

ACTIVITIES OF THE NATIONAL BANK OF POLAND

FOR INTEGRATION WITH THE EUROPEAN UNION

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THE NATIONAL BANK OF POLAND

IN THE PROCESS OF THE EUROPEAN INTEGRATION

The European Union membership is one of Poland's strategic targets. The National Bank of Poland also participates in the activities aimed at getting the membership.

According to decisions taken at the European Union summit in Luxembourg in December 1997, the **official beginning of negotiations** with 6 countries-candidates for the EU membership (including Poland) took place on March 31, 1998. The first phase of negotiations was the process of screening aimed at the comparative analysis of the Polish and community laws. It was divided into 29 negotiation areas, a part of which is within the scope of responsibilities of the NBP. These are *Economic and Monetary Union, Free Movement of Capital, Freedom to Provide Services, Consumer and Health Protection, Statistics and Finance and Budget*. The representatives of the NBP participated actively in the preparatory activities, in the process of screening and in further activities resulting from the negotiation process.

In membership negotiations a strategic state document that arranges and coordinates adjustment processes nationwide is the **National Program on the Preparations for the European Union Membership (NPPC)** the present edition of which is the second modified version of the Program approved by the Council of Ministers in June 1998. The NPPC 2000 was prepared by the Office of the Committee for the European Integration in cooperation with ministries and central offices involved with the European integration process (including the NBP). On April 10, 2000, it was accepted by the European Integration Committee, and on April 26 this document was approved by the Council of Ministers.

The schedule of this year edition of the NPPC is adjusted to the structure of negotiation positions. Priorities of the NBP have been written in chapter "Freedom to Provide Services" (a priority concerning harmonization of banking law with the community law) and in chapter "Economic and Monetary Union" (priorities concerning adjustments in the area of monetary policy instruments, the central bank independence, floating exchange rate of the zloty, implementation of regulations for the introduction of the euro and the adjustment of the NBP to functioning within the European System of Central Banks). These priorities were approved by the Management Board of the NBP (March 17, 2000) and the Committee on the Preparations of the National Bank of Poland to European Integration (March 20, 2000). One

of the above priorities was accomplished on April 12, 2000 when the floating exchange rate of the zloty was introduced.

The accomplishment of the NBP's priorities written in the NPPC aimed at the adjustment of the Polish banking system to the requirements of the European Union is supported by appropriate entities (commissions, committees) – within the structure of the NBP. Their basic task is coordination of internal adjustment actions of the bank.

Due to the preparations to the introduction of the euro in the European Union (decisions taken at the EU summit in Brussels on May 1-3, 1998), in June 1998 the **Commission on the Introduction of the Euro** was established at the NBP. The task of the Commission was to identify potential problems for the NBP at the moment of the introduction of the euro in the EU. The Commission accomplished its short-term tasks and finished its activities before the introduction of the euro (i.e. before January 1, 1999). The long-term tasks have been entrusted to the Committee on the Preparations of the National Bank of Poland to European Integration.

The Committee on the Preparations of the NBP to European Integration headed by the President of the NBP started its activities in October 1998. Its members are directors of 8 departments of the NBP. The purpose of the Committee establishment was the need to coordinate activities taken at the NBP that are aimed at the Bank's preparation to the EU membership. The tasks of the Committee are, inter alia, the following: evaluation of developments in the EU from the point of view of the central bank, initiation and evaluation of actions aimed at the preparation of the NBP to the EU requirements, monitoring of the activities of the European Central Bank in the context of the future membership of the NBP in the European System of Central Banks and the analysis of the process and results of screening in the areas related to the NBP.

On November 26, 1999, the Management Board of the NBP took the decision on the establishment of **Interdepartmental Expert Groups (IEG)** for every negotiation area in the scope of interest of the NBP. These are: *IEG on Protection of Bank Customers*, *IEG on Statistics*, *IEG on Liberalization of Short-term Capital Movement*, *IEG on Free Movement of Capital*, *IEG on the Economic and Monetary Union*, *IEG on Freedom to Provide Banking Services* and *IEG on Finance and Budget*. Expert groups are entities of the permanent personnel composition, responsible for activities connected with the integration or participation in them as representatives of the NBP until the moment of getting the EU membership. The task of the expert groups is the participation in activities aimed at working out the negotiation documentation led by the Task Subgroups from different ministries,

participation in the next phase of the screening process and negotiations, and the identification and signaling problems that could affect the proper accomplishment of the NBP's tasks.

