



# BANK GUARANTEE FUND

*30 years of safeguarding  
the financial security of Poles*

1995-2025





## BANK GUARANTEE FUND

30 years of safeguarding  
the financial security of Poles

1995–2025



# **BANK GUARANTEE FUND**

30 years of safeguarding  
the financial security of Poles

1995–2025

Editing: Jan Szambelańczyk and Ewa Kulińska-Sadłocha

Editing and proofreading of the Polish version: Hanna Januszewska

© Copyright by Bank Guarantee Fund  
Warsaw 2025

ISBN 978-83-8017-613-3



Dom Wydawniczy ELIPSA  
ul. Inflancka 15/198, 00-189 Warszawa  
tel. 22 635 03 01  
e-mail: [elipsa@elipsa.pl](mailto:elipsa@elipsa.pl), [www.elipsa.pl](http://www.elipsa.pl)



## CONTENTS

Foreword .....	6
Glossary of Key Abbreviations .....	8
Origin And Development of the Bank Guarantee Fund .....	12
Deposit Guarantee .....	38
Aid Activities .....	66
Resolution Activity .....	76
Analytical Activities .....	96
Financing of Operations .....	110
International Cooperation .....	124
Public Image of the Bank Guarantee Fund .....	139
Information and Promotional Activities .....	139
The “Safe Bank” Journal .....	148
Competition For Doctoral And Diploma Theses .....	154
Perception of the Bank Guarantee Fund by External Stakeholders .....	157
The Rationale For Reforming Deposit Guarantee Scheme (DGS) in the EU .....	180
EU Deposit Guarantee Reform – Views from Foreign Financial Safety Institutions .....	199
Past and Future of the Bank Guarantee Fund .....	223
Synthesis of 30 Years .....	223
Strategy 2030 .....	227

## FOREWORD

### Dear Readers,

It is with great satisfaction that we present this publication, prepared to mark the thirtieth anniversary of the establishment of the Bank Guarantee Fund – an institution that, since 1995, has continuously safeguarded the security of funds entrusted by depositors to Polish banks, and since 2013, also to credit unions.

Three decades of the Fund's operations represent a period of constant growth and adaptation to the evolving financial, legal, and economic landscape – both in Poland and within the European Union's single market. It is also a time of building public trust in the banking system and actively supporting the country's financial stability.

In this publication, we aim to present the path taken by the Bank Guarantee Fund – from its early years laying the foundations of the Polish deposit guarantee system, through the development of its support, analytical and financial functions, to its active participation in international cooperation on financial safety. Special attention is given to one of the Fund's core areas of activity – conducting bank resolution. In this field, the Fund has become one of the most experienced institutions globally.


We also highlight the Fund's important role in shaping the public perception of the banking sector through its informational, educational, and promotional efforts. We enrich the story with public perceptions of the Fund's work. Lastly, we present the rationale and key assumptions behind the planned reform of the deposit guarantee framework in the European Union. We are also proud to share the voices of representatives of foreign financial safety institutions, who have shared their reflections on the future of deposit guarantee systems.

The 30th anniversary of the Bank Guarantee Fund is an occasion both for reflection and for setting ambitious goals for the future. For this reason, the publication also outlines the Fund's strategy through 2030 – a document that will guide our continued efforts in a changing financial environment.

We would like to express our heartfelt thanks to all those who have contributed to the Fund's development over the years: our employees, collaborators, representatives of public institutions and the financial sector, as well as our international partners. Thanks to our collective effort and commitment, we have built a modern, responsible institution ready to continue supporting the stability of the financial system.

This 30th Anniversary Book serves as a record of the journey the Fund has taken as a guardian of the safety and stability of Poland's financial sector. We extend our sincere thanks to all those involved in preparing this publication – in particular, the authors from the Fund's Office and the external experts who have long collaborated with the BFG.

We wish you an inspiring read

A blue ink signature in a cursive script, reading 'Przewalska'.

**Katarzyna Przewalska**  
Chairperson of the Council  
of the Bank Guarantee Fund Council

A blue ink signature in a cursive script, reading 'Maciej'.

**Maciej Szczesny**  
President of the Management Board  
of the Bank Guarantee Fund

## GLOSSARY OF KEY ABBREVIATIONS

BFG, Fund	Bank Guarantee Fund
BS	Co-operative Bank
BRR Directive, BRRD	Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU of the European Parliament and of the Council, 2012/30/EU and 2013/36/EU and Regulations (EU) No. 1093/2010 and (EU) No. 648/2012 of the European Parliament and of the Council (OJ EU L of 12 June 2014, as amended).
BRRD2	Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards loss absorption capacity and recapitalisation of credit institutions and investment firms and Directive 98/26/EC (OJ EU L of 7 June 2019)

CCP	central counterparty clearing house, a legal person that acts between counterparties to contracts traded on one or more financial markets, becoming the buyer to every seller and the seller to every buyer
Council, BFG Council, Fund Council	Council of the Bank Guarantee Fund
Covered Deposit Payout System (CDPS)	Application and network solution supporting the Fund's tasks in the area of data control, preparation and handling of disbursements of covered deposits and reporting on these tasks
CRR Regulation	Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012 (Official Journal of the EU L of 27 June 2013, as amended).
CU	Credit Union
IRR Directive, IRR D	Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2009/138/EC, (EU)2017/1132 and Regulations (EU) No 1094/2010 and (EU) No 648/2012
EBA	European Banking Authority
EIOPA	European Insurance and Occupational Pensions Authority (EIOPA)

FOSG	funds for the protection of covered deposits
GFC	Global financial crisis in 2008
GNB	Getin Noble Bank S.A
IPS	Institutional Protection Scheme (IPS)
KNF, UKNF	Financial Supervision Authority, Office of the Financial Supervision Authority
MF	Ministry of Finance
MREL	<i>minimum requirement for own funds and eligible liabilities</i>
NBP	National Bank of Poland
PBS	Podkarpacki Bank Spółdzielczy in Sanok (cooperative bank)
PZA	Podmiot Zarządzający Aktywami S.A., an asset manager
SKOK, Kasa	Credit Union
Statute	Articles of Association of the Bank Guarantee Fund, constituting an appendix to the Regulation of the Minister of Development and Finance of 25 January 2017 on granting Articles of Association to the Bank Guarantee Fund (Journal of Laws, item 203, as amended).
EU	European Union
EWS	Early Warning System

GPS  
agreement

Loss Guarantee Agreement

BFG Act

Act of 10 June 2016 on the Bank Guarantee Fund, deposit  
guarantee scheme and resolution (Journal of Laws 2025  
item 643)

WSA  
in Warsaw

Voivodship Administrative Court in Warsaw

Management  
Board, BFG  
Management  
Board Fund

Management Board of the Bank Guarantee Fund

## ORIGIN AND DEVELOPMENT OF THE BANK GUARANTEE FUND

In the light of experience, especially the negative consequences of banking crises for socio-economic systems in the 20th and 21st centuries, the activity of deposit guarantee institutions in almost all countries of the world with a developed financial market is legally sanctioned. Historically, the first guarantee institution was the Federal Deposit Insurance Corporation (FDIC) established in the USA in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s<sup>1</sup>. The establishment of the FDIC initiated a new approach to the protection of customer deposits and the stability of the entire US banking system. It also found imitators in other countries, particularly in situations where the safety of bank deposits or bank insolvency was threatened<sup>2</sup>. Deposit guarantee schemes, albeit in a heterogeneous institutional and ownership formula, have now become a permanent and common link in the financial safety net. Nowadays, it is increasingly rare to find proponents of the concept of market discipline as a method of stabilising the banking sectors. However, the trend towards protection, especially of non-professional financial market participants, is definitely dominant. Protection against the negative consequences of the failure of credit institutions and the consequences of such failures for the smooth functioning of economies in economic systems. This is evidenced, among other things, by national legislation or international groupings obliging them

---

<sup>1</sup> FDIC, *What we do*, <https://www.fdic.gov/about/what-we-do/> (accessed 01.05.2025).

<sup>2</sup> *Kryzysy bankowe. Przyczyny i rozwiązania*, ed. M. Iwanicz-Drozdowska, PWE, Warsaw 2002.



to establish state-recognised deposit guarantee schemes and, more recently, adequate safeguards for *resolution* processes<sup>3</sup> covering not only monetary institutions.

Deposit guaranteeing derives, among other things, from the dual nature of the banking enterprise, whose function of purpose is to maximise profit or market value. At the same time, in doctrine, the bank has been attributed the characteristics of a public trust institution. This duality of the bank is due, on the one hand, to the peculiarities of financial intermediation (including the “fragility of banks”), as well as to the role that the banking system plays in the finances and functioning of the economy as a whole<sup>4</sup>. One can also add another premise, which is the axiology of consumer protection in the relationship with a professional market actor. Paraphrasing J.E. Stiglitz’s characterisation of the model banking system taking into account the institution of deposit guarantee<sup>5</sup>, it can be said that there is no contradiction between efficiency and security in banking; either both or neither will be present. This is demonstrated by the interventions of financial safety net authorities in situations where the stability of the sector is threatened.<sup>6</sup>

\* \* \*

*The year 2025 marks the 30th anniversary of the establishment of the Bank Guarantee Fund (BFG) in Poland, which provides an apex to recall the people, processes and events that constitute a piece of history organically linked to the*

---

<sup>3</sup> See *Legal Acts*, [https://www.bfg.pl/strefa\\_dokumentow/akty-prawne/](https://www.bfg.pl/strefa_dokumentow/akty-prawne/) (accessed 01.05.2025).

<sup>4</sup> Due to the nature of this paper, the issue of a bank- or capital-oriented financial system is not developed, although since the beginning of the 21st century there have been clear symptoms of a reduction in the position of banks following the development of alternative channels of financial intermediation.

<sup>5</sup> J.E. Stiglitz, B. Greenwald, *Towards a New Paradigm in Monetary Economics*, Cambridge University Press, UK 2003.

<sup>6</sup> This is demonstrated by an analysis of the establishment of deposit guarantee institutions around the world. *Deposit Guarantee Schemes in the World*, Part II, in: *Deposit Guarantee Schemes in Poland and the World. Ten years of the Bank Guarantee Fund*, ed. W. Baka, PWE, Warsaw 2005, p. 185–450. Similarly, under the pressure of the risk of a run on banks, regulations were adopted increasing the levels of guarantee during the global financial crisis in the first decade of the 21st century, rescue programmes were organised with the participation of public funds, and then the obligatory safety net was intensively developed with resolution or orderly liquidation solutions, TLAC (*total loss absorbing capital*) or MREL (*minimum requirement for own funds and eligible liabilities*) concepts, and finally in 2023 in the USA a full ad hoc guarantee for deposits was introduced during the West Coast bank crisis.

*systemic transformation in Poland after 1989. Nowadays – quite naturally – the regulatory, material, financial procedural infrastructure of the BFG’s operations is exquisitely more advanced than in the early days. Nonetheless, three decades of the Fund’s operations are not only about the infrastructure, but also – or perhaps above all – about the people whose qualifications, commitment and, often beyond the ordinary measure, courage contributed to overcoming problems or overcoming crises that, especially in the first decade of its existence, the BFG faced.*

### **Circumstances surrounding the creation of the Bank Guarantee Fund**

The cardinal premise of the systemic transformation in Poland at the beginning of the 1990s was to radically reduce the role of the state in the banking sector while creating conditions for competition between banks. Nine commercial banks were separated from the National Bank of Poland (NBP), and the establishment of new commercial banks was encouraged. Hence, at the threshold of the transformation, the Polish banking system consisted of 13 banks with state capital, Bank Gospodarki Żywnościowej fulfilling the function of organisational and financial headquarters for ca. 1,662 cooperative banks and Łódź Development Bank S.A. On the other hand, the enactment of the Act of 31 December 1989 – Banking Law and the Act of 31 December 1989 on the National Bank of Poland created the legal framework for the creation of a two-tier banking system with a separate and independent National Bank of Poland.<sup>7</sup> Liberal licensing policies and low capital requirements led to the number of commercial banks increasing to eighty-four within three years (Table 1).

Radical changes in economic conditions and the conduct of banking activities without adequate prudential regulations with low capitalisation of banks, the employment of staff unprepared to provide banking services in a competitive environment, transformation pathology, including illegal or criminal behaviour, unfortunately also with the help of professional legal advisers to clients – quickly generated losses on operations. Already in 1993, symptoms of the banking crisis became apparent in the Polish banking sector, in particular a significant deterioration in the quality of loan portfolios

---

<sup>7</sup> C. Kosowski, *Publiczne prawo bankowe*, PWE, Warsaw 1999, p. 86.

**Table 1. New banking licences and commercial banks operating in Poland between 1989 and 1995**

Years	New banking licences <sup>a)</sup>	Number of commercial banks in operation
1989	8	18
1990	45	40
1991	17	72
1992	6	84
1993	1	84
1994	1	79
1995	7	75

<sup>a)</sup> After 1995, new banking licences were the exception and new owners took over or acquired already operating credit institutions, which was the basic assumption of the licensing policy of the KNB/KNF and at the same time made it possible to sanitise banks in a difficult financial situation.

Source: *Transformacja bankowości polskiej w latach 1988–1995. Studium monograficzno-porównawcze*, ed. W. Baka i inni, Biblioteka Menedżera i Bankowca. Management and Finance, Warsaw 1997.

(including with a relatively high share of lost loans) and an insufficient level of banks' equity.<sup>8</sup> Under these conditions, the risk of bankruptcy of banks grew rapidly.<sup>9</sup>

It is worth recalling that the new banking law of 1989 retained the so-called State Treasury guarantees for the population's savings deposits accumulated in state-owned banks and those which enjoyed such a privilege before 1989.<sup>10</sup> This led to a formal division of banks in Poland into those with full State Treasury guarantees for the population's savings deposits and those without such protection. In spite of the amendments to the regulations extending State

<sup>8</sup> "When the Co-operative Bank in Śrem collapsed [...] it turned out that a desert was created there, an economically scorched earth. The savings deposits of the population in full were paid out to customers by the NBP, but the remaining funds in the accounts did not benefit from the guarantee of the State Treasury. *Banking entrepreneurship is based on trust. Interview with Krzysztof Pietraszkiewicz*, in: *Reforma polskiego systemu bankowego w latach 1987–2004 we wspomnieniach jej twórców*, eds P. Aleksandrowicz, A. Fandrejewska-Tomczyk, University of Warsaw Publishing House, Warsaw 2016, p. 165.

<sup>9</sup> In 1993, non-performing loans accounted for 30% of the gross loan portfolio. More than half of non-performing receivables were loans included in the "lost" category. Ibidem, p. 175.

<sup>10</sup> M. Grzybowski, *Geneza powstania Bankowego Funduszu Gwarancyjnego. Główne etapy jego tworzenia*, in: *Systemy gwarantowania depozytów w Polsce i na świecie*, op. cit., p. 30–31.

Treasury guarantees in the sector of cooperative banks in 1994, the situation of guarantee dualism weakened the position of the newly-established banks and put the deposits of their clients at risk. Under these conditions – banks without guarantees – sought to raise money from their customers by applying higher deposit rates, which consequently led to lower profitability or the granting of loans to riskier customers accepting higher funding costs. In the financial intermediation system, higher NPL ratios of non-performing loans (NPLs) generated business losses and even solvency risks, which reduced deposit security.

*The Act of 3 February 1993 on Financial Restructuring of Enterprises and Banks* introduced the institution of bank settlement proceedings, the public sale of bank receivables, the acquisition of shares in state-owned enterprises by banks in exchange for bad loans, and the recapitalisation of state-owned banks involved in the corporate debt restructuring process. As part of the recapitalisation, ten banks received long-term treasury bonds worth PLN 4.7 billion (post-denomination), which increased the own funds of the entire banking sector to PLN 9.5 billion at the end of 1994.

The implementation of the reform and the policy of limiting the participation of state-owned banks in the national banking system, in a situation where the risk of destabilisation of new private banks increased sharply, prompted decision-makers to adopt a solution limiting the negative consequences of guarantee dualism. The first drafts of the statutory protection of bank customers met with criticism from politicians in the parliament, who, not being familiar with the specifics of the functioning of the banking market under the conditions of transformation, mainly exposed the scandalous aspects and did not want to agree to institutional protection of the criminal derivation of money from banks.<sup>11</sup> By a resolution of the Sejm on the assumptions of monetary policy for 1994, the President of the NBP was authorised to guarantee deposits of individuals up to the PLN equivalent of ECU 1,000 – in the full amount of the deposit, and in the range of more than ECU 1,000 to ECU 3,000 – in the amount of 90% of the value of the deposit. Nevertheless, the creation of a safety net for the banking system, including the establishment of a guarantee institution for all banks in Poland, had already been discussed since 1993.

---

<sup>11</sup> *Banking entrepreneurship is based on trust*, op. cit., p. 165.

## Beginnings of the BFG

The Bank Guarantee Fund is a statutorily authorised participant in the safety net of the financial system in Poland, and its activities contribute to maintaining stability and shaping citizens' confidence in the banking system. The statutory objective of the Bank Guarantee Fund's (Fund) activities is to "undertake actions for the stability of the domestic financial system, in particular by ensuring the functioning of the mandatory deposit guarantee scheme, conducting resolution and resolution of the Central Counterparty Clearing House (CCP).<sup>12</sup>

*The Bank Guarantee Fund Act* (the Act) was enacted on 14 December 1994, only six months after the European Parliament and the Council enacted *the Directive on Bank Deposit Guarantee Schemes (Directive 94/19/EEC)*. Significantly, however, it was not a straightforward reproduction of the European Communities regulation, although the main principles were taken into account. The main difference was the function of providing financial assistance to banks in danger of insolvency, which the Directive did not provide for.<sup>13</sup> This corresponded in principle to the *risk minimizer* model, allowing the Bank Guarantee Fund to choose how to resolve a crisis in a bank, either by paying out to eligible depositors their funds held in bank accounts up to an amount specified in the Act, or by providing financial assistance, in practice only in the form of a loan on more favourable than market terms. The differences between the market interest rate and the preferential loan, together with other regulatory facilitations allowed to work off losses (the assistance could not be higher than the equivalent of the covered deposits),<sup>14</sup> and the loan repayments increased the BFG fund.

---

<sup>12</sup> A CCP (central counterparty) is an entity that clears transactions in cash instruments (e.g. shares, bonds, pre-emptive rights, rights to shares, depositary receipts, investment certificates) and derivatives (e.g. futures, options, swaps) in organised trading (regulated market, alternative trading system) and over-the-counter (OTC) transactions, e.g. forward rate agreements (FRAs), interest rate swaps (IRS), overnight index swaps, basis swaps. CCPs are an important part of the financial system as they manage a significant part of counterparty risk and act as a link between many banks and other financial counterparties.

<sup>13</sup> In the year the BFG Act was enacted, Poland was not a member of the EEC and was not obliged to apply Community Directives directly.

<sup>14</sup> The solution consisting in the possibility of the BFG providing financial assistance to banks in danger of insolvency from funds created from contributions by banks participating in the guarantee system had many opponents in Poland and was also criticised later by EU agencies.



The temporary seat of the BFG in the building Universal in Warsaw Marszałkowska Street

The Act stipulated that the BFG is not a state special purpose fund within the meaning of the Budget Law (Article 44), which was later the subject of controversy in the assessment of its legal nature,<sup>15</sup> and ultimately required the intervention of the legislator by amending the article of the Act to read “The Bank Guarantee Fund is not a state special purpose fund or a state legal person” in order to enact in one of the subsequent amendments

that “The Fund is not a state legal person and is not a unit of the public finance sector.” The original capital endowment of the Fund under Article 45 of the Act consisted of contributions from the NBP and the Minister of Finance of PLN 50 million each.

The 1994 Act had 49 articles and occupied only 8 pages of the text of the Journal of Laws, while the uniform text of the current Act announced by the Speaker of the Sejm of the Republic of Poland on 20 February 2024<sup>16</sup> occupies 165 pages and has 389 articles.<sup>17</sup> A comparison of the 1994 Act and the currently in force Act demonstrates that the normative status of the BFG, after 30 years of activity, reflects the sophistication of the doctrine with regard to financial safety net institutions, covers a much broader scope of activity (both

---

<sup>15</sup> For an interesting analysis of this problem see: M. Grzybowski, *Geneza powstania Bankowego Funduszu Gwarancyjnego*, op. cit., pp. 44–48.

<sup>16</sup> Announcement of the Marshal of the Sejm of the Republic of Poland of 20 February 2024 on the announcement of the consolidated text of the Act on the Bank Guarantee Fund, deposit guarantee system and forced resolution, Dz.U. 2024 item 487, <https://isap.sejm.govpl/isap.nsf/DocDetails.xsp?id=WDU20240000487> (accessed 01.05.2025).

<sup>17</sup> *Tout proportions gardees* the new ‘constitution’ of the BFG is almost 16 times as extensive and the number of articles exceeds 8 times the number of articles from the 1994 Act on the BFG. It is a highly specialised act, the understanding of which by non-specialists, despite a very extensive statutory ‘glossary’ of 91 terms, is subject to a serious risk of misunderstanding many provisions and solutions.



in terms of subjects and functions), and requires highly specialised competences and advanced information infrastructure for the implementation of the objectives, functions and tasks set out in the legislation. Taking into account that the current text of the Act takes into account more than 25 years of domestic and foreign experience in the matter of deposit guarantee and restructuring of financial market entities, reflects several years of debates and analyses of specialised international bodies dealing with stability issues (especially after the global financial crisis – GFC), implements the provisions of



In 1996–1998 the headquarters of the BFG were premises in the Palace of Culture vacated by BRE Bank S.A.

a number of EU directives – one can realise the complexity of the challenges faced by the BFG authorities in 1995. First of all, because the express pace of the enactment of the Act as it stood on 14 December 1994 meant that it had a very framework character, while dealing with issues that had no precedents in national legislation. Secondly, in the light of threats and even cases of bank insolvency, especially in the cooperative sector, instruments were needed to intervene appropriately to limit the loss of depositors' confidence in banks. In particular, it was a matter of drawing up rules, conditions and procedures for the implementation of guarantees or the provision of financial assistance to banks in a situation of absolute lack of material and information infrastructure and, above all, human resources in the reality of the developing banking crisis. While highlighting the problems and risks faced by the staff of the BFG in the first years of its operation, one can neither overlook nor underestimate the substantive complexity of the Fund's activities, especially in new areas such as restructuring and resolution faced by the BFG authorities and the staff of the Fund's Office, and not only in relation to banks.

Without going into the details of the scope of activities and instruments provided for in subsequent (relatively frequent) amendments to the Act on

the BFG, it is worth noting that the collection and analysis of information on entities of the guarantee system successively acquired key importance and conditioned both the quality and efficiency of the performance of the Fund's other tasks. This includes organising the infrastructure for obtaining, collecting, analysing and using information obtained from the NBP, banks and other sources – as the basis for decisions of the BFG's bodies, through the construction and successive modernisation of information systems, processes of controlling the systems for enumerating the entities covered by the guarantee system<sup>18</sup> and generating lists of depositors, to monitoring the use of aid funds by borrowers, and finally the development and updating of resolution plans for all entities of the system.

In general, it can be summarised that the second decade of the Fund's activity marked a symbolic transition to the second generation of the system of guaranteeing and stabilising the banking system. With the entrustment of the BFG with the function of a restructuring and resolution authority, the third generation of stabilisation of the financial system was initiated, gradually covering not only banks and SKOKI, but also other financial market entities. As in the first stage, there were original external challenges, fraught with legal risks (the first cases of resolution), with emerging controversies and even legal disputes (the Getin Bank SA case).<sup>19</sup>



Headquarters of the Bank Guarantee Fund  
in Warsaw Ks. Ignacego Jana Skorupki 4 St.

<sup>18</sup> Enumeration system – an IT system of an entity covered by a guarantee scheme designed to ensure that data allowing the identification of depositors and the determination of the amount of guaranteed funds due to individual depositors can be obtained without delay. Art.2 item 64, Act of 10 June 2016 *on the Bank Guarantee Fund, deposit guarantee scheme and forced resolution*, Journal of Laws. 2016, item 996, as amended.

<sup>19</sup> It may be recalled that in the 1990s the BFG's dispute with Bank Handlowy S.A. on the background of contributions went through all court instances up to the cassation in the Supreme



## Staff of the Bank Guarantee Fund

The inaugural meeting of the first Council of the Fund took place on 7 April 1995 in the conference room of the Polish Bank Association at 6 Smolna Street in Warsaw. Nominations were handed out to the 10 members by the First Deputy President of the NBP, Witold Kozinski, and in the room adjacent to the meeting room were several dozen cardboard boxes containing the documentation of depositors of failed cooperative banks. This provided a very strong motivation for the rapid organisation of the Fund's activities. After less than two weeks (19 April 1995), the first Board of the BFG was elected in a competitive procedure. Apart from the nominated Board and the elected Management Board, at that time the Fund had no headquarters, no staff and no office infrastructure. Comprehensive assistance was provided to the Fund by banks, understanding the necessity to start carrying out statutory tasks without delay in the developing banking crisis in Poland. Due to the circumstances at the time, the members of the Board and Management Board were referred to in the community as 'kamikazes'.

From the earliest days of the BFG, the concern of its authorities was to shorten the period of deposit unavailability and to provide financial assistance as quickly as possible. Both the members of the board and the newly recruited staff of the Fund worked together not only in plenary meetings. In addition to the lack of implementing regulations, which urgently needed to be drawn up and enacted, a serious shortcoming was the lack of standardised or at least reliable databases, which would enable the Fund to quickly provide the information necessary to prepare the depositors for the disbursement of covered deposits. Hence, one of the first undertakings was the development, by BFG staff, of a simple 'Syndic' application to facilitate the preparation of a list of depositors by syndicates. After the first fifteen years of operation, the Fund already had at its disposal, at the end of each working day, the information necessary to calculate the disbursements of covered deposits for all the entities of the guarantee scheme, which made it possible to achieve the required readiness and start disbursements within 7 working days, and in practice these deadlines were even shorter. Less progress, concerns the

---

Court. Problems also arose as to the scope of the BFG's inspection by the Supreme Audit Office (NIK), against the background of the provision of bank accounts or outlays for the Fund's headquarters.

restructuring of entities at risk, inter alia due to the need to make a diagnosis of the entity's situation and the participation of other links in the safety net in the decision-making process.

Analysing the changes in the statutory solutions, it is worth noting the status of the Fund's bodies: the council and the management board. Originally, the council consisted of a chairman and members with relevant higher education and professional experience. The chairman of the council was appointed and dismissed by the Prime Minister on the basis of an agreed motion of the Minister of Finance and the President of the National Bank of Poland, following an opinion of the relevant parliamentary committee. The procedure for the appointment of the chairman of the council constituted his high rank in the political and decision-making system and indirectly the position of the BFG. The Fund's council consisted of nine members, three each appointed and dismissed by the minister responsible for financial institutions, the President of the NBP<sup>20</sup> and the Union of Polish Banks (ZBP) under the rules set out in its statutes. Members of the council could not be members of bodies or employees of banks, and this has now been extended to employees of the Fund as well.<sup>21</sup> A quorum of at least 7 members was required for the validity of council resolutions.<sup>22</sup>

---

<sup>20</sup> On a transitional basis, the President of the NBP delegated four members.

<sup>21</sup> Pursuant to the provision of Article 6(1) of the BFG Act, 'Persons performing functions in the Fund's bodies and employees of the Fund may not perform functions in the bodies or be employees of a national entity or the National Fund, with the exception of a bridging institution or an asset management entity'.

<sup>22</sup> The issues of the number and composition of the Fund Council were subject to changes in the amendments to the Act. The first was to increase the number of members to 10 and to increase the number of members appointed by the President of the NBP from 3 to 4. Subsequently, the composition of the Council was reduced and currently the Council has 6 members of which: 1) three representatives of the minister responsible for financial institutions, including the Chairman of the Fund Council; 2) two representatives of the National Bank of Poland delegated by the President of the National Bank of Poland; 3) one representative of the Financial Supervision Commission delegated by the Chairman of the Financial Supervision Commission. Article 7 of the Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee scheme and forced resolution, *op. cit.*

The size of the Fund's board was set by the Act at 3 to 5 persons. It is significant that in the past 30 years the number of board members has changed – in trend – to the lower limit of the limit. The number of members of the BFG Board has also decreased, which currently has six members including the chairman\*. Three of the members are representatives of the minister responsible for financial institutions, including the chairman of the board; two are representatives of the NBP, delegated by the President of the NBP, and a representative of the PFSA – delegated by its Chairman.

\* <https://www.bfg.pl/o-nas/rada/> (accessed 20.04.2025).

The statutes were granted by the Council of Ministers (RM) on the agreed proposal of the Minister of Finance (MF) and the President of the NBP, and the MF exercised supervision over the Fund's activities based on the criterion of legality and compliance with the statutes. The Fund's reports with the opinion of the auditor, selected by the NBP President (now by the Fund Council) in a tender, were presented to the Sejm for consideration. All reports were adopted by the Sejm (the sanction for non-adoption was the expiry of the mandate of all members of the BFG bodies. Later, the powers of the Sejm were taken over by the RM and those of the Prime Minister by the MF.

Given the threats of insolvency and the actual insolvency of banks in Poland in 1995, it was extremely urgent to take the measures set out in the BFG Act. The BFG Act came into force on 17 February, and on 7 April the Fund's Council was appointed, with Prof. Władysław Baka, a former two-time President of the NBP and an employee of the Faculty of Economic Sciences at the University of Warsaw, as its chairman. After a smooth competition for the members of the Fund's Board and the assignment of the function of President to Ewa Kawecka Włodarczak, operations were immediately launched in rented premises on two floors of the Universal building at the junction of Jerozolimskie Avenue and Marszałkowska Street. During this period, the members of the Council worked in task forces on an almost continuous basis, supporting the Management Board and the established Office of the Fund in developing the regulations necessary for to commence operations in accordance with the provisions of the Act.<sup>23</sup> The staff also worked with commitment beyond the code working

<sup>23</sup> In the first period, the performance of the duties of the members of the Council, the Management Board and the first employees was made possible, among other things, by donations of equipment, furnishings and materials by banks.



Ewa Kawecka-Włodarczak – first President of the BFG Management Board and Władysław Baka – first Chairman of the BFG Council

hours.<sup>24</sup> In addition to the organisation of the Fund Office from the regulatory and procedural side, the absolute priority was to proceed with the implementation of the guarantee for depositors of failed banks.

Nowadays, working with bank reporting databases in modern information systems, it is difficult to imagine the conditions under which the informa-

tion necessary to determine the list of depositors or to control the banks' contributions to the relief fund was collected.

Ewa Kawecka-Włodarczak, the first President of the Management Board of the BFG, recalls the early days in this way. The lists of depositors submitted by the receivers were drawn up "... on checked paper, written in copy pencil. [...] We made the first payment to the depositors of BS Chęciny on 20 June 1995. [...] I believe it was an absolute world record." On the other hand, the first loan agreement from the aid fund was signed in the last days of December 1995, and the loan funds were transferred to the bank on the first working day of 1996.<sup>25</sup>

The novelty of the solutions introduced into the Polish legal system generated risks for the Fund, members of its bodies and employees, who did not benefit from any 'shielding' provisions. It was not until the 2016 Act on the Bank Guarantee Fund, the deposit guarantee scheme and resolution in Articles 15 and 16 that such risks were brilliantly mitigated.

<sup>24</sup> Tomasz Obal, a long-standing member of the BFG's Board, who started working at the Fund Office in July 1995, recalls the first months of operation in the following way: 'Looking back on those pioneering years makes even a participant in those events ask himself "how was it possible?" and "how did it get done?".'

<sup>25</sup> *The Bank Guarantee Fund: unimaginable solidarity and loyalty of banks. Interview with Ewa Kawecka-Włodarczak*, in: *Reforma polskiego systemu bankowego...*, op. cit., p. 170.

**Table 2. Composition of the Boards of the Bank Guarantee Fund from 1995 to 2025**

<b>First term of the Council (7 April 1995 – 6 April 1999)</b>
Chairman of the Council: Władysław Baka Council members: Katarzyna Borowska, Krystyna Góral, Marek Grzybowski, Władysław Jaworski, Stanisław Kasiewicz, Barbara Kowalska, Jan Szambelańczyk, Tadeusz Żywczak, Marek Safjan (until 30.11.1997), Tomasz Dybowski (from 1.12.1997)
<b>Second term of office of the Council (24 June 1999<sup>a</sup>) – 23 June 2003)</b>
President of the Council: Marek Grzybowski Council members: Tomasz Dybowski, Stanisław Kasiewicz, Barbara Kowalska, Jan Szambelańczyk, Ewa Śleszyńska-Charewicz, Andrzej Wiśniewski, Tadeusz Żywczak, Wojciech Kwaśniak (from 1.01.2001), Krzysztof Pietraszkiewicz (until 22.04.2002), Przemysław Morysiak (until 23.06.2003), Andrzej Topiński (from 22.04.2002)
<b>Third term of the Council (June 24, 2003 – July 1, 2007)</b>
Chairman of the Council: Władysław Baka (until 26.06.2007); Robert Jagiełło (since 27.06.2007) Members of the Council: Janusz Czarzasty, Wojciech Kwaśniak, Jacek Osiński, Ryszard Pazura, Krzysztof Pietraszkiewicz, Jan Szambelańczyk, Ewa Śleszyńska-Charewicz, Andrzej Wiśniewski, Przemysław Morysiak (until 9.02.2004), Bartosz Drabikowski (from 9.02.2004 to 8.01.2007), Stanisław Owsiak (until 18.02.2004), Grzegorz Wójtowicz (from 18.02.2004), Arkadiusz Huzarek (from 8.01.2007), Tomasz Gruszecki (from 8.01.2007), Jacek Krzyślak (from 8.01.2007), Robert Jagiełło (from 14.02.2007), Agnieszka Alińska (from 21.02.2007), Alfred Janc (from 21.02.2007), Jacek Dominik (from 3.04.2007)
<b>Fourth Council term of office (18.07.2007<sup>a</sup>) – 1 July 2009)<sup>b</sup></b>
President of the Council: Robert Jagiełło Members of the Council: Agnieszka Alińska, Wioletta Barwicka, Janusz Czarzasty, Jacek Dominik (until 16.09.2008), Alfred Janc, Andrzej Parafianowicz, Krzysztof Pietraszkiewicz, Jan Szambelańczyk, Katarzyna Zajdel-Kurowska (until 30.05.2008), Sławomir Zawadzki (until 30.10.2008), Arkadiusz Huzarek
<b>Fifth term of the Council 1 July 2009 – 1 July 2012</b>
Chairman of the Council: Dariusz Daniluk (until 28.04.2011), Piotr Piłat (since 28.04.2011) Members of the Council: Agnieszka Alińska (until 4.11.2010), Sławomir Cytrycki (from 4.11.2010), Krzysztof Broda (until 12.01.2012), Alina Gużyńska (until 25.11.2011), Robert Jagiełło (until 2.11.2009), Jerzy Nowakowski (from 2.11.2009 to 4.11.2010), Krzysztof Pietraszkiewicz, Piotr Piłat (until 28.04.2011), Jan Szambelańczyk, Olga Szczepańska-Maciejuc (from 4.11.2010), Szymon Milczanowski (from 23.05.2011), Ewa Kawecka-Włodarczyk (from 12.01.2012), Ludwik Kotecki (from 1.02.2012).

#### **Sixth term of office of the Council (1.07.2012 – 1.07.2015)**

President of the Council: Ludwik Kotecki

Members of the Council: Ewa Kawecka-Włodarczak, Krzysztof Pietraszkiewicz, Piotr Piłat, Jan Szambelańczyk, Olga Szczepańska-Maciejuk, Sławomir Cytrycki (until 20.06.2014), Szymon Milczanowski (until 5.03.2015), Jacek Osiński (since 20.06.2014), Patryk Łoszewski (since 16.03.2015)

#### **Seventh Council term (2.07.2015 – 2.07.2018)<sup>c)</sup>**

President of the Council: Ludwik Kotecki (until 14.08.2015), Piotr Piłat (from 14.08.2015 to 11.02.2016), Piotr Nowak (from 11.02.2016)

Council members: Ewa Kawecka-Włodarczak (until 27.03.2017), Krzysztof Pietraszkiewicz (until 9.10.2016), Piotr Piłat (until 14.08.2015), Jan Szambelańczyk (until 9.10.2016), Olga Szczepańska, Jacek Osiński (until 26.06.2017), Patryk Łoszewski, Sławomir Dudek (from 14.08.2015), Filip Światała (from 27.03.2017 to 22.06.2017), Marek Chrzanowski (from 22.06.2017), Martyna Wojciechowska (from 26.06.2017), Robert Zima (from 28.09.2017)

#### **Eighth term of the Council (2.07.2018 – 2.07.2021)**

President of the Council: Piotr Nowak (until 31.03.2019), Leszek Skiba (from 1.04.2019 to 14.04.2020), Mateusz Berger (from 16.04.2020)

Council members: Patryk Łoszewski, Robert Zima (until 20.03.2019), Olga Szczepańska, Martyna Wojciechowska, Marek Chrzanowski (until 15.11.2018), Marcin Mikołajczyk (from 20.11.2018 to 11.02.2019), Jacek Jastrzębski (from 11.02.2019), Piotr Pawliczak (from 20.03.2019 to 8.04.2020), Krzysztof Budzich (from 9.04.2020)

#### **Ninth Council term (4.07.2021<sup>a)</sup> – 4 July 2024)**

President of the Council: Mateusz Berger (until 23.12.2023); Maciej Szczęsny (from 19.01.2024 to 20.05.2024); Katarzyna Przewalska (from 20.05.2024)

Members: Jacek Jastrzębski; Olga Szczepańska; Witold Grostał; Krzysztof Budzich (from 4.07.2021 to 8.10.2021 and from 27.10.2022 to 20.05.2024); Patryk Łoszewski (from 4.07.2021 to 27.10.2022); Marcin Martyniak (from 8.10.2021 to 28.12.2023); Maciej Szczęsny (from 19.01.2024 to 20.05.2024); Karol Czarnecki (from 19.01.2024); Jarosław Niezgoda (from 20.05.2024)

#### **Tenth Council term (5.07.2024 – 5.07.2027)**

Chairperson of the Council: Katarzyna Przewalska (from 5.07.2024)

Members: Jacek Jastrzębski; Olga Szczepańska; Witold Grostał; Karol Czarnecki; Jarosław Niezgoda

a) Dated from the date of appointment of the chairman of the fund council.

b) Since the 4th term, there has been a statutory reduction in the term of office of the council to 3 years.

c) Since 2016, there has been a reduction in the number of council members to 6, including the chairman.

Source: data from the Board Office of the Bank Guarantee Fund.





