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DOI: 10.13166/jms/143537

JOURNAL OF MODERN
SCIENCE TOM 2/47/2021

CHANGES TAKING PLACE IN THE PROVEN CENTRAL BANKING MODEL IN POLAND

ABSTRACT

On the European continent, the banking system is a leading element of the financial market. In particular, the banking system in democratic countries is characterized by a two-tier level, i.e. an independent central bank, whose main task is to ensure stable price levels, and the commercial banking sector providing services directly to the economy.

The Polish banking system underwent a major transformation between years 1989–1992, along with the systemic changes of the whole country. Polish banking had to undergo adjustment processes in the field of law, changes in the banking culture and changes in the way of thinking of people managing individual chains in the banking system. In the author's opinion, Polish banking system has made good use of the past 30 years, both in terms of the functioning of the central bank and strengthening the environment that consists of commercial banks, including cooperative banks and several state-owned banks. The proof of a positive assessment of the banking system may be the successful maintenance of the Polish currency in the acceptable range of deviations from the inflation target and the global crisis in 2007-2014, which Polish banks (a Polish bank is a bank that operates on the territory of the Republic of Poland and obeys applicable law) have passed without noticeable difficulties in financial liquidity. It is worth mentioning that during recent crisis in Western Europe large banks went bankrupt (TBTF) or threatened with bankruptcy, had to be saved by governments using public funds. There was no such necessity in Poland.

Since 2015, there have been many changes in the interpretation and application of law in Poland. There are significant changes in the functioning of constitutional organs. These changes were compounded by the sudden crisis related to COVID-19 and the presidential elections in Poland. In this context, changes in the architecture of Polish central banking are also noticeable. Therefore, it was necessary to analyze changes taking place in the proven central banking model in Poland in terms of law and in terms of changing the level of security for the stability of the financial market in Poland.

KEYWORDS: *National Bank of Poland, inflation target, banking system, NBP interest rates*

INTRODUCTION

The purpose of the analysis is to examine the changes taking place in the proven central banking model in Poland in terms of law and in terms of changing the level of security for financial market stability in Poland, in particular the banking sector in Poland. One should recall, what was the architecture of the banking system in the socialist system, what transformation has taken place over the last 30 years and what changes are being made in the current architecture of the banking system in Poland.

Period since 1945 until 1989 in Poland is called socialism. It is sufficient to indicate the Act of June 12, 1975, the Banking Law (Journal of Laws No. 20, item 108, as amended) in accordance with its provisions the Polish banking system was designed like the soviet model. The National Bank of Poland has taken over the competences of credit and savings institutions. This is how the monobank system was created, which was in force until 1989, when the extensive transformation of the Polish legal system began, and in particular new banking law provisions prepared by the team of prof. Władysław Baka (Michalski, 2014).

The Banking Act of 1975 constituted a monobank system consisting of four entities. Articles 17 to 40 of the above act defined the dominant role and tasks of the National Bank of Poland as “the state issuing bank and the central credit, savings, settlement and foreign exchange institution”. Then, articles 41 to 51 regulated the functioning of Food Economy Bank

(including the agricultural, cooperative and forestry sectors). In addition, in accordance with articles 52 to 58 two banks could operate in People's Republic of Poland as joint-stock companies, i.e. Bank Handlowy (Commercial Bank) and Bank Polska Kasa Opieki (Polish Bank Care Fund). These two banks, adequately to the political system, handled foreign transactions and internal imports (Pewex, Pekao bills). The essence of the architecture of the monobank system should be sought in the provisions of art. 4 clause 3 of the abovementioned act which stated that *"The National Bank of Poland operates according to the guidelines of the Minister of Finance"*. Moreover, according to art. 4 clause 4 The Minister of Finance supervised the operations of all banks (including the operations of the National Bank of Poland). It should be noted that in other European systems of organization of banking supervision, it is characterized by an approach based on the division of functions of banking supervision on two pillars: the area of prudential supervision and surveillance zone the functioning of the financial market (including banking) (Bujak, 2016, 383).

