of record of incidents and operating losses.
7.	Lack of formalisation of the process of introducing new products and project management.
8.	Failure to identify certain activities entrusted to external entities as crucial operational activities.

Source: own calculations of the KNF Office

Table 64. Significant irregularities identified during control activities in domestic payment institutions in 2016 in the area of the internal control system

	Internal control system
1.	Irregularities in the organisation of the internal control system consisting in failure to separate control functions from operational activities or failure to isolate an independent internal audit unit.
2.	Lack of verification and periodic assessment of the internal control system functioning.
3.	Failure to subject the inspection procedures of carrying out payments to internal control.
4.	Lack of indication of the obligation to exercise ongoing control in the internal regulations and the scope of tasks of employees.
5.	Failure to define the rules for development of audit plans, audit documentation and reporting of the audit results to the management board and the supervisory board.

6.	Lack of regulations concerning procedure for appointing and dismissing an auditor and the auditor's contacts with the supervisory board.
7.	Lack of audits in the area of: assessment of conformity of pursued activity with the Act *on payment services* (Dz.U.2313.1036), implementation of strategic assumptions and management information system.

Source: own calculations of the KNF Office

5.4. INSURANCE SECTOR

CONTROL ACTIVITIES IN INSURANCE UNDERTAKINGS

In 2016, control activities were carried out in 25 insurance undertakings and 1 branch of a foreign insurance undertaking. As regards insurance undertakings, 12 inspections and 13 supervisory visits were carried out as part of the control activities, while in one non-life insurance undertaking both inspection and supervisory visit were carried out. The branch of a foreign insurance undertaking was subject to inspection. In total, control activities were carried out in 13 life insurance undertakings (4 inspections and 9 supervisory visits) and 12 in non-life insurance undertakings (8 inspections and 4 supervisory visits).
The control activities were mainly devoted to the following areas of activity of insurance undertakings:

- claims settlement/payment of benefits (inspections covered 6 insurance undertakings and 1 branch of a foreign insurance undertaking);
- accounting principles and preparation of financial statements (5 insurance undertakings were controlled);
- valuation of technical provisions (1 insurance undertaking was subject to inspection),
- investment policy (inspection covered 1 insurance undertaking),
- management of the insurance undertaking (1 insurance undertaking was controlled).

In addition, in 2016, control activities were carried out in relation to:

- meeting the requirements for the system of governance (supervisory visits were made to 13 insurance undertakings),
- execution of insurance contracts by insurance undertakings (1 insurance undertaking was subject to inspection),
- acquisition costs (inspection covered 1 insurance undertaking).

In 2016, control activities related to the verification of the implementation of the Guidelines for the settlement of claims of motor vehicle insurance, which were adopted by the Polish Financial Supervision Authority on 16 December 2014, were continued. In the area of settlement of claims of motor vehicle insurance, 5 targeted inspections of insurance undertakings and a branch of a foreign insurance undertaking were carried out.

Table 65. The most common irregularities identified during control activities in the insurance sector entities in 2016 in the area of claims settlement/payment of benefits

	Claims settlement/payment of benefits
1.	Incorrect implementation of actions in the process of settlement of claims from contracts of motor third party liability insurance (late payment/refusal to pay compensation, violation of disclosure requirements).
2.	Violation of the interests of persons entitled under contracts of insurance against civil liability by failure to: provide the authorised persons with repair cost calculation, value the vehicle prior to the damage, salvage value, value of the vehicle after the event, justify the correction used in the valuation of the vehicle and the amount of the correction, justify the use and the amount of the credit correction in the repair cost calculation, provide information on the quality of parts taken into account in the repair cost calculation, provide an individualised justification for the decision to take into account the value of parts of a lower quality than O or Q in the repair cost calculation, justify corrections made in the pre-repair cost estimate.

3.	Violation of the interests of persons entitled under contracts of insurance against civil liability by failure to inform about the rules for refunding the cost of renting a replacement vehicle.
4.	Violation of the interests of persons entitled under contracts of insurance against civil liability by failure to register damage in the damage notification system on the date of the first contact of the injured or entitled person to notify the insurance undertaking about the damage.
5.	Violation of the principle of full compensation and underestimation of the awarded damage.
6.	Violation of the principle of freedom of choice of compensation in the process of settlement of claims from the MTPL insurance contracts.
7.	Gaps in the numbering of damage files.
8.	Violation of the interests of the insured persons by failure to inform them about the change in the rules for calculating the redemption value and, consequently, unequal treatment of the insured persons.
9.	Violation of the interests of persons entitled under contracts of insurance against civil liability by failure to provide an individualised justification for the decision to take into account the value of parts of a lower quality than O or Q in the repair cost estimates.

Source: own calculations of the KNF Office

Table 66. The most common irregularities identified during control activities in the insurance sector entities in 2016 in the area of accounting principles and financial reporting, as well as data and information for solvency purposes

Accounting principles and financial reporting, as well as data and information for solvency purposes	
1.	Irregularities in the documentation describing the adopted accounting principles (policy) (inclusion of unlawful stipulations, failure to update documentation, failure to formally adopt documentation by the manager of the insurance undertaking, incomplete documentation).
2.	Incorrect valuation of receivables and liabilities (wrong values of receivables, offsetting receivables and payables to various entities, improper determination of the value of insurance revaluation write-offs).
3.	Discrepancies between financial statements and accounting records.
4.	Lack of system and control mechanisms, as well as specific rules and procedures regarding the valuation of assets and liabilities for solvency purposes.
5.	Including insurance contracts not in force on the balance sheet date in the calculation of insurance receivables and liabilities, technical provisions and amounts due under reinsurance contracts for solvency purposes.

Source: own calculations of the KNF Office

Table 67. The most common irregularities identified during control activities in the insurance sector entities in 2016 in the area of valuation of technical provisions

Valuation of technical provisions	
1.	Irregularities in the documentation describing the adopted accounting principles (policy) regarding the valuation of technical provisions (failure to update documentation, incomplete documentation).
2.	Establishing provision for outstanding claims and direct insurance claims in the amount not corresponding to the expected final value of future payment of claims and benefits through the use of incorrect data for the valuation of the provision.
3.	The use of incorrect data on future cash flows related to the concluded insurance contracts when calculating the best estimate.
4.	Wrong method or incorrect implementation of the risk margin calculation formula.
5.	Incorrect allocation of the risk margin to the business lines (risk groups).

Source: own calculations of the KNF Office

Table 68. The most common irregularities identified during control activities in the insurance sector entities in 2016 in the area of investment policy

Investment policy	
1.	Irregularities in the documentation describing the adopted accounting principles (policy) in the classification and valuation of financial instruments (incomplete documentation, lack of updates).
2.	Irregularities in the functioning of internal regulations in the area of investment policy (lack of updates, inconsistencies, non-compliance with the adopted regulations).
3.	Unlawful valuation of financial instruments.
4.	Incorrect classification of financial instruments.

Source: own calculations of the KNF Office

Table 69. The most common irregularities identified during control activities in the insurance sector entities in 2016 in the area of meeting the requirements of the system of governance

System of governance	
1.	The use of practices which violate the interests of the policy holders, the insured persons or persons entitled under insurance contracts with unit-linked life insurance products (failure to make corrections/adjustments to the number of units or additional payments to amounts paid from accounts in the case of a correction of a unit price by the Investment Fund Management Company).
2.	Irregularities in the preparation of annual reports of insurance unit-linked funds.
3.	Irregularities in the preparation of the annual financial statement and the statistical report of the insurance undertaking.
4.	Irregularities in the documentation describing the adopted risk management principles (incomplete, inconsistent documentation).
5.	Irregularities in the process of assessing the adequacy of the insurance contract to the needs of the policy holder (lack of warning in the case of refusal to complete the survey, lack of justification of meeting the policy holder needs).

Source: own calculations of the KNF Office

Table 70. The most common irregularities identified during control activities in the insurance sector entities in 2016 in the area of acquisition costs

Acquisition costs	
1.	Irregularities in the documentation describing the adopted risk management principles (policy) (incomplete, inconsistent documentation).

Source: own calculations of the KNF Office

Table 71. The most common irregularities identified during control activities in the insurance sector entities in 2016 in the area of execution of insurance contracts by insurance undertakings

Execution of insurance contracts by insurance undertakings	
1.	Applying practices which violate the interests of policy holders, the insured persons, the beneficiaries or persons entitled under insurance contracts, i.e. operating in violation of the concluded insurance contracts with insurance unit-linked funds in terms of paying the surrender value (accepting the date of termination of the insurance contract contrary to the provisions of the insurance contract, payment of the surrender value after the date specified in the insurance contract, using a unit price other than resulting from the insurance contract to determine the surrender value).

2.	Applying practices which violate the interests of policy holders, the insured persons, the beneficiaries or persons entitled under insurance contracts, i.e. operating in violation of the concluded insurance contracts with insurance unit-linked funds in terms of fees collected through the redemption of units (charging fees for improper periods, collecting fees on dates other than specified in the insurance contract).

Source: own calculations of the KNF Office

In 2016, the insurance undertakings in which the control activities were carried out received a total of 22 post-control recommendations on adapting the activities of the insurance undertaking to the provisions of law and ceasing the violation of the interests of policy holders, the insured persons, the beneficiaries or persons entitled under insurance contracts.

CONTROL ACTIVITIES IN INSURANCE UNDERTAKINGS IN THE AREA OF USING THE SERVICES OF INSURANCE AGENTS

During the period covered by this report, 11 inspections in the insurance undertakings were carried out in order to check the correctness of pursuing agency activities by the undertakings in the area of using the services of insurance agents, in particular:

- compliance with the requirement to perform agency activities by natural persons who meet the statutory requirements by the insurance agents, and
- compliance with the rules of law by insurance agents in their activities,
- correctness of the conclusion and provisions of agency agreements,
- timeliness of applying for entry into the register of insurance agents of the entity with which the agency agreement was signed,
- timeliness of applying for the entry of changes into the register or removal of an entity from the register,
- correctness of data related to the insurance agents transferred to the supervisory authority by the insurance undertaking together with the application for entry of an agent into the register, the change of the agent's data or the removal of the agent from the register,
- the scope of training and examinations for persons applying to perform agency activities,
- complaints filed against insurance agents.

In 4 cases - as at 31 December 2016 - permanent exchange of correspondence with the controlled entities and development of an inspection protocol, whereas in 7 entities the inspections were completed.

CONTROL ACTIVITIES IN ENTITIES CONDUCTING BROKERAGE

Within the period covered by this report, 17 inspections were carried out at the place of conducting brokerage. As a result, 10 post-control recommendations were issued. The primary purpose of the inspections was to verify whether operations of the entity conducting brokerage is consistent with the law and granted permission, in particular the inspection covered:

- fulfilment of the conditions required to obtain permission and conduct brokerage,
- contracts concluded with insurance undertakings,
- conclusion of insurance contracts or taking steps leading to the conclusion, performance of preparatory activities for the conclusion of insurance contracts and participation in the management and execution of insurance contracts, also in compensation cases, as well as organisation and supervision of brokerage.

The most common irregularities:

- conducting brokerage in violation of Article 22(1), Article 23(1), Article 24(1)(1) and Article 26(1)(2) of the Act on insurance mediation,
- failure to submit applications for changes in the entry to the register of insurance brokers as a result of changes in data entered into the register of insurance brokers to the supervisory authority or delayed submission (Article 46(1) of the Act on insurance mediation),

- non-compliance of the content of agreements concerning the way of mutual accounting for conducting brokerage with the provisions of law,
- discrepancy between the amount of revenue provided by the brokers and the value shown in the accounting documents.

5.5. PENSION SECTOR

In 2016, control activities were carried out in 7 entities of the pension sector, including 6 inspections in universal pension societies and 1 inspection in an occupational pension society. All inspections were dedicated to a specific problem. The inspection in the occupational pension society was related to the process of its liquidation.
The control activities were devoted to the areas of activity of pension funds and pension societies managing them, such as:

- organisation and management,
- internal control system, including own investments of employees of the society,
- the process of taking investment decisions,
- the process of examining the fund's capital commitment,
- the process of valuation of financial instruments,
- the process of recovering the dividend tax,
- the execution of post-control notifications.

In 2016, 6 entities were notified of irregularities found during the inspections. Essentially, the reported irregularities were incidental and related to the fulfilment of disclosure requirements towards members of open pension funds, the Polish Social Insurance Institution (ZUS) and the Polish Financial Supervision Authority. Other irregularities include deficiencies in the documentation of the accounting principles of pension societies required by the Act on accounting or the Regulation of the Minister of Finance of 24 December 2007 on detailed rules of accounting for pension funds.

Table 72. The most common irregularities identified during control activities in the pension sector entities in 2016

The areas of irregularities which pension societies were informed about in 2016	
1.	Accounting and valuation of financial instruments.
2.	Organisation and management of the society.
3.	Business secrets specified in the Act on the organisation and operation of pension funds.
4.	Disclosure requirements to members of funds.
5.	Disclosure requirements to the ZUS.
6.	Interests of members of funds.
7.	Keeping individual accounts of members of the fund.
8.	Transfer payments between funds.
9.	Payments and division of funds after a deceased member of the fund.
10.	Payments and division of funds belonging to the community property of a member of the fund.

Source: own calculations of the KNF Office

5.6. CAPITAL AND COMMODITY MARKET

CONTROL ACTIVITIES IN INVESTMENT FIRMS AND AGENTS OF INVESTMENT FIRMS

In 2016, 10 inspections were carried out in entities pursuing brokerage business or conducting brokerage, including: brokerage houses with organisational units (client service points), banks conducting brokerage, foreign branches of investment firms operating in the territory of the Republic of Poland and agents of investment firms. All inspections were dedicated to a specific problem and included selected issues in the field of licensed or notified activity in the territory of the Republic of Poland.

The inspections were devoted in particular to the following areas of brokerage:
- organisational structure and technical conditions of conducted operations, with particular emphasis on the security and functioning of IT systems of investment firms, and maintenance of transaction platforms enabling transactions on the OTC markets (e.g. currency or commodity derivatives);
- organisational separation of bank's brokerage,
- the functioning of the internal control system, the system of compliance with the law and the internal audit system,
- conducting brokerage in connection with the provision of brokerage services,
- dealing with clients, including the activities performed by agents of investment firms and other entities cooperating with investment firms in the field of acquiring clients and conducting advertising and promotional activities of brokerage services.

The inspections of brokerage concerned both the organised trading system and the OTC transactions, with particular emphasis on offering securities and execution of orders of purchase or sale of financial instruments to the principal's account, including transactions on the OTC derivatives market (the so-called Forex). The subject matter of individual inspections depended on the scope and size of business, taking into account events and phenomena recorded on the capital market or reported by the clients of investment firms.

The control activities also covered a review of the way and scope in which investment firms apply:
- Guidelines on specific aspects of the MiFID compliance function requirements - ESMA/2012/388,
- Guidelines on systems and controls in an automated trading environment for trading platforms, investment firms and competent authorities - ESMA/2012/122,
- Guidance on certain aspects of the MiFID suitability requirements - ESMA/2012/387,
- Guidelines for the provision of brokerage services on the OTC derivative market (in inspections carried out after 30 September 2016).

The inspection findings also included an examination of the impact of positions of the Authority's Office on brokerage. This applies in particular to:
- position on the conditions of accepting and providing cash benefits and benefits in kind (the so-called incentive) by investment firms. (of 9 August 2011, No. DFL/023/182/1/I/69/11/MK, No. DFL/023/185/1/11/S/16/MK),
- position on the conduct of investment firms on the Forex market (of 17 July 2013, No. DRK/WRM/485/55/1/55/2013/PT),
- positions on the functioning of the compliance system within investment firms (of 27 May 2014, No. DRK/WRM/485/60/1/2014/MK),
- position on the storing of funds of the clients by investment firms (of 23 April 2015, No. DRK/WRM/485/32/1/MK/25/2015),
- position on handling complaints by the supervised entities in connection with the entry into force of the Act on handling complaints by financial market entities and on the Financial Ombudsman (of 8 October 2015, No. DOK/WPR/075/11/1/2015/PM),
- position on the cooperation of an investment firm with third parties on the performance of activities related to the announcement and conduct of a tender offer to subscribe for sales or exchange of shares of a public company (of 14 December 2015, No. DRK/WK/485/14/1/2015/PK),

- position on offering certain categories of financial instruments by investment firms under the so-called non-public offerings (of 30 May 2016 No. DRK/WK/485/9/1/2016/WP).

The findings of the inspection indicated that the controlled entities were in violation of:
- the Act of 29 July 2005 on trading in financial instruments (Dz. U. of 2016, item 1636, as amended),
- Regulation of the Minister of Finance of 24 September 2012 on the procedure and conditions of conduct of investment firms, banks referred to in Article 70(2) of the Act on trading in financial instruments, and custodian banks (Dz. U. of 2015, item 878, as amended),
- Regulation of the Minister of Finance of 24 September 2012 on determination of detailed technical and organisational conditions for investment firms, banks referred to in Article 70(2) of the Act on trading in financial instruments, and custodian banks, and the conditions of assessing internal capital by brokerage houses (Dz. U. of 2012, item 1072),
- internal regulations of investment firms, regulations on the provision of brokerage services and agreements concluded by investment firms with clients on the provision of brokerage services.

Table 73. The most common irregularities identified during control activities in 2016 in the area of organisational structure, functioning and technical condition for the operation of investment firms

Organisational structure, functioning and technical condition for the operation of investment firms	
1.	Failure to properly develop and implement the internal control system, the system of compliance with the law and the internal audit system.
2.	Failure to exercise an adequate and ongoing supervision of compliance with the law, resulting in violation of the provisions of law, internal regulations, and agreements concluded with the clients, in connection with the provision of brokerage services by investment firms.
3.	Failure to ensure independence and autonomy for the compliance function or appropriate organisational conditions to carry out its obligations independently and effectively, in particular due to the insufficient number of employees of this function, and to guarantee appropriate IT tools to support the supervisory processes.
4.	Lack of involvement of management boards of investment firms in development and support for the functioning of the internal control system, the system of compliance with the law and the internal audit system.
5.	Failure of the internal audit system to perform properly its obligations as regards the regular verification of the systems used and the regulations and internal procedures in place in terms of their correctness, as well as effectiveness of fulfilling obligations stemming from the legislation by investment firms.
6.	Failure to implement internal control system actions to prevent instances of non-compliance with decisions and internal procedures of a bank conducting brokerage in relation to actions in the order acceptance points related to brokerage which the bank has permission for.
7.	Failure of investment firms to ensure proper fulfilment of the obligation of management of the portfolio of financial instruments by investment advisers and allowing the situation in which unlicensed employees of investment firms were making investment decisions: within the so-called investment committee or alone, and then implemented them without the supervision of an investment advisor.
8.	Failure to provide brokerage services of execution of orders to purchase or sell financial instruments to the principal's account, offering financial instruments and keeping securities accounts and cash accounts, employing the required number of persons with a securities broker license.
9.	Entrusting brokerage to employees who do not have the necessary knowledge, skills and qualifications to properly perform these activities.

10.	Entrusting certain employees of an investment firm with brokerage in a manner preventing its proper, honest and reliable performance.
11.	Failure to properly develop, implement and apply procedures and measures to manage conflicts of interest, appropriate to the type and scope of brokerage, especially on the Forex market, in the case of investment firms providing brokerage services in the market maker model.
12.	Failure of investment firms to properly fulfil the obligations stemming from the legislation in the scope of concluding and supervising the implementation of contracts on entrusting an entrepreneur or a foreign entrepreneur with activities related to the conducted brokerage (the so-called outsourcing contract).
13.	Lack of formulation of rules in the internal regulations of investment firms on the circulation of business secrets and documents (paper and electronic), from their creation to destruction.
14.	Failure to properly develop and implement internal rules to prevent the use or disclosure of information by affiliates who participate in the provision of brokerage services, as regards the definition of the way of investing by the affiliates of the investment firm, on own account, and the effective supervision of the investment firm of such investment.
15.	Failure to develop and implement the investment firm's business continuity plan, internal procedures governing the organisation and supervision of the implementation and testing of changes in the IT systems of the investment firm, as well as to manage access to these systems, ensure security of the ICT environment, storage and archiving data on electronic media.
16.	Failure to secure IT systems of the investment firm in a manner preventing unauthorised access to data processed by these systems.
17.	Lack of a systematic supervision and inspection of the implemented technical solutions in the investment firm in the field of anti-virus protection and cyberattacks, including reporting on the occurrence of such events.
18.	Failure to adapt IT systems of the investment firm to the elements of the cash account history and the elements of the securities account history required by law.
19.	Failure to store and archive messages in business e-mails of employees of the investment firm, disk storage, and telephone recordings of orders made by the investment firm's clients required by law.
20.	Lack of organisational separation of the bank's brokerage in the manner required by law.
21.	Failure to report the commencement of brokerage in the area of brokerage services in a proper report.

Source: own calculations of the KNF Office

Table 74. The most common irregularities identified during control activities in 2016 in the area of conduct of investment firms in contacts with the client

	Conduct in contacts with the client
1.	Failure to properly implement the provisions of law related to the creation and application of the form for the assessment of suitability of a brokerage service or financial instruments for a client, in particular with respect to the services of: the execution of orders to purchase or sell financial instruments to the principal's account, investment advice and management of portfolios consisting of one or more financial instruments.
2.	Failure to assess the suitability of a retail client which would determine whether the financial instrument being the subject of the brokerage service offered or the brokerage service to be provided based on the concluded contract is appropriate, including due to an incorrect audit.
3.	Failure to act in accordance with the law by sending unreliable, questionable and misleading information to clients or potential clients for the purpose of advertising or promoting services, particularly on the OTC derivatives market (Forex).

4.	Lack of correct implementation of the law in respect of fulfilling the obligations to inform the client about the description of the essence and investment risk associated with financial instruments, in particular on the Forex market.
5.	Failure to properly implement the provisions of law by insufficiently informing the clients or potential clients about the risks associated with investing in financial instruments, especially in the area of the offered investment strategies in relation to the provision of services of portfolio management on the Forex market.
6.	Failure to include the key terms for the execution of orders on the Forex market in documents submitted to the clients before signing the contract as well as in the regulations of providing brokerage services.
7.	Lack of regular identification and qualification of cash benefits and benefits in kind received and provided by the investment firm, resulting, in particular, in the collection of benefits from the interest rate of funds belonging to the clients and their use in a manner incompatible with the law by the investment firm for its own use.
8.	Failure to provide the client with information about qualifying him or her to a given category on a durable medium.
9.	Failure to properly enforce the law through improper information of the clients about all fees and commissions charged for the provision of brokerage services, in particular due to failure to inform about all components of these charges.
10.	Failure to store and record assets of the client in a way allowing to isolate the assets stored for one client from the assets of another client and the assets of the investment firm at any time.
11.	Failure to regulate the full material scope required by the law in the rules of providing brokerage services, e.g. lack of a full, precise and clear determination of how the investment firm should act if the client does not deliver funds within deadlines specified in the agreement or in separate provisions in connection with the conclusion of the agreement for the provision of brokerage services.
12.	Failure to include information on the place and form of making complaints, time limit for handling a complaint, the manner of notifying that the complaint has been examined in the agreement concluded with the client.
13.	Failure to provide brokerage services pursuant to the regulations, due to the investment firm's failure to develop or apply them.
14.	Failure to send reports to clients in connection with the provision of brokerage services.
15.	The use of doubtful and misleading terms, which do not refer to legal definitions provided by the legislator, in agreements for the provision of brokerage services and regulations concerning the provision of brokerage services.
16.	Conclusion of agreement for the provision of brokerage services with the clients without observing the condition to informing the clients of a conflict of interest in writing and without receiving a clear confirmation of the client's will to conclude the agreement despite its occurrence.
17.	Provision of brokerage services without observing the principle of best interests of the client.

Source: own calculations of the KNF Office

Table 75. The most common irregularities identified during control activities in 2016 in the area of provision of brokerage services by investment firms

Provision of brokerage services	
1.	In connection with the execution of orders on the principal's account outside organised trading, as well as in connection with the receipt of payments from the issuer and making withdrawals for the bondholders or shareholders who own securities purchased under a non-public offering, brokerage of keeping cash accounts without the required permission referred to in Article 69(4)(1) combined with section 1 of the Act on trading in financial instruments.

2.	Violation of the law by acting in an unreliable and unprofessional manner, contrary to the principles of fair trading and the best interests of the clients, in particular as regards the provision of brokerage services of execution of orders to the principal's account on the Forex market and offering financial instruments through private placement.
3.	Failure to properly identify types of brokerage in connection with which there is or might be a conflict of interest related to a significant risk of violation of the client's interests, including, in particular, between making of the size of remuneration of employees getting clients for the investment firm dependent on the clients' payments and withdrawals and the best interests of the clients.
4.	Failure to keep a complete and up-to-date register of events which may constitute to or constitute a conflict of interest in relation to the brokerage, for the purpose of proper monitoring and supervision of the management of conflicts of interest in the investment firm.
5.	Failure to properly implement the order execution policy by incorrect definition of weights assigned to individual factors taken into account by the investment firm to obtain the best result for a retail client.
6.	Failure of the investment firm to take appropriate action in order to obtain the best possible results for the client in relation to the provision of services of reception and transmission of orders and execution of orders to the account of the clients, with particular focus on the Forex market.
7.	The use of technical solutions in the investment firm's IT system which affect the prompt, fair and proper execution of orders of selected clients in relation to orders of other clients, as a result of delayed execution of orders of selected clients on the Forex market.
8.	Failure to specify in the rules of the provision of portfolio management services, consisting of one or more financial instruments, objective financial indicators which the performance of the client's portfolio will be compared to in order to determine the efficiency level of the service provided.
9.	Failure to include in advertising and promotional materials the services of managing a portfolio of information on historical results achieved within the investment strategies offered.
10.	Failure to conduct proper individual assessment of the client's financial situation before signing an agreement for the execution of orders without the full coverage of the value of the order.
11.	Failure to act professionally and in accordance with the principles of fair trading in connection with entering into agreements on offering securities with entities as to whom the investment firm does not have sufficient knowledge whether the service of offering financial instruments is appropriate for the issuer being a retail client.
12.	Failure to archive information prepared for the client and sent electronically in connection with the provision of brokerage services for at least 5 years.
13.	Failure to archive orders submitted electronically by the client, for which the investment firm does not provide brokerage services, referred to in Article 69(4)(1) of the Act on trading in financial instruments, for at least 5 years.
14.	Failure to provide transaction confirmation for the clients who do not have access to the trading system of the investment firm.
15.	Failure to deposit funds of clients in a manner that guarantees the retention of clients' rights to these funds and prevents the use of the clients' funds by the investment firm on its own account.
16.	Failure to fulfil the duties of care and comply with the rules of fair trading in relation to the distribution of bonds by the investment firm as the offeror, issued by the issuer prior to the establishment of collateral provided for in the bond issuance conditions.
17.	Improper use of the error account by demonstrating on it properly executed parts of clients' orders and using it for pre-processing of transactions with the clients.
18.	Failure to register complaints and other inquiries from the clients and to supervise their receipt and examination by the bodies of the internal control system and the Supervision Inspector.

19.	Charging clients with fees that the investment firm had no right to with respect to the legislation governing the provision of brokerage services.
20.	Provision of brokerage services in the territory of the Republic of Poland by a foreign investment firm through a branch, for which the entity does not have an authorisation of the home supervisory authority.

Source: own calculations of the KNF Office

As a result of inspections, post-control recommendations were issued to all controlled and operating entities. In one case, a specific supervisory measure in the form of recommendations in the course of the inspection was also adopted in view of the need to safeguard the interests of investors. Due to the findings of some inspections, information was submitted to other state administration bodies, including the General Inspector of Financial Information, for the purpose of possible examination, in accordance with the competence of these authorities. Notifications on suspicion of committing a crime were submitted to the law enforcement authorities as a result of inspections of two entities. In the case of some of the controlled supervised entities, further analysis is carried out to initiate administrative proceedings in order to impose a fine or to give a notification on suspicion of committing a crime in connection with violations of the law.

CONTROL ACTIVITIES IN INVESTMENT FUND MANAGEMENT COMPANIES AND INVESTMENT FUNDS

There were 29 inspections carried out during the period covered by this report, including 14 inspections of investment fund management companies and funds managed by them, 3 inspections of investment funds in liquidation, 1 inspection of a distributor, 9 inspections of investment fund depositaries, 1 inspection of a foreign fund representative and 1 inspection of a securitisation fund portfolio manager.[13]

Table 76. Examples of irregularities identified in 2016 during inspections carried out at investment fund management companies

Management and representation of investment funds (the most common or significant irregularities found during inspections)	
1.	Execution of orders of redemption/conversion of units in breach of the law or funds' statutes.
2.	Incompliance with investment constraints set forth in funds' statutes or the Act of 27 May 2004 on investment funds and the management of alternative investment funds.
3.	Failure to take effective action aimed at achieving the investment objective set forth in a fund's statutes.
4.	Failure of an investment fund management company to act with special consideration for unit holder interest.
5.	Failure of investment funds to act with special consideration for unit holder interest.
6.	Infringement of the interest of unit holders of a fund or sub-fund in liquidation.
7.	Failure of an investment fund management company to take, as part of liquidation, necessary steps to dispose of sub-fund assets and recover debts.
8.	Failure to prevent a conflict of interests.
9.	Funds' failure to adjust their asset allocation to the requirements and constraints set forth in the funds' statutes or comply with the Act of 27 May 2004 on investment funds and the management of alternative investment funds.
10.	Failure to take any action in the interest of fund unit holders to give them any opportunity to redeem their units, as stipulated in the fund's statutes.
11.	Failure to take effective action to dispose of assets included in the fund's investment portfolio prior to the fund liquidation date.
12.	Failure to ensure that the risk management system takes into consideration the profile, objective and policy of an investment fund.
13.	Failure to measure and report all types of risk relevant to an investment fund.

[13] One of 29 inspections was commenced in 2016 and continued until 2017.

14.	Failure to ensure that the risk management policy accounted for all types of relevant risk in the procedures for the assessment of fund exposure to individual types of total risk.
15.	Failure to present sufficient rationale for investment decisions and keep documents on which the decisions were based.
16.	Failure to verify that the assets included in a fund's investment portfolio meet the selection criteria set forth in the fund's statutes.
17.	Granting a loan on behalf of an investment fund without establishing collateral required by the fund's statutes.
18.	Failure to properly manage significant concentration risk incurred by an investment fund to safeguard its assets.
19.	Taking investment decisions regarding the purchase of corporate bonds in violation of the interest of fund unit holders and the provisions of the fund's statutes.

Source: own calculations of the KNF Office

Table 77. Examples of irregularities identified in 2016 during inspections of investment funds in liquidation

The activity of investment funds and the process of investment fund liquidation (the most common and significant irregularities found during inspections)	
1.	Unwarranted differentiation of fund creditors.
2.	Failure to notify fund unit holders about the execution of the orders submitted by them.
3.	Unwarranted favouring of some fund unit holders.
4.	Failure to establish the fair value of fund assets.
5.	Using models and methods not approved by the depositary to value assets (other than deposits and debt securities) included in a fund's investment portfolio.
6.	Failure to comply with the accounting rules adopted by the fund.
7.	Failure to fairly present information in a fund's annual, semi-annual and quarterly statements or reports and in the fund's financial statements at the beginning of its liquidation.
8.	Taking actions against the interests of fund unit holders.

Source: own calculations of the KNF Office

Table 78. Examples of irregularities identified in 2016 during inspections of investment fund depositaries

Verification that the obligations of fund depositary are performed in compliance with the law or the depositary agreement, and in particular with the Act of 27 May 2004 on investment funds and the management of alternative investment funds (Dz. U. of 2016, item 1896) (the most common and significant irregularities found during inspections)	
1.	Failure to ensure that the selling of fund units meets the requirements of the law and the statutes of investment fund.
2.	Failure to ensure that the calculation of net asset value and the value of fund units meets the requirements of the law or the statutes of investment fund.
3.	Failure to notify the Authority that a fund is acting in violation of the law or the interest of fund unit holders.
4.	Failure of the depositary to properly and reliably perform its duties related to exercising constant control over the fund's structural and legal acts.
5.	Failure to ensure that a fund's obligations are fulfilled in compliance with the law and the fund's statutes.

Source: own calculations of the KNF Office

In 2016, 47 supervised entities received post-control recommendations. During the same period, 52 supervised entities were verified for compliance with post-control recommendations issued previously.

5.7. ANTI-MONEY LAUNDERING AND TERRORIST FINANCING

In 2016, anti-money laundering and terrorist financing inspections (hereinafter: the AML) were carried out in entities of each sector, supervised by the KNF, i.e. in entities of the banking, capital, insurance (life insurance) sector and in credit unions, domestic payment institutions and branches of credit unions. Inspections of the observance of the provisions of the Act of 16 November 2000 on anti-money laundering and combating the financing of terrorism (Dz. U. of 2017 item 1049, as amended; hereafter: the AML Act) were conducted in the form of comprehensive checks (examination of all provisions of the AML Act) and problem checks (implementation of the recommendations of the KNF).

Table 79. Control activities carried out by the KNF Office in the supervised entities in 2016 in the area of anti-money laundering and terrorist financing

Control activities in individual entities	Number
Commercial banks	5
Cooperative banks	23
Brokerage houses	5
Investment fund management companies	3
Life insurance undertakings	2
SKOK	7
Domestic payment institutions	1
Branches of credit unions	1
Total	**47**

Source: own calculations of the KNF Office

The highest number of irregularities was found in the area of assessment of the risk of money laundering and terrorist financing and the application of client due diligence measures, as well as in the organisation of the AML process and the register of transactions. Another area in which a relatively large number of irregularities was identified was the analysis of transactions in terms of identification of operations likely to be related to money laundering or terrorist financing.
Nearly all control activities of the inspectors of the KNF Office revealed irregularities and shortcomings in the processes related to the AML systems functioning in obliged institutions. The most common shortcomings found in all sectors are shown in Table 80.

Table 80. The most common irregularities identified during control activities in 2016 in the area of anti-money laundering and terrorist financing

Anti-money laundering and terrorist financing	
1.	Irregularities in the area of money laundering and terrorist financing risk assessment and the application of client due diligence measures: – incorrect assessment of money laundering risk (underestimated) resulting in failure to apply enhanced client due diligence measures, – incorrect parameterisation of the risk assessment matrix resulting in incorrect assignment of clients to the relevant money laundering risk categories, – failure to identify or incorrect identification of the beneficial owner, – irregularities in client documentation, – failure to update documents and information on a regular basis, – verification of clients/account proxies on sanctions lists conducted only at the time of establishing relations with the client and lack of such verification after each change to the above-mentioned lists.
2.	Irregularities in the organisation of the anti-money laundering and terrorist financing process:

	– lack or insufficient scope, quality and frequency of management information in the field of the AML, – lack of substitute system for people responsible for the AML, – violation of the principle of separation of operational functions from supervisory functions, – insufficient human resources.
3.	Irregularities in the transaction registration process: – failure to register transactions, – delays in registering transactions, – incorrect (incomplete or wrong) recording of data in the register of transactions, – improper methodology or practice in identifying linked transactions (i.e. carried out by more than one operation, the circumstances which indicate that they are related and were divided into lower value operations in order to avoid the obligation to register).
4.	Irregularities in transaction analysis: – failure to perform an ongoing analysis of all transactions, – the functioning analysis system not focused on the effective identification of suspicious transactions, – errors in the algorithms used in the transaction analysis process, – quantitative and qualitative irregularities in the process of performing and documenting transaction analyses.
5.	Irregularities in internal procedures, among others, related to: – unjustified indication of the application of simplified client due diligence measures to entities generating standard money laundering risk, – failure to specify the frequency of client risk assessment verification, – failure to indicate the obligation to verify all clients after each change on sanctions lists, – failure to indicate the obligation to promptly inform the GIFI in case of registering a suspicious transaction (Article 12(2)(2) of the AML Act), – failure to determine the current geographical criterion indicated in communication of the FATF and of the GIFI.
6.	Irregularities in the internal control system: – functional and institutional internal control performed ineffectively, – not all relevant areas covered by the scope of the inspection, – too low frequency of inspections, – inefficient implementation of post-control recommendations.
7.	Irregularities in the provision of information to the GIFI: – failure to provide information about registered transactions to the GIFI, – delayed provision of information about registered transactions to the GIF, – insufficient number of electronic certificates authorising to transfer information on transactions to the GIFI, – failure to include dates on the inquiries of the GIFI and signatures of the employees processing them, – incorrect legal bases on the notifications of suspicious transactions submitted to the GIFI.
8.	Irregularities in employee training: – failure to fulfil the training obligation in the case of employees involved in AML activities, – delayed training for newly employed employees, i.e. after the employee has started operational activities.
9.	Irregularities in the storage and archiving of documents were related to the storage of data in the register of transactions for a period longer than specified in the AML Act (Article 8(4) of the Act), i.e. more than 5 years from the first day of the year following the year in which the transactions were registered.
10.	Irregularities found in the information on the payer accompanying transfers of funds (Regulation/EC/1781/2006): – for outgoing transfers above the equivalent of EUR 1000 for clients without a bank account, lack of annotation “verified payer,” which was a violation of the provisions of the applicable internal regulation, – lack of confirmation of the managers of the organisational units of the controlled entity where the transfer is made that an employee correctly verified the client by putting a signature on the reverse of the transfer document, which was a violation of the provisions of the applicable internal regulation.

11.	Irregularities found in the area of compliance related to the cooperation between the obliged institution and the entity on the "KNF public warnings."

Source: own calculations of the KNF Office

In the case of significant or numerous irregularities, the KNF recommended the obliged institutions to carry out supplementary training for employees performing the AML process and to strengthen or introduce control mechanisms in the areas with the largest number of shortcomings identified.
Monitoring of the implementation of the recommendations of the KNF was based on periodic reports submitted by the controlled entities, which described in detail corrective measures taken by them to eliminate the identified irregularities. During control activities, inspectors of the KNF Office also verified how the post-control recommendations are implemented.
The Vice-Chairman of the KNF took an active part, as a representative of the Chairman of the KNF, in the meetings of the Inter-Ministerial Committee on Financial Security. These meetings were related to the progressive level of threat of terrorist attacks worldwide, and in close vicinity of Poland, the increasing threat of foreign fighters, and the intensifying phenomenon of financing terrorism, terrorist organisations and terrorists by various actors.
As in previous years, cooperation with the GIFI was continued, in particular as regards:

- mutual information on the plans and results of inspections carried out in the obligated institutions,
- signalling irregularities identified in the course of analytical supervision in the obligated institutions,
- submission of information for administrative proceedings conducted by the GIFI in cases involving the imposition of penalties on the obligated institutions,
- participation in work meetings, training and workshops.

In 2016, *Information of the Supreme Audit Office on the results of inspection of the anti-money laundering and terrorist financing system* was examined at the meetings of the State Control Committee. The Supreme Audit Office stated in the synthesis of the results of inspections that the KNF correctly performed control tasks in this regard.

6. REGULATORY AND PRUDENTIAL ACTIVITIES

The most important regulatory and prudential tasks, which were completed in 2016, included development of new and amended of existing prudential recommendations of the KNF.

6.1. RECOMMENDATIONS OF THE POLISH FINANCIAL SUPERVISION AUTHORITY

RECOMMENDATION K (AMENDMENT)

Recommendation K *on the principles of maintaining registers of mortgage bonds' security by mortgage banks* was adopted by the Polish Financial Supervision Authority at its meeting on 9 February 2016. On 1 January 2016, the amended provisions of the Act of 29 August 1997 *on covered bonds and mortgage banks*, and the Regulation of the Minister of Finance of 30 December 2015 *on conducting the collateral account of covered bonds and the recovery balance test and the liquidity test* entered into force.

The introduction of the requirements relating to the collateral account of covered bonds to the Regulation of the Minister of Finance required removal of the provisions on the collateral account of covered bonds and its projection from Recommendation K *on the principles of maintaining registers of mortgage bonds' security and the account of mortgage bonds' security by mortgage banks*. The content of Recommendation K was therefore limited to the qualitative recommendations for the register of collateral of covered bonds. The change was of a technical

nature, adapting, to the extent necessary, the letter of Recommendation K to the existing regulatory framework.

Due to the nature of the changes, the KNF set the date of entry into force of revised Recommendation K on the date of entry into force of Resolution of the KNF on the issue of Recommendation K, i.e. the day following the announcement of the Resolution of the KNF in the Official Journal, which took place on 29 February 2016.

RECOMMENDATION C (AMENDMENT)

Recommendation C *on the concentration risk management* was adopted by the Polish Financial Supervision Authority at the meeting on 24 May 2016.

Recommendation C *on the exposure concentration risk management* was developed in 2002 in the General Inspectorate of Banking Supervision. Due to developments in the banking sector, the acquisition of new experiences by both banks and financial supervision, and development of European regulations over the last dozen or so years, Recommendation C required an amendment updating and enriching its content with new areas and a change in the title: Recommendation C *on the concentration risk management.* Revised Recommendation C supplements and develops issues related to the concentration risk management in banks, which are only partially regulated by the existing regulations.

Recommendation C, beside other issues related to concentration risk management, covers the management of risk resulting from the interaction between concentrations within the same and different types of risks.

The Polish Financial Supervision Authority expects the provisions of Recommendation C to be introduced by 1 January 2017.

RECOMMENDATION D-SKOK

Recommendation D-SKOK *on the management of information technology and ICT environment security at credit unions* (hereinafter: Recommendation D-SKOK) was adopted by the KNF at the meeting on 30 August 2016, and the KNF expects it to be implemented by the unions no later than 31 December 2018.
In view of the need to ensure the application of uniform standards by all supervised entities of the financial sector in the management of the areas of information technology and security of the ICT environment (which entail the same risk), Recommendation D-SKOK was developed on the basis of a previously issued similar document for banks.
Recommendation D-SKOK is a collection of good practices in the area of management of the risk associated with IT and ICT systems, which includes 22 recommendations divided into areas such as:

- the strategy and the organisation of information technology and ICT environment security,
- development of the ICT environment,
- maintenance and operation of the ICT environment,
- management of the ICT environment security.

Given the large diversity of unions as to the scale of their activity and the risks involved, the adaptation of the unions to the provisions of Recommendation D-SKOK should be in line with the proportionality principle. According to detailed indications included in the document, in particular the so-called “small unions” do not need to take into account the indicated provisions of Recommendation D-SKOK. At the same time, it is expected that the scope and manner of implementation of the solutions resulting from Recommendation D-SKOK will be preceded by in-depth analysis and supported by appropriate arguments, and that - taking into account the statutory tasks of the National Union and the need to ensure the most effective implementation

of Recommendation D-SKOK and to reduce organisational and financial burden for the unions connected with this process - the National Union will actively support the implementation of Recommendation D-SKOK.

RECOMMENDATION E-SKOK

Recommendation E-SKOK *on good practices in the management of operational, interest rate, liquidity and concentration risk in credit unions* was adopted at the meeting of the Polish Financial Supervision Authority on 27 September 2016.

While issuing the recommendation, the KNF took into account the situation in the SKOK sector, identified irregularities and reality of the market. The financial situation of the majority of unions and the scale of identified irregularities required indication of appropriate standards, focused on the improvement of the quality of management of operational, interest rate, liquidity and concentration risk by the unions, thereby creating conditions for reducing excessive exposure of unions to the risk and stable development of the SKOK sector.

In combination with the previously issued Recommendations for the sector of credit unions (Recommendation A-SKOK *on good practices of credit exposure risk management in credit unions*, Recommendation B-SKOK *on good corporate governance practices in credit unions*, Recommendation C-SKOK *on accounting of credit unions* and Recommendation D-SKOK *on the management of information technology and ICT environment security at credit unions*), Recommendation E-SKOK provides a comprehensive framework for stable and safe functioning of the unions.

The KNF expects the recommendation to be implemented by cooperative unions by 31 December 2017.

DRAFT RECOMMENDATION S (AMENDMENT)

In 2016, the KNF Office started work on the amendment of Recommendation S *on good practices in the management of credit exposures secured by mortgages*. The purpose of this amendment is to extend the Recommendation to the rules for mortgage loans at a fixed interest rate. The Recommendation in its current form contains a number of indications regarding loans with floating interest rates, but does not refer to loans with fixed interest rates.

Extension of the scope of Recommendation S is, in the opinion of the KNF, a justified action aimed at development of these loans on the Polish market. Current market conditions should lead to increased interest of banks in loans with fixed interest rates. Three main reasons can be given. These are:

- prudential factors related to the growing concentration of risk arising from historically low interest rates,
- the need to protect the interests of long-term debtors in order to finance housing needs, and
- the need to meet future long-term liquidity requirements which increase interest of banks in financing through covered bonds, and they, in turn, should be issued on the basis of security in the form of loans with fixed interest rate.

The first version of the assumptions of the amended Recommendation S *on good practices in the management of credit exposures secured by mortgages* was submitted and accepted at the meeting of the Polish Financial Supervision Authority on 4 October 2016. Then, according to the decision of the KNF, on 10 October 2016, the draft assumptions (taking into account comments made during the meeting) were sent to public consultation.

Presentation of the draft Recommendation S for approval at the meeting of the KNF is planned for the second quarter of 2017.

DRAFT RECOMMENDATION Z

In 2016, work on development of Recommendation Z *on internal governance rules in banks* was carried out.

Draft Recommendation Z takes into account the way in which issues of this area are regulated in the implementation of the CRD IV to the Polish legal system in the Act of 29 August 1997 - Banking Law and how they are to be included in the Regulation of the Minister of Finance, which will be issued based on Article 9f(1) and Article 128(6) of the Act of 29 August 1997 - Banking Law. Selected issues related to internal governance in banks are also the subject of documents issued by the Polish Financial Supervision Authority, such as: Recommendation H *on internal control system in banks* (of 2011) and *"Corporate Governance Principles for the supervised institutions"* (of 22 July 2014) or Recommendation M *on operational risk management in banks* (of 8 January 2013).

Draft Recommendation Z complements, clarifies and expands on the issues of internal governance in banks, which have already been regulated in the aforementioned regulations and documents of the KNF. The draft text includes conclusions of the Office of the Polish Financial Supervision Authority from the observations and experiences related to the supervisory activities carried out, including the findings of inspections conducted in banks, the SREP, the assessment of banks' statutory solutions and other experiences and supervisory activities. The project also refers to international standards (of the European Banking Authority (EBA) and the Basel Committee on Banking Supervision) in the area in question. On 4 December 2015, the draft Recommendation Z was transferred to public consultation.

The deadline for the adoption of the Recommendation by the KNF depends on the date of issue of the regulation *on the risk management system and internal control system, remuneration policy and...* by the Minister of Finance. Content of the regulation is closely related to the wording of the provisions of Recommendation Z, so its final wording will determine the form of the Recommendation. Consequently, the Recommendation will be brought to the meeting of the KNF after the adoption of the above-mentioned regulation.

Presentation of the draft Recommendation Z for approval at the meeting of the KNF is planned for April 2017.

ASSUMPTIONS OF RECOMMENDATION H

On 7 June 2016, the KNF accepted the assumptions of the amendment of Recommendation H *on the internal control system in banks* (hereinafter: Recommendation H). The amendments to this document take into account changes resulting from the Act - *Banking Law* and the Act *on the functioning of cooperative banks, their associations and affiliating banks* (Dz. U. of 2014, item 109 and of 2015, item 1166), previous recommendations and guidelines of the KNF, guidelines of the EBA and the BCBS, and the standards of the Institute of Internal Auditors, the OECD, the Warsaw Stock Exchange, the Committee of Sponsoring Organisations of the Treadway Commission (COSO), as well as the observations and experiences arising from the supervisory activities of the KNF Office, including, in particular, the findings of inspections carried out in banks and of the assessment of statutory solutions of banks and other analytical activities.
The draft of the revised version of Recommendation H was developed on the basis of the above assumption, and consists of four parts relating to: the organisation of the internal control system, control functions, ensuring compliance, internal audit.