Members of the Council, Management Board and staff of the BFG Office, 2003

An in-depth analysis of the membership of the councils of successive terms of office shows a shortening of the period of sitting, as well as an increase in the turnover of members during the term of office. At the same time, the longest tenure in the BFG's councils was characterised by representatives of the ZBP, and the shortest by those appointed by the minister responsible for financial institutions. It is worth noting that only Władysław Baka was the chairman of the council twice,<sup>26</sup> Marek Grzybowski, Robert Jagiełło and Ludwik Kotecki held the position for a full term, while some chairmen were previously members of the council. Katarzyna Przewalska became the first female chairperson of the Fund Council. Characteristically, the average age of the members of the Fund's councils gradually decreased. The members, especially in the first terms of office, had professional experience as governors or deputy governors of the central bank, ministers or deputy ministers of finance, heads of banking supervision or presidents of commercial banks, and finally as judges of the Constitutional Court. Academics in finance or law had a significant presence on the Fund's boards. Until 2007, task or problem

<sup>26</sup> In 1998. W. Baka, chairing the Fund's Council of the first term of office, did not take advantage of the offer to sit on the first Monetary Policy Council from the mandate of the President of the Republic of Poland, justifying this with the imperative to complete the duties undertaken at the BFG. Unfortunately, this was not an attitude that characterised all members of the Fund's Boards.



Members of the BFG Management Board of the 4th term with representatives of the BFG Council of the 3rd term. From left: W. Baka, E. Kawecka-Włodarczak, M. Pawelska, H. Krajewska, P. Morysiak, M. Pyła, A. Wiśniewski

teams of the councils (on bank support, on legal affairs and on the Fund's economy) were set up. The teams implemented in particular the provisions of the BFG Statute<sup>27</sup>, and also prepared draft positions, opinions or resolutions for plenary meetings. In their work, they analysed materials and documents, making use of explanations provided by the Fund's staff, and prepared relevant documents, sometimes reaching out to source materials, in particular applications and documents of banks. Although such detailed analysis of the documentation was highly labour-intensive for the members of the teams, at the same time it allowed them to learn the basics of the proposed solutions in an advanced manner and to provide the other members of the Board with well-established recommendations in relation to the projects submitted by the Board. It also meant a very committed way of interaction between council members and board members, complemented by direct contacts with Fund Office staff. Unfortunately, this style of interaction was losing relevance with the participation of duty-burdened individuals on the Board, especially in the Ministry of Finance. Subsequently, the concept became non-functional with the reduction of the number of board members and the change in the mandate structure of the delegating institutions.

<sup>27</sup> §13 of the BFG Statutes. Decree of the Council of Ministers of 28 February 1995 (Journal of Laws No. 21, item 113) "In exercising control over the Fund's activities, the Council and its individual members acting under the authority of the Council shall examine the full scope of the Fund's activities, and in particular: 1) inspect files and documentation, 2) inspect the Fund's assets and financial control, 3) issue orders for the Fund's employees to submit reports and explanations, 4) attend meetings of the Fund's Board". The wording of §7 of the current Statutes does not include control duties and limits them only to supervision much more generally defined.



**Table 3. Members of the BFG Board from 1995 to 2024**

<b>First term of the Board (19 April 1995 – 19 April 1998)</b>
President of the Management Board: Ewa Kawecka-Włodarczak Deputy President of the Management Board: Hanna Krajewska Board Members: Bożena Chelmińska, Andrzej Jankowski, Maria Pawelska
<b>Second term of the Board (20 April 1998 – 19 April 2001)</b>
President of the Management Board: Ewa Kawecka-Włodarczak Deputy President of the Management Board: Hanna Krajewska Board Members: Andrzej Jankowski, Louis Montmory, Maria Pawelska
<b>Third term of the Management Board (20 April 2001 – 19 April 2004)</b>
President of the Management Board: Ewa Kawecka-Włodarczak Deputy President of the Management Board: Hanna Krajewska Members of the Management Board: Andrzej Jankowski, Maria Pawelska, Marek Pyła
<b>Fourth term of the Management Board (20 April 2004 – 19 April 2007)</b>
President of the Management Board: Ewa Kawecka-Włodarczak Deputy President of the Management Board: Hanna Krajewska Members of the Management Board: Maria Pawelska, Jerzy Witold Pietrewicz, Marek Pyła, Przemysław Morysiak (since 23.01.2006)
<b>Fifth term of the Management Board (20 April 2007 – 19 April 2010)</b>
President of the Management Board Małgorzata Zaleska (until 31.07.2009), Zbigniew Krysiak (from 1.08.2009 to 7.09.2009), Jerzy Pruski (from 8.09.2009) Deputy President of the Management Board: Joanna Wielgórska-Leszczyńska (until 6.05.2008), Anna Trzecińska (since 1.11.2009) Management Board Members: Krystyna Majerczyk-Żabówka, Adrian Markiewicz (until 21.01.2009), Marek Pyła, Jan Koleśnik (from 26.11.2008 to 23.09.2009), Zbigniew Krysiak (from 21.01.2009 to 25.11.2009), Sławomir Niemierka (since 15.01.2010)
<b>Sixth term of the Management Board (20.04.2010 – 31.03.2013)</b>
President of the Management Board: Jerzy Pruski Deputy President of the Management Board: Anna Trzecińska Board Members: Krystyna Majerczyk-Żabówka (until 21.03.2012), Sławomir Niemierka (until 30.04.2011), Marek Pyła (until 19.01.2011), Marek Szeffler (since 1.05.2011), Andrzej Banasiak (since 1.01.2013)
<b>Seventh term of the Management Board (1 April 2013 – 31 March 2016)</b>
President of the Management Board: Jerzy Pruski Deputy President of the Management Board: Anna Trzecińska (until 30.10.2014), Krzysztof Broda (since 27.11.2014) Members of the Management Board: Marek Szeffler, Krzysztof Broda (until 26.11.2014), Andrzej Banasiak (until 21.01.2015), Tomasz Obal (since 27.04.2015), Zdzisław Sokal (since 29.02.2016)

<b>Eighth term of the Management Board (2.04.2016 – 31.03.2019)</b>
President of the Management Board: Zdzisław Sokal (until 5.04.2019) Deputy President of the Management Board: Krzysztof Broda, Members of the Management Board: Tomasz Obal, Mirosław Panek (from 25.01.2019)
<b>Ninth term of the Management Board (6.04.2019 – 5.04.2022)</b>
President of the Management Board: Mirosław Panek (until 8.03.2020); Piotr Tomaszewski (from 9.03.2020) Deputy President of the Management Board: Krzysztof Broda (until 8.03.2020); Sławomir Stawczyk (from 9.03.2020) Members of the Management Board: Tomasz Obal, Sławomir Stawczyk (until 8.03.2020), Adrian Markiewicz (from 17.06.2019 to 10.12.2019)
<b>Tenth term of the Management Board (22 May 2024 to 22 May 2029)<sup>a)</sup></b>
President of the Management Board: Maciej Szczęsny Deputy President of the Management Board: Tomasz Obal Members: Krzysztof Budzich

a) Pursuant to Article 24 of the Act of 11 August 2021 amending the Public Finance Act and certain other acts (Journal of Laws 2021, item 1535), the term of office of the Management Board was extended from 3 to 5 years.

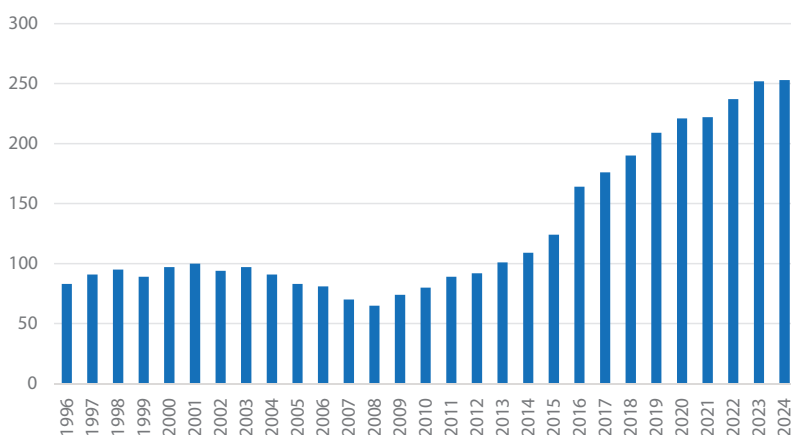
Source: data from the Office of the Management Board of the BFG.

Similarly to the BFG Board, the stability of the composition of the Fund's Management Board was greater in its first terms. Particularly noteworthy is the uninterrupted leadership of the Board for the first four terms by Ewa Kawecka-Włodarczak with the support of Hanna Krajewska and Maria Pawelska and for three terms by Andrzej Jankowski. The Fund was managed for seven years by Jerzy Pruski. Other multi-decade Board members include Marek Pyła, Anna Trzecińska, Krzysztof Broda and Tomasz Obal, who is also one of the very few people to have been involved with the BFG since its inception.

Regardless of the commitment of the members of the Fund's bodies, the smooth operation of the BFG would not be possible without the recruitment of competent and committed staff. It is worth emphasising that the specific nature of the Fund's activities made it seriously difficult to recruit candidates with the necessary competences and especially experience in similar activities. Therefore, the recruitment policy was primarily guided by attracting people with the potential for development and the readiness to acquire the qualifications needed to carry out increasingly new tasks or to apply advanced methods of Fund intervention. Under these conditions, great attention was paid to training activities both at home and in cooperation with foreign countries.

Over the past 30 years, the level of staffing in the Fund Office has been closely linked to the functions assigned to the BFG and the intensity of the tasks performed within these functions (Chart 1). At the beginning, naturally, the dynamics of employment was derived from the organisation of activities, and in particular the very intensive implementation of guarantees for customers of failed banks, as well as the start of financial assistance to banks in danger of solvency.

**Chart 1. Employment in the Fund Office between 1996 and 2024**



Source: compiled on the basis of data from the Office of the BFG.

An important rationale for the increase in employment in 2000 was the entrustment of the BFG with the function of providing repayable assistance to cooperative banks from the cooperative bank restructuring fund (FRSB). The overall value of the FRSB was modest (ca. PLN 123 million) compared to the assistance fund, which was many times larger, and even individual loans, especially to commercial banks. However, the specificity of the requirements meant that the labour-intensive nature of the process of granting and then monitoring the very large number of small bank liabilities significantly absorbed the authorities and staff of the BFG. Since 2003, a downward trend in staffing has been evident. In 2008, there were 18 fewer staff than in the first year of operation. However, there was then a turnaround in the employment trend. At the end of 2024, the number of employees was 253, i.e. three times the initial level. The explanation for the reversal of the trend is mainly due to the new regulations after the global financial crisis (GFC), the preparation

and implementation of the stabilisation obligations following the inclusion of credit unions in the guarantee scheme. In addition, the scope and methodology of monitoring and reporting on the situation of the sector and individual banks at risk has changed significantly. Finally,



Meeting of the BFG Council with the participation of the Management Board, June 2000

the investment policy of the financial resources at the disposal of the Fund underwent a thorough change. Thanks to active investment of the Fund's free resources and a policy of increasing the effectiveness of investments at



Members of the BFG Council: Tadeusz Żywczak, Andrzej Topiński, Ewa Śleszyńska-Charewicz

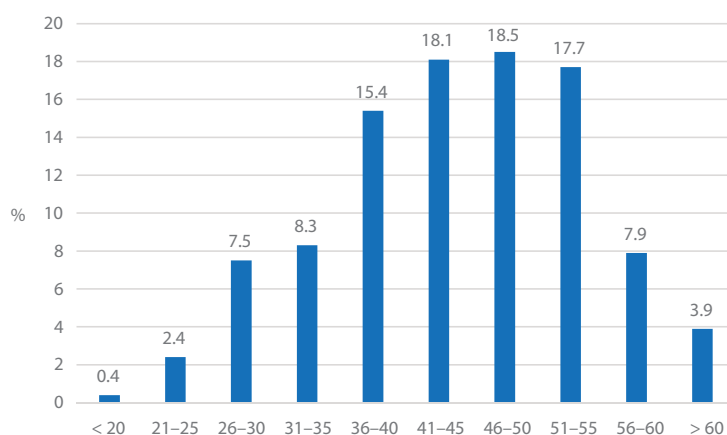
least up to the market benchmark, it was possible to improve the financial results of the BFG<sup>28</sup>. A qualitative leap in the system of calculating guaranteed amounts in depositors' accounts in banks – as a *sine qua non* condition for shortening the deposit unavailability period to 7 working days

<sup>28</sup> The proposal submitted by the Management Board to radically change the investment policy in 2009 was the subject of controversy among Council members. Council members from the NBP mandate were against the change to a conservative concept, while others supported the new approach. It was argued that the BFG should not mainly exercise its right to impose burdens on the entities of the system, especially in the form of contributions to the relief fund, but should prove its professional competence in managing the funds it holds.

– was not insignificant for the state of employment. In practice, disbursements were initiated more quickly. Co-operation with foreign countries was also developed, in particular working contacts with the FDIC on the preparation of a resolution and forced liquidation project based on the US experience.

The employment history of the Fund Office was dominated by men, although their share did not exceed 60%. The average age of staff oscillated between 36 and 50 years. The share of Bureau staff with a tertiary education in total employment slightly exceeded 80%. In recent years, the share of women in total employment has exceeded 50%. At the end of April 2025, it reached ca 55% (Chart 2). Chart 8 illustrates the distribution of the age structure of Fund Office staff, which is close to a normal distribution with a noticeable ‘bulge’ in the older cohorts, which is, among other things, a readily observable symptom of the maturity of the employment structure.

**Chart 2. Age structure of Fund Office staff. As at April 2025**



Source: compiled on the basis of data from the BFG Office.

For the sake of completeness, it is worth pointing out that in the first five terms of office it was women who headed the BFG’s board, and in the first four terms of office women also dominated the composition of the board. A distinctly different gender structure was present on the Board almost until the end of the ninth term, when Katarzyna Przewalska, Director of the Financial Market Development Department at the Ministry of Finance, who also held this position in the tenth term of the Fund’s Board, became Chair.

## Organisational structure of the BFG

Over the past three decades, the organisational structure of the Office of the Bank Guarantee Fund has undergone changes (scheme 1). These changes resulted from changing legal regulations, priorities in the performance of tasks, as well as the concept of the Fund Office's activities promoted by the Board of Directors, especially the President of the Board.

**Scheme 1. Changes in the organisational structure of the Office of the BFG**

Period	Departments																		
Until 2000	Implementation of Guarantees and Monitoring of Aid Utilization		Aid activities		Financial		Banking sector analysis		Legal	internal control unit	Organisational						Secretariat Council		
Since 2001	Implementation guarantees					Control and Monitoring													
Since 2005	Guarantee of deposits					Controls													Analysis
Since 2007	Assistance activities and Deposit Guarantee Activity					Analysis and Treasury		President's Office				Controlling, IT and administration							
Since 2010	Aid activities				Accounting Accounting and financial management											Control Monitoring	Information Technology and Administration		
Since 2012												Office of the President		International cooperation					
Since 2013						Deposit Guarantees				Reso- lution Plan- ning									
Since 2016					Operational risk and compliance Office														
From 2020							Financial System Projects												
From 2022																			

Source: compiled on the basis of the Annual Reports of the Bank Guarantee Fund.

In the first stage of its activity, the statutory objectives of the BFG were primarily pursued by two departments, i.e. the Guarantee Performance Department and the Aid Activity Department. The human resources of these units had to cope almost at the proverbial stroke with the duties of disbursing covered deposits, as well as providing financial assistance to banks in danger of insolvency.

From the perspective of 30 years of experience, it is not easy to imagine the number of problems that had to be solved almost every day, both in the



Commemorative medal minted by ZBP on the occasion of the 10th anniversary of the BFG

substantive layer, with particular attention to legal risks, and in the material and technical layer (premises base, poor office and technical equipment, lack of IT systems). This also concerned the lack of applications dedicated to the procedure of creating and verifying lists of depositors submitted by receivers, keeping the Fund's accounts, taking into account the detailed accounting principles of the BFG established by the President of the NBP in the Agreement with the Minister of Finance (§34 of the Act of 14 December 1994 on the BFG). It is difficult not to mention the scope and intensity of the work of the Legal Department, which had to prepare draft internal regulations necessary for the basic tasks of the Fund. It is worth noting that the Legal Department was the only organisational unit of the Fund Office that existed in an unchanged formula for the past 30 years. With the exception of the years 2007–2017, there were minor changes in the substantive scope of the Deposit Guarantee Department, as well as the Department of Assistance Activities, excluding the period after 2016, when the BFG became a resolution authority. However, the absence or even a slight change in the name of the Department does not reflect a change in the scope and complexity of tasks (e.g. granting loans from the Cooperative Banks Restructuring Fund, extending BFG protection to credit unions, tasks arising from resolution). In contrast, the transformation of the Organisational Department reflects the professionalisation and specialisation of the auxiliary functions carried out by the Fund Office units. Some specificity resulting from the intensity of work in the environment (the President's Office and the Department of International Cooperation) is also evident. The interdepartmental scope of interaction is formally reflected in the committees and teams set up by the Board (Scheme 2).



**Scheme 2. Committees and task forces of the Bureau of the BFG**

Period	Committees and Teams								
Up to 2000	Asset management		Assessment of applications Support (until 2020)						
Since 2001									
Since 2005									
Since 2007									
Since 2012									
Since 2013		Models for the determination of fees for deposit guarantee and Deposit Guarantee and Risk-based coercive restructuring (2015)	Operational risk and non-compliance	Early warning system					
		Monitoring bankruptcy proceedings against banks and credit unions (w 2015)				Crisis management crisis situations in the BFG (in 2015)		Protection of classified information at the BFG (w 2015)	
Since 2016	Resolution (until 2020)	Steering Committee and Coordination Team (until 2017)			IT applications for the calculation of Risk-based Contributions (until 2017)	Stress tests stress testing of systems BFG (from 2017)	Field inspection	Implementation of electronic management of documents in BFG (in 2018)	
From 2020		Risk							

Source: own compilation based on the Annual Reports on the activities of the Bank Guarantee Fund.

The analysis of the periods of activity and the names of the committees and teams shown in Scheme 2 proves, on the one hand, the invariability of the standard with regard to the Asset Management Committee and the Committee for the Assessment of Assistance Requests and, on the other hand, the need to formalise the cooperation of employees from different departments in other bodies set up to solve a specific problem or to develop procedures for dealing with new problem areas (e.g. models of setting fees for deposit guarantee and risk-based resolution, protection of classified information in the BFG or implementation of electronic document management in the BFG), and finally shaping a specific trend such as an early warning system.

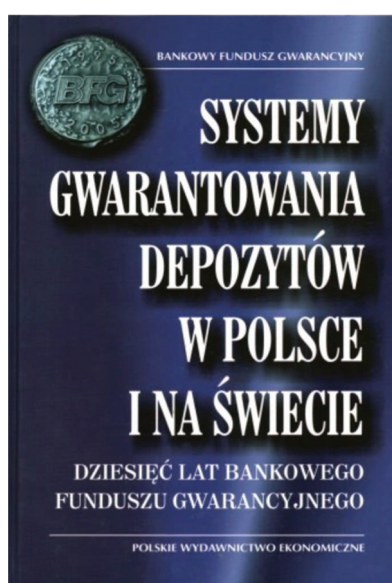
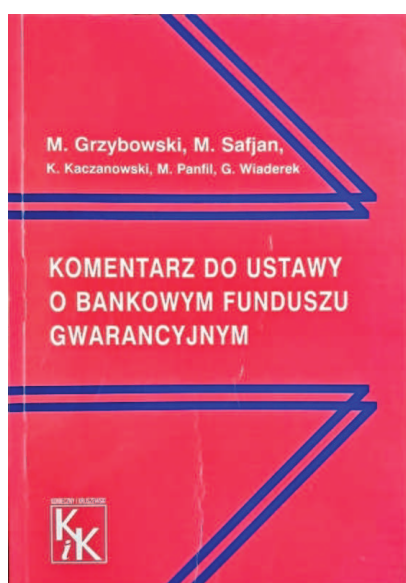
## Research, publication and promotional activities

Since 1997, an important undertaking in the promotion of the Fund, not only in the banking environment, but also in the academic environment, was the initiative of Władysław Baka to publish the magazine “Bezpieczny Bank” under



the auspices of the Council, which gradually evolved towards the status of an academic journal. Similar in nature were also the scientific seminars organised periodically on current problems of the BFG's activities with the participation of national and foreign guests. The third undertaking that distinguished the BFG from most DGSs was the publication activity with the participation of the members of the council, the board and the fund's staff, as well as external experts.<sup>29</sup> Finally, the participation of the fund's staff in various undertakings in the environment (e.g. conferences, seminars, domestic and foreign workshops, activity in the media and popularisation of the principles of underwriting in educational institutions, a cyclical competition for the best diploma, master's and doctoral theses).

Compiled by Jan Szambelańczyk



<sup>29</sup> M. Grzybowski, M. Safjan, K. Kaczanowski, M. Panfil, G. Wiaderek, *Komentarz do ustawy o Bankowym Funduszu Gwarancyjnym*, "KiK Konieczny and Kruszewski" Publishing House, Warsaw 1998; or cited earlier: *Systemy gwarantowania depozytów w Polsce i na świecie. 10 lat Bankowego Funduszu Gwarancyjnego*, ed. W. Baka, PWE, Warsaw, 2005; and finally, *Ustawa o Bankowym Funduszu Gwarancyjnym, systemie gwarantowania depozytów oraz przymusowej restrukturyzacji. Komentarz*. Commentary, eds R. Sura, P. Zawadzka, P. Zimmerman, Wyd. C.H.Beck, Warsaw 2017. It would be difficult to enumerate here the very numerous publications in scientific journals or specialist press by BFG staff.

## DEPOSIT GUARANTEE

In most countries of the world, the basic links in the safety net of the banking sector include: banking supervision, the lender of last resort, the deposit guarantee scheme and, more recently, the *resolution* institution, whose function is to carry out restructuring. The last two links are relatively recent, while in the case of Poland both are part of the statutory functions of the Bank Guarantee Fund (BFG),<sup>1</sup> established in 1995.

The enactment of the Act on the BFG, and the consequent creation of a new institution in the Polish banking system, was prompted by the transformation of the financial market in the course of the transformation processes, and in particular by the materialisation of risk in the activities of banks, which, after decades of functioning in the realities of a centrally planned economy, were confronting the challenges of a market economy. It is worth emphasising that the delay in the construction of the Polish deposit guarantee scheme in relation to other European countries was not significant, since, apart from the Federal Republic of Germany, where such a system was established in the 1960s, most European systems were created in the 1980s and 1990s. Since then, there has been an intensive development of European Union practice and regulations in this area, accelerated by the consequences of successive financial crises.

---

<sup>1</sup> Omitted here is the solution introduced by the 1948 Decree on banking reform in Poland, according to which the liabilities of the Universal Savings Fund on account of savings deposits were guaranteed by the state, which survived in the system for more than 50 years, and in the 1990s were referred to as State Treasury guarantees for the savings deposits of the population (with no limit on their value). Cf. J. Szambelańczyk, *Bankowy Fundusz Gwarancyjny*, in: *Bankowość*, eds J. Głuchowski, J. Szambelańczyk, Wydawnictwo Wyższej Szkoły Bankowej, Poznań 1999, p. 430.

The Polish deposit guarantee scheme has been a participant in these developments at both the regulatory and operational levels over the past 30 years.

This study characterises the changes in the regulations and activities of the BFG with regard to the statutory function of deposit guaranteeing in the years 1995–2020. At the same time, due to the harmonisation of solutions in the EU and the dissemination of good practices in the countries of the market economy trends in this area in both the European and global financial market are highlighted.

### **The Polish banking system before the systemic transformation of the 1990s**

The synthesis of the history of the banking sector in Poland aims, among other things, to highlight the processes and solutions that accompanied the revival of Polish banking after 123 years of non-statehood, its activity in difficult conditions in the Second Republic and during World War II, more than four decades of command economy to the period of transition to a market economy in the late 1980s and early. Economic history demonstrates that social and economic systems change in long-term trends. Overlooking the key factors influencing these changes makes it difficult to reliably explain or diagnose them. This is particularly important in countries that have gone through major crises or regime changes.

The origins of Polish banking do not differ significantly from its development in other countries. Unfortunately, this development was significantly influenced by the 123-year period of partitions. Under such conditions, the situation of Polish credit institutions diversified on the one hand and weakened on the other. This had a serious impact on the state of development of the financial sector in Poland after independence was regained in 1918. The difficulties of reconstruction after the First World War and the amalgamation of the three regions with strong normative and cultural influences, typical of the partitions, took place under unfavourable conditions. This was further hampered by post-war inflation, which in 1923 turned into hyperinflation depreciating the capitals of Polish banks – although it can be argued that it also favoured their organisational development. In contrast, a relatively liberal banking law was a favourable factor.

During the period of hyperinflation, the foundations of state banking began to take shape. Under the influence of Władysław Grabski's reforms of 1924, currency stabilisation was achieved. The Polska Krajowa Kasa Pożyczkowa (Polish National Loan Fund) was replaced by Bank Polski S.A., independent of the government, which issued zlotys. W. Grabski, despite his liberal economic views, sought to create a strong state sector in banking, which was assigned the task of rebuilding long-term credit, while private banks were to concentrate on short-term credit.<sup>2</sup>

The Banking Law of 1924 was based on a concession system, and a three-year deadline was introduced for achieving minimum share capital thresholds, the amount of which depended on the location of the bank's head office (PLN 2.5 million in Warsaw, PLN 1.5 million in five large cities and PLN 1 million in other centres), which can be interpreted as applying the principle of proportionality. Provision was also made for the establishment of a self-governing audit association of banks, which was to exercise supervisory functions.<sup>3</sup>

The German-Polish tariff war of 1925 contributed to the economic collapse in Poland, and in the summer of that year the exchange rate of the zloty collapsed and there was a classic run on the banks. The liquidity problems typical of the post-inflationary period and the capital weakness of private banks then became apparent. In these conditions, the Bank of Poland, concentrating on its issuing function, practically withdrew from its role as a "bank of banks" (which, *nota bene*, it did not fulfil anyway), and focused on direct lending to the economy. On the other hand, assistance to banks was provided by the government through Bank Gospodarstwa Krajowego, creating the Assistance Fund for Credit Institutions.<sup>4</sup>

The years 1926–1930 were quite successful for banking in Poland. In 1927, the Banking Commissariat of the Ministry of the Treasury was organised to fulfil the function of banking supervision, and in the following year a new banking law was passed, containing, among other things, prudential solutions and separating commercial banking from investment banking.

---

<sup>2</sup> W. Morawski, *Słownik historyczny bankowości polskiej do 1939 roku*, Leopold Kronenberg Bank Foundation – Muza SA, Warsaw 1998, pp. 10–12; G. Wójtowicz, A. Wójtowicz, *Historia monetarna Polski*, Biblioteka bankowca, Twigger, Warsaw 2003, pp. 141–154.

<sup>3</sup> W. Morawski, *Słownik historyczny...*, op. cit, p. 14.

<sup>4</sup> Ibid, p. 14.

The effects of the Great Depression did not affect Poland until 1931, mainly through the outflow of foreign capital from the country, which was partly substituted by state capital. This entailed the statification on the one hand and the marginalisation of commercial banking on the other.<sup>5</sup> At the threshold of the Second World War, the Polish banking system was highly diversified. On the subjective side, it comprised the government-independent Bank of Poland fulfilling the function of an issuing bank, relatively large state banks (Bank Gospodarstwa Krajowego, Państwowy Bank Rolny and Pocztaowa Kasa Oszczędności), 27 private banks in the form of joint stock companies (including four foreign ones), 28 banking houses, 19 credit societies, 333 communal savings banks, 975 communal loan and savings banks and almost 5,600 credit cooperatives.<sup>6</sup>

The Second World War in the Polish lands contributed to another organisational destruction and regression in the development of banks. Moreover, immediately after its end, the liquidation of private banks and the adaptation of the structure and functions of banks to the new system conditions began. As early as 1946, the National Bank of Poland took over direct lending to key branches of the economy from BGK. The principle of assigning customers to field branches according to the specialisation of the banks was introduced. Successively, the NBP was transformed into a monobank fulfilling the functions of a deposit and credit bank and an investment bank, as well as the role of the banks' administrative headquarters directed and supervised by the competent minister. Under these conditions, the main tasks of the NBP – apart from issuing and organising monetary circulation – were the distribution of credit to the economy in accordance with the assumptions of national social and economic plans, the provision of deposit and credit and settlement services to the population, and the control of the activities of specialist banks. These tasks were performed with the passive role of money performing basically record-keeping and reporting functions.<sup>7</sup>

At the beginning of the 1980s, the Polish banking sector comprised: National Bank of Poland, Bank Gospodarki Żywnościowej (specialising in

---

<sup>5</sup> Ibid.

<sup>6</sup> *Small Statistical Yearbook* 1939.

<sup>7</sup> The problems of the assumptions of the banking reform and the separation of the 9 commercial banks are characterised in detail in: W. Baka, *Bankowość europejska*, PWN Scientific Publishers, Warsaw 2005, p. 224.

lending to socialised agriculture and the agri-food industry, while also being the organisational and financial headquarters for some 1,550 cooperative banks collecting deposits and lending to individual farmers and craftsmen), Bank Handlowy in Warsaw (handling foreign transactions and foreign trade enterprises) and Bank Polska Kasa Opieki S.A., with its roots in the Second Republic (handling currency and foreign exchange operations of the population).

In 1988, a banking reform was initiated with the aim of adapting Polish banks to the principles of a market economy, including a two-tier banking system. At the request of the NBP, the Council of Ministers approved a project to exclude from its structures the operational branches conducting deposit and credit activities and to organise nine commercial banks on their basis.<sup>8</sup> The NBP was given the status of a central bank with typical functions in a market economy, and the position and independence of its president was strengthened by law. Issues of banking regulation and supervision were assigned to the competences of the NBP.<sup>9</sup> Following this regulation, a banking supervision department was established at the NBP headquarters, which, influenced by practical experience, was transformed by President W. Baka in January 1990 into the General Inspectorate of Banking Supervision.

The systemic changes initiated in Poland in the late 1980s were almost revolutionary in nature. Along with the formation of a market economy on the 'ruins' of the command and control system, commercial banking was also reborn, both in state-owned, private and cooperative banks (as collective private property).

In the period prior to the establishment of the Bank Guarantee Fund (BFG/Fund) in the first half of the 1990s, a number of new banks established on the basis of licences issued by the NBP started to operate. At that time, the number of newly issued licences significantly exceeded consolidation processes.

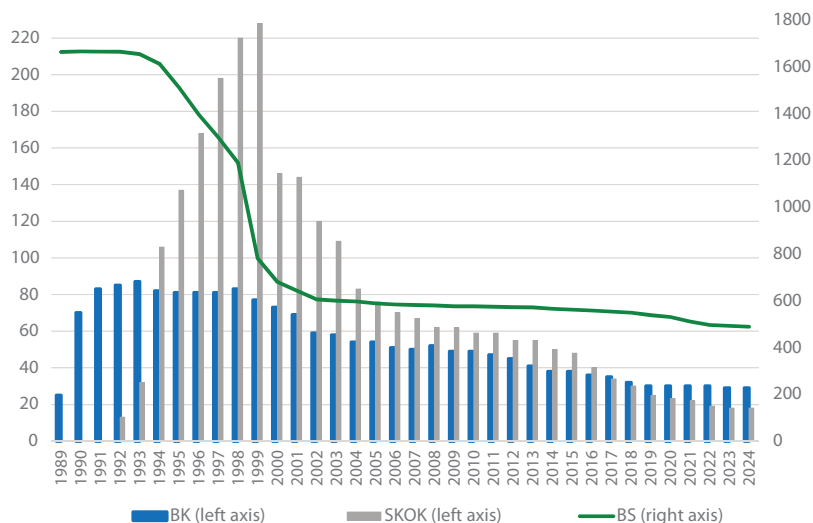
Both newly established banks and those previously operating, mainly in the cooperative sector, experienced new rules of operation in the emerging market economy, with all its advantages and disadvantages, in an environment

---

<sup>8</sup> *Transformacja bankowości polskiej w latach 1988–1995. Studium monograficzno-porównawcze*, ed. W. Baka et al., Biblioteka Menedżera i Bankowca. Management and Finance, Warsaw 1997, p. 22.

<sup>9</sup> Cf. *the Act of 31 January 1989 – Banking Law, the Act of 31 January 1989 on the National Bank of Poland* and W. Baka, *Bankowość Europejska*, op. cit., p. 224.

Chart 1. Number of credit institutions in Poland, 1989–2024



Source: L. Kurkliński, *Polskie banki od 1989 roku*, Ośrodek Badań i Analiz Systemu Finansowego. Alterum, <http://alterum.pl/uploaded/UKW%2011.04.2017.pdf> (accessed 20.04.2025), data from KNF.

of very high interest rates, high inflation and unemployment. Mass borrower insolvencies were also significant – more often as a result of market processes, but often also as a consequence of customer and banker incompetence and criminal behaviour. This – and many other factors – led to symptoms of a banking crisis manifesting itself primarily in the danger of insolvency. The projected scale of the banks’ financial problems put questions on the agenda about the confidence of depositors (bank customers) in the banking sector.<sup>10</sup>

## The emergence and evolution of the doctrine of deposit guarantee for deposits collected in banks

Deposit guarantee schemes – in principle – have two functions: they stabilise the banking system by reducing the risk of a run on banks’ coffers and protect the depositor as a non-professional consumer of banking services. The first (more important from a systemic point of view) function only works if

<sup>10</sup> F.D. Roosevelt, faced with the Great Depression and the collapse of the banking sector, stated that banks possessed something far more valuable than gold, and that something was customer confidence. See *Transcript of Speech by President Franklin D. Roosevelt Regarding the Banking Crisis*, March 12, 1933; [www.fdic.gov](http://www.fdic.gov).



depositors are aware of the existence of the deposit guarantee scheme and the scheme itself has sufficient public credibility. If the depositor does not know that he or she is protected, the depositor behaves as if this protection did not exist. In the first years of the Fund's operations, it was not at all clear that promoting the principles of the deposit guarantee scheme would bring more benefits than harm to the stability of the banking sector. It should be taken into account that the system was created in Poland shortly after the "revolutionary" transformation of the political and economic system. The ineffective command and control system, from which Poland was emerging at the very end of the 1980s, had many shortcomings (the value of savings was decreasing as a result of inflation, and in the case of the currency reform of 1950, money not held in banks was lost as a result of the denomination),<sup>11</sup> but they were not threatened by the risk of bankruptcy of the bank as the depositary of their savings. Hence, in the first period of operation of the deposit guarantee scheme in Poland (second half of the 1990s), the dissemination of information that in the event of a bank failure, your deposits are safe up to a relatively low limit and still in the co-insurance system could, instead of reassuring, cause anxiety to the average depositor, who was just then learning for the first time, and what was worse, experiencing that a bank in a market economy could fail. The situation was temporarily exacerbated by the duality of guarantee protection. A full state guarantee for the public's deposits in banks that operated in Poland before the 1988 reform and a very limited one for certain depositors in banks established after that year.

The problem of customer confidence in banks as a basic prerequisite for the functioning of financial intermediation and the associated risk of a run on the banks in the event of a loss of this confidence contributed already in the first decades of the 20th century to the search for appropriate solutions. The accelerator for the implementation of solutions to protect customer deposits in the form of guarantee schemes was primarily banking crises. A classic example is the creation of the Federal Deposit Insurance Corporation (FDIC) in the USA in 1934. This also applies to the case of the organisation of the guarantee system in Poland in the second half of the 1990s.

---

<sup>11</sup> Law of 28 October 1950 in the amendment of the monetary system, <https://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU19500500459/O/D19500459.pdf>

The US plays a special role in the origin and development of the idea of deposit guaranteeing. It was there that the first universal guarantee system in the world emerged and was federal in nature. The system originated as a direct response by the US Parliament to the consequences of the Great Economic Crisis in 1933, although the idea of deposit guaranteeing has a much longer history in the US.<sup>12</sup> Initially, regulation of the FDIC was found in the US Banking Act. In contrast, a separate FDIC Act was enacted in 1950. It may be added that the FDIC has been confronted with larger-scale banking crises several times in its more than 90-year history. Characteristically, each successive crisis required significantly more resources to resolve. And while there have been mass withdrawals of customer deposits at individual banks, there has not been a banking panic (bank run) involving a larger group of banks since 1933.<sup>13</sup> Although one should not forget the recent (2023) examples of massive and violent withdrawals of deposits from Silicon Valley Bank (SVB) and Signature Bank.<sup>14</sup> In this case, it was only possible to stabilise the situation after resolution actions were taken due to the fact that (especially in the case of SVB) the funding of the bank's assets came mainly from deposits well in excess of the guarantee limit.

For a long period since the FDIC's inception, deposit guarantee schemes were not set up in other countries. The first such scheme in Europe was established in Germany in 1966. It was a deposit guarantee scheme for the private banking sector, created on the initiative of this banking community. In the 1970s, schemes were set up in Finland, Belgium, Spain, the Netherlands, Austria and the United Kingdom. Around the same time, in 1980, a deposit guarantee scheme was established in France. The year 1980 can be defined as the caesura of the rapid emergence of deposit guarantee schemes in the countries of the present European Union. In the following years, the stimulus for the formation of guarantee institutions was provided first by the regulations of the European Economic Community and then by the European Union.

---

<sup>12</sup> T. Obal, *System gwarantowania depozytów w USA*, in: *Systemy gwarantowania depozytów w Polsce i na świecie. Dziesięć lat Bankowego Funduszu Gwarancyjnego*, ed. W. Baka, PWE, Warsaw 2005, pp. 185–200.

<sup>13</sup> Ibid, pp. 210–213.

<sup>14</sup> Contagion Effects of the Silicon Valley Bank Run, Dong Beom Choi, Paul Goldsmith-Pinkham, Tanju Yorulmazer, May 2024, <https://arxiv.org/pdf/2308.06642>.

The first European document on deposit guaranteeing was Recommendation 87/63/EEC, issued on 22 December 1986. This recommendation contained little in the way of recommendations addressed to the Member States and, moreover, they were quite general in nature. Countries that did not have guarantee schemes were to set them up. In doing so, these states were divided into two groups. The first group had a deadline of 31 December 1988, which included Italy, Ireland and Portugal. The second group had a deadline of 1 January 1990. This group included Denmark, Greece and Luxembourg. Only Portugal failed to comply with such an obligation, having only set up a deposit guarantee scheme in 1992.

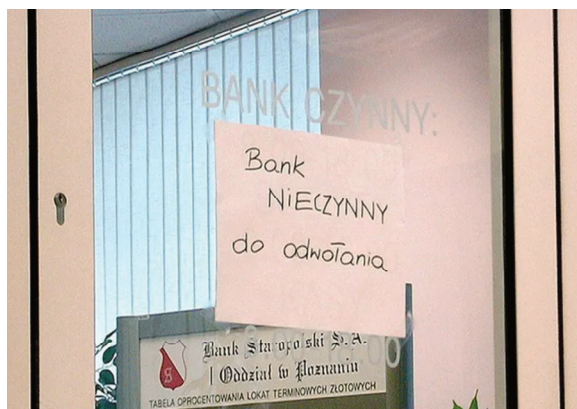
Another landmark document in the Community was the enactment of Directive 94/19/EEC of the European Parliament and of the Council on deposit guarantee in 1994. This directive regulated deposit guaranteeing in much greater detail than the 1986 recommendation. In particular, it defined to whom and what should be guaranteed, although the personal scope of the guarantee was relatively flexible. The Directive contained a list of entities that could be excluded from the guarantee, and the final decision to use the exclusion was left to the Member State. Professional entities that should independently assess the risk of entrusting funds to a given bank could be excluded from the guarantee. These were: state and local government institutions, financial market operators, large companies and those potentially responsible for the bank's bad situation, i.e. its management. The Directive established a minimum guarantee level of €20,000.

Although Poland was not a member of the Community at the time, it was on the so-called accession path and the Bank Guarantee Fund Act of 14 December 1995 contained systemic solutions leading to compliance with Community requirements. This is one of the reasons why, on the date of Poland's accession to the European Union in May 2004, the BFG was operating on principles compliant with the EU Directive.

### **First bank failures and payment of deposits guaranteed by the BFG and customer awareness**

Under the command and control system prevailing in the People's Republic of Poland until 1989, the institution of bankruptcy of a state-owned enterprise, and bankruptcy of a bank in particular, did not exist in the legal system. At the

beginning of the 1990s, the implementation of the principles of a market economy contributed to numerous bankruptcies, which also did not bypass the banking system and, above all, the cooperative banking sector. This was also of capital importance for the economic education of the public through personal experience or participatory observation rather than the so-called formed *ex ante*



Source: <https://www.money.pl/gospodarka/wiadomosci/artykul/po-18-latach-postepowania-zalozyciel-banku,76,0,2411084.html>

awareness. In the first period of the BFG's operation, the dissemination of information about the deposit guarantee scheme in the event of bank failure faced a barrier of ignorance – and not only as regards the scope of protection, but also the phenomenon of bankruptcy itself. The situation was hampered by the existence of a dual system of guarantees for the savings deposits of the population in banks, which benefited from full guarantees of the Treasury, and BFG guarantees limited to the PLN equivalent of EUR 3,000 (in the first years the level of guarantees was defined in ECU)<sup>15</sup> with a 10 per cent participation in the range above EUR 1,000 to EUR 3,000.

Research into the population's knowledge of the guarantee system carried out by or at the initiative of the BFG, showed the need for an extensive information and promotion campaign. This included, inter alia, obligatory display of information boards in all bank outlets, making available to customers materials explaining in an accessible manner and in an attractive graphic design the principles and conditions of guaranteeing funds on bank accounts, and, finally, articles in the press and broadcasts in the media. However, the research reports showed that the most effective way for customers to learn about the system was through the experience of the disbursement of covered deposits and publications about it in the media.

<sup>15</sup> The ECU (European Currency Unit) is the unit of account used in the European Economic Community (EEC) and the European Union (EU) before the introduction of the euro.

The second half of the 1990s was a period of very intensive work by the Fund in disbursing covered deposits. Most insolvencies involved small cooperative banks. Nevertheless, their number and location in the country indicated that without the deposit guarantee scheme the risk of triggering a mass banking panic would have been highly probable. Paradoxically, the public reaction at the time to the unavailability of funds in accounts at banks about which a decision had been taken to suspend their operations or declare them bankrupt was much calmer than at present. And this was despite the many times longer period that elapsed between the unavailability of deposits and their disbursement by the BFG. In principle, depositors waited patiently for their money to be returned to them.

From the day the BFG Act came into force, i.e. 15 February, until the end of 1995, the courts declared 50 bankruptcies for banks. In 1996 there were 31 bankruptcies, to drop to 6 the following year, to 4 in 1998 and one bankruptcy each in the following three years until 2001.

It is noteworthy that the Fund started successively paying out covered deposits from June 1995, less than two months after the establishment of its bodies, and depositors of 18 bankrupt banks were already waiting in the 'queue': BS Bolesławiec (bankruptcy 20.02.1995), BS Ojrzeń (20.02.1995), BS Sulechów (09.03.1995), BS Rypin (10.03.1995), BS Słupsk (10.03.1995), BS Dobra k/Nowogard (16.03.1995), BS Opalenica (22.03.1995), BS Chęciny (31.03.1995), BS Lubsko (31.03.1995), BS Bedlno (07.04.1995), BS Wiśła (13.04.1995), Agrobank SA (21.04.1995), BS Tarnówka (21.04.1995), BS Wąlcz (25.04.1995), BS Zapolice (17.05.1995), SBL Buk (24.05.1995), BS Bojanowo (26.05.1995), BS Regimin (29.05.1995).

The EC Directive in force in 1995 stipulated that there were three months for the disbursement of the covered deposits, and this period could be extended three times. The literal wording of this provision raised interpretative doubts as to the maximum period for the execution of the guarantee. Hence, many European jurisdictions adopted the more convenient approach whereby there was as much as 12 months for disbursement. Such a long period allowed for the orderly verification of depositor lists and the operational organisation of disbursements. And this was no small task, as the manner and form of the depositors' lists submitted to the Fund almost resembled the proverbial 'notes in a notebook'. In Poland, taking advantage of the statutory possibility of extending the initial three-month period, a system was organised in which:



Prawomocny wyrok po 19 latach. Final afery ws. Banku Staropolskiego (fot. TVP3 Poznań)

**Po 19 latach od wybuchu afery w sprawie Banku Staropolskiego w Sądzie Okręgowym w Poznaniu zapadł prawomocny wyrok. Sąd uniewinnił wszystkich 8 oskarżonych, w tym szefa rady nadzorczej banku Piotra B.**

**Translation: Nineteen years after the scandal involving Bank Staropolski, a final judgment was issued by the District Court in Poznań. The court acquitted all eight defendants, including the chairman of the bank's supervisory board, Piotr B.**

Source: <https://poznan.tvp.pl/45229776/prawomocny-wyrok-po-19-latach-final-afery-ws-banku-staropolskiego>

- The date of fulfilment of the guarantee condition, i.e. the initiation of guarantee procedures, was the court decision on bankruptcy of the bank. Under this solution (similar to the current one), the unavailability of funds followed the suspension of the bank's activities, but the statutory time limits started to run from the date of the court ruling on bankruptcy. In order to shorten the period of unavailability and thus accelerate the disbursement of covered deposits, the period for the court to consider a bankruptcy petition was shortened from 2 months (the general norm) to 1 month. However, this was an instructional norm, which was sometimes disrupted by such mundane events as, for example, a judge's holiday.
- the entity that carried out the disbursements operationally was the receiver. The receiver, who was appointed by the court together with the bank's bankruptcy ruling, was obliged to draw up a list of depositors, which he submitted to the Fund. The Fund verified this list

and was entitled to make comments. And then waited for the trustee's amendments. The acceptance of the list of depositors by the Fund's board of directors initiated the transfer of funds to the receiver, who made the disbursements.

The receiver disbursed the covered deposits to depositors through the branches of the failed bank. The only exception was the then largest bankruptcy of Bank Staropolski S.A. in February 2000. This bank, with very few outlets of its own, obtained deposits mainly through the Invest Bank S.A. network on a contractual basis. At the time of its bankruptcy, Bank Staropolski S.A. had ca 150,000 depositors residing in various regions of the country. Therefore, the trustee signed agreements with 4 commercial banks, previously separated from the NBP structures in various parts of Poland, and BRE Bank S.A., which made disbursements at their branches.

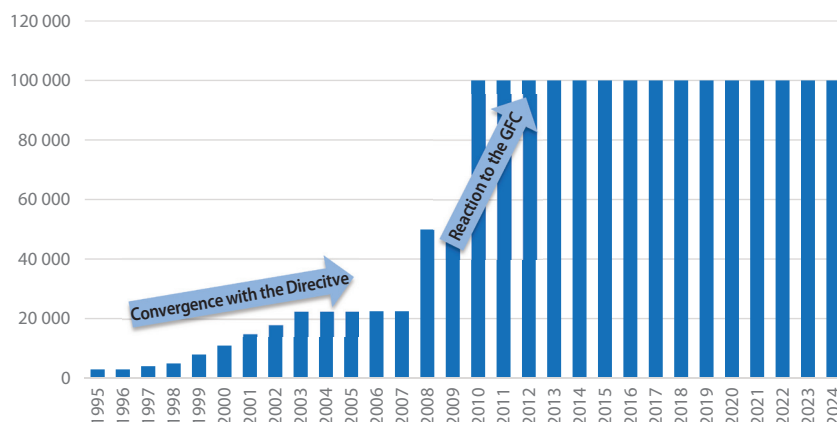
As mentioned, a sign of the times was the way in which lists of depositors were drawn up at the time and submitted to the BFG. At first, these were mainly printouts of tables manually signed by the trustees. There were also some lists that were entirely drawn up by hand. In the case of lists of depositors of cooperative banks covering up to several thousand items, the staff of the Fund Office painstakingly verified each item, which was very labour-intensive. To rationalise this process, the Fund provided the receivers of failed banks with a specially developed computer application. This shortened the period of analysis of the lists and reduced the labour intensity. Unfortunately, the lists still had to be in paper form with a handwritten signature. In the case of the bankruptcy of Bank Staropolski, the printed lists of depositors took up a dozen or so sizable sheets of paper.

The entry into force of the 1994 BFG Act was essentially a continuation of the guarantee provisional introduced by the 1993 Sejm resolution assigned to the National Bank of Poland. The original guarantee limit of a PLN equivalent of up to ECU 3,000 may seem low by today's standards, but given the level of the population's savings at the time, it was in fact not. The situation was worse in the case of business entities, as well as legal persons and unincorporated entities, insofar as they had legal capacity, having the status of depositors (Article 2 of the 1994 Act on the BFG). The value of such depositors' funds in an account at a given bank often exceeded the guarantee limit.



Since the entry into force of the provisions of the BFG Act, controversies have arisen regarding both the guarantee limit and co-insurance (co-responsibility) of the depositor up to 10% of the deposit above the PLN equivalent of €1,000, as well as the status of professional economic participants as depositors. This resulted, inter alia, in a successive increase of the guarantee limit with a simultaneous reduction of the set of entities having the status of depositor (e.g. organisational units which were not entitled to draw up a simplified balance sheet and profit and loss account). The solution of depositor risk participation of up to 10% of the guaranteed sum was particularly controversial. Supporters argued that this reduces moral hazard in bank customers' depositing behaviour and encourages monitoring of the bank's financial standing. Opponents, on the other hand, argued that an unprofessional customer, and this was the vast majority, lacked the knowledge or information to assess the risk associated with depositing funds, while recognising that a relatively attractive interest rate alone could not be a sufficient indicator of risk.

**Chart 2. Guarantee limit 1995–2019 (in euro)**



Source: BFG data.

The co-insurance problem disappeared with the successive increase of the guarantee limit to the PLN equivalent of EUR 22,250 in 2003, which meant that the minimum level set by the provisions of the Deposit Guarantee Directive was met.

## Regulatory dilemmas and the revision of the provisions of the Deposit Guarantee Directive

The minimum mandatory guarantee limit of €20,000 (without depositor participation), and the freedom to set higher guarantee levels, led to different guarantee levels across EU Member States. This gave rise to speculation about the use of deposit arbitrage and the placement of funds by depositors with banks benefiting from a higher level of protection. However, random monitoring did not indicate that higher guarantee levels, at least for the Polish depositor, were a significant factor in the decision to transfer funds to foreign banks benefiting from higher guarantees.

As late as 2007, the prevailing view was that the European underwriting rules established by Directive 94/19/EC were adequate. After all, November 2006 marked the end of the European Commission's review of the Directive, which had been ongoing since November 2004. The conclusion of this in-depth review was that there was no need for any changes to the fundamental deposit guarantee rules set out in the Directive, and that minor *tuning* of some issues could be done by non-regulatory methods.<sup>16</sup>

The situation changed dramatically in September 2008 when the long-standing *dolce vita* in the financial markets ended with the spectacular<sup>17</sup> collapse of Lehman Brothers, a financial institution that symbolises the history of American investment banking. Although the global consequences of this collapse were not realised everywhere. The catastrophic effects soon became apparent and continued with varying degrees of force in the following years. The large-scale undermining of banks' credibility caused interbank markets to shut down, banks stopped lending to each other, rapidly increasing liquidity risks.

---

<sup>16</sup> Brussels, 27.11.2006 COM(2006) 729: "The review of the Directive has highlighted a number of areas where shortcomings in the Community regulation of deposit guarantee schemes can be identified. The Commission believes that significant improvements can be achieved quickly without amending the existing Directive and proposes to address these issues without delay."

<sup>17</sup> 15 September 2008. The BFG was organising a European conference in Warsaw on issues relating to deposit guarantee schemes. Immediately after the conference started, the representative of the German deposit guarantee scheme, after receiving a few urgent phone calls, announced that Lehman Brothers had collapsed and immediately went on his way back to Germany. At the time, few participants in the conference had yet anticipated the impact this event would have on financial systems, economies and, ultimately, deposit guarantee schemes themselves.

The global financial crisis of the end of the first decade of the 21st century was not particularly felt in the Polish market. One of the reasons, almost paradoxically, was the lagging behind of the Polish banking sector in relation to mature systems and large foreign banks, especially global giants. This is one of the reasons why Polish banks did not participate on a larger scale in the operations and trading of derivative financial instruments that helped trigger the crisis. Nevertheless, as a result of media coverage of the crisis, depositors in Poland became seriously concerned. This was evidenced, for example, by an exponential increase in the number of contacts and questions directed to the BFG helpline. This was happening irrespective of the fact that the situation of the domestic banking system was very stable and the last bankruptcy of a small cooperative bank had taken place 6 years earlier. Finally, entities operating in the Polish banking system had no transactional links with Lehman Brothers. It is worth adding that initial fears of a rapid transfer of funds from daughter banks in Poland to their mother countries were exaggerated. Primarily because the deposits collected were committed to domestic assets. In addition, and importantly, the profitability of loans in Poland was generally higher than in the parent countries of the parent banks which motivated the inflow of funds from abroad rather than their outflow. On the other hand, the crisis caused bank head offices to be under significant liquidity pressure this in turn reduced the propensity of these banks to transfer funds to subsidiaries.

During this period, Polish banking supervision was relatively rigorous. Under these conditions, the manifested anxiety of bank customers in Poland was evidence of the risk of importing a credibility crisis and the danger of panicky depositor behaviour.

Other European countries also experienced an increase in depositor unrest manifested by incidental runs on banks. Some governments took emergency stabilisation measures (or at least designed to do so) and declared temporary full guarantees of deposits in banks (*blanked guarantees*). This was done, inter alia, because the value of deposits relatively often exceeded the guarantee limit of €20,000 and, moreover, some European deposit guarantee schemes had already offered higher guarantees (e.g. the Italian scheme over €100,000).<sup>18</sup>

---

<sup>18</sup> The effects of such *ad hoc* governmental declarations have sometimes led to undesirable consequences. The situation is well illustrated by the British-Irish example. At the time, the UK and Irish banking systems were closely intertwined. Many UK banks operated in Ireland and vice

The EU's response to the crisis phenomena and processes related to the global financial crisis was to start work on amendments to the Deposit Guarantee Directive. The draft amendments mainly dealt with three issues. Firstly, raising and harmonising the guarantee limit to €100,000. Both of these changes were important as they not only reduced the possible propensity to withdraw deposits, but also mitigated possible deposit transfers to schemes with higher guarantees. Secondly, the view prevailed that the *moral hazard* risk arising from deposits by non-professional bank customers is relatively small, and the possibility of applying a deductible or depositor co-responsibility to the guaranteed amount was abolished. Thirdly and finally, the period of unavailability of funds was significantly reduced to 20 working days and only in exceptional circumstances was it possible to extend it by a further 10 days.

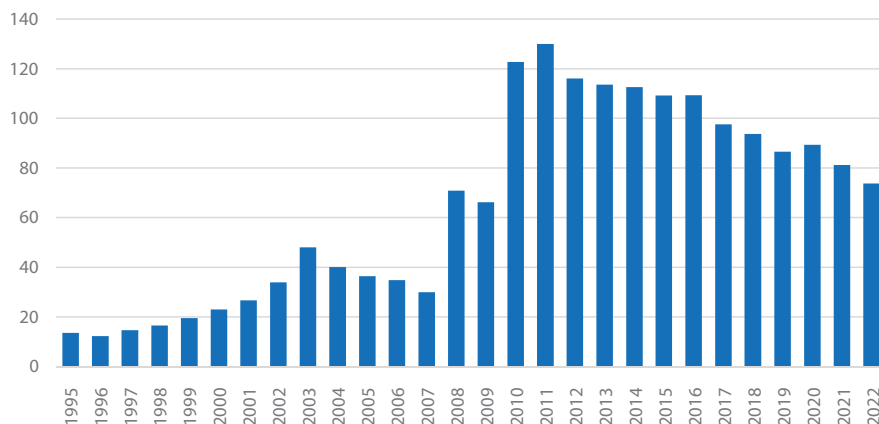
Formally, the above changes were enacted in March 2009 in Directive 2009/14/EC (amending Directive 94/19/EEC), which raised the guarantee limit first to EUR 50,000 and then to EUR 100,000. These regulations were implemented into Polish legislation in two stages. By the Act of 23 October 2008 amending the Act on the BFG, the limit of the guarantee was raised to EUR 50,000, eliminating depositors' co-responsibility, and then by the Act of 16 December 2010 the limit was raised to EUR 100,000 and the time for preparing disbursements was shortened to 20 working days.

Chart 3 illustrates the changes in the level of depositor protection in relation to the average monthly salary. Between 1996 and 2003, the situation of the Polish depositor improved. From 2004 onwards, in the next four years, the constant level of the guarantee limit and the increase in the average salary led to a deterioration in the ratio, only to increase sharply from 2008, due to a 2.5-fold and then almost 5-fold increase in the limit, in relation to EUR 22,250. The decreases in the ratio in the following years are the result of the constant level of the limit and the increase in the average salary.

---

versa. Before the crisis, Ireland had a limit of €20,000 while the UK had a limit of £35,000 (raised to £50,000 in 2008). The Irish government, in order to reassure depositors, temporarily introduced a blanket guarantee on deposits in banks in Ireland, which caused Britons to move their deposits to Irish banks en masse. This was easy as, in many cases, all they had to do was open an account with the bank across the street. Eventually, high-volume deposit flows occurred between the banking systems of the two countries, which instead of stabilising de facto destabilised the situation. Similar phenomena also occurred in other EU countries but on a much smaller scale.

Chart 3. Guarantee limit 1995–2019 in relation to average monthly salary in Poland



Source: own calculations based on data from BFG, CSO, NBP.

For most deposit guarantee schemes in EU countries, the reduction of the period of unavailability of funds to 20 working days, as enshrined in the provisions of Directive 2009/14/EC, was an almost revolutionary requirement compared to the previous standard. It also addressed the challenges faced by the BFG. First of all, it seemed unrealistic to shorten the various stages of the procedure so significantly (e.g. the court would have had about a week to declare bankruptcy, with only an instructional deadline anyway).

Work on the new system was carried out in the knowledge that the European regulator intends, in the not too distant future, to reduce the period of unavailability of funds deposited with banks even further, i.e. to a few working days. Therefore, when embarking on the reform of the Polish guarantee system, the following assumptions were made:

- it is necessary to define the moment of fulfilment of the guarantee condition differently than hitherto. Hence, it was considered that the actual unavailability of funds occurs at the moment of suspension of the bank's activities;<sup>19</sup>

<sup>19</sup> How important it is to formally activate the deposit guarantee scheme at the moment of actual unavailability of funds was shown by the Bulgarian example. KTB (Corporate Commercial Bank) became illiquid on 20 June 2014 and the disbursement of guaranteed funds only started on 1 February 2015. This was the result of a legal loophole disconnecting the actual unavailability of deposits from the moment the deposit guarantee scheme was activated, which in this case, due to external circumstances, occurred much later.

- move away from paper lists of depositors and towards data in digital format and give the suspended entity a very short (e.g. 3 days) deadline to provide the data necessary for the Fund to prepare the disbursements;
- solutions should be designed and implemented and in the banks' IT systems dedicated to generating data for the payment of covered deposits;<sup>20</sup>
- a system of ongoing control of the generation of data and calculation of the guaranteed amounts transferred by banks to the BFG should be organised;<sup>21</sup>
- a suspended bank should be excluded from entrusting it with the disbursement of covered deposits to depositors, as such an entity does not participate in interbank settlements, does not have a transaction system prepared to accept data for disbursement from the BFG, and consequently arrange for disbursements to be made through other banks.

The above assumptions led to the conclusion of the need for a radical change in the concept of organisation of the process of disbursement of covered deposits. The idea was that, instead of dealing with this only when the conditions of the guarantee were met, due to the unavailability of the deposit, one should prepare for such an eventuality already during the period when the entity of the guarantee scheme was conducting its normal business. Each entity of the guarantee scheme at the end of a business day was to have the data necessary for the preparation of the list of depositors, including the amount of the guarantee, properly collated in the IT system, and to have an ICT infrastructure enabling the current and secure transmission of the relevant data to the BFG.

All these assumptions were taken into account in the provisions amending the BFG Act of 16 December 2010.

## **Guarantees for credit unions**

The coverage of credit unions (SKOKs) with guarantees requires a separate discussion. The inclusion of SKOKs under BFG guarantees was a consequence of the earlier inclusion of this sector under the supervision of the FSC. The

---

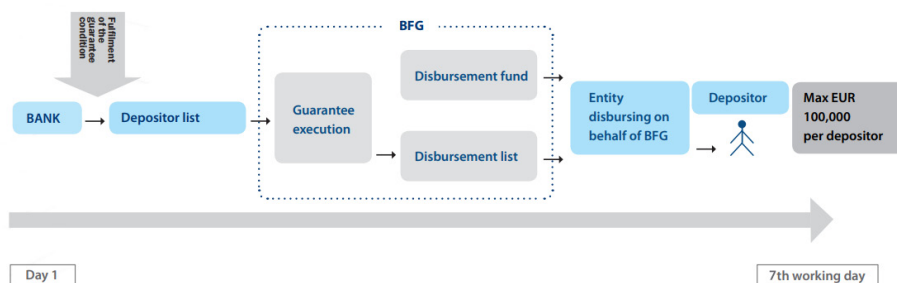
<sup>20</sup> The forerunner of such a solution in Europe was the FSCS, the UK deposit guarantee scheme for which banks prepared files in a format referred to as SCV (*single customer view*).

<sup>21</sup> The calculation control system developed at the BFG at the time predestined the Fund to be a European leader and it was only the new directive adopted in 2014 that codified the elements of such a system on the Polish model.

guarantees for the credit unions came into force in November 2013. The rules of the guarantee system for SKOKs in the procedural layer were symmetrical to those applied to banks. Among other things, the unions had to implement IT calculation systems to generate data for the disbursement of covered deposits.

The first real test of the efficiency of the new infrastructure prepared to make disbursements in a very short time took place already in July 2014, as the guarantee condition was met for SKOK Wspólnota and in December of the same year for SKOK Wołomin. In both cases, the procedures and the infrastructure worked properly and disbursements to depositors started in less than 7 working days.

#### Scheme 1. Disbursement of covered deposits



Source: BFG, Annual Report 2012.

The importance that the BFG guarantees have played for SKOK customers is evidenced by the following:

- at the date of the BFG guarantee, there were 55 banks in operation, now (February 2025) there are only 18,
- The balance sheet total of the credit unions sector at the end of 2013 was PLN 18.1 billion, currently PLN 9.9 billion,
- in relation to 11 credit unions, they were declared bankrupt and the BFG paid out PLN 4.4 billion to their depositors,
- during the period of the credit unions' membership in the guarantee scheme, there were 26 acquisitions of credit unions, and the Fund's financial support of these acquisitions concerned 12 processes, for which the Fund spent approximately PLN 0.7 billion.



## Improving the stability infrastructure of banking systems and deposit protection

After quickly adjusting the key parameters of deposit guarantee schemes in response to the global financial crisis, the European Commission started work on a new Directive on *deposit guarantee schemes* (DGS). Its aim was to harmonise the specific deposit guarantee rules in EU member states and harmonise the DGS funding regime.

The European Commission's proposal initially envisaged that DGSs would have *ex-ante* funding at a level of 1.5 per cent of covered deposits (*eligible deposits – these are deposits covered by guarantees, calculated without imposing a guarantee cap*). For many European schemes, especially those that were exclusively *ex-post* funded, achieving such a level required the long-term prospect of successive accumulation of funds from banks' contributions to the scheme. The critical attitude of the representatives of the member states led to the capitalisation ratio of these schemes being set at 0.8% of total *covered* deposits with a limit of €100,000 (*covered deposits*).<sup>22</sup>

The proposed further reduction of the time limit for disbursements from 20 to 7 working days was also controversial.<sup>23</sup> In the consultation on the draft of the new directive, the European DGSs stressed that already 20 working days was a big challenge and that further shortening of this deadline generates an additional operational risk that funds will be paid to the wrong persons or in the wrong amount. In the end, a deadline of 7 working days was adopted, which has become somewhat of a global standard by being recognised as a reference value in the IADI Core Principles.<sup>24</sup>

Unlike the previous solution, where the catalogue of entity exclusions gave a choice of options (Annex 1 of Directive 94/19/EC), the new directive harmonises the scope of the guarantee, i.e. to whom and what is guaranteed. The professionalism of the entity and whether it can assess the risk involved

---

<sup>22</sup> 1.5% of 'eligible' deposits, with the structure of such deposits found in the Polish sector meaning around 2.2% in the 'covered' category.

<sup>23</sup> There was a lot of divergence at the trilogue stage, as the EU Parliament initially proposed 5 working days.

<sup>24</sup> The document on the basis of which the World Bank and the International Monetary Fund assess national financial systems under the Financial Sector Assessment Program. IADI Core Principles: Principle 15, Essential Criterion 1: The deposit insurer is able to reimburse most insured depositors within seven working days. If the deposit insurer cannot currently meet this target, the deposit insurer has a credible plan in place to do so.

in entrusting funds to a specific bank has been recognised as a fundamental criterion for exclusion from the guarantee. For this reason, e.g. local and regional authorities (JST) have been excluded from guarantees.<sup>25</sup>

In contrast, all enterprises were covered by the guarantees, which was a change from the previous legislation, where entities not entitled to simplified reporting were excluded from the guarantee. Unlike the JST, this time the argument for all enterprises being covered by the guarantees was a practical one. It is simply difficult to verify within seven working days whether an entity is or is not entitled to use simplified reporting.

Finally, the new directive was adopted in April 2014<sup>26</sup> and was implemented into the Polish legal order by the law of 10 June 2016.<sup>27</sup>

The new BFG Act introduced another important change, which did not follow directly from the 2014 Directive amendments. Well, in the case of fiduciary accounts, it has been assumed that the depositor is the custodian and not the trustee. This is a solution that increases the de facto scope of guarantees on trust accounts. The European rules allow for both approaches, primarily because the right to funds held in trust (and other related) accounts derives from the civil law of individual member states, and civil law within the EU has not been harmonised.

Significant changes have occurred in the area of funding of guarantee disbursements. As envisaged by the 2014 Directive, the first source of disbursements is the banks' guarantee fund which is a type of *ex-ante* fund<sup>28</sup>. This is followed by extraordinary contributions paid by banks and other own funds of the BFG. In last place (as a transitional solution valid until 2024) was the Fund for the Protection of Covered deposits (Foóg), which was the first source of disbursements before the change in funding rules.

Between 1995 and 2016, no bank failure in Poland required the use of funding sources other than the Fosg.

---

<sup>25</sup> At the discussion stage in the Council of the European Union, Poland and the Czech Republic proposed extending guarantees to JST on the grounds that they cover entities such as schools, kindergartens, social welfare homes and many other socially important institutions. Opponents argued that such entities manage relatively large financial resources and should do so professionally.

<sup>26</sup> Directive of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes

<sup>27</sup> Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee scheme and resolution

<sup>28</sup> Part of the contributions to this fund can be made in the form of payable commitments. These funds remain in the banks' accounts and the creation of the payable represents a cost to the banks, meaning that their use at the time of disbursement does not have a pro-cyclical effect.

The change in the deposit guarantee rules introduced by the law of 10 June 2016 in alignment with the standard of the 2014 Directive on the exclusion of small amounts in dead accounts from the guarantee<sup>29</sup> required the adaptation of the operational instrumentation and, in particular, of the calculation systems – i.e. the bank IT systems generating data for disbursement purposes. In the Polish system, a small amount means a sum with a PLN equivalent of up to €2.5. The reason for introducing this solution in the Directive was to reduce the operational costs of the disbursements themselves. A similar solution was applied to so-called THB (*temporary high balances*), i.e. deposits which come from specific sources (e.g. disposal of real estate) and are guaranteed above the guarantee limit for a relatively short period of time (in Poland for 3 months). This is to enable the owner to dispose of the funds in the account taking into account the risk of bank failure.

In practice, the BFG tested the revised system solutions shortly after the new law of 10 June 2016 came into force. On 24 October of that year, the guarantee condition for the depositors of the Nadarzyn Co-operative Bank was fulfilled. Withdrawals started on the sixth business day after the suspension date, i.e. 2 November.

In contrast, the last case of disbursement of covered deposits took place in 2019 and concerned the Co-operative Bank in Grębów.

## EU facing reform of crisis management model

The events of 2023 involving the crisis of a number of banks in the United States (most notably Silicon Valley Bank and Signature Bank), as well as the need to intervene against Swiss Credit Suisse, have been one of the reasons for starting work on reforming the crisis management system in the European Union. This system is defined through directives, as well as the functioning of the Banking Union.

Back in 2023. The European Commission has prepared a proposal for a reform described as Crisis Management and Deposit Insurance (CMDI). The main objectives of the CMDI reform are to increase the effectiveness of resolution tools and to improve the rules of deposit guarantee schemes.

---

<sup>29</sup> A dead account is an account in which no operations have been carried out in a minimum of the last two years.

FORBES > BUSINESS

BREAKING

# What Happened To Signature Bank? The Latest Bank Failure Marks Third Largest In History

**Brian Bushard** Former Staff

*Brian is a Boston-based Forbes breaking news reporter.*



Mar 13, 2023, 01:52pm EDT

Updated Mar 15, 2023, 11:58am EDT

**TOPLINE** Signature Bank, a New York-based regional bank that became a leader in cryptocurrency lending, shuttered suddenly on Sunday, marking the third-biggest bank failure in U.S. history just two days after the country's second biggest failure, Silicon Valley Bank, rocked the stock market and reignited fears of "challenging and turbulent" economic times.



Signature Bank became the third bank to collapse this month.  
COPYRIGHT 2023 THE ASSOCIATED PRESS. ALL RIGHTS RESERVED.

Source: <https://www.forbes.com/sites/brianbushard/2023/03/13/what-happened-to-signature-bank-the-latest-bank-failure-marks-third-largest-in-history/>

Focusing here on the second element of this reform, it should be emphasised that the proposed changes include:

- better use of DGS funds

One of the most important elements of the proposed changes is the more flexible use of DGS funds in financing resolution-type actions. Such a solution in the broader perspective may reduce the costs of DGSs, for which the alternative option would be a much more expensive disbursement of covered deposits.

- Equal protection of depositors across the EU

At present, although the minimum level of deposit protection (€100,000 per depositor per bank) is harmonised under the 2014 DGS Directive (2014/49/EU), there are still differences in the details of the DGS rules across countries. Harmonisation aims to eliminate some of these discrepancies by, among other things:

- harmonisation of guarantees for temporary high balances (temporary higher guarantees e.g. for funds from the sale of real estate);
- with a view to countering 'money laundering', covered deposits in excess of EUR 10 000 could only be paid out by transfer;
- unification of the limitation period for claims to 5 years (this is the period currently applicable in the Polish system).

Currently (March 2025), the CMDI reform is under negotiation between the European Parliament, the EU Council and the European Commission, while the legislative procedure itself has reached the trilogue stage.

The European Deposit Insurance Scheme (EDIS) project, which

would be the third pillar of the banking union (after the common supervision – the European Banking Authority and the common institution in charge of bank restructuring – the Single Resolution Board), has been under discussion for a long time. The basic premise of the EDIS design is a common fund for guarantee payments for member schemes, while guarantee execution and other operational areas are to remain at the level of national DGSs. Such an arrangement corresponds to the specificities of local conditions, such as the execution of guarantees in the event of the failure of a small local bank, cooperative bank or credit union within seven working days. It seems unreasonable to carry out such an operation from the level of a central institution. From an operational point of view, collecting and managing the guarantee fund is one of the easier tasks for EDIS.

Infos / Amériques / L'INFO EN CONTINU / Point de Vue

## « La Grande Dépression » n° II : L'effondrement des banques révèle des failles dans le système financier américain

Tuesday, 14 March 2023 6:28 PM [ Last Update: Tuesday, 14 March 2023 6:28 PM ]



Source: <https://www.businessinsider.de/gruenderszene/business/silicon-valley-bank-deutschland-wieder-geoffnet/>

SWI swissinfo.ch

The Swiss voice in the world since 1935

Banking & Fintech

## Credit Suisse collapse: lingering questions one year on



Source: <https://www.swissinfo.ch/eng/banking-fintech/credit-suisse-collapse-one-year-on-the-key-unanswered-questions/73909716>

## Credit Suisse in crisis: What went wrong?



The Swiss bank has been plagued by scandals, public legal battles and mounting losses. PHOTO: BLOOMBERG

UPDATED NOV 22, 2024, 02:02 PM

f ↩ ...

ZURICH - Switzerland's role as banker to the world's rich is built on a reputation for institutional discretion and dull reliability. That only makes the scandals, public legal battles and mounting losses at Credit Suisse more striking and hard to comprehend.

In mid-March, unease about the bank's mounting problems snowballed and its shares slumped, forcing management to appeal to the Swiss banking authorities for a public vote of confidence.

### 1. What went wrong?

Credit Suisse's failings have included a criminal conviction for [allowing drug dealers to launder money in Bulgaria](#), entanglement in a Mozambique corruption case, a spying scandal involving a former employee and an executive, and a massive leak of client data to the media.

Source: <https://www.straitstimes.com/business/credit-suisse-in-crisis-what-went-wrong>

Many years of discussions on the project show that it is much more difficult to work out a political compromise that would mean that banks from one country would finance a disbursement to a bank from another country. Therefore, EDIS is not expected to be part of the changes included in the CMDI package.

## Summary

The experience of very many countries around the world shows that deposit guarantee schemes have become an immanent link in the financial safety net and have become a mandatory standard in banking systems just like supervision or lender of last resort.



According to the International Association of Deposit Insurers (IADI), by 2023, 145 jurisdictions around the world had deposit guarantee schemes in place and another 25 were preparing to introduce them.

In recent years, work on the introduction of a deposit guarantee scheme has been undertaken in two OECD countries that previously had no formal bank deposit protection institutions. The first of these countries is New Zealand, which did not have such a system for a long time because it was considered, there, that a deposit guarantee scheme generated moral hazard and had a negative impact on the financial system. The situation changed in July 2023, when the Deposit Takers Act was passed and the Depositor Compensation Scheme was established. Previously, New Zealand, following the 2008 crisis, introduced a temporary scheme that only operated until 2011.<sup>30</sup>

The second is Israel. In recent years, the Bank of Israel and the government have begun work on introducing such a system. It is not yet a foregone conclusion as to when such a system would become operational.

In European Union countries, deposit guarantee and *resolution* activities are regulated by Directives. Synthesising the trends in changes to deposit guarantee schemes, it can be said that they tend to increase the level of protection of depositors' funds, treating them as non-professional participants in the financial services market. The existing guarantee – defined by the EU Directive – at the level of EUR 100,000, with the possibility of multiplying it for joint accounts or through diversification of deposits in different entities of the system, according to the current assessment, does not need to be increased. This is also supported by the very high rate of full coverage of the value of contributions by guarantees. The axiological rationale of consumer protection in the market is also not insignificant. The applicable contribution unavailability period of 7 working days also does not provide significant scope for shortening it.

International co-operation of guarantee schemes takes place within the framework of two international organisations, namely the International Association of Deposit Insurers (IADI) and the European Forum of Deposit Insurers (EFDI). IADI has developed and enacted the Core Principles, which

---

<sup>30</sup> Financial Stability Report, May 2009, Reserve Bank of New Zealand.



are a set of good deposit guarantee practices. At the same time, it is a reference document for experts from the International Monetary Fund and the World Bank conducting the Financial Stability Programme survey.

Given the pace of change in the financial services market in the near future, deposit guarantee schemes may face a number of new challenges. Some of these may arise from innovation, particularly technological innovation. Uncertainties in this respect arise, for example, from the as yet unknown consequences of the development of artificial intelligence or other forms of settlement or holdings or crypto-actives alternative to classic money.

Nevertheless, the future may turn out to be significantly different from current predictions, because, to paraphrase J.M. Keynes – in the long term, few phenomena are certain in the real world.<sup>31</sup>

Compiled by Tomasz Obal

---

<sup>31</sup> It is about John Maynard Keynes' well-known statement that in the long term we will all be dead anyway.

## AID ACTIVITIES

### Objectives of financial assistance

Since the establishment of the BFG, financial assistance activities have been an alternative to the disbursement of covered deposits as a means of protecting creditors of credit institutions. After 2012, The BFG was set up to guarantee and restructure credit unions at risk of bankruptcy. Assistance was provided on terms more favourable than those generally applied by banks.<sup>1</sup> With the establishment of the BFG as a resolution authority, this assistance activity was complemented by the application of restructuring processes.

The primary purpose of providing financial assistance or support is to carry out or support the restructuring of credit institutions at risk of insolvency and, indirectly, to protect customers against the loss of funds entrusted to these banks. Under the BFG Act, financial assistance may be provided in the form of loans, guarantees or sureties, as well as through the purchase of receivables of banks where the danger of insolvency has arisen. In its activities to date, the BFG has provided assistance only in the form of loans.

The direct purpose of the Fund's assistance activities for banks or credit unions is to limit the insolvency of the entities of the guarantee system and, in particular, to protect depositors' funds with a value exceeding, sometimes significantly, the amount of loans granted for the rehabilitation or takeover of the entity at risk of insolvency. Between 1996 and 2005, it was even permissible – on the basis of exceptions accepted by the banking sector – to provide such

---

<sup>1</sup> With regard to the credit unions, these were grants.

assistance to cooperative banks for self-sanctioning. A more common solution in this period was the takeover of the problem bank by another bank. However, both options allowed for the preservation of jobs, which was particularly important in localities where the sanitised or acquired bank or its branches were the only outlets offering banking services.

When considering the possibility of using the statutory form of assistance activity, the BFG cooperated with other links in the financial security network, especially the NBP and later the KNB. At the stage of the decision to provide assistance, it extensively consulted with other banks on the possibility of taking over an entity at risk of bankruptcy (with the support of the fund's loan), as well as other regulatory facilities. Also important was a broad information campaign in the banking sector – especially among cooperative banks – about the objectives, principles, terms and forms of the Fund's assistance.