The NBP also participates in the community assistance programs provided for the candidate countries. Within the program Phare 2000, the project "*Adjustment of the National Bank of Poland to operation within the European System of Central Banks*" has been submitted. The project of the NBP will be accomplished within the so-called twinning arrangement with the participation of the consortium of the EU central banks. To this purpose, the President of the NBP appointed the **Task Force on the Preparation of Twinning Arrangement with Banque de France and Banca d'Italia**.

The above-mentioned committees and commissions in cooperation with the departments of the NBP perform adjustment activities in particular areas of the bank operation, including, inter alia, the following: monetary policy, payment system, legislative, analytical and statistical activities, banking supervision – i.e. undertakings and initiatives for the banking system. Below, the insofar and planned adjustment activities of the NBP in basic areas of the Bank operation have been presented in detail.

MONETARY POLICY

Since the moment of Poland's joining the European Union (EU), our country will apply the principle of the so-called derogation based on the participation in the III phase of the economic and monetary integration, but without the introduction of the single currency. This way, the National Bank of Poland will become the member of the European System of Central Banks (ESCB) without the possibility to participate in the common monetary policy. In this context, the basic significance is given to the adjustment of the principles of the NBP's operation to standards and requirements worked out within the ESCB. In order to harmonize with the ESCB structures, the National Bank of Poland should work out a set of monetary policy instruments that is analogous to the one applied within the ESCB.

OPERATIONAL ACTIVITIES

Conditions

One of conditions for the effective transmission of signals of the central bank monetary policy to the banking sector and its adequate reaction is the structural lack of liquidity in the banking sector. In such an environment, the European Central Bank (ECB) operates.

The ECB has got in its disposal a set of instruments that can be divided into three basic groups:

- 1) regulatory reserve,
- 2) open market operations,
- 3) standing facilities (credit and deposit at the end of the day).

Mainly due to the structural over-liquidity in the banking sector, the National Bank of Poland has got in its disposal a set of instruments that is not fully consistent with the ECB requirements yet. It is, in part, a consequence of the different situation on the market – structural over-liquidity. Practically, the absorption of this over-liquidity takes place through open market operations based on the issuance of the NBP bills.

The efforts aimed at decreasing the scale of liquidity on the domestic money market and as a result a qualitative change in the environment where the NBP runs its monetary policy have been recognized the basis of further adjustments.

In 1999, the National Bank of Poland undertook actions aimed at limitation of the main source of the liquidity creation, which was the rise of gross official reserves. This aim was reached gradually through the following steps in the area of exchange rate policy:

- extending the range of deviations of the exchange rate of the zloty,
- liquidation of the applicable mechanism of fixing,
- making the exchange rate of the zloty fully floating since April 2000.

Further limitation of liquidity was achieved by the conversion of non-transferable liabilities of the State Treasury towards the NBP into transferable securities that, in turn, are gradually sold to banking sector within open market operations (*outright sale*).

Changes within monetary policy instruments

Open market operations

In order to reach the operational shortage of liquidity, in the III quarter of 2000, the NBP started tenders of outright sale of treasury bonds got as a result of the conversion.

In the situation of the operational shortage of liquidity, an active instrument of providing the commercial banks sector with liquidity that balances the demand for the reserve money, will become repurchase agreement operations the subject of which are treasury securities. The operations providing the banking system with liquidity are standard operations of the ECB.

Regulatory reserve

In 1999, a gradual decrease of the banking system over-liquidity and conversion operation enabled the NBP to decrease, since September 30, the regulatory reserve ratios up to the level of 5% for every type of liabilities.

In order to adjust the regulatory reserve system to the ECB standards, there are still required:

- further reduction of the regulatory reserve ratio – up to 2%,
- change of the way of the reserve calculation – on the basis of liabilities as of the last day of the month,
- change of the period of the reserve holding,
- introduction of the system of the interest-bearing regulatory reserve held by banks.

The National Bank of Poland plans that these changes will become effective at the moment of Poland's joining the European Union.

Standing facilities – credit at the end of the day

Since April 2000, the time frame for the lombard credit has been shortened to one day (O/N) as it is in the euro zone. The lombard rate remains the ceiling of the deviations for market interest rates, constituting the final cost of getting money on the market.

Standing facilities – deposit at the end of the day

In the situation of the operational shortage of liquidity, the range of short-term interest rates deviations can increase. It is planned in future (2001) to introduce an instrument, *standing deposit facilities*, being a deposit placed at the end of the settlement day at the central bank from the initiative of a commercial bank. The interest rate of this instrument should be set in advance and it should remain below the reference rate of the NBP, setting the floor for the interest rate changes on the market.

ANALYTICAL ACTIVITIES

Since the moment of the establishment of the single currency the euro, the monthly report *Situation on the financial market in the euro zone* is prepared at the National Bank of Poland. It contains information on basic monetary indices in the euro zone, decisions after the meetings of the ECB Board of Governors, monetary policy instruments of the ECB, changes of market interest rates on the euro area.

At the NBP, the analysis of the market situation developments – on money, capital, monetary, derivatives' markets – in short and longer time frame is performed. According to the analysis of the above-mentioned developments, the report *Financial markets* is prepared.

ACTIVITIES FOR THE BANKING SYSTEM

ACTIVITIES FOR THE PAYMENT SYSTEM DEVELOPMENT

In 1999, the National Bank of Poland started the accomplishment of long-term tasks aimed at the adjustment of the Polish payment system to the European Union requirements. Below, these tasks have been described.

I. Performing the analysis of the current and maximum effectiveness of the domestic system of payments settlement RTGS – SORBNET and the consistency of its features with the features required for joining it with the settlement system of the European Union TARGET and effecting cross-border settlements denominated in the euro.

The above task consists of two elements:

- 1) the analysis of current and maximum effectiveness of the system RTGS – SORBNET;
- 2) work on the evaluation of the adjustment of RTGS – SORBNET to the European Union requirements defined in the report “*Minimum common features of domestic payment systems*” and “*The Third Progress Report on the TARGET project*”.

In the second half of 1999 and in 2000, the activities aimed at the adjustment of SORBNET system to requirements resulting from the participation in TARGET system were continued.

A. The access criteria to the domestic system RTGS have been set in detail and they have been made available to the interested parties.

B. The customer transfers have been introduced into settlements in SORBNET system, and this effort has been divided into two phases:

- since July 26, 1999: payment orders placed by banks for the benefit of the NBP customers and by the NBP customers for the benefit of banks,
- since July 1, 2000: payment orders concerning customers of commercial banks where at least one party of the settlement is the customer of a bank.

Since January 1, 2002, the introduction of bank customers’ orders at the amount of over PLN 1,000,000 into SORBNET system will be obligatory, resulting in the necessity to effect interbank settlements through SORBNET system.

C. Since July 26, 1999 payment orders resulting from settlements of transactions on capital market that are registered by the Domestic Deposit of Securities S.A. (KDPW) (Krajowy Depozyt Papierów Wartościowych S.A.) are submitted for settlement in SORBNET system. The National Bank of Poland has taken over the role of a settlement bank from Bank Śląski SA that performed this role before. It makes the settlement system of the Polish capital market closer to international standards, including also standards defined by the ECB (among other things a requirement of the central bank money denominated settlements, defined for securities settlement systems used in credit operations of the ESCB).

II. The preparation of solutions ensuring maintaining current liquidity in the RTGS system with the consideration of requirements put by the ECB. Within these activities:

- the domestic securities market is being analyzed - in terms of using these securities to ensure banks' liquidity during the day, especially in the context of abandoning high interest bearing regulatory reserves;

- there is collected the information on using securities deposited in central deposits of other countries, principles of joining deposits and securities settlement systems;

- the regulations, consistent with the EU countries' regulations, on the Polish securities and deposits, have been defined in order to "include them into the common pool" that is possible to be used on the euro area;

- the work on the evaluation of meeting the international standards by the securities settlement systems applied in Poland, with the special consideration of standards applicable in the EU countries.

III. Tying of the other payment systems applied in Poland, inter alia, the securities settlement system, with the domestic system RTGS linked with TARGET.

With the participation of the Domestic Deposit of Securities (KDPW), the work on including settlement of securities transactions settled by the KDPW into SORBNET system has been performed.

On July 22, 1999 the bank account agreement was signed, which defines conditions of opening and holding an adjunct account for the KDPW by the National bank of Poland.

IV. Preparing the final domestic RTGS system that serves operations denominated in the zloty and the euro and joining it with TARGET system through setting a domestic link with

the Interlinking infrastructure (telecommunication network that links national RTGS systems from the EU member countries).

V. Analysis of possibilities, conditions and eventual consequences for the NBP of the Polish commercial banks' participation in foreign settlement systems, e.g. EBA Clearing System, CLS.