On 11 October 2016, the draft Recommendation H was made available for public consultation, and the comments resulting from this process were appropriately taken into account in further work on the document and discussed with the Polish Banks Association and the National Association of Cooperative Banks. The document will be submitted for approval of the KNF after the publication of the Regulation of the Minister of Finance, which will be issued pursuant to Article 9f(1) of the Act - *Banking Law*.

RECOMMENDATIONS ON THE PRODUCT MANAGEMENT SYSTEM

Following the process of consultation with the insurance market institutions, at the meeting of 22 March 2016, the KNF approved recommendations for insurance and reinsurance undertakings regarding the product management system. The recommendations provide a framework for the proper organisation of the product management system and the identification, measurement, monitoring, management and reporting of risks associated with this process. These risks include in particular: product risk, reputational risk, legal risk or operational risk. Effective product management system, covering the entire life cycle of the product, i.e. from its design until the withdrawal from the market and the fulfilment of the contractual obligation by the insurance undertaking, forms an integral part of the risk management system and internal control system of the insurance undertaking, since it has impact not only on the financial results and solvency of the insurance undertaking, but also on the quality of the insurance undertaking's relations with the clients. Consequently, the product management system affects trust not only in the undertaking, but also in the entire financial market, so its proper organisation should be one of the overriding objectives of each insurance undertaking.
Recommendations indicate supervisory expectations regarding prudent and stable product management. They are the set of recommended actions for internal control systems which should ensure directly and indirectly implementation of appropriate standards to the product management system.

The Polish Financial Supervision Authority expects that insurance undertakings should comply with the recommendations since 1 July 2016 or, pursuant to Article 365(5) of the Act of 11 September 2015 on insurance and reinsurance activities, inform the KNF how they intend to achieve the goals for which the KNF issued the recommendations.

RECOMMENDATIONS ON THE PRODUCT ADEQUACY ASSESSMENT

The Recommendation adopted by the KNF on 22 March 2016 applies to life insurance contracts, if they are related to the unit-linked insurance fund, and to other insurance contracts from the life sector of the annex to the Act on insurance and reinsurance activities, which offer a maturity or surrender value where that maturity or surrender value is wholly or partially exposed, directly or indirectly, to market fluctuations. The draft Recommendation was consulted by the financial market actors and institutions.
The Recommendation was implemented by insurance undertakings in July 2016.

RECOMMENDATIONS ON THE PROCESS OF DETERMINING AND PAYING COMPENSATION FOR NON-MATERIAL DAMAGE FROM CONTRACTS OF MOTOR THIRD PARTY LIABILITY INSURANCE

Recommendations on the process of determining and paying compensation for non-material damage from the MTPL insurance contracts were adopted by the Polish Financial Supervision Authority at the meeting of 21 June 2016.
The Recommendations set the supervisory expectations regarding sound and stable management of the process of determining and paying compensation for non-material damage, including the risk associated with this process. This risk can be defined as the

uncertainty associated with the proper and effective functioning of the process of determining and paying compensation for non-material damage in insurance undertakings.

The Polish Financial Supervision Authority expects that insurance undertakings should comply with the recommendations since 31 December 2016 or, pursuant to Article 365(5) of the Act of 11 September 2015 on insurance and reinsurance activities, inform the KNF how they intend to achieve the goals for which the KNF issued the recommendations.

COMPENSATION FORUM

At the initiative of the Polish Financial Supervision Authority, in June 2016, a working group was established (among others, in cooperation with representatives of the Ministry of Finance, the Ministry of Justice, the Financial Ombudsman, representatives of the insurance, medical, research and scientific circles). The objective of the so-called "Compensation Forum" is to develop a proposal of a solution that would systematically regulate the issue of determining the amounts of compensation for non-material damage and their payment by insurance undertakings. The Compensation Forum focuses on the preparation of a solution for the payment of compensation for the death of a close relative.
Activities carried out within the framework of the Compensation Forum are aimed at analysing the legislation in order to select legal acts which will need to be amended, preparing options of legal solutions and analysing final judicial decisions issued between 2015 and 2016 concerning payment of compensation for death from the MTPL insurance contracts. The so-called "knowledge base," which is an IT tool developed in the KNF Office, to which data from the analysed final judicial decisions is entered, is used in the work of the Forum.

6.2. GUIDELINES AND POSITIONS OF THE POLISH FINANCIAL SUPERVISION AUTHORITY AND THE OFFICE OF THE POLISH FINANCIAL SUPERVISION AUTHORITY

GUIDELINES ON THE PROVISION OF BROKERAGE SERVICES ON THE OTC DERIVATIVES MARKET

On 24 May 2016, the Polish Financial Supervision Authority adopted Guidelines on the provision of brokerage services on the OTC derivatives market, with the date of their implementation until 30 September 2016. This document was created on the basis of supervisory experience and observation of phenomena occurring in the capital market segment, called the Forex market.
The implementation of appropriate solutions is to counteract the negative phenomena observed by the Authority, which violate the best interest of the client and complement systematically conducted diverse supervisory activities.
The document includes 16 Guidelines, which are divided into the following areas:

- the role of the investment firm's governing bodies in organising brokerage services on the OTC derivatives market,
- acquisition of clients and conclusion of agreements on the provision of brokerage services on the OTC derivatives market with the clients,
- selected issues in the area of agreements on the provision of brokerage services on the OTC derivatives market,
- provision of brokerage services of portfolio management, consisting of one or more financial instruments of the OTC derivatives market.

The Guidelines are to present the standards for the fulfilment of obligations arising from the interpretation of the Act on trading in financial instruments and regulations issued on its basis on the provision of brokerage services on the OTC derivatives market.
The Guidelines should be implemented in full by investment firms providing brokerage services on the OTC derivatives market in the Republic of Poland. In terms of the conduct of business,

this also applies to foreign investment firms, which provide brokerage services to Polish clients through branches. In turn, given the specific nature of the banks' activities referred to in Article 70(2) of the Act on trading in financial instruments, the application of some of the Guidelines in the case of hedge transactions made by retail clients on the OTC derivatives market is excluded.
Due to the main objective of the Guidelines (protection of a retail client), the Authority also recommended in their content their application by foreign investment firms conducting brokerage in the territory of the Republic of Poland without opening a branch.
The Guidelines provide comprehensive explanations as to the proper application of legal norms in a number of important aspects related to the functioning of the OTC derivatives market. Issues of note include:

- the mode of presenting information to advertise and promote brokerage services,
- the rules of cooperation with third parties,
- terms and conditions of remuneration of persons providing activities related to client relations for the investment firm,
- conditions for determining the right level of financial leverage and the level of emergency closing out of positions,
- requirements related to quarterly presentation of results achieved by the clients,
- conditions of admissibility of the so-called slippage,
- the principles of providing the service of financial instrument portfolio management.

Due to the versatility of some provisions of the Guidelines, their content also includes a recommendation for their appropriate application in other areas of brokerage services, not only related to the OTC derivatives market.

POSITION OF THE KNF OFFICE ON COMPLIANCE WITH SUPERVISORY LIQUIDITY STANDARDS BY BRANCHES OF CREDIT UNIONS

In a letter of 15 January 2016, the Office of the Polish Financial Supervision Authority informed that in connection with the entry into force since 1 November 2015 of the amendments to the Act of 29 August 1997 - Banking Law (Dz. U. of 2015, item 128, as amended), introduced on the basis of Article 68 of the Act of 5 August 2015 *on macro-prudential supervision of the financial system and crisis management in the financial system*, implementing Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 *on access to the activity of credit unions and the prudential supervision of credit unions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC* (OJ EU L 176 of 27.06.2013), the situation of branches of credit unions has changed, including compliance with the national liquidity standards. As indicated in the letter of the KNF Office, provisions of Resolution No. 386/2008 of the KNF of 17 December 2008 on the establishment of liquidity standards binding on banks do not apply to branches of credit unions, which translates into lack of reporting obligations to the Narodowy Bank Polski (National Bank of Poland) in this area.

POSITION OF THE KNF OFFICE ON THE TREATMENT OF THE MINIMUM RESERVE FOR THE LIQUIDITY COVERAGE REQUIREMENT (LCR)

The KNF Office consulted the Narodowy Bank Polski and as a result is was established that pursuant to the provisions of Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 *to supplement Regulation (EU) No. 575/2013*[14] *of the European Parliament and of the Council with regard to liquidity coverage requirement for Credit Unions* banks should classify the excess of funds maintained on a given day on the current account or the minimum reserve account in the NBP, above the level of the minimum reserve required each day of the reserve

[14] Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 *on prudential requirements for credit unions and investment firms and amending Regulation (EU) No 648/2012*.

period, resulting from the declaration, to level 1 liquid assets. In case of a negative difference between the balance of funds on the account in the NBP and the required minimum reserve level, this shortage should increase the amount of liquidity inflows on a given day. The KNF Office presented these findings in the letter to presidents of management boards of banks on 15 January 2016, also referring to the situation of affiliating banks and cooperative banks operating in association.

Letter of the KNF of 9 February 2016 on new powers of inspectors of revisory unions

On the basis of the amended provisions of the Act - Banking Law, inspectors of revisory unions, carrying out inspections in cooperative banks, gained access to information constituting bank secrecy. Following the change of regulations on access to banking secrecy, the inspection carried out by the inspectors of revisory unions under the Act - Cooperative Law became an additional tool - besides the obligatory audits of financial statements carried out by chartered auditors on the basis of the Act on accounting - used in regular intervals, in this case three-year, for the verification of the economic aspects of activity of cooperative banks by a legally authorised private external entity.

Letter of the KNF on the sale of trademarks combined with leaseback and the sale of real property combined with leaseback, with one-time settlement of revenues

In a letter of 25 March 2016, the KNF presented its position regarding the sale of trademarks combined with leaseback and the sale of real property combined with leaseback, with one-time settlement of revenues. The supervisory authorities expressed their concern about the practice adopted in this area by some cooperative banks, at the same time pointing to the possible negative consequences of the operations carried out.

Position of the KNF Office on monitoring the degree of achievement of the NSFR by banks

Due to the expected work of the European Commission on a legislative proposal on how to ensure that the institutions use stable sources of funding, the KNF Office pointed out the need to monitor the net stable funding ratio (NSFR) both by banks and by the supervisory authorities. In its letter to presidents of management boards of banks of 11 February 2016, the KNF Office committed itself to providing banks with forms including appropriate weights and calculation rules to ensure comparability of the monitoring results.[15] The KNF Office proposed an estimation of the value of the NSFR based on the documents being the basis for development of the proposal by the European Commission, i.e.:

- document of the Basel Committee on Banking Supervision of October 2014: Basel III: The net stable funding ratio,
- report of the European Banking Authority of 15 December 2015 on the net stable funding requirement in connection with the provisions of Article 510 of Regulation No. 575/2013.

Position of the KNF Office on the approach adopted by banks when acting on behalf of a client by an attorney in contacts with the bank on the basis of a power of attorney

[15] The form of the NSFR questionnaire was submitted by the letter of 1 July 2016 addressed to presidents of banks, along with supplementary instructions, with a request for submitting quarterly information enabling the monitoring of the stable funding ratio to the KNF Office.

On 19 April 2016, the KNF Office addressed a letter to presidents of management boards of banks and directors of branches of credit unions on the approach which should be adopted by banks when acting on behalf of a client by an attorney in contacts with the bank on the basis of a power of attorney. The letter stated that banks as specific entities in the financial market, taking deposits from citizens and thus bearing responsibility for the security of these funds, are obliged to maintain high standards and due diligence in each aspect of their operations, so also in respect of accepting powers of attorney granted by the clients. With this in mind, banks should define an approach in respect of accepting powers of attorney in their internal procedures.

This approach should take into account the existing legislation and the need to ensure high standards of risk management in the conduct of business, taking into account the requirements described above related to the form of power of attorney, the scope of presented powers of attorney and disclosure of information being bank secrecy. At the same time, however, these procedures should not be unreasonably burdensome for the clients. In particular, they should not provide, irrespective of the circumstances, for the requirement to present a power of attorney in the form of a notarial deed or a signature certified by a notary public.

Letter of the KNF on the provisions of the Act on the functioning of cooperative banks, their associations and affiliating banks

In a letter of 21 April 2016, the KNF pointed to the necessity of making the necessary transformations in the cooperative banking sector, as required by the provisions of the Act of 25 June 2015 amending the Act on the functioning of cooperative banks, their associations and affiliating banks and certain other acts. This Act created conditions for the integration of the sector of cooperative banks based on the organisational solutions provided for in the provisions of this Act. These solutions are the result of the implementation of organisational schemes provided for in the CRR, based on organisational models of cooperative banking previously developed in Europe, to national regulations.

Letter of the KNF to the sector of cooperative banks on due diligence before issuing a permit for merger

According to the position of the KNF presented in a letter of 24 August 2016, correct risk identification is essential for the proper estimation of the effects of a planned transaction and, consequently, for a successful and safe merger and the optimum incorporation of the transferred structure into the structures of the acquiring institution.

Position of the KNF Office on the limits of inclusion of instruments in own funds by virtue of acquired rights

In view of the doubts and irregularities observed by the inspection team of the KNF Office relating to the use of limits on the inclusion of instruments in own funds by virtue of acquired rights, in accordance with Articles 484-488 of Regulation No. 575/2013, on 20 July 2016, the KNF Office sent a letter in this matter to presidents of all banks. It reminded that banks should apply the percentage values specified in Article 171a(9) of the Act – Banking Law. In addition, it was noted that the principle of acquired rights refers only to instruments which were issued no later than on 31 December 2011 and qualified as own funds on 31 December 2011.

Position of the KNF on activities of banks related to granting consumer credits and cooperation with intermediaries

In a letter of 21 November 2016, the KNF emphasised the need to ensure adequate standards in offering consumer credits, including: the appropriate level of preparation of people involved

in the process of selling consumer credits, both bank employees and intermediaries, the reliability and completeness of information provided to consumers at the pre-contractual stage (in particular on the costs associated with a given credit), reliability in calculating total cost of the credit and the annual percentage rate (APR), reliability of checking and assessing creditworthiness, exercising the consumer's right to withdraw from the credit agreement, appropriate remuneration policy for sales staff of the bank and the intermediary.
Moreover, the KNF obliged banks to make a reliable assessment of the practicesfollowed by them and the intermediaries they cooperate with in the area of selling consumer credits, and to take the necessary steps to eliminate the identified irregularities and ensure the functioning of the right standards.

POSITION OF THE KNF OFFICE ON INFORMING THE CLIENTS ABOUT THE INTEREST RATE RISK, RELATED TO THE POSSIBILITY OF FUTURE INCREASE IN INTEREST RATES

On 28 November 2016, the KNF Office sent a letter to presidents of management boards of banks and directors of branches of credit unions on informing the clients about the interest rate risk, related to the possibility of future increase in interest rates.

The letter aimed at updating the approach communicated to the banks in the letter of the Chairman of the KNF of 12 February 2015, which drew banks' attention to, among others, the need to ensure a special level of diligence in the process of informing the parties for whom the financial services are intended of the risk factors at the stage preceding the conclusion of the credit or loan agreement or other agreement of a credit nature. The letter of 12 February 2015 indicated that, in order to minimise systemic risk and inform clients in the process of checking creditworthiness about the possibility of future increase in interest rates, banks "*should prepare and present to clients simulations of credit exposure service costs for the following levels of interest rates which its interest depends on: 3%, 5%, 10% and 15%*." The letter was related to the work carried out in the KNF Office on the amendment of Recommendation S *on good practices in the management of credit exposures secured by mortgages*, aimed at extending the Recommendation to the rules on mortgage loans at a fixed interest rate. Among the comments submitted to the draft amendment of Recommendation S, the question of the scale of interest rate increases which the KNF Office expects the banks to apply to inform the clients of the possible future repayment rates in the process of checking creditworthiness to grant mortgage loan was also raised. Comments on the scope of this scale were reported by the Narodowy Bank Polski, which pointed to the need to reduce it by abandoning the excessively conservative, in the opinion of the Central Bank, level of 15%.

After the analysis of the arguments raised by the NBP, the KNF Office concluded that the Central Bank's postulate could be fulfilled before the end of work carried out by the KNF Office in this area. Bearing in mind the position of the NBP, according to the KNF Office, it should be assumed that it is appropriate to depart from the need for the banks to apply the 15% interest rates in the presented scenarios, and banks should present simulations of credit exposure service costs to clients for the following levels of interest rates which its interest depends on: 3%, 5% and 10%.

LETTER OF THE KNF INFORMING ABOUT THE COMPLETION OF THE PROCESS OF NOTIFYING MEMBERS' SHARES IN THE EBA

On 1 December 2016, the European Banking Authority (hereinafter: the EBA) published a list of instruments which meet the criteria set out in the Capital Requirements Regulation (CRR) for Common Equity Tier I (hereinafter: the CET1), taking into account the member share in Polish cooperative banks (website address: http://www.eba.europa.eu/-/eba-updates-list-of-cetl-instruments). The publication of the updated list means successful completion of the

notification process of member shares, which the KNF has been striving for since the date of entry into force of the CRR.

POSITION OF THE KNF ON THE DIVIDEND POLICY OF COOPERATIVE AND AFFILIATING BANKS

On 29 December 2016, a letter on the dividend policy of the KNF concerning the distribution of net profit for 2016 was sent to the sector of cooperative and affiliating banks (and a copy to the ZBP and the KZBS). The letter indicated that the external environment of the Polish economy is characterised by still elevated level of risk. Among others, for these reasons, the KNF suggested that financial institutions maintain a strong capital base and, in some cases, strengthen it further. With a view to further development of own funds of cooperative banks and positive effects of the dividend policy of the KNF on distribution of profit for 2015, the Authority formulated its expectations for the dividend policy of cooperative banks in a similar way as the previous year. While formulating the criteria that will allow for the repayment of the shares of substantial majority of cooperative banks, the Authority also took into account the need to stabilise the equity fund. As the previous years, the KNF will send individual letters to cooperative banks which do not meet the criteria for payment of dividend from the net profit for 2016.

LETTER TO THE SECTOR OF COOPERATIVE BANKS REGARDING THE SREP

The KNF sent a series of letters to banks concerning the SREP, among others, with regard to the Methodology of Supervisory Review and Evaluation Process of commercial, affiliating and cooperative banks, the submission of quantitative forms, self-assessment forms and other documents necessary in the SREP assessment.

POSITION OF THE KNF ON THE RESTRUCTURING OF CREDIT LIABILITIES

In view of the objectives of supervision of the financial market and, in particular, to ensure the proper functioning of this market, in its letter of 25 February 2016, the KNF drew attention to the content of Article 75c of the Act - Banking Law of 29 August 1997 (consolidated text Dz. U. of 2015 item 128, as amended) being introduced, regulating the principles of restructuring liabilities of a credit nature. Based on Article 36(1a) and (2) of the Act of 5 November 2009 on credit unions (consolidated text of 2013 Dz. U. item 1450, as amended), the rules of conduct specified in Article 75c of the Act - Banking Law apply accordingly to credit agreements and loans granted by credit unions. Taking into account the regulations introduced, the KNF drew attention to the need to adopt the activity of banks and credit unions to the restructuring requirements introduced. In particular, the KNF stressed that this process should be properly formalised and defined in the procedures in force in the entities and should take into account the need to ensure adequate resources to provide for its effectiveness.

POSITION OF THE KNF ON THE NEW DISCLOSURE REQUIREMENTS OF BANKS AND SKOK

In a letter of 16 November 2016, the KNF drew attention to the fact that as of 1 July 2016 the provisions of the Act of 9 October 2015 on the amendment of the Act - Banking Law and certain other acts (Dz.U. of 2015.1864, as amended), which, *inter alia*, regulates the obligations of banks and credit unions in the field of accepting orders of deposits in the event of death, handling of dormant accounts and maintaining the Central Information, and defines new supervisory powers of the KNF, entered into force. The obligations imposed on banks and credit unions are intended to, in particular, ensure rapid access to information on accounts kept for their holders, but primarily for the heirs of account holders kept by banks and credit unions.

POSITION OF THE KNF ON THE INTERMEDIATION OF PAYMENT SERVICE PROVIDERS IN PAYMENTS FOR INVOLVEMENT IN ON-LINE GAMING

In 2016, the KNF Office sent letters to domestic banks and branches of credit unions about the intermediation of payment service providers in payments for involvement in on-line gaming in the Republic of Poland, provided to entities hosting illegal on-line gaming. The intent of the letter was for payment service providers to immediately stop providing services to entities hosting illegal on-line gaming, and thus to cease infringement of the law in force in Poland. In addition, the KNF Office expects the supervised entities to carry out appropriate inspections and to introduce preventive solutions in this area, and in case of finding irregularities, in accordance with the applicable legislation, take appropriate action.

POSITION OF THE KNF ON THE AUDIT OF FINANCIAL STATEMENTS OF INSURANCE AND REINSURANCE UNDERTAKINGS BY CHARTERED AUDITORS FOR 2015

In a letter of 4 March 2016 addressed to entities authorised to audit financial statements of insurance undertakings carrying out the audit of financial statements for 2015, the Polish Financial Supervision Authority emphasised the need to examine the possibility of continuation of activity by insurance undertakings.

In the content of this letter, the KNF pointed out that a significant event that should be subject to special analysis of chartered auditors in the context of assessment of the ability of insurance undertakings to continue their business is the impact of changes in the legislation applicable to insurance and reinsurance undertakings since the beginning of 2016. Accordingly, in the course of the audit of financial statements for 2015, the chartered auditor assessing the possibility of continuation of activity by insurance and reinsurance undertakings should take into account the capital adequacy of the undertakings as at 1 January 2016 and in the following 12 months.

POSITION OF THE KNF ON THE REQUIREMENTS FOR THE SYSTEM OF GOVERNANCE FUNCTIONING IN THE INSURANCE/REINSURANCE UNDERTAKING

The requirements included in a letter of 16 February 2016, which are at the same time good practices on the financial market, are to ensure the proper and prudent management of the insurance/reinsurance undertaking.

POSITION OF THE KNF ON IMPOSING THE ASSET TAX ON INSURANCE AND REINSURANCE UNDERTAKINGS

In a letter of 7 April 2016 addressed to insurance undertakings, having regard to the legislation concerning the way of establishing technical provisions, the KNF indicated that payments of the asset tax should not be taken into account in the calculation of technical provisions.

On the other hand, when determining the value of own funds of the insurance undertaking, the asset tax which is a financial burden on the undertaking should be represented in the reconciliation reserve under “expected dividends, withdrawals and charges” in the amount equal to the charges expected for this tax within the next 12 months from the date on which the financial statement is prepared.

POSITION OF THE KNF ON THE DIVIDEND POLICY OF INSURANCE AND REINSURANCE UNDERTAKINGS

In a letter of 8 December 2016 addressed to insurance undertakings, as a form of recommendations issued in previous years regarding payment of dividends from the profit

generated for a given year, the KNF submitted (according to the position of the KNF on dividend policy of insurance undertakings, the PTE, brokerage houses and the TFI, of 6 December 2016) its position on the dividend policy.

In this letter, the KNF recommended that insurance/reinsurance undertakings continue to pursue conservative dividend policy, and allocate the generated profit to strengthen their capital position.
The KNF recommended that dividends be paid out only by insurance/reinsurance undertakings which meet certain criteria. At the same time, the KNF recommended that insurance/reinsurance undertakings which meet the criteria specified in the aforementioned letter limit payment of dividend to 75% of the profit generated in 2016, while the coverage of the capital requirement for the quarter in which the dividend was paid out should be at the level of at least 110%.

The KNF indicated in the above position that payment of dividend equal to the whole profit generated in 2016 is allowed (which means that payments from other components of equity are not allowed), provided that the coverage of the capital requirement (after deduction of expected dividends from own funds) on 31 December 2016 and for the quarter in which the dividend was paid will be at least at the level of 175% for life insurance undertakings and at least 150% for non-life insurance undertaking.

In the opinion of the supervisory authority, conservative dividend policy pursued by insurance/reinsurance undertakings produced positive effects, especially in maintaining a relatively high level of solvency ratios, also in the new Solvency II regime, and thus building appropriate capital buffers.

POSITION OF THE KNF ON THE USE OF THE TERM "PERIODIC COMPARATIVE RATE OF RETURN" IN INFORMATION MATERIALS OF OPEN PENSION FUNDS

In a position of 22 June 2016, the Polish Financial Supervision Authority informed that, pursuant to Article 28(3) of the Act of 6 December 2013 *on amendments to certain acts in connection with determination of the principles for payment of pensions from funds collected in open pension funds*, 30 June 2016 would be the last day on which the Polish Financial Supervision Authority would determine the daily, weekly, monthly, quarterly, semi-annual and annual periodic comparative rate of return of the open pension fund and publish information on these rates of return on a public access website. Moreover, the Polish Financial Supervision Authority pointed out that due to the reference made by open pension funds in some information materials, declarations of principles of investment policy and information brochures to the comparative rate of return, within the meaning of Article 28(3) of the above-mentioned Act, it is necessary to change the content of these documents accordingly.

POSITION OF THE KNF ON THE DIVIDEND POLICY OF UNIVERSAL PENSION SOCIETIES IN 2017

In its position of 8 December 2016, addressed to universal pension societies (PTE), the Polish Financial Supervision Authority noted that a necessary and recommended condition for the PTE which decide to pay out dividend in 2017 is to meet simultaneously all the criteria specified in the position of the KNF resulting from the supervisory review, legislation and in the area of capital adequacy.
Irrespective of this, the Authority indicated that the value of the dividend paid out from the profit for 2016 and previous years should not exceed 150% of the profit achieved in 2016, and its payment must not result in a decrease in the value of equity and liquid assets, respectively, increased by the amount of the Guarantee Fund allocated between the societies, below the value ensuring an adequate level of capital adequacy. Moreover, the decision to pay the

dividend should take into account additional capital needs over a one-year horizon and possible risk associated with running a voluntary pension fund.

POSITION OF THE KNF ON THE OFE'S PRACTICE OF MAKING PAYMENTS OF FUNDS ACCUMULATED ON THE ACCOUNT OF A DECEASED OFE MEMBER BEING MARRIED ON THE DAY OF DEATH

By a letter of 18 July 2016, the KNF presented its position to universal pension societies related to the practice followed by the OFE which consists in payment of all funds from the accounts of deceased members of the OFE to beneficiaries or heirs, omitting the spouses of the deceased OFE members, despite knowing that these OFE members were married at the time of death. The KNF indicated the proper course of action which, in the opinion of the supervisory body, is to keep some of the funds due to the spouse of the deceased member of the OFE, if his or her data is included in the death certificate.

POSITION OF THE KNF ON THE RULES OF SUBMITTING APPLICATIONS TO THE NATIONAL COURT REGISTER (KRS) FOR ENTRY OF A PRESIDENT OF THE MANAGEMENT BOARD OR A MEMBER OF THE MANAGEMENT BOARD RESPONSIBLE FOR RISK MANAGEMENT IN THE INSURANCE UNDERTAKING

In a circular letter of 29 September 2016, the supervisory authority expressed its expectation that insurance/reinsurance undertakings would not engage in activities which result in revealing in the National Court Register a president or a member of the management board responsible for risk management before the supervisory authority's approval to the appointment of such persons.

POSITION OF THE KNF OFFICE ON OFFERING CERTAIN CATEGORIES OF FINANCIAL INSTRUMENTS BY INVESTMENT FIRMS UNDER THE SO-CALLED NON-PUBLIC OFFERINGS

In a letter of 30 May 2016 addressed to investment firms, the KNF Office drew attention to the unlawful practices related to the provision of brokerage services in the form of offering certain categories of financial instruments by investment firms under the so-called non-public offerings. This applies to cases when investment firms send proposals of acquisition of financial instruments to investment fund management companies in the process of offering. These entities, in accordance with the provisions of the Act of 27 May 2004 on investment funds, cannot obtain or acquire securities. For these reasons, an investment firm should not, in the performance of the offering service, send the offer to the company, but to individual investment funds. Consequently, if as a result of submitting a proposal of acquisition to an investment fund management company there is a response from the investment funds managed by this company, such procedure may be considered an attempt to circumvent the law (Article 58 § 1 of the Civil Code), as well as the Act on public offering, conditions governing the introduction of financial instruments to organised trading and public companies, which regulate the possibility of giving assent by offering financial instruments in a way which is not a public offering (the so-called private offering), limiting the number of entities to which such an assent may be addressed. A similar approach concerns directing a private offering to entities providing the service of management of portfolio which includes one or more financial instruments. In this case, the offering is submitted to the investor's representative, and its submission has a direct effect on the represented person (Article 109 combined with Article 95 § 2 of the Civil Code), i.e. the holder of the portfolio of financial instruments.

POSITION OF THE OFFICE OF THE POLISH FINANCIAL SUPERVISION AUTHORITY ON THE IMPLICATIONS OF THE ENTRY INTO FORCE OF REGULATION (EU) 2015/760 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 29 APRIL 2015 ON

European long-term investment funds (OJ EU L of 19 May 2015 No. 123, p. 98) in the absence of implementation of Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010 (OJ EU L 174 of 1.07.2011, p. 1, as amended)

The Polish Financial Supervision Authority informed in its position of 26 January 2016 on the implications of the entry into force of *Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds* (*OJ EU L of 19 May 2015 No. 123, p. 98) (the "ELTIF Regulation")* in the absence of implementation of *Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010 (OJ EU L 174 of 1.07.2011, p. 1, as amended) ("AIFM Directive")* to the Polish legal system. As long as the Polish legislator does not determine what legal entities are obliged to comply with the obligations of the AIFM Directive and entitled to benefit from the rights granted by it, the ELTIF Regulation is not applicable in the Polish legal order due to the inability to identify, in accordance with the Polish legal order, the entities which the ELTIF Regulation will apply to, i.e. AIFMs and AIFs which could receive the status of a European long-term investment fund and a European long-term investment fund manager, respectively.

Position of the Office of the Polish Financial Supervision Authority on the manner of conducting administrative proceedings on the approval of a prospectus in connection with the entry into force of Commission Delegated Regulation (EU) 2016/301 of 30 November 2015 supplementing Directive 2003/71/EC of the European Parliament and of the Council with regard to regulatory technical standards for approval and publication of the prospectus and dissemination of advertisements and amending Commission Regulation (EC) No. 809/2014

In its position of 12 April 2016, the Office of the Polish Financial Supervision Authority emphasised that the entry into force of Commission Delegated Regulation (EU) 2016/301 does not introduce the requirement to conduct the entire administrative proceedings on the approval of a prospectus in electronic form, but merely modifies the manner of conducting proceedings applicable so far by the need for additional submission of the prospectus and specific electronic documents in a searchable format. The position pointed out that all electronic versions of documents should be sent using electronic inbox of the KNF Office in the ePUAP system. Moreover, a number of specific formal and legal, and technical and organisational requirements for the proper submission of documents through the ePUAP system were also indicated.

Position of the Office of the Polish Financial Supervision Authority on the incorrect charging of management costs of securitised liabilities to investment funds

On 28 April 2016, the Office of the Polish Financial Supervision Authority sent a letter to investment fund management companies concerning the identified cases of incorrect charging of management costs of securitised liabilities to investment funds. The Authority pointed out that the provisions of some statutes of securitisation funds on charging the remuneration costs of entities entrusted by the company to manage the securitised liabilities of that fund to the assets of the funds are incompatible with the applicable law. The Authority pointed out that a company, as an entity exclusively authorised and obliged to act in this regard, is obliged to bear costs related to commissioning the management of securitised liabilities of this fund.

Position of the Office of the Polish Financial Supervision Authority on lack of possibility to maintain several registers of participants for one investment fund

On 11 May 2016, the KNF sent its position to investment fund management companies on irregularities identified in market practice related to keeping a register of investment fund participants. The Authority indicated that an investment fund can maintain only one register of participants and thus, in the scope of keeping this register, may conclude one agreement with one entity as a transfer agent, while it is not possible to entrust only some of the activities related to keeping the register of participants to one or several entities. Thus, if the investment fund does not keep a register of participants on its own, and commissions this to a different entity, this may take place on the condition that this entity maintains a single register for one investment fund.

Position on risk management related to the use of derivatives in relation to specialised open-end investment funds and closed-end investment funds

On 25 May 2016, the Office of the Polish Financial Supervision Authority sent its position to investment fund management companies on risk management related to the use of derivatives and other techniques resulting in financial leverage in relation to specialised open-end investment funds and closed-end investment funds. The Authority pointed out that, in connection with the amendment of the Act on investment funds, the definition of the global exposure changed in such a way that this term applies only to open-end investment funds, and in the case of specialised open-end investment funds and closed-end investment funds the companies would not be obliged to determine the global exposure. The amended Act introduced a new concept of AIF exposure, which applies to specialised open-end investment funds and closed-end investment funds.

Position on the scope of application of the MAR in relation to the entities of the investment fund market

On 30 June 2016, the KNF sent its position to investment fund management companies on the manner of implementation of disclosure requirements by the issuers being public closed-end investment funds, issuing public investment certificates in connection with the entry into force on 3 July 2016 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2003/125/EC and 2004/72/EC (OJ EU L 173, p. 1; hereinafter: the "MAR"), the provisions of which replaced the provisions of Directive 2003/6/EC on insider dealing and market manipulation. In particular, the KNF Office took a position on the scope of application of the MAR to a specific group of issuers, i.e. investment funds. The position of the KNF Office drew particular attention to the application of the provisions of the MAR in a situation when investment certificates of a closed-end investment fund are admitted to trading on a regulated market or are the subject of application for admission to trading on a regulated market or which are traded on multilateral trading facilities (MTFs) were admitted to trading on MTFs or which are the subject of application for admission to trading on MTFs or are traded on organised trading facilities (OTFs).

Position on the correct organisation of the process of executing orders of change/conversion of units

With reference to the Commission positions of 30 March 2015 and 18 September 2015 regarding the correct execution of orders of change and conversion of units of investment

funds, on 11 July 2016, the KNF sent it position on the correct organisation of the process of executing orders of change/conversion of units to investment fund management companies and banks - depositaries and entities maintaining registers of investment fund participants.
The Authority indicated that in the case of execution of conversion orders between investment funds or change orders between sub-funds in the same investment fund with separate sub-funds, the acquisition of units by the participant (and their sale by the fund/sub-fund) in the "acquiring" part of the change/conversion order in the target fund/sub-fund must always be preceded by payment of funds from the redemption of units in the source fund/sub-fund.
The Authority emphasised that it is not possible to make a transfer related to the redemption of part of the change/conversion order without preceding this transaction with an appropriate entry in the register (sub-register) of source fund/sub-fund participants. The Authority also pointed out that the legal title to make a transfer of funds from the redemption of units of the source fund/sub-funds to the account of the target fund/sub-fund is created only at the moment of entry of the redemption of units of the source fund/sub-fund in the register (sub-register) of participants.

The Authority also pointed out that the acquisition of units in the framework of the execution of change and conversion orders should be made for funds of the participants in full, since making payment for the purchase of units determines the ability to sell them to the participants by the target fund/sub-fund, which means that the acquisition of units in the target fund/sub-fund is possible only after a full payment for the acquisition of these units.

The Authority further emphasised that if a Company offers specialised investment programmes in which a participant is entitled to place orders of re-allocation, understood as a change in the percentage of share of funds held in the programme accounts in individual funds/sub-funds available under a given programme portfolio, due to the separation and specialisation of programmes, the Company should be guided by the principle of equal treatment of all participants in the management of investment funds.

Position of the Office of the Polish Financial Supervision Authority on the consequences of failure to issue regulations specifying the mode, manner and form of submitting information specified in Article 110 and Annex IV of Regulation 231/2013 to the Polish Financial Supervision Authority by alternative investment fund managers

On 28 October 2016, the position of the KNF Office with regard to the fulfilment of disclosure requirements by the AIFMs concerning the transmission in the form of XML files of reporting data, referred to in Article 222c(1) and Article 222e(1) of the Act on investment funds and management of alternative investment funds combined with Article 110 of Regulation 231/2013, was published. In this position the KNF Office indicated that investment fund management companies (TFI) are not obliged to submit periodic reports as XML files for the first time by 31 October 2016 (15 November 2016 in the case of funds operating as funds of funds) because of the Minister of Finance's failure to issue Implementing Regulation to Article 222e(3) of the Act on investment funds and management of alternative investment funds and Implementing Regulation to Article 55(1) of the Act on capital market supervision under a new statutory authorisation.

Position on the dividend policy of investment fund management companies (TFI)

On 13 December 2016, the KNF sent a letter to investment fund management companies concerning the position adopted at the meeting of the Authority on 6 December 2016 on the dividend policy of banks, insurance and reinsurance undertakings, universal pension societies, brokerage houses and investment fund management companies in 2017. This letter informed investment fund management companies about the adoption of the

above-mentioned position on dividend policy by the Authority and outlined its assumptions, according to which it was recommended that, while dividing profit for 2016 and paying dividends in 2017, investment fund management companies take into account together the criteria indicated in points I-III below, at the same time applying the restrictions referred to in point IV below:

I. in 2016 and in the period from the beginning of 2017 to the date of adoption of the resolution on payment of dividends, there was no situation where the statutory capital requirements would not be met;
II. while deciding on the amount of dividend, the company should take into account additional capital needs in twelve months following the approval of the 2016 financial statements, so that the dividend payment by the company would not affect the fulfilment of capital requirements in the subsequent months, and the decisions taken by the company on the reduction of its equity would not result in the reduction of the capital requirement coverage ratio below the level indicated in point IV;
III. a decision on payment and the amount of dividend should take into account whether, within 6 months prior to the adoption of the resolution on dividend payment, no claims of investment fund participants were made against the company in relation to the improper management of investment funds;
IV. investment fund management companies meeting the conditions referred to in points I-III, which, in the course of the last Supervisory Review and Evaluation Process of investment fund management companies, received a final evaluation of 1 or 2, may pay out dividend in 2017:
    1. up to a maximum of 75% of the profit generated in 2016 (which means that no payouts from other elements of equity items are allowed), unless the dividend payment results in the reduction of the capital requirement coverage ratio below 1.5;
    2. up to a maximum above 75%, but no more than 100% of the profit generated in 2016 (which means that no payouts from other elements of equity items are allowed), unless the dividend payment results in the reduction of the capital requirement coverage ratio below 2,

- while the capital requirement coverage ratio is calculated as the quotient of the company's equity and the applicable level of capital requirement.

Position of the KNF on practice related to the change of standard contracts

On 11 February 2016, the KNF sent a letter to banks, credit unions, insurance undertakings, investment firms and domestic payment institutions. In this letter, the supervisory authority drew the attention to the practice of the supervised entities of applying the provisions allowing the unilateral amendment of the content of standard contracts (the so-called modification clauses). This practice is related to the application of Article 3841 of the Act of 23 April 1964 Civil Code (consolidated text of 2014, Dz.U. item 121, as amended). In particular, the KNF pointed to the need for particular diligence of the supervised entities in the process of constructing the content of the modification clauses authorising to make changes in the content of standard contracts, and to the need to analyse the effectiveness of the changes in the contents of these standards introduced so far.

Position of the Office of the Polish Financial Supervision Authority on some of the effects of failure to adapt the Polish legal order to the provisions of the MAR by 3 July 2016

The Polish Financial Supervision Authority informed in its position of 28 June 2016 about the consequences of the beginning of application as of 3 July 2016 of *Regulation (EC) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directive 2003/124/EC, 2003/125/EC and 2004/72/EC (OJ EU L 173 of 12.06.2014, p. 1, as*

amended), indicating which regulations the entities operating on the capital market would not be obliged to apply.

Position of the Office of the Polish Financial Supervision Authority on the manner of filling out notifications of transactions referred to in Article 19(1) of the MAR

In a position of 30 June 2016, the Polish Financial Supervision Authority provided explanations and examples on how to complete the notification, referred to in the Annex to *Commission Implementing Regulation (EU) 2016/523 of 10 March 2016 laying down implementing technical standards with regard to the format and template for notification and public disclosure of managers' transactions in accordance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council (OJ EU L 88 of 5.04.2016, p. 19).*

A detailed list of guidelines and positions of the Polish Financial Supervision Authority and of the Office of the Polish Financial Supervision Authority is provided in Tables 9.1 and 9.2 in Annex 9.

7. OTHER ACTIVITIES

7.1. OPERATIONS TO PREVENT FRAUD ON THE FINANCIAL MARKET

Explanatory and administrative proceedings in the field of financial market supervision

In 2016, the KNF conducted 17 explanatory proceedings to determine whether there were grounds to file a notification on suspicion of committing a crime, specified in the laws governing the functioning of the financial market in Poland, or to initiate administrative proceedings in relation to violation of the legislation within the scope of the Authority's supervision, related to:

- failure to disclose the fact of holding shares in a public company - 1;
- non-performance or improper performance of disclosure requirements by the issuer - 1;
- manipulation of a financial instrument - 3;
- pursuing activity of trade in financial instruments without authorisation - 9;
- pursuing banking activity without authorisation - 2;
- unauthorised use of terms indicating performance of insurance mediation activities in the name, advertising or to determine own business activity - 1.

In 2016, the KNF conducted 786 administrative proceedings in relation to the following acts:

- the Act on trading in financial instruments - 19;
- the Act on public offering - 69;
- the Act on investment funds - 7;
- the Act on insurance activities - 6;
- the Act on compulsory insurance, the Insurance Guarantee Fund and the Polish Motor Insurers' Bureau - 5;
- the Act on the organisation and operation of pension funds - 2;
- the Act on insurance mediation - 51;
- the Act on payment services - 612;
- the Act on occupational pension schemes - 4;
- the Act on commodity exchanges - 1;
- other acts - 9;
- Regulation (EU) No. 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories - 1.

The administrative proceedings were related to:

- manipulation of a financial instrument (Article 39 of the Act on trading in financial instruments) - 1;
- carrying out transactions on the issuer's shares in a closed period (Article 159 of the Act on trading in financial instruments) - 4;
- failure to notify or improper notification of transactions of persons belonging to the management or supervisory bodies of the issuer or being the issuer's proxies (Article 160 of the Act on trading in financial instruments) - 3;
- non-performance or improper performance of disclosure requirements by the issuer (Article 56 of the Act on public offering) - 25;
- non-performance or improper performance of disclosure requirements by the issuer (Articles 56, 57 and 70 of the Act on public offering) - 1;
- imposing penalties on members of the issuer's management board due to gross violation of Article 56 of the Act on public offering by the issuer (Article 96(6) of the Act on public offering) - 23;
- failure to fulfil or improper fulfilment of the obligations related to qualifying holdings (Article 69 of the Act on public offering) - 7;
- failure to fulfil or improper fulfilment of the obligations related to qualifying holdings (Article 69 combined with Article 87 of the Act on public offering) - 7;
- failure to fulfil or improper fulfilment of the obligations related to qualifying holdings (Article 69, Article 72 combined with Article 87 of the Act on public offering) - 1;
- failure to fulfil or improper fulfilment of the obligations related to qualifying holdings (Articles 69 and 74 of the Act on public offering) - 1;
- failure to fulfil the obligations related to qualifying holdings within the statutory deadline (Article 70 of the Act on public offering) - 2;
- failure to fulfil the obligation to announce a tender offer to subscribe for sales or exchange of issuer's shares in a number ensuring 66% of the total number of votes (Article 73 and Article 88a of the Act on public offering) - 1;
- failure to fulfil the obligations related to qualifying holdings (Article 97(4) of the Act on public offering) - 1;
- violation of the law or regulations and other internal regulations in connection with practising the profession of investment adviser - 1;
- violation of the law or regulations and other internal regulations of an investment firm by the securities broker - 2;
- irregularities related to brokerage of investment firms, constituting a violation of the law, rules of fair trading, interests of the client (Article 167 of the Act on trading in financial instruments, provisions of implementing regulations to the Act) - 6;
- violation of the law or improper performance of the profession of stockbroker of commodity exchanges - 1;
- irregularities related to the performance of activities by investment fund management companies and investment funds (exceeding investment limits, violation of statutes of the investment fund, lack of required internal regulations, untimely or improper fulfilment of disclosure requirements, incorrect valuation of assets, failure to act in the interests of fund participants; failure of an open-end investment fund, with a separated sub-fund, to comply with the investment limits specified in the statutes, failure to immediately pay amounts due to participants for redemption of units and conducting activities by a fund with no special consideration for the interests of the participants) - 4;
- failure to notify the intention to acquire or purchase shares in an investment fund management company (Article 54(1) of the Act on investment funds) - 2;
- determination of the insurance premium in the amount which does not provide at least for performance of all obligations from insurance contracts and the coverage of the insurance business of an insurance undertaking in class 3 insurance (comprehensive insurance of land vehicles, excluding rail vehicles, covering motor vehicle damage) and class 10 (MTPL

insurance with the exception of the carrier's civil liability) in accordance with the Annex to the Act on insurance activities between 2011 and 2015 - 6;
- failure to meet deadlines for the settlement of claims (Article 14 of the Act on compulsory insurance) - 5;
- conducting brokerage in violation of Article 22(1) and Article 28(3)(1)(g) of the Act on insurance mediation - 12;
- withdrawal of authorisation pursuant to Article 34(1)(2) of the Act on insurance mediation - 39;
- irregularities in investment activities (Article 139 of the Act on the organisation and operation of pension funds) - 1;
- irregularities in the functioning of the pension fund society, i.e. the influence of persons from outside the management board on decisions concerning handling cases reserved for the exclusive competence of the society - 1;
- failure of an employer operating an occupational pension scheme to remove irregularity within the time limit set by the supervisory authority - 4;
- proceedings on granting reduction in repayment of budgetary receivables (Article 64 of the Act on public finance) - 7;
- consideration of an application for the resumption of administrative proceedings - 1;
- failure of payment service offices to provide information on the total value and number of payments executed in time; failure to deliver or conclude an insurance contract, bank guarantee or insurance guarantee agreement in time - 610;
- revocation of permission of a domestic payment institution (KIP) due to the lack of a stable management guarantee - 1;
- imposing a fine on the KIP due to the Company's failure to perform the obligation to provide information - 1;
- lack of effective risk management processes, and the conduct contrary to the rules of proper risk management, in relation to the provision on accounting services (Article 26(1) and Article 36(1) of Regulation (EU) No. 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories) - 1;
- failure to notify the intention to acquire or purchase directly or indirectly shares in a company operating a stock exchange in a number which causes that the level of 5% of the total number of votes or the initial capital is reached or exceeded (Article 24(1)(2) of the Act on trading in financial instruments) - 1;
- consideration of an application for annulment of a decision - 1;
- failure to notify the intention to sell shares in a brokerage house (Article 107(1)(1) of the Act on trading in financial instruments) - 1;
- failure to ensure that the sale of units of investment funds takes place in accordance with the law (Article 72(4) combined with Article 72(1)(2) of the Act on investment funds), failure to ensure that the net value of assets and the value of a unit of investment funds were calculated in accordance with the law (Article 72(4) combined with Article 72(1)(4) of the Act on investment funds) - 1.

In 2016, the KNF conducted 143 administrative proceedings, following the submission of an application for review of a case, in relation to the following acts:
- the Act on public offering - 44;
- the Act on trading in financial instruments - 9;
- the Act on insurance activities - 3;
- the Act on insurance mediation - 1;
- the Act on compulsory insurance, the Insurance Guarantee Fund and the Polish Motor Insurers' Bureau - 4;
- the Act on credit unions - 2;
- the Act on investment funds - 4;
- the Act on payment services - 71;
- other acts - 5.

The administrative proceedings were related to:

- non-performance or improper performance of disclosure requirements by the issuer (Article 56 of the Act on public offering, Article 56 combined with Article 70 of the Act on public offering) - 17;
- failure to fulfil or improper fulfilment of obligations related to qualifying holdings (Article 69 of the Act on public offering, Article 69 combined with Article 87 of the Act on public offering, Article 69 combined with Article 73 of the Act on public offering, and Article 73 of the Act on public offering) - 7;
- imposing penalties on members of the issuer's management board due to gross violation of obligations specified in the Act on public offering by the issuer (Article 96(6) of the Act on public offering) - 20;
- dissemination of incorrect or false information or rumours which mislead or may mislead market participants (Article 39 of the Act on trading in financial instruments) - 4;
- disclosure of inside information and violation of the obligation to maintain professional secrecy by securities brokers and investment advisers (Article 156(1)(1)(d) and (2)(1) and Article 148(1)(1) of the Act on trading in financial instruments) - 2;
- violation of regulations and other internal regulations by a securities broker or an investment adviser (Article 130(1)(1) of the Act on trading in financial instruments) - 1;
- violation of the obligation to immediately disclose information received from insiders by the issuers (Article 160(4) of the Act on trading in financial instruments) - 1;
- carrying out transactions in closed periods (Article 159 of the Act on trading in financial instruments) - 1;
- failure of a payment service office to provide information on the total value and number of payments executed in time; failure to deliver or conclude an insurance contract, bank guarantee or insurance guarantee agreement in time - 71;
- failure to meet deadlines for the settlement of claims (Article 14 of the Act on compulsory insurance) - 4;
- withdrawal of permission of an insurance broker to conduct brokerage in the field of insurance pursuant to Article 34(1)(1) of the Act on insurance mediation - 1;
- failure of a credit union to implement the recommendations issued by the KNF pursuant to Article 71(1) of the Act on SKOK, concerning disclose and presentation of all necessary documents and information, and comprehensive explanations orally or in writing to an independent chartered auditor indicated by the Authority in order to conduct efficient and comprehensive examination of the correctness and reliability of the approved financial statement of the credit union - 2;
- violation of investment limits and disclosure requirements by an open-end investment fund (Article 104(1) of the Act on investment funds and § 9(1)(7) combined with § 20(1) of Regulation of the Minister of Finance on periodic reports and current information on the activity and the financial situation of investment fund management companies and investment funds submitted by these entities to the Polish Financial Supervision Authority) - 1;
- violation of limits related to the issue of bonds and reporting obligations by an investment fund (Article 188(4)(2) of the Act on investment funds combined with § 11(1)(28) combined with § 20(1) of Regulation of the Minister of Finance on periodic reports and current information on the activity and the financial situation of investment fund management companies and investment funds submitted by these entities to the Polish Financial Supervision Authority) - 1;
- violation of investment limitations resulting from the statutes by an open-end investment fund (Article 228(2)(2) combined with Article 228(1) of the Act on investment funds) - 1;
- violation of the interests of closed-end investment fund participant by an investment fund management company and violation of the provisions of statutes by the above-mentioned fund (Article 228(1) and Article 228(2) combined with Article 228(1) of the Act on investment funds) - 1;

- pursuing investment activities by an insurance undertaking (Articles 30 and 153(1) of the Act on insurance activities) -1;
- failure of an insurance undertaking to provide the requested information (Article 207 of the Act on insurance activities) - 1;
- acquisition of shares of a universal pension society (PTE) in assets covering technical provisions when the share of the Insurance Undertaking in the PTE exceeds 10% of the PTE's core capital (Article 155(1)(3) of the Act on insurance activities);
- spreading the fine imposed into instalments - 2;
- resumption of administrative proceedings - 2;
- discontinuation of proceedings in relation to the release of files of administrative proceedings - 1.

Table 81. The number of explanatory and administrative proceedings initiated and concluded in 2013-2016

Detailed list	2013		2014		2015		2016	
Type of proceedings	The number of initiated proceedings	The number of concluded proceedings	The number of initiated proceedings	The number of concluded proceedings	The number of initiated proceedings	The number of concluded proceedings	The number of initiated proceedings	The number of concluded proceedings
Explanatory	8	12	11	6	10	7	10	18
Administrative	319	102	446	191	493	640	379	527
Total	**327**	**114**	**457**	**197**	**503**	**647**	**389**	**545**

Source: own calculations of the KNF Office

In 2016, 527 administrative resolutions were issued, including:
- 336 on the imposition of a fine,
- 179 on discontinuation of administrative proceedings,
- 4 on the imposition of a fine and the exclusion of an issuer from trading on the regulated market,
- 4 on the refusal to grant reduction in payment of a fine,
- 2 revocations of authorisations to conduct brokerage,
- 1 revocation of authorisations to pursue activity by the KIP,
- 1 on the refusal to resume proceedings.

In 2016, 74 administrative resolutions were issued following the examination of requests for review of a case, including:
- 45 on upholding a decision issued at first instance,
- 2 on reversing a decision appealed against and imposition of a fine in the same amount,
- 19 on reversing a decision appealed against and imposition of a smaller fine,
- 1 on reversing a decision appealed against, imposition of a smaller fine and partial discontinuation of proceedings,
- 7 on reversing a decision appealed against and discontinuation of proceedings.

Moreover, the following were issued in 2016:
- 9 rulings on breaching the deadline for bringing the application for review of a case,

- 1 ruling on refusal to extend the time for the submission of an application for review of a case,
- 1 ruling to comply with a complaint and reverse a ruling on breaching the deadline for bringing the application for review of a case,
- 33 resolutions to disclose information on issuing an administrative resolution,
- 5 resolutions on the announcement of decisions in the Official Journal of the Polish Financial Supervision Authority,
- 14 rulings on the refusal to initiate administrative proceedings,
- 1 ruling upholding the ruling on the refusal to initiate administrative proceedings related to the imposition of a fine with spread out payment,
- 1 ruling on the suspension of proceedings,
- 1 ruling to resume *ex officio* suspended proceedings for granting reduction in payment of a fine,
- 3 rulings on granting or refusal to grant costs of attendance of a witness/party to proceedings,
- 14 rulings on the refusal to take into consideration a demand made by a party to the proceedings related to the evidentiary process,
- 2 rulings to contact the Warsaw Stock Exchange to obtain its opinion in administrative proceedings (Article 96 (2) of the Act on public offering),
- 1 ruling to rectify the content of a decision,
- 1 ruling to exclude a member of the Financial Supervisory Authority from participation in administrative proceedings,
- 1 ruling on the refusal to resume administrative proceedings.

Total amount of fines imposed in 2016 was PLN 11 549 900, including fines imposed on:
- the issuers (1st instance) - PLN 6 520 000,
- shareholders and other natural persons - PLN 2 120 000,
- members of management boards of public companies - PLN 1 535 000,
- investment firms - PLN 425 000,
- investment fund management companies - PLN 250 000,
- insurance undertakings - PLN 380 000,
- payment service offices - PLN 234 200,
- employers operating occupational pension schemes - PLN 50 000,
- open pension funds - PLN 30 000,
- insurance brokers - PLN 5 700.

NOTIFICATION ON SUSPICION OF COMMITTING A CRIME

In 2016, the KNF Office submitted 54 notifications on a reasonable suspicion of committing a crime to the Regional Prosecutor's Office in Warsaw, among others with regard to the following legal acts:
- the Act on trading in financial instruments - 24;
- the Act on capital market supervision - 3;
- the Act - Banking Law - 5;
- the Act - Penal Code - 14;
- the Act on insurance activities - 1;
- the Act on accounting - 14;
- the Act on credit unions - 1;
- the Act on bonds - 1;
- the Act on commodity exchanges - 1;
- the Act - Code of Commercial Companies - 1;

and 1 notification on suspicion of an offence:
- the Code of Petty Offences - 1.

In some cases, the notifications concerned several norms, hence, the sum of the violated legal norms is greater than the total number of notifications sent in 2016.

Table 82. Notification prepared in 2013-2016 broken down by types of the violated provision of law

Type of the violated provision of law	The number of notification on suspicion of committing a crime			
	2013	2014	2015	2016
Article 183 of the Act on trading in financial instruments (manipulation of financial instrument)	20	9	10	9
Articles 180 and 181 of the Act on trading in financial instruments (disclosure and use of inside information).	8	17	10	9
Article 100 of the Act on public offering (providing false data or holding back true data in the prospectus and reports).	2	3	2	0
Article 178 of the Act on trading in financial instruments (pursuing activities in the area of trading in financial instruments without permission).	12	10	12	6
Article 171(1) of the Act - Banking Law (pursuing banking activities without authorisation).	14	5	2	3
Other*	22	21	27	27
Total	**78**	**65**	**63**	**54**

Source: own calculations of the KNF Office

* Violated provisions of law:

- Article 46 of the Act on capital market supervision (thwarting or obstructing the conduct of explanatory proceedings),
- Article 20a of the Act on financial market supervision (thwarting or obstructing the conduct of explanatory proceedings),
- Article 171(1) and (3) of the Act - Banking Law (pursuing activities reserved for banks without permission),
- Article 171(4) of the Act - Banking Law (giving false data or holding back real data),
- Article 171(5) of the Act - Banking Law (disclosure or use of information being a banking secrecy);
- Article 87(2) of the Act on bonds (issuing bonds without authorisation),
- Article 59 (1) and (2) of the Act on commodity exchanges (causing artificial increase or decrease in the price of exchange commodities),
- Article 587 § 1 of the Act - Code of Commercial Companies (CCC) (announcing false data or presenting it to the company authorities, state authorities or persons appointed for review),
- Article 77 of the Act on accounting (bookkeeping contrary to the principles set out in the Act, drawing up financial statements contrary to the provisions of the Act),
- Article 74v of the Act on SKOK (giving false data or holding back true data),
- Article 229 of the Act Penal Code (providing or promising to provide a person performing a public function with a material or personal benefit in connection with the performance of this function),
- Article 270 of the Act - Penal Code (material falsity),
- Article 296 of the Act - Penal Code (abuse of trust).

Out of the notifications submitted to the Public Prosecutor's Office in 2016, 50 preparatory proceedings were initiated (9 of them were subsequently discontinued, a complaint was lodged against 4 of them), and the initiation of proceedings was refused in one case (due to a complaint lodged by the KNF Office and uphold by the court, preparatory proceedings were initiated). As at 31 December 2016, the remaining notifications awaited the prosecutor's decision as to further course of the proceedings.

INDICTMENTS

In 2016, the KNF Office received information that the Public Prosecutor's Office sent 9 indictments to common courts following the notifications of a reasonable suspicion of committing a crime from the Office of the Authority.

Table 83. Indictments sent by the Public Prosecutor's Office to the courts in 2016 broken down by type of the violated legal norm

Type of the violated provision of law	Indictment
Article 183 of the Act on trading in financial instruments (manipulation of financial instrument)	3
Article 171(1) and (3) of the Act - Banking law (pursuing banking activities without authorisation).	5
Article 150 of the Act on payment services (pursuing activity in the area of provision of payment services without entry in the register).	1
Total	9

Source: own calculations of the KNF Office

CONVICTIONS AND CONDITIONAL DISCONTINUATIONS

In 2016, common courts issued 13 convictions and decisions conditionally discontinuing criminal proceedings following the notifications on a reasonable suspicion of committing a crime from the Office of the Authority, as well as notifications submitted by other entities (cases in which the Chairman of the KNF acted as the injured party) with regard to the following acts:

- the Act on trading in financial instruments - 10 rulings,
- the Act on payment services - 1 ruling,
- the Act on bonds - 1 ruling.
- Penal Code - 1 ruling.

- Ruling of the District Court in Zabrze of 21 January 2016 on Article 183(1) of the Act on trading in financial instruments. The court charged the defendant with a fine of PLN 15,000 (final judgement). The notification was submitted on 4 December 2014.
- Ruling of the District Court in Bydgoszcz of 15 March 2016 on Article 150 of the Act on payment services. The court, conditionally discontinuing criminal proceedings for a probationary period of 2 years, ruled on the defendant's payment obligation in the amount of PLN 1,000 (final judgement). The notification was submitted on 16 June 2015.
- Ruling of the District Court for Warszawa-Śródmieście of 16 March 2016 on Article 183 of the Act on trading in financial instruments. The court charged the defendant with a fine of PLN 35,000 (final judgement). The notification was submitted on 8 June 2012.
- Ruling of the District Court for Warszawa-Śródmieście of 7 April 2016 on Article 183(1) of the Act on trading in financial instruments. The court, conditionally discontinuing criminal proceedings for a probationary period of 2 years, ruled on the defendant's payment obligation in the amount of PLN 5,000 (final judgement). The notification was submitted on 19 February 2013.
- Ruling of the District Court for the Capital City of Warsaw of 17 May 2016 on Article 183(1) of the Act on trading in financial instruments. The court, conditionally discontinuing criminal proceedings against two defendants for a probationary period of 1 year, ruled on their payment obligation in the amount of PLN 10,000 each (final judgement). The notification was submitted on 2 February 2006.
- Judgement of the District Court in Warsaw of 27 June 2016 in case of Article 87(1) of the Act on bonds and Article 286 § 1 of the Penal Code combined with Article 294 § 1 of the Penal Code. The court imposed a custodial sentence of two years suspended for a probationary period of four years, a fine of PLN 100,000, and ordered the defendant to pay compensation of PLN 1,270,000 (non-final judgement). The notification was submitted on 25 January 2002.

- Ruling of the District Court for Warszawa-Wola of 30 June 2016 on Article 180 combined with Articles 181(1) and 182 of the Act on trading in financial instruments. In the case of one defendant, the court imposed a custodial sentence of six months suspended for a probationary period of 1 year, a fine of PLN 100,000 and a confiscation order in respect of economic benefit obtained through a criminal offence in the amount of PLN 12,319, and in the case of the second defendant, and a fine of PLN 30,000 and a confiscation order in respect of economic benefit obtained through a criminal offence in the amount of PLN 12,000 (non-final judgement). The notification was submitted on 28 September 2011.
- Ruling of the District Court for Warszawa-Śródmieście of 1 September 2016 on Article 183(1) of the Act on trading in financial instruments. The court charged the defendant with a fine of PLN 3,000 (final judgement). The notification was submitted on 23 October 2014.
- Ruling of the District Court for Warszawa-Śródmieście of 3 November 2016 on Article 178 of the Act on trading in financial instruments. The court charged two defendants with a fine of PLN 20,000 each (non-final judgement). The notification was submitted on 16 January 2012.
- Ruling of the District Court for Warszawa-Śródmieście of 7 November 2016 on Article 183(1) of the Act on trading in financial instruments. The court conditionally discontinuing criminal proceedings against two defendants for a probationary period of 2 year and 1 year and ruled on payment obligation in the amount of PLN 10,000 and PLN 5,000 (final judgement). The notification was submitted on 24 June 2014.
- Ruling of the District Court in Kielce of 9 November 2016 on Article 183(1) of the Act on trading in financial instruments. The court charged the defendant with a fine of PLN 2,000 (non-final judgement). The notification was submitted on 14 June 2006.
- Ruling of the District Court Gdańsk-Północ of 21 December 2016 on Article 178 of the Act on trading in financial instruments. The court charged the defendant with a fine of PLN 50,000 (non-final judgement). The notification was submitted on 10 September 2012.
- Ruling of the District Court Poznań-Grunwald of 21 December 2016 on Article 297 § 1 of the Penal Code. The court charged the defendant with a fine of PLN 5,000 (non-final judgement). The notification was submitted on 4 November 2014.

Information about the legal validity of judgements or the lack thereof is given as at 31 December 2016.

Table 84. Convictions and conditional discontinuations in 2016 broken down by types of violated provision of law

The basis for the conviction	Number of verdicts
Article 183 of the Act on trading in financial instruments (manipulation of financial instrument)	7
Article 178 of the Act on trading in financial instruments (pursuing activities in the area of trading in financial instruments without authorisation).	2
Articles 180 and 181 of the Act on trading in financial instruments (disclosure and use of inside information).	1
Article 150 of the Act on payment services (pursuing activity in the area of provision of payment services without entry in the register).	1
Article 87 of the Act on bonds combined with Article 286 § 1 of the Penal Code combined with Article 294 § 1 of the PC (issue of bonds without observing the conditions specified in the Act and fraud).	1
Article 297 § 1 of the PC (financial fraud).	1
Total	**13**

Source: own calculations of the KNF Office

POWERS EXERCISED IN CRIMINAL PROCEEDINGS

As part of the powers exercised in criminal proceedings, legal counsels authorised by the Chairman of the KNF act as agents of the injured party and agents of the auxiliary prosecutor.

In 2016, legal counsels authorised by the Chairman of the KNF acted as agents of the injured party (preparatory proceedings) in 112 cases, and as agents of the auxiliary prosecutor (court proceedings) in 33 cases.

Moreover, the legal counsels lodged 23 complaints against the ruling of the Public Prosecutor's Office on refusal to initiate or discontinuation of preparatory proceedings.

Table 85. The number of cases in 2016 in which legal counsels were authorised by the Chairman of the KNF in criminal proceedings

Type of appearance	Number of cases
Appearances as agents of the injured party.	112
Appearance as agents of the auxiliary prosecutor.	33
Total	**145**

Source: own calculations of the KNF Office

POWERS EXERCISED IN CIVIL PROCEEDINGS

In civil cases arising from relations due to participation in trading on the financial market or concerning entities operating on this market, the Chairman of the KNF is entitled to the powers of a public prosecutor, among others, under Article 60 of Code of Civil Procedure. Cases in which the Chairman of the KNF exercised his powers are included below.

In the field of capital market, in 2016, the cases initiated in the preceding period were continued:

- participation in civil proceedings from an action brought by a natural person against the Platynowe Inwestycje S.A. As at 31 December 2016, the date of a trial was not scheduled,
- participation in civil proceedings from an action brought by a natural person against the Platynowe Inwestycje S.A. to repeal Resolution No. 6 of the Extraordinary General Meeting of Shareholders of 25 September 2015. As at 31 December 2016, a trial was scheduled,
- filing a complaint on 28 October 2015 by the Chairman of the KNF against a decision of the Court Referendary of the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division of the National Court Register of 19 October 2015 concerning the entry of changes to the statutes of the Platynowe Inwestycje S.A. based on Resolution No. 6 of the Extraordinary General Meeting of Shareholders of 25 September 2015. As of 31 December 2016, the claim was upheld.

In the area of the insurance and pension market, in 2016, the case initiated in the preceding period was continued, that is, the action of a natural person against the Towarzystwo Ubezpieczeń na Życie Warta S.A. for regarding the provisions of the model agreement as unlawful - the case ended with a final judgement of the Court of Appeal in Warsaw. Participation of the Chairman of the KNF in the case consisted in presenting a view on one of the issues raised in the case, considered systematically significant, concerning the legal nature of the agreement concluded by the insurance undertaking and the licensing of brokerage. In the oral motives of the judgement, the Court of Appeal in Warsaw presented a view converging with the view of the Chairman of the KNF.

7.2. PARTICIPATION IN LEGISLATIVE WORK

The statutory tasks of the KNF include preparation of drafts and participation in the preparation of draft legal acts in the field of financial market supervision. While preparing drafts of legal acts, the KNF cooperates primarily with the Ministry of Finance. In the legislative process

carried out by bodies which initiate and conduct legislative work on the basis of the relevant regulations, the KNF Office acts as a consultative and advisory body. As part of this work, the KNF Office cooperated with the Ministry of Justice, the Ministry of Science and Higher Education, the Ministry of Sport and Tourism, the Ministry of Agriculture and Rural Development. This chapter includes information on the most important legislative work, from the perspective of the exercised supervision, carried out with the participation of the KNF Office.

A list of regulations and draft regulations being the subject to work or opinions of the KNF Office in 2016 is presented in Annex 4.

ACTS AND BILLS

The Act of 31 March 2016 on the amendment of the Act on investment funds and certain other acts (Dz.U.2016.615). The amendments were to implement Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010 - OJ EU L 174 of 1.07.2011, p. 1, as amended; additionally, the draft implemented Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions (OJ EU L 257 of 28.08.2014, p. 186; the UCITS V Directive).

The objective of the amendments was also to implement Directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013 amending Directive 2004/109/EC of the European Parliament and of the Council on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and Commission Directive 2007/14/EC laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC (OJ EU L 294 of 6.11.2013, p. 13, as amended) to the Polish legal system. The Act fulfils in particular the need to improve the effectiveness of the existing transparency regime, especially with respect to the disclosure of corporate ownership. The objective of the amendments is also to strengthen the system of sanctions and administrative measures for breaches, which are to increase the security of trading on the capital market and the protection of investors.
The introduced regulations in particular refer to:

- change in the definition of “home state” and the procedures for selecting this state by the issuer and notification of this choice,
- notification of major holdings of voting rights in a public company,
- imposing sanctions and administrative measures for breaches under Directive 2004/109/EC.

In addition to the above changes, the Act implemented the provisions of Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014 amending Directives 2003/71/EC and 2009/138/EC and Regulations (EC) No. 1060/2009, No. 1094/2010 and (EU) No. 1095/2010 in respect of the powers of the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority) (OJ EU L 153 of 22.05.2014, p. 1, as amended), as regards the amendment of Directive 2003/71/EC. Moreover, due to doubts of the European Commission regarding the correct implementation of Directive 2010/73/EU of 24 November 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market to the Polish law, the Act introduced changes aimed at clarifying the provisions of the Act on public offering, conditions governing the introduction

of financial instruments to organised trading and on public companies, with which Directive 2010/73/EU has already been implemented.

The Act of 23 September 2016 on out-of-court settlement of consumer disputes (Dz.U.2016.1823). The Act implements Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No. 2006/2004 and Directive 2009/22/EC (Directive on consumer ADR) as well as Regulation (EU) No. 524/2013 of the European Parliament and of the Council of 21 May 2013 on Internet dispute resolution for consumer disputes and amending Regulation (EC) No. 2006/2004 and Directive 2009/22/EC (Regulation on consumer ODR).

The Act of 10 June 2016 on the Bank Guarantee Fund, Deposit Guarantee Scheme and resolution (Dz.U.2016.996, as amended). The Act implements the BRR Directive (Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the rehabilitation and resolution of credit unions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No. 1093/2010 and (EU) No. 648/2012, of the European Parliament and of the Council (OJ EU L 173 of 12.06.2014, p. 190)) and the DGS Directive (Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (OJ EU L 173 of 12.06.2014, p. 149)). The most important solution resulting from the implementation of the BRR Directive is entrusting the Bank Guarantee Fund (BGF) with role of resolution authority as well as the obligations related to the creation of resolution plans. The Act grants the BGF the power to redeem or convert equity instruments, and authorises the BGF to issue decisions on the initiation of compulsory restructuring proceedings and to conduct proceedings, including the creation of an asset management entity and setting up of a bridge institution. With regard to the implementation of the DGS Directive, the most important changes are related to the rules for guaranteeing deposits, including the reduction of the time for repayment of guaranteed funds and determination of the target levels of funds from which the guarantee activity is financed, as well as the rules for the repayment of guaranteed funds when the entity covered by the mandatory guarantee scheme conducts cross-border activities. Bearing in mind the model of early intervention and resolution adopted in the BRR Directive, and the need for a clear division of tasks between bodies involved in the crisis management process at various stages to avoid conflicts of jurisdiction, the Act introduced amendments to the Act - Banking Law and the Act on credit unions, the purpose of which is to waive the possibility of taking over a bank or a union on the basis of an administrative resolution of the Polish Financial Supervision Authority. This solution was replaced by resolution tools. The Act introduces similar rules of supervision of brokerage houses providing the services referred to in Article 69(2) (3) and (7) of the Act on trading in financial instruments, as for banks. Brokerage houses are obliged to prepare rehabilitation plans, in case of their bankruptcy their resolution body is the BGF.

The Act of 22 July 2016 on the amendment of the Act on tourist services and the Act on compulsory insurance, the Insurance Guarantee Fund and the Polish Motor Insurers' Bureau (Dz.U.2016.1334). The purpose of the Act was to strengthen the system of financial security in the event of insolvency of travel agencies and to introduce the second pillar to this system, by establishing a new Tourist Guarantee Fund, maintained as part of the Insurance Guarantee Fund.

The Act of 29 November 2016 on the amendment of the Act on personal income tax, the Act on corporation tax and the Act amending the Taxation Ordinance Act and some other Acts (Dz.U.2016.1926). The objective of the Act was to cover Polish investment funds, operating under the Act 27 May 2004 on investment funds and management of alternative investment funds, i.e. open-end investment funds (FIO) and specialised open-end investment funds (SFIO), with subjective exemption - instead of objective - covering income (revenue) from interest, dividends and other income from a share in profits of legal persons, disposal of debts, currencies, shares and other securities, including derivative financial instruments or the exercise of rights arising therefrom, to cover foreign collective investment institutions from Member States of the European Union or the European Economic Area with a similar

subjective exemption, and to cover closed-end investment funds with the provisions of the Act on income tax.

The Act of 30 November 2016 on the amendment of the Act on payment services and certain other acts (Dz.U.2016.1997). The purpose of the Act was to implement Directive 2014/92/EU of the European Parliament and Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (OJ EU L 257 of 28.08.2014, p. 214) to the Polish legal order, and to adapt national regulations related to transactions with payment cards to the provisions of Regulation (EC) No. 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payments (OJ EU L 123 of 19.05.2015, p. 1).

Bill amending the Act on trading in financial instruments and certain other acts. The bill removes the division into the stock market and the over-the-counter market, as the actual differences between the stock market and the over-the-counter market are not sufficiently significant to justify two subtypes of the regulated market. Moreover, legislation does not provide for significantly lower requirements or simplified operating rules for the OTC market compared to the stock market. The bill eliminates the division into the stock market and the over-the-counter market. It also provides for the introduction of a derivatives account to comply with earlier amendments to the Act on trading in financial instruments, which consisted in the elimination of the possibility of registering derivatives in the securities depository system. As at 31 December 2016, the bill was submitted to be worked on in the Sejm of the Republic of Poland.

Bill amending the Act on trading in financial instruments and certain other acts. The aim of the bill is to align the regulations to Regulation 596/2014 and Directive 2014/57/EU. The bill adapts the applicable regulations on the manipulation and rules for insider dealing, disclosure or use of inside information, and defines sanctions for breaching obligations regarding manipulation and non-performance of obligations related to the creation or possession of inside information. Moreover, the bill introduces sanctions related to the obligations under the Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012. The aim of the new regulations is also to increase protection of investors, at the same time ensuring market integrity, a coherent approach to market abuse, and strengthen powers of the supervisory authority needed to conduct proceedings related to market abuse and to strengthen the deterrent nature of penalties for market abuse. In addition, the bill provides for an increase in administrative sanctions for breaching obligations related to offers for subscription for the sale or exchange of shares in a public company. As at 31 December 2016, the bill was submitted to be worked on in the Sejm of the Republic of Poland.

Bill on mortgage and on the supervision of mortgage intermediaries and agents. The bill implements the provisions of Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No. 1093/2010 (OJ EU L 60 of 28.02.2014, p. 34) and provides for a comprehensive regulation of the issue of credits related to immovable property. At the same time, the bill introduces changes to the Act on consumer credit, which clarify some of its provisions. As at 31 December 2016, the bill was the subject of work of the Council of Ministers.

Bill on the restructuring of denominated credits or credits indexed to a currency other than the Polish currency and on the prohibition of such credits. The bill provides for, among others, the complete prohibition of introducing currency credits/loans, the correction of the banking law - the possibility of returning a flat and terminating a loan agreement, the statutory distribution of losses of banks over time irrespective of the solutions included in the International Accounting Standards, the loss of validity of already functioning writs of execution. According to the bill, the restructuring of credits is voluntary and can be carried out within 2 years from the entry into force of the Act. As at 31 December 2016, the bill was the subject of work in the Sejm of the Republic of Poland.

Bill on special rules for restructuring of currency home loans due to changes in the foreign exchange rate to the Polish currency and amending to certain acts. The bill proposes similar

solutions as the bill which was already the subject of work of the Sejm in 2015. With regard to borrowers whose loan value relative to collateral exceeds 80% or more, it is proposed that they conclude a new agreement on a recalculation with the bank, if they want to use this possibility to avoid the currency risk, and recalculate their debt on the date before the conclusion of such an agreement, at the current exchange rate. It is also proposed to calculate the costs as if it was a loan in Polish zloty, calculate the interest-cost difference, and determine the amount in this section in order to divide this risk between the bank and the client. The bank would remit 50% of the amount calculated this way. As at 31 December 2016, the bill was the subject of work in the Sejm of the Republic of Poland.

Bill on the rules of repayment of certain receivables arising from loan and credit agreements. The aim of the bill is to eliminate the effects of collection of undue sums in the form of too high exchange rate spreads from the consumers. The drafted act sets out the rules for the repayment of certain receivables arising from mortgage-secured loan agreements for a denominated loan or indexed loan, and loan agreements for a denominated loan or index loan concluded between the lender and the consumer. As at 31 December 2016, the bill was submitted to the Public Finance Committee.

Bill amending the Act on credit unions (SKOK). The basic objective of the drafted act is the implementation of the judgement of the Constitutional Tribunal of 31 July 2015, No. K 41/12, according to which Article 60 of the Act of 5 November 2009 on credit unions, to the extent that it does not restrict the supervision measures of the Polish Financial Supervision Authority of the activities of small unions, is incompatible with Article 22 combined with Articles 31(3) and 58(1) of the Constitution of the Republic of Poland. Amendments to the Act provided for in the bill involve the need to define a “small union” in order to distinguish these entities from other unions and ensure adequate inspection and supervision of entities meeting this definition. As at 31 December 2016, the bill was after the first reading in the Public Finance Committee and adopted by the Committee with amendments.

Bill amending the Act on accounting. The purpose of the amendment of the Act of 29 September 1994 on accounting is the implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information on certain large undertakings and groups (OJ EU L 330 of 15.11.2014, p. 1, as amended). Bodies of the European Union adopting Directive 2014/95/EU were primarily guided by the increase in transparency of social and environmental information in the area of corporate social responsibility (CSR) and the improvement of their consistency and comparability. Directive 2014/95/EU introduces changes which extend the scope of non-financial information on the inclusion of relevant information on social, employee and environmental matters, respect for human rights and anti-corruption and bribery matters in the management report. As at 31 December 2016, the Act was handed over to the President of the Republic of Poland for signature.

Bill amending the Act - Banking Law and the Act on credit unions. The solutions proposed in the bill are aimed at streamlining the process of supervision of the financial market, especially in the light of the events accompany the bankruptcy of the SBRiR in Wołomin (SK Bank). The drafted amendments concern the principles of functioning of two groups of entities supervised by the KNF, conducting deposit and credit activities, i.e. banks (also cooperative) and credit unions. In addition, an amendment to the Act of 21 July 2006 on financial market supervision is proposed in order to enable effective inspection in the supervisory body by the Supreme Audit Office. In order to make the supervision measures uniform, amendments will also cover the Act of 7 December 2000 on the functioning of cooperative banks, their association and affiliating banks. As at 31 December 2016, the bill was submitted to the Sejm of the Republic of Poland to be worked on.

Bill amending certain acts to facilitate debt recovery. The basic purpose of the regulation is to strengthen the rights and guarantees for creditors, in particularly entrepreneurs form the SME sector. As at 31 December 2016, the bill was submitted to the Sejm of the Republic of Poland.

Bill on chartered auditors and their self-government, entities authorised to audit financial statements and on public supervision. The bill transposes new EU audit rules into the national legal system, including Directive 2014/56/EU amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (OJ EU L 158 of 27.05.2014, p. 196) and

Regulation 537/2014 on specific requirements regarding statutory audit of public-interest entities (OJ EU L 158 of 27.05.2014, p. 77, with corrigendum in OJ EU L 170 of 11.06.2014, p. 66).
The new regulations are aimed at:

- strengthening the independence and objectivity of chartered auditors and audit firms by significantly limiting and eliminating conflicts of interest between chartered auditors and audit firms and the audited entities, in particular the audited public interest entities (PIEs);
- improvement of the quality of statutory audits, ensuring dialogue between audit firms and the KNF and the Audit Oversight Commission, additional quality control of the execution of orders to audit a PIE before the final PIE audit report is prepared, the provision of details to the internal organisation rules of an audit firm, strengthening the role and tasks of the audit committee in the process of selecting an audit firm, and
- enhancing public oversight by strengthening its independence from chartered auditors, increasing its supervisory powers and powers related to the imposition of sanctions and penalties, strengthening supervisory instruments and increasing their flexibility (adjusting the frequency of audits of audit firms to the results of risk analysis, monitoring the market).

As at 31 December 2016, the bill was the subject of work in the Sejm Subcommittee.

Bill on insurance distribution. The purpose of the bill is to implement Directive 2016/97 on insurance distribution to the Polish legal order. As at 31 December 2016, the bill was to be the subject of work in Senate committees.

Bill amending the Act on compulsory insurance, the Insurance Guarantee Fund and the Polish Motor Insurers' Bureau. The purpose of the bill is to secure payment of benefits due to personal injury to persons for whom the guarantee sum specified in the MTPL insurance contract was used up before the entry into force of the Act of 22 May 2003 on compulsory insurance, the Insurance Guarantee Fund and the Polish Motor Insurers' Bureau. As at 31 December 2016, the bill was subject to inter-ministerial consultations.

Bill amending the Act on financial market supervision. The objective of the bill is to ensure implementation of solutions enabling the application of the provisions of Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) in the Polish legal system. As at 31 December 2016, the bill was subject to inter-ministerial consultations.

Bill on the creation of the Agricultural Income Protection Fund. The purpose of the bill is to provide legal capacity guaranteeing agricultural producers partial compensation for the loss of income from their agricultural activities in the event of their substantial reduction or in the event of inability to obtain payment for the agricultural products sold from an insolvent entity. The bill proposes the establishment of an Agricultural Income Protection Fund and the regulation of its funding. As of 31 December 2016, the bill was submitted to public consultation.

Bill on public bailiffs. The drafted Act on public bailiffs is to replace the current Act of 29 August 1997 on public bailiffs and execution, with regard to the system and principles of performing the profession of public bailiff. The issue of fees and costs of activities of public bailiffs will be the subject of a separate regulation. The Act on public bailiffs and execution in force so far was amended many times (over forty times, including five times in a comprehensive manner). The amendments concerned, in particular, change of the clerical status of a public bailiff and the approximation of this profession to freelance legal professions, at the same time maintaining the bailiff status as a public official, the principles of administrative oversight of bailiffs, remodelling the rules for appointing bailiffs, changing the rules of discipline of bailiffs and giving a new meaning to the term bailiff district, creating a state in which many bailiffs can operate in one district. The consequence of the above amendment was disturbance of the internal coherence of the Act and its transparency. Therefore, it was necessary to develop a new regulation on these issues. As at 31 December 2016, the bill was the subject of deliberations.

7.3. INTERNATIONAL COOPERATION

Involvement of the KNF in the international fora is an essential element in the process of building a stable regulatory environment for financial market participants in Poland. Cooperation with financial supervision authorities of other countries in bilateral form and at the fora of colleges of supervisors serves implementation of supervisory objectives.

Particularly important field of international activity of the KNF is the European System of Financial Supervision, which results from the fact that the key legal acts (e.g. CRD IV,[16] Solvency II[17] and MiFID,[18] CRR[19] and MiFIR[20]), setting the framework for the functioning of financial institutions, are adopted in the EU forum.

Moreover, important aspects of the KNF's international activity include cooperation within regional and global institutions and international organisations, as well as the implementation of aid and educational projects.

[16] Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit unions and the prudential supervision of credit unions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.
[17] Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance.
[18] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.
[19] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit unions and investment firms and amending Regulation (EU) No 648/2012.
[20] Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012.

COOPERATION WITH SUPERVISORY AUTHORITIES FROM DIFFERENT COUNTRIES

Colleges of supervisors and resolution colleges

The basic level of cooperation between the KNF and supervisory authorities from other countries are colleges of supervisors. In 2016, employees of the KNF Office participated in 55 meetings of 38 different colleges of supervisors.

With regard to cross-border banking groups, in 2016, the KNF Office participated in 36 meetings of 19 colleges. Colleges are to coordinate supervisory activities with regard to banking groups, including preparation for possible anti-crisis measures. Arrangements for joint risk assessment and decision process and the use of advanced methods for calculating capital requirements were made in the framework of the colleges of supervisors. Draft decisions regarding the assessment of rehabilitation plans prepared by parent entities in the group were also discussed and agreed on as part of the colleges of supervisors.

According to Directive 2014/59/EU[21] and the provisions implementing it, the KNF is a member (without voting rights) of resolution colleges established for banking groups whose subsidiaries operate on the Polish market. 2016 was the first year of operation of the above-mentioned colleges. Their main task is to develop the principles of cooperation between the authorities of resolution and supervisory authorities in a crisis. Representatives of the KNF Office took part in these colleges together with the representatives of the BGF, the NBP and the Ministry of Finance, presenting their comments on resolution plans prepared by the competent authorities for resolution.

In the period covered by the report, representatives of the KNF also participated in 18 meetings of 18 colleges of supervisors for international insurance groups. As part of collegial cooperation, representatives of the KNF took part in meetings aimed at sharing information and experiences between supervisory authorities responsible for the supervision of insurance undertakings belonging to insurance groups, assessing the financial situation and risks identified at the level of groups and individual insurance undertakings and the way they conduct their activities, as well as the planning of supervisory activities. The KNF also carried out tasks related to the role of a group supervisor for the PZU Group.

At the European level, representatives of the KNF are also involved in the pre-application processes and the processes of verifying continuing suitability of internal models of foreign insurance groups. Moreover, since September 2016, representatives of the KNF have been participating in the work of the supervisory college for the EURIBOR as observers.

Since April 2014, the KDPW_CCP has been operating as the CCP pursuant to the EMIR.[22] As a result, the KDPW_CCP is under the supervision of the international college of supervisors, which includes representatives of the KNF. The meeting of the college, organised by the KNF, during which an opinion was expressed about the issue of the extension of the activities conducted by the KDPW_CCP, was held in July 2016.

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[21] Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit unions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council.

[22] Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

Bilateral cooperation

The KNF remains in constant contact with other supervisory authorities. Bilateral relations include the exchange of supervisory information, opinions and experiences, and occur primarily at the working level.

Bilateral cooperation is facilitated by the memoranda of cooperation and exchange of information that the KNF signed with 37 foreign supervisory authorities (beside multilateral agreements within the ESMA, the IOSCO and the IAIS). In 2016, such an agreement was signed with the National Bank of the Republic of Kazakhstan.

European Central Bank

The European Central Bank (ECB) has been exercising direct supervision of the largest banks in the eurozone since November 2014. As a consequence, in 2016, similarly to 2015, the supervisory cooperation between the ECB and the KNF was more intense than in previous years. Practical collaboration of the two institutions was realised primarily through the participation of representatives of the KNF in colleges of supervisory authorities organised by the ECB for international banking groups whose subsidiaries are present on the Polish market. There was also an intensive exchange of information on the supervisory practices developed, and the tools and methodologies used to harmonise supervisory approaches. As part of these activities, meetings of representatives of the KNF and the ECB on the exchange of views on approaches to assessing rehabilitation plans and identified weaknesses, were held in May and November 2016. An important fact resulting from the above-mentioned meetings was the opportunity for the staff of the KNF Office to familiarise themselves with the tools used by the ECB in the process of assessing group rehabilitation plans.

PARTICIPATION IN THE EUROPEAN SYSTEM OF FINANCIAL SUPERVISION

Under the EU legislation, the Polish Financial Supervision Authority (KNF) is a member of the European System of Financial Supervision. This system is formed - in addition to the supervisory authorities from all EU Member States and the European Systemic Risk Board (ESRB) - by three institutions corresponding to individual market sectors, i.e.: the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA) and their Joint Committee. The EBA, the EIOPA and the ESMA develop draft technical standards and guidelines complementary to EU legislation, and facilitate the supervision of cross-border financial groups.

A topic that has gained importance in the activity of the three European Supervisory Authorities is the issue of supervisory convergence, i.e. the convergence of supervisory practice in individual Member States. Given that the regulatory environment of the financial market in the European Union is largely based on European legislation (regulations, directives and delegated acts of the European Commission), activities of the EBA, the ESMA and the EIOPA are aimed at eliminating regulatory arbitrage, which consists in a different interpretation and enforcement of law by national supervisors. The aim of work in the area of supervisory convergence is to identify and disseminate good practices as a model of conduct for national supervisory authorities. In the area of the insurance market, the Chair of the EIOPA's Review Panel responsible for supervisory convergence is Damian Jaworski, Director of Analyses and International Cooperation Department in the KNF.

In addition, the ESRB deals with the macro-prudential oversight at the Community level (related to interactions between the financial sector as a whole and the real economy). Representatives of the KNF taking actions in the forum of the EBA, the EIOPA, the ESMA and the ESRB are

striving for these institutions to become a useful complement to national authorities, coordinating supervisory cooperation from the perspective of the EU single market, at the same time bearing in mind that individual European countries are highly diverse.

European Banking Authority (EBA)

The European Banking Authority (EBA) carries out a wide range of tasks, primarily for the banking sector, but also for payment institutions and electronic money institutions. The KNF is involved in the work of the EBA through activities both at the substantive and organisational level. The latter type of activities was closely related to the fact that the representative of the KNF in the EBA's Board of Supervisors - Andrzej Reich, Director of the Banking, Payment Institutions and Credit Unions Regulations Department - at the same time acted as a Member of the Management Board of this institution.

Employees of the KNF took part in the work of more than 50 committees, teams and working groups of the EBA, dealing with issues such as: assessment of risks and threats of the banking sector in the EU, assessment of the quality of models of banking operations, cross-border activities of electronic money institutions and payment institutions, register of credit unions, client protection, money laundering, liquidity monitoring, capital requirements, audit, reporting and practice in the area of supervisory evaluation, as well as in the field of crisis management.

Representatives of the KNF actively participated in work of the EBA related to regulatory activities, which included drafting technical standards and guidelines, among others, for regulations such as:

- Regulation (EU) No. 575/2013 on prudential requirements for credit unions and investment firms;
- Directive 2014/59/EU establishing a framework for the rehabilitation and resolution of credit unions and investment firms;
- Directive 2014/49/EU on deposit guarantee schemes;[23]
- Directive 2015/2366/EU[24] on payment services in the internal market;
- Directive 2015/849[25] on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

European Insurance and Occupational Pensions Authority (EIOPA)

Due to the implementation of the Solvency II regime as of 1 January 2016, the structure of the EIOPA and the scope of its work have changed significantly. In 2015, work of the EIOPA focused on the preparation of draft technical standards for the European Commission and guidelines on issues related to Solvency II. In 2016, work of the EIOPA was primarily concerned with the verification of the implementation of the EIOPA guidelines and ensuring a uniform interpretation of the legislation and consistency of supervisory practice across Member States.

Representatives of the KNF participated in works of the EIOPA Board of Supervisors and more than 20 committees and working groups, dealing with issues such as insurance policy, financial

[23] Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes.
[24] Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC.
[25] Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.

stability, capital requirements for individual undertakings and groups, internal models, own risk and solvency assessment, risk management system, structured bankruptcy, insurance intermediation, consumer protection and pension funds. In the field of ensuring stability of the financial sector and its participants, representatives of the KNF took part in work on the methodology of the European stress tests for the insurance sector and on the report and recommendations of these tests. Representatives of the KNF joined in efforts to create a legal framework for European principles of rehabilitation, restructuring and resolution of insurance undertakings. Involvement of representation of the KNF also concerned broadly understood consumer protection, including involvement in the adoption of a technical advice for the European Commission concerning delegated acts to the IDD[26] and in the preparation of opinions to the EC amendments to the Regulatory Technical Standards for the key information documents for PRIIPs.[27]

In addition, the KNF was involved in development of an opinion for the European Commission and consultation held by the Commission on, *inter alia*, the assessment of the effectiveness of the FICOD[28] and the pan-European personal pension product. A great deal of work was put in the creation of subsequent chapters of the Manual of the Supervisory Review Process. In the context of the first level acts, representatives of the KNF were actively involved in work on the IORP II Directive.[29]

European Securities and Markets Authority (ESMA)

Representatives of the KNF participated in the work of the ESMA's Board of Supervisors, the ESMA's Management Board, 10 standing committees and a dozen or so working and task groups. It is worth pointing out that in 2016 Mr Marek Szuszkiewicz, Director of the Investment Firms and Capital Market Infrastructure Department, was a member of the Management Board of the ESMA (election of the representative of the KNF for a 2.5-year term took place on 25 September 2014). The effects of work of these bodies include, first and foremost, the elaboration of draft technical standards, advice for the European Commission, consultative documents, questions and answers, guidelines and opinions. Moreover, a representative of the KNF participated in mediation, the first one in the history of the ESMA. As part of work carried out, representatives of the KNF participated in drafting technical standards for the MAR,[30] the MiFIR,[31] the EMIR,[32] the ELTIF Regulation[33] and the MiFID II.

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[26] Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution.
[27] Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs).
[28] Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit unions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council.
[29] Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs).
[30] Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.
[31] Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.
[32] Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.
[33] Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds.

Consultative documents concerning*, inter alia*, the Regulation on banchmarks,[34] the MAR, the MiFID II, the SFTR,[35] the UCITS[36] and the CSDR,[37] were prepared. A number of documents particularising the provisions of the MAR/MAD II, the MiFIR/MiFID II, the EMIR, the UCITS, and the AIFMD[38] (questions and answers) were also developed. Guidelines on complex debt instruments and structured deposits, related to the assessment of knowledge and competence, guidelines for persons receiving the market sounding, guidelines on the legitimate interests of issuers related to delay of the disclosure of inside information, guidance on correct remuneration policy under the UCITS Directive and under the AIFMD.
In addition, a methodology for carrying out mandatory peer reviews of the CCP authorisation and supervision under the EMIR was developed and approved, several opinions on exemptions from clearing pursuant to the EMIR for pension schemes were issued, and further 11 CCPs from third countries were approved for the provision of services in the EU according to the EMIR.

European Systemic Risk Board (ESRB)

In 2016, representatives of the KNF participated in the meetings of the General Board (the most important decision-making body), the Advisory Technical Committee (ATC) and selected working groups of the ESRB. These bodies conducted analyses and discussions on key threats to the stability of the financial system in the European Union, among others, provided support to other European Supervisory Authorities in the stress testing process of selected financial market entities.

In 2016, the Board decided to issue a recommendation on closing real estate data gaps,[39] which was preceded by comprehensive analyses of the real estate market within the ESRB's working groups. In November, the Council issued warnings to selected EU countries (Austria, Belgium, Denmark, Finland, Netherlands, Luxembourg, Sweden, and Great Britain) about risks related to the housing market situation in these countries.

A comprehensive study on the impact of the low interest rate environment on the condition of the financial sector in the EU was completed in 2016. The study both presents the risks associated with this phenomenon and identifies possible actions leading to limiting individual risks.

The Board's significant actions also included development and publication of a report on the operationalisation of the macro-prudential policy in non-banking sectors of the financial market in July 2016. The Board also published (in May 2016) a report summarising the application of

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[34] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014.
[35] Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012.
[36] Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions.
[37] Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.
[38] Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010.
[39] Commission Directive 2006/73/EC of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

macro-prudential supervision policy instruments in individual EU Member States and changes which have taken place in this area compared to previous periods.

INVOLVEMENT IN REGULATORY REFORMS IN THE EUROPEAN UNION

The key subject in 2016 was the so-called "banking package," which are proposals of amendments to basic banking regulations (CRD IV, CRR, BRRD, SRMR) presented by the European Commission. The Commission's proposals, according to its declaration, are aimed at eliminating the weaknesses identified in the current prudential framework, allowing further progress in the implementation of the banking union project. In practice, the amendments are related to a wide variety of areas, focusing on requirements for additional capital requirements, debt hierarchy, leverage or risk coverage in the trading book. The new rules are also to implement a new requirement for absorption capacity conceptually agreed by the Financial Stability Board, which is to be a key element in reducing the systemic risk generated by large transnational banking groups operating on the European market. The aim of the package is also to better take into account the proportionality principle and enable banks to increase funding for SMEs.

By participating in the EU regulatory processes, either directly or via the Ministry of Finance, the KNF strives for the records to be the most beneficial from the point of view of stability of the sector and safety of financial market participants in Poland.

Banking Union

In November 2014, the Single Supervisory Mechanism (SSM) began operating as the first pillar of the so-called banking union. In 2016, the Single Mandatory Restructuring Council began implementing tasks of resolution, closing the next step in the realisation of the idea of the banking union. Due to the completion of work on the Force Restructuring Single Mechanism, which is the second pillar of the banking union, in accordance with the original project, what is left for the process to be completed is only the establishment and implementation of rules for the functioning of the third pillar of the union, i.e. the European Deposit Insurance Scheme (EDIS). The project presented in November 2015 assumed the creation of a joint fund, financed - similarly to the single resolution fund - from contributions made by the participating banks. Participation in the European Deposit Guarantee Scheme is to be mandatory for the eurozone countries, with the possibility of joining by other Member States. Throughout 2016, work on the final form of the regulation, in which the KNF supported the Ministry of Finance in representing Poland's position on the issue, was carried out.

Capital Markets Union

In September 2016, the European Commission adopted the Action Plan on Building the CMU, related to the Capital Markets Union, which assumes the implementation of this project before 2019. So far, actions have been taken in order to change the key legal acts, and further work has been planned to accelerate the implementation of further CMU-related drafts. Future work focuses on tasks related to the SME sector and venture capital, deepening financial integration, increasing competition, combining funding with the real economy, creating greater opportunities for investors, and strengthening the financial system's resilience. The Capital Markets Union is one of the leading projects of Jean-Claude Juncker's Commission, being the main investment plan for Europe. The objective is primarily to provide for funding for SMEs alternative to bank funding, and the collection of legal acts developed within the CMU is primarily to remove the existing barriers to such funding and increase the investment opportunities for individual and institutional investors. The draft *Green Paper on retail financial services - Better products, more choice and greater opportunities for consumers and businesses* was developed in the framework of the CMU.

COOPERATION WITH INTERNATIONAL ORGANISATIONS

International Association of Insurance Supervisors (IAIS)

As part of membership in the International Association of Insurance Supervisors (IAIS), representatives of the KNF were involved in work of the Executive Committee, the Technical and Financial Stability Committee, and the Implementation Committee. In addition, the Authority was involved in work of the Insurance Groups Working Group. A representative of the KNF is also acting as a regional coordinator for the Central and Eastern Europe and Transcaucasia region.

In 2016, representatives of the KNF became involved, among others, in work on the revision of the Insurance Core Principles (ICP), work on Common Framework for supervision of cross-border insurance groups, and the principles of supervision of Global Systematically Important Insurers (G-SII), including the additional capital requirement. Involvement also concerned work on the resolution process of systemically significant insurance groups.

International Organisation of Securities Commissions (IOSCO)

In 2016, representatives of the KNF took part in the work of nine permanent committees and working groups of the IOSCO. In May 2016, the Presidents Committee adopted by a resolution the Enhanced IOSCO Multilateral Memorandum of Understanding – document developed with the participation of the KNF in the Screening Group. The extended scope of the Memorandum will allow supervisory authorities to exchange information of a significantly broader scope, thus positively affecting the scope of information received by the KNF, used for supervision and conducting proceedings. The Memorandum will be effective immediately after the first verification procedures of the received applications.

As part of work of Committee 3 on Regulation of Financial Intermediaries, thanks to the involvement of representatives of the KNF, work on retail OTC leveraged products was finalised. The report prepared will provide a starting point for further work on development of standards and practices aimed at eliminating or reducing the risks associated with the sale of instruments of highly leveraged products and binary options. In September 2016, the KNF organised a 3-day meeting of Committee 3 in Warsaw.

As part of work of Committee 6 on Credit Rating Agencies, an employee of the KNF Office participated in the preparation of a report on other rating products and services offered by credit rating agencies.

In addition, an employee of the KNF Office, as a representative of the IOSCO, continued involvement in work of the Financial Action Task Force (FATF), i.e. the most important international body establishing standards on combating money laundering and terrorist financing. He participated, among others, in development of a strategy for combating terrorist financing adopted by the FATF.

Cooperation within other international organisations

In 2016, the KNF was involved in activities of the Organisation for Economic Cooperation and Development (OECD) by participating in work of the Financial Markets Committee, the Corporate Governance Committee, the Working Party on Private Pensions and the Insurance and Private Pensions Committee. As part of work of the Corporate Governance Committee, a representative of the KNF presented, on behalf of the Committee, a final assessment of the corporate governance framework of Latvia in its accession process. Under this cooperation with the OECD in 2016, representatives of the KNF met with the OECD expert mission conducting economic review of Poland.

The KNF is also a member of the International Organisation of Pension Supervisors (IOPS). In 2016, work of the Technical Committee of this organisation focused primarily on analysing the role of supervisors in the process of: preparing recommendations on the principles of pension supervision, supervision of investment management, including non-traditional, infrastructural and long-term investments, the role of supervisors in protecting consumer rights in pension schemes. Cooperation with the World Bank and the OECD, as part of projects and programmes implemented by them, takes place within the framework of the IOPS.

In 2016, representatives of the KNF took part in public consultation of the Basel Committee on Banking Supervision and participated in several of its working groups. A representative of the KNF continued to participate in meetings of the so-called Regional Consultative Group of the Financial Stability Facility (FSB) for Europe, where some of the issues raised by the Committee were discussed. Since 2006, the KNF has been managing the Secretariat of the BSCEE Group - organisation associating banking supervisors from 24 Central and Eastern European countries, cooperating with the Basel Committee.

The International Monetary Fund (IMF) and the World Bank send expert missions to Poland regularly. As part of these contacts, representatives of the above-mentioned institutions held meetings with experts of the KNF Office several times in 2016, among others, to discuss the follow-up to the Financial Sector Assessment Programme (KNFP) implemented in Poland in previous years.

In 2016, the KNF was involved in activities of the Legal Entity Identifier Regulatory Oversight Committee (LEI ROC), which oversees the global system identifying trading partners in financial markets. Within the framework of work of the Committee, a representative the KNF was involved in development of, among others, the standard for issuing LEIs for international branches of financial institutions and the introduction of a system for identifying capital links between financial institutions.

AID AND EDUCATIONAL PROJECTS

Training Initiative for Financial Supervision (TIFS)

The Training Initiative for Financial Supervision (TIFS) is a training centre for supervisors in all sectors of the financial market. The purpose of the TIFS is to create a forum for discussion that offers the opportunity to exchange experiences and deepen expertise between supervisors through seminars for specialised groups of supervisory authority employees.

In 2016, three seminars were held as part of the TIFS. The first one, devoted to topics related to the supervision of the insurance sector, “ERM - do's and don'ts,” gathered 25 participants from 13 countries. Two consecutive programmes in the field of banking and capital supervision, “Banking supervision from the host country perspective – focus on covered bonds and stress tests” and “On-site and Off-site Supervision of Investment Firms and Investment Funds,” gathered a total of 47 representatives of supervisory authorities from 25 countries.

Technical assistance under the TAIEX

At the request of the Directorate-General for Enlargement of the European Commission and the supervisory authorities of the countries covered by the Technical Assistance and Information Exchange instrument (TAIEX), experts of the KNF Office actively participated in training and advisory missions for Ukraine, Serbia, Belarus and the Turkish Republic of Northern Cyprus, and in organising a study visit of representatives of the supervisory authority of Albania to Warsaw.

Development cooperation project to support and improve the capital market of Ukraine

Within the framework of the Polish development cooperation programme of the Ministry of Foreign Affairs, in 2016, the KNF Office obtained funding for the implementation of the project 348/2016 "Strengthening institutional and operational capacities of the National Securities and Stock Market Commission of Ukraine." The project was implemented for the National Securities and Stock Market Commission of Ukraine (NSSMC). The scope of the project included preparation and successful completion of 12 training and consulting missions in Kiev by the experts of the KNF Office, which served to strengthen the supervisory capacity of the Ukrainian capital market supervisor and support the multidimensional institutional development of the NSSMC.

Twinning for non-banking supervision in Moldova

Starting from 2015, the KNF Office has been implementing a twinning for the National Commission of Financial Markets of the Republic of Moldova (NCFM) within the framework of the European Neighbourhood Instrument (ENI). The implementation of the project with the budget of nearly EUR 1.3 million was scheduled for the period from August 2015 to November 2017 under four components, including joint action of the Polish and Moldovan supervisors, focusing on (a) strengthening supervisory functions of the NCFM and capacities related to the regulation of non-banking markets compatible with the EU acquis and best practices, (b) development of a supervision system based on risk analysis for participants of non-banking financial markets, to ensure the integrity and stability of the financial system of Moldova, (c) assistance in development of effective supervision mechanisms in order to protect investors and beneficiaries of non-banking financial services, as well as support development of non-banking financial markets of Moldova. In 2016, the experts of the KNF Office carried out 33 specialist expert missions in Chisinau and 2 study visits of representatives of the Moldovan administration to the KNF Office in Warsaw. The scope of project activities included, among others: regulatory review, analyses, training workshops, expert consultations, along with reports with recommendations, guidelines, guides and workshop materials for use in supervisory activities of the NCFM.

7.4. PROTECTION OF FINANCIAL MARKET PARTICIPANTS

BASIC AREAS OF ACTIVITY

One of the statutory objectives of financial market supervision is to ensure protection of interests of participants of this market. The supervisory activities of the KNF in this respect consist in constant monitoring of market practices as well as in interventions, especially in the areas of activity of the supervised entities where violations of the law or interests of non-professional financial market participants may occur.

The KNF monitors market practices by exercising supervisory powers, allowing it to request information and clarifications directly from the supervised entities, and by collecting data on its own. Supervisory activities are undertaken in response to problems currently occurring in the market, identified*, inter alia*, based on information included in notifications from non-professional financial market participants.

The scope of tasks carried out by the supervisory authority in the area of protection of non-professional financial market participants includes in particular:

- analytical and explanatory work on signals received, in particular, from the recipients of financial services and government authorities or social organisations acting for the protection of financial market participants, regarding the activities of the supervised entities, with regard to violations of law or legally protected interests of the recipients of financial services and threats to transparency and confidence in the financial market associated with it,

- monitoring the advertising message concerning the supervised entities,
- supervisory activities in the field of market practices of the financial market entities,
- analytical activities related to standard contracts and product design,
- educational activities.

The KNF also provides financial market participants with the possibility of out-of-court settlement of disputes in the Arbitration Court functioning at the KNF.

ANALYTICAL WORK AND INTERVENTIONS

In the course of activities carried out on the basis of problems raised in the notifications of non-professional market participants, the supervisory authority conducted analytical activities. Detailed information on this subject is presented in Table 5.1. in Annex 5.

INVESTIGATIONS RELATED TO NOTIFICATIONS OF NON-PROFESSIONAL FINANCIAL MARKET PARTICIPANTS

Notifications related to the activities of the supervised entities, which were submitted to the KNF Office by non-professional financial market participants, are an important source of information on emerging phenomena in the area of practices of financial institutions. The subject of the analysis of information included in these notifications is, in particular, an assessment of actions taken by the supervised entities in the context of their compliance with the provisions of law. The results of findings made on the basis of analytical and explanatory activities carried out with regard to the supervised entities may serve as a basis for supervisory measures to eliminate objectionable market practices.

TOTAL NOTIFICATIONS

In 2016, the KNF Office received 6621 signals related to irregularities in the activities of the insurance, capital, banking, pension, payment service and credit unions (SKOK) sectors. Compared to 2015, in which 9474 signals were received, a decrease in their number by more than 30% was recorded in the period covered by the report.

Notifications concerning the banking sector entities

Within the period covered by this report, the KNF Office received 2978 letters concerning the improper functioning of the banking sector entities. Compared to 2015, the number of notifications regarding the banking sector decreased by more than 42%. The most frequently noted problems were related to:

- the quality of the services offered (problems related to improper or incompetent service by bank employees and credit/financial intermediaries were signalled, the problem of lack of reliable information on the bank's products/services was still raised - it mainly concerned products of investment and insurance nature sold in previous years; moreover, there were objections due to the lack of response to lodged complaints or prolonged time of processing complaints),
- maintaining bank accounts (notifications concerned primarily irregularities related to account blocking due to bailiff execution, the amount of the payment account fees, lack of execution or late execution of client orders, as well as issues related to incorrect settlement of operations on the account and lack of execution or late execution of the order to close the account),
- servicing of credits and loans (problems regarding the way debt collection activities were performed by banks, including irregularities related to the sale of receivables to external companies, irregularities resulting from failure to update data or transfer of incorrect information to the BIK, as well as problems with changing the terms of a granted loan),

- servicing of mortgages (issues related to establishing or changing the legal security of a loan in the form of insurance and problems with changing the terms of the loan),
- servicing of payment cards (notifications concerned mainly irregularities in the manner and/or date of settlement of transactions made with cards).

Table 86. Division of notifications received by the KNF Office related to activities of the banking sector entities in 2015-2016

Type of entity	2015	%	2016	%
Commercial banks	5011	97.21%	2865	96.21%
Cooperative banks	144	2.79%	113	3.79%
Total	**5155**	**100.00%**	**2978**	**100.00%**

Source: own calculations of the KNF Office

Division of notifications received by the KNF Office in 2015-2016 in terms of their subject, concerning activities of commercial and cooperative banks is presented in Tables 6.1. and 6.2. in Annex 6.

Notifications concerning payment service sector entities, other than banking sector entities and credit unions

In 2016, 53 notifications concerning irregularities in the provision of payment services by entities other than banks and credit unions were received. The problems raised in these notifications were related primarily to improper or incompetent client service. Compared to 2015, the number of notifications concerning payment services provided by entities other than banking sector entities and credit unions increased by more than 76.5%.

Notifications concerning the entities of the credit unions sector

In the period covered by this report, 141 notifications related to credit unions were received. Compared to 2015, the number of notifications dropped by more than 33%.

The issues raised in these notifications concerned, among others:
- servicing of credits and loans (including, first of all, problems with debt collection and sale of debts, as well as irregularities resulting from failure to update data or from submission of incorrect information to the BIK),
- maintaining accounts (including issues related to fees charged for maintaining and servicing accounts),
- quality of services provided (including, in particular, improper or incompetent service and lack of information or unreliable information about products/services offered by the SKOK).

Division of notifications received by the KNF Office in 2015-2016 in terms of their subject, concerning activities of credit unions is presented in Table 6.3. in Annex 6.

Notifications concerning the insurance sector entities

In the period covered by the report, a total of 2667 notifications concerning activities of the insurance sector entities, including 390 notifications concerning insurance undertakings offering life insurance (14.62% of all signals reported in this sector), 2116 notifications concerning insurance undertakings offering non-life insurance (79.34% of all signals reported in this sector) and 29 notifications concerning insurance intermediaries (4 notification related to the activities of brokers and 25 notifications related to the activities of insurance agents), as well as 129 notifications concerning the activities of branches of insurance undertakings of EU Member States (including 3 notification regarding life insurance and 126 notifications regarding non-life insurance) and 3 notification on the activities of notified insurance undertakings of EU Member States (all related to non-life insurance) were received. The number of notifications

concerning the activities of insurance sector entities, compared to their number in 2015, decreased by more than 22.5%, while in the case of insurance undertakings alone this decline was less than 17%.

Table 87. Division of notifications received by the KNF Office related to activities of the insurance sector entities in 2015-2016

Type of entity	2015	%	2016	%
Life insurance	497	14.40%	390	14.62%
Non-life insurance	2522	73.08%	2116	79.34%
Branches of insurance undertakings of EU Member States	398	11.53%	129	4.84%
Notified insurance undertakings of EU Member States	2	0.06%	3	0.11%
Insurance agents	27	0.78%	25	0.94%
Insurance brokers	5	0.14%	4	0.15%
Total	**3451**	**100.00%**	**2667**	**100.00%**

Source: own calculations of the KNF Office

In the area of life insurance, the issues notified by the clients the most often included insurance agent's unreliability and refusal to grant benefit, as well as issues related to valuation of units of unit-linked fund by the insurance undertaking and the surrender amount of policy in the event of early termination of the contract

The objections raised by the complainants primarily focused on irregularities in the pre-contractual service, consisting in the provision of only some information about significant features of products by the entities offering them or the provision of such information in a misleading manner. In the event of refusal to grant benefit, the way in which the insurer justified the refusal to accept liability was called into question.

In the area of non-life insurance, the most frequently reported problems were related to:
- the amount of compensation paid,
- tardiness in the settlement of claims, mainly of motor insurance, primarily of the MTPL insurance,
- refusal to pay compensation,
- irregularities in the provision of damage files by the insurance undertaking,
- the implementation of the concluded contract by the insurance undertaking.

Division of notifications received by the KNF Office in 2015-2016 in terms of their subject, concerning life insurance undertakings is presented in Table 6.4. in Annex 6, whereas the division of notifications concerning non-life insurance undertakings in Table 6.5. in Annex 6.

Moreover, Table 6.6 in Annex 6 shows the division of notifications in terms of their subject, concerning branches of insurance undertakings of European Union Member State received by the KNF Office in the period covered by the report.

Notifications concerning the pension sector entities

In 2016, 29 notifications on incorrect functioning of the pension sector entities were received, including 24 notifications concerning open pension funds (OFE) and 1 notifications related to an occupational pension scheme, as well as 4 notifications regarding other areas of activity of universal pension societies, mainly on the service of individual pension accounts (IKE) and individual pension savings accounts (IKZE). Compared to 2015, there was a nearly 54%

decline in the number of notifications related to the issues of social security, while in the case of open pension funds alone, the number of notifications decreased by more than 61%.

Notifications concerning the activities of the OFE received by the KNF Office were related mainly to the problems of obtaining payment of funds from the account of deceased members of the OFE by authorised persons.
Division of notifications in this area in terms of their subject is presented in Table 6.7 in Annex 6.

Notifications concerning the capital market entities

In the period covered by this report, 753 notifications concerning the functioning of capital market entities were received. Compared to 2015, the number of notifications increased by more than 33%.

With respect to investment fund management companies, the notifications, which accounted for more than 45% of notifications for the capital market, concerned most often investment policy pursued by these entities and management of the fund's assets.

In the case of public companies, the reported problems were most frequently related to possible manipulation of the exchange rate of financial instruments and to the fulfilment of disclosure requirements, both by companies listed on the regulated market and alternative market, as well as to issues concerning compliance with corporate rights of shareholders by the companies.

The comments made regarding the activities of investment firms, including foreign investment firms, primarily concerned the quality of provided services, including those provided on-line.

There were also signals showing reservations about the way of carrying out debt collection by the entities managing securitised liabilities of a securitisation fund.

Table 88. Division of notifications received by the KNF Office related to activities of the capital market entities in 2015-2016

Type of entity	2015	%	2016	%
Investment Fund Management Company (TFI)	84	14.89%	339	45.02%
Public companies and other capital market participants	261	46.28%	236	31.34%
Investment firms	121	21.45%	73	9.69%
Foreign investment firms	81	14.36%	67	8.90%
Managers of securitisation fund assets	15	2.66%	32	4.25%
Companies operating the exchange/exchange market	2	0.35%	4	0.53%
Companies operating the commodity exchange	0	0.00%	1	0.13%
Distributors of units, entities other than conducting brokerage	0	0.00%	1	0.13%
Total	**564**	**100.00%**	**753**	**100.00%**

Source: own calculations of the KNF Office

Division of notifications received by the KNF Office in 2015-2016 in terms of their subject, concerning activities of the capital market entities broken down by individual market segments, is presented in Tables: 6.8., 6.9., 6.10. and 6.11., respectively, in Annex 6.

SUPERVISORY ACTIVITIES IN THE FIELD OF MARKET PRACTICES OF FINANCIAL MARKET ENTITIES

Monitoring of market practices adopted by entities subject to supervision of the KNF, directed at their clients, is a consequence of a comprehensive approach to the issues of protection of the interests of non-professional financial market participants.

Actions taken by the KNF in 2016 were aimed at identifying and eliminating market practices which generated significant legal risks for financial institutions, and in particular practices which violated the law or the interests of non-professional financial market participants in a given area, by applying appropriate supervisory measures or inspiring market self-regulation. A number of actions undertaken by the KNF with regard to market practices of the supervised entities included, in particular, the following:

Analysis of the practice of banks related to granting consumer credits, also in cooperation with credit/financial intermediaries and other entities involved in the process of selling consumer credits. The supervisory authority received numerous signals from non-professional financial market participants which could indicate improper practices of banks and intermediaries in granting credits, referred to in the Act of 12 May 2011 on consumer credit (Dz.U.2016.1528 consolidated text, hereinafter: "the Act on consumer credit"). The analysis of signals received by the KNF revealed irregularities and questionable practices followed in the process of offering and selling consumer credits, including in particular: offering inadequate products, failure to fulfil the disclosure requirements under Articles 13 and 28 of the Act on consumer credit by intermediaries, dishonesty of bank employees and intermediaries at the stage of accepting and evaluating consumer credit applications, practices which hindered or prevented consumers from withdrawing from a consumer credit agreement, practices which might indicate that some banks did not attach proper importance to the requirements of Article 75c of the Act - Banking Law (Dz.U.2016.1988 consolidated text), practices that might indicate irresponsible lending by some banks. Bearing in mind the identified practices and the objective of financial market supervision specified in Article 2 of the Act of 21 July 2006 on financial market supervision (Dz.U.2016.174 consolidated text, as amended), which are: ensuring the proper functioning of the market, its stability, security and transparency, confidence in financial market, ensuring protection of the interests of participants of this market, on 21 November 2016, the KNF sent a letter to banks emphasising the need to ensure adequate standards in offering consumer credits, including: the appropriate level of preparation of people involved in the process of selling consumer credits, both bank employees and intermediaries, the reliability and completeness of information provided to consumers at the pre-contractual stage (in particular on the costs associated with a given credit), reliability in calculating total cost of the credit and the annual percentage rate (APR), reliability of checking and assessing creditworthiness, exercising the consumer's right to withdraw from the credit agreement, appropriate remuneration policy for sales staff of the bank and the intermediary. Moreover, banks were obliged to make a reliable assessment of the practices adopted by them and the intermediaries they cooperate with in the area of selling consumer credits, and to take the necessary steps to eliminate the identified irregularities and ensure the functioning of the right standards.

Analysis of the practice of banks related to the acceptance and execution of "Orders of deposits in the event of death." Bearing in mind the signals regarding the possibility of acceptance of "Orders of deposits in the event of death" from unauthorised persons by some banks, i.e. from outside the circle mentioned in Article 56(1) of the Act - Banking Law (Dz.U.2016.1988 consolidated text, hereinafter: "Banking Law"), and taking into account the fact that as of 1 July 2016 the provisions of the Act of 9 October 2015 on the amendment of the Act - Banking Law and certain other acts (Dz.U. of 2015.1864, as amended) entered into forme - which, inter alia, regulate the obligations of banks and credit unions in the field of accepting orders of deposits in the event of death, handling of dormant accounts and maintaining Central Information, and define new supervisory powers of the KNF. The practice of a selected group of banks related

to the acceptance and execution of “Orders of deposits in the event of death” was analysed. The analysis showed that in spite of existing procedures and training, there were cases of accepting “Orders of deposits in the event of death” from persons who were outside the circle defined in Article 56(1) of the Act - Banking Law. In connection with the above, on 16 November 2016, the KNF issued a letter on amendments to the provisions of the Act of 9 October 2015 amending the Act - Banking Law and certain other acts, drawing banks’, credit unions’ and credit institutions’ attention to a number of new obligations under these rules, as well as to new powers of bank account holders and holders of accounts maintained by the unions and the heirs of the holders of these accounts. In particular, the obligation to inform the account holder about the possibility to submit an “Order of deposit in case of death” (and about the rules for its submission) at the stage of concluding the contract of an account. Moreover, if the bank or the union receives information about the death of the account holder, it will immediately notify persons indicated by the account holder about the ability to pay a certain amount due to the execution of the “Order of deposit in case of death.”

Analysis of fulfilment of the obligation to post general terms of insurance and other standard contracts by insurance undertakings on their websites. The subject of the analysis was a fulfilment of the obligation resulting from the provision of Article 15(4) of the Act of 11 September 2015 on insurance and reinsurance activities (Dz.U.2015.1844 consolidated text, as amended, hereinafter: “the Act on insurance and reinsurance activities”) by insurance undertakings. According to this provision, an insurance undertaking is required to post general terms of insurance and other standard contracts on its website. As a result, the KNF Office sent written formal requests to all insurance undertakings to present explanations related to the fulfilment of this obligation. The KNF Office requested the insurance undertakings to present the adopted rules on posting general terms of insurance and other standard contracts on the website, together with the relevant documents. The analysis of information provided by insurance undertakings in the area of fulfilment of the obligation in question indicated that, in principle, the obligation specified in Article 15(4) of the Act on insurance and reinsurance activities is fulfilled, but there is no uniform practice in this respect. Most insurance undertakings have not introduced a formal internal regulation describing the process of posting general terms of insurance and other standard contracts on the website, but internally adopted informal rules have been followed. Hence, in the opinion of the KNF Office, there was a need to clarify the content of the obligation laid down in Article 15(4) of the Act on insurance and reinsurance activities, so that for the whole market the clients of insurance undertakings had access to and knowledge of models available on the insurer's website from the date of beginning of offering given insurance until the expiry of the limitation period for insurance claims. The introduction of uniform rules for posting and removing general terms of insurance and standard contracts from the websites of insurance undertakings will provide all interested clients with equal access to the content of the above-mentioned documents throughout the period in which it may be necessary. This will also help to ensure that the insurance offer of individual insurance undertakings is transparent and will allow comparing selected offers. Activities connected with the findings made by the KNF Office will be continued in 2017.

Analysis of content of selected standard contracts in terms of fees charged by insurance undertakings in the case of unit-linked life insurance products, referred to in Section I Group 3 of the Annex to the Act of 11 September 2015 on insurance and reinsurance activities (Dz.U.2015.1844 consolidated text, as amended, hereinafter: “the Act on insurance and reinsurance activities”). The KNF Office called on 7 selected insurance undertakings to submit standard contracts for unit-linked life insurance products on the basis of which - between 1 April 2016 and 30 April 2016 - insurance undertakings were concluding individual insurance contracts or accepting insured persons for insurance within group unit-linked life insurance contracts. The KNF Office analysed 245 standard contracts, including general terms of unit-linked life insurance products, regulations of unit-linked funds, as well as tables of fees and limits. Standard contracts were examined based on a number of criteria, including compliance with Article 15(3), Article 17(1) and Article 26(4) of the Act on insurance and reinsurance activities, in terms of the number and the amount of fees charged by insurance undertakings and the occurrence of the so-called liquidation fees or determination of the redemption value

in particular policy years. The analysis of standard contracts and explanations provided by insurance undertakings shown that some insurance undertakings might have developed standard contracts in breach of the Act on insurance and reinsurance activities. Measures in this area, consisting in the application of individual supervisory measures to insurance undertakings in the case of which the above-mentioned irregularities have been identified, will be continued in 2017.

Analysis of content of 26 standard contracts used by the entities intermediating in transactions in the Forex market, in terms of prohibited contractual provisions authorising the other party to the contract with the consumer to unilaterally change the contract without a valid cause. The analysis concerned the provisions used by the supervised entities which authorise to a change of standard contract in contractual relations with the consumers. The basis for the analysis were the signals of the Forex market participants received by the KNF Office. The signals included reservation about the changes made by one of brokerage houses to the contracts specifying the rights and obligations of the Forex market participants. The starting point was also a letter of 11 February 2016 from the KNF Office in which the supervisory authority drew attention to the irregularities in the application of provisions by the supervised entities authorising to a unilateral modification of the content of standard contracts (the so-called modification clauses). As a result of the analysis, it was established that two of the analysed brokerage houses applied faulty modification clauses, which did not specify a valid reason justifying the change in the content of standard contracts used by these entities when entering into contracts with contracting parties. As a result of the supervisory letters sent, the brokerage houses concerned modified the provisions of the modification clauses appropriately.

Issuing recommendations for two insurance undertakings regarding the practice of lowering compensation under the casco insurance contract by the estimated margin of the trader being an agent in sales of damaged vehicles.

On the basis of the signals sent to the KNF Office, it was established that two insurance undertakings followed the practice of increasing the salvage value of damaged vehicles, determined for the purpose of calculating the value of compensation due to the total loss of the vehicle, by the margin of the trader being an agent in sales of damaged vehicles. As a consequence, insurance undertakings reduced compensation for damage caused by the accident provided for in the casco insurance contract. The above practice was adopted with regard to the injured parties who did not accept the insurance undertaking's offer to sell the vehicle on the Internet platform. Accordingly, recommendations to drop the existing practices were sent to insurance undertakings. In response, the insurance undertakings indicated the implementation of recommendations, among others, by changing the instructions on the settlement of claims from motor insurance.

Issuing recommendations to one of the insurance undertakings in connection with finding that the insurance undertaking excluded its liability on the basis of a misinterpretation of Article 73(1) of the Act of 22 May 2003 on compulsory insurance, the Insurance Guarantee Fund and the Polish Motor Insurers' Bureau (hereinafter: "the Act on compulsory insurance"). The KNF Office questioned the practice of an insurance undertaking of refusing to accept liability for insurances of agricultural buildings as a result of its interpretation of Article 73(1) of the Act on compulsory insurance. The interpretation of the insurance undertaking was related to the issue of damage done by a person whom the policy holder is responsible for and a person who remains in a joint household, due to intentional fault or gross negligence. In the opinion of the KNF Office, the interpretation of the insurance undertaking was incompatible with the provisions of Article 73(1) of the Act on compulsory insurance, the content of which determines the liability of an insurance undertaking in the event of damage to the agricultural building caused by the aforementioned persons due to intentional fault or gross negligence. Therefore, recommendations were sent to the insurance undertaking.

Other activities related to the elimination of market practices affecting the interests of clients of financial institutions concerned, inter alia:

- practices related to deposit-taking activities of banks consisting in offering "promotional," i.e. higher than the standard bank offer in a given period, interest on bank accounts in PLN, maintained for natural persons not exercising a business activity,

- practices of a selected group of banks and credit unions related to the restructuring of credit obligations of consumers under Article 75c of the Act - Banking Law and Article 13 of the Act on credit unions,
- practices of banks related to the implementation of selected provisions of the Act of 5 August 2015 on handling of complaints by financial market entities and on Financial Ombudsman.

Moreover, the supervisory authority analysed signals from financial market participants about the activities of entities not supervised by the KNF and cooperated with the UOKiK on this matter.

Analysis of reliability of the advertising message of the supervised entities. In order to protect the interests of non-professional financial market participants against dishonest advertising information, the KNF carried out monitoring of advertising messages consisting in a review of information and advertising materials published by, on the order or on behalf of the entities supervised by the KNF. Monitoring covered advertising messages issued in selected press titles and TV channels. Websites of the supervised entities as well as popular portals, with advertising messages, were reviewed randomly. The fragmentary review of advertising leaflets and printed information of the supervised entities was also carried out. In addition, information about irregularities, sent by the recipients of financial services, among others, via a form provided on the website of the KNF Office, which allows for the transmission of signals about objectionable advertising messages, was analysed. The evaluation of the advertising message aimed at determining whether the examined content did not violate the law or the interests of non-professional financial market participants, in particular, whether it did not mislead people who receive them at the pre-contractual stage.

In 2016, the supervisory authority carried out investigation with regard to one advertising message issued by a bank which due to the terminology used could mislead a client as to the nature of the product.

In 2016, the supervisory authority carried out investigation with regard to one advertising message issued by an insurance undertaking - the purpose was to verify the content of the advertising spot in the context of the provisions of the promotion regulations.

RETAIL CLIENT PROTECTION, ESPECIALLY ON THE OTC DERIVATIVES MARKET

Taking into account the continued interest of investment firms in developing the provision of brokerage services for retail clients on the capital market, including the market of derivative instruments not admitted to organised trading, and acquiring clients in this market, the KNF Office has taken a number of measures to protect financial market participants, with particular emphasis on retail clients. Actions taken by the KNF Office both at the national and international level include:

- participation in work related to the implementation of Directive 2014/65/EU of 15 May 2014 on markets in financial instruments (hereinafter: the MiFID II) in the area of development of Guidelines, and questions and answers related to the practical aspects of the above-mentioned regulation. The documents prepared were related to, among other things, the qualification of persons providing the investment advisory service and informing the clients about the investment services or products within an investment firm, as well as to complex debt instruments and structured deposits. The KNF Office also participated in development of positions related to questions and answers to the issues crucial from the point of view of the level of investor protection, resulting from the MiFID II. These issues included the principles of acting in the best interests of the client, inducements, examining the client's investment profile within the assessment of suitability and appropriateness. Moreover, the KNF Office proposed and developed issue regarding the parameterisation of the leverage for speculative instruments, which consequently leads to the use of a more optimum leverage, from the point of view of a client, by investment firms;
- participation in editing of the Report on OTC products, including leverage issues, developed by the Group on Intermediaries functioning within the International Organisation of Securities Commissions (IOSCO). This Report is a synthesis of supervisory practices

related to the above-mentioned financial products including contracts for differences, rolling spot contracts and binary options. The Report presents a synthesis of regulatory aspects, issues related to the nature and size of the market, along with the specification of individual business models, distribution and promotion of the products concerned, the scope and nature of client complaints related to the above-mentioned products, as well as the most important threats and challenges associated with the sale of these products to retail clients, including the provision of services whose subject are the above-mentioned financial products by unregulated entities, and thus not supervised by the competent authorities. Bearing in mind the increased risks associated with the distribution of the products in question identified in the Report, the IOSCO intends to undertake cross-cutting actions aimed at limiting the risks associated with the sale of such products and binary options. The KNF intends to continue to actively participate in the works in question, given that the issues covered by the Report are significant from the point of view of the Polish capital market and its participants;

- organisation of a meeting of the Group on Intermediaries within the IOSCO on 13-14 September 2016 in Warsaw. 32 representatives of financial supervision authorities, representing 20 Member States of the IOSCO, took part in the meeting. Beside the Report discussed in detail above, the subject of work of the Group on Intermediaries were, among others, regulatory issues concerning the sale of risky debt instruments, the so-called CoCo bonds, as well as issues related to the provision of investment advisory services in automatic or semi-automatic mode.

7.5. ARBITRATION COURT AT THE POLISH FINANCIAL SUPERVISION AUTHORITY

Development of the Court

Proceedings before the Arbitration Court at the KNF are voluntary. The court offers two fundamentally different ways: mediation and arbitration. Since 2016, the possibility of conducting the proceedings electronically, the so-called simplified arbitration, has been introduced.

Looking at the data showing development of the Arbitration Court, it is easy to see that it is mainly related to mediation proceedings. It is worth pointing out that mediation in the Mediation Centre of the Arbitration Court is developing dynamically, enjoying increasing popularity among both consumers and financial institutions, at the same time maintaining a high percentage of disputes ended with a settlement at the level of 80%.

In 2016, nearly 1800 applications for mediation were received, and 30 financial institutions used the services of the Centre (increase of 50% compared to the previous year), with over half of them many times. Mediators of the Mediation Centre, according to data at the end of the year, carried out more than 600 mediations.

The largest number of applications submitted to the Arbitration Court at the KNF according to the subject of the dispute concerned:

- refusal or partial refusal to pay compensation or benefits,
- lack of complete information, including unreliable fulfilment of disclosure requirements,
- the execution of the credit or loan agreement.

The average amount in dispute of the examined cases was approximately PLN 67,000.

Education and promotion activities

In 2016, the Strategy for development of the Arbitration Court for 2016-2018, aimed at constant improvement of effectiveness, care for the standards and quality of conducted proceedings and undertaking education and promotion activities aimed at promoting amicable settlement of disputes among financial market participants, in particular through mediation, was approved.

The following actions were carried out in the framework of implementation of the aforementioned strategy:

- March 2016 - 2nd edition of the award *Mediation-friendly financial institution*, whose objective is to promote amicable settlement of disputes between financial institutions and the recipients of their services, and to appreciate financial institutions which base their contacts with the clients on openness, dialogue and striving for consensus. Out of 21 financial institutions participating in the mediation in the Mediation Centre of the Arbitration Court at the KNF, three were awarded, namely: the PZU S.A., the STU Ergo Hestia S.A. and the Bank Pocztowy S.A.,
- in June 2016, a feature film entitled *A case of a jeweller. Film about mediation* and two education and information spots were made. The purpose of the film is to present the role of a representative in mediation and to show how much depends on his/her professional approach, positive attitude to mediation and good preparation for it. The film premièred in October 2016, during the International Mediation Week. The spots present examples of disputes which can be resolved through mediation in the Mediation Centre of the Arbitration Court and the advantages of mediation in the financial market. All materials are available on the website of the KNF and on social networking sites,
- in September 2016, in pursuit of continuous dissemination of knowledge on the mechanisms of amicable settlement of disputes in the financial market, the Polish Financial Supervision Authority established another distinction called the Financial Market Mediation Ambassador, which will be awarded for the first time in 2017. The distinction is to promote the amicable settlement of disputes in the financial market by granting it to: natural persons, legal persons and other entities that take actions standing out with importance, scope or effectiveness, promoting the idea of amicable settlement of disputes in the financial market. The distinction can also be granted to the representatives of the parties in the mediation proceedings conducted in the Mediation Centre of the Arbitration Court at the KNF, who significantly contribute to the amicable settlement of disputes with their attitude and commitment,
- in October 2016, during the International Mediation Week, the Mediation Centre of the Arbitration Court at the KNF organised a seminar entitled Mediation in the practice of legal counsel and attorneys. The event, exciting great interest of the representatives, except for the première of the most recent film, consisted in the presentations of mediators from the Mediation Centre on the effective use of mediation and a discussion panel on good and bad practices in concluding settlements, with the special participation of Mediation Coordinator at the Regional Court in Warsaw, Judge Monika Pawłowska,
- in December 2016, the 1st Polish Mediation Forum of the Young was held. This event is supposed to be cyclical and its addressee is the academic community from all over Poland, especially young students of law and economics interested in gaining knowledge about mediation. In 2016, the Forum took the form of a workshop run by mediators of the Mediation Centre of the Arbitration Court, during which participants, through interactive exercises, learned the entire course of mediation proceedings and gained practical knowledge of mediation in the financial market,
- moreover, the Secretary of the Arbitration Court and mediators of the Mediation Centre actively participated in seminars and scientific conferences organised by external bodies, among others, by the University of Wrocław, the University of Warsaw and the Cardinal Wyszyński University in Warsaw. During the lectures, they shared their experience in the settlement of disputes in the financial market by mediation.

In the area of involvement of the Mediation Centre of the Arbitration Court at the KNF in the promotion of mediation development, it should be mentioned that on 10 November 2016 the Secretary of the Arbitration Court at the KNF was appointed by the Minister of Justice to the Civic Council for Alternative Methods of Dispute Resolution at the Minister of Justice.

Table 89. Applications submitted to the Arbitration Court (AC) at the KNF in 2015-2016

Detailed list	Total		Arbitration		Mediation	
Year	2015	2016	2015	2016	2015	2016
Applications	547	1806	36	31	511	1775
Permissions	139	613	4	2	135	611
Cases settled in favour of the applicant prior to the beginning of the arbitration proceeding (a settlement was reached or a settlement proposal was made)	18	80	0	0	18	80
Refusals	381	702	31	26	350	676
Others (withdrawal of or failure to complete an application by the applicant, lack of contact with a party)	9	7	1	1	8	6
Cases in progress (no response from the other party regarding permission to mediation/arbitration)	-	404	-	2	-	402

Data - as of 31 December 2016
Source: own calculations of the KNF Office

Table 90. Requests submitted to the Arbitration Court at the KNF in 2016 broken down by sectors of the financial market

Financial market sectors	2015	2016
Insurance	393	1666
Banking	119	126
Capital	22	5
Other	13	9

Data - as of 31 December 2016
Source: own calculations of the KNF Office

7.6. EDUCATION AND INFORMATION ACTIVITIES

Within the framework of fulfilling the statutory task of the supervisory authority in the field of dissemination of knowledge on the functioning of the financial market, since 2009, the KNF Office has been carrying out the project of the Education Centre for Market Participants (CEDUR), as part of which mainly training and publishing activities were carried out in the period covered by the report. In 2016, 85 seminars and training workshops, lectures and meetings addressed mostly to representatives of the entities supervised by the KNF from all sectors of the financial market, representatives of the judiciary and law enforcement agencies, consumer protection institutions and the school environment were organised. Nearly 8,000 participants took part in the meetings. A list of the seminars and training workshops organised under the CEDUR project in 2016 is presented in Annex 7.

In addition, representatives of the KNF Office participated as speakers in about 120 external events, i.e. panels, congresses and conferences.

During the period covered by the report, the following brochures of educational nature were published as a release of the KNF: *Mediation and other amicable forms of resolving disputes in the financial market*, *Units and investment certificates of investment funds - comparison of legal and organisational issues*, *System of financing costs of financial market supervision. Part I. General principles*, *System of financing costs of financial market supervision. Part II. Sectoral solutions*, *Activities of the Polish Financial Supervision Authority in the case law of*

administrative courts. Part III. Insurance supervision, *Pyramids and other financial market fraud, Compensation for non-material damage from contracts of motor third party liability insurance - basic problems.*
As part of activities addressed to the school environment, in cooperation with the Foundation "Citizenship Education Centre," the KNF Office conducted the second edition of the competition for middle and upper-secondary schools for the best film in the field of financial market. The subject of this edition of the competition was the preparation of a film "*From a branch to a smartphone. History of electronic banking development in Poland*," covering banking sector issues.
In addition, the KNF Office coordinated at the national level the Global Money Week, whose initiator and coordinator is the Child & Youth Finance International (CYFI), a public benefit organisation working in collaboration with the OECD. In 2016, more than 2000 pupils at all stages of education were covered by the action in Poland.

Another form of education activities focused on the academic community was the organisation of the fifth edition of the Competition for the Award of the Chairman of the KNF for the best PhD dissertation in the field of financial market.

INTERNET SERVICE

The main tool for conducting information activities by the KNF Office is the Internet service, which recorded over 7 million entries in 2016. Information presented on the website of the Authority as the financial market supervisor includes tasks and composition of the Authority, communications from the meetings, organisational structure of the Office of the Authority, tasks of departments, public procurement, job advertisements and public warnings of the Polish Financial Supervision Authority. The content of public warnings of the Polish Financial Supervision Authority - as at 31 December 2016 - is presented in Annex 8. Moreover, the site contains extensive information on the supervised markets - up-to-date lists of entities operating on individual markets, financial and statistic data, publications (reports and thematic studies), legal acts, including Community law acts, information on activity in the EU institutions and other.

In 2016, 52 499 pieces of media material included references to the Polish Financial Supervision Authority, of which: 38 742 on the Internet, 5 236 in the press and 8 521 on the radio and television.
The KNF Office is pursuing an open communication policy while cooperating with the media. Tasks in this area include, among others:
- public presentation of positions and results of work of the Authority and its Office,
- information on actions, initiatives and programmes taken by the Authority and its Office,
- commenting on events on the financial market,
- answering questions of media representatives.

PROCESSING APPLICATIONS FOR ACCESS TO PUBLIC INFORMATION

As required by the Act of 6 September 2001 on access to public information (Dz. U. of 2016, item 1764) and the accompanying Regulation of the Minister of the Interior and Administration, the Authority is obliged to make information, within a specific scope, available on websites of the Public Information Bulletin (*Biuletyn Informacji Publicznej* - BIP), separated as an autonomous part of the Authority's website. Pursuant to the Act on access to public information, in 2016, the KNF Office received 468 applications for access to public information.

SOCIAL CAMPAIGN - "TAKE CARE OF YOUR SECURITY ON THE NETWORK"

In January 2016, the KNF Office continued social campaign - "Take care of your security on the network," in cooperation with public media – the Telewizja Polska S.A. and the Polskie Radio S.A. The purpose of the campaign was to draw the attention of e-banking users to the risks associated with the use of Internet banking and to identify basic principles that enhance financial security in the network. Its first stage was launched on 3 November 2015. During the campaign, 30-second spots informing about the risks associated with electronic banking were screened on TVP1, TVP2, TVP2, TVP2, TVP Regionalna and PR1, PR3, PR4 and PR24. The social and information campaign in the public media was supported by a special dedicated website: http://www.knf.gov.pl/bezpieczenstwo_w_sieci.html, under the slogan "Security of your finances depends on you."

SOCIAL CAMPAIGN - "BEFORE"

At the end of December 2016, the KNF Office launched information campaign - "Before," in cooperation with public media – the Telewizja Polska S.A. and the Polskie Radio S.A. The objective of the campaign was to draw the clients' attention to safe and conscious saving up in the financial market and to increase the clients' awareness about the legality of activities of financial market entities. At the same time, the campaign identified sources of information in the form of the Polish Financial Supervision Authority, where clients can check whether the company whose services they want to use has appropriate authorisation. As part of the campaign, 30-second spots indicating the need to check the entities which we intend to cooperate with were issued. The social and information campaign in the public media is supported by the website: http://www.knf.gov.pl/zanim.html.

7.7. COOPERATION WITH STATE BODIES AND EXTERNAL ENTRIES

COOPERATION WITHIN THE FINANCIAL STABILITY COMMITTEE (FSC)

The Act of 5 August 2015 *on macro-prudential supervision of the financial system and crisis management in the financial system* has provided the Financial Stability Committee with powers related to macro-prudential supervision and crisis management. Four most important institutions included in the financial security network in Poland are represented in the Financial Stability Committee, i.e. the Narodowy Bank Polski, the Polish Financial Supervision Authority, the Ministry of Finance and the Bank Guarantee Fund. As regards the macro-prudential supervision, the meetings of the Committee are chaired by the President of the NBP, and in the area of crisis management the Minister of Finance.

In 2016, four meetings of the Financial Stability Committee on macro-prudential supervision took place. During meetings of the Committee, the results of a summary assessment of risk sources in particular areas of the Polish financial market - in the banking, insurance and capital sectors were discussed. On the basis of surveys conducted by all institutions included in the FSC, the foreign currency loan portfolio was indicated as a risk factor of a systemic nature, in the context of possible effects of legal solutions postulated in public debate.

On the initiative of the President of the NBP, in August 2016, the Committee appointed a special Working Group on the Risk of Foreign Currency Home Loans, composed of representatives of institutions represented in the FSC. The core task of the Group was to develop a recommendation of the FSC on solutions which would lead to the restructuring of the portfolio of foreign currency home loans on the basis of a voluntary agreement between banks and their clients. The result of work of the Working Group was the adoption of Resolution on the recommendation on restructuring of the portfolio of home loans denominated in foreign currency by the FSC at the beginning of 2017.

The recommendation of the FSC includes raising the risk weight and the minimum value of the LGD parameter for exposures secured by mortgages on immovable property, purchased with a foreign currency loan, establishing a systemic risk buffer, modifying the rules of operation of the Borrowers' Support Fund, and issuing a supervisory recommendation on good practice for restructuring portfolios of foreign currency home loans by the KNF and taking into account additional risk factors in the requirements of pillar II. Members of the Committee emphasised that the recommendation prepared is aimed at preserving stability of the national financial system.

At the request of the Polish Financial Supervision Authority, in mid-2016, the Committee issued opinion on the identification of other systemically important institutions (O-SIIs) and on the imposition of a buffer relating to other systemically important institutions.[40] During meetings in 2016, members of the Committee, carrying out their statutory duties, also recommended that the countercyclical capital buffer be maintained at 0%. Moreover, the results of stress tests in the Polish banking sector in 2016, conducted by the KNF, were discussed at the meetings of the FSC and it was determined that the domestic banking sector is characterised by high resistance to adverse economic and financial phenomena.

Cooperation with the Supervising Audit Committee (SAC) and the Ministry of Finance (MF) and the audit environment

The Committee on relations with chartered auditors, appointed by the Chairman of the KNF, is functioning in the KNF Office. In 2016, the Committee on relations with chartered auditors was taking the followings actions as part of carrying out its tasks, in cooperation with the competent departments of the KNF Office, in the area of:

- reviewing the bill on chartered auditors and their self-government, entities authorised to audit financial statements and on public supervision, including participation of the Committee's representatives in arrangement conferences on work on the above-mentioned bill,
- preparing answers to the inquiries of the MF/SAC about the proposed solutions for the bill on chartered auditors...,
- transferring information to the SAC about issues connected with the exercise of financial inspection in the supervised entities by bodies authorised to auditing and by chartered auditors,
- collecting data and information for the needs of the Ministry of Finance from the supervised entities on the solutions proposed by the MF concerning the bill on chartered auditors...,
- cooperating with representatives of the KNF Office, included in the SAC,
- organising meetings of representatives of the KNF Office with chartered auditors examining financial statements of: issuers of securities, credit unions, insurance undertakings, commercial banks and cooperative banks.

Cooperation with the Narodowy Bank Polski

The KNF Office carries out bilateral cooperation in the exchange of information necessary to exercise statutory tasks of the central bank and the financial market supervisory authority. Terms of cooperation are determined by bilateral memoranda of cooperation and exchange of information between the KNF and the National Bank of Poland (NBP).
Pursuant to the agreement, the KNF transferred a series of data to the NBP in 2016 in the field of:

- the banking sector and the SKOK sector, among others, on stress tests, financial plans, obtaining extra-reporting data on consumer and home loans, providing the SRE and tax on certain financial institutions, information about banks under rehabilitation process, as well

[40] See more: Chapter 4.1 of the *Report...* "Identification of other systemically important institutions (O-SIIs)."

as reporting information of the SKOK and information about unions subject to rehabilitation process. Moreover, in 2016, direct cooperation between the KNF Office and the NBP concerned the transfer of information to the NBP on the results of control activities carried out in respect of correctness of calculating and holding the required amount of minimum reserves. As part of cooperation between the KNF Office and the NBP, in 2016, inspections in the above-mentioned scope were carried out during three comprehensive inspections in commercial banks. After the control activities, the results of the correctness of calculating and holding the required amount of minimum reserves were submitted to the NBP,

- the payment service sector: cooperation includes the allocation of routing numbers to payment accounts, the exchange of data on transactions performed by the acquirers and the issuers of payment instruments, and in the area of electronic money - exchange of data on payment schemes. Moreover, the NBP reports data on frauds made with payment instruments.

On the other hand, the NBP sent a number of analytical materials to the KNF, which match the area of activity of the KNF. At the same time, cooperation between the two institutions at the operational level (concerning information exchange, job postings, or IT issues), also with regard to individual supervised entities, was continued. In addition, similarly to previous years, during the preparation of the annual "Report on the situation of banks," the Chairman of the KNF met with members of the Monetary Policy Council to discuss the most important phenomena in the banking sector and the SKOK system, as well as the main challenges and potential sources of threats which they are facing;

- the insurance sector: information based both on additional financial statements and statistical reports of insurance and reinsurance undertakings (statutory) and, for the first time in 2016, reports consistent with the Solvency II. In order to streamline the exchange of information with the Narodowy Bank Polski, selected employees of the NBP were provided with direct access to the reporting system of the KNF Office regarding insurance institutions in 2016. The above-mentioned data of insurance and reinsurance undertakings and actions undertaken as part of cooperation were carried out in order to fulfil the tasks of the NBP and the tasks resulting from the participation of the Narodowy Bank Polski in the European System of Central Banks;
- the pension sector: data on pension funds and pension societies, occupational pension schemes, individual pension accounts and individual pension savings accounts are transferred or made available to the NBP by the KNF Office in monthly, quarterly and annual intervals. In 2016, 72 monthly data sets, 56 quarterly data sets and 21 annual data sets were made available to the NBP. In addition, as part of cooperation with the NBP, the KNF Office responded to two questionnaires of the European Central Bank concerning the implementation of regular reporting of pension funds to the ECB (*Fact-Finding Questionnaire Addressing Requirements on Pension Funds*, and *Pension Funds Regulation: Cost Assessment*);
- the investment fund market sector, in particular data on: shareholders of investment fund management companies, selected financial data of investment fund management companies, entities operating investment funds (depositaries and entities maintaining registrars of fund participants), selected financial data of investment funds and sub-funds, and data identifying investment fund management companies, investment funds and sub-funds;
- the sector of brokerage houses: statistical data on entities conducting brokerage and custodian banks. Information on the number of brokerage houses and banks' organisational units, as well as information on public and private issues and securities traded on a regulated market is provided annually. Information on securities accounts and cash accounts kept by entities conducting brokerage and by custodian banks, as well as aggregated data on balance sheet and profit and loss account of brokerage houses is provided on a semi-annual basis; and
- periodic data on primary and secondary public and non-public sellings of shares carried out in 2015 through investment firms.

Pursuant to the provisions of the Act on trading in financial instruments, the approval of the regulations of the Central Securities Depository and the regulations of the KDPW_CCP S.A., and their amendments to the extent indicated in the aforementioned Act by the KNF Office takes place after obtaining the opinion of the President of the NBP. Therefore, the KNF Office sends resolutions to the President of the NBP with requests for expressing an opinion on applications of the KDPW and the KDPW_CCP for approval of amendments to the Regulations of the Krajowy Depozyt Papierów Wartościowych, the Regulations of settling transactions (organised trading), the Regulations of settling transactions (non-organised trading) and the Regulations of a compensation fund. Additionally, the NBP is a member of the Colleges of Supervisors for the KDPW_CCP S.A., which was appointed by the KNF Office in 2013 to carry out ongoing supervision of the KDPW_CCP S.A. in connection with the requirements of the EMIR.

In the case of applications for permission (change of permission) to provide domestic payment services, covering the service referred to in Article 3(1)(5) of the Act on payment services (acquiring), it is obligatory to obtain opinion of the President of the NBP, which includes assessment of the application in terms of compliance with the law and ensuring the security and efficiency of providing this payment service. Such opinion is not binding on the KNF, however, the KNF is obliged to consider its conclusions. In 2016, the NBP received two applications with this regard and the President of the NBP issued 2 opinions in this regard.

Furthermore, the KNF Office provided the Narodowy Bank Polski with a completed questionnaire on the implementation of Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, to the national legal order.

Depending on the specific nature of particular cases, cooperation between the NBP and the KNF Office takes place on the basis of both periodic information exchanges (annual, quarterly, monthly) and *ad hoc* contacts. In particularly relevant issues of current interest, this cooperation is continuous.

COOPERATION WITH INSTITUTIONS PROTECTING CLIENTS' RIGHTS

In order to strengthen cooperation between the KNF and the President of the UOKiK, and with regard to the new powers granted to the President of the UOKiK after the entry into force, as of 17 April 2016, of the provisions of the Act of 5 August 2015 amending the Act on competition and consumer protection and certain other acts (Dz.U.2015.1634), on 23 June 2016 the KNF and the President of the UOKiK signed Annex 2 to the Memorandum of cooperation of 25 July 2007. According to §1 of this Annex, the parties to the memorandum may cooperate within the scope related to the execution of powers of the President of the UOKiK, referred to in Article 105ia(1) of the Act of 16 February 2007 on competition and consumer protection (Dz.U.2015.184 consolidated text, as amended), if the President of the UOKiK conducts explanatory proceedings or proceedings in relation to practices violating collective interests of consumers, the subject of which is evaluation of the practices of entrepreneurs covered by the supervision of the Authority, related to proposing consumers purchase of financial services that do not meet their needs, established with information available to the entrepreneur on the features of these consumers or proposing purchase of these services inappropriately for their nature. The Authority may participate in the preparation of control activities, referred to in the preceding sentence, and cooperate in development of the control plan and control scenarios.
As part of implementation of the provisions of the memorandum in question, the KNF Office provided the UOKiK with information concerning the irregularities in the operation of financial market entities, and information significant for the proceedings conducted by the President of the UOKiK against insurance undertakings.

In addition, the KNF Office cooperated with the UOKiK on the proceedings in relation to the obligation of insurance undertakings to change the amount of liquidation fees in unit-linked life insurance products.

The KNF Office also cooperated with the Financial Ombudsman, providing her Office with information which might have indicated irregularities in the operations of financial market entities related to failure to comply with the provisions of the Act of 5 August 2015 on handling complaints by financial market entities and on the Financial Ombudsman (Dz.U.2016.892 consolidated text, as amended).

COOPERATION WITH FINANCIAL MARKET PARTICIPANTS

In 2016, 7 meetings with representatives of the entities supervised by the KNF and organisations associating financial market participants as part of the so-called “Meetings with the market” took place. This initiative is primarily aimed at developing standards of communication and cooperation with the market, and increasing the ability to assess the level of satisfaction of all its participants.

COOPERATION WITH OTHER INSTITUTIONS

Within the period covered by the report, the KNF Office cooperated in particular with:

- the Bank Guarantee Fund (BGF) under the agreement on cooperation and exchange of information between the KNF and the BGF of 12 June 2008. Under this agreement, the KNF and the BGF exchanged information necessary to perform the statutory tasks of both institutions, including information on the assessments of banks, including assessments given to banks in the supervisory review and evaluation process and quarterly assessments of the level of risk in their operations, and the exchange of information on banks and credit unions subject to rehabilitation process. This cooperation also included the preparation of and agreeing on a new draft agreement between the KNF and the BGF on cooperation and exchange of information. The agreement was signed on 27 December 2016. The signing of the new agreement on cooperation and exchange of information was related to the adoption of the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee scheme and resolution amending, among others, the Act - Banking Law. The aforementioned legal acts impose new obligations on the Office of the Polish Financial Supervision Authority and the Bank Guarantee Fund, including duties related to plans of rehabilitation and resolution, and define a new scope of information (including the extension of the catalogue of data on capital market entities) provided by both parties to the agreement,
- the Central Statistical Office of Poland (GUS): regular transmission of data to the GUS on the basis of the Programme of statistical surveys of official statistics: the ownership structure of the national banking sector, the insurance and reinsurance sector, the pension sector, the investment fund market sector and the brokerage houses' sector; the KNF Office was also involved in work on research programmes for 2016, 2017 and 2018,
- the Insurance Guarantee Fund (UFG): the rules of cooperation between the KNF and the UFG are defined by the agreement on cooperation and exchange of information between the KNF and the UFG. Pursuant to the agreement, the KNF and the UFG exchange information on the insurance sector, especially motor insurance and other compulsory insurance. Cooperation with the UFG also concerned the adopted assumptions of performance of the UFG's new tasks, namely the IT database, to the extent necessary to identify, verify and prevent violations of interests of the insurance market participants (Insurance Database) and the Tourist Guarantee Fund, as well as payment of benefits from motor insurance in the form of pensions. Under this cooperation, in 2016, the KNF obtained from the UFG, in particular, data on average premiums and compensation from motor insurance, including benefits in the form of pensions and compensation, to analyse the adequacy of premiums and the effects of potential legal changes related to the MTPL

insurance for the financial situation of insurance undertakings. The KNF also obtained data from the UFG on the quality of fulfilment of the obligation of undertakings operating on the Polish market to submit information required by the law to databases of the UFG in order to take it into consideration in the SREP assessment of the supervised undertakings,

- the Insurance Guarantee Fund, the Polish Insurance Association, the Financial Ombudsman, the Ministry of Finance, the Ministry of Justice, the Polish Society of Forensic Medicine and Criminology, the Polish Association of Insurance Medicine, the Polish Society of Public Health, the Polish Motor Insurers' Bureau, the Association of Polish Judges IUSTITIA, within the framework of the "Compensation Forum" functioning at the Office of the Polish Financial Supervision Authority. The cooperation concerned development of proposals of solutions which would allow systematically regulating the issue of determination and payment of compensation for the death of a close relative by insurance undertakings. Work carried out concerned the analysis of the most recent valid judicial decisions related to compensation for the death of a close relative from the MTPL insurance contracts (issued in the period 2015-2016), as well as the analysis of applicable legislation,
- the Polish Insurance Association (PIU), also through the participation of employees of the KNF Office as speakers and participants at conferences organised by the PIU,
- the Polish Bank Association (ZBP): among others, with regard to the transmission of sector data, regulatory solutions planned, participation of employees of the KNF Office as speakers and participants at conferences organised by the ZBP. A representative of the KNF is also a member of the Board of the Bank Arbitrator, which discusses comments on market practices followed by banks in relations with the clients.

8. ORGANISATION OF THE AUTHORITY'S OFFICE

The Polish Financial Supervision Authority and the Chairman of the Authority carry out their tasks with the help of the Authority's Office, functioning on the basis of statutes (Announcement of the Prime Minister of 14 August 2013 on the announcement of a uniform text of the Regulation of the Prime Minister on providing the Office of the Polish Financial Supervision Authority with statutes - M.P. of 2013, item 798).

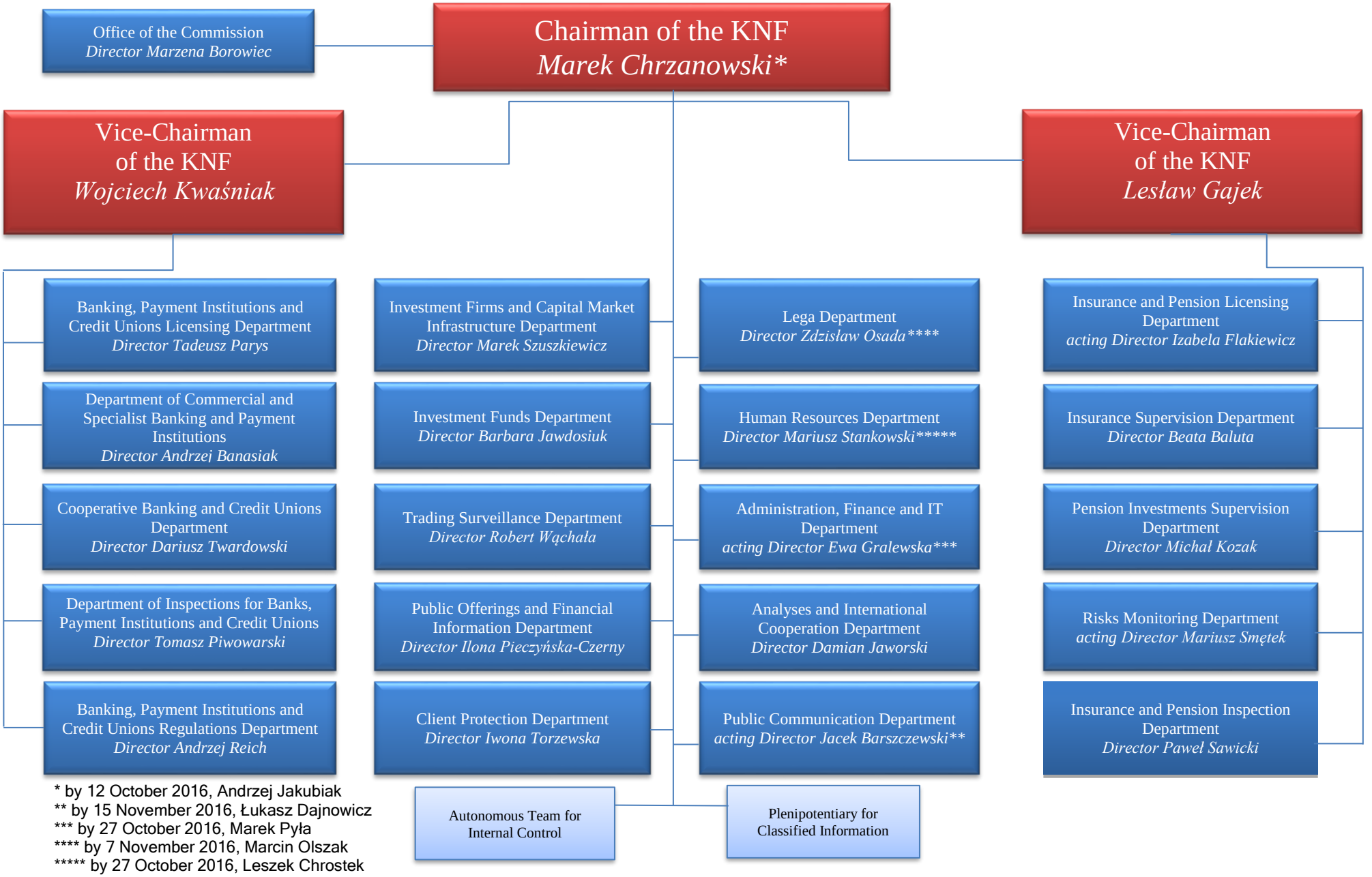
The Office is managed by the Chairman of the Authority with the help of Vice-Chairmen and Directors of organisational units. The tasks of the organisational units of the KNF Office are defined in the organisational regulations of the Office, given by the order of the Chairman of the Authority.

A system of management control, defined as all actions taken to ensure performance of objectives and tasks in a lawful, effective, efficient and timely manner, is functioning in the Office. The purpose of management control is to ensure, in particular: compliance with the legislation and internal procedures, efficiency and effectiveness of operations, reliability of reports, protection of resources, compliance with and promotion of the principles of ethical behaviour, efficiency and effectiveness of information flow and risk management.

Moreover, in order to ensure the adequacy and effectiveness of the management control, the risk management principles have been implemented in the KNF Office. Their objective is to provide for mechanisms identifying risks that threaten the lawful, effective, economical and timely implementation of objectives and tasks of the KNF Office, to identify the effects and weights of these risks, and to take adequate remedies to mitigate the identified risks.

2016 was another year of functioning of a performance-based budget in the KNF Office pursuant to the Act on public finance.

Diagram 1: Organisational structure of the Office of the Polish Financial Supervision Authority as of 31 December 2016



* by 12 October 2016, Andrzej Jakubiak
** by 15 November 2016, Łukasz Dajnowicz
*** by 27 October 2016, Marek Pyła
**** by 7 November 2016, Marcin Olszak
***** by 27 October 2016, Leszek Chrostek

BUDGET OF THE OFFICE OF THE POLISH FINANCIAL SUPERVISION AUTHORITY

The KNF Office is a budgetary entity. Expenditures of the Office are covered directly from the state budget, and revenues of the Office are budgetary revenues disbursed to the state budget. As an entity of the public finance sector, the Office carries out financial management in accordance with the law, in particular the Act of 27 August 2009 on public finance (Dz. U. of 2016, item 1870 consolidated text), the Act of 29 January 2004 Public Procurement Law (Dz. U. of 2015, item 2164 consolidated text, as amended), the Budget Act and in accordance with the financial plan for a given financial year.

While implementing the provisions of the Regulation of the Minister of Finance of 2 July 2015 on detailed manner, mode and dates of preparing materials for the budget bill for 2016, the Authority prepared and submitted to the Minister of Finance its draft budget for a given financial year in a traditional and task-based format.

Like in many European countries, the costs of state financial market supervision are covered from mandatory payments made by supervised entities. Fees collected by the KNF Office for the official activities connected with examinations are not intended to cover the supervision costs and constitute the state budget revenues. State budget revenues are financial penalties imposed by the Polish Financial Supervision Authority on the supervised entities and on members of their bodies for unlawful activities.

The budgetary revenue of the KNF Office for 2016 was planned at PLN 237,287 thousand, and implemented on an accruals basis in the amount of PLN 200,005 thousand, and cash - PLN 128,032 thousand. Lower execution on an accruals basis to the plan resulted from a change in regulations related to the settlement of costs of supervision of the capital, banking and insurance markets. Low execution on cash basis was related to the return of funds for the settlement of supervision costs in 2015 and change of method of payment for supervision costs in 2016 by capital, banking and insurance market entities.

Expenditure allocated in the budget for activities of the KNF Office in 2016 was planned in the amount of PLN 228,202 thousand, including:

- expenditure in section 758 Different settlements PLN 227,887 thousand,
- expenditure in section 752 National Defence PLN 15 thousand,
- provisions PLN 300 thousand.

2016 was a year of rational, purposeful and cost-effective disbursement of public funds.

The plan after changes to the budget of the KNF Office concerning expenditure for 2016 was set at PLN 228,202 thousand. In relation to the budget after changes of 2015, it increased by PLN 9,924 thousand, i.e. by 4.35%, with a significant increase in supervisory obligations resulting from scaling up of the financial market and an increase in the number of supervised entities.

Tables 91 and 92 show in a traditional layout the plan and implementation of budget revenue and expenditure in 2016 compared to 2015.

Table 91. Implementation of the plan of budget revenues of the KNF in 2016

Budget revenue	2015 plan (in PLN thou.)	Implementation of 2015 plan (on accrual basis)		2016 plan (in PLN thou.)	Implementation of 2016 plan (on accrual basis)		Plan of 2016 compared to 2015 (in %)	Implementation of 2016 compared to 2015 (in %)
		(in PLN thou.)	(in %)		(in PLN thou.)	(in %)		
1	2	3	4	5	6	7	8	9

Payments of insurance undertakings to cover the costs of supervision of insurance activities and brokerage	35 355	36 561	103%	35 778	31 907	89%	101%	87%
Payment of the PTE to cover the costs of supervision of activities of the OFE	14 736	14 448	98%	14 130	13 495	96%	96%	93%
Payments of the capital market to cover the supervision costs	46 244	47 044	102%	49 223	39 453	80%	106%	84%
Payments of the supervised banking market entities to cover supervision costs (commercial banks, cooperative banks, SKOK, BUP, KIP)	125 128	176 489	141%	128 756	105 654	82%	103%	60%
Fees collected for activities related to exams and improving professional qualifications	342	458	134%	350	671	192%	102%	147%
Fines imposed on the supervised entities	5 000	5 009	100%	9 000	6 651	74%	180%	133%
Other	50	88	176%	50	2 174	4348%	100%	2470%
Total	**226 855**	**280 097**	**123%**	**237 287**	**200 005**	**84%**	**105%**	**71%**

Source: Own calculations of the KNF Office

Table 92. Implementation of the KNF spending plan in 2016

Budget expenditure	2015 plan (in PLN thou.) after changes	Implementation of the 2015 plan		2016 plan (in PLN thou.) after changes	Implementation of the 2016 plan		Plan of 2016 compared to 2015 (in %)	Implementation of 2016 compared to 2015 (in %)
		(in PLN thou.)	(in %)		(in PLN thou.)	(in %)		
Expenditure related to remuneration, including charges and derivatives for remuneration	126 331	124 579	99%	132 678	130 956	99%	105%	105%
Non-wage spending	91 947	81 632	89%	95 524	70 323	74%	104%	86%
including:								
current expenses	56 647	48 704	86%	65 724	56 719	86%	116%	116%
capital expenses	35 300	32 928	93%	29 800	13 604	46%	84%	41%
Total	**218 278**	**206 211**	**94%**	**228 202**	**201 279**	**88%**	**105%**	**98%**

Source: Own calculations of the KNF Office

The main part of revenues from Table 91 were payments of the supervised entities to cover the supervision costs. Penalties imposed on the supervised entities and paid, and other revenues which are not supervision costs were executed in the amount of PLN 4,189 thousand. Since 2016, payments to the capital market have been made by all capital market entities. Until

2015, payments were made only by the Warsaw Stock Exchange and the Krajowy Depozyt Papierów Wartościowych.
Table 93 shows costs of supervision of individual markets in 2016, and Table 94 shows the division of costs of supervision of individual markets into indirect and indirect costs.

Table 93. Cost of supervision of individual markets in 2016 compared to 2015

Name of the market	2015		2016		compared to the previous year	
	plan (in PLN thou.)	implement-tation (in PLN thou.)	plan (in PLN thou.)	implement-tation (in PLN thou.)	plan (2015=100)	implementation (2015=100)
Capital market	46 044	44 736	49 523	43 993	108%	98%
Insurance market	34 855	32 273	35 778	30 471	103%	94%
Pension market	14 236	12 600	14 130	11 515	99%	91%
Banking market,* including:	123 128	116 587	128 756	115 289	105%	99%
- Banks		92 368		91 078		99%
- Payment Service Offices (BUP)		1 516		1 153		76%
- Domestic Payment Institutions (KIP)		4 429		4 612		104%
- Credit Unions (SKOK)		18 274		18 446		101%
Total	**218 263**	**206 196**	**228 187**	**201 268**	**105%**	**98%**

Source: Own calculations of the KNF Office
*Planning of supervision costs on the banking market is done in an aggregated way.

Table 94. Division of supervision costs into direct and indirect costs in 2015-2016 (in PLN thousand) in comparative terms

Name of the market	2015				2016			
	plan after changes	implementation	including:		plan after changes	implementation	including:	
			direct supervision costs	indirect supervision costs (administrative)			direct supervision costs	indirect supervision costs (administrative)
1	2	3	4	5	6	7	8	9
Capital market	46 044	44 736	22 764	21 972	49 523	43 993	26 110	17 883
Insurance market	34 855	32 273	16 620	15 653	35 778	30 471	18 089	12 382
Pension market	14 236	12 600	6 307	6 293	14 130	11 515	6 458	5 057
Banking market,* including:	123128	116 587	59 013	57 574	128 756	115 289	69 631	45 658
- Banks		92 368	46 754	45 614		91 078	55 008	36 070
- BUP		1 516	767	749		1 153	696	457
- KIP		4 429	2,242	2 187		4 612	2 786	1 826
- SKOK		18 274	9 250	9 024		18 446	11 141	7 305
Total	**218 263**	**206 196**	**104 704**	**101 492**	**228 187**	**201 268**	**120 288**	**80 980**

Source: Own calculations of the KNF Office
*Planning of supervision costs on the banking market is done in an aggregated way.

Table 95. Statement of costs of activity of the KNF and the KNF Office incurred in 2016, broken down by the areas of supervision referred to in Article 1(2) of the Act on financial market supervision, along with the number and the scope of supervisory activities, including administrative costs

Area	Costs of supervision (in PLN thou.)	Supervisory activities	
		Type of activity	Number of activities
banking supervision	115 289, including administrative costs* 45 658	**Resolutions adopted by the KNF**	**Total: 95**
		including, in particular:	
		permission to appoint a president/member of the management board of a bank	28
		permission to merge banks	3
		imposition of a fine on a bank	1
		Decisions and orders issued on the basis of an authorisation granted by the KNF	**Total: 2380**
		including, in particular:	
		permission to reduce own funds	534
		permission to introduce changes in the statutes of a bank	185
		approval of programmes of rehabilitation process	5
		Control activities	**Total: 111****
		Other supervisory activities	**Total: about 40 thousand**
		including, in particular:	
		conducting the SREP assessment	677
		notifications concerning incorrect functioning of banking sector entities	2978
		analysis of financial statements, reporting information, results of questionnaires	about 36.2 thousand
		TOTAL	**about 42.6 thousand**
pension supervision	11 515, including administrative costs* 5 057	**Resolutions adopted by the KNF**	**Total: 47**
		including, in particular:	
		permission to change the statutes of a universal pension society	4
		permission to change the statutes of an open pension fund	9
		permission to change the statutes of an occupational pension fund	2
		imposition of a fine on an employer operating an occupational pension scheme	3
		Decisions and orders issued on the basis of an authorisation granted by the KNF	**Total: 342**
		including, in particular:	
		entry of an occupational pension scheme into the register	23
		entry of changes in an occupational pension scheme into the register	155
		deleting an occupational pension scheme from the register	40
		Inspections	**Total: 7**
		Other supervisory activities	**Total: about 52.6 thousand**
		including, in particular:	

		the SREP assessment of universal pension societies	12
		analysis of financial statements, reporting information	about 52 thousand
		notifications concerning incorrect functioning of pension sector entities	29
		TOTAL	**about 53 thousand**
insurance supervision	30 471, including administrative costs* 12 382	**Resolutions adopted by the KNF**	**Total: 57**
		including, in particular:	
		permission to appoint a member of the management board of an insurance undertaking	17
		imposition of a fine on insurance undertaking	3
		Decisions and orders issued on the basis of an authorisation granted by the KNF	**Total: 390**
		including, in particular:	
		entry into the actuarial register	35
		cancellation of permission to conduct brokerage	40
		permission to conduct brokerage in the area of insurance	86
		permission to conduct brokerage in the area of reinsurance	6
		imposition of a fine	9
		Supervisory controls and visits	**Total: 54**
		Other supervisory activities	**Total: about 127.6 thousand**
		including, in particular:	
		conducting the SREP assessment	57
		registration of applications for entry into the register of insurance agents, modification of data included in the entry and deletion from the register	118427
		modification of data included in the entry into the register of insurance and reinsurance brokers	2500
		notifications concerning activity of banking sector entities	2667
		analysis of, among others, financial statements, quantitative information	about 5.6 thousand
		TOTAL	**about 128.1 thousand**
supervision of the capital market	43 993, including administrative costs* 17 883	**Resolutions adopted by the KNF**	**Total: 212**
		including, in particular:	
		granting the TFI permission to conduct activities of an investment fund management company and to establish investment funds and foreign funds and manage them	1
		giving permission to change a depositary	14
		granting permission to conduct brokerage	8
		imposition of fines on the TFI	2
		imposition of fines on investment firms	2
		imposition of fines on the issuers	11
		imposition of fines on natural persons	26
		Decisions and orders issued on the basis of an authorisation granted by the KNF	**Total: 894**
		including, in particular:	
		approval of the prospectus	40
		approval of a supplement to the prospectus	96

		approval of a supplement to the prospectus of investment certificates of a closed-end investment fund	35
		entry into the list of investment advisers	33
		entry into the list of securities brokers	67
		entry into the register of agents of investment firms	62
		permission to amend the statutes of an investment fund, including shortening the date of entry into force of amendments to the fund's statutes	56
		Inspections	**Total: 39**
		Other supervisory activities	**Total: about 92 thousand**
		including, in particular:	
		conducting the SREP assessment	106
		analysis of, among others, current and periodic reports	about 89.2 thousand
		notifications concerning the functioning of the capital market entities	753
		TOTAL	**about 93.1 thousand**
supervision of payment institutions, payment service offices, electronic money institutions, branches of foreign electronic money institutions	5 765, including administrative costs* 2 283	**Resolutions adopted by the KNF**	**Total: 355**
		including, in particular:	
		permission to provide payment services as a domestic payment institution	2
		refusal to grant permission to provide payment services as a domestic payment institution	2
		imposition of fines on the BUP	278
		Decisions and orders issued on the basis of an authorisation granted by the KNF	**Total: 110**
		including, in particular:	
		discontinuation of administrative proceedings	85
		discontinuation of proceeding concerning the issue of a permission to provide payment services as a domestic payment institution and to change this permission	2
		return of the application for entry into the Register of Payment Services	1
		Inspections	**Total: 4**
		Other supervisory activities	**Total: about 4.2 thousand**
		including, in particular:	
		notifications concerning irregularities in the provision of payment services by entities other than banks and the SKOK	53
		analysis of reports and reporting information	about 3.7 thousand
		TOTAL	**about 4.7 thousand**
supervision of rating agencies	- ***		
complementary supervision	- ***		
supervision of the SKOK and	18 446, including	**Resolutions adopted by the KNF**	**Total: 93**
		including, in particular:	

the National Union	administrative costs* 7 305	appointment of a commissioned regulator	8
		approval on the position of a president of the management board of the SKOK	1
		permission to the appointment to the position of a member of the management board of the National Union	1
		Decisions and orders issued on the basis of an authorisation granted by the KNF	**Total: 230**
		including, in particular:	
		approval of changes to the statutes of the SKOK	20
		upholding the request for the performance of the taking of evidence	39
		Inspections	**Total: 17**
		Other supervisory activities	**Total: about 1.2 thousand**
		including, in particular:	
		analysis of, among others, reports, financial statements and reporting information	about 1.1 thousand
		notifications concerning the activity of the SKOK	141
		TOTAL	**about 1.5 thousand**

Source: Own calculations of the KNF Office

*Administrative costs are understood as the so-called indirect costs, i.e. that part of the operating costs of the KNF and the KNF Office which cannot be assigned directly to any separately settled sector. Indirect costs are determined as a total amount, and then proportionally assigned to individual sectors. Indirect costs include, among others, costs of remuneration for persons employed in organisational units which do not perform supervisory tasks directly, costs of general IT infrastructure, costs of performing any investment tasks related to the modernisation of office space, rents related to the rent of office space, electricity costs, costs of telecommunication services, office space cleaning costs, purchase of office supplies, maintenance of company cars.

**Including 47 control activities carried out by the KNF in the supervised entities in the area of anti-money laundering and terrorist financing.

***Regulations on the system for financing costs of supervision of the financial market do not require separate settlement of costs of supplementary supervision and costs of supervision of rating agencies. The costs of supplementary supervision and the costs of supervision of rating agencies are treated as indirect costs.

According to the Regulation of the Minister of Finance of 2 July 2015 on detailed manner, mode and dates for preparing materials for the budget bill for 2016, the KNF Office also drafted a budget in a task-based format. The amount planned to carry out task 4.3. Supervision of the capital, insurance, pension and banking markets in 2016, in line with the "Catalogue of functions, tasks, sub-tasks and activities for 2016," is PLN 227,887 thousand. The amount planned to implement measure 11.4.2.4. Defence training of public administration and entrepreneurs is PLN 15 thousand. The performance budget system of the KNF Office in presented in Table 96.

Table 96. Expenditures of the state budget in performance system for part 70 – the Polish Financial Supervision Authority in 2016 (in PLN thousand)

No.	Name of the function/task/sub-task/action	Plan for 2016 after changes	Implementation of the plan as of 31 December 2016
4.	**Management of state finances**		
4.3.	Supervision of the capital, insurance, pension and banking markets	227 887	201 268
4.3.2.	Supervision of the capital, insurance, pension and banking markets	227 887	201 268
4.3.2.1.	Supervision of the capital market entities	49 523	43 993
4.3.2.2.	Supervision of operations of insurance undertakings	35 778	30 471
4.3.2.3.	Supervision of activities of the pension market	14 130	11 515

4. 3.2.4.	Banking supervision	128 756	115 289
11.	**External security and inviolability of borders**		
11.4.2.4.W	Defence training for public administration and entrepreneurs	15	11

Source: Own calculations of the KNF Office

Task 4.3. Supervision of the capital, insurance, pension and banking markets.

The purpose of the task was to ensure compliance of the proceedings of the supervised entities with financial market regulations and protection of the interests of financial market participants. This goal was achieved by:

- conducting inspection proceedings (comprehensive and targeted inspections) in the supervised entities, with the manner of conduct depending on the inspection activities selected in a given case, the provisions of law related to inspection and the complexity of the problem, and thus affected the amount of dedicated resources,
- conducting administrative proceedings consisting in the examination of applications submitted by the supervised entities and issuing decisions which were proceeded depending on the complexity of a case and the quality and completeness of documentation submitted by a party.

The following measures were used to monitor the execution of task 4.3.:

1. The number of completed administrative proceedings related to the financial market in relation to the number of requests for conducting these proceedings submitted by the supervised entities. The measure was planned at the level of 87%.
2. The number of completed inspection proceedings in the supervised entities in relation to the number of planned inspection proceedings. The value of the measure was planned at 100%.

The adopted measures were implemented in the performance system for 2016, and the values reached were 98% and 106%, respectively.

Positive deviation from the planned value of the measure results from the involvement and professionalism of the employees of the KNF Office, and the high efficiency and high quality of administrative proceedings and inspections carried out in the supervised entities.

Table 97 shows the planned and achieved values of measures at the level of activities (concerning individual markets) and sub-tasks.

Table 97. Classification of the performance-based budget - implementation of measures of 2016

No.	Name of the function/ task/ sub-task/ action	Objective	Measure		
			Name	2016	
				Plan	Implementation of the measure 31 Dec. 2016
4.	Management of state finances				
4.3.	Supervision of the financial market	Ensuring compliance of the proceedings of the supervised entities with financial market	The number of completed administrative proceedings related to the financial market in relation to the number of requests for conducting these proceedings submitted by the supervised entities	87%	98%

		regulations and protection of the interests of financial market participants	The number of completed inspection proceedings in relation to the planned inspection proceedings	100%	106%
4.3.2.	Supervision of the financial market	Ensuring compliance of the proceedings of the supervised entities with financial market regulations and protection of the interests of financial market participants	The number of completed administrative proceedings related to the financial market in relation to the number of requests for conducting these proceedings submitted by the supervised entities	87%	98%
			The number of completed inspection proceedings in relation to the planned inspection proceedings	100%	106%
4.3.2.1.	Supervision of the capital market	Ensuring compliance of the proceedings with the capital market regulations	The number of completed administrative proceedings related to the capital market in relation to the number of requests for conducting these proceedings submitted by the supervised entities	84%	103%
			The number of completed inspection proceedings in relation to the planned inspection proceedings	100%	129%
4.3.2.2.	Supervision of the insurance market	Ensuring compliance of the proceedings with the insurance market regulations	The number of completed administrative proceedings related to the insurance market in relation to the number of requests for conducting these proceedings submitted by the supervised entities	97%	90%
			The number of completed inspection proceedings in relation to the planned inspection proceedings	100%	106%
4.3.2.3.	Supervision of the pension market	Ensuring compliance of the proceedings with the pension market regulations	The number of completed administrative proceedings related to the pension market in relation to the number of requests for conducting these proceedings submitted by the supervised entities	90%	105%
			The number of completed inspection proceedings in relation to the planned inspection proceedings	100%	100%
4.3.2.4.	Supervision of the banking market	Ensuring compliance of the proceedings with the banking market regulations	The number of completed administrative proceedings related to the banking market in relation to the number of requests for conducting these proceedings submitted by the supervised entities	85%	96%
			The number of completed inspection proceedings in relation to the planned inspection proceedings	100%	100%

Source: own calculations of the KNF Office

Implementation of the state budget in part 70 – the Polish Financial Supervision Authority is audited by the Supreme Audit Office (NIK) annually. Public information on the results of inspections and follow-up statements are published on the website of the Public Information Bulletin of NIK (*Biuletyn Informacji Publicznej NIK*). Moreover, in accordance with Article 182 of the Act of 27 August 2009 on public finance, the report on the implementation of the budget of the KNF Office is submitted in a tabular and descriptive form to the Ministry of Finance, and the report on the implementation of the budget of the KNF Office for the Public Finance Committee of the Sejm and for the Budget and Public Finance Committee of the Senate is prepared by the end of the second quarter of each year.

PUBLIC PROCUREMENT

All current and capital expenditures in the KNF Office are implemented on the basis of the Public Procurement Plan, pursuant to the provisions of the Public Procurement Act (Dz.U. of 2015, item 2164, as amended) and in accordance with internal regulations of the KNF Office concerning the award of public procurement. In 2016, 102 public procurement contracts were signed in the KNF Office in the modes provided for by the Public Procurement Act, including: 20 delivery contracts, 77 service contracts and 5 construction contracts.

Table 98. The number of awarded public procurement in 2016 by the mode

Mode	The number of awarded public procurement
Open tender with a contract value exceeding the amounts specified in the regulations issued pursuant to Article 11(8) of the Public Procurement Act.	41
Open tender with a contract value smaller than the amounts specified in the regulations issued pursuant to Article 11(8) of the Public Procurement Act.	55
Limited tender with a contract value smaller than the amounts specified in the regulations issued pursuant to Article 11(8) of the Public Procurement Act.	1
Direct agreement with a contract value exceeding the amounts specified in the regulations issued pursuant to Article 11(8) of the Public Procurement Act.	2
Direct agreement with a contract value smaller than the amounts specified in the regulations issued pursuant to Article 11(8) of the Public Procurement Act.	3
Total number of public procurement awarded in the modes provided for by the Public Procurement Act in 2016.	102

PROJECT OF IMPLEMENTATION OF THE INSPECTION SUPPORT SYSTEM

In December 2016, the design work aimed at implementation of the Inspection Support System for activities in the area of banking, credit unions and domestic payment institutions was completed.
The implemented system supports the following stages of inspection processes:
- planning control activities,
- preparing, conducting and summarising the results of inspections,
- monitoring the course of inspections,
- monitoring the implementation of recommendations and conditions,
- recording the working time of inspectors,
- carrying out cross-sectional analyses on the basis of collected data.

The use of the System by nearly 300 users of the KNF Office will significantly improve the processes implemented by the Authority's Office in the area of control and validation activities.

DEVELOPMENT OF INFORMATION TECHNOLOGIES

In the field of information technologies, 2016 was another year of achievement of the objectives set out in the IT Strategy of the KNF Office for 2014-2018.
As part of meeting the objective assuming providing entities from all the supervised markets with a single channel of communication, in 2016, the KNF Portal was made available for reporting of the Universal Pension Societies (PTE), facilitating and increasing the reliability of data transmission to the KNF Office on this financial market.

The second important group were tasks implemented under the strategic objective of preparing efficient data analysis tools supporting supervisory processes. As part of this work, a new, flexible and efficient analytical environment for banking supervision was developed, significantly extending the possibility of performing analyses by professional staff. This task was carried out in parallel with the adaptation of IT solutions of the KNF Office to the EU provisions of the CRD IV/CRR, providing for full IT support for all Implementing Technical

Standards (ITS) (XBRL format) required by the EBA, including the new ones - Liquidity Coverage Ratio and Leverage Ratio.
In addition, a system supporting inspections in banks was implemented to facilitate professional staff planning, organising and carrying out inspections and verification of the implementation of post-control recommendations.

In the area of capital market supervision, due to new responsibilities of the KNF under the EU regulation (the AIFMD), a register and a reporting system for a new type of entities - alternative investment fund managers - was built. The system includes the entities managing and being managed by these funds.

In the insurance area, work was carried out to adapt IT systems in the KNF Office to the requirements of the EU Directive Solvency II. The insurance supervision system was adapted to new legal requirements and to handle reports of insurance and reinsurance undertakings in the new format indicated by the EIOPA - XBRL. The system made it possible to accept and send all the required reports to the EIOPA in 2016.

In 2016, a number of works to increase the security, efficiency and accessibility of the entire IT environment of the KNF Office were also carried out.

MANAGEMENT OF HUMAN RESOURCES

Priority actions undertaken by the KNF Office in the area of human resource management in 2016 focused, as in previous years, on ensuring adequate resources for the fulfilment of supervision tasks in the context of changing market environment and changes in the labour market.

The employment plan for 2016 was 981 jobs. The employment level as at 31 December 2016 amounted to 947.93 jobs (substitution agreements not included).

Further extension of supervisory powers of the KNF and strong demand for high-class experts on the labour market have directly influenced the scope of tasks in the area of human resources. The purpose of these tasks was to maintain staffing facilities at a high competence and efficiency level. Activities related to remuneration fund management, ensuring optimal allocation of funds for remuneration both in the context of staffing needs and new staff recruitment, and keeping qualified staff, were subject to the fulfilment of this objective.

The fluctuation rate in 2016 was 9.93%. For comparison, in 2012-2015, it was: 8.24%, 7.25%, 8.86% and 9.77%, respectively. These rates demonstrate a stable employment situation and maintenance of fluctuation at an acceptable level, which allows ensuring proper organisation of work processes and effective implementation of supervisory tasks.

The established objectives are achieved through ensuring the possibility to improve the skills of employees and their development through individual and group training system with the support of various forms of training. In 2016, group training was organised and conducted on 92 topics and one e-learning training was prepared. The main thematic areas covered issues in banking, reporting and accounting, financial markets, insurance and the Solvency II, and broadly understood legal issues. Moreover, as a result of the award of public contracts in 2016, 18 additional training subjects submitted to the Group training plan for 2016 will be delivered in the first quarter of 2017. The number of group trainings implemented in 2016 increased by 32 thematic areas compared to 2015. As a result of an ongoing analysis of the needs, group training processes were supported by domestic and foreign individual trainings, in which 547 employees took part in 2016, of which 428 people participated in domestic training and 119 in foreign training. In 2016, the structure of employees' participation in training changed significantly as the participation of employees in group training increased considerably, which

may prove insufficient offer in the general training market of highly specialist training resulting from the specific nature of the Office's activities. The intensity of training conducted in 2016 is determined by the rate of 5.9 participant days, which represents 47 hours of training per employee. For comparison, in 2012-2015, the number of training hours per one employee was as follows: 43, 39, 43 and 33 hours, respectively.

TASKS IMPLEMENTED IN THE FIELD OF SECURITY AND PROTECTION OF INFORMATION PROCESSED IN THE KNF OFFICE

In 2016, tasks related to security and protection of information, physical protection, fire protection and defence preparations were carried out. The most important tasks were:

- fulfilment of obligations resulting from the provisions of the Act on the protection of classified information, the Act on the protection of personal data, the Act on the protection of persons and property, the Act on fire protection, and other industry acts,
- fulfilment of obligations related to defence planning and non-military defence preparations,
- ensuring the security of the processing of information protected by law or on the basis of internal regulations of the Office,
- ongoing cooperation with the National Crime Information Centre (KCIK),
- fulfilment of the obligation resulting from Article 47 of the Act on the organisation and operation of pension funds,
- cooperation with authorities and institutions operating in the field of state security in the area of counteracting threats to the security of the financial system,
- supervision and monitoring of IT security systems,
- supervision and monitoring of physical protection schemes in the premises and buildings of the Office,
- supervision and monitoring of tasks in the area of crisis management, contingency liquidity planning and business continuity.

Within the scope of the above tasks, during the period covered by the report, among others:

- information security audits were carried out, implementing the provisions of the Information Security Policy,
- theoretical and practical training on fire protection was provided for the employees designated for fire fighting and evacuation operations in the facilities of the KNF Office,
- the CCTV supervision system in the facilities of the KNF Office was modernised,
- basic and specialised training in first aid was provided for persons assigned to the aforementioned operations in the facilities of the KNF Office,
- tasks in the area of the Plan of checking compliance of personal data processing in the KNF Office with the provisions on personal data protection, in connection with the published changes in the law, were carried out,
- the implemented Business Continuity Plan of the KNF Office was tested and the Contingency Liquidity Plan of the KNF Office was updated,
- a document for the performance of tasks after the introduction of alert states was introduced,
- security audits of IT systems (external tests and security analysis of shared interactive network applications) were performed;
- the system of protecting classified information in the KNF Office, in particular related to the accreditation and certification of secure ICT systems, was strengthened,
- a platform for cooperation with the Serious Crime Police Department and the Government Protection Bureau on personal protection of the Chairman and Vice Chairmen of the KNF was developed,
- the technical protection systems in the 2nd protection zone were modernised,
- a series of defence training courses, which used the training base in the Military Unit proposed by the Armed Forces of the Republic of Poland, were implemented,
- the Operational Plan of Functioning of the Authority and the National Questionnaire of Non-Military Defence Preparations for KNF Office were updated.

INTERNAL CONTROLS AND COMPLAINTS ABOUT THE ACTIVITY OF THE OFFICE OF THE POLISH FINANCIAL SUPERVISION AUTHORITY AND THE CONDUCT OF EMPLOYEES OF THE OFFICE OF THE POLISH FINANCIAL SUPERVISION AUTHORITY

In 2016, the KNF Office carried out internal control tasks, which were aimed at, *inter alia*:

- ongoing check of the effectiveness of performing functional control in the Office of the Authority,
- control of compliance of the organisational units, working groups or committees, as well as persons performing business duties in them with the applicable legislation and internal regulations of the Office of the Authority,
- examination of the functioning of the Office of the Authority in terms of legality, purposefulness and timeliness in the tasks being carried out, and indication of the manner and means to be used to remove and prevent irregularities.

In the period between 1 January 2016 and 31 December 2016, the internal control unit of the KNF Office carried out 6 planned problem controls and initiated 1 *ad hoc* problem control.

In 2016, explanatory actions related to handling complaints and applications concerning work of the KNF Office and the conduct of employees of the Office were also taken. 52 letters from 42 applicants were received in this regard.

INTERNAL CONTROLS

The Supreme Audit Office (NIK) positively assessed the implementation of the state budget in 2015 in part 70 – the Polish Financial Supervision Authority. The Supreme Audit Office positively assessed the planning and implementation of budgetary revenue, the actions taken to recover receivables, and positively assessed the implementation of expenditure under the KNF's budget. The post-control letter for 2015 addressed to the Chairman of the KNF did not contain post-control conclusions.

Moreover, in 2016, the NIK carried out an inspection in the Office of the Polish Financial Supervision Authority the subject of which was “Supervision of the Bank Rzemiosła i Rolnictwa in Wołomin exercised by the Polish Financial Supervision Authority in 2013-2015.” The results and conclusions were reflected in the post-control letter of the NIK of 5 October 2016. The NIK was of the opinion that the KNF Office acted in accordance with the supervisory methodology adopted, and that the KNF took actions under the Act - Banking Law, which did not prevent the Bank's bankruptcy. The actions taken by the KNF and its Office in this case were assessed by the NIK as not fully reliable and ineffective. The NIK requested review and possible modification of the tools used for assessing the financial and economic situation of banks in the KNF Office, as well as the methodology of taking supervisory activities in order to respond to threats in the banks' operations more efficiently. In the substantiated objections to the post-control letter of the NIK of 12 October 2016, the Authority pointed out that the bankruptcy of the Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin resulted not only from the methodology of supervisory activities applied by the KNF Office, but rather from the criminal activity, which is currently in issue in criminal proceedings, consisting in, among other things, falsifying or making false credit records, including the valuation of real property used as collateral for loans. The problems identified in the Bank were mainly related to the documents prepared by certified surveyors and lack of authority of the KNF to re-verify them. Therefore, the KNF informed the NIK about the letter to the Minister of Finance concerning amendment to the provisions on the creation of provisions, postulating limitation of the possibility of lowering the provision base by the value of questionable valuations. In addition, it pointed to the need to increase the powers of the KNF regarding the possibility of commissioning revaluation of real property and increasing the effectiveness of supervisory measures under the Act - Banking Law.

9. APPENDICES

APPENDIX 1. INFORMATION ABOUT THE RESOLUTIONS, ADMINISTRATIVE RESOLUTIONS AND RULINGS ISSUED BY THE KNF IN 2016

Table 1.1. The number of resolutions adopted by the KNF in 2016

Subject of resolution	The number of adopted resolutions
Matters concerning the banking sector	
Permission to appoint a president of the management board of a bank	24
Permission to appoint a member of the management board of a bank	4
Permission to appoint a member of the management board of a bank supervising management of a market significant in the bank's operations	4
Permission to appoint a president of the management board of an institutional protection scheme	1
Permission to appoint a member of the management board of an institutional protection scheme	2
Permission to perform additional function of a member of the supervisory board by a member of the supervisory board	1
Permission to merge banks	3
Establishment of an officer supervising the execution of the programme of rehabilitation process	2
Confirmation of lack of grounds for filing the objection against the planned acquisition of shares	1
Stating lack of grounds for filing the objection against the planned becoming a bank's parent company	1
Granting permission to a bank to maintain a securities account and an omnibus account	1
Refusal to give permission to the appointment of the president of the management board of a bank	5
Refusal to grant permission to the acquisition of an organised part of a banking company	1
Indication of conditions which a branch of a credit union will be obliged to meet in the interest of the general good in conducting business on the territory of the Republic of Poland	2
Upholding a decision	2
Discontinuation of proceedings	14
Imposition of a fine on a bank	1
Permission to split a bank	1
Repealing of a decision	1
Suspension of a bank's activity	1
Public disclosure of information about the imposition of a fine on a bank	1
Other	22
Total	**95**
Matters concerning the sector of credit unions (SKOK)	
Appointment of a commissioned regulator	8
Refusal of approval on the position of a president of the management board of a SKOK	4
Approval on the position of a president of the management board of a SKOK	1
Permission to the appointment to the position of a member of the management board of the National Union	1
Total repealing of a decision	8
Discontinuation of administrative proceedings	18
Upholding a decision	6
Upholding a ruling	27
Suspension of a union's activity	5
Takeover of a union by a bank	3

Approval of a model agreement	1
Refusal to disqualify from participation in the examination of a request for review of a case	3
Refusal to suspend administrative proceedings	1
Imposition of an obligation to reimburse costs related to commissioning an entity authorised to audit financial statements on SKOK	4
Other	3
Total	**93**
Matters concerning the sector of payment services	
Permission to provide payment services as a domestic payment institution	2
Refusal to grant permission to provide payment services as a domestic payment institution	2
Imposition of fines on the BUP	278
Repealing of a decision and discontinuation of proceedings	6
Repealing of a decision and imposition of the smallest fine	16
Cancellation of permission to provide payment services as a domestic payment institution	1
Upholding a decision	33
Discontinuation of administrative proceedings	16
Other	1
Total	**355**
Matters concerning the insurance sector	
Permission to appoint a member of the management board of an insurance undertaking	17
Refusal to give permission to the appointment of a president of the management board of an insurance undertaking	2
Permission to appoint a president of the management board of an insurance undertaking	11
Permission to appoint a member of the management board of an insurance undertaking responsible for risk management	7
Imposition of a fine on an insurance undertaking	3
Discontinuation of proceedings	1
Upholding a decision	1
Repealing of a decision and imposition of a fine in the same amount	2
Repealing of a decision and imposition of a smaller fine	1
Lack of grounds for filing the objection against the acquisition of shares of a domestic insurance undertaking	3
Authorisation to pursue insurance activities	2
Notification of an intention to adopt a resolution to dissolve a branch of an insurance undertaking	1
Approval of the statutes of a newly created national insurance society	2
Other	4
Total	**57**
Matters concerning the pension sector	
Granting permission to change the statutes of a universal pension society	4
Granting permission to change the statutes of an open pension fund	9
Granting permission to shorten the deadline for entry into force of amendments to the statutes of an open pension fund	9
Permission to appoint a member of the management board of a universal pension society	4
Permission to change the statutes of an occupational pension fund	2
Granting permission to change the statutes of an occupational pension society	2
Granting permission to appoint a member of the management board of an occupational pension society	1
Granting permission to change the statutes of a voluntary pension fund	5
Granting permission to shorten the deadline for entry into force of amendments to the statutes of a voluntary pension fund	5
Imposition of a fine on an employer operating an occupational pension scheme	3
Cancellation of permission to establish an occupational pension society	1

Liquidation of an occupational pension fund	1
Other	1
Total	**47**
Matters concerning the capital and commodity market	
Granting authorisation to convert shares into certified form (rematerialisation of shares)	18
Granting permission to conduct brokerage	8
Cancellation of permission to conduct brokerage	1
Granting permission to conduct activity by a TFI	1
Granting permission to conduct activity by a TFI and permission to manage alternative investment funds	1
Refusal to grant permission to conduct activity by an investment fund management company	1
Imposition of fines on investment fund management companies	2
Imposition of fines on investment firms	2
Imposition of fines on issuers	11
Imposition of fines on open pension funds	2
Imposition of fines on natural persons	26
Upholding a decision	25
Upholding a ruling	1
Discontinuation of administrative proceedings	1
Repealing of a decision	11
Indefinite exclusion of a company's shares from trading on a regulated market	4
Refusal to reverse a decision	1
Deletion of an investment firm agent	9
Lack of grounds for filing the objection against the planned acquisition of shares in TFI	6
Raising objection against the planned acquisition of shares in a TFI	1
Disclosure of information on issuing an administrative resolution	33
Public disclosure of information on a remedy taken to counteract violation of provisions	2
Refusal to suspend administrative proceedings	1
Publication of a decision in the Official Journal of the Polish Financial Supervision Authority	5
Suspension of powers of a securities broker	1
Permission to changes in the composition of the Management Board of the GPW S.A.	3
Permission to changes in the composition of the Management Board of the BondSpot S.A.	1
Permission to change a depositary	14
Permission to changes in the composition of the Management Board of the TGE S.A.	1
Permission to the conclusion of agreement by a TFI, referred to in Article 46(3a) of the Act on investment funds and the management of alternative investment funds	1
Ordering a closed-end investment fund to change its statutes	1
Refusal to spread out receivables from a fine	4
Other	13
Total	**212**
Cross-sectoral matters and matters concerning internal organisation of work of the Authority	
Other	5
Total	**5**
TOTAL	**864**

Source: own calculations of the KNF Office

Table 1.2. The number of decisions and orders issued in 2016 on the basis of the authorisation granted by the KNF

Subject of decisions and orders	The number of decisions and orders issued
Matters concerning the banking sector	
Permission to include subordinated loan liabilities in own funds	10
Permission to include cash obtained from the issue of long-term bonds in supplementary funds	9
Permission to include profit for a given period in the Tier I core capital	27
Permission to classify the issued shares to the Tier I core capital	9
Permission for early repayment of funds from a subordinated loan, classified as the bank's supplementary funds	2
Recommendation to comply with the additional capital requirement for own funds	15
Discontinuation in other proceedings	10
Permission to limit the scope of translation of the consolidated financial statements	6
Refusal to initiate proceedings	15
Permission to entrust performance of activities other than those specified in Article 6a(1)(1)(a) of the Act - Banking Law by the entrepreneurs indicated in the decision on behalf of and for the Bank	2
Suspension of proceedings	10
Carrying out administrative proceedings despite failure to pay stamp duty	10
Approval of programmes of rehabilitation process	5
Permission to classify liabilities arising from the financial instruments issued by the Bank to the Tier I capital	5
Permission to classify cash of a bank gained from the issue of long-term bonds and subordinated loans as instruments to the Tier II capital	12
Permission to reduce own funds	534
Permission to include profit for a given period in the Tier I core capital	14
Presenting position on entering a bank into the list of guarantors referred to in Article 52(1) of the Act - Customs Law	27
Permission to classify shares contributed after 28 June 2013 to the Tier I capital	2
Decisions on the IPS (including: giving up, on an individual basis, the application of the provisions of Articles 412 and 414 of the CRR (in part relating to Article 412 of the CRR) by banks, which authorise them not to apply the requirements of Article 113(1) of the CRR in respect of exposures to banks with which banks jointed the Institutional Protection Scheme, allowing banks not to deduct participations in the Affiliating Bank held by them for the purpose of calculating own funds on an individual basis)	1413
Discontinuation of proceedings	8
Correction on writing errors and other obvious mistakes	4
Notification of the initiation of *ex officio* proceedings	1
Discontinuation of proceedings in relation to permission to appoint a member of the management board of a bank supervising the management of significant risk	4
Suspension of proceedings in relation to permission to appoint a member of the management board of a bank supervising the management of significant risk	1
Discontinuation of proceedings in relation to appointment of bank's president/ member of the management board (withdrawal of request)	2
Discontinuation of proceedings in cases concerning the prohibition to vote shares in a bank or the order to sell shares in a bank	1
Permission to introduce changes in the statutes of a bank	185
Discontinuation of proceedings in relation to changes in the statutes of a bank	7
Suspension of proceedings in relation to permission to introduce changes in the statutes of a bank	1
Completion of the decision on permission for changes in the statutes of a bank	2

Stating expiry of the authorisation to open a representative office of a foreign bank and a credit union	3
Appointment of a trustee and a deputy trustee	1
Permission to extend the area of operations of a cooperative bank	1
Permission to apply internal methods and other models and to introduce significant extensions/changes to internal methods	3
Other	19
Total	**2380**
Matters concerning the sector of payment services	
Upholding a ruling on the refusal to initiate administrative proceedings related to spreading out payment	1
Discontinuation of administrative proceedings	85
Refusal to extend the time for the submission of a request for review of a case	1
Refusal to initiate administrative proceedings	11
Return of the request for entry into the Register of Payment Services	1
Discontinuation of proceeding concerning the issue of a permission to provide payment services as a domestic payment institution and the change of this permission	2
Resumptions of suspended proceedings for granting permission to provide payment services as a domestic payment institution	1
Initiation of proceedings in relation to the expiry of permission to provide payment services as a domestic payment institution	1
Breaching the deadline	7
Total	**110**
Matters concerning the sector of credit unions (SKOK)	
Refusal of the request for the performance of the taking of evidence	57
Upholding the request for the performance of the taking of evidence	39
Refusal of the request for the inclusion of a document in the files of administrative proceedings	5
Refusal of the request for a hearing	4
Exclusion of a member of the KNF from participation in administrative proceedings	12
Refusal to allow for participation on the rights of a party	35
Allowing for participation in administrative proceedings on the rights of a party	6
Discontinuation in other proceedings	10
Exclusion of the Vice-Chairman of the KNF from participation in administrative proceedings (including refusal)	5
Exclusion of an employee of the KNF Office from participation in administrative proceedings (including refusal)	1
Upholding a ruling on the refusal to allow for participation of a social organisation in proceedings	2
Discontinuation of proceedings in relation to the possibility of reviewing the case file as irrelevant	1
Declaring inadmissibility of fling a request for review of a case	1
Approval of changes to the statutes of the SKOK	20
Discontinuation of proceedings in relation to the approval/appointment of the president of the management board of SKOK	9
Other	23
Total	**230**
Matters concerning the insurance sector	
Decision issued in accordance with Article 361(2) of the Act on insurance and reinsurance activities	2
Notification of the initiation of administrative proceedings	10
Approval of changes to the statutes of an insurance undertaking	35
Decision issued pursuant to Article 73(1)(d) of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014	1
Entry into the actuarial register	35
Repealing of a decision appealed against and discontinuation of proceedings	2
Suspension of proceedings	2

Setting a new date to deal with the case	70
Discontinuation of proceedings	35
Upholding a decision appealed against	1
Return of the request	3
Permission to conduct brokerage in an insurance undertaking	86
Permission to conduct brokerage in the area of reinsurance	6
Imposition of a fine	9
Cancellation of permission to conduct brokerage	40
Issue of a decision pursuant to Article 155 of the Code of Administrative Procedure on the issuance of a decision amending decision on granting permission to conduct brokerage	1
Refusal to initiate proceedings	32
Refusal of suspension	1
Refusal to issue a certificate	1
Total repealing of proceedings	5
Upholding a ruling	13
Total	**390**
Matters concerning the pension sector	
Permission to appoint a member of the supervisory board of a universal pension society	10
Granting permission to appoint a member of the supervisory board of an occupational pension society	1
Permission to amend the agreement on the safekeeping of assets of an open pension fund	1
Permission to amend the agreement on the safekeeping of assets of a voluntary pension fund	3
Permission to amend the agreement on the safekeeping of assets of an occupational pension fund	1
Permission to change a depositary of an open pension fund	1
Permission to change a depositary of a voluntary pension fund	1
Entry of an occupational pension scheme into the register	23
Entry of changes to an occupational pension scheme into the register	155
Deletion of an occupational pension scheme from the register	40
Entry of an agreement on limiting the amount of premiums charged into the register	3
Entry of an agreement on suspension of charging and transferring premiums into the register	4
Refusal to enter changes to an occupational pension scheme into the register	1
Refusal to delete an occupational pension scheme from the register	2
Resumption of suspended proceedings	22
Suspension of proceedings	27
Discontinuation of proceedings	9
Extension of the time for removal of formal irregularities/irregularities	9
Setting a new date to deal with the case	6
Conducting one proceeding concerning requests for review of a case	1
Return of the request	1
Determining the weighted average return rate of pension funds	2
Notification of irregularities identified in the activities of a pension fund, a pension society or a depositary's bank	16
Approval of the report on activities of the KDPW S.A. in managing the Guarantee Fund for 2015	1
Approval of the financial statements of an occupational pension fund in liquidation drawn up on the day of completion of liquidation	1
Permission to extend the period for adjusting investment activity to statutory requirements	1
Total	**342**
Matters concerning the capital and commodity market	
Suspension of administrative proceedings	68

Refusal to take into consideration a demand made by a party to the proceedings related to the evidentiary process	19
Repealing of a ruling refusing to take into consideration a demand made by a party to the proceedings related to the evidentiary process	1
Initiation of administrative proceeding *ex officio*	53
Stating expiry of a decision	4
Refusal to discontinue implementation of a decision	5
Correction of an obvious mistake	1
Breaching the deadline for bringing the application for review of a case	2
Repealing of a ruling on breaching the deadline for bringing the application for review of a case	1
Refusal to initiate administrative proceedings	4
Initiation of administrative proceedings	38
Initiation of proceedings on the request to change the letter of a takeover bid	2
Request to change the letter of a takeover bid	2
Demand to discontinue trading in shares of a public company	30
Discontinuation of administrative proceedings	127
Refusal to designate a company as an information agency	1
Request to the GPW w Warszawie S.A. for expressing opinion in administrative proceedings	2
Granting costs of attendance of a witness	3
Permission to extend the scope of activity of an investment fund management company by management of portfolios, including one financial instruments or more	2
Permission to the internal merger of two sub-funds of an open-end investment fund or specialised open-end investment fund	7
Permission to manage securitised liabilities of a securitisation fund by an entity other than a company	3
Permission to change the statutes of an investment fund, including shortening the date of entry into force of amendments to the fund's statutes	56
Permission to create a public closed-end investment fund, which is equivalent to the approval of the prospectus of investment certificates	2
Permission to establish a specialised open-end investment fund	3
Permission to establish an open-end investment fund	3
Approval of a prospectus of investment certificates of a closed-end investment fund	8
Approval of a supplement to the prospectus of investment certificates of a closed-end investment fund	35
Permission to mediate in the sale or repurchase of units of investment funds or units of foreign funds	4
Refusal to grant permission to mediate in the sale or repurchase of units of investment funds or units of foreign funds	1
Permission to the conclusion of agreement by the investment fund management company, referred to in Article 46(3a) of the Act on investment funds and the management of alternative investment funds	3
Order to discontinue public offering	1
Refusal to give permission to propose a price in the takeover bid not meeting the criteria referred to in Article 79(1)(1) and Article 79(2) and (3) of the Act on public offering, conditions governing the introduction of financial instruments to organised trading and on public companies	1
Repealing of a decision indicating a company as an information agency	3
Change of a decision	3
Requesting a company running the regulated market for an opinion with regard to a violation of disclosure requirements by an issuer	2
Obliging to pay a fee for entry of securities into the register of financial instruments	1
Correction of the content of a decision	1
Approval of the prospectus	40
Approval of an information memorandum	3
Approval of a supplement to the prospectus	96
Approval of a supplement to an information memorandum	4

Partial repealing of permission to conduct brokerage	3
Permission to maintain stock exchange registers or accounts	3
Approval of changes to the Regulations of the Krajowy Depozyt Papierów Wartościowych S.A.	3
Approval of changes to the Regulations of settling transactions of the KDPW_CCP S.A.	3
Permission to the amendments in the Statutes of the Towarowa Giełda Energii S.A.	3
Permission to the amendments in the Regulations of trading in the Exchange Commodity Market of the Towarowa Giełda Energii S.A.	2
Permission to the amendments to the Regulations of the Giełda Papierów Wartościowych w Warszawie S.A.	1
Entry into the list of investment advisers	33
Entry into the list of securities brokers	67
Entry into the register of agents of investment firms	62
Stating the need to complete an adaptation period or sit for an aptitude test on the performance of a regulated profession	1
Objection against the permission to conduct brokerage/fiduciary activity	4
Stating expiry of a permission	2
Refusal to discontinue administrative proceedings initiated *ex officio*	1
Authorisation under Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit unions and investment firms and amending Regulation (EU) No. 648/2012	41
Refusal to initiate proceedings under Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit unions and investment firms and amending Regulation (EU) No. 648/2012	1
Discontinuation of proceedings initiated under Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit unions and investment firms and amending Regulation (EU) No. 648/2012	7
Suspension of proceedings initiated under Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit unions and investment firms and amending Regulation (EU) No. 648/2012	1
Other	11
Total	**894**
Matters concerning other areas	
Ruling pursuant to Article 49a (11) and (13) of the Geological and mining law	9
Total	**9**
TOTAL	**4355**

Source: own calculations of the KNF Office

APPENDIX 2. ISSUERS WHOSE PROSPECTUSES WERE APPROVED BY THE KNF IN 2015, ISSUERS WHOSE MEMORANDA WERE APPROVED AND IN THE CASE OF WHOM THE EQUIVALENCE TO THE PROSPECTUS REQUIREMENTS WAS FOUND IN 2015, AND CLOSED-END PUBLIC INVESTMENT FUNDS WHOSE PROSPECTUSES WERE APPROVED BY THE KNF IN 2016

Table 2.1. Issuers whose prospectuses were approved by the KNF in 2016

No.	Issuer	Date of approval of the prospectus
1.	Ghelamco Invest Sp. z o.o.	29 January 2016
2.	Kruk S.A.	4 February 2016
3.	Integer.pl S.A.	19 February 2016
4.	Archicom S.A.	29 February 2016
5.	JWW Inwest S.A.	17 March 2016
6.	Ursus S.A.	18 March 2016

7.	MW Trade S.A.	21 March 2016
8.	GekoPlast S.A.	22 March 2016
9.	PCC Rokita S.A.	23 March 2016
10.	i2Development S.A.	30 March 2016
11.	Polski Bank Komórek Macierzystych S.A.	1 April 2016
12.	Alior Bank S.A.	12 April 2016
13.	XTB Brokers S.A.	13 April 2016
14.	Airway Medix S.A.	21 April 2016
15.	Auto Partner S.A.	29 April 2016
16.	Bank Pocztowy S.A.	16 May 2016
17.	Alior Bank S.A.	18 May 2016
18.	PCC Exol S.A.	10 June 2016
19.	IZO-BLOK S.A.	17 June 2016
20.	Reino Dywidenda Plus S.A.	23 June 2016
21.	Media Cap S.A.	22 July 2016
22.	Sfinks S.A.	27 July 2016
23.	Vivid Games S.A.	3 August 2016
24.	Everest Investment S.A.	5 August 2016
25.	PGS Software S.A.	8 August 2016
26.	Mex Polska S.A.	11 August 2016
27.	mBank Hipoteczny S.A.	26 August 2016
28.	Celon Pharma S.A.	30 August 2016
29.	Mercator Medical S.A.	31 August 2016
30.	Setanta S.A.	19 September 2016
31.	Play Way	21 September 2016
32.	Stelmet S.A.	23 September 2016
33.	Best S.A.	3 October 2016
34.	Getin Noble Bank S.A.	11 October 2016
35.	Artifex Mundi S.A.	12 October 2016
36.	Open Finance S.A.	18 November 2016
37.	Kruk S.A.	24 November 2016
38.	GPW S.A.	29 November 2016
39.	TXM S.A.	2 December 2016
40.	MDI Energia S.A.	29 December 2016

Source: own calculations of the KNF Office

Table 2.2. Memoranda of the issuers approved by the KNF and whose equivalence to the prospectus was found by the KNF in 2016

No.	Issuer	Date
1.	Zetkama S.A.	11 March 2016
2.	KCI S.A.	18 March 2016
3.	EDF Energia S.A.	12 August 2016

Source: own calculations of the KNF Office

Table 2.3. Closed-end public investment funds whose prospectuses were approved by the KNF in 2016

No.	Name of the fund	Date of approval of the prospectus
1.	KBC Alokacji Sektorowych FIZ	13 January 2016
2.	PKO Strategii Obligacyjnych FIZ	22 March 2016
3.	Trigon Polskie Perły FIZ	16 May 2016
4.	PKO Globalnej Strategii FIZ	19 May 2016
5.	Open Finance Obligacji Przedsiębiorstw Rentier FIZ	25 May 2016
6.	PKO Absolutnej Stopy Zwrotu Europa Wschód – Zachód - FIZ	30 May 2016
7.	Quercus Multistrategy FIZ	5 October 2016
8.	PZU Akord FIZ	24 November 2016

Source: own calculations of the KNF Office

APPENDIX 3. THE LIST OF ITEMS OF THE OFFICIAL JOURNAL OF THE POLISH FINANCIAL SUPERVISION AUTHORITY ISSUED IN 2016

1) Item 1 of 26 January 2016. Communication of the Polish Financial Supervision Authority of 20 January 2016 on the amount of the maximum actuarial interest rate.
2) Item 2 of 27 January 2016. Communication No. 184 of the Examination Board for Investment Advisers of 21 January 2016 on the date, scoring rules and completing tasks of the third stage of the examination for an investment adviser.
3) Item 3 of 29 February 2016. Resolution No. 61/2016 of the Polish Financial Supervision Authority of 19 January 2016 on the "Rules of the Arbitration Court at the Polish Financial Supervision Authority."
4) Item 4 of 29 February 2016. Resolution No. 68/2016 of the Polish Financial Supervision Authority of 9 February 2016 on the issue of Recommendation C on the rules for keeping the register of collateral of covered bonds by mortgage banks.
5) Item 5 of 15 March 2016. Notice of the Polish Financial Supervision Authority on the decision on the imposition of a fine by means of decision No. DPP/WPO/476/51/29/14/15/AK.
6) Item 6 of 15 March 2016. Notice of the Polish Financial Supervision Authority on the decision on the imposition of a fine by means of decision No. DPP/WPO/476/27/25/14/16/MZ.
7) Item 7 of 15 March 2016. Notice of the Polish Financial Supervision Authority on the decision on the imposition of a fine by means of decision No. DPP/WPO/476/32/30/14/16/MZ.
8) Item 8 of 31 March 2016. Communication of the Chairman of the Polish Financial Supervision Authority of 24 March 2016 on the value of costs of supervising payment service offices in 2015 and the maximum amount due from all payment service offices in 2015.
9) Item 9 of 11 April 2016. Communication of the Polish Financial Supervision Authority of 1 March 2016 on entities entered into the register of agents of investment firms as of the close-out day.
10) Item 10 of 15 April 2016. Resolution No. 228/2016 of the Polish Financial Supervision Authority of 22 March 2016 on recommendations for insurance undertakings on the product adequacy assessment.
11) Item 11 of 15 April 2016. Resolution No. 229/2016 of the Polish Financial Supervision Authority of 22 March 2016 on recommendations for insurance undertakings on the product management system.
12) Item 12 of 19 April 2016. Communication No. 187 of the Examination Board for Investment Advisers of 14 April 2016 on the date, content of problem tasks, scoring rules and completing tasks of the second stage of the examination for an investment adviser.
13) Item 13 of 29 April 2016. Notice of the Polish Financial Supervision Authority on the decision on the imposition of a fine by means of decision No. DPP/WPO/476/14/18/15/16/AK.
14) Item 14 of 4 July 2016. Resolution No. 352/2016 of the Polish Financial Supervision Authority of 24 May 2016 on the issue of "Recommendations for the provision of brokerage services on the OTC derivatives market."
15) Item 15 of 4 July 2016. Resolution No. 351/2016 of the Polish Financial Supervision Authority of 24 May 2016 on the issue of Recommendation C on the exposure concentration risk management.
16) Item 16 of 8 July 2016. Resolution No. 458/2016 of the Polish Financial Supervision Authority of 21 June 2016 on the issue of Recommendations on the process of determining and paying compensation for non-material damage from contracts of motor third party liability insurance.
17) Item 17 of 8 July 2016. Communication No. 189 of the Examination Board for Investment Advisers of 29 June 2016 on the date, scoring rules and completing tasks of the third stage of the examination for investment advisers.
18) Item 18 of 22 July 2016. Communication No. 190 of the Examination Board for Investment Advisers of 1 July 2016 on the date of the first stage of the examination for an investment adviser.
19) Item 19 of 22 July 2016. Communication No. 191 of the Examination Board for Investment Advisers of 1 July 2016 on the thematic scope of the examination for an investment adviser.
20) Item 20 of 25 July 2016. Communication No. 1/2016 of the Examination Board for Securities Brokers of 18 July 2016 on the date of the examination for securities brokers and the supplementary examination.
21) Item 21 of 25 July 2016. Communication No. 2/2016 of the Examination Board for Securities Brokers of 18 July 2016 on thematic scope of the examination for securities brokers and the supplementary examination.
22) Item 22 of 29 July 2016. Communication of the Chairman of the Polish Financial Supervision Authority of 27 July 2016 on the value of total balance sheet assets of all credit unions and the amount of costs of supervising credit unions and the National Association in 2015.

23) Item 23 of 19 August 2016. Communication of the Chairman of the Polish Financial Supervision Authority of 17 August 2016 on costs of supervising payment institutions in 2015, the sum of fees paid by all domestic payment institutions in 2015 and the maximum amount due from all domestic payment institutions for 2015.
24) Item 24 of 22 August 2016. Notice of the Polish Financial Supervision Authority of 22 August 2016 on the decision on the imposition of a fine by means of decision No. DPP/WPO/476/95/7/2015/2016/JC.
25) Item 25 of 23 August 2016. Communication No. 193 of the Examination Board for Investment Advisers of 22 August 2016 on dates of aptitude tests.
26) Item 26 of 23 August 2016. Communication No. 194 of the Examination Board for Investment Advisers of 22 August 2016 on thematic scope of aptitude tests.
27) Item 27 of 31 August 2016. Communication of the Chairman of the Polish Financial Supervision Authority of 30 August 2016 on the amount of rates in force in 2016 for groups referred to in § 22 of Regulation of the Minister of Finance on fees to cover the cost of capital market supervision.
28) Item 28 of 1 September 2016. Communication of the Chairman of the Polish Financial Supervision Authority of 31 August 2016 on the amount of the gross written premium of insurance and reinsurance undertakings and the amount of costs of supervising insurance and reinsurance activities and activity related to insurance mediation in 2015.
29) Item 29 of 30 September 2016. Communication of the Chairman of the Polish Financial Supervision Authority of 27 September 2016 on the value of the weighted rate used to calculate payment which the banks are obliged to make to cover the supervision cost applicable in 2016.
30) Item 30 of 30 September 2016. Communication of the Chairman of the Polish Financial Supervision Authority of 27 September 2016 on the value of the weighted rate used to calculate payment which the insurance and reinsurance undertakings are obliged to make to cover the supervision cost applicable in 2016.
31) Item 31 of 4 October 2016. Resolution No. 615/2016 of the Polish Financial Supervision Authority of 30 August 2016 on the issue of Recommendation D-SKOK on the management of information technology and ICT environment security at credit unions.
32) Item 32 of 19 October 2016. Resolution No. 684/2016 of the Polish Financial Supervision Authority of 27 September 2016 on the issue of Recommendation E-SKOK on good practices in the management of operational, interest rate, liquidity and concentration risk in credit unions.
33) Item 33 of 19 October 2016. Resolution No. 703/2016 of the Polish Financial Supervision Authority of 27 September 2016 on the establishment of a distinction under the name “Ambassador of mediation in the financial market” and rules for granting it.
34) Item 34 of 19 October 2016. Resolution No. 704/2016 of the Polish Financial Supervision Authority of 27 September 2016 amending Resolution of the Polish Financial Supervision Authority on the establishment of a distinction under the name “Financial institution friendly to mediation” and rules for granting it.
35) Item 35 of 14 November 2016. Communication from the Polish Financial Supervision Authority of 27 October 2016 on changes to data included on the list of securities brokers and the list of investment advisers.
36) Item 36 of 23 December 2016. Communication No. 3/2016 of the Examination Board for Securities Brokers of 23 December 2016 on the date of the examination for a securities broker.
37) Item 37 of 23 December 2016. Communication No. 4/2016 of the Examination Board for Securities Brokers of 23 December 2016 on the thematic scope of the examination for a securities broker.
38) Item 38 of 23 December 2016. Communication No. 197 of the Examination Board for Investment Advisers of 23 December 2016 on the date of the first stage of the examination for an investment adviser.
39) Item 39 of 23 December 2016. Communication No. 198 of the Examination Board for Investment Advisers of 23 December 2016 on the thematic scope of the examination for an investment adviser.

Source: own calculations of the KNF Office

APPENDIX 4. THE LIST OF REGULATIONS AND DRAFT REGULATIONS BEING THE SUBJECT OF WORK OR OPINIONS OF THE KNF OFFICE IN 2016

Table 4.1. The list of regulations being the subject of work or opinions of the KNF Office in 2016

No.	Regulation
1.	Regulation of the Minister of Economic Development and Finance of 13 October 2016 on the documents attached to notices of the intention to acquire or purchase shares or rights in shares of a domestic insurance or reinsurance undertaking, or of the intention to become the parent entity of such an undertaking (Dz.U.2016.1772).
2.	Regulation of the Minister of Economic Development and Finance of 9 December 2016 on the examination of the solvency and financial condition report of insurance and reinsurance undertakings by an entity authorised to audit financial statements (Dz.U.2016.2027).
3.	Regulation of the Minister of Economic Development and Finance of 20 December 2016 on the adaptation period during the procedure for the recognition of the qualifications to act as an actuary and the aptitude test carried out in the course of this procedure (Dz.U.2016.2222).
4.	Regulation of the Minister of Finance of 29 April 2016 on additional financial statements and statistical reports of insurance and reinsurance undertakings (Dz.U.2016.634).
5.	Regulation of the Minister of Economic Development and Finance of 21 November 2016 on special accounting principles and reports on the activities of the Insurance Guarantee Fund (Dz.U.2016 r.1903).
6.	Regulation of the Minister of Economic Development and Finance of 14 December 2016 on statistical data on co-insurance (Dz.U.2016.2121).
7.	Regulation of the Minister of Economic Development and Finance of 5 October 2016 on documents related to the conclusion and execution of insurance contracts drawn up in electronic form (Dz.U.2016.1693).
8.	Regulation of the Minister of Finance of 12 April 2016 on special accounting principles of insurance and reinsurance undertakings (Dz.U.2016.562).
9.	Regulation of the Minister of Finance of 8 July 2016 on data collected in the computerised database of the Insurance Guarantee Fund (Dz.U.2016.1040).
10.	Regulation of the Minister of Agriculture and Rural Development of 18 April 2016 on the method of accounting for subsidies by insurance undertakings, model document on which the accounting is done and the mode of submitting and the model report (Dz.U.2016.593).
11.	Regulation of the Minister of Economic Development and Finance of 19 December 2016 on compulsory insurance against civil liability for a qualified trust service provider (Dz.U.2017.13).
12.	Regulation of the Minister of Sport and Tourism of 9 November 2016 on the Central Register of Tourism Organisers and Intermediaries (Dz.U.2016.1861).
13.	Regulation of the Minister of Sport and Tourism of 21 November 2016 on the model declaration submitted by tourism organisers and intermediaries to the Insurance Guarantee Fund (Dz.U.2016.1901).
14.	Regulation of the Minister of Sport and Tourism of 21 November 2016 on the amount of contribution to the Tourist Guarantee Fund (Dz.U.2016.1900).
15.	Regulation of the Minister of Sport and Tourism of 21 November 2016 on the scope of the quarterly information on the use of funds of the Tourist Guarantee Fund (Dz.U.2016.1893).
16.	Regulation of the Minister of Economic Development and Finance of 21 November 2016 amending Regulation on compulsory insurance for clients in connection with the activities carried out by tourism organisers and intermediaries (Dz.U.2016.1891).
17.	Regulation of the Minister of Finance of 30 August 2016 on detailed requirements to be met by remuneration policy of the ASI manager (Dz.U.2016.1475).
18.	Regulation of the Minister of Finance of 30 August 2016 on detailed requirements to be met by remuneration policy in an investment fund management company (Dz.U.2016.1487).
19.	Regulation of the Minister of Finance of 1 July 2016 on the types of variable costs which total costs are reduced by when calculating the level of equity of a manager (Dz.U.2016.1014).
20.	Regulation of the Minister of Finance of 18 May 2016 on examinations for securities broker and investment advisor, and on the aptitude test (Dz.U.2016.707).
21.	Regulation of the Minister of Finance of 18 May 2016 on model applications for entry into the list of securities brokers and into the list of investment advisers (Dz.U.2016.721).

22.	Regulation of the Minister of Finance of 4 May 2016 on the listing of titles which authorise to apply for entry into the list of securities brokers or investment advisers (Dz.U.2016.658).
23.	Regulation (EU) 2016/1011 of the European Parliament and of the Council on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 - OJ EU L 171 of 20.06.2016, p. 1.
24.	Regulation of the Minister of Finance of 19 April 2016 amending Regulation on time limits for payment, amount and manner of calculation of due payment to cover the cost of activities of the Financial Ombudsman and his Office (Dz.U.2316.557).
25.	Regulation of the Minister of Finance of 7 June 2016 on the list of financial instruments (Dz.U.2016.819).
26.	Regulation of the Prime Minister of 12 May 2016 on periodic information provided to the coordinator of the system for the recognition of professional qualifications in regulated professions and regulated activities in the Republic of Poland by the competent authorities (Dz.U.2016.732).
27.	Regulation of the Minister of Economic Development and Finance of 17 November 2016 on the manner of maintaining the register of the ASI managers by the Polish Financial Supervision Authority (Dz.U.2016.1882).
28.	Regulation of the Minister of Economic Development and Finance of 27 December 2016 on technical measures and conditions for transmission of certain information by entities supervised by the Polish Financial Supervision Authority (Dz.U.2016.2288).
29.	Regulation of the Minister of Justice of 19 December 2016 on the register of investment funds (Dz.U.2016. 2188).
30.	Regulation of the Minister of Economic Development and Finance of 27 December 2016 amending Regulation on fees to cover the cost of capital market supervision (Dz.U.2016.2291).
31.	Regulation of the Minister of Science and Higher Education of 16 November 2016 on documents in the procedure for the recognition of professional qualifications to perform a regulated profession or to undertake or pursue regulated activities in the Republic of Poland (Dz.U.2016.2006).
32.	Regulation of the Minister of Finance of 19 September 2016 on the authorisation to recognise the qualifications to perform regulated professions acquired in Member States of the European Union (Dz.U.2016.1563).
33.	Regulation of the Minister of Economic Development and Finance of 12 December 2016 on the adaptation period and carrying out the aptitude test being the basis for the recognition of qualifications to perform the profession of a securities broker and an investment adviser (Dz.U.2016.2141).
34.	Regulation of the Minister of Finance of 13 January 2016 on detailed conditions to be met by the regulated market and an auction platform (Dz.U.2016.139).
35.	Regulation of the Minister of Finance of 1 July 2016 on types of exposure of brokerage houses excluded from the limits of large exposures (Dz.U.2016.1021).
36.	Regulation of the Minister of Finance of 27 June 2016 on the treatment of qualifying holdings of non-financial businesses, referred to in Article 89(3) of Regulation 575/2013, by brokerage houses (Dz.U.2016.986).
37.	Regulation of the Minister of Finance of 22 February 2016 on the form and manner of preparing data and information for supervision purposes by insurance and reinsurance undertakings (Dz.U.2016.236).
38.	Regulation of the Minister of Economic Development and Finance of 9 December 2016 on the actuarial examination (Dz.U.2016.2182).
39.	Regulation of the Minister of Economic Development and Finance of 12 December 2016 on the regulations of the Examination Committee for Actuaries, the remuneration of its members and the examination fees (Dz.U.2016.2068).
40.	Regulation of the Minister of Finance of 18 March 2016 on data collected by the Polish Insurance Association on insurance statistics (Dz.U.2016.378).
41.	Regulation of the Minister of Finance of 10 June 2016 on the recognition of professional practice of candidates for actuaries done outside the Republic of Poland (Dz.U.2016.829).

Source: own calculations of the KNF Office

Table 4.2. The list of draft regulations being the subject of work or opinions of the KNF Office in 2016

No.	Draft regulation
1.	Draft Regulation of the Minister of Finance on higher risk weight for exposures secured by mortgages on immovable property, referred to in Article 124(2) of Regulation No. 575/2013.
2.	Draft Regulation of the Minister of Economic Development and Finance on the manner of determining the risk profile of banks and branches of foreign banks and taking this profile into account in determining contributions to the guarantee fund of banks.
3.	Draft Regulation of the Minister of Finance on detailed scope, mode and dates for submitting information to the Bank Guarantee Fund necessary for the performance of its tasks and on the verification of correctness of information provided.
4.	Draft Regulation of the Minister of Finance on detailed rules for setting contributions for the financing of resolution in respect of branches of foreign banks based on risk.
5.	Draft Regulation of the Minister of Finance on detailed rules for setting contributions for the financing of resolution of unions based on risk.
6.	Draft Regulation of the Minister of Finance on the manner of determining the risk profile of credit unions and considering this profile in determining contributions to the guarantee fund of unions.
7.	Draft Regulation of the Minister of Finance on providing the Bank Guarantee Fund with statutes.
8.	Draft Regulation of the Minister of Finance on the criteria and manner of conducting the supervisory review and evaluation process referred to in Article 133a of the Act - Banking Law.
9.	Draft Regulation of the Minister of Finance on detailed scope of information referred to in Article 22a(2) Act - Banking Law, documents to be attached to the application referred to in Article 22b(1) Act - Banking Law, and the list of documents referred to in Article 31(2)(3) of the Act - Banking Law.
10.	Draft Regulation of the Minister of Finance on the list of documents attached by the bank to the application for permission to entrust an entrepreneur or a foreign entrepreneur with intermediation in certain activities.
11.	Draft Regulation of the Minister of Finance on the manner of maintaining a list of holding companies, the mode of submitting and updating notifications of holding companies and the model notification of a holding company.
12.	Draft Regulation of the Minister of Finance on the manner of maintaining and model register of liabilities listed in the subparticipation agreement.
13.	Draft Regulation of the Minister of Finance on the risk management system and the internal control system, the remuneration policy and a detailed manner of estimating internal capital.
14.	Draft Regulation of the Minister of Finance on special accounting rules for credit unions.
15.	Draft Regulation of the Minister of Finance on detailed conditions for burden-sharing by shareholders and subordinated creditors for the conclusion of a prudential guarantee agreement by the institution.
16.	Draft Regulation of the Minister of Finance on detailed scope of data exchanged between institutions established under the banking law and loan institutions and other entities.
17.	Draft Regulation of the Minister of Finance on the application for support for borrowers in financial difficulty who have taken out a housing loan.
18.	Draft Regulation of the Minister of Economic Development and Finance amending Regulation on additional financial statements and statistical reports of insurance and reinsurance undertakings.
19.	Draft Regulation of the Minister of Finance on the scope of information presented in financial statements of alternative investment firms.
20.	Draft Regulation of the Minister of Finance on disclosure requirements of alternative investment fund managers, supplementing the scope of information to be included in the reporting forms presented in Annex IV to Regulation 231/2013 and the form and manner of completing these forms.
21.	Draft Regulation of the Minister of Finance amending Regulation on the prospectus of an open-end investment fund and specialised open-end investment fund, and the calculation of the profit-to-risk ratio of these funds.
22.	Draft Regulation of the Minister of Finance on the manner, mode and conditions of conducting activities by investment fund management companies.
23.	Draft Regulation of the Minister of Finance on the conclusion of contracts, the subject of which are derivatives, including non-standardised derivatives, by a specialised open-end investment fund.

24.	Draft Regulation of the Minister of Finance on the maximum exposure limit of the AIF.
25.	Draft Regulation of the Minister of Finance amending Regulation on the conclusion of contracts, the subject of which are derivatives, including non-standardised derivatives, by an open-end investment fund.
26.	Draft Regulation of the Minister of Finance amending Regulation on making deposits, whose subject are derivatives and certain property rights, by a closed-end investment fund.
27.	Draft Regulation of the Minister of Finance amending Regulation on special accounting rules for brokerage houses, pursuant to Article 81(2)(2) of the Accounting Act of 29 September 1994 on accounting.
28.	Draft Regulation of the Minister of Finance amending Regulation on the scope, mode and form and dates for submitting information by investment firms, banks referred to in Article 70(2) Act on trading in financial instruments.
29.	Draft Regulation of the Minister of Finance on detailed technical and organisational conditions for investment firms, banks and custodian banks.
30.	Draft Regulation of the Minister of Finance on internal capital, risk management system, supervisory assessment programme and supervisory review and evaluation, as well as remuneration policy in a brokerage house.
31.	Draft Regulation of the Minister of Finance on the transfer of contributions to the Bank Guarantee Fund in the form of obligations to pay by banks, branches of foreign banks, investment firms, credit unions and the National Association.
32.	Draft Regulation of the Prime Minister on reporting templates, explanations as to how complete them, and outlines of questionnaires and statistical surveys determined in the programme of statistical research of public statistics for 2017.
33.	Draft Regulation of the Minister of Finance on contribution paid by insurance undertakings for an IT database maintained by the Insurance Guarantee Fund.
34.	Draft Regulation of the Minister of Economic Development and Finance on compulsory insurance against civil liability of an entity authorised to carry out technical inspections of commercial yachts.
35.	Draft Regulation of the Minister of Finance amending Regulation on the scope, mode and form and dates for submitting information by investment firms, banks referred to in Article 70(2) of the Act on trading in financial instruments, and custodian banks.
36.	Draft Regulation of the Minister of Finance on detailed technical and organisational conditions for investment firms, banks and custodian banks.
37.	Draft Regulation of the Minister of Finance on internal capital, risk management system, supervisory assessment programme and supervisory review and evaluation, as well as remuneration policy in a brokerage house.
38.	Draft Regulation of the Minister of Finance on the register of financial instruments.

Source: own calculations of the KNF Office

APPENDIX 5. PROTECTION OF MARKET PARTICIPANTS - ANALYTICAL WORK CARRIED OUT BY THE KNF OFFICE

Table 5.1. Protection of financial market participants - analytical work carried out by the KNF Office in 2016 in the area of incorrect practices adopted by the entities

Banking sector
Analysis of the practice of one of the banks regarding correctness of recording credit agreements and mortgage loan agreements in the bank's IT system.
Analysis of the practice of two banks regarding correctness of transferring input data to the BIK S.A.
Analysis of the practice of two banks regarding correctness of debt collection.
Analysis of the practice of one of the banks regarding the processing of applications from the clients to reduce the mortgage loan margin.
Analysis of the practice of one of the banks regarding correctness of the execution of orders placed on a day that is not a working day.
Analysis of the practice of one of the banks regarding correctness of charging for the use of a credit card.
Analysis of the practice of one of the banks regarding the cession of credit claims of the clients who reported cases of credit fraud with an ID stolen from them.