The BFG's assistance activities were based on the following assumptions:<sup>2</sup>

- strict compliance with principle of equality of banks in access to aid measures and transparency of criteria and procedures for granting aid,
- putting aid funds at a bank's disposal as quickly as possible in order to minimise losses, inter alia, by streamlining the decision-making procedure,
- supporting consolidation and restructuring processes by favouring the form of aid consisting of the takeover of an ailing bank by a strong bank,
- mobilising applicants to seek additional sources of financial support, apart from the BFG, for the implementation of the assumed recovery programmes,

---

<sup>2</sup> According to Article 20 of the BFG Act, the conditions for granting assistance were, in particular: 1) presentation of the results of the audit of the financial statements concerning the activities of the bank applying for assistance, and in the case of an application for assistance for the acquisition of a bank, a bank merger or the purchase of shares (stocks) of another bank – the results of the audit of the financial statements of both banks, 2) a positive opinion of the President of the National Bank of Poland on the rehabilitation programme or, in the case of an acquisition, a bank merger or the purchase of shares (stocks) of another bank – a positive opinion of the President of the NBP on the advisability of these actions, 3) demonstration that the amount of the requested loan, guarantee or surety is not higher than the total maximum amount under the guarantee in that entity, calculated as the sum of funds guaranteed in the accounts of the bank's depositors, and in the case of applying for financial assistance for the purpose of a takeover or merger with another bank – not higher than the sum of funds guaranteed in the accounts of depositors in the bank being taken over, 4) use of the bank's existing own funds to cover losses of the bank applying for assistance or the bank being taken over.

- ensuring high economic efficiency of the aid, inter alia, by agreeing in the aid contracts on specific undertakings aimed at permanent restoration of solvency,
- synchronising the assistance provided by the BFG to banks at risk with simultaneous support from the NBP (e.g. in the form of a reduction of the mandatory reserve burden), the Ministry of Finance (e.g. in the form of a deferral of income tax payments) and banks associating cooperative banks, which may join in with financial assistance, using association assistance or solidarity funds, as well as other forms of non-financial support (e.g. organisational or legal assistance).

Between 1996 and 2015, the BFG granted 101 loans from the assistance fund for a total of ca PLN 3,790 billion, of which 44 loans were granted to commercial banks and 57 to cooperative banks (Table 1).

**Table 1. Loans to banks disbursed from the assistance fund between 1996 and 2015**

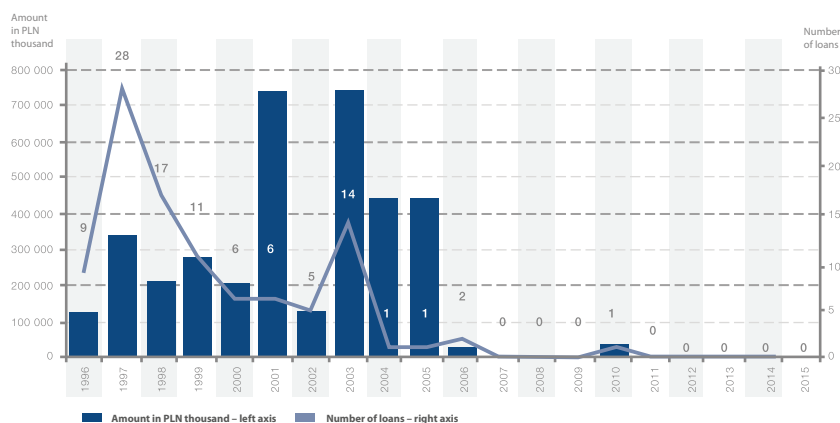
Type of Bank and Purpose of Support	Loan Disbursements	
	Amount in PLN thousand	Share in %
• <b>Commercial*</b>	<b>3 427 386.4</b>	<b>91.4</b>
independent recovery	2 066 000.0	54.5
acquisitions of commercial banks	981 906.4	25.9
acquisitions of cooperative banks	144 480.0	3.8
share purchase	235 000.0	6.2
• <b>Cooperative</b>	<b>362 956.0</b>	<b>9.6</b>
independent recovery	183 050.0	4.8
merger processes	179 906.0	4.8
<b>Total</b>	<b>3 790 342.4</b>	<b>100.0</b>

\* Including cooperative bank association banks.

Source: BFG Annual Reports 2014 and 2015, [https://www.bfg.pl/strefa\\_dokumentow/raporty-roczne/](https://www.bfg.pl/strefa_dokumentow/raporty-roczne/) (accessed 25.04.2025).

A serious burden for the Fund Office was the activity of controlling the use of aid, especially inspections at local cooperative banks and reporting the results of the inspections to the Board of Directors and then in a synthetic form to the BFG Board. It is particularly noteworthy that not a single case of assistance resulted in the bankruptcy of the sanctioned bank.

**Chart 1. Loan disbursements from the assistance fund in 1996\*–2015**



\* Loan granted in December 1995 was disbursed in January 1996

Source: *BFG Annual Report 2015*, <https://www.bfg.pl/wp-content/uploads/raport-roczny-2015.pdf> (accessed 25.04.2025).

The financial assistance provided from the assistance fund came from mandatory annual fees paid by banks according to rates adopted annually by the BFG board.<sup>3</sup> In the 1990s and also at the beginning of the 21st century, interest rates were relatively high. Borrower banks invested the loans granted by the BFG in treasury securities bearing higher interest rates than the loan funds.

Therefore, the benefits of these differentials allowed the sanctioned bank to gradually work off its losses. In this system, taxpayers were the ultimate financiers of the sanitation. However, the assistance provided – in addition to the tangible financial effects for the sanitised or acquiring bank – was also beneficial for the capitalisation of the BFG, as the loan repayments at an

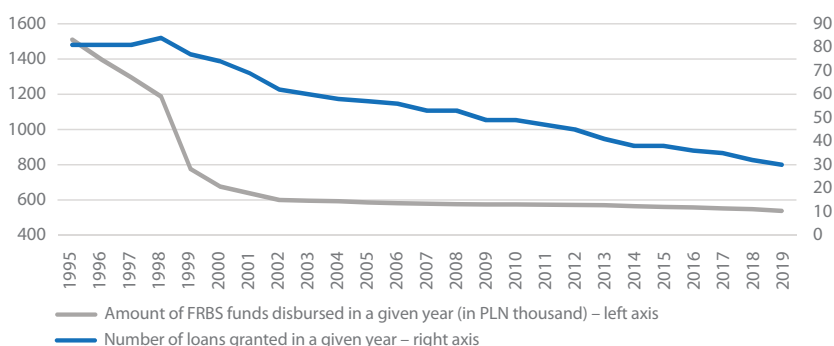
<sup>3</sup> Until the change in the regime for providing assistance after 2015, mandatory fees for the assistance fund were a deductible expense within the meaning of the Corporate Income Tax Act. However, sometimes the obligation to pay these fees was treated by banks as a justification for raising the prices of the services provided.

interest rate more favourable to the borrowers than the market rate) fed the corresponding BFG fund.

The financial assistance provided by the Fund also had non-financial effects, as confidence in the banking sector was not undermined by possible difficulties for depositors to access funds entrusted to the bank and the stability of the banking sector was preserved.

The provision of financial assistance to banks had a significant impact on consolidation processes in the Polish banking sector, although this was not the only factor behind their decline, especially in the commercial bank sector (Chart 2).

**Chart 2. Consolidation of commercial and cooperative banks in the Polish banking sector**



Source: Data from the Office of the Bank Guarantee Fund.

In taking relief measures, there were cases which did not fit the literal statutory provisions. One such case was the case of Wschodni Bank Cukrownictwa SA (WBC SA), whose bankruptcy in mid-2002 threatened to require the BFG to pay out deposits to the tune of ca. PLN 1 billion. This amount would have had to be made up of all the banks that 2 years earlier (2000) had been charged with the cost of paying out deposits to the depositors of the bankrupt Bank Staropolski SA in the amount of ca. PLN 780 million. The collapse of the Lublin bank would therefore have been more severe for the sector. Under these conditions, the banking supervisor presented the banks with an alternative, either they would save WBC SA jointly and severally, or the BFG would call on them to contribute funds from the funds they had created

to protect covered deposits representing assets held in treasury securities or NBP bills<sup>4</sup>. The rescue of WBC SA was to consist in the acquisition of its shares and recapitalisation by the largest domestic commercial banks with financial assistance from the BFG. Accepting this option to stabilise the banking sector had the expected effect, and on top of that the quality of the loan portfolio turned out to be better than estimated by the auditor. Relatively quickly, the bank was sanctioned and its licence was acquired by Nobel Bank S.A. At the time, this was an innovative solution not only on a national scale, which was successfully implemented thanks to the fruitful cooperation of banking supervision and the BFG. The instrument of aid loans together with the recapitalisation of banks at risk of bankruptcy was also used in the processes of granting licences to foreign banks to operate in Poland.

### Assistance from the cooperative bank restructuring fund

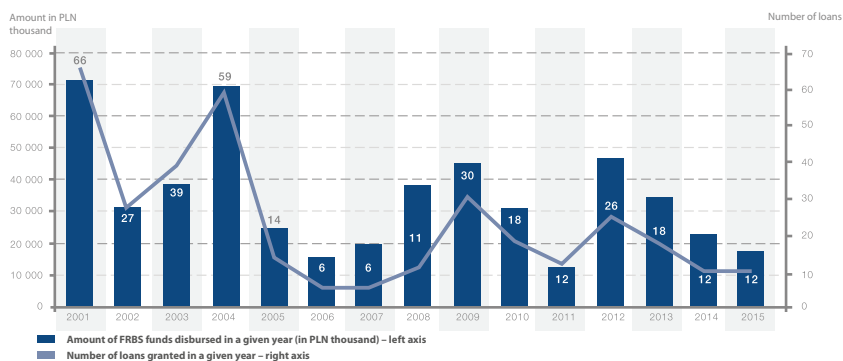
The Act of 7 December 2000 on the functioning of cooperative banks, their affiliation and affiliating banks imposed new tasks on the Bank Guarantee Fund, consisting in granting financial assistance for the merger processes of cooperative banks. The source of funding for this assistance was the Cooperative Banks Restructuring Fund (FRBS), established from funds from the liquidated Cooperative Banks Development Fund, which was managed by BGŻ SA, and from funds from redeemed Series D restructuring bonds. In total, these funds amounted to ca. PLN 123 million and contributed to a separate cooperative bank restructuring fund. Loans from FRBS, were much needed by BSs to cover the costs of consolidation. This is because consolidation was a way for many cooperative banks to achieve the required capital minimum. According to the Act, the funds could be used to finance the costs of cooperative bank mergers and related investment projects, in particular:

- unification of IT programmes and equipment,
- unification of banking technology,
- unification of financial and accounting procedures,
- unification of the offer of banking products and services, v acquisition of shares in the affiliating bank.

---

<sup>4</sup> P. Utrata, *Banki ratują Wschodni Bank Cukrownictwa*, Bankier.pl. June 2022, Banks rescue Wschodni Bank Cukrownictwa – Bankier.pl (accessed 26.04.2025).



**Chart 3. Disbursements from the cooperative banks restructuring fund**

Source: *BFG Annual Report 2015*, op. cit.

The relatively small value of the FRBS did not reflect either the labour intensity or the handling costs incurred by the BFG to carry out this statutory task. This was all the more so because loans were granted for relatively small amounts with strict formal requirements and, in particular, for relatively short periods, which implied a rapid turnover of funds. The BFG not only granted loans, but in the processes of analysing applications or controlling the use of funds supported the staff of cooperative banks in increasing the efficiency of consolidation processes. In recognition of its contribution to the restructuring of the cooperative banking sector, the Fund was awarded the title ‘Trustworthy Partner’ by the National Association of Cooperative Banks.

### Assistance to credit unions

Credit unions (SKOKs), developed their activities very dynamically in Poland in the first decade of the 21st century, taking advantage of favourable legal regulations for their activities. On the other hand, the Kasa Krajowa SKOK (KK SKOK) was extremely liberal in its treatment of the prudential rules that it should control in relation to the funds. Moreover, as it turned out, KK SKOK was neither willing nor prepared to provide the necessary assistance to save the credit unions in trouble. From 2012, when the credit unions were placed under the supervision of the FSC, serious irregularities in the credit unions started to come to light and the financial situation of many of them was so bad that – without external assistance – they were threatened with bankruptcy. The inclusion of credit unions in the mandatory deposit guarantee scheme in

2013 was a new challenge for the BFG. The Fund's tasks with regard to the restructuring of credit unions in danger of insolvency include:

- granting repayable financial assistance,
- acquiring the claims of credit unions,
- providing support to entities that take over credit unions, take over selected property rights or selected liabilities of credit unions or to purchasers of a credit union enterprise in liquidation, its organised part or selected property rights.

Financial assistance in the form of loans, guarantees and warranties may be granted to a credit union which implements a recovery proceedings programme positively approved by the PFSA. Financial assistance may be earmarked only for the removal of the danger of insolvency, and the Fund's assistance is conditional in particular on:

- acceptance by the Fund's Management Board of the results of the audit of the financial statements relating to its activities presented by the fund applying for assistance;
- presentation by the fund of a positive opinion of the PFSA on the recovery proceedings programme;
- a demonstration that the amount of aid requested by the fund would not be higher than the total maximum amount under the fund's guarantee, calculated as the sum of deposits covered by guarantees on the fund's depositors' accounts;
- the use of the existing own funds of the credit union to cover the losses of the credit union applying for aid;
- in the case of repayable financial assistance, security for the claims on the assistance granted, guaranteeing repayment of the full amount of the assistance plus interest.

Financial assistance may be granted on condition of compliance with the aid scheme in force or on condition that the fund obtains a positive decision from the European Commission (EC) to grant aid under the individual aid notification process.

The Fund may also provide assistance in the form of the acquisition of cash claims of credit



Statuette of the National Association of Co-operative Banks for the BFG as a trustworthy partner

unions where the danger of insolvency has arisen. However, according to the regulations, these can only be unmatured receivables from granted loans and credits classified by the credit unions in the “regular” category, for which there are no delays in repayment and the economic and financial situation of the debtor does not pose a threat to further timely repayment of the debt.<sup>5</sup>

### **Conditions for support for the restructuring of credit unions**

Support may be granted to entities taking over the business or part of the business of a credit union or to acquirers of a business or assets of a credit union in liquidation, by:

- taking up shares in the acquiring bank;
- the granting of a loan or guarantee;
- the granting of a guarantee to cover total or partial losses;
- making grants.

The Fund’s support is conditional in particular on:

- acceptance by the Fund’s Management Board of the results of the audit of the financial statements relating to the activities of the credit union presented by the acquirer or purchaser;
- presentation to the Fund’s Management Board by the acquirer or purchaser of a positive opinion of the PFSA on the advisability of the acquisition and the absence of a threat to the security of depositors’ funds accumulated in the fund against which the PFSA has issued a decision on the acquisition or liquidation, as well as in the entity acquiring or acquiring the fund;
- demonstration that the amount of resources committed by the Fund in support of the acquiring or acquiring entity would not be higher than the total amount under the guarantee in the credit union in respect of which the FSC issued a decision on the acquisition or liquidation, calculated as the sum of the covered deposits on the acquired accounts of the depositors of that credit union;
- the use of the existing own funds of the acquired or liquidated fund to cover losses;

---

<sup>5</sup> Ordinance of the Minister of Development and Finance of 1 December 2016 on trading by the Bank Guarantee Fund of receivables purchased from credit unions where a risk of insolvency has arisen (Journal of Laws 2016, item 1969).

- the securing of claims guaranteeing the repayment of the full amount of support plus interest in the event that support is granted in the form of a loan or guarantee.

Analogously to the granting of financial assistance, activities related to the granting of support for the restructuring of credit unions may be undertaken and carried out by the Fund after obtaining a decision of the EC on compliance with the rules on granting state aid.

The processes of granting support for the restructuring of SKOKs are illustrated in Table 2.

**Table 2. Support for the restructuring of SKOKs in the form of grants and guarantees to cover losses to acquiring banks between 2014 and 2023**

Lp.	Name of acquiring bank	Acquiring bank	Year of grant	Net value of the asset rights taken over as at the date of acquisition in the books of the Credit union (PLN ,000)	Initial value of the grant (PLN ,000)
1	Alior Bank SA	SKOK im. św. Jana z Kęt	2014	25 873.95	15 895.75
2	Alior Bank SA	SKOK im. Stefana Kardynała Wyszyńskiego	2016	110 002.86	52 533.74
3	Alior Bank SA	Powszechna SKOK	2016	24 982.44	9 310.12
4	Alior Bank SA	SKOK Jaworzno	2019	143 217.94	110 000.00
5	Bank Pekao SA	SKOK im. M. Kopernika	2015	221 696.40	101 926.31
6	PKO BP SA	SKOK Wesoła	2015	219 465.09	278 858.41
7	Śląski BS "SILESIA"	SKOK "Profit"	2017	1 909.15	115.84
8	ING Bank Śląski SA	SKOK Bieszczadzka	2018	27 810.24	11 824.76
9	BS we Wschowie	SKOK Lubuska	2018	6 527.00	1 877.63
10	BGŻ BNP Paribas SA	Rafineria SKOK	2018	34 405.80	41 082.26
11	Bank Millennium SA	SKOK PIAST	2019	127 251.62	67 492.28
<b>Total</b>				<b>943 142.49</b>	<b>690 917.10</b>

Source: data of BFG reports for 2014–2019, [https://www.bfg.pl/strefa\\_dokumentow/raporty-roczne/](https://www.bfg.pl/strefa_dokumentow/raporty-roczne/) (accessed 28.04.2025).

Compiled by Jan Szambelańczyk, Filip Dutkowski

## RESOLUTION ACTIVITY

The financial crisis of 2008–2009 highlighted the lack of adequate tools in European Union countries to wind down large financial institutions at risk of failure, unable to continue to operate. At the same time, there were systemic risks and fears that the uncontrolled failure of ‘too-big-to-fail’ institutions would put customers and the wider economy at risk. Without adequate tools at their disposal, EU Member States bailed out distressed entities with public funds and thus prevented the collapse of the financial system. The European Commission recognised that the rescue of financial institutions should not be funded by taxpayers, but by the money of the owners and subsequently the creditors of the distressed institutions.<sup>1</sup>

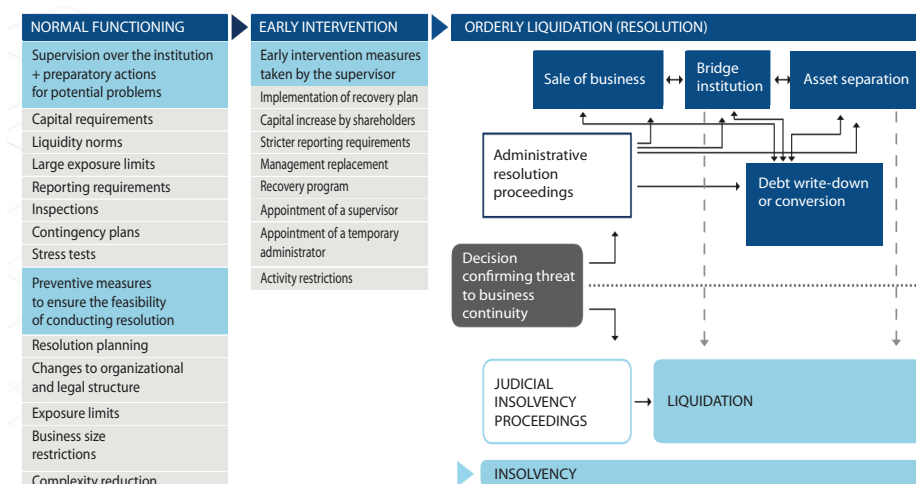
The explosion of international and national banking regulation, new rules and higher prudential standards in the aftermath of the 2008–2009 global financial crisis (GFC) affected most countries with a developed financial system. The Polish banking system was subjected to these regulations, despite the fact that it did not experience bankruptcy or major insolvency threats during the crisis.

---

<sup>1</sup> In the aftermath of the financial crisis, the G20 leaders too – in order to make changes to allow for the orderly resolution of large and complex cross-border institutions – decided that financial institution resolution processes and insolvency laws needed to be reviewed. In November 2011, the Financial Stability Board’s document ‘Key Attributes of Effective Resolution Regimes for Financial Institutions’ on crisis prevention, management and resolution was endorsed. FSB, *Key Attributes of Effective Resolution Regimes for Financial Institutions*, Revised version, April 2024, <https://www.fsb.org/uploads/P250424-3.pdf> (accessed 10.05.2025).

The new (post-GFC) crisis management philosophy – in principle – excludes state aid to financial institutions. Vulnerable entities must implement a resolution programme on their own, otherwise they will be put into insolvency. A new way to sanitise distressed financial institutions is *resolution*, which involves a *resolution* authority taking control of the distressed entity (Scheme 1).

Scheme 1. The process of bank resolution



Source: compiled by the BFG on the basis of Impact Assessment. SWD (2012) 166/3, p. 13.

The result of the work of EU agencies in this area is Directive 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD). In Poland, this process took the name of *resolution*<sup>2</sup>, and the Bank Guarantee Fund became its authority under the new BFG Act of 10 June 2016, which implemented the provisions of the BRRD into national law (Table 1).

<sup>2</sup> Previously referred to in Poland as resolution.

**Table 1. Characteristics of the resolution process in Poland**

Feature	Characteristics
Legal basis	Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee scheme and resolution (Act on the BFG) as an act implementing the provisions of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014.
Objectives	To ensure the continuation of critical functions To protect financial stability (to prevent contagion and maintain market discipline) Protect public finances (minimise extraordinary public financial support)
Conditions	Entity is failing or likely to fail (Failing Or Likely to Fail – FOLF) No alternative private means Action is necessary in the public interest
Tools	Sale of business tool Bridge bank tool Bail in tool Asset separation tool
Valuation as a necessary exercise	Valuation 1 – verification of the FOLF condition Valuation 2 – determines the tools and their scope Valuation 3 – verification of the NCWO* principle, that creditors will not suffer higher losses than in bankruptcy, and the division of creditors into groups according to their satisfaction levels in bankruptcy law
Sources and principles of funding	Resolution funds to which contributions are made by all entities covered by the scope of the BFG Act. Costs are primarily borne by owners and subordinated creditors. The funding mechanism assumes: a contribution to cover losses and recapitalisation of not less than 8 per cent of total liabilities, and an amount not exceeding 5 per cent of total liabilities, including own funds, of the institution subject to resolution The contribution of the deposit guarantee scheme to the process shall be less than its estimated net loss under standard insolvency proceedings in the valuation.

\* Under the No creditor worse off (NCWO) principle, no creditor or shareholder will suffer greater losses than they would have suffered if the institution had been wound up under normal insolvency proceedings. The application of the NCWO principle is made in accordance with Article 74 of Directive 2014/59/EU (BRRD).

Source: own compilation based on the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee scheme and resolution.

The resolution authority decides which tools to use in order to protect the financial institution from bankruptcy through a changed operating formula, depriving the owners, and sometimes also uninsured creditors, of their claims against the threatened entity. Based on an analysis of the situation of the distressed entity, the resolution authority has a choice between:

- *bail-in* or
- creation of a *bridge bank*, or
- sale of business or
- *asset separation*.

The establishment of the BFG as a national resolution authority was determined by a number of considerations. The decisive argument was the Fund's track record in stabilising the banking sector in Poland since 1995, i.e. efficiently fulfilling the tasks of guaranteeing deposits or providing financial assistance to banks in a situation of danger of insolvency. On the other hand, having staff capable of applying advanced methods of monitoring and analysing the sector and identifying entities at risk. *Last but not least*, having at its disposal advanced technology for daily communication with banks and SKOKs regarding data on covered deposits within the calculation system, organisational facilities, and finally staff with a specialised competence profile in crisis management. It is worth recalling that the Fund was not a passive recipient or addressee of the new solutions, but actively participated in their development, both in international and national bodies. An exemplification of the growing role of the Fund in activities for the stability of the financial system was the addition of the President of the Management Board of the BFG to the Financial Stability Committee<sup>3</sup>. Later, a representative of the BFG became a member of the Financial Supervision Commission (FSC) with an advisory vote. Although the Polish solution is similar to that of Finland and Sweden, it is rather atypical for other EU countries.

Under *the Act of 5 August 2015 on macro-prudential supervision of the financial system and crisis management in the financial system*, as of 1 November 2015. The Fund was established as a resolution authority within the meaning of Article 3(1) of the BRR Directive<sup>4</sup>. However, the Fund obtained its full

<sup>3</sup> As of 4 October 2013, i.e. before the BFG was formally granted the function of national resolution authority.

<sup>4</sup> *Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms*,



powers and operational capacity for its new function on 9 October 2016. Since that date, a new Bank Guarantee Fund Act has been in force, which can undisputedly be described as the Fund's new constitution.<sup>5</sup>

The regulatory package also included an obligation for a financial institution to maintain an individualised level of own funds or so-called eligible liabilities that can be used to cover losses and recapitalise the institution (MREL – *minimum requirement for own funds and eligible liabilities*).

Entrusting the Fund with the function of national resolution authority not only meant new tasks and powers, but also new sources of funding. The BFG's resolution powers apply to banks, investment firms, cooperative credit unions and CCPs. In addition, following the endorsement by the Financial Stability Committee on 10 December 2021 of the Ministry of Finance's proposal to entrust the BFG with the role of resolution authority for insurance and reinsurance companies, the Fund is preparing to perform this function. The Directive establishing a framework for the recovery and resolution of insurance and reinsurance undertakings (IRR Directive, IRRD) entered into force in January 2025.

Organising the resolution process is a new and, moreover, formally and substantively highly complex and labour-intensive task for the BFG, requiring unique staff competences in the area of selection and application of the appropriate tool and its implementation.

In 2016, the Fund faced a major organisational, personnel and regulatory challenge in implementing the provisions of the new Act. Work continued at all levels to prepare the necessary regulations, starting with the regulations of the Minister of Finance, the legally required resolutions of the BFG Council and finally internal procedures such as amendments to the bylaws or the development of new instructions. It became a major challenge for the Fund to recruit staff experienced in banking or finance and at the same time ready for the challenges that faced the BFG. Bearing in mind the need for competencies, people were mainly recruited who had previously been heads of credit departments in banks, receiverships, or experts in the areas of valuations, administrative proceedings, the treasury department or financial infrastructure.

---

<https://eur-lex.europa.eu/legal-content/PL/TXT/?uri=CELEX%3A32014L0059> (accessed 28.04.2025).

<sup>5</sup> Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee scheme and forced resolution (Journal of Laws 2024, item 487).

At the same time, it was necessary to ensure organisational development in the areas of IT and security.

The organisation of the resolution process is highly complex, inter alia due to the need to interact with other entities, including those belonging to the financial safety net, such as:

- Financial Supervision Authority with regard to the rules and requirements for the establishment of a bridge institution in emergency mode,
- National Bank of Poland with regard to clearing or mandatory reserves,
- the National Depository for Securities (KDPW) and the Warsaw Stock Exchange (WSE) with regard to the rules for suspension and settlement of listed financial instruments,
- the Office of Competition and Consumer Protection (UOKiK) with regard to state aid.

The challenge for the Office of the Fund, in particular the Resolution Planning Department, was to prepare more than 500 resolution plans for banks and financial institutions in one year. It is worth mentioning that the restructuring of the SKOK sector was carried out at the same time.

The resolution process requires not only organisational preparation, including the development of resolution plans by the BFG services for each financial institution separately<sup>6</sup>, but also the possession of adequate financial

 / Ekonomia / Finanse / **BANKI**

## Prezes BFG: Nie można zwlekać z przymusową restrukturyzacją banków

Historia pokazuje, że im później przeprowadzane jest resolution, tym koszty tego procesu są wyższe. Gdyby zaszła potrzeba, jesteśmy gotowi do działania – mówi Piotr Tomaszewski, prezes Bankowego Funduszu Gwarancyjnego.

Publikacja: 13.09.2021 21:00

### Translation: BFG President: Bank Resolution Cannot Be Delayed

History shows that the later a resolution is carried out, the higher the costs of the process. If the need arises, we are ready to act, says Piotr Tomaszewski, President of the Bank Guarantee Fund.

Published: 13 September 2021, in Rzeczpospolita online daily newspaper

<sup>6</sup> If *resolution* plans are not implemented in practice, the BFG has the right to intervene in the operation of financial institutions in the interest of financial system stability.

resources. To this end, special resolution funds were created in the BFG, which are financed separately by contributions from banks and credit unions. Initially, they were fed with funds from the BFG's existing stabilisation fund and reserve fund. The target level of funds for financing the resolution of banks and investment firms was set at 1.2 per cent of the amount of deposits covered by guarantees in banks, investment firms and branches of foreign banks. Assistance from this fund may consist in providing:

- guarantees to fully or partially cover losses related to the assets and liabilities taken over and/or
- subsidies to cover the difference between the value of the liabilities taken over and the value of the assets taken over.

By 2025, the BFG had carried out four processes of resolution. These concerned two cooperative banks (Podkarpacki Bank Spółdzielczy in Sanok and Bank Spółdzielczy in Przemków) and two commercial banks – Idea Bank SA and Getin Noble Bank SA.

### Podkarpacki Cooperative Bank in Sanok

At the end of 2019, the deteriorating financial situation of Podkarpacki Bank Spółdzielczy, based in Sanok (PBS), has led to the likelihood of a resolution process by the BFG. An estimate performed by PWC Advisory sp. z o.o. sp.k. showed that the entity's assets were insufficient to meet its liabilities and that the amount of negative equity was PLN 182 857 669. Furthermore, there was no indication that supervisory action or the bank's own actions would remove the threat of insolvency in a timely manner. Although the bank did not have a significant market share in the domestic banking sector, it was one of the largest cooperative banks, also locally significant (it operated mainly in the Podkarpackie voivodship through a network of 52 branches and subsidiaries). The bank was also not a member of any *Institutional Protection Scheme (IPS)* and its bonds had been listed on the Warsaw Stock Exchange since 2010. In these circumstances, the Fund considered that due to the high level of local government deposits, which are not covered by BFG guarantees in the event of failure, a resolution was in the public interest. This was to be the first resolution process in Poland and one of the few in Europe. There was no interest in the banking market to take over this bank, mainly because of the ownership structure of PBS.

15 January 2020. The BFG issued a decision to start the resolution of Podkarpacki Bank Spółdzielczy, and on 17 January the Fund took control of the bank and appointed an administrator. The resolution of the bank was carried out using the bridge bank tool – Bank Nowy BFG SA. Bank Nowy BFG SA was established after obtaining approval from the FSC with a capital of PLN 100 million. The organisation of such an institution “quickly, quietly and effectively” with the exclusion of certain provisions for banks is regulated by specific provisions of the BFG Act. Thanks to previously developed procedures between the BFG and the KNF, relevant applications were prepared and the KNF granted its consent, specifying the amount and timing of the exemption of the relevant provisions (e.g. with regard to funds). The segregated part of PBS covering, inter alia, all deposits of retail customers, micro-enterprises and SMEs was transferred to Bank New BFG SA.

In accordance with the regulations, losses resulting in a decrease in the equity of PBS to PLN (-) 182 857 669 were covered by the redemption of equity instruments in the form of cooperative members’ shares and bonds. In addition, due to the bank’s situation, it was necessary to allocate 43% of the funds from categories 4 and 3 of the then insolvency law to cover the losses by leaving them with the bank. Unfortunately, these categories also included deposits – e.g. of local government units, hospitals, churches, foundations and large companies, among others. According to the BFG Act, local governments are not covered by deposit guarantees.<sup>7</sup>

The Fund took control of PBS and appointed an administrator to exercise management on behalf of the BFG. In addition, the Fund had to suspend the operations of PBS in order to carry out the process of demerger and transfer of assets and liabilities to the bridge bank. During the period of suspension, the bank had no operational activities. PBS’ customer service was temporarily suspended, which meant an interruption in the bank’s online and mobile banking services and branches, and PBS’ cards and ATMs were not operational. Customer service was scheduled to resume on Tuesday 21 January 2020, but online banking was already operational on Monday evening. The resumption of operations was subject to high operational risk. And although the Fund had prepared very well for the process, there were concerns about whether

---

<sup>7</sup> It should be noted that after a few months, local government units received funding from a special reserve of the Ministry of Finance.

it would be possible to get all the bank's services up and running in a short period of time. The concerns related both to the bank's IT infrastructure and to the cooperation with the commercial bank for the implementation of payment services. All formal and technical issues were resolved, and as planned, as of 21 January, customers started to be served again, they gained access to their savings through online banking and mobile application, branch operations were launched, and the use of the bank's cards and ATMs was unblocked.

This was the first resolution process in Poland and the level of knowledge of bank customers both about the process itself, its possible consequences and the role of the BFG was low. Therefore, long queues of bank customers lined up at the bank's branches after the bank resumed operations. In the first week, a significant portion of PBS deposits were withdrawn, but thanks to effective communication efforts, the situation was brought under control and the bank continued to operate without major problems.

After addressing the most important ongoing issues related to the operation of the New BFG Bank, the Fund continued to work on its sale. According to the BRRD and the BFG Act, a bridge institution is limited to a maximum of three years of operation. The EC also indicated in the EC Programme that the bridge institution should be sold by the end of January 2022 at the latest, and if it is not sold within this period, it will go into liquidation. In February 2020. The BFG, together with the FSC, selected a potential list of 23 entities (12 commercial banks and 11 cooperative banks) that could acquire Bank New BFG. However, the COVID-19 outbreak complicated the sale of the bank, and it became necessary for the EC to extend the deadline for the transaction by a further six months.

On 27 October 2021. The Bank Guarantee Fund signed an agreement for the sale of 100% of Bank Nowy BFG SA's shares. The majority stake (72%) was acquired by Wielkopolski Bank Spółdzielczy operating as neoBANK, with the remaining shares acquired by 7 other entities. The amount of the transaction was PLN 100 million, which is the amount that the BFG contributed as equity capital to the bridge institution. At the end of 2023, the bank's balance sheet total was approximately PLN 3 billion and the capital adequacy ratio was at 18.87%. On 1 January 2024, the banking business of Wielkopolski Bank Spółdzielczy (neoBANK) was transferred to Bank Nowy S.A., which operates efficiently in the Polish market and has 13 branches throughout Poland.

## Cooperative Bank in Przemków

The second resolution involved Bank Spółdzielczy w Przemkowie with a balance sheet total of PLN 111 million, whose equity level was negative and indicated the threat of bankruptcy. The bad situation of the Bank was confirmed by Deloitte Advisory sp. z o.o. sp.k. in its first estimate. The BFG initiated a resolution of the Bank on 30 April 2020. The process was implemented using the tool of sale of BS in Przemków business to SGB-Bank SA<sup>8</sup>. The takeover took place on 2 May 2020, while earlier, in accordance with the Fund's decision, subordinated liabilities and shares were written off to cover the loss. This time, e-banking and customer cards continued to operate uninterrupted under the existing rules, and all deposits were safe, i.e. not redeemed. Due to the cooperative structure, the Bank became a Branch of SGB Bank S.A. and customers were served at the SGB Bank S.A. Branch in Przemków and its branches.

All loans granted by BS in Przemków were transferred to SGB Bank S.A., with the inclusions indicated in the decision. Due to the magnitude of the loss, the transaction was financially supported by the SGB Co-operative Protection System and the Bank Guarantee Fund (BFG) within the framework of the programme of resolution of co-operative banks and small commercial banks<sup>9</sup>. The BFG's support from the guarantee funds amounted to PLN 81,660,000.

In this resolution process, the Fund exercised the right provided for in the BRRD Directive as well as in the BFG Act, i.e. the right to amend the terms of the agreement. The decision was to change the unfavourable terms of the legal services agreement, which was significant from a cost perspective. An additional risk associated with the process was the COVID-19 pandemic period, which involved the need to respect orders and restrictions related to the pandemic itself during the process.

---

<sup>8</sup> SGB-Bank SA in Poznań acts as the associating bank in the Co-operative Banking Group. It has total assets of over PLN 20 billion.

<sup>9</sup> EC, *State Aid SA.56141 (2020/N) – Poland Fourth prolongation of the resolution scheme for cooperative banks and small commercial banks*, [https://ec.europa.eu/competition/state\\_aid/cases1/202022/283973\\_2159641\\_112\\_2.pdf](https://ec.europa.eu/competition/state_aid/cases1/202022/283973_2159641_112_2.pdf) (accessed 11.05.2025).

## Idea Bank SA

Idea Bank SA's board of directors had already informed the FSA on 18 March 2019 that there was an indication of a threat of insolvency, and on 28 December 2020. The FSA confirmed the bank's bankruptcy threat status and the lack of indications that the supervisor's feasible actions or the entity's private actions would remove the threat in due time. The poor capital situation of Idea Bank was later confirmed by the first estimate prepared by the independent firm PwC Advisory sp. z o.o. sp.k. – capitals were at minus PLN 482.8 million. In the process of searching for a potential acquirer, the BFG made enquiries to six commercial banks with strong balance sheet positions that could take part in a possible takeover process. The BFG received a takeover offer from Bank Pekao SA.

At the end of 2020, the BFG decided on the resolution of Idea Bank and the use of its takeover vehicle. Bank Pekao SA became the acquiring entity and, as of 3 January 2021, took over Idea Bank SA's business to the extent of all property rights, excluding property rights and liabilities indicated in the BFG's decision of 30 December 2020, which included claims related to the distribution of GetBack bonds, investment certificates issued by Lartiq (formerly Trigon) or life insurance with UFK. The consideration for the acquired bank was paid by taking over its liabilities, and as the valuation indicated that the value of the liabilities taken over exceeded the value of the asset rights taken over, the difference was covered by the BFG in the form of grant support.

In connection with the acquisition of Idea Bank on 3 January 2021, Bank Pekao took over the 500 people working there, who became employees of Bank Pekao under the terms of Article 23 of the Labour Code. In November 2021, Bank Pekao completed the migration of over 270,000 customers (individual and corporate) of the acquired bank to its IT systems.



## Getin Noble Bank SA

The fourth, and also the largest and most complicated, resolution process involved Getin Noble Bank SA (GNB). This bank had been recording losses for several years (Table 2).

**Table 2. Capital adequacy measures of Getin Noble Bank SA before the resolution process (in %)**

Specification	31.03. 2022	30.06. 2022	Pillar I requirement (under CRR)	CRR requirement Pillar I + II	Pillar I (under CRR) + Pillar II requirements + buffers + P2G
Common Equity Tier 1 ratio	0.14	0.29	4.5	5.26	11.33
Tier 1 capital ratio	0.14	0.29	6.0	7.02	13.09
Total capital ratio	0.92	0.94	8.0	9.36	15.43

Source: own compilation based on BFG data.

The bank's shares had been listed on the Warsaw Stock Exchange since 2016, over time the bank's share price had been below its nominal value (PLN 2.73), and on 31 August 2022 the bank's share price was PLN 0.16, or less than 6% of its nominal value. The bank had subsidiaries and was part of the Getin Holding Capital Group, which also operated in the banking sector under Idea Bank SA in Romania and outside the European Union in Belarus.

29 April 2022. The bank publicly announced the occurrence of an indication of bankruptcy risk (Table 3). GNB was the tenth largest bank in Poland, with a market share in terms of deposits of around 2.2%. It had 39.5 billion customer funds deposited with it, and its failure could have had a very negative impact on the stability of the Polish banking sector. Conducted by Deloitte Advisory sp. z o.o. sp.k. an estimation of GNB's assets and liabilities showed that the bank had negative equity of PLN – 3.6 bn, which meant that its assets were insufficient to cover its liabilities. Therefore, the premise of the threat of bankruptcy was met.



