

**REPORT ON THE ACTIVITIES
OF THE UKNF AND THE KNF BOARD
IN 2022**

Under Article 4(2) of the Act of 21 July 2006 on financial market supervision (Journal of Laws [*Dziennik Ustaw*] 2023, items 753 and 825), the Polish Financial Supervision Authority (PL: Urząd Komisji Nadzoru Finansowego – UKNF) must submit an annual report on its activities and on the activities of the Board of the Polish Financial Supervision Authority (PL: Komisja Nadzoru Finansowego – KNF Board) to the President of the Council of Ministers by 31 July of the following year. In order to comply with the above-mentioned statutory requirement, on 16 June 2023 the KNF Board adopted, within its remit, *Report on the activities of the UKNF and the KNF Board in 2022*. On 20 June 2023, *Report activities of the UKNF and the KNF Board in 2022* was approved by the Chair of the KNF Board, acting under Article 3(4) point 2 of the Act of 21 July 2006 on financial market supervision.

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LIST OF SHORT TITLES OF STATUTORY LAWS

- 1) Act of 23 April 1964 – Civil Code (Journal of Laws 2022, item 1360, as amended) – the Civil Code;
- 2) Accounting Act of 29 September 1994 (Journal of Laws 2023, item 217, as amended) – the Accounting Act;
- 3) Act of 6 June 1997 – Penal Code (Journal of Laws 2022, item 1138, as amended) – the Penal Code;
- 4) Act of 28 August 1997 on the organisation and functioning of pension funds (Journal of Laws 2022, item 2342) – the Act on pension funds;
- 5) Act of 29 September 1997 – Tax Ordinance (Journal of Laws 2022, item 2651, as amended) – the Tax Ordinance;
- 6) Act of 29 August 1997 – Banking Law (Journal of Laws 2022, item 2324, as amended) – the Banking Law;
- 7) Act of 29 August 1997 on covered bonds and mortgage banks (Journal of Laws 2022, item 581, as amended) – the Act on covered bonds;
- 8) Act of 20 July 2000 on the publication of normative acts and certain other legal acts (Journal of Laws 2019, item 1461) – the Act on the publication of normative acts;
- 9) Act of 15 September 2000 – Commercial Companies and Partnerships Code (Journal of Laws 2022, item 1467, as amended) – the Commercial Companies and Partnerships Code;
- 10) Act of 26 October 2000 on commodity exchanges (Journal of Laws 2022, item 170, as amended) – the Act on commodity exchanges;
- 11) Act of 7 December 2000 on the functioning of cooperative banks, their affiliation and affiliating banks (Journal of Laws 2022, item 1595) – the Act on cooperative banks;
- 12) Act of 6 September 2001 on access to public information (Journal of Laws 2022, item 902) – the Act on access to public information;
- 13) Act of 14 March 2003 on Bank Gospodarstwa Krajowego (Journal of Laws 2022, item 2153) – the Act on BGK;
- 14) Act of 22 May 2003 on insurance and pension supervision (Journal of Laws 2019, item 207) – the Act on insurance and pension supervision;
- 15) Act of 22 May 2003 on compulsory insurance, the Insurance Guarantee Fund, and the Polish Motor Insurers' Bureau (Journal of Laws 2022, item 2277) – the Act on compulsory insurance;
- 16) Act of 27 May 2004 on investment funds and management of alternative investment funds (Journal of Laws 2022, item 1523, as amended) – the Act on investment funds;
- 17) Act of 17 February 2005 on computerisation of the entities which perform public tasks (Journal of Laws 2021, item 2070, as amended) – the Act on computerisation of the entities which perform public tasks;
- 18) Act of 15 April 2005 on supplementary supervision over credit institutions, insurance undertakings, reinsurance undertakings and investment firms being part of a financial conglomerate (Journal of Laws 2020, item 1413) – the Act on supplementary supervision;
- 19) Act of 7 July 2005 on insurance of agricultural crops and livestock (Journal of Laws 2019, item 477) – the Act on insurance of agricultural crops;
- 20) Act of 29 July 2005 on capital market supervision (Journal of Laws 2022, item 837) – the Act on capital market supervision;
- 21) Act of 29 July 2005 on trading in financial instruments (Journal of Laws 2022, item 1500, as amended) – the Act on trading;
- 22) Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organised trading, and public companies (Journal of Laws 2022, item 2554) – the Act on public offering;
- 23) Act of 21 July 2006 on financial market supervision (Journal of Laws 2022, item 660, as amended) – the Act on financial market supervision;
- 24) Act of 16 February 2007 on competition and consumer protection (Journal of Laws 2021, item 275) – the Act on competition and consumer protection;
- 25) Act of 27 August 2009 on public finance (Journal of Laws 2022, item 1634, as amended) – the Act on public finance;
- 26) Act of 5 November 2009 on credit unions (Journal of Laws 2022, item 924, as amended) – the Act on credit unions;
- 27) Act of 12 May 2011 on consumer credit (Journal of Laws 2022, item 246, as amended) – the Act on consumer credit;
- 28) Act of 19 August 2011 on payment services (Journal of Laws 2022, item 2360) – the Act on payment services;
- 29) Act of 15 January 2015 on bonds (Journal of Laws 2022, item 2244) – the Act on bonds;
- 30) Act of 5 August 2015 on complaint handling procedure of financial market entities and on Financial Ombudsman (Journal of Laws 2022, item 187, as amended) – the Act on complaints and Financial Ombudsman;
- 31) Act of 5 August 2015 on macro-prudential supervision of the financial system and crisis management in the financial system (Journal of Laws 2022, item 2536) – the Act on macro-prudential supervision;

- 32) Act of 11 September 2015 on the business of insurance and reinsurance (Journal of Laws 2021, item 2283) – the Act on the business of insurance;
- 33) Act of 22 December 2015 on the principles for the recognition of professional qualifications acquired in the Member States of the European Union (Journal of Laws 2021, item 1646, as amended) – the Act on the principles for the recognition of professional qualifications;
- 34) Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee scheme and compulsory restructuring (Journal of Laws 2022, item 2253) – the Act on the Bank Guarantee Fund;
- 35) Act of 16 November 2016 on the National Revenue Administration (Journal of Laws 2022, item 813, as amended) – the Act on the National Revenue Administration;
- 36) Act of 23 March 2017 on mortgage credit and supervision of mortgage credit intermediaries and agents (Journal of Laws 2022, item 2245) – the Act on mortgage credit;
- 37) Act of 11 May 2017 on statutory auditors, audit firms and public supervision (Journal of Laws 2022, item 1302) – the Act on statutory auditors;
- 38) Act of 15 December 2017 on insurance distribution (Journal of Laws 2022, item 905) – the Act on insurance distribution;
- 39) Act of 1 March 2018 on the prevention of money laundering and terrorist financing (Journal of Laws 2022, item 593, as amended) – the AML Act;
- 40) Act of 5 July 2018 on the national cybersecurity system (Journal of Laws 2022, item 1863) – the Act on the national cybersecurity system;
- 41) Act of 9 November 2018 amending certain laws to strengthen financial market supervision and investor protection (Journal of Laws 2018, item 2243, as amended) – the Act amending certain laws to strengthen financial market supervision;
- 42) Act of 11 September 2019 – Public Procurement Law (Journal of Laws 2022, item 1710, as amended) – the Public Procurement Law;
- 43) Act of 12 March 2022 on the assistance to citizens of Ukraine in connection with the armed conflict in the territory of that country (Journal of Laws 2022, item 583, as amended) – the Act on the assistance to citizens of Ukraine in connection with the armed conflict in the territory of that country;
- 44) Act of 7 April 2022 amending the Act on covered bonds and mortgage banks and certain other acts (Journal of Laws of 2022, item 872) – the Act amending the Act on covered bonds;
- 45) Act of 13 April 2022 on special solutions aimed at countering the support for aggression against Ukraine and ensuring national security (Journal of Laws 2022, item 835, as amended) – the Act on sanctions;
- 46) Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers (Journal of Laws 2022, item 1488, as amended) – the Act on crowdfunding;
- 47) Act of 6 October 2022 amending the laws to prevent usury (Journal of Laws item 2339) – the Act amending the anti-usury law.

* The promulgation addresses have been provided as at 31 December 2022.

LETTER FROM THE CHAIR OF THE KNF BOARD

The last year, 2022, was another trying time for all of us. Just when the world started to return to its previous rhythm after the COVID-19 pandemic, a war suddenly broke out in Europe. Russia's invasion of Ukraine turned out to be the biggest armed conflict in the Old Continent after many years of peace, occurring in immediate proximity to Poland. The new serious crisis disrupted the familiar order and hindered the much expected return to normality. From one day to another, Poland became a front country, through which millions of people were fleeing the war-torn Ukraine. We became a new home for many of them. That involved another demanding test of the Polish financial market. Banks, insurance institutions and electronic payment systems in Poland saw an unprecedented inflow of new customers and users. From the perspective of the supervisory authority, we could see the financial market quickly adapt to the new situation. More than two million citizens of Ukraine were provided access to necessary financial services, including banking, payment and insurance services.

In recent years, the stability of the financial system in Poland has gone through a test of resilience to unexpected shocks. We could see that the well-capitalised and highly liquid Polish banking, insurance and investment firms sectors could pass the multi-dimensional stress test in practice. The Polish financial market has done well in the stress test of operational capacity. After adapting to the requirements in the area of customer service and digitisation of the functioning of the financial market in Poland after the COVID-19 pandemic, the security systems introduced by financial institutions were tested during a hybrid war and enhanced cyberattacks. Institutions in Poland proved resilient, despite many attempts to break the security.

Our attention continued to be focused on the loans denominated in or indexed to a currency other than the Polish currency. Some banks provided clients with the option to enter into a financial agreement on the terms offered by us or by those banks. May I remind you that in 2020 we proposed a formula for an alternative dispute resolution according to which an existing loan is settled as if it were originally contracted and repaid in PLN. We are constantly monitoring the effect of trends in the financial settlement agreements, the evolution of court rulings and the activity of customers on the situation of each bank. In 2022, the Mediation Centre of the Arbitration Court attached to the KNF Board initiated 18 511 proceedings regarding agreements for a loan denominated in or indexed to a currency other than the Polish currency, that made up more than 95% of all pending mediation proceedings. In that same year, 22 239 mediation proceedings regarding such loans were concluded, of which 14 980 proceedings were concluded through settlement. Importantly, the alternative dispute resolution meets the expectations of many borrowers, allowing them to avoid lengthy and costly trial.

Our attention is also constantly directed towards cooperative banking, which is especially important for the functioning of local communities. We hope that good financial performance will allow it to become stronger, increasing institutional protection schemes that improve security, in terms of resilience to economic downturn and regional development. We issued a recommendation to increase the aid fund for institutional protection schemes for cooperative banks and affiliating banks. The volatile prices on the energy market and the potential effects of a decrease in borrowers' capacity require cooperative banks to create special-purpose provisions to service liabilities. A current topic which in our opinion requires specific action on

the part of cooperative banks is the need to protect their IT systems against cyberattacks. Top-standard solutions are needed, whose application may require banks to make the necessary expenditures.

In the credit unions sector, we continued to support the restructuring processes, including merger processes, aimed at protecting deposits and reducing the risk of weakening of the sector.

We also remember that the Polish banking sector did well in the internal test for the financial system in Poland posed by the forced restructuring of Getin Noble, a process that went smoothly. This should be particularly appreciated in the context of recent problems faced by banks in the U.S. or Credit Suisse in Europe.

The development of an innovative and trustworthy capital market, inspired by the market in the United States, is designed as part of the adopted Capital Market Development Strategy. Continuing the implementation of the Strategy in 2022, as part of a dialogue with the market, we drafted and carried out consultations on regulations, participated in a series of meetings with market representatives associated in the Chamber of Brokerage Houses (PL: Izba Domów Maklerskich – IDM) and the Polish Bank Association (PL: Związek Banków Polskich – ZBP), which allowed us to adopt a uniform standard of informing customers about costs and charges for brokerage services. We participated in the public consultation on the proposal for an Act on crowdfunding, which entered into force on 29 July 2022. We issued a Position on issuer assessment, Questions and Answers regarding product governance, and an update of the Position on the definition of offering.

The shocks and the outbreak of the war in Ukraine did not shake the investment fund management companies sector (PL: *towarzystwo funduszy inwestycyjnych* – TFI). With mutual interaction, solutions were developed in critical situations to guarantee the stability and continuity of services. However, no spectacular increase in the number of customers can be seen, except for employee capital plans (PPK). We see that the experiences and solutions related to the implementation of the PPK plans can be used by TFIs to create their own products for systemic long-term investments. The main trends include the market demand for services offered by TFIs and investment opportunities. Among the key competitive factors we indicate the government bond yields, the risk-free rate and digital assets, which will be increasingly competitive compared to the previous forms of assets.

It is worth mentioning the positive phenomenon of the absence of funds offering exposure to crypto-assets. Such approach meets the expectations of customers and promotes products that build financial awareness and relationships. A retail investor expects a product that is simple, easy to understand, inexpensive and that generates returns appropriate to risk. This seems important if TFIs were to compete effectively with foreign funds and the virtual asset market by consciously developing long-term relationships with clients.

2022 was another year of the trend of transition to zero-carbon economy and development of new supporting technologies. In order to finance the necessary industrial energy investments, the capital market will have to rely more on well-understood financial innovations. The most important current topic is sustainable finance. Including the ESG criteria in the investment process and risk management system requires the local financial market to quickly develop appropriate management standards and instruments. It is therefore necessary to develop methods of analysis, evaluation, audit of next generation green financial instruments, such as

sustainability-linked bonds. This will help avoid negative phenomena such as greenwashing, which undermine the confidence in the market and its functioning.

In the supervision of trading, we engaged in activities aimed at introducing amendments to the Act on public offering, in relation to calls to subscribe for the sale or exchange of shares of public companies, and amendments to the Act on covered bonds. The main objective was to improve the functioning of the calls, in particular protection of minority shareholders of public companies being taken over.

The situation in the Polish insurance sector remains stable. The imposition of a product intervention measure aimed to restore balance between the value of unit-linked insurance products for customers and the level of profit margin generated by insurance undertakings. The insurance sector should expect a determination of the value of insurance product, especially in the context of the breakdown of premiums into components. Recommendations on motor vehicle insurance claim settlement is a set of best practices based on supervisory experiences, common market practices and court rulings. The recommendations arise from the need to mitigate the risk in the business of insurance undertakings which may materialise when single insurance undertakings introduce practices that violate the interests of beneficiaries under insurance contracts. Such practices, generating quick profits, can spread in the market and, after some time, create systemic risks for the sector. The requirements for running a business will be the same for all entities and the competitive advantage will be gained through the high quality of the risk assessment and customer service processes. Our task is to take actions to protect the interests of policyholders, the insured and beneficiaries under insurance contracts.

The year 2022 was also marked by the work on the revision of and amendments to the Solvency II Directive, which will introduce simplified rules for insurance undertakings with a low risk profile in relation to the calculation of capital requirements, as well as the scope and frequency of mandatory reporting. A much greater impact on the sector will come from the Directive establishing a framework for the recovery and resolution of insurance undertakings and reinsurance undertakings. The Directive introduces a new pillar of security for the insurance market which aims to reduce uncontrolled failures of insurance undertakings that might negatively affect the stability and reputation of the industry. The assessment of the sector's resilience to macro-economic and geopolitical threats and climate risks is intended to raise the insurance undertakings' awareness of the potential threats that may materialise in the near future and encourage them to take remedial measures in the areas of risk management and capital management. We received comments on the recommendations on the suitability of life insurance with an investment component that will supersede the existing recommendations on product adequacy testing. Our goal is to prepare a recommendation which is both legally compliant and useful for insurance undertakings, and which reduces the risk of misselling of investment products. We continue to monitor the adequacy of premiums under motor third party insurance and we take actions in relation to the entities that infringe the law and have a negative impact on the stability of other insurance undertakings. We also identify the need for a broader analysis, i.e. covering other business lines where negative technical results persist and they are not justified by extraordinary circumstances.

Supporting innovation in the capital market includes the involvement of the supervisory authority in a dialogue on the legal framework for the FinTech sector, both at national level and at EU level. We support those entities through our official positions and consultations under the Innovation Hub Programme, which supports the development of innovation. In addition to providing legal support, the UKNF provides the entities with the Virtual Sandbox, a virtual testing environment. We are planning to improve the monitoring, analysis and projection of the financial market. We create competence centres such as Regulated Data Analysis Centre, which is part of the Digital Supervisory Agenda. We strive to be perceived as modern and flexible, capable of adapting our activities to the constantly changing conditions, needs and expectations of the financial market.

Jacek Jastrzębski
Chair of the KNF Board

1. KEY ACTIVITIES OF THE UKNF AND THE KNF BOARD IN 2022

1.1. IMPLEMENTATION OF THE MEDIATION PROJECT IN REGARD TO AGREEMENTS FOR CREDIT DENOMINATED IN OR INDEXED TO A CURRENCY OTHER THAN THE POLISH CURRENCY

In 2022, we continued and developed the alternative dispute resolution project regarding agreements for credit denominated in or indexed to a currency other than the Polish currency through out-of-court settlements concluded as part of mediation before the Arbitration Court attached to the KNF Board, which was launched on the initiative of the Chair of the KNF Board in October 2021. As a rule, the method of alternative resolution of a dispute relating to a credit agreement denominated in or indexed to a currency other than the Polish currency consists in a loan being settled as if, from its starting date, it was a loan taken and repaid in the Polish currency. The solution has become very popular among financial market participants. This is confirmed by the number of cases referred for mediation to the Arbitration Court attached to the KNF Board.

In 2022, 18 500 proceedings regarding such dispute were initiated at the Mediation Centre of the Arbitration Court attached to the KNF Board. In 2022, 14 980 proceedings were concluded with a settlement agreement.

1.2. ACTIONS TAKEN AFTER THE OUTBREAK OF WAR IN UKRAINE

2022 brought new challenges for global and domestic financial markets and for the UKNF, the Russian invasion of Ukraine being the major one. Russia's aggression caused a reaction of the European Union and other international organisations such as the OECD, IAIS, EBRD, World Bank and IOSCO. The sanctions and actions agreed on at the international level – mostly regarding financial market and related organisations – were one of the topics raised as part of cooperation between the UKNF and the Ministry of Foreign Affairs and international partners, and required ongoing monitoring of the dynamic legal environment in the EU and in other relevant markets (e.g. the United States or the United Kingdom).

Following the outbreak of the war in Ukraine, many actions were taken to ensure uninterrupted functioning of financial markets and to support the KNF-supervised entities:

- coordinated exchange of information and cooperation between financial market entities with regard to the demand for and supply of cash,
- arrangements on the method of information exchange and cooperation with market entities with regard to business continuity and physical security.

The KNF Board adopted a resolution on the circumstances which are relevant for the assessment of warranty in matters regarding financial market in connection with the aggression of the Russian Federation against Ukraine, indicating that any relationship of a licensed entity, its significant shareholders and managers with the Russian Federation or the Republic of Belarus would be treated by the KNF Board as a fact raising material doubt as to whether the operations of the licensed entity would be carried out properly: in a lawful, fair, transparent, prudent and stable manner.

Russia's invasion of Ukraine has caused a significant increase in uncertainty in global markets. It led to the depreciation of our region's currencies, an increase in government bond yields and constituted an additional inflationary impulse, including through higher prices of energy and agricultural raw materials. The supervisory authority responded proactively by launching many initiatives to ensure the stability of the financial sector, including:

- additional monitoring of liquidity at supervised entities,

- accounts for refugees from Ukraine – a recommendation on how to open bank accounts for the refugees, and the monitoring of the market in terms of the number of accounts and the amount of funds stored therein,
- analyses of the exposure of supervised entities to countries associated with the invasion (Russia, Belarus) and to Ukraine and energy-intensive industries (estimating potential losses under various adverse scenarios),
- actions to facilitate the provision of third-party liability motor insurance for the citizens of Ukraine and support the solutions proposed by the insurance market, e.g. free short-term insurance/frontier third-party liability motor insurance for vehicle holders entering the Republic of Poland from the territory of Ukraine.

On 2 March 2022, a communication on information disclosure requirements for issuers in connection with the geopolitical situation in Ukraine was published on the KNF website. In the communication, the UKNF recommends the issuers to analyse and monitor the impact of the current geopolitical situation in Ukraine on the activities of issuers and their group of companies to properly fulfil the disclosure requirements. The communication also advised the monitoring in terms of whether the reports published by the issuers are submitted by authorised persons.

Following the outbreak of the war in Ukraine and the resulting negative consequences for economic activity (an increase in energy prices, interest rates, commodity prices, volatility of exchange rates, restrictions on the availability of workers and sources of financing), whose scope and lasting effects represent important factors for investors in their decision-making process related to investments in securities, the UKNF paid special attention to the appropriate disclosure of information and risks included in prospectuses approved by the KNF Board relating to the impact of those events on the issuers' activities as well as their financial and operating condition.

1.3. ACTIVITIES RELATED TO THE SECTORS OF: BANKS, CREDIT UNIONS AND PAYMENT SERVICE PROVIDERS

In 2022, the legal risk of the foreign-currency mortgage loan portfolio (RRE (FX) loans for households) remained the main risk to the stability of the banking sector. Following a significant increase in the number of disputes and value of claim as well as, in consequence, the evolving trend in the court rulings, banks clearly increased the value of their provisions for legal risk. All banks that hold RRE (FX) portfolios offer the possibility of concluding a settlement agreement. Banks offer settlements before the Arbitration Court or settlements on the terms defined by the banks. The results of the monthly monitoring of the RRE (FX) portfolio, including the credit facilities subject to court proceedings and the settlement agreements concluded by banks, were regularly presented at the meetings of the KNF Board and the Financial Stability Committee. The results of the analyses were taken into account in the methodology on the additional capital requirement to cover the risk associated with foreign-currency loans and in the consultation work on the amendments to the Regulation on risk weights for foreign-currency housing loans.

In 2022, the KNF Board continued to take actions to strengthen the capital position of the cooperative banking sector. To that end, on 2 December 2022, the KNF Board issued a recommendation to increase the aid fund for institutional protection schemes for cooperative banks and affiliating banks. The funds should be increased by 31 December 2023. The amount of the funds accumulated in the aid funds should correspond to 1% of the guaranteed funds referred to in Article 2 point 65 of the Act on the Bank Guarantee Fund as at 31 December 2021. As at 31 December 2022, the participants in the protection schemes have paid a total amount of PLN 615 million, which represents a significant enhancement of security of the entire cooperative banks sector and a proper use of the high financial result generated in 2022.

In 2022, efforts continued to support restructuring processes in the credit union sector, including merger processes, aimed at protecting deposits and reducing the risk of weakening of the sector as a result of

problems faced by undertakings in difficulty. Two mergers of credit unions were carried out, which stabilised the situation of the credit unions being acquired, allowing to maintain a stable situation of the entity after the merger. KNF Board also issued 4 decisions on the classification of subordinated debt to a credit union's own funds, which allowed the entities to strengthen their capital position.

In 2022, supervisory activities towards payment institutions focused mainly on authorising entities to operate in the payment services market (licensing and registration activities), assessing compliance by supervised entities, adopting supervisory measures in this regard, and identifying breaches of the Act on payment services by entities acting without the required authorisations.

1.4. ACTIVITIES RELATED TO THE INSURANCE SECTOR

In 2022, the UKNF prepared and submitted to the Ministry of Finance a legislative proposal aiming at introducing remote examinations for individuals intending to perform agency activities, distribution activities of an insurance undertaking and distribution activities of a reinsurance undertaking as a permanent solution replacing the current temporary solution used during regimes related to the COVID-19 pandemic. The proposal includes specific legal arrangements for remote examinations which would constitute a permanent, alternative way of conducting examinations for agents, equivalent to on-site examinations, provided for in the Regulation of the Minister of Finance of 21 August 2018 on the examination for persons applying for a licence to perform agency activities, distribution activities of an insurance undertaking and distribution activities of a reinsurance undertaking (Journal of Laws 2021, item 1137).

In July 2022, having conducted consultations with stakeholders, the KNF Board adopted Recommendations on motor vehicle insurance claim settlement. National and foreign insurance undertakings offering motor insurance in Poland were allowed the time by 1 November 2022 to adapt to the supervisory expectations expressed in the Recommendations. The Recommendations were issued to ensure compliance of the business of insurance undertakings with legislation, to prevent the harm to the interests of policyholders, the insured or beneficiaries under insurance contracts, and to mitigate the risk arising from the business of insurance undertakings.

The UKNF conducted work to ensure proper management of insurance contracts and proper value of insurance products for the customer. That involved work on, for example, Recommendations for insurance undertakings concerning the assessment of suitability of life insurance with an investment component, and amendments to Recommendation U.

In 2022, the UKNF continued its participation in the review of the Solvency II regime and introduction of a framework on the recovery and resolution in the insurance sector. In 2022, an agreement was reached in both areas within the Council of the European Union. The changes introduced by the Council result in the regulations which better reflect the specificities of the market with a significant share of incoming cross-border activities and related to international groups of companies in the regulations, which are also characteristic of the insurance market in Poland. This may facilitate supervision by the UKNF in the future in areas covered by the proposed regulations, so it will be necessary to maintain the involvement of the UKNF in the further stages of the negotiations.

2022 was another year of consolidation of the Polish insurance market. In performing licensing functions in this respect, the KNF Board conducted proceedings which enabled, among others, the finalisation of the merger of insurance undertakings from the Allianz and Aviva groups, the inclusion of MetLife companies in Poland in the NN Group structure, as well as carrying out internal restructuring within the ERGO Group.

1.5. ACTIVITIES IN THE AREA OF CAPITAL MARKET

In 2022, the UKNF staff continued the implementation of the Capital Market Development Strategy by designing and consulting regulations on capital market concerning: the introduction of the Single Banking License, the improvement of securities lending, the enabling of the issuance of structured products, as well as the introduction of an institution of active repentance in enforcement proceedings before the KNF Board. The UKNF staff also participated in the work on the proposal for an Act amending certain acts to ensure the development of the financial market and investor protection (reference number on the list of legislative activities: UD235) in which the above-mentioned and other initiatives of the UKNF were entered, including a proposal to delete redundant regulations related to, among others, outsourcing at investment firms.

Changes were made to the reporting on the sales activities of investment firms. The obtained data allow for a more effective analysis of the investment products being distributed and for taking appropriate supervisory actions in relation to individual financial market entities.

The UKNF was actively involved in public consultations on the proposal for an Act on crowdfunding, which entered into force on 29 July 2022. The Act supplements the regulations on crowdfunding contained in Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937 (OJ L 2020 No 347, p. 1, hereinafter: ‘Regulation 2020/1503’).

Under the Act on crowdfunding, the activities of crowdfunding service providers operating crowdfunding platforms both in the investment model and loan model require a licence and are subject to supervision by the KNF Board.

To allow the crowdfunding platforms the possibility of adapting their activities to the legislation, a transition period has been introduced. In that period, until 10 November 2023 the crowdfunding platforms may provide services under the existing rules (without authorisation), and if authorisation is obtained before that date – based on such authorisation. After 10 November 2023, all the entities engaging in crowdfunding activities in regard to investment crowdfunding or loan crowdfunding will be able to operate only after obtaining the required authorisation.

On 28 November 2022, there entered into force delegated and implementing regulations of the European Commission of 13 July 2022: the so-called regulatory technical standards issued under Regulation 2020/1503, which regulate, *inter alia*, the licensing of crowdfunding service providers and the conduct of their business.

In 2022, the UKNF was actively involved in the public consultations on the proposal for a Regulation of the Minister of Finance on the detailed scope and dates of disclosing to the KNF Board, by crowdfunding service providers for business, of information and documents as well as templates of reports and statements to be used to disclose such information.

In order to make it easier for applicants to go through the licensing process, the KNF Board published on its website a form for submitting an application for authorisation to operate as a crowdfunding service provider. In order to prepare the market for the new legal requirements, the KNF Board also prepared and posted on its website introductory material and explanation of the licensing of crowdfunding service providers as well as information about the characteristics of investment and loan crowdfunding and important information for both crowdfunding platform owners, investors and project owners.

During the Supervision-Hack hackathon workshop, which took place on 21–23 October 2022, the participants attended a presentation titled ‘Meet crowdfunding: an alternative form of project funding’.

In order to ensure the proper functioning of the financial market, the UKNF issued in 2022 *Position on issuer assessment: Questions and Answers regarding product governance*, and updated the *Position on*

the definition of offering. Representatives of the UKNF cooperated in a project of the Chamber of Brokerage Houses (IDM) and the Polish Bank Association (ZBP), which resulted in the adoption in 2022 of a uniform standard of informing clients about the costs and fees related to brokerage services.

In 2022, the UKNF continued a cycle of meetings with market participants associated in the Chamber of Brokerage Houses and the Polish Bank Association. During the meetings, discussions were held about the current challenges of investment firms and their concerns as to the interpretation of laws.

Continuing the process of digitalisation of supervision of the investment funds sector, the UKNF initiated changes to the regulations aimed at moving away from the paper form of reporting. Investment fund management companies, investment funds, investment fund liquidators, depositaries and alternative investment company managers will be sending statutory reports and perform the other reporting obligations electronically. The introduction of new reporting standards aims to improve the quality of data, adapt the content of the reports to supervisory purposes and facilitate the reporting by supervised entities. These activities help build modern data-driven supervision that can use the latest data science developments to protect financial market participants.

One of the main areas of activities of the KNF Board and the UKNF is supervision of widely defined compliance with information disclosure requirements by the issuers of securities admitted to trading on a regulated market. These activities involve the assessment of not only the timeliness and correctness of current disclosure requirements but also the supervision of financial reporting and non-financial information, including taxonomic disclosures and public offerings. An essential aspect of supervision of issuers is also the assessment of the functioning of audit committees.

Moreover, in view of the start of work on the process of designating a replacement for WIBOR under the Act on crowdfunding and the selection by the Steering Committee of the National Working Group, appointed in connection with the planned benchmark reform, of the WIRON index as an interest rate benchmark, the UKNF pointed out that in their prospectuses, the issuers should indicate the potential effects of replacing the WIBOR reference rate with the WIRON index, the effect of such replacement on the interest rate on bonds, and the risks for investors and for the issuer that such replacement may entail.

In the area of capital market infrastructure providers, the KNF Board approved, at the request of Giełda Papierów Wartościowych w Warszawie S.A. (GPW), two amendments to the Rules in relation to the admission of financial instruments to exchange trading and one amendment adapting its legal status to the extended offer of the GPW. The approved amendments to the Rules concerned:

- modification of the procedure for admitting financial instruments to exchange trading and suspending or excluding them from trading,
- improvement of the process of admitting financial instruments to exchange trading by excluding a group of instruments and respective issuers from the assessment performed by the GPW,
- adaptation to the extended product offer and the launch of trading in ETC and ETN instruments on a regulated market.

One of the most important activities in the area of trade supervision was the active involvement of the UKNF in the work on new amendments to the Act on public offering in the scope of calls to subscribe for the sale or exchange of shares of public companies. The amendments were introduced by the Act amending the Act on covered bonds. The main objective of the amendments was to improve the functioning of the calls, in particular protection of minority shareholders of public companies being taken over.

A key change was a new threshold of 50% of the total number of votes at the general meeting as the threshold for the take-over of control which triggered the requirement to announce the call (the 50% threshold was introduced in lieu of two previous thresholds of 33% and 66%). A single model for a mandatory call as a follow-up call was also introduced, as well as the possibility of a voluntary call for all outstanding shares of a company and the possibility of considering the price of indirect acquisition of shares of a public company when calculating the minimum price in the call. A new functionality was launched: an online form which allows the submission to the KNF Board of the notification of the intention to announce the call to subscribe for the sale or exchange of shares of a public company.

1.6. DEVELOPMENT OF FINANCIAL INNOVATION

The website kept by the UKNF at www.fintech.gov.pl, which serves as a platform for communication with the financial innovation sector (FinTech), contains news and information about recent trends in the development of the FinTech sector as well as official positions and communications of the UKNF that are of particular importance for innovative entities. A newsletter on the FinTech sector development is also issued.

Under the Innovation Hub Programme, which aims to support the development of innovation, in addition to legal support, the UKNF also provides innovative entities with Virtual Sandbox, a virtual testing environment. In addition to the existing PSD2 Sandbox (which allows for a simulation of many banking operations and testing of solutions based on Open API), a new sandbox was developed in 2022, Sandbox DLT, which allows testing of solutions based on the Hyperledger Fabric platform (blockchain).

In October 2022, for the first time the UKNF was the organiser of its own hackathon called Supervision_Hack, with competition tasks focused entirely to topics related to financial supervision. In December 2022, the UKNF once again financed the task as part of the HackYeah hackathon.

Through the Innovation Hub Programme, the UKNF is engaged in dialogue with FinTech firms by providing legal and regulatory clarification to their questions, thus supporting the development of innovation in the market. 22 entities signed up for the Programme in 2022.

In 2022, the UKNF continued to coordinate the activities of the Special Task Force for Financial Innovation. The activities involved meetings with representatives of the market and public administration authorities with the aim of identifying new barriers that had emerged after the publication of the report of 28 April 2021.

In December 2022, the website <https://lop.knf.gov.pl/> was launched, including the List of public warnings, the Database of Warnings from Foreign Supervisory Authorities, and links to warnings from international organisations.

2. THE UKNF AND THE KNF BOARD

2.1. THE LEGAL BASIS FOR THE OPERATION OF THE UKNF AND THE KNF BOARD

Urząd Komisji Nadzoru Finansowego (UKNF) and Komisja Nadzoru Finansowego (KNF Board) operate pursuant to the Act on financial market supervision. The UKNF has the status of a state legal person, the bodies of which are the KNF Board and the Chair of the KNF Board. The Chair of the KNF Board manages the activities of the KNF Board and the UKNF and represents them externally.

The KNF Board is competent for supervision of the financial market, which under the legal framework as at 31 December 2022 included:

- 1) banking supervision,
- 2) pension supervision,
- 3) insurance supervision,
- 4) capital market supervision,
- 5) supervision of payment institutions, small payment institutions, account information service providers, payment services offices, electronic money institutions, branches of foreign electronic money institutions,
- 6) supervision of credit rating agencies,
- 7) supplementary supervision of credit unions, insurance undertakings, reinsurance undertakings and investment firms included in a financial conglomerate,

- 8) supervision of credit unions and the National Association of Credit Unions,
- 9) supervision of mortgage credit intermediaries and their agents,
- 10) supervision as provided for in 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 596/2014¹ and supervision as provided for in Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2018 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012²,
- 11) supervision as provided for in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services³;
- 12) supervision as provided for in Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937⁴.

The purpose of supervision of the financial market is to ensure its proper functioning, stability, security and transparency, confidence in the financial market, and to ensure that the interests of market participants are protected. That purpose is also to be achieved through reliable information concerning the functioning of the market, through the pursuit of objectives stated in, in particular, the Banking Law, the Act on insurance and pension supervision, the Act on supplementary supervision, the Act on capital market supervision, the Act on credit unions, and the Act on payment services.

The statutory tasks of the KNF Board, in addition to the supervision of the financial market, also include:

- undertaking measures to ensure the proper functioning of the financial market, promote the development of the financial market and its competitiveness, and support the development of innovativeness of the financial market,
- undertaking educational and information measures with regard to the functioning of the financial market, its risks and participants to safeguard the legitimate interests of financial market participants,
- undertaking measures to prevent threats to the security of ICT systems, as defined in Article 3 point 3 of the Act on computerisation of the entities which perform public tasks, used by KNF-supervised entities, including performance of tasks of the authority competent for cybersecurity as specified in the Act on the national cybersecurity system, thus as the authority competent for the banking sector and financial market infrastructure,
- participating in the drawing up of draft legal acts pertaining to financial market supervision,
- creating opportunities for amicable and conciliatory resolution of disputes between the participants of the financial market, including in particular disputes arising from contractual relationships between the KNF-supervised entities and the users of services provided by those entities,
- cooperating with the Polish Agency for Audit Oversight, including providing information, explanations and documents, as required for the performance of tasks related to market monitoring to the extent referred to in Article 27 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC⁵.

The KNF Board is also a cooperating entity as defined in the AML Act, competent for the performance of statutory AML/CFT tasks in relation to obliged institutions under KNF supervision. In that regard, the KNF Board closely cooperates with the General Inspector of Financial Information.

¹ OJ L 171, 29.6.2016, p. 1; and OJ L 137, 24.5.2017, p. 41.

² OJ L 347, 28.12.2017, p. 35.

³ OJ L 314, 5.12.2019, p. 1; OJ L 20, 24.1.2020, p. 26; and OJ L 405, 2.12.2020, p. 79.

⁴ OJ L 347, 20.10.2020, p. 1.

⁵ OJ L 158, 27.5.2014, p. 77; and OJ L 170, 11.6.2014, p. 66.

The UKNF's statutory task is to provide assistance to the KNF Board and the Chair of the KNF Board. The activities of the UKNF as a state legal person are supervised by the President of the Council of Ministers. The status of a state legal person, acquired by the UKNF on 1 January 2019, is mainly to ensure more financial independence of the UKNF. The operating costs of the UKNF are paid directly with the payments made by supervised entities. The UKNF conducts independent financial management based on the annual financial plan adopted by the KNF Board and approved by the President of the Council of Ministers. The annual financial statements of the UKNF are reviewed by an audit firm selected by the President of the Council of Ministers. These financial statements are approved by the President of the Council of Ministers.

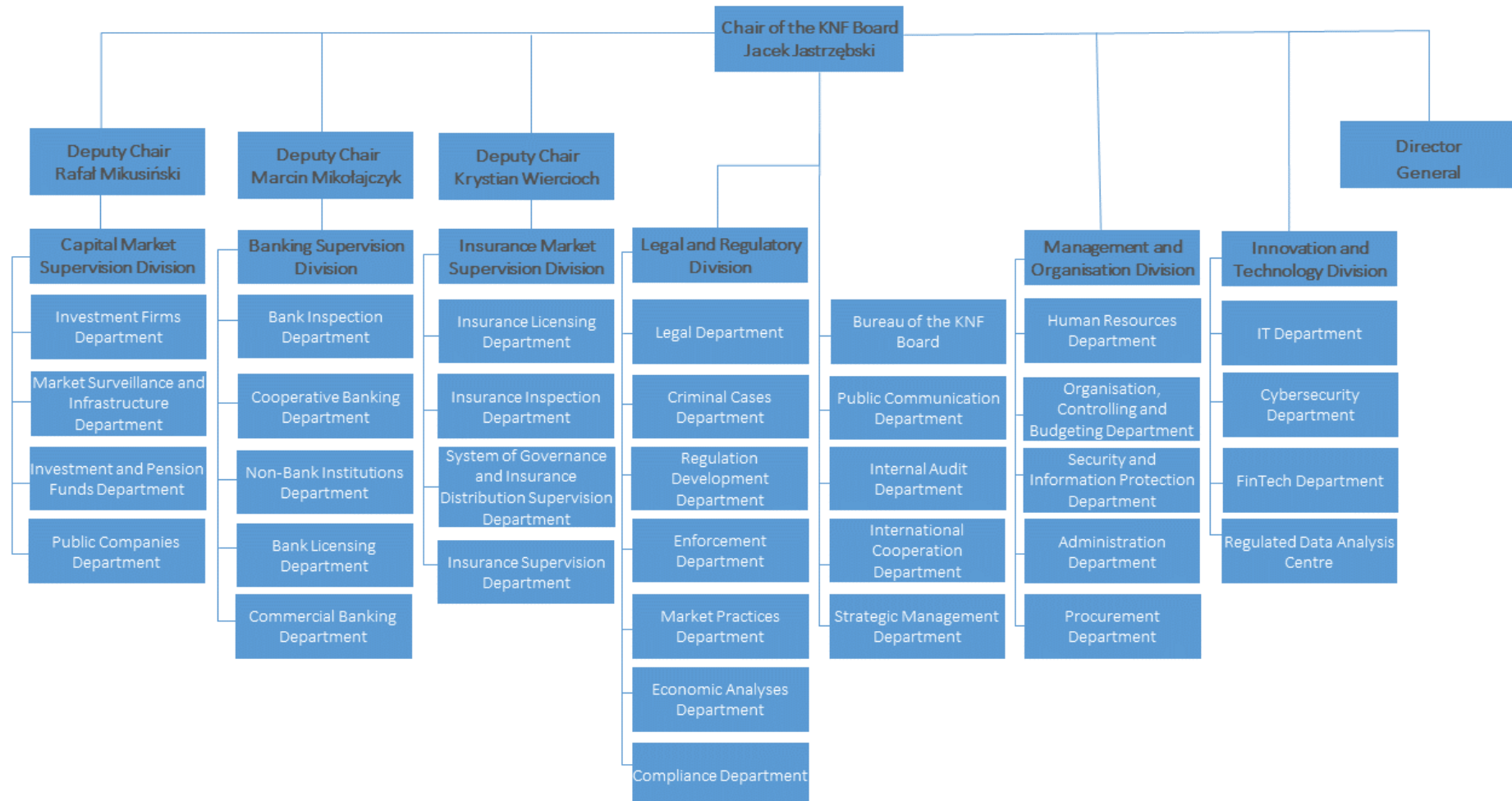
The internal organisation of the UKNF is defined in the statutes conferred by Order No 15 of the President of the Council of Ministers of 4 February 2019, amended in 2022 by Order No 39 of the President of the Council of Ministers. In accordance with § 1 of the Statutes of the UKNF, the UKNF is managed by the Chair of the KNF Board assisted by Deputy Chairs of the KNF Board, Director General, managing directors who direct their respective divisions, and directors of organisational units. Deputy Chairs of the KNF Board and Director General may directly supervise the divisions and organisational units that are not part of any division. The rules for the organisation and operation of the UKNF and the distribution of responsibilities between organisational units are laid down in the Organisational Rules, conferred by Order of the Chair of the KNF Board.

As at 31 December 2022, the UKNF was composed of six divisions:

- Banking Supervision Division,
- Insurance Supervision Division,
- Capital Market Supervision Division,
- Management and Organisation Division,
- Innovation and Technology Division,
- Legal and Regulatory Division.

The work of organisational units forming part of divisions is coordinated and supervised by managing directors. Most departments of the UKNF form part of divisions. As at 31 December 2022, five organisational units were not part of any division.

Organisational structure of the Polish Financial Supervision Authority as at 31 December 2022



2.2. COMPOSITION OF THE KNF BOARD

The KNF Board is a collegial body. It is composed of the Chair, Deputy Chairs and nine members, including six members with a voting right and three members acting in the capacity of advisers:

Members of the KNF Board with a voting right	Members of the KNF Board acting in the capacity of advisers
<ul style="list-style-type: none">– Minister competent for financial institutions or his/her representative– Minister competent for economy or his/her representative– Minister competent for social security or his/her representative– Governor of the National Bank of Poland or Member of the Management Board of the National Bank of Poland delegated by the Governor– Representative of the President of the Republic of Poland– Representative of the President of the Council of Ministers	<ul style="list-style-type: none">– Representative of the Bank Guarantee Fund– Representative of the President of the Office of Competition and Consumer Protection– Representative of the Minister – Member of the Council of Ministers, Special Services Coordinator, or a representative of the President of the Council of Ministers

In 2022, the composition of the KNF Board was as follows:

Chair of the KNF Board

Jacek Jastrzębski

Deputy Chairs of the KNF Board

Rafał Mikusiński

Marcin Mikołajczyk

Krzysztof Wiercioch – since 6 May 2022

Members of the KNF Board:

Representative of the minister competent for financial institutions

Krzysztof Budzich

Representative of the minister competent for economy

Jan Pawelec – until 16 June 2022

Sebastian Potyrański – from 17 June to 5 October 2022

Aneta Rożek – since 6 October 2022

Representative of the minister competent for social security

Jan Wojtyła

Member of the Management Board of the National Bank of Poland (NBP) delegated by the Governor of the NBP

Paweł Szalamacha

Representative of the President of the Republic of Poland

Wojciech Dyduch

Representative of the President of the Council of Ministers

Maciej Tomczak

Representative of the Bank Guarantee Fund (BFG)

Piotr Tomaszewski – President of the Management Board of the BFG

Representative of the President of the Office of Competition and Consumer Protection

Tomasz Chróstny – President of the UOKiK

Representative of the Minister – Member of the Council of Ministers/Special Services Coordinator

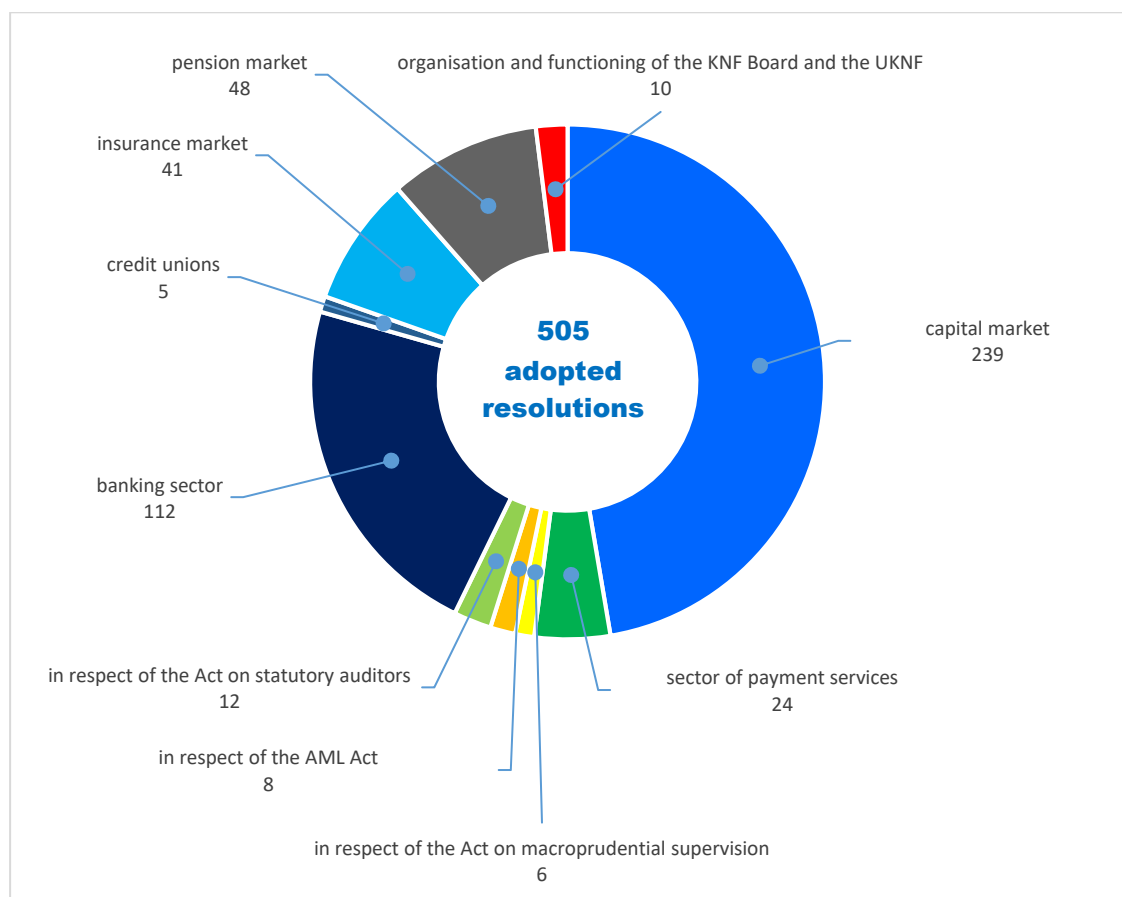
Stanisław Żaryn

2.3. WORK MODE OF THE KNF BOARD

The KNF Board, within its remit, adopts resolutions, including the issuance of final and interim administrative decisions. The KNF Board adopts resolutions by a simple majority of votes by open vote, in the presence of at least five members, including the Chair or Deputy Chair of the KNF Board. In the case of an equal number of votes, the Chair of the KNF Board has the casting vote, and in the event of his absence – the Deputy Chair authorised to manage the activities of the KNF Board. Members of the KNF Board acting in the capacity of advisers do not participate in the voting and are not considered for the purpose of calculating the quorum.

In 2022, 17 meetings of the KNF Board were held and 24 votes were conducted by circulation. The KNF Board adopted 505 resolutions, including 381 final decisions and 1 interim decision.

Diagram 1. Number of resolutions adopted by the KNF Board in 2022



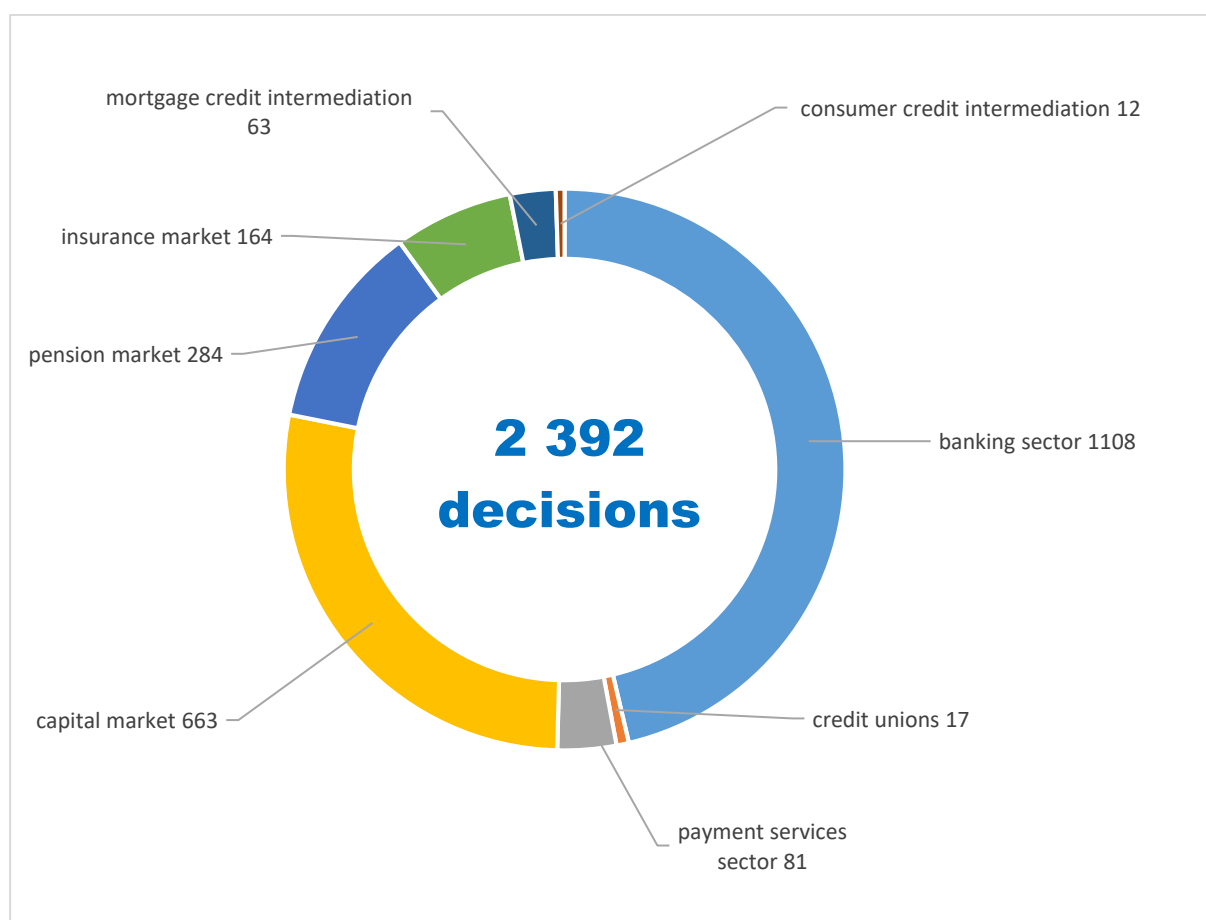
Source: UKNF

2.4. INTERIM AND FINAL ADMINISTRATIVE DECISIONS ISSUED ON THE BASIS OF AN AUTHORISATION GRANTED BY THE KNF BOARD

According to Article 12(1) of the Act on financial market supervision, the KNF Board may authorise the Chair of the KNF Board, Deputy Chairs, and employees of the UKNF to act within the remit of the KNF Board, including to issue interim and final administrative decisions. The KNF Board granted such authorisation to both the Chair and his Deputies. Those are authorisations which, in accordance with Article 12(3) of the Act on financial market supervision, allow for further authorisations to be granted to other UKNF employees.

In 2022, on the basis of authorisation granted by the KNF Board, 2 727 interim and final administrative decisions were issued.

Diagram 2. Number of final decisions issued in 2022 on the basis of an authorisation granted by the KNF Board



Source: UKNF

Detailed information on the number of final and interim decisions issued in 2022 on the basis of an authorisation granted by the KNF Board by subject-matter of the case is given in Annex 13.1.

2.5. OFFICIAL JOURNAL OF THE KNF BOARD

The Official Journal of the KNF Board is an official journal as defined in the Act on the publication of normative acts and certain other legal acts.

In 2022, a total of 29 acts were published in the Official Journal of the KNF Board, including two resolutions on the issuance of a recommendation for the insurance sector and for the banking sector.

3. FINANCIAL MARKET IN POLAND – OVERVIEW

In 2022, both the socio-economic situation and the situation on the financial market in Poland were affected by the war in Ukraine. The main factors that had an impact on the economy in Poland were: high inflation, interest rate hikes and rising energy prices, mainly due to rising energy commodity prices on global markets. Geopolitical risk related to escalating hostilities was also of great importance. Such risk increased uncertainty in the market and, in addition to rising financing costs, was an important factor limiting the level of investment.

The average annual inflation in 2022 stood at 14.4% compared to 5.1% in 2021. The rise in prices was partly due to external factors: rising energy prices on global markets, still unrebuilt supply chains, and, *inter alia*, prolonged restrictions in China related to the ‘zero COVID’ policy, limiting production there. The internal factors of higher inflation included: expansionary fiscal policies, including COVID-19 assistance programmes and expansionary monetary policy. In the face of inflationary pressures in 2022, the Monetary Policy Council continued the cycle of interest rate hikes initiated in the second half of 2021. As a result, the reference rate was increased by a total of 550 basis points (bp), from 2.25 % to 6.75 % at the end of 2022.

2022 saw the weakening of the Polish zloty against the euro, the U.S. dollar, and the Swiss franc. At year-end, the average exchange rate of the Polish zloty against the U.S. dollar was 4.40 compared to 4.06 at the beginning of the year. The 2022 weakening against the euro was relatively less pronounced: from 4.60 to 4.67 at year-end. The exchange rate of the Polish zloty against the Swiss franc fell from 4.45 to 4.76. At the end of 2022, the interest rate on 10-year Treasury bonds amounted to 6.88% and was higher by nearly 300 bp than at the end of 2021 (3.71%).

The balance sheet total of the banking sector at the end of December 2022 was PLN 2 732.9 billion and was 6.2% higher than in 2021. In terms of balance sheet total, commercial banks with foreign branches account for 90.2% of the banking sector, their balance sheet total at the end of 2022 was PLN 2 466.1 billion, while the balance sheet total of cooperative banks was PLN 186.3 billion. The balance sheet total of branches of credit institutions amounted to PLN 80.5 billion. The profit of the banking sector in the period concerned was PLN 12.1 billion (in 2021, the banking sector reported a profit of PLN 6.0 billion).

The assets of the 19 credit unions at the end of 2022 amounted to PLN 10 billion, and their total net profit amounted to PLN 99.6 million.

The data for the banking and credit unions sectors are preliminary, have not been audited by a statutory auditor and are subject to change.

The balance sheet total of the insurance sector decreased by 2.4% during the year and amounted to PLN 196.9 billion at the end of 2022, of which PLN 82.8 billion was attributable to life insurance undertakings, and PLN 114.1 billion to non-life insurance undertakings – other personal insurance and property insurance.

In the period concerned, insurers generated a profit of PLN 6.1 billion (of which PLN 2.2 billion was attributable to life insurance, and PLN 3.9 billion to non-life insurance).

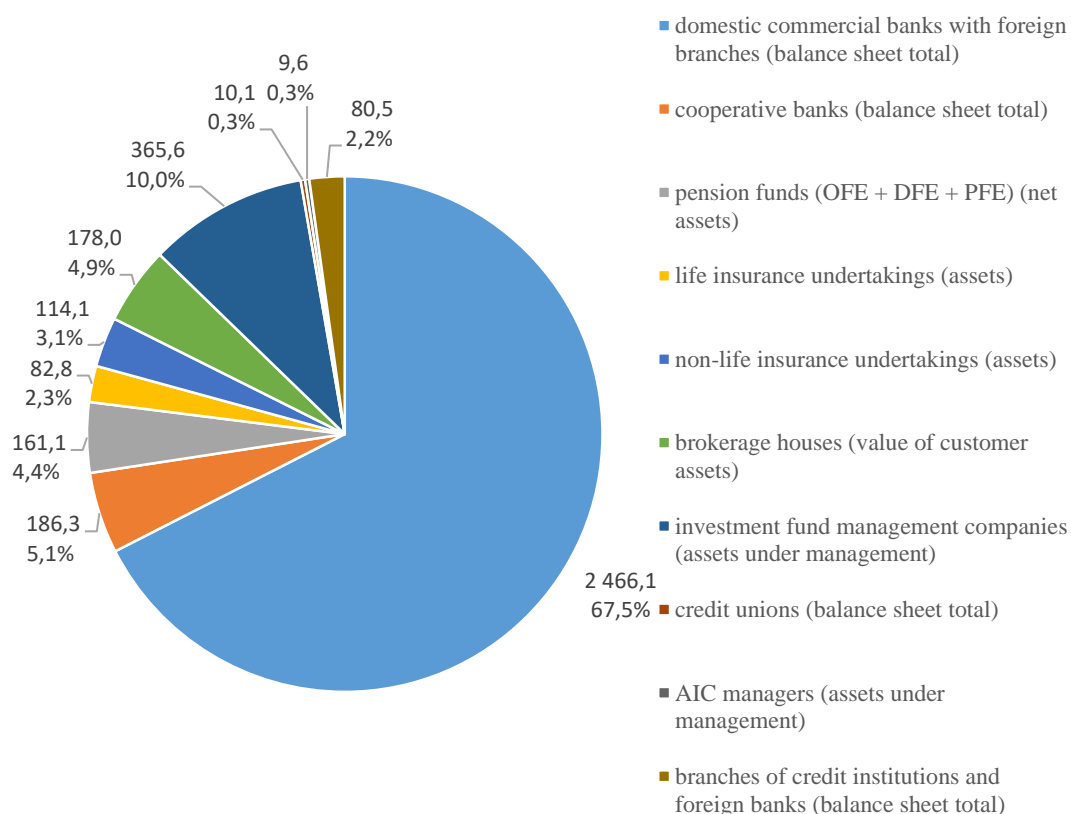
The total net asset value of open pension funds (PL: *otwarty fundusz emerytalny* – OFE), voluntary pension funds (PL: *dobrowolny fundusz emerytalny* – DFE) and occupational pension funds (PL: *pracowniczy fundusz emerytalny* – PFE) as at 31 December 2022 amounted to PLN 161.1 billion and was 16.4% lower than the value at the end of the previous year (PLN 192.6 billion).

At the end of 2022, the value of assets managed by investment fund management companies amounted to PLN 365.6 billion and was 8.9% lower than at the end of the previous year (PLN 401.2 billion).

At the end of 2022, the value of assets managed by registered Alternative Investment Company Managers (AICMs) and authorised AIMC amounted to PLN 7.3 billion and PLN 2.3 billion, respectively.

The value of customer assets recorded on the accounts at brokerage houses as at the end of 2022 amounted to PLN 178.0 billion and was 5.8% lower than at the end of 2021 (PLN 189.0 billion).

Diagram 3. Asset structure of the Polish financial sector as at the end of 2022 (in PLN billion)*



Source: UKNF

*The data for 2022 have not been audited.

Table 1. Number of KNF-supervised entities as at 31 December 2022

Type of entity	Number of entities
Commercial banks (including 2 affiliating banks)	29
State bank	1
Cooperative banks	496
Representative offices of foreign banks and credit unions	9
Institutional Protection Schemes (IPS)	2
Credit unions, National Association of Credit Unions	20
Domestic payment institutions	42
Electronic money institutions	1
Account information service providers	15
Small payment institutions	150
Payment services offices	1 193
Mortgage credit intermediaries	804
Agents of mortgage credit intermediaries	7 033
Brokerage houses	33
Banks conducting brokerage activities	9
Tied agents of investment firms	264
Custodian banks	11

Capital market infrastructure providers (Giełda Papierów Wartościowych w Warszawie S.A., Krajowy Depozyt Papierów Wartościowych S.A., KDPW CCP S.A., BondSpot S.A.) ⁶	4
Issuers whose financial instruments are admitted to trading on a regulated market ⁷ , including: <ul style="list-style-type: none"> – issuers of shares for which Poland is the home country – issuers of bonds and covered bonds – foreign issuers 	465
Issuers whose securities are admitted to an alternative trading system ⁸	456
Investment funds	672
Investment fund management companies	55
Managers of alternative investment companies/partnerships (AICMs)	324
Other entities operating investment funds or alternative investment funds, including entities entrusted with the performance of duties of an investment fund management company or a manager of an alternative investment company/partnership as defined in the Act on investment funds and management of alternative investment funds (Act on investment funds) ⁹	239
Commodity market infrastructure providers (Towarowa Giełda Energii S.A., Izba Rozliczeniowa Giełd Towarowych S.A.)	2
Commodity brokerage houses	1
Entities holding authorisation to maintain accounts or registers of exchange-traded commodities	59
Open pension funds	10
General pension societies	9
Occupational pension funds	2
Occupational pension societies	2
Depositaries of pension funds	5
Transfer agents of pension funds	6
Voluntary pension funds	7
Target-date voluntary pension funds	18
Life insurance undertakings	24
Non-life insurance and reinsurance undertakings (personal and property insurance)	31 ¹⁰
Insurance brokers, including: <ul style="list-style-type: none"> – natural persons – legal persons Reinsurance brokers, including: <ul style="list-style-type: none"> – natural persons – legal persons 	1 433, including: 876 557 58, including: 15 43
Insurance agents	29 092
Natural persons who perform agency activities (OFWCA)	263 015

Source: UKNF

⁶ Entities listed in Article 5 of the Act on capital market supervision, namely: companies operating a regulated market, Krajowy Depozyt Papierów Wartościowych S.A., companies operating a clearing house, companies operating a settlement house, a company to which Krajowy Depozyt Papierów Wartościowych S.A. has delegated the performance of activities within the scope of tasks referred to in Article 48(1) points 1–6 and/or Article 48(2) of the Act on trading, a central securities depository as defined in Article 2(1) point 1 of Regulation 909/2014.

⁷ Excluding closed-end investment funds whose investment certificates are admitted to trading on a regulated market.

⁸ The direct enforcement of information disclosure requirements of those issuers is exercised by companies operating a regulated market which organise an alternative trading system.

⁹ The number includes the number of distributors of units, transfer agents, fund depositaries, external valuers, and entities authorised to manage securitised liabilities of a securitisation fund.

¹⁰ Including two insurance undertakings in liquidation: – D.A.S. Towarzystwo Ubezpieczeń Ochrony Prawnej S.A. w likwidacji (the KNF Board did not withdraw their authorisation to pursue the insurance business) and Towarzystwo Ubezpieczeń Wzajemnych MEDICUM w likwidacji (the KNF Board withdrew their authorisation to pursue the insurance business).

Table 1a. Number of securities brokers and investment advisers entered on the lists kept by the KNF Board as at 31 December 2022

Type of entity	Number of entities in the register
Securities brokers	3 335
Investment advisers	867

Source: UKNF

Table 2. Number of entities which are not supervised by the KNF Board but figured in the registers kept by the KNF Board as at 31 December 2022

Type of entity	Number of entities in the register
Actuaries	425
Consumer credit intermediaries	41 444
Non-bank lending institutions	523
Entities carrying out activities specified in Article 6 point 11 of the Act on payment services, to which Article 6c(1) of the Act on payment services applies	6
Entities carrying out activities specified in Article 6 point 12 of the Act on payment services, to which Article 6d(1) of the Act on payment services applies	8
Foreign investment firms without a branch ¹¹	660

Source: UKNF

Table 3. Number of entities which notified operation as a branch in Poland as at 31 December 2022

Type of entity	Number of entities
Credit institutions ⁱ	34
Payment institutions ⁱ	6
Electronic money institutions ⁱ	2
Insurance undertakings ⁱⁱ , including	24, including ⁱⁱⁱ :
– in the area of life insurance	4
– in the area of property insurance	21
– reinsurance undertakings	1
Investment firms ⁱ	12

Source: UKNF

ⁱ In principle, supervision of the branches is exercised by the home supervisory authority and, to a limited extent specified in sectoral laws, by the host supervisory authority.

ⁱⁱ Supervision of the branches of insurance and reinsurance undertakings established in an EU Member State other than the Republic of Poland is exercised by the home supervisory authority.

ⁱⁱⁱ Two insurance undertakings operating as a branch have notified their intention to pursue a business both in the area of life insurance and property insurance.

4. BANKING SECTOR

4.1. BASIC INFORMATION

At the end of 2022, the KNF Board supervised 29 commercial banks (including two affiliating banks), 1 state bank, 2 institutional protection schemes, 496 cooperative banks, and 34 branches of credit institutions and foreign banks. In 2022, the KNF Board approved the merger processes for 10 cooperative banks.

¹¹ See Chapter 11.2.5. *Foreign investment firms without a branch.*

4.2. BANKS AND CREDIT INSTITUTIONS

4.2.1. LICENSING ACTIVITIES

4.2.1.1. ESTABLISHING A BANK AND COMMENCING OPERATIONS

In 2022, the KNF Board issued a decision approving the establishment, by the Bank Guarantee Fund acting as a founder, of a bridge institution styled Bank BFG Spółka Akcyjna. Bank BFG S.A. then changed its name to VeloBank Spółka Akcyjna.

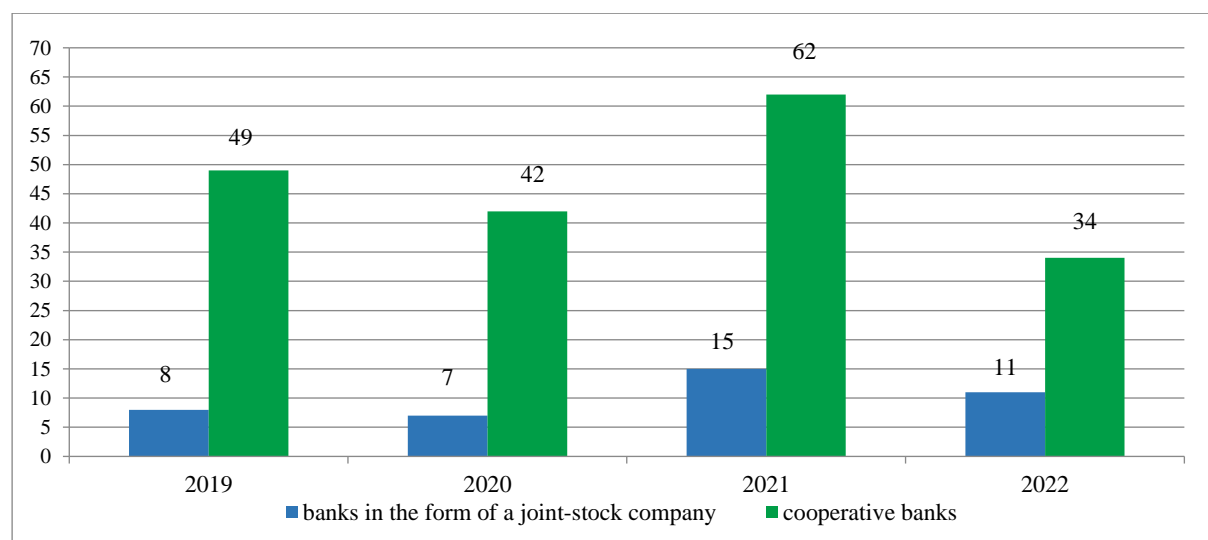
4.2.1.2. TASKS RELATED TO CHANGES IN THE GOVERNING BODIES OF BANKS AND SUITABILITY ASSESSMENT

In 2022, the KNF Board adopted 45 final decisions in the form of resolutions on the approval of the appointment, or delegation of the function, of member, including president, of management board, including:

- 7 final decisions on the approval of the appointment of a president of management board of a bank operating as a joint-stock company,
- 31 final decisions on approval of the appointment of a president of management board of a cooperative bank, including 1 refusal decision,
- 4 final decisions on the approval of the delegation of the function of member of management board supervising the management of material risks in the activity of a bank operating as a joint-stock company,
- 3 final decisions on the approval of the delegation of the function of member of management board supervising the management of material risks in the activity of a cooperative bank.

In above-mentioned types of cases, 10 final decisions to discontinue proceedings were issued.

Diagram 4. Number of final decisions issued in the form of resolutions on the merits of the case on the approval of the appointment or delegation of the function of member, including president, of management board of a bank operating in the form of a joint-stock company and cooperative bank in the years 2019–2022



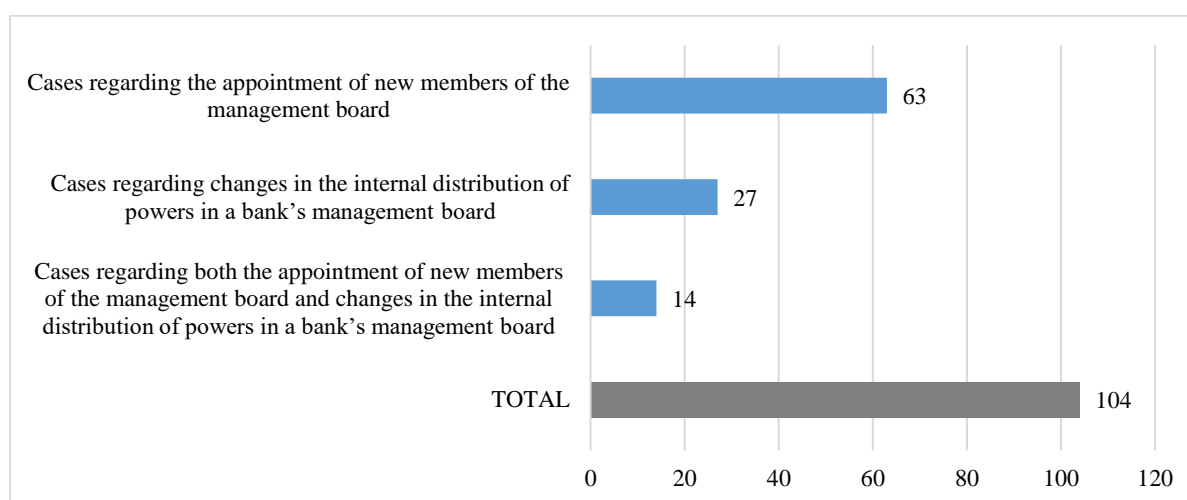
Source: UKNF

The KNF Board also adopted 2 final decisions in the form of resolutions on the approval of the appointment of a president and member of management board of a commercial bank protection scheme.

In 2022, as regards the *ex post* assessment of suitability of members of governing bodies of domestic banks, 104 cases were conducted and concluded, including:

- cases related to the appointment of new members of management board: 63,
- cases related to changes in the internal distribution of powers in the management board: 27,
- cases related to both the appointment of new member of management board and changes in the internal distribution of powers in the bank's management board: 14.

Diagram 5. Number of *ex post* assessments of suitability of members of management board completed in 2022



Source: UKNF

In 2022, activities were also carried out in the area of re-assessment of suitability of members of governing bodies of banks. During the year, information about 472 individual re-assessments and 124 collective assessments was reviewed.

4.2.1.3. APPOINTMENT OF A TRUSTEE AND DEPUTY TRUSTEE

In 2022, the KNF Board issued 2 final decisions on the appointment of a trustee or deputy trustee at mortgage banks.

4.2.1.4. TASKS RELATED TO CHANGES IN THE SHAREHOLDER STRUCTURE OF BANKS OPERATING AS JOINT-STOCK COMPANIES

In 2022, the KNF Board adopted 2 final decisions in the form of a resolution declaring that there were no grounds for objecting to the planned acquisition of shares of a domestic bank.

The KNF Board also issued 1 final decision authorising the disposal of registered shares in a bank during the year, starting from the date of entering the bank in the Business Register.

1 set of proceedings initiated following the submission of the notification of the intention to acquire shares of a bank was discontinued.

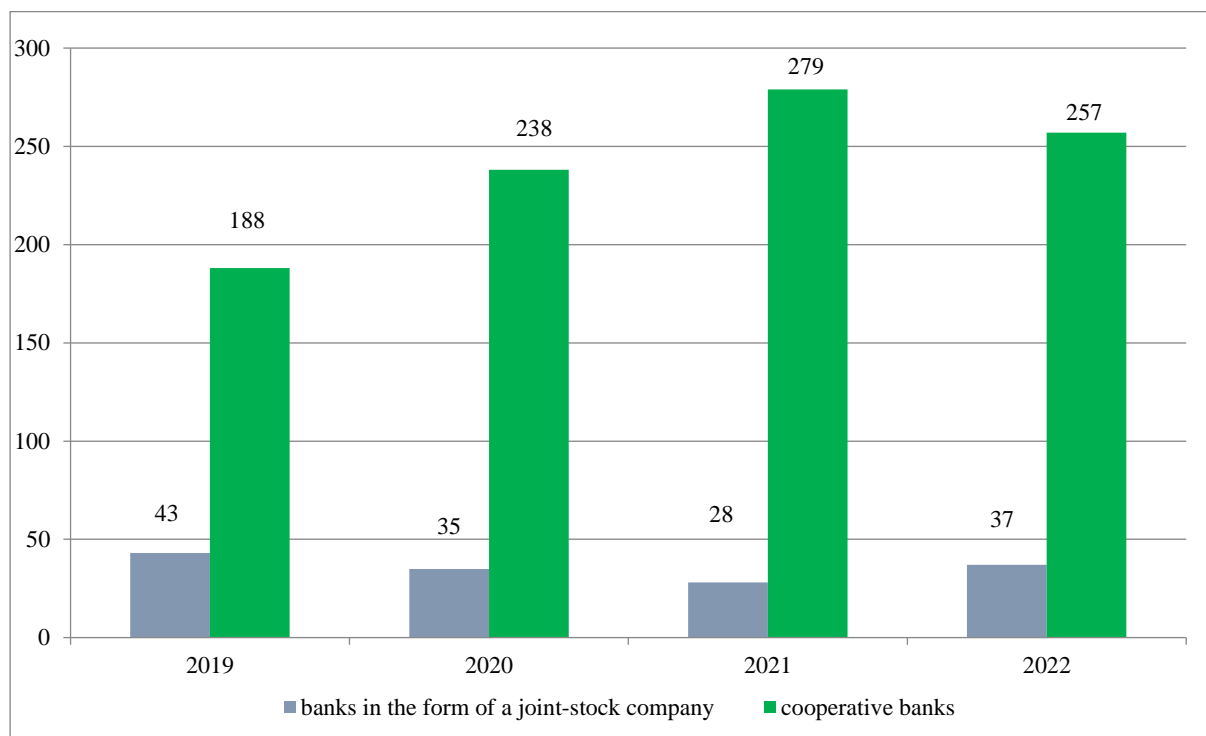
4.2.1.5. AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF BANKS

In 2022, the KNF Board issued 294 final administrative decisions on the approval of amendments to the articles of association of banks, including:

- 37 final decisions to authorise amendments to the articles of association of banks operating as joint-stock companies,
- 257 final decisions to authorise amendments to the articles of association of cooperative banks.

In 24 cases, the KNF discontinued the proceedings.

Diagram 6. Number of final decisions on the merits of the case to authorise amendments to the articles of association of commercial banks and cooperative banks in the years 2019–2022



Source: UKNF

4.2.1.6. OPERATING UNDER THE FREEDOM TO PROVIDE SERVICES AND THE FREEDOM OF ESTABLISHMENT

In 2022, the KNF Board received the following notifications from credit institutions and financial institutions concerning the exercise of the freedom of establishment and the freedom to provide services:

- cross-border activity:
 - 46 notifications from credit institutions of an intention to pursue cross-border activity in the territory of the Republic of Poland,
 - 1 notification from a financial institutions of an intention to pursue cross-border activity in the territory of the Republic of Poland,
 - 14 notifications from credit institutions amending notifications concerning cross-border activity in the territory of the Republic of Poland,
 - 10 notifications of the cessation of cross-border activity in the territory of the Republic of Poland,
 - 3 notifications concerning the conversion of an investment firm into a credit institution following the fulfilment, by the investment firm, of the requirements laid down in the CRR,
- operation through a branch:
 - 1 Polish branch of an investment firm was converted into a branch of a credit institution following the fulfilment, by the investment firm, of the requirements laid down in the CRR,
 - 12 notifications from credit institutions amending notifications concerning operation through a branch in the territory of the Republic of Poland,
 - 1 notification from a credit institution of the cessation to operate in the territory of the Republic of Poland through a branch.

In 2022, domestic banks submitted the following notifications concerning cross-border activity and operation through a branch in the territory of EEA countries:

- cross-border activity:
 - 1 notification from a domestic bank of an intention to pursue cross-border activity in the territory of Austria, Belgium, Denmark, France, Spain, the Netherlands, Norway, Portugal, Sweden, Hungary and Italy,
 - 1 notification from a domestic bank of an intention to pursue cross-border activity in the territory of Hungary,
 - 1 notification from a domestic bank amending notifications concerning cross-border activities in the territory of the Czech Republic, Germany, Slovakia and Romania,
- operation through a branch:
- 5 notifications from domestic banks amending notifications concerning operation through a branch in host states.

4.2.1.7. OTHER RULINGS IN THE AREA OF BANKING LICENCES

In 2022, 31 other rulings were also issued in the form of interim and final decisions based on the KNF authorisation.

4.2.2. SUPERVISORY ACTIVITIES

4.2.2.1. PRUDENTIAL SUPERVISION OF DOMESTIC BANKS

The supervisory activities undertaken by the UKNF in 2022 consisted in ongoing monitoring and quarterly analysis of the economic and financial standing of banks. Particular emphasis is placed on the banks' maintenance and accumulation of good-quality equity and sufficiently high capital in relation to the banks' exposure to risk. The capital surplus above the minimum supervisory requirements ensures a safety buffer for a bank in case of adverse external events which might arise, for example, in connection with a crisis in real terms or turbulence in international financial markets, also allowing for further growth.

Supervisory activities were carried out particularly in the following areas:

- strengthening the capital base, including the recommendation on the banks' dividend policy, setting additional capital requirements (add-on/P2R) and the expected level of own funds (P2G),
- macro-prudential supervision of the financial market, including imposition of the other systemically important institution buffer (O-SII buffer),
- monitoring the liquidity status of banks and the sector,
- analysis and assessment of the banks' resilience to possible negative changes in the macroeconomic environment (stress tests),
- recovery plans, including the assessment of the implementation and/or completion status, and the monitoring of the preparation and acceptance process,
- administrative proceedings, including applications to classify subordinated debt, interim profits, new issues as funds, in respect of authorisation of a bank to entrust a partner/entrepreneur operating a partner office of that bank to engage in the intermediation in the performance of certain banking activities, and in respect of the KNF authorisation of banks to conclude contracts for entrusting activities with foreign entrepreneurs who are not domiciled or established in the territory of a Member State, or contracts providing that the entrusted activities will be carried out outside the territory of a Member State,
- implementation of recommendations issued as part of an inspection, SREP assessment and any other recommendation following off-site supervision,
- provision of payment services by supervised entities (commercial banks and branches of credit institutions),
- the review of the banking sector in terms of identification of a financial conglomerate together with supplementary supervision of banks being part of a financial conglomerate.

In 2022, more than 30 topics were submitted at the KNF Board's meetings. The KNF Board also familiarised itself with more than 100 reports (analyses/reports/information) on the banking sector, for example:

- Report on the standing of banks in 2021,
- Quarterly information on the situation of banks, including information about the distribution of profit for 2021,
- Information on compliance by banks with the indicators required under recovery plans,
- Results of capital and liquidity stress tests in the Polish banking sector in 2022,
- Monthly information on the trends and risks in foreign-currency housing loan portfolios (RRE (FX)),
- analyses of the situation of the cooperative banking sector: Information on the situation of cooperative banks and affiliating banks after the fourth quarter of 2021, Information on the situation of cooperative banks and affiliating banks after the first quarter of 2022, and Information on the situation of cooperative banks and affiliating banks after the second quarter of 2022,
- Information about the SREP results of cooperative banks and affiliating banks for 2021 and Information about the SREP results in the 2021 cycle for commercial banks,
- Information on the distribution of profit generated by cooperative banks in 2021 and on the cooperative banks being subject to recovery processes as at the end of the fourth quarter of 2021 and at the end of the second quarter of 2022.

In the years 2018–2022, consolidation measures in the cooperative banking sector intensified: the KNF Board approved the merger processes for 55 cooperative banks and made 2 decisions on the acquisition under Article 146b of the Banking Law. In that period, 1 cooperative bank went bankrupt and 2 cooperative banks were subjected to forced restructuring by the BFG.

In 2022, the KNF Board approved the merger processes for 10 cooperative banks.

In the years 2018–2022, the KNF Board decided to appoint a temporary administrator at 5 cooperative banks, including at 1 cooperative bank in 2022.

In 2022, the KNF Board continued to take actions to strengthen the capital position of the cooperative banking sector and to protect it against credit risk.

In connection with persistent high volatility and unpredictability of macro-economic conditions in the last months of 2022, referring to general warning issued by the European Systemic Risk Board (ESRB) on 22 September 2022 about the sensitivity of the financial system of the European Union, the KNF Board undertook many coordinated supervisory actions to strengthen the whole cooperative banks sector in terms of protection against the materialisation of the identified risks to financial stability.

As a result of the actions taken, the KNF Board expressed its expectations regarding institutional protection schemes to increase the applicable limits on provisions under their regulations to not less than 50% and, at the same time, for cooperative banks belonging to institutional protection schemes to take measures to increase the share of special-purpose provisions in relation to the size of the non-performing loan portfolio to that level. In addition, the recommendation to increase the amount of special-purpose provisions and write-downs by 31 December 2025 to a level of at least 50% of the size of the NPL portfolio was also received by 4 cooperative banks outside institutional protection schemes.

At the same time, to strengthen the capital position of cooperative banks, on 2 December 2022 the KNF Board issued a recommendation to increase the aid fund for institutional protection schemes for cooperative banks and affiliating banks. The funds should be increased by 31 December 2023. The amount of the funds accumulated in the aid funds should correspond to 1% of the guaranteed funds referred to in Article 2 point 65 of the Act on the Bank Guarantee Fund as at end of 2021. As recommended by the KNF Board, that amount should be accumulated in the form of contributions from members of the protection scheme that – as opposed to cash contributions – may be allocated to any financial support, without any limitations in terms of the members' economic account. The banks being members of the protection schemes, except for the affiliating banks and cooperative banks that benefited from repayable aid under the protection schemes, were required to contribute 100% of the required

amount by 31 December 2022. The affiliating banks and cooperative banks that benefited from repayable aid under the protection schemes should make the payments by 31 December 2023. At the end of 2022, following the KNF Board's recommendation, the funds from the payments were replaced with the funds from membership contributions, which will allow for a flexible management of the aid in the future. As at 31 December 2022, the members of the protection schemes had made payments in the total amount of PLN 615 million, which represented a significant increase in the security of the whole cooperative banks sector and a proper use of their high financial result achieved in 2022. At the end of 2022, both protection schemes had accumulated, in the aid fund account, the funds corresponding to 1% of guaranteed deposits.

The activities undertaken by the KNF Board helped enhance the capital position of cooperative banks in the financial market and improve the protection of their business with provisions.

As every year, the UKNF expressed its opinion about the minimum requirement for own funds and eligible liabilities (MREL) established by the BFG, as referred to in Article 97(1) of the Act on the Bank Guarantee Fund, calculated as the sum of the loss absorption amount (LAA) and the recapitalisation amount (RCA), and the updated resolution plan for KNF-supervised banks, proposed by the BFG.

4.2.2.2. ANALYSES AND SUPERVISION IN RELATION TO RECOVERY PLANS

The main objective of a recovery plan is to ensure that a bank is ready to introduce quickly and effectively defined solutions following the occurrence of crisis scenarios to avoid the escalation of adverse events which might lead, in extreme cases, to bank failure or to the launch of appropriate measures by the resolution authority, and to secure the continuity of business in areas deemed critical. In 2022, the UKNF was engaged in the annual process of updating recovery plans and worked on 40 applications from banks to approve or update a recovery plan.

The UKNF analyses on an ongoing basis the banks' indicators specified in the recovery plans, monitoring the situation of selected banks in order to identify the occurrence of or an increase in the risk of exceeding the indicators that trigger the recovery plan.

In 2022, 7 commercial banks had implemented a recovery plan; in 1 case the bank was implementing a rehabilitation plan until the approval of a new recovery plan by the KNF Board. 8 banks exceeded the critical levels of indicators initiating the recovery plan but the management boards of those banks decided not to activate the plans as no material deterioration of the bank's situation was identified. That was usually related to a one-off recognition of losses associated with the introduction of credit repayment holidays. In addition to regular tasks, in the case of supervision of banks subject to rehabilitation proceedings the supervisory authority analyses, among others, reports on the implementation of recovery measures and performs daily and weekly monitoring of liquidity and sources of financing.

In early 2022, 60 cooperative banks and 2 affiliating banks were subject to recovery measures. At the end of 2022, recovery measures were being applied to 56 cooperative banks and 2 affiliating banks. For cooperative banks, the KNF Board approved 5 recovery plans and 3 group recovery plans.

4.2.2.3. SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP)

The purpose of the Supervisory Review and Evaluation Process (SREP) is to continuously identify the size and nature of the risk a bank is exposed to, to assess the quality of the risk management process, to assess the level of capital covering the risk arising from the bank's operations and bank management, including compliance of the bank's operations with legislation. The obligation to perform, at least annually, the supervisory review and evaluation of a bank, or to review and evaluate the results of the previous review and evaluation, results from Article 133a(1) of the Banking Law.

In April 2022, the KNF Board published on its website an updated SREP Methodology. The changes in the current version of the SREP Methodology included, first of all, the adaptation of that regulation to the current legislation and good supervisory practices, including to:

- revised *Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing under Directive 2013/36/EU*, being effective from 1 January 2023;
- the areas requiring particular supervisory focus identified for the 2022 SREP cycle (for commercial banks, as listed in the approved European Supervisory Examination Programme ESEP 2022, and for cooperative banks, considering the principle of proportionality, selected from the catalogue of areas identified in ESEP 2022: management and monitoring of non-performing exposures (NPEs) and monitoring of the practices of considering the Environmental, Social and Governance (ESG) risks;
- the current methodologies for setting the capital add-on recommended under the Pillar II requirements (P2G) for both commercial banks and cooperative banks.

The SREP conducted by the UKNF takes into account, in a complementary and consistent manner, the findings from on-site analyses and on-site inspections carried out by the supervisory authority at banks. The intensity of the SREP at individual banks depends primarily on the overall SREP score assigned in the previous SREP cycle and the results of categorisation process. The SREP Methodology involves periodic updates of the SREP scores as part of quarterly off-site analyses, and a dialogue between the supervisory authority and banks. Similarly as in previous years, the 2022 SREP also took account of the results of *ad hoc* reviews conducted by the supervisory authority, e.g. in the form of surveys.

In the 2022 SREP cycle, commercial banks were assigned 26 final SREP scores, and 70 score updates were made, considering the quarterly assessment of the level of risk. In 2022, the process of cyclical supervisory review and evaluation of cooperative and affiliating banks continued. 1 623 quarterly analyses of cooperative banks and 8 quarterly analyses of affiliating banks were prepared. In 2022, affiliating and cooperative banks were given 519 final SREP scores. Analysis covered 16 477 financial reports/financial statements/data required under reporting rules, provided by supervised entities.

4.2.2.4. STRESS TESTS

In accordance with Article 133b of the Banking Law, the KNF Board conducts at least once a year stress tests at supervised banks. Similarly as in previous years, in 2022 the UKNF carried out an exercise among banks using the bottom-up approach, based on internal reporting sheets. The macro-economic scenarios were based on the projections of the National Bank of Poland published in the Inflation Report (baseline scenario) and the Financial Stability Report (adverse scenario). Banks' forecasts for the key items of the balance sheet, profit and loss account and capital adequacy were carefully reviewed for their reality and internal consistency. All doubts were resolved through communication with the banks and in some cases supervisory adjustments were applied.

The main purpose of the exercise was to estimate the banks' possibility of functioning in the case of stressed macro-economic conditions. The stress test results generally showed high resilience to potential shocks and in most cases confirmed that commercial banks were well capitalised. The results are used in the dividend policy to set the amount of the P2G add-on and in the ongoing prudential supervision, including SREP.

In 2022, the UKNF also conducted the fourth edition of liquidity stress tests of commercial banks. The aim of the exercise was to analyse the sensitivity of banks' short- and medium-term liquidity position, verify the liquidity buffers held by banks, as well as estimate possible shortages of liquid assets under stress conditions to comply with the regulatory LCR requirement and survival period. The results were used in the SREP as part of the analysis of banks' liquidity adequacy.

In 2022, supervisory stress tests were conducted at the cooperative sector banks to define a potential impact of certain factors on capital adequacy and liquidity adequacy of cooperative banks and affiliating banks. The stress test results are used to, for example, set the ratings for stability in the SREP.

4.2.2.5. FINANCIAL PLANS

Similarly as in previous years, in 2022 the UKNF carried out a survey beyond mandatory reporting in which commercial banks (and BGK) presented key forecasts regarding the bank's development in the coming year. The questions concerned items of the balance sheet, profit and loss account, capital adequacy, liquidity, and macro-economic indicators. The survey allows for a holistic view of the expected trends in the banking sector and the expected economic situation, including in particular market segments.

Due to unstable geopolitical conditions, affecting also the macro-economic environment, the forecast prepared in early 2022 had to be reviewed by banks on an ongoing basis. Banks did not anticipate such high interest rates during the year or single events such as repayment holidays, payments to the Commercial Bank Protection Scheme or the Borrowers' Support Fund.

4.2.2.6. DIVIDEND POLICY

The objective of the dividend policy is to ensure stability of the banking sector by adjusting the banks' capital base to the level of risk borne by them, and to protect the users of financial services, including depositors. The dividend policy adopted in 2022 was consistent with the medium-term assumptions: the dividend could only be paid by banks that had an inactive recovery plan and a good SREP rating, were adequately capitalised, were not materially engaged in mortgage loans and showed high resilience to shocks in stress tests. A new element in the dividend policy was the possibility of disbursing the entire profit only by banks characterised by a low share of impaired loans in the portfolio.

4.2.2.7. ADDITIONAL CAPITAL REQUIREMENT (P2R) FOR COMMERCIAL BANKS

Similarly to previous years, additional capital requirements were imposed (in the form of final administrative decisions) on banks with material exposures¹² to foreign currency mortgage loans. The requirements contribute to increasing the regulatory requirements on minimum capital ratios. Such approach directly improves the security of the financial sector.

4.2.2.8. CAPITAL ADD-ON (P2G) FOR COMMERCIAL BANKS

In 2022, the UKNF announced, for the second time, capital requirements under Pillar II consisting in the indication of an additional level of core capital that banks should aim to maintain in order to be prepared for potential materialisation of stress scenarios affecting the level of their own funds and their exposure to risk. The recommendations are not legally binding on banks but the possibility of paying the dividend in full was made conditional on the implementation of those recommendations.

The methodology for calibrating the amount of add-ons for particular banks is based on an estimation of the entity's sensitivity to an adverse macro-economic scenario in the framework of the capital stress tests and takes into account estimates of banks' sensitivity to any other relevant risk identified in the banks' activities. In 2022, the scenario of comprehensive supervisory stress tests included all most material risks, so no P2G add-on was set.

4.2.2.9. IDENTIFICATION OF OTHER SYSTEMICALLY IMPORTANT INSTITUTIONS (O-SIIs)

In accordance with the Act on macro-prudential supervision, the KNF Board performs an annual review of the O-SII buffer and based on the result updates the list of O-SIIs and the amounts of the buffers imposed on them.

¹² Banks where foreign currency loans granted to unsecured borrowers (from the household category) constitute at least 10% of the entire portfolio of the bank's loans for the non-financial sector, and the portfolio of loans for the non-financial sector constitutes at least 25% of the bank's total assets.

On 11 July 2022, the KNF Board updated the methodology for identifying O-SIIs and setting O-SII buffers. The revision of the Methodology aimed to adapt it to the current legal and regulatory environment (particularly in relation to the CRD5/CRR2 package) and to the changing market conditions. By its decisions of 16 December 2022, following the revision and after consulting the Financial Stability Committee, the KNF Board confirmed the identification of ten banks as other systemically important institutions (O-SIIs) and changed the amount of the buffer for six banks.

4.2.2.10. SURVEY ON THE HOUSING LOANS AND CONSUMER LOANS TO HOUSEHOLDS PORTFOLIO

Twice a year, the UKNF conducts, under Article 139(1) point 2 of the Banking Law, a survey on housing loans, other mortgage-backed loans and consumer loans to households. The survey aims to obtain current information on the structure of that credit portfolio, the scale of demand and supply, and plans for portfolio development. Those data help to assess the quality of credit portfolios, the lending policy and any amendments thereto, and the development of banks' lending activity. The analysis is carried out for a single bank or for the commercial banks sectors at the date of the survey (the end of the half-year or of the year) or in time series.

In 2022, the annual survey was conducted as at the end of 2021. The semi-annual survey – at the end of the first half of 2022. The survey on the housing loan portfolio covered 28 commercial banks and branches of credit institutions, and the survey on the consumer credit portfolio covered 27. The results of the survey on the portfolio of housing loans and consumer loans for households were published in the Report on the situation of the banking sector, available on the KNF website.

4.2.2.11. MONITORING OF BANKS' GRANTING CREDIT REPAYMENT HOLIDAYS

Following the entry into force of the Act on crowdfunding for business ventures and assistance to borrowers, under which a borrower has the right to suspension of the payment of instalments of a mortgage loan granted in the Polish currency, the UKNF started monitoring the scale of borrowers using credit repayment holidays and the amount of the related costs borne by lenders.

At the end of 2022, the number of housing loans in PLN for which the bank granted credit repayment holiday was 1.05 million. The loans covered by repayment holidays accounted for 53.6% of the total number and 67.8% of the total value of all housing loans in PLN. The total cost of repayment holidays included in the banks' financial result and/or capitals at the end of 2022 amounted to PLN 13.41 billion.

4.2.2.12. BANKS AS PAYMENT INSTITUTIONS: PSD2 / ACT ON PAYMENT SERVICES

Based on the data submitted by payment service providers, referred to in:

- Article 32h(1) of the Act on payment services (*data on fraud related to the provision of payment services (including various methods of providing payment services)*),
- Article 32g of the Act on payment services (*data on a major operational incident or security incident, including incidents related to ICT security*),
- Article 32f(2) of the Act on payment services (*data on the review and update of procedures for the management of operational risk and security risk and the review of risk mitigation measures and controls*),

as part of the obligations under the Act on payment services and the Payment Service Directive (PSD 2), the UKNF:

- identifies irregularities in relation to the application of the Act on payment services by banks,
- obtains and aggregates reports submitted by banks,
- submits data to the EBA,
- uses the collected data in the ongoing supervisory activities.

The UKNF also undertakes activities in the area of:

- monitoring of the functioning of dedicated interfaces (APIs) at banks, including by conducting a cyclical survey, beyond mandatory reporting, on the functioning of dedicated interfaces (APIs) at

commercial banks and reviewing the reports from non-banking providers of payment services that use such solutions,

- monitoring of security of electronic channels of access to banking services, including by analysing the collected information on the functioning of technological and organisational solutions at banks and taking appropriate actions where any irregularity is found.

4.2.3. INSPECTION ACTIVITIES

Inspection activities¹³ in the form of comprehensive or targeted inspections at commercial banks, cooperative banks, branches of credit institutions and protection scheme managers¹⁴ were conducted pursuant to the applicable laws and supervisory standards, i.e. KNF Board's prudential recommendations and guidelines of other authorities, in particular the European Banking Authority (EBA) and the Basel Committee on Banking Supervision (BCBS), based on uniform audit standards and procedures contained in the methodologies for carrying out inspection activities.

4.2.3.1. INSPECTIONS AT COMMERCIAL BANKS

4.2.3.1.1. Inspection activities at commercial banks

18 inspection activities were carried out at commercial banks in 2022¹⁵, including 1 comprehensive inspection and 17 targeted inspections.

A comprehensive inspection covered the bank's process of managing each risk, i.e. credit risk, liquidity risk, market and operational risks, capital adequacy and bank management, and targeted inspections covered, in particular, the following areas:

- asset quality and credit risk management¹⁶,
- management of liquidity and funding risks,
- management of market risk and overall interest rate risk in the banking book,
- management of operational risk,
- capital adequacy,
- bank management.

For the purpose of cooperation between the UKNF and the NBP, the comprehensive inspections at commercial banks involved inspection of the correctness of calculating and transferring the required amount of the statutory reserve.

¹³ Excluding the examination of: (1) information technology and ICT security, (2) prevention of money laundering and terrorist financing, (3) the activities referred to in Article 70(1) of the Act on trading, carried out by the banks referred to in the same Article, (4) aspects regulated in the Act on insurance distribution.

¹⁴ Within the meaning of the Act on the functioning of cooperative banks.

¹⁵ To the exclusion of validation proceedings conducted at commercial banks, described separately in the following part of the report.

¹⁶ In accordance with Commission Regulation (EU) 2016/2067 of 22 November 2016 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 9, the measurement of assets was examined, in some cases, taking into account the statistical models used to estimate write-offs/provisions.

4.2.3.1.2. Irregularities identified during inspection activities at commercial banks

Table 4. Material irregularities identified during inspection activities at commercial banks in 2022 in relation to credit risk management¹⁷

1.	Irregularities related to the estimation of expected credit losses resulting, in some cases, in the underestimation of write-offs or provisions, including incorrect estimation of discounted cash flows: <ul style="list-style-type: none"> – failure to apply at least two scenarios with a risk or likelihood of credit loss, – failure to consider information on the forecasts of future macro-economic conditions, – including, in real estate collateral flows, outdated estimates, i.e. estimates that were older than 2 or 4 years, for commercial property and housing property, respectively.
2.	Irregularities related to the identification of a significant increase in credit risk and impairment of financial assets: <ul style="list-style-type: none"> – lack of or insufficient quantitative and qualitative criteria of a significant increase in credit risk, – lack of a relation (link) between events triggering the inclusion on the Watch List and a significant increase in credit risk, – missing or improper rules of classification of restructured exposures, – considering qualitative criteria indicating impairment as grounds for identification of significant increase risk (resulting in classification into Stage 2 instead of Stage 3).
3.	Improper rules of identifying or failure to identify POCI assets, including failure to separate credit exposures and recognise such exposures in the POCI assets category as a result of granting, pursuant to Article 70 of the Banking Law, loans to entities which are not creditworthy (not applicable to newly created entities).
4.	Irregularities in the assessment of client's creditworthiness, including: <ul style="list-style-type: none"> – cases of non-compliance with the Banking Law with regard to the assessment of borrower's creditworthiness, including due to: <ul style="list-style-type: none"> ○ underestimation of the living expenses of a household due to failure to consider all the persons living in that household, ○ failure to take into account the correct interest rate buffer, ○ failure to take into account all financial liabilities, – missing or improper assessment of stability of income generated, – insufficient level of monthly repayments due to liabilities arising from credit cards held and revolving credit, adopted in the calculation of the creditworthiness of individuals, – failure to consider the customer's financial forecasts in the assessment of creditworthiness or failure to assess the reality of those forecasts.
5.	Applying exemptions from the bank's existing financing rules and conditions with an inadequately prudent risk management approach, in particular due to failure to: <ul style="list-style-type: none"> – define a list of permitted exemptions and failure to define the rules for applying such exemptions, – introduce a limit mitigating credit risk related to granting loans with exemptions, – monitor and report the impact of the entire portfolio granted with exemptions on the level of credit risk.

Source: UKNF

Table 5. Material irregularities identified during inspection activities at commercial banks in 2022 with respect to management, taking into account the internal control system

1.	Irregularities related to the organisation and functioning of the bank's governing bodies and internal organisation, including: <ul style="list-style-type: none"> – improper rules for assessing the suitability of members of the bank's governing bodies and key function holders, – failure to ensure the independence of the Level 1 risk management from Level 2 management.
2.	Failure to adapt the policy on remuneration of all employees to supervisory standards, and irregularities in the policy on variable components of remuneration, including:

¹⁷ Some inspections concerning asset valuation under Commission Regulation (EU) 2016/2067 of 22 November 2016 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 9 (2016; L 323/1) did not cover the assessment of model-related aspects of write-off/provision estimation.

	<ul style="list-style-type: none"> – failure to define the method and procedure applicable in the case of an increase in the relation of variable remuneration to fixed remuneration to the maximum level of 200%, – failure to consider – in the bank’s results adopted for the purpose of determining variable components of remuneration – liquidity risk in the long term.
3.	<p>Irregularities in the management of outsourcing risk¹⁸, in particular in relation to failure to fully adapt it to the standards of EBA’s <i>Guidelines on outsourcing arrangements</i> (EBA/GL/2019/02, 25 February 2019), including failure to:</p> <ul style="list-style-type: none"> – define the necessary elements of the outsourcing contract for the critical/important function, – assess concentration risk at the stage of monitoring the outsourcing contracts, – record the results of the ongoing monitoring of the provider.
4.	<p>Irregularities related to the organisation of the internal control system (ICS), including:</p> <ul style="list-style-type: none"> – failure by the supervisory board to assess the control function or compliance unit as part of the annual assessment of adequacy and effectiveness of the ICS, – failure to include measurable factors in the criteria for assessment of the adequacy and effectiveness of the ICS, – too vague criteria for categorisation of irregularities and an inadequate scope of data in the register of significant and critical irregularities, – failure by the bank’s management board to annually inform the supervisory board of how the management board performs its obligations in relation to the functioning of the ICS, – failure to ensure full independence of the compliance function and internal audit function, in particular the lack of participation of the manager of the compliance unit/internal audit function (or his/her alternates) in certain meetings of the management board, – an insufficient number of auditors, resulting in the inability to execute the audit plans.
5.	<p>Irregularities related to the rules of anonymous reporting, by employees, of breaches of law and the bank’s internal procedures and ethical standards, including failure to ensure protection from retaliatory measures to anyone reporting an irregularity, or failure to directly inform the bank’s supervisory board about the received reports on material breaches.</p>

Source: UKNF

Table 6. Material irregularities identified during inspection activities at commercial banks in 2022 in the area of management of liquidity and funding risks

1.	<p>Irregularities in the calculation of the LCR relating to non-compliance with the requirements of Regulation 2015/61¹⁹, consisting in:</p> <ul style="list-style-type: none"> – applying an incorrect definition of retail deposit, – improperly identifying deposits on trading accounts and operational deposits, – failure to perform and record cyclical analyses to verify the conditions determining whether retail deposits should be assigned to higher outflow weights, – considering the effects of exposures with a contingent renewal option instead of only the inflows from such exposures that are irrevocable and unconditional, – including past due receivables in inflows.
2.	<p>Irregularities in the calculation of the NSFR related to non-compliance with the requirements of Regulation 575/2013²⁰, consisting in:</p> <ul style="list-style-type: none"> – applying an incorrect definition of retail deposit, – improperly including Tier 1 capital in the available stable financing, – including without authorisation – as part of stable retail deposits – deposits with higher outflow weights in the part covered by the BFG guarantee scheme, – improperly identifying deposits on trading accounts and operational deposits, – improperly including – in the required available financing – non-performing exposures and the unused portion of granted credit instruments and liquidity support instruments.
3.	<p>Irregularities related to stress testing, including:</p> <ul style="list-style-type: none"> – insufficient range stress test scenarios, including failure to perform reverse tests,

¹⁸ Applies to contracts not related to the area of information technology or ICT security.

¹⁹ Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to liquidity coverage requirement for Credit Institutions (as amended) (2015; L 11/1).

²⁰ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and the changing Regulation (EU) No 648/2012 (as amended) (2013; L 176/1).

	<ul style="list-style-type: none"> – failure to perform a documented assessment of adequacy of the stress test assumptions, – insufficiently conservative scenario assumptions, – failure by the bank's management board to review the scenario assumptions, – failure to use stress test results in liquidity management.
4.	<p>Irregularities related to the system of limits, including:</p> <ul style="list-style-type: none"> – insufficient range of limits, – failure to draw up analyses underlying the amount of limits, – allowing, in internal regulations, for the acceptance and application of temporary exemptions concerning limit exceedance, – failure to consider the use of limits in the historical period and the stress test results when setting limits.
5.	<p>Irregularities with respect to contingency liquidity plan, including:</p> <ul style="list-style-type: none"> – inadequate range of crisis indicators, – failure to define the rules for regulating key intra-day payments during a crisis, – inadequate operational readiness to obtain funds from a NBP refinanced loan, – inadequate scope of emergency scenarios, – failure to update the plan based on the tests conducted at least once a year.

Source: UKNF

Table 7. Material irregularities identified during inspection activities at commercial banks in 2022 in the area of management of market risk and interest rate risk in the banking book

1.	<p>Irregularities in risk identification and measurement, including:</p> <ul style="list-style-type: none"> – material inconsistencies between the foreign-exchange position according to management information and the foreign-exchange position according to accounting records, – failure to prepare risk measures on a consolidated basis, – errors in the calculation of risk measures, including in the measurement of the measure of economic value of equity (EVE) and modelling of term structure of the interest rate revaluation gap.
2.	<p>Irregularities related to the system of internal limits, consisting in, for example:</p> <ul style="list-style-type: none"> – setting an internal limit for the total foreign-exchange position and changes in the net interest income at the level of the risk appetite, – failure to introduce a limit to restrict foreign-exchange risk and interest rate in the trading book, on a consolidated basis, – lack of analyses underlying the adoption/definition of the level of each internal limit, – failure to set limits on the size of the foreign-exchange position, revaluation gap, basis risk (PV01 measure), option risk, EVE measure and intra-day measure (regarding the FX position, VaR).
3.	<p>Certain irregularities related to stress tests consisted in the failure to:</p> <ul style="list-style-type: none"> – define the ceiling values of stress test results which, if exceeded, would trigger risk mitigation measures, – adopt stress test assumptions adapted to the current economic situation and potential effects of revaluation of mortgage loans denominated in CHF.
4.	<p>Irregularities in the process of concluding treasury transactions with clients consisting in failure to:</p> <ul style="list-style-type: none"> – obtain sufficient information about the customer's exposure to derivatives at other banks, – identify the actual nature of the transactions in derivatives concluded by customers, – establish the rules for transaction roll-over and client identification to be applied when entering into a transaction.
5.	<p>Irregularities in the market conformity check (MCC) of transaction prices, including:</p> <ul style="list-style-type: none"> – deficiencies in the management information system and internal regulations, including in relation to the market conformity monitoring and checks, – failure to apply the MCC process to all transactions.

Source: UKNF

Table 8. Material irregularities identified during inspection activities at commercial banks in 2022 in the area of operational risk management

1.	Irregularities in the identification of the risk incurred, including: <ul style="list-style-type: none"> – failure to include provisions for legal risk in the database of operational events, – untimely registration of information about the events, – improper rules for recording and updating data in the register and methodologies for considering the registered data in monitoring the degree of utilisation of operational risk appetite.
2.	Irregularities in stress tests, due to the failure to consider the scenario of occurrence of severe losses in the stress test assumptions.
3.	Irregularities related to risk appetite and the system of limits: <ul style="list-style-type: none"> – failure to consider legal risk in the appetite for operational risk, – failure to set limits on losses in relation to each category of losses from operational risk, – insufficient frequency of monitoring of Key Risk Indicators (KRIs), – failure to justify the adopted levels of strategic risk.
4.	Irregularities in the business continuity management process: <ul style="list-style-type: none"> – failure to assess the Business Impact Analysis (BIA), – lack of contingency plans for most organisational units covered in contingency planning, – failure to separate critical systems supporting critical processes as well as to identify the Recovery Time Objective and analyse the Recovery Point Objective, – failure to recognise the system for calculating guaranteed sums for the BFG purposes as one of critical applications, in accordance with Regulation of the Minister of Finance of 26 September 2016 on requirements for calculation systems maintained at entities covered by the guarantee scheme (Journal of Laws 2016, item 1642), – failure to update business continuity plans within the time limit required in internal procedures.
5.	Irregularities in model risk management resulting from insufficient adaptation of the banks' business to the standards set out in the KNF <i>Recommendation W on model risk management at banks</i> , including: <ul style="list-style-type: none"> – improper organisation of the model risk management process, – failure to ensure adequate staffing for the unit responsible for model validation and model risk management, – lack of internal regulations on model management.

Source: UKNF

Table 9. Material irregularities identified during inspection activities at commercial banks in 2022 in the area of capital adequacy

1.	Irregularities related to the calculation of capital requirements on account of credit risk, including: <ul style="list-style-type: none"> – classification of exposures to entities other than SMEs into retail exposures, instead of exposures to enterprises, – assigning a wrong risk weight to credit exposures secured with commercial real property, – applying only the 'past due' criterion when classifying exposures into categories of defaulted exposures, without considering the criterion of probability of default, – failure to classify an exposure secured with residential real property with a currency mismatch into the category of exposures secured by mortgage on real property with a risk weight of 150%, – wrongly assigning the 0% CCF to unused off-balance sheet liabilities.
2.	Irregularities related to the calculation of capital requirements on account of operational risk: <ul style="list-style-type: none"> – failure to include revenue from dividends from subsidiaries in the profit and loss account, – failure to update the calculation of the requirements after the approval of the financial statements by a statutory auditor.
3.	Irregularities in the maturity-based calculation of the requirements for general risk due to cases of classification of net positions resulting from decomposition of IRS transactions to incorrect maturity bands.
4.	Irregularities related to the calculation of own funds: <ul style="list-style-type: none"> – adoption of an incorrect basis for amortisation in the Tier 2 capital for subordinated bonds, – inclusion of annual profit in the Tier 1 capital without prior authorisation from the KNF Board, – incorrect application of transitional provisions on the deduction of the value of assets on deferred income tax from the Tier 1 capital, – failure to deduct an Additional Value Adjustment (AVA) from the Tier 1 capital.
5.	Irregularities related to the Internal Capital Adequacy Assessment Process (ICAAP), including: <ul style="list-style-type: none"> – failure by the supervisory board to approve the ICAAP rules,

	<ul style="list-style-type: none"> – failure by the bank to estimate internal capital on an individual basis, – applying the effects of diversification when using statistical methods, without performing periodic analyses of the stability of correlation between risks and of the adequacy of the assumptions made, – excluding credit exposures in default from the ICAAP.
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Source: UKNF

4.2.3.1.3. Supervisory validation of internal approaches to calculating capital requirements and internal models

In 2022, 8 domestic banks were authorised by competent supervisory authorities to use internal approaches, i.e. 5 of them used the IRB approach (for selected credit exposure portfolios) and 3 used the AMA approach. The validation proceedings – conducted in 2022 as part of the off-site analysis and/or in the course of inspection activities – in respect of internal approaches (IRB and AMA) in relation to domestic banks concerned the post-application phase, i.e. they included activities carried out after the bank had been authorised to use an internal approach, including – where applicable – in cooperation with the European Central Bank (hereinafter: ‘ECB’). The proceedings were related, in particular, to the process of introducing changes to internal approaches, mainly due to the need for banks to adapt to the revised requirements and standards in this area or resulting from the fulfilment of supervisory expectations formulated in the framework of previous supervisory assessments. In 2022, there were 1 final decision of the KNF Board and 3 joint decisions of the ECB and the KNF Board, as well as 4 opinions/positions of the KNF Board.

4.2.3.2. INSPECTIONS AT COOPERATIVE BANKS

4.2.3.2.1. Inspections at cooperative banks

In 2022, 1 comprehensive inspection and 29 targeted inspections were conducted at cooperative banks. The main area of inspection was credit risk, the most important risk in this sector. In 2022, inspection activities were also initiated in relation to both protection scheme managers²¹.

Irregularities identified during inspection activities at cooperative banks

Table 10. Material irregularities identified during inspection activities at cooperative banks in the area of credit risk in 2022

1.	<p>Irregularities in the assessment of client’s creditworthiness, including:</p> <ul style="list-style-type: none"> – cases of non-compliance with the Banking Law with regard to the assessment of borrower’s creditworthiness, including the failure to: <ul style="list-style-type: none"> ○ assume the minimum household maintenance costs at a level not lower than the level resulting from independent objective analyses of the level of household maintenance costs, ○ take into account all financial obligations of the client, ○ obtain or assess the recovery plans, or establish special security where the client was not creditworthy, ○ assess the reality of the assumptions made in financial forecasts and the efficiency of investments, – take into account the impact of interest rate changes on creditworthiness or adopting an interest rate change buffer at a too low level, – cases of non-compliance with the Banking Law in relation to the bank’s failure to assess the financial and economic standing of a client in the case of amendments to the contractual terms and time limits for the repayment of credit.
2.	<p>Irregularities in the review and classification of credit exposures to appropriate categories of risk, leading to:</p> <ul style="list-style-type: none"> – incorrect presentation of the quality of the credit portfolio, insufficient special-purpose provisions and write-downs, including: <ul style="list-style-type: none"> ○ failure to identify a significant deterioration of the financial and economic situation of a debtor, ○ classification of exposures as ‘watch-list’ due to the borrower’s economic and financial situation, – lack or insufficient frequency of, or untimely, monitoring of the economic and financial situation of clients.

²¹ Within the meaning of the Act on the functioning of cooperative banks.

3.	<p>Irregularities in the measurement of collateral, leading, in some cases, to insufficient special-purpose provisions and write-downs, including in connection with:</p> <ul style="list-style-type: none"> – reduction of the basis for calculation of special-purpose provisions and write-downs on the basis of outdated valuation reports for commercial real estate, or without considering previous encumbrances in the land and mortgage register, – disregarding legal, economic and factual constraints which may affect the actual ability of the bank to satisfy their claim with collateral, – lack of verification of credibility and accuracy of market assumptions and parameters at the stage of collateral acceptance or collateral monitoring, – failure to use a reliable inter-bank database on real estate market and failure to feed it with data collected by the bank.
4.	<p>Irregularities in the lending process, related to exemptions applied, including:</p> <ul style="list-style-type: none"> – in relation to the assessment of creditworthiness, – accepting exceedances of the maximum level of LtV and DtI, – failure to include an exemption in the register of exemptions, – failure to analyse and monitor the influence of derogations on the bank's level of credit risk and performance.
5.	<p>Other irregularities identified in the area of credit risk:</p> <ul style="list-style-type: none"> – failure to ensure full independence between credit risk management in operating activities at level 1 and credit risk management at level 2, – failure by the president of management board to exercise full supervision of the process of managing credit risk as a material risk, – failure to identify, or incorrect identification of, groups of entities related by equity or internal organisation, – failure to implement, or incomplete implementation of, EBA's <i>Guidelines on management of non-performing and forborne exposures</i> (EBA/GL/2018/06, 31 October 2018), – incomplete implementation of EBA's <i>Guidelines on loan origination and monitoring</i> (EBA/GL/2020/06, 29 May 2020).

Source: UKNF

Other material irregularities identified during inspection activities at cooperative banks in 2022 concerned the bank management process, liquidity and funding risks, market risk, operational risk and capital adequacy.

Table 11. Material irregularities in relation to bank management

1.	Incorrect organisation and functioning of the bank's governing bodies (e.g. inadequate scope of the assessment of suitability of members of the bank's governing bodies, lack of or too vague rules for appointing and dismissing members of supervisory board, inadequate supervision of the bank's operations by the supervisory board).
2.	Incorrect organisation and functioning of the risk management system (including failure by the supervisory board to assess the adequacy and effectiveness of risk management, failure to set strategic limits for each material risk identified, exceedances of internal limits in various areas of the bank's operations).
3.	Irregularities in the management of outsourcing risk ²² (including failure to assess the risk of outsourcing arrangements and to assess whether the arrangements apply to critical or important functions).
4.	Incorrect organisation and functioning of the ICS, including: failure by the supervisory board to carry out assessments of adequacy and effectiveness of elements of the ICS, lack of: criteria for separating significant processes, quantitative criteria for the categorisation of irregularities detected by the ICS, insufficient human resources to ensure continuity of management of the risk of non-compliance, reduced quality of testing reports, lack of participation of managers of the compliance unit in certain meetings of the bank's management board.
5.	Lack of proper management of the risk of conflict of interests at the level of the bank's management board.

Source: UKNF

²² Applies to contracts not related to the area of information technology or ICT security.

Table 12. Material irregularities in relation to liquidity and funding risks

1.	Inaccuracy of data reported for the purpose of calculating the LCR at the level of the protection scheme (in connection with non-compliance with the requirements under Regulation 2015/61).
2.	Irregularities related to the system of internal limits, including failure to determine a strategic limit for liquidity risk.
3.	Incomplete contingency liquidity plan, including failure to specify, in internal regulations, the obligation to update the plan based on the stress test results.
4.	Irregularities related to stress tests, including failure to prepare assumptions and failure to conduct intra-day liquidity tests.

Table 13. Material irregularities in the area of operational risk

1.	Irregularities related to the process of managing operational risk, in connection with incorrect setting of the level of risk appetite, inadequately prudent rules for setting internal limits, failure to set a strategic limit for operational risk, inadequate scope and quality of stress tests, improper functioning of the business continuity management system, improper HR policy leading to the materialisation of HR risk.
2.	Incomplete scope of internal regulations, including lack of rules for creating and updating provisions for court cases.
3.	Incorrect management of the complaint handling process.

Source: UKNF

Table 14. Material irregularities in relation to capital adequacy

1.	Irregularities in the calculation of capital requirements on account of credit risk, including incorrect segmentation of assets and setting an incorrect amount of exposure to risk.
2.	Irregularities in the calculation of capital requirements on account of operational risk, including considering wrong annual periods in the calculation.
3.	Irregularities in the calculation of own funds due to the failure to take into account additional valuation adjustments (AVAs) and inclusion in the equity fund of shares paid by members without the approval of the KNF Board.
4.	Irregularities in the calculation of the leverage ratio.
5.	Irregularities in the process of estimating internal capital, including in terms of reviewing the process and failure to present the review results to the management board and supervisory board.

Source: UKNF

Table 15. Material irregularities in relation to the management of market risk and interest rate risk in the banking book

1.	Errors in the measurement of option risk.
2.	Failure to take into account – in the analyses, in the event of exceedance of limit utilisation rates or identification of an upward trend in limit utilisation – the reasons of the exceedances and recommendations for remedial actions.
3.	Lack of organisational separation between operational activities and risk management.
4.	Lack of defined measures of risk appetite or limits on commercial transactions.
5.	Long periods of the exceedance of the limit value in shock scenarios of the Supervisory Outlier Test in relation to a change in the EVE.

Source: UKNF

4.2.3.3. INSPECTIONS AT BRANCHES OF CREDIT INSTITUTIONS

In 2022, inspection activities were carried out at 2 branches of credit institutions, covering an assessment of selected elements: branch management (1 entity) and credit risk management (1 entity).

The most significant irregularities identified in the course of the inspections concerned:

- an improper risk identification process as part of preliminary creditworthiness assessment,
- failure to assess creditworthiness throughout the lending period,
- failure to define, in internal procedures, the term ‘special security’, as referred to in Article 70(2) point 1 of the Banking Law,
- lack of detailed rules for establishing each type of security *in rem*,
- failure to define, in the security agreements concluded with non-retail customers, the method of informing the debtors on account of collateral for the loan about their arrears,

- failure to provide customers with an information form at the time of entering into a consumer credit agreement,
- failure to apply some arrangements aimed at ensuring the independence of the compliance function,
- in relation to the management information system: lack of consistency between the list of reports indicated in internal regulations and the applicable practice, and failure to adapt internal regulations to the organisational structure of the branch.

5. CREDIT UNIONS (SKOK) SECTOR

5.1. BASIC INFORMATION

At the end of the fourth quarter of 2022, the KNF Board supervised 19 credit unions and the National Association of Credit Unions (i.e. 20 entities in total).

Table 16. Selected financial data (in PLN million) on credit unions operating in particular reporting periods from Q4 2021 to Q4 2022

Breakdown	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Number of operating credit unions	22	20	20	19	19
Balance sheet total (PLN million)	10 034.81	9 806.00	9 797.17	9 996.37	10 063.64
Own funds in accordance with the Act on credit unions (PLN million)	380.62	364.40	326.61	328.21	395.79
Deposits (PLN million)	9 445.59	9 139.90	9 171.96	9 383.98	9 283.42
Gross loans (PLN million)	7 536.15	7 581.47	7 594.07	7 612.15	7 692.30
Net profit (loss) (PLN million)	7.43	16.92	64.09	89.45	99.59

Source: UKNF

The data are preliminary, have not been audited by a statutory auditor, and are subject to change.

