STANDARD SUMMARY PROJECT FICHE

PROJECT PL9905.02

Sub-programme: Internal Market

1 Project title: Liberalisation of capital movement

1.1 Subjects: Strengthening of the Ministry of Finance for the introduction of liberalisation of capital movements

Creation of the infrastructure in the Polish Securities and Exchange Commission allowing for the liberalisation of the movement of capital and rendering of financial services on the capital market

Setting up in the Ministry of Finance a financial information unit for money laundering prevention

2 Location: The Polish Securities and Exchange Commission (PSEC), the Office of General Inspector of Financial Information (GIFI) and the Ministry of Finance (MF)

3 Objectives

3.1 Wider objective

The overall objective of this project is the preparation of the Polish market for the implementation of the EU regulations concerning operation of the Internal Market and liberalisation of capital movements as enshrined in the European Community Treaty under articles 73 B to G

3.2 Immediate objectives

- preparation of the Ministry of Finance for the introduction of full convertibility of Polish zloty

- Creation of the infrastructure allowing for the liberalisation of the movement of capital and rendering of financial services on the capital market through:
  - strengthening of the Polish Securities and Exchange Commission (PSEC) in regard to the surveillance of the capital market and its participants
  - preparation of the PSEC for the full implementation of the provisions of the EU Directives concerning the operation of the Internal Market

- Adaptation of the Polish law within the scope of preventing money laundering to the European Union law by creation of a legal and organisational system

Reference to Accession Partnership

The Accession Partnership includes the liberalisation of capital movements among short-term priorities concerning the Internal Market and lists among medium-term priorities establishment and operation of a market surveillance system. In the annex, in section 4 on Administrative Capacity to Apply the Acquis major reform efforts to strengthen Poland’s administrative structures are recommended. The Commission emphasises the need to "strengthen the authorities ensuring the..."
The correct application of Community requirements in the Single Market” as well as strengthening the regulatory and monitoring bodies in the field of securities and money laundering (among others). Preventing money laundering is the medium-term priority, however, it is necessary for implementation of the aforementioned short-term priority as it allows to ensure safety of the financial trading.

Reference to National Programme for the Preparation for the Membership in the European Union
The Polish Government recognised the significance of further liberalisation of the free movement of capital. The NPPM, in the section outlining Government’s economic policy guidelines, lists the priority of market demonopolisation and liberalisation, which includes among others liberalisation of capital flow and financial services market paralleled by strengthening of surveillance system, as well as liberalisation of movement of services.

Similarly, money laundering prevention, and namely setting up of a body which would be competent in cases pertaining to prevention of introducing to the financial system of assets coming from illegal or undisclosed sources constitutes the medium-term priority necessary for full implementation of the short-term priority of the capital movement liberalisation.

In the section on capital market the priority to complete the implementation of acquis and its effective enforcement is formulated. Consequently, constant priority of ensuring the efficient operation of surveillance institutions entails appropriate training of personnel responsible for detecting fraud and monitoring the activities of market participants, including foreign ones. Annex 7 entitled Capital Market sets the objective to improve the surveillance capacity of the Polish Securities and Exchange Commission by taking steps to prepare the Commission for fulfilling its statutory function of the capital market surveillance after the liberalisation of the movement of capital and financial services.

Reference to Regular Report from the Commission on Poland’s Progress Towards Accession

Regular Report sets out liberalisation of capital movement as one of the short-term priorities. The Report states that further legislative steps are required in this field. However, most of them have been implemented. The remaining restrictions on short-term capital movements should be lifted by the end of 1999, as indicated in the Polish OECD liberalisation timetable. The Report estimates that these changes will help to move Poland’s financial markets towards more maturity in terms of product range, markets and institutional organisation, and allow for a full implementation of the Community acquis in the field of the capital movement.

4 Description

The institution building part of the project will be the subject of twinning

4.1 Background and justification

The establishment of free movement of capital between Poland and the European Union (within the meaning of Article 73 B to G of the European Community Treaty) along with the adoption of other freedoms will mean that Poland will join the common market of the EU. The overall benefits to be expected stem from:

• savings resulting from the abolition of trade barriers within the European Union;
• savings resulting from the full liberalisation of the financial market;
• intensification of internal competition;
• a greater scale of production;
• the abolition of restrictions on the access to the public procurement market.

10/12/01
If full mobility of capital between Poland and the EU is adopted without the simultaneous removal of the existing tariff barriers in trade it will result in a loss to producers and smaller revenue for the government.

Joining the Single Market by Poland will necessitate the elimination of any barriers to the free flow of financial services and capital remaining in Poland. Participation in the Single market will translate into a freedom to initiate business operations and to offer services within the European Union, but it will also entail increased competition on the part of foreign entities. Introduction of the free flow of capital will at the same time mean that businesses and private individuals from the European Union will be free to operate in Poland as well as that Polish entities will be able to operate in other EU Member States. This may enlarge a risk of incidents of fraudulent nature such as money laundering, price manipulation or insider dealing which will be resisted by strengthened capital market's supervisory bodies and improved systems for monitoring capital flows.

Pursuant to the Law on Public Trading of Securities and Trust Funds of 21 March 1991, the Polish Securities and Exchange Commission (PSEC) was created as an unit of government administration regulating and supervising activities undertaken in the securities market. The PSEC is an independent body and its main responsibility is regulating and supervising the capital market in Poland. The PSEC is the body responsible for the preparation of the Polish capital market for the implementation of acquis communautaire regarding the capital market. In order to ensure that Polish regulations concerning the operation of the capital market are in line with European rules the PSEC has already undertaken the task of conducting comparative analysis of the Polish and European legislation and is in the process of approximation of the Polish law with acquis. The decisive step towards full implementation of the European law was taken by passing the new Act - Law on public trading in securities of 21 August 1997.

The supervisory task is fulfilled by the PSEC through licensing and monitoring the activities of market participants: issuers, intermediaries, investment funds, portfolio managers, individual brokers, advisors as well as the market itself (particularly transactions which seem to be strange and might be connected with using the financial system for the purpose of money laundering or might be cases of price manipulation or insider dealing).