To conclude, it should be noted that the system of the banking system in Poland until 1989 was shaped by the Minister of Finance, the supreme government administration body responsible for the current policy of the country.

Together with the process of transformation in Poland, systemic changes were made in the years 1989 to 1992, in particular fundamental changes in the banking system. It should be emphasized that on 31st January 1989 the Act on Banking Law and the Act on the National Bank of Poland came into force. Both acts have been amended or repealed several times over the past 30 years and replaced by new regulations. However, the fundamental postulations of the banking system over the past 30 years have consistently kept one direction.

As Soboń states public finance sector entities are less threatened with the loss of the ability to continue operations, as they are not subject to the regulations related to the bankruptcy of a business entity. This does not mean, however, that they cannot be liquidated when their further activity will threaten the financial liquidity and solvency of the parent body. Therefore public finance is to enable the optimal performance of its functions. Therefore, they should be adapted to the essence of the political and socio-economic system of the state and correspond to its level of civilization development (Soboń, 2015, 231-232).

TRADITIONAL MODEL OF CENTRAL BANKING

In legal systems of democratic countries, a system that separates central banking from commercial banking has proven to be the most efficient. Exactly the opposite of what happened in Poland during the communist period. The experience of Western European countries proved that both segments of the banking sector should operate with clearly separated functions and tasks. For example, the central bank should not grant loans directly to businesses, individuals or the government, nor should acquire corporate bonds or company shares. According to this concept, such activities should only be undertaken by commercial banks. Generally, the central bank does not undertake any activities competitive to commercial banks. At the same time, the central bank can fully focus on the main goal i.e. ensuring stable price levels in the country. At this point, the question arises whether it is necessary to unify the entire European law in the field of banking, strive to create similar institutions and systems, or leave this economic sphere to the decisions of individual countries (See also: Sitek B, 2016, 109-130).

THE TEMPTATION TO INCREASE THE IMPACT OF CENTRAL BANKS ON THE ECONOMY

In so-called “Young democracies” there is a temptation or a dilemma of increasing the power of central banks. Strong nationalist trends are reviving throughout Europe in the 21st century. Political changes took place in Poland, Hungary and Turkey, where nationalist groups gained majority in the legislative branch (Sitek P., 2015). The consequence of a radical change in political teams is a change in the way of reasoning in matters of the economic system, in particular the issue of the banking system. An additional possible background is the intensification of crisis phenomena. The pressure to avoid economic effects during the downturn gives rise to the temptation to take all possible measures to counteract the deterioration of the mood of economic participants. There is a belief that a mere reduction of interest rates, reduction of required reserves or carrying out open market

operations conducted according to the existing rules are activities useful, however insufficient.

Due to the beginning of the last global crisis in 2008-2009, the American FED as well as other central banks, avoiding a long-term economic downturn, began to conduct non-standard activities. The monetary expansion highlighted in the rise in central bank assets, also known as quantitative easing, reversed the downward trend in the US stock market in spring 2009. Then the situation in the American economy began to improve. As a result, the mood of consumers and entrepreneurs also improved, which resulted in an improvement in the situation on the securities market.

THE CENTRAL BANK AS A MARKET MONBANK

The current global crisis related to the coronavirus epidemic creates the risk that central banks, wishing to increase their impact on economic processes, will start to take actions characteristic of commercial banking. Taking such actions by the central bank means that it could become a so-called market monobank, a competitor to commercial banks. According to this concept, the central bank, providing loans to business entities, people (society) and the government, purchasing corporate bonds or company shares, would become even more powerful participant in the financial market. Information on the activities of the US Central Bank and the Bank of England has appeared in the public space. The US Central Bank announced that it would buy corporate bonds and investment fund units investing savings into corporate bonds. On the other hand, the Bank of England declared that it will directly buy government bonds issued by the government. Such activities can be described as activities specific to such central banks that play the role of a market monobank and depart from the proven model of central banking management and proven creation of money value.