5.2. LICENSING ACTIVITIES

In 2022, the KNF Board approved an amendment to the articles of association of 1 credit union and an amendment to the articles of association of the National Association of Credit Unions. The KNF Board also issued 1 final decision discontinuing proceedings in respect of approval of appointment of a president of management board of a credit union.

5.3. SUPERVISORY ACTIVITIES

The KNF Board's supervisory activities in relation to the credit unions sector included the analysis of information submitted as part of mandatory reporting, and the monitoring of compliance with the obligation to protect the clients' funds and the requirement to limit the scale of operations if the statutory limits are exceeded.

In 2022, the KNF Board authorised the merger²³ of 4 credit unions. As at end of 2022, 10 unions were subject to rehabilitation proceedings.

²³ Pursuant to Article 74a(1) of the Act on credit unions.

Furthermore, in the course of administrative proceedings, the KNF Board:

- discontinued 4 proceedings in respect of appointment of a commissioned administrator;
- issued 4 decision on the classification of subordinated debt to a credit union's own funds, which allowed those entities to strengthen their capital position;
- issued 2 decisions in respect of the reimbursement of the KNF Board for the costs of a re-audit of financial statements of a credit union following the conclusion that such a re-audit was justified.

In 2022, the KNF Board familiarised itself with the UKNF's four reports on the situation in the credit unions sector in: the fourth quarter of 2021, the first quarter of 2022, the second quarter of 2022, and the third quarter of 2022, respectively. The KNF Board also familiarised itself with reports on the situation of credit unions obliged to implement rehabilitation plans for the second half of 2021 and for the first half of 2022.

5.4. INSPECTION ACTIVITIES

5.4.1. INSPECTIONS AT CREDIT UNIONS

Inspection activities²⁴ at credit unions were carried out pursuant to applicable laws and supervisory standards, based on uniform review procedures included in methodologies concerning inspection activities.

In 2022, 3 inspections were carried out at credit unions, including 1 full-scope inspection and 2 inspections covering, among other things, the quality of assets and credit risk management.

Following the inspections, reservations were expressed as to the quality of those entities' management activities, in particular due to detected irregularities in credit risk identification, measurement and control, where the main reservations concerned:

- measurement of credit and loan exposures, leading to missing write-downs,
- irregularities in the creditworthiness assessment, leading in some cases to credit/loans being granted to credit union members that were not creditworthy,
- irregularities in the process of managing concentration risk and/or limits,
- relations with credit union members, i.e. failure to settle consumer credit within 14 days of the early repayment of the credit, which constituted an infringement of the Act on consumer credit.

Other material irregularities concerned the process of managing the credit union, managing liquidity risk, managing the interest rate risk, managing operational risk, and capital adequacy. They were related to:

- in the area of credit union management – mostly the organisation and functioning of the internal control system and financial planning,
- in the area of liquidity risk management – the calculation of the liquidity reserve ratio, triggers for launching a contingency liquidity plan, the scope and amount of internal limits, the scale of internal limit breaches, failure to document stress test scenarios and the assessment of the adequacy of related assumptions,
- in relation to interest rate risk – application of simplifications in the design of reports on the revaluation gap, errors in the interest rate risk identification and measurement process (through the failure to include elements of option risk in the interest rate risk), failure to adapt the system of limits to the nature of the business and the credit unions' risk profiles,
- in the area of operational risk – mainly the process of collecting information about operational events, managing the complaint handling process and the tests of proper functioning of the calculation system of the Bank Guarantee Fund,
- in relation to capital adequacy – errors in the calculation of own funds and capital requirements on account of credit risk and operational risk.

²⁴ Excluding the examination of: (1) the area of information technology and ICT security, (2) prevention of money laundering and terrorist financing, (3) aspects regulated in the Act on insurance distribution.

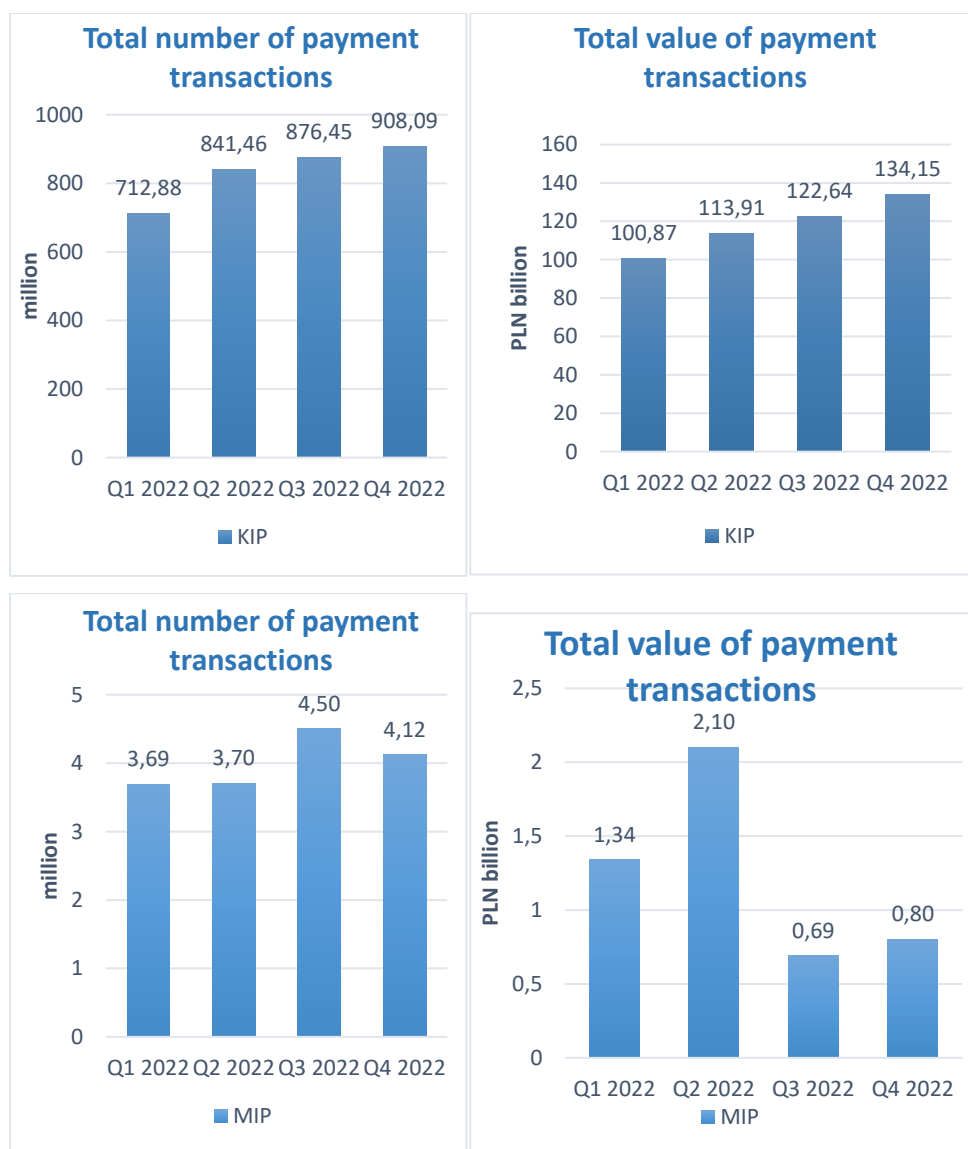
6. PAYMENT SERVICES SECTOR

6.1. BASIC INFORMATION

As at 31 December 2022, 42 domestic payment institutions (PL: *krajowa instytucja płatnicza* – KIP) and 1 electronic money institution held authorisations. As at 31 December 2022, 1 193 payment services offices (PL: *biuro usług płatniczych* – BUP) and 150 small payment institutions (PL: *mała instytucja płatnicza* – MIP) were registered as payment service providers. 15 entities were registered as account information service providers. 2022 was marked by an increase in the number and value of payment transactions in the KIP sector – by 27.38% and 32.99%, respectively, comparing the first quarter of 2022 to the fourth quarter of 2022. The data submitted to the KNF Board as part of regular reporting show that despite a high and constantly growing number of registered MIPs, their scale of business measured by the total number and total value of their payment transactions is much smaller than in the case of KIPs.

In 2022, payment services offices executed 20.95 million payment transactions with a total value of PLN 4.81 billion.

Diagram 7. Changes in the number and value of payment transactions executed by KIPs and MIPs in the period from Q1 2022 to Q4 2022



Source: UKNF

The above data are variable (as entities can submit corrections).

6.2. DOMESTIC PAYMENT INSTITUTIONS (KIP), DOMESTIC ELECTRONIC MONEY INSTITUTIONS, SMALL PAYMENT INSTITUTIONS (MIP), ACCOUNT INFORMATION SERVICE PROVIDERS, PAYMENT SERVICES OFFICES (BPU)

6.2.1. LICENSING, REGISTRATION AND NOTIFICATIONS OF CHANGES OF OWNERSHIP

In 2022:

- 12 applications concerning authorisation of KIPs, including 1 application for withdrawal of an authorisation were received,
- 3 decisions were issued in respect of authorisation to provide payment services as a KIP,
- 5 decisions authorising a KIP to extend the scope of payment services and 1 decision refusing such authorisation were issued, and 2 applications were left unexamined,
- 1 authorisation to provide payment services as a KIP was withdrawn (at the entity's request),
- 7 final decisions were issued on the non-objection to the intention to acquire or take up, directly or indirectly, shares in a domestic payment institution in a number sufficient to reach or exceed 20%, 30% or 50%, respectively, of the total number of votes in the decision-making body or a share in the share capital, including 3 final decisions amending the decision on the non-objection to the intention to acquire or take up, directly or indirectly, shares in a domestic payment institution in a number sufficient to reach or exceed 20%, 30% or 50%, respectively, of the total number of votes in the decision-making body or a share in the share capital, and 2 final decisions waiving the prohibition on exercising voting rights attached to shares,
- 4 notifications of KIPs regarding the update of data reported in the first notification and 1 notification of cross-border activities of an account information service provider were submitted to other EU Member States,
- 112 notifications from competent authorities regarding the activities of EU payment institutions were received,
- 162 notifications regarding the activities of EU electronic money institutions operating in Poland through a branch, through agents and on a cross-border basis were received,
- 324 applications concerning BUPs were received (98 applications for entry, 53 applications for a change in an entry, and 173 applications for removal),
- 44 MIPs were entered in the Register of Small Payment Institutions, 34 amendments were made to the entries relating to those entities, and 11 entities were removed,
- 4 entities were registered as account information service providers.

6.2.2. SUPERVISORY ACTIVITIES

As part of supervision of KIPs, the KNF Board analyses the figures and other data concerning the activities of payment institutions, in the context of statutory requirements and financial plans, and on that basis takes actions and supervisory measures. In turn, the KNF Board's supervisory activities in relation to MIPs and BUPs cover in particular the analysis and monitoring of the timely submission of information as part of mandatory reporting, and the monitoring of compliance with the requirement to limit the scale of operations if the statutory limits are exceeded.

In 2022, the following reports on the payment services sector were presented at the KNF Board's meeting:

- Information on the standing of KIPs, MIPs and BUPs in the fourth quarter of 2021,
- Information on the standing of KIPs and MIPs in the first half of 2022.

In 2022, the KNF Board initiated:

- 16 administrative proceedings in respect of a decision concerning prohibition on the provision of payment services as a BUP,
- 1 set of administrative proceedings in respect of a decision concerning prohibition on the provision of payment services as a MIP,
- 2 administrative proceedings in respect of withdrawal of authorisation to provide payment services as a KIP,
- 4 administrative proceedings in respect of refusal to make an entry in the register referred to in Article 4(1) of the Act on payment services.

As regards proceedings in relation to KIPs, MIPs and BUPs, it should be emphasised that in 2022, the KNF Board issued:

- 1 final decision concerning prohibition on the provision of payment services as a MIP,
- 8 final decisions concerning prohibition on the provision of payment services as a BUP,
- 1 final decision on the recognition that a KIP's system guarantees a level of security equivalent at least to the level provided for in 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,
- 1 final decision in respect of withdrawal of authorisation to provide payment services as a KIP.

6.2.3. INSPECTIONS AT DOMESTIC PAYMENT INSTITUTIONS

6.2.3.1. INSPECTIONS AT DOMESTIC PAYMENT INSTITUTIONS (KIPs) AND SMALL PAYMENT INSTITUTIONS (MIPs)

Inspection activities at domestic payment institutions and small payment institutions (KIPs/MIPs)²⁵ were carried out pursuant to applicable laws and supervisory standards, based on uniform examination procedures included in methodologies concerning inspection activities.

In 2022, 6 inspections were conducted at KIPs/MIPs to assess the quality of management (including the risk management system and the internal control system) and management of operational risk and compliance of their business with the Act on payment services.

The material irregularities identified during the inspections were related to:

- running the business in violation of the Act on payment services (improper outsourcing of operating activities, failure by the supervisory board to review the functioning of the risk management system and internal control, failure to conduct internal audits),
- the operational risk management, including business continuity management, failure to define the appetite for operational risk, failure to implement Key Risk Indicators (KRI), improper identification of material/critical functions, lack of stress testing,
- the management of outsourcing risk, including irregularities in the identification of the process of entrusting external entities with material operations related with the provision of payment services, failure to notify the KNF Board of material operations being entrusted to external entities, lack of or incomplete records of outsourcing arrangements,
- risk management process, including failure to define internal limits on identified material risk, lack of procedures for managing some of material risks, irregularities in the management information system, low quality of strategic and financial planning,
- improper functioning of the company's governing bodies manifesting in, among other things, failure to approve financial statements or failure to approve them within the statutory time limit, failure to convene the Annual General Meeting within the time limit specified in legislation (infringement of the Commercial Companies and Partnerships Code and the Accounting Act),
- improper functioning of internal control, among other things in connection with the lack of internal control plans, lack of periodic reports for the management board on control activities and identified

²⁵ Excluding the examination of: (1) the area of information technology and ICT security, (2) prevention of money laundering and terrorist financing.

breaches of laws, as well as failure to consider certain recommendations laid down in the Principles of Corporate Governance for supervised institutions,

- improper identification of payment services being provided and improper disclosure of such services in the periodic reports for the KNF Board,
- the complaint handling process, including in relation to information disclosure obligations towards customers.

7. MORTGAGE CREDIT INTERMEDIARIES AND THEIR AGENTS

In 2022, the KNF Board:

- entered 121 mortgage credit intermediaries in Section I of the Register of Credit Intermediaries (11 intermediaries were entered based on authorisation granted, 110 were entered based on lenders' (banks') applications,
- removed 172 mortgage credit intermediaries from Section I of the Register of Credit Intermediaries (49 intermediaries were removed based on a decision to withdraw authorisation, 123 intermediaries were removed based on lenders' applications for cancellation of registration).

In the course of proceedings in respect of mortgage credit intermediaries in 2022 the KNF Board issued:

- 11 final decisions in respect of authorisation to carry on the business of mortgage credit intermediation,
- 50 final decisions to withdraw authorisation to carry on the business of mortgage credit intermediation,
- 2 final decisions on the discontinuance of proceedings in respect of authorisation to carry on the business of mortgage credit intermediation.

As at 31 December 2022, 12 entities figured in the Register of Passport Notifications on Mortgage Credit Intermediaries operating in the territory of the Republic of Poland under the freedom to provide services.

In 2022, the Examination Board for Mortgage Credit Intermediaries²⁶ conducted 2 examinations, taken by 14 individuals, 12 of whom passed the examination.

In 2022, the KNF Board:

- entered 1 513 agents in the register (at the request of a mortgage credit intermediary),
- removed 2 199 agents from the register (at the request of a mortgage credit intermediary).

As at 31 December 2022, 7 033 agents of mortgage credit intermediaries figured in the register.

In 2022, 4 inspections were conducted with mortgage credit intermediaries to assess compliance of their business with primarily provisions of the Act on mortgage credit.

The material irregularities found during the inspections included mostly:

- improper performance of disclosure obligations towards consumers under the Act on mortgage credit,
- failure to fully adapt to standards regarding remuneration policies and practices in relation to the sale and distribution of retail banking products and services,
- failure to provide, or delays in providing, training for staff as required by the Act on mortgage credit,
- failure to report to the KNF Board on the Register of Credit Intermediaries.

²⁶ Article 52 of the Act on mortgage credit.

8. CAPITAL MARKET

8.1. BASIC INFORMATION

The capital market supervised by the KNF Board is formed by entities operating in the securities market and the market of other financial instruments, collective investment institutions, as well as financial institutions that accumulate and make long-term investments with financial resources which are to be paid after the savers reach the retirement age or become entitled to the payment.

8.1.1. BROKERAGE AND FIDUCIARY ACTIVITIES, COMMODITY BROKERAGE HOUSES AND ENTITIES MAINTAINING ACCOUNTS OR REGISTERS OF EXCHANGE-TRADED COMMODITIES

Table 17. Number of entities conducting brokerage and fiduciary activities in the years 2019–2022

Type of entity	2019	2020	2021	2022
Brokerage houses	38	37	36	33
Commodity brokerage houses	1	1	1	1
Banks conducting brokerage activities	9	9	9	9
Custodian banks	12	11	11	11
Total	60	58	57	54

Source: UKNF

Table 18. Number of client accounts of brokerage firms in the years 2019–2022

Breakdown	Number of client accounts				Share in total value (in %)
	2019	2020	2021	2022	2022
Brokerage houses	594 294	621 700	789 481	920 793	33.39
Banks conducting brokerage activities	1 335 851	1 421 078	1 565 194	1 836 961	66.61
Total	1 930 145	2 042 778	2 354 675	2 757 754	100

Source: UKNF

Table 19. Register of tied agents of investment firms at the end of the years 2019–2022

Tied agents of investment firms	2019	2020	2021	2022
Natural persons	226	215	223	230
Legal persons and organisational units without legal personality	47	43	41	34
TOTAL	273	258	264	264

Source: UKNF

Table 20. Number of persons entered on the list of securities brokers and the total number of licensed securities brokers in the years 2019–2022

Breakdown	2019	2020	2021	2022
Number of persons entered on the list of securities brokers in a given year	73	32	57	105
Total number of licensed securities brokers	3 142	3 174	3 231	3 335

Source: UKNF

Table 21. Number of persons entered on the list of investment advisers and the total number of licensed investment advisers in the years 2019–2022

Breakdown	2019	2020	2021	2022
Number of persons entered on the list of investment advisers in a given year	45	31	32	53
Total number of licensed investment advisers	752	783	814	867

Source: UKNF

Table 22. Number of entities holding authorisation to maintain accounts or registers of exchange-traded commodities at the end of the years 2019–2022

Type of entity	2019	2020	2021	2022
Energy companies	58	58	57	59

Source: UKNF

8.1.2. COLLECTIVE INVESTMENT INSTITUTIONS

As at 31 December 2022, 55 investment fund management companies held authorisations from the KNF Board and managed a total of 672 investment funds, including: 42 open-end investment funds, 69 specialist open-end investment funds, and 561 closed-end investment funds.

Table 23. Number of supervised investment fund management companies, and investment funds and sub-funds at the end of the years 2019–2022

Type of entity	2019	2020	2021	2022
Investment fund management companies	57	56	57	55
Investment funds	813	737	706	672
Sub-funds	708	728	736	711
Total	1 578	1 521	1 499	1 438

Source: UKNF

As at 31 December 2022, 48 foreign investment funds and 844 sub-funds included in foreign investment funds figured in the register of UCITS-type foreign investment funds kept by the KNF Board.

Table 24. Number of supervised foreign investment funds (UCITS-type) and sub-funds included in foreign investment funds at the end of the years 2019–2022

Type of entity	2019	2020	2021	2022
Foreign funds	33	34	32	48
Sub-funds of foreign funds	699	709	674	844
Total	732	743	706	892

Source: UKNF

The average asset value at the end of 2022 was lower than in the previous year, which resulted in a decrease in the total revenue of investment fund management companies. The total revenue in 2022 amounted to PLN 3 001 million, i.e. 17.4% less than in 2021. The total costs amounted to PLN 2 415 million, i.e. 8.4% less than in the previous year. The aggregate net financial result of investment fund management companies (TFI) for 2022 was 38.8% lower than in 2021 and amounted to PLN 467 million²⁷.

As at 31 December 2022, one joint-stock company held KNF authorisation to manage alternative investment companies/partnerships (AIC), and 323 entities figured in the Register of AIC Managers. 2022 saw a further increase in the number of AICMs and a further increase in the value of assets managed by those entities.

Table 25. Number of supervised AICMs at the end of the years 2019–2022

Type of entity	2019	2020	2021	2022
Managers of alternative investment companies/partnerships (AICMs)	156	196	269	324

Source: UKNF

8.1.3. PENSION SECTOR ENTITIES

8.1.3.1. OPEN PENSION FUNDS AND GENERAL PENSION SOCIETIES

As at the end of 2022, 10 open pension funds (PL: *otwarty fundusz emerytalny* – OFE) and 9 general pension societies (PL: *powszechne towarzystwo emerytalne* – PTE) managing them held authorisations to operate.

At the end of 2022, OFEs had 14.9 million members. Over the year, there was another fall in the number of members, by 0.3 million. The total market share of the 3 largest funds slightly decreased (by 0.1 percentage points) in relation to the previous year, reaching nearly half of the entire market (49.6%).

In 2022, there was a decrease in the value of assets managed by PTEs of pension funds (mostly following a decrease in the assets of OFEs), and PTEs received revenue from refund of overpayment from the funds of the Guarantee Fund, which resulted in a higher financial result than in the previous year.

8.1.3.2. OCCUPATIONAL PENSION FUNDS AND SOCIETIES

As at 31 December 2022, occupational pension societies managed two occupational pension funds (PFEs), which had 29 400 members, 1 000 less than a year before. In the period covered by this report, basic and additional contributions in the amount of PLN 107.3 million were transferred to the accounts of PFE members, i.e. PLN 3.1 million more than in 2021. Both occupational pension funds operating at the end of 2022 achieved negative rates of return in the period covered by this report.

²⁷ Based on monthly reports provided by investment fund management companies. Monthly reports are not audited or reviewed by a statutory auditor so information included therein may be subject to subsequent corrections.

8.1.3.3. VOLUNTARY PENSION FUNDS

As at 31 December 2022, 7 voluntary pension funds (PL: *dobrowolny fundusz emerytalny* – DFE), managed by general pension societies, were authorised to pursue business. All DFEs collected funds in individual retirement protection accounts (PL: *indywidualne konto zabezpieczenia emerytalnego* – IKZE), while 5 of them also offered individual retirement accounts (PL: *indywidualne konto emerytalne* – IKE). Two general pension societies also manage 18 target-date voluntary pension funds operating as part of employee capital plans (PL: *pracowniczy plan kapitałowy* – PPK).

In 2022, all DFEs reported negative rates of return. The diversification of investment performance of DFEs was determined by the managers using investment strategies, in terms of the level of allocation to specific asset classes, the choice of individual financial instruments, and changes in the portfolio structure.

8.1.3.4. OCCUPATIONAL PENSION SCHEMES

Occupational pension schemes (PL: *pracowniczy program emerytalny* – PPE), in which participation is voluntary, as in the case of IKE and IKZE accounts, are of an institutional nature. The development of that element 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.

Table 26. PPEs in the years 2019–2022

Breakdown	2019	2020	2021	2022
Number of PPEs	1 907	2 110	2 083	2 081
Number of participants (in thousand)	613	632	641	652
Value of accumulated assets (in PLN million)	14 547	17 016	18 929	19 130

Source: UKNF, institutions managing the funds of occupational pension schemes

2 081 occupational pension schemes were operating as at 31 December 2022, including:

- 513 in the form of a group unit-linked life insurance contract,
- 1 544 in the form of an agreement on the payment by the employer of employees' contributions to the investment fund,
- 24 in the form of an occupational pension fund.

At the end of 2022, schemes operated as a contract with an investment fund made up the largest percentage of PPEs (74.2%). PPEs so operated had also the largest share in the sector's assets (73.6%) and were characterised by the highest number of participants (82.3%). PPEs operated as insurance ranked second (with a 16.3% share in total assets and 13.2% share in the total number of participants).

8.1.3.5. INDIVIDUAL RETIREMENT ACCOUNTS AND INDIVIDUAL RETIREMENT PROTECTION ACCOUNTS

As at the end of 2022, KNF-supervised entities operated 800 100 IKEs and 475 500 IKZEs, with assets of PLN 14.1 billion and PLN 6.6. billion, respectively. In 2022, the savers contributed PLN 2.4 billion to IKE accounts and PLN 1.5 billion to IKZE accounts, a total of 3.3% more than the year before.

Table 27. IKE accounts in the years 2019–2022

Entities maintaining IKE accounts	Number of accounts (in thousand)				Market share (in %)	Value of assets (in PLN million)				Market share (in %)
	2019	2020	2021	2022		2019	2020	2021	2022	
Insurance undertakings	462	200	195	183	22.8	2 739	2 932	3 067	2 726	19.3
Investment funds	355	393	433	420	52.5	3 266	3 970	4 539	4 095	29.0
Entities conducting brokerage activities	39	56	80	104	13.0	1 785	2 439	3 252	4 493	31.8
Banks	89	86	79	82	10.2	2 297	2 466	2 437	2 621	18.6
Voluntary pension funds	6	7	10	11	1.5	81	117	173	183	1.3
Total	951	742	797	800	100.0	10 168	11 924	13 468	14 118	100.0

Source: UKNF, based on data reported by institutions operating IKE accounts

Table 28. IKZE accounts in the years 2019–2022

Entities maintaining IKZE accounts	Number of accounts (in thousand)				Market share (in %)	Value of assets (in PLN million)				Market share (in %)
	2019	2020	2021	2022		2019	2020	2021	2022	
Insurance undertakings	377	96	96	93	19.6	784	956	1 100	1 113	16.8
Investment funds	175	192	209	208	43.7	1 609	2 258	2 810	3 030	45.7
Entities conducting brokerage activities	17	32	52	65	13.6	197	392	715	974	14.7
Banks	24	28	34	35	7.4	224	307	384	468	7.1
Voluntary pension funds	61	60	72	75	15.7	470	669	968	1 038	15.7
Total	654	408	463	476	100.0	3 284	4 582	5 977	6 623	100.0

Source: UKNF, based on data reported by institutions operating IKZE accounts

8.1.3.6. EMPLOYEE CAPITAL PLANS

At the end of 2022, 18 financial institutions were operating employee capital plans (PL: *pracowniczy plan kapitałowy* – PPK):

- 15 investment fund management companies,
- 2 general pension societies,
- 1 insurance undertaking.

On 16 September 2022, the KNF Board issued a decision to remove BPS Towarzystwo Funduszy Inwestycyjnych S.A. from the PPK records, which resulted in a designated financial institution – PFR TFI S.A. – taking over the management of BPS Emerytura PPK Specjalistyczny Fundusz Inwestycyjny Otwarty. Then, as PFR TFI S.A. was managing the same target-date funds, the KNF Board, at the request of PFR TFI S.A., on 10 November 2022, issued for the first time 9 decisions on the merger of the target-date funds managed by PFR TFI S.A.

The number of participants in the PPKs at the end of 2022 was 3.0 million. By that time, PLN 5.3 billion had been paid into the PPKs (compared to PLN 4.3 billion in 2021). Assets worth PLN 12 billion had been accumulated in the PPK accounts, i.e. PLN 4.3 billion more than in 2021.

Table 29. PPK accounts in the years 2019–2022

Entities maintaining PPK accounts	Number of participants (in thousand)				Market share (in %)	Net asset value (in PLN million)				Market share (in %)
	2019	2020	2021	2022		2019	2020	2021	2022	
Investment fund management companies	278	1 203	2 145	2 515	83.8	72	2 338	6 526	10 342	86.3
General pension societies	46	253	359	434	14.5	12	448	1 057	1 527	12.7
Insurance undertakings	5	27	44	51	1.7	1	31	83	125	1.0
Total	329	1 483	2 548	3 000	100.0	85	2 817	7 666	11 994	100.0

Source: UKNF, based on data reported by institutions operating PPK accounts

8.1.4. CAPITAL MARKET INFRASTRUCTURE PROVIDERS

The capital market infrastructure providers in Poland are:

- Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A. – GPW)²⁸,
- BondSpot S.A. (BondSpot)²⁹,
- Polish Power Exchange (Towarowa Giełda Energii S.A. – TGE)³⁰,
- Commodity Clearing House (Izba Rozliczeniowa Giełd Towarowych S.A. – IRGIT)³¹,
- National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A. – KDPW)³²,
- KDPW_CCP S.A. (KDPW_CCP)³³.

8.1.4.1. PUBLIC OFFERINGS OF FINANCIAL INSTRUMENTS OTHER THAN INVESTMENT CERTIFICATES

The public offerings market in 2022 was affected by Russia's war in Ukraine, which totally changed market sentiment and companies' plans to raise capital through public offerings. In addition, it was a period of recovery of the global economy after the COVID-19 pandemic, high inflation, particularly visible in energy prices, and the economic slowdown. All those elements significantly reduced both the number and value of the public offerings in Poland compared to previous years.

The number of offerings carried out in 2022 and reported to the KNF Board in the Register of Shares compared to 2021 decreased by 10% and amounted to 401, while the value of 2022 offerings decreased by 45% in relation to the previous year and stood at less than PLN 7.1 billion. A significant share of the offerings were public issues of shares – more than 95% of all offerings carried out in 2022.

²⁸ The main statistics on the activities of the companies listed in point 8.1. can be found at: <https://www.gpw.pl/podstawowe-statystyki-gpw> for the Main Market, and at <https://newconnect.pl/podstawowe-statystyki-newconnect> for the Newconnect Market.

²⁹ The highest trading value is observed on the TBSP market. The statistics on this market are available at: https://www.bondspot.pl/statystyki_TBSPoland

³⁰ <https://tge.pl/dane-statystyczne>

³¹ <https://www.irit.pl/gir/zarzadzanie-ryzykiem/sprawozdawczosc>

³² <https://www.kdpw.pl/pl/portal-danych.html>

³³ <https://www.kdpwccp.pl/pl/transparentnosc.html>

Table 30. Value and number of public cash offerings in the years 2019–2022

Year	2019		2020		2021		2022	
Breakdown	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	58	683.40	248	3 112.14	343	3 796.39	307	6 755.98
Public offerings of shares	19	362.33	114	10 447.79	103	8 946.51	94	340.8
Total public offerings	77	1 045.73	362	13 559.93	446	12 742.90	401	7 096.78
<i>including</i>								
<i>Initial public offerings*</i>	6	50.8	18	11 075.28	40	9 267.49	16	123.11

Source: UKNF

* Understood as the initial public offering related to the debut on the GPW or NC.

A particularly prominent fall was seen in initial public offerings, whose value amounted to PLN 123 million. Only one initial public offering was carried out in the GPW Main Market; the other 15 were carried out in the NewConnect market. Apart from that, some offerings were suspended or revoked and not carried out in 2022. That was caused mainly by market sentiment determined by the war in Ukraine and high uncertainty in markets all around the world.

8.2. INVESTMENT FIRMS, CUSTODIAN BANKS, TIED AGENTS OF INVESTMENT FIRMS, SECURITIES BROKERS, INVESTMENT ADVISERS

8.2.1. LICENSING ACTIVITIES

8.2.1.1. BROKERAGE ACTIVITIES

In 2022, at the request of two brokerage houses, decisions were issued to withdraw in whole authorisation to conduct brokerage activities, and at the request of one brokerage house a decision was issued on the expiration in whole of authorisation to conduct brokerage activities. At the request of two brokerage houses, decisions were issued to revoke in part authorisation to conduct brokerage activities.

8.2.1.2. INVESTMENT FIRMS AND CUSTODIAN BANKS

In 2022, the KNF Board issued:

- 1 final decision on granting authorisation to conduct brokerage activities,
- 5 final decisions on approval of the appointment of a president of management board or member of management board of a brokerage house responsible for supervising the risk management system,
- 4 final decisions on the withdrawal of authorisation to conduct brokerage activities,
- 1 final decision declaring the expiration of authorisation to conduct brokerage activities.

The KNF Board also issued 9 final decisions to discontinue proceedings, including:

- 1 final decision on granting authorisation to conduct brokerage activities,
- 1 final decision on the performance of operations related to brokerage activities outside a bank's brokerage office,
- 7 final decisions on approval of the appointment of a president of management board or member of management board of a brokerage house responsible for supervising the risk management system.

In that period, 1 set of proceedings in respect of granting authorisation to conduct brokerage activities was suspended, and 1 set of proceedings in respect of granting authorisation to conduct brokerage activities was instituted.

As at 31 December 2022, the following applications were being reviewed:

- 3 applications for authorisation to conduct brokerage activities, submitted by entities other than investment firms,
- 3 applications for an extension of authorisation to conduct brokerage activities,
- 6 applications for approval of the appointment of a president of management board of a brokerage house or member of management board of a brokerage house responsible for supervising the risk management system.

The KNF Board twice refrained from raising objection to the intention to perform operations related to brokerage activities outside a bank's brokerage office.

In 2022, 2 notifications of the intention to acquire shares in brokerage houses were reviewed. The KNF Board did not raise objection in one set of proceedings and discontinued one set of proceedings in that respect. The KNF Board also conducted one set of proceedings in respect of amending in part a decision to declare that there were no grounds for objecting to the planned acquisition of shares in a brokerage house.

In 2022, the KNF Board did not conduct any proceedings in respect of granting authorisation to conduct fiduciary activities.

8.2.1.3. NOTIFICATION OF INVESTMENT FIRMS

In the period covered by this report, the KNF Board submitted to foreign supervisory authorities 20 notifications concerning the intention of an investment firm to conduct brokerage activities without opening a branch in the territory of another Member State, and 1 notification of the intention of an investment firm to conduct brokerage activities in the form of a branch in the territory of another Member State.

As at 31 December 2022, the KNF Board was conducting 1 set of proceedings in respect of notification of the intention of an investment firm to conduct brokerage activities through a branch in the territory of another Member State.

In the period covered by this report, the KNF Board did not receive any notification of a foreign investment firm's intention to conduct brokerage activities through a branch in the territory of the Republic of Poland. One branch of a foreign investment firm transformed into a branch of a foreign credit institution.

Table 31. Number of notified foreign investment firms* at the end of the years 2019–2022

Type of entity	2019	2020	2021	2022
Foreign investment firm – branch	18	17**	13	12

Source: UKNF

* Excluding foreign credit institutions.

** 31 December 2020 marked the end of the transition period related to the withdrawal of the United Kingdom from the European Union. Therefore, the existing rights resulting from the membership – the freedom to provide investment services and conduct investment activities in the territory of the EU – ceased to apply. Entities from the United Kingdom operating in the Republic of Poland through a branch are not allowed to continue their operations after 31 December 2020.

Table 32. Number of Polish investment firms which notified their intention to conduct business activities

Type of entity	2019	2020	2021	2022
Brokerage houses (number of branches)	2 (8)	3 (9)	3 (9)	2 (9)
Brokerage houses without a branch	11	11	11	11

Source: UKNF

8.2.1.4. TIED AGENTS OF INVESTMENT FIRMS

As at 31 December 2022, the Register of Tied Agents of Investment Firms contained entries on 264 entities, including 34 legal persons and organisational units without legal personality, and 230 natural persons.

In 2022, the KNF Board issued:

- 24 decisions to register a tied agent of an investment firm
- 23 decisions to remove an entity from the Register of Tied Agents of Investment Firms due to the termination of the agreement between the investment firm and the agent,
- 1 decision declaring the expiration of a decision on an entry in the Register of Tied Agents of Investment Firms,
- 19 decisions to discontinue proceedings in respect of entry in the Register of Tied Agents of Investment Firms.

In 2022, 2 proceedings in respect of entry in the Register of Tied Agents of Investment Firms were suspended, and 16 proceedings in respect of entry in the Register of Tied Agents of Investment Firms were instituted.

As at 31 December 2022, 15 applications for entry in the Register of Tied Agents of Investment Firms were pending.

8.2.1.5. SECURITIES BROKERS

As at 31 December 2022, the number of licensed securities brokers was 3 335. In 2022, 105 persons were entered on the list of securities brokers. In 2022, one securities broker was removed from the list.

In 2022, two examinations for securities brokers took place. 325 persons took the examination and 109 persons passed it. So far, 3 517 persons have passed the examination for securities brokers. In addition, in 2022, 1 supplementary examination for securities broker was held, with 1 person taking part. So far, 106 persons have passed the supplementary examination for securities brokers. Moreover, in the 2022, 1 competency test for securities brokers was held. 1 person took the test.

8.2.1.6. INVESTMENT ADVISERS

As at 31 December 2022, the number of licensed investment advisers was 867. 53 persons were added to the list of investment advisers in 2022.

In 2022, an examination for investment advisers took place (in three stages). 4 persons passed the examination. In 2022, a competency test was held and passed by 26 persons. The candidates who passed the above-mentioned examinations received certificates of successful completion that allow the candidates to be entered on the KNF list of investment advisers.

8.2.2. SUPERVISORY ACTIVITIES

8.2.2.1. ONGOING SUPERVISION OF INVESTMENT FIRMS, CUSTODIAN BANKS AND BANKS REFERRED TO IN ARTICLE 70(2) OF THE ACT ON TRADING

In 2022, the supervision over the activities of investment firms comprised an analysis of monthly reports and current reports of 36 brokerage houses, 9 banks conducting brokerage activities, 11 custodian banks, investment firms which notified their business run in Poland through a branch, and banks referred to in Article 70(2) of the Act on trading, as well as annual financial statements 2021, semi-annual financial statements for the first half of 2022, and reports on capital adequacy of brokerage houses. In total, the review covered over 4 100 reports submitted through the Electronic Information Transfer System

(ESPI). In 2022, the consolidated financial statements for 2021 and the reports on capital adequacy on a consolidated basis of brokerage houses, submitted in accordance with the provisions in force, were also analysed. Out of 36 brokerage houses indicated above, 3 brokerage houses ceased their activities in 2022.

Following the reviews, a series of supervisory activities were undertaken to clarify the concerns and to issue findings in the framework of the Supervisory Review and Evaluation Process, with the aim of improving the efficiency of the internal systems implemented by supervised entities and adapting the systems to regulations and nature of the business.

As part of the supervision over the application, by brokerage houses, of legal regulations on capital adequacy, 5 final decisions were issued following the proceedings conducted at the request of brokerage houses. 1 interim decision to initiate proceedings in relation to a brokerage house was issued in connection with a suspected breach of law.

As part of ongoing supervision, the details of KNF-supervised entities presented on the KNF website were updated. Quarterly financial data and quarterly data on capital adequacy of brokerage houses were also published. 'Report on the financial standing of brokerage houses in 2021' was presented at the KNF Board's meeting.

8.2.2.2. SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP) FOR BROKERAGE HOUSES

The SREP methodology for evaluating brokerage houses in 2022 was updated. In the period covered by this report, supervisory ratings were assigned to brokerage houses. The evaluation covered 25 brokerage houses. 12 brokerage houses were subject to evaluation in a simplified formula based on analysis of information provided by brokerage houses in the fulfilment of information disclosure requirements resulting from legislation and information received from brokerage houses relating to acting on the findings of the previous SREP.

10 brokerage houses were subject to a standard evaluation, which, compared to the simplified evaluation, involved an analysis of information submitted within the SREP. 3 brokerage houses were subject to a full-scope evaluation involving a meeting with representatives of the entities. The evaluation was carried out as at 31 December 2021 and 30 June 2022. The Report on the Supervisory Review and Evaluation Process (SREP) for Brokerage Houses in 2021 was presented at the KNF Board's meeting.

8.2.3 INSPECTION ACTIVITIES

8.2.3.1. INSPECTIONS AT BROKERAGE HOUSES, TIED AGENTS OF INVESTMENT FIRMS, AND BANKS REFERRED TO IN ARTICLE 70(2) OF THE ACT ON TRADING

In 2022, 2 inspections commenced in 2021 were completed and until 31 December 2022, another 7 inspections were conducted. The entities selected for the routine inspections were diverse in terms of type and core activities. The scope of inspections carried out in 2022 depended each time on the model and size of the business, and took into account the events and developments in the capital market in relation to brokerage services.

The main areas covered by targeted inspections were: the services of offering financial instruments and executing clients' orders, including on the Polish Power Exchange, investment advice, and the performance of obligations under MiFID II in relation to retail client protection, both by investment firms and the banks referred to in Article 70(2) of the Act on trading in financial instruments, including cooperative banks. Other important areas of inspection included: performing the function of issuing agent, keeping the shareholders' register, and financial reporting of brokerage houses.

The inspections looked at the facts in relation to laws, internal regulations and agreements with clients, including in cooperation with tied agents of the investment firms.

The review also covered, among other things: the functioning of the internal control system, the system of monitoring compliance of activities with the law and the internal audit system, ensuring employment

of persons who had the knowledge and skills needed to perform activities in connection with the provision of services, prevention of conflicts of interest, accepting so-called incentives, supervision over the activities of tied agents of investment firms, prevention of manipulation of financial instruments.

The inspections also covered a review of how and to what extent the entities under inspection complied with:

- Position of the UKNF of 23 December 2021 on the recording of contacts with clients of investment firms,
- Position of the UKNF of 30 March 2022 on the issuer assessment to be performed by investment firms prior to providing the service of offering financial instruments,
- Position of the UKNF of 16 February 2021 on product governance,
- Position of the UKNF of 11 August 2021 on the supervision exercised by investment firm over its agent,
- Position of the UKNF of 21 December 2018 on accepting and giving ‘incentives’ in connection with the provision of services of acceptance and transmission of orders pertaining to participation units in investment funds (and the supplement of 20 December 2019),
- Position of the UKNF of 14 February 2020 on selected aspects of investment advisory services provided by investment firms and banks referred to in Article 70(2) of the Act,
- ESMA Guidelines on certain aspects of the MiFID II suitability requirements (ESMA35-43-1163),
- ESMA Guidelines on MiFID II product governance requirements (ESMA 35-43-620),
- ESMA Guidelines on certain aspects of the MiFID II compliance function requirements (06/04/2021, ESMA35-36-1952).

Table 33. Selected irregularities identified during inspection activities in 2022 in the area of organisation and supervision of activities by investment firms and the banks referred to in Article 70(2) of the Act on trading

Organisation and supervision of activities by investment firms and the banks referred to in Article 70(2) of the Act on trading	
1.	Entrusting basic or important operational functions (in particular archiving of electronic data) based on an outsourcing arrangement that fails to meet statutory requirements.
2.	Failure to include in the outsourcing arrangement an express and unambiguous obligation of professional secrecy of the third party, within the meaning of Article 147 of the Act, and the obligation of the third party to properly apply professional secrecy to information obtained in the performance of the arrangement.
3.	Failure to ensure proper risk identification, estimation, control and prevention within the ICT security management system.
4.	Failure to protect the IT systems used in the business so as to prevent unauthorised access to the data processed by those systems and subsystems.
5.	Failure to identify and assess the risk of non-compliance with the provisions of law governing the performance by the bank of the operations referred to in Article 70(2) of the Act, and lack of action within the internal audit system covering such operations.
6.	Keeping a list of persons who have access to confidential information in violation of provisions of law.
7.	Failure to define the rights and responsibilities of the authorised employee in connection with the performance of the supervisory function in relation to an employee being supervised.

Source: UKNF

Table 34. Selected irregularities identified during inspection activities in 2022 in the area of the procedure and conditions of dealing with clients or potential clients of investment firms and the banks referred to in Article 70(2) of the Act on trading

Conduct in relations with the client	
1.	Improper definition of basic contractual rights and obligations of the clients.
2.	Failure to provide the client, before commencing the provision of brokerage services, with a general description of the nature of, and risks arising from, financial instruments, and <i>ex ante</i> information about the costs and fees on a durable medium.
3.	Failure to inform the clients about the possibility of submitting a complaint to the entity dealing with alternative dispute resolution.
4.	Providing clients with investment advice that includes inaccurate information that might raise doubts or be misleading.
5.	Encouraging clients to again answer the questions in the suitability survey, knowing that the answers will be incomplete or incorrect.

Source: UKNF

Table 35. Selected irregularities identified during inspection activities in 2022 in the area of provision of brokerage services by investment firms and the banks referred to in Article 70(2) of the Act on trading

Provision of brokerage services	
1.	Implementation of an IT system that does not ensure reliable storage of information about orders being at the broker's disposal (DDM orders).
2.	Implementation of solutions that fail to enable clients to acquire financial instruments that are appropriate for the needs, characteristics and goals of a specific target group, in the case of the service of accepting and transmitting orders provided by a bank referred to in Article 70(2) of the Act on trading.
3.	Failure by an investment firm to act fairly and professionally in evaluating issuers, including failure to prepare, implement and apply the relevant procedure.
4.	Failure to verify how employees and tied agents of an investment firm use their company phones, where they are prohibited from using them to contact existing or prospective clients.
5.	Failure to take notes from each conversation held in the presence of the client or potential client in connection with the activities related to the provision of a brokerage service.
6.	Lack of all obligatory data in the shareholders register.

Source: UKNF

Table 36. Selected irregularities identified during inspection activities in 2022 in the area of financial reporting of brokerage houses

Financial reporting of brokerage houses.	
1.	Failure to monitor the process of preparing and reviewing financial data of the brokerage house and PRF-D reports; submitting to the KNF Board financial data and financial statements that do not give a fair and true view of the company's financial situation.
2.	Failure to notify the KNF Board of events related to the activities and financial situation of the brokerage house.
3.	Lack of continuity, in subsequent financial years, in terms of the breakdown of business operations, the valuation of assets and liabilities, the determination of the financial result and the preparation of financial statements so that the information resulting from them is comparable in subsequent years, when it comes to determining the required provisions.

4.	Keeping accounts and supporting books in a manner that is unreliable and irregular, and fails to: reflect the actual state of affairs (fails to ensure that all qualified accounting evidence in a given month is complete and correct), present a correct classification which allows the preparation of the mandatory financial statements and other reports.
5.	Failure to separate – in the accounting records – all the events that are relevant to the assessment of property, financial situation and performance of the brokerage house, while respecting the precautionary principle, through the failure to recognise entries related to self-employment and the failure to include the valuation (fair value) of financial instruments in the books.

Source: UKNF

Following inspections, post-inspection recommendations were issued for the inspected entities. For some of the supervised entities, as at 31 December 2022, a further examination was conducted in respect of initiation of administrative proceedings to impose a financial penalty due to identification of breaches of laws and/or notification of a suspected criminal offence.

8.3. ENTITIES IN THE MARKET OF INVESTMENT FUNDS AND ALTERNATIVE INVESTMENT COMPANIES/PARTNERSHIPS

8.3.1. LICENSING ACTIVITIES

In 2022, the supervisory authority issued 243 decisions and orders relating to the entities of the investment fund market. The number and subject-matter of the interim and final decisions issued on the basis of KNF authorisation in 2022 are presented in Annex 13.1.

They include:

- 13 final decisions approving the appointment of members of management board who supervise the risk management system and investment decisions at investment fund management companies,
- 1 authorisation to conduct the activities of an investment fund management company, granted to mTowarzystwo Funduszy Inwestycyjnych S.A.,
- 1 authorisation to establish a specialised open-end investment fund,
- 5 approvals of a change of a depositary of an investment fund,
- 16 final decisions approving prospectuses for investment certificates issued by public closed-end investment funds,
- 34 final decisions approving supplements to prospectuses for investment certificates issued by public closed-end investment funds,
- upholding the final decision to withdraw authorisation of ALTUS Towarzystwo Funduszy Inwestycyjnych S.A. with its registered office in Warsaw to conduct the activities of an investment fund management company,
- 5 interim decisions to institute *ex officio* proceedings or to extend the scope of proceedings under Article 13 of the Act on capital market supervision.

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

8.3.1.1. ACQUISITION OR TAKING UP OF SHARES AND/OR RIGHTS ATTACHED TO SHARES

In 2022, 11 notifications of the intention to acquire or take up shares of an investment fund management company were considered. In 7 cases, a final decision was made not to object to the intention to acquire or take up shares of an investment fund management company and to set a date within which the acquisition or take-up may take place. In 4 cases, final decisions to discontinue administrative proceedings were issued.

As at 31 December 2022, 1 set of pending proceedings in respect of notification of the intention to exercise a voting right attached to shares of an investment fund management company was still pending. 2022 saw a significant increase in the number of notifications of the intention to acquire or take up shares of an investment fund management company.

8.3.1.2. CROSS-BORDER ACTIVITY

In 2022, the KNF Board received, by e-mail, 31 complete notifications of the intention to dispose of shares of foreign funds in the territory of the Republic of Poland which pertained to 14 new foreign funds and 205 new sub-funds of foreign funds. For comparison, in 2021, 27 complete notifications concerning 2 new foreign funds and 53 sub-funds of foreign funds were received.

In 2022, the KNF Board received 2 notifications from management companies (entities managing UCITS funds) on their intention to operate in the Republic of Poland under the freedom to provide services (i.e. without a branch). For comparison, in 2021 the KNF Board received 2 notifications from management companies intending to operate in the Republic of Poland under the freedom to provide services and 1 notification from a management company intending to operate in the Republic of Poland through a branch.

In 2022, the KNF Board received 248 complete notifications of the intention to market in the territory of the Republic of Poland,

165 alternative investment funds, 64 sub-funds of alternative investment funds, and 52 European venture capital funds (EuVECA). For comparison, in 2021 the KNF Board received 169 complete notifications of the intention to market in the territory of the Republic of Poland 97 alternative investment funds, 43 sub-funds of alternative investment funds, and 34 European venture capital funds (EuVECA).

In 2022, the KNF Board received 206 complete notifications of the intention to carry out pre-marketing activities to admit an EU AIF to trading in the territory of the Republic of Poland, concerning 175 alternative investment funds, 36 sub-funds within alternative investment funds, and 9 European venture capital funds (EuVECA).

Moreover, the KNF Board received notifications from 2 alternative investment fund managers based outside the Republic of Poland of their intention to operate in the territory of the Republic of Poland without a branch. For comparison, in 2021, there were 4 notifications of the intention to operate without a branch and 1 notification of the intention to operate through a branch.

8.3.1.3. ALTERNATIVE INVESTMENT COMPANIES/PARTNERSHIPS (AICs) AND ALTERNATIVE INVESTMENT COMPANY/PARTNERSHIP MANAGERS (AICMs)

In 2022, the KNF Board entered 62 entities in the Register of AICMs, and removed 7 AICMs from the Register.

The number of applications for entry in the Register of AICMs received in 2022 decreased compared to the number of applications in 2021 and stood at the level comparable to the years 2019–2020.

Table 37. Number of applications received by the KNF Board in the years 2019–2022

Type of application	2019	2020	2021	2022	2019–2022
Applications for entry in the Register of AICMs	40	51	101	57	249
Applications for a review of a case	1	0	0	0	1
Applications for authorisation to operate as an AICM	0	0	0	1	1

Applications for removal from the Register of AICMs	0	3	12	6	21
Total	41	54	113	64	272

Source: UKNF

In 2022, with regard to the market of alternative investment companies/partnerships, the KNF Board issued 23 final and interim decisions, including:

- 2 final decisions on the refusal to enter a company in the register of AICMs,
- 8 final decisions to discontinue proceedings in respect of entry in the Register of AICMs,
- 7 final decisions on the removal of an AICM from the Register of AICMs,
- 4 interim decisions in respect of initiation of *ex officio* proceedings for removal from the Register of AICMs,
- 2 interim decisions on the suspension of proceedings in respect of entry in the Register of AICMs.

2022 was marked mainly by the performance, by the KNF Board, of tasks related to the review of applications for entry in the Register of AICMs. Analytical activities continued in relation to the legal and factual aspects of the functioning of AICs and AICMs, including in particular the issues raised by capital market participants.

Table 38. Number of periodic reports of AICMs and AICs reviewed in the years 2019–2022

Type of report	2019	2020	2021	2022
Periodic reports of AICMs	190	222	311	345
Periodic reports of AICs	281	318	490	526
Total	471	540	801	871

Source: UKNF

The periodic reports are reviewed for content and timeliness of submission. If the received information is incomplete or raises any doubt, further supervisory correspondence is exchanged to obtain more detail or additional explanations.

8.3.1.4. INTERMEDIARIES IN THE DISPOSAL AND REPURCHASE OF PARTICIPATION UNITS AND/OR SHARES

Under Article 32(2) of the Act on investment funds, participation units in investment funds or shares of foreign funds may be disposed of and repurchased through an entity having its registered office or place of residence in the Republic of Poland. As at 31 December 2022, the list of distributors of participation units and/or shares authorised by the KNF Board included 64 entities.

In the period covered by this report, the KNF Board issued 2 authorisations for mediation in the disposal and repurchase of participation units in investment funds and/or shares of foreign funds and 5 final decisions declaring the expiration of a final decision to grant authorisation to conduct the activities in question.

8.3.2. SUPERVISION OF COLLECTIVE INVESTMENT INSTITUTIONS

8.3.2.1. INVESTMENT FUND MANAGEMENT COMPANIES AND INVESTMENT FUNDS

The supervisory activities of the KNF Board towards investment fund management companies and investment funds — after such entities have obtained the necessary permission — include, among others: monitoring of the current situation of these entities by analysing current information, periodic statements and periodic reports.

Table 39. Number of current information and periodic reports of investment funds and investment fund management companies and information from depositaries in the years 2019–2022

Type of report/information	2019	2020	2021	2022
Current and periodic reports of investment fund management companies	4 746	6 452	7 640	10 100
Current and periodic reports of investment funds	24 588	23 208	18 547	17 054
Information from depositaries	4 135	5 513	3 995	3 983
Total	33 469	35 173	30 182	31 137

Source: UKNF

The current information and periodic reports are reviewed for content and timeliness of submission. If the received information is incomplete or raises any doubt, further supervisory correspondence is exchanged to obtain more detail or additional explanations. Information on the situation of supervised entities was also the subject of correspondence between particular organisational units of the UKNF, thus enabling appropriate action to be taken in accordance with the substantive remit of the departments.

As part of its supervision, the KNF Board also monitors the investment fund management companies' compliance with capital requirements.

In 2022, the average value of the minimum capital requirement coverage ratio of the investment fund management companies sector ranged from 4.2 to 4.8. From February to October, the ratio was decreasing. The sharpest decline in the ratio took place in June due to payments of dividends made by investment fund management companies from profits for 2021. In November of 2022, the average capital requirement coverage ratio increased again.

The following reports on the activities of investment fund market entities were presented at the KNF Board's meetings:

- Report on the financial standing of investment fund management companies in 2021,
- Report on the SREP for investment fund management companies in 2021,
- Information on the assumptions concerning the position of the supervisory authority on the dividend policy of investment fund management companies in 2023,
- Report on the inspection activities at entities supervised by the Investment and Pension Funds Department in 2021.

8.3.2.2. ALTERNATIVE INVESTMENT COMPANIES/PARTNERSHIPS (AICs) AND ALTERNATIVE INVESTMENT COMPANY/PARTNERSHIP MANAGERS (AICMs)

As at 31 December 2022, 324 entities operated in the capital market as an AICM, including 323 entities based on an entry in the Register of AICMs (AICMs involved in external management and AICMs involved in internal management) and one entity based on authorisation to operate as an AICM, as an AICM involved in internal management. Entry in the Register of AICMs does not require administrative decision.

Table 40. Number of AICMs operating based on an entry in the Register of AICMs at the end of the years 2019–2022 by external management and internal management*

Type of entity	2019	2020	2021	2022
AICMs involved in external management	108	125	147	172
AICMs involved in internal management	48	71	122	151
Total	156	196	269	323

Source: UKNF

* Internal management (a self-managed AIC) refers to an entity which is both an AICM and an AIC.

In 2022, the KNF Board entered 62 entities in the Register of AICMs, including 28 AICMs involved in external management and 34 AICMs involved in internal management. It also removed 7 entities from the Register of AICMs.

8.3.2.3. SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP) FOR INVESTMENT FUND MANAGEMENT COMPANIES (PL: TFI)

In the period covered by this report, the process of supervisory evaluation of investment fund management companies was completed. The evaluation covered 57 TFIs. Due to the epidemiological situation related with the spread of COVID-19, all TFIs were subject to the evaluation in a simplified form. The evaluation was carried out as at 30 June 2021.

8.3.3. INSPECTIONS AT INVESTMENT FUND MARKET ENTITIES

In the period covered by this report, 13 inspections were commenced, conducted or completed, including 10 inspections at investment fund management companies and investment funds managed by them, 1 inspection at an entity managing the securitised loans of securitisation funds, 1 inspection at a depositary and 1 inspection of a distributor of investment fund shares.

Table 41. Selected irregularities identified during inspection activities in 2022

Investment fund management companies and investment funds managed by them	
1.	Long-term exceedance of statutory and other authorised investment limits.
2.	The company failed to keep proper records of the sources of investment decisions.
3.	The marketing information presented in the fund's information sheets was inaccurate and potentially misleading as to the composition of the fund's portfolio and investment risk.
4.	The company unduly charged and partially collected variable remuneration for management.
5.	The data in the transaction records regarding the time of order placement and transaction conclusion were inconsistent with the actual time of execution of those operations according to the local time applicable in the Republic of Poland.
6.	The company failed to ensure an independent valuation of the fund's assets.
7.	The person in the position of supervisory inspector had no knowledge or competence in the field necessary to perform that role.
8.	The company provided clients with incorrect information about new changes such as an increase in the fund's risk profile.
Managers of securitised loans of a securitisation fund	
1.	A manager of securitised loans did not have an internal regulation on how to deal with the amounts received in the loan repayment account that the manager and the company were not able to attribute to specific loans.
2.	A manager of securitised loans did not have a complete documentation on the pursued loan debt claims.
3.	A manager of securitised loans was not managing the conflict of interest as set forth in internal regulations.
Distributor of participation units	
1.	The measures taken by the distributor in the form of employee training were not aimed at improving the quality of the relevant service provided to customers, and the margin for services charged was not proportionate to the benefits that the individual services provided to customers, which did not, as a consequence, justify the payment of incentives to the distributor.

Source: UKNF

In 2022, 156 post-inspection recommendations were issued for 13 KNF-supervised entities.

8.4. PENSION SECTOR ENTITIES

8.4.1. LICENSING ACTIVITIES

8.4.1.1. PENSION FUNDS AND PENSION SOCIETIES

As at 31 December 2022, in the pension market there were 9 general pension societies managing: 10 open pension funds, 7 voluntary pension funds and 18 target-date pension funds. Moreover, 2 occupational pension societies managed 2 occupational pension funds.

In performing the licensing function in relation to the above-mentioned entities, proceedings were conducted in the pension market which resulted in 85 final administrative decisions. In addition, 34 interim decisions were issued in relation to pension market entities. The number and subject-matter of the final and interim decisions are presented in Annex 13.1.

8.4.1.2. CONSOLIDATION IN THE OFE MARKET

In 2022, two major consolidation processes took place in the OFE market. One of the processes ended with the KNF Board's approval of the merger of PTE Allianz Polska S.A. with Aviva PTE Aviva Santander S.A. As a result of the merger, the company being acquired, i.e. Aviva PTE Aviva Santander, was liquidated³⁴.

8.4.1.3. OCCUPATIONAL PENSION SCHEMES (PPE)

In the period covered by this report, the following was recorded:

- a decrease of nearly 19% in the number of applications for entry of a scheme in the register (26 applications in 2022 and 32 applications in the previous year),
- an increase of nearly 6% in the number of applications for entry of changes to a scheme in the register (211 applications in 2022 and 199 applications in the previous year),
- a decrease of nearly 39% in the number of applications for removal of a scheme from the register (30 applications in 2022 and 49 applications in the previous year),
- a decrease of nearly 26% in the number of notifications of changes in the details of an employer or manager (67 notifications in 2022 and 90 notifications in the previous year).

The number and the subject-matter of PPE-related final decisions issued in 2022 based on KNF authorisation are presented in Table 13.1.1 in Annex 13.1.

8.4.2. SUPERVISION OF PENSION SOCIETIES AND PENSION FUNDS

The main purpose of supervision over the statutory activities of the pension market entities is to protect the interests of members of pension funds. The analytical 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 voluntary pension funds under which individual retirement accounts (IKE) and individual retirement protection accounts (IKZE) are maintained). The supervisory authority also monitors compliance by those institutions with the laws and their articles of association and the fulfilment of disclosure requirements.