Analysis of the practice of one of the banks regarding the rules of charging for cash withdrawals from the ATMs.
Analysis of the practice of one of the banks regarding the rules of calculating interest on deposits.
Analysis of the practice of one of the banks regarding the rules for the conclusion of remote credit agreements.
Analysis of the practice of one of the banks regarding the processing of personal data of clients in the process of selling receivables.
Analysis of the practice of one of the banks regarding the offering and sale of insurance product through remote access channels.
Analysis of the practice of one of the banks regarding monitoring of collateral of mortgage credits in the form of cession of receivables from the insurance contract.
Analysis of the practice of one of the banks regarding the scope of distribution of units of an investment fund and presentation of the current valuations of units of the above-mentioned fund in the bank's electronic banking system.
Analysis of the practice of one of the banks regarding the rules of booking payments of the clients made in the bank’s cash deposit machines.
Analysis of the practice of one of the banks regarding correctness of settlement of fixed-term deposits.
Analysis of the practice of two banks regarding communication and cooperation of a bank with the heirs.
Analysis of the practice of one of the banks regarding presentation of an announcement on the rules of complaining on the bank's website.
Analysis of the practice of one of the banks regarding collection of charges for low down payment insurance.
Analysis of the practice of one of the banks regarding booking of credit card transactions.
Analysis of the practice of one of the banks regarding the correctness of execution of orders to close a credit card agreement.
Analysis of the practice of two banks regarding the implementation of the provisions of Article 54(1) of the Act of 29 August 1977 Banking Law.
Analysis of the practice of one of the banks regarding calculation of interest on a mortgage loan.
Analysis of the practice of one of the banks regarding the verification of data of the clients by employees of the bank's helpline.
Analysis of the practice of one of the banks regarding the transfer of funds from a completed fixed-term deposit in Euro to another bank.
Analysis of the practice of one of the banks regarding blocking of funds to execute the transfer order.
Analysis of the practice of one of the banks regarding the provision of authorisation codes via text messages.
Analysis of the practice of one of the banks regarding updating and presenting the balance of the credit card account in the Internet banking system.
Analysis of the practice of one of the banks regarding booking of payment card transactions.
Analysis of the practice of one of the banks regarding verification of identity of the clients at the stage of opening new accounts by means of remote communication channels.
Analysis of the practice of one of the banks regarding the rules of charging for cash withdrawals in the ATMs which do not belong to the bank.
Analysis of the practice of one of the banks regarding the request to provide aggregate information on the accounts of a deceased person.
Analysis of the practice of several banks regarding rules of cooperation with a credit intermediary.
Analysis of the practice of one of the banks regarding booking of card transactions by the banking system.
Analysis of the practice of one of the banks regarding mobile application functionality in one of the operating systems available on mobile phones.
Analysis of the practice of one of the banks regarding the transfer of funds to a client’s closed account to the acquirer of the debts.
Analysis of the practice of one of the banks regarding the correctness of booking of payment card transactions made in island dispensers.
Analysis of the practice of one of the banks regarding the settlement of credit agreements and the issuance of documents confirming total repayment of a loan.
Sector of credit unions (SKOK)
Analysis of the practice of one of the unions regarding the establishment and liquidation of fixed term deposits.

Sector of payment services provided by entities other than the banking sector entities and the credit unions
Analysis of a case of providing payment services by one of payment institutions in violation of the requirements specified in the Act on payment services.
Analysis of the practice of one of the entities regarding the correctness of proceeding applications for instalment credits to finance the purchase on an Internet purchase platform.
Insurance sector
Analysis of 711 standard contracts used by one of the insurance undertakings - regarding lack of definition of a management fee.
Analysis of the circumstances of failure of one of the insurance undertakings to fulfil the obligation to send annual information about the amount of benefits from a unit-linked life insurance contract.
Analysis of the circumstances in which one of the insurance undertakings generated certifies to policies of the MTPL insurance with errors concerning the vehicle owner's data.
Analysis of the practice of one of the insurance undertakings of refusing to provide the assignees of claims from the MTPL insurance or casco insurance with information and documents collected in order to determine the liability of the insurance undertaking or the amount of the benefit under the contract of insurance - if, prior to the claim assignment, the undertaking and the assignor reached a settlement.
Analysis of compliance by one of the insurance undertakings with the Guidelines on the settlement of claims from motor insurance of 16 December 2014, issued by the supervisory authority.
Analysis of the implementation of the provisions of settlements reached by two insurance undertakings with persons entitled under contract of thr MTPL insurance - in the case of settlements in which declarations of intent of the person entitled under the MTPL insurance contract were submitted in electronic form and affixed with an advanced electronic signature, verified with a valid qualified certificate.
Analysis of the practice of one of the insurance undertakings of accepting payments of insurance premium made with a credit card through telephone calls.
Analysis of the way of conducting liquidation procedure by one of the insurance undertakings in the case of a claim submitted under the contract of insurance against civil liability in respect of a medical entity (hospital).
Analysis of the method of assessing insurance risk by one of the insurance undertakings and determining the amount of insurance premium, assuming that this assessment is influenced by information about damage reported to the insurance undertaking in the case of which the insurance undertaking eventually refused to accept liability - with regard to insurance contracts concluded under one of the insurance products offered by the insurance undertaking.
Analysis of general conditions of individual unit-linked life insurance product of one of the insurance products offered by an insurance undertaking as regards the way of determining the amount of benefit.
Analysis of the case in which one of the insurance undertakings reduced the amount of the benefit (compensation) awarded under the employer's insurance against civil liability by the amount of the benefit which a person is entitled to on the basis of the legislation in force on the date of payment related to benefits in respect of accidents at work and occupational diseases.
Analysis of verification by insurance undertakings, offering mandatory MTPL insurance and casco insurance, of personal data of a policy holder during the process of entering into the MTPL insurance contract and comprehensive insurance, as well as personal data of a motor vehicle owner in connection with passing or transferring the ownership of a motor vehicle pursuant to Article 31(2) of the Act on compulsory insurance.
Analysis of performance of the obligation of timely settlement of claims by insurance undertakings.
Analysis of the practice of an insurance intermediary, mediating in the conclusion of unit-linked life insurance contracts for one of the insurance undertakings.
Analysis of the case of offering insurance against civil liability for children under the age of 13 by one of the insurance undertakings.
Analysis of the case of one of the insurance undertakings adjusting the rates for man-hours while determining the amount of compensation under the MTPL insurance contract.
Analysis of the case of one of the insurance undertakings determining the amount of compensation under the MTPL insurance contract connected with a claim for reimbursement of rental costs of a replacement vehicle.
Analysis of the practice of one of the insurance undertakings applying a 10-15% margin for calculating the amount of compensation payable under contract of casco insurance.

Analysis of the case of one of the insurance undertakings which possibly violated the provisions of Article 46 of the Act on compulsory insurance.
Analysis of the case of one of the insurance undertakings determining the value of a vehicle in connection with the conclusion of a contract of casco insurance of land vehicles.
Analysis of the case of debt collection carried out by one of the debt collection agencies for insurance premium in connection with the MTPL insurance contract.
Analysis carried out in connection with the use of the right to recalculate the premium, pursuant to Article 816 of the Civil Code, with respect to a group insurance contract by one of the insurance undertakings.
Analysis of the case of one of the insurance undertakings demanding payment of premium under the MTPL insurance contract, despite the fact that the insurance undertaking was informed about the change of the vehicle's owner.
Analysis of the case of one of the insurance undertakings paying compensation to the injured party instead of paying to the assignee.
Analysis of the case of one of the insurance undertakings calculating compensation based on the provisions of the General Insurance Conditions of one of insurance products for insurance of movable property in agricultural holdings.
Analysis of the case of one of the insurance undertakings establishing the value of a vehicle on the date of the insurance event when the casco insurance contract was extended by an additional scope of insurance with an option of fixed value of the vehicle.
Analysis of compliance by one of the insurance undertakings with the deadlines for the return of premium in accordance with Article 41(4) of the Act on compulsory insurance.
Analysis of the practice of one of the insurance undertakings consisting in the necessity of submitting declarations inconsistent with the provisions of the Act on the protection of personal data by persons intending to enter into an insurance contract (under one of the insurance products).
Analysis of the general conditions of an individual unit-linked life insurance product, offered by one of the insurance undertakings, regarding the correctness of the formula used to calculate the value of a specific parameter.
Analysis of the legitimacy of carrying out debt collection for insurance premiums by one of the insurance undertakings in connection with the conclusion of contracts, as part of a specific insurance package, of voluntary non-motor insurance in private life and insurance against accidents, as well as the MTPL insurance contracts.
Analysis of the implementation by one of the insurance undertakings of the obligation resulting from Article 41 of the Act on compulsory insurance due to failure to return premium as a result of scrapping the vehicle.
Analysis of the practice of one of the insurance undertakings refusing to recognise as effective termination of the MTPL insurance contracts concluded in accordance with Article 28(1) of the Act on compulsory insurance, filed under Article 28a of the aforementioned Act, where the policy holder paid the insurance premium under such contract.
Analysis of the provisions of contracts concluded by an insurance undertaking with repair shops in the context of compliance with the Guidelines of the Polish Financial Supervision Authority on the settlement of claims from motor insurance of 16 December 2014.
Analysis of the practice of one of the insurance undertakings refusing to pay benefits for surgeries performed due to qualifying them by the insurance undertaking as plastic or cosmetic surgery in the absence of definition of a plastic or cosmetic surgery in the general conditions of insurance.
Analysis of the manner of conducting agency activities by one of the insurance agents - in terms of possible irregularities.
Analysis of the case of one of the insurance undertakings refusing to conclude a contract of casco insurance of land vehicles, with reference to the insurance risk in the area related to the burden of claims.
Analysis of the case of one of the insurance undertakings reducing the amount of compensation under the MTPL insurance contract by the amount of margin which the entrepreneur injured in a traffic accident would receive, if the goods he manufactured had not been destroyed in this accident.
Analysis of cases of insurance undertakings transferring incorrect data to the Insurance Guarantee Fund.
Analysis of cases of refusal to pay benefits under the insurance guarantee contract.
Capital market
Analysis of the service of issue of bonds of a joint-stock company by one of the investment firms.

Analysis of the case of irregularities in the preparation and presentation of recommendation on given financial instrument by one of the investment firms during webinars run by its employees.
Analysis of the activity of foreign investment firms in terms of potential violations of the law in relation to their business.
Analysis of possible irregularities related to redemption of certificates of one of the investment funds - by blocking placement of orders.
Analysis of the case related to irregularities in the security of circulation of documents in one of the investment firms.
Analysis of a possible violation of § 23 of the Regulation of the Council of Ministers on the procedure and conditions of conduct of investment firms, banks referred to in Article 70(2) of the Act on trading in financial instruments and custodian banks by one of the investment firms.
Analysis of the case of conducting investment activities without permission by a representative of one of domestic investment firms.
Analysis of the practice of an entity managing securitised liabilities of a securitisation fund in terms of rules of conducting debt collection.
Analysis of operations of a company offering, via its website, the possibility of ordering transactions on the Forex market and the CFD, cooperating with a Polish loan institution offering loans to investors in the Forex and the CFD markets.

Source: own calculations of the KNF Office

APPENDIX 6. DIVISION OF NOTIFICATIONS SENT TO THE KNF IN TERMS OF THEIR SUBJECT

Table 6.1. Division of notifications received by the KNF Office related to activities of commercial banks in terms of their subject in 2015-2016

Subject of notification	2015	%	2016	%
Quality of service	1453	29.00%	902	31.48%
Maintenance of accounts	1148	22.91%	664	23.18%
Credits and loans	999	19.94%	644	22.48%
Mortgages	924	18.44%	380	13.26%
Credit cards	117	2.33%	83	2.90%
Debit cards	99	1.98%	78	2.72%
Other	210	4.19%	63	2.20%
Other activities/services of the bank	57	1.14%	42	1.47%
Merger	4	0.08%	9	0.31%
Total	**5011**	**100.00%**	**2865**	**100.00%**

Source: own calculations of the KNF Office

Table 6.2. Division of notifications received by the KNF Office related to activities of cooperative banks in terms of their subject in 2015-2016

Subject of notification	2015	%	2016	%
Quality of service	25	17.36%	30	26.55%
Maintenance of accounts	59	40.97%	24	21.24%
Other	31	21.53%	23	20.35%
Credits and loans	21	14.58%	23	20.35%
Mortgages	5	3.47%	6	5.31%
Other activities/services of the bank	3	2.08%	6	5.31%
Debit cards	0	0.00%	1	0.88%
Total	**144**	**100.00%**	**113**	**100.00%**

Source: own calculations of the KNF Office

Table 6.3. Division of notifications received by the KNF Office related to activities of Credit Unions (SKOK) in terms of their subject in 2015-2016

Subject of notification	2015	%	2016	%
Credits and loans	97	45.97%	63	44.68%
Maintenance of accounts	21	9.95%	34	24.11%
Quality of service	31	14.69%	25	17.73%
Other	55	26.07%	17	12.06%
Debit cards	1	0.47%	1	0.71%
Credit cards	1	0.47%	1	0.71%
Mortgages	4	1.90%	0	0.00%
Other activities of Credit Unions	1	0.47%	0	0.00%
Total	**211**	**100.00%**	**141**	**100.00%**

Source: own calculations of the KNF Office

Table 6.4. Division of notifications received by the KNF Office related to activities of life insurance undertakings in terms of their subject in 2015-2016

Subject of notification	2015	%	2016	%
Unreliability of an agent	66	13.28%	71	18.21%
Refusal of payment	73	14.69%	63	16.15%
Valuation of units of unit-linked fund	18	3.62%	49	12.56%
Redemption value	98	19.72%	42	10.77%
The manner of performing the contract	25	5.03%	36	9.23%
Tardiness	27	5.43%	24	6.15%
The amount of compensation	24	4.83%	23	5.90%
Return of premium	16	3.22%	17	4.36%
Problems with termination of contract	17	3.42%	16	4.10%
Information policy of insurance undertakings	81	16.30%	12	3.08%
Problems with making damage files available	15	3.02%	9	2.31%
The amount of the premium	8	1.61%	5	1.28%
Interpretation of the provision of the General Insurance Conditions	2	0.40%	4	1.03%
Indexation of the premium	2	0.40%	3	0.77%
Challenging a power of attorney by an insurance undertaking	2	0.40%	3	0.77%
Protection of personal data	2	0.40%	3	0.77%
Withdrawal from a contract	5	1.01%	3	0.77%
Change of contract conditions	2	0.40%	3	0.77%
Refusal to accept for insurance	2	0.40%	2	0.51%
Problems with the conclusion of a contract	7	1.41%	1	0.26%
The amount of insurance	3	0.60%	1	0.26%
Unauthorised debt collection	1	0.20%	0	0.00%
Complaint of an agent about an undertaking	1	0.20%	0	0.00%
Total	**497**	**100.00%**	**390**	**100.00%**

Source: own calculations of the KNF Office

Table 6.5. Division of notifications received by the KNF Office related to activities of non-life insurance undertakings in terms of their subject in 2015-2016

Subject of notification	2015	%	2016	%
The amount of compensation	986	39.05%	731	34.55%
Tardiness	683	27.05%	641	30.29%
Refusal of payment	385	15.25%	285	13.47%

Problems with making damage files available	199	7.88%	112	5.29%
The manner of performing the contract	32	1.27%	107	5.06%
Unauthorised debt collection	20	0.79%	67	3.17%
Problems with termination of contract	64	2.53%	38	1.80%
Information policy of the undertaking	72	2.85%	37	1.75%
The amount of the premium	22	0.87%	31	1.47%
Challenging a power of attorney by an insurance undertaking	2	0.08%	14	0.66%
Return of premium	18	0.71%	13	0.61%
Withdrawal from a contract	2	0.08%	8	0.38%
Interpretation of the provisions of the General Insurance Conditions	3	0.12%	6	0.28%
Unreliability of an agent	20	0.79%	5	0.24%
Complaint of an agent about an insurance undertaking	1	0.04%	5	0.24%
Refusal to accept for insurance	1	0.04%	4	0.19%
Problems with the conclusion of a contract	6	0.24%	4	0.19%
Protection of personal data	2	0.08%	3	0.14%
Indexation of the premium	3	0.12%	2	0.09%
Breach of insurance secrecy	0	0.00%	1	0.05%
The amount of insurance	3	0.12%	1	0.05%
Change of contract conditions	1	0.04%	1	0.05%
Total	**2525**	**100.00%**	**2116**	**100.00%**

Source: own calculations of the KNF Office

Table 6.6. Division of notifications received by the KNF Office related to activities of branches of insurance undertakings of EU Member States in terms of their subject in 2015-2016

Subject of notification	2015	%	2016	%
Tardiness	129	32.41%	49	37.98%
The amount of compensation	170	42.71%	35	27.13%
Refusal of payment	42	10.55%	16	12.40%
The manner of performing the contract	6	1.51%	8	6.20%
Problems with termination of the contract	12	3.02%	6	4.65%
Problems with making damage files available	23	5.78%	5	3.88%
Unauthorised debt collection	1	0.25%	3	2.33%
The amount of the premium	9	2.26%	2	1.55%
Challenging a power of attorney by an insurance undertaking	1	0.25%	2	1.55%
Return of premium	1	0.25%	1	0.78%
Refusal to accept for insurance	0	0.00%	1	0.78%
Protection of personal data	0	0.00%	1	0.78%
Information policy of the insurance undertaking	2	0.50%	0	0.00%
Unreliability of an agent	1	0.25%	0	0.00%
Change of contract conditions	1	0.25%	0	0.00%
Total	**398**	**100.00%**	**129**	**100.00%**

Source: own calculations of the KNF Office

Table 6.7. Division of notifications received by the KNF Office related to activities of Open Pension Funds (OFE) in terms of their subject in 2015-2016

Subject of notification	2015	%	2016	%

Irregularities in the division and payment of funds collected on the account	58	93.55%	19	79.17%
Fund's information activity	3	4.84%	4	16.67%
Complaints about data in the register of the OFE members and their changes	0	0.00%	1	4.17%
Irregularities related to funds deposited in the OFE account	1	1.61%	0	0.00%
Total	**62**	**100.00%**	**24**	**100.00%**

Source: own calculations of the KNF Office

Table 6.8. Division of notifications received by the KNF Office related to public companies and other participants of the financial market in terms of their subject in 2015-2016

Subject of notification	2015	%	2016	%
Financial instrument quotation rate	149	57.09%	100	42.37%
Disclosure requirements of companies listed on regulated market	22	8.43%	35	14.83%
Corporate rights of shareholders	10	3.83%	31	13.14%
Disclosure requirements of NewConnect listed companies	39	14.94%	24	10.17%
Other	25	9.58%	21	8.90%
Management of a public company	10	3.83%	14	5.93%
Companies withdrawn from the official stock-exchange	2	0.77%	6	2.54%
Private issue of financial instruments	4	1.53%	5	2.12%
Total	**261**	**100.00%**	**236**	**100.00%**

Source: own calculations of the KNF Office

Table 6.9. Division of notifications received by the KNF Office related to activities of investment firms in terms of their subject in 2015-2016

Subject of notification	2015	%	2016	%
Quality of provided services	80	66.12%	30	41.10%
Provision of services on the Internet	1	0.83%	11	15.07%
Recommendations	1	0.83%	8	10.96%
Execution of orders	25	20.66%	7	9.59%
Other	5	4.13%	6	8.22%
Management result	2	1.65%	3	4.11%
The amount of fees and commissions	3	2.48%	3	4.11%
Collection of withholding tax	1	0.83%	2	2.74%
Service of public issue	1	0.83%	1	1.37%
Maintaining the Individual Pension Account (IKE)	0	0.00%	1	1.37%
Distribution of investment certificates	0	0.00%	1	1.37%
Execution of bids	2	1.65%	0	41.10%
Total	**121**	**100.00%**	**73**	**100.00%**

Source: own calculations of the KNF Office

Table 6.10. Division of notifications received by the KNF Office related to activities of foreign investment firms in terms of their subject in 2015-2016

Subject of notification	2015	%	2016	%
Quality of provided services	60	74.07%	46	68.66%
Management result	2	2.47%	6	8.96%
Execution of orders	15	18.52%	5	7.46%
Provision of service on the Internet	2	2.47%	4	5.97%
Other	1	1.23%	4	5.97%

Recommendations	0	0.00%	1	1.49%
The amount of fees and commissions	0	0.00%	1	1.49%
Execution of bids	1	1.23%	0	0.00%
Total	**81**	**100.00%**	**67**	**100.00%**

Source: own calculations of the KNF Office

Table 6.11. Division of notifications received by the KNF Office related to activities of investment fund management companies in terms of their subject in 2015-2016

Subject of notification	2015	%	2016	%
Carrying out investment policy	7	8.33%	270	79.65%
Liquidation of a fund	25	29.76%	15	4.42%
Deadline for the execution of orders (regarding investment certificates)	2	2.38%	12	3.54%
Quality of providing services	20	23.81%	11	3.24%
Valuation of units	4	4.76%	8	2.36%
Informing a participant of a change in the statutes	6	7.14%	4	1.18%
Other	4	4.76%	4	1.18%
Valuation of investment certificates	3	3.57%	4	1.18%
Deadline for the execution of orders (regarding units)	5	5.95%	3	0.88%
Maintaining the Individual Pension Account (IKE)	4	4.76%	3	0.88%
Collection of withholding tax	2	2.38%	2	0.59%
Maintaining the Individual Pension Savings Account (IKZE)	0	0.00%	1	0.29%
Provision of service on the Internet	2	2.38%	1	0.29%
Transfer of receivables to the securitisation closed-end investment fund	0	0.00%	1	0.29%
Total	**84**	**100.00%**	**339**	**100.00%**

Source: own calculations of the KNF Office

APPENDIX 7. LIST OF SEMINARS AND WORKSHOPS, MEETINGS AND TRAINING LECTURES ORGANISED BY THE KNF OFFICE AS PART OF THE CEDUR PROJECT IN 2016

Table 7.1. Training seminars addressed to the representatives of entities supervised by the KNF (broken down by sectors)

No.	Subject	Date
	Banking sector	
1.	Managing a cooperative bank - responsibility of the bank's authorities in the light of changes in the provisions of the Banking Law	17 March 2016
2.	Qualification requirements for members of management boards and supervisory boards of banks - corporate governance principles and supervisory recommendations. Role of the supervisory authority in the selection of personnel	7 April 2016
3.	Counteracting money laundering and terrorist financing in cooperative banks - new obligations stemming from the 4th AML Directive and the results of inspections of the KNF Office	21 April 2016
4.	Amendment of the Act on mortgage bonds - prospect of mortgage banking development in Poland	11 May 2016
5.	Banking secrecy and the protection of personal data. Bank secrecy and answering a professional trade attorney	16 May 2016
6.	Counteracting money laundering and terrorist financing in commercial banks - new obligations stemming from the 4th AML Directive and the results of inspections of the KNF Office	19 May 2016

7.	Regulation of the Minister of Finance on the rules of creating provisions for risk connected with the activity of banks	10 June 2016
8.	Obligations of banks related to rehabilitation and resolution plans under the BRRD and the bill on the BGF	23 June 2016
9.	Selected aspects of supervision of cooperative banks, with particular focus on the approach to control activities in the area of credit risk (seminar for inspectors of cooperative banks working in the IPS and the National Cooperative Council)	27-28 June 2016
10.	New rules for financing supervision costs for banks	5 August 2016
11.	Implementation of the provisions of the amended Recommendation C on risk management in cooperative banks	27 September 2016
12.	Methodology of the SREP for banks for the 2016 SREP cycle.	20 October 2016
13.	Internal control and risk management system in the model of three lines of defence according to the whistle-blowing approach of the KNF in banks	21 October 2016
14.	Selected aspects of supervision of cooperative banks in terms of market risk, liquidity risk - part I	17 November 2016
15.	Selected aspects of supervision of cooperative banks in terms of operational risk, internal governance and control system, and capital adequacy - part II	18 November 2016
16.	CET1, AT1 and T2 of banks. Capital buffers. The MREL	22 November 2016
17.	Amendment to the Act on payment services - Regulation (EU) 2015/751 on interchange fees and Directive 2014/92/EU on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features - legal aspects	29 November 2016
18.	Directive 2015/2366/EU on payment services (PSD2) - legal aspects	19 December 2016
Sector of credit unions (SKOK)		
1.	Accounting of the SKOK in the light of Regulation of the Minister of Finance on special accounting rules for the SKOK, with particular emphasis on the closing of the year	24 March 2016
2.	The role of credit committees in the SKOK	18 April 2016
3.	Supervisory instruments applied to credit unions	9 May 2016
4.	Anti-money laundering and terrorist financing in the SKOK. Results of inspections of the KNF Office in the area of anti-money laundering and terrorist financing in the SKOK	10 May 2016
5.	Protection of personal data in the SKOK and business secrets – specificity of the SKOK sector	9 June 2016
6.	Amendment of bankruptcy and recovery law – selected issues of bankruptcy of the SKOK	8 November 2016
7.	Products secured by mortgages and assessment of these securities	21 November 2016
8.	Rules of corporate governance in the SKOK	29 November 2016
9.	Calculation of the solvency ratio in the SKOK (after amendment of the law)	2 December 2016
10.	Valuation of financial instruments at amortised cost, using the effective interest method	7 December 2016
Capital market		
1.	Supervisory Review and Evaluation Process in brokerage houses	24 March 2016
2.	Anti-money laundering and terrorist financing on the capital market. Risk assessment of an obliged institution	4 April 2016
3.	The supervisory review and evaluation process of investment fund management companies	19 April 2016
4.	Detection of market abuse and reporting of a market operator on suspicious orders and transactions in the light of the MAR	11 May 2016
5.	The MAR - should we be concerned?	12 May 2016
6.	Implementation of the process of application of the Guidelines on the management of the areas of information technology and security of the ICT environment in the TFI	16 May 2016

7.	The MAR - new obligations of issuers on the NewConnect market	17 May 2016
8.	New rules for financing costs of capital market supervision	20 May 2016
9.	The MAR - should we be concerned? 2nd edition	23 May 2016
10.	Management of business continuity and operational risk in the TFI	2 June 2016
11.	Practical aspects of fulfilment of disclosure requirements under Article 110 of Regulation 231/2013	17 June 2016
12.	Rules for creating statutes of investment funds	28 June 2016
13.	Detection of market abuse and reporting of investment firms on suspicious orders and transactions in the light of the MAR	30 June 2016
14.	The consequences of changes in the accounting policy and transition to the IAS/IFRS	14 November 2016
15.	Periodic reporting of issuers - compliance with the applicable financial framework and presentation of the results of examination of financial statements	6 December 2016
Insurance sector		
1.	Licensing of mutual insurance companies. Conditions for regarding as a small mutual insurance company	17 February 2016
2.	Registration documents required for persons performing agency activities and insurance agents in the light of applicable legislation	28 April 2016
3.	Supervisory Review and Evaluation Process of insurance and reinsurance undertakings	22 June 2016
4.	New rules for financing costs of supervision for insurance and reinsurance undertakings	12 August 2016
5.	Reporting of insurance and reinsurance undertakings	9 November 2016
6.	Guidelines for the establishment of technical provisions	1 December 2016
7.	Operation of the DAPOS programme and the RAU system on the Internet. Characteristics and problems related to the correct preparation of applications - the specificity of 2016	9 December 2016
Pension sector		
1.	Supervisory Review and Evaluation Process in universal pension societies	17 May 2016
Cross-sectoral		
1.	Administrative proceedings conducted by the Polish Financial Supervision Authority - principles and course (in practice and judicial decisions)	23 March 2016
2.	Repressive supervision in the financial market - rules and mode of imposing administrative sanctions by the KNF, and their judicial and administrative control	17 October 2016
3.	Inspection of the KNF and explanatory proceedings in financial institutions - legal relation, principles, course and legal consequences	16 November 2016

Source: own calculations of the KNF Office

Table 7.2. Seminars and lectures addressed to representatives of the judiciary and law enforcement agencies

No.	Subject	Date
1.	Practical aspects related to the activities of brokerage houses (in cooperation with the District Prosecutor's Office in Katowice)	14 April 2016
2.	Counteracting the provision of financial services by unauthorised entities - explanatory proceedings and information activities*	26 April 2016
3.	Cooperation, exchange of information (examples) between the KNF and the judiciary and law enforcement agencies in the conducted proceedings. Cooperation and exchange of information with foreign supervisory authorities in the area of the capital market (obtaining information necessary for supervision and conducted proceedings, including obtaining information for the needs of domestic third parties)*	18 May 2016
4.	Balance sheet-related crimes in the activity of banks (the Penal Code, the Penal and Fiscal Code, the Act on accounting) (in cooperation with the District Prosecutor's Office in Krakow)	20 May 2016

5.	Regulation of activities of entities operating on the financial market and its influence on registration proceedings (in cooperation with the NSJPP and the Department of the National Court Register of the District Court for the Capital City of Warsaw in Warsaw)**	31 May 2016
6.	Discussion of issues related to the KNF's permission to the wording of statutes of joint-stock companies and the selection of members of the bodies in companies constituting the capital market infrastructure (among others, the GPW S.A.). Cases in which the KNF's permission is required for the appointment of members of bodies subject to supervision of the KNF. Scope of amendments to statutes of entities subject to supervision of the KNF, which require permission of the supervisory authority, and the mode of obtaining such permission. Issues related to the KNF's permission to the wording of statutes of joint-stock companies and the election of members of bodies (in cooperation with the NSJPP and the Department of the National Court Register of the District Court for the Capital City of Warsaw in Warsaw)**	14 June 2016
7.	The risk of conducting broadly understood credit business, obtaining, collecting and verifying data related to bank clients - data protection, the importance of creditworthiness from the point of view of risk assessment - analysis of penalised events related to crediting*	21 June 2016
8.	Mode of obtaining the KNF's permission to change statutes of a cooperative bank and the scope of changes which require permission of the supervisory authority. Selected permissions and permissions of the KNF regarding activities of banks and the SKOK (in cooperation with the NSJPP and the Department of the National Court Register of the District Court for the Capital City of Warsaw in Warsaw)**	23 June 2016
9.	Anti-money laundering and terrorist financing system in financial institutions - experience of financial supervision. Methods of “money laundering” using the banking system, payment cards. Criminal liability in the aspect of “money laundering” methods. Functioning of brokerage houses and financial institutions intermediating in market trading. Scope of activities, regulations governing the activities, obligations of the above-mentioned entities related to information on combating money laundering. Methods of money laundering in trade and pragmatic aspects of money laundering*	14 September 2016
10.	Assessment of the insolvency (bankruptcy) risk in the accounting aspect (in cooperation with the District Prosecutor's Office in Katowice)	16 September 2016
	Banking crimes and crimes of the payment service market on the Internet (in cooperation with the District Prosecutor's Office in Krakow)	23 September 2016
11.	Rules of operation and functioning of credit unions - selected legal issues (in cooperation with the NSJPP)**	27-28 September 2016
12.	Description of inspection activities of the KNF in the area of anti-money laundering and terrorist financing and indication of the possibility of using the results of control activities for the purpose of cases handled by the Police. Cooperation of law enforcement agencies with financial institutions in the area of revealing and prosecuting perpetrators of money laundering offences. The role of financial supervision in this respect*	6 October 2016
13.	Balance sheet-related offences in operations of commercial companies in the aspect of the Act on accounting*	24 October 2016
14.	Crimes on the capital market and in stock exchange - cases; insider trading manipulation*	21 November 2016
15.	Rules of operation and functioning of closed-end investment funds*	7 December 2016

* seminars organised in cooperation with the National Prosecutor's Office, the Internal Security Agency, the Central Anti-Corruption Bureau, the Central Police Investigation Office, the General Police Headquarters, the General Border Guard Headquarters

** seminars addressed to judges

Source: own calculations of the KNF Office

Table 7.3. Seminars addressed to court bailiffs and judges

No.	Subject	Date
1.	Judicial enforcement of dematerialised financial instruments	10 May 2016

Source: own calculations of the KNF Office

Table 7.4. Seminars addressed to the representatives of consumer protection institutions (organised in cooperation with the Office of Competition and Consumer Protection)

No.	Subject	Date
1.	Disclosure requirements under the Act on consumer credit, in particular regarding advertising of financial products	7 June 2016
2.	Unlawful contract clauses in contracts with banks, in particular in contracts for mortgage loans	6 September 2016
3.	Enforcement of a bank account in the context of the possibilities of protection of consumer rights.	4 October 2016
4.	Investment funds as instruments for investing cash for consumers	7 November 2016

Source: own calculations of the KNF Office

Table 7.5. Seminars addressed to chartered auditors

No.	Subject	Date
1.	Valuation of credit risk by credit unions from the point of view of the applicable legislation	12 December 2016

Source: own calculations of the KNF Office

Table 7.6. Seminars addressed to the employees of the Central Statistical Office of Poland

No.	Subject	Date
1.	Reporting of insurance and reinsurance undertakings. Condition of the banking sector in Poland taking into account the macro-prudential policy	23 November 2016

Source: own calculations of the KNF Office

Table 7.7. Seminars, workshops, lectures and conferences addressed to the school environment and academic community

No.	Subject	Date
1.	Investment funds as a source of investment, including the rules of their functioning	22 April 2016
2.	Profit and risk, or client's choices and decisions on the market of financial services	18 May 2016
3.	Young investor on the Stock Exchange	10 June 2016
4.	The role of insurance in human life (in cooperation with the Wrocław Teacher Training Centre)	7 October 2016
5.	Architecture of the system of client rights protection on the financial market, with a special focus on the banking sector. How does the stock exchange work. How to invest in the stock market - scenarios of lessons	18 November 2016
6.	Forms of investing capital in order to present different markets (capital, currency, material and money) and available instruments (in cooperation with the Wrocław Teacher Training Centre)	25 November 2016
7.	Inside information in the practice of the KNF Office - educational games and theoretical introduction covering the most important information on the functioning of the KNF Office and the capital market	9 December 2016
8.	Principles of safe investing, including risks associated with investing in the capital market	19 December 2016

Source: own calculations of the KNF Office

APPENDIX 8. CONTENT OF PUBLIC WARNINGS OF THE POLISH FINANCIAL SUPERVISION AUTHORITY – AS AT 31 DECEMBER 2016

Public warnings of the Polish Financial Supervision Authority are subject to constant updating and their content is changeable. Hence, any interested party wishing to have current knowledge about the status of the warnings and the reference made in them should each time visit the website of the KNF: www.knf.gov.pl.

Notification on suspicion of committing a crime under Article 171 (1)-(3) of the Act - Banking Law (conducting banking activities, in particular accepting cash contributions in order to burden them with risk, without the KNF's permission)			
Name of the entity in relation to whose activity the notification on suspicion of committing a crime was filed	**Number identifying the entity (KRS, NIP or REGON)**	**Competent prosecutor's office**	**References to legally binding decisions issued in the course of criminal proceedings***
Alkor Trade Sp. z o.o. based in Józefów (currently, JW Investments Sp. z o.o.)	KRS 371362	Regional Prosecutor's Office in Warsaw (case transferred to the Regional Prosecutor's Office in Ostrołęka)	
Amber Gold Sp. z o.o. based in Gdańsk in liquidation bankruptcy	KRS 322228	District Prosecutor's Office Gdańsk-Oliwa (case transferred to the Regional Prosecutor's Office in Łódź)	
Anderson Holding Polska Sp. z o.o. based in Katowice	KRS 416988	Regional Prosecutor's Office in Warsaw	
ARTGOL Mobilny Serwis Komputerowy Artur Golo	NIP 9531580331	District Prosecutor's Office Bydgoszcz-Północ	On 31 December 2015, Public Prosecutor of the District Prosecutor's Office Bydgoszcz Południe issued a ruling on discontinuation of the investigation.
Auron Group Sp. z o.o. based in Warsaw	KRS 392274	District Prosecutor's Office Warszawa Praga-Północ (case transferred to the Regional Prosecutor's Office Warszawa Praga)	On 22 December 2014, the ruling on discontinuation of the investigation issued on 25 September 2014 by the Public Prosecutor of the Regional Prosecutor's Office Warszawa Praga became valid.
Bezpieczne Inwestycje Sp. z o.o. based in Warsaw	KRS 391211	Regional Prosecutor's Office in Warsaw	On 7 September 2015, the ruling on discontinuation of the investigation issued on 30 June 2015 by the Public Prosecutor of the Regional Prosecutor's Office in Warsaw became valid.
Bio-Investor Ltd.	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	On 21 January 2016, Public Prosecutor of the Regional Prosecutor's Office in Warsaw issued a ruling on discontinuation of the investigation.

The personal data have been erased following a request under Article 17(1)(a) of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (GDPR).			
CareCash Sp. z o.o. based in Wrocław	KRS 350638	District Prosecutor's Office Wrocław-Stare Miasto	On 25 September 2014, the Regional Court in Wrocław (file No. IV Ka 343/14) upheld the conviction of the District Court for Wrocław Śródmieście of 18 February 2014.
Carwash Investment Sp. z o.o. based in Katowice	KRS 327890	District Prosecutor's Office in Katowice	
Centrum Inwestycyjno-Oddłużeniowe Sp. z o.o. based in Stargard Szczeciński in liquidation bankruptcy	KRS 384178	Regional Prosecutor's Office in Szczecin	
Clear Hands Bt. based in Hungary	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	On 29 December 2015, the Regional Prosecutor's Office in Tarnów completed the investigation and sent a request for initiation
Compass Money Sp. z o.o. based in Legnica	KRS 479887	Regional Prosecutor's Office in Legnica	
CO.NET	the entity is not registered in Poland	District Prosecutor's Office Warszawa - Śródmieście Północ (case transferred to the Regional Prosecutor's Office in Warsaw)	
Dagmara Dziubyna G & Dinvest i Wspólnicy Spółka jawna, with registered office in Wrocław (notification comes from another entity, the Chairman of the KNF exercised the right to join the proceedings on the rights of an injured party in criminal proceedings)	KRS 421019	Regional Prosecutor's Office in Legnica	On 14 January 2016, the Regional Court in Wrocław (file No. IV Ka 1039/15) upheld the conviction of the District Court for Wrocław Śródmieście of 10 June 2015.
Dagmara Dziubyna G & Dinvest, with registered office in Wrocław (notification comes from another entity, the Chairman of the KNF exercised the right to join the proceedings on the rights of an injured party in criminal proceedings)	NIP 6912419080	Regional Prosecutor's Office in Legnica	On 14 January 2016, the Regional Court in Wrocław (file No. IV Ka 1039/15) upheld the conviction of the District Court for Wrocław Śródmieście of 10 June 2015.
DOBRALOKATA Sp. z o.o.	KRS 342885	District Prosecutor's Office for Wrocław Psie Pole (case transferred to the Regional Prosecutor's Office in Wrocław)	On 19 January 2015, the District Court for Wrocław-Fabryczna passed a legally binding conviction (file No. XII K 669/14).

Dom Inwestycyjny “Taurus” S.A. based in Częstochowa	KRS 425814	Regional Prosecutor's Office in Warsaw (case transferred to the Regional Prosecutor's Office in Częstochowa)	
EMG Capital Partners S.A. based in Geneva, 1204 Geneva (Warsaw Branch, ul. Śródziemnomorska)	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	On 7 September 2015, the ruling on discontinuation of the investigation issued on 30 June 2015 by the Public Prosecutor of the Regional Prosecutor's Office in Warsaw became valid.
EMG Finance Michał Grabowski	NIP 8181549632	Regional Prosecutor's Office in Warsaw	On 7 September 2015, the ruling on discontinuation of the investigation issued on 30 June 2015 by the Public Prosecutor of the Regional Prosecutor's Office in Warsaw became valid.
Europol Insurance Consulting Group Ertanowski Mariusz Ireneusz, with registered office in Mielec	NIP 8171692799	Regional Prosecutor's Office in Warsaw	
Fenka Rafał Trytko, with registered office in Nysa	NIP 7532325479	District Prosecutor's Office in Nysa (case transferred to the Regional Prosecutor's Office in Opole)	
Finroyal FRL Capital Limited	the entity is not registered in Poland	District Prosecutor's Office Warszawa-Wola (case transferred to the Regional Prosecutor's Office in Warsaw)	
Firma Handlowo-Usługowa Abiko Katarzyna Smolec based in Tychy	NIP 6462738329	District Prosecutor's Office in Tychy (case transferred to the Regional Prosecutor's Office in Katowice)	
Fortress Holdings Ltd. based in Malta	the entity is not registered in Poland	Regional Prosecutor's Office in Tarnów	On 29 December 2015, the Regional Prosecutor's Office in Tarnów completed the investigation and sent a request for opening proceedings to the Prosecutor's Office in Budapest.
Castellum Foundation based in Poznań	KRS 411357	District Prosecutor's Office Poznań-Stare Miasto (case transferred to the Regional	On 30 March 2015, the Regional Court in Poznań passed a legally binding conviction (file No. XVI K 8/15).

		Prosecutor's Office in Poznań)	
Four Gates Polska Sp. z o.o.	KRS 313810	District Prosecutor's Office in Katowice-Wschód (case transferred to the Regional Prosecutor's Office in Katowice)	On 22 December 2015, Public Prosecutor of the Regional Prosecutor's Office in Katowice issued a ruling on discontinuation of the investigation.
FSM Polska Sp. z o.o.	KRS 242904	Regional Prosecutor's Office in Warsaw	
Grand Capital Sp. z o.o. based in Katowice	KRS 347126	Regional Prosecutor's Office in Warsaw	On 24 May 2014, the Regional Court in Katowice passed a legally binding conviction (file No. V K 440/13).
GryfBank S.A. Adam Karaczun, with registered office in Gryfino	NIP 8581688596	District Prosecutor's Office in Gryfino	On 2 March 2015, the District Court in Gryfino issued a final decision upholding the ruling appealed against on discontinuation of the proceedings.
Helix Capital Investments Ltd.	the entity is not registered in Poland	Regional Prosecutor's Office in Kielce	
Infineo24 based in Skwierzyna	NIP 5961525025	District Prosecutor's Office in Międzyrzecze	
Innovative Securities Limited registered in New Zealand	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	
IPI CAPITAL S.A. based in Warsaw (currently, Vibemo S.A. in liquidation)	KRS 304375	District Prosecutor's Office Warszawa-Śródmieście	On 22 December 2014, Public Prosecutor of the Regional Prosecutor's Office in Warsaw issued a ruling on discontinuation of the investigation.
Klub Zamożnego Inwestora (entity not shown in the National Court Register and the Central Registration and Information on Business)	no data available	Regional Prosecutor's Office in Warsaw	
Lago Sp. z o.o. based in Zielona Góra	KRS 328581	District Prosecutor's Office in Zielona Góra (case transferred to the Regional Prosecutor's Office in Zielona Góra)	
Makler Company Sebastian Toczek	NIP 7732373968	Regional Prosecutor's Office in Warsaw	
Mintan Sp. z o.o. based in Warsaw (currently, Nobel Credit Sp. z o.o.)	KRS 457780	District Prosecutor's Office Warsaw-Mokotów (case transferred to the Regional	By the ruling of 12 March 2015, Public Prosecutor of the Regional Prosecutor's Office in Warsaw discontinued the investigation.

		Prosecutor's Office in Warsaw)	
Mizar Profit	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw (case transferred to the Regional Prosecutor's Office in Ostrołęka)	
MY-1STEP Sp. z o.o. based in Częstochowa	KRS 382534	Regional Prosecutor's Office in Częstochowa	
Opulentia S.A. based in Warsaw in liquidation bankruptcy	KRS 383825	Regional Prosecutor's Office in Warsaw	
Orcan Software Investments S.A.	KRS 329338	District Prosecutor's Office Gdańsk-Wrzeszcz (case transferred to the Regional Prosecutor's Office in Gdańsk)	
OTTO INVESTMENTS Rafał Otto based in Warsaw	NIP 9521945676	Regional Prosecutor's Office in Warsaw	On 30 June 2016, the Regional Prosecutor's Office in Warsaw issued a ruling on discontinuation of the investigation.
Pay Trade Polska Sp. z o.o. based in Warsaw	KRS 435300	District Prosecutor's Office Warszawa Śródmieście-Północ (case transferred to the Regional Prosecutor's Office in Warsaw)	On 4 February 2015, the District Court for Warszawa-Śródmieście decided not to comply with the complaint of the KNF Office and to uphold the ruling of the Public Prosecutor of the Regional Prosecutor's Office in Warsaw of 5 November 2014 on discontinuation of the investigation.
Pareto Invest Sp. z o.o. based in Poznań	KRS 351038	Regional Prosecutor's Office in Warsaw	
Pośrednictwo Finansowe Ewa Skrzydlewska, with registered office in Wrocław	NIP 8942112312	District Prosecutor's Office for Wrocław Krzyki-Zachód	By the ruling of 2 October 2014 the District Court for Wrocław-Krzyki upheld the ruling of the Public Prosecutor on discontinuation of the investigation.
Pośrednictwo Finansowe “Kredyty-Chwilówki” Sp. z o.o. based in Tychy	KRS 293981	District Prosecutor's Office in Tychy (case transferred to the Regional Prosecutor's Office in Katowice)	
Power House Private Banking based in Poznań (entity not shown in the National Court Register and	no data available	Regional Prosecutor's Office in Warsaw	

the Central Registration and Information on Business)			
ProGold Sp. z o.o. based in Warsaw	KRS 413857	Regional Prosecutor's Office in Warsaw	On 7 September 2015, the ruling on discontinuation of the investigation issued on 30 June 2015 by the Public Prosecutor of the Regional Prosecutor's Office in Warsaw became valid.
Pozabankowe Centrum Finansowe Sp. z o.o.	KRS 293707	Regional Prosecutor's Office in Warsaw	
PROMOTOR-FINANSE Sp. z o.o. based in Wrocław	KRS 383409	Regional Prosecutor's Office in Wrocław	
Przedsiębiorstwo Usługowo-Handlowe “PI” Piotr Pisarek	NIP 5361146130	Regional Prosecutor's Office in Ostrów Wielkopolski	
Remedium - Doradcy Finansowi Sp. z o.o. based in Olsztyn in liquidation bankruptcy	KRS 280476	District Prosecutor's Office in Olsztyn	
Socket Resources GmbH	the entity is not registered in Poland	Regional Prosecutor's Office in Płock	
Szymon M. (natural person not shown in the Central Registration and Information on Business)	no data available	District Prosecutor's Office Bydgoszcz-Północ	On 24 September 2014, the District Court in Bydgoszcz passed a legally binding conviction (file No. IX K 1084/14).
Touchwood Ltd. based in Hong Kong	the entity is not registered in Poland	District Prosecutor's Office Warszawa-Mokotów (case transferred to the Regional Prosecutor's Office in Warsaw)	Preparatory proceedings were completed by the ruling of 14 October 2014 of the Public Prosecutor of the Regional Prosecutor's Office in Warsaw on discontinuation of the investigation.
Travaled Enterprises Limited based in Nicosia, Republic of Cyprus	the entity is not registered in Poland	District Prosecutor's Office Warszawa Śródmieście-Północ (case transferred to the Regional Prosecutor's Office in Gdańsk)	By the ruling of 9 May 2014 the Public Prosecutor of the Regional Prosecutor's Office in Gdańsk discontinued the investigation.
Uinvest LLC	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	On 22 January 2015, the District Court for Warszawa-Mokotów issued a final decision dismissing the complaint of the Chairman of the KNF against the ruling of the Public Prosecutor on discontinuation of the proceedings.
Universum Business Consulting Sp. z o.o. based in Krakow	KRS 426060	District Prosecutor's Office Kraków-Śródmieście Zachód	On 15 July 2014, the District Court for Kraków Śródmieście II Criminal Division issued a

			decision of conditional discontinuation (file No. II K 606/14/S).
Usługi Konsultingowe Artur Swendrak	NIP 7691760207	Regional Prosecutor's Office in Warsaw (case transferred to the Regional Prosecutor's Office in Płock)	
Witold Witczak FACTOR company based in Radomsko	NIP 7721398060	Regional Prosecutor's Office in Piotrków Trybunalski	
Zakra Corp Sp. z o.o. based in Poznań	KRS 352191	Regional Prosecutor's Office in Poznań	

* Pursuant to Article 6b (5) and (6) *in fine* of the Act of 21 July 2006 on financial market supervision, information about the notifications on suspicion of a crime and on the proceedings joined by the Chairman of the KNF, on the rights of an injured party, include references to the final refusal to institute preparatory proceedings or the final discontinuation of preparatory proceedings, and in the case of an indictment - final judicial decision.