Seemingly similar changes in operation were undertaken by the European Central Bank and the Bank of Japan. Both central banks purchase corporate bonds and the Bank of Japan additionally acquires investment fund units

placing savings on the Japanese stock market. More on the decisions of the European Central Bank will be mentioned later in the article.

The already mentioned Central Bank of Hungary buys corporate bonds. Therefore, this central bank can also be classified as central banks called market monobank.

However, it should be emphasized that the above information is only a limited view. For reliable comparisons and assessments, it would be necessary to provide, for example, objective data on inflation in a specific currency zone in which a particular central bank undertook non-standard solutions and analysis of sources of law in individual cases. The mere fact that the same central banks make the same decisions does not mean that this is done under the same legal conditions. This issue will be dealt later-on, in particular with regard to Polish legal regulations.

IS THE NATIONAL BANK OF POLAND BECOMING A MONOBANK?

The political climate in Poland and the decisions taken by the President and the Management Board of the NBP indicate that the NBP may become a monobank. After the political changes in Poland in 1989 and the transformation of the banking sector, non-standard activities of the NBP took place. For example, in 1997 the NBP took deposits directly from the public. In this way, the NBP wanted to influence the level of interest on time deposits in commercial banks.

As part of the implementation of the current Monetary Policy of the NBP, the statement was made *“the NBP will conduct operations of purchasing (...) debt securities guaranteed by the State Treasury”* (Monetary Policy Council, statement from April 8, 2020). This type of statement can be treated as an introduction to the extension of the list of actions undertaken by the Polish central bank. It is possible that thanks to this the NBP will perform a similar role to the Bank of Hungary participating in the process of buying corporate bonds.

In addition, it should be pointed out that two interest rate cuts made by the Monetary Policy Council of the NBP in the situation of a clear deviation of the inflation rate from the allowable 2.5%, +/- 1%, are evidence that the NBP in the situation of threat to the Polish economy by the coronavirus epidemic, is ready to depart from the basic constitutional task to calm the mood of participants in Polish economic life.

In accordance with art. 227 paragraph 1 of the Constitution of the Republic of Poland (Journal of Laws of 1997, item 483, as amended) “*The National Bank of Poland shall be responsible for the value of Polish currency.*” The Act of 29 August 1997 on the National Bank of Poland (Journal of Laws of 2017, item 1373, of 2018, item 2243 and of 2019, items 371 and 730) in art. 3 clause 1 stipulates that “*the main goal of the NBP’s activity is to maintain a stable price level, while supporting the government’s economic policy, provided that this does not limit the basic goal of the NBP*”.

This proves that the NBP resigns from the basic task specified in art. 227 paragraph 1 of the Polish Constitution and art. 3 clause 1 of the Act on the NBP to support for the government’s economic policy (Ofiarski, 2017). The NBP announcements there is lack of information on the dilemma arising from the risk of committing a constitutional tort. Indirectly, one can deduce the conviction that NBP decisions and actions are carried out on the government’s recommendations, which is similar to the situation in Poland before 1989. Simply, a result of the NBP’s non-standard activities is weakening of the value of money. This is to reduce the cost of loans repaid by individuals and business entities on an ad hoc basis.

An important role in changing the approach to central banking in Poland is played by the Monetary Policy Council of the NBP and the fact that there are new members associated with Law and Justice (right-wing ruling political party).

Ekonomist, assoc. prof. Eryk Łon wrote in an article for Radio Maryja “*NBP may expand its current loosening monetary policy and could directly grant loans to business entities*”. Moreover: “*In the first place these would be special loans for enterprises for the payment of rents and remuneration for employees. This loan would be taken by the enterprise for one year with the option of extension for another year (maximum extension of the contract*

up to 3 years). The loan would be granted directly by NBP through regional branches throughout the country. An enterprise interested in credit would open a special account at NBP branches” (Łon, 2020).

Professor Lon in the further part of the article explains: An enterprise that would like to take advantage of this loan would declare that it would not lay off any employee during the term of the loan agreement. In addition, funds from the loan could be used only to cover employees’ remuneration and fixed costs (rents, administration, etc.) or payment of public levies: taxes or social security contributions. For companies that increase employment during the coronavirus epidemic, it would be possible to cancel interest payments. On the other hand, for enterprises which would increase employment by at least 10% at that time, it would also be possible to write off interest and principal (the entire loan). Credits would be made available during the week. This should be done as soon as possible so that the economic slowdown does not accelerate.

For the first 3 months there would be a grace period in repayment of principal and interest. One can secure this type of loan through a simple promissory note or a blank promissory note. The issuer of a promissory note could be an enterprise – a borrower, a reminder of a promissory note, i.e. a promissory note creditor would be NBP. A promissory note would be secured by the State Treasury in the form of an avalon on a promissory note, i.e. the Treasury would give a convenient payment of a promissory note (awalist). The interest rate on the loan would be on a fixed percentage of e.g. 0.5% per annum.

Eryk Łon’s view is not isolated. The Monetary Policy Council is a collective body consisting of 10 members. The view presented above has the majority of MPC members which is evidence of a permanent change in the NBP policy, which is not provided for by Polish law. It is worth mentioning that in Poland there is a bank which, directly from the provisions of the banking law and its own statute, can undertake actions proposed by Eryk Łon. It is Bank Gospodarstwa Krajowego. Bank Gospodarstwa Krajowego, as a state-owned financial institution with high credibility, specializes in supporting the public finance sector. It provides economically and operationally effective support for state socio-economic programs and local government regional development programs. It cares about modernity and high quality of the offer and maintains good relations with clients,

flexibly responding to their needs. The mission of Bank Gospodarstwa Krajowego is to support the socio-economic development of Poland and the public finance sector in the implementation of its tasks (Official website of BGK bank).

Referring to the postulates of prof. Eryk Łon and decisions introduced by the Monetary Policy Council, it is necessary to indicate the provisions of art. 4 of the Act on Bank Gospodarstwa Krajowego: the basic objectives of BGK's activities, specified in the Act and separate provisions, include supporting the economic policy of the Council of Ministers, government socio-economic programs, including sureties and guarantees, as well as local self-government and regional development programs, including particular projects:

1. implemented with the use of funds from the European Union and international financial institutions within the meaning of art. 4 clause 1 point 3 of the Act of 29 August 1997 – Banking Law;
2. infrastructure;
3. related to the development of the sector of micro, small and medium-sized enterprises – including those implemented with the use of public funds.

The Polish legislator explicitly indicated and legally authorized Bank Gospodarstwa Krajowego to implement broadly understood government policy, and in particular to finance the sector of small and medium enterprises. It should be noted that the legislator highlighted a special type of influence of the Council of Ministers on Bank Gospodarstwa Krajowego in implementing current policy. In accordance with art. 8 clause 3 of the BGK Act: The Chairman of the Supervisory Board is appointed and dismissed by the Prime Minister at the request of the minister competent for economy. Other members of the Supervisory Board are appointed and dismissed by the Prime Minister at the request of relevant ministers referred in paragraph 4. The indicated legal basis ensures appropriate personal influence of the Council of Ministers in Poland on the composition of the BGK Supervisory Board. In addition, in art. 10 paragraph 5 in connection with art. 10 paragraph 7 of the BGK Act, the Prime Minister appoints and dismisses: the President of the BGK Management Board – at the request of the minister competent for economy; with the consent of the Polish Financial Supervision Authority.

The aforementioned legal basis proves the existence of a state bank in Poland established on the basis of legal provisions and the Statute to implement the current policy of the state, and whose bodies are selected by the Council of Ministers to ensure the effectiveness of this policy.

The question is why the Council of Ministers does not use Bank Gospodarstwa Krajowego to implement the plans adopted by the government? Banking law together with civil law gives many possibilities to conclude additional agreements between the Council of Ministers and BGK (Załucki, 2019, p. 2202).

The answer is included in the provisions of art. 3 clause 3 points 1 and 2 of the BGK Act, according to which: the minister competent for public finance shall transfer to BGK funds for the maintenance of: 1) own funds at a level guaranteeing the implementation of the tasks referred to in art. 5, 2) the liquidity referred in para. 1a point 2 letter e and in the provisions of the Act of 29 August 1997 – Banking Law – bearing in mind the need to cover the risk of banking activities borne by BGK. This means that the Council of Ministers would have to transfer funds for the implementation of tasks to Bank Gospodarstwa Krajowego and in the context of the difficult situation of public finances it is impossible. The National Bank of Poland, on the other hand, has foreign exchange reserves (at the end of 2019 in the amount of over 114 billion euros). Between March and April 2020 there has appeared information about the disposal of several dozen billion zlotys by the Council of Ministers in Poland.

The State Treasury debt at the end of February 2020 amounted to PLN 997.397.3 million, which meant:

- an increase of PLN 9,792.6 million (+ 1.0%) in February 2020 (currently no current data on the Ministry of Finance's official website on debt in March and April 2020)
- an increase of PLN 24,060.3 million (+ 2.5%) compared to the end of 2019.

In February 2020, the share of foreign currency debt in the total State Treasury debt was 27.0%, i.e. it increased by 0.6 percentage point MoM compared to the end of 2019 (Ministry of Finance, 2020).

According to a press release from the Ministry of Finance, the State Treasury debt at the end of March 2020 amounted to PLN 1,037.4 billion. i.e. increased by PLN 40 billion in the month of March 2020. The Ministry of Finance stated in a information that several things had an impact on the increase in

debt: “increasing the net borrowing needs of the state budget (+ PLN 4.5 billion), with the state budget deficit of PLN 6.7 billion and reducing the needs of the balance of European funds management (– 2 billion PLN), an increase in funds on budget accounts (+ 3.3 billion PLN), exchange rate differences (+ 2.2 billion PLN) – weakening of the PLN against EUR by 0.8%, against USD by 0.7% ., against CHF by 1.3% and against JPY by 0.9%” (Łukasik, 2020).

It is worth recalling the public information of the Prime Minister from January 2020 informing about a balanced budget (lack of budget deficit) and spectacular success that has not occurred in the history of Poland. Moreover, it should be clarified that the state debt is liabilities incurred by the government, including those that cover the budget deficit. This is one of the components of public debt. The other two are local government debt and the social security sector debt.

The fact that the State Treasury debt increased only in March 2020 by PLN 40 billion is probably due to three reasons: 1) the outbreak of coronavirus and the need to save the economy from a complete collapse, 2) at the beginning of March 2020 euro currency cost 4.33 PLN, and at the end of the month 4.56 PLN. The weakening of the zloty meant that the value of foreign debt increased during one month after converting to zlotys by nearly PLN 14 billion, 3) the Ministry of Finance included in the debt the liabilities of the Solidarity Fund in the amount of PLN 10 billion. To sum up only the data from March 2020, the Polish government increased its debt by PLN 40 billion within one month, and the NBP at the turn of March and April 2020. bought government debt for PLN 50 billion from the market. Does the extraordinary situation really require extraordinary methods (legally questionable) without taking into account side effects?

The Council of Ministers for the implementation of the so-called The new financial anti-crisis shield, which is to help maintain jobs, needs PLN 100 billion. The concept assumes that Polski Fundusz Rozwoju S.A. (a state-owned company established in 2017), as a legal entity (non-budgetary), will incur the necessary debt, which will be bought by The National Bank of Poland. According to Polish and EU law, the construction will “hide” the increase in public debt in Poland.