³⁴ 12 May 2023 is the date of the planned liquidation of another company – Aviva OFE Aviva Santander (currently operating under the name: Drugi Allianz Polska OFE), whose assets and list of members will be transferred, after the liquidation, to Allianz Polska OFE.

8.4.2.1. MONITORING THE FINANCIAL SITUATION AND INVESTMENT AND OPERATING ACTIVITIES

The supervision of financial and operating activities and investment policies of open, occupational and voluntary pension funds as well as the activities of general and occupational pension societies was exercised through a systematic analysis of data reported by the supervised entities to the UKNF. Another key task of the supervisory authority is to review, on a case-by-case basis, the detailed methodology for the valuation of financial instruments, submitted by pension funds. In the period covered by this report, the supervisory authority assessed 796 reports on the applied valuation methodology submitted by pension funds operating as part of the OFE, IKE, IKZE and PPK products.

The following reports and positions on the activities of pension market entities were presented at the meetings of the KNF Board:

- ‘Report on the financial standing of general pension societies in 2021’,
- ‘Information on the standing of the pension market in Poland at the end of 2021’,
- ‘Results of the Supervisory Review Process for general pension societies for 2021’,
- ‘Position on the dividend policy of general pension societies for 2023’.

8.4.2.2. ENFORCEMENT OF COMPLIANCE

The supervision exercised by the KNF Board in the field of enforcement of compliance by pension funds and pension societies, covered, *inter alia*, the following activities:

- compliance with capital requirements for pension societies as specified by law,
- examination of compliance of allocating assets of pension funds in deposit categories specified by the law,
- monitoring 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 42. Selected breaches, by pension funds, of regulations on investment limits in 2022

Item	Description of the breach
1.	Investing the assets of pension funds in unacceptable categories of investments.
2.	Breach of the principle of diversification where 10% of the value of the investments referred to in Article 141(1) points 5–28, 31 and 32 of the Act on pension funds is invested in all securities of one issuer or two or more issuers being related entities.
3.	Breach of the principle of diversification of the investments referred to in Article 141(1) points 29 and 30 of the Act on pension funds where the total value of the fund's assets invested in all securities of one issuer or two or more issuers being related entities exceeds 5% of the value of those assets.

Source: UKNF

As part of the supervision over compliance with disclosure requirements, the UKNF verified the timeliness and correctness of daily and quarterly financial reports, operational reports of pension funds, financial statements of pension societies as well as monthly, semi-annual and annual asset structures published by the OFEs.

Table 43. Electronic reports on the financial and operational activities, together with corrections, sent and verified as part of the disclosure requirements of pension funds and societies, received in 2022

Type of reports submitted	Correct reports	Incorrect reports
Financial reports of the OFEs	37 145	175
Operational reports of the OFEs	2 663	18
Financial reports of the DFEs* and FZDs**	7 856	70

Operational reports of the DFEs* and FZDs**	75	-
Financial reports of the PFEs	76	1
Operational reports of the PFEs	16	-
Reports of the PTEs	444	24
Reports of the PrTEs (occupational pension societies)	8	-
Total	48 283	288

Source: UKNF

* Voluntary pension fund maintaining IKE and/or IKZE accounts.

** Target-date voluntary pension fund as part of a PPK.

The results of the verification and analysis show that:

- in general, the pension societies and pension funds fulfilled their disclosure requirements in a proper and timely manner,
- the financial situation of pension societies was stable,
- pension funds correctly fulfilled their statutory obligations, for example they had the capacity for making timely payments to members and for making cyclical payments to the Social Insurance Institution.

The KNF supervision also included examination of legal compliance of the activities of entities other than pension societies and pension funds such as:

- depository banks, in the performance of their duties with regard to the safekeeping of pension funds' assets and information obligations towards the supervisory authority,
- transfer agents in the performance of the tasks entrusted to them by the fund or pension society (in particular, keeping a register of members, keeping accounts and performing information duties with regard to the fund's members and the supervisory authority),
- entities entrusted by occupational pension funds with the task of asset management,
- the National Depository for Securities in terms of managing the Guarantee Fund.

8.4.2.3. SUPERVISORY REVIEW PROCESS (SRP) FOR GENERAL PENSION SOCIETIES

In 2022, after two years of a simplified SRP for general pension societies (PTEs) due the COVID-19 epidemic, a full SRP was conducted in relation to the PTEs based on information available to the UKNF and a survey addressed to the PTEs. A supervisory rating was assigned to 10 PTEs.

8.4.3. SUPERVISION OVER OCCUPATIONAL PENSION SCHEMES (PPEs)

In 2022, 32 supervisory proceedings were concluded in relation to employers who failed to comply with the requirement to submit a report on their PPE within the set time limit.

As of 1 July 2022, the requirement to prepare an annual report on the management of a PPE, to be submitted to the supervisory authority annually, was transferred from the employer running the PPE to the PPE manager. The reports on the management of each PPE by financial institutions managing the assets accumulated in the PPE will be submitted by 31 January of each calendar year for the previous year (the requirement to submit the annual report for 2022 should be therefore fulfilled by 31 January 2023). The report must be submitted by PPE managers electronically through an ICT system provided by the UKNF.

8.4.4. INSPECTIONS AT PENSION FUND MARKET ENTITIES

In the period covered by this report, 1 inspection at a general pension society began.

8.5. COMMODITY BROKERAGE HOUSES AND ENTITIES MAINTAINING ACCOUNTS OR REGISTERS OF EXCHANGE-TRADED COMMODITIES

8.5.1. LICENSING ACTIVITIES

As at 31 December 2022, 59 energy companies held authorisation to maintain accounts and registers of exchange-traded commodities.

In 2022, the KNF Board issued:

- 3 final decisions to authorise power companies to maintain accounts or registers of exchange-traded commodities,
- 1 final decision declaring the expiration of authorisation to maintain accounts and registers of exchange-traded commodities,
- 2 final decisions to discontinue proceedings in respect of authorisation to maintain accounts and registers of exchange-traded commodities.

In that period, in respect of authorisation of power companies to maintain accounts and registers of exchange-traded commodities, 2 proceedings were suspended and 1 set of proceedings was initiated.

As at 31 December 2022, the KNF Board was conducting 1 set of proceedings in respect of authorisation to maintain accounts and/or registers of exchange-traded commodities.

One commodity brokerage house held authorisation to conduct brokerage activities in respect of acquisition or disposal of exchange-traded commodities on another person's account, including clearing transactions and maintaining accounts or registers of exchange-traded commodities.

8.5.2. SUPERVISION OF ENTITIES MAINTAINING ACCOUNTS OR REGISTERS OF EXCHANGE-TRADED COMMODITIES

The KNF Board supervises the activities of entities maintaining accounts and registers of exchange-traded commodities to the extent of their authorisation, in particular by reviewing the documents and information under the Act on commodity exchanges. Such information is reviewed for content and deadline of submission. If the received information raises any doubt, or if information under the Act on commodity exchanges has not been submitted, further correspondence is exchanged to receive clarification, and if any violation is identified, measures are taken to bring the supervised entities to compliance with legislation.

In 2022, the supervision of entities maintaining accounts or registers of exchange-traded commodities involved the review of 70 letters submitted by such entities in the performance of their disclosure obligations under the Act on commodity exchanges and numerous supervisory actions were taken to address all doubts.

8.6. SUPERVISION OF CAPITAL AND COMMODITY MARKET INFRASTRUCTURE COMPANIES

As part of the supervision of capital market infrastructure companies in 2022, the KNF Board made 20 final decisions on granting or extending a license and approval or consent, as shown in Table 44.

Table 44. Number of final decisions issued in the years 2019–2022

Entity being a party to the final decision	2019	2020	2021	2022
Giełda Papierów Wartościowych w Warszawie S.A.	8	4	3	8

BondSpot S.A.	1	4	3	–
Krajowy Depozyt Papierów Wartościowych S.A.	6	8	6	6
KDPW_CCP S.A.	5	5	2	5
Towarowa Giełda Energii S.A.	7	9	3	1
Izba Rozliczeniowa Giełd Towarowych S.A.	1	–	–	–
Total	28	30	17	20

Source: UKNF

The number and the subject-matter of the final decisions included in Table 44 are presented in Table 13.1.1 in Annex 13.1.

Representatives of the KNF Board attended 36 meetings of supervisory boards and 5 general meetings of shareholders:

- 10 meetings of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A.,
- 2 General Meetings of Shareholders of Giełda Papierów Wartościowych w Warszawie S.A.,
- 5 General Meetings of Shareholders of Krajowy Depozyt Papierów Wartościowych S.A.,
- 2 General Meetings of Shareholders of Krajowy Depozyt Papierów Wartościowych S.A.,
- 6 meetings of the Supervisory Board of KDPW_CCP S.A.,
- 7 meetings of the Supervisory Board of BondSpot S.A.,
- 1 General Meeting of Shareholders of BondSpot S.A.,
- 6 meetings of the Supervisory Board of Towarowa Giełda Energii S.A.,
- 2 meetings of the Supervisory Board of Izba Rozliczeniowa Giełd Towarowych S.A.

As at 31 December 2022, an inspection was conducted at a capital market infrastructure provider.

8.7. APPROVAL OF PROSPECTUSES OF SECURITIES OTHER THAN INVESTMENT CERTIFICATES

In 2022, the KNF Board issued 77 final decisions on the approval of prospectuses and supplements updating the content of a prospectus, including:

- 27 final decisions approving prospectuses of securities other than investment certificates (drawn up in the form of a single document or three documents),
- 50 final decisions approving supplements to prospectuses of securities other than investment certificates.

The data on the number of approved prospectuses and annexes/supplements to prospectuses in the years 2019–2022 are shown in Table 45.

Table 45. Number of approved prospectuses and annexes/supplements to prospectuses in the years 2019–2022

Breakdown	2019	2020	2021	2022
Number of approved prospectuses	18	16	27	27
Number of approved information memoranda	0	0	0	0

Number of approved annexes/supplements	53	24	58	50
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Source: UKNF

In the period covered by this report, the KNF Board received 80 notifications of the approval of prospectus from supervisory authorities of other Member States. In the course of 72 proceedings for the approval of a prospectus conducted in 2022, the KNF Board made nearly 7 500 comments on the submitted documents.

In addition, the KNF Board issued 19 interim decisions to suspend administrative proceedings in respect of approval of a prospectus, 5 interim decisions to resume suspended proceedings, and 15 final decisions to discontinue administrative proceedings in respect of approval of a prospectus (supplement to a prospectus).

The list of issuers whose prospectuses were approved by the KNF Board in 2022 is provided in Table 13.2.1 in Annex 13.2, while the current list of prospectuses approved by the KNF Board is available on the KNF website.

8.8. GRANTING AUTHORISATIONS TO WITHDRAW SHARES FROM TRADING ON A REGULATED MARKET OR IN AN ALTERNATIVE TRADING SYSTEM

In 2022, the UKNF received 20 applications for withdrawal of shares from trading on a regulated market or in an alternative trading system, pursuant to Article 91(1) of the Act on public offering. In 2022, the KNF Board issued 21 final decisions on authorisation to withdraw shares from trading, including 4 final decisions regarding applications the UKNF received back in 2021. Moreover, in 2022, 1 set of administrative proceedings in respect of authorisation to withdraw shares from trading was left unexamined due to failure to remove formal defects in the application on time, 1 set of proceedings was suspended, and in relation to 1 application received in 2022, as at 31 December 2022, the proceedings were pending.

Table 46. Number of final decisions to grant authorisation to withdraw shares from trading on a regulated market or in an alternative trading system (Article 91(1) and (2) of the Act on public offering)

2019*	2020	2021	2022**
16	25	13	21

Source: UKNF

* The data refer to the number of final decisions granting authorisation to restore shares to a certificated form.

** One final decision concerned a part of outstanding shares.

8.9. SUPERVISION OF SECURITY ISSUERS OTHER THAN INVESTMENT FUNDS

8.9.1. ENFORCEMENT OF COMPLIANCE WITH INFORMATION DISCLOSURE REQUIREMENTS FOR SECURITY ISSUERS OTHER THAN INVESTMENT FUNDS

In 2022, public companies published approx. 23 000 current reports, periodic reports, inside information and information relating to a list of shareholders holding at least 5% of the total number of votes at the general meeting. As a result of the supervision exercised by the KNF Board in 2022 over compliance with information disclosure requirements laid down in the Act on public offering and MAR, the KNF Board addressed to public companies 159 recommendations to put an end to the breach of information

requirements. The recommendations concerned irregularities in: periodic reports (40 recommendations), inside information (17 recommendations), a list of shareholders holding at least 5% of the total number of votes at the general meeting actually held (7 recommendations), current reports (89 recommendations), other matters related with compliance with information disclosure requirements (6 recommendations).

In 2022, as part of its supervision over the reporting of security issuers other than investment funds, the KNF Board carried out, among others, the following activities:

- financial statements (including consolidated ones) of 54 issuers were reviewed for compliance with the applicable accounting standards, in particular International Accounting Standards, International Financial Reporting Standards and related Interpretations announced as Regulations of the European Commission, selected according to the selection methodologies referred to in ESMA Guidelines on enforcement of financial information (ESMA32-50-218, 4 February 2020) and, in the case of annual financial statements, for their compliance with the requirements on the European Single Electronic Format (ESEF),
- 78 positions and opinions for external entities were formulated and published in relation to, among others: application of the IFRS and the ESEF, issuers' compliance with disclosure requirements with respect to periodic reports, and requirements concerning statutory audits of financial statements of issuers,
- 30 recommendations were issued to enforce compliance with information disclosure requirements in relation to financial statements.

In 2022, the report *Enforcement of compliance with information requirements for securities issuers in 2021* was prepared and published on the KNF website.

As part of the enforcement of notification requirements in 2022, the UKNF verified legal compliance of 1 174 notifications made by persons acquiring and disposing of qualifying shareholdings in public companies pursuant to Article 69 of the Act on public offering, and 2 568 notifications pertaining to transactions of persons discharging managerial responsibilities and persons closely associated with them, submitted by obliged entities pursuant to Article 19 of MAR.

8.9.2. ENFORCEMENT OF NON-FINANCIAL INFORMATION

The UKNF's 2022 review of annual reports for 2021 has shown that 138 issuers were subject to the requirement to disclose non-financial information, including:

- 7 issuers in relation to entity-level reports only,
- 127 issuers in relation to consolidated reports (43 issuers in relation to group-level reports only, 84 issuers in relation to both entity-level and group-level reports),
- 4 issuers benefited from the exemption provided for in Article 49b(11) and Article 55(2e) of the Accounting Act.

A total of 134 non-financial disclosures for 2021 were made public by issuers, including:

- 57 statements,
- 77 separate reports.

In 2022, as part of the enforcement of non-financial information, the UKNF reviewed a sample of 9 non-financial reports for compliance with the Accounting Act. The enforcement also covered taxonomy-related disclosures – required under Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 – that had to be published for the first time in 2022 by the issuers that were subject to the statutory requirement to prepare non-financial information (as part of statements or separate reports on non-financial information for 2021). Following those supervisory activities, the KNF Board issued 2 recommendations to put an end to the breach of the requirements on disclosure of non-financial information.

8.9.3. SUPERVISION OVER PUBLIC OFFERINGS

The number of public offerings of securities launched in 2022 on crowdfunding platforms monitored by the KNF Board was 1.7 times lower than the number of offers launched on the platforms in 2021. The value of capital the issuers were planning to raise in the offerings launched in 2022 was 2.2 times lower than the value of capital planned to be raised in the offerings launched in 2021. 2022 was also marked by a material decrease in the value of capital actually raised in public offerings of securities carried out through crowdfunding platforms in relation to previous years. The value of capital raised in 2022 was 5.8 times lower than in 2021 and 4.4 times lower than in 2020.

Table 47. Number of public offerings of securities launched on crowdfunding platforms monitored by the KNF Board, and value of capital planned to be raised and actually raised in the crowdfunding offerings in the years 2020–2022

Year	2020	2021	2022
Number of offerings launched	50	65	38
Value of capital the issuers were planning to raise in the offerings launched (in PLN million)	114.4	178.3	79.3
Value of capital raised in the offerings carried out (in PLN million)	76.8	101.5	17.3

Source: UKNF

8.9.4. SUPERVISION OVER OFFERINGS WITHOUT A PROSPECTUS

In 2022, to identify public offerings conducted without the obligation to draw up and publish a prospectus or information memorandum approved by the KNF Board, the KNF Board carried out ongoing monitoring of the major crowdfunding platforms in Poland, press and electronic media. Moreover, as of 29 July 2022 – following the entry into force of the Act on crowdfunding, amending, *inter alia*, the Act on public offering – issuers and offerors were required to notify the KNF Board of their intention to conduct public offerings of securities which were subject to the requirement to draw up the following documents:

- the document referred to in Article 37a(1) of the Act on public offering,
- the information memorandum referred to in Article 37b(1) of the Act on public offering,
- the information memorandum referred to in Article 38b(1) in conjunction with Article 3(1a) of the Act on public offering,
- the document referred to in Article 1(4)(f) of the Prospectus Regulation³⁵,
- the document referred to in Article 1(4)(h) of the Prospectus Regulation,
- the document referred to in Article 1(4)(i) of the Prospectus Regulation.

The notification must be made not later than 7 business days prior to the disclosure of the document or information memorandum.

In 2022, the KNF Board received 90 notifications of the intention to carry out public offerings of securities.

Following the above-mentioned activities and notifications, the KNF Board reviewed 138 public offerings without a prospectus, including 38 offerings conducted using crowdfunding platforms. Administrative proceedings were initiated in relation to 2 issuers conducting offerings using crowdfunding platforms, to ascertain if there were grounds for applying supervisory measures in connection with a reasonable suspicion that the issuers had infringed the law through their public

³⁵ Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJ L 2017 No 168, p. 12, as amended), hereinafter: ‘Prospectus Regulation’.

offerings of securities. Both proceedings concluded with a final decision. In relation to one issuer, it was a decision to prohibit them from continuing the public offering and to publish a notice on illegal conduct in connection with a public offering. In relation to the other issuer, it was a decision to publish information about illegal conduct in connection with a public offering.

8.9.5. ENFORCEMENT OF REQUIREMENTS CONCERNING ANNOUNCEMENT AND CARRYING OUT OF CALLS TO SUBSCRIBE FOR THE SALE OR EXCHANGE OF SHARES OF PUBLIC COMPANIES

As part of the enforcement of compliance of calls to subscribe for the sale or exchange of shares of public companies, in 2022 the UKNF reviewed the formal and legal aspects of 28 calls to subscribe for the sale of shares of public companies.

On 30 May 2022, a new Act on public offering came into effect. The new legislation introduced a single threshold of 50% of the total number of votes in a public company which, if exceeded, triggered the requirement to announce the call to subscribe for the sale or exchange of all the other shares of the public company (prior to the amendment, there were two thresholds: of 33% and 66%), and the mechanism of a voluntary call, which may be announced at any time. In accordance with the new regulations, both above-mentioned types of calls must be announced for all the other shares of a public company.

By 30 May 2022 (prior to the entry into force of the amended rules on the calls), 15 calls to subscribe for the sale or exchange of shares were announced, of which 4 calls were connected with the exceeded threshold of 33% of the total number of votes in public companies, 6 calls connected with the exceeded threshold of 66% of the total number of votes in public companies, and 5 of them were announced in connection with the intention to withdraw listed shares of public companies from trading. Meanwhile, after 30 May 2022 (following the entry into force of the amended rules on the calls), 13 calls to subscribe for the sale or exchange of shares of public companies were announced, of which 2 were voluntary calls, 4 were mandatory calls, and in the case of 5 calls the sole legal basis for their announcement was the intention to withdraw listed shares of public companies from trading. The other 2 calls were announced pursuant to the regulations valid under the previous legal regime in connection with the wording of transitional provisions.

The value of the shares mentioned in the calls announced in 2022 amounted to a little more than PLN 4 billion. For comparison, the value of calls announced in 2021 amounted to nearly PLN 10.5 billion, in 2020 to over PLN 14.2 billion, in 2019 to nearly PLN 11.2 billion, and in 2018 to nearly PLN 4.5 billion.

8.9.6. OTHER SUPERVISORY ACTIVITIES UNDERTAKEN TOWARDS SECURITY ISSUERS OTHER THAN INVESTMENT FUNDS

In connection with the risk of harm to investors' interests, in 2022 the KNF Board issued, pursuant to the Act on trading, 17 administrative decisions demanding that Giełda Papierów Wartościowych w Warszawie S.A. suspend trading in financial instruments issued by public companies. The decisions were issued mostly due to an issuer's failure to comply with information disclosure requirement on time, or failure to provide accurate information about financial situation.

In 2022, the KNF Board also issued 13 administrative decisions repealing decisions concerning the demand that Giełda Papierów Wartościowych w Warszawie S.A. suspend trading in financial instruments issued by public companies as, in the KNF Board's opinion, the condition consisting in the existence of a risk of harm to investors was no longer fulfilled.

9. CROWDFUNDING SERVICE PROVIDERS

9.1. LICENSING ACTIVITIES

In 2022, the KNF Board received the following applications:

- 1 application for authorisation to provide crowdlending services,
- 2 applications for authorisation to provide equity crowdfunding services,
- 1 application for authorisation to provide crowdlending and equity crowdfunding services.

9.2. NOTIFICATION OF CROWDFUNDING SERVICE PROVIDERS

In 2022, 2 notifications from other EU Member States (one from Romania and one from the Netherlands) were received.

10. INSURANCE MARKET

10.1. BASIC INFORMATION

As regards the insurance market (as at 31 December 2022), the KNF Board supervised 24 life insurance undertakings, 30³⁶ non-life insurance undertakings, 1 reinsurance undertaking, 1 433 insurance brokers, 58 reinsurance brokers, and 29 092 insurance agents and agents offering supplementary insurance.

10.2. LICENSING ACTIVITIES

10.2.1. AUTHORISATION TO CARRY ON THE BUSINESS OF INSURANCE AND REINSURANCE

In the area of authorisation activities in 2022, one final decision was issued to uphold a decision to withdraw an insurance undertaking's authorisation to carry on the business of insurance.

10.2.2. NOTIFICATIONS CONCERNING THE BUSINESS OF INSURANCE IN POLAND

As at 31 December 2022, the notification of the intention to carry on the insurance business in Poland under the freedom to provide services concerned a total of 595 insurance undertakings from EU Member States and other member states of the European Economic Area, while the notification of the intention to carry on the insurance business through a branch concerned 4 life insurance undertakings, 21 property insurance undertakings, and 1 reinsurance undertaking (including 2 undertakings that notified their intention to carry on a business both in the area of life insurance and property insurance).

In 2022, the KNF Board received 20 notifications of the intention of foreign insurance undertakings to conduct cross-border insurance activities under the freedom to provide services. In that same year, no notification was received in regard to the intention to establish a branch in Poland from any foreign insurance undertaking from an EU Member State (the freedom of establishment).

In addition, 26 insurance undertakings from EU Member States notified their intention to change the scope of their cross-border business of insurance pursued in the territory of the Republic of Poland, and 15 insurance undertakings from EU Member States notified the cessation of their insurance business in the territory of the Republic of Poland. In 2022, 8 notifications were received in regard to the intention

³⁶ Including two undertakings in liquidation.

of insurance undertakings from EU Member States to transfer an insurance portfolio, in whole or in part, to another insurance undertaking.

10.2.3. CHANGES IN THE GOVERNING BODIES OF INSURANCE OR REINSURANCE UNDERTAKINGS

In 2022, the KNF Board issued 17 decisions on approval of the appointment of members of the management board of insurance and reinsurance undertakings (6 decisions on approval of the appointment of the president of the management board of an insurance undertaking, and 11 decisions on approval of the appointment of a member of the management board of an insurance undertaking responsible for risk management).

In 4 cases, the proceedings were discontinued, of which 3 concerned approval of the appointment of the president of the management board, and 1 – appointment of a member of the management board responsible for risk management.

10.2.4. AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF DOMESTIC INSURANCE UNDERTAKINGS

In 2022, the KNF Board issued 30 final decisions on approval of amendments to the articles of association of domestic insurance undertakings.

10.2.5. NOTIFICATIONS ON INTENDED ACQUISITION OF SHARES

In 2022, the KNF Board adopted 7 final decisions in proceedings concerning the intention to acquire shares; in all cases, no grounds were found for objecting to the intended acquisition. Moreover, in 3 proceedings, the KNF Board did not raise objection to the planned merger of insurance undertakings.

Major changes in the insurance sector that took place in 2022 included the completion of consolidation of insurance undertakings from Allianz and Aviva groups and the inclusion of MetLife companies in Poland in the structure of the NN Group.

10.2.6. ENTRY IN THE REGISTER OF ACTUARIES

In the period covered by this report, 7 final decisions on entry in the Register of Actuaries were issued. In 2022, 2 decisions were issued on the exemption from the requirement to take an actuarial exam. As at 31 December 2022, 425 actuaries figured in the Register.

10.2.7. LEGAL CHANGES CONCERNING INSURANCE INTERMEDIARIES

Due to the epidemic situation in Poland and the related restrictions, at the initiative of the supervisory authority changes were introduced to the solutions included in the Regulation of the Minister of Finance of 21 August 2018 on the examination for persons applying for a licence to perform agency activities, distribution activities of an insurance undertaking and distribution activities of a reinsurance undertaking (Journal of Laws 2021, item 1137), by supplementing the existing regulations on the organisation of onsite agency examinations by insurance undertakings with provisions which allow conducting such examinations remotely, via an ICT system. The changes have been regulated in the Regulation of the Minister of Finance of 14 May 2020 (Journal of Laws 2020, item 883).

In view of the need to ensure proper supervision over preparing and conducting the examination by an insurance undertaking, the new regulation requires the insurance undertakings to submit, before the first examination conducted in the ICT system, a description of the system's functionalities which ensure a proper conduct of the examination, including confirming the identity of candidates and making sure that they work independently.

By the end of 2022, 104 insurance undertakings submitted the descriptions of functionalities of the systems in use, of which 103 insurance undertakings conduct the examination as specified in § 8a(1) of that Regulation.

10.2.8. INSURANCE AGENTS

In 2022, in the electronic Register of Insurance Agents, a total of 176 487 applications were reviewed, including 11 232 applications for entry, 152 024 applications for modification of data entered in the register, and 13 231 applications for removal from the register.

As at 31 December 2022, a total of 29 092 agents and 263 015 natural persons providing agency services (OFWCA) figured in the Register.

Table 48. Number of registered insurance agents and persons providing agency services in the years 2019–2022

Breakdown	2019	2020	2021	2022
Agents,	31 293	30 975	30 467	29 092
including agents offering supplementary insurance	23	28	18	34
OFWCA	237 033	239 242	247 036	263 015

Source: UKNF

The Register of Insurance Agents contained entries on 431 entities carrying out agency activities through persons employed at banks and credit unions solely in relation to insurance contracts or insurance guarantee agreements concluded by or through those entities, referred to in § 8 point 6 of the Regulation on the examination for persons applying for a licence to perform agency activities, distribution activities of an insurance undertaking and distribution activities of a reinsurance undertaking, including:

- 413 banks,
- 18 credit unions.

10.2.9. INSURANCE BROKERS AND REINSURANCE BROKERS

Table 49. Register of Brokers at the end of the years 2019–2022

Brokers		2019	2020	2021	2022
Insurance brokers	natural persons	885	894	882	876
	legal persons	523	517	544	557
	Total	1 408	1 411	1 426	1 433
Reinsurance brokers	natural persons	13	14	14	15
	legal persons	40	41	43	43
	Total	53	55	57	58

Source: UKNF

In 2022, 3 432 changes were made in the data entered in the Register of Insurance Brokers and Reinsurance Brokers. As at 31 December 2022, 1 433 insurance brokers and 58 reinsurance brokers figured in the Register.

In 2022, the KNF Board issued a total of 61 authorisations to conduct brokerage activities in the field of insurance and reinsurance, including 33 authorisations for natural persons and 28 authorisations for legal persons.

In the period covered by this report, 43 proceedings were conducted in respect of withdrawal of authorisation to conduct brokerage activities in the field of insurance and reinsurance.

Table 50. Number of authorisations to conduct brokerage activities in the field of insurance granted by the KNF Board in the years 2019–2022

Breakdown	2019	2020	2021	2022
Natural persons	45	27	19	32
Legal persons	28	26	31	25
Total (excluding reinsurance)	73	53	50	57

Source: UKNF

In the period covered by this report, 6 examinations were conducted by the Examination Board appointed by the Minister of Finance, including 3 exams for insurance brokers and 3 exams for reinsurance brokers. In total, 636 persons took the exam. 372 candidates were successful (including 19 candidates who took the exam for reinsurance brokers).

Table 51. Statistics on candidates taking the examination for insurance brokers in the years 2019–2022

Breakdown	2019	2020	2021	2022
All candidates taking the exam	674	437	603	611
Candidates who passed the brokerage exam	221	243	269	353

Source: UKNF

Table 52. Statistics on candidates taking the examination for reinsurance brokers in the years 2019–2022

Breakdown	2019	2020	2021	2022
All candidates taking the exam	23	20	17	25
Candidates who passed the brokerage exam	21	18	17	19

Source: UKNF

10.2.10. NOTIFIED INSURANCE INTERMEDIARIES

In 2022, 235 insurance intermediaries intending to operate in the territory of the Republic of Poland, reported by the registration and/or supervisory authorities in the European Union Member States, were notified and 157 notifications of the intermediaries were withdrawn. One notification of a Polish agent operating in the EU was made.

In 2022, 9 brokers notified the supervisory authority of their intention to conduct brokerage activities in the field of insurance in the territory of EU Member States other than the Republic of Poland.

10.3. SUPERVISORY ACTIVITIES

10.3.1. MONITORING THE FINANCIAL SITUATION AND SOLVENCY OF INSURANCE UNDERTAKINGS

The assessment of the financial situation and solvency of insurance undertakings is mainly based on quarterly and annual financial statements, additional reports required by the supervisory authority, and other information submitted by undertakings on an *ad hoc* basis at the request of the supervisory authority.

In 2022, the activities in this regard concerned:

- analysis of financial statements as well as data and information for supervisory purposes submitted quarterly and annually,
- analysis of regular surveillance reports (RSR) and solvency and financial condition reports (SFCR),
- analysis of the main financial data of insurance undertakings submitted under the Early Warning System, based on 650 monthly reports,
- analysis of information provided as part of additional monthly reporting on the activities under Class 15, i.e. insurance guarantees (a total of 12 reports were analysed),
- analysis of information provided as part of additional monthly and *ad hoc* reporting (i.e. above the level set by the supervisory authority) for intra-group transactions (a total of 144 reports in that respect were analysed),
- analysis of surrenders of unit-linked insurance policies reported daily and weekly for selected insurance undertakings; in total, 783 reports were received. The submitted data showed that in 2022 the number and value of surrenders remained at a level that did not threaten the financial situation and capital requirements of selected insurance undertakings,
- analysis of activities of selected insurance undertakings in terms of investing the funds from premiums for unit-linked insurance products in investment certificates of closed-end funds, and in terms of suspended surrenders. In total, 84 reports from insurance undertakings were reviewed,
- analysis of information provided as part of additional quarterly reporting on deposits and financial situation of unit-linked funds (PL: *ubezpieczeniowy fundusz kapitałowy* – UFK),
- analysis of 55 reports on the actuarial function prepared for 2021,
- analysis of information provided by the Insurance Guarantee Fund (UFG) with respect to correctness and timeliness of performance by insurance undertakings of the obligation to provide data to the Polish central database of the UFG Information Centre,
- meetings with representatives of insurance undertakings to discuss the financial and property-related situation of undertakings and the situation related to the solvency of selected insurance undertakings, including the impact of the war in Ukraine on their operations,
- meetings with European supervisory authorities to exchange information about the financial standing of insurance undertakings being part of groups of insurers, including the impact of the war in Ukraine on the financial situation of both the whole group and individual undertakings,
- meetings with statutory auditors to discuss the material risks in the operations of selected insurance undertakings, material for the audit of financial statements,
- keeping a register of unit-linked funds, including collecting rules for investing the assets of unit-linked funds,
- the analysis of the report on the course of liquidation to assess the correctness of actions taken by the liquidators,
- for 48 insurance undertakings, the review covered information about the dividends to be paid from the profits from previous years and paid in 2022.

The following studies on the insurance market were submitted to the KNF Board's meetings:

- *Stress tests of insurance and reinsurance undertakings*, 14th edition,
- *Reinsurance of domestic insurance undertakings and catastrophic events in 2021*,

- *The situation of the insurance sector* (after the third quarter of 2021, after the fourth quarter of 2021, after the first quarter of 2022, and after the second quarter of 2022),
- *Position on the dividend policy of insurance undertakings, reinsurance undertakings, and insurance and reinsurance undertakings in 2023,*
- *Results of the Supervisory Review Process (SRP) for insurance/reinsurance undertakings for 2021,*
- *Activity of foreign insurance undertakings in Poland and domestic insurance undertakings abroad in 2020,*
- *Activity of foreign insurance undertakings in Poland and domestic insurance undertakings abroad in 2021,*
- *Report on the activities of the Insurance Guarantee Fund in 2021.*

10.3.1.1. ENFORCEMENT OF INFORMATION AND REPORTING REQUIREMENTS

Provisions governing the insurance business impose many disclosure requirements on insurance undertakings, towards both the supervisory authority and policy holders. Timely and complete fulfilment of disclosure requirements is one of the basic tasks of insurance undertakings and enables both the supervisory authority and the purchasers of insurance services to gain access to certain data relating to the operations of insurance undertakings.

Due to the fulfilment of the statutory disclosure requirements by the undertakings, in 2022 the analyses covered:

- financial statements, including 226 additional quarterly financial and statistical reports, 56 additional annual separate financial statements and 2 consolidated annual statements,
- quantitative reports, including 226 quarterly reports for supervisory purposes, 56 annual reports for supervisory purposes, and 2 group reports,
- reports on the solvency and financial condition (in terms of compliance with the requirements laid down in the legislation and EIOPA guidelines on disclosures), including 56 separate reports and 2 group reports,
- regular surveillance reporting (RSR), 28 separate reports in the course of the SRP for 2021, and 2 group reports,
- information on intra-group transactions/risk concentration (3 reports),
- finance schemes of insurance undertakings for 2022 (55 reports),
- publication of annual reports of unit-linked funds as at 31 December 2021 on the insurance undertakings' websites and semi-annual reports of unit-linked funds as at 30 June 2022 and 31 December 2021,
- information on individual retirement accounts (PL: IKE) and individual retirement protection accounts (PL: IKZE) as at 30 June 2022 (a total of 48 reports),
- information on employee capital plans (20 reports).

In 2022, the UKNF conducted an analysis of ORSA reports sent on a regular basis and *ad hoc*. The quality of ORSA reports improves year by year, especially in terms of broader identification of risks, better selection of stress tests and scenarios, and involvement of management boards of insurance undertakings in the ORSA process. The analyses serve as a basis for developing stress testing scenarios for next editions.

Due to the COVID-19 pandemic, insurance undertakings were directed to submit, on a monthly and quarterly basis, additional information concerning, among other things, claims related to the spread of the coronavirus and related economic situation as well as identification of operational risks related to COVID-19. In 2022, insurance undertakings submitted a total of 214 reports in question. The reports did not reveal any material impact of the pandemic on the solvency of insurance undertakings but, given the increased mortality rate, the negative impact on the financial result does occur in the case of certain life insurance undertakings.

In 2022, the actions related with obtaining data from additional reporting continued, including based on the UKNF's letter of 15 December 2021, starting from the data for the first quarter of 2022, life and

non-life insurance undertakings must submit reports using updated forms. Conclusions from the analysis of those reports were used in further supervisory activities in relation to selected entities, including for the SRP and to prepare proposals for legislative amendments regarding the reporting requirements for insurance undertakings.

10.3.1.2. THE ANNUAL SUPERVISORY REVIEW PROCESS (SRP) IN THE INSURANCE SECTOR

The Supervisory Review Process is a holistic process covering all material risks and areas of the insurance business. Each undertaking is assigned a total SRP score, which is composed of a score for the assessment of risk to customer protection and a score for the assessment of micro-prudential risk. The SRP involves quantitative and qualitative assessment, which takes into account the specific nature of each undertaking, its insurance products as well as the risk management system and process.

As a result of the SRP, undertakings are assigned a total annual SRP score, which, together with the classification of the undertaking into an appropriate category, determines whether the supervisory authority should adopt supervisory measures, including inspections, in accordance with the principle of proportionality.

In 2022, the twelfth edition of the Supervisory Review Process for insurance/reinsurance undertakings was carried out. The SRP scores for 2021 were assigned to 53 undertakings, including 24 life insurance undertakings and 29 non-life insurance undertakings. In 2022, the second edition of the SRP for groups of insurers was launched.

Despite the uncertain geopolitical situation, high interest rates and rising inflation, the results of the SRP confirm that in recent years the sector has enjoyed a stable situation and that the solvency of insurance/reinsurance undertakings remains high and safe.

10.3.1.3. STRESS TESTS IN THE INSURANCE SECTOR

In 2022, work continued on the use of stress tests in the supervision of insurance undertakings, in particular with regard to the assessment of resistance of the Polish insurance sector to extreme but still probable events, and to the improvement of management of risks at insurance undertakings.

The relevant activities of the UKNF started, at the beginning of the first quarter of 2022, with a review of methodology for stress testing of the insurance sector. Compared with the previous year, the stress-testing methodology was changed to take into account the stress test results for the previous year and – based on, for example, the analysis of changes in the micro- and macroeconomic environment – the current geopolitical situation, possible amendments to the legislation, conclusions from own risk and solvency assessment (ORSA) reports, and comments from insurance undertakings on the previous stress-testing methodology. The publication of the final version of the stress-testing methodology was preceded by public consultation. The comments and remarks received from insurance undertakings and the Polish Chamber of Insurance provided input for the final version of the stress-testing methodology. The shock values of the conducted stress tests were recalibrated. Some test scenarios were removed, scenarios for climate risk were changed and new scenarios for inflation risk and two prospective scenarios (the economic scenario and cyberattack scenario) were added.

On 4 April 2022, a revised methodology for stress testing insurance undertakings as part of the 14th edition of the exercise was published on the KNF website and insurance undertakings were asked to carry out stress tests as at 31 December 2021, and prospective tests – as at 31 December 2022. Moreover, on 11 July 2022, insurance undertakings were asked to carry out an additional stress test regarding interest rate risk as at 30 June 2022. In the third quarter of 2022, a report on the results of the stress tests was prepared.

The UKNF used the test results to identify insurance undertakings with higher risks, i.e. those that did not pass the stress tests and did not provide sufficient explanations.

Stress tests were also conducted by groups of insurers for which group solvency calculation at consolidated level is required, according to the scenarios prepared specially for each group.

10.3.1.4. REINSURANCE OF INSURANCE UNDERTAKINGS

In the third quarter of 2022, the UKNF prepared a report on the reinsurance of catastrophic events, based on the undertakings' responses to the supervisor's request for a list of reinsurers and losses from catastrophic events in 2021.

As at 31 December 2021, domestic life and non-life insurance and reinsurance undertakings reported 654 reinsurers with syndicates (including 201 Lloyd's syndicates).

The analysis of 29 non-life insurance undertakings has shown that the gross value of losses resulting from catastrophic events in 2021 was PLN 1 447.2 million, of which 70.4% were losses caused by natural disasters. Approx. 54.0% of losses, i.e. PLN 782.0 million, were incurred by insurance undertakings, and approx. 46.0%, i.e. PLN 665.2 million, by reinsurers.

In 2021, losses from catastrophic events accounted for 6.1% of the amount of paid gross claims arising from direct business³⁷ in non-life insurance undertakings. The largest gross losses were incurred due to heavy rainfall, storm, hail and tornadoes. Those gross losses amounted to PLN 994.9 million (68.7% of all gross losses from catastrophic events which occurred in 2021), of which PLN 681.2 million were incurred by insurance undertakings.

10.3.1.5. PRE-APPLICATION AND APPLICATION PROCESS FOR INTERNAL MODELS

The activities carried out by the UKNF in 2022 as part of pre-application processes, consisting of voluntary cooperation of insurance/reinsurance undertakings with the supervisory authority with the aim of preparing the undertakings to apply for the use of an internal model for the determination of the solvency capital requirement were a continuation of the activities carried out in previous years, consisting in engaging in working contacts with undertakings, which translated into their further work to eliminate errors in internal models and improve them in terms of Solvency II compliance. Following that work, a formal application process of one insurance undertaking is expected to start in June 2023.

In 2022, the KNF Board also initiated a process of verification of the continuous adequacy of the internal model of one of domestic insurance undertakings, formally approved in December 2021. Since the fourth quarter of 2021, the undertaking has been the first undertaking in Poland to set the solvency capital requirement by using an internal model instead of the standard formula.

The UKNF's assessment of internal models at the European level in 2022 took the form of cooperation with representatives of two foreign supervisory authorities as part of the two above-mentioned processes: the pre-application process and verification of the continuous adequacy of the model. Representatives of the UKNF also participated in meetings and activities of expert teams for internal models, appointed by EIOPA. In addition, the employees of the UKNF were involved in preparing positions for the meetings of the Board of Supervisors of EIOPA (BoS) on issues related to internal models.

10.3.1.6. REVIEW OF APPLICATIONS SUBMITTED BY INSURANCE UNDERTAKINGS/REINSURANCE UNDERTAKINGS

In 2022, the KNF Board reviewed applications from insurance undertakings in the following cases:

- proceedings in respect of authorisation to repay a subordinated loan – 1 set of proceedings concluded with a final decision,

³⁷ Gross claims incurred increased by the gross change in the provision for outstanding claims.

- proceedings in respect of authorisation to redeem positions classified as basic own funds – 1 set of proceedings concluded with a final decision,
- proceedings in respect of authorisation to extend the period of an audit engagement – 1 set of proceedings,
- opinions on the financial situation of insurance undertakings, including compliance with solvency requirements under law – 25 opinions were issued.

10.3.2. SUPERVISION OF INSURANCE UNDERTAKINGS' PRODUCTS

10.3.2.1. PRODUCT INTERVENTION CONCERNING PROHIBITION ON THE MARKETING, DISTRIBUTION AND SALE OF UNIT-LINKED LIFE INSURANCE CONTRACTS

By Decision of the KNF Board of 15 July 2021 – issued pursuant to 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) – a product intervention measure was imposed in the insurance market.

Following the entry into force of the intervention measure on 1 January 2022, a review was performed in relation to the assumptions made by insurance undertakings as to how the Decision was to be implemented. The review showed that all insurance undertakings had adapted their products to the requirements of the product intervention.

In addition, to ensure compliance with the requirements under the Decision, by its letter of 13 December 2022 the KNF Board asked insurance undertakings to provide information on new products placed on the market in 2022 or changes made to products offered after the entry into force of the Decision.

10.3.2.2. THIRD PARTY LIABILITY INSURANCE OF MOTOR VEHICLE HOLDERS

In 2022, one of the key activities of the UKNF was the monitoring of the situation in the motor insurance market, in particular with regard to third party liability insurance of motor vehicle holders. In the period covered by this report, the UKNF analysed the impact of higher currency exchange rates in the first quarter of 2022, in particular EUR to PLN, on the performance in Class 10 insurance. The estimates provided by insurance undertakings did not reveal any material risk of an impact of the weakening of PLN on the solvency of individual insurance undertakings.

Furthermore, on 26 May 2022 a letter was sent to insurance undertakings to highlight important topics (prospective approach, changes in the environment and in the claim settlement process) in relation to premium valuation in third party liability insurance of motor vehicle holders. By its letter of 15 November 2022, the UKNF addressed a survey to insurance undertakings to assess the profitability of third party liability insurance of motor vehicle holders.

10.3.2.3. INSURANCE UNDER CLASS 5 OF DIVISION I

In 2022, the UKNF analysed data submitted by insurance undertakings regarding accident and sickness insurance where such insurance complements insurance types listed in Classes 1–4, i.e. insurance under Class 5 of Division I, in terms of the value for customers. The results of the analysis were presented to insurance market entities. The conclusions from the analysis of qualitative data were used to formulate the requirements set out in the KNF Board's Recommendation U on the value offered by insurance products to customers.

10.3.3. MONITORING THE SYSTEM OF GOVERNANCE AND DISTRIBUTION PROCESS

In 2022, as part of the monitoring of the insurance undertakings' system of governance and distribution process, with a particular focus on enhancing customer protection, the following aspects were reviewed:

- the enforcement, by insurance undertakings, of compliance with the requirement of professional development, as referred to in Article 12 of the Act on insurance distribution (through an assessment of compliance with that requirement by selected insurance distributors); 23 administrative proceedings were conducted in 2022 regarding suspected breach of the said regulation (in relation to 7 insurance undertakings and 16 insurance agents), concluded with 3 final decisions to discontinue the proceedings and 1 final decision prohibiting further infringement of the said regulation; the conclusions from the analysis were also used in the SRP for 2021,
- the implementation of the requirements under the Decision of the KNF Board of 15 July 2021 on a product intervention in relation to unit-linked insurance contracts (at 3 selected undertakings, the review covered the preparation for the implementation of the Decision in the area of system of governance),
- the implementation of the requirements arising from Position of the UKNF of 28 January 2022 on the method of presenting fees in unit-linked life insurance contracts (selected insurance products were analysed in the light of the expectations expressed in the Position and the conclusions from the analysis were communicated to the relevant undertakings),
- report forms from insurance undertakings for: the fourth quarter of 2021, the 1st, 2nd and 3rd quarters of 2022, in particular in relation to distribution channels, insurance products, complaints and court proceedings. Conclusions from the analyses were used in further supervisory activities in relation to selected entities, including for the SRP and to prepare proposals for legislative amendments regarding the reporting requirements for insurance undertakings,
- reports from 21 insurance undertakings for: the fourth quarter of 2021, the 1st, 2nd and 3rd quarters of 2022 and from 20 insurance undertakings for the 3rd quarter of 2022 in relation to unit-linked insurance contracts concluded without assessing the customer's needs,
- implementation, by insurance undertakings and distributors, of the provisions of Delegated Regulation with regard to product oversight and governance³⁸, i.e. POG (the analysis covered internal procedures and policies of 5 selected insurance undertakings in relation to: product design, identification of the target market, product testing, product monitoring and review, selection of distribution channels and creation of information and advertising materials, as well as requirements concerning the remuneration rules for certain travel insurance products and certain distributors; the comprehensive analysis is expected to be completed in 2023 and the conclusions from an analysis of internal regulations were considered in the SRP for 2021),
- the outsourcing rules implemented by insurance and reinsurance undertakings and the criteria for undertakings to consider outsourced functions or operations as critical or important; the conclusions from the analysis indicating discrepancies in the undertakings' practices will be used in 2023 for the publication of the supervisory authority's position,
- fulfilment of information disclosure requirements in relation to persons supervising other key functions (there were performed 66 *ex post* assessments of the suitability of persons supervising other key functions at insurance and reinsurance undertakings: the compliance, actuarial, risk management, internal audit or other key functions considered to be critical; no material irregularities were identified justifying the adoption of supervisory measures provided for in the legislation); 1 opinion was issued on matters relating to ensuring replacement for a person performing other key functions,
- fulfilment of information disclosure requirements on outsourcing or its substantial modification (189 notifications of implementation of outsourcing or its substantial modification, or revocation of outsourcing were reviewed; no material irregularities have been identified justifying the adoption of supervisory measures provided for in the legislation); 1 opinion was issued on matters relating to outsourcing.

³⁸ Delegated Regulation 2017/2358 – shall mean Commission Delegated Regulation (EU) 2017/2358 of 21 September 2017 supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to product oversight and governance requirements for insurance undertakings and insurance distributors (OJ L 2017.341.1).

10.3.4. SUPPLEMENTARY SUPERVISION (OF CONGLOMERATES)

In 2022, the KNF Board again accepted information that the PZU Group continued to meet the criteria that allowed it to be recognised as a financial conglomerate. The requirement of annual review follows from legislation. Therefore, supplementary supervision of the PZU Group continued.

10.4. INSPECTION ACTIVITIES

10.4.1. INSPECTIONS AT INSURANCE UNDERTAKINGS AND REINSURANCE UNDERTAKINGS

In 2022, inspection activities were carried out at 21 insurance undertakings pursuant to the Act on the business of insurance: 14 inspections and 7 supervisory visits, including inspection activities at 8 life insurance undertakings (3 inspections and 5 supervisory visits), and 13 at personal and property insurance undertakings (11 inspections and 2 supervisory visits).

All inspections were targeted and covered between one and three issues.

In 2022, inspection activities were carried out particularly in the following areas:

- claim settlement/payment of benefits,
- the system of managing the insurance undertaking,
- remuneration policy,
- technical provisions for solvency and accounting purposes,
- fulfilment of requirements concerning the solvency capital requirement (SCR) with regard to certain modules of the standard formula,
- reinsurance,
- preparation of data and information for supervisory purposes,
- valuation of assets and liabilities for solvency purposes,
- the management of the undertaking's assets,
- fulfilment of requirements concerning the system of management in relation to compliance by the undertaking with the product intervention.

Due to the findings made in the course of the inspection activities towards insurance undertakings, in 2022, 65 recommendations in that area were issued to ensure compliance of the undertaking's activities with the law, articles of association and/or scheme of operations, to prevent infringement of interests of policyholders, the insured and beneficiaries under insurance contracts, and to remedy the irregularities found during the supervision process.

Table 53. Most common irregularities found during inspection activities at insurance and reinsurance undertakings in 2022

1.	Irregularities related to the organisation and management of an insurance undertaking, including infringement of Article 46(5) of the Act on the business of insurance, in particular consisting in failure to implement/apply the rules concerning risk, internal control and internal audit.
2.	Infringing the interests of the beneficiaries of third party liability insurance of motor vehicle holders, in particular by: <ul style="list-style-type: none">a) determining compensation with the use of the cost estimate method in an amount which failed to reflect the actual costs of repair in repair workshops operating in the relevant local market,b) adopting different rules for using man-hour rates in the case of the service method and the cost estimate method,c) applying – for the purpose of determining compensation with the use of the cost estimate method – discounts for parts, varnishing materials, the total repair cost,d) informing the beneficiary about the possibility of reducing the repair costs of the vehicle to the costs determined in the calculation of the proposed price, where the beneficiary decided to repair the vehicle in a workshop not cooperating with the insurance undertaking,

	e) failure to submit to the beneficiary a calculation of the repair cost based on which the insurance undertaking calculated the proposed amount of compensation.
3.	Irregularities consisting in the application of incorrect or unsupported assumptions in the valuation of technical provisions for solvency purposes.
4.	Irregularities consisting in incorrect definition of parameters used in the valuation of technical provisions for solvency purposes.
5.	Failure to identify all causes of inadequacy and/or failure to consider the results of the assessment of the adequacy of technical provisions for solvency purposes when determining the assumptions and parameters applied to value the technical provisions.
6.	Irregularities consisting in applying incorrect assumptions and defining incorrect parameters when determining the solvency capital requirement.
7.	Application of inappropriate simplifications when calculating the solvency requirement.
8.	Lack of measurement of assets and liabilities at fair value, and other irregularities related to the measurement of assets and liabilities, including in the documentation on the valuation.

Source: UKNF

10.4.2. INSPECTIONS OF INSURANCE DISTRIBUTORS

In 2022, inspection activities were carried out at 15 entities engaged in insurance distribution pursuant to the Act on insurance distribution. Eight inspections were carried out in relation to 8 insurance agents and 4 insurance brokers. Seven of those inspection procedures (4 in relation to a broker and 3 to an agent) were comprehensive and covered the activities of the insurance intermediary in terms of their compliance. For 5 inspections of insurance agents, the inspections covered selected matters related to insurance distribution activities, including: organisation and supervision of the agent's obligations to provide training and to report to insurance undertakings in a timely manner changes in the data included in the Register of Agents, fulfilment by natural persons performing agency activities of the requirements laid down in Article 19(1) and (2) of the Act on insurance distribution, and assessment of customers' needs and requirements regarding insurance cover.

At 3 insurance undertakings, inspections were conducted in relation to the use of services of insurance agents offering supplementary insurance.

Given the findings made in the course of inspections of insurance distributors in 2022, 68 recommendations were issued to ensure compliance, including: 36 recommendations for insurance agents, 8 recommendations for insurance brokers, and 24 recommendations for insurance undertakings.

Table 54. Most common irregularities in the activities of insurance distributors identified during inspection activities in 2022

1.	Failure to provide the customer, at the time of the first activity, with information or accurate information about the entry number in the Register of Insurance Intermediaries, the address of the website on which the Register is available, how to check the entry in that Register, about the nature of remuneration received in connection with the proposed conclusion of an insurance contract, about the option for filing a complaint and alternative dispute resolution, or providing such information otherwise than in paper form.
2.	Lack of analysis or improper analysis of the customer's requirements and needs regarding insurance cover.
3.	Failure to provide customers with documents containing information on the product before concluding the insurance contract.
4.	Failure to provide advice to customers with a recommendation on the best offer, or providing the advice otherwise than in writing.
5.	Performing agency or brokerage activities in relation to insurance distribution through persons not entered in the register of agents or register of brokers, respectively.
6.	Failure to make changes in the data in the Register of Agents or the Register of Brokers immediately but not later than within 7 days of the occurrence of such changes.
7.	Lack of proper organisation and supervision of agency activities.
8.	Failure to fulfil the training requirement by natural persons entered in the Register of Insurance Intermediaries.
9.	Failure by an insurance undertaking to exercise supervision or proper supervision of insurance agents.

10.	Failure by insurance undertakings to notify, in a timely manner, changes in the data entered in the Register of Agents concerning the entities with which they have entered into agency agreements, including the data of natural persons carrying out agency activities
11.	Non-compliance of the substance or form of powers of attorney to enter into insurance contracts on behalf of an insurance undertaking.

Source: UKNF

11. CROSS-SECTORAL ACTIVITIES

11.1. INNOVATIVE ACTIVITIES AND NEW TECHNOLOGIES

11.1.1. DEVELOPMENT OF INFORMATION TECHNOLOGIES

In 2022, solutions were being implemented to harmonise and guarantee high-quality data for the purpose of exercising active supervision of the financial market. The focus was on building systemic service-based solutions enabling the use of ready components in the UKNF's ongoing work uninterrupted, not only in 2022 but also in next years. The purpose was to enable IT systems to be adapted to dynamically changing international and national legal regulations in the field of financial supervision and to optimise the cost of manufacturing IT tools at the UKNF.

Here follows a detailed description of the tasks performed in 2022 by area:

In the area of insurance supervision:

- in an IT system supporting the Insurance Supervision System (SNU):
 - tools to improve the quality of data received (reporting tests, reports, algorithms for verification), the efficiency of data collection and data analysis were optimised,
 - the functionalities of analytical and reporting platforms were modified,
 - the IT tool used to assign SREP scores was adapted to the current methodology, which allowed for the performance of the review in 2022,
 - reporting templates were adapted to new laws, e.g. the functionalities of the SNU Reporting Application were adapted to the management of reports compliant with the Solvency II Directive in Taxonomy version 2.6.0,
 - new tools were developed to support the ongoing supervision of entities, including using machine learning;
- in the system used to register participants as candidates for the Examination for Insurance and Reinsurance Brokers:
 - changes were introduced to improve the registration process,
 - the system was integrated with a new system for the review of results;
- in the IT system supporting the Register of Insurance Intermediaries, new reports were created and existing reports were modified for the purpose of the annual report on brokerage activities.

In the area of capital supervision:

- as part of the European Single Electronic Format (ESEF) project:
 - integration activities were carried out to implement a new tool for validation of XBRL reports,
 - a Web Service module for validation of reports in the iXBRL taxonomy and for sending feedback was set up; as part of that work:
 - the tool supporting the iXBRL/XBRL format at the UKNF was unified,
 - database structures were created to store information contained in files and to feed them cyclically,
 - reports related to the validation and feeding processes as well as analytical and reporting activities were created,
 - an active exchange of information with KNF-supervised entities took place to improve the quality of data in the new format,
- a new system was created which enables the submission of a notification of the intention to announce a tender offer,
- in the 19MAR system, the user verification method was changed and a form in English was added,

- the Web Service was adapted to the process of submitting to the UKNF annual information on the management of occupational pension schemes,
- the Web Service was adapted to the process of submitting to the UKNF, by one of institutions, information on the number of employees and members employed with a given employer operating an occupational pension scheme as at 1 January in a given calendar year,
- in the system of management of alternative investment funds (AIFs), functionalities of management of so-called company's key data regarding KNF-supervised entities were implemented to increase the efficiency of analytical processes, introduce rapid management reporting and ensure automatic exchange of information with stakeholders,
- the FIRDS and TREM systems were adapted to new DATLEI and DATMIC file type codes,
- ESPI report forms were adapted in connection with the assumption of supervision of banks performing the activities listed in Article 70(2) of the Act on trading, and a modification was made to the forms for reporting financial statements to improve the quality of data being reported,
- ESPI report forms for depositaries of investment funds and pension funds were prepared,
- in maintaining the continuity of transactions as part of the TREM project and in ensuring the performance of reporting obligations by KNF-supervised entities, the reporting plans and validation formulae were adapted to ESMA's guidelines, thus further improving the quality of data being processed,
- in the ESPI system, a set of report forms were adapted to amended laws, with regard to:
 - quarterly reports as well as semi-annual and annual reports,
 - reporting in current reports concerning new issues of investment certificates,
 - reporting in monthly reports of investment fund management companies (TFI) and the management of corrections,
 - reporting by depositaries of investment funds and pension funds,
 - quarterly sales reports,
 - optimisation of processes aiming at improving the quality of data being reported,
- the functionalities of the SAP BO and Power BI analytical and reporting platforms were modified,
- data structures were prepared to enable generation of Power BI reports from the Central Register of Reports, considering archived data,
- as part of the RDM project, 6 ESPI report forms were designed, with replication of data to an analytical database; at the same time, analytical solutions were implemented to support the ongoing supervision exercised by the unit supervising that area,
- following the extension of the scope of reporting to the EBA to include investment firms and brokerage houses, a system was delivered to store, keep and send basic data regarding such entities; the EBA systems were fed, on a test basis, with new data,
- a supervisory requirement under Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms was fulfilled in relation to the collection of basic data on brokerage houses,
- a connection with the EUCLID system was created to comply with the requirements imposed on the UKNF by the EBA in relation to the exchange of registration and reporting data regarding brokerage houses,
- an infrastructure was prepared for a uniform, centrally managed dictionary repository for the entire area of capital supervision, based on MDS technology,
- internal dictionaries were built, containing basic data and information about the instruments and investment market participants,
- a generator of a reporting calendar based on basic data reported to the EBA was prepared,
- a solution was developed to reduce the burden placed on supervised entities in connection with various forms of report formats,
- a functionality was enabled to feed the obtained data into data warehouses and analytical systems based on the UKNF's reporting environments being used and upgraded,
- procedures were put in place to improve the quality of data and the efficiency of data collection and analysis, and to automate the internal data management and data circulation processes at the UKNF.

In the area of banking supervision:

- the BIONB system, supporting the supervisory review and evaluation process, was adapted to the current methodology, which allowed for the review in 2022;
- the functionality of the Register of Credit Intermediaries and Non-Bank Lending Institutions was expanded to include the option of deleting an application and correcting a closed application by a dedicated user, and the option of modifying the entity type and links between the entity and a shareholder/member of management board was added to the application for an update,
- the PSD2 system was adapted to the current functional requirements, for example on the automated generation of certificates and introduction of reporting functions,
- an IT system was designed and implemented to support the process of managing data on colleges of supervisors (Baza Kolegiów Bankowych – Supervisory College Database)
- the ‘Repository’ IT system was designed and implemented to support the process of managing the participation of the UKNF employees in meetings of international institutions and organisations, the activities of the ESFS and colleges of supervisors and AML/CFT colleges,
- changes were made in the ESPI system in regard to reports on sales activities and analytical reports,
- report forms for credit unions and the National Association of Credit Unions were adapted to the amended Act on credit unions,
- reports for domestic payment institutions were modified, in particular by changing the method of aggregating quarterly and annual data,
- under the ‘Digital Supervisory Agenda: Process Automation’ project, a tool was designed and implemented to compare data relating to own funds of domestic payment institutions in relation to the minimum level of those funds in a given reporting period; the new solution enables automatic creation of a report, without the involvement of dedicated units,
- as part of the Platform for Structured Analytical Measures (PUMA) project:
 - arrangements were prepared and implemented for the calculation, processing and making available of supervisory statistics in a user-friendly manner,
 - based on the new data structures, analytical and reporting software was delivered, which is necessary for supervisory activities,
- in 2022, IT work within the EUCLID project was completed. A uniform environment was created to enable the UKNF to perform its obligations related to the handling of obligations to report information on financial institutions to the EBA; a system was created to store, maintain and send to EU authorities basic data on banks; software covering the entire lifetime of data in an organisation was created; the software includes modules for receiving reporting data (in Web Service technology), their validation, and sending to EBA systems and handling feedback messages together with relevant reporting modules; the project also involved the creation of taxonomy-compliant data structures and software for the redistribution of data contained in report files into those structures; an alternative feed from the existing sources of data replicated from the National Bank of Poland (NBP) was implemented for a transitional period,
- the analytical system used for bank assessments was updated:
 - the option of collecting data from external sources was enabled,
 - the possibility of importing data from other economic areas was expanded,
 - the sets of categories of bank assessments were expanded.