Considering the coming Poland’s accession to EU and expected dynamic growth of capital movement after the capital market liberalisation the institutional strengthening of financial control is needed. Banking regulations governing procedures to be followed by banks in case of disclosing of circumstances indicating occurrence of money laundering dealings have been operating in Poland since 1992. However, taking into account content of the Directive on prevention of the financial system for the purpose of money laundering (91/308/EEC), it is necessary for money laundering prevention regulations to cover not only banks but also all those financial institutions which may be used for coverage of the real origin of financial assets. The harmonisation of the Polish law with the UE legislation will be reached by introducing new legal and institutional solutions. The law on countering introduction to the financial system of assets coming from illegal or undisclosed sources will be passed which will require from the financial and credit institutions to register participants, transactions, keep records and disclose information on transactions outreaching the set value, or of suspicious nature. The act will provide for the appointment of the General Inspector of Financial Information and setting up of the unit of financial information through which the which the General Inspector will execute its responsibilities. The financial intelligence unit is supposed to be created in the second half of 1999 after the act is adapted by the Parliament (probably by the third quarter of 1999). Right now the draft of the act is in the last phase of inter-ministerial negotiations preceding its submittal first to the Council of Ministers and next to the Parliament. According to the draft the main responsibilities of the General Inspector of Financial Information (GIFI) should include:

- gathering and analysing data submitted by financial and credit institutions
• examination of suspicious transactions
• withholding transactions which have the features of money laundering
• informing the Police and the Prosecution about cases of money laundering
• training the staff of the financial and credit institutions
• supervision over enforcement of the law
• co-operation with foreign institutions dealing with the prevention of money laundering.

To perform this tasks it is foreseen that up to 30 personnel will be employed in the unit.

4.2 Project scope

The project falls into two parts:
- twinning which will encompass the Ministry of Finance and the Polish Securities and Exchange Commission,
- infrastructure development - creation of infrastructure which will ensure the efficient control of the Polish capital market in the pre-accession period and after the entrance of Poland to the European Union. This part is designed to strengthen the surveillance capacity of the PSEC through the creation of the Electronic System of Market Surveillance.

4.2.1. Twinning arrangements

It is foreseen that under twinning arrangements the MF and the PSEC will receive support and assistance in regard to the following subjects:
• Preparation of the Ministry of Finance for the introduction of full convertibility of Polish zloty
• Creation of the infrastructure allowing for the liberalisation of the movement of capital and rendering of financial services on the capital market
• Setting up in the Ministry of Finance a financial information unit for money laundering prevention

4.2.1.1 Subject 1: Preparation of the Ministry of Finance for the introduction of full convertibility of Polish zloty

The beneficiary will be the Ministry of Finance (MF). The goal of this component is to strengthen and support MF in its activities for introduction of full convertibility of Polish zloty through the following activities

4.2.1.1.1 Human resources
This component will include employment of staff for the Department of Foreign Exchange Policy within the MF (2 employees - a lawyer and an economist). These expenses will be covered by the beneficiary – the Ministry of Finance.

4.2.1.1.2 Institutional building
This component will aim at supporting the Department of Foreign Exchange Policy in gaining knowledge necessary for defining conditions for the introduction of full convertibility of Polish zloty. This will be based on the analyses of the external and internal conditions for the introduction of the full convertibility of national currencies on the example of Spain, Ireland and Finland. Study visits will be organised to the Ministries of Finance as well as Central Banks in the aforementioned Member States which will facilitate acquaintance with the experience of the aforementioned countries in introduction of the full convertibility of national currency, influence of the full convertibility on the balance of payments and the exchange rate. A study visit to the European Commission (DG II and DC XV) will provide the staff with the opportunity to raise the issue of the
relation between the full convertibility of national currencies and introduction of EURO, as well as influence on the introduction of EURO on the balance of payment and exchange rate.

4.2.1.2. Subject 2 Creation of the infrastructure allowing for the liberalisation of the movement of capital and rendering of financial services on the capital market

Staff training in the capital market surveillance
This component will support the development of human resources in the PSEC to assure the effective performance of the vested tasks by the PSEC after the accession of Poland to the European Union. It is envisaged that personnel of the following Departments will be trained in regard to the implementation and enforcement of European legislation and the national market supervision after Poland’s joining the Internal Market:
• The Legal Department
• The Department of Brokerage Houses
• The Department of Investment Funds
• The Enforcement Department
• The Public Companies and Finance Department
• The Secretariat of the Commission
Training will encompass about 90 people, which constitutes 70% of the total number of the staff of the PSEC.

The set of training will give the PSEC staff the knowledge and skills concerning the legislative and procedural aspects of the introduction of EU directives in the field of capital market as well as the aspects of the market supervision in the situation of free movement of capital and services. For training purposes as well as for the future development of other staff the appropriate training materials and documentation will be prepared.

During study visits, the knowledge obtained on training will be deepened and confronted with procedures and practises utilised by capital markets supervising institutions in the selected EU Member States, preferably in France, Italy and Germany.

4.2.1.3 Subject 3: Setting up in the Ministry of Finance a financial information unit for money laundering prevention

The beneficiary will be the Ministry of Finance. The GIFI will be established by the act of Parliament, which is envisaged to be enacted by the 3rd quarter of 1999. As a result, when the project starts to operate the GIFI will be a newly appointed government administrative body whose tasks will be gathering and analysis of financial information for the purpose of detecting suspicious transactions, and, in consequence, financial crime prevention, including mainly the issue of money laundering. The GIFI will execute its responsibilities through the unit of financial information created in the Ministry of Finance in the second half of 1999. 30 people will be employed in the unit. However, the provisions concerning money laundering prevention will come into force at the beginning of 2000. Therefore, the GIFI will not start to perform its supervision tasks until the beginning of the year 2000. The period between the creation of the financial intelligence unit and coming into force of the act will be devoted to staff recruitment and training as well as data gathering, which will ensure the proper functioning of the unit. The Ministry of Finance will prepare an office to support the GIFI in performing its statutory tasks. Funds form Phare 1997 will be used for financing some tasks connected with the unit creation (business plan preparation, expertise, consultations, equipment specification). This component aims therefore at continuation of support for creation of the unit and the first phase of its function through providing the new personnel with the opportunities to draw from the knowledge and experience of intelligence units of the Member States such as Great Britain, Holland, Austria, France, Belgium, Sweden and Spain. This will be achieved through trainings, study visits, consultations as well as preparation of
expertise. The thematic scope will encompass such issues as methods of transactions analyses and methods of detection of suspicious transactions, rules of transactions registering, clients identification, and procedures of informing the financial intelligence unit about suspicious transactions.

4.2.2 Infrastructure development

**4.2.2.1 Subject 1:** Preparation of the Ministry of Finance for the introduction of full convertibility of Polish zloty

Infrastructure development is not foreseen for this component.

**4.2.2.2 Subject 2:** Creation of the infrastructure allowing for the liberalisation of the movement of capital and rendering of financial services on the capital market

Development of the Electronic System of Market Surveillance – ESNaR

The Electronic System of Market Surveillance (ESNaR) in PSEC will be developed in order to create the goal information system enabling the effective capital market supervision, while the dynamic development and liberalisation of the Polish capital market is expected due to the Polish economy growth and Poland’s accession to EU.

The development of the PSEC system will include the installation of two clustered hosts with operating system and development of eight applications for supervision of selected parts of the capital market. It will be supported by the training of IT department staff in system and applications’ maintenance and development and by the user training for the staff from departments responsible for an operation of the developed applications.

**4.2.2.3 Subject 3:** Setting up in the Ministry of Finance a financial information unit for money laundering prevention

Development of the infrastructure for the unit of financial information:

This component will concentrate on provision of necessary resources for the proper operation of GIFI office. It includes the employment of staff (30 people) and purchase of necessary equipment, including the computer hardware and software as well as the elements of telecommunication network (specification of the equipment will be prepared from Phare 1997 funds).

These expenses will be covered by the beneficiary – the Ministry of Finance.

4.3 Project results and outputs

This section presents the project results and outputs, which contribute to these results in the breakdown into 2 parts:

**4.3.1 Twining**

**4.3.1.1 Subject 1:** Preparation of the Ministry of Finance for the introduction of full convertibility of Polish zloty

The staff of the Department of Foreign Exchange Policy got necessary knowledge and skills for effective preparation and execution of introduction of the full convertibility of Polish zloty which will result from:
determination of external and internal conditions for effective preparation and execution of the full convertibility of Polish zloty, analyses of influence of the full convertibility on the balance of payments and the exchange rate,

acquaintance with experience of the selected Member States in their introduction of the full convertibility of the national currency,

revision of the foreign exchange law for its compliance with the EU regulations.

Trained and consulted staff (6 persons from the Department of Foreign Exchange Policy) on the above mentioned issues.

4.3.1.2 Subject 2: Creation of the infrastructure allowing for the liberalisation of the movement of capital and rendering of financial services on the capital market

The PSEC personnel gained necessary knowledge and experience for duties connected with market surveillance in the situation of free movement of financial services and capital. Transferred knowledge and experience of the Member states will encompass the following areas:

- the preparation of the legal regulations,
- modification of working procedures of the PSEC,
- increased capacity of the securities market surveillance
- increased efficiency of detection of fraudulent incidents such as money laundering, price manipulation and insider dealing.

The following outputs will contribute to this result:

- trained personnel of the PSEC (80 persons) in capital market supervision (EU Directives, procedures and practises and the expected changes for Polish legislation). Training materials constituting a basis for future training of new personnel.
- Performed study visits for personnel (20 persons) allowing for deepening the knowledge gained on training and its confrontation with operational procedures and practises in securities commissions in EU members. The participants will prepare study visits reports, which analysis can constitute the basis for further improvement of PSEC activities

4.3.1.3 Subject 3: Setting up in the Ministry of Finance a financial information unit for money laundering prevention

The unit and other financial and credit institutions staff got necessary knowledge and skills for efficient prevention and detection of money laundering incidents. Transferred knowledge and experience of the Member States on the following subjects:

- methods of transactions analyses and methods of detection of suspicious transactions,
- rules of transactions registering, clients identification,
- procedures of informing the financial intelligence unit about suspicious transactions

It will be achieved through following outputs:

- Implemented information campaigns and training programmes for GIFI. They cover scope and procedure for implementation of their duties within the scope of client identification and transaction recording, as well as training programmes for the financial information unit employees.
- Establishment of co-operation and study visits for GIFI staff to similar institutions in UE member countries. They allow for gaining practical skills and experience and deepen knowledge from training.
• Expertise considering determination of technical requirements (equipment, software, network connections, training needs etc.) in order to enable the entity to properly serve its role both at the national level as well as at the international level.

4.3.2 Infrastructure development

4.3.2.1 Subject 1: Preparation of the Ministry of Finance for the introduction of full convertibility of Polish zloty

Infrastructure development is not foreseen for this component.

4.3.2.2 Subject 2: Creation of the infrastructure allowing for the liberalisation of the movement of capital and rendering of financial services

Development of the Electronic System of Market Surveillance – ESNaR

• Installation of two servers will allow for preparation of the platform (hosts) for the installation of the new information system (ESNaR).
• Implementation of the Electronic System of Market Surveillance (ESNaR will give possibility to adopt more efficient, quicker procedures for monitoring capital market. The following applications (outputs) will constitute first stage of ESNaR:
  • Installation of the Issuers Supervision Application - application including issuers and securities registers, collection and analyses of financial reports and collection of current reports sent by issuers.
  • Installation of the Market Supervision Application – application including functions for monitoring of orders and transactions on regulated markets and disclosure of unfair practises used by investors.
  • Installation of the Investors Supervision Application - application including register of owners of large shares blocks together with control of Commission information about them and register of investors suspected of forbidden practises usage.
  • Installation of the Brokerage Houses, Brokers and Advisors Supervision Application - application including register of brokerage houses, brokers and advisers, functions for analyses of financial reports, fees and provisions tables and functions supporting exams for brokers and advisers.
  • Installation of the Trust Funds Supervision Application - application including register of trust funds and trust fund corporations, with functions for analyses of financial reports.
  • Installation of the Legal Services Application - application supporting legal activities of PSEC and issuing opinions and law interpretations.
  • Information Sharing Application – application will present selected data from the mentioned above applications through Internet and on place in the PSEC information centre.
  • Installation of the Information Support Application – application will support the non-routine PSEC activities (e.g. investigations), access to data for PSEC staff and facilitate the routine office works.
• Set of training will provide the PSEC staff with necessary knowledge and skills for maintenance, development and utilisation of the new information system ESNaR. The following training (outputs) will contribute to this result:
  • Training of IT staff (3 persons) in maintenance and development of ESNaR together with preparation of all system documentation.
  • Training of other PSEC personnel (80 persons) - end users in developed applications with manuals for training and utilisation of applications.
4.3.2.3 Subject 3: Setting up in the Ministry of Finance a financial information unit for money laundering prevention

This component will be entirely financed by the Ministry of Finance:

Development of the infrastructure for the unit of financial information:

- Setting up of the unit of financial information in the Ministry of Finance - a body through which the GIFI will execute its responsibilities of financial crime prevention and prosecution. The following elements (outputs) of this component will contribute to this result:
  - Employed qualified staff (30 persons)
  - Purchased equipment necessary for proper GIFI operation. It includes the computer hardware and software as well as the elements of telecommunication network (specification of the equipment will be prepared from Phare 1997 funds)

4.5 Project inputs and activities

To achieve the above mentioned objectives and outputs of the project the following inputs shall be assured and activities carried out.

4.5.1 Twinning arrangements:

4.5.1.1 Long-term expert

The expert will assist the PSEC and the MF in project execution and preparation of recommendation for further liberalisation of capital movements. He/she will assist in choosing the safe method of capital movement liberalisation, implementation of the EU Directives concerning the securities market which contain provisions setting up the Internal Market (Directives 89/298/EEC, 80/390/EEC, 93/22/EEC, 93/6/EEC, 85/611/EEC) as well as implementation of the Directive on money laundering prevention. The expert should prepare a report recommending further steps needed for full liberalisation of capital movement, prevention of money laundering and effective surveillance of the capital market.

The expert will be placed in the Department responsible for international co-operation in the PSEC (The Secretariat) and will be co-operating with the Department of Enforcement and with the IT unit of the PSEC. He/she will also co-operate with the Department of Foreign Exchange Policy (responsible for preparation of the Ministry of Finance for the introduction of full convertibility of polish zloty) and with the Department of Fiscal Control of the MF (responsible for setting up a financial information unit for money laundering prevention).

4.5.1.2 Subject 1: Strengthening of Ministry of Finance for introduction of full convertibility of Polish zloty

The staff of the Foreign Exchange Policy Department (6 persons) got necessary knowledge and skills for effective preparation and execution of the full convertibility of zloty. It will be achieved through following activities:

- study visits (3 study visits, each for 6 persons) to the Ministries of Finance as well as Central Banks in the Member States which will facilitate acquaintance with the experience of Spain,
Ireland and Finland in introduction of the full convertibility of national currency, influence of the full convertibility on the balance of payments and the exchange rate.

- A study visit (for 6 persons) to the European Commission (DG II and DC XV) will concern the relation between the full convertibility of national currencies and introduction of EURO and the influence on the introduction of EURO on the balance of payment and exchange rate
- Preparation and issuing of analyses of the internal and external conditions for the introduction of the full convertibility of Polish zloty

4.5.1.3 Subject 2: Creation of the infrastructure allowing for the liberalisation of the movement of capital and rendering of financial services

Staff training in the capital market surveillance

- Project staff including the project managers, experts, trainers and technical staff for performance of training, preparation of study visits.
- Training of the PSEC personnel (90 persons) in capital market supervision in EU starting in 4th quarter of 1999 and lasting till 1st quarter of 2000. The training will concentrate on relevant EU Directives, procedures and practises. The training will include the following activities:
  - Preparation of training facilities and infrastructure;
  - Preparation of training materials and manuals;
  - Training performance and appraisal.
- Preparation and assistance to study visits (5 study visits for 20 people in total) to capital market supervision authorities in France, Italy and Germany. The study visits will deepened the knowledge gained on training and confronted it with operational procedures and practises in selected securities commissions in EU members. It includes the following activities:
  - Preparation of study visits schedule in co-operation with PSEC on the basis of agreements between PSEC and other Securities Commissions;
  - Preparation of stays – arrangement of hotels, flights, allocation and distribution of funds to designated persons.

Trainings and study visits will cover the following issues:
1. practical issues connected with the implementation of the EU Directives which include provisions concerning the creation of the Internal market, laying basis for the free provision of services within the EU, namely Directives 89/298/EEC, 80/390/EEC, 93/22/EEC, 93/6/EEC, 85/611/EEC

2. Consequences of the implementation of the EU Directives for the capital market surveillance, especially concerning such aspects as:
  - recognition of brokerage houses which have obtained permission in one of the Member States - rule of „single permit” and practical aspects of their supervision - Directive 93/22/EEC
  - mutual recognition of investment funds by the Member States and practical aspects of their supervision - Directive 85/611/EEC (UCITS)
  - mutual recognition of the issue prospectus by the Member States in case of international offers of securities - Directive 89/298/EEC and 79/279/EEC

3. Prevention against the use of the financial system for the purpose of money laundering,- Directive 91/308/EEC:
  - regulation preventing money laundering on the capital market in Greta Britain, France, Germany
  - issue of money laundering in the context of free movement of capital

4. European regulations concerning accountancy, namely concerning disclosure requirements for listed companies
5. Practical aspects of market supervision in the situation of the free flow of capital and financial services, issues connected with surveillance of issuers, intermediaries and investors- drawing from the experience of the Member States - relations between the European and Member States regulations

6. Scope of co-operation between Member States in respect to exchange of information.

4.5.1.4 Subject 3 Setting up in the Ministry of Finance a financial information unit for counteracting instances of introducing assets coming from illegal or undisclosed sources to the financial system

- Project staff including managers, experts, trainers and technical staff for performance of training, preparation of study visits and information activities
- Training (for 25 persons) and study visits (3-4 study visits, each for 5-8 people, duration: 2-3 days) in efficient prevention and detection of money laundering designed for the whole staff of GIFI
- training for credit and financial institutions which will be obliged by the act to register clients, transactions, keep records and disclose information on transactions outreaching the set value, or of suspicious nature (training for a few hundred people)
- Establishment of operational contacts and execution of study visits by selected staff in three out of the following countries: Great Britain, Holland, Austria, France, Belgium, Sweden, Spain.
- Expertise considering determination of requirements for the goal information system of the financial information unit.

Thematic scope of training:
- methods of transactions analyses
- methods of detection of suspicious transactions,
- rules of transactions registering,
- rules of clients identification, and
- procedures of informing the financial intelligence unit about suspicious transactions.

Thematic scope of study visits:
- organisational structure of the financial intelligence unit
- informatic processing of information gathered by the financial intelligence unit (hardware and software applied by the units in the Member States)
- methods of the unusual transaction identification
- procedures of transferring of information about unusual transactions
- experience of the Member States financial intelligence units in suspending unusual transactions
- methods of data gathering and analyses and security techniques
- co-operation with other Member States institutions in regard to money laundering prevention

Experts who will conduct training should:
- have experience in the techniques which are required for the financial intelligence unit
- be specialists in techniques of money laundering detection

4.5.2 Infrastructure development

4.5.2.1 Subject 1: Preparation of the Ministry of Finance for the introduction of full convertibility of Polish zloty

Infrastructure development is not foreseen for this component.
4.5.2.2 Subject 2: Creation of the infrastructure allowing for the liberalisation of the movement of capital and rendering of financial services

Development of the first stage of Electronic System of Market Surveillance – ESNaR

- Project staff including the project managers, analysts and experts, programmers, trainers, technical staff for server installation, application development and performance of training;
- Installation of two servers - clustered hosts with the operating system and the relative database. It includes the following activities:
  - Market analysis and proposal of appropriate servers;
  - Installation and configuration of servers(hosts);
  - Training for IT staff – servers-hosts operators;
- Development and installation of Issuers Supervision Application. It includes the following activities:
  - Analysis and project design;
  - Application development;
  - Application testing and installation;
- Development and installation of Market Supervision Application with the same activities as in first application.
- Development and installation of Investors Supervision Application with the same activities as in first application.
- Development and installation of Investors Supervision with the same activities as in first application.
- Installation of the Brokerage Houses, Brokers and Advisors Supervision Application with the same activities as in first application.
- Installation of the Trust Funds Supervision Application with the same activities as in first application.
- Installation of the Legal Services Application with the same activities as in first application.
- Installation of the Information Sharing Application with the same activities as in first application.
- Installation of the Information Support Application with the same activities as in first application.
- Training of IT staff and end users (the staff of PSEC) in developed applications. The IT staff training will concentrate on maintenance, management of applications and administration of data bases (it will encompass 3 persons)
- End-users training will concentrate on operation and functionality of applications (80 persons) and will concentrate on:
  - methodology of relational data bases
  - usage of applications designed for the unit
  - query utilities of data bases
- Training will includes the following activities:
  - Preparation of training facilities and infrastructure;
  - Preparation of training materials and manuals;
  - Training performance and appraisal.

4.5.2.3 Subject 3: Setting up in the Ministry of Finance a financial information unit for counteracting instances of introducing assets coming from illegal or undisclosed sources to the financial system
Since specification of the equipment to be purchased will be done by experts under Phare 1997 programme it cannot be described in detail. The purchase of equipment will be financed entirely by the Ministry of Finance.

5 Institutional framework

The Polish Securities and Exchange Commission and the Ministry of Finance (MF) will be involved in preparation, implementation and supervision of the project. The line institution will be the PSEC.

The main institution responsible for the Polish capital market development and supervision is the PSEC. Its chairman is appointed by the Prime Minister upon a joint request of the Minister of Finance and the President of the National Bank of Poland after consultation with the Parliament. Two deputies of the Chairman are designated by him and appointed by the Prime Minister. Apart from them the Commission members are representatives of: the Minister of Finance, Minister of Treasury, Minister of Economy, Minister of Agriculture and Food Economy, the President of the National Bank of Poland and the President of Competition and Consumer Protection Office

The representatives of SROs - Self-Regulatory Organisations, such as the Warsaw Stock Exchange, the National Depository for Securities, the Brokerage Houses Association, the Company Conducting the OTC Market and the Association of Issuers of Securities can participate in the Commission with an advisory vote.

Since the project results will improve and make less time and labour consuming the supervision of the capital market PSEC will not be forced to employ much more staff to perform its vested tasks.

The General Inspector of Financial Information will be appointed by the Prime Minister upon the motion of the Minister of Finance. The GIFI will be supervised by the Minister of Finance. An organisational unit – financial information body will be set up in the Ministry of Finance, competent in cases of preventing use of the Polish financial system for legalisation of income coming from illegal or undisclosed sources, through which the GIFI will be fulfilling its tasks. The Department of Fiscal Control will be responsible for the implementation of the part of the project devoted to the prevention of money laundering and setting up of the unit of financial information.

Considering introduction of full convertibility of zloty the Department of Foreign Exchange Policy in the Ministry of Finance will be the responsible body. It will co-operate with suitable unit in the NBP.

6 Budget (in thousands EUR)

<table>
<thead>
<tr>
<th>No</th>
<th>Twinning</th>
<th>Institution Building</th>
<th>Total Phare (=I+IB)</th>
<th>Recipient*</th>
<th>IFI*</th>
<th>TOTAL *</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>long-term expert</td>
<td>200</td>
<td>200</td>
<td>0</td>
<td>0</td>
<td>200</td>
</tr>
<tr>
<td>2</td>
<td>Study visits for the MF staff</td>
<td>0</td>
<td>90</td>
<td>90</td>
<td>0</td>
<td>90</td>
</tr>
<tr>
<td>3</td>
<td>MF staff employment</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>4</td>
<td>PSEC training and study</td>
<td>0</td>
<td>61</td>
<td>61</td>
<td>21</td>
<td>82</td>
</tr>
<tr>
<td>No</td>
<td>Investment</td>
<td>Institution Building</td>
<td>Total Phare (=I+IB)</td>
<td>Recipient*</td>
<td>IFI*</td>
<td>TOTAL *</td>
</tr>
<tr>
<td>----</td>
<td>------------</td>
<td>----------------------</td>
<td>---------------------</td>
<td>------------</td>
<td>------</td>
<td>--------</td>
</tr>
<tr>
<td></td>
<td>visits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>GIFI staff employment</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>441</td>
<td>441</td>
</tr>
<tr>
<td>6</td>
<td>GIFI training</td>
<td>0</td>
<td>150</td>
<td>150</td>
<td>108</td>
<td>0</td>
</tr>
<tr>
<td>7</td>
<td>subtotal</td>
<td>0</td>
<td>501</td>
<td>501</td>
<td>582</td>
<td>0</td>
</tr>
<tr>
<td>8</td>
<td>PSEC servers –hosts</td>
<td>134</td>
<td>0</td>
<td>134</td>
<td>43</td>
<td>0</td>
</tr>
<tr>
<td>9</td>
<td>PSEC applications</td>
<td>0</td>
<td>1328</td>
<td>1328</td>
<td>424</td>
<td>0</td>
</tr>
<tr>
<td>10</td>
<td>PSEC training in applications</td>
<td>0</td>
<td>37</td>
<td>37</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td>11</td>
<td>GIFI infrastructure</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3388</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td>134</td>
<td>1365</td>
<td>1499</td>
<td>3867</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>134</td>
<td>1866</td>
<td>2000</td>
<td>4449</td>
<td>0</td>
</tr>
</tbody>
</table>

- In cases of co-financing only

7. Implementation arrangements

The CFCU will be responsible for handling tendering, contracting, and payments on contracts on behalf of the Ministry of Finance and the PSEC who will themselves be responsible for project preparation and implementation.

All together it is planned to sign 2 contracts within this project: a twinning agreement and the contract for the purchase of hardware and software needed for the development of the Electronic System of Market Surveillance.

8. Implementation schedule

- Start of tendering: September 1999
- Start of project activity: January 2000
- Project completion: June 2001

9. Equal opportunity

The institutions involved in the project execution observe equal opportunity rules in its recruitment and human resources development policy. The staff is admitted only on the basis of its education and experience. Discrimination of the grounds of sex is legally forbidden in Poland.

13. Conditionally and sequencing

The readiness of the PSEC to receive the project results from the operating IT LAN and WAN networks with the office environment on those networks, the developed IT architecture, having the Oracle database and from the general level of the PSEC preparation for the implementation of the Electronic System of Market Surveillance (ESNaR).

The PSEC will provide the project with following inputs:

* Business model of the PSEC
* Review of the current IT infrastructure and the assessment of the support actually given users by the infrastructure
* Key requirements of the end users regarding IT applications
* Design of a goal system architecture and structure pointing also to the future needs of the PSEC
* Established guidelines for the technological architecture
* Estimation regarding the implementation time and costs, requirements concerning the IT organisation and staff training

Considering the third subject the major condition is the coming into force of the law on countering the introduction to the financial system of assets coming from illegal or undisclosed sources. The act is envisaged to be enacted by the third quarter of 1999 and the unit of financial information created in the Ministry of Finance (GIFI) will execute its responsibilities in the second half of 1999.

The following sequence is foreseen:

- preparation of rules of the information technology system for data collection and processing as well as specialist computer programs,
- training of the financial information unit employees
- training programmes for employees of the financial and credit institutions
- contacts and study visits in international institutions.

Considering the full convertibility of zloty the major condition is the entry into force of the Foreign Exchange Law. The draft is now pending in the Senate; expected date of passing - January 1999, draft provides that the act will come into force 14 days after its announcement. It is planned that the executive regulations will come into force on the same day as the act.
### ANNEX 1 LOGFRAME MATRIX FOR PROJECT - LIBERALISATION OF CAPITAL MOVEMENT

#### LOGFRAME PLANNING MATRIX FOR PROGRAMME:

<table>
<thead>
<tr>
<th>Programme Number</th>
<th>Programme Title</th>
<th>Liberalisation Of Capital Movement</th>
<th>Date of Drafting</th>
<th>10-Dec-01</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Planning Period</td>
<td>9/99-06/01</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total Budget</td>
<td>6.449MEUR</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>PHARE part</td>
<td>2.000MEUR</td>
</tr>
</tbody>
</table>

#### Wider Objectives

<table>
<thead>
<tr>
<th></th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>preparation of the Polish market for the implementation of the EU regulations concerning operation of the Internal Market and full liberalisation of capital movement</td>
<td>liberalisation of the capital movement, harmonisation of the Polish legislation with EU legislation on capital markets</td>
<td>Agenda 2000, Accession Partnership National Program for Preparation for the Membership in the EU</td>
</tr>
<tr>
<td>(2)</td>
<td></td>
<td></td>
<td>risk connected with the outflow of short-term capital, delay in legislative activities</td>
</tr>
</tbody>
</table>

#### Immediate Objectives

<table>
<thead>
<tr>
<th></th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>(5)</td>
<td>strengthening of Ministry of Finance for introduction of full convertibility of Polish zloty</td>
<td>full convertibility of the Polish zloty</td>
<td>introduction of the policy of zloty full convertibility by NBP and MF</td>
</tr>
<tr>
<td></td>
<td>institutional strengthening of PSEC in regards to the surveillance of the capital market and its participants and preparation of the PSEC for the full implementation of the Directives provisions concerning the operation of the Internal Market</td>
<td>increased globalisation of the Polish capital market and preparation of legal acts implementing the provisions of Directives concerning the capital market</td>
<td>schedules and allocation of resources for creation and implementation of ESNaR, staff development and preparation of legal regulations</td>
</tr>
<tr>
<td></td>
<td>institutional strengthening of Polish administration and financial institutions to improve Poland’s capacity to prevent money laundering</td>
<td>establishment and full operation of GIFI, operational procedures in financial institutions, increased detection of money laundering cases,</td>
<td>preparation of legal regulations for GIFI establishment, schedules and allocation of resources for GIFI</td>
</tr>
<tr>
<td>(6)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(7)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(8)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Results of Projects</td>
<td>Indicators of Achievement</td>
<td>Sources of Information</td>
<td>Assumptions and Risks</td>
</tr>
<tr>
<td>---------------------</td>
<td>---------------------------</td>
<td>-----------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>(9)</td>
<td>(10)</td>
<td>(11)</td>
<td>(12)</td>
</tr>
<tr>
<td>• transferred know-how on capital movement liberalisation in EU member countries</td>
<td>the project execution assessment and recommendation for further actions following revision of foreign exchange law, introduction of the monitoring of capital movements complying with the EU standards, staff number and experience, section activities prepared legal regulations, operational procedures for capital market surveillance introduction of the law on preventing money laundering and of the exEUROtory provisions GIFI staff number and qualifications installation and operation of the hosts installation and full functionality of applications – better market surveillance quicker and better prepared analyses and reports on the basis of ESNaR</td>
<td>project’s and expert’s reports issued by MF legal regulations, project reports MF staff documentation, issued legal regulations, PSEC documentation project reports and exEUROtory provisions, statistical and juridical publications, GIFI staff documentation host –servers operation reports and logs application printouts, PSEC market analyses and reports, project reports, PSEC documentation and prepared legal regulations</td>
<td>good co-operation of expert with PSEC, GIFI and MF delay in legislation, extension of the world financial crisis allocation of budget funds and selection of appropriate staff proper staff management and utilisation of acquired know-how allocation of budget funds for GIFI, proper staff management allocation of funds and PSEC IT staff, servers installed, staff trained, PSEC management committed to full utilisation of ESNaR development of applications and modification of procedures to fully utilise ESNaR possibilities</td>
</tr>
<tr>
<td>• determination of external and internal conditions for effective preparation and execution of zloty full convertibility, revision of the foreign exchange law for its compliance with the EU regulations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• strengthening of human resources of MF section responsible for preparation and introduction of full convertibility of Polish zloty.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• key PSEC personnel gained knowledge, skills and experience concerning effective capital market surveillance necessary for Poland accession to EU</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• development of GIFI infrastructure – setting up of a State administrative authority</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• strengthening of GIFI human resources responsible for money laundering prevention</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• installation of the platform -possibility to achieve the sufficient system performance for ESNaR possibility to prepare and adopt more efficient, quicker procedures resulted from installation of ESNaR applications IT and other departments’ staff ready for the maintenance, development and utilisation of the new system and applications.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Inputs: Twinning, equipment
## ANNEX 2 - BREAKDOWN OF COSTS - LIBERALISATION OF CAPITAL MOVEMENT
(IN THOUSANDS EUR)

<table>
<thead>
<tr>
<th>Components/ institution</th>
<th>Inputs</th>
<th>Investment</th>
<th>Institution Building</th>
<th>Total Phare (=I+IB)</th>
<th>Recipient *</th>
<th>IFI*</th>
<th>TOTAL*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning</td>
<td>PSEC long term expert</td>
<td>0</td>
<td>200</td>
<td>200</td>
<td>0</td>
<td>0</td>
<td>200</td>
</tr>
<tr>
<td>MF</td>
<td>Study visits for MF staff</td>
<td>0</td>
<td>90</td>
<td>90</td>
<td>0</td>
<td>0</td>
<td>90</td>
</tr>
<tr>
<td>MF</td>
<td>Staff employment</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>12</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>PSEC</td>
<td>Staff training in capital market supervision</td>
<td>0</td>
<td>30</td>
<td>30</td>
<td>11</td>
<td>0</td>
<td>41</td>
</tr>
<tr>
<td>PSEC</td>
<td>Study visits for key personnel</td>
<td>0</td>
<td>31</td>
<td>31</td>
<td>10</td>
<td>0</td>
<td>41</td>
</tr>
<tr>
<td>GIFI</td>
<td>Staff employment</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>441</td>
<td>0</td>
<td>441</td>
</tr>
<tr>
<td>GIFI</td>
<td>Training &amp; internat. co-op.</td>
<td>0</td>
<td>100</td>
<td>100</td>
<td>92</td>
<td>0</td>
<td>192</td>
</tr>
<tr>
<td>GIFI</td>
<td>Expertise, translation, consultations</td>
<td>0</td>
<td>50</td>
<td>50</td>
<td>16</td>
<td>0</td>
<td>66</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td><strong>0</strong></td>
<td><strong>501</strong></td>
<td><strong>501</strong></td>
<td></td>
<td></td>
<td><strong>1083</strong></td>
</tr>
<tr>
<td>PSEC</td>
<td>Servers – hosts</td>
<td>134</td>
<td>0</td>
<td>134</td>
<td>43</td>
<td>0</td>
<td>177</td>
</tr>
<tr>
<td>PSEC</td>
<td>Issuers Supervision Application</td>
<td>0</td>
<td>258</td>
<td>258</td>
<td>83</td>
<td>0</td>
<td>341</td>
</tr>
<tr>
<td>PSEC</td>
<td>Market Supervision Application</td>
<td>0</td>
<td>687</td>
<td>687</td>
<td>220</td>
<td>0</td>
<td>907</td>
</tr>
<tr>
<td>PSEC</td>
<td>Investors Supervision Application</td>
<td>0</td>
<td>60</td>
<td>60</td>
<td>19</td>
<td>0</td>
<td>79</td>
</tr>
<tr>
<td>PSEC</td>
<td>Brokers Supervision Application</td>
<td>0</td>
<td>129</td>
<td>129</td>
<td>41</td>
<td>0</td>
<td>170</td>
</tr>
<tr>
<td>PSEC</td>
<td>Trust funds Supervision Application</td>
<td>0</td>
<td>90</td>
<td>90</td>
<td>29</td>
<td>0</td>
<td>119</td>
</tr>
<tr>
<td>PSEC</td>
<td>Legal services Supervision Application</td>
<td>0</td>
<td>39</td>
<td>39</td>
<td>12</td>
<td>0</td>
<td>51</td>
</tr>
<tr>
<td>PSEC</td>
<td>Information sharing Supervision Application</td>
<td>0</td>
<td>26</td>
<td>26</td>
<td>8</td>
<td>0</td>
<td>34</td>
</tr>
<tr>
<td>PSEC</td>
<td>Information support Supervision Application</td>
<td>0</td>
<td>39</td>
<td>39</td>
<td>12</td>
<td>0</td>
<td>51</td>
</tr>
<tr>
<td>PSEC</td>
<td>IT staff and end-user training</td>
<td>0</td>
<td>37</td>
<td>37</td>
<td>12</td>
<td>0</td>
<td>49</td>
</tr>
<tr>
<td>GIFI</td>
<td>Technical equipment &amp; current operating expenses</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3388</td>
<td>0</td>
<td>3388</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td><strong>134</strong></td>
<td><strong>1365</strong></td>
<td><strong>1499</strong></td>
<td></td>
<td></td>
<td><strong>5366</strong></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>134</strong></td>
<td><strong>1866</strong></td>
<td><strong>2000</strong></td>
<td></td>
<td></td>
<td><strong>6449</strong></td>
</tr>
</tbody>
</table>
## IMPLEMENTATION SCHEDULE OF THE PROJECT

**PROJECT TITLE**  
Liberalisation Of Capital Movement

<table>
<thead>
<tr>
<th>Components/inputs</th>
<th>Implementation Schedule (Quarters)</th>
<th>Budget Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PLANNED</td>
<td>Cost Estimate PHARE funds</td>
</tr>
<tr>
<td></td>
<td>1&lt;sup&gt;st&lt;/sup&gt; q. 99</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt; q. 99</td>
</tr>
<tr>
<td>Project components</td>
<td>D</td>
<td>C</td>
</tr>
</tbody>
</table>

**PROJECT TOTAL**  
2000 

Legend:  
D = design of sub-projects.  
C = tendering and contracting.  
I = contract implementation and payment.
### COMMITMENT (CONTRACT) SCHEDULE

**Date of Drafting:** 10-gru-01  
**Planning Period:** 9/99 – 06/01

<table>
<thead>
<tr>
<th>Subprojects / components</th>
<th>Cumulative Commitment (Contract) schedule in thousands EUR (Quarters)</th>
<th>Budget Allocation in thousands EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>PLANNED</strong></td>
<td><strong>PHARE funds</strong></td>
</tr>
<tr>
<td></td>
<td><strong>1st q. 99</strong></td>
<td><strong>2nd q. 99</strong></td>
</tr>
<tr>
<td><strong>PROJECT TOTAL</strong></td>
<td><strong>2000</strong></td>
<td></td>
</tr>
</tbody>
</table>

### DISBURSEMENT (PAYMENT) SCHEDULE

**Date of Drafting:** 10-gru-01  
**Planning Period:** 9/99 – 06/01

<table>
<thead>
<tr>
<th>Subprojects / components</th>
<th>Cumulative Disbursement (Payment) schedule (Quarters)</th>
<th>Budget Allocation in thousands EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>PLANNED</strong></td>
<td><strong>PHARE funds</strong></td>
</tr>
<tr>
<td></td>
<td><strong>1st q. 99</strong></td>
<td><strong>2nd q. 99</strong></td>
</tr>
<tr>
<td><strong>PROJECT TOTAL</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>
ANNEX 5
Relation of the project with previous PHARE activities and with ongoing projects financed from other sources (including government budget).

Subject 1
Preparation of the Ministry of Finance for introduction of full convertibility of Polish zloty

In 1996 the Foreign Exchange Policy Department at the Ministry of Finance undertook activities to prepare a bill of the foreign exchange law and implementing regulations. For this purpose, the Consultant company was contracted to develop the bill under the programme “Drafting a bill of new foreign exchange law” and within the PHARE funds of ECU 40,000 (Euro).