**Table 3. Characteristics of Getin Noble Bank S.A. before the resolution process**

Specification	2020	2021	2022 (31.03.)
Total assets (PLN m)	50 092	48 197	44 680
Total equity (PLN m)	2 007	629	544
Total loans and borrowings (PLN m)	34 249	33 125	32 493
Net income (PLN m)	(567)	(1 059)	22
Branches/franchise outlets (number)	315 / 142	254 / 89	221 / 86
Employees (in Poland) (number)	3 700	3 062	2 829
Share of non-performing loans in total loans (%)	19.8	17.9	18.5

Source: own compilation based on BFG data.

In March 2022. The BFG sent a letter to numerous entities (domestic and foreign commercial banks, and investment funds) asking for expressions of interest in participating in the takeover of GNB or its business in the event of a threat of bankruptcy. Positive responses were received from eight entities, but these were not accepted. The bids were rejected primarily because the total amount of support from the BFG needed to cover the loss was higher than the estimated support from the BFG if a bridge institution was set up. Another important reason was the legally unacceptable structure of the takeover transaction expected by the potential buyer in terms of exclusions from its scope. The BFG decided to create a bridge bank, which was authorised by the FSC. The BFG contributed capital to the bridge bank in the amount necessary to meet the minimum regulatory capital requirements set for the bank by the FSC.

On 30 September 2022. The BFG started the resolution of Getin Noble Bank SA, whose activities were transferred on 3 October 2022 to a bridge institution, ultimately operating under the name VeloBank SA. Amongst others, all deposits, as well as loans in PLN, were transferred to this institution, while mortgage loans denominated or indexed to foreign currencies (CHF, EUR, USD, JPY) were excluded from the transfer.

In order to use the BFG Resolution Fund for loss absorption, shareholders, subordinated creditors and holders of other eligible liabilities (subject to statutory exceptions) must contribute to absorb losses and recapitalise the resolution institution in an amount of no less than 8 per cent of total liabilities, including the bank's own funds. This can be achieved by bail-in in accordance with Article 59 BRRD or by other means in accordance with Article 44(5)(a) and Article 101 BRRD, which in the case of Getin Noble Bank was achieved by bail-in of the bank's share capital and subordinated debt in its entirety, and in addition, the System for the Protection of Commercial Banks (SOBK)<sup>10</sup> made a financial contribution to the bank, thereby increasing the value of the funds available to cover losses.

As the value of the liabilities transferred from GNB to the bridge bank was higher than the value of the assets transferred, the BFG provided a subsidy from the resolution fund and the deposit guarantee scheme. In addition, SOBK purchased 49% of the bridge bank's shares from the BFG. At the same time, the BFG retained control of the bridge bank.

The total amount earmarked to stabilise the situation and cover GNB's losses was PLN 10.34 billion, of which PLN 6.87 billion came from BFG funds in the form of:

- furnishing the bridge institution with capital in the amount of PLN 357 million,
- a subsidy to the bridge institution from the banks' resolution fund in the amount of PLN 5.92 billion and a subsidy from the banks' guarantee fund in the amount of PLN 596 million,
- the provision of a guarantee to cover losses arising from the risks associated with selected GNB property rights transferred to the bridge institution.

In addition, PLN 3.47 billion came from SOBK resources, which did not constitute state aid (including PLN 3.127 billion in the form of support and PLN 343 million in the form of the acquisition of 49% of the shares in the bridge institution).

---

<sup>10</sup> The System for the Protection of Commercial Banks (SOBK) is a joint stock company established by the eight largest commercial banks in Poland under the provisions of the Banking Law. Its purpose is to support the financial security of its participants and customer funds and the stability of the banking sector by supporting the Bank Guarantee Fund's resolution and bank takeovers.

The Fund cooperated throughout the process with the European Commission, whose approval was necessary for the granting of state aid and, given the size of GNB, it had to be an individual notification. The compatibility of the support provided by the Fund as part of GNB's resolution process with the Community rules governing State aid was confirmed by the European Commission in its decision of 1 October 2022. State aid SA.100687 (2022/N) – Poland, Liquidation aid for Getin Noble Bank S.A. under resolution (European Commission Decision, EC Decision). The resolution process did not require the redemption of deposits and therefore there was no need to suspend the bank's operations. The resolution process ran smoothly and the bank's customer service, including access to its own funds, was uninterrupted and uninterrupted (as in the case of Idea Bank and BS in Przemków).

The resolution designed in this way made it possible to protect all customer deposits in the amount of PLN 38.1 billion (including PLN 3.3 billion of deposits that could not be paid out under the BFG guarantee in the event of bankruptcy), but required a large financial support.<sup>11</sup>

In June 2023, the sale process of VeloBank SA was publicly announced, in line with commitments to the European Commission. The Fund, after analysing feasible scenarios for potential solutions that would increase the likelihood of the sale of the bank and minimise the involvement of public funds, spun off the leasing receivables portfolio and issued on 27 October 2023 administrative decision on the application of the asset separation tool regarding property rights from VeloBank SA and their transfer to the Podmiot Zarządzający Aktywami SA (PZA), an asset manager.<sup>12</sup> BFG applied the asset separation tool for the first time, which was agreed with the European

---

<sup>11</sup> The European Commission on 8 November 2022 approved the selection of Mazars to become the Monitoring Trustee. In addition, the BFG was required to select a transaction advisor – which was J. P. Morgan.

<sup>12</sup> PZA is a subsidiary of the Bank Guarantee Fund, to which all of VeloBank's property rights and liabilities related to the agreements linking VeloBank to the leasing companies indicated in the decision were spun off. In accordance with the terms and conditions set out in the Fund's decision for the settlement of the transfer of the leasing receivables portfolio to PZA, on 30 November 2023, PZA issued 10 series of bonds in PLN and EUR (corresponding to the term and currency structure of the transferred portfolio) with a total value of PLN 5.8 billion, which were subscribed by VeloBank SA. The bond issue was covered by a repayment guarantee from the BFG. The nominal value of the guarantee (which replaced the loss coverage guarantee) amounted to PLN 6,150,000,000.00, while the gross aid value was PLN 111,200,000.

Commission, which in this respect issued an addendum to the decision notifying the previous state aid.

On 29 March 2024, a subsidiary of Cerberus Capital Management, L.P. (Cerberus) signed a preliminary agreement to acquire 100% of the shares of VeloBank SA.<sup>13</sup> The agreement followed an open, transparent, non-discriminatory and competitive sale process. The finalisation of the transaction was conditional on Cerberus obtaining all necessary regulatory approvals, including from the Financial Supervision Commission. The Bank Guarantee Fund on 1 August signed the final agreement for the sale of 100% of the shares in VeloBank SA to Promontoria Holding 418 B.V.<sup>14</sup> The final purchase price of the shares amounted to PLN 375 million, while the recapitalisation of the Bank by the purchaser amounted to PLN 687 million. With the signing of the agreement, VeloBank ceased to be a bridge institution and Poland fulfilled all its obligations towards the EC, which were closely followed by Mazars, the monitoring trustee. The nearly two-year-long process of resolution of GNB was thus completed. All activities of the Bank Guarantee Fund were conducted in consultation with the other members of the financial safety net, i.e. the Polish Financial Supervision Authority, the Ministry of Finance and the National Bank of Poland.

The management of the Getin Noble Bank S.A. crisis, which was the most complex case of resolution, not only in Poland but probably in the EU, made it possible to protect all depositors. The cooperation of the national safety net authorities with the support of the largest commercial banks (which formed the SOBK) under the supervision of the European Commission made it possible to preserve the stability of the banking sector, avoiding the disbursement of covered deposits in the amount of approximately PLN 36 billion and indirectly protecting all taxpayers.

---

<sup>13</sup> Cerberus offered a total investment of PLN 1,075 million, consisting of a PLN 375 million share purchase price and a PLN 700 million recapitalisation to meet the bank's regulatory capital requirements (subject to adjustments).

<sup>14</sup> Promontoria Holding 418 B.V. is indirectly owned by Cerberus Capital Management, L.P., the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC).

## Summary

An alternative to GNB's resolution process, but also to other previous resolution processes, is bankruptcy for the bank. In any resolution process, the first and second valuations are supplemented by Valuation 3, which is prepared after the decision on resolution has been taken. Valuation 3 indicates whether the institution's creditors will suffer a greater loss as a result of the resolution than if the institution had been declared bankrupt. Independent analyses show that in the processes carried out by the BFG, none of the creditors has been satisfied to a lesser extent than it would have been satisfied in bankruptcy proceedings conducted in a situation where, on the date of the decision to initiate a resolution, the court had issued a decision declaring the debtor



### Translation: Special unit for resolutions

The Bank Guarantee Fund (BFG) has experience that many of its European counterparts cannot boast of – it has already carried out four resolutions. In an interview, President Maciej Szczęsny talks about the nuances of the latest one, concerning Getin Noble, as well as about “fire drill” exercises in banks designed to prepare them for potential crises, and about the first strategy in the 30-year history of BFG.

bankrupt. This is the so-called, *no creditor worse off*<sup>15</sup> principle implemented in the BRRD and the BFG Act.

Resolution processes ended either with the declaration of bankruptcy of the residual entities (Idea Bank SA and Bank Spółdzielczy in Przemków), or, when bridge bank tool is applied – with the date of its sale (Podkarpacki Bank Spółdzielczy in Sanok and Getin Noble Bank SA).

**Table 4. Resolution processes carried out in Poland in the years 2020–2022**

Name of bank	Tool resolution	Assets as at date of decision (PLN million)	Date of resolution
Podkarpacki Cooperative Bank in Sanok	Bridge institution	2 904	17.01.2020
Cooperative Bank in Przemków	Sale	75	29.04.2020
Idea Bank SA	Sale	14 006	31.12.2020
Getin Noble Bank SA	Bridge institution	40 993	30.09.2022

Source: own compilation based on BFG data

The Fund also participates in insolvency proceedings as a creditor for the incurred costs of the resolution not covered by the proceeds of the resolution. The Fund's claims under this title are satisfied after the costs of the proceedings have been covered, but before other liabilities and listed claims have been satisfied.

All processes have been carried out in a way that has not led to any deterioration in the situation of the entities participating in these processes as transferees, despite the fact that the transferees were on the brink of insolvency.

The BFG has unique experience in preparing for and implementing resolution processes using three of the four tools provided by the legislator<sup>15</sup>. The resolution processes carried out so far have allowed the BFG to draw

<sup>15</sup> This applies to Europe, as the FDIC, which conducted 512 P&A processes and 8 processes using a bridge institution between 2000 and 2025, undoubtedly boasts more experience.

lessons that will enable it to better prepare for possible future processes. The most important of these are:

- a key success factor of the resolution process is the uninterrupted access of customers to the services of the bank under resolution,
- the use of the sale of business tool is a much more effective resolution tool compared to a bridge institution,
- the redemption of deposits or the suspension of a bank's activities may result in a loss of public confidence in further resolution processes,
- in situations where banks are funded by deposits and there are insufficient MREL instruments to fund resolution, other sources of funding should be available to avoid deposit redemption,
- in order to carry out a smooth resolution process using funding as state aid, it is advisable to start working with the European Commission at a very early stage,
- an effective resolution process requires efficient and trust-based cooperation with market infrastructure institutions and other members of the safety net,
- identification of key staff within the bank and their availability and motivation is crucial, but internal capacity building (dedicated task force with the necessary seniority and broad competences) is equally important,
- implementation of the resolution process takes time (preparation of valuation and negotiations with buyers),
- operational preparation is extremely important – operational and technical systems should be tested and prepared for the implementation of the transfer strategy,
- a communication strategy is very important.

In 2023, the Bank Guarantee Fund was designated as the resolution authority of the CCP.<sup>16</sup>

---

<sup>16</sup> Act of 14 April 2023 amending the Act on Investment Funds and Management of Alternative Investment Funds, the Act on Bonds, the Act on the Bank Guarantee Fund, the Deposit Guarantee System and Coercive Resolution and certain other acts (Journal of Laws 2023, item 825). The tasks of the Fund as the resolution authority for CCPs are set out in Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020. on a framework for the recovery and resolution of central counterparties and amending Regulations (EU) No 1095/2010, (EU) No 648/2012, (EU) No 600/2014, (EU) No 806/2014 and (EU) 2015/2365 and Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132 (OJ L 22, 22.01.2021).

In connection with the implementation of the assigned tasks, the Fund has established a Resolution College for KDPW\_CCP S.A. (the only authorised CCP in Poland). The purpose of the College's activities is to provide the Fund with a framework for the implementation of such tasks as:

- exchange of information relevant to the preparation of resolution plans for CCPs and the preparation of these plans,
- assessing the feasibility of effective resolution of CCPs,
- identifying, mitigating and removing impediments to the possible resolution of CCPs,
- coordinating the communication of resolution plans and strategies for CCPs to the public.

Compiled by Joanna Smolarek



## ANALYTICAL ACTIVITIES

In order for the Bank Guarantee Fund to carry out the basic tasks for which it was established, it is necessary to have information on the current state and development trends of the institutions that are the Fund's focus of interest, i.e. individual banks, credit unions, investment firms, as well as the banking sector as a whole together with the macroeconomic environment. This is necessary first and foremost in order to prepare in good time for potential resolution measures or the payment of covered deposits to depositors. In other words, it is a matter of determining the scale of financial resources necessary to meet guarantee obligations and to provide sufficient financial support in critical situations affecting individual institutions, and thus, to safeguard the stable functioning of the financial system.

The recommendations on the collection and use of information for the fulfilment of the Fund's tasks in the first Act on the BFG of 1994 were oriented, so to speak, to the past – they were defined in a general way as “*collecting and analysing information on entities covered by the guarantee system*”<sup>1</sup>, i.e. on domestic banks and branches of foreign banks. In 2008, the orientation of the analyses was expanded both temporally and in terms of subjects. The legislator included among the tasks of the Fund also the “*preparation of analyses and forecasts concerning the banking sector*”<sup>2</sup>, later the analytical and forecasting activity was extended to the sector of credit unions. This extended scope was

---

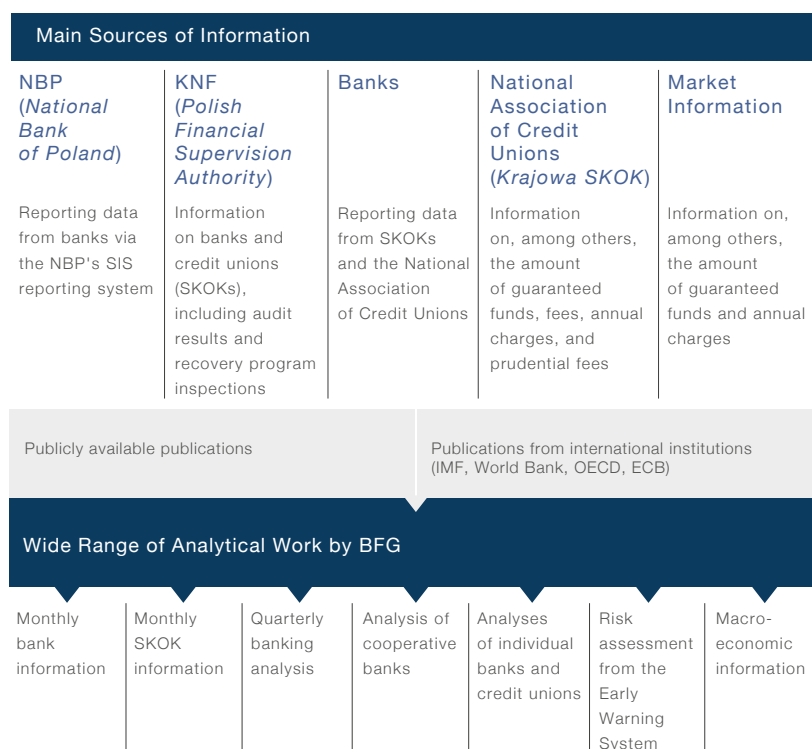
<sup>1</sup> Act of 14 December 1994 *on the Bank Guarantee Fund*, Article 4, paragraph 1, item 3 (Journal of Laws 1995, No. 4, item 18).

<sup>2</sup> Act of 23 October 2008 amending the Act on the Bank Guarantee Fund and amending other acts, Article 1, paragraph 5c (Journal of Laws 2008, No. 209, item 1315).

regulated by law as “collecting and analysing information on entities covered by the guarantee scheme and on mortgage banks, in particular with a view to developing analyses and forecasts concerning the banking and credit union sector and individual banks and credit unions”<sup>3</sup>.

The primary objective of the Fund’s analytical activities is primarily to assess the current financial situation and the possible development of the situation of the banking sector and individual banks, the SKOK sector and individual credit unions, as well as the sector of investment firms, enabling early identification of entities with a deteriorating economic and financial situation and conditioning the Fund to take necessary actions (corrective or restructuring) in cooperation with the Financial Supervision Commission and other institutions within the financial safety net.

**Scheme 1. Scope of analytical work of the BFG**



Source: 2013 Annual Report.

<sup>3</sup> Article 5, section 1, item 6, Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee scheme and forced resolution, Dz. U. 2016, item 996 as amended.

## Sources of information

The analytical tasks of the BFG are carried out on the basis of the statutory right of access to information on banks obtained from the NBP, the FSC and the banks themselves, included in both the 1994 Act and the current Act on the BFG. This provides ample opportunity to make independent and independent analyses of the economic and financial situation of individual entities and to assess existing and potential risks in their operations.

Detailed issues of access to data are regulated by individual agreements concluded by the Fund with the National Bank of Poland and the Polish Financial Supervision Authority, which define the scope of the Fund's access to reporting data provided by individual banks for the needs of monetary statistics and the assessment of the financial situation of banks and banking sector risk within the SIS reporting system (Reporting Information System implemented in 2009)<sup>4</sup>. The agreement signed with the NBP gives the Fund, among other things, direct access to the SIS Portal, the functionalities of which enable the downloading of banks' financial statements under individual analytical lines from the applicable reporting packages, including FINREP and COREP. In turn, the agreement between the Polish Financial Supervision Authority and the Fund provides for cooperation between the two institutions involving the exchange of information for the purpose of carrying out statutory tasks. Thanks to this agreement, the Fund obtains, inter alia, information on banks and SKOKs not included in the reports, the results of BIONs, audits and inspections, the implementation of corrective actions, as well as the reporting data of credit unions and the National SKOK. These agreements are subject to regular updates in the wake of changes in bank reporting resulting from the need to meet the evolving requirements of accounting standards, regulatory micro- and macro-prudential standards and parallel changes in the scope and formats of financial statements. An additional benefit is access to unpublished analytical materials developed at the NBP and the FSA.

---

<sup>4</sup> The current legal status in this respect is established by Resolution No. 38/2023 of the Management Board of the National Bank of Poland of 4 July 2023 on the procedure and detailed rules for banks to provide the National Bank of Poland with the data necessary to determine the monetary policy and periodic assessments of the monetary situation of the state and to assess the financial situation of banks and risks in the banking sector (Official Journal of the National Bank of Poland 2023, item 12).

In addition, the Fund obtains directly from banks the information necessary for calculating contributions concerning, inter alia, the value of funds covered by guarantee protection and the value of covered deposits, while the National SKOK is obliged to provide analogous information for the individual credit unions. The scope, timing and procedure of providing this information is regulated by a regulation of the Minister of Finance<sup>5</sup> issued pursuant to Article 330, section 7 of the BFG Act (prior to its entry into force, these issues were regulated by orders of the President of the NBP).

Additional direct information obligations imposed on commercial banks, banks associating cooperative banks, the National SKOK and investment firms result from an Ordinance of the Minister of Finance defining the detailed scope, procedure and deadline for providing the Fund with information necessary for the development, update and evaluation feasibility of resolution plans and group resolution plans.<sup>6</sup>

Another important source is financial market information, obtained from the Reuters system, publicly available statistical and analytical publications of international financial institutions (IMF, World Bank, OECD, ECB, EBA) and national institutions (CSO, NBP, KNF, BIK, ZBP).

## The Fund's analytical system

The analytical system of the Bank Guarantee Fund is constantly developed and modified, supporting the decision-making processes of the Fund's bodies by providing cyclical and occasional information on the situation of the banking sector and its individual institutions, as well as on the activity of the Fund itself. The system comprises three main components:

- an early warning system,
- an individual assessment system,
- cyclical sectoral and macroeconomic analyses.

---

<sup>5</sup> Ordinance of the Minister of Finance of 9 July 2019 on the detailed scope, procedure and deadlines for providing the Bank Guarantee Fund with information other than that transmitted to the National Bank of Poland and to the Financial Supervision Authority, necessary for the performance of the tasks of the Bank Guarantee Fund (Journal of Laws 2019, item 1299).

<sup>6</sup> Regulation of the Minister of Development and Finance of 25 May 2017 on information necessary to develop, update and assess the feasibility of resolution plans and group resolution plans (Journal of Laws 2021, item 1124). The procedures, standard forms and charts used to provide this information derive directly from Commission Implementing Regulation (EU) 2016/1066 of 17 June 2016 laying down relevant implementing technical standards for credit institutions and investment firms (OJ L 181, 06.07.2016).

*Early Warning System.* The idea behind the Early Warning System (EWS) is a systematic (carried out on a quarterly basis) review of the financial situation of commercial and cooperative banks carried out on the basis of an established set of indicators and their scoring system, with a view to enabling the pre-emptive identification of potential cases of their insolvency. As a result, a sort of ranking list is created to enable the identification of banks at risk of insolvency. In the next stage, a system of individual assessment is incorporated: the worst banks are subjected to further, more in-depth analysis aimed at identifying the causes of the situation. This analysis uses, inter alia, BION assessments, the results of UKNF inspections and IPS audits, the status of implementation of corrective actions and other information – either provided by UKNF or publicly available in the form of reports and statements.

The first version of the EWS was constructed at the very beginning of the Fund's activity in 1996. It was based on a broad set of detailed indicators of key importance for assessment of a given aspect of the situation, scored taking into account the knowledge of the distribution of variability of the levels of particular indicators in the examined banks. On the basis of the detailed indicators, a so-called synthetic indicator was determined, characterising the economic condition of each bank by means of a single number, interpreted as a measure of the probability of bank failure. The final result was a ranking list of commercial banks determined according to the level of the synthetic indicator. For cooperative banks, for which the scope of reporting information was significantly limited, the early warning system was constructed in a simpler way, using the so-called single indicator discrimination method. The essence of this method is to establish a relationship between the level of the indicator and bank failure. In this way, it was possible to catch banks at risk of failure due to the similarity of the examined indicator for banks that had actually failed.<sup>7</sup>

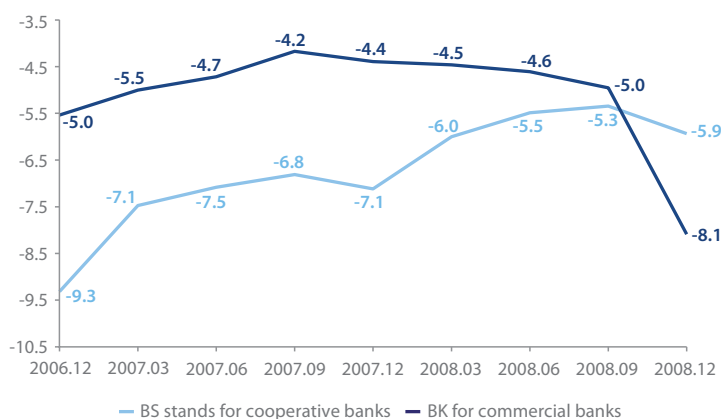
Several years of experience with an expanded set of indicators (43 indicators in total) made it possible in 2001 to simplify the rating model by eliminating

---

<sup>7</sup> Analyses of the situation of individual banks, prepared by the BFG's analytical team in 1999, showed that some banks are at risk of insolvency or could find themselves at risk of insolvency if they do not take remedial action. One bank where the risk of insolvency was particularly high was Bank Staropolski SA in Poznań. The BFG immediately focused on measures that would reduce the threat to the functioning of the banking sector in the event of this bank's insolvency.

correlated indicators: in the next version of the EWS, 13 assessment indicators were used, of which 4 indicators characterised efficiency, 3 – the quality of assets, 2 – the quality of off-balance sheet liabilities granted, and 4 – liquidity. Depending on the rating, banks were classified into a specific group of the hazard matrix (Chart 1).<sup>8</sup>

**Chart 1. Risk index in the banking sector in 2006–2008  
(at the time of the BFG)**



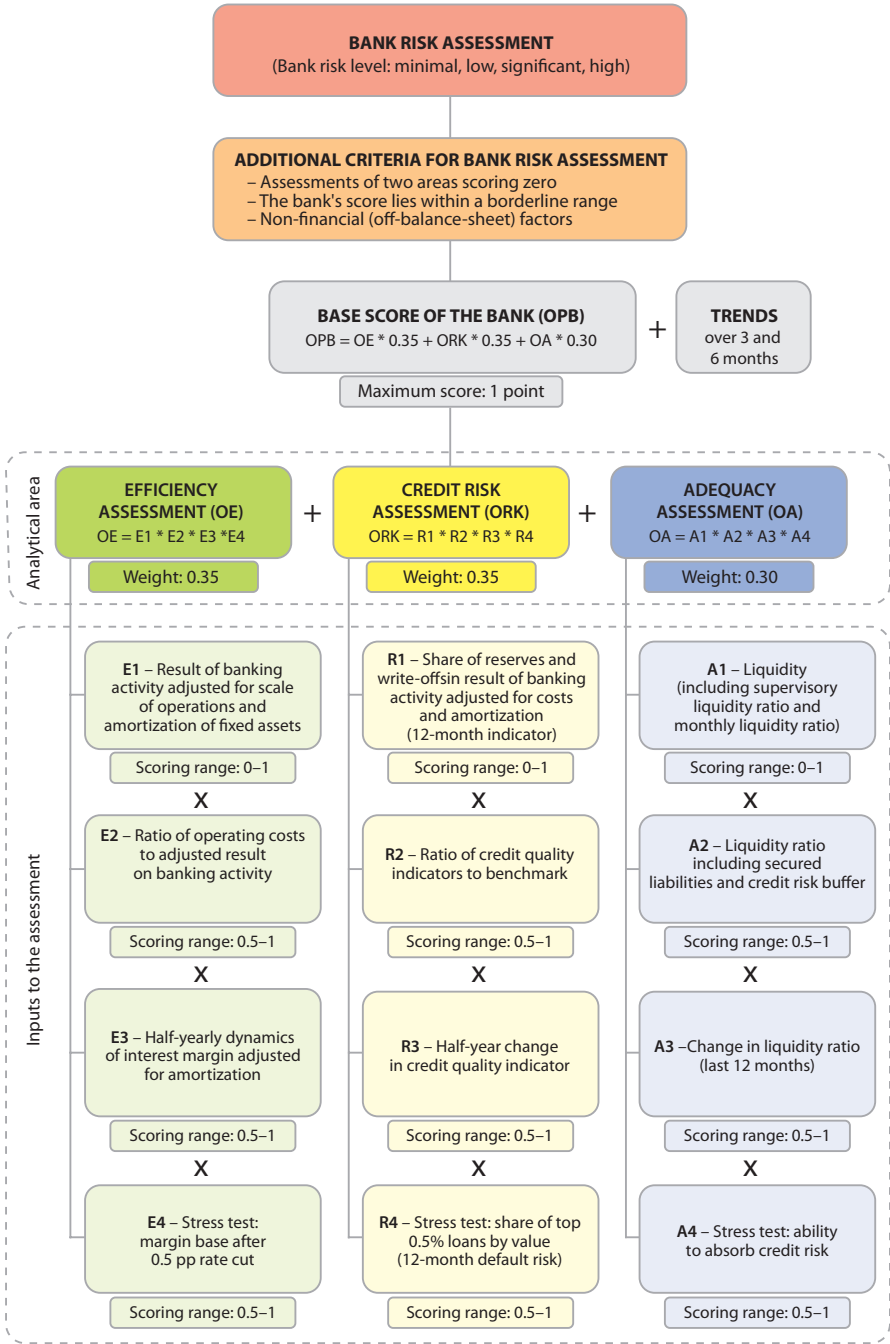
Source: 2008 BFG Annual Report, <https://www.bfg.pl/wp-content/uploads/raport-roczny-2008.pdf> (accessed 1.05.2025).

In turn, the implementation of the so-called Basel II and Basel III agreements and the expansion of supervisory requirements in terms of capital adequacy made it necessary to include this aspect of banks' activities in the model as well (Scheme 2).

In the current version of the EWS, three areas are assessed: efficiency, credit risk and capital adequacy. The combined assessment also takes into account non-reporting information on ongoing resolution proceedings.

<sup>8</sup> The hazard index presented a combined, standardised assessment of efficiency, solvency, asset quality and quality of off-balance-sheet liabilities granted, weighted by each bank's share of deposits in the banking sector. The hazard index was calculated separately for commercial and cooperative banks and was presented on a scale from 0 (no hazard) to 100 points (highest hazard). Changes in the index level reflected changes in the sector's risks.

Scheme 2. Early warning system model



Source: compiled by the Analysis and Treasury Department of the BFG, 2015.

At the same time, the EWS provides a picture of the overall situation of the banking sector and its development trends. On this basis, regular reports on the banking sector are prepared, which also take into account information on general economic developments and institutional changes in the sector. The reports and the results of the analyses are systematically presented and discussed at meetings of the Early Warning System Committee, whose tasks include assessing the economic and financial situation of banks and credit unions and its impact on the stability of the financial system.

The analysis of the economic and financial situation of individual entities covered by the guarantee system and the process of assigning ratings to banks within the EWS is supported by an integrated database and a dedicated IT system using a number of analytical tools developed at the Fund, often of a unique nature. A new EWS model based on current trends in banks' risk measurement approaches is under development. The emergence of new SIS NBP reporting packages and a significant increase in the scope of banks' mandatory reporting make it possible to expand the substantive scope of the EWS model, including, inter alia, the addition of a liquidity area and an increase in the number of stress tests. It is also planned to change the very concept of

rating banks. In addition to a layer assessing the current situation, i.e. standing, the new EWS model will also include an assessment of vulnerability to risk factors and a volatility assessment based on historical events.



### *Cyclical sector and macroeconomic analyses.*

Since 2013, the Fund has been preparing cyclical monthly materials on the situation of the banking sector, taking into account the specifics of commercial and cooperative banks as well as the SKOK sector<sup>9</sup>. The assessment

<sup>9</sup> In 2013, an analytical workshop was built to allow for ongoing monitoring and analysis of the economic and financial situation of credit unions. Particular emphasis was placed on the problems and risks associated with the SKOK sector and with the performance of individual SKOKs – in particular, the largest SKOK or SKOKs in which the FSA appointed receivers or initiated proceedings for the introduction of receivers, and whose own funds-to-assets ratio was below 1%, as well as general information on the balance sheet and profit and loss account of the National SKOK.



covers both the general situation and trends in its changes, as well as the condition of individual institutions whose solvency is, or may be in the future, at risk. Institutions identified as being at risk are subject to further in-depth scrutiny in the second stage of analysis. On a quarterly basis, the basic two-stage analysis described above using the EWS model is carried out, the aim of which is to identify existing and potential threats to the stability of the banking system.

The macroeconomic environment of the banking system and the financial market situation are also systematically analysed. Particular emphasis is placed on key external events affecting real processes and market changes taking place in Poland, affecting or likely to affect the stability of the banking sector, the demand of banks' customers for loans and deposits, and the market for debt financial instruments, which are an important component of the Fund's financial assets.

In 2016, the statutory scope of the analyses conducted by the Fund was extended and, in addition to the banking and SKOK sectors, investments were included in the catalogue of entities subject to analyses. The BFG has developed analytical tools (assessment model) to monitor the economic and financial situation of investment companies<sup>10</sup>. An important direction of analytical activity is the creation of bases for decisions taken annually by the BFG Council shaping the level of financial resources at the disposal of the Fund. Analytical work includes the monthly calculation and monitoring of the ratio of the security of covered deposits in banks and banks with the available financial resources of the BFG funds and the degree of achievement of the minimum and target levels of funds for the financing of the deposit guarantee scheme and the resolution. This implies the indispensability of knowing the current and projected size and structure of deposits and own funds, the size and structure of risk-weighted balance-sheet assets and off-balance-sheet liabilities, having forecasts of the development of the situation of the banking sector, in particular its financial performance, as well as potential guarantee liabilities of the Fund. In order to implement the regulations resulting from the EU DGSD

---

<sup>10</sup> The model for assessing investment firms includes a comprehensive analysis of the different areas of their business, i.e. capital adequacy, liquidity risk, investment risk, asset quality, funding structure and profitability. This tool makes it possible to identify those entities that are in an unfavourable economic and financial situation or show an increased risk of this situation deteriorating in the future.

## Scheme 2. Example of a monthly data overview of the banking sector

Profitability and efficiency ratios	YTD (PLN bn)					Changes y/y (PLN bn, p.p.)				Structure	
	2023.12	2024.02	2024.12	2025.01	2025.02	2024.02	2025.02	2024.02	2025.02	2024.02	2025.02
Net interest income	90,0	16,3	101,2	9,4	17,9	10,9%	1,60	9,7%	1,58	83,2%	83,9%
Net fee income	17,6	3,1	18,3	1,6	3,0	8,9%	0,25	-2,2%	-0,07	15,9%	14,3%
Trading income	3,6	0,5	3,0	0,3	0,6	-21,9%	-0,15	3,3%	0,02	2,7%	2,6%
Other income	-15,6	-0,4	-4,1	0,0	-0,2	-18,2%	0,08	-54,4%	0,20	-1,9%	-0,8%
<b>Total operating income</b>	<b>95,6</b>	<b>19,5</b>	<b>118,4</b>	<b>11,2</b>	<b>21,3</b>	<b>10,0%</b>	<b>1,78</b>	<b>8,8%</b>	<b>1,73</b>	<b>100,0%</b>	<b>100,0%</b>
Total expenses	40,0	8,3	44,3	5,3	9,1	8,4%	0,64	9,8%	0,81	42,4%	42,7%
Amortisation and depreciation	4,6	0,8	5,1	0,4	0,9	3,8%	0,03	7,8%	0,06	4,1%	4,0%
Net provision and valuation allowances	6,8	1,0	5,7	0,4	0,6	-21,7%	-0,28	-38,8%	-0,40	5,2%	2,9%
Net other income	5,4	0,0	10,8	0,1	0,5	193,5%	-0,02	-1943,3%	0,48	-0,1%	2,1%
Pre-tax profit	38,7	9,5	52,5	5,0	10,2	17,6%	1,42	8,1%	0,77	48,5%	48,1%
<b>Net profit or loss</b>	<b>25,9</b>	<b>7,0</b>	<b>40,2</b>	<b>3,8</b>	<b>7,7</b>	<b>19,0%</b>	<b>1,13</b>	<b>9,0%</b>	<b>0,64</b>		
commercial banks	21,2	6,1	35,3	3,2	6,7	22,6%	1,13	9,5%	0,58		
cooperative banks	4,8	0,9	4,9	0,6	1,0	-0,1%	0,00	6,2%	0,06		
ROA (%)	1,07	1,73	1,53	1,73	1,74			0,15	0,01		
ROE (%)	13,68	22,32	20,13	22,67	23,09			2,29	0,76		
Net interest margin (%)	3,71	4,00	3,86	4,30	4,05			0,08	0,05		
Fee income margin (%)	0,72	0,76	0,70	0,72	0,69			0,00	-0,08		
Cost-to-income ratio (%)	46,71	46,43	41,75	50,87	46,78			-0,90	0,35		

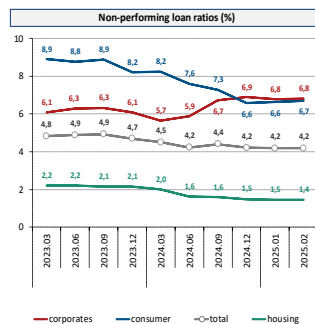
ratios based on YTD annualised data

Cost of risk - annual (%)	0,48	-	0,38	-	-
Cost of risk - quarterly (%)	0,46	-	0,29	-	-

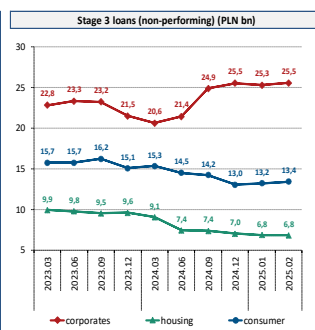
financial data for calculating the numerator of the cost of risk indicator are reported quarterly



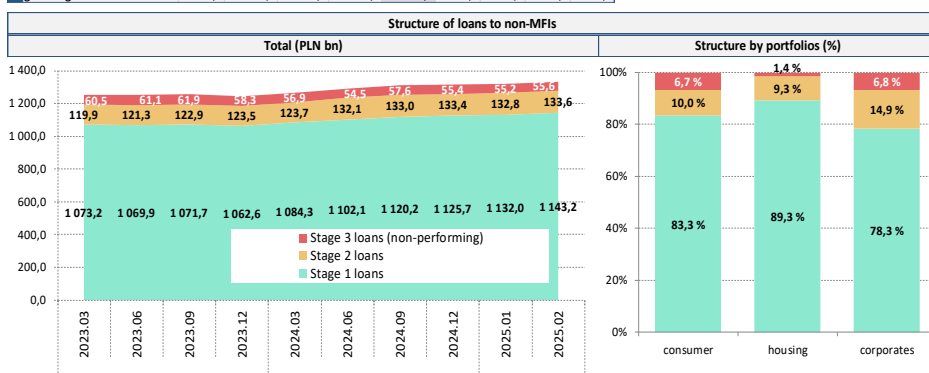
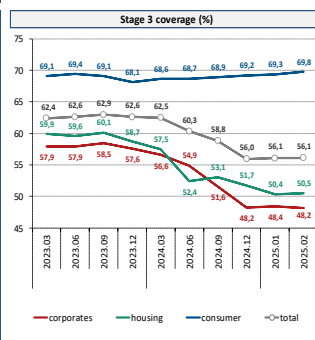
Asset quality	2023.12	2024.02	2024.12	2025.01	2025.02	Change (p.p.)		
	Non-performing loan ratios (%)					1m	2m	y/y
<b>Total</b>	<b>4,7</b>	<b>4,6</b>	<b>4,2</b>	<b>4,2</b>	<b>4,2</b>	<b>0,00</b>	<b>-0,04</b>	<b>-0,43</b>
commercial banks	4,6	4,5	4,1	4,1	4,1	0,00	-0,03	-0,42
cooperative banks	6,0	6,0	5,4	5,4	5,3	-0,07	-0,12	-0,68
PLN	4,7	4,6	4,1	4,1	4,1	-0,01	-0,01	-0,54
foreign currency	4,9	4,5	4,9	4,7	4,7	0,01	-0,17	0,21
<b>non-financial sector, including</b>	<b>5,3</b>	<b>5,2</b>	<b>4,8</b>	<b>4,8</b>	<b>4,8</b>	<b>0,03</b>	<b>-0,01</b>	<b>-0,38</b>
corporates	6,1	5,9	6,9	6,8	6,8	0,03	-0,07	0,96
large enterprises	3,3	3,2	6,9	6,8	6,9	0,06	0,01	3,68
SMEs	8,1	7,7	6,9	6,8	6,8	0,02	-0,11	-0,96
households	5,0	4,9	3,9	3,9	3,9	0,02	0,01	-1,06
individual entrepreneurs	16,4	16,6	15,1	14,9	14,9	-0,01	-0,12	-1,63
farmers	5,2	5,2	4,7	4,7	4,6	-0,05	-0,10	-0,59
individuals, including	4,0	3,9	3,0	3,0	3,1	0,02	0,01	-0,88
consumer	8,2	8,4	6,6	6,6	6,7	0,08	0,13	-1,71
housing	2,14	2,06	1,49	1,45	1,44	-0,01	-0,05	-0,61
PLN	1,44	1,41	1,24	1,22	1,22	-0,01	-0,02	-0,19
foreign currency	9,55	9,28	5,78	5,51	5,53	0,02	-0,25	-3,75
<b>non-monetary fin. inst.</b>	<b>0,6</b>	<b>0,6</b>	<b>0,3</b>	<b>0,3</b>	<b>0,3</b>	<b>-0,02</b>	<b>0,00</b>	<b>-0,32</b>
general gov. sector	0,3	0,2	0,4	0,4	0,4	-0,01	-0,02	0,15



	Stage 3 loans (Non-performing) (PLN bn)					(PLN bn)			Structure	
	2023.12	2024.02	2024.12	2025.01	2025.02	2023.12	2024.02	2024.12	2025.02	
total	<b>Total</b>	<b>58,3</b>	<b>58,0</b>	<b>55,4</b>	<b>55,2</b>	<b>55,6</b>	<b>0,5</b>	<b>0,3</b>	<b>-2,4</b>	<b>100,0</b>
	commercial banks	53,0	52,9	50,4	50,2	50,7	0,5	0,3	-2,1	91,2
	cooperative banks	5,3	5,2	5,0	4,9	4,9	0,0	-0,1	-0,3	8,8
	PLN	49,2	49,4	46,5	46,7	47,1	0,4	0,7	-2,3	84,7
	foreign currency	9,1	8,6	8,9	8,5	8,5	0,0	-0,4	-0,1	15,3
	<b>non-financial sector, including</b>	<b>57,4</b>	<b>57,2</b>	<b>54,9</b>	<b>54,6</b>	<b>55,1</b>	<b>0,5</b>	<b>0,2</b>	<b>-2,1</b>	<b>99,0</b>
	corporates	21,5	20,9	25,5	25,3	25,5	0,2	0,0	4,6	45,9
	large enterprises	4,8	4,7	8,9	9,0	9,0	0,1	4,3	16,1	
	SMEs	16,7	16,2	16,6	16,3	16,6	0,2	0,0	0,4	29,8
	households	35,8	36,2	29,2	29,2	29,5	0,2	0,2	-6,7	53,0
structure of the loan portfolio	individual entrepreneurs	9,0	9,2	7,2	7,2	7,3	0,1	0,1	-1,9	13,1
	farmers	1,7	1,7	1,6	1,5	1,5	0,0	0,0	-0,2	2,7
	individuals, including	25,1	25,4	20,5	20,5	20,7	0,2	0,2	-4,7	37,1
	consumer	15,1	15,6	13,0	13,2	13,4	0,2	0,4	-2,1	24,1
	housing	9,6	9,4	7,0	6,8	6,8	0,0	-0,2	-2,5	12,2
	PLN	5,9	5,9	5,5	5,4	5,4	0,0	-0,1	-0,5	9,8
	foreign currency	3,7	3,5	1,5	1,4	1,4	0,0	-0,1	-2,1	2,5
	<b>non-monetary fin. inst.</b>	<b>0,8</b>	<b>0,8</b>	<b>0,4</b>	<b>0,4</b>	<b>0,4</b>	<b>0,0</b>	<b>0,0</b>	<b>-0,4</b>	<b>0,8</b>
	general gov. sector	0,1	0,1	0,1	0,1	0,1	0,0	0,0	0,1	0,2



Structure of the loan portfolio	Stage 3 provisions (PLN bn)					(PLN bn)			Structure
	2023.12	2024.02	2024.12	2025.01	2025.02	2023.12	2024.02	2024.12	2025.02
<b>Total</b>	<b>36,5</b>	<b>36,5</b>	<b>31,0</b>	<b>30,9</b>	<b>31,2</b>	<b>0,3</b>	<b>0,2</b>	<b>-5,3</b>	<b>100,0</b>
commercial banks	33,0	33,0	27,6	27,5	27,8	0,3	0,3	-5,2	89,1
cooperative banks	3,5	3,5	3,4	3,4	3,4	0,0	0,0	-0,1	10,9
PLN	31,1	31,4	26,9	27,2	27,4	0,2	0,5	-4,0	87,8
foreign currency	5,4	5,1	4,1	3,7	3,8	0,1	-0,3	-1,3	12,2
<b>non-financial sector, including</b>	<b>36,0</b>	<b>36,0</b>	<b>30,9</b>	<b>30,8</b>	<b>31,1</b>	<b>0,3</b>	<b>0,2</b>	<b>-4,9</b>	<b>99,5</b>
corporates	12,4	12,0	12,3	12,2	12,3	0,1	0,0	0,3	39,4
large enterprises	2,9	2,7	3,5	3,6	3,4	-0,1	-0,1	0,7	11,0
SMEs	9,4	9,3	8,8	8,7	8,9	0,2	0,1	-0,4	28,4
households	23,5	24,0	18,5	18,5	18,7	0,2	0,2	-5,3	59,9
individual entrepreneurs	6,2	6,4	4,5	4,5	4,6	0,0	0,1	-1,8	14,7
farmers	1,1	1,1	1,0	1,0	1,0	0,0	0,0	-0,1	3,2
individuals, including	16,2	16,5	13,0	12,9	13,1	0,2	0,2	-3,4	42,0
consumer	10,3	10,7	9,0	9,2	9,4	0,2	0,3	-1,3	30,0
housing	5,6	5,5	3,6	3,4	3,4	0,0	-0,2	-2,1	11,0
PLN	3,0	3,0	2,7	2,7	2,7	0,0	0,0	-0,3	8,7
foreign currency	2,7	2,5	0,9	0,8	0,7	0,0	-0,2	-1,8	2,4
<b>non-monetary fin. inst.</b>	<b>0,5</b>	<b>0,5</b>	<b>0,1</b>	<b>0,1</b>	<b>0,1</b>	<b>0,0</b>	<b>0,0</b>	<b>-0,4</b>	<b>0,4</b>
general gov. sector	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1

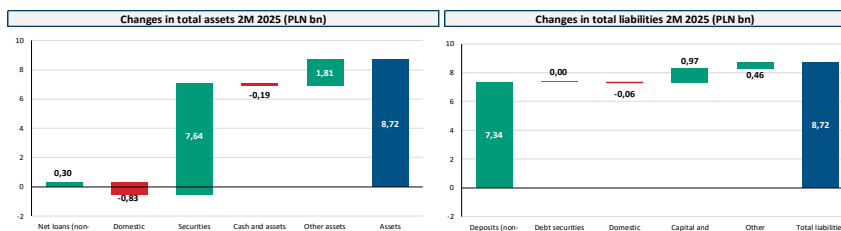


Source: compiled by the Analysis Department of the BFG

and BRRD directives, it also proved necessary to build risk models taking into account the specificities of the entities obliged to pay contributions and to consult them with the FSC, the National SKOK and the banking community. It also turned out to be necessary to formulate a strategy for the long-term accumulation of financial resources with an assumed relation to the BFG's guarantee obligations resulting from the size of deposits in the banking and SKOK sector, while taking into account that the burden on banks/assets of financing the deposit guarantee scheme should be bearable.

Scheme 3. Example of a monthly data overview of the cooperative banking sector

Cooperative banks													
	Total (PLN bn)					Changes (PLN bn, %)						Structure	
						Monthly		2 months		y/y			
	2023.12	2024.02	2024.12	2025.01	2025.02	2024.02	2025.02	2024	2025	2025.02	2024.02	2025.02	
TOTAL ASSETS	209,5	212,3	241,1	242,2	249,8	4,1	7,6	2,8	8,7	37,5	17,7%	100,0%	100,0%
Balance sheet													
Net loans (non-MFIs)	83,5	82,9	88,3	88,4	88,6	0,11	0,24	-0,61	0,30	5,73	6,9%	39,1%	35,5%
Domestic interbank market	41,3	38,7	42,7	39,9	41,8	-0,97	1,88	-2,62	-0,83	3,10	8,0%	18,2%	16,7%
Securities	64,2	69,2	83,8	85,9	91,5	4,90	5,52	5,01	7,64	22,24	32,1%	32,6%	36,6%
Debt instruments	62,4	67,6	82,2	84,3	89,8	4,90	5,50	5,20	7,64	22,23	32,9%	31,8%	36,0%
up to 1 year	36,7	41,8	54,1	55,9	60,6	4,65	4,71	5,05	6,49	18,77	44,9%	19,7%	24,2%
over 1 year	25,6	25,8	28,1	28,5	29,3	0,25	0,79	0,15	1,15	3,46	13,4%	12,1%	11,7%
Cash and assets with Central Bank	3,4	3,4	3,8	3,8	3,6	-0,14	-0,24	0,00	-0,19	0,22	6,7%	1,6%	1,4%
Other assets	17,1	18,1	22,5	24,1	24,3	0,16	0,23	0,99	1,81	6,23	34,4%	8,5%	9,7%
Deposits (non-MFIs)	183,6	185,9	211,2	211,5	218,5	3,51	7,04	2,22	7,34	32,67	17,6%	87,5%	87,5%
Debt securities issued	0,1	0,1	0,1	0,1	0,1	0,00	0,00	0,00	0,00	0,02	18,2%	0,0%	0,0%
Domestic interbank market	0,1	0,1	0,1	0,1	0,1	0,01	0,01	-0,01	-0,06	-0,05	-41,1%	0,1%	0,0%
Capital and reserves	22,2	22,9	26,7	27,3	27,7	0,47	0,45	0,69	0,97	4,85	21,2%	10,8%	11,1%
Other liabilities	3,5	3,4	3,0	3,3	3,4	0,07	0,11	-0,11	0,46	0,05	1,4%	1,6%	1,4%
Deposits (non-MFIs)													
Deposits (non-MFIs)	183,6	185,9	211,2	211,5	218,5	3,51	7,04	2,22	7,34	32,67	17,6%	100,0%	100,0%
Households	140,0	139,2	157,9	158,8	160,1	0,48	1,35	-0,76	2,18	20,90	15,0%	74,9%	73,3%
Individuals	103,7	106,2	120,5	122,2	124,3	1,79	2,07	2,44	3,75	18,10	17,0%	57,1%	56,9%
Individual entrepreneurs	10,7	9,2	11,0	10,1	9,7	-0,55	-0,46	-1,43	-1,31	0,41	4,5%	5,0%	4,4%
Farmers	25,5	23,8	26,4	26,4	26,2	-0,75	-0,26	-1,77	-0,27	2,39	10,0%	12,8%	12,0%
Corporates	18,0	17,3	20,5	19,6	19,2	-0,30	-0,38	-0,70	-1,25	1,94	11,2%	9,3%	8,8%
SMEs	17,7	17,0	20,1	19,3	18,9	-0,25	-0,36	-0,67	-1,20	1,89	11,1%	9,2%	8,7%
General government sector, incl.:	20,6	24,0	26,9	26,9	32,8	3,26	5,94	3,45	5,96	8,80	36,6%	12,9%	15,0%
Local government	20,5	23,9	26,8	26,8	32,7	3,25	5,93	3,42	5,93	8,80	36,8%	12,9%	15,0%
Non-profit inst.	4,6	4,9	5,0	5,3	5,4	0,06	0,09	0,28	0,35	0,49	10,0%	2,6%	2,4%
Covered deposits	133,2	132,8	147,7	148,3	149,2	0,5	1,0	-0,3	1,5	16,4	12,4%		
Gross loans (non-MFIs)													
Loans (non-MFIs)	87,2	86,5	91,9	92,0	92,2	0,12	0,24	-0,64	0,27	5,65	6,5%	100,0%	100,0%
Households	52,3	52,2	54,4	54,4	54,6	0,15	0,14	-0,18	0,12	2,38	4,6%	60,3%	59,2%
Individuals	23,7	23,7	24,9	24,9	25,0	0,13	0,06	0,06	0,06	1,28	5,4%	27,4%	27,1%
Consumer loans	6,3	6,4	7,1	7,1	7,1	0,09	0,06	0,06	0,07	0,73	11,4%	7,4%	7,7%
Housing loans	16,9	16,9	17,4	17,4	17,4	0,05	0,00	0,00	-0,02	0,56	3,3%	19,5%	18,9%
in PLN	16,8	16,9	17,4	17,4	17,4	0,05	0,00	0,00	-0,02	0,56	3,3%	19,5%	18,9%
Individual entrepreneurs	8,8	8,8	8,6	8,7	8,7	0,03	0,03	-0,02	0,08	-0,06	-0,7%	10,1%	9,4%
Farmers	19,9	19,7	20,9	20,8	20,8	-0,01	0,05	-0,22	-0,02	1,16	5,9%	22,7%	22,6%
Corporates	18,8	18,5	19,7	19,9	20,1	0,08	0,21	-0,31	0,39	1,58	8,5%	21,4%	21,8%
SMEs	18,5	18,2	19,5	19,6	19,8	0,08	0,21	-0,30	0,38	1,60	8,8%	21,1%	21,5%
General government sector, incl.:	14,7	14,5	16,4	16,2	16,1	-0,10	-0,13	-0,13	-0,26	1,57	10,8%	16,8%	17,5%
Local government	14,6	14,4	16,2	16,1	16,0	-0,13	-0,09	-0,21	-0,27	1,60	11,1%	16,6%	17,3%



Source: compiled by the Analysis Department of the BFG

Among the more important analytical work of the BFG is the book publication “Banking crises. Causes and Solutions” dedicated to a discussion of the crises that affected banking systems in 22 countries in Europe, America and Asia over a period of two decades. In order to allow for comparisons, all crises were discussed according to a uniform scheme. Particular emphasis



has been placed on the relationship between banking crises and crises that span the entire economy. The final chapter proposes recommendations on how banking crises can be prevented, or at least their economy-wide consequences mitigated.

In 2008, in order to properly assess the course and impact of the crisis on global financial markets, an analysis was published each month on the scale and extent of losses disclosed by, and write-downs made by, successive financial institutions around the world. Particular attention was paid to financial institutions that are strategic investors in banks operating in Poland.

In 2012, a special analysis was prepared on the possibility of banks developing lending in an environment of limited financial resources. It pointed to the low degree of diversification of funding sources in the Polish banking sector, which, in a situation of declining foreign funding, declining deposit growth and an underdeveloped market for bank securities, was a constraint on credit growth. And a comparison of the banking sector in Poland with those of the European Union countries, particularly in terms of the structure of financing for banking activities, pointed to the need to develop the market for debt securities issued by banks.

In 2014, analytical work was undertaken as a result of the need to adapt the financing of the deposit guarantee scheme to changes arising from EU directives: DGSD and BRRD. The result of the analyses was the presentation to the Fund's Council of the study “Target capitalization level of the BFG (material for discussions on setting rates for 2015)”, which presented

assumptions regarding the financing of the BFG in the new conditions. The requirements for achieving the target capitalisation levels of the individual BFG own funds, their reconstruction in the event of the Fund's involvement in interventions in the banking or credit unions sector, as well as the burdening of the banking and cash sector with fees for the BFG were described.

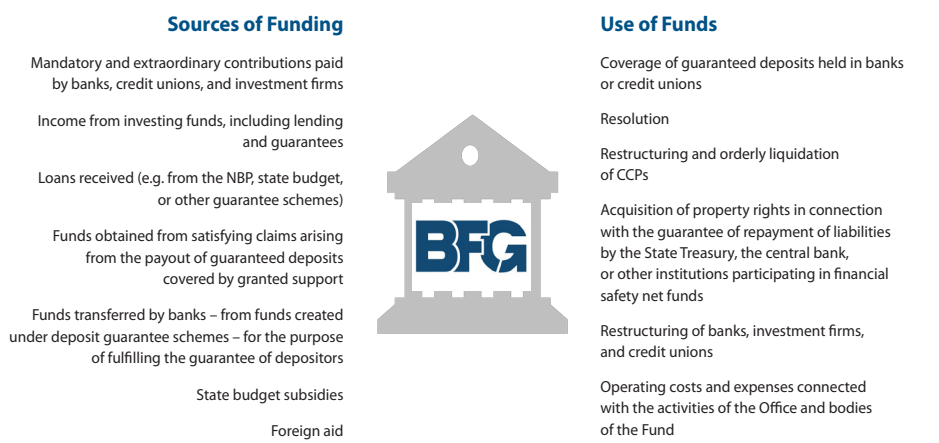
As part of the preparations for the implementation of MREL requirements, principles for the determination and verification of the MREL requirement for commercial banks, cooperative banks and investment firms, as well as the calculation of MREL for the purposes of updating the resolution plans for commercial and cooperative banks on a stand-alone and consolidated basis were developed in 2019. In addition, the scale – under certain assumptions – of the MREL shortfall in the banking sector was determined. The requirements for the paths to reach the target MREL level for commercial banks with a strategy other than liquidation in a standard insolvency procedure were also determined.

Compiled by Czesław Lipiński

# FINANCING OF OPERATIONS

The financing of the Bank Guarantee Fund’s activities is based on the sources indicated in the Act on the BFG, including its own funds created mainly from contributions made by obliged entities and the net profit generated by the Fund, as well as third-party funds in the form of loans and credits and, until the end of 2024, from the Fund for the Protection of Covered deposits (Scheme 1). From the funds collected, the BFG finances its tasks, including those related to guaranteeing deposits, providing assistance to entities covered

Scheme 1. Financing of the Fund’s activities



Source: compiled on the basis of the Bank Guarantee Fund Act, op. cit.

by the guarantee scheme, the resolution of CCPs (central counterparties), the acquisition of property rights, and covering the costs of the Fund's Office and bodies.<sup>1</sup>

## BFG's own funds

The financial resources for the establishment and commencement of the Fund's operations were provided by the NBP and the Minister of Finance in the amount of PLN 50 million each and constituted the statutory fund for the acquisition of tangible fixed assets, intangible assets and legal assets, as well as the disbursement of covered deposits and the financing of other tasks arising from the regulations after exhausting other sources of their financing provided for in the Act on the BFG and its statutes. In subsequent years, the statutory fund was increased by part or all of the net profit generated by the BFG.<sup>2</sup> At the end of 2024, the statutory fund amounted to more than PLN 1,637 million, more than a 16-fold increase over the 30 years of the BFG's operation.

Until 2016, when the new Act on the BFG came into force, the group of own funds included the assistance fund, the reserve fund,<sup>3</sup> the fund of funds recovered from bankruptcy masses,<sup>4</sup> the cooperative banks resolution fund, the stabilisation fund<sup>5</sup> (Table 1).

---

<sup>1</sup> Article 283 of the Act of 10 June 2016 *on the Bank Guarantee Fund, the deposit guarantee scheme and forced resolution*, Dz.U. 2024, item 487 as amended.

<sup>2</sup> Pursuant to the regulations, additionally supplied with funds from the distribution of the net profit generated by the BFG, divided in the first step between the funds of banks and credit unions in proportion to the funds collected by them, and in the next step between individual funds according to the discretionary decision of the BFG Council (Article 285(1) of the BFG Act). the funds are The Fund Council may allocate all or part of the Fund's net profit to increase the statutory fund. Act of 10 June 2016 *on the Bank Guarantee Fund, deposit guarantee scheme and forced resolution*, op. cit.

<sup>3</sup> The reserve fund was intended to provide funds to cover possible balance sheet losses of the BFG and to finance guarantee or assistance activities in the event of depletion of the fund for the protection of guaranteed funds or the assistance fund; created since 1998 from a part of the profit generated by the BFG.

<sup>4</sup> The fund of funds recovered from bankruptcy masses was used exclusively to finance subsequent disbursements of guaranteed funds.

<sup>5</sup> The stabilisation fund was created from 2013 onwards from obligatory prudential levies paid by all entities covered by the guarantee scheme and from write-offs of the net profit generated by the BFG. The fund was intended to provide assistance, to at-risk entities implementing resolution programmes, in the form of a guarantee to increase their own funds and, in the event of the guarantee being exercised, to purchase shares, bonds or bank securities issued by domestic



**Table 1. Structure of the BFG's own funds at the end of 2015 and as amended**

Own funds at the end of 2015	Own funds 2016–2024
1. Statutory fund	1. Statutory fund
2. Supplementary fund (1998–2015)	2. Guarantee fund for banks
3. Assistance fund (1995–2015)	3. Banks' resolution fund
4. Insolvency recoveries fund (2008–2015)	4. Guarantee fund for credit unions
5. Cooperative banks restructuring fund (2001–2021)	5. Fund for the resolution of credit unions
6. Stabilisation Fund (2013–2015)	6. Cooperative Banks Restructuring Fund (until 2021)
7. Net financial result	7. Net financial result

Source: compiled on the basis of the annual reports of the BFG, [https://www.bfg.pl/strefa\\_dokumentow/raporty-rocne/](https://www.bfg.pl/strefa_dokumentow/raporty-rocne/) (accessed 29.04.2025).

The structure of the BFG's own funds changed in 2016, i.e. after the new Act on the BFG came into force. At that time, the following funds were liquidated: the reserve fund, the assistance fund, the stabilisation fund and the funds recovered from bankruptcy masses. New funds were created on their basis, such as:

- bank guarantee fund; this was created from the liquidated aid fund and the liquidated fund of funds recovered from bankruptcy masses,
- the fund for guaranteeing the credit unions; it was created from the funds of the fund for guaranteeing the credit unions, which had been established on the basis of the previous Act on the BFG,
- the bank resolution fund; this was created from the resources of the liquidated stabilisation fund and the liquidated reserve fund.

In addition, a new fund has been created for the credit unions – the fund for the resolution of SKOKs. All created funds are created from mandatory and extraordinary contributions made by specific institutions, are increased from net profit write-offs (from the current year or previous years) and from other titles<sup>6</sup>, as well as from funds transferred from other BFG own funds. In 2021,

---

entities. In the entire period of this fund's operation, no bank has applied to the BFG for assistance from its resources.

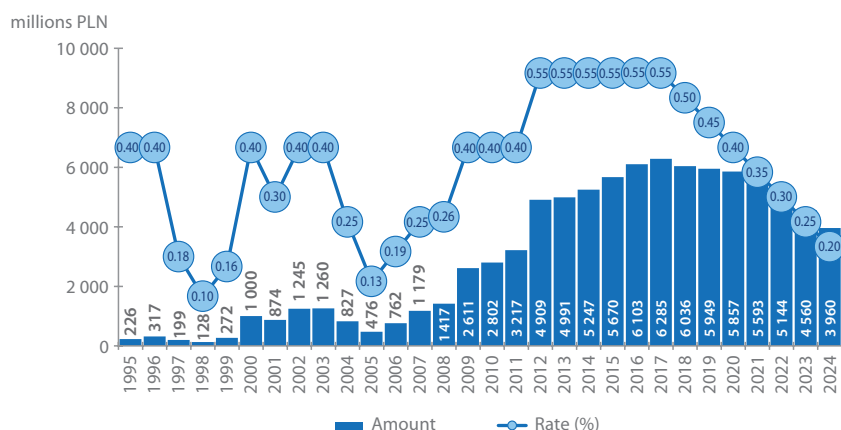
<sup>6</sup> For example: from amounts derived from the release of write-downs on assets financed from these funds, from amounts obtained from the entities' bankruptcy estate, amounts representing deducted costs of forced resolution.

as a result of the exhaustion of funds, the Cooperative Banks Restructuring Fund was liquidated, thus ending this form of assistance implemented by the BFG.<sup>7</sup>

## Fund for the protection of covered deposits

In addition to the BFG's own funds, until the end of 2024 the source of financing of the guarantee activity was funds from the Funds for the Protection of Guaranteed Funds (FOŚG), which were obliged to create and maintain banks and branches of foreign banks covered by the guarantee scheme (Chart 1).

**Chart 1. Changes in the rate of write-offs and the amount of the FOŚG in the years 1995–2024 (in PLN million)**



Source: compiled on the basis of BFG data.

Until 2016, funds collected on the FOŚG were the primary source of funding for the disbursement of covered deposits to bank depositors<sup>8</sup>. In the

<sup>7</sup> As of 2016. The BFG has only granted loans from the fund for expenses related to participation in protection schemes or for expenses related to the implementation of merger processes initiated by the body managing the protection scheme or by the FSC. As a result of the cancellation by the BFG of all loans granted to cooperative banks between 2016 and 2020, a small amount of PLN 626.3 remained in the fund. In accordance with the statute, they increased the banks' guarantee fund as of 1 January 2022.

<sup>8</sup> The amount of the fund for the protection of guaranteed funds – in accordance with the Act – was determined as the product of the rate adopted annually by the BFG Council and the sum of funds accumulated in the bank in all accounts constituting the basis for calculating the amount of the mandatory reserve. Funds for subsequent years were created on the basis of the level of deposits

event of a bank failure, funds from the FOŚG were used first, and any surplus over the created funds was covered from the BFG's assistance fund.

Since 2017, there have been changes to the rules on the creation and maintenance of funds for the protection of covered deposits by banks and branches of foreign banks, including:

- the requirement to create and maintain the FOŚG was in force until 2024 with a gradual reduction in the maximum rate from 0.55% to 0.20%,
- once the own funds for the disbursement of covered deposits had could-been exhausted, the BFG draw on FOŚG created by banks.

Funds constituting the coverage of the FOŚG remained in the assets of the entity creating the fund and could be maintained in the form of treasury securities, NBP bills, money market fund units or on an interest-bearing account with the NBP, which brought interest income to the entity. Thus, until the use of the BFG for the disbursement of covered deposits, the fund only limited the scope of free disposal of the accumulated funds by the entity creating it. When the guarantee condition was met, the BFG requested all entities to transfer funds in proportion to their share in the FOŚG.

## **Revenue from the investments**

The Bank Guarantee Fund – as part of the implementation of its investment policy – may invest funds coming from mandatory contributions from banks, branches of foreign banks, investment companies and credit unions, as well as other funds, in:

- securities issued, underwritten or guaranteed by the State Treasury or the National Bank of Poland (treasury bonds and bills, NBP bills),
- securities issued, guaranteed or underwritten by governments or central banks of the Member States or countries that are members of the Organisation for Economic Co-operation and Development (OECD),
- money market funds shares/units
- term deposits with the National Bank of Poland (NBP) and the Minister of Finance (t. j. at Bank Gospodarstwa Krajowego).

---

in October of the previous year and then updated on the basis of the level of deposits in April of the year concerned.

The basis for the investments made by the BFG is the *Bank Guarantee Fund's Investment Policy on Investments in Securities*, developed annually, which defines the directions of investment of funds and ways of portfolio management aimed at achieving favourable financial results. The purpose of the policy is to provide financial resources for the day-to-day operations of the BFG, possible resolution measures and disbursements of covered deposits, as well as to protect the Fund's securities portfolio against the risk of unfavourable changes in market yields.

The result from financial operations throughout the period of the BFG's operation was the main item in the income statement. At the same time, it consisted mainly of the result on securities (treasury bonds, NBP bills, buy-sell-back and sell-buy-back transactions and treasury bills) and interest income on funds collected by the BFG on its current account and term deposits. Since the inception of the BFG, the dominant position in its investment portfolio has been held by Treasury bonds (in 2023 they accounted for almost 95% of the portfolio value), and NBP bills. In principle, since the beginning of the BFG's operation, the result on financial operations accounts for the positive financial result (profit) generated. Its amount for 2024 in the amount of PLN 1,434.5 million fully covers the costs of the Fund's operations (87.7 million), in which 74% are the costs of remuneration with surcharges (64.9 million), allowing for a net profit of PLN 1,339.6 million.

Table 2. State of the BFG funds in relation to the number of banks, guarantee limits

Year	Number of banks	Guarantee limit (thous. ECU/EUR)*	Receivables covered by the guarantee scheme**	Guaranteed funds***	Amount of the Bank Guarantee Fund (FoŚG)	Statutory fund
1995	1 591	3 000	—	—	229	100
1996	1 475	3 000	115 411	48 104	325	100
1997	1 376	4 000	149 201	62 188	204	133
1998	1 272	5 000	193 145	80 505	132	308
1999	858	8 000	224 200	93 448	279	422
2000	753	11 000	258 827	107 881	1 021	520
2001	711	15 000	291 538	121 515	894	679
2002	664	18 000	281 251	117 228	1 310	884
2003	658	22 500	290 912	121 254	1 355	1 063
2004	650	22 500	304 613	126 965	877	1 171
2005	642	22 500	329 859	137 488	508	1 283
2006	635	22 500	371 356	154 784	824	1 394
2007	631	22 500	401 987	179 972	1 254	1 507
2008	631	50 000	475 757	276 742	1 402	1 637
2009	625	50 000	538 146	309 783	2 611	1 637
2010	625	100 000	588 742	330 566	2 802	1 637
2011	621	100 000	733 338	468 582	3 460	1 637
2012	617	100 000	755 083	496 216	5 076	1 637
2013	612	100 000	803 712	525 218	4 991	1 637
2014	603	100 000	887 497	577 643	5 247	1 637
2015	599	100 000	974 862	632 447	5 651	1 637
2016	594	100 000	1 015 513	689 304	6 102	1 637
2017	587	100 000	1 060 872	721 076	6 285	1 637
2018	580	100 000	1 150 122	788 445	5 868	1 637
2019	567	100 000	1 240 864	860 065	5 949	1 637
2020	559	100 000	1 369 784	963 533	5 857	1 637
2021	540	100 000	1 492 256	1 022 643	5 593	1 637
2022	525	100 000	1 609 227	1 068 142	5 144	1 637
2023	520	100 000	1 772 409	1 172 179	4 560	1 637
2024	517	100 000	1 908 322	1 282 717	3 960	1 637

\* As of 30.12.2010, due to the amendment to the Act on the BGF, the guarantee limit was raised to the equivalent of EUR 100,000. This change is reflected in reported data from May 2011, based on NBP Regulation No. 12/2009.

\*\* For the years 1996–2010, deposits of non-financial entities were adopted.

\*\*\* For the years 1996–2006, the value was estimated based on non-financial entities' deposits and the ratio of guaranteed funds by BGF to receivables covered by the guarantee (per NBP President's Regulation No. 12/2009).

# and covered deposits in the years 1995–2024

	Assistance fund	Fund of recovered assets from bankruptcy	Cooperative banks' restructuring fund	Guarantee fund	Reserve fund	Stabilization fund	Resolution fund	Net result (in PLN million)
	174	–	–	–	–	–	–	33
	404	–	–	–	–	–	–	55
	665	–	–	–	–	–	–	140
	964	–	–	–	20	–	–	163
	1 303	–	–	–	70	–	–	149
	1 734	–	–	–	120	–	–	259
	2 051	–	123	–	220	–	–	334
	2 242	–	123	–	350	–	–	249
	2 487	–	123	–	420	–	–	158
	2 673	–	123	–	470	–	–	152
	2 798	–	123	–	510	–	–	161
	2 938	–	123	–	560	–	–	163
	3 111	–	123	–	610	–	–	192
	3 314	53	123	–	670	–	–	271
	3 894	53	123	–	670	–	–	325
	4 520	54	123	–	667	–	–	364
	5 617	54	123	–	667	–	–	414
	6 860	54	123	–	667	–	–	477
	8 204	54	123	–	667	79	–	513
	6 454	54	123	–	667	408	–	488
	8 434	54	123	–	667	910	–	447
	–	–	114	9 785	–	–	2 311	425
	–	–	48	10 756	–	–	3 574	434
	–	–	30	12 582	–	–	4 642	530
	–	–	19	13 825	–	–	6 785	488
	–	–	0	15 806	–	–	8 539	218
	–	–	0	17 120	–	–	9 558	223
	–	–	–	17 287	–	–	5 030	1 054
	–	–	–	17 598	–	–	7 121	1 363
	–	–	–	18 638	–	–	8 725	1 340

Source: compiled on the basis of BFG data.

## **Fees and contributions paid to the BFG in the years 1995–2024**

The basic source of financing of the Bank Guarantee Fund's activities is currently obligatory contributions to the guarantee funds and to the resolution funds paid by the entities indicated in the regulations.

Until 2016, the fees paid to the Bank Guarantee Fund were calculated on the basis of the provisions of the Bank Guarantee Fund Act of 14 December 1994 (repealed as of 9 October 2016). Thus, banks covered by the guarantee scheme paid:

- mandatory annual fees contributing to the assistance fund,
- prudential fees contributing to the stabilisation fund (collected since 2013).

Between 1998 and 2008, part of the amount of the annual fee to the assistance fund for banks was paid by the NBP. The assistance fund was earmarked for assistance in the form of loans, guarantees or sureties. The amount of the fee applicable to a bank was calculated as the product of the rate set by the Fund Council and the fee base. The fee base was:

- until 2009 – the amount of risk-weighted assets,
- between 2010 and 2015 – an amount corresponding to 12.5 times the sum of capital requirements for individual types of risk and capital requirements for exceeding the limits and breaching other norms set out in the Banking Act, calculated by the bank in accordance with the principles set out under the provisions of that Act,
- in 2016, the total amount of risk exposure.

In connection with the implementation of EU directives<sup>9</sup> into the Polish legal order, by the provisions of the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee scheme and resolution ("Act on the BFG"), the principles of financing the Fund have changed. Mandatory fees paid by entities were replaced from 2017 by contributions to the guarantee fund and prudential

---

<sup>9</sup> Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (OJ L 173, 12.06.2014, p. 149), Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU of the European Parliament and of the Council and Regulations of the European Parliament and of the Council (EU) No 1093/2010 and (EU) No 648/2012 (OJ L 173, 12.06.2014, p. 190, as amended).

fees by contributions to the resolution fund (Table 3). The obligation to pay contributions to the resolution fund has also been extended to investment firms subject to the BFG Act.

**Table 3. Amounts of fees and contributions paid for the purpose of financing deposit guarantee and resolution measures between 1995 and 2025 (in PLN million)**

Year	Annual Contribution to the Assistance Fund*	Contribution to the Guarantee Fund	Prudential Fee for the Stabilization Fund	Contribution to the Resolution Fund	Total
1995	174	–	–	–	174
1996	230	–	–	–	230
1997	261	–	–	–	261
1998	210	–	–	–	210
1999	203	–	–	–	203
2000	259	–	–	–	259
2001	159	–	–	–	159
2002	96	–	–	–	96
2003	123	–	–	–	123
2004	93	–	–	–	93
2005	62	–	–	–	62
2006	70	–	–	–	70
2007	86	–	–	–	86
2008	102	–	–	–	102
2009	308	–	–	–	308
2010	301	–	–	–	301
2011	733	–	–	–	733
2012	829	–	–	–	829
2013	867	–	79	–	946
2014	877	–	324	–	1 201
2015	1 786	–	472	–	2 258



Year	Annual Contribution to the Assistance Fund*	Contribution to the Guarantee Fund	Prudential Fee for the Stabilization Fund	Contribution to the Resolution Fund	Total
2016	1 151	385	691	–	2 227
2017	–	915	–	1 182	2 097
2018	–	1 240	–	960	2 200
2019	–	791	–	2 000	2 791
2020	–	1 575	–	1 600	3 175
2021	–	1 000	–	1 230	2 230
2022	–	502	–	1 693	2 195
2023	–	–	–	1 455	1 455
2024	–	–	–	1 563	1 563
2025	–	893	–	1 813	2 706

\* “Annual contribution to the assistance fund” – contributions collected prior to the establishment of new funds (guarantee, resolution, stabilization).

Source: compiled on the basis of BFG data.

Following the amendment of the legislation, contributions to the banks’ guarantee fund are paid quarterly. The amounts of contributions due from individual banks in a given quarter are determined on the basis of the total amounts of contributions, which, in accordance with the BFG Act, are determined annually by the Fund Council in the form of a resolution. In each quarter, a quarter of the total amounts of contributions for a given year are distributed among banks.

Contributions to the banks’ resolution fund, on the other hand, are paid annually. The amounts of contributions due from individual banks and investment firms in a given year are determined on the basis of the total amounts of contributions which, pursuant to the BFG Act, are determined annually by the Fund Council in the form of a resolution.

Since 2013, the BFG guarantees have been extended to deposits in credit unions, together with the obligation to pay fees and then contributions for this purpose (Table 4).

**Table 4. Amounts of fees and contributions to the guarantee fund and the fund for the resolution of credit unions between 2013 and 2025 (in PLN thousand)**

Year	Fee/Contribution to the Guarantee Fund	Contribution to the Resolution Fund	Total
2013	3 717	–	3 717
2014	16 641	–	16 641
2015	41 810	–	41 810
2016	35 893	–	35 893
2017	34 000	1 350	35 350
2018	30 300	1 090	31 390
2019	28 100	971	29 071
2020	27 000	910	27 910
2021	13 500	1 000	14 500
2022	18 100	1 680	19 780
2023	21 800	1 170	22 970
2024	23 000	10	23 010
2025	1 000	10	1 010

Source: compiled on the basis of BFG data.

Between 2013 and 2016, mandatory annual fees for the guarantee fund of credit unions were paid by credit unions. The basis for calculating the fees was the value of assets and off-balance sheet liabilities. The 2016 Act on the BFG introduced new rules for the financing of the fund from 2017, viz:

- the obligation to contribute to the guarantee fund of the credit unions was maintained,
- a new obligation to contribute to the fund for the resolution of the credit unions was imposed on the credit unions.

Contributions to the casa guarantee fund are paid quarterly. The amounts of contributions payable by individual credit unions in a given quarter are determined on the basis of the total amounts of contributions which, pursuant to the BFG Act, are determined annually by the Fund Council in the form of a resolution. In each quarter, a quarter of the total amounts of contributions for the year

are distributed among the banks. In contrast, contributions to the fund for the resolution of the credit unions are paid annually. The amounts of contributions payable by individual credit unions in a given year are determined on the basis of the total amounts of contributions, which, pursuant to the BFG Act, are determined annually by the Fund Council in the form of a resolution.

In the period 2013–2024, there was a significant increase in the balance of both funds created for the credit unions (Table 5).

**Table 5. State of the guarantee fund and resolution fund of the credit unions in 2013–2024 (number of units and thousand PLN)**

Year	Number of CUs	Receivables covered by protection	Covered deposits	Credit Union Guarantee Fund	Credit Union Resolution Fund
2013	55	17 560 957	16 570 029	3 817	–
2014	51	12 621 211	12 186 303	0	–
2015	48	11 859 085	11 559 517	30 295	–
2016	40	10 963 844	10 685 784	31 786	–
2017	34	9 828 337	9 546 608	0	1 337
2018	30	9 055 555	8 787 734	8 922	2 467
2019	25	8 718 037	8 427 990	12 695	3 513
2020	23	8 877 284	8 604 577	27 528	4 506
2021	22	9 463 283	9 094 491	34 336	5 547
2022	19	9 299 925	8 977 307	33 570	7 273
2023	18	9 838 377	9 438 261	56 711	8 443
2024	18	9 332 422	8 932 548	81 577	10 203

Source: compiled on the basis of BFG data.

Until 2016, neither minimum nor target levels of the respective funds were in force. It was not until the 2016 BFG Act that minimum and target levels of individual funds and the deadlines for achieving them were introduced (Table 6).

**Table 6. Minimum and target levels of individual funds and the deadlines for achieving them**

		Minimum Level*	Target Level**
		as % of covered (guaranteed) funds	
DGS	Banks and branches of foreign banks	0.8%	1.6%*** (maintained level)
	Credit unions (CUs)	0.8%	1.0% (by 3.07.2034 r.)
BRR	Banks, branches of foreign banks and investment firms	1,0% (rebuilding in 2028)	1.2% (by 31.12.2034 r.)
	Credit unions (CUs)	0.10%	0.14% (by 31.12.2034 r.)

DGS – Deposit Guarantee Scheme

BRR – Bank Resolution and Recovery

\* For banks, branches of foreign banks and investment firms in accordance with the Directives and, in the case of credit unions, in accordance with the BFG Act.

\*\* According to the BFG Act.

\*\*\* The target level of funds of the deposit guarantee scheme in banks pursuant to Article 287(2) of the BFG Act is 2.6% of the amount of deposits covered by guarantees in banks and branches of foreign banks covered by the mandatory deposit guarantee scheme, while this level may be reduced by the Fund Council to a level not lower than 1.6% of the amount of deposits covered by guarantees in banks and branches of foreign banks. The current value of the target level was set by the BFG Council in Resolution No. 50/2022 of 26 October 2022.

Source: compiled on the basis of BFG data.

Compiled by Anna Aleszczyk-Wójcik, Maria Sitkowska, Tomasz Waligóra

## INTERNATIONAL COOPERATION

### Overview of processes and events

The activities of the Bank Guarantee Fund extend significantly beyond national borders in several aspects. First of all, the Fund or its representatives participate in the activities of the EU institutions and its agencies, as well as in international organisations such as the International Association of Deposit Insurers (IADI) and the European Forum of Deposit Insurers (EFDI). The BFG has also maintained bilateral relations with foreign DGSs since its inception, notably the US FDIC.

Under conditions of globalisation and increasing interdependence of financial markets, international cooperation has become an indispensable element for the effective fulfilment of the BFG's functions. The origins of international cooperation date back to the early 1990s, when the BFG benefited from the expertise and experience of foreign DGSs, especially Spain. In the preparation of the draft law on the BFG, Władysław Baka of the University of Warsaw cooperated with Aristibulo de Juan – Director General of the Central Bank of Spain, as well as Ewa Śleszyńska-Charewicz – General Inspector of Banking Supervision. The result of this cooperation was, among other things, the assignment to the BFG of the function of providing financial assistance to banks in danger of insolvency, which was not typical of other DGSs in the EU.

The enormous volume of work in 1995–1998, related to the creation of internal regulations, the development of procedures and the pressure to disburse deposits to customers of failed banks, followed by the provision

of financial assistance in the form of preferential interest-bearing loans, was not conducive to the Fund's foreign activity and the establishment of bilateral contacts. One of the first foreign contacts of the BFG, which resulted in long-term cooperation, was established with a guarantee institution in Kazakhstan. In order to share experience in organising a guarantee institution, as well as to strengthen cooperation between institutions, BFG employees Tomasz Obala and Agnieszka Kujda travelled to Almaty welu<sup>1</sup>. Successively, the bilateral cooperation of the BFG developed, especially with DGSs in France and Germany, although their specifics differed significantly from the Polish underwriting architecture. Most often it was the participation of guests from foreign DGSs in the seminars of the Fund's Council, which were attended, in addition to the management and staff of the BFG, by guests from other institutions of the Polish safety net and academics.

The participation of a delegation of the BFG (President of the Management Board – Ewa Kawecka-Włodarczak and Council member – Jan Szambelańczyk) at the International Conference on Deposit Insurance in September 1998 in Washington DC is worthy of mention. Amongst other things, the meeting familiarised the participants with the advanced preparations of many countries for the Y2K problem (the so-called Year 2000 problem resulting from the risk of computer systems operating on the date transition from 1999 to 2000), for which the Polish financial sector had not yet prepared organisationally.



The BFG actively participates in the work of international organisations in the EU and in the world

<sup>1</sup> Contacts with guarantee institutions in Moldova and Ukraine were later of a similar nature.

An important element of cooperation with foreign countries was the participation of a representative of the BFG in IADI meetings, although the Fund was not yet a full member. In fact, so was the majority of DGSs from EU countries. This informal status was related, *inter alia*, to the initiative to create a European organisation of deposit guarantors. This initiative was concretised at a meeting in Berlin of DGS representatives: Germany (Dirk Cupei), Poland (Tomasz Obal), Italy (Roberto Moretti) and the FSCS Chairwoman of the UK. The European Forum of Deposit Insurers (EFDI) was established at its founding conference in Vienna in October 2002 with 25 founding members. This Forum was headed by a British woman and one of her deputies was the BFG delegate Tomasz Obal, who later headed the Forum for a short period.

One of the annual EFDI conferences was held in September 2008 in Warsaw. On 15 September, the proceedings were disrupted by text messages to participants with information about the bankruptcy of the investment bank Lehman Brothers, followed in the afternoon by phone calls about the takeover



Chairman of the FDIC Martin J. Gruenberg (left)  
President of the Management Board of BFG Jerzy Pruski (right)

of Merrill Lynch by Bank of America and orders to return immediately. Conference participants urgently sought the quickest way to reach their home institutions. Unsurprisingly, they realised the gravity of the situation. Indeed, these events set in motion one of the biggest financial crises in history. T. Obal recalls that Dirk Cupei (Managing Director at the Financial Stability

and Deposit Protection Association of Germany) sitting next to him in the meeting room asked: “Do you have Lehman in Poland?”

During the turbulent period of the global financial crisis, the Polish banking sector was not destabilised, the BFG did not have to undertake any crisis intervention, and Poland was described as a green island<sup>2</sup> against

---

<sup>2</sup> D. Filar, *Między zieloną wyspą a dryfującą krą. Gospodarka Polski w latach 2007–2015*, published by Arche S.C., Gdańsk 2015.



EFDI conference in September 2008 in Warsaw  
 Małgorzata Zaleska – President of the Management Board of the BFG (left)  
 Ludwik Kotecki – Undersecretary of State, Ministry of Finance (centre)  
 Krzysztof Kalicki – Chairman of the Management Board of Deutsche Bank Polska S.A. (right)

the background of global disturbances. Nevertheless, the preoccupation of many foreign DGSs with solving problems influenced the loosening or even temporary disappearance of bilateral contacts.

Foreign contacts were noticeably intensified with the assumption of the post of BFG President by Jerzy Pruski in April 2010. The BFG became involved in the ongoing work of the IADI Working Group preparing the “IADI Core Principles for Effective Deposit Insurance Systems,”<sup>3</sup> of which nothing was known at the BFG. The BFG’s activity in the IADI Forum led by then FDIC Chairman Martin J. Gruenberg was recognised and Jerzy Pruski was elected first as Vice Chairman of the Executive Council and then as President and Chairman of the IADI Executive Council from 2012 to 2015.

In May 2010, on the occasion of the 15th anniversary of the BFG, an international conference on ‘Global Financial Crisis: Lessons for the Stability of the Financial Sector’ was organised in the rooms of the Hyatt Regency Hotel in Warsaw. Representatives of the Sejm and Senate, the Government of the Republic of Poland, the National Bank of Poland and the Monetary Policy Council, the Polish Financial Supervision Authority (KNF), as well as academics participated in the deliberations. Foreign guests included Erik

<sup>3</sup> The Core Principles are a set of international best practices and standards to improve the efficiency of deposit guarantee schemes, developed in 2009 by IADI and the Basel Committee on Banking Supervision (BCBS) and endorsed by the Financial Stability Board. The Core Principles are used in country-specific Financial Sector Assessment Program (FSAP) reviews carried out by the International Monetary Fund and the World Bank.





Conference on the 15th anniversary of the BFG. Warsaw 2010

Berglof – European Bank for Reconstruction and Development, Per Callesen – International Monetary Fund, Wojciech Deska – European Investment Bank, Donald Inscoe – IADI, Thomas Loursen, – World Bank, Lars Nyberg – Sveriges Riksbank (Sweden), Stephane Puchala – Bank de France, Elemer Tertak – European Commission, Stefan Paul Wright – Institute of International Finance, as well as representatives of 10 foreign DGS and presidents of 20 Polish banks. In the speeches of the speakers and in the panel debates, assessments and proposed solutions to prevent GFC-like crises were formulated.

In autumn 2010. The BFG was among the group of guarantee institutions that became the first signatories of the multilateral agreement on cooperation between European deposit guarantee schemes, prepared by the EFDI. On 17–21 October 2011. The Fund hosted the 10th Annual Conference and 34th General Assembly of IADI Members<sup>4</sup>. During the deliberations, a total of 18 meetings of the Association's committees and subcommittees were held,

---

<sup>4</sup> Poland was the first EU country to host the IADI General Assembly of Members.



34th General Assembly of IADI Members. Warsaw 2011

as well as a meeting of the Executive Committee. The meetings were attended by guests from 60 countries from all continents.

On the other hand, the very programme-rich 10th IADI Conference (held on 19–20 October 2011) entitled. *“Beyond the Crisis: The Need for Strengthened Financial Stability Framework”*, was attended by more than 270 representatives of deposit guarantee institutions from around the world and representatives of central banks, ministries of finance, European banking supervisors and international institutions, including the World Bank, the International Monetary Fund, the European Commission, the Bank for International Settlements (BIS), and the Organisation for Economic Co-operation and Development (OECD). The event was held under the patronage of the Polish Presidency of the Council of the European Union.<sup>5</sup> The signing of a memorandum of cooperation between the BFG and the FDIC in 2011 was important for international cooperation. The memorandum was of a general nature and concerned the development of cooperation in the field of economics and finance, the exchange of views on financial services, deposit guarantee, the process of orderly wind-down of financial institutions with solvency problems, the promotion of best banking practices, as well as other issues related to financial stability. It also talked about training and

<sup>5</sup> The most interesting papers from the Conference and a discussion of the discussion were published in the BFG’s magazine Safe Bank No. 2(47)2012.

10th IADI AGM  
& Annual Conference  
17-21 October 2011  
Warsaw, Poland

## 10th IADI Annual Conference

### Beyond the Crisis:

### The Need for Strengthened Financial Stability Framework

19-20 October 2011, Hilton Hotel, Warsaw, Poland

## Programme

### Wednesday, 19 October 2011

8.30-9.00 Registration

9.00-9.20 Welcoming remarks:  
Jerzy Pruski, President, Bank Guarantee Fund  
Martin Gruenberg, Acting Chairman, Federal Deposit Insurance Corporation and President, International Association of Deposit Insurers  
Olgiert Dziekoński, Secretary of State, Cabinet of the President of the Republic of Poland

9.20-9.50 Keynote speech:  
Sheila C. Bair, former Chairman of the Board of Directors, Federal Deposit Insurance Corporation

9.50-11.15 Session 1: Global Economic Outlook

Chair:  
José Vinals, Financial Counsellor and Director, Monetary and Capital Markets Department, International Monetary Fund

Panelists:  
Pier Carlo Padoa-Schioppa, Deputy Secretary-General and Chief Economist, Organisation for Economic Co-operation and Development  
David C. Mullford, Vice Chairman International, Credit Suisse Securities (Europe) Limited  
Dariusz Filas, University of Gdansk, former Member of the Polish Monetary Policy Council (National Bank of Poland)

11.15-11.45 Group photo, Coffee break

11.45-13.15 Session 2: New Macro Prudential and Micro Prudential Safety Nets

Panelists:  
Andrea Enria, Chairperson, European Banking Authority  
Marek Belka, President, National Bank of Poland  
Per Callesen, Governor, Danmarks Nationalbank

13.15-14.30 Lunch

14.30-14.45

Keynote speech:  
Financial Crisis Management – the Implications for Public Finances  
Jan Vincent-Rostowski, Minister of Finance, Poland

14.45-16.15 Session 3: Crisis Management – the Role of Resolution Regime

Chair:  
Martin Gruenberg, Acting Chairman, Federal Deposit Insurance Corporation and President, International Association of Deposit Insurers

Panelists:  
Lars Nyberg, Deputy Governor of Sveriges Riksbank  
Mikhail I. Sukhov, Member of the Board of Directors, Bank of Russia

16.15-16.30 Coffee break

16.30-18.00 Session 4: How to Cope with The Too Big to Fail Problem

Chair:  
Gary H. Stern, former President, Federal Reserve Bank of Minneapolis

Panelists:  
Stanisław Kłusa, Chairman, Polish Financial Supervision Authority  
Stephen G. Cecchetti, Economic Adviser and Head of the Monetary and Economic Department, Bank for International Settlements  
Alessandro Profumo, former Chief Executive Officer, UniCredit Group

18.30 Departure by coach

19.00-21.30 Gala Dinner (by invitation)  
venue: Legia Warszawa Football Club Stadium, 3 Łazienkowska Street, business attire

### Thursday, 20 October 2011

9.00-10.30 Session 5: The Role of Deposit Insurance Schemes in Financial Safety Net

Chair:  
Mohammed Al-Ja'fari, Director General, Jordan Loan Guarantee Corporation

Panelists:  
Alex Kozmynski, Director of Corporate Affairs, Financial Services Compensation Scheme (UK)  
Bilalun Calabak, Vice President, Savings Deposit Insurance Fund of Turkey  
Hiroyuki Obata, Deputy Governor, Deposit Insurance Corporation of Japan  
Fred Carns, Director, International Affairs, Federal Deposit Insurance Corporation

10.30-10.45 Coffee break

10.45-11.15 Keynote speech:  
John Lipsky, Special Advisor to the Managing Director, International Monetary Fund

11.15-12.45 Session 6: Financial Inclusion

Chair:  
Barbara Ryan, Chief of Staff to the Acting Chairman, Federal Deposit Insurance Corporation

Panelists:  
Pierre-Laurent Chatain, Lead Financial Sector Specialist, the World Bank Financial Market Integrity Unit  
Stefan Staschen, Policy Advisory Consultant to the World Bank's Consultative Group to Assist the Poor (CGAP)  
Rose Detho, Director, Deposit Protection Fund Board (Kenya)  
G. Gopalakrishna, Executive Director, Deposit Insurance and Credit Guarantee Corporation (India)

12.45-13.00 Closing Remarks:  
Jerzy Pruski, President, Bank Guarantee Fund

13.15-14.45 Lunch

Program of the 10th IADI Conference, Warsaw 2011

staff exchanges. The FDIC had the richest experience in the application of resolution,<sup>6</sup> the concept of which aroused a number of controversies in the Polish legal community. Under these circumstances, at the invitation of the FDIC, a study trip to Washington DC was organised with the participation of a representation of the Council and the Management Board of the BFG, consisting of Dariusz Daniluk, Jerzy Pruski, Jan Szambelańczyk and Anna Trzecińska. The subject of the consultations was primarily the practical aspects of the application of resolution tools, in particular the issue of bail-in.<sup>7</sup> It is noteworthy that both parties benefited from a critical approach to the solutions presented. As a result of the arrangements, an FDIC specialist was in Warsaw for an extended period of time, working on the details of the Act on resolution and orderly liquidation.

<sup>6</sup> Resolution (pol. przymusowa restrukturyzacja, or compulsory restructuring) was initially translated into Polish as "restrukturyzacja i uporządkowana likwidacja" (restructuring and orderly liquidation).

<sup>7</sup> Bail-in is a key resolution tool that allows a bank's debt to creditors to be written off or converted into equity.

One of the key documents for the functioning of deposit guarantee institutions worldwide is Core Principles *for Effective Deposit Guarantee Schemes* the so-called IADI Core Principles. In July 2008, The BCBS and IADI decided to work together to develop an internationally agreed set of Core Principles for deposit insurance. A joint working group, consisting of representatives of the BCBS Cross-Border Bank Resolution Group and the IADI Guidance Group, was formed to develop a set of Core Principles to be submitted to the BCBS and IADI for review and approval. The Core Principles for Effective Deposit Insurance Schemes were completed in March 2009 and approved by the international community in June 2009. The compliance assessment methodology for the core principles was completed in December 2010. The Core Principles and their compliance assessment methodology (collectively: the Core Principles) are used by jurisdictions as a benchmark to assess the quality of their deposit insurance systems and to identify gaps in deposit insurance practices and measures to address them. The Core Principles are also used by the International Monetary Fund (IMF) and the World Bank in the context of the Financial Sector Assessment Programme (FSAP) to assess the effectiveness of deposit insurance systems and practices in individual jurisdictions.

The Core Principles reflect and are tailored to a wide range of jurisdictional circumstances, settings and structures, providing a framework to support



Participants of the Conference on the 10th Anniversary of IADI, Warsaw 2011

effective deposit insurance practices. National authorities are free to implement complementary measures as they deem necessary to implement effective deposit insurance schemes in their jurisdictions.

The assessment of compliance with the Core Principles is a useful tool for jurisdictions that are implementing, reviewing or actively reforming their deposit insurance system. The Deposit Insurance System Assessment identifies the strengths and weaknesses of the existing deposit insurance system and provides the basis for corrective measures for deposit insurers, other safety net authorities and policymakers after taking into account the structural, institutional and legal features of each national deposit insurance system.

The global financial crisis of 2007–2009 created a framework that allowed for the updating and revision of the Core Principles for Effective Deposit Guarantee Schemes.

Between 2016 and 2024, the successive Presidents of the Bank Guarantee Fund: Zdzisław Sokal, Mirosław Panek and Piotr Tomaszewski sat on the Executive Council of the International Association of Deposit Insurers – IADI, taking part in the organisation’s programme work and, in particular, in the preparation and editing of the new IADI Principles.

Work on the review was completed in November 2024 and takes into

account the lessons learned from the banking crisis in March 2023, which represented the largest episode of systemic stress since the global financial crisis of 2008.

Representatives of the Bank Guarantee Fund actively participate in IADI and EFDI committees and working groups as exemplified by their work in the Training and Technical Assistance Committee (TTAC) and the Capacity Building Technical Assistance Committee (CBTC).



In 2013, the BFG was awarded the Organisation of the Year Award in the category of Core Principles and International Participation. This award was given for the BFG’s activities in the international arena and the activities implemented in the last three years to support and promote the Core Principles.



The training and capacity-building initiatives and programmes of IADI member organisations provide the association's members with a wide range of tools to identify and enhance compliance with IADI's core principles of effective deposit guarantee schemes, learn about international best practices in deposit insurance and resolve banking crises. They provide access to the free knowledge and experience and expertise of member institutions as well as other international financial institutions.

The experience, professionalism and high level of expertise of the BFG's staff is highly appreciated by other deposit guarantee institutions, as evidenced by the many requests for technical or training assistance. Since its inception, the Fund has trained **more than 700 employees of** other IADI or EFDI member institutions, and its seminars, workshops and study visits have benefited **83 deposit guarantee institutions** from around the world.

**Table 1. Selected training and technical assistance provided by the BFG**

Year	Event
2012	16–17.04. – Czech Deposit Guarantee Fund – study visit
2013	22–24.04 – Nigeria Deposit Insurance Corporation – study visit
2016	01.12 – Korean Deposit Corporation – study visit
2022	13.09. – National Financial Supervisory Commission of Vietnam study visit 20.09. – Deposit Guarantee Fund of Ukraine study visit 23.09. – Deposit Guarantee Fund of Ukraine study visit 29.10. – Deposit Insurance Fund of Kosovo study visit 6–8.12. – Banco Portugal and ACP study visit
2023	31.05.–2.06. – Indonesia Deposit Insurance Corporation study visit 28.02. – Azerbaijan Deposit Insurance Fund study visit 29.05.–2.06. – TAIEX Ukraina Resolution System in Poland expert workshop 15–16–24.11. – DPC Pakistan – call peer assistance
2024	21–22.01. – Study visit to ACPR on resolution system for insurance and reinsurance companies in France 23.02. – EFDI PRC Technical Committee 15.04. – Swedish Resolution Authority study visit 23–24.01. – Bank CBCM Workshop on Resolution USA 8–9.09. – Malta Financial Services Authority expert workshop

Source: own compilation based on BFG documents.

## Multilateral cooperation

As a member of the EU, Poland is obliged to apply EU regulations on deposit guarantee and bank resolution. Accordingly, the BFG cooperates with a number of EU as well as global institutions (Table 2).

**Table 2. BFG in EU institutions and global organisations**

Institution	Characteristics
European Banking Authority (EBA)	The EBA develops guidelines for deposit guarantee and resolution schemes, monitors their implementation and carries out stress tests in the European banking sector.
Single Resolution Board (SRB)	The SRB oversees bank resolution processes in the Banking Union. The BFG cooperates with the SRB in exchanging information and preparing for future integration and participates in resolution colleges for cross-border banking groups.
Forum of European Deposit Guarantee Schemes (EFDI)	The EFDI brings together national DGSs, working to harmonise standards and exchange experience with institutions outside the EU.
Consultative Forum on (EDIS)	The BFG participates in the debates on the European Deposit Guarantee Scheme (EDIS), which is recommended as the third pillar of the Banking Union, complementing common banking supervision and bank resolution procedures.
International Association of Deposit Guarantee Schemes (IADI)	The IADI is an organisation under the auspices of the Bank for International Settlements (BIS), which aims to develop best practices in deposit protection and enhance the resilience of financial systems to crises. The BFG has been a formal member of the IADI since 2008.
The International Monetary Fund (IMF) and the World Bank	These institutions conduct reviews of the stability of financial systems in member countries. E.g. as part of programmes – the Financial Sector Assessment Program (FSAP). The BFG participates in these activities and provides information to the databases.

Source: own compilation based on BFG documents.

## Bilateral cooperation

The BFG actively cooperates with deposit guarantee schemes in other countries, especially those that have strong economic ties with Poland or where Polish banks operate (Table 3). Such cooperation is important especially when banks operate across borders and potential financial problems may have effects not only on the domestic market but also in other countries.

The cooperation is basically based on bilaterally signed Memoranda of Mutual Understanding (MoUs). Such agreements define, among other things:

- the scope of information exchange – including data on the financial health of cross-border banks, early warning mechanisms and procedures in the event of a threat to financial stability;
- coordination in the event of a cross-border bank failure – defining the principles of cooperation in the event of a financial crisis so that depositors in different countries can get their covered deposits efficiently;
- mutual support in terms of regulation and good practice – sharing experiences and best practices on the operation of deposit guarantee schemes and bank resolution.



The Bank Guarantee Fund, which guarantees deposits in banks and SKOKs in Poland, signed a cooperation agreement with its Ukrainian counterpart on 8 September 2022: Deposit Guarantee Fund (DGF, Фонд гарантування вкладів). The agreement was signed at the BFG's headquarters in Warsaw by BFG Management Board President Piotr Tomaszewski and DGF Managing Director Svetlana Rekrut.



**Table 3. bilateral cooperation of the BFG with foreign guarantee institutions**

Foreign institution	Nature of cooperation
<b>Czech Republic and Slovakia</b> Garanční systém finančního trhu (GSFT) Fond ochrany vkladov (FOV)	Due to geographical proximity and the activities of Polish banks in these countries, the BFG is developing cooperation with guarantee funds in these countries.
<b>France</b> Fonds de Garantie des Dépôts et de Résolution (FGDR)	French banks and their subsidiaries operate in Poland, and Polish financial institutions (e.g. Pekao S.A) have capital and organisational links with entities in France, hence the need to exchange experience and information on risks of both guarantee funds.
<b>Korea</b> Korea Deposit Insurance Corporation (KDIC)	In 2016, the BFG hosted a delegation from a Korean deposit guarantee institution. The delegation's topics of interest included the BFG's activities, its new function as a resolution authority, and the separation of commercial activities from the central bank, which took place in Poland in 1988–1989.
<b>Germany</b> Entschädigungseinrichtung deutscher Banken GmbH (EdB)	Poland and Germany have strong financial links, and many German banks are active in the Polish market. The BFG's cooperation with German deposit guarantee schemes includes the exchange of information and the coordination of actions in case of possible financial problems of cross-border banks.
<b>USA</b> Federal Deposit Insurance Corporation (FDIC)	The FDIC is the first guarantee institution in the world, established in 1933, with extensive experience in financial sector stabilisation and crisis intervention. Established relationships are particularly resulting in the exchange of best practices or solutions in deposit protection and bank resolution, in which the FDIC has an excellent track record, both from the distant past and from the recent regional bank crisis in 1Q2023.
<b>Ukraine</b> Фонд гарантування вкладів фізичних осіб, (FGVFO)	The DGF draws on the Polish experience of stabilising the financial sector and shares information and its activities particularly concerning the post-2014 period.

Source: own compilation.

The BFG engages in international training and technical assistance, supporting foreign guarantee institutions in organising, improving and developing and their activities. This is particularly true for countries in Africa



On 12 November 2024, the Bank Guarantee Fund signed a Memorandum of Understanding (MoU) with its Korean counterpart, the Korea Deposit Insurance Corporation (KDIC). The MoU was signed by the BFG's CEO, Maciej Szczesny, and KDIC Chairman and CEO Yoo JaeHoon, during the International Association of Deposit Insurers (IADI) General Assembly in Tokyo.

and Asia that are just organising or developing their guarantee institutions. On a reciprocal basis, the BFG benefits from the training and technical assistance of experts from IADI, the World Bank or the International Monetary Fund.

The dynamic changes in international relations in recent years and the rapid development of the institutional and entity architecture of financial markets require and will require adaptability to the new environment and challenges of the future. As the well-known maxim goes, “the future is unknowable” – however, this does not imply either passive or merely reactive adaptation to change. This postulate assumes particular importance in the turbulence experienced by international cooperation in the first half of 2025. In this context, it is worth recalling that the 10th anniversary publication of the BFG exposed that:<sup>8</sup>

- firstly, overcoming a credit institution's insolvency crisis should be done ‘quickly, quietly and efficiently’ (this demand has lost none of its validity);

<sup>8</sup> J. Szambelańczyk, *Przyszłość polskiego systemu gwarantowania depozytów w warunkach integracji i globalizacji*, in: *Systemy gwarantowania depozytów w Polsce i na świecie. Dziesięć lat Bankowego Funduszu Gwarancyjnego*, ed. W. Baka, PWE, Warsaw 2005, pp. 457–458.

- secondly, it is difficult to say categorically whether national guarantee schemes will be characterised by a peculiar diversity or by gradual harmonisation towards full harmonisation (the debates on EDIS are still ongoing and their end is not yet in sight);
- thirdly and finally, the requirement to have early warning and supervisory prevention tools is being formulated (the problems of the US West Coast banks of 2023 prove that a banking crisis still emerges like the proverbial ‘storm in the mountains’).

With the hope that in another 20 years’ time the timeliness of the 2025 postulates will not be invoked, the following issues and their consequences can be pointed out:

- integration with European deposit guarantee mechanisms – future developments within the Banking Union may affect how the BFG cooperates with other countries;
- management of risks associated with cross-border banks – the need to coordinate with guarantee funds of other countries in a crisis situation;
- the impact of geopolitics on financial stability – e.g. the situation in Ukraine and the BFG’s cooperation with the deposit guarantee scheme there;
- harmonisation of deposit guarantee schemes in the EU – although common regulations are in place, national schemes still differ in terms of funding and crisis management;
- potential integration with the European Deposit Guarantee Scheme (EDIS) – if Poland decides to fully participate in the Banking Union, it will be necessary to align the mechanisms of the BFG with common EU standards;
- risk management in the context of the increasing digitalisation of the banking sector – the development of fintechs and digital banking creates new challenges for deposit guarantee schemes that require international coordination.

Compiled by Artur Radomski

## PUBLIC IMAGE OF THE BANK GUARANTEE FUND

### INFORMATION AND PROMOTIONAL ACTIVITIES

The fulfilment of the mission of the Bank Guarantee Fund crucially depends on the confidence of customers that their funds entrusted to financial institutions are safe and that they need not fear for their return in a crisis situation. This confidence is shaped, inter alia, by past experience, when there have been instances in the financial market of the need for crisis management in relation to a bank, a credit union or another entity. The knowledge gained through experience is complemented by knowledge of the guarantor institution and of the methods and procedures applied in cases of crisis at the institution to which depositors have entrusted their funds.

The importance of providing reliable information to customers is, inter alia, reflected in legislation. Hence, both European Union legal acts and national legislation contain provisions obliging deposit guarantee institutions to provide extensive information on how the customer of financial services is protected, as well as on various guarantee-related activities contributing to the image of the professionalism of the guarantor's activity and the trust of stakeholders<sup>1</sup>. In particular, the Bank Guarantee Fund's information activities

---

<sup>1</sup> E.g. Article 317 of the BFG Act states: *"The Fund's website shall include information on the principles of operation of the obligatory deposit guarantee scheme, including the scope of subjective and subject-matter of the protection and the principles of making disbursements of guaranteed funds"*.

are aimed at popularising knowledge about the functioning of the deposit guarantee scheme in Poland, the rules for carrying out resolution and the role of the BFG within the financial security network.<sup>2</sup>

The methodology for assessing compliance with the IADI Principles for Effective Deposit Guarantee is currently used by the International Monetary Fund and the World Bank in their periodic assessment of financial sector stability (Financial Sector Assessment Program – FSAP). This methodology has become part of the Key Standards for Sound Financial Systems published by the Financial Stability Board.

Table 1. Core Standards for Sound Financial Systems

Lp.	Content of the standard
1	The deposit guarantor is responsible for raising public awareness of the deposit guarantee scheme using various communication tools on an ongoing basis as part of a comprehensive communication programme.
2	In the event of a bank's insolvency, the deposit guarantor must legally notify depositors through tools such as press releases, advertisements in the media, websites and other means communicating the following information: <ul style="list-style-type: none"> <li>a. where, on what terms and when depositors will be given access to their funds,</li> <li>b. the information that the depositor must provide in order to receive the covered deposits,</li> <li>c. whether (prior to the payment of the covered deposits in full – translator's note) advances will be paid,</li> <li>d. information for depositors who will lose their funds and the procedures by which they can claim the non-guaranteed part of their funds.</li> </ul>
3	The programme or awareness-raising activities shall provide information on: <ul style="list-style-type: none"> <li>a. the types of financial instruments and entities that are covered by – guarantee protection,</li> <li>b. the list of banks that are members of a deposit guarantee scheme and how this can be determined,</li> <li>c. the amount of deposit guarantees,</li> <li>d. other information, such as the statutory tasks of the deposit-guarantor.</li> </ul>

<sup>2</sup> The IADI Core Principles for Effective Deposit Insurance Systems) treat, inter alia, the general principles of the information policy: *"The deposit guarantor shall act in a transparent and responsible manner. It regularly discloses and publishes relevant information to stakeholders"; "In order to ensure the effective functioning of the deposit guarantee scheme, the public must be kept informed of the benefits and limitations of the deposit guarantee scheme".*

Lp.	Content of the standard
4	The objectives of the public awareness programme (e.g. target levels of recognition of the deposit guarantor among the public) are clearly defined and consistent with the objectives of the deposit guarantee scheme and the statutory tasks of the deposit guarantor.
5	The deposit guarantor sets a long-term public awareness strategy and allocates resources in its spending plan to build and maintain public awareness of deposit guaranteeing at the targeted level.
6	The Deposit Guarantor works closely with banks and other participants in the financial safety net to continuously ensure the consistency and accuracy of the information provided to depositors. The law requires banks to provide information on the underwriting rules in the format/language specified by the deposit guarantor.
7	The deposit guarantor continuously monitors its activities that build its visibility among the public and periodically conducts independent studies on their effectiveness.
8	Depositors in jurisdictions where cross-border banking activities through branches of foreign banks or subsidiaries take place, are provided with clear information on whether and by whom their deposits are guaranteed and on the limit and extent of such guarantees.

Source: IADI Core Principles for Effective Deposit Insurance Systems, <https://www.iadi.org/uploads/cprevised2014nov.pdf> (pp. 32–33).

The BFG's information policy is to popularise the institution established by law to protect deposits accumulated in banks and SKOKs and to implement resolution – as a professional, trustworthy organisation that meets the highest standards of credibility. This applies both to the entities of the guarantee scheme, their customers and other stakeholders. Therefore, while complying with the provisions on the protection of statutory secrecy, the Fund must be prepared to explain its actions to the public. This includes, among other things, providing information on contributions and on procedures for the resolution of monetary financial institutions, as well as preparations for the resolution of insurance and reinsurance undertakings.<sup>3</sup>

<sup>3</sup> The Fund's information activities in the area of forced resolution are regulated by Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms and

Due to the nature of its activities, the BFG intensifies and profiles its public communication with stakeholders, especially in crisis situations, when openness, transparency and credibility of the message are paramount to maintain a sense of security and minimise the risk of a run on the bank or banks. Conversely, during periods of uninterrupted operation of financial market players, it is important to maintain regular contact with the media, but without going into commenting on events or the financial security system.

In fulfilling its information and promotional as well as educational functions, the BFG undertakes a number of activities and initiatives. Direct contact with stakeholders is provided by a toll-free helpline and e-mail can also be used. The helpline number is widely disseminated through the website, leaflets and information sheets provided by banks and credit unions to customers. The website [www.bfg.pl](http://www.bfg.pl) publishes information and explanations on typical cases in Polish or English. Customers of financial institutions are keen to use these communication channels, especially on matters related to the possible suspension of the bank's activities, including the rules for the implementation of guarantees and how and how to recover funds deposited with banks. Approximately 200,000 visits to the website are recorded annually. A typical phenomenon since the establishment of the BFG has been a large increase in contacts in circumstances of true or false information about a threat to a financial institution. The intensity of contacts increases, especially when

rumours of problems appear in the public space after the suspension or bankruptcy of a particular entity.

As a preventive measure against undesirable customer behaviour, there are signs in the operating rooms of monetary financial institutions indicating that deposits in the institution



---

amending Council Directive 82/891/EEC and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU of the European Parliament and of the Council and Regulations of the European Parliament and of the Council No 1093/2010 and No 648/2012 (OJ EU L of 12 June 2014) (hereinafter: BRRD or BRR Directive) and the Act on the BFG.







resolution processes<sup>5</sup>. Journalists also have an important social role to fulfil not to disseminate untrue information or, at least, information that may cause distress to customers of credit institutions. There are instructive negative examples from the past.

In the early 1990s, the First Commercial Bank in Lublin experienced a run on customers' deposits after media information that the main shareholder Dawid Bogatin, who had fled from the US to Poland, was wanted by US services for tax offences. A mini run on branches of Wielkopolski Bank Kredytowy SA (WBK) was triggered by local newspaper publications about a lost court dispute with Bank Gospodarki Żywnościowej and suspected irregularities in WBK's privatisation. Neither of these news items created a state of threat to the stability of the banks' operations, yet they became a cause for customer concern. Prior to the establishment of the deposit guarantee scheme, customer anxiety and increased deposit withdrawals even caused branch closures that lasted more than a few hours due to computer system failures. Drawing on domestic and foreign experience, the BFG applies a policy of openness and cooperation with the media, answering questions or explaining the situation with a broad context. Caring for the qualifications of journalists, the Fund also organises dedicated training courses, especially on resolution processes, highlighting the



<sup>5</sup> It is instructive to note the stereotype formed by the media, according to which one of the previous presidents of the BFG was popularised as Zdzisław, who wanted to buy a bank for PLN 1. The recipients of the information were overwhelmingly unaware that the value of the bank was negative for hundreds of millions of zlotys, and that in order for the entity to continue to function, losses had to be covered and equity capital required by prudential regulations had to be 'rebuild'.

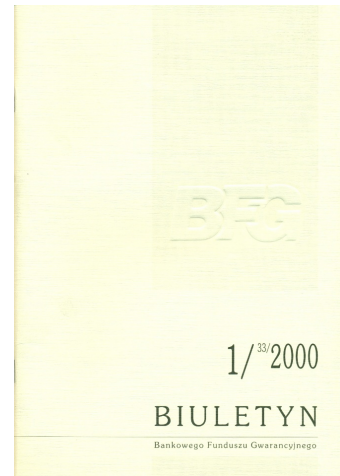
fulfilment of the necessary prerequisites for the application of this method of stabilising the financial sector.

In accordance with the provisions of the Decree of the Council of Ministers of 28 February 1995 on the granting of statutes to the Bank Guarantee Fund, a Bulletin containing the resolutions of the Council and the Management Board was published from the first month of the Fund Office's operation.

Initially, the Fund's Bulletin was distributed to commercial and cooperative banks, and later, in the form of CDs, also to financial safety net institutions and institutions affiliated to the IADI. With the establishment of the [www.bfg.pl](http://www.bfg.pl) website, information was posted on this website in both Polish and English versions. The BFG's annual reports for all the years of its operation are also posted on the website, allowing interested parties to access the information they need. The [www.bfg.pl](http://www.bfg.pl) website is being successively developed.

In 2025, work began on a new, "client-centric" version of [www.bfg.pl](http://www.bfg.pl). In line with the project, the formal layout will be reduced in favour of visitor-friendliness, especially through a change in structure and graphics. The design of the new was inspired, among other things, by the [gwarancje.bfg.pl](http://gwarancje.bfg.pl) website, which already serves as a landing page for educational campaigns.

In the information policy, a great deal of attention is paid to contacts with the





management and staff of banks, credit unions and capital market institutions, and in particular with analysts and commentators. Information addressed to this group is provided, inter alia, at industry conferences, media appearances or through the Fund's website. The Fund is mindful of the fact that operational staff of entities benefiting from the BFG guarantee have direct contact with clients whose funds are guaranteed, and competent explanations are crucial for the sense of security of funds entrusted to these entities. This also applies to explanations regarding resolution, including the MREL (minimum requirement for own funds and eligible liabilities) requirements as a key condition for a successful resolution process.

A special segment of the Fund's stakeholders is the academic community, both in terms of academics and students. The former, in the early years of the BFG's activities, actively participated as council members, experts or advisors to the Board, and finally authors of studies on the functioning of deposit guarantee schemes. Particularly noteworthy is their participation in the scientific seminars organised by the Fund's Board of the first three terms. The Fund was also the organiser of two major international conferences in Warsaw, and also participated in external conferences or seminars organised in the country (e.g. national conferences of finance departments, European Financial Congress) or abroad with substantive contributions or sponsorship.

The Fund's relations with students are established, inter alia, by supporting students' scientific activity (e.g. the student conference Financial Stability Regulations 2012, co-hosted by the Warsaw School of Economics), and occasionally through work placements at the Fund's Office. Guest lectures at universities given by BFG staff are also important in promoting the Fund's activities.

Finally, in accordance with common requirements, the BFG provides information to requests made in accordance with the Act of 6 September 2001 on Access to Public Information (i.e. Journal of Laws 2022, item 902). Public information is made available by the Fund by means of announcements in the BFG Public Information Bulletin or the Fund's website, as well as written or oral information provided upon a written or oral request.

Compiled by Filip Dutkowski

## Strona główna

### O BFG

[Status prawny](#)

[Rada](#)

[Zarząd](#)

[Struktura organizacyjna](#)

### Informacja publiczna

[Majątek](#)

[Sprawozdania z działalności](#)

[Wybrane fundusze BFG](#)

[Opłaty i składki na fundusze BFG](#)

## Strona główna BIP BFG

### **Biuletyn Informacji Publicznej Bankowego Funduszu Gwarancyjnego**

Na stronach BIP BFG publikowane są wyłącznie informacje publiczne. Na podstawie art. 4 ust. 1 i art. 9 ust. 2 ustawy z dnia 6 września 2001 r. o dostępie do informacji publicznej (Dz. U. z 2019 r., poz. 1429) Bankowy Fundusz Gwarancyjny udostępnia informację publiczną i tworzy własną stronę Biuletynu Informacji Publicznej - BIP BFG.

Standardy tworzenia i prowadzenia stron BIP określa rozporządzenie Ministra Spraw Wewnętrznych i Administracji z dnia 18 stycznia 2007 r. (Dz. U. Nr 10, poz. 68) w sprawie Biuletynu Informacji Publicznej.

Na stronach BIP BFG nie zamieszcza się reklam, materiałów o charakterze komercyjnym oraz informacji zawierających niewyjaśnione skróty.

Adres pocztowy:

#### **Bankowy Fundusz Gwarancyjny**

ul. ks. Ignacego Jana Skorupki 4, 00-546 Warszawa

godziny urzędowania: 8.00-16.00

Osoby z niepełnosprawnością ruchową prosimy o wcześniejszy kontakt telefoniczny z recepcją pod numerem 22 58 30 700. Pracownicy recepcji zarezerwują dla Pana/Pani miejsce na parking przy siedzibie Funduszu i pomogą wejść do budynku.

**NIP:** 5251052103

**Regon:** 010978710

strona internetowa: [www.bfg.pl](http://www.bfg.pl)

numery telefoniczne: 22-58-30-700, 22-58-30-701, fax: 22 58-30-589

e-mail: [kancelaria@bfg.pl](mailto:kancelaria@bfg.pl)

## THE “SAFE BANK” JOURNAL

The journal “Safe Bank” was established in 1997 on the initiative of Professor Władysław Baka, then Chairman of the Council of the Bank Guarantee Fund. It was the outcome of interdisciplinary seminars organised by the Council of the Fund and devoted to the problems of banking system stability, including in particular deposit guaranteeing and bankruptcy prevention. These seminars provided a platform for banking practitioners, as well as experts from the academic community, to discuss, exchange views and experience, including on foreign solutions. It should be emphasised that at that time – both in Poland and in other European countries – the activity in the field of deposit guaranteeing and financial support of banks with a threatened solvency was a relatively new activity without sufficiently developed theoretical background or universal formulas of behaviour and practical, universally recognised patterns of action<sup>1</sup>. The first issue of the journal on 160 pages of print contained elaborations of the issues raised during the seminars, information on the activities of the BFG, and the “Miscellanea” section presented foreign experiences and solutions. The issue was edited by a six-member Editorial Board, consisting of



W NUMERZE	
<b>Od kolegium redakcyjnego - str. 1</b>	<b>Z działalności BFG - str. 3</b>
1. Informacje o działalności BFG w latach 1995-1996 - str. 3	2. Nowelizacja ustawy o BFG - str. 18
<b>Problemy i poglądy - str. 23</b>	1. Wpływ projektowanych zmian prawa bankowego na bezpieczeństwo finansowe i stabilność publicznego systemu bankowego - Edward Kąkol - str. 23
2. Implikacje wdrożenia ustawy o restrukturyzacji bankowości spółdzielczej dla działalności BFG - Tomasz Narusz - str. 41	<b>Nowe idee i nowe rozwiązania - str. 53</b>
1. Aspekty prawne realizowania wiarytelności jako formy pomocy BFG bankom o zagrożonej wypłacalności - Andrzej Kapuściński - str. 53	2. Aspekty ekonomiczne realizowania wiarytelności jako formy pomocy BFG bankom o zagrożonej wypłacalności - Zdzisław Fedorowicz - str. 67
3. Zarys kierunków działania (omówienie dyskusji) - str. 79	<b>Identyfikacja stanu zagrożenia wypłacalności - kryteria i metody - str. 87</b>
1. Kryteria i metody oceny zagrożenia banku - wnioskami dla budowy systemu wczesnego ostrzeżenia - Ryszard Zawadzki - str. 87	2. Kryteria i metody oceny zagrożenia, wypłacalności banku. Wnioski z działalności Bankowego Funduszu Gwarancyjnego dla budowy systemu wczesnego ostrzeżenia - Ryszard Barłowski we współpracy z Międzyinstytutem Inwestycji Działalności, Wojciechem Kosińskim i Iwona Gontarczyk - str. 99
3. Pojęcie zagrożenia wypłacalności w świetle funkcji BFG (omówienie dyskusji) - str. 118	<b>Z działalności zagranicznych - str. 121</b>
1. Przywrócić ufność banków w świetle literatury światowej - Beata Zdanowicz - str. 121	2. Bankowy Fundusz Gwarantowania Depozytów w Hiszpanii - Josep i Nuria del Real - str. 128
<b>Regulacje określające normy ostrożności w Polsce - Dorota Domalik - str. 141</b>	<b>Miscellanea - str. 155</b>

Cover and editorial page  
of the first issue of the journal

<sup>1</sup> From the Editorial College, Safe Bank No. 1, 1997, p. 2.

practitioners and academics dealing with bank stabilisation and financial security, chaired by Władysław Baka.

The magazine “Bezpieczny Bank” was initially of an informational and educational nature and aimed to provide knowledge in the area of deposit guarantees and bank financial security. In the first period of its activity, the works of the Programme and Editorial Board were headed by the Chairman of the BFG Council (twice Władysław Baka, once Marek Grzybowski). In 2000, the College was expanded to include further members and renamed the Programme and Editorial College.

In 2007, the journal underwent significant organisational changes, e.g.: the Editorial Committee with two editorial secretary positions was established, as well as the Programme and Scientific Council, and articles submitted for publication started to undergo scientific reviews. Thus, ‘Safe Bank’ was given the profile of a scientific journal and its mission became to support the development of research and to promote knowledge in the field of deposit guarantees, bank security and financial system stability. At that time, Robert Jagiełło was appointed editor-in-chief of, and the chairperson of the Programme and Scientific Council was the then President of the BFG – Małgorzata Zaleska. The positions of secretary of the editorial office were taken by Jan Koleśnik and Robert Stasiak<sup>2</sup>. All held their positions until the end of 2009.

At the beginning of 2010, Jan Szambelańczyk, a member of the Fund’s Council (1995–2016) who has been involved with the journal since its inception; initially as a member of the Editorial Board and later as a member of the Programme and Scientific Council, became Editor-in-Chief. He has



Cover page of the journal  
from 2012 to 2017

<sup>2</sup> Until 2007, the Editorial College did not include the position of Editorial Secretary. This function was performed by the Secretariat of the Editorial Board, and the tasks were carried out by employees of the BFG: Tomasz Obal (1997–2004), Beata Zdanowicz (1997–2000, 2004–2007 and Joanna Majewska (2000–2001).





Cover and editorial page  
of the first issue of the journal in 2025

held this role continuously to the present. During this time, there have been changes both in the composition of the Editorial Committee and the Programme and Scientific Council, the work of which in successive years has been headed by Dariusz Daniluk (2010–2012), Ludwik Kotecki (2013–2015), Piotr Piłat (2015), Piotr Nowak (2016–2019), Leszek Skiba (2019), Marek Dietl (2019–2023), and since 2024 it has been headed by Andrzej Ślawiński, a Polish economist with many years of experience in academia as well as in the bodies and units of the National Bank of Poland. The journal has been given the character of a forum presenting views and discussions on theoretical, methodological and factual issues related to financial security in its broadest sense – both in historical, contemporary and forecasting aspects. Since 2016, the first people with academic and expert experience from foreign centres have been involved in the work of the Programme and Scientific Council, including: the University of Milano-Bicocca in Milan (Italy) or the University of Granada (Spain), and now foreign members make up almost half of



Meeting of the Scientific Council and Editorial Committee of the “Safe Bank Journal” in 2024

the Council, representing international financial institutions and scientific centres from countries such as: Spain, Germany, Slovenia, Ukraine, UK, Italy. Since 2010, the secretary of the editorial board has been Ewa Telezynska, an expert in the Board Office, who shared it with other BFG staff for several years: from 2010 to 2013 with Romuald Szymczak, and from 2013 to 2018 with Małgorzata Polak. The journal focused on publishing papers from the research output of the institution and universities, often by young researchers, which determined the predominance of source and review publications and on foreign experience.

Until issue 2(21)2003, the journal was published in cooperation with the Publishing House “Management and Finance”, after which the BFG became an independent publisher. Until 2012 the journal was generally published irregularly, i.e. 2–4 issues of the journal. Thereafter, the magazine became a quarterly, occasionally publishing double issues as well as thematic issues. Until 2017, Safe Bank was published in hard copy with a circulation of up to 800 copies (ISSN 1429-2939). 2017 was an anniversary year for “Safe Bank”, which celebrated 20 years on the publishing market. Since the second issue in 2017, the journal has been published exclusively in electronic format (online ISSN 2544-7068; eISSN 2544-7068) and has had a new layout since



the first issue in 2018. The journal is published under a Creative Commons – CC BY NC 4.0 (Attribution-Noncommercial-ShareAlike 4.0) licence. The journal also has a DOI 10.26354 (Digital Object Identifier) for easy research search and to facilitate citation of articles, and authors are required to have an ORCID (Open Researcher and Contributor ID).<sup>3</sup>

By May 2025, 98 issues of the journal had been published, including issues in English, as well as bilingual issues. The journal published articles and opinion pieces signed by well-known and recognised authors, including banking practitioners and researchers from renowned domestic and foreign universities. Between 27 and 40 texts were published annually in the journal, including reports from scientific conferences, reviews and excerpts from theses and dissertations awarded in competitions organised by the BFG. In the last decade, the Issues and Views section was dominated by source and review publications, with a negligible proportion of polemical articles. Several issues of the journal were edited by thematic editors originating from the Editorial Committee and the Programme and Scientific Council, such as Małgorzata Iwanicz-Drozdowska, Ryszard Kokoszczyński, Magdalena Kozińska, Ewa Kulińska-Sadłocha, Monika Marcinkowska, Ewa Miklaszewska, Leszek Pawłowicz. In almost 100 issues of “Bezpieczny Bank”, one can trace the changes in the Polish financial security system, in particular the activities of the Bank Guarantee Fund and foreign deposit guarantee schemes, learn about the arguments “for” and doubts accompanying the changes in regulations or the evaluation of actions taken. Much space is devoted to banking crises and ways of overcoming them. At the same time, it is known from monitoring of the literature that publications in “Safe Bank” were often used in other studies, including theses. Thus, the journal has become a valuable and reliable source of information on the domestic and global financial market.

The journal *Safe Bank* has been recognised by the Minister of Science and Higher Education (MNiSW), who awarded 4 points for a scientific publication in it in 2010, in the same year increasing the number of points to 5. In 2015, after another evaluation of journals, the number of points for a publication

---

<sup>3</sup> ORCID – an international system for identifying authors of scientific papers. It makes it possible to distinguish authors with the same name and to assign publications to authors in scientific databases accordingly.

in Safe Bank was increased to 13, and in 2019 to 20. At the last review of the scientific quality of journals by the Scientific Policy Committee in 2021, 'Safe Bank' was awarded 40 points that authors can count towards their scientific output for papers published in its pages.

At present, the mission of "Bezpieczny Bank" is to popularise knowledge on the stability of the Polish and foreign financial systems, and in particular on regulatory solutions and their consequences, deposit guarantee schemes and the resolution of credit institutions, insurance companies, reinsurance companies and investment firms, the activities of other financial market entities and the behaviour of their clients, and above all to promote original research results on the functioning of financial systems. All papers sent to the Editorial Board are reviewed in a double blind review system (i.e. authors and reviewers do not know each other's identities) by specialists in the disciplines concerned, and must meet the journal's editorial requirements. A new journal website (<https://ojs.bfg.pl/index.php/bb>) has been in place since 2021, which features archived issues of Safe Bank alongside information about *the* journal, the editorial board and information for authors. The journal is indexed in databases: BazEkon (database co-created by 6 national university library centres), CEJSH (database registering scientific articles published in journals devoted to social sciences and humanities published in Poland, Bosnia and Herzegovina, Czech Republic, Estonia, Latvia, Lithuania, Serbia, Slovakia, Slovenia, Ukraine and Hungary), ICI Journals Master List (international indexing database of scientific journals). In the ICI Journals Master List 2023 evaluation, 'Safe Bank' achieved an ICV (Index Copernicus Value) quality index calculated on the basis of 41 criteria of 94.39 points out of a possible 100 points. Article submission, the review process and publication in the journal are free of charge for authors.

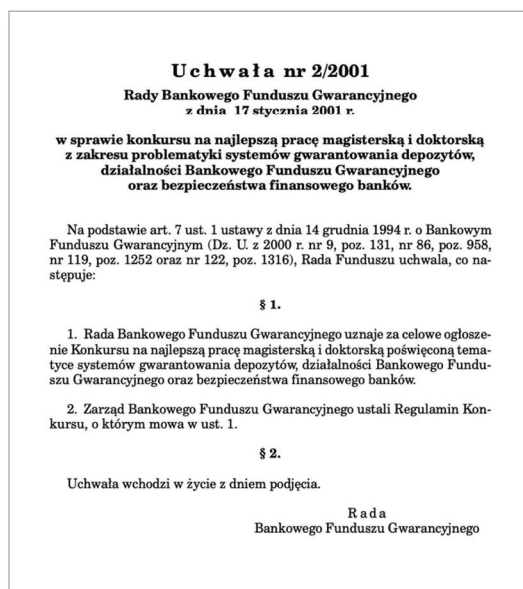
Compiled by Ewa Kulińska-Sadłocha

## AWARD FOR THE BEST DOCTORAL AND MASTER'S THESES

The idea of organising a competition for theses for graduates of higher education institutions was born in the Council of the Bank Guarantee Fund in 2000, and its main initiator was the then Chairman of the Council and at the same time Professor of the University of Warsaw – Władysław Baka. The competition was one of the proposed activities to promote the interest of the university community in deposit guarantee issues and at the same time to raise the profile of the BFG. On 17 January 2001, the Board of the BFG adopted a resolution on announcing a competition for the best master's and doctoral theses in the field of deposit guarantee schemes, the activities of the Bank Guarantee Fund and the financial security of banks. The resolution, the announcement of the competition sent together with an invitation addressed to universities operating in Poland, as well as the first regulations of the competition established by the Board of the BFG, were also published in the magazine "Bezpieczny Bank" (no. 4/2000). The regulations described all issues concerning the competition, its form, purpose, conditions of participation, deadline for submission of entries and prizes. In the first decade of the twentieth century, the BFG, in announcements of the competition, encouraged the completion and submission of works based on surveys concerning knowledge of the deposit guarantee scheme in Poland,

in particular the amount and scope of the guarantee and the principles of operation of the Bank Guarantee Fund, the results of which could be used in the Fund's information and education activities.

The first edition of the competition was held in 2002, with significant cash prizes for the best work in each category, and since 2014, two prizes have started to be awarded in each category of work. The first is the BFG President's Award for the best

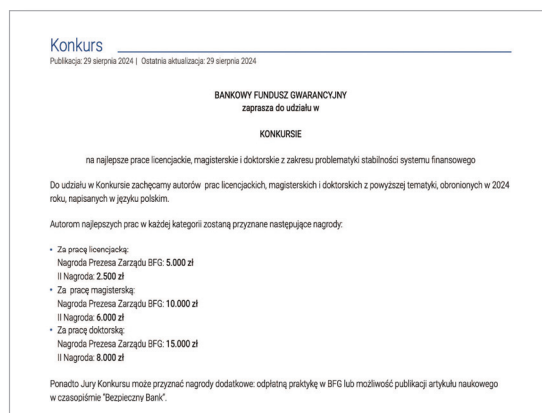




Presentation of awards in the 2012 competition. Jury members and winners

work and the second is the Second Prize for the work. From the beginning, the rules of the competition provided for the non-award of a prize when the Jury of the competition considers that the submitted works do not meet expectations, as well as the awarding of additional prizes. In 22 editions of the competition, the Jury has made use of these possibilities on many occasions, not awarding prizes, making a different division of prizes, or awarding additional prizes in the form of publishing part or all of the awarded work in the “Bezpieczny Bank” magazine or undertaking a paid internship at the BFG.

The idea of organising the competition gradually spread in the academic community. In the first years, each edition of the Competition received a few works, in 2015 their number exceeded 20, and in recent years around 30 works have been submitted to the Competition. As the scope of the Fund’s activities has expanded, the topics of works qualifying for the competition have also developed and now include: deposit guaranteeing, resolution of financial institutions, regulatory infrastructure of the financial system, financial security of banks, financial stability, and financial security of insurance and reinsurance companies in relation to the stability of the financial system.





Presentation of awards in the 2024 competition. Jury members and winners

The entries submitted to the competition are evaluated by a Jury appointed by the President of the Management Board of the BFG. The Competition Jury is composed of academics from higher education institutions dealing with competition issues, as well as members of the BFG Council and Board. So far, these roles have been fulfilled by, among others: Agnieszka Alińska, Leszek Dziawgo, Dariusz Filar, Eugeniusz Gatnar, Marek Grzybowski, Janina Harasim, Małgorzata Iwanicz-Drozdowska, Robert Jagiełło, Alfred Janc, Andrzej Jankowski, Ewa Kawecka-Włodarczak, Ewa Miklaszewska, Alojzy Nowak, Jerzy Nowakowski, Ryszard Pazura, Andrzej Rzońca, Jan Szambelańczyk, Olga Szczepańska, Ewa Śleszyńska-Charewicz, Andrzej Wisniewski.

Until 2004, the announcement of the results and the award ceremony took place during the General Meeting of the Polish Bank Association, and in subsequent years also at a meeting of the BFG Council, during a seminar organised by the BFG, and since 2010 at the headquarters of the BFG with the participation of the Management Board.

A total of 276 theses have been submitted to the Competition since 2002, including 138 master's theses, 84 bachelor's theses and 54 doctoral theses. The jury has awarded a total of 75 prizes (21 for doctoral theses, 35 for master's theses and 19 prizes for bachelor's theses). At present, the BFG Competition is already well recognised in the scientific community in Poland. It happens that winners of previous years' competitions are supervisors or reviewers of theses submitted to the Competition.

Compiled by Ewa Teleżyńska

## PERCEPTION OF THE BANK GUARANTEE FUND BY EXTERNAL STAKEHOLDERS

In a social study on the role of the BGF carried out more than two decades ago, when asked: “*What would you do if one day it turned out that there was no money in your bank?*”, only 10 per cent of clients with deposits in banks answered “*I would recover the money from the BGF*”. The others did not know what to do, or would take action on their own to recover their deposited funds<sup>1</sup>. In 2003, when asked: “*What is the main security for the money that people keep in banks operating in Poland?*” the most frequent answers given by respondents included: guarantees of the State Treasury, provisions of banking law, banks’ concern for their good name, the size of the banks’ capitals, the competence of the banks’ management boards, a special institution guaranteeing the deposits of the public, the goodwill and tradition of the individual banks. As many as 59% of the respondents were convinced that, among the clients of the banks that banked in that period<sup>2</sup>: (1) only some depositors had recovered, and in part, their deposited funds, while the rest had recovered nothing, (2) the lucky ones had managed to recover anything, (3) all had been “left in the lurch” and had no chance of recovering their deposited money. 68% of respondents felt that banks are not uniformly safe in terms of the safety of deposited funds. The following were considered less safe banks: small banks, new banks without tradition, with little capital, without state guarantees, weak, badly managed, little known, without respect and reputation, private or cooperative banks, banks operating under different laws (according to different regulations), banks with less trained and inexperienced staff, banks that do not have adequate financial security, or banks with foreign capital. The most important desirable feature of the banking sector, indicated spontaneously in 2003 by 68% of respondents, was the security of deposits of private individuals and the stability of the bank, while the key factor in choosing a bank at that time was the reliability of the bank, indicated by 83% of respondents, and the certainty of receiving back the money deposited (77%).

---

<sup>1</sup> *The perceived role of the BGF*. Report on the results of the survey. Pentor for the BFG, Warsaw, 2000.

<sup>2</sup> *Bank deposit guarantee scheme knowledge survey*. Report on the results of the survey. Pentor for BFG, Warsaw 2003.

The statistics quoted from the perspective of the current assessment of the banking sector seem ‘exotic’. Looking back over the past three decades, Significant progress can be seen in the sphere of ensuring security of clients in their relations with banks. The entirety of changes and events that have taken place in the Polish banking system over the past three decades should be assessed decidedly favourably from the point of view of building its security and credibility. There has been a very clear change in the importance of the security of funds deposited in the bank as a factor in the choice of bank and the emergence of a generalised sense of security and trust in all banks operating in the domestic market. As a result, the security of funds deposited in the bank as a key factor determining the choice of bank two to three decades ago has now lost its importance. Security has become a ‘hygiene’ factor and is included in the group of ‘must have’ features, i.e. every bank is obliged to have such a feature and has it. The term “hygienic” in this case means that this area is not the most important factor that shapes the sector’s rating, but at the same time, being rated at a high level, its deterioration would cause a sharp negative impact on the sector’s rating. It is possible to speak of reaching such a high level in this area that a further improvement in safety would not trigger an improvement in opinion, but a reduction in the level of safety would certainly trigger a deterioration in opinion. This is a situation in which there is no room for a reduction in the feeling of security, as this will be associated with a strong negative reaction from customers. According to a study commissioned by the BFG in 2024, 96% of bank customers have not sought information on the safety of funds deposited in banks and 91% have not heard of any bank that has gone bankrupt in Poland in recent years<sup>3</sup>. It is worth adding that 74% of bank customers openly admit that they do not know what the amount guaranteed by the BFG is, and only a few percent of respondents give the correct amount.

The high level of perceived safety also has another face. There is a growing outsourcing of responsibility on the part of consumers, a perceived low level of knowledge among bank customers about the deposit guarantee scheme, and a growing trend year on year of reluctance to increase this knowledge. There has been an unprecedented increase in the number of people among those surveyed who do not give a thought to the security of their money

---

<sup>3</sup> *Reputation of the Polish Banking Sector 2024*, Polish Bank Association, Warsaw 2024.



in the bank, as is the belief that all banks in Poland are equally safe. Even when confronted with information about a bank's bankruptcy or forced restructuring, customers are reluctant to reach for information about the risks or to know about the possibilities of recovering funds in the event of a bank's bankruptcy. In contrast, there is a strongly entrenched belief that the 'system' will react right-ly and that the bank customer is highly protected. Currently, interviewees acknowledge that a bank will suffer far greater consequences in the event of insolvency than a client who has funds invested with the bank. This attitude is a testament to the high level of confidence in the normative dimension of the operation of banks.

The creation of a generalised climate of trust towards banks in Poland is of particular significance for both the functioning of the system and the comfort of entities serviced by banks. At the same time, the normative and generalised nature of trust in financial market institutions constitutes a serious source of risk for the banking sector and bank customers. The financial market is characterised by significant dynamics of events. New credit institutions and entities not subject to financial supervision and not covered by the deposit guarantee scheme appear on it. In the minds of customers, these institutions often operate under the same umbrella as banks in terms of trust and safety ratings.

When assessing public perceptions of the Bank Guarantee Fund, it is necessary to look holistically at the role of this entity in shaping the assessment of the banking sector. The normative dimension of bank operations forms the basis for assessing all other dimensions in which domestic banks are perceived by society. Often this aspect is underestimated, escaping attention, although it forms the foundation for assessing the sector. This is evidenced by the results of studies into the determinants of trust in banks or the considerations of satisfaction with bank services.

## **Public assessment of the banking sector over the past three decades**

In assessing the past three decades, market observers ask themselves how banks have fared in the sphere of customer relations during this time and what role the safety-net institutions, in particular the Bank Guarantee Fund, have played in this assessment. The answer can be sought tempting by analysing

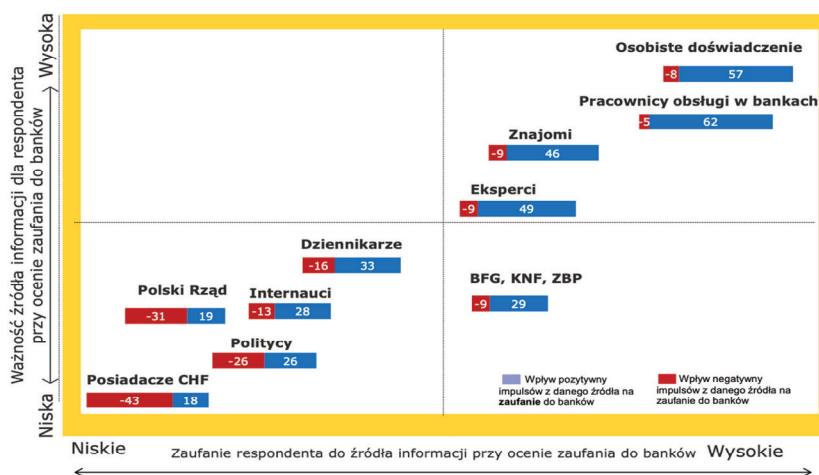




Presentations of research results

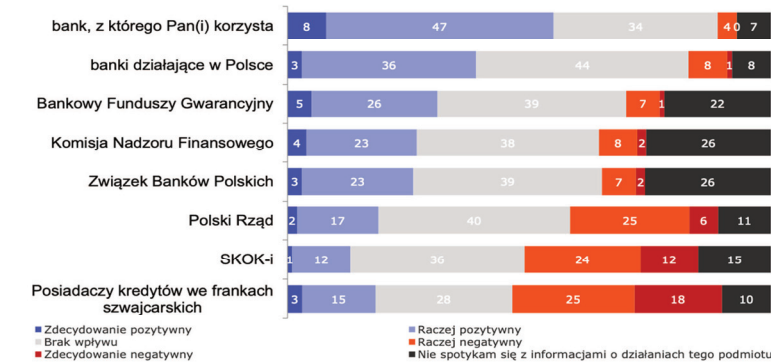
how the fundament of these relationships – i.e. trust and general assessment of the banking sector – has evolved over thirty years. Monitoring of these relations has been carried out since 1994 by Pentor, then – maintaining the continuity of measurements – by Pentor Research International, TNS Pentor, TNS, Kantar and currently by Mindes&Roses in cooperation with the Polish Banks Association. Studies on public perception of the deposit guarantee scheme have also been conducted by the Bank Guarantee Fund. It carried out its first studies after the collapse of Bank Staropolski and Bank Częstochowa, and since 2014 it has been conducting systematic measurements of the social assessment of the deposit guarantee scheme.

#### Okoliczności kształtowania zaufania do banków



Results of the Reputation survey of the Polish banking sector in 2016

## Okoliczności kształtowania zaufania do banków



Q: Jaki jest wpływ działań podejmowanych w ostatnim roku przez instytucje, które za chwilę odczytam, na Pana(i) zaufanie do banków w Polsce?



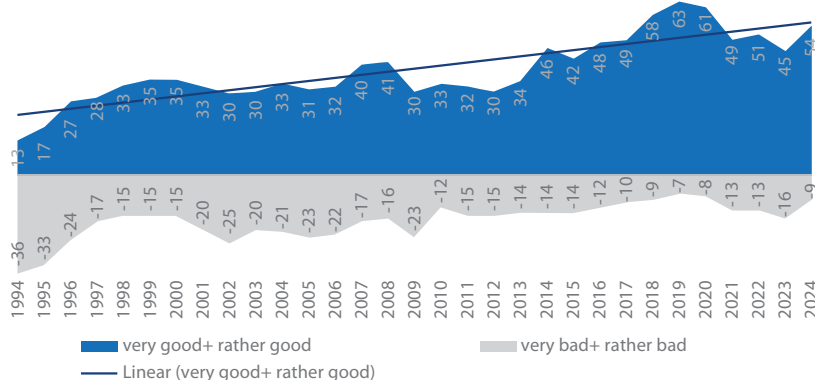
Results of the Reputation survey of the Polish banking sector in 2016

In the light of many years of research, the balance sheet of the past thirty years is positive in many dimensions. It has been a period of improvement in many aspects, both in terms of the general increase in trust in banks and a better assessment of their reputation, as well as a better perception of them in the following years. Three decades ago, in 1994, 13% of respondents had a good opinion of banks operating in Poland and 36% a bad one. After 30 years, the percentage of people forming a good opinion of the banking sector has quadrupled to 54% in 2024. The percentage of people forming a bad opinion has decreased during this time from 36% to 9% in 2024 (Chart 1). On average, positive opinions about the banking sector increased by 1 p.p. annually. This is a systematic, long-term trend, which is a testament to the sustainability of the sector and, in particular, to the strong foundations in the area of normative conditions for the operation of banks. Fluctuations of various magnitudes can be observed around the long-term trend, being the result of both cyclical macro- nomic fluctuations and events that directly influenced the assessment of the banking sector.

Since 1989, 139 banks have failed in Poland<sup>4</sup>. The vast majority of bank failures occurred in the 1990s. Bankruptcy significantly more often affected

<sup>4</sup> It is worth mentioning that 10 cooperative banks went bankrupt in Poland in 1993, in 1994. 23 cooperative banks, in 1995. 60 banks, including three commercial banks, in 1996.

Chart 1. Overall opinion of the banking sector 1994–2024



Source: *Retail Banking Audit 2018*, Kantar, Warsaw 2018; *Reputation of the Polish Banking Sector 2024*, op. cit.

cooperative banks (133) than commercial banks (6). The last bank insolvencies to be announced in Poland were the cases of SK Bank and Bank Spółdzielczy w Nadarzynie. These were also the first bankruptcies of banks during the existence of the PFSA. The case of Getin Noble Bank SA, which underwent restructuring, should also be added to the list of banks. Despite more or less spectacular bankruptcies, the upward trend of improving opinions about the banking sector did not break in the analysed period, and the downward changes were of a short-term nature. It was a period in which the banking sector and the rules of its operation were tested, providing Polish society with a testimony of the predictability, sustainability and correct functioning of its procedures and legal framework.

Analysing the last two decades, the first negative changes were visible after 2000. Shortly after the apogee of the crisis in February 2009, the group of people who positively assessed the activities of banks in Poland shrank from nearly 40% in 2007 to less than a third, and a quarter of respondents expressed a negative opinion of banks. In the years that followed, there was a noticeable reserve attitude towards banks, although the percentage of negative opinions decreased markedly after the first shock of the crisis. It took another five years to rebuild a good opinion of the sector – to pre-crisis levels – after the crisis,

31 banks, including one commercial, in 1997. 6 cooperative banks, in 1998 four, in 1999 one commercial bank, and in 2001 one cooperative bank and one commercial bank, while in 2015 one cooperative bank.

and it took as long as seven years to consolidate and strengthen it. In recent years, there has again been a decline in positive views of the sector and an increase in negative views, starting with the 2020 measurement just after the outbreak of the COVID-19 epidemic and the subsequent global shock, and later after the subsequent turmoil caused by, inter alia, Russian aggression in Ukraine, disruption of supply chains, rising inflation and energy prices and, once again, increased uncertainty. From the point of view of the perception of the average bank customer, testimony to the predictability, sustainability and proper functioning of the procedures and legal framework is reflected, among other things, in the statements of experts, social authorities as well as the creators of the banking system in Poland during the 20th anniversary of the Polish Bank Association in 2012. W. Kwaśniak, Vice-Chairman of the Financial Supervision Authority, stated that “the banking sector in Poland is safe and effective.”<sup>5</sup> E. Śmiłowski emphasised that “the banking system created from scratch has been developing dynamically over the years and is now stable and safe. (...)”. “If you ask Poles what financial institutions come to mind first, 80% answer banks. Not only are they widely known, but their role is properly understood and appreciated.”<sup>6</sup> In the opinion of the President of the Republic of Poland Bronisław Komorowski (in a letter addressed to ZBP on the occasion of the 20th anniversary), banks “(...) not only accompanied the Polish road to democracy and free market, but (...) as a rule, they ran their business responsibly, maintaining public trust (...)” Mieczysław Groszek, then Vice-President of the ZBP: “(...) The Polish banking system has survived the global turmoil in very good shape. This assessment synthesises all the elements of the banking sector – capital equipment, quality of portfolios, qualifications of managers and banking staff, but also supervision itself and the regulatory sphere (...)”<sup>7</sup> More than a decade has passed since these statements, and these opinions are still valid and are reflected in the social assessment of the banking sector.

Measurements of trust in banks show that the past 20 years of the history of the Polish banking system have allowed a large capital of trust to be built up in banks by the public (Chart 2). The “that moment” has not occurred, in which banks in Poland would lose public confidence. This has been possible thanks

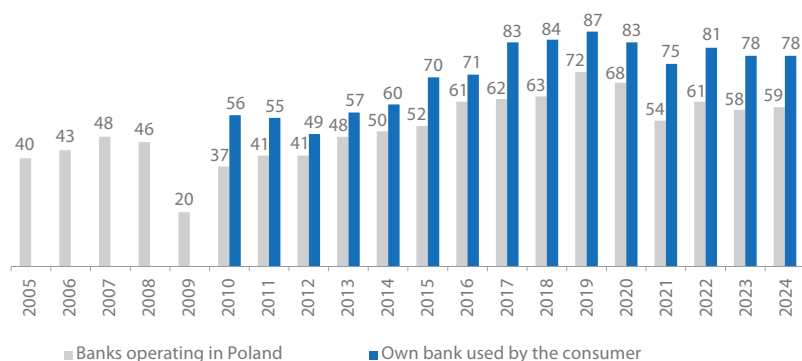
<sup>5</sup> Material from the FSC press conference of 16.04.2012.

<sup>6</sup> E. Śmiłowski, *Suspicious customers*, Polish Market no 11(172), 2011.

<sup>7</sup> Bank Monthly, IV 2011, *Anniversary Edition*, Centre for Banking Law, Warsaw 2012.

to the long-lasting positive experience of customers, which is the result of the sector's efforts to build a general attitude of trust towards banks. Nine out of ten respondents, regardless of whether they have deposited their funds in a bank or SKOK, claim to have no doubts or reasons to doubt the confidence of funds entrusted to banks. A quarter of those surveyed rule out the possibility of threats concerning the institution whose services they use. Respondents believe that funds deposited with banks are safe. This is the opinion of 92% of bank customers and 82% of SKOK customers.

**Chart 2. Trust in banks in Poland between 2007 and 2014**  
(percentage of "YES" answers)



Source: *Retail Banking Audit 2018*, op. cit; *Reputation of the Polish Banking Sector 2024*, op. cit.

A similar trend in the formulation of ratings is seen in the case of trust in banks, which has both an institutional dimension (as trust in the industry) and an individual dimension (as trust in one's bank). In the case of institutional trust, there is a greater knowledge deficit about the sector as a whole and thus customer opinions are more reserved than in the case of individual trust. As in the case of general opinion, a systematic increase in trust in banks can be observed over the past two decades. Historically, the highest indications were recorded in 2019, when 87% of people declared trust in their own bank and 72% in the sector as a whole. It is noteworthy that, as a result of the crisis, the decline in trust in one's own bank has not been as profound as in the case of institutional trust. The main reason for this was a better understanding on the part of clients of what was going on in their immediate environment.

This was the result of customers' better understanding of what was happening in their immediate environment, as well as a relatively low actual interest in banking issues across the sector. In the period 2005-2024, the average annual systematic increase in trust in banks was 1.7 p.p. in each year, and in the period 2009-2024, the average annual systematic improvement in trust in banks was 2.2 p.p. in each year.

### **Prescriptive security as a foundation for assessing the banking sector**

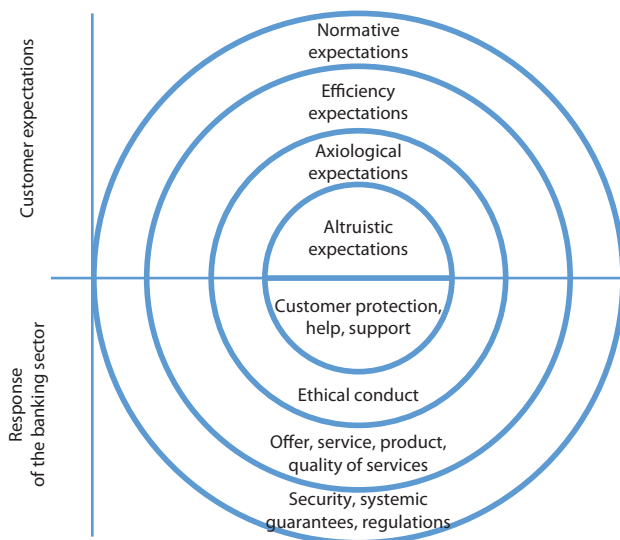
From the perspective of bank customers, systemic security is a fundamental for the assessment of banks in the layer of everyday use of their services. Systemic stability is a public good and is a *sine qua non* for the smooth and proper functioning of the banking market<sup>8</sup>.

The perception of the banking system as stable is the filter through which the social assessment of banks is made, and often only this dimension is taken into account in the assessment of banks. This phenomenon is explained by the concept of the hierarchic model of trust in banks, in which trust in banks and assessment of the banking sector is shaped in the dimension of normative, efficiency, altruistic and axiological determinants (Scheme 1). In this model, safety net institutions play a special role. In Poland, such bodies are: Government (the minister responsible for financial institutions – the Minister of Finance), the National Bank of Poland, the Financial Supervision Commission and the Bank Guarantee Fund. A key element of the financial safety net is the deposit guarantee scheme together with the institution of anti-insolvency protection<sup>9</sup>. From a societal perspective, the role of the Bank Guarantee Fund is a response to the so-called nondeposits, which are an overriding and fundamental group of expectations formulated by society towards banks. The banking sector's fulfilment of normative expectations is a prerequisite for the banks' response to efficiency, axiological or altruistic expectations on the part of bank customers.

<sup>8</sup> O. Szczepańska, *Financial stability as an objective of the central bank*, Wyd. Naukowe Scholar, Warsaw 2008, p. 37.

<sup>9</sup> Article 4 Bank Guarantee Fund Act of 14 December 1994 (Journal of Laws 1995, no. 4, item 18, as amended).

**Scheme 1. The concept of a hierarchical model of trust in the banking services market in Poland**



Source: own study.

The functioning of the financial market in Poland to date is characterised by stability and security.<sup>10</sup> Normative stability is, inter alia, the result of banks operating in a specific structural context, including regulations which are expressed, inter alia, by monitoring, identifying and eliminating at an early stage potential threats to the security of the entire system.<sup>11</sup> The normative context is based on the conviction that banks operate within a structural and situational framework which enforces them to act in a trustworthy manner. The normative context is based on the belief that banks operate within a structural and situational framework that forces them to behave in a trustworthy manner. By this we mean normative stability, transparency and transparency of functioning, sustainability of organisational structures and institutions, subordination of banks to legal rules and procedural frameworks. This creates instrumental-type trust in the institution of a bank and the institution of the financial security network in Poland. This layer of trust determinants relates

<sup>10</sup> H. Żukowska, *Controversy over the causes of financial crises*, 'Roczniki Ekonomii i Zarządzania' 3(39) (2011), p. 6.

<sup>11</sup> J.K. Solarz, *International financial system. Institutional-comparative analysis*, Biblioteka Menedżera i Bankowca, Warszawa 2001, pp. 183–184.

to the legal and regulatory rules applicable to the banking system. If these rules are well-articulated, consistent, transparent and legitimised, a sense of