In the area of supervision of the entire financial market:

- a concept of building the BigData environment in the UKNF was prepared and the process of acquiring appropriate tool software and hardware resources was carried out, creating the basis for the implementation of that modern technology in the UKNF,
- a tool for obtaining data from EsmaHub was launched, tabular structures for SFTR data were created to enable the creation of reports for supervisory purposes, and the monitoring of the financial market was enabled in regard to details of SFTR transactions.

In the area of management and organisation:

- the Electronic Register of Payment Services (eRUP) system was modified in regard to statements on advance payments made to cover the costs of supervision of:
 - mortgage credit intermediaries for 2022,

- domestic payment institutions for 2022,
- domestic electronic money institutions for 2022,
- the capital market for 2022,
- general pension societies for 2022,
- a tool for digitisation of documents received by the UKNF both in paper form and in electronic form was implemented to enable full-text search, analysis of formatted documents, and extraction of information from the documents,
- functionalities were introduced in the KNF Portal system in connection with the integration with the Electronic Document Management system (EZD) to streamline the process of registration of letters received by the UKNF.

In the area of infrastructure modernisation:

- the UKNF's data processing system was optimised, the data storage model was expanded, and new data processing tools were implemented.

In other areas:

- the IT system supporting the mediation procedure conducted through the Mediation Centre of the Arbitration Court attached to the KNF Board was modified to improve the functionality of the system for its users,
- the System for the Risk Assessment of KNF-supervised Obligated Institutions (ORION) was implemented, which relies on data obtained by the KNF Board pursuant to law; the system:
 - allows users to execute analyses and reports,
 - allows the optimisation of supervisory AML processes through the adoption of a risk-based approach.

11.1.2. CYBERSECURITY RISK SUPERVISION IN THE FINANCIAL MARKET AND AT THE UKNF

11.1.2.1. INSPECTION ACTIVITIES

11.1.2.1.1. Inspections at financial market entities

In 2022, inspection activities at supervised entities were carried out on the basis of provisions of law and the KNF prudential recommendations, taking into account, *inter alia*, the guidelines of the European Banking Authority (EBA) and the Basel Committee on Banking Supervision (BCBS), based on uniform standards and inspection procedures included in internal regulations of the UKNF.

Table 55. Inspection activities carried out by the UKNF at KNF-supervised entities in 2022 in the area of ICT risk

Sector	Inspection activities	Number
Banking: commercial banks	Targeted inspection	2 ³⁹
Banking: cooperative banks	Targeted inspection	2
Insurance	Targeted inspection, supervisory visit	2
Credit unions	Targeted inspection	1
Domestic payment institutions, payment services offices and domestic electronic money institutions	Targeted inspection	1
Capital market	Targeted inspection	3 ⁴⁰
Total		11

Source: UKNF

³⁹ One inspection at a banking sector entity operating as an operator of essential services as defined in the Act on the national cybersecurity system.

⁴⁰ One inspection at a capital sector entity operating as an operator of essential services as defined in the Act on the national cybersecurity system.

Table 56. Material irregularities identified during inspection activities at supervised entities in 2022 in the area of ICT risk

Item	ICT risk
1.	Failure to conduct audits in the area of management of security breach risks, including the ICT and security risk.
2.	Lack of a formalised estimation of ICT security risk for IT systems used in electronic access channels and failure to perform such estimation.
3.	Lack of manufacturer support for components of servers running critical systems.
4.	The rules for handling ICT security breach incidents did not contain any provisions on collecting and securing incident-related evidence that could be used in potential court proceedings.
5.	Failure to carry out periodic checks on the accuracy of data backups and on the possibility of data recovery.
6.	Lack of documented business continuity plans which should take into consideration a potential loss of control over information processed by a public cloud service provider and a potential interruption of the service.
7.	Failure to specify in contracts with third-party providers the parameters regarding the quality of IT systems development and change management services, and the methods of monitoring and enforcement of those parameters.
8.	Lack of formalised detailed rules for cyclic performance of specialised security tests, including penetration tests covering, in particular, services provided using electronic access channels, specifying their frequency and scope.
9.	Failure to conduct cyclic, specialised security tests, including penetration tests of systems used in electronic access channels.
10.	Lack of formalised rules for vulnerability management.

Source: UKNF

In 2022, post-inspection recommendations were issued for 9 KNF-supervised entities. In addition, the status and correctness of implementation of such recommendations were monitored in the case of 21 supervised entities.

11.1.2.2. PERFORMANCE OF OBLIGATIONS UNDER THE ACT ON THE NATIONAL CYBERSECURITY SYSTEM

As part of its obligations under the Act on the national cybersecurity system, the KNF Board, as a competent authority, supervised 19 entities recognised as operators of essential services from the banking and financial market infrastructure sectors. In November 2022, administrative proceedings were initiated for the expiration of a decision on the recognition of an operator of essential services, and in December 2022, administrative proceedings were initiated for the recognition of an entity from the banking and financial market infrastructure sectors as an operator of essential services. In 2022, no decision was issued in the above subject matters of proceedings.

Table 57. Number of operators of essential services in the banking and financial market infrastructure sectors in the years 2019–2022 as at 31 December of each year

Type of entity	2019	2020	2021	2022
Banking and credit unions sector entities	16	16	15	15
Financial market infrastructure providers	4	4	4	4
Total	20	20	19	19

Source: UKNF

In 2022, the KNF Board, as a competent authority, distributed among operators of essential services multiple information on cyber threats to the Polish financial market, and exchanged correspondence

with the Government Plenipotentiary for Cybersecurity within the framework set by the Act on the national cybersecurity system.

In 2022, under the same Act, the KNF Board carried out two inspections of operators of essential services from the banking and financial market infrastructure sector.

11.1.2.2.1. ACTIVITIES OF THE KNF CSIRT

The KNF CSIRT carried out the tasks of the KNF Board as set out in Article 4(1) point 3b and Article 4(1) point 4 of the Act on financial market supervision, and in particular:

- analysed cyber threats:
The KNF CSIRT supports financial sector entities in monitoring infrastructure and, jointly with the national-level CSIRTs, distributes technical recommendations on how to deal with threats. In 2022, the KNF CSIRT prepared and sent to financial market entities 181 warnings containing detailed descriptions of threats and proposed mitigation measures to raise the security level.
- prepared recommendations and good practices:
Together with telecommunications experts, the CSIRT developed a document containing a set of good practices in protecting organisations against DDoS attacks. The report describes mechanisms and methods to counter such attacks. The recommendations included in the report are applied by many other institutions from the private and public sectors. The report is also a part of the recommendation of the Government Plenipotentiary for Cybersecurity on self-assessment of an organisation's resilience against a potential DDoS attack,
- coordinated the activities of financial market entities in connection with the outbreak of the war in Ukraine:
The KNF CSIRT in 2022 initiated and organised daily meetings with the cybersecurity teams of operators of essential services in the financial market. The purpose of those meetings was ongoing monitoring of threats, exchange of information and coordination of potential preventive measures,
- analysed malware:
The KNF CSIRT searches for, monitors and analyses malware, including, in particular, campaigns targeting Polish financial market institutions and participants. In the performance of that task, 893 malware samples were detected and reported and 23 malware warnings were prepared,
- identified and prevented threats to online banking customers:
The KNF CSIRT engages in ongoing monitoring and analysis of new trends and threats in the field of cybersecurity that emerge in the financial sector. The knowledge so gathered is used to mitigate risks and carry out educational activities raising the awareness of online banking clients in the area of cybersecurity. In 2022, the KNF CSIRT identified 17 280 dangerous phishing sites and 17 899 fake investment ads on social media. Based on the available technical tools and legal instruments, malicious domains were reported to the NASK CSIRT with the aim to have them blocked. Fake advertisements were reported and removed by the social media platforms concerned,
- participated in national and international exercises:
Representatives of the KNF CSIRT took part in the Locked Shields exercise on 19–22 April 2022, the biggest and most complex cybersecurity exercise organised by NATO. 24 teams from 32 countries took part in that edition. The team representing Poland, composed of specialists from the KNF CSIRT, reached the 2nd position in the general classification.

The KNF CSIRT also performed the tasks of the Sectoral Team for Cybersecurity specified in Article 44 of the Act on the national cybersecurity system, including:

- accepting reports on serious incidents and providing support to operators of essential services in handling such incidents,
- supporting operators of essential services in their performance of obligations under the Act on the national cybersecurity system;
- analysing serious incidents, searching for links between incidents and drawing conclusions from incident handling;
- cooperating with the MON CSIRT, NASK CSIRT and GOV CSIRT, as appropriate, to ensure a coordinated process of handling serious incidents.

11.1.3. ACTIONS SUPPORTING THE DEVELOPMENT OF FINANCIAL INNOVATION (FINTECH)

Continuing the initiatives from previous years in 2022, the UKNF was actively involved in the events aimed at promoting the topic of FinTech in Poland and abroad. Representatives of the UKNF took part in Impact'22 (on 11–12 May 2022) and the 11th European Financial Congress (6–8 June 2022) in Sopot. The UKNF also participated in a number of other FinTech events in Poland: in the 1st Congress of Financial Institutions, Digital Banking Academy workshops (organised by the ZBP), and the Legal FinTech 2022 conference. The activities promoting the FinTech environment were also carried out by the UKNF outside Poland. On 2–4 November 2022, representatives of the UKNF attended the Singapore FinTech Festival.

On 2 June 2022, the 2nd Scientific Conference 'New regulatory and supervisory challenges in the area of financial innovation' was held, organised by the UKNF together with the Faculty of Law and Administration of the University of Warsaw and the FinTech Poland Foundation, and on 11 October 2022, the third edition of that conference took place.

Additionally, in 2022, the UKNF continued its participation in a cycle of SuperVision FinTech Talks webinars organised by FinTech Poland foundation and addressed to the FinTech sector. Through the webinars, the UKNF experts met with market participants to discuss current regulatory, technological and business-related issues in the financial innovation market.

On the UKNF's www.fintech.gov.pl website, entirely dedicated to promoting innovation in financial markets, a chatbot answering financial market questions was made available in February 2022.

On 12 January 2022, a FinTech educational platform was launched on www.fintech.gov.pl. The learning platform aims to provide readily understandable information about the functioning of and opportunities arising from innovative FinTech solutions, as well as to highlight the related potential threats. The courses, covering open banking, equity crowdfunding, fake news and crypto-assets, are available for free, and have been developed in the form of animations, cartoon drawings and quizzes.

In June 2022, as part of a project of the Education Centre for Financial Market Security CEBRF (PL: Centrum Edukacji dla Bezpieczeństwa Rynku Finansowego — CEBRF), the UKNF organised a pilot competition 'EduFinTech-2022' for students of Warsaw secondary schools. The competition aimed to promote knowledge among young people about opportunities and risks related to financial innovations in the field of open banking, equity crowdfunding and crypto-assets. It was conducted with the use of courses available on the FinTech educational platform. The UKNF also ran educational activities in direct contact with young people through classes organised in secondary schools. Three courses were run in a hybrid form in Warsaw and one in Wrocław, and about 1 000 students attended.

In 2022, the Innovation Hub Programme, conducted by the UKNF, attracted applications from 22 entities: 13 accepted applications to participate were related to the banking and payment services sectors, 4 applications to the capital sector, 3 applications to systemic issues (concerning all segments of the financial market), and 2 applications to the insurance sector. The key topics discussed during meetings included crypto-assets, crowdfunding, payment services (including PIS and AIS), acquiring, and mobile applications for smartphones. The functioning of the Innovation Hub Programme represents one of the mechanisms that help achieve the statutory objective set before the KNF Board to support innovation in the financial market, as referred to in Article 4 point 3a of the Act on financial market supervision.

In 2022, the UKNF received a total of 19 applications for an interpretation by the KNF Board pursuant to Article 11b of the Act on financial market supervision.

In October 2022, the UKNF organised the Supervision_Hack hackathon for the first time. The competition tasks were entirely devoted to financial supervision. Participants had two competition tasks to choose from:

- *KarateKIID* – development of a tool for checking whether the published Key Investor Information Documents (KIIDs) containing information on investment funds, are worded in a manner that is honest and understandable to the reader,
- *Catch them all* – development of a tool to automate the process of verification of websites in search of investment offers published by non-supervised entities.

In addition, in December 2022, the UKNF financed a HackYeah hackathon task. As a result of the competition, a tool was developed for the UKNF to monitor social media posts for activities promoting unlicensed investment offers. The innovative solution uses artificial intelligence technologies – Natural Language Processing (NLP), Computer Vision, and Supervised Learning.

In the area of tools supporting the development of innovation, a virtual DLT Sandbox environment was developed for start-ups to test solutions using blockchain technology. The solution was developed internally at UKNF and is based on Hyperledger Fabric technology. It is the second environment following PSD2 Sandbox (which simulates banking transactions) made available as part of Virtual Sandbox – a technological extension of the Innovation Hub Program.

Multiple actions were carried out in the area of Open-Source Intelligence (OSINT) to support decision-making processes in the UKNF units. The actions aimed to protect the interests of non-professional financial market participants and to eliminate abuse in the financial market. Analyses focused on materials used in proceedings conducted under the Act on public offering and 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. To support the supervisory processes, the ScamTrapper application and the ThreatsAlerts module supported by this app were expanded. A training in this area was provided for the UKNF staff.

In December 2022, the UKNF launched <https://lop.knf.gov.pl/> website, which contains the KNF's List of public warnings, the Database of Warnings from Foreign Supervisory Authorities and links to warnings from international organisations. The database contains aggregated information posted by foreign supervisory authorities on entities operating on the internet that publish information in the Polish language or provide contact information specific to the territory of the Republic of Poland.

11.2. KNF REGISTERS OF NON-SUPERVISED ENTITIES

11.2.1. CONSUMER CREDIT INTERMEDIARIES

Section II of the Register of Credit Intermediaries applies to consumer credit intermediaries as defined in Article 5 point 3 of the Act on consumer credit. The KNF Board does not supervise that category of intermediaries but it keeps a register of them. Consumer credit intermediaries are entered in Section II of the Register of Credit Intermediaries at their own request.

In 2022, the KNF Board:

- entered 2 629 consumer credit intermediaries in the Register,
- removed 72 consumer credit intermediaries from the Register.

As at 31 December 2022, 41 444 consumer credit intermediaries figured in Section II of the Register.

11.2.2. NON-BANK LENDING INSTITUTIONS

Non-bank lending institutions, as defined in Article 5 point 2a of the Act on consumer credit, are not supervised by the KNF Board. The KNF Board keeps the Register of Non-Bank Lending Institutions referred to in Article 59ab of the Act on consumer credit. An entry in the Register of Non-Bank Lending Institutions is made at the request of an institution concerned.

In 2022, the KNF Board:

- entered 23 non-bank lending institutions in the Register,
- removed 22 non-bank lending institutions from the Register.

As at 31 December 2022, 523 non-bank lending institutions figured in the Register.

11.2.3. ENTITIES CARRYING ON THE BUSINESS SPECIFIED IN ARTICLE 6 POINT 11 OF THE ACT ON PAYMENT SERVICES TO WHICH ARTICLE 6C(1) OF THE SAID ACT APPLIES

In 2022, the KNF Board received 25 notifications qualifying the entities concerned for entry in the Register. As at 31 December 2022, 6 such entities figured in the Register.

11.2.4. ENTITIES CARRYING ON THE BUSINESS SPECIFIED IN ARTICLE 6 POINT 12 OF THE ACT ON PAYMENT SERVICES TO WHICH ARTICLE 6D(1) OF THE SAID ACT APPLIES

In 2022, the KNF Board received 8 notifications qualifying the entities concerned for entry in the Register. As at 31 December 2022, 8 such entities figured in the Register.

11.2.5. FOREIGN INVESTMENT FIRMS WITHOUT A BRANCH

In the period covered by this report, the KNF Board received 48 notifications of the intention of foreign investment firms to conduct brokerage activities without a branch in the territory of the Republic of Poland, 204 reports on changes to notifiable data, and 28 reports on the cessation of brokerage activities in the territory of the Republic of Poland. As at 31 December 2022, 660 foreign investment firms without a branch figured as notified firms.

11.3. PUBLIC SUPERVISION EXERCISED BY THE KNF BOARD IN CONNECTION WITH THE ACT ON STATUTORY AUDITORS, AUDIT FIRMS AND PUBLIC SUPERVISION

The implementation of the KNF Action Plan for 2022 with regard to public supervision under the Act on statutory auditors included, *inter alia*, performing inspections of the activities of Public-Interest Entities (PIEs) in respect of compliance with the requirements of the above-mentioned Act. As part of their supervisory activities, various UKNF departments performed:

- 1) verification of a method of an audit firm selection in the case of 9 issuers, 23 insurance undertakings, 11 domestic banks,
- 2) verification of appointment by PIEs of audit committees, including verification of whether the composition of those audit committees complied with the requirements of the Act on statutory auditors in terms of independence and appropriate skills and knowledge of members of the audit committee/supervisory board in the case of 41 issuers, 11 domestic banks, and 5 insurance undertakings,
- 3) analysis of operation of audit committees with regard to the performance of tasks resulting from the Act on statutory auditors in the case of 3 issuers, 11 domestic banks, and 5 insurance undertakings,
- 4) verification of development and implementation of the policy for choosing an audit firm to perform the audit and the policy on the provision of permitted non-audit services by the audit firm performing the audit, its affiliates or a member of its network in the case of 41 issuers, 11 domestic banks, and 3 insurance undertakings,
- 5) examination of requests from PIEs for extension of the statutory audit engagement, after the expiry of the maximum duration of the engagement laid down in Regulation 537/2014 in the case of 1 insurance undertaking and 1 commercial bank.

In 2022, the UKNF, implementing the Action Plan with regard to public supervision of PIEs, conducted standard activities consisting e.g. of verification and analysis of the issues listed in points 1 to 4 above (through annual SREP assessments in the case of PIEs subject to prudential supervision, as well as through basic supervision or enhanced supervision in the case of issuers). In addition, compliance by

selected PIEs with the requirements on the rotation of audit firms and key statutory auditors was monitored.

In 2021, administrative proceedings were conducted in connection with an infringement of Article 192(1) of the Act on statutory auditors by certain PIEs, specifically in relation to 6 PIEs (2 issuers, 2 insurance undertakings, 2 commercial banks), 8 members of audit committees operating with 1 issuer, and 2 cooperative banks.

In 2022, as part of a dialogue established with audit firms, the UKNF conducted trainings for statutory auditors through its Education Centre for Market Participants (CEDUR) and organised an online meeting with statutory auditors examining financial statements of insurance undertakings (9 December 2022).

Also in 2022, individual meetings/video conferences were held with statutory auditors concerning the audit of financial statements of selected PIEs, including 8 insurance undertakings, 2 commercial banks, and 7 cooperative banks.

In relation to issuers, a review was performed to examine the method of ensuring compliance, in annual reports for the financial year 2021, with the information disclosure requirements concerning the composition and method of operation of the audit committee or supervisory board performing the tasks of an audit committee in the case of 17 domestic banks, 97 issuers, 3 issuers conducting brokerage activities, 1 investment fund management company, and 35 public closed-end investment funds.

In 2022, the UKNF participated in the review of proposals prepared by the Ministry of Finance for amendments to the Act on statutory auditors, and the amendments included in the draft Act amending certain acts to ensure the development of the financial market and investor protection (paper UD235).

In 2022, the UKNF also carried out activities related to cooperation with the Polish Agency for Audit Oversight (PANA) in regard to the performance of public supervision tasks.

Moreover, in 2022, the KNF Board and PANA were involved in activities and made arrangements on a draft agreement between the KNF Board and PANA on the terms of cooperation and exchange of information and/or documents to the extent necessary for the performance of their statutory tasks.

11.4. SUPERVISION OF SECURITISATION TRANSACTIONS

At the end of 2022, the KNF Board supervised 17 securitisation transactions. All the supervised transactions were addressed to professional investors and carried out without the requirement to draw up a prospectus. The total value of those transactions amounted to PLN 37.13 billion, 6 out of 17 supervised transactions were traditional transactions in which a special-purpose vehicle obtained funding through the issue of debt instruments taken up by professional investors.

The remaining 11 transactions were synthetic transactions, which involved no sales of assets, only a transfer of credit risk. Such a transaction allows capital requirements to be lowered where significant risk transfer is achieved.

In the course of 2022, the number and value of new securitisation transactions, in particular those aimed at transferring significant credit risk, increased significantly as compared to 2019–2021.

The asset classes subject to supervised securitisation included mainly cash loans, loans for small and medium-sized enterprises, and lease claims.

A single inspection of a traditional securitisation transaction was carried out in 2022. The inspection concerned the transaction made in 2019.

As part of educational and information activities, references were posted on the KNF website to the applicable legal acts concerning securitisation and KNF guidelines with the intent to clarify the doubts of entities executing securitisation transactions as to the proper fulfilment of their legal obligations, including obligations related to transaction reporting.

11.5. LEGAL AND REGULATORY ACTIVITIES

11.5.1. PARTICIPATION IN LEGISLATIVE WORK

The KNF Board's statutory tasks include participation in the preparation of draft legal acts in the field of financial market supervision. The task is performed mostly through cooperation with the minister competent for financial institutions as part of the government's legislative process, often starting from the pre-consultation stage which precedes the formal commencement of the governmental legislative process. In 2022, the UKNF also submitted to the Ministry of Finance legislative proposals concerning the functioning and organisation of the financial market in Poland, including market supervision, indicating the regulatory changes necessary from the supervisory perspective.

In 2022, as in previous years, representatives of the UKNF also took part in legislative work at the further stages of the government's legislative process, participating in consensus conferences and the work of legal committees, and in the case of legislative proposals also at the parliamentary stage, in particular through participation in the parliamentary Committee on Public Finance and the Permanent Subcommittee on Financial Institutions and the Senate Committee on Budget and Public Finance.

The most important legislative proposals in 2022 in the enactment of which the UKNF participated include:

- the Act on crowdfunding, which regulated the operation of crowdfunding platforms and adapted the Polish regulations to the EU law on crowdfunding of business ventures,
- the Act on covered bonds. The Act adapted the Polish law to the EU Directive on the issue of covered bonds and covered bond public supervision with the basic objective to improve the functioning of calls, in particular to ensure greater protection of minority shareholders of public companies being taken over. The legislative work ended with the enactment and publication of the Act in 2022,
- the Act amending the anti-usury law. The entry into force of the amendments introduced by that Act has direct impact on the functioning of the credit institutions market. The Act also imposed on the KNF Board a number of new tasks in the field of supervision of credit institutions exercised in accordance with the provisions of the Act on consumer credit. The provisions in that respect enter into force on 1 January 2024,
- the draft Act amending certain acts to simplify administrative procedures for citizens and businesses, which introduces full digitalisation of certain/parts of/selected information obligations towards the KNF Board in regard to the capital market. In accordance with its provisions, from 1 January 2024 the paper form for submission of information is to be abandoned, and TFIs, investment funds, liquidators of investment funds, depositaries and AIC managers are to send statutory notifications and fulfil other reporting obligations in electronic form.

In 2022, the UKNF also participated in legislative work on the following proposals for which the legislative process was not completed in 2022:

- proposal for an Act amending certain acts to ensure the development of the financial market and investor protection (paper UD235) which aims to organise and improve the functioning of financial market institutions, in particular by improving supervision of the financial market, protecting minority shareholders and increasing digitalisation in the performance of supervisory obligations by the KNF Board and the UKNF. It is a broad proposal that introduces amendments to 28 acts of statutory law, with the proposed amendments being also an element of implementation of the Capital Market Development Strategy, adopted by the resolution of the Polish Council of Ministers on 1 October 2019,
- proposal for an Act on the financial information system (paper No 2771). In accordance with the objectives of this proposal, the KNF Board is to exercise control over the performance of obligations regarding the submission of information subject to registration in relation to supervised entities,
- proposal for an Act amending the Act on bonds, the Act on investment funds and management of alternative investment funds and the Act on the Bank Guarantee Fund, the deposit guarantee scheme and compulsory restructuring, and certain other acts (paper UC32) setting out the rules for the issue

of capital instruments qualified as regulatory capital of banks and brokerage houses and own funds of insurance undertakings and reinsurance undertakings.

The UKNF also reviewed legislative work on proposals for acts of statutory law related to the entry into force of EU legal acts, including a draft Act on pan-European personal pension products (paper UC67), and participated in the works on formulating the objectives for a draft Act amending the Act on the business of insurance.

The UKNF took part in the preparation and evaluation of proposals for new implementing regulations, in particular, regulations issued by the minister competent for financial institutions. In 2022, it was more than 20 proposals.

The UKNF was involved in legislative work on a number of acts of EU law. The acts include the Proposal for a Regulation of the European Parliament and of the Council on digital operational resilience for the financial sector (Digital Operational Resilience Act) (COM (2020)595) and Proposal for a Directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2009/65/EC, 2009/138/EU, 2011/61/EU, EU/2013/36, 2014/65/EU, (EU) 2015/2366 and EU/2016/2341, and the Proposal for a Regulation of the European Parliament and of the Council on Markets in Crypto-assets, and amending Directive (EU) 2019/1937 (MiCA), proposal for a directive to amend 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 (Solvency II) and Proposal for a Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2009/138/EC, (EU) 2017/1132 and Regulations (EU) No 1094/2010 and (EU) No 648/2012.

11.5.2. REGULATORY AND PRUDENTIAL ACTIVITIES

11.5.2.1. RESOLUTIONS OF THE KNF BOARD

RESOLUTION NO 2/2022 OF THE KNF BOARD OF 14 JANUARY 2022 LAYING DOWN THE RULES FOR SELECTING AN INVESTMENT FIRM TO WHICH THE KNF BOARD ORDERS THE TRANSFER OF FINANCIAL INSTRUMENTS, FUNDS AND DOCUMENTS RELATING TO THE STORAGE AND/OR REGISTRATION OF FINANCIAL INSTRUMENTS

The Resolution superseded Resolution No 207/2012 of the KNF Board of 17 July 2012 laying down the rules for selecting an investment firm to which the KNF Board orders the transfer of financial instruments, funds and documents relating to maintaining of securities accounts, omnibus accounts and cash accounts.

RESOLUTION NO 94/2022 OF THE KNF BOARD OF 25 MARCH 2022 DEFINING THE CONTENT OF THE INFORMATION ON THE REQUIREMENTS FOR FOREIGN INVESTMENT FIRMS PROVIDING INVESTMENT SERVICES IN THE REPUBLIC OF POLAND OPERATING THROUGH A BRANCH OR WITHOUT A BRANCH

The Resolution superseded Resolution No 280/2018 of the KNF Board of 31 July 2018 defining the content of the information on the requirements for foreign investment firms providing investment services in the Republic of Poland operating through a branch or without a branch.

11.5.2.2. RECOMMENDATIONS AND GUIDELINES OF THE KNF BOARD

RECOMMENDATION A

On 19 October 2022, by way of Resolution No 402/2022, the KNF Board adopted *Recommendation A on the management of risk associated with bank transactions in the derivatives market*. The Recommendation was published in the Official Journal of the KNF Board under item 24 and will supersede Recommendation A of 2010.

The aim of the new Recommendation A is to adapt it to the current provisions of law. It also takes into account the lessons learnt from observations and experiences gained through supervisory activities.

Recommendation A is a set of good practices regarding the obligations and responsibility of the management board and the supervisory board, risk identification and assessment, monitoring, internal control system and monitoring and reporting of risk in the area covered by the Recommendation.

In the Recommendation the KNF Board adopted an approach based on the principle of proportionality, understood as adapting solutions to individual characteristics and profile of the bank's activities and the scale of risk borne by the bank. This means that a bank, when performing operations in the derivatives market, should comply with regulations and that the scope of policies and procedures should be adequate to the scale and complexity of those operations.

The new Recommendation A applies to branches of credit institutions and branches of foreign banks operating in the territory of the Republic of Poland to the extent that the Banking Law and other acts governing the activities of banks in the territory of the Republic of Poland apply to them. The KNF Board expects branches of foreign banks operating in the territory of the Republic of Poland to comply with the provisions of Recommendation A to the full extent, while branches of credit institutions to comply with its provisions with the exclusion of certain recommendations, the list of which is provided in the document itself.

The KNF Board set 31 December 2023 as the deadline for the institutions addressed by the Recommendation to comply with its provisions.

RECOMMENDATION S

In 2022, work was carried out on a draft amendment to *Recommendation S on good practices in the management of credit exposures secured by mortgages* to supplement the existing Recommendation S of 2019.

The analytical work conducted as to the need to amend Recommendation S and the content of potential amendments concerned several areas:

- the interest rate buffer,
- the approach to be adopted to loans granted as part of the implementation of the government programme of interest rate subsidies on bank loans,
- the issue of supplementing Recommendation S with provisions referring to the regulations of the Act on the guaranteed housing loan, providing in particular for the possibility of granting a loan without the requirement of a minimum down payment made by a borrower,
- the information disclosure requirements concerning risks related to mortgage loans.

The UKNF will continue the work in 2023.

RECOMMENDATION U

In 2022, work continued on draft amendment to *Recommendation U on good practices for bancassurance*. The updated Recommendation U is to supersede the previous Recommendation U of the KNF Board of June 2014 and represents a set of rules concerning good practices in the area of bancassurance.

The need to revise Recommendation U results from the requirement of adapting its provisions to the changed legal environment as regards offering of insurance products. The Recommendation U amendment is addressed to domestic banks, branches of foreign banks and branches of credit institutions as defined in the Banking Law, as well as credit unions as defined in the Act on credit unions (provided that the objects of their activity are activities regulated by that Recommendation) that cooperate in the area of bancassurance with domestic insurance undertakings and foreign insurance undertakings as defined in the Act on the business of insurance, conducting the insurance business in the territory of the Republic of Poland. Recommendation U is not only intended to supplement the existing regulations but also aims to identify the most important issues from the perspective of the supervisory authority as regards good practices in the area of bancassurance.

The draft Recommendation U was consulted with stakeholders and institutions concerned. The Recommendation was extended to include provisions relating to levels of commission charged by entities addressed by the Recommendation that operate as insurance distributors, and subsequently it was submitted for consultation in November 2022 to the Polish Bank Association, the National Association of Credit Unions, the National Association of Cooperative Banks and the Polish Chamber of Insurance. Following requests lodged by some entities for extension of the time limit for submitting comments, the period of consultation on the draft Recommendation U was extended until the end of January 2023.

The UKNF will continue the work on the draft amendment in 2023.

RECOMMENDATION G

In 2022, work continued on a draft amendment to Recommendation G on the management of interest rate risk at banks.

The proposed amendment to Recommendation G aims to adapt its requirements to the regulations on market risk and interest rate risk changing globally, in particular the EBA guidelines.

Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU (CRD V) introduced new provisions on interest rate risk in the banking book, including mandates for the EBA to develop two regulatory technical standards (RTS) and guidelines in this area.

Proposals for regulatory technical standards on interest rate risk in the banking book were to be submitted to the European Commission and the guidelines were to be issued by the EBA by 28 June 2020. Those documents were not, however, developed within the set time limit.

On 20 October 2022, the EBA published a package of the following documents on management of interest rate risk in the banking book (IRRBB):

- guidelines on IRRBB and credit spread risk in the banking book (CSRBB), which will become effective on 30 June 2023, except for the part on CSRBB, which will become effective on 31 December 2023, and will supersede the 2018 guidelines on IRRBB (EBA/GL/2018/02),
- RTS specifying the IRRBB standardised approach and simplified standardised approach – the start date for application proposed by the EBA is 30 June 2023,
- RTS on IRRBB supervisory outlier tests (SOTs) – the date of application proposed by the EBA is 30 June 2023.

Work on Recommendation G was suspended until the finalisation of the EBA's work on new regulations and was resumed after the EBA published the new guidelines and draft RTS.

RECOMMENDATION J

Following the review of Recommendation J related to good practices for collecting and processing of real estate data by banks, a proposal for the new Recommendation J was prepared.

The development of the draft Recommendation required an additional review of the existing regulations, in particular, the 2019 Recommendation S of the KNF Board on good practices in the management of credit exposures secured by mortgages and the 2015 Recommendation W of the KNF Board on model risk management at banks. In addition, the proposal included changes to the structure of databases on real estate market proposed as a result of cooperation between representatives of the Polish banking sector and one of the largest providers of data from the real estate sector.

As a result of the work, a draft amendment to Recommendation J was developed, which differs in its form and content from the previous one, including its title: 'Recommendation J on the rules for collecting and processing of real estate market data by banks'.

The draft Recommendation J was submitted for public consultation. As a result of the consultation of the draft Recommendation J, further changes were introduced, and the draft was granted the formal and legal approval.

RECOMMENDATIONS ON MOTOR VEHICLE INSURANCE CLAIM SETTLEMENT

In the first half of 2022, a draft Recommendation on motor vehicle insurance claim settlement was submitted for consultation with stakeholders and institutions concerned, in accordance with Article 365(2) of the Act on the business of insurance. On 14 July 2022, pursuant to Article 365(1) point 2(a)–(c) of the Act on the business of insurance, the KNF Board issued Recommendations on motor vehicle insurance claim settlement (resolution No 240/2022) which superseded the Guidelines on Motor Vehicle Insurance Claims Settlement. The KNF Board specified that insurance undertakings should begin to apply the Recommendations not later than from 1 November 2022.

The Recommendations were issued to ensure compliance of the business of insurance undertakings with legislation, to prevent the harm to the interests of policyholders, the insured or beneficiaries under insurance contracts, and to mitigate the risk arising from the business of insurance undertakings.

DRAFT RECOMMENDATIONS ON THE SUITABILITY OF LIFE INSURANCE WITH AN INVESTMENT COMPONENT

On 20 June 2022, information on the draft Recommendations for insurance undertaking concerning the assessment of the suitability of life insurance with an investment component (hereinafter: Recommendations) was submitted to the KNF Board.

The purpose of the Recommendations is to ensure a uniform and consistent application by insurance undertakings of legal provisions relating to the assessment of the suitability of life insurance with an investment component and to prevent insurance undertakings from engaging in practices that cause or increase the risk of offering life insurance products with an investment component which are not suitable for the customer.

Those Recommendations will supersede the Recommendations of the supervisory authority for insurance undertakings on product adequacy testing of 22 March 2016 to take account of new legal acts issued both at national and EU levels and new requirements and obligations in the field of insurance distribution, including those that regulate the process of distributing life insurance with an investment component.

The draft Recommendations were shared with stakeholders and institutions concerned in the process of consultation that finished on 16 September 2022. The work on the Recommendations is planned to end in 2023.

11.5.2.3. POSITIONS AND COMMUNICATIONS OF THE KNF BOARD AND THE UKNF, AND Q&As

A detailed list of positions and communications of the KNF Board and the UKNF and Q&As is provided in Table 13.5.2 in Annex 13.5.

11.5.2.4. LEGAL SERVICES. PROCEEDINGS BEFORE ADMINISTRATIVE COURTS, COMMON COURTS AND OTHER ADJUDICATING BODIES

Legal services provided by the UKNF include representation of the KNF Board, the Chair of the KNF Board and the UKNF itself in cases pending before administrative courts, common courts and other adjudicating bodies.

Administrative decisions of the KNF Board are subject to review by administrative courts and the defence of the lawfulness of those decisions before administrative courts is an important element of legal services provided by the UKNF. In 2022, 61 complaints against decisions issued by the KNF Board were lodged to the Provincial Administrative Court (PL: Wojewódzki Sąd Administracyjny – WSA). In 2022, 35 judgments were delivered at the WSA in Warsaw. In 26 cases, last-resort (cassation) appeals

or responses to last-resort appeals brought by the other party were submitted to the Supreme Administrative Court (PL: Najwyższy Sąd Administracyjny – NSA) on behalf of the KNF Board. The NSA handed down 46 judgments in cases concerning administrative law issues related to the financial market in 2022.

Cases before common courts were primarily civil and commercial law cases concerning contracts to which the UKNF was a party.

Legal services also include representing the UKNF before the National Appeals Chamber in disputes in the field of public procurement.

11.6. PREVENTION OF FINANCIAL MARKET ABUSE

11.6.1. ADMINISTRATIVE PROCEEDINGS

In 2022, the KNF Board conducted 276 administrative proceedings on imposing a fine or other sanctions for infringement of law by KNF-supervised entities or by obliged entities (in relation to a suspected infringement of the Act on insurance distribution, with granting/withdrawal/limitation of authorisation to conduct supervised activities or removal from a register). The number of administrative proceedings conducted in the first instance is not equal to the number of entities subject to the proceedings, as multiple times the KNF Board conducted one set of proceedings against several natural persons (cases concerning members of governing bodies) or shareholders of public companies (on parking shares or shareholder agreements).

Table 58. Number of administrative proceedings (in the first instance) conducted by the KNF Board in 2022 on imposing an administrative penalty, including a fine, by category of entity

Item	Categories of entities in relation to which administrative proceedings were conducted	Number of sets of administrative proceedings
1.	banks	10
2.	shareholders of banks	2
3.	members of management boards of banks	3
4.	investment firms	4
5.	members of management boards of investment firms	6
6.	tied agents of investment firms	1
7.	securities brokers/investment advisers	2
8.	issuers	19
9.	members of management boards of issuers	19
10.	members of supervisory boards of issuers	19
11.	shareholders of public companies (qualifying holdings, closed periods, management's transactions)	21
12.	investment fund management companies	7
13.	depositories	1
14.	commodity brokerage houses	1
15.	insurance undertakings	15
16.	insurance brokers	1
17.	insurance agents including banks acting as insurance agents	24
18.	domestic payment institutions	7
19.	small payment institutions	4
20.	payment services offices	83
21.	mortgage credit intermediaries	13
22.	public-interest entities	6
23.	members of audit committees	3
24.	other entities	3
25.	entities which were granted a fine reduction/were refused a fine reduction	2
Total		276

Source: UKNF

Table 59. List of types of administrative decisions issued in the first instance in 2022

Type of administrative decision issued		Number of administrative decisions issued
Decision of the KNF Board in the first instance	imposition of a fine	59
	imposition of a fine and exclusion of an issuer from trading on a regulated market	1
	imposition of a fine and partial discontinuance of proceedings	18
	discontinuance of administrative proceedings	60
	suspension of rights to practise the profession of a securities broker/an investment adviser	0
	refraining from imposing a fine and discontinuance of administrative proceedings pursuant to the Act on statutory auditors	8
	granting/refusal to grant a reduction in an administrative fine	1
	prohibition on further offering of securities to the public and publication on the KNF website of information on unlawful action in connection with an offer to the public	1
	publication on the KNF website of information on unlawful action in connection with an offer to the public	1
	declaration of invalidity of a decision to publish information on unlawful action in connection with an offer to the public and share subscription	1
	decision concerning prohibition on conducting the business of a payment services office	9
	decision concerning prohibition on conducting the business of a small payment institution	1
	<i>ex officio</i> withdrawal of authorisation to conduct the business of mortgage credit intermediation as a mortgage credit intermediary	11
	Total	171

Source: UKNF

Table 60. List of amounts of fines imposed and number of administrative decisions issued in the first instance in 2022, by category of entity

Categories of entities in relation to which sanctions were applied in the first instance		Amount of fine (in PLN)	Number of decisions
ENTITIES	banks	3 300 000	2
	shareholders of banks	22 400 000	2
	members of management boards of banks	0	0
	investment firms	1 000 000	1
	members of management boards of investment firms	1 480 000	3
	securities brokers/investment advisers	0	0
	issuers	8 220 000	9
	members of management boards of issuers	17 101 000	19
	members of supervisory boards of issuers	968 500	16
	shareholders of public companies (qualifying holdings, closed periods, management's transactions)	12 774 000	11

	investment fund management companies	1 900 000	2
	depositories	0	0
	insurance undertakings	3 082 300	9
	public-interest entities	1 600	1
	members of audit committees	570 000	3
	small payment institutions	250 000	1
	domestic payment institution	220 000	2
Total amount of fines imposed in the first instance in 2022 and total number of decisions issued		73 267 400	81

Source: UKNF

The amounts of fines imposed and the number of decisions issued, as presented in Table 60, in respect of different categories of KNF-supervised entities or obliged entities show that sanctions-related activities concentrated on several areas.

The first area was information disclosure requirements of security issuers, members of their management boards and supervisory boards and their shareholders. An untimely or improper fulfilment of information disclosure requirements by issuers with regard to inside information and interim reports, as well as by their shareholders with regard to qualifying holdings, violates the principle of market transparency. That principle is based on universal and equal access, at the same time, to accurate and reliable information on the issuer, the securities it issues, as well as the demand for and the supply of those securities, and is a pillar of the functioning of the exchange market. Failure to comply with that principle leads to a breach of fair trading rules and to undermining investor confidence in the market.

Another important area is the information disclosure requirements of shareholders of public companies, including members of management boards and supervisory boards and persons closely associated with them, arising from MAR, regarding transactions in the issuer's shares, and the prohibition of conducting transactions during closed periods by the management of issuers. The transparency of transactions conducted by those entities based on the information advantage, which they have due to their close relationship with the issuer (first-hand knowledge), eliminates that advantage and constitutes a measure to prevent market abuse, in particular insider dealing. Prohibition on conducting any transactions during closed periods serves a similar purpose.

In 2022, the KNF Board conducted proceedings against an investment firm for breaching the provisions of the Act on trading that govern the conduct of business by investment firms.

In that same year, the KNF Board also imposed sanctions on members of management boards of investment firms. Persons holding key functions at investment firms must be aware of the fact that any serious infringements of law detected in the conducted business activities are also examined in terms of their personal liability. When managing the business of an investment firm, members of the management board have the obligation to ensure that the firm operates in accordance with the rules resulting from the applicable law.

In 2022, the KNF Board conducted proceedings against a tied agent of an investment firm to establish whether or not the provisions of the Act on trading or the regulations issued under that Act, in particular those governing the performance of agency activities, were infringed. A tied agent of an investment firm should carry out their activities properly, with due diligence, so as not to compromise the security of financial transactions or the interests of the clients of the firm.

In 2022, the KNF Board also carried out proceedings against shareholders of a bank for failing to meet investor commitments. The sanctions applied are intended to draw special attention of this category of banking sector entities to the importance of shareholders' role in ensuring the security and financial

stability of a bank, which, as an institution of public trust, should ensure the security of funds deposited in bank accounts.

In 2022, the KNF Board also applied sanctions against investment fund management companies (TFIs) for infringements identified in that financial sector in connection with a failure to supervise on an ongoing basis the performance by a manager of the activities entrusted to them as regards the management of the fund's investment portfolio and a failure to ensure that the manager performs their functions in accordance with the law. The proceedings also concerned the performance of reporting obligations. Eliminating such infringements is particularly important in view of the need to ensure the safety of the capital market and the protection of interests of participants in investment funds.

An important aspect of the KNF Board's supervision is also the supervision of public offerings, including offerings without a prospectus being published. Supervisory activities undertaken in that regard are aimed primarily at minimising the potential investment risk associated with the purchase of securities in public offerings. The activities led to the adoption of two decisions: on prohibition of further offering of securities to the public and on publication of information on unlawful action in connection with an offer to the public and on publication of information on unlawful action in connection with an offer to the public.

Another area of interest of the KNF Board's sanctions-related activities were insurance undertakings, whose infringements, similarly as in previous years, consisted mainly of late settlement of claims. A systematic decrease could be observed in the number and the amount of fines. That is related, among other things, to the multitude of penalties imposed on insurance undertakings in previous years and their effective preventive action (i.e. the introduction by the undertakings of a number of measures to improve the claim settlement process).

The KNF Board conducted administrative proceedings and imposed sanctions on insurance distributors. The proceedings concerned, in particular, irregularities in the supervision of the fulfilment of the training requirement referred to in the Act on insurance distribution, as well as other irregularities in the organisation and the process of insurance distribution. Imposing sanctions for the identified irregularities should contribute to eliminating those behaviours, thus ensuring the proper functioning of the financial market.

As regards the payment services sector, in 2022 the KNF Board conducted administrative proceedings in respect of withdrawal of authorisation to provide payment services as a domestic payment institution and on prohibition of conducting the business of a small payment institution or of a payment services office. Those proceedings focused on non-compliance by the identified payment service providers with the provisions of the Act on payment services and also aimed to protect the interests of payment service users.

In 2022, the KNF Board also conducted sanctions proceedings against mortgage credit intermediaries for failure to comply with their statutory requirements such as, *inter alia*, failure to conclude a civil liability insurance contract against damage caused in connection with conducting the business of mortgage credit intermediation. Withdrawing authorisations of intermediaries that commit gross violations of statutory law is aimed primarily at protecting borrowers.

The KNF Board provides updated information, through communications published on the KNF website, about new sanctions decisions, which enables the general prevention function to be performed, aimed at increasing the awareness of the applicable law among other supervised or obliged entities. Those entities must expect to face a strong supervisory response and the inevitability of sanctions in the case of serious infringements of the provisions of law intended to ensure safety in the financial market and adequate protection of interests of customers.

In 2022, the KNF Board also conducted administrative proceedings under the AML Act against most categories of institutions under its supervision. Information on final sanctions decisions issued by the

KNF Board on those grounds is published in the Public Information Bulletin on the official website of the office of the minister competent for public finance.

In 2022, the KNF Board conducted 50 administrative proceedings following an application for a review of a case.

Table 61. List of types of administrative decisions issued by the KNF Board in 2022 following an application for a review of a case

Administrative decisions issued in 2022 after examining an application for a review of a case		Number of decisions issued
TYPE OF DECISION ISSUED	upholding of the contested decision	19
	reversal of the contested decision and imposition of a smaller fine	4
	reversal of the contested decision and discontinuation of the administrative proceedings	0
	partial reversal of the contested decision, imposition of a smaller fine, partial discontinuation of the administrative proceedings and upholding of the remainder of the decision	1
	partial reversal of the contested decision, imposition of a smaller fine and upholding of the remainder of the decision	1
	TOTAL	25

Source: UKNF

Table 62. Number of applications for review of a case and complaints to the WSA against administrative decisions issued by the KNF Board in 2022

Number of administrative decisions issued in the first instance	Number of applications for review of a case	Number of complaints to the WSA against decisions issued in the first instance (without prior application for review of a case)	Percentage of applications for review of a case concerning decisions issued in the first instance	Percentage of complaints to the WSA against decisions issued in the first instance (without prior application for review of a case)	Percentage of decisions issued in the first instance that were not contested by the parties to the proceedings (no applications or complaints)
92	51	10	55.43%	10.87%	33.70%

Source: UKNF

As shown by the data in Table 62, submitting of an application for review of a case remains the principal means of appeal against decisions of the KNF Board, with a relatively small number of complaints submitted to the WSA without exercising the right to review of the case. At the same time, a significant number of decisions made by the KNF Board in 2022 were not contested by the parties in any way, showing that those decisions were accepted.

11.6.2. INVESTIGATIONS

In 2022, the UKNF initiated and conducted investigations to determine whether there were grounds to file a notification of a suspected criminal offence or to initiate administrative proceedings with regard to violation of law to the extent subject to the KNF supervision.

In connection with its investigations, the UKNF carried out analytical work and conducted on-site activities on the premises of the entities in relation to which the proceedings were initiated. In order to obtain valid data for the purpose of the proceedings, natural persons, legal persons, as well as KNF-supervised entities were requested to submit appropriate statements or explanations. The UKNF also

cooperated in this area with other public administration bodies, including law enforcement and judicial authorities.

In 2022, the KNF Board conducted 30 investigations to determine whether or not there were grounds to file a notification of suspected criminal offence defined in the Acts referred to in Article 1(2) of the Act on financial market supervision.

In 2022, the KNF Board conducted 3 investigations to determine whether or not there were grounds for initiating administrative proceedings with regard to violation of law to the extent subject to the KNF supervision.

11.6.3. NOTIFICATIONS OF A SUSPECTED CRIMINAL OFFENCE

As part of adapting the activities of the UKNF to the changing conditions of the functioning of the financial market, a new organisational unit – the Criminal Cases Department – was established in March 2022. In previous years, tasks related to criminal cases were carried out within the structures of other departments.

In 2022, the UKNF was stepping up its activity in the area of detecting and combating criminal acts in the financial market. In its analytical activities, the UKNF focused on effective acquisition of evidence from various sources, which, following the later actions by law enforcement authorities, could be used to better prosecute perpetrators of criminal acts. For this purpose, the number of activities performed during the investigations, which were carried out at the entity's place of business, was increased, as well as the number of activities which consisted in taking statements and explanations directly from persons who could have knowledge in a given case. At the same time, advanced tools and software were increasingly used to secure and analyse the acquired data. In addition to the activities aimed at eliminating from the financial market those entities that carried out the KNF-supervised activities illegally, actions were also taken to inform the law enforcement authorities about cases of improper conduct by supervised entities. Those cases concerned, for example, situations of acting to the detriment of a company or failure to draw up financial statements within the time limits required by law.

As regards litigation, attorneys-at-law exercising the rights of aggrieved parties supported the law enforcement authorities at every stage of pre-trial proceedings, by participating in trial procedures, formulating evidence conclusions or supplementing, after further analysis, the previously submitted notifications. Similar activities were carried out at the stage of the court proceedings, where designated employees of the UKNF, by performing the function of a subsidiary prosecutor, were seeking to penalise the perpetrators of prohibited acts.

On the basis of the experience gained, solutions that optimise operations in the area of combating crime in the financial market, are implemented on an ongoing basis. In particular, further efforts are intended to boost the dynamics of investigation, combined with formulating action plans independently – not resulting directly – from the received notifications of irregularities.

In 2022, 350 cases were recorded concerning the activities of entities in the area of potential irregularities of criminal nature (as part of the activity of a single entity, up to a dozen or so notifications could have been submitted). In connection with the above-mentioned cases, the UKNF performed verification to determine whether or not the activities of the entities in the financial market might have been considered as irregularities subject to criminal sanction. In analysing those cases, additional documents and data were obtained from various sources. Depending on the results of the verification, notifications of a suspected criminal offence (or letters to supplement such notifications) were submitted and other competent public administration authorities were informed or further actions were refrained from.

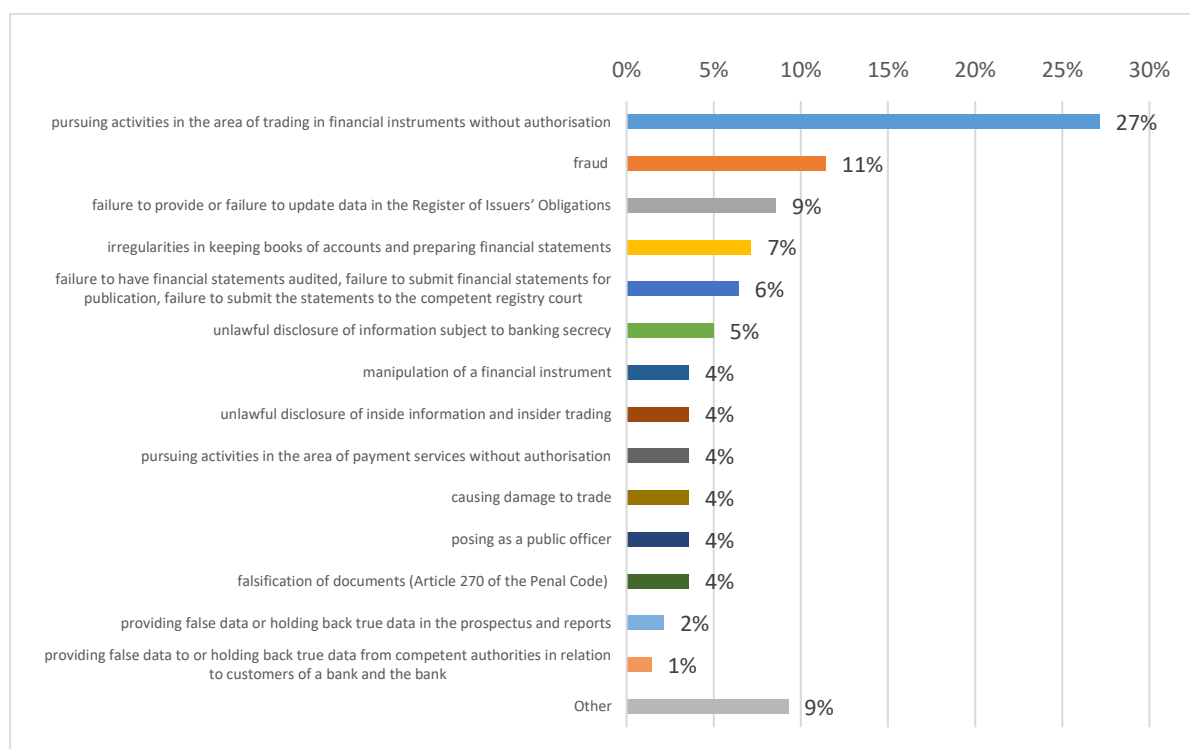
In 2022, the UKNF made 127 notifications of a suspected criminal offence. That is a 30% increase compared to 2021 (98). In some cases, the notifications concerned several provisions of law, hence the total number of the violated provisions (given in Table 63) is greater than the total number of notifications sent in 2022.

Table 63. Notifications of a suspected criminal offence made by the UKNF in 2019–2022, by type of violated provision of law

Type of violated provision of law	Number of violations of individual provisions of law reported in notifications of a suspected criminal offence			
	2019	2020	2021	2022
Article 183 of the Act on trading (manipulation of a financial instrument)	15	15	1	5
Articles 180 and 181 of the Act on trading (unlawful disclosure of inside information and insider trading)	11	10	4	5
Article 100 of the Act on public offering (providing false data or holding back true data in the prospectus and reports)	3	1	2	3
Article 178 of the Act on trading (pursuing activities in the area of trading in financial instruments without authorisation)	9	13	32	38
Article 179 of the Act on trading (breach of professional secrecy in trading in financial instruments)	1	2	1	1
Article 171(4) of the Banking Law (giving false data or holding back true data)	6	3	3	2
Other	18	47	92	87
Total	63	91	135	141

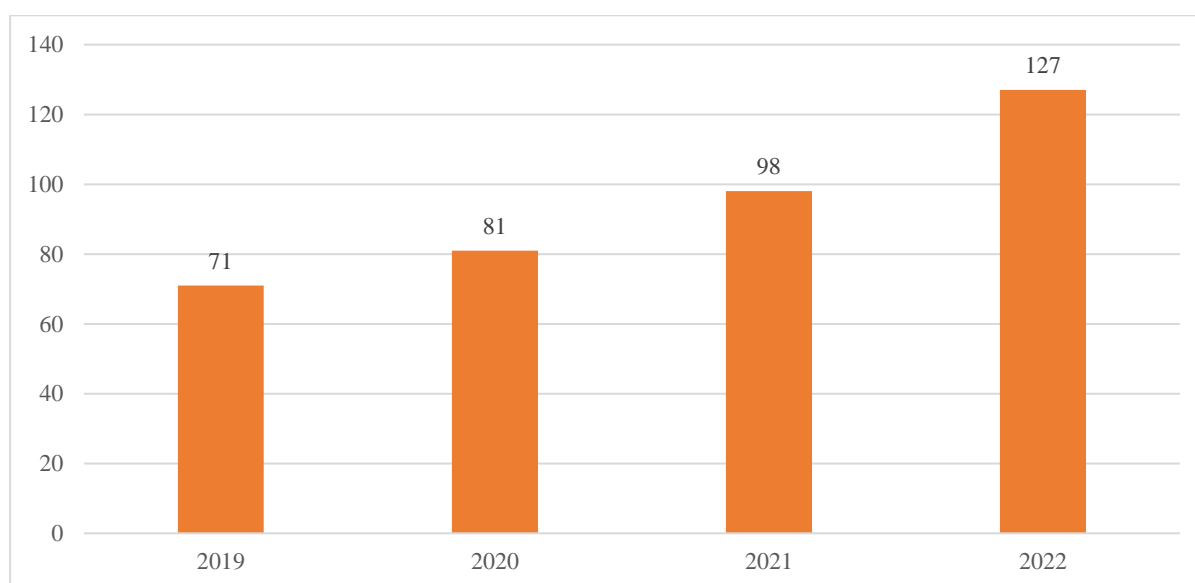
Source: UKNF based on, *inter alia*, the annual reports on the activities of the UKNF and the KNF Board in the years 2019–2021

Diagram 8. Share of specific criminal law provisions invoked in the notifications submitted by the UKNF to the Prosecutor's Office in 2022



Source: UKNF

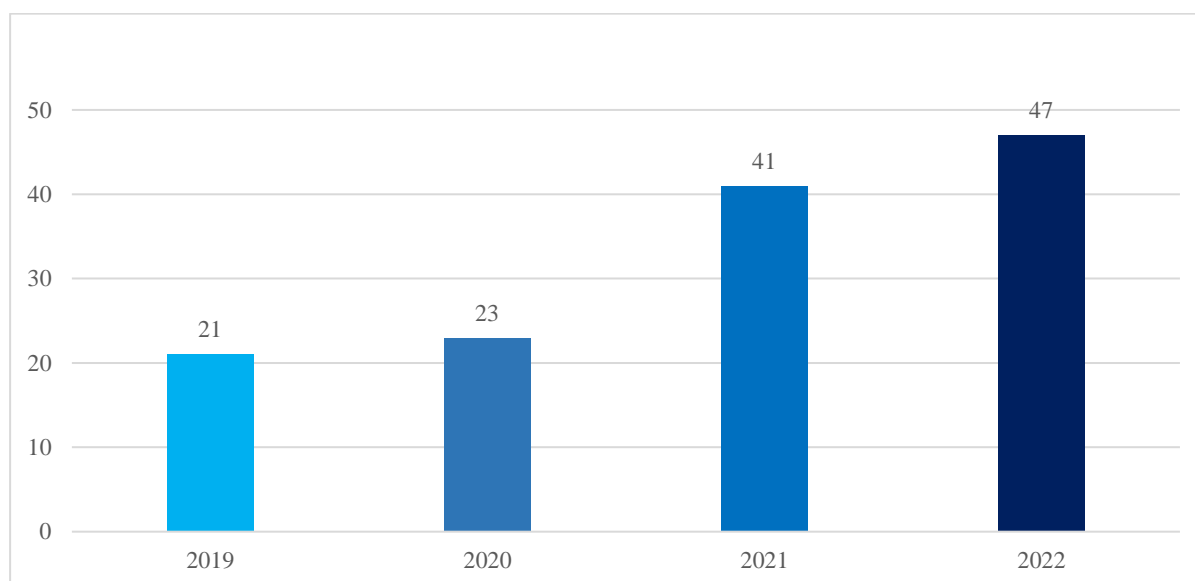
Diagram 9. Number of notifications made by the UKNF in the years 2019–2022



Source: UKNF based on, *inter alia*, the annual reports on the activities of the UKNF and the KNF Board in the years 2019–2021

A number of notifications submitted by the UKNF resulted in placing entities on the List of Public Warnings of the KNF Board. Entering an entity on the List of Public Warnings applies only to those notifications that are made on the basis of criminal law provisions specified in the Act on financial market supervision. In 2022, in connection with notifications of a suspected criminal offence made by the UKNF, 47 entities figured on the List of Public Warnings.

Diagram 10. Number of entries on the List of Public Warnings of the KNF Board made in the years 2019–2022 following notifications of a suspected criminal offence made by the UKNF



Source: UKNF, based on the List of Public Warnings of the KNF Board

In 2022, 36 letters were submitted to prosecutor's offices to supplement a previous notification.

Moreover, in 2022, pursuant to Article 17ca of the Act on financial market supervision, the UKNF continued its cooperation with central offices and units of public services and agencies in the area of exchange of documents and information necessary to achieve statutory objectives in the field of prevention and detection of criminal offences in the financial market.