At the same time, in March 2020 the Management Board of the NBP, based on applicable regulations, decided to use additional instruments. These instruments will include repo operations, large-scale purchase of Treasury bonds under open

market operations and promissory note credit for banks. March 17 this year the Monetary Policy Council (MPC) lowered interest rates – including main reference rate by 50 basis points to 1% and the lombard rate by 100 basis points to 1.5 percent. The Monetary Policy Council also reduced the required reserve rate to 0.5 percentage points from 3.5 percentage points and at the same time increased its interest rate to the level of the reference rate (i.e. to 1%) from 0.5%. Currently, inflation in Poland, according to data from the Central Statistical Office of Poland, after the first three months of 2020 is 4.3%. This means that we are dealing with a situation where the inflation target specified in the Monetary Policy Guidelines is exceeded by 0.8% (NBP, 2020a).

The facts analyzed above prove a lack of transparency in the activities of the Council of Ministers as well as the bodies of the NBP. At the same time, there is a reasonable belief that among those who perform the highest functions in the country there is an agreement and a conscious action aimed at making decisions at all costs, politically favorable on an ad hoc basis, but legally doubtful.

The loose monetary policy of the National Bank of Poland is a risk of the zloty weakening, i.e. the NBP is unable to fulfill the most important task defined by the legislator in art. 227 paragraph 1 of the Polish Constitution “The National Bank of Poland is responsible for the value of Polish money” and art. 3 clause 1 of the Act on the National Bank of Poland, which stipulates that “the main goal of the NBP’s activity is to maintain a stable price level, while supporting the government’s economic policy, provided that it does not limit the basic goal of the NBP”.

National Bank of Poland at the beginning of April 2020 took two decisions that brought him in line with other banks actively supplying liquidity to economies suffering from the COVID-19 epidemic.

The NBP radically reduced interest rates by 50 basis points, falling to historically low levels (e.g. deposit rate fell to zero) and significantly expanded the scope of quantitative easing, announcing that it will buy not only government bonds from the market, but also securities guaranteed by the Treasury.

This opens the way for the NBP to finance the issue of bonds of the Polish Development Fund, as mentioned above. Their total value is amounted around PLN 100 billion. Receipts are used to help companies. Banking authorities independent of ruling party pay attention to the scale of the entire program. Together with previously announced activities (purchase of treasury debt,

launching a promissory note loan, which the NBP would refinance loans to companies to banks), it can reach a total of up to 10 percent. Polish GDP.

Putting aside populist views, it should be taken into account that the Polish currency is a local currency and for obvious geopolitical reasons – it will remain so. The pressure on the exchange rate of the Polish currency is increasing, however the activities of the NBP authorities is not obvious. The Polish currency does not have the features of a reserve currency. On the other hand, public debt has a significant percentage expressed precisely in foreign currencies and thus with exposure to changes in currency quotations. In this situation, and bearing in mind the lack of respect for applicable law in this respect, the large reduction of NBP interest rates is incomprehensible.

According to data published by the National Bank of Poland, at the end of 2019, the foreign debt of the Polish economy amounted to almost USD 350 billion (NBP, 2020b). The critical part, i.e. short-term liabilities, is just over USD 56 billion. It should be noted that in such a situation in which Poland is, bothering to increase the issuance of money is a decision outside the limit of acceptable risk and, above all, beyond the competences provided for in Polish law. Returning to the example of the central bank of Hungary, which earlier than NBP implemented loosening monetary policy for the needs of the government. The central bank of Hungary has now been determined by sharp declines in the value of the forint and forced to save the national currency by raising interest rates.

The changes analyzed above in the central banking architecture in Poland must have an impact on the entire banking sector in Poland. First of all, the NBP central bank, going beyond statutory tasks, undertakes directly or indirectly transactions carried out by other participants of the financial market (including banks) and thus becomes their competitor. Secondly, in the new architecture, NBP is becoming an investment bank, i.e. a competitor of commercial banks, and not a creator of the value of the national currency. Thirdly, it should be taken into account that the Polish government has purchased over 50 percent of the banking sector's assets in Poland.

SUMMARY

To sum up the emerging new architecture of the Polish banking system, it is worth mentioning that the main centers of power in Poland are manned by one party.

Moreover, it became publicly accepted that the president of the ruling party, without performing any official public function, exercises actual power which affects the constitutional organs of the state. The changes discussed above in the architecture of the Polish banking system (monobank, polonization of banks, and others) may affect the profitability of banks.

A properly functioning banking system makes it possible for commercial banks to function and compete, which in turn can select clients on the basis of financial data obtained from these clients (Talar, 2016, 152).

If the banking sector has to face this increase in reserves for credit risk, the space for building new lending activity will be smaller. Decision makers and creators of the new architecture of Polish central banking implement their vision methodically and in stages, which excludes random actions or competence error.

It is worth mentioning that Polish cooperative banks, despite their small market share, are an important component of the Polish banking system. The interest rate reduction currently implemented by the NBP may additionally cause tensions in the cooperative banking sector, for which the interest margin is the vast majority of revenues. The profitability of cooperative banks may deteriorate. Furthermore, foreign currency loans are also in banks' portfolios, so if the zloty weakens significantly, it may reduce their ability to maintain lending activity.

In the latest Communication of the NBP Monetary Policy Council of April 8, 2020 the Council states: *“The expected decline in global economic activity together with lower commodity prices and weakening domestic demand will influence a significant reduction in price growth. As a result, despite the recent loosening of the NBP monetary policy, the risk of inflation falling below the NBP inflation target in the monetary policy transmission horizon remains.”*

The Monetary Policy Council confirms the loosening of the country's monetary policy in an official document. At the same time, the MPC's position

underestimates the loosening of monetary policy despite a deviation from the inflation target beyond the acceptable level.

Since 1999, the NBP has been using the strategy of direct inflation targeting. Since the beginning of 2004, the continuous inflation target was set for 2.5 percent, with the possibility of deviation up to 1 percentage point up or down. This means that the annual CPI should be as close as possible to 2.5 percent each month.

Taking responsibility for the implementation of monetary policy for Poland in 2020, the Monetary Policy Council takes into account non-legal pressures. It is worth remembering the financial system of the country, including the banking system, is a great complex process in which the decisions taken have delayed effects.

Therefore, in the process of using specific instruments to influence the inflation target, it is necessary to anticipate the time necessary for the effect to occur. It is estimated that the length of delays that occur from the decision on the level of interest rates to the observation of its strongest impact on real values (including production and employment) and inflation is several quarters and may change over time (Grissan, 2020).

Monetary policy is conducted in conditions of uncertainty, in particular regarding future economic developments. This should encourage the respect of generally applicable law. The phenomenon of stabilizing inflation at a low level is an important but insufficient condition for maintaining balance in the economy. Relative balance helps maintain price stability over the long term. In particular, imbalances in the financial sector are a particular threat to long-term price stability of the country. Taking this in mind, the Council should conduct monetary policy in such a way as to encourage the maintenance of financial system stability and at the same time limit the risk of growing imbalances in the economy (Majchrzycka-Guzowska, 2019).

Of course, apart from monetary and macro-prudential policy, fiscal policy plays an important role in maintaining macroeconomic stability. Fiscal policy ensuring long-term sustainability of public finances is a separate topic (Ferret, 2018, 107-118), but in the context of changing the architecture of the banking system in Poland, one can see that fiscal policy is also subject to radical changes.

A special change in fiscal policy is the fact that the Council of Ministers' plays more prominent role towards the National Bank of Poland. The reality of the Polish banking system is changing through the polonization of banks, the practical transformation of the National Bank of Poland into a monobank along with the change of its character to an investment bank (Sitek P., 2016, pp. 33 – 59).

The rules for managing the NBP foreign exchange reserves are an extremely important issue. Public information indicates that actual changes have been made to the management of reserves by importing foreign exchange reserves in gold to Poland. The analysis of the purposefulness and possible reasons for the change in the approach to foreign exchange reserves in Poland will be undertaken in a separate publication.

Between 1989–1992 Poland underwent a transformation from a monobank to a free market with an independent central bank. Is Poland currently undergoing transformation from a free market with an independent central bank to a monobank? The answer to this question is not obvious.

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