Subject 2:
Creation of the infrastructure in PSEC allowing for the liberalisation of the movement of capital and rendering of financial services on the capital market

Financing of the above mentioned project would be a continuation of support for the PSEC within the areas specified there. Hitherto PHARE funds contributed largely to the development of the Polish capital market and of our institution including financing or co-financing of following activities:
1. training programmes for our employees relating to supervision over capital market (PHARE PL 9318);
2. financing the hardware and software for one of PSEC Divisions (PHARE P9110-01-02-LO54);
3. training of the employees of the PSEC Enforcement Department (PHARE PL 9316);
4. training of employees and development of the computer hardware (PHARE FIESTA II - Tidover Resources - 1998).

Subject 3:
Setting up in the Ministry of Finance a financial information unit for money laundering prevention

As part of the programme ref. PL 9704, the project ref. 9707-1.4.1: support from institutions included in the acquis implementation process: for the unit of money laundering prevention within the Ministry of Finance. Budget: EUR 300,000 will cover all the preparatory works preceding creation of the financial intelligence unit (such as business plan preparation, expertise, consultations, equipment specification). Possibly, the funds from Phare 1997 will also cover some expenses connected with supporting newly created and operating unit. To this aim mainly funds of Phare 1999 will be employed. They will be used for institution building purposes and will encompass training, co-operation with foreign financial intelligence units, expertise and consultation.

ANNEX 6
Reference to feasibility/ pre-feasibility studies
Not applicable
Reference to legislation

1. Relevant Community laws and regulations
   - The Maastricht Treaty on European Union, introducing as of 1 January 1994 a prohibition of restrictions on the movement of capital and payments between member countries themselves and between member countries and third countries (Article 73b), with a reservation of interim restrictions, measures and procedures as defined in Articles 73c to 73h of the Treaty, which may be adopted with respect to third countries and to control the movement of capital. This is practically the only law which regulates the movement of capital in the EU, however, due to its laconic provisions which refer to the movement of all capital in general, analyses and comparisons were based on the Directives which are no longer in effect but which were used as a guideline as far as liberalisation of the capital movement is concerned. In particular, Attachment No. 1 to the last Directive is important as it contains a classification of capital movement to which the European Commission refers in the White Paper and the Questionnaire.

2. Current state of Polish law
   - Minister of Finance Order of 16 January 1996 on general foreign exchange permits (M.P. No. 6, Item 73, as amended).
   - Minister of Finance Order of 29 March 1995 on general foreign exchange permits for some foreign exchange operations granted to economic entities engaged in activities in the scope of sea and inland transportation, deep sea fishing, and deep sea exploration and mining (M.P. No. 16, Item 198).
   - Minister of Finance Regulation of 28 March 1995 on the rules and procedures for the border and postal foreign exchange control, and on the type of documents required in exporting and sending abroad foreign exchange values (Journal of Laws No. 34, Item 169).
   - Council of Ministers Regulation of 13 June 1995 on the scope and procedure for declaring domestic persons’ property held abroad and foreign persons’ property held in Poland (Journal of Laws No. 74, Item 369).
   - President of the National Bank of Poland Order of 7 March 1995 on the list of foreign currencies which are convertible currencies (M.P. No. 13, Item 165, as amended).
   - President of the National Bank of Poland Order of 10 May 1995 on the method and detailed scope of application of the exchange rates between the Polish and foreign currencies, as announced by the National Bank of Poland (M.P. No. 23, Item 282).
   - President of the National Bank of Poland Order of 28 March 1995 on the detailed conditions of engaging in business activities consisting of buying and selling foreign currencies and foreign exchange gold and platinum, as well as intermediary services in buying and selling these values (M.P. No. 16, Item 202).
   - President of the National Bank of Poland Order of 21 July 1995 on the procedure of foreign exchange control exercised by the National Bank of Poland (M.P. No. 37, Item 446).
   - President of the National Bank of Poland Order No. 7/95 of 10 May 1995 on the specification of instances and the procedure for buying and selling foreign tenders by banks at the National Bank of Poland (NBP Official Journal No. 12, Item 25).
   - President of the National Bank of Poland Announcement of 15 October 1996 on the list of banks authorised to perform the activities set forth in Article 6 Section 1 of the Foreign Exchange Law of 2 December 1994 (Journal of Laws No. 136, Item 703, as amended).
ANNEX 8
REFERENCE TO RELEVANT STRATEGIC PLANS AND STUDIES

Subject 1:
Preparation of Ministry of Finance for introduction of full convertibility of Polish zloty

Reference to relevant government strategic plans and studies
Liberalisation of capital movements leading to full implementation of zloty is one of the priorities of the National Strategy of Integration prepared by the Government according to the resolution of Sejm of 14 March, 1996. Along with this document the Harmonogramme of Implementing Activities of the National Integration Strategy was adopted by the Council of Ministers on 3 June 1997. The Harmonogramme sets timetable and institutions responsible for the completion of given tasks.
# IMPLEMENTATION TIMETABLE FOR PROJECT

<table>
<thead>
<tr>
<th>Activities under twinning arrangement</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term expert</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study visits for MF staff</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSEC staff training in capital market surveillance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study visits for PSEC staff</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training, international co-op. and study visits for GIFI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expertise, translation and consultations for GIFI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hardware and software contract</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PSEC servers-UNIX hosts</strong></td>
<td></td>
<td></td>
<td>134</td>
</tr>
<tr>
<td><strong>PSEC Issuers Supervision Application</strong></td>
<td></td>
<td></td>
<td>258</td>
</tr>
<tr>
<td><strong>PSEC Market Supervision Application</strong></td>
<td></td>
<td></td>
<td>687</td>
</tr>
<tr>
<td><strong>PSEC Investors Supervision Application</strong></td>
<td></td>
<td></td>
<td>60</td>
</tr>
<tr>
<td><strong>PSEC Brokers Supervision Application</strong></td>
<td></td>
<td></td>
<td>129</td>
</tr>
<tr>
<td><strong>PSEC Trust funds Supervision Application</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PSEC Legal services Supervision Application</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PSEC Information sharing Supervision Application</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PSEC Information support Supervision Application</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PSEC IT staff and end-user training in applications</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
<th>VI</th>
<th>VII</th>
<th>VIII</th>
<th>IX</th>
<th>X</th>
<th>XI</th>
<th>XII</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
<th>VI</th>
<th>VII</th>
<th>VIII</th>
<th>IX</th>
<th>X</th>
<th>XI</th>
<th>XII</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>