Through the exercise of the above-mentioned statutory right, the UKNF made nearly 50 statements concerning the phenomena observed in the financial market that, due to their nature, were not qualified as giving rise to a need to submit notifications of a suspected criminal offence. The exchange of information with other bodies is related to the constant process of reinforcing the UKNF's organisational units responsible for conducting procedures in criminal cases and to the streamlining of activities related to obtaining and processing information about criminal phenomena identified in the financial market.

According to the UKNF's data as at 31 December 2022, out of the 127 notifications submitted by the UKNF to prosecutor's offices in 2022, 87 pre-trial proceedings were initiated, 11 of which were subsequently discontinued, and initiation of investigation was denied in 11 cases.

11.6.4. **BILLS OF INDICTMENT**

In 2022, the UKNF received information that prosecutor's offices submitted to common courts:

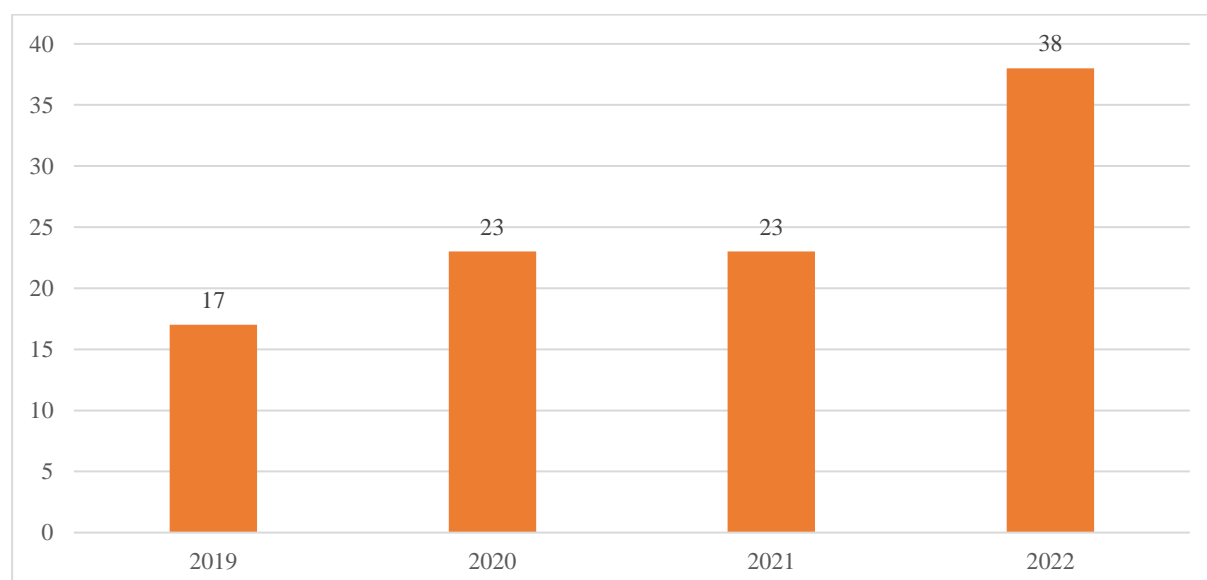
- 38 bills of indictment following notifications of a suspected criminal offence made by the UKNF, and
- 7 bills of indictment in cases which the Chair of the KNF Board joined as an aggrieved party.

Table 64. Bills of indictment sent by a prosecutor's office to courts in 2022 following notifications of a suspected criminal offence made by the UKNF, by type of violated provision of law

Type of violated provision of law	Number of bills of indictment
Article 178 of the Act on trading (pursuing activities in the area of trading in financial instruments without authorisation)	18
Article 183 of the Act on trading (manipulation of a financial instrument)	8
Article 171(1) and (3) of the Banking Law (pursuing banking activities without authorisation)	3
Article 150 of the Act on payment services (operating without authorisation in the area of provision of payment services)	2
Article 181 of the Act on trading (insider trading)	2
Other	5
Total	38

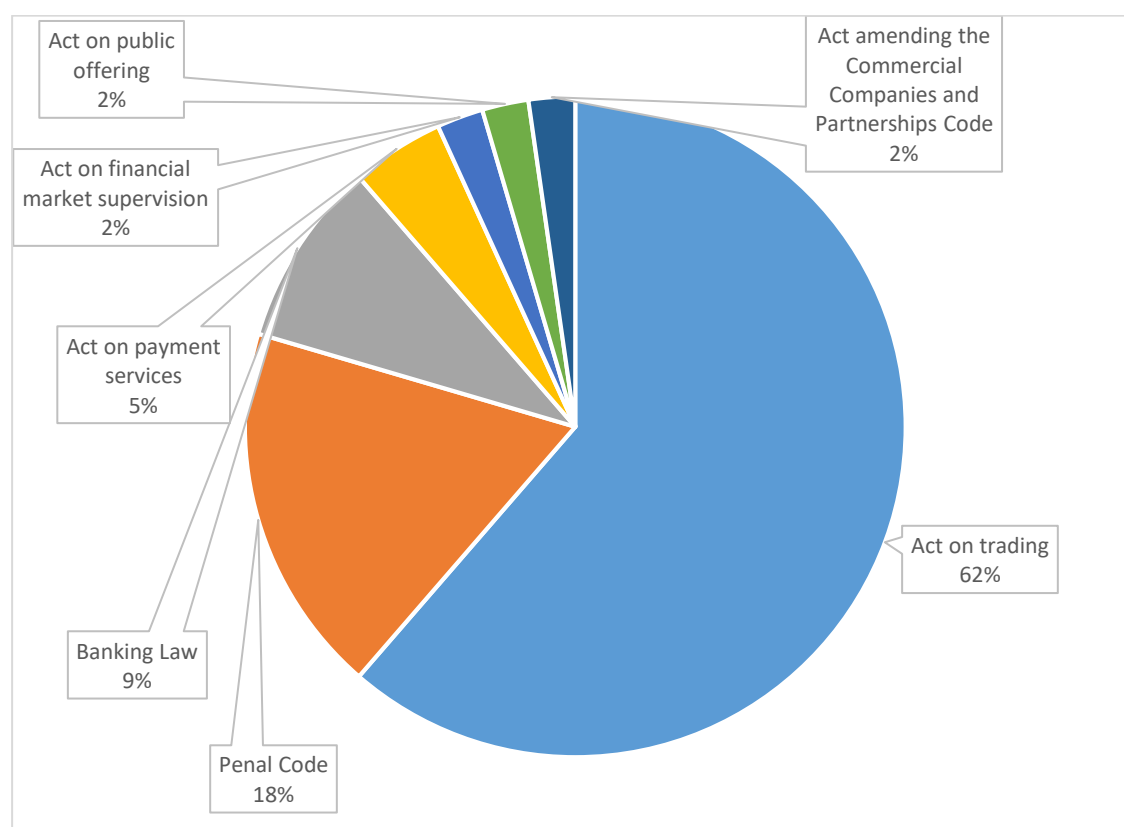
Source: UKNF

Diagram 11. Number of bills of indictment sent by a prosecutor's office to courts in the years 2019–2022 following notifications of a suspected criminal offence made by the UKNF



Source: UKNF based on, *inter alia*, the annual reports on the activities of the UKNF and the KNF Board in the years 2019–2021. In a number of cases, a single bill of indictment was based on violations of several provisions of law.

Diagram 12. Violated provisions of law in bills of indictment sent by a prosecutor's office to courts in 2022, by act of statutory law



Source: UKNF

11.6.5. JUDGMENTS OF CONVICTION AND CASES OF CONDITIONAL DISCONTINUANCE OF PROCEEDINGS

In 2022, common courts issued 30 judgments of conviction and conditionally discontinuing criminal proceedings following a notification of justified suspicion of a criminal offence submitted by the UKNF and following the activities undertaken *ex officio* by a prosecutor's office.

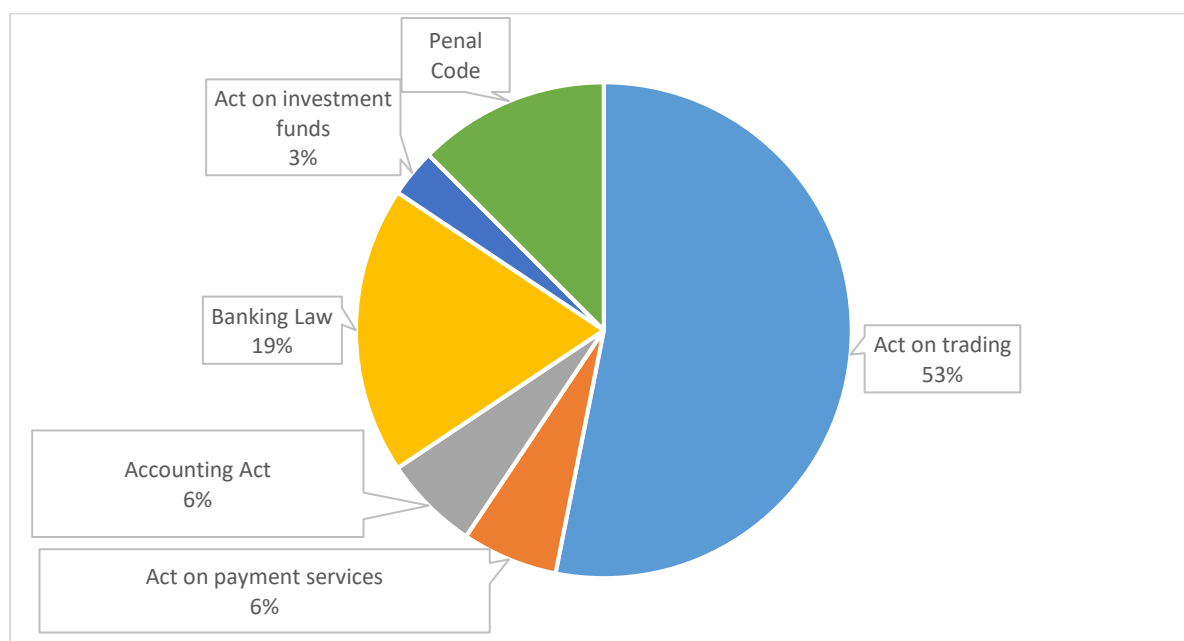
Table 65. Judgements of conviction and cases of conditional discontinuance in 2022 by basis for conviction

Basis for conviction	Number of judgements
Article 183 of the Act on trading (manipulation of a financial instrument)	6
Article 178 of the Act on trading (pursuing activities in the area of trading in financial instruments without authorisation)	9
Article 181 of the Act on trading (insider trading)	1
Article 150 of the Act on payment services (operating without authorisation in the area of provision of payment services)	2
Article 171(1) and (3) of the Banking Law (pursuing banking activities without authorisation)	4
Other	8
Total	30

Source: UKNF

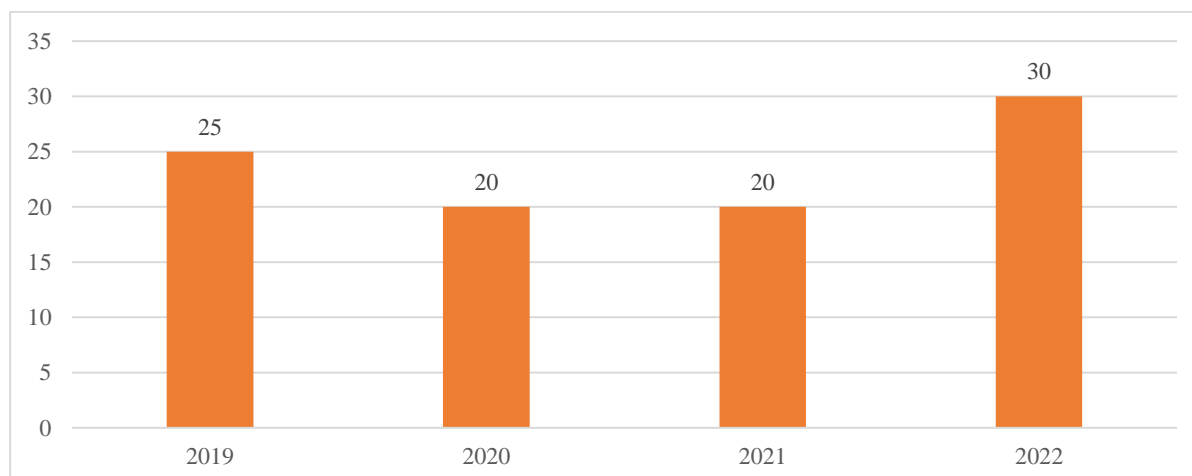
In some matters, the notifications concerned several provisions of law violated in a single case.

Diagram 13. Structure of judgments of conviction and cases of conditional discontinuance in 2022 by act of statutory law



Source: UKNF

Diagram 14. Number of judgments of conviction and cases of conditional discontinuance of proceedings in the years 2019–2022 following notifications made by the UKNF



Source: UKNF based on, *inter alia*, the annual reports on the activities of the UKNF and the KNF Board in the years 2019–2021

In 2022, in cases in which the UKNF was involved, the courts visibly acknowledged the harmful effect of criminal acts in the financial market and the necessity to fulfil the need for general and specific prevention by imposing severe and adequate penalties.

Short descriptions of judgments of conviction selected for the severity of penalty:

- 1) Judgment of the District Court for Warszawa-Śródmieście in Warsaw in a case under Article 183(1) of the Act on trading: a natural person was sentenced to 6 months of deprivation of liberty conditionally suspended for a probationary period of 2 years and to a fine of PLN 100 000 (non-final judgment),

- 2) Judgment of the District Court for Warszawa-Mokotów in Warsaw in a case under Article 183(1) of the Act on trading: a natural person was sentenced to a fine of PLN 250 000 (final judgment),
- 3) Judgment of the Regional Court in Wrocław, in which:
 - a) one natural person was sentenced to 12 years of deprivation of liberty and to a fine of PLN 1 300 000 and a prohibition on conducting business activity and performing functions at commercial companies engaged in healthcare and trade in medicines for a period of 10 years under Article 258 § 3 of the Penal Code and Article 286 § 1 of the Penal Code in conjunction with Article 294 of the Penal Code in conjunction with Article 297 § 1 of the Penal Code and Article 301 § 2 of the Penal Code and Article 302 § 1 of the Penal Code and Article 299 § 1 and 5 of the Penal Code and Article 183(1) of the Act on trading,
 - b) two natural persons were sentenced to 3 years of deprivation of liberty and to a fine of 120 daily rates of PLN 200 each and a prohibition on performing functions at commercial companies engaged in healthcare and trade in medicines for a period of 7 years under Article 258 § 1 of the Penal Code, Article 286 § 1 of the Penal Code in conjunction with Article 294 § 1 of the Penal Code in conjunction with Article 12 of the Penal Code in conjunction with Article 65 § 1 of the Penal Code, Article 301 § 2 of the Penal Code in conjunction with Article 12 of the Penal Code in conjunction with Article 65 § 1 of the Penal Code, Article 302 § 1 of the Penal Code and Article 299 § 1 and 5 of the Penal Code in conjunction with Article 12 of the Penal Code,
 - c) one natural person was sentenced to 1 year of deprivation of liberty conditionally suspended for a probationary period of 3 years and to a fine of 100 daily rates of PLN 400 each and a prohibition on practising the profession of an appraiser for a period of 5 years under Article 258 § 1 of the Penal Code and Article 299 § 1 and 5 of the Penal Code in conjunction with Article 12 of the Penal Code in conjunction with Article 65 § 1 of the Penal Code,
 - d) one natural person was sentenced to 1 year of deprivation of liberty conditionally suspended for a probationary period of 3 years under Article art. 271 § 3 of the Penal Code in conjunction with Article 18 § 3 of the Penal Code in conjunction with Article 297 § 1 of the Penal Code in conjunction with Article 11 § 2 of the Penal Code,
 - e) two natural persons were sentenced to 6 months of deprivation of liberty conditionally suspended for a probationary period of 3 years and a prohibition on practising the profession of an auditor for a period of 5 years under Article 78(1) of the Accounting Act,
- 4) Judgment of the Court of Appeal in Wrocław in a case under Article 286 of the Penal Code: - a natural person was sentenced to 9 years and 6 months of deprivation of liberty and imposed an obligation to compensate for the damage caused to the aggrieved parties (final judgement),
- 5) Judgment of the Court of Appeal in Gdańsk in a case under Article 286 of the Penal Code and Article 171 of the Banking Law:
 - one natural person was sentenced to 15 years of deprivation of liberty, and
 - one natural person was sentenced to 11 years and 6 months of deprivation of liberty (final judgment),
- 6) Judgment of the District Court for Warszawa-Śródmieście in Warsaw in a case under Article 178 of the Act on trading: a natural person was sentenced to a fine of PLN 150 000 and a prohibition on conducting business activity for 2 years (non-final judgment),
- 7) Injunction ruling of the District Court for Warszawa-Mokotów in Warsaw in a case under Article 178 of the Act on trading: two natural persons were sentenced to a fine of PLN 50 000 each (non-final judgment).

Information about the final and binding nature of judgments or the lack thereof is given as at 31 December 2022.

11.6.6. POWERS EXERCISED IN CRIMINAL PROCEEDINGS

As part of the powers exercised in criminal proceedings, the attorneys-at-law authorised by the Chair of the KNF Board act as representatives of aggrieved parties and representatives of subsidiary prosecutors.

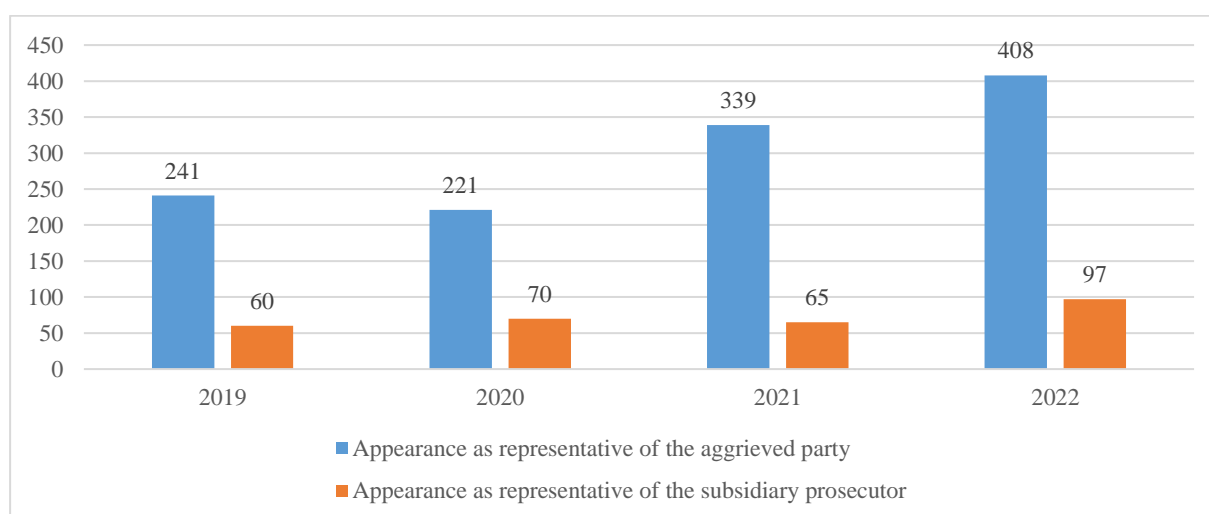
The total number of appearances as representatives of the aggrieved party and of the subsidiary prosecutor in 2022 increased by 25% compared to the number of such appearances in 2021.

Table 66. Number of cases in the years 2019–2022 in which attorneys-at-law were authorised by the Chair of the KNF Board to appear in criminal proceedings, by nature of authorisation

Type of appearance	Number of cases			
	2019	2020	2021	2022
Appearance as representative of the aggrieved party	241	221	339	408
Appearance as representative of the subsidiary prosecutor	60	70	65	97
Total	301	291	404	505

Source: UKNF

Diagram 15. Number of cases in the years 2019–2022 in which attorneys-at-law were authorised by the Chair of the KNF Board to appear in criminal proceedings



Source: UKNF based on, *inter alia*, the annual reports on the activities of the UKNF and the KNF Board in the years 2019–2021

11.6.7. POWERS OF PUBLIC PROSECUTOR EXERCISED BY THE CHAIR OF THE KNF BOARD IN CIVIL PROCEEDINGS

Pursuant to Article 6(1) of the Act on financial market supervision, in civil-law cases arising from the relationships established in connection with participation in trading in the financial market or concerning entities operating in that market, the Chair of the KNF Board has the powers of a public prosecutor following from the provisions of the Civil Procedure Code. This means, *inter alia*, the right to join pending court proceedings. Joining the proceedings is effected by a declaration made to the court and does not require a separate decision on that matter to be made by the court. It should be emphasised that the Chair of the KNF Board, acting in civil proceedings as a public prosecutor, represents the public interest and does not act in the interest of any of the parties.

On 5 October 2022, the Chair of the KNF Board joined to proceedings before the District Court for Warszawa-Śródmieście in the case under Ref. No I C 1297/21, in which the decision will be made after the CJEU has given a preliminary ruling on the question referred by the national court. The decision to be taken by the CJEU in the referred case will be precedent-setting and may have far-reaching consequences for the safety and stability of the financial market in Poland if it is found that a bank does not have a claim against the borrower for remuneration for the use of the loan capital where the loan agreement is invalidated due to the abusive nature of its provisions. The fact of joining the case before the referring national court allowed the Chair of the KNF Board to obtain the status of a party to the

preliminary reference procedure before the CJEU under file reference C-520/21 and to present at the hearing before the CJEU on 12 October 2022 the KNF Board's position on the effects of the ruling for the financial stability of the banking sector in Poland. The Chair of the KNF Board pointed out that the decision of the CJEU may also be of particular importance from the point of view of other values which are guarded by the financial supervisory authority, including transparency of the financial market, trust in the market and protection of its participants.

In 2022, there were also cases pending before common courts, which the Chair of the KNF Board had joined in previous years in connection with the pursued claims. In those cases, the Chair of the KNF Board exercised the powers of a public prosecutor and joined the ongoing civil cases, based on the conditions for joining litigation laid down in Article 7 of the Civil Procedure Code.

11.7. PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

Under the AML Act, the KNF Board is a body cooperating with the General Inspector of Financial Information (GIFI) and has the powers to, among other things, control the performance of duties by obliged institutions under the KNF supervision in the area of prevention of money laundering and terrorist financing (AML/CFT). In 2022, the KNF Board carried out 18 inspections in the AML/CFT area.

Table 67. Number of inspection activities conducted by the KNF Board at supervised entities in 2022 in the area of prevention of money laundering and terrorist financing

Inspection activities at entities	Number
Commercial banks	5
Cooperative banks	5
Brokerage houses	2
Domestic payment institutions	2
Small payment institutions	2
Investment fund management companies	1
Life insurance undertakings	1
Total	18

Source: UKNF

As a result of the inspection activities, 237 irregularities were identified, covering 12 areas of breach. The number of irregularities does not include the results of inspections which, as at 31 December 2022, were not yet concluded with the issuance of post-inspection recommendations.

Table 68. Irregularities identified in 2022 at obliged institutions by area of breach

Item	Area of breach	Number
1.	ML/TF risk assessment of customers and prevention of preventive measures	58
2.	Analysis of transactions	42
3.	Organisation of the AML/CFT process	37
4.	Internal procedures	24
5.	Internal control system in the area of AML/CFT	23
6.	Assessment of obliged institution's risk	15
7.	Submission of information to the GIFI	11
8.	Implementation of KNF recommendations	10
9.	Training for employees	7
10.	Other AML/CFT issues	7
11.	Stopping transactions, blocking accounts and freezing assets	2
12.	Archiving of documents	1
Total		237

Source: UKNF

The most frequently identified irregularities in the areas of breach indicated above were:

- failure to update the data on customers and their beneficial owners which might affect their previous ML/TF risk assessment,
- no periodic update of the client’s ML/TF risk assessment,
- incorrect identification or failure to identify the beneficial owner,
- failure to comply with the requirements related to the day-to-day analysis of transactions and the requirements related to the transaction analysis carried out as day-to-day monitoring of the customer’s business relationships and related to documenting the results of the transactions analysis,
- adoption of excessively remote time limits for the completion of the analysis of transactions and for closing the alerts;
- insufficient scope, quality and/or frequency of management information,
- failure to reflect in the scope of activities of employees dealing with AML/CFT all duties performed by them within that scope,
- breach of the principle of separation of the operational and supervisory functions in the AML/CFT area,
- determining the obliged institution’s ML/TF risk level at a level that is too low in relation to the specific nature of the entity and to the findings made in the course of the inspection,
- incompatibility of internal regulations with applicable law or failure to cover in them all the issues required by the AML Act,
- failure to cover the key elements of the AML/CFT process in the internal control system,
- inadequate measures taken to eliminate the irregularities identified in the internal control system,
- failure to implement, or partial implementation of, KNF recommendations.

In order to eliminate the irregularities, the KNF Board issued post-inspection recommendations in the areas in question for the supervised institutions. The process of removing the irregularities was monitored on the basis of periodic reports submitted by the entities under inspection in which the entities provided a detailed description of corrective measures taken by them to eliminate the irregularities. The implementation of the post-inspection recommendations was also verified in the course of subsequent inspections. In connection with breaches of the provisions of the AML Act found during the inspections, the KNF Board issued, *inter alia*, warnings to supervised entities and conducted administrative proceedings in respect of imposition of an administrative penalty in connection with the breach of obligations laid down in the AML Act (Article 151(1) point 3 of the AML Act)⁴¹.

As part of the cooperation between the GIF and the KNF Board, in 2022 the obligations imposed on the KNF Board under the AML Act were performed. Information was also exchanged on potentially alarming phenomena detected in the activities of KNF-supervised obliged institutions. In addition, as part of international cooperation, in 2022 representatives of the UKNF participated, among others, in the Standing Committee on anti-money laundering and countering terrorist financing (AMLSC) of the European Banking Authority (EBA). The result of the joint work was, among others, EBA’s publications setting trends and policies in the area of increasing the effectiveness of and strengthening the framework for combating money laundering and terrorist financing.

11.7.1 INSPECTIONS IN THE AREA OF COMPLIANCE WITH RESTRICTIVE MEASURES

In 2022, in connection with the aggression of the Russian Federation against Ukraine, the Act on sanctions entered into force. In accordance with the provision of Article 143c point 2 introduced by the Act on the National Revenue Administration, the KNF Board was entrusted with the task of verifying

⁴¹ See Chapter 11.6.1. *Administrative proceedings*.

compliance by the KNF-supervised obliged institutions with the restrictive measures laid down in the EU Sanctions Regulations⁴² and in the Act on sanctions.

In performing its obligation, the UKNF carried out inspections of 8 supervised entities which are also obliged institutions in relation to their compliance with restrictive measures. As a result of the inspection, 10 irregularities were found. In accordance with the requirements of the Act on the National Revenue Administration, the KNF Board shared with the Head of the National Revenue Administration (KAS) the information obtained during the inspection.

The most frequently identified irregularities in relation to compliance with restrictive measures were:

- failure by institutions to lay down, in their internal regulations, the rules for the application of restrictive measures resulting from the Regulations: 765/2006, 269/2014, 833/2014 and the Act on sanctions,
- identification of potential clients on sanctions lists after establishing business relations,
- failure to introduce solutions to mitigate the risk of non-application of appropriate restrictive measures (in particular, the risk of funds being made available to a natural person or entity which is on the sanctions lists) or of using the products and services offered by the institutions to circumvent Polish and EU regulations imposing restrictive measures,
- ineffectiveness or absence of control mechanisms to effectively monitor compliance on the part of institutions with the requirements set out in Article 5b(1) of Regulation 833/2014 and Article 1u(1) of Regulation 765/2006.

In addition to its inspection activities in relation to compliance with restrictive measures, the UKNF sent a cross-sectoral letter on sanctions addressed to the banking, payment services and capital sectors with the Sanctions Questionnaire, in order to increase market awareness in this area and to gather information on how supervised entities performed obligations related to compliance with restrictive measures.

11.8. SUPERVISION OVER THE BENCHMARKS SECTOR

In 2022, the KNF Board exercised direct supervision over two benchmark administrators within the meaning of 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 (OJ L 171/1 of 29 June 2016) ('BMR'), i.e. GPW Benchmark S.A. and Instytut Rynku Finansowego sp. z o.o.

The year 2022 also saw further work on developing alternative benchmarks to the WIBOR critical benchmark. July 2022 marked the beginning of work of the National Working Group for benchmark reform (NWG) which aims to introduce, among others, a new interest rate benchmark, having as input data the information representing overnight (ON) transactions. The NWG aims to ensure the credibility, transparency and reliability of the process of determining and applying the new interest rate benchmark. The activities undertaken by the NWG also reflect its proactive engagement in global benchmark reform processes. The main reasons for initiating such changes are the evolutionary adaptation to the changing realities of financial markets and the efforts to use only transactional input data that identify wholesale deposits.

The NWG's work involves participation of representatives of the Ministry of Finance, the National Bank of Poland, the Polish Financial Supervision Authority, the Bank Guarantee Fund, the Polish Development Fund Group, the Warsaw Stock Exchange, the National Depository for Securities, Bank

⁴² Council Regulation (EC) No 765/2006 of 18 May 2006 concerning restrictive measures in view of the situation in Belarus and the involvement of Belarus in the Russian aggression against Ukraine (OJ L 134 20.5.2006, as amended) – hereinafter: Regulation 765/2006, Council Regulation (EU) No 269/2014 of 17 March 2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (OJ L 78 17.3.2014, as amended) – hereinafter: Regulation 269/2014, Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 229 31.7.2014, as amended) – hereinafter: Regulation 833/2014.

Gospodarstwa Krajowego, GPW Benchmark, commercial banks, banks affiliating cooperative banks, investment fund management companies, insurance undertakings, and professional associations of financial market entities. The activities of the NWG are monitored and coordinated by the Steering Committee which is a collective decision-making body.

In September 2022, the NWG decided to choose the WIRON index as an alternative interest rate benchmark for the Polish market. A Roadmap for the replacement of WIBOR and WIBID benchmarks with WIRON index has also been adopted. It sets out a timetable for the implementation of the WIRON index to newly concluded financial contracts, newly issued financial instruments and other products offered by market participants. According to the adopted timetable, in 2023 the WIRON index should start to be used as a benchmark within the meaning of the BMR.

11.9. ENFORCEMENT OF COMPLIANCE BY OBLIGED ENTITIES WITH THE REQUIREMENTS UNDER THE ACT ON ‘DORMANT ACCOUNTS’

In 2022, as in previous years, the UKNF carried out an analysis in connection with the obligations imposed on the KNF Board and specified in Article 133(2) point 8 and Article 138(1) point 10 of the Banking Law, and analogous solutions adopted in Article 67 point 8 and Article 71(1) point 6 of the Act on credit unions. The analysis included 22 commercial banks, 1 state bank, 2 affiliating banks, 505 cooperative banks, 13 branches of credit institutions and 23 credit unions. A total of 566 entities were assessed.

The analysed issues included instruction concerning the deposit in the event of death, verification of contracts in circumstances specified in the Act, the handling of queries in the Central Information System and informing the municipalities of the last place of residence. In addition, the analysis was extended to cover issues related to incorrect acceptance or execution of the instruction concerning the deposit in the event of death.

The analysis confirmed the need to continuously verify the data submitted by entities in relation to ‘dormant accounts’ due to the still existing discrepancies. The analysis allowed to identify the entities in respect of which specific actions were taken to clarify the reasons for provision of inaccurate data, as well as ordering them to eliminate irregularities or arrears.

11.10. PROTECTION OF INTERESTS OF NON-PROFESSIONAL FINANCIAL MARKET PARTICIPANTS

Activities performed by the UKNF based on reports from non-professional financial market participants with regard to malpractices of KNF-supervised entities

The reports concerning the activities of KNF-supervised entities submitted to the UKNF by non-professional financial market participants represent an important source of information on the emerging phenomena in the practices of financial institutions.

The subject-matter of the analysis of information included in such reports is, in particular, an assessment of the activities taken by KNF-supervised entities with view to compliance of those activities with the law. The findings made on the basis of analytical and investigative activities carried out with regard to KNF-supervised entities may lead to supervisory measures being applied to eliminate any market practices raising concern.

A detailed list of analytical activities is provided in Annex 13.5, whereas a summary of the most important activities conducted in 2022 is presented in the subsequent part of this Report.

Supervisory activities with regard to accepting and processing by the banks of applications from borrowers for the so-called repayment holiday introduced by the Act on crowdfunding. The activities carried out based on reports from non-professional financial market participants aimed to verify whether and, if so, how the banks had prepared organisationally to handle applications for repayment holiday, whether they identified irregularities in the handling process and what aspects of the process they were receiving complaints about. It was found that during the first stage of providing clients with the possibility of submitting applications, some of the banks’ operating systems proved technically

inefficient due to the scale of interest and, as a consequence, temporary difficulties were noted in accessing online banking, which banks were eliminating on an ongoing basis. Due to the short time that the banks had to prepare to offer and process applications, there were instances where, during the first period, some banks accepted applications only for the first period specified in the Act or did not allow the borrowers to submit a single application for suspension of more instalments in different periods specified in the Act. All banks covered by the analysis confirmed that they had taken the necessary measures to properly process the applications for a repayment holiday.

Activities performed with regard to identified inconsistent practice of banks related to the settlement of costs in the case of early full repayments of mortgage loans and consumer loans.

Based on the reports from non-professional financial market participants, banks' practices were analysed in relation to the methods of and the time limits for proportionate settling of costs in connection with the shortening of terms of loan agreements as a result of overpayment or full repayment of mortgage loans which are referred to in the Act on mortgage credit and were granted after the entry into force of the Act, i.e. after 22 July 2017. It was found that some banks were reimbursing the costs upon customer requests while other banks were automating that process and were planning to make reimbursements also for the loans repaid in previous years. Some banks were found to be treating Article 39 of the Act on mortgage credit as a provision that does not impose an obligation on the lenders to make proportionate reimbursement of a commission in the event of an early full repayment of the mortgage loan. They consider that cost to be a one-off cost, independent of the duration of the agreement. In addition, as a result of supervisory activities, a bank was identified that might have infringed Article 49 of the Act on consumer credit. The bank refused to reimburse the commission after early repayment of the loan due to recognising several dozen agreements as having a non-consumer nature, despite the fact that it was apparent from the content of the loan agreement concluded by the parties that it was of a consumer nature. The results of the analysis were submitted to the President of UOKiK for consideration of appropriate actions towards the banks in accordance with the law.

Supervisory activities related to the identified non-uniform practices followed by cooperative banks in relation to bank account freezing and payment of funds accumulated in the account of a customer who was declared as personally bankrupt.

The analysis revealed that practices of cooperative banks in this area were not uniform. Some cooperative banks do not pay out funds to the bankrupt without a written instruction from a receiver, some banks do pay out the funds to the bankrupt without the receiver's instruction as long as they are able to assess themselves the origin of the funds accumulated on the account and that the funds in question are excluded from the bankruptcy estate, whereas a group of cooperative banks pay the funds to the bankrupt that are not part of the bankruptcy estate without waiting for the receiver's instruction. Banks were identified that do not follow the Official Economic and Court Journal (*Monitor Sądowy i Gospodarczy*) for bankruptcy notices (currently the National Register of Debtors) and some cooperative banks do not have a procedure specifying the rules of conduct in the event where personal bankruptcy is declared against an account holder. Communications were sent to cooperative banks, which presented the results of the analysis and the expectations of the supervisory authority in this regard.

Activities related to the identified non-uniform practice of banks regarding the information presented in the statement of fees for the services linked to a payment account provided to the consumer in accordance with Article 32b of the Act on payment services.

The analysis was conducted on the basis of reports received and the subject of interest of the UKNF was the fact of including or not including the information on fees charged but not collected from a customer due to a lack of funds in the payment account. It was established that all the examined banks used the applicable standardised template for the statement of fees, however, there was no uniform practice followed by the banks as to including in the statement the fees that had not been collected. In the examined case, activities are under way to harmonise the manner in which those fees are presented by banks.

Activities in relation to the identified non-uniform practices regarding debt collection processes in banks and outsourcing of debt collection services.

As part of supervisory activities, a review was performed of debt collection processes executed by banks and by entities that perform debt collection

activities for the banks. The analysis found that as part of outsourcing of those debt collection processes, some of the reviewed entities assigned part of their obligations under the Act on complaints and Financial Ombudsman to debt collection companies. It remains a rule that most of the reviewed banks resolve the complaint process related to debt collection within their operational structures. However, there are also banks that have left the debt collection process, including the area related to complaints against the actions of a debt collection company, to be handled by the same company, limiting their oversight to accepting a reply to the customer drawn up by the external company and possibly to verifying the submitted materials related to the complaint. Supervisory activities in this area are going to be continued.

Supervisory activities related to harmonisation of practices of a selected group of banks as to the methods of offering a fixed interest rate for mortgage loans. In connection with information on banks applying different practices as to changing the interest rate of the floating rate mortgage loans to a temporarily fixed rate, the UKNF took steps to identify potential restrictions on access to the fixed rate offer and to obtain information on the size of the fixed rate mortgage loans portfolio and broadly understood complaints regarding that issue. The analysis showed that some banks did not have internal rules specifying the time limit for responding to the customer's request to change the loan interest rate to a fixed interest rate. As shown by the analysis, banks, in accordance with Recommendation S, have fixed rate mortgage loans in their offer and constantly improve and promote their offers. Any restrictions on the possibility of choosing a fixed interest rate are eliminated by the banks on an ongoing basis.

Supervisory activities related to a malpractice by one of the banks concerning the servicing of consumer credit in connection with its overpayment. As a result of the performed supervisory activities, findings were made that indicated a possible infringement of collective interests of consumers and of Articles 23a and 24 of the Act on competition and consumer protection. Customers of the bank, when making an overpayment of a consumer credit with the intention to shorten the lending period, had to verify those actions against the provision providing that in the event of any changes in the reference rate the bank would spread out the outstanding principal into such a number of instalments that the payment of the last instalment would fall on the same date as the one from before the borrower made the early repayment. The results of the analysis together with the documents were forwarded to the President of UOKiK so that he can take appropriate action against the bank, in accordance with the law.

Supervisory activities in relation to irregularities identified in one of the banks regarding the calculation of the mortgage loan margin. As a result of the supervisory activities performed, the bank analysed the calculation of mortgage loan margins registered until 2019 manually in the bank's IT system. Cases of erroneously calculated margins were detected that resulted in inflated interest payments being collected from customers. The bank committed itself to correcting the margins with respect to the values consistent with the provisions of loan agreements and to reimbursing the overpaid amounts for each analysed transaction individually.

Supervisory activities in relation to irregularities identified at one of banks with respect to the monitoring of mortgage loan collateral in the form of insurance. As a result of supervisory activities, it was determined that in 2022 the bank recorded an increased number of complaints regarding mortgage loan collaterals in the form of insurance, as a result of the introduction of an automated process of monitoring insurance policies which secured mortgage loans. The system now responds faster to the failure to provide documents related to such security and, after detecting such a failure, immediately sets a higher margin. As a result of supervisory activities, the bank committed itself to taking actions to improve the process of updating the insurance policies and to enable them to be submitted through the online banking system where the customer would also be informed about the upcoming expiry date of the policy and about the case status after submitting the policy to the bank.

Supervisory activities in relation to irregularities identified at one of the banks with regard to enabling access to the amount exempt from execution in bank accounts subject to attachment resulting from debt execution proceedings. As part of the supervisory activities, it was established that the bank makes available the amount exempt from execution only upon an order placed by the

customer at a branch, which is caused by the limitations of the bank's systems. Only temporarily, due to the COVID-19 pandemic, the bank introduced the possibility of unblocking of bank accounts through other channels under certain conditions. As a result of its supervisory activities, the bank took actions to improve functionality and intends to allow the use of the exempt amount without restrictions. It is implementing a project, the effect of which is to provide access to the amount free from execution in ATMs and online banking channels. The project is due to be completed at the end of the first quarter of 2023.

Harmonising the practice of investment firms with regard to pursuing claims in the process of obligatory sale of financial instruments. Investment firms' practice of obligatory selling of financial instruments recorded in a customer's securities account to cover overdue financial liabilities owed by the customer to the investment firm for the performance of the contract for brokerage services was identified and analysed. It was established that in the analysed entities the above practice was permissible under their internal rules and regulations, but only a few investment firms actually applied it.

On 24 May 2022, a supervisory letter was sent to investment firms pointing out that, *inter alia*, the terms of contracts for brokerage services should clearly specify not only the conditions entitling the investment firm to make an obligatory sale, but also should indicate the rules for exercising that right, in particular by specifying the parameters for selecting instruments to be the subject of obligatory sale, e.g. by indicating that the most liquid assets would be sold first. The selection of financial instruments from which the investment firm intends to satisfy its claims should be carried out fairly and transparently, in accordance with the adopted order execution policy. The investment firm should also take into account the selling price of a financial instrument and the costs of such a transaction.

Issuing recommendations to put an end to the breach by an insurance undertaking of Article 26(4) of the Act on the business of insurance consisting in calculating the amount to be paid for withdrawal by the insured from a unit-linked life insurance contract by applying values of participation units in unit-linked funds from a day other than the day of receiving by the insurance undertaking of a statement of withdrawal from the contract.

Issuing recommendations to put an end to the breach by an insurance undertaking: (1) of Article 26(1) of the Act on the business of insurance by improper verification of whether the policyholder complied with the time limit for submitting the statement of withdrawal from a unit-linked life insurance contract under Article 26(1) of the Act on the business of insurance due to the fact that the undertaking failed to determine the date of the first delivery to the policy holder of the annual information referred to in Article 20(3) of the Act on the business of insurance; (2) of Article 26(2) of the Act on the business of insurance by improper verification of whether the insured complied with the time limit for submitting the statement of withdrawal from a unit-linked life insurance contract under Article 26(2) due to the fact that the undertaking failed to determine the date of the first delivery to the insured of the annual information referred to in Article 20(3) and (4) of the Act on the business of insurance.

Issuing recommendations: (1) to put an end to the breach by an insurance undertaking of Article 14(1) of the Act on insurance distribution consisting in not recognising the sums of money paid by the policyholder under the insurance contract to the insurance intermediary as paid to the insurance undertaking upon the moment of their transfer to that intermediary; (2) to put an end to the breach of interests of policyholders by recognising a payment of a payable premium instalment, made by a policyholder, as a payment made towards the next premium instalment, not yet payable, and by attempting to reimburse such a payment as an overpayment of a premium instalment when the liability for the payable premium instalment was covered by its unlawful deduction from the receivable due to be paid to the policyholder which they were entitled to receive from the insurance undertaking as the insurance beneficiary; (3) to put an end to the breach of interests of policyholders by not providing in the statement of deduction any details which would allow the policyholder to identify the insurance contract under which the insurance undertaking has deducted its receivable.

Issuing recommendations: (1) for insurance undertakings to adapt their business to Article 31(1) of the Act on compulsory insurance by applying that Article in cases of transferring the ownership interest in a motor vehicle of the vehicle holder who is also a policyholder (or co-insurer), i.e. a party to a motor third-party liability insurance contract concluded for that vehicle; **(2) to put an end to the breach of Article 8(1) of the Act on compulsory insurance and Article 33(2) of the Act on the business of insurance** by their faulty application as the legal basis for recalculation of insurance premium under a motor third-party liability insurance contract in the circumstances defined in Article 31(1) of the Act on compulsory insurance; **(3) to put an end to the breach of § 2(1) point 2 of Regulation of the Minister of Finance of 13 July 2012 on the type and scope of a document confirming the conclusion of a compulsory insurance contract (Journal of Laws 2012, item 838)** consisting of a failure to provide the details identifying the policyholder (or co-insurer), i.e. a party to a motor third-party liability insurance contract, in the document confirming the conclusion of a motor third-party liability insurance contract.

Issuing recommendations: (1) to put an end to the breach by an insurance undertaking of Article 26(4) of the Act on the business of insurance consisting in calculating the amount to be paid for withdrawal from a unit-linked life insurance contract by applying values of participation units in unit-linked funds from a day other than the day of receiving by the insurance undertaking of a statement of withdrawal from the contract; **(2) to put an end to the breach of Article 23(1) point 5 in conjunction with Article 26(4) of the Act on the business of insurance** consisting in adopting in the contract templates used by an insurance undertaking of provisions allowing the amount payable for withdrawal under Article 26 of the Act on the business of insurance to be calculated by applying a reduction higher than 4% of the value of the units in the unit-linked funds as at the date of receipt of the statement of withdrawal from the contract.

11.11. ARBITRATION COURT ATTACHED TO THE KNF BOARD

In the performance of one of its statutory tasks, the KNF Board provides financial market participants with the possibility of alternative resolution of disputes in the Arbitration Court attached to the KNF Board. The Arbitration Court attached to the KNF Board, established under the Act on financial market supervision, is a separate body acting independently of the KNF Board. The jurisdiction of the Arbitration Court attached to the KNF Board covers the handling of disputes between financial market participants, in particular the disputes arising from contractual relationships between the KNF-supervised entities and the users of their services. It is not a court for consumer disputes only, although it is one of the institutions of the system of Alternative Dispute Resolution for consumers for mediation and simplified arbitration proceedings.

The Arbitration Court attached to the KNF Board offers two fundamentally different ways of proceeding: mediation and arbitration. Within the framework of arbitration, it is possible to conduct proceedings remotely in electronic form (simplified arbitration). Given the epidemiological situation in 2022, all proceedings before the Arbitration Court attached to the KNF Board were conducted using means of distance communication. Proceedings before the Arbitration Court attached to the KNF Board are voluntary, which means that the condition for initiating the proceedings is that both parties agree to an amicable settlement of the dispute in the Arbitration Court.

In 2022, 38 financial institutions consented to taking part in mediation proceedings, and 20 financial institutions acted as the applicant, offering their customers the possibility to end the dispute through mediation.

In 2022, the Arbitration Court received a total of 20 537 applications for mediation, submitted by both financial institutions and their clients. In 19 428 cases, so in nearly 92% of the applications, both parties to the dispute expressed their consent to making an attempt to resolve the dispute by mediation proceedings.

The year 2022 saw the continuation of the project of alternative resolution of disputes connected with contracts for a loan denominated in or indexed to a currency other than the Polish currency through

settlements concluded before the Arbitration Court attached to the KNF Board. Such settlements are made based on the concept of converting loans denominated in or indexed to a currency other than PLN into PLN loans. The underlying concept for the project for enabling out-of-court settlements in cases related to contracts for a loan denominated in or indexed to a currency other than the Polish currency was presented by the Chair of the KNF Board in response to one of the key issues that have emerged in the financial market in recent years.

The disputes related to contracts for loans denominated in or indexed to a currency other than PLN made up the vast majority of mediation proceedings conducted in 2022. In 2022, 18 511 proceedings related to that type of disputes were initiated in the Mediation Centre of the Arbitration Court, accounting for over 95% of all mediation proceedings.

The fact that so many cases were brought to the Arbitration Court attached to the KNF Board shows that alternative dispute resolution meets the expectations of a large group of borrowers, allowing them to avoid lengthy and costly trial.

In 2022, a total of 22 239⁴³ mediation proceedings related to that type of loans were completed, with a settlement made in 14 980 cases, and 7 259 proceedings ending without reaching a settlement. This means that more than 67% of the conducted mediation proceedings concerning a loan denominated in or indexed to a currency other than the Polish currency have resulted in a settlement.

The number of mediators in the Arbitration Court attached to the KNF Board as at 31 December 2022 was 410, and the number of arbitrators was 39.

In 2022, the ‘Mediator-friendly Financial Institution’ awards were issued again in order to promote the amicable settlement of disputes between financial institutions and the recipients of their services and to show appreciation to financial institutions which base their contacts with clients on openness, dialogue and striving for agreement. Fourteen entities received the awards: TUiR Warta S.A., PZU S.A., Vienna Life TU na Życie S.A. VIG, STU ERGO Hestia S.A., Ubezpieczeniowy Fundusz Gwarancyjny, InterRisk TU S.A. VIG, Uniqa TU S.A., TUiR Allianz Polska S.A., Compensa TU S.A. VIG, Link4 TU S.A., Wiener TU S.A. VIG, TUZ TUW, PKO Bank Polski S.A., ING Bank Śląski S.A.

Table 69. Number of cases conducted before the Arbitration Court attached to the KNF Board in 2022 compared to 2019, 2020 and 2021

Breakdown	Total				Arbitration				Mediation			
Year	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Cases	2 748	2 203	18 207	20 554	24	16	17	17	2 724	2 187	18 190	20 537
Permissions to conduct proceedings	1 571	1 009	16 799	19 429	2	3	0	1	1 569	1 006	16 799	19 428
Cases settled in favour of the applicant prior to the commencement of the arbitration proceedings (a settlement was reached or a settlement proposal was made)	43	22	21	9	1	0	0	0	42	22	21	9

⁴³ The number includes also the proceedings initiated in previous years and not completed.

Refusal to conduct proceedings	1 005	768	1 058	728	19	6	11	9	986	762	1 047	719
Other (e.g. the withdrawal of an application by the applicant, lack of court jurisdiction, lack of contact with a party)	38	43	13	56	1	2	0	1	37	41	13	55
Pending cases (lack of response from the other party regarding the permission to mediation/arbitration)	91	361	316	332	1	5	6	6	90	356	310	326

Source: Arbitration Court attached to the KNF

Table 70. Number of cases conducted before the Arbitration Court attached to the KNF Board in 2022 compared to 2019, 2020, and 2021 by financial market sector

Financial market sectors	2019	2020	2021	2022
Insurance sector	2 528	2 085	1 785	1 855
Banking sector	152	103	16 115	18 652
Capital market	58	2	297	3
Credit unions sector	2	0	1	0
Other	8	13	9	44
Total	2 748	2 203	18 207	20 554

Source: Arbitration Court attached to the KNF

11.12. INTERNATIONAL COOPERATION

The UKNF is actively engaged in the international arena, fulfilling the statutory tasks of the KNF Board. The key activities include cooperation within the European system of financial supervision, including supervisory colleges, and the implementation of priorities set by regulatory processes in the EU.

The UKNF is active in the fora of European, regional and global international organisations operating in the insurance, banking and capital market sectors, and is also involved in bilateral relations. Worth noting is the involvement of the UKNF in assistance and educational projects and the TIFS training initiative, which helps achieve the priorities of the foreign policy of Poland.

As part of developing bilateral relations with foreign supervisory authorities, in 2022 the UKNF representatives took part, among others, in a meeting with representatives of the Office of Foreign Assets Control (OFAC) to exchange experiences and discuss challenges and good practices in the enforcement of US and EU sanctions imposed in connection with Russia's aggression against Ukraine.

Also, in May 2022, the UKNF hosted a delegation of the Ukrainian capital market supervisor – the National Securities and Stock Market Commission of Ukraine (NSSMC) – which met with Rafał Mikusiński, Deputy Chair of the KNF Board. The Ukrainian delegation was led by the Head of the NSSMC, Ruslan Magomedov. The meeting was devoted to discussing the current challenges of the capital market, especially in the face of the aggression by Russia against Ukraine. A memorandum of understanding regarding cooperation and exchange of information between the NSSMC and the KNF Board was also signed, with the aim to reinforce cooperation between the supervisory authorities of Ukraine and Poland, and to strengthen investor protection and transparency of the capital market.

Representatives of the UKNF management presented issues relevant to the Polish banking sector at highest-level international fora. Stability of the Polish banking sector in the context of loans denominated in or indexed to the Swiss franc was the main theme of talks, held in Paris, of the Chair of the KNF Board, Jacek Jastrzębski with the Chairperson of the European Banking Authority (EBA), José Manuel Campa, and, in Frankfurt am Main, with Andrea Enria, Chair of the Supervisory Board of the European Central Bank (ECB).

As a body performing the statutory tasks of the KNF Board, the UKNF cooperates with Polish central authorities (e.g. the Chancellery of the Prime Minister, Ministry of Finance, Ministry of Foreign Affairs, Ministry of Economic Development and Technology), European financial supervisory authorities, and other foreign partners in the context of international events that may affect the stability of the Polish financial market. At the national level, the international aspect of cooperation included, among others, drafting Polish positions on matters related to the financial market in the framework of the EU legislative process or taking part in reviews carried out by international organisations.

11.12.1. PARTICIPATION IN THE EUROPEAN SYSTEM OF FINANCIAL SUPERVISION

The KNF Board is a member of the European System of Financial Supervision, formed by the supervisory authorities from all EU Member States, the European Systemic Risk Board (ESRB), as well as three European agencies corresponding to individual market sectors, i.e.: the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Securities and Markets Authority (ESMA), and their Joint Committee. EBA, EIOPA and ESMA develop draft technical standards and guidelines supplementing the EU legislation, and facilitate the supervision of cross-border financial groups.

11.12.1.1. EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY (EIOPA)

In 2022, representatives of the UKNF participated in the activities of the EIOPA Board of Supervisors, as well as in several dozen committees, working groups and expert networks, remaining an active member of the EU supervisory cooperation network in the field of insurance and pensions.

One of the key areas of cooperation between the UKNF and EIOPA in 2022 was the implementation of EU strategic supervisory priorities for 2021–2023, covering the sustainability of business models and adequate design of insurance products (including requirements on product governance and oversight). Due to the macroeconomic and geopolitical developments, specific tasks for the year 2022 were subject to modification. In the area of sustainability of business models the focus was set on monitoring the effects of the rising inflation (instead of low interest rates) and the impact of new trends in information technologies. The assessment of product suitability was narrowed to unit-linked insurance.

As part of the annual update of the risk-free rate (RFR) methodology, the UKNF submitted to EIOPA an assessment of the bond market (DLT assessment) which stated that the bond market in Poland meets the criteria of depth, liquidity and transparency. In the area of reporting and disclosures supervision, the UKNF continued to be involved in the review of the Solvency II implementing regulations on quantitative reporting to the supervisory authority and the solvency and financial condition report. The review ended in March 2022 and resulted in the publication and submission to the European Commission of proposals for amendments to those regulations. The UKNF also participated in the preparation of the mapping of data from Solvency II reports for the purpose of the annual submission of information to the OECD through EIOPA. In addition, the UKNF participated in the development of a supervisory tool which, using machine learning techniques, by analysing the text of the solvency and financial condition reports and selected quantitative data from reporting to the supervisory authority, would enable a classification of the risk level of insurance and reinsurance undertakings in future periods.

In 2022, the UKNF also took part in the preparation of EIOPA's launch of the Cross-border Notification Platform, a tool for the exchange of information on notifications between supervisory authorities. In addition, an analysis was carried out and work began on a new EIOPA's register of entities, with the main objective to introduce functionalities to ensure consistency between national registers and EIOPA's register.

As part of the work on proportionality, the UKNF participated in the development of EIOPA's indicators for classifying insurance and reinsurance undertakings as smaller and less complex and guidance for the process of granting such status to undertakings.

In the area of internal models, representatives of the UKNF participated in discussions on the results of comparative studies, i.e. a comparative market risk and credit risk study, a comparative non-life insurance risk study, and a study on diversification in internal models. They also participated in the work on new report forms and indicators of continuous suitability of internal models.

Within EIOPA, the UKNF was also involved in the following activities:

- continuation of a 'Follow-up on peer review on Propriety of Administrative, Management or Supervisory Body Members (AMSB) and qualifying shareholders') regarding the assessment of implementation of EIOPA's recommendations for national supervisors following the study in 2018, and a „Peer review on requirements on product oversight and governance”,
- preparation of a reply to the European Commission's call for advice regarding the review of Directive on the activities and supervision of institutions for occupational retirement provision (IORP II),
- amendment to EIOPA's guidelines on the calculation of best estimate of technical provisions and the guidelines on contract boundaries;
- annual assessment of liquidity risk in the insurance sector, including a modification of its methodology,
- work on the impact of climate change: review of the calibration of catastrophe stresses in the Solvency Capital Requirement standard formula, updating of the dashboard on insurance protection gap for natural catastrophes in the EU Member States and analysis of the adaptation measures of the insurance sector,
- opinions of EIOPA on the first set of European Sustainability Reporting Standards (ESRS) for the European Commission and the European Financial Reporting Advisory Group (EFRAG),
- preparation of EIOPA's statements on cyber risks, on exclusions in travel insurance policies and on supervision of run-off insurance portfolios,
- analysis of the degree of implementation of International Financial Reporting Standard 17 (IFRS17) – Insurance Contracts,
- responses to market questions (the EIOPA Q&A process),
- the activities of EIOPA and the European Commission in the area of protection of non-professional financial market participants aimed at increasing the value of unit-linked insurance products for customers, reduction of irregularities in the process of creation of such products and analysis of consumer trends, the structure of insurance distribution, the impact of the COVID-19 pandemic on insurance products and situation of customers,
- cooperation with insurance supervisors from the European Union and the United Kingdom concerning the effects of Brexit and obtaining information on insurance activities in both markets, which in 2022 resulted in the adoption of a template for a cooperation arrangement on supervision of branches and in the submission for public consultation of a draft supervisory statement of EIOPA on the use of governance arrangements from non-EU countries for the provision of insurance services in the European Union,
- activities related to the preparation of the implementation by EIOPA of Regulation of the European Parliament and of the Council on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014, regulating the area of companies' resilience to risks related to information and communication technologies (ICT).

11.12.1.2. EUROPEAN BANKING AUTHORITY (EBA)

In 2022, the UKNF representatives participated in the EBA's activities both at expert level, contributing with their knowledge and experience to a large number of teams, working groups and committees, as well as at decision-making level, where, in addition to sitting on the Board of Supervisors, they continued to exercise the mandate of a member of the Management Board of that EU agency.

The UKNF actively cooperated with the EBA in developing opinions and guidelines supporting banks' operations, with particular focus on supervisory processes aimed at assessing key risks in the sector, including those caused by the COVID-19 pandemic.

The UKNF also contributed to the development of guidelines in a number of critical areas, such as building IT infrastructure to support free exchange of information, improving the financing of the EU economy through the development of securitisation transactions, and aligning internal governance and remuneration policies with the changes resulting from the entry into force of the CRD V and the IFD, while maintaining consistency and complementarity with the existing regulations. Representatives of the UKNF were closely involved in the work of specialised subgroups on reporting, accounting, data analysis and disclosures, including Environmental, Social and Governance (ESG) risks. Together with representatives of other national supervisory authorities, under the EBA aegis, the UKNF prepared delegated acts concerning, *inter alia*, own funds, large exposures and various risks related to the functioning of credit institutions, such as credit, market or liquidity risks. The UKNF representatives also took part in the preparation of methodological framework and reporting sheets for pan-European stress tests, which started at the end of January 2023. The UKNF also participated in the development of technical standards related to European crowdfunding service providers.

The EBA carries out a wide range of tasks, primarily with regard to the banking sector, but also payment institutions and electronic money institutions. The UKNF therefore continued its work on the issues of conducting business by those entities, including by developing new guidelines on the limited network exemption under PSD2 and preparing reports and opinions to the European Commission on the licensing of payment institutions and the revision of the Second Payment Services Directive (PSD2).

Until the newly created EU Anti-Money Laundering Authority (AMLA) begins to operate, the EBA remains the leading authority for the conduct, coordination and monitoring of activities aimed at countering money laundering and terrorist financing. In 2022, representatives of the UKNF took part in the work of the Standing Committee on anti-money laundering and countering terrorist financing (AMLSC) operating at the EBA. The effects of joint work included, in particular, the EBA's publications setting trends and providing orientations for future actions aiming to strengthen the effectiveness of and the framework for combating money laundering and terrorist financing, including guidelines on strategies and procedures for the management of compliance and the role and responsibilities of the AML/CFT compliance officer.

11.12.1.3. EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA)

In 2022, the UKNF representatives participated in the activities of the Management Board and the Board of Supervisors of ESMA, 15 standing committees and several working groups and task forces. The activities focused on drafting proposals for EU legislation, defining the provisions of draft regulatory and implementing technical standards, guidelines, consultation documents and Q&As.

The EBA's staff were involved in the work of working groups, initiated discussions and presented on numerous topics and practices identified in the national market that required agreeing on a common approach, such as those related to self-employment, remuneration schemes for investment firms or marketing of crowdfunding platforms.

A representative of the UKNF participated in the work of the international coordination group on the preparation of a system for the exchange of information on fit and proper assessments between national supervisory authorities, implemented by EIOPA, EBA and ESMA, in particular as regards the preparation of comments on the draft guidelines of the three ESAs.

In addition, representatives of the UKNF participated, among others, in the preparation of draft guidelines on product governance, as well as numerous Q&A documents aimed to ensure a correct and consistent understanding of the requirements of MiFID II and of the rules governing the provision of crowdfunding services in the Member States.

The UKNF's staff were also involved in legislative work on the Listing Act. They participated in the preparation of the replies to the consultation paper on corporate governance and in drawing up of ESMA's position on the European Commission's questionnaire on potential amendments to regulations as part of the Listing Act package. With regard to the Prospectus Regulation, representatives of the UKNF took part in the development of directions for updating the existing common arrangements concerning the practice of scrutiny of prospectuses.

In addition, actions were undertaken in the area regulated by MAR. A revision of the guidelines on delay in the disclosure of inside information and interactions with prudential supervision was published, such as the updated questions and answers regarding inside information and the publication of credit ratings.

It is also worth to note the involvement of the UKNF staff in the development of new macroprudential tools allowing for better management of systemic risks in the investment funds sector (e.g. to implement the recommendation of the European Systemic Risk Board) and in drafting of ESMA's opinion on the planned comprehensive revision of Regulation (EU) 2017/1131 on money market funds, as well as in updating the Guidelines on MMF stress tests. In addition, joint supervisory activities were carried out to assess the adherence to the principles of valuation of funds' assets and clarify the rules for decision-making by ESMA and national supervisory authorities to determine the amount of leverage used by alternative investment fund managers (under Directive 2011/61 on Alternative Investment Fund Managers).

Among the supervisory convergence tools, in the application of which the UKNF representatives were involved, it is worth to note the Common Supervisory Action, launched in 2022, on the application of costs and charges requirements. In addition, one of the representatives of the UKNF took part in the work of the Senior Supervisors Forum on brokerage activities and participated in the review and update of the Heatmap, a tool to identify the most important risks and challenges for investment activities in the EU, as well as in the setting of ESMA's new supervisory objectives.

In 2022, representatives of the UKNF also participated in four meetings organised within the ESMA Enforcement Network. Within the Network, the UKNF staff were actively engaged in the discussion and exchange of experience based on the analysis of cases with regard to the imposition of sanctions by the national supervisory authorities. Moreover, in June 2022, the UKNF hosted the Network representatives in Warsaw in connection with the organisation of workshops on the practical aspects of conducting hearings in sanctions proceedings and arrangement of the ESMA Enforcement Network meeting. Representatives of the UKNF participated in the finalisation of work on methods of speeding up proceedings and in discussions with representatives of the European Commission on the enforcement of sanctions across national boundaries.

11.12.1.3.1. FinTech in ESMA

In 2022, as part of ESMA's work on innovation in financial services, crypto-assets and data use, the UKNF staff participated in the work of the Investment Management Standing Committee (IMSC) to exchange information on financial innovations in the capital market, to support the development of the FinTech market and the crypto-asset market, and to identify risks to investor protection. Within the framework of a specially created DLT Task Force works were carried out on the interpretation of Regulation of the European Parliament and the Council on a pilot regime for market infrastructures based on distributed ledger technology⁴⁴.

⁴⁴ <https://eur-lex.europa.eu/legal-content/en/TXT/PDF/?uri=CELEX:52020PC0594&from=PL>

11.12.1.3.2. Sustainable finance at ESMA

Representatives of the UKNF, working with other members of ESMA, continued to work on integrating ESG (environmental, social responsibility and governance factors) into legal acts at various levels. The main document developed in this area was the Sustainable Finance Roadmap⁴⁵. The Roadmap ensured the transparency of the effects of works in the sustainable finance area and presented the expected timeline for their implementation in the coming years, offering an overview of the main legislative initiatives.

Representatives of the UKNF also participated in the preparation of the MiFID II/MiFIR amendments with view to imposing requirements on investment firms to take into account the ESG factors. The activities included monitoring of solutions facilitating the functioning of investment firms during the COVID-19 pandemic.

In 2022, various sustainability-related actions were initiated in the capital market, including the development of standards for the supervision of sustainability-related regulatory requirements (supervisory instructions for supervisory authorities, guidelines on fund names). Also, preparations were under way for the Common Supervisory Action on sustainability and ESG-related regulatory obligations (to be performed in 2023 and 2024). Issues of outsourcing and valuation of fund assets were the subject of presentation and exchange of supervisory experience between national supervisory authorities.

The employees of the UKNF also participated in the work of the Corporate Reporting Standing Committee (CRSC).

As a result of the work of the CRSC and working groups and task forces, ESMA published the following sustainability-related documents:

- updated Q&As on ESMA’s guidelines on ESG-linked alternative performance measures,
- ESMA’s commentary on the draft reporting standards of the International Sustainability Standards Board (ISSB): IFRS S1 ‘General Requirements for Disclosure of Sustainability-related Financial Information’ and IFRS S2 ‘Climate-related Disclosures’,
- ESMA’s response to the consultation on the first set of draft European Sustainable Development Reporting Standards (ESRS).

11.12.1.4. EUROPEAN SYSTEMIC RISK BOARD (ESRB)

In 2022, representatives of the UKNF Board participated in the meetings of the General Board (the ESRB’s most important decision-making body), the Advisory Technical Committee (which analyses the matters to be discussed by the General Board) and selected working groups of the ESRB. As part of the Board’s efforts to assess the level of systemic risks and counteract their materialisation, the Board, in September 2022, issued a general warning on vulnerabilities in the EU financial system. It indicates that the Union economy, affected by the crisis caused by the COVID-19 pandemic, was further weakened by several shocks. The warning calls for coordinated efforts by supervisory authorities at EU and national level to ensure that financial institutions, as well as all financial market participants, are prepared to face the materialisation of identified financial stability risks. In 2022, continuing its work on the commercial real estate (CRE) market, the Board adopted a Recommendation of the ESRB on the CRE sector, which was published, together with a report, in 2023. The General Council also launched discussions on the adverse scenario for stress tests to be carried out by the EBA in 2023.

⁴⁵ https://www.esma.europa.eu/sites/default/files/library/esma30-379-1051_sustainable_finance_roadmap.pdf

11.12.2. COOPERATION WITH SUPERVISORY AUTHORITIES FROM OTHER COUNTRIES

11.12.2.1. COLLEGES OF SUPERVISORS AND RESOLUTION COLLEGES

The basic level of cooperation with supervisory authorities from other countries are colleges of supervisors. The colleges are organised in particular for banking groups, insurance groups, as well as for the capital market with respect to Central Clearing Counterparties (CCPs).

In the banking sector, in 2022, the UKNF representatives participated primarily in the meetings of colleges organised by the European Central Bank (ECB), as the parent supervisory authority for most foreign banks operating in Poland. In the framework of those meetings, arrangements were made for joint risk assessment and decision process, as well as for capital and liquidity requirements at group level. Draft decisions regarding the assessment of recovery plans prepared by parent entities in the group were also discussed and agreed on and there was an intensive exchange of information on the developed supervisory practices and the applied tools and methodologies with view to harmonising and developing a common supervisory culture.

According to the Bank Recovery and Resolution Directive (BRRD) and its implementing regulations, the KNF Board is a member (without voting rights) of resolution colleges established for banking groups whose subsidiaries operate in the Polish market. 2022 was another year of operation of the above-mentioned colleges, whose primary task is to develop the principles of cooperation between the resolution authorities and supervisory authorities in a situation of crisis. Representatives of the UKNF, together with the representatives of the Bank Guarantee Fund, the lead institution in that area, the National Bank of Poland and the Ministry of Finance, participated in discussions on resolution plans prepared by the competent resolution authorities.

In the period covered by this report, representatives of the UKNF took part in meetings of colleges of insurance supervisors. The purpose of the cooperation was to exchange information and experiences between supervisory authorities responsible for supervision of insurance undertakings from international insurance groups, and to assess the financial situation and risks identified at the level of groups and individual insurance undertakings, such as the impact of the COVID-19 pandemic and the war in Ukraine, as well as supervisory actions taken and planned.

The KNF Board continued the tasks related to performing the role of a group supervisor for the PZU Group and conducting supplementary supervision over the PZU Group as a financial conglomerate, as well as coordinated the cooperation with members of the PZU Group Supervisory College that represent foreign supervisory authorities from the countries in which the PZU Group operates, as well as organised the annual meeting of the College. The representatives of the UKNF also continued to engage in developing a consistent approach at the EU level to the method of calculation of capital adequacy of financial conglomerates and to the method of including other financial sectors in the calculation of solvency of insurance groups.

11.12.2.1.1. Cooperation with foreign supervisory authorities

Apart from multilateral cooperation, the UKNF maintains and develops bilateral relations with foreign supervisory authorities that include the exchange of supervisory information, opinions and experiences, and are cultivated primarily at the working level. The cooperation is facilitated by bilateral and multilateral memoranda of cooperation and exchange of information, including those established within the framework of the European Supervisory Authorities, IOSCO, and IAIS. In 2022, the UKNF finalised its work on a cooperation agreement between the European Central Bank and six Member States outside the euro area: Poland, Sweden, Denmark, Czech Republic, Romania, and Hungary, to reinforce supervisory cooperation between them.

As part of the exchange of supervisory experience and learning about new technological solutions conducive to efficient implementation of licensing tasks and market monitoring, representatives of the UKNF took part in multiple study visits to foreign supervisory authorities, as well as hosted and trained representatives from other institutions. The purpose of proactive measures taken to boost the skills of the UKNF staff is to achieve mutual convergence of supervisory practices in the face of the challenges of cross-border supervision and new financial products, and to streamline the internal processes.

11.12.3. COOPERATION WITH INTERNATIONAL ORGANISATIONS

11.12.3.1. INTERNATIONAL ORGANISATION OF SECURITIES COMMISSIONS (IOSCO)

In 2022, representatives of the UKNF took part in the work of 11 permanent committees and working groups of IOSCO. They engaged in the work and exercise of the mandates with respect to the development of guidelines and common supervisory activities including:

- the newly created Fintech Task Force, the IOSCO's response to the market's need to analyse and react to investor protection problems in the crypto-asset space,
- an information exchange group where supervisory challenges of a cross-border nature were discussed, including tools provided by IOSCO to help identify potential risks to the functioning of the market,
- a review group for discussion on issues related to the effective cooperation of supervisors with respect to crypto-assets and to a project promoting reinforced international cooperation.

In addition, under the multilateral memorandum of cooperation and exchange of information, the UKNF requested 24 foreign supervisory entities to provide information in around 50 examined cases in 2022.

An exchange of information and experience with respect to actions taken by individual jurisdictions, including, among others, the response to the crisis caused by the COVID-19 pandemic, was also part of the activity on the forum of the Standing Committee on Financial Intermediaries. Participating in the work of the Committee, the UKNF employees engaged in work on directions for development and joint supervisory actions in relation to the online distribution of retail investment services and products, the supervisory toolkit, the enforcement of penalties across national boundaries, the supervision of CFDs, the infringements of law using social media, or the conduct of cross-border sanctions proceedings.

Representatives of the UKNF also continued work related to the review of applications from supervisory authorities to join IOSCO's multilateral Memoranda of Understanding.

For the first time in Poland, the IOSCO World Investor Week educational campaign was inaugurated by the 'Ring the Bell for Financial Literacy' ceremony. The event was organised by the Warsaw Stock Exchange (GPW) and the GPW Foundation in cooperation with the UKNF and the KDPW_CCP. The agenda of the event included an intervention of Jean-Paul Servais, the then Vice Chair of the IOSCO Board.

11.12.3.1.1. International Association of Insurance Supervisors (IAIS)

In 2022, representatives of the UKNF were involved in the work of the Implementation and Assessment Committee and the Policy Development Committee. They continued their involvement in the work on the global Insurance Capital Standard (ICS), implementation of the Holistic Framework, and on the principles of supervision of Global Systemically Important Insurers (G-SIIs). The UKNF representatives also participated in the creation of the Diversity, Equity and Inclusion framework and its potential functioning and use in the management and conduct of business by insurers. In addition, the involvement of representatives of the UKNF included work on a document on operational resilience including cyber resilience, security gaps and risks related to climate change and inclusive access to insurance, with the work planned to continue in 2023.

11.12.3.1.2. Organization for Economic Cooperation and Development (OECD)

In 2022, the UKNF was involved in the activities of the Organisation for Economic Cooperation and Development (OECD) by participating in the activities of the Committee on Financial Markets (CFM), the Corporate Governance Committee (CGC), the Insurance and Private Pensions Committee (IPPC), the Working Party on Private Pensions (WPPP), the Expert Group on Finance and Digitalisation, and the Working Party supporting the Global Money Week (GMW) initiative coordinated by the OECD International Network on Financial Education (OECD/INFE). Examples of relevant topics discussed in the above-mentioned forums:

- year-round work on the revision of the OECD Corporate Governance Principles (CGC),
- ESG, sustainable finance, climate change (in the CGC, CMF, Expert Group on Finance and Digitalisation fora),
- participation in research on global trends in the insurance market (IPPC),
- possible directions for the development of the GMW campaign based on the proposals for scenarios prepared by the GMW Secretariat, as well as experiences, good practices and conclusions from the implementation of the 2022 GMW campaign worldwide, the main themes of the future GMW editions, the scope and form of the regular publication of the GMW Annual Report.

As part of its cooperation with the national authorities, the UKNF together with the Ministry of Finance took part in the review of Exchange of Information on Request (EOIR), conducted by the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes since 2020, covering mainly tax and AML matters, including supervision and obtaining information from the financial market.

The publication of the report 'Financial Literacy in Poland: relevance, evidence and provision' presenting the overview of financial education in Poland concluded the first stage of the project to develop the National Financial Education Strategy. The report was prepared by OECD experts in cooperation with the National Working Group on Financial Education Strategy, which includes representatives of the UKNF.

11.12.3.1.3. International Organisation of Pension Supervisors (IOPS)

In 2022, representatives of the UKNF participated in the work of the IOPS, which focused on analyses on the digitisation of the private pension sector, the resilience of pension sector supervision to shocks and the implementation of the IOPS ESG guidelines. Moreover, activities continued in relation to the risk-based supervision area.

11.12.3.1.4. Activities within other institutions and international organisations

The UKNF continued ongoing cooperation with the World Bank and the International Monetary Fund, organisations which regularly send expert missions to Poland (e.g. missions under Article IV of the IMF's Articles of Agreement). The meeting with the IMF mission in 2022 was dedicated to the discussion of the situation of the banking sector, including the main supervisory and regulatory challenges.

The UKNF maintains regular contacts and cooperation with the Basel Committee on Banking Supervision and the Bank for International Settlements. The UKNF also continued its participation in the activities of the Regional Consultative Group of the Financial Stability Board (FSB) for Europe.

December 2022 was marked by the 34th annual conference of the Group of Banking Supervisors from Central and Eastern Europe (BSCEE), an organisation bringing together 25 banking supervision authorities from 24 countries of the region. As part of the event, the BSCEE members and the representatives of the Basel Committee on Banking Supervision, exchanged experiences and views on key challenges to the stability of the banking sector in different jurisdictions. As every year, the BSCEE published an annual report on the Group members activity (the BSCEE Review). Since 2006, the KNF Board has been in charge of the BSCEE Secretariat.

11.12.4. ASSISTANCE AND EDUCATIONAL PROJECTS

11.12.4.1. TECHNICAL ASSISTANCE UNDER TAIEX AND INTERNATIONAL EXPERT COOPERATION

At the request of the European Commission and the supervisory authorities in the countries supported by the Technical Assistance and Information Exchange Instrument (TAIEX), the UKNF experts actively participated in remote training and advisory missions, sharing their knowledge and supervisory practices with the administrations of Ukraine, Bosnia and Herzegovina, Serbia and the community of the Turkish Republic of Northern Cyprus. Furthermore, in connection with the aggression by Russia against Ukraine and as part of continued bilateral cooperation with top-priority countries for Poland's foreign policy, the UKNF provided specialised support to the National Bank of Ukraine and the National Securities Commission by way of on-site and remote expert consultations.

11.12.4.1.1. Assistance initiatives to support the capacities and competence of Poland's financial supervisor

The UKNF was involved in the development of a National Financial Education Strategy – a project implemented by the OECD upon a request from the European Commission (Directorate General for Structural Reform Support) under the first allocation of the EU Technical Support Instrument in close cooperation with the National Working Group on Financial Education Strategy. The National Working Group on Financial Education Strategy is composed of the representatives of 9 institutions: the Ministry of Finance (MF), the UKNF, the Ministry of Education and Science (MEiN), the National Bank of Poland (NBP), the Office of Competition and Consumer Protection (UOKiK), the Bank Guarantee Fund (BFG), the Warsaw Stock Exchange (GPW), the Central Securities Depository of Poland (KDPW) and the Financial Ombudsman.

The UKNF also participates in the 3-year flagship project of the European Commission, the Digital Finance Academy, which is also implemented with the Technical Support Instrument. The initiative aims to strengthen the supervisory capacity with respect to innovative digital finance and to increase the use of technology in supervisory activities. Implemented in 2022–2025, the project is in line with the objectives of the EU Digital Finance Strategy and the need to foster the convergence of supervision over the financial sector activities in the EU.

As part of the second call for proposals from the Technical Support Instrument, the UKNF received funding from the European Commission for a pilot project on sustainable finance. The project focuses on the development and exchange of good supervisory practices for application of requirements under European Union law in the field of sustainable finance. The involvement in the project is intended to help the supervisory authority face the challenges in enforcing complex and constantly evolving requirements, in particular disclosure requirements. The project also considers the market participants' perspective, including proper understanding of their obligations and opportunities arising from those requirements. The project is also consistent with the Polish government's Strategy for Responsible Development, and therefore the policy of economic and structural priorities for Poland.

11.12.4.1.2. Training Initiative for Financial Supervision (TIFS)

After a break caused by the COVID-19 pandemic, international expert meetings under the TIFS initiative were resumed. TIFS has been operating since 2009 as a training centre for supervisors of all financial market sectors from the countries of the EU, and Central and Eastern Europe, addressed in particular to top-priority countries for Poland's foreign policy.

In December 2022, 'The European Green Deal in the scope of financial supervision' programme was implemented with the participation of experts from the UKNF, the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA), attended by thirty representatives of supervisory authorities from Armenia, Bulgaria, Montenegro, Croatia, the Czech Republic, Germany, Kosovo, Latvia, Moldova, Romania, Serbia, Slovenia, Turkey and Ukraine.

11.13. EDUCATION AND INFORMATION ACTIVITIES

11.13.1. EDUCATIONAL PROJECT OF THE EDUCATION CENTRE FOR MARKET PARTICIPANTS (CEDUR)

In the performance of its statutory tasks in the area of dissemination of knowledge on the functioning of the financial market, in 2022 the UKNF continued the educational project called the Education Centre for Market Participants (CEDUR), under which mostly training activities were provided in the period covered by this report.

11.13.1.1. CEDUR TRAINING SEMINARS

To adapt to the needs and expectations of beneficiaries, the training activities in 2022 were mainly provided online. In 2022, 79⁴⁶ meetings were organised and conducted by the UKNF staff, addressed mostly to KNF-supervised entities, representatives of public institutions, including the law enforcement and judicial authorities, institutions competent for protection of rights of non-professional financial market participants, municipality and district-level consumer ombudsmen, students and teachers, as well as senior citizens. The meetings were attended by more than 29 000 participants.

Table 71. Summary of CEDUR training seminars in 2022

Group of addressees	Number of meetings	Number of participants
KNF-supervised entities and statutory auditors	29	9 099
Students and teachers	22	13 353
Public institutions, including law enforcement and judicial authorities	20	4 375
Institutions competent for protection of rights of non-professional financial market participants	4	252
Senior citizens	3	1 960
Retail investors	1	294
Total	79	29 333

Source: UKNF

The list of training seminars organised under the CEDUR educational project in 2022 can be found in Annex 13.4.

11.13.1.2. CEDUR EDUCATIONAL PUBLICATIONS

In 2022, an educational brochure was published on the KNF website: ‘Life insurance. Overview of the characteristics of life insurance contracts. A study addressed to non-professional financial market participants’, intended to provide an introduction to the more technical issues of life insurance and to familiarise non-professional financial market participants with the basic types of life insurance.

11.13.1.3. ACTIVITIES FOR THE ACADEMIC COMMUNITY

2022 saw the 11th edition of the Competition for the Award of the Chair of the KNF Board for the best PhD dissertation in the field of financial market. The Competition aims to inspire the development of the financial market and its innovation by stimulating the interest of the academic community in the topics related to the financial market organisation, functioning and supervision. The jury of the 11th

⁴⁶ Including 2 webinars with the participation of a representative of the Financial Ombudsman’s Bureau, and 1 with the participation of a BFG representative, and 1 with the participation of a representative of the UOKiK as a speaker.

edition of the Competition for the Award of the Chair of the KNF Board granted the prize for the best PhD dissertation in the field of financial market to the author of the submission titled 'Characteristics and functioning of the cryptocurrency market', which was written at the Poznań University of Economics and Business.

The Jury awarded a distinction to the author of the dissertation 'The impact of the legal framework for resolution in the European Union on market discipline in the banking sector', from the Department of European Law at the University of Warsaw.

11.13.1.4. UKNF PODCAST: 'FINANCE UNDER SUPERVISION'

2022 saw the continuation of the recording of the UKNF podcast 'Finance under supervision'. The UKNF podcast is a series of educational recordings targeted primarily at non-professional participants in the financial market, including current and prospective clients and consumers. In each episode of the podcast, the UKNF experts explain in simple terms the frequently challenging aspects of the financial market, in an effort to increase listeners' knowledge of finance and raise awareness of the risks and threats that financial market decisions and actions can involve.

Episodes of the podcast are available on audio streaming apps, i.e. Spotify, Apple Podcasts, Google Podcasts, Spreaker.

In 2022, the following podcast episodes were published on the apps: 'Investing in cryptocurrencies – does it involve a higher risk?', 'How do criminals impersonate the KNF and the UKNF?', 'The KNF list of public warnings', 'How to properly prepare a prospectus' and 'The Register of Issuers' Obligations as a valuable source of information'.

11.13.2. GLOBAL MONEY WEEK (GMW 2022)

The UKNF is the national coordinator of the Global Money Week (GMW) campaign in Poland. The organiser of the GMW campaign worldwide is the OECD International Network on Financial Education (OECD/INFE). The 10 Year Anniversary edition of GMW took place between 21 and 27 March, with more than 34 000 students and teachers signing up to participate. The theme of GMW 2022 was: Build your future, be smart about money. This theme captures the importance of thinking about one's own future when making financial decisions.

The GMW 2022 campaign in Poland covered financial education activities that were implemented locally at schools of all education levels by GMW school coordinators. The GMW school coordinators launched their own initiatives, as well as used the programme proposals prepared by the UKNF and the cooperating institutions. As part of the GMW2022 programme offer, the UKNF carried out a cycle of 12 webinars for students of primary and secondary schools, as well as for teachers interested in finance topics. More than 11 000 students and teachers took part in the training courses organised by the UKNF. The GMW 2022 programme was enriched by financial education initiatives and educational materials of other institutions involved in the campaign, i.e. the Bank Guarantee Fund, Ministry of Finance, Polish Chamber of Insurance, Financial Ombudsman, Office of Competition and Consumer Protection, GPW Foundation, Society for Promotion of Financial Education, Warsaw Institute of Banking, and Czepczyński Family Foundation. Over 9 000 people participated in events organised by other institutions cooperating with the UKNF as part of the GMW 2022 campaign.

As initiator and coordinator of the GMW campaign in Poland, the UKNF is represented on the international financial education forum through the participation of its representative in the work of the Global Money Week Working Group of the OECD International Network on Financial Education (OECD/INFE), whose task is to set directions for reinforcing the process of organisation of the next GMW editions and for the development of the GMW campaign globally.

11.13.3. IOSCO CAMPAIGN: WORLD INVESTOR WEEK (WIW)

The 6th edition of the World Investor Week was inaugurated on 3 October 2022 by the first Polish ‘Ring the Bell for Financial Literacy’ ceremony. The event was organised by the Warsaw Stock Exchange (GPW) and the GPW Foundation in cooperation with the UKNF and the KDPW_CCP, and provided an occasion to introduce the Polish WIW 2022 agenda and, more broadly, the organisers’ educational projects.

During the World Investor Week (WIW), on 4–7 October 2022, the UKNF held a series of webinars for students of secondary schools and teachers. The webinars covered the following topics: investing on the Warsaw Stock Exchange (GPW); investing rules; cybersecurity from the perspective of a user of financial services: practical aspects; Warsaw Stock Exchange (GPW): trading in financial instruments; question on how to protect one’s phone and not get hacked. More than 4 500 participants attended the webinars.

Also, as part of the WIW 2022, on 15 November 2022, the 2nd edition of the Financial Education Day was organised by the GPW Foundation in cooperation with the Warsaw Stock Exchange. The event was attended by more than 1000 people (online or on-site). The agenda of the Financial Education Day included a debate among experts titled ‘Financial education: role and perspectives’ and lectures for those interested in learning more about personal finance and investing. The event was divided into modules for various groups: students, beginners in investing, teachers, parents, adults, and seniors.

11.13.4. PARTICIPATION OF REPRESENTATIVES OF THE UKNF IN EXTERNAL EVENTS

Representatives of the UKNF participated as speakers or participants in more than 50 external events, i.e. panels, congresses, and conferences.

11.13.5. PARTICIPATION IN THE ACTIVITIES OF WORKING TEAMS AND GROUPS

Representatives of the UKNF continued to be engaged in the work of the Working Group on Financial Strategy Education, under the project ‘Development of a national strategy for financial education’, carried out by the OECD at the request of the Directorate-General for Structural Reform Support (DG REFORM) of the European Commission as part of the first allocation of the EU Technical Support Instrument (TSI). The project aims to support the preparation of a national financial education strategy in Poland.

The UKNF was also represented in the Working Group for Educational Activities in the area of Financial Market, attached to the Financial Market Development Council.

A representative of the UKNF participated in the work of the project group for financial education as part of the Sub-Committee on Consumer Protection and Financial Innovation of the Joint Committee of the European Supervisory Authorities (EIOPA, ESMA, EBA) – the Joint Committee Sub-Committee on Consumer Protection and Financial Innovation Sub-Group on Financial Education (JC SC CPFI SGFE). The project team worked on, among others, the consultation of proposals for topics of the ‘Thematic Report on Financial Education on Digitalization: Cybersecurity, Scams and Fraud’ based on a repository presenting initiatives of national supervisory authorities in the area of financial education related to cybersecurity, the preparation of the agenda for the *Joint ESAs high-level conference on financial education and literacy 2022*, as well as preparation of the scope and timeline for educational activities in thematic areas, such as: impact of a rise in inflation and interest rates on consumers and sustainable finance.

11.13.6. EDUCATIONAL ACTIVITIES IN THE AREA OF CYBERSECURITY⁴⁷

173 warnings were prepared in 2022 in relation to the newest attacks or operating methods of cybercriminals. Information about the threats published by the KNF CSIRT are disseminated by broad-reach news media. 1 980 articles were published in 2022 based on the warnings of the KNF CSIRT. In addition to the activity in online media, the KNF CSIRT also carried out educational activities in traditional press, on the radio and on television.

In 2022, the KNF CSIRT conducted multiple training activities to raise awareness of cyber threats. The UKNF's Education Centre for Market Participants (CEDUR) conducted 12 webinars⁴⁸ on cybersecurity, protection of clients' funds, and operating methods of malware.

As part of educational activities, representatives of the UKNF participated in many national and international initiatives which aimed to disseminate knowledge in the field of financial market cybersecurity.

Representatives of the KNF CSIRT, in cooperation with the Police Academy in Szczytno, teach cybersecurity courses in the Academy's postgraduate study programmes.

11.13.7. EDUCATIONAL ACTIVITIES IN THE AREA OF FINANCIAL INNOVATION⁴⁹

The UKNF also engaged in educational initiatives for youth by organising workshops for secondary school students and the EduFinTech-2022 contest. New materials, including courses on equity crowdfunding and open banking, addressed to youth and adults who want to broaden their knowledge of innovation in financial markets, were published on the FinTech educational platform, accessible on www.fintech.gov.pl. In cooperation with the University of Warsaw, two scientific conferences were organised on regulatory and supervisory challenges in the area of financial innovation.

11.13.8. PRESENCE IN THE MEDIA AND THE KNF WEBSITE

The main tool the UKNF uses to conduct information activities is the knf.gov.pl website, which recorded nearly 5 million page views in 2022. Information presented on the website, related to the KNF Board as the financial market supervisor, includes tasks and composition of the KNF Board, communications on decisions adopted by the KNF Board, organisational structure of the UKNF, tasks of departments, public procurement, job advertisements and public warnings of the KNF Board. Moreover, the website contains extensive information on the supervised markets: up-to-date lists of entities operating in each market, financial data and statistics, publications (reports, including thematic reports), legal acts, including instruments of Community law, information on activity in the EU institutions, etc.

In 2022, 188 909 pieces of media material were posted with references to the KNF Board, of which: 184 493 on the internet, 268 on social media, 2 849 in the press, and 1 299 on the radio and television.

When cooperating with the media, the UKNF is pursuing an open communication policy. Tasks in this area include:

- presenting official positions and results of the activities of the KNF Board and the UKNF to the public,
- providing information on actions, initiatives and programmes implemented by the KNF Board and the UKNF,

⁴⁷ See Chapter 11.1.2.2.1. *Activities of the KNF CSIRT*.

⁴⁸ See also: Section 11.13.1. *Educational project of the Education Centre for Market Participants (CEDUR) Annex 13.4, List of training seminars organised by the UKNF as part of the CEDUR educational project in 2022*.

⁴⁹ See also: Section 11.1.3. *Actions supporting the development of financial innovation (FinTech)*.

- commenting on events in the financial market,
- answering questions of media representatives.

11.13.9. PUBLIC CAMPAIGNS

In 2022, the following public campaigns were carried out:

- *Fixed or variable interest rate for a housing loan? Make an informed decision.*

The campaign addressed potential risks associated with interest rates on loans and encouraged an informed and thoughtful choice of the interest rate model. The campaign also highlighted how critical it is to be aware of interest rate risks, how important it is to carefully read the terms and conditions proposed by the bank when choosing the interest rate model associated with financial obligations, particularly in the case of credit liabilities. It is crucial to be aware of all the risks and consequences of the decision taken.

The campaign included a Communication from the UKNF and a publication concerning selected differences in interest rate models for housing loans on a dedicated KNF sub-site.

Radio spots, aired in September and October 2022 on national radio stations with the intention of informing the public about the risks associated with interest rates, formed an important part of the campaign. The spot complemented and extended the awareness campaign conducted on the website.

- *Fininfluencers: who they are, how they operate and what interest they may have in sharing information?*

An educational campaign conducted via the KNF website in which the UKNF addressed the activities of fininfluencers: who they are, how they operate and what interest they may have in sharing information. The campaign drew attention to how crucial it is to be cautious when following the advice on investment activities offered by so-called fininfluencers, i.e. people who deal with the subject of finance and investment on the internet, due to the fact that the information provided is not always objective and that the people supplying it are often guided by their own interests.

- *Gamification: what is it and how does it work in the world of investing?*

Educational campaign conducted through the website on the subject of gamification and its risks for investing. In the campaign, the UKNF warned against messages that state: ‘when you invest more, you will move forward’. Awareness of the risks involved in investing is essential and particular attention should be paid to investment platforms operating outside the EU.

11.13.10. PROCESSING REQUESTS FOR ACCESS TO PUBLIC INFORMATION

Under Article 4(1) point 4 of the Act on access to public information, in conjunction with Article 3(1) and (4) point 2 of the Act on financial market supervision, the Chair of the KNF Board is a body required to provide public information, acting as a body representing the UKNF, a state legal person, before the public. The UKNF’s task of providing public information covers all the activities of that state legal person, including information about the activity of one of the bodies of the UKNF which is the KNF Board (PL: Komisja Nadzoru Finansowego), the body competent for financial market supervision.

Under the provisions of the Act on access to public information, as a rule, there are two ways in which public information is provided. The primary way of providing public information is to publish it in the Public Information Bulletin of the UKNF. If specific public information has not been published in the Public Information Bulletin, an entity concerned may file a request for public information; each such request is then processed on a case-by-case basis. In 2022, the UKNF received 237 requests for access of public information.

11.14. COOPERATION WITH STATE BODIES AND EXTERNAL ENTITIES

11.14.1. COOPERATION WITHIN THE FINANCIAL STABILITY COMMITTEE (FSC)

Five meetings of the Financial Stability Committee (FSC) on macro-prudential supervision (FSC-M) were held in 2022: on 28 February, 25 March, 10 June, 23 September, 9 December, during which the assessment was maintained that the legal risk related to foreign-currency home loans and the geopolitical risk resulting from the Russian Federation's military action in Ukraine remained the most important sources of threats to the stability of the financial system identified by the Committee. The Committee assessed, however, that the banking sector remains highly resilient, even in a situation of multiple risks materialising at the same time. At the request of the KNF Board, the Committee issued an opinion on the identification of other systemically important institutions (O-SII) and on the setting of an O-SII buffer. It was assessed that the contagion risk arising from the weaknesses of some institutions was significantly reduced as a result of initiating effective restructuring of Getin Noble Bank S.A. The Committee also took note of the attempts to undermine the credibility and representativeness of the WIBOR interest rate benchmark. In this context, it concluded that it found no legal or economic grounds for denying the correctness of calculation of that benchmark.

11.14.2. COOPERATION WITHIN THE STEERING COMMITTEE FOR FINTECH

Since 2019, the UKNF has continued to perform activities to ensure coordination of efforts and cooperation of state institutions in the area of development of the Polish FinTech sector. The Steering Committee includes the representatives of the UKNF, the Ministry of Finance, the National Bank of Poland, the Chancellery of the President of the Council of Ministers, the Ministry of Funds and Regional Policy, the Ministry of Economic Development, Labour and Technology, and the Office of Competition and Consumer Protection. The Committee meetings were held twice in 2022.

11.14.3. COOPERATION FOR BETTER PHYSICAL SECURITY OF THE FINANCIAL SECTOR

In 2022, the Financial Market Physical Security Council, a standing consultative and advisory body to the Chair of the KNF Board, met four times. In the meetings the Council analysed the level of financial market security, determined, among other factors, by the war in Ukraine.

11.14.4. COOPERATION WITH THE NATIONAL BANK OF POLAND

The UKNF engages in permanent bilateral cooperation for the exchange of information necessary for the central bank and the financial market supervisor to perform their statutory tasks. The terms of cooperation are laid down in bilateral agreements on cooperation and exchange of information between the KNF Board and the National Bank of Poland (NBP).

Under the agreement, in 2022 the KNF Board submitted multiple data to the NBP in the area of:

- the banking sector, on: stress tests, the legal risk associated with a portfolio of foreign-currency housing loans, and the additional capital requirement, information on consumer and housing loans that is not part of standard reporting, information on repayment holiday, the SREP, banking sector facilities subject to obligatory security measures, and information on the situation of sensitive banks,
- the management of the quarterly control of quality of mandatory data reported to the EBA, preparation of feedback and handling of corrections to the EBA,
- payment services sector: under the provisions of the Act on payment services, the NBP provides opinion concerning an application for authorisation to provide payment services as a domestic

payment institution with regard to provision of the service referred to in Article 3(1) point 5 of the Act on payment services (i.e. acquiring service). The opinion of the President of the NBP includes the assessment of the application in terms of compliance with legislation and the need to ensure the security and efficiency of provision of the payment service. In 2022, the KNF Board applied to the NBP for an opinion on 6 applications,

- the credit unions sector: submission of information about credit unions' liquidity, solvency ratio, information about the situation of credit unions subject to rehabilitation plans, and the risk assessment score granted by the UKNF to each credit union. On the other hand, the NBP sent the KNF Board multiple analytical materials regarding issues covered by the KNF Board's activities. At the same time, both institutions worked together at the operational level (with respect to information exchange, agreeing on the positions, and IT issues), also with regard to individual supervised entities from the credit unions sector,
- the insurance sector: information based both on additional financial statements and statistical reports of insurance and reinsurance undertakings (statutory) and on reports consistent with Solvency II. The above-mentioned data of insurance and reinsurance undertakings and actions undertaken as part of cooperation were carried out to perform the tasks of the NBP and the tasks following from the participation of the NBP 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 retirement protection accounts. The data are submitted and/or made available by the UKNF to the NBP at monthly, quarterly and annual intervals,
- the investment fund market sector: data on shareholders of investment fund management companies, selected financial data of investment fund management companies, entities operating investment funds (depositories and entities maintaining registers 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: statistics on entities conducting brokerage and fiduciary entities. Information about the number of investment firms and custodian banks is submitted 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;
- data on primary and secondary public and non-public offerings of shares made through investment firms.

The UKNF representatives participated in the activities of the Council for Cash Transactions attached to the NBP and one representative of the UKNF joined the newly created Working Group for Cash Transport and Handling.

Pursuant to the Act on trading in financial instruments, the rules of the National Depository for Securities, the rules of KDPW_CCP S.A., the rules of the settlement house and the clearing house together with the rules of the fund securing proper performance of liabilities arising from the transactions settled by the settlement house, and amendments thereto to the extent indicated in the said Act are approved by the KNF Board following consultation with the President of the NBP. Therefore, the KNF Board sends to the President of the NBP decisions on the request for an opinion on the requests of the KDPW and the KDPW_CCP for approval of amendments to the rules of the National Depository for Securities, rules for settling transactions (organised trading), rules for settling transactions (non-organised trading), and the rules of a compensation fund, as well as requests from IRGiT S.A. for the approval of amendments to the rules of the settlement house and the clearing house and the rules of the guarantee fund of the settlement house and the clearing house. The NBP is also a member of the supervisory college for KDPW_CCP S.A. appointed by the KNF Board in 2013 to exercise ongoing supervision of KDPW_CCP S.A. in connection with the requirements of EMIR. In addition, pursuant to Article 12 of CSDR, the NBP acts as an authority competent for the supervision of KDPW S.A. as a central securities depository, and is therefore the body with which the KNF Board is obliged to consult on, *inter alia*, the characteristics of the securities settlement system operated by KDPW S.A., in accordance with Article 17(4) of the CSDR.

Depending on the specific nature of each case, cooperation between the NBP and the UKNF is based on both periodic (annual, quarterly, monthly) exchange of information and *ad hoc* contacts. In particularly important issues, such cooperation is continuous.

11.14.5. MEETINGS AND CONSULTATIONS WITH MARKET PARTICIPANTS

11.14.5.1. COOPERATION WITH IZFIA IN REGARD TO CHANGES IN REPORTING REQUIREMENTS FOR INVESTMENT FUNDS AND TFI

In connection with proposals for new implementing acts to the Act on investment funds, in relation to reporting requirements for investment funds and investment fund management companies, working cooperation with the Chamber of Fund and Asset Management was continued to enable the TFI sector to become familiar with the proposed changes and to prepare effectively for consultation and review as part of the legislative process.

In December 2022, a cycle of working meetings was initiated on technical aspects of new reporting, with 5 meetings held with the representatives of the investment funds sector.

11.14.5.2. FIRST MEETING WITH THE CHAMBER OF COMMERCE FOR ALTERNATIVE INVESTMENT COMPANIES

In connection with the establishment of the Chamber of Commerce for Alternative Investment Companies (PL: Izba Gospodarcza Alternatywnych Spółek Inwestycyjnych – IGASI), in January 2022, as requested by the Chamber, a meeting was held with the representatives of the UKNF, that concerned the main directions for the capital market development from the perspective of IGASI and the role that managers of alternative investment companies played in the market. The IGASI representatives presented the objectives that guided the establishment of the Chamber.

11.14.5.3. CONSULTATION WITH MARKET PARTICIPANTS ON ISSUES IN THE IMPLEMENTATION OF INFORMATION OBLIGATIONS OF INVESTMENT FUNDS AND PREPARATION OF SOLUTIONS TO ELIMINATE THE ISSUES REPORTED

In connection with the emerging practical problems related to the implementation of the reporting obligations of investment funds and the quality of data submitted to the KNF Board in those reports, employees of the UKNF held many individual consultations with market participants, during which technical modifications of the mandatory report forms for investment funds and current reports of funds notifying the redemption of investment certificates were developed.

Responding to the needs voiced by depositaries of open pension funds and investment funds, in 2022 consultations were held with the Depository Banks Council on changing the form of reporting in a manner that would automate the generation of such reports on the reporting entity's side and the data processing on the supervisory authority's side, to improve data quality and supervisory efficiency.

11.14.6. COOPERATION WITH INSTITUTIONS PROTECTING CLIENTS' RIGHTS

In 2022, the UKNF cooperated with the competent authorities (the Office of Competition and Consumer Protection, the Financial Ombudsman, the Personal Data Protection Office), submitting to the authorities issues/reports and the results of analyses within their remit of competence and took part in working meetings on the reported issues.

The UKNF provided the Financial Ombudsman with information and documents confirming cases of breach by certain insurance undertakings of the obligations laid down in Article 5(2) and Articles 6, 7, 9 and 10 of the Act on complaints and Financial Ombudsman. The Financial Ombudsman also received from the UKNF information and documents confirming cases of breach by payment service providers (in that case, commercial banks) of the obligations set out in Article 15a(2) and (3) of the Act on payment services with regard to handling service user complaints.

The President of the Office of Competition and Consumer Protection received information from the UKNF indicating different interpretations of the law by lenders regarding the manner and time limits for proportionate cost settlement in connection with the shortening of the duration of the loan agreement due to the overpayment or total repayment of the mortgage loan, as defined in the Act on mortgage credit, provided after the Act entered into force, i.e. after 22 July 2017.

In addition, the UKNF provided information and documents to the President of the Office of Competition and Consumer Protection relating to a malpractice in how credit unions handled customer reports regarding settlement and reduction of the total cost of a consumer credit in the event of its early repayment in the light of the provisions of the Act on consumer credit.

In 2022, the UKNF representatives also took part in working meetings with representatives of the Office of Competition and Consumer Protection on the practice of supervised entities in the area of compliance with the requirements laid down in Division III Chapter 2 of the Act on payment services (Authorisation of payment transactions) and on further steps related to legislative amendments in this area, and with the representatives of the Personal Data Protection Office to work out common legislative solutions on the amendment to Article 70a of the Banking Law related to the exercise of the right of a loan applicant to obtain explanations concerning the assessment of creditworthiness. The agreed legislative proposals were submitted to the Ministry of Finance.

The UKNF also cooperated with the Office of Competition and Consumer Protection in assessing the compliance with the law of an insurance undertaking's practice of using a simplified procedure for handling claims in accident insurance.

In addition, representatives of the UKNF took part in meetings with representatives of the Polish Credit Bureau (BIK) in the field of analysis of the existing solutions related to the 'credit freeze' service and the identified need for uniform mechanisms to protect consumers from 'unwanted' credit products or products fraudulently obtained in their name. Based on analyses and lessons learnt, the UKNF drafted legislative proposals in this area, which were submitted to the Ministry of Finance.

11.14.7. COOPERATION WITH HIGHER EDUCATION INSTITUTIONS

11.14.7.1. AGREEMENT ON COOPERATION BETWEEN THE UKNF, THE FACULTY OF LAW AND ADMINISTRATION AT THE UNIVERSITY OF WARSAW AND FINTECH POLAND FOUNDATION FOR FINANCIAL INNOVATION

The agreement of 4 April 2022 on cooperation on the organisation of a series of scientific conferences promoting the understanding of financial markets aims to broaden students' knowledge of the issues of supervision and regulation of financial innovation and of the fight against cybercrime.

11.14.8. COOPERATION WITH OTHER INSTITUTIONS

In the period covered by this report, the UKNF cooperated in particular with:

- the Bank Guarantee Fund (BFG): pursuant to the Banking Law and the Act on the Bank Guarantee Fund, the deposit guarantee scheme and compulsory restructuring, as well as on the basis of the Agreement for Cooperation and Exchange of Information between the KNF Board and BFG of 27 December 2016, the UKNF and the BFG provided each other with information necessary for the performance of their statutory tasks. With regard to banks, the UKNF provided the BFG with, among other things, information on the scores assigned to banks under the Supervisory Review and Evaluation Process and quarterly assessments of the level of risk existing in banks' operations, as well as information on the economic and financial standing of banks, including their liquidity and capital position. One of the important issues in the cooperation between the KNF Board and the

BFG was recovery plans drafted by banks and the plans for the forced restructuring of the banks drawn up by the Fund (the national forced restructuring authority). In 2022, the UKNF worked with the BFG on preparations for the adoption of a framework for resolution in the insurance sector. The work focused on the analysis of the proposal for an EU directive regarding that matter, submitted by the European Commission and subject to negotiation in the Council of the European Union, and on the analysis of possible approaches to the future application of that Directive, if adopted, in Poland,

- the General Inspector of Financial Information (GIFI): under the AML Act, the KNF Board acts as a body cooperating with the GIFI which, as part of its supervisory powers, carries out inspection and analytical activities in the area of prevention of money laundering and terrorist financing at obliged institutions under the KNF supervision, and, in relation to the infringements identified as a result of inspections, imposes administrative penalties referred to in Article 150(1) of the said Act⁵⁰. In accordance with statutory requirements, the inspection results and the final decision concerning the imposition of an administrative penalty are each time communicated to the GIFI;
- the Central Statistical Office on the transmission of data concerning the investment fund market and pension fund sectors, as well as the insurance sector. The UKNF also took part in the work on the programme of statistical surveys for 2022, 2023, 2024,
- the Insurance Guarantee Fund (UFG): the UKNF representative to the Fund's Council is Krystian Wiercioch, Deputy Chair of the KNF Board. In 2022, the UKNF continued to perform the agreement on cooperation and exchange of information between the KNF Board and the UFG to ensure the security of the insurance market and fulfil their statutory tasks. The UKNF monitors the activity of the Fund by analysing its quarterly and annual financial statements. In 2022, the UKNF cooperated with the UFG to assist Ukrainian citizens in connection with the armed conflict in the territory of Ukraine. Pursuant to Article 60 of the Act on the assistance to citizens of Ukraine in connection with the armed conflict in the territory of that country, a new task was imposed on the UFG which was to reimburse insurance undertakings for the compensation or benefits paid and the costs incurred in respect of claims arising from free frontier insurance. In 2022, the UKNF continued its activities of monitoring of the situation of Polish citizens who were customers of a Denmark-based insurance undertaking Gefion Insurance A/S (which was declared bankrupt in 2021) The undertaking operated in Poland under the freedom to provide services, offering primarily motor insurance. The UFG continued to handle claims caused by the insured at Gefion in an effort to satisfy the claims in the shortest possible time,
- the National Clearing House (PL: Krajowa Izba Rozliczeniowa – KIR) in relation to the use of the resources of the KIR ICT system (STIR),
- the Polish Chamber of Insurance (PIU): the methodology of the annual Supervisory Review and Evaluation Process (SREP) of insurance undertakings for 2021 was consulted with the PIU, and the final version of the methodology is the result of cooperation between the PIU and representatives of insurance undertakings. In 2022, the UKNF continued its efforts to prepare supervised entities and the UKNF for regulatory and supervisory changes regarding sustainability, including obligatory public disclosures by those entities. Cooperation was established with the PIU to develop solutions for stress tests and disclosures that ensure compliance with supervisory expectations and optimum use of available data. The comments and remarks received from insurance undertakings and the Polish Chamber of Insurance provided input for the final version of the stress testing methodology for 2021. To develop a methodology for the catastrophe risk scenarios, a working group was appointed at the Polish Chamber of Insurance which, in cooperation with representatives of the UKNF, prepared stress test scenarios for the risk of climate change. The group will continue its work during next editions of stress tests,

⁵⁰ See Section 11.7. *Prevention of money laundering and terrorist financing*.

- the Polish Bank Association (ZBP): a representative of the ZBP is a member of the Board of the Bank Arbitrator, which discusses comments on market practices followed by banks in relations with clients,
- the Personal Data Protection Office: with regard to fulfilment of obligations arising from the personal data protection regulations,
- the Ministry of Agriculture and Rural Development: participation of a representative of the KNF Board in the work of the Commission for the Assessment of Offers, referred to in Article 8 of the Act on insurance of agricultural crops. In particular, the Act requires the Commission to check whether the opinion of the KNF Board confirms that the financial situation of an insurance undertaking guarantees the execution of the insurance offer;
- the Polish Agency for Audit Oversight (PANA)⁵¹ with regard to performance of tasks related to public supervision,
- the Ministry of Science and Higher Education and the Ministry of Finance: in connection with the requirements of the Act on the principles for the recognition of professional qualifications,
- the Financial Education Council: a representative of the Chair of the KNF Board is a member of the Financial Education Council, whose main task is to provide citizens with knowledge about finance and to develop skills related to the management of personal finances and the functioning of the financial market.

11.15. ENGAGEMENT IN THE ESG AREA

In 2022, the UKNF continued the engagement of its representatives in the regulatory and supervisory activities related to sustainable finance. Representatives of the UKNF participated in the work of EU bodies (ESMA, EBA, EIOPA) with regard to financing of sustainable development and implementation of the regulations applicable in this area in the activities of financial sector entities. In particular, representatives of the UKNF participated in the work on Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks.

The UKNF systematically expanded the information published on the KNF website under the tab on ‘Financing sustainable development’, which featured communications on involvement in ongoing legislative work on ESG issues and non-financial reporting.

Towards the end of 2022, the UKNF joined an initiative launched by the Ministry of Finance, i.e. the Working Group on Non-Financial Reporting under the Sustainable Finance Platform, made up of a wide range of representatives of the financial market and organisations of supervised entities of the financial market, among others. The Ministry of Finance scheduled detailed and intensified work to be carried out by the Group in 2023.

The UKNF monitors compliance of banks with existing ESG regulations and the extent to which banks are prepared for planned legislative changes in this area. The area of ESG is a matter of interest to the UKNF, which is demonstrated, *inter alia*, by the inclusion of selected ESG issues in the SREP and by the 2022 review under Article 139(1) point 2 of the Banking Law conducted on a sample of selected banks. The above review was intended to have banks verify and self-assess their status in the light of the applicable legislation, in particular their role in the financial market, the obligations to which they are subject and the manner in which they fulfil these obligations. In addition, the UKNF is involved in developing ESG regulatory frameworks, both at European and national levels.

⁵¹ See Section 11.3. *Public supervision exercised by the KNF Board in connection with the Act on statutory auditors, audit firms and public supervision.*

12. ORGANISATION OF THE UKNF

12.1. FINANCIAL MANAGEMENT AT THE UKNF

Since 1 January 2019, under the Act amending certain laws to strengthen financial market supervision, the UKNF has enjoyed the status of a state legal person referred to in Article 9 point 14 of the Act on public finance. The UKNF is responsible for providing assistance to the KNF Board and the Chair of the KNF Board. The activities of the UKNF are supervised by the President of the Council of Ministers.

The financial management at the UKNF is based on the principle of financing the operational costs of the UKNF and the KNF Board, as a rule, from payments from supervised entities. It means that, in principle, there is a balance between the planned revenue and planned costs.

The UKNF carries out financial management based on the financial plan, which is subject to a two-step approval procedure. The KNF Board adopts a draft financial plan of the UKNF, which is submitted to the President of the Council of Ministers for approval. The Financial Plan of the UKNF for 2022 was prepared for an amount which takes into account the spending needs resulting from the extended subjective and objective scope of supervision exercised by the KNF Board in recent years,

The fines imposed by the KNF Board do not represent income of the UKNF.

The proceeds from the fines imposed by the KNF Board pursuant to Article 138(3) point 3a and Article 141 of the Banking Law are transferred to the Bank Guarantee Fund.

The proceeds from the fines imposed by the KNF Board pursuant to Article 72 of the Act on credit unions are transferred to the stabilisation fund kept by the National Association of Credit Unions.

The issue of allocation of the proceeds from a fine imposed under Article 151(1) point 3 of the AML Act is resolved by the provision of Article 155 of that Act, which stipulates that ‘the proceeds from fines shall constitute income of the State budget’.

The other proceeds from the fines imposed by the KNF Board under Article 19e of the Act on financial market supervision constitute the funds of the Financial Education Fund.

In the Financial Plan of the UKNF for 2022, the operating costs and the income to pay such costs were planned in the following amounts:

total income:	PLN 541 040 000
– including: payments from supervised entities:	PLN 522 678 000
total costs: :	PLN 530 219 000

Tables 72 and 73 show the plan and execution of income and costs realised in 2021 and 2022 (on accrual basis).

Table 72. Execution of the UKNF's plan of income in the years 2021 and 2022

	Income	2021 plan	Execution of the 2021 plan		2022 plan	Execution of the 2022 plan		Plan for 2022 compared to 2021	Execution for 2022 compared to 2021
			(on accrual basis)			(on accrual basis)			
		(in PLN thousand)	(in PLN thousand)	(in %)	(in PLN thousand)	(in PLN thousand)	(in %)	(in %)	(in %)
1	2	3	4	5	6	7	8	9	10
	Payments from insurance undertakings to cover the costs of supervision of the insurance and brokerage businesses	79 389	78 198	98%	92 007	88 140	96%	116%	113%
	Payments from general pension societies to cover the costs of supervision of the activities of open pension funds	18 639	22 309	120%	27 518	21 993	80%	148%	99%
	Payments from capital market entities to cover the costs of supervision	96 272	73 740	77%	122 390	83 364	68%	127%	113%
	Payments from banking market entities (commercial banks, cooperative banks, credit unions, BUP, mortgage credit intermediaries, KIP, MIP)	246 779	227 851	92%	280 763	248 330	88%	114%	109%
	Income from payments to cover the costs of supervision	441 079	402 098	91%	522 678	441 827	85%	118%	110%
	Fees collected for activities related to examinations and improving professional qualifications	1 000	578	58%	1 000	737	74%	100%	127%
	Fines imposed on supervised entities	0	0		0	0			
	Other	18 760	33 741	180%	17 362	53 131	306%	93%	157%
	Other income	19 760	34 319	174%	18 362	53 868	293%	93%	157%
	Total income	460 839	436 417	95%	541 040	495 695	92%	117%	114%

Source: UKNF

The main part of income shown in Table 72 were the payments made by supervised entities to cover the costs of supervision in the amount of PLN 441 827 000. Income other than income from payments for the costs of supervision was executed in the amount of PLN 53 868 000.

Table 73 shows the breakdown of the UKNF's costs into costs related to remuneration (together with related contributions) and non-wage costs, including costs of depreciation of fixed assets and amortisation of intangible assets.

Table 73. Execution of the UKNF's plan of costs in the years 2021 and 2022

Costs	2021 plan	Execution of the 2021 plan		2022 plan	Execution of the 2022 plan		Plan for 2022 compared to 2021	Execution for 2022 compared to 2021
	(in PLN thousand)	(in PLN thousand)	(in %)	(in PLN thousand)	(in PLN thousand)	(in %)	(in %)	(in %)
1	2	3	4	5	6	7	8	9
Costs relating to remuneration, including charges and derivatives for remuneration	254 811	233 340	92%	277 086	261 320	94%	109%	112%
Non-wage costs, including:	195 409	163 308	84%	253 133	191 436	76%	130%	117%
- <i>overhead costs</i>	170 409	132 657	78%	228 133	166 402	73%	134%	125%
- <i>property costs</i>	25 000	30 651	123%	25 000	25 034	100%	100%	82%
Total	450 220	396 648	88%	530 219	452 756	85%	118%	114%

Source: UKNF

Table 74 shows the breakdown of costs of supervision of individual markets into indirect and indirect costs.

Table 74. Breakdown of costs of supervision into direct and indirect costs in the years 2021 and 2022 in comparative terms (in PLN thousand)

Name of the market	2021				2022			
	plan	execution	including:		plan	execution	including:	
			direct costs of supervision	indirect costs of supervision*			direct costs of supervision	indirect costs of supervision*
1	2	3	4	5	6	7	8	9
Capital market**	121 064	111 929	57 989	53 940	152 915	126 331	66 663	59 668
Insurance market**	77 573	73 809	32 719	41 090	89 713	87 109	37 740	49 369
Pension market	18 639	15 495	6 573	8 922	27 518	16 726	7 014	9 712

Banking market, including:	232 944	195 415	85 913	109 502	260 073	222 590	96 697	125 893
- banks**	229 031	191 774	84 313	107 461	255 730	217 911	94 664	123 247
- payment services offices	955	582	255	327	911	552	240	312
- domestic payment institutions	466	504	221	283	598	647	281	366
- credit unions	1 444	980	431	549	1 352	1 049	456	593
- mortgage credit intermediaries	978	1 214	534	680	1430	1 690	734	956
- small payment institutions	70	361	159	202	52	739	321	418
- domestic electronic money institutions	0.00	0.17	0.08	0.10	0.13	0.24	0.10	0.13
- account information service providers	0.00	0.10	0.04	0.06	0.13	1.97	0.85	1.11
Total	450 220	396 648	183 194	213 454	530 219	452 756	208 114	244 642

Source: UKNF

* Administrative costs.

** 18% of capital market costs are borne by banks and the insurance market: 16.5% and 1.5%, respectively.

The breakdown of the operating costs of the UKNF and the KNF Board incurred in 2022, divided into areas of supervision defined in Article 1(2) of the Act on financial market supervision, and the administrative costs is presented in Annex 13.6.

In accordance with the Regulation of the Minister of Finance of 13 June 2017 on detailed manner, mode and dates for preparing materials for the draft Budget Act, the UKNF also drew up a draft of the budget in a performance-based format. The amount planned to carry out task 4.3. Supervision of the capital, insurance, pension and banking markets in 2022, in line with the 'Catalogue of functions, tasks, sub-tasks and activities for 2022', is PLN 450 220 000. The performance-based budgeting at the UKNF is presented in Table 75.

Table 75. Execution of the financial plan in 2022 by task (in PLN thousand)

Item	Name of the function/task/sub-task/action	Plan for 2022	Execution of the plan as at 31 December 2022
4.	Management of State finances	530 219	452 756
4.3.	Supervision of the financial market	530 219	452 756

4.3.2.	Supervision of the financial market	530 219	452 756
4.3.2.1.	Supervision of the capital market	152 915	126 331
4.3.2.2.	Supervision of the insurance market	89 713	87 109
4.3.2.3.	Supervision of the pension market	27 518	16 726
4. 3.2.4.	Supervision of the banking market	260 073	222 590

Source: UKNF

Task 4.3. Supervision of the capital, insurance, pension and banking markets

The purpose of the task was to ensure compliance of the conduct of supervised entities with financial market regulations and to protect the interests of financial market participants. This goal was achieved by:

- conducting inspection proceedings (comprehensive and targeted inspections) at supervised entities, with the manner of performing the proceedings depending on the inspection activities selected in a given case, the provisions of law related to the inspection and the complexity of the problem, thus affecting the amount of dedicated resources,
- conducting administrative proceedings consisting in the examination of applications submitted by supervised entities and issuing decisions, which were processed in a manner that depended 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 performance of task 4.3.:

- the number of completed administrative proceedings related to the financial market in relation to the number of applications for such proceedings submitted by supervised entities; the measure was planned to be achieved at the level of 93%,
- the number of completed inspection proceedings at supervised entities in relation to the number of planned inspection proceedings; the value of the measure was planned to be achieved at the level of 100%.

The adopted measures were applied in the performance-based budgeting for 2022, and the values achieved were 105% and 97%, respectively.

A higher than planned achievement of the value of the measure of the number of concluded administrative proceedings in respect of the financial market in relation to the number of applications for such proceedings submitted by supervised entities is due to the fact that some of the proceedings concluded in 2022 were initiated at the end of 2021. Those were mainly proceedings initiated in the last months of 2021 and those in which there was a high degree of complexity of inspections. The commitment and professionalism of the UKNF staff as well as high efficiency and high quality of proceedings are also important factors that helped achieve that high measure value.

A lower than planned achievement of the value of the measure of the number of concluded inspection proceedings at supervised entities in relation to the number of planned inspection proceedings is due to the fact that the degree of complexity of the subject matter of the inspection, the significance of the problems to be clarified or difficulties in cooperation with the entity under inspection required an extended inspection time which resulted in postponing the conclusion of part of the proceedings planned for 2022 to 2023.

Table 76 shows the planned and achieved values of measures at the level of activities (concerning individual markets) and sub-tasks.