Notification on suspicion of committing a crime of Article 178 of the Act on trading in financial instruments **(conducting brokerage without the KNF's permission)**			
Name of the entity in relation to whose activity the notification on suspicion of committing a crime was filed	**Number identifying the entity (KRS, NIP or REGON)**	**Competent prosecutor's office**	**References to legally binding decisions issued in the course of criminal proceedings***
ADVICE Łukasz Goławski	NIP 5372358284	Regional Prosecutor's Office in Warsaw	On 9 January 2015, the ruling on discontinuation of the investigation issued on 12 November 2014 by the Public Prosecutor of the Regional Prosecutor's Office in Warsaw became valid.
Aforti Securities S.A. (only within the scope of maintaining cash accounts without permission from the KNF)	KRS 274431	Regional Prosecutor's Office in Warsaw	
Alpha Advanced Innovation Limited based in London	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	
Alpha Finex Ltd. based in Roseau	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	
Bezpieczne Inwestycje Sp. z o.o. based in Warsaw	KRS 391211	Regional Prosecutor's Office in Warsaw	On 30 June 2015, Public Prosecutor of the Regional Prosecutor's Office in Warsaw issued a ruling on discontinuation of the investigation.
Bloomfx sp. z o.o. based in Warsaw	KRS 491536	Regional Prosecutor's	

		Office in Warsaw	
Blue Lion Sp. z o.o. based in Warsaw	KRS 472547	Regional Prosecutor's Office in Warsaw	
Consulto Sp. z o.o. based in Warsaw	KRS 151711	Regional Prosecutor's Office in Warsaw	
DanexZ Limited Liability Company based in the USA - Reg. No. 2012-000624290	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	On 18 June 2015, the District Court in Bolesławiec, II Criminal Division (file No. II K 271/15) issued a decision on conditional discontinuation of the proceedings.
Dom Maklerski Pekao - separate organisational unit of the Bank Polska Kasa Opieki S.A. (only within the scope of conducting activities of investment consulting without the permission of the KNF in the period at least from January 2012 to April 2012).	KRS 14843	Regional Prosecutor's Office in Warsaw	
EMG Finance Michał Grabowski	NIP 8181549632	Regional Prosecutor's Office in Warsaw	On 30 June 2015, Public Prosecutor of the Regional Prosecutor's Office in Warsaw issued a ruling on discontinuation of the investigation.
First International Traders Dom Maklerski S.A. based in Warsaw	KRS 245555	Regional Prosecutor's Office in Warsaw	
Fund Distribution Sp. z o.o.	KRS 558641	Regional Prosecutor's Office in Warsaw	
Global Markets OOD Sp. z o.o. branch in Poland	KRS 397516	Regional Prosecutor's Office in Warsaw	On 16 June 2016, the District Court for Warszawa-Wola in Warsaw issued a final decision upholding the ruling of the Public Prosecutor of the Regional Prosecutor's Office in Warsaw on discontinuation of the proceedings.
IL Trade sp. z o. o. based in Warsaw	KRS 573293	Regional Prosecutor's Office in Warsaw	
Infinite Investment Wójcik i Wspólnicy Sp. k. (currently, W & Associates J. Wójcik Sp. k.) based in Gdynia	KRS 377746	Regional Prosecutor's Office in Warsaw	
Innovative Securities Limited registered in New Zealand	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	

Investo Kancelaria Inwestycyjna Sp. z o. o. based in Warsaw	KRS 414890	Regional Prosecutor's Office in Warsaw	
Jacek K., Kacper K., Maciej M., Marek P. (natural persons not shown in the Central Registration and Information on Business)	no data available	Regional Prosecutor's Office in Warsaw	
Joshua Consulting Ltd. based in London	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	
JW. Capital Management Corporation based in Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	On 16 September 2016, the District Court of Lublin Zachód issued a penalty order.
Kamil M. (natural person not shown in the Central Registration and Information on Business)	no data available	Regional Prosecutor's Office in Warsaw	
Logic Invest Sp. z o.o. based in Warsaw	KRS 359026	Regional Prosecutor's Office in Warsaw	By the ruling of 18 June 2014 Public Prosecutor of the Regional Prosecutor's Office in Warsaw discontinued the investigation.
Makler Company Sebastian Toczek	NIP 7732373968	Regional Prosecutor's Office in Warsaw	
Marcin Jerzy P. (natural person not shown in the Central Registration and Information on Business)	no data available	Regional Prosecutor's Office in Warsaw	
Marek Grabowski FX Zone	NIP 9581476452	Regional Prosecutor's Office in Warsaw	
Marshall Advanced Innovation based in London (entity also operating under the trade name KSF Trade)	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	
Marshall Software based in Anquilla (entity also operating under the trade name KSF Trade)	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	
My Height Sp. z o. o. (in the KRS as Fawis Sp. z o. o. based in Szczecin)	KRS 424373	Regional Prosecutor's Office in Warsaw	
Nomos Wealth Management Sp. z o.o. based in Warsaw	KRS 364175	Regional Prosecutor's Office in Warsaw	On 9 February 2015, Public Prosecutor of the Regional Prosecutor's Office in Warsaw issued a ruling on discontinuation of the investigation.

Nomos Wealth Management Sp. z o.o. Spółka komandytowa based in Warsaw	KRS 373509	Regional Prosecutor's Office in Warsaw	On 9 February 2015, Public Prosecutor of the Regional Prosecutor's Office in Warsaw issued a ruling on discontinuation of the investigation.
Nuntius Chrimatistiriaki Anonimos Eteria Parochis Ependitikon Ipiresion S.A. Branch in Poland - trade name Nuntius Brokerage&Investment Services S.A. (activities conducted through the platforms: www.keystock.com, www.fxglobal24.com, www.keyoption.com)	KRS 576636	Regional Prosecutor's Office in Warsaw	
Olesiński Piotr, with registered office in Kutno	NIP 7751047342	Regional Prosecutor's Office in Warsaw (case transferred to the District Prosecutor's Office in Kutno)	
OTTO INVESTMENTS Rafał Otto, with registered office in Warsaw	NIP 9521945676	Regional Prosecutor's Office in Warsaw	On 17 December 2015, the Internal Security Agency issued a ruling on discontinuation of the investigation.
Quantum Consulting based in Poznań (entity not shown in the National Court Register and the Central Registration and Information on Business)	no data available	Regional Prosecutor's Office in Warsaw	On 10 October 2016, Public Prosecutor of the Regional Prosecutor's Office in Warsaw approved the ruling on discontinuation of the investigation.
Pareto Invest Sp. z o.o. based in Poznań	KRS 351038	Regional Prosecutor's Office in Warsaw	
Partnerzy Inwestycyjni Sp. z o.o. based in Warsaw	KRS 257564	Regional Prosecutor's Office in Warsaw	
Paulina B. (natural person not shown in the Central Registration and Information on Business)	no data available	Regional Prosecutor's Office in Warsaw	
Paweł J. (natural person not shown in the Central Registration and Information on Business)	no data available	Regional Prosecutor's Office in Warsaw	On 27 July 2016, Public Prosecutor of the Regional Prosecutor's Office in Warsaw approved the ruling on discontinuation of the investigation.
Piotr G. (natural person not shown in the Central Registration and Information on Business)	no data available	Regional Prosecutor's Office in Warsaw	
Power House Private Banking based in Poznań	no data available	Regional Prosecutor's	

(entity not shown in the National Court Register and the Central Registration and Information on Business)		Office in Warsaw	
Rafał K. (natural person not shown in the Central Registration and Information on Business)	no data available	Regional Prosecutor's Office in Warsaw	
Regium Asset Management AG based in Switzerland	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	On 5 December 2016, the District Court for Łódź-Śródmieście in Łódź issued a final decision upholding the decision of 5 October 2016 to discontinue the investigation.
Simple Assets Towarzystwo Funduszy Inwestycyjnych S.A. (entity not shown in the National Court Register and the Central Registration and Information on Business)	no data available	Regional Prosecutor's Office in Warsaw	On 29 October 2015, Public Prosecutor of the Regional Prosecutor's Office in Warsaw issued a ruling on discontinuation of the investigation.
TJB Trading Ltd. based in Luxembourg	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	On 28 April 2015, Public Prosecutor of the Regional Prosecutor's Office in Warsaw issued a ruling refusing to initiate an investigation.
Top Forex - trade name of the investment firm Goldenburg Group Limited based in Limassol on Cyprus (entity not shown in the National Court Register and the Central Registration and Information on Business)	no data available	Regional Prosecutor's Office in Warsaw	
Total Investments Sp. z o.o. based in Gdańsk	KRS 418015	Regional Prosecutor's Office in Warsaw	
Trademarker Cyprus Ltd. based in Limassol	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	
www.binarino.com	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	On 10 June 2015, the ruling on discontinuation of the investigation issued on 29 May 2015 by the Public Prosecutor of the Regional Prosecutor's Office in Warsaw became valid.
WGT S.A.	KRS 75360	Regional Prosecutor's Office in Warsaw	
Zakład Ekspertyz Gospodarczych Sp. z o.o. based in Katowice	KRS 247827	Regional Prosecutor's Office in Warsaw	

* Pursuant to Article 6b (5) and (6) *in fine* of the Act of 21 July 2006 on financial market supervision, information about the notifications on suspicion of a crime and on the proceedings joined by the Chairman of the KNF, on the rights of an injured party, include references to the final refusal to institute preparatory proceedings or the final discontinuation of preparatory proceedings, and in the case of an indictment - final judicial decision.

Notification on suspicion of committing a crime of Article 178 combined with Article 79 of the Act on trading in financial instruments **(conducting activity without entry into the register of agents of investment firms)**			
Name of the entity in relation to whose activity the notification on suspicion of committing a crime was filed	**Number identifying the entity (KRS, NIP or REGON)**	**Competent prosecutor's office**	**References to legally binding decisions issued in the course of criminal proceedings***
Innovative Securities Limited registered in New Zealand	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	
Regium Commodity Trading Advisor Sp. z o.o. based in Łódź (since 1 April 2011, under the name Regium Financial Consulting Services Sp. z o.o.)	KRS 312968	Regional Prosecutor's Office in Warsaw	On 11 April 2014, the ruling on refusal to initiate investigation issued on 18 December 2013 by the Public Prosecutor of the Regional Prosecutor's Office in Warsaw became valid.

* Pursuant to Article 6b (5) and (6) *in fine* of the Act of 21 July 2006 on financial market supervision, information about the notifications on suspicion of a crime and on the proceedings joined by the Chairman of the KNF, on the rights of an injured party, include references to the final refusal to institute preparatory proceedings or the final discontinuation of preparatory proceedings, and in the case of an indictment - final judicial decision.

Notification on suspicion of committing a crime of Article 287 and Articles 290-296 of the Act on investment funds **(performing activities consisting in investing funds in securities, money market instruments or other property rights without the permission of the KNF)**			
Name of the entity in relation to whose activity the notification on suspicion of committing a crime was filed	**Number identifying the entity (KRS, NIP or REGON)**	**Competent prosecutor's office**	**References to legally binding decisions issued in the course of criminal proceedings***
Bezpieczne Inwestycje Sp. z o.o. based in Warsaw	KRS 391211	Regional Prosecutor's Office in Warsaw	On 30 June 2015, Public Prosecutor of the Regional Prosecutor's Office in Warsaw issued a ruling on discontinuation of the investigation.
Europol Insurance Consulting Group Ertanowski Mariusz Ireneusz, with registered office in Mielec	NIP 8171692799	Regional Prosecutor's Office in Warsaw	
First International Traders Dom Maklerski S.A. based in Warsaw	KRS 245555	Regional Prosecutor's Office in Warsaw	
Simple Assets Towarzystwo Funduszy Inwestycyjnych S.A. (entity not shown in the National Court Register and the Central Registration and Information on Business)	no data available	Regional Prosecutor's Office in Warsaw	On 29 October 2015, Public Prosecutor of the Regional Prosecutor's Office in Warsaw issued a ruling on discontinuation of the investigation.

* Pursuant to Article 6b (5) and (6) *in fine* of the Act of 21 July 2006 on financial market supervision, information about the notifications on suspicion of a crime and on the proceedings joined by the Chairman of the KNF, on the rights of an injured party, include references to the final refusal to institute preparatory proceedings or the final discontinuation of preparatory proceedings, and in the case of an indictment - final judicial decision.

Notification on suspicion of committing a crime from Articles 99 and 99a of the Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organised trading and on public companies **(making a public offering of securities without the prospectus/information memorandum/information document required by the Act and approved by the KNF or the issue of bonds without observing the statutory conditions)**			
Name of the entity in relation to whose activity the notification on suspicion of committing a crime was filed	**Number identifying the entity (KRS, NIP or REGON)**	**Competent prosecutor's office**	**References to legally binding decisions issued in the course of criminal proceedings***
Anderson Holding Sp. z o.o. based in Katowice	KRS 416988	Regional Prosecutor's Office in Warsaw	
Andrzej G. (natural person not shown in the Central Registration and Information on Business)	no data available	Regional Prosecutor's Office in Warsaw	On 9 December 2014, the District Court for Warszawa Wola in Warsaw issued a ruling on discontinuation of the investigation.
Atlantic Gaming Partners based in Spain (Tenerife)	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	
Bio-Investor Ltd.	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	On 21 January 2016, Public Prosecutor of the Regional Prosecutor's Office in Warsaw issued a ruling on discontinuation of the investigation.
Dom Inwestycyjny “Taurus” S.A. based in Częstochowa	KRS 425814	Regional Prosecutor's Office in Warsaw (case transferred to the Regional Prosecutor's Office in Częstochowa)	
Grupa Produkcyjna Adrenalina S.A. based in Warsaw	KRS 389933	Regional Prosecutor's Office in Warsaw	On 20 May 2015, the ruling on discontinuation of the investigation issued on 8 May 2015 by the Public Prosecutor of the Regional Prosecutor's Office in Warsaw became valid.
Investo Kancelaria Inwestycyjna Sp. z o.o. based in Warsaw	KRS 414890	Regional Prosecutor's Office in Warsaw	
IPO S.A. based in Wrocław	KRS 368054	Regional Prosecutor's Office in Warsaw	On 3 December 2014, Public Prosecutor of the Regional Prosecutor's Office in Warsaw issued a ruling on discontinuation of the investigation.
Nomos Wealth Management Sp. z o.o. based in Warsaw	KRS 364175	Regional Prosecutor's Office in Warsaw	On 9 February 2015, Public Prosecutor of the Regional Prosecutor's Office in Warsaw issued a ruling on discontinuation of the investigation.
Nomos Wealth Management Sp. z o.o. Spółka komandytowa based in Warsaw	KRS 373509	Regional Prosecutor's Office in Warsaw	On 9 February 2015, Public Prosecutor of the Regional Prosecutor's Office in Warsaw issued a ruling on discontinuation of the investigation.

Opulentia S.A. based in Warsaw in liquidation bankruptcy	KRS 383825	Regional Prosecutor's Office in Warsaw	
Zenith Fund S.A. - SICAV-SIF based in Luxembourg, with office in Warsaw	the entity is not registered in Poland	Regional Prosecutor's Office in Warsaw	On 22 May 2014, the ruling on discontinuation of the investigation issued on 12 May 2014 by the Public Prosecutor of the Regional Prosecutor's Office in Warsaw became valid.
Zbigniew S. (natural person not shown in the Central Registration and Information on Business)	no data available	Regional Prosecutor's Office in Warsaw	On 3 December 2015, the ruling on discontinuation of the investigation issued on 20 November 2015 by the Public Prosecutor of the Regional Prosecutor's Office in Warsaw became valid.

* Pursuant to Article 6b (5) and (6) *in fine* of the Act of 21 July 2006 on financial market supervision, information about the notifications on suspicion of a crime and on the proceedings joined by the Chairman of the KNF, on the rights of an injured party, include references to the final refusal to institute preparatory proceedings or the final discontinuation of preparatory proceedings, and in the case of an indictment - final judicial decision.

Notification on suspicion of committing a crime of Articles 56a and 57 of the Act on commodity exchanges
(running commodity exchanges without permission)

Name of the entity in relation to whose activity the notification on suspicion of committing a crime was filed	Number identifying the entity (KRS, NIP or REGON)	Competent prosecutor's office	References to legally binding decisions issued in the course of criminal proceedings*
WGT S.A.	KRS 75360	Regional Prosecutor's Office in Warsaw	On 29 February 2008, the District Court for Warszawa-Śródmieście issued a final decision on discontinuation of the investigation.

* Pursuant to Article 6b (5) and (6) *in fine* of the Act of 21 July 2006 on financial market supervision, information about the notifications on suspicion of a crime and on the proceedings joined by the Chairman of the KNF, on the rights of an injured party, include references to the final refusal to institute preparatory proceedings or the final discontinuation of preparatory proceedings, and in the case of an indictment - final judicial decision.

Notification on suspicion of committing a crime of Articles 215 and 216 of the Act on the organisation and operation of pension funds
(conducting pension fund without permission)

Name of the entity in relation to whose activity the notification on suspicion of committing a crime was filed	Number identifying the entity (KRS, NIP or REGON)	Competent prosecutor's office	References to legally binding decisions issued in the course of criminal proceedings*
-	-	-	

* Pursuant to Article 6b (5) and (6) *in fine* of the Act of 21 July 2006 on financial market supervision, information about the notifications on suspicion of a crime and on the proceedings joined by the Chairman of the KNF, on the rights of an injured party, include references to the final refusal to institute preparatory proceedings or the final discontinuation of preparatory proceedings, and in the case of an indictment - final judicial decision.

Notification on suspicion of committing a crime of Article 430 of the Act on insurance and reinsurance activities (before 1 January 2016 - Article 225 of the Act on insurance activities)
(pursuing insurance or reinsurance activities without authorisation)

Name of the entity in relation to whose activity the notification on suspicion of committing a crime was filed	Number identifying the entity (KRS, NIP or REGON)	Competent prosecutor's office	References to legally binding decisions issued in the course of criminal proceedings*

Centrum Turystyczne Cadet s.c. based in Gorzów Wielkopolski	NIP 8851512075 NIP 5991070150	District Prosecutor's Office in Gorzów Wielkopolski	On 13 February 2015, the District Prosecutor's Office in Gorzów Wielkopolski issued a ruling on discontinuation of the investigation.
"OMAR" Marek Orzechowski, with registered office in Białystok	NIP 5421018939	District Prosecutor's Office Białystok-Południe	
T-Mobile Polska S.A. with its registered office in Warsaw (only in the context of pursued insurance activities by offering the "Safe Device" service)	KRS 391193	District Prosecutor's Office Warsaw-Mokotów	

* Pursuant to Article 6b (5) and (6) *in fine* of the Act of 21 July 2006 on financial market supervision, information about the notifications on suspicion of a crime and on the proceedings joined by the Chairman of the KNF, on the rights of an injured party, include references to the final refusal to institute preparatory proceedings or the final discontinuation of preparatory proceedings, and in the case of an indictment - final judicial decision.

Notification on suspicion of committing a crime under Articles 47 and 48 of the Act on insurance mediation **(unauthorised performance of agency activities, activities of an insurance agent and conducting brokerage in the field of insurance or reinsurance without the required permission)**			
Name of the entity in relation to whose activity the notification on suspicion of committing a crime was filed	**Number identifying the entity (KRS, NIP or REGON)**	**Competent prosecutor's office**	**References to legally binding decisions issued in the course of criminal proceedings***
Council Sp. z o.o. based in Wrocław	KRS 534300	District Prosecutor's Office for Wrocław Stare Miasto	
LYNX Sp. z o.o. based in Warsaw	KRS 438782	District Prosecutor's Office Warszawa-Śródmieście	On 2 June 2015, the District Court for Warszawa-Śródmieście in Warsaw issued a final decision on refusal to initiate investigation.

* Pursuant to Article 6b (5) and (6) *in fine* of the Act of 21 July 2006 on financial market supervision, information about the notifications on suspicion of a crime and on the proceedings joined by the Chairman of the KNF, on the rights of an injured party, include references to the final refusal to institute preparatory proceedings or the final discontinuation of preparatory proceedings, and in the case of an indictment - final judicial decision.

Notification on suspicion of committing a crime of Article 50 (1) and (2) of the Act on occupational pension schemes			
Name of the entity in relation to whose activity the notification on suspicion of committing a crime was filed	**Number identifying the entity (KRS, NIP or REGON)**	**Competent prosecutor's office**	**References to legally binding decisions issued in the course of criminal proceedings***
-	-	-	

* Pursuant to Article 6b (5) and (6) *in fine* of the Act of 21 July 2006 on financial market supervision, information about the notifications on suspicion of a crime and on the proceedings joined by the Chairman of the KNF, on the rights of an injured party, include references to the final refusal to institute preparatory proceedings or the final discontinuation of preparatory proceedings, and in the case of an indictment - final judicial decision.

Notification on suspicion of committing a crime from Article 40 of the Act on Individual Pension Accounts (IKE) and Individual Pension Savings Accounts (IKZE) (unauthorised use of the terms "individual pension account" or "individual pension savings account" or the abbreviations "IKE" or "IKZE" to describe conducted activity or for advertising purposes)			
Name of the entity in relation to whose activity the notification on suspicion of committing a crime was filed	**Number identifying the entity (KRS, NIP or REGON)**	**Competent prosecutor's office**	**References to legally binding decisions issued in the course of criminal proceedings***
-	-	-	

* Pursuant to Article 6b (5) and (6) *in fine* of the Act of 21 July 2006 on financial market supervision, information about the notifications on suspicion of a crime and on the proceedings joined by the Chairman of the KNF, on the rights of an injured party, include references to the final refusal to institute preparatory proceedings or the final discontinuation of preparatory proceedings, and in the case of an indictment - final judicial decision.

Notification on suspicion of committing a crime of Articles 150 and 151 of the Act on payment services (unauthorised activity in the area of provision of payment services or issuance of electronic money)			
Name of the entity in relation to whose activity the notification on suspicion of committing a crime was filed	**Number identifying the entity (KRS, NIP or REGON)**	**Competent prosecutor's office**	**References to legally binding decisions issued in the course of criminal proceedings***
Amaro Kasprowicz Robert, with registered office in Bydgoszcz	NIP 9531435652	District Prosecutor's Office Bydgoszcz-Północ	On 15 March 2016, the District Court in Bydgoszcz, III Criminal Division, conditionally discontinued the criminal proceedings.
Bezpieczny Przelew Sp. z o.o. based in Poznań	KRS 448689	District Prosecutor's Office Poznań-Grunwald	
Donata Lewandowska Agencja Finansowa Tanie Opłaty	NIP 6441624744	District Prosecutor's Office Sosnowiec Południe (case transferred to the District Prosecutor's Office Sosnowiec-Północ in Sosnowiec)	By the ruling of 27 November 2014 the District Prosecutor's Office Sosnowiec-Północ in Sosnowiec discontinued the preparatory proceedings.
IWISHER Sp. z o.o. based in Lublin	KRS 550086	District Prosecutor's Office in Lublin	
My Paid Sp. z o.o. based in Szczecin	KRS 404168	District Prosecutor's Office Szczecin-Zachód (case transferred to the Regional Prosecutor's Office in Szczecin)	
TrustFund.pl (entity not shown in the National Court Register and the Central Registration and Information on Business)	no data available	District Prosecutor's Office Łódź-Górna	On 26 April 2015, the District Court for Łódź-Widzew upheld the ruling to discontinue the proceedings.

* Pursuant to Article 6b (5) and (6) *in fine* of the Act of 21 July 2006 on financial market supervision, information about the notifications on suspicion of a crime and on the proceedings joined by the Chairman of the KNF, on the rights of an injured party, include references to the final refusal to institute preparatory proceedings or the final discontinuation of preparatory proceedings, and in the case of an indictment - final judicial decision.

Regardless of the above information published as part of the "Public warnings of the Polish Financial Supervision Authority," in case of a doubt, we urge to make sure whether a given entity has permission of the KNF. This can be verified in the search engine of entities at www.knf.gov.pl.
Information about entities suspected of conducting activities without the legally required permission may be sent to the KNF to the address: ostrzezenia@knf.gov.pl

Appendix 9. List of guidelines, recommendations and positions of the Polish Financial Supervision Authority and the Office of the Polish Financial Supervision Authority in 2016

Table 9.1. Recommendations and guidelines of the Polish Financial Supervision Authority issued in 2016

No.	Subject of recommendations and guidelines	Date
	Banking sector	
1.	Recommendation K on the principles of maintaining registers of mortgage bonds' security by mortgage banks.	9 February 2016
2.	Recommendation C on the concentration risk management (amendment).	24 May 2016
	Sector of credit unions (SKOK)	
1.	Recommendation D-SKOK on the management of information technology and ICT environment security at credit unions.	30 August 2016
2.	Recommendation E-SKOK on good practices in the management of operational, interest rate, liquidity and concentration risk in credit unions	27 September 2016
	Insurance sector	
1.	Recommendations on the product management system.	22 March 2016
2.	Recommendations on the product adequacy assessment.	22 March 2016
3.	Recommendations for insurance undertakings regarding the process of determining and paying compensation for non-material damage from the MTPL insurance contracts.	21 June 2016
	Capital market	
1.	Guidelines on the provision of brokerage services on the OTC derivatives market.	24 May 2016

Source: own calculations of the KNF Office

Table 9.2. Positions of the Polish Financial Supervision Authority and the Office of the Polish Financial Supervision Authority and circular letters presented in 2016

No.	Subject of the position/circular letter	Date
	Banking sector	
1.	Position of the KNF Office on compliance with supervisory liquidity standards by branches of credit unions.	15 January 2016
2.	Position of the KNF Office on the treatment of the minimum reserve for the liquidity coverage requirement (LCR).	15 January 2016
3.	Letter of the KNF on new powers for inspectors of revisory unions.	9 February 2016
4.	Position of the KNF Office on monitoring the degree of achievement of the NSFR by banks.	11 February 2016
5.	Letter to the National Association of Cooperative Banks on the application of provisions on the distribution of powers within the bank's management.	11 February 2016
6.	Circular letter to banks and credit unions on the restructuring of credit liabilities.	25 February 2016
7.	Letter to the Polish Banks Association and the National Association of Cooperative Banks on the adaptation of statutes to the requirement of the Act of 11 February 2016 on state aid in raising children.	21 March 2016
8.	Letter of the KNF on the sale of trademarks combined with leaseback and the sale of real property combined with leaseback, with one-time settlement of revenues.	25 March 2016
9.	Letter to domestic banks on determination of own funds in statutes.	31 March 2016

10.	Position on the approach adopted by banks when acting on behalf of a client by an attorney in contacts with the bank on the basis of a power of attorney.	19 April 2016
11.	Letter of the KNF on the provisions of the Act on the functioning of cooperative banks, their associations and affiliating banks.	21 April 2016
12.	Letter to domestic banks on determination of requirements which should be met by members of the management board and the supervisory board of a bank.	19 May 2016
13.	Letter to presidents of management boards of banks and institutional protection schemes on the implementation of detailed recommendation 10.17 included in Recommendation P of the Polish Financial Supervision Authority *on bank liquidity risk management*, specifying, among others, rules for carrying out stress tests taking into account deposits that can be withdrawn through non-traditional channels, i.e., in particular, through an Internet or mobile channel.	3 June 2016
14.	Letter to presidents of management boards of banks and institutional protection schemes presenting the expectations of the KNF regarding the bank's obligations to protect and educate clients with regard to the Internet and mobile banking services offered.	29 June 2016
15.	Letter to presidents of management boards of banks, directors of branches of credit unions and institutional protection schemes presenting comments of the supervisory authorities on the minimum household maintenance costs accepted by banks for the assessment of creditworthiness.	30 June 2016
16.	Position of the KNF Office on the limits of inclusion of instruments in own funds by virtue of acquired rights.	20 July 2016
17.	Letter to presidents of management boards of banks and institutional protection schemes, reminding about banks' obligations to assess the value of real property accepted as collateral for credit exposures, and the need to monitor and update the value of these properties.	8 August 2016
18.	Letter of the KNF to the sector of cooperative banks on due diligence before issuing a permit for merger.	24 August 2016
19.	Position of the KNF on the intermediation of payment service providers in payments for involvement in on-line gaming.	14 September 2016
20.	Letter to presidents of management boards of cooperative banks and institutional protection schemes on internal anti-money laundering and terrorist financing procedures.	22 September 2016
21.	Letter to presidents of management boards of banks communicating the findings stemming, in particular, from the explanatory proceedings conducted in 2016 in the areas of information technology and security of the ICT environment, and the analyses of the results of surveys addressed to banks on uniform IT risk assessment indicators.	11 October 2016
22.	Circular letter to banks, credit unions and branches of credit unions on new disclosure requirements of banks and SKOK (Central Information; “dormant” accounts).	16 November 2016
23.	Circular letter to banks on activities related to granting consumer credits and cooperation with intermediaries.	21 November 2016
24.	Position of the KNF Office on informing the clients about the interest rate risk related to the possibility of future increase in interest rates.	28 November 2016
25.	Letter of the KNF informing about the completion of the process of notifying members' shares in the EBA.	1 December 2016
26.	Position of the KNF on the dividend policy of cooperative and affiliating banks.	29 December 2016
27.	Letter to presidents of management boards of banks and institutional protection schemes and directors of branches of credit unions on “trading” in bank accounts.	15 December 2016
28.	Letter to the sector of cooperative banks regarding the SREP.	2016
Sector of credit unions (SKOK)		
1.	Circular letter to banks and credit unions on the restructuring of credit liabilities.	25 February 2016

2.	Circular letter to banks, credit unions and branches of credit unions on new disclosure requirements of banks and SKOK (Central Information; “dormant” accounts).	16 November 2016
3.	Letter to presidents of management boards of credit unions on “trading” in bank accounts	15 December 2016
	Sector of payment services	
1.	Position of the KNF on the intermediation of payment service providers in payments for involvement in on-line gaming.	14 September 2016
	Insurance sector	
1.	Position of the KNF on the requirements for the system of governance functioning in the insurance/reinsurance undertaking	16 February 2016
2.	Position of the KNF on the audit of financial statements of insurance and reinsurance undertakings by chartered auditors for 2015.	4 March 2016
3.	Position of the KNF on the asset tax of insurance and reinsurance undertakings.	7 April 2016
4.	Position of the KNF on the rules of submitting applications to the National Court Register (KRS) for entry of a president of the management board or a member of the management board responsible for risk management in the insurance undertaking.	29 September 2016
5.	Position of the KNF on the dividend policy of insurance and reinsurance undertakings.	8 December 2016
	Pension sector	
1.	Position of the KNF on the use of the term “periodic comparative rate of return” in information materials of open pension funds.	22 June 2016
2.	Circular letter addressed to universal pension societies (PTE) on the practice of payment of funds from the account of a deceased member of an open pension fund member to a spouse.	18 July 2016
3.	Position of the KNF on the dividend policy of universal pension societies in 2017.	8 December 2016
	Capital market	
1.	Position on the dividend policy of investment fund management companies for 2015.	25 January 2016
2.	Position on the obligation to pay the annual fee by investment fund management companies.	25 January 2016
3.	Position of the Office of the Polish Financial Supervision Authority on the implications of entry into force of Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds (OJ EU L of 19 May 2015 No. 123, p. 98) in the absence of implementation of Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009 and (EU) No. 1095/2010 (OJ EU L 174 of 1 July 2011, p. 1, as amended) to the Polish legal order.	26 January 2016
4.	Position of the Office of the Polish Financial Supervision Authority on fees for the supervision costs with regard to the issuers of securities admitted to trading on the organised market.	28 January 2016
5.	Position on fees for the supervision costs with regard to transfer agents.	8 February 2016
6.	Position on fees for the supervision costs with regard to the entities managing securitised liabilities.	8 February 2016
7.	Position on fees for the supervision costs with regard to distributors of units of investment funds.	8 February 2016
8.	Position of the KNF Office on the manner of conducting administrative proceedings on the approval of a prospectus in connection with the entry into force of Commission Delegated Regulation (EU) 2016/301 of 30 November 2015 supplementing Directive 2003/71/EC of the European Parliament and of the Council with regard to regulatory technical standards for approval and publication of the prospectus and dissemination of advertisements and amending Commission Regulation (EC) No. 809/2014.	12 April 2016

9.	Position on the fulfilment of the disclosure requirement under the Act on IKE and IKZE by investment funds.	15 April 2016
10.	Position of the Office of the Polish Financial Supervision Authority on the incorrect charging of management costs of securitised liabilities to investment funds.	28 April 2016
11.	Position of the Office of the Polish Financial Supervision Authority on the lack of possibility to maintain several registers of participants for one investment fund.	11 May 2016
12.	Position on risk management related to the use of derivatives in relation to specialised open-end investment funds and investment funds.	25 May 2016
13.	Position of the KNF Office on offering certain categories of financial instruments by investment firms under the so-called non-public offerings.	30 May 2016
14.	Position of the Office of the Polish Financial Supervision Authority on some of the effects of non-compliance of the Polish legal order with the provisions of the MAR by 3 July 2016.	28 June 2016
15.	Position on the scope of application of the MAR in relation to the entities of the investment fund market.	30 June 2016
16.	Position of the Office of the Polish Financial Supervision Authority on the manner of filling out notification of transactions referred to in Article 19(1) of the MAR.	30 June 2016
17.	Position on the correct organisation of the process of execution of orders of change/conversion of units.	11 July 2016
18.	Position of the Office of the Polish Financial Supervision Authority on penalties for the infringement of the MAR.	3 August 2016
19.	Position of the Office of the Polish Financial Supervision Authority on the consequences of failure to issue regulations specifying the mode, manner and form of submitting information specified in Article 110 and Annex IV of Regulation 231/2013 to the Polish Financial Supervision Authority by alternative investment fund managers.	28 October 2016
20.	Position on the dividend policy of investment fund management companies (TFI).	13 December 2016
Positions/circular letters of a cross-sectoral nature		
1.	Brief description of methods for supervisory evaluation in identifying other systemically important institutions.	8 June 2016
2.	Circular letter sent to banks, credit unions, insurance undertakings, investment firms and domestic payment institutions on the use of the so-called modification clauses by the supervised entities.	11 February 2016
3.	Position of the KNF on the dividend policy of insurance undertakings, PTE, brokerage houses and TFI.	6 December 2016

Source: own calculations of the KNF Office

LIST OF TABLES

Table 1. Number of resolutions adopted by the KNF in 2013-2016 10
Table 2. Number of decisions and orders issued based on the authorisation granted by the KNF, 2013-2016 10
Table 3. The number of entities supervised by the KNF as at 31 December 2016 13
Table 4. The number of entities which notified a branch in Poland as at 31 December 2016 14
Table 5. Basic figures characterising activities of life insurance undertakings between 2013 and 2016 (financial data in PLN billion) 21
Table 6. Basic figures characterising activities of non-life insurance undertakings between 2013 and 2016 (financial data in PLN billion) 22
Table 7. Value of net assets of open pension funds (OFE) at the end of the period 2013-2016 22
Table 8. The number of members of open pension funds at the end of the period 2013-2016 24
Table 9. Rates of return of open pension funds between 2013 and 2016 (in %) 24
Table 10. Net assets of occupational pension funds between 2013 and 2016 (as at 31 December) ... 25
Table 11. Rates of return of occupational pension funds in 2013-2016 (in %) 25
Table 12. Rates of return and net assets of the DFE in 2014-2016 26
Table 13. Development of the Occupational Pension Scheme in 2013-2016 27
Table 14. The number of accounts and the value of assets of the IKE and IKZE broken down by maintaining institutions, as at 31 December 2016 28
Table 15. The number of entities conducting brokerage and fiduciary activity in 2013-2016 29
Table 16. Data on the number of client accounts of brokerage houses in 2013-2016 30
Table 17. Rates of returns on the GPW indices in 2013-2016 (in %) 30
Table 18. The number of instruments listed on the GPW in 2013-2016 31
Table 19. Capitalisation of the GPW at the end of 2013-2016 (in million) 31
Table 20. Value of trading on the GPW in 2013-2016 (in PLN million) 31
Table 21. Data on the NewConnect alternative trading system in 2013-2016 31
Table 22. Data on the regulated market and the ATS in 2013-2016 32
Table 23. Characteristics of public offerings carried out in 2016 33
Table 24. The value and the number of public offerings in cash in 2013-2016 34
Table 25. Aggregate costs, revenues and net financial result of investment fund management companies in 2013-2016 (in PLN million) 38
Table 26. The number of registered insurance agents and persons performing agency activities in 2013-2016 46
Table 27. The state of the register of brokers at the end of the period 2013-2016 46
Table 28. The number of authorisations to perform brokerage in the field of insurance issued by the KNF in 2013-2016 47
Table 29. Statistics of persons taking the examination for insurance brokers in 2013-2016 47
Table 30. Statistics of persons taking the examination for reinsurance brokers in 2013-2016 47
Table 31. The number of notified foreign investment firms at the end of 2013-2016 49
Table 32. The number of Polish investment firms which notified their intention to conduct brokerage outside the territory of the Republic of Poland at the end of 2013-2016 50
Table 33. The state of the register of agents of investment firms at the end of 2013-2016 51
Table 34. The number of persons entered into the list of securities brokers and total number of licensed securities brokers in 2013-2016 51
Table 35. The number of persons entered into the list of investment advisers and total number of licensed investment advisers in 2013-2016 51
Table 36. The number of decisions issued in 2016 52
Table 37. The number of approved prospectuses and supplements to prospectuses between 2013 and 2016 52
Table 38. The number of investment fund management companies and investment funds in 2013-2016 cumulatively 53
Table 39. Breakdown of own funds of the KIP (in PLN thou.) 64
Table 40. The number of transactions (in thou. pcs) carried out by the domestic payment institutions (KIP) 65
Table 41. The value of transactions (in PLN thou.) carried out by the domestic payment institutions (KIP) 65
Table 42. Fees and commissions (in PLN thou.) collected by the domestic payment institutions (KIP) 65
Table 43. Methodologies of valuation sent by pension funds for acceptance of the KNF between 2013 and 2016 76
Table 44. Statutory rates of return of open pension funds (OFE) calculated and published by the KNF in 2016 (in %) 76

Table 45. Legal provisions on investment limits violated by pension funds in 2016 78
Table 46. Reports, together with corrections, sent and verified as part of the disclosure requirements of pension funds and societies received in 2016 78
Table 47. The value of average capital requirements (in PLN million) and their coverage ratio in brokerage houses in 2013 and the average value of own funds, total risk exposure (in PLN million) and total capital ratio in 2013-2016 80
Table 48. Basic data from the balance sheets of brokerage houses (in PLN million) in 2013-2016 80
Table 49. Basic data from the profit and loss account of brokerage houses (in PLN million) in 2013-2016 81
Table 50. The number of analysed current and periodic reports of investment funds and investment fund management companies and information from depositaries in 2013-2016 85
Table 51. Control activities carried out by the KNF Office in banks in 2016 87
Table 52. Significant irregularities identified during control activities in commercial banks in 2016 in the area of credit risk management, with particular focus on management of retail credit exposures (including compliance of banks with Recommendation T) and the valuation and management of debt financial instruments 88
Table 53. Significant irregularities identified during control activities in commercial banks in 2016 in the area of liquidity risk management, including adaptation of banks to Recommendation P 90
Table 54. Significant irregularities identified during control activities in commercial banks in 2016 related to market risk, including the elements examined during targeted inspections (supervision of the bank's management of treasury activity, the process of offering derivatives to non-financial clients, the quality of managing general interest rate risk in the non-trading book) 91
Table 55. Significant irregularities identified during control activities in commercial banks in 2016 related to selected issues in the area of management of the areas of information technology and ICT environment security 91
Table 56. Significant irregularities identified during control activities in commercial banks in 2016 in the area of capital adequacy 92
Table 57. Significant irregularities identified during control activities in commercial banks in 2016 in the area of bancassurance, with particular focus on the implementation of Recommendation U 94
Table 58. Significant irregularities identified during control activities in commercial banks in 2016 related to the assessment of the bank's compliance with Recommendation W 95
Table 59. Significant irregularities identified during control activities in commercial banks in 2016 regarding the degree of compliance with the provisions of the Act of 5 August 2015 *on handling complaints by financial market entities and on the Financial Ombudsman* (Dz.U.2016.892 - consolidated text) 95
Table 60. Significant irregularities identified during control activities in cooperative banks in 2016 in the area of credit risk management 95
Table 61. Significant irregularities identified during control activities in credit unions in 2016 in the area of credit risk management 99
Table 62. Significant irregularities identified during control activities in domestic payment institutions in 2016 in the area of the system of governance 101
Table 63. Significant irregularities identified during control activities in domestic payment institutions in 2016 in the area of the risk management system 101
Table 64. Significant irregularities identified during control activities in domestic payment institutions in 2016 in the area of the internal control system 101
Table 65. The most common irregularities identified during control activities in the insurance sector entities in 2016 in the area of claims settlement/payment of benefits 102
Table 66. The most common irregularities identified during control activities in the insurance sector entities in 2016 in the area of accounting principles and financial reporting, as well as data and information for solvency purposes 103
Table 67. The most common irregularities identified during control activities in the insurance sector entities in 2016 in the area of valuation of technical provisions 103
Table 68. The most common irregularities identified during control activities in the insurance sector entities in 2016 in the area of investment policy 103
Table 69. The most common irregularities identified during control activities in the insurance sector entities in 2016 in the area of meeting the requirements of the system of governance 104
Table 70. The most common irregularities identified during control activities in the insurance sector entities in 2016 in the area of acquisition costs 104
Table 71. The most common irregularities identified during control activities in the insurance sector entities in 2016 in the area of execution of insurance contracts by insurance undertakings 104

Table 72. The most common irregularities identified during control activities in the pension sector entities in 2016 106
Table 73. The most common irregularities identified during control activities in 2016 in the area of organisational structure, functioning and technical condition for the operation of investment firms ... 108
Table 74. The most common irregularities identified during control activities in 2016 in the area of conduct of investment firms in contacts with the client..... 109
Table 75. The most common irregularities identified during control activities in 2016 in the area of provision of brokerage services by investment firms..... 110
Table 76. Examples of irregularities identified in 2016 during inspections carried out at investment fund management companies 112
Table 77. Examples of irregularities identified in 2016 during inspections of investment funds in liquidation 113
Table 78. Examples of irregularities identified in 2016 during inspections of investment fund depositaries 113
Table 79. Control activities carried out by the KNF Office in the supervised entities in 2016 in the area of anti-money laundering and terrorist financing 114
Table 80. The most common irregularities identified during control activities in 2016 in the area of anti-money laundering and terrorist financing 114
Table 81. The number of explanatory and administrative proceedings initiated and concluded in 2013-2016..... 138
Table 82. Notification prepared in 2013-2016 broken down by types of the violated provision of law 140
Table 83. Indictments sent by the Public Prosecutor's Office to the courts in 2016 broken down by type of the violated legal norm 141
Table 84. Convictions and conditional discontinuations in 2016 broken down by types of violated provision of law..... 142
Table 85. The number of cases in 2016 in which legal counsels were authorised by the Chairman of the KNF in criminal proceedings..... 143
Table 86. Division of notifications received by the KNF Office related to activities of the banking sector entities in 2015-2016 160
Table 87. Division of notifications received by the KNF Office related to activities of the insurance sector entities in 2015-2016 161
Table 88. Division of notifications received by the KNF Office related to activities of the capital market entities in 2015-2016 162
Table 89. Applications submitted to the Arbitration Court (AC) at the KNF in 2015-2016 169
Table 90. Requests submitted to the Arbitration Court at the KNF in 2016 broken down by sectors of the financial market 169
Table 91. Implementation of the plan of budget revenues of the KNF in 2016 178
Table 92. Implementation of the KNF spending plan in 2016 179
Table 93. Cost of supervision of individual markets in 2016 compared to 2015 180
Table 94. Division of supervision costs into direct and indirect costs in 2015-2016 (in PLN thousand) in comparative terms 180
Table 95. Statement of costs of activity of the KNF and the KNF Office incurred in 2016, broken down by the areas of supervision referred to in Article 1(2) of the Act on financial market supervision, along with the number and the scope of supervisory activities, including administrative costs 181
Table 96. Expenditures of the state budget in performance system for part 70 – the Polish Financial Supervision Authority in 2016 (in PLN thousand)..... 184
Table 97. Classification of the performance-based budget - implementation of measures of 2016 ... 185
Table 98. The number of awarded public procurement in 2016 by the mode 187

LIST OF DIAGRAMS

Diagram 1. Asset structure of the Polish financial sector in 2016 (in PLN million)* 13
Diagram 2. Basic data of the banking sector in Poland in 2013-2016..... 15
Diagram 3. Net financial result of the banking sector in the period 2013-2016 (in PLN million) 16
Diagram 4. Concentration of assets between 2013 and 2016 16
Diagram 5. Comparison of the total number and value of payments conducted by BUP and KIP in the period from the third quarter of 2015 to the third quarter of 2016..... 18
Diagram 6. The balance sheet size between 2013 and 2016 (in PLN billion)..... 19
Diagram 7. Structure of the insurance portfolio of life sector between 2013 and 2016..... 20
Diagram 8. Structure of the insurance portfolio of non-life sector between 2013 and 2016 21
Diagram 9. Concentration of net assets of open pension funds between 2013 and 2016 23
Diagram 10. Structure of the PPE market in 2016 (in %) 27
Diagram 11. The value of assets and the number of the IKE and IKZE accounts in 2013-2016 27
Diagram 12. Basic data of the sector of brokerage houses between 2013 and 2016..... 29
Diagram 13. Total number of supervised investment fund management companies and investment funds and sub-funds at the end of 2013-2016 (cumulative, by types)..... 35
Diagram 14. Total number of foreign funds and sub-funds included in foreign funds (UCITS) selling shares in the Republic of Poland at the end of 2013-2016..... 36
Diagram 15. Assets of investment funds at the end of 2013-2015 and in 2016 (in PLN billion) 37
Diagram 16. The number of issued decisions permitting amendments to the statutes of commercial banks and cooperative banks in 2013-2016..... 41
Diagram 17. The number of permissions regarding the activity of investment fund management companies in 2013-2016 54
Diagram 18. The number of prospectuses and supplements to prospectuses of public closed-end investment funds approved by the KNF in 2013-2016 55
Diagram 19. The number of commercial and cooperative banks subject to the rehabilitation process in 2013-2016 57
Diagram 20. Share of assets of commercial and cooperative banks subject to the rehabilitation process in the banking sector assets (in %) in 2013-2016..... 58
Diagram 21. Own funds and capital adequacy of the domestic banking sector in 2013-2016..... 62
Diagram 22. The average value of the capital requirement coverage ratio of investment fund management companies at the end of 2013-2016 and in 2016 (equity/minimum capital requirement) 86