



The Polish Capital Markets Strategy – *Strategia Rozwoju Rynku Kapitałowego*

On February 28th 2019 the Ministry of Finance of the Republic of Poland published¹ a draft of the Capital Markets Development Strategy (pol. Strategia Rozwoju Rynku Kapitałowego, SRRK). The document was sent to public consultations which last until March 21st.

The Strategy stems directly from Poland's Responsible Development Strategy (pol. *Strategia na rzecz Odpowiedzialnego Rozwoju*, SOR) and is the first detailed plan for Poland's national capital markets since the transition to a market economy. The document covers the period 2019-2023.

The draft of the Strategy was prepared by the Ministry of Finance in cooperation with the European Bank for Reconstruction and Development (EBRD) and was financed by the European Commission, under the Structural Reform Support Service programme.

The main goal of SRRK is to improve access to financing for Polish companies (in particular SMEs), contributing to the long-term development of the economy, and for the Polish capital markets to become a financing hub for the Central Europe's companies and start-ups. Specific objectives include (1) a market growth to 50% of GDP by 2023 and 75% by 2030, (2) an increase in liquidity by 100% in the main asset classes, (3) an increase in effectiveness by Polish intermediaries so that to have two pan-European companies by 2025, (4) an increase in the savings rate so that to achieve a household saving rate of 8% in 2025 and 11% in 2030 and (5) more effective administrative procedures.

The main goal set in the document is to be achieved through the execution of a list of 60 key initiatives, including regulatory, institutional and tax reforms. SRRK is also built on 4 core principles, which should be followed during the implementation of the Strategy: the need to improve trust in the market, strong individual investors' protection, a stable legal and regulatory framework, and the need to use competitive new technologies on the market.

The team working on the draft issued a questionnaire to market participants in order to identify the 20 most important barriers to the development of the market, which should be eliminated to achieve the goals set in SRRK. Furthermore, as part of the project, over 50 meetings and workshops were held, both individual and with market participants gathered in the Financial Market Development Council (pol. *Rada Rozwoju Rynku Finansowego*), the goal of which was to find solutions to the above mentioned barriers.

SRRK is organized around 6 workstreams: Implementation and Project Management, Solving of National Issues, Predictable Supervision and Regulatory Reforms, Tax Incentives, Market Structures, and Innovation, which are all briefly described below.

¹ <https://www.gov.pl/web/finanse/strategia-rozwoju-ryнку-kapitałowego>



- **Implementation and Project Management:** the draft proposes that a Deputy Minister of Finance (as the Minister's plenipotentiary) is made responsible for the implementation of SRRK and an Implementation team is created within the Ministry; also a tri-lateral MoU should be signed between the Ministry, the Polish Financial Supervision Authority (KNF) and the National Bank of Poland (NBP) to agree on the goals and on how to cooperate in the implementation of SRRK.
- **Solving of National Issues:** the document recognizes the need to enhance savings, financial inclusion and financial education, all of which are essential to increase trust on the market. Poland has also a very low savings rate as compared with other European countries; a key proposal is to create a Financial Education Strategy. The document also stresses the need to attract Poles currently working abroad in the globally most successful finance and IT companies to Poland and to significantly raise corporate governance standards on the Polish market.
- **Predictable Supervision and Regulatory Reforms:** SRRK proposes several reforms aimed at creating higher levels of legal certainty combined with timeliness of legal, regulatory and supervisory reforms, higher levels of supervisory services and an implementation of e-Government solutions. For example, the document proposes that KNF accepts English language for prospectuses, or that a special court should be created for financial market crimes.
- **Taxes and tax administration:** the document foresees several tax incentives for issuers and investors, such as a decrease of the capital gains tax from 19 to 9% for dividends from equity investments held for more than 36 months; it also a proposal to exempt repo transactions from the tax on certain financial institutions (so called "banking tax") and a more issuer-friendly tax administration.
- **Market Structures:** the draft includes certain solutions concerning different market segments such as equity, sovereign bonds and repos, corporate bonds, infrastructure and municipal bonds, derivatives as well as touches on intermediaries and post-trading infrastructure and hence, fees and costs. The proposed actions aim mainly at increasing liquidity on the Polish capital market and enhancing protection of individual investors. An essential proposal is to eliminate the current legal separation of brokerage activities from the rest of the banking activities in banks.
- **Innovation:** SRRK sees FinTech and new technologies as key to improve the competitiveness of the Polish capital market; therefore, it foresees that the Ministry would pilot FinTech solutions in several areas; also, a new type of company legal form for SME start-ups should be created. It is also presumed that a FinTech accelerator will be established and that KNF would create a regulatory sandbox.

Should you have any questions or remarks please send them at the following address:
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