Table 76. Classification of the performance-based budget: actual values of measures in 2022

Item	Name of the function/task/sub-task/action	Objective	Measure			
			Name	2022		
				Plan	Plan after changes	Measure execution as at 31 December 2022
4.						
4.3.	Supervision of the financial market	Ensuring compliance of the conduct of supervised entities with financial market regulations and protection of the interests of financial market participants	Number of completed administrative proceedings related to the financial market in relation to the number of applications for such proceedings submitted by supervised entities	93%	93%	105%
			Number of completed inspection proceedings at supervised entities in relation to the number of planned inspection proceedings	100%	100%	97%
4.3.2.	Supervision of the financial market	Ensuring compliance of the conduct of supervised entities with financial market regulations and protection of the interests of financial market participants	Number of completed administrative proceedings related to the financial market in relation to the number of applications for such proceedings submitted by supervised entities	93%	93%	105%
			Number of completed inspection proceedings at supervised entities in relation to the number of planned inspection proceedings	100%	100%	97%
4.3.2.1	Supervision of the capital market	Ensuring compliance of the conduct of supervised entities with capital market regulations and protection of the interests of capital market participants	Number of completed administrative proceedings related to the capital market in relation to the number of applications for such proceedings submitted by supervised entities	90%	90%	113%
			Number of completed inspection proceedings at supervised entities in relation to the number of planned inspection proceedings	100%	100%	91%

4.3.2.2	Supervision of the insurance market	Ensuring compliance of the conduct of supervised entities with insurance market regulations and protection of the interests of insurance market participants	Number of completed administrative proceedings related to the insurance market in relation to the number of applications for such proceedings submitted by supervised entities	90%	90%	95%
			Number of completed inspection proceedings at supervised entities in relation to the number of planned inspection proceedings	100%	100%	103%
4.3.2.3	Supervision of the pension market	Ensuring compliance of the conduct of supervised entities with pension market regulations and protection of the interests of pension market participants	Number of completed administrative proceedings related to the pension market in relation to the number of applications for such proceedings submitted by supervised entities	99%	99%	90%
			Number of completed inspection proceedings at supervised entities in relation to the number of planned inspection proceedings	100%	100%	100%
4.3.2.4	Supervision of the banking market	Ensuring compliance of the conduct of supervised entities with banking market regulations and protection of the interests of banking market participants	Number of completed administrative proceedings related to the banking market in relation to the number of applications for such proceedings submitted by supervised entities	95%	95%	106%
			Number of completed inspection proceedings at supervised entities in relation to the number of planned inspection proceedings	100%	100%	98%

Source: UKNF

The execution of the Financial Plan of the UKNF is audited annually by the Supreme Audit Office. The annual financial statements of the UKNF are reviewed by an audit firm selected by the President of the Council of Ministers. The UKNF's annual financial statements drawn up by the KNF Board are submitted, together with the audit report, to the President of the Council of Ministers for approval. The approved financial statements of the UKNF are then submitted to the minister competent for financial institutions.

12.2. PUBLIC PROCUREMENT

All current and asset expenses at the UKNF are executed in accordance with the Public Procurement Plan, pursuant to the provisions of the Public Procurement Law and in accordance with the UKNF's internal regulations on public procurement. In 2022, the UKNF signed 56 public procurement contracts

under the procedures provided for by the Public Procurement Law, including: 23 delivery contracts and 33 service contracts.

Table 77. Number of awarded public procurement contracts in 2022 by type of procedure

Type of procedure	Number of awarded public procurement contracts
Open tender procedure, under Article 132 of the Public Procurement Law	30
Basic procedure, under Article 275 point 1 of the Public Procurement Law	25
Direct contract pursuant to Article 214(1) point 5 and Article 215(1) point 2 of the Public Procurement Law	1
Total number of public procurement contracts awarded under the procedures provided for by the Public Procurement Act in 2022	56

Source: UKNF

12.3. MANAGEMENT OF HUMAN RESOURCES

In 2022, the activities undertaken in the area of management of human resources focused on ensuring appropriate resources for the purpose of supervisory tasks and business continuity at the UKNF.

The UKNF's employment plan for 2022 was 1 537 jobs. The employment level as at 31 December 2022 amounted to 1 375.31 jobs (excluding substitution agreements). The fluctuation rate was 9.5%. For comparison, in the years 2018–2021, it was: 12.87%, 11.48%, 7.26%, and 9%, respectively. Over the year, 127 recruitment procedures were initiated, which resulted in the employment of 173 new staff members. The recruitment procedures were launched to fill the vacancies as they occurred.

The organisation of work in a hybrid form, consisting of combining on-site work with remote work performed for a defined number of days per month, has been maintained. Numerous initiatives were taken to improve the well-being of employees. One of the elements of those initiatives was health-promoting activities. Multiple campaigns were conducted to promote sports activities for employees and in the area of health education. Employees were provided with the support of a psychologist and with an opportunity to take part in numerous screening and prophylactic tests as well as in anti-smoking workshops.

In the area of training and development activities in 2022, the incentive analysis continued using the MAPP3 methodology for specific groups of employees, and new training initiatives were launched as part of 398 (external and internal) group training courses on 111 topics. As regards the topics, most training courses were specialised courses, mainly in the area of financial markets: capital, banking and insurance markets, as well as legal issues. Training projects were also carried out in the area of 'soft' skills and, broadly understood, well-being. In addition, employees completed obligatory training on the prevention of corruption and on occupational health and safety.

To respond to the current training needs, the group training processes were supported by individual training courses. In 2022, a total of 746 participants benefited from those trainings. Most trainings were conducted remotely.

In 2022, a new trade union organisation was established at the UKNF: the All-Poland Alliance of Trade Unions (OPZZ) 'Konfederacja Pracy' workplace organisation. The Inter-Enterprise Commission of the Independent Self-Governing Trade Union 'Solidarność', which had been operating at the UKNF, ceased its activity. The UKNF as employer entered into an appropriate cooperation agreement with the new trade union organisation, declaring support for activities undertaken with regard to working conditions and environment. At the end of the year, the UKNF had two trade union organisations with membership at the level of approx. 10% of all employees.

12.4. UKNF STRATEGY FOR 2021–2025

In 2022, as part of the UKNF Strategy, tactical and operational objectives were set for the year covered by this report. The set objectives were based on the mission and vision statements and responded to the changing environment. All of the UKNF's employees contributed, directly or indirectly, to the implementation and achievement of the UKNF Strategy objectives, either by performing analyses, providing data or by conducting reviews or taking part in meetings with supervised and non-supervised entities. In the fourth quarter of 2022, the process of planning of strategic short-term objectives for 2023 was launched. An account of the achievement of the strategic short-term objectives will be completed in the first quarter of 2023.

12.5. ACTIVITIES AIMED AT IMPROVING THE SYSTEM FOR SECURITY AND PROTECTION OF CLASSIFIED INFORMATION AT THE UKNF

1. New organisational solutions with regard to the UKNF security were implemented, resulting from task modules performed in connection with the BRAVO alert level introduced in Poland.
2. Employees of the UKNF were provided with an e-learning course on the procedures to be followed in case of an event that poses a threat to the life and health of individuals and a training on terrorist threats developed by the Terrorism Prevention Centre of Excellence.
3. On-site training courses on first aid, fire protection, and evacuation were provided to designated employees and to those interested.
4. With the support of the police and fire brigade, evacuation exercises of the UKNF buildings at 6E Niedźwiedzia and 20 Piękna streets were carried out to prepare employees for an emergency situation.
5. An online training on identifying and counteracting disinformation was conducted for all employees of the UKNF.
6. Security of information processed at the UKNF was continuously ensured, for example by upgrading the protection system and updating documentation regarding the protection of classified information.
7. The UKNF continued its ongoing cooperation with the National Crime Information Centre (PL: Krajowe Centrum Informacji Kryminalnych – KCIK).
8. The UKNF fulfilled the obligation arising from Articles 41a and 47 of the Act on the organisation and operation of pension funds.

12.6. TASKS IMPLEMENTED IN THE FIELD OF SECURITY AND PROTECTION OF INFORMATION PROCESSED AT THE UKNF

The tasks performed in the field of protection of personal data processed by the UKNF and the KNF Board included, in particular, the activities which fulfilled the obligations arising from the provisions of generally applicable law, e.g.:

- reviewing requests from data subjects, and exercising their rights where it was justified by the applicable laws,
- issuing internal documents concerning personal data protection, including policies and procedures,
- preparing guidelines on the fulfilment of information obligations,
- reviewing any new contracts and agreements for compliance with personal data protection requirements.

This area at the UKNF is the responsibility of a specialised team and the Data Protection Officer.

12.7. TASKS IN THE AREA OF CYBERSECURITY

In 2022, the following measures in the area of the internal cybersecurity were implemented:

- ICT security incidents were supervised, monitored and handled, also measures related to CRP alert levels introduced in Poland,
- 33 security audits of ICT systems (security audits of the UKNF applications and systems available in the internal network and from the public network),
- new internal regulations on cybersecurity were updated and prepared,
- training activities for the UKNF employees to build awareness in the area of cybersecurity,
- day-to-day distribution of information about cyber threats.

12.8. COMPLAINTS ABOUTS THE ACTIVITY OF THE UKNF AND THE CONDUCT OF EMPLOYEES OF THE UKNF, AND THE UKNF'S MEASURES TO STRENGTHEN THE ETHICAL STANDARDS OF ITS EMPLOYEES

The UKNF received, in 2022, 91 complaints about the activity of the UKNF and the conduct of employees of the UKNF, of which 90 were reviewed, and 1 was outside the remit of the UKNF.

2022 also saw the continuation of activities promoting high ethical standards among the UKNF staff such as the Ethics Week, an awareness-raising campaign, organised under the slogan: 'I use social media responsibly'.

13. ANNEXES

ANNEX 13.1. INFORMATION ABOUT ADMINISTRATIVE FINAL AND INTERIM DECISIONS ISSUED ON THE BASIS OF AUTHORISATION FROM THE KNF BOARD AND ON THE BASIS OF AUTHORISATION FROM THE CHAIR OF THE KNF BOARD, AND INTERIM DECISIONS TO INITIATE *EX OFFICIO* PROCEEDINGS OR TO EXTEND THE SCOPE OF THE PROCEEDINGS — UNDER ARTICLE 13 OF THE ACT ON CAPITAL MARKET SUPERVISION AND INTERIM DECISIONS PURSUANT TO ARTICLE 11(7) OF THE ACT ON FINANCIAL MARKET SUPERVISION

Table 13.1.1. Number of final decisions issued in 2022 on the basis of an authorisation granted by the KNF Board

Subject-matter of the final decision	Number of decisions issued
1. Supervision of the financial market	
Banking sector	
authorisation to include profit for a given period in the Common Equity Tier 1 (CET1) capital	43
authorisation to classify the issued shares to the Common Equity Tier 1 (CET1) capital	11
authorisation to reduce own funds	449
authorisation to classify liabilities arising from the financial instruments issued by a bank as Tier I capital	52

authorisation to classify cash of a bank gained from the issue of long-term bonds and subordinated loans as instruments of the Tier 2 capital	6
authorisation of early redemption of bonds	3
application of internal (IRB and AMA) approaches and/or significant changes/extensions in those approaches	1
recommendation to a bank to maintain an additional own funds requirement in accordance with Article 138(2) point 2 of the Banking Law	9
approval of the exemption from the obligation to provide the Polish translation of financial statements of the parent company	2
approval of limiting the scope of the translation of consolidated financial statements	1
authorisation to entrust performance, by business owners indicated in the decision, of activities other than those specified in Article 6a(1) point 1(a–l) of the Banking Law for and on behalf of a bank	26
authorisation to conclude a contract with a foreign business owner who does not have a registered office in the territory of a Member State or an agreement providing for the performance of activities outside the territory of a Member State	21
declaration of expiration of a final decision concerning the recommendation to maintain own funds for covering additional capital requirement to safeguard against the risk resulting from mortgage-secured foreign currency credit facilities and loans for households	5
approval of an opt-out from the requirements laid down in Article 113(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012	3
appointment of a trustee or deputy trustee at a mortgage bank	2
authorisation to amend the articles of association of a bank operating as a joint-stock company	37
authorisation to amend the articles of association of a cooperative bank	257
initiation of <i>ex officio</i> administrative proceedings	5
exemption of BGK from the obligation to comply with the prudential requirements for the formation of groups of connected clients referred to in Article 4(1) point 39 of Regulation (EU) No 575/2013 and in the acts adopted under that Regulation, with participation of the central government by excluding the central government (Article 3(1e) of the Act of 14 March 2003 on Bank Gospodarstwa Krajowego (BGK) in conjunction with Article 4(1) point 39 of Regulation (EU) No 575/2013 of the European Parliament and of the Council	1
authorisation to apply the 100% inflow rate in relation to undrawn portion of a credit facility pursuant to Article 34(1) of Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions	1
approval of the total exemption from the limitation of recognition of liquidity inflows to 75% of total liquidity outflows for undrawn portion of a credit facility pursuant to Article 33(2)(a) of Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions	1
strong customer authentication (SCA) (under Article 17(6) of Regulation (EU) No 537/2014 of the European Parliament and of the Council)	1
final decisions issued under Article 17 of Commission Delegated Regulation (EU) 2018/389 of 27 November 2017 supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council with regard to regulatory technical standards for strong customer authentication and common and secure open standards of communication	1
authorisation to extend the maximum duration of the contract with the audit firm for a period of 2 years, exceeding the maximum period of 10 years defined in Article 17(1) of Regulation (EU) No 537/2014	1

approval by the KNF Board of granting exemption from the obligation to set up contingency mechanisms with regard to dedicated interfaces under Article 33(6) of Commission Delegated Regulation (EU) 2018/389 on SCA	4
decision concerning an OSII	6
discontinuance of proceedings	48
warnings addressed to a supervised entity	2
recommendations on dividend policy	75
other final decisions	20
	14
Total	1 108
Credit unions sector	
approval of merger with another credit union	2
approval of an amendment to the articles of association of a credit union	2
discontinuance of administrative proceedings in respect of approval of appointment of a president of the management board of a credit union	1
inclusion of subordinated debt to own funds of a credit union	4
discontinuance of proceedings in respect of appointment of a commissioned administrator	4
reimbursement of the KNF Board for the costs of re-audit of financial statements	2
limitation of the scope of reporting	2
Total	17
Payment services sector	
authorisation/change of authorisation to provide payment services as a domestic payment institution	8
withdrawal of authorisation to provide payment services as a domestic payment institution	1
statement of no grounds for the KNF Board to object to the acquisition of shares of a domestic payment institution	7
prohibition on providing services as a small payment institution or as a payment services office	9
final decisions issued under Article 17 of Commission Delegated Regulation (EU) 2018/389 of 27 November 2017 supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council with regard to regulatory technical standards for strong customer authentication and common and secure open standards of communication	1
other final decisions	55
Total	81
Insurance market	
approval of amendments to the articles of association of an insurance undertaking	30
entry in the Register of Actuaries	7
authorisation to conduct brokerage activities in the area of insurance	57
authorisation to conduct brokerage activities in the area of reinsurance	4
withdrawal of authorisation to conduct brokerage activities in the area of insurance	40
withdrawal of authorisation to conduct brokerage activities in the area of reinsurance	3
discontinuance of proceedings	11

other final decisions	12
Total	164
Pension market	
authorisation to appoint a member of the supervisory board of a pension society	14
approval of an amendment to the articles of association of a general pension society, open pension fund, or voluntary pension fund	5
authorisation to shorten the period preceding the entry into force of amendments to the articles of association of an open pension fund or voluntary pension fund	5
approval of a change of depositary of an open pension fund	1
authorisation to amend the agreement on the safekeeping of assets of a pension fund	8
authorisation to apply an exemption from the prohibition on affiliated entities holding shares in more than one general pension society	1
discontinuance of proceedings	4
registration of an occupational pension scheme	28
entry of changes to an occupational pension scheme in the Register	183
removal of an occupational pension scheme from the Register	24
removal of an investment fund management company from the records of occupational pension	1
authorisation to extend the deadline for adjusting investment activity of the OFE	1
discontinuance of proceedings in respect of granting authorisation to extend the deadline for adjusting investment activity of an open pension fund	2
discontinuance of proceedings	4
removal of an annotation about an employer's participation in an inter-company occupational pension scheme	1
approval of the report on activities of KDPW S.A. in respect of management of the Guarantee Fund for 2021	1
other final decisions	1
Total	284
Capital market	
approval of a prospectus	27
approval of an annex to a prospectus	50
imposition of fines on entities (issuers, shareholders being legal persons, investment firms)	1
authorisation to keep registers or accounts of commodities	3
authorisation to merge internally two sub-funds of an open-end investment fund or a specialised open-end investment fund	18
authorisation to act as an intermediary in the disposal and repurchase of shares or participation units	2
authorisation to amend the articles of association of an investment fund, including the shortening of the period preceding the entry into force of amendments to the fund's articles of association	101
approval of a prospectus for investment certificates of a closed-end investment fund	16
approval of a supplement to a prospectus for investment certificates of a closed-end investment fund	10 24
prohibition on continuing to make offers of securities to the public or shares subscription and publication on the website information on unlawful action in connection with an offer to the public or share subscription	2
entry on the list of investment advisers	53
entry on the list of securities brokers	105

entry in the Register of Tied Agents	24
removal of a tied agent from the Register	23
approval of appointment of a member of the management board of an investment fund management company supervising the risk management system	7
approval of appointment of a member of the management board of an investment fund management company responsible for decision making	6
refusal to issue approval of appointment of a member of the management board of an investment fund management company supervising the risk management system and a member of the management board of an investment fund management company supervising the decision-making processes	2
approval of appointment of a member of the management board of a brokerage house supervising the risk management system	3
approval of appointment of a president of the management board of a brokerage house	2
withdrawal of authorisation to conduct brokerage activities	1
approval of the Rules of KDPW S.A. or approval of amendments thereto	5
approval of equity interest of Krajowy Depozyt Papierów Wartościowych S.A.	1
approval of amendments to the rules for settling transactions of KDPW_CCP S.A. or the rules of a compensation fund	3
authorisation to extend the scope of provision of clearing services as a central counterparty (CCP)	1
request that the Warsaw Stock Exchange suspend trading in shares issued by a public company.	17
repealing of an administrative decision requesting that the Warsaw Stock Exchange suspend trading in financial instruments issued by public companies	13
removal from the Register of AICMs	7
refusal to enter a company in the Register of AICMs	2
suspension of proceedings in respect of entry in the Register of AICMs	2
approval of suspension of the disposal of participation units	1
approval of suspension of repurchase of participation units	1
approval of amendments to the rules of a company operating a commodity exchange	1
approval of amendments to the rules of a company operating a regulated market	4
approval of changes in the composition of the management board of a company operating a regulated market	2
approval of amendments to the articles of association of a company operating a regulated market	1
validation of a significant amendment under Article 49 of EMIR (Regulation 648/2012)	1
order for the transfer of financial instruments	2
declaration of expiration of a final decision	8
discontinuance of administrative proceedings	102
other final decisions	9
Total	663
Mortgage credit intermediaries	

authorisation to carry on business as a mortgage credit intermediary and entry in the register of credit intermediaries (in Section I)	11
withdrawal of authorisation to carry on business as a mortgage credit intermediary and removal from the Register of Credit Intermediaries (from Section I)	50
discontinuance of proceedings in respect of authorisation to carry on business as a mortgage credit intermediary	2
Total	63
Consumer credit intermediaries	
refusal to enter a consumer credit intermediary in the Register of Credit Intermediaries	12
Total	12
Total	2 392

Source: UKNF

Table 13.1.2. Number of interim decisions issued in 2022

Subject-matter of the interim decision	Number of interim decisions
initiation of <i>ex officio</i> proceedings or extending the scope of proceedings issued under Article 13 of the Act on capital market supervision	47
refusal to exclude members of the KNF Board from proceedings initiated upon an application for a review of a case	1
rejection of a request to allow examination of expert witness evidence	1
other interim decisions: including interim decisions in respect of which an application for a review of a case may be submitted	7
postponement of the deadline for supplementing the recovery plan by one month	6
initiation of proceedings in respect of a request that the Warsaw Stock Exchange suspend trading in financial instruments issued by public companies	17
initiation of proceedings in respect of repealing of an administrative decision requesting that the Warsaw Stock Exchange suspend trading in financial instruments issued by public companies	13
declaration of invalidity of an administrative decision requesting that the Warsaw Stock Exchange suspend trading in shares issued by a public company	5
an opinion of the NBP	3
extension of the time for removal of formal defects/irregularities	29
setting a new date to deal with the case	72
conducting evidentiary proceedings	1
suspension of administrative proceedings	57
resumption of suspended administrative proceedings	43
refusal to issue an interim decision on suspending administrative proceedings	1
refusal to issue a certificate	1
inclusion of documents in the case file	8
taking of evidence in a case	11
correction of an obvious typographical error	5
allowing a civil society organisation to participate in proceedings	1

other interim decisions	6
Total	335

Source: UKNF

Table 13.1.3. Number of final administrative decisions issued by the Chair of the KNF Board in 2022 under the provisions of the Act on access to public information

Subject-matter of the final decision	Number of decisions
on the refusal to provide access to public information	27

Source: UKNF

Table 13.1.4. Number of final administrative decisions issued in 2022 under the provisions of Division III of the Act of 29 August 1997–Tax Ordinance in conjunction with Article 19a(5) of the Act of 21 July 2006 on financial market supervision

Subject-matter of the final decision	Number of decisions
calculation of amounts payable in respect of the costs of supervision	245

Source: UKNF

ANNEX 13.1. ISSUERS WHOSE PROSPECTUSES WERE APPROVED BY THE KNF BOARD IN 2022 AND CLOSED-END PUBLIC INVESTMENT FUNDS WHOSE PROSPECTUSES WERE APPROVED BY THE KNF BOARD IN 2022

Table 13.2.1 Issuers whose prospectuses were approved by the KNF Board in 2022

Item	Issuer	Date
1.	Cavatina Holding SA	10 January 2022
2.	Polenergia S.A.	27 January 2022
3.	Vortex Energy S.A.	17 February 2022
4.	Skotan SA	4 April 2022
5.	Creotech Instruments S.A.	25 April 2022
6.	3LP S.A.	25 April 2022
7.	Millennium Bank Hipoteczny S.A.	29 April 2022
8.	PCC Exol S.A.	24 June 2022
9.	PragmaGO SA	15 July 2022
10.	PragmaGO SA	15 July 2022
11.	Caspar Asset Management S.A.	21 July 2022
12.	Bioceltix S.A.	28 July 2022
13.	SimFabric SA	29 July 2022
14.	Novavis Group S.A.	5 August 2022
15.	Kruk S.A.	23 August 2022

16.	Alior Bank S.A.	24 August 2022
17.	Alior Bank S.A.	24 August 2022
18.	Marvipol Development S.A.	24 August 2022
19.	TenderHut S.A.	21 October 2022
20.	Develia S.A.	26 October 2022
21.	Rafako SA	26 October 2022
22.	BEST SA	4 November 2022
23.	Cloud Technologies SA	10 November 2022
24.	Ryvu Therapeutics S.A.	7 December 2022
25.	Movie Games S.A.	16 December 2022
26.	T-Bull S.A.	16 December 2022
27.	Passus S.A.	23 December 2022

Table 13.2.2 Closed-end public investment funds whose prospectuses were approved by the KNF Board in 2022

Item	Name of the fund	Date of approval of the prospectus
1.	BETA ETF WIGtech Portfelowy Fundusz Inwestycyjny Zamknięty	10 March 2022
2.	IPOPEMA Medycyny i Innowacji Fundusz Inwestycyjny Zamknięty z siedzibą w Warszawie	29 April 2022
3.	Fundusz Długu Korporacyjnego Rentier Fundusz Inwestycyjny Zamknięty	10 June 2022
4.	Beta ETF mWIG40TR Portfelowy Fundusz Inwestycyjny Zamknięty	20 June 2022
5.	Beta ETF WIG20lev Portfelowy Fundusz Inwestycyjny Zamknięty	5 July 2022
6.	Beta ETF WIG20short Portfelowy Fundusz Inwestycyjny Zamknięty	5 July 2022
7.	Ipopema Benefit 3 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych z siedzibą w Warszawie	15 July 2022
8.	Eques Akcji Sektora Prywatnego Fundusz Inwestycyjny Zamknięty	19 August 2022
9.	IPOPEMA Ekologii i Innowacji Fundusz Inwestycyjny Zamknięty	24 August 2022
10.	Eques Aktywnego Inwestowania Fundusz Inwestycyjny Zamknięty	24 August 2022
11.	Beta ETF TBSP Portfelowy Fundusz Inwestycyjny Zamknięty	10 October 2022
12.	Beta ETF sWIG80TR Portfelowy Fundusz Inwestycyjny Zamknięty	10 October 2022
13.	Beta ETF WIG20TR Portfelowy Fundusz Inwestycyjny Zamknięty	12 October 2022
14.	Beta ETF S&P 500 PLN-Hedged Portfelowy Fundusz Inwestycyjny Zamknięty z siedzibą w Warszawie	10 November 2022
15.	Beta ETF Nasdaq-100 PLN-Hedged Portfelowy Fundusz Inwestycyjny Zamknięty	10 November 2022

16.	Eques Akumulacji Majątku Fundusz Inwestycyjny Zamknięty	6 December 2022
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Source: UKNF

ANNEX 13.3. PROTECTION OF NON-PROFESSIONAL FINANCIAL MARKET PARTICIPANTS: ANALYTICAL ACTIVITIES AND INVESTIGATIONS CARRIED OUT BY THE UKNF IN 2022 WITH REGARD TO MALPRACTICES OF KNF-SUPERVISED ENTITIES

	Banking sector
1.	Analysis of a practice followed by a selected group of banks in relation to accepting and processing applications from borrowers for the statutory 'repayment holiday' introduced by the Act on crowdfunding.
2.	Analysis of a practice followed by selected banks in relation to costs settling on account of early repayment of mortgage credit and consumer credit.
3.	Analysis of a practice followed by cooperative banks in relation to account block and payment of funds from a bank account of a customer against whom a decision concerning declaration of personal bankruptcy was issued.
4.	Analysis of a practice followed by selected banks regarding the execution of foreign/currency transfer orders (in a currency other than EUR) with regard to the transfer execution path and related fees.
5.	Analysis of a practice followed by selected banks with respect to including information on fees charged but not collected due to lack of funds in the payment account on the statement of fees provided to the consumer in accordance with Article 32b of the Act on payment services.
6.	Analysis of a practice followed by selected banks in relation to debt collection processes in banks and outsourcing of debt collection services.
7.	Analysis of a practice followed by a selected group of banks in relation to offering of a fixed interest rate for mortgage loans.
8.	Analysis of a practice followed by one of banks with respect to delays in the provision of certificates of repayment of a loan.
9.	Analysis of a practice followed by one of banks in relation to irregularities in the servicing of consumer credit in connection with its overpayment.
10.	Analysis of a practice followed by one of banks in relation to the calculation of the mortgage loan margin.
11.	Analysis of a practice followed by one of banks in relation to generating notifications about the amount of a loan repayment instalment during the term of the loan agreement.
12.	Analysis of a practice followed by one of banks in relation to enabling access to the amount exempt from execution in bank accounts subject to attachment resulting from debt execution proceedings.
13.	Analysis of a practice followed by one of banks in relation to compliance with Recommendation S.
14.	Analysis of a practice followed by one of banks with respect to restrictions on the processing of several applications simultaneously with regard to the same mortgage loan.
15.	Analysis of a lack of functionality of a debit card when executing contactless payments in one of banks.
16.	Analysis of a practice followed by selected banks in relation to the performance of obligations under Article 45 of the Act on consumer credit, with regard to a penalty for 'free credit'.
17.	Analysis of certain entities' practice of not responding to the questions asked by KIR S.A. as part of the Information Centre.
18.	Analysis of erroneous charging of fees on credit card accounts by one of banks.
19.	Analysis of a practice followed by one of banks in relation to sending e-mail notifications on BLIK transactions.
20.	Analysis of a practice followed by one of banks in relation to transferring payment accounts to other banks upon instruction from a customer.
21.	Analysis of the limitations of the online service of one of banks in relation to initiating foreign currency transfers.
22.	Analysis of a practice followed by one of banks in relation to handling bank accounts in the event of personal bankruptcy.

23.	Analysis of a practice followed by one of banks in relation to handling insurance claims submitted through the helpline.
24.	Analysis of a practice followed by one of banks in relation to providing payment services in the online banking system.
25.	Analysis of a practice followed by one of banks in relation to addressing marketing offers to customers during the notice period following termination of the contract by the bank.
26.	Analysis of a practice followed by one of banks in relation to verifying of the identity of the customer in marketing communication over the phone.
27.	Analysis of cases of late execution by one of banks of an order for overpayment of a mortgage loan.
28.	Analysis of a practice followed by selected banks in relation to applying an increased mortgage loan margin during the period of waiting for entry of the mortgage in a land and mortgage register and other collateral used during the transitional period.
29.	Analysis of a practice followed by one of banks in relation to incorrect assigning of credit card transactions to a specific settlement period.
30.	Analysis of a practice followed by one of banks in relation to the handling of applications for the re-settlement of costs of a loan repaid early.
31.	Analysis of a practice followed by one of banks in relation to the manner of presenting, in the online banking interface, the execution time of SWIFT transfers not matching the actual time of their execution.
32.	Analysis of a practice followed by one of banks in relation to the method of settlement of loan overpayments.
33.	Analysis of a practice followed by one of banks in relation to the template of income and salary statement.
34.	Analysis of a practice followed by one of banks in relation to the manner of accounting for repayment of loan instalments.
35.	Analysis of a practice followed by selected banks consisting in sending notifications related to operations and events occurring in the framework of the handling of banking products.
36.	Analysis of one bank's practice of transferring incorrect data to the Central Information.
37.	Analysis of a practice followed by one of banks in relation to the moment of entering the date of the client's death in the transaction and banking system.
38.	Analysis of a practice followed by one of banks in relation to payment for the performance of obligations arising from Order No 31/2013 of the Governor of the National Bank of Poland of 17 December 2013 on the detailed rules and procedure for exchanging legal tender which due to wear and tear cease to be a legal means of payment in the territory of the Republic of Poland (Official Journal of the NBP 2020, item 31, as amended).
39.	Analysis of a practice followed by selected banks in relation to the exercise of the right referred to in Article 40 of the Act on mortgage credit.
40.	Analysis of a practice followed by selected banks in relation to observing the time limits for closing bank accounts after the end of the notice period defined in the bank account agreement.
41.	Analysis of one bank's issues in the servicing of products related to customer migration.
42.	Analysis of a practice followed by one of banks in relation to the timely handling of complaints.
43.	Analysis of a practice followed by one of banks in relation to presenting information on the website about the interest rate on deposits.
44.	Analysis of a practice followed by one of banks in relation to monitoring the fulfilment by customers of the conditions for price promotion.
45.	Analysis of a practice followed by one of banks in relation to monitoring of mortgage collateral in the form of insurance.
46.	Analysis of a practice followed by one of banks in relation to control and assessment of cooperation with an external entity providing intermediation services in the sale of banking products.
47.	Analysis of a practice followed by one of banks in relation to the servicing of bank accounts for minors in the context of the rights and obligations of a minor's legal representative.
48.	Analysis of a practice followed by one of banks in relation to the generation of notifications about the change in the amount of the mortgage instalment.
49.	Analysis of cases of failure of the mobile and online banking system at one of banks.
50.	Analysis of a problem concerning incorrect booking of funds in a bank account of a bankrupt customer to a technical account.
51.	Analysis of cases of disclosure by three banks of information subject to banking secrecy.

52.	Analysis of a practice followed by one of banks in relation to submitting documents to remove the mortgage from the land and mortgage register after the full repayment of the mortgage loan.
53.	Analysis of a practice followed by one of banks in relation to selling mortgage loan receivables arising under mortgage loan agreements before the end of pending court proceedings.
54.	Analysis of irregularities related to linking a bank deposit to a closed bank account at one of banks.
55.	Analysis of a practice followed by one of banks in relation to sending a text message in the case of early repayment of a loan.
56.	Analysis of a case of one of banks having performed payment services without the consent of the account holder.
57.	Analysis of a practice followed by one of banks in relation to a late return of funds from a unit-linked fund (UFK) held in the bank's technical account.
58.	Analysis of a practice followed by one of banks in relation to irregularities in the quality of calls conducted through a helpline.
59.	Analysis of a practice followed by one of banks in relation to observing time limits for the acceptance of powers of attorney submitted for the customer's bank account.
60.	Analysis of irregularities consisting in one of banks changing address information of a customer to address information of a third party.
61.	Analysis of a practice followed by one of banks in relation to charging fees for failure to provide the documents required to assess the economic and financial situation in connection with the loan held.
62.	Analysis of a practice followed by one of banks in relation the settlement of costs of withdrawal from a consolidation loan agreement.
63.	Analysis of a practice followed by one of banks in relation to rejecting payment transactions made with the participation of a merchant.
64.	Comprehensive analysis of a practice followed by certain lenders in relation to the settlement of the total cost of credit for mortgage-backed credit repaid before the contractual deadline – Article 39 of the Act on mortgage credit.
65.	Analysis of a practice followed by selected banks in relation to opening and servicing bank accounts for legal guardians of totally incapacitated persons.
66.	Analysis of a practice followed by selected banks in relation to the provision of information subject to banking secrecy in the event of failure by the client to comply with the requirements under Article 729 of the Civil Code.
67.	Analysis of a practice followed by one of banks in relation to changing the interest rate formula from fixed to periodically floating interest rate for foreign-currency mortgage loans.
68.	Analysis of a failure by one of commercial banks to use Polish diacritics.
69.	Analysis of the process of archiving banking documentation produced by one of banks.
70.	Analysis of a practice followed by one of commercial banks in relation to the process of reimbursement of funeral expenses in accordance with Article 55 of the Banking Law.
71.	Analysis of a practice followed by one of banks in relation to periodically extending the fixed interest rate on a loan.
72.	Analysis of a practice followed by one of banks in relation to designing credit products.
73.	Analysis of a practice followed by one of banks in relation to the method of settlement of early repayment of a mortgage loan.
74.	Analysis of a practice followed by one of banks in relation to failure to present information on the actual payee.
75.	Analysis of a practice followed by one of banks in relation to the management of receivables covered by the agreement concerning their repayment.
76.	Analysis of a practice followed by one of banks in relation to collecting BIK reports for marketing purposes.
77.	Analysis of a practice followed by one of banks in relation to processing powers of attorney submitted by clients to the bank.
78.	Analysis of a practice followed by one of banks regarding the amount of the collected mortgage loan instalment.
79.	Analysis of a practice followed by one of banks regarding a delayed execution of euro withdrawal orders.
80.	Analysis of a practice followed by one of banks regarding doubt as to the amount of the write-off requested as part of the settlement of the financial subsidy to the Polish Development Fund (PFR) through the bank.

81.	Analysis of cases of one of banks wrongly collecting a mortgage instalment the payment of which fell on a non-working day.
82.	Analysis of a practice followed by one of banks regarding the refusal to change the mortgage interest rate formula from variable interest rate to periodically fixed interest rate.
83.	Analysis of a case of using a payment account held with one of banks for illegal activities.
84.	Analysis of one bank's practice of opening payment accounts with the use of identity confirmation consisting of logging into an account held with another bank.
85.	Analysis of a practice followed by one of banks regarding incorrect verification of compliance with a condition for a promotion consisting of maintaining a reduced mortgage margin.
86.	Analysis of a practice followed by one of banks in relation to blocking of funds in a customer's bank account for repayment of an instalment before the due date of the instalment.
87.	Analysis of a practice followed by one of banks in relation to charging interest of several dozen grosze for a timely repayment of an instalment loan.
88.	Analysis of a practice followed by one of banks in relation to charging the transfer fee for the implementation of enforcement actions from the pre-paid card account.
89.	Analysis of a practice followed by one of banks regarding the use of outdated customer data and the termination of bank account agreements on the basis of an imprecise provision of the terms and conditions.
90.	Analysis of a practice followed by one of banks regarding the execution of an instruction to terminate the IKE savings account agreement which results in the refund of the accumulated funds in a situation when the conditions for a free of charge funds withdrawal are met.
91.	Analysis of a practice followed by one of banks regarding communication of the right to receive electronic messages of the amount of the mark-up referred to in Article 4(5) and (6) of Regulation (EU) 2021/1230 of the European Parliament and of the Council of 14 July 2021 on cross-border payments in the Union (consolidated text) (OJ L 274, 30 July 2021, p. 20).
92.	Analysis of one bank's practice of indicating, in the sent statements of claims, the customer's address other than the residence address communicated to the bank, resulting in correspondence relating to judicial proceedings being sent to a wrong address.
93.	Analysis of one bank's practice of providing to customers the PIT-11 tax information concerning the amount exempt from tax.
94.	Analysis of one bank's practice of wrongly subjecting COVID-19-related aid benefits to attachment.
95.	Analysis of one bank's practice of satisfying credit claims after the commencement of recovery proceedings.
96.	Analysis of one bank's procedure of handling requests for return assignment of receivables.
97.	Analysis of one bank's practice of reporting incorrect information about a negative credit decision in the process conducted through the intermediation path.
98.	Analysis of a practice followed by one of banks regarding the late execution of the orders related to the execution of a payment transaction with the use of an incorrect unique identifier.
99.	Analysis of irregularities found in the process of granting consumer credit in one of banks with respect to non-compliance with procedures.
100.	Analysis of one bank's procedure regarding the execution of instructions to introduce modifications as regards the representation of the entity and the access to the account.
101.	Analysis of one bank's practice regarding the late handling of applications for a change of interest rate on a loan from a variable to a fixed interest rate.
102.	Analysis of one bank's practice regarding the late execution of the order of partial repayment of the mortgage loan during the period of suspension of the mortgage repayment (repayment holiday).
103.	Analysis of a problem of one of banks failing to provide the buyer of a credit receivable with information on the applicable method of repayment resulting from the court judgment.
104.	Analysis of one bank's process of writing off liabilities subject to migration from another entity.
105.	Analysis of one bank's practice of incorrect execution of orders to convert joint accounts into individual accounts.
106.	Analysis of a practice followed by one of banks in relation to the late execution of requests for disbursement of mortgage credit tranches.
107.	Analysis of a practice of one of banks in relation to the execution of debt enforcement transfers from a foreign-currency account instead of a PLN account.
108.	Analysis of a practice followed by one of banks in relation to the late execution of attachment and changes in the attachment.

109.	Analysis of a practice of charging unjustified fees, despite the fulfilment of the condition for exemption from those fees by one of the branches of a credit institution.
110.	Analysis of complaints regarding non-fulfilment or delays in the execution of payment services and the complaint process in one of the branches of a credit institution.
111.	Analysis of one bank's practice of providing information on a mortgage loan with delay.
112.	Analysis of one bank's practice consisting of delays in transferring and examining applications for changing the mortgage interest rate from a floating rate to a fixed rate.
113.	Analysis of one bank's practice of unblocking access to bank accounts in online banking.
114.	Analysis of cases of improper service of customers opening promotional deposit accounts by one of banks.
115.	Analysis of one bank's practice of granting authorisation to dispose of the funds of a company in liquidation by unauthorised persons.
116.	Analysis of one bank's practice consisting of delays in transferring promissory notes after repayment of the mortgage loan.
117.	Analysis of one bank's practice of providing inconsistent information on the holding of special purpose accounts by customers.
118.	Analysis of one bank's practice regarding non-reimbursement of additional costs related to the lack of mortgage entry in the land and mortgage registers.
119.	Analysis of a practice followed by selected banks in relation to recognising loans offered on the websites of stores by a credit intermediary cooperating with the banks and the stores as tied loans within the meaning of Article 5(14) of the Act on consumer credit.
120.	Analysis of a practice followed by two banks in relation to the granting, disbursement and servicing of loans to finance the purchase of goods/services offered in the framework of cooperation with credit intermediaries and sellers, in the situation of the absence of the execution by the seller of a part of the financed purchases/services.
Payment services sector	
121.	Analysis of a practice followed by a domestic payment institution in relation to the provision of payment services to an entity operating online stores.
122.	Analysis of a practice followed by a domestic payment institution in relation to the blocking of withdrawals from a payment account.
123.	Analysis of a practice followed by a domestic payment institution in relation to the processing of the application for issuing a card.
124.	Analysis of a practice followed by a small payment institution in relation to blocking funds and verifying their origin.
125.	Analysis of a practice followed by a domestic payment institution in relation to blocking access to school class accounts and problems in contact with the institution.
126.	Analysis of a practice followed by a domestic payment institution consisting in misreading the value of the granted credit limit on users' portfolios.
Credit unions sector	
127.	Comprehensive analysis of the manner of credit unions examining reports from clients regarding the settlement and reduction of the total cost of consumer credit in the event of its early repayment in the light of Article 49 in conjunction with Article 52 of the Act on consumer credit.
128.	Analysis of a case indicating a possible breach of professional secrecy by a credit union.
Capital sector	
129.	Analysis of a change of fees in the table of fees and commissions of a brokerage house.
130.	Analysis of a practice followed by a brokerage office in relation to applying lowered limits on payments to IKZE accounts for persons conducting non-agricultural economic activity.
131.	Analysis of a practice followed by investment firms keeping the shareholders register in relation to refusing to enter a shareholder in the shareholders register.
132.	Analysis of an investment firm's practice of failing to provide customers with a confirmation of the information update in the system.
133.	Analysis of a practice followed by one of investment fund management companies in relation to irregularities in providing information on the channels through which the saver may request funds reimbursement or withdrawal under the IKE agreement.
134.	Analysis of a practice followed by one investment fund management company in relation to observing time limits for responding to complaints submitted by clients.
135.	Analysis of a practice followed by an investment fund management company in relation to failure to inform participants about the current forms for submitting an order for repurchase of units.

136.	Analysis of a practice followed by selected investment firms in relation to recording of shares excluded from trading on a regulated market in customers' securities accounts pursuant to Article 91(11) of the Act on public offering.
137.	Analysis of a practice followed by selected investment fund management companies in relation to the execution of instructions concerning the deposit in the event of death – Article 111(1) point 2 of the Act on investment funds.
138.	Analysis with respect to amending of the provisions of the Act on bonds regarding the establishment of collateral for the bonds issued.
139.	Analysis of the rights and obligations of the administrator of collateral established for the bonds issued.
140.	Analysis of a practice followed by selected investment firms in relation to seeking satisfaction of claims in the process of obligatory selling of financial instruments.
141.	Analysis of a practice in relation to the customer service standard of a distributor with whom one of the investment fund management companies terminated the agreement.
142.	Analysis of a practice followed by one of investment fund management companies in relation to observing time limits for orders of conversion of units.
143.	Analysis of a practice followed by a brokerage house of one of banks in connection with the failure of the transaction application.
144.	Analysis related to a potential modification of the text of § 8 of the Regulation of the Minister of Finance, Funds and Regional Policy of 26 November 2020 on the templates of the calls to subscribe for the sale or exchange of shares of a public company, the detailed manner of their announcement and the conditions for the acquisition of shares as a result of such calls (Journal of Laws 2020, item 2114).
145.	Analysis of cases of incorrect presentation in the transaction system of one brokerage house of the return on investment on shares of a listed company.
Insurance sector	
146.	Analysis of the case of a deduction by an insurance undertaking of the amount of compensation which the perpetrator was ordered to pay under a criminal judgement from the amount of compensation determined by the insurance undertaking despite the failure by the perpetrator to pay that sum to the aggrieved party.
147.	Analysis of the fulfilment by insurance undertakings of the obligation under Article 105(4) of the Act on compulsory insurance to update information on motor third-party liability insurance contracts submitted to the UGF.
148.	Analysis, on the basis of information from non-professional financial market participants, of the fulfilment by insurance undertakings of the obligations laid down in Article 14(1), (2) and (3) of the Act on compulsory insurance.
149.	Analysis of an insurance undertaking's practice of determining compensation for the reimbursement of vehicle repair costs under a motor third-party liability insurance contract, taking into account the prices defined in contracts with cooperating repair workshops.
150.	Analysis of cases of an insurance undertaking concluding insurance contracts without prior acceptance and signing of the offer by the policyholder and of the irregularities detected in the field of insurance distribution.
151.	An analysis of an insurance undertaking's practice of charging a fee for making the claim file available in paper and electronic versions.
152.	Analysis of the reasons for the failure by the insurance undertaking to reply to part of the complaint.
153.	Analysis concerning recalculation of the premium under a motor third-party liability insurance contract in connection with the receipt by the insurance undertaking of a notification about the sale of the vehicle during the insurance cover period.
154.	Analysis of an insurance undertaking's practice of determining the amount of compensation under the motor third-party liability insurance contract in the event of total damage of vehicle, taking into account the value of the wreck determined as equal to the price offered on the auction site increased by a margin of 10% of the said price.
155.	Analysis of the infringement by insurance undertakings of Article 29(6) of the Act on the business of insurance.
156.	Analysis of the activities of an insurance undertaking as regards the application of Article 68 of the Act on compulsory insurance.

ANNEX 13.4. LIST OF TRAINING SEMINARS ORGANISED BY THE UKNF AS PART OF THE CEDUR EDUCATIONAL PROJECT IN 2022

Table 13.4.1. Training seminars addressed to representatives of KNF-supervised entities (by sector)

Item	Topic	Date
Banking sector		
1.	Cybersecurity-related issues and prevention at cooperative banks	12 July 2022
2.	Two-day webinar: Prevention of money laundering and terrorist financing in the banking sector in the context of the applicable law. International cooperation and national-level activities. Experiences of the supervisory authority and inspection results*	17 November 2022 18 November 2022
Credit unions sector		
1.	ICT security management	7 June 2022
2.	Two-day webinar: Prevention of money laundering and terrorist financing in the banking sector in the context of the applicable law. International cooperation and national-level activities. Experiences of the supervisory authority and inspection results*	17 November 2022 18 November 2022
Capital market		
1.	New template for the quarterly report on sales activities: changes in the information disclosure requirement	16 February 2022
2.	Practical aspects of reporting in annual reports (FI-R, P-FI-R, FIZ-R-E)	2 March 2022
3.	Basics of sustainable development financing	31 May 2022
4.	Inspection at investment funds sector entities: procedural and practical aspects	20 June 2022
5.	Practical aspects of reporting in monthly reports of TFI (T-M) and in current reports on issues (TFI_PC)	22 June 2022
6.	Practical aspects of reporting in semi-annual reports (FI-P-R, P-FI-P-R, FIZ-P-R-E)	19 July 2022
7.	Practical aspects of reporting by AIFMs and AIFs (DATMAN and DATAIF files)	15 November 2022
8.	Crowdfunding: cooperation with the supervisory authority	25 November 2022
9.	Information disclosure requirements for security issuers in relation to non-financial information	29 November 2022
10.	Prevention of money laundering and terrorist financing in the capital sector in the context of the applicable legislation. International cooperation and national-level activities. Experiences of the supervisory authority and inspection results*	30 November 2022
11.	Organisation and functioning of the system of supervision of compliance in investment fund companies (TFIs)	2 December 2022
12.	Compliance with information disclosure requirements for security issuers: supervisory experiences and market practices	9 December 2022
13.	Financial reporting by issuers: compliance with the applicable financial framework, in particular the IAS/IFRS and the ESEF****	13 December 2022
14.	Prospectus and public offering: selected aspects	19 December 2022
Insurance sector		
1.	Prevention of money laundering and terrorist financing in the life insurance sector in the context of changes in the applicable legislation. Experiences of the supervisory authority and inspection results	21 April 2022
2.	Business Continuity Planning: management of continuity of business processes, IT services and infrastructure in the hybrid work model.	12 October 2022
3.	Rules of implementation of professional development obligation by insurance and reinsurance distributors	27 October 2022

4.	Conclusions from inspection of KNF-supervised entities: good and bad practices (register of insurance intermediaries, powers of attorney and authorisations, analysis of requirements and needs of customers, broker's recommendation, prohibition on subagency)	22 November 2022
Payment services sector		
1.	Management of information technology and ICT environment security	28 June 2022
2.	Small Payment Institution: an overview of basic regulatory requirements for operation of a business providing payment services	7 November 2022
3.	Prevention of money laundering and terrorist financing in the payment services sector in the context of the applicable legislation. International cooperation and national-level activities. Experiences of the supervisory authority and inspection results*	24 November 2022
4.	Recommendations on the subject-matter content of the information security documentation for the national payment institutions	5 December 2022
Cross-sectoral		
1.	Amicable settlement of disputes between customers and financial market entities: characteristics of the proceedings, benefits to both parties*****	12 May 2022
2.	Imposition of administrative fines by the KNF Board on the basis of the Administrative Procedure Code and other statutory acts	16 September 2022
3.	Cybersecurity: the latest trends in cybercrime	28 September 2022

Source: UKNF

* A webinar addressed also to the entities in the credit unions sector.

** A webinar addressed also to banking sector entities.

*** A webinar addressed also to statutory auditors.

**** A webinar with the participation of a representative of the Financial Ombudsman's Bureau acting as a speaker.

Table 13.4.2. Training seminars addressed to representatives of the judiciary and law enforcement agencies

Item	Topic	Date
1.	Manipulation of financial instruments, disclosure and insider dealing: types of and reasons behind the abuse, operating methods, and methods of detecting infringements in the market*	16 March 2022
2.	Manipulation of financial instruments, disclosure and insider dealing: types of and reasons behind the abuse, operating methods, and methods of detecting infringements in the market**	30 March 2022
3.	Cybersecurity of financial services. Tools and means of cooperation between countries with regard to combating cybercrime**	25 May 2022
4.	Procedure of the UKNF's inspection of the activities of investment firms, banks engaged in brokerage activities, banks under Article 70(2) of the Act on trading in financial instruments: practical aspects*	6 June 2022
5.	Methods of attacks aimed at online banking customers' funds used by cybercriminals*	14 June 2022
6.	Obligations related to the acquisition and disposal of shares in companies*	5 July 2022
7.	Rules of operation of online investment platforms in the OTC Forex market, characteristics of crimes related to the Forex market and bogus investment activities: from a report to the notification of a suspected criminal offence. Sources of information and methods of using it, 1st edition***	13 September 2022
8.	Business continuity management in institutions of the investment funds sector. Oversight of processes entrusted to external providers*	15 September 2022
9.	Domestic payment institutions: as non-bank payment service providers (key aspects of operating a business of a domestic payment institution, practical examples)*	20 September 2022
10.	Cybercrime and financial market crime*****	3 October 2022
11.	Rules of operation of investment funds and mechanisms of infringements in the funds market*****	17 October 2022

12.	ICT security at investment fund sector entities. Practical approach	19 October 2022
13.	Rules of operation of online investment platforms in the OTC Forex market, characteristics of crimes related to the Forex market and bogus investment activities: from a report to the notification of a suspected criminal offence. Sources of information and methods of using it, 2nd edition	8 November 2022
14.	Obligations of shareholders of public companies in connection with acquisition and disposal of shares (Article 69 of the Act on public offering and Article 19 of MAR)	14 November 2022
15.	System of prevention of money laundering and terrorist financing at financial institutions – the supervisor’s experiences. Overview of possible uses of information collected in the STIR and SINF systems by law enforcement authorities	23 November 2022
16.	Implementation of 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	7 December 2022

Source: UKNF

* A webinar addressed to law enforcement officers organised in cooperation with the Internal Security Agency, the Central Anti-Corruption Bureau, the Central Investigation Bureau of the Police, and the National Police Headquarters.

** A webinar addressed to prosecutors, organised in cooperation with the National Prosecutor’s Office.

*** A webinar addressed to law enforcement officers, prosecutors and judges, organised in cooperation with the Internal Security Agency, the Central Anti-Corruption Bureau, the Central Investigation Bureau of the Police, the National Police Headquarters, the National Prosecutor’s Office, the National School of Judiciary and Public Prosecution.

**** A webinar addressed to law enforcement officers organised in cooperation with the Internal Security Agency, the Central Anti-Corruption Bureau, the Central Investigation Bureau of the Police, the Central Bureau for Combating Cybercrime and the National Police Headquarters.

***** A webinar addressed to prosecutors and judges, organised in cooperation with the National Prosecutor’s Office and the National School of Judiciary and Public Prosecution.

Table 13.4.3. Training seminars addressed to representatives of institutions competent for protection of rights of non-professional financial market participants

Item	Topic	Date
1.	Out-of-court methods of settlement of consumer disputes. Amicable settlement of disputes between customers and financial market entities: characteristics of the proceedings, benefits for both parties*	19 May 2022
2.	Product intervention in the unit-linked life insurance market	2 June 2022
3.	Unauthorised payment transactions. Cybersecurity when making electronic transactions with financial market entities	29 June 2022
4.	Tasks and competences of individual institutions forming the financial safety network in Poland (what competences they have, what the remits of their competences are, which tools they have at their disposal)	11 October 2022

Source: UKNF

**** A webinar with the participation of a representative of the Financial Ombudsman’s Bureau acting as a speaker.

Table 13.4.4. Training seminars addressed to statutory auditors

Item	Topic	Date
1.	Financial reporting by issuers: compliance with the applicable financial framework, in particular the IAS/IFRS and the ESEF***	13 December 2022

Source: UKNF

* A webinar addressed also to capital sector entities.

Table 13.4.5. Training seminars for students and teachers

Item	Topic	Date
1.	‘My first payments’: basic aspects of electronic payment methods*	21 March 2022
2.	Bank’s activities and banking operations*	21 March 2022
3.	‘To take or not to take a loan, that is the question.’ What a young person should know before signing a loan agreement*	22 March 2022

4.	Stock exchange, investments, shares, bonds explained, 1st edition*	22 March 2022
5.	Interest rate: what it is and how to become friends with it*	23 March 2022
6.	Cybercriminals attack: how not to get robbed on the internet*	23 March 2022
7.	The deposit guarantee scheme in Poland**	23 March 2022
8.	Where does money in the bank come from? Is inflation good for our wallet?*	24 March 2022
9.	Warsaw Stock Exchange (GPW): trading in financial instruments, 1st edition*	24 March 2022
10.	Dark patterns: how traps on the Web make you do things that you do not want to do. Presentation of an educational toolset of UOKiK: konsument.edu.pl***	24 March 2022
11.	Mobile phone safety: how to protect oneself from cybercriminals*	25 March 2022
12.	How to invest prudently in the financial market*	25 March 2022
13.	Stock exchange, investments, shares, bonds explained, 1st edition*	24 May 2022
14.	My Finance in practice: does maths come in handy? 1st edition	30 May 2022
15.	Investing on the Warsaw Stock Exchange (GPW): investing rules, 1st edition	9 June 2022
16.	My Finance in practice: does maths come in handy? 2nd edition	23 September 2022
17.	Investing on the Warsaw Stock Exchange (GPW): investing rules, 2nd edition****	4 October 2022
18.	Cybersecurity from the perspective of a user of financial services: practical aspects*****	5 October 2022
19.	Warsaw Stock Exchange (GPW): trading in financial instruments, 2nd edition****	6 October 2022
20.	How to protect your phone and not get hacked****	7 October 2022
21.	My Finance in practice: does maths come in handy? 3rd edition	25 October 2022
22.	How not to get robbed on the Internet	16 November 2022

Source: UKNF

* A webinar organised as part of the Global Money Week campaign.

** A webinar organised as part of the Global Money Week campaign with exclusive participation of a representative of the Bank Guarantee Fund as a speaker.

*** A webinar organised as part of the Global Money Week campaign with exclusive participation of a representative of the Office of Competition and Consumer Protection as a speaker.

**** A webinar organised as part of the World Investor Week campaign.

Table 13.4.6. Training seminars addressed to senior citizens

Item	Topic	Date
1.	Cybercriminals attack: how not to get robbed on the internet*	28 April 2022
2.	Should I, and how should I, make investments through investment funds**	23 June 2022
3.	Cybersecurity from the perspective of a user of financial services: practical aspects*	21 September 2022

Source: UKNF

* Webinar organised also within the project of the Education Centre for Financial Market Security (CEBRF) and in cooperation with the National Police Headquarters.

** Webinar organised in cooperation with the National Police Headquarters.

ANNEX 13.5. LIST OF RECOMMENDATIONS, OFFICIAL POSITIONS AND COMMUNICATIONS OF THE KNF BOARD AND THE UKNF, AND Q&As

Table 13.5.1. Recommendations of the KNF Board issued in 2022

Item	Subject-matter of the recommendation	Date
Banking sector		
1.	Recommendation A on the management of risk associated with bank transactions in the derivatives market	19 October 2022
Insurance sector		
2.	Recommendations on motor vehicle insurance claim settlement	14 July 2022

Source: UKNF

Table 13.5.2. Positions/communications/Q&As of the KNF Board and the UKNF, and communications from the UKNF in 2022

Item	Subject-matter of the position/communication/Q&A	Date
Capital market		
1.	Position of the UKNF on the issuer assessment to be performed by investment firms prior to providing the service of offering financial instruments	30 March 2022
2.	Updated Position of the UKNF on the definition of service of offering financial instruments included in Article 72 of the Act on trading	17 March 2022
3.	Communication from the UKNF concerning the activities of ‘fininfluencers’	14 February 2022
4.	Communication from the UKNF on issuers’ information requirements in connection with the geopolitical situation in Ukraine	2 March 2022
5.	Communication from the UKNF on the tests of ESEF reporting in the production environment of the Electronic Information Transfer System (ESPI)	4 March 2022
6.	Communication from the UKNF on multi-factor authentication for customers in IT systems of investment firms	30 June 2022
7.	Communication from the UKNF on the phenomenon of gamification in the context of investment	11 April 2022
8.	Q&As on product governance as part of provision of brokerage services	30 June 2022
9.	Updated Q&As on public offerings and prospectuses	1 July 2022
10.	Q&As on proceedings in respect of KNF authorisation to withdraw shares from trading on a regulated market or in an alternative trading system	2 September 2022
11.	Guide on the Register of Issuers’ Obligations for those interested in bond issues	16 March 2022

12.	Form for the notification of the intention to conduct a public offering.	12 October 2022
Banking sector		
1.	Position of the UKNF on the service of currency exchange rate calculation for citizens of Ukraine	22 April 2022
Payment services sector		
1.	Communication on the application of the exemption under Article 6 point 11 of the Act on payment services	1 June 2022
Insurance sector		
1.	Position of the UKNF on the presentation of fees in unit-linked life insurance contracts	28 January 2022
2.	Position of the UKNF on good practices with regard to the compliance function in insurance and reinsurance undertakings	24 June 2022
Cross-sectoral positions		
1.	Position of the UKNF on institutional customer identification and identity verification in the financial sector subject to the supervision of the KNF Board through video ID verification	3 March 2022
2.	Position of the UKNF on information accompanying transfers of funds	8 November 2022
3.	Position of the UKNF on AMLRO	1 December 2022
4.	Position of the KNF Board on the dividend policy in 2023	6 December 2022
5.	Notice supporting the Position of the UKNF of 2 June 2020 on the application of the survey questionnaire to be used by banks in relation to payment institutions	26 September 2022
6.	Communication from the KNF Board on sanctions and application of the provisions of the Act of 1 March 2018 on the prevention of money laundering and terrorist financing in case of cooperation with Virtual Asset Service Providers	10 June 2022
7.	Q&As on the application of Communication from the UKNF of 23 January 2020 on information processing by supervised entities using public or hybrid cloud computing services	7 April 2022

Source: UKNF

ANNEX 13.6. BREAKDOWN OF THE OPERATING COSTS OF THE UKNF AND KNF BOARD INCURRED IN 2022, DIVIDED INTO AREAS OF SUPERVISION DEFINED IN ARTICLE 1(2) OF THE ACT ON FINANCIAL MARKET SUPERVISION, AND THE ADMINISTRATIVE COSTS

Area	Cost of supervision
banking supervision	PLN 217 911 000, including administrative costs*: PLN 123 247 000
pension supervision	PLN 16 726 000, including administrative costs*: PLN 9 712 000
insurance supervision	PLN 87 109 000, including administrative costs*: PLN 49 369 000
capital market supervision	PLN 126 331 000, including administrative costs*: PLN 59 668 000
supervision of payment institutions, small payment institutions, account information service providers, payment services offices, electronic money institutions, branches of foreign electronic money institutions	PLN 1 940 000, including administrative costs*: PLN 1 097 000
supervision of credit rating agencies	— **
supplementary supervision	— **
supervision of credit unions and the National Association of Credit Unions	PLN 1 049 000, including administrative costs*: PLN 593 000
supervision of mortgage credit intermediaries and their agents	PLN 1 690 000, including administrative costs*: PLN 956 000

Source: UKNF

*Administrative costs must be understood as so-called indirect costs, i.e. operating costs of the KNF Board and the UKNF, which cannot be directly assigned to individual sectors. Such costs are allocated to individual sectors based on properly established proportions.

**The provisions of the financial market cost financing regime do not require a distinction to be made between the costs of supplementary supervision and the costs of supervision of credit rating agencies. Due to the organisational solutions adopted at the UKNF, the cost of supplementary supervision and the costs of supervision over credit rating agencies are treated as costs not directly assigned to individual sectors (they are treated as indirect costs).

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