VI. There has been started the work on implementation into the Polish law of the Directive 98/26/EC of the European Parliament and of the Council of May 19, 1998 on settlement finality in payment and securities settlement systems.

Moreover, the NBP is working on the implementation of the union regulations resulting from the Directive 97/5/EC on cross-border credit transfers and the Regulation 97/489/EC on electronic payments.

VII. Considering both the European Union requirements and – in general – the improvement of the payment system, the NBP also works on normalization and standardization. This work is related to two types of issues:

- normalization in banking – the Polish standards are worked out by certain Normalization Problem Commissions within the Polish Normalization Committee;
- standardization in banking.

ACTIVITIES FOR THE BANKING SYSTEM

STATISTICAL ACTIVITIES

The National Bank of Poland is working on the adjustment of the money and banking statistics and the balance of payments statistics to the standards defined by the ECB for the European Union member countries. This work takes into account the necessity to meet, in future, the ECB requirements set for the Economic and Monetary Union members.

Money statistics

The adjustment efforts in the area of money statistics relate to, inter alia the list of Polish monetary financial institutions, reporting of the central bank's activities, a consolidated balance-sheet of the monetary financial institutions' sector, statistics for the regulatory reserve system, interest rates' statistics and statistics of the issued securities.

The taken efforts adjusting the money and banking statistics to the union requirements include modifications of the existing bank reporting as the development of methods of collecting data from outside of the banking system, for sending of which to the ECB is responsible the central bank.

Modifications of banks' reporting systems will relate, inter alia, to the extension of the scope of the data submitted to the NBP for the monthly and quarterly reports (containing more detailed analytical intersections) of the consolidated balance-sheet of the money financial institutions. Banks will also submit monthly adjustments, i.e. information on statistical developments connected, for example, with reclassification of instruments, entities, changes of asset and liabilities prices and exchange rates that enable calculation of total changes resulting only from the completed transactions.

In June 2000 the European Central Bank has been submitted with the description of the Polish legal and institutional framework of money and banking statistics and the applied terms and definitions – to be inserted in the ECB publication on countries aspiring to the European Union membership (*“Manual on the current definition and structure of money and banking statistics in the accession countries”*).

Balance of payments statistics

As a result of the adjustment efforts, which took several years, to the IMF and OECD standards in the balance of payments statistics, the methodology of preparation of the balance of payments has been considerably made closer the EU institutions' standards. Reaching the full conformity with the ECB and Eurostat (office of statistics of the European Union) requirements is planned for the IV quarter of 2002.

As a result of methodological efforts, the drawing-up of the international investment positions starting since 1998 has been started.

Starting with the data as of the end of April 2000, a monthly report of the Polish government and the NBP's liquid assets and liabilities denominated in foreign currencies is published, according to the publication standard of the ECB.

In 1999 the NBP started publishing the data on Poland's foreign debt, according to the definition set by international organizations. In future, this definition, according to the announcements of the IMF – the dominating agency in terms of methodological efforts in the foreign debt statistics, will become the obligatory international standard.

The efforts on the adjustment of the balance of payments statistics to the union requirements are connected with the IT systems' modifications, which serve to collect and process the data on the foreign operations, establishment of the system that integrates the source data of the balance of payments and the international investment position and the implementation of the data transmission form by the application of the message format GESMES/CB that is required by Eurostat and the ECB to transmit the data, also the monetary ones.

Within the framework of cooperation with the union institutions, for several years, the NBP transfers the monetary data and the balance of payments to Eurostat, according to the needs defined by it.

ACTIVITIES FOR THE BANKING SYSTEM

ANALYTICAL ACTIVITIES

The research made by the National Bank of Poland relates to the following issues:

- definition of conditions necessary for the full liberalization of capital movements (in cooperation with the Ministry of Finance),
- definition of consequences of the introduction of the euro for the third countries,
- analysis of principles of operation of research and analytical services of the ESCB,
- evaluation of the consistency of the proposed legal solutions with the EU regulations and other international standards,
- technical readiness of the domestic banking sector to functioning on the uniform European market,
- analysis of the Polish banking system ability to compete on the internal European market,
- monitoring the profitability level of banks and other financial institutions, their corporate supervision and control over personnel cost,
- definition of the institutional infrastructure that increases the chance to compete successfully on the internal European market.

ACTIVITIES FOR THE BANKING SYSTEM

LEGISLATIVE ACTIVITIES

Preparations to the European integration require changes of laws that regulate the central bank activities and functioning of the banking system. In this connection, at the NBP there are efforts aimed at preparation of the laws presented below.

1. The act amending the Act on the National bank of Poland of August 29, 1997

The adjustment of the Act on the NBP to the requirements related to the institutional, personal, financial and functional independence defined in Article 105 to 115 of the Treaty establishing the European Community and provisions of Minutes No. 3 on the Statutes of the European System of Central Banks and the European Central Bank. Here, there are considered the requirements of member countries with the derogation the status of which is defined by Article 122 and Article 43 of the Statutes of the ESCB and ECB.

2. The act amending the Banking Act of August 29, 1997

The whole or partial adjustment of the Banking Act to the provisions of the following laws of the European Union:

- Article 105, item 2, sub-point 4 of the Treaty establishing the European Union and Article 3.1 sub-point 4, Article 14.3, Article 19 and Article 22 of the Minutes No. 3 on the Statutes of the European System of Central Banks and the European Central Bank,

- Directive No. 2000/12/EC of the European Parliament and of the Council of March 20, 2000 on taking up and pursuit of the business of credit institutions (OJ L126 of May 26, 2000, p. 0001-0059),

- Directive No. 97/5 of the European Parliament and of the Council of January 27, 1997 on cross-border credit transfers (J L43 of February 14, 1997, p. 25 and the following),

- Directive of September 18, 2000 on the taking up, pursuit and the prudential supervision of the business of electronic money institutions (OJ L275, p. 39 and the following),

- Directive of the European Parliament and of the Council No. 1999/93/EC of December 13, 1999 on a Community framework for electronic signatures (OJ L013 of January 19, 2000, p. 12 and the following),

- Directive of the Council No. 87/102/EEC of December 22, 1986 for the approximation of the laws, regulations and administrative provisions of the Member States concerning consumer credit (OJ L042 of February 12, 1987, p. 0048-0053),

- Directive of the European Parliament and of the Council No. 98/26/EC of May 19, 1998 on settlement finality in payment and securities settlement systems (OJ L166 of June 11, 1998, p. 45 and the following).

3. The act on consequences for the Polish legal system of the introduction of the single currency in the European Union countries.

4. The act on the recognition of the activities of credit institutions on the territory of our country, which possess a license given by competent authorities of one of the EU countries and supervised by these authorities, and also taking up the business in Poland by credit institutions from the remaining EU countries and taking up the business by Polish banks in the remaining EU countries.

This act would become effective at the moment of Poland's joining the EU and it implements the provisions of Directive No. 2000/12/EC of the European Parliament and of the Council of March 20, 2000 on taking up and pursuit of the business of credit institutions.

5. The act on the implementation into the Polish legal system of Directive 98/26/EC of the European Parliament and of the Council of May 19, 1998 on settlement finality in payment and securities settlement systems.

BANKING SUPERVISION

Within the framework of the adjustments to the European Union membership, the National Bank of Poland and the Commission for Banking Supervision participate in the process of making the Polish supervisory regulations closer to the European standards. A gradual harmonization of the Polish law with the European law results in the fact that benefits for banks and their customers that resulted from the introduction of the directives in the Community gradually become beneficial for Poland. It relates to the stability of the Polish banking system, bigger safety for bank assets, higher standard of the protection and deposit guarantee and a bigger access of the customers to the offered services and their higher standard. At the same time, the competition grows, and the effectiveness and competitiveness of particular banks grow, as well. In bank activities, the phenomena of scale are revealed. The growing freedom of capital movements and freedom to provide services support strengthening of the banking system and improve conditions of servicing the national economy and customers. At the moment of joining the EU, Polish banks will be covered by a uniform bank license that will enable them to establish branches and affiliates abroad and to offer their services there. For the customers of banks the membership in the Union will mean a higher standard of information on the product and the provided service and also the possibility to use the services offered by all EU credit institutions.

The uniform principles of functioning of the domestic bank services market in the European Union are defined in detail in the directives presented below.

2000/12/EC

Directive of the European Parliament and of the Council of March 20, 2000 on taking up and pursuit of the business of credit institutions

86/635/EEC

Directive of the Council of December 8, 1986 on the annual accounts and consolidated accounts of banks and other financial institutions

93/6/EEC

Directive of the Council of March 15, 1993 on the capital adequacy of investment firms and credit institutions (the so-called CAD I)

94/19/EC

Directive of the European Parliament and of the Council of May 30, 1994 on deposit-guarantee schemes

The most important provisions of this directive are as follows:

- the obligation to establish on the territory of every member country at least one official deposit-guarantee scheme;
- the introduction of the nationality principle, according to which the domestic deposit-guarantee scheme covers not only liabilities of banks operating on its territory, but also branches of these banks operating in other EU countries;
- obligatory participation of every bank in deposit-guarantee scheme;
- setting the minimum amount guaranteed for one depositor at euro 20,000.

The main purpose of the discussed directive is the liquidation of competition limitations in providing banking services, which result from the differentiation of the level of deposit protection in particular countries of the Community, establishment of the obligation for banks to participate in the guarantee scheme and the minimum amount of deposits covered by the guarantee.

Such solution is a compromise between the necessity to provide uniform conditions for deposit protection on the territory of the whole Union and preserving the independence of supervisory bodies of member countries in terms of the way of establishing the deposit-guarantee funds, the directions of their use and the scope of actions undertaken in order to save banks.

The Act on Bank Guarantee Fund of December 14, 1994 defined:

- 1) principles of establishing and functioning of the obligatory and contractual guaranteeing of funds held on bank accounts or payable due to commitments confirmed by documents given by banks,
- 2) types of activities that may be undertaken in order to help entities covered by the obligatory system of guaranteeing funds up to the amount of guaranteed funds in situations where there is a threat of insolvency,
- 3) principles of gathering and using the information on entities covered by the guarantee system.

The tasks in this scope are performed by the Bank Guarantee Fund established on the basis of the law.

Within the framework of adjustments to the EU membership, the schedule of gradual increasing of the level of the guaranteed amount is carried out by the Bank Guarantee Fund. This schedule has been defined in the amendment to the Act on the BGF and it is as follows:

- up to the zloty equivalent of euro 11,000 – since January 1, 2000,
- up to the zloty equivalent of euro 15,000 – since January 1, 2001,
- up to the zloty equivalent of euro 17,000 – since January 1, 2002,
- up to the zloty equivalent of euro 20,000 – since January 1, 2003.

According to the presented schedule, the guarantee level now constitutes the equivalent of euro 11,000 (within this amount the guarantees are of 100% for the equivalent of euro 1,000 and of 90% for the remaining amount covered by the guarantees).

98/31/EC

Directive of the European Parliament and of the Council of June 22, 1998 amending Council Directive 93/6/EEC on the capital adequacy of investment firms and credit institutions (the so-called CAD II)

The Polish regulations on these issues, which are the subject of the above-mentioned directives, are mainly consistent with them and in this connection they require small changes.

OWN ACTIVITIES OF THE NBP

Actions aimed at the adjustment of the Polish banking system to the EU requirements

I. In 1999, the National Bank of Poland identified in detail the areas that need prompt adjustment actions due to the planned participation of the NBP in the ESCB. On this basis, a project entitled “*Adjustment of the National Bank of Poland to operation within the European System of Central Banks*” was developed and then it was submitted to financing within the program PHARE 2000. The scope of this project covers the following issues: payment system, monetary statistics, monitoring of capital movements, accounting and reporting, banking supervision, internal control and audit, IT system.

The project of the NBP has been accepted by the European Commission and will be carried out within the twinning arrangement with Banque de France and Banca d’Italia.

II. Due to the fact that the introduction of the single currency the euro will essentially affect the Polish economy, including also the banking sector, the NBP put an initiative to prepare “*Analysis of the influence of the introduction of the euro on the Polish banking system*”. The purpose of the analysis was to define the influence of the euro introduction on the Polish banking system within the first year of the single currency operation. The *Analysis* was approved by the Management Board on June 30, 2000. The Management Board also decided to perform the analysis of the ways of implementation of the community regulations concerning the euro to the national legal systems of the EU countries and the countries that are the EU candidates (I quarter of 2001), what is to serve for the development of the project on the euro operation in Poland (I quarter of 2001).

Actions aimed at the organizational and legal adjustment of the NBP to operate within the European System of Central Banks

I. In 1999, at the National Bank of Poland, there was started the work aimed at the optimization of the organizational structure of the NBP, including the restructuring of the NBP’s regional network, in terms of the central bank operation within the ESCB. These efforts are continued.

II. The principle of operation on the basis of annual and long-term plans of activities has been introduced at the NBP.

In January 2000, the Management Board of the NBP approved the plan of activities of the NBP for the period 2000-2002 that is aimed at the NBP's adjustment to the requirements put to central banks of the EU member countries. This plan is to be developed in more detail through annual plans of activities.

III. The efforts aimed at building the database in the Internet technology that contains some internal information of the NBP are continued.