

20 March 2019

## The Polish Capital Markets Strategy

The Association for Financial Market in Europe (AFME)<sup>1</sup> welcomes The Polish Ministry of Finance strategy to develop its capital markets and we appreciate the opportunity to provide feedback to on the Polish Capital Markets Strategy (pol. *Strategia Rozwoju Rynku Kapitałowego*), (the Strategy).

AFME advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. We have been a strong supporter of the European Commission initiative on Capital Markets Union (CMU) from the early stages and we are committed to supporting its further development.

In the context of the shifting priorities within the CMU project towards a stronger focus on development of regional capital markets, we find the approach The Polish Ministry of Finance has taken to be timely and helpful in addressing some of the obstacles to developing capital markets in Poland.

Crucially, the Strategy also ties in with the European Commission's strategy around developing stronger markets and deeper liquidity pools in particular in Central and Eastern Europe to provide more upscaling and funding opportunities for businesses of all sizes in that region, whilst at the same time making the region more attractive to investors.

Broadly speaking, we support the core principles indicated in the draft of the Strategy and in particular the need to improve the trust in the market and the need for a stable legal and regulatory framework. We note however that any new legislative and supervisory measures should be developed in risk-based manner and in accordance with the principle of proportionality.

Furthermore, we would like to take this opportunity to share with you the key findings from our recently published reports: "The benefits of capital markets to high-potential EU economies"<sup>2</sup> and "Capital Markets Union: Measuring progress and planning for success" (CMU KPI Report)<sup>3</sup>:

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<sup>1</sup> The Association for Financial Markets in Europe (AFME) is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. We represent the leading global and European banks and other significant capital market players. We advocate for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. We aim to act as a bridge between market participants and policy makers across Europe, drawing on our strong and long-standing relationships, our technical knowledge and fact-based work. Company Registration No: 6996678 Registered Office: 39th Floor, 25 Canada Square, London E14 5LQ. AFME is registered on the EU Transparency Register, registration number 65110063986-76

<sup>2</sup> <https://www.afme.eu/en/reports/publications/the-benefits-of-capital-markets-to-high-potential-eu-economies/>

<sup>3</sup> <https://www.afme.eu/en/reports/publications/CMU-KPIs/>

- Poland, as one of the largest countries in the EU 11<sup>4</sup> region could benefit significantly from more developed capital markets; the potential growth opportunity in EU11 capital markets is huge: if each country had markets as deep as the ‘best in class’ (the most developed country in the EU11 in each of the 23 sectors we analysed) it would mean an extra €225bn in pensions and insurance assets to put to work in the EU11 (about 20% of GDP), and annual flows of financing for companies in the EU11 of around €45bn (4% of GDP)
- Poland is a regional leader in the area of sustainable finance. In 2016, the Republic of Poland issued a highly successful Green Bond - the first ever green sovereign issuance. In 2017-18 other EU countries have replicated Poland’s experience. There are however challenges to continue cementing its status as a global leader of Green debt with the origination of green bonds by the private sector in addition to the sovereign
- Polish households have recently decreased the amount of savings in capital market instruments as proportion of GDP (33% in 2014 to 26% in 2017) following the reversal of the private pension reform in 2014
- Poland faces a dual problem of low household savings rate and a significant large proportion of those savings in the form of cash & deposits (c60%)
- In 2017, 5.2% of the stock of EU bank loans were securitised, sold to investors through loan portfolio transactions or pooled in covered bond instruments (5.6% on average in 2012-16). Poland significantly lags behind in the transformation of loans into tradeable securities (only 1.0% of the stock of Poland’s bank loans)
- More detailed findings of the CMU KPI report on Poland are included in Annex 1

We would be pleased to discuss any of these comments in further detail, or to answer any questions you may have, and we stand ready to provide assistance on any further matters related to capital markets.

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<sup>4</sup> For the purpose of our report the High Potential Economies in EU 11 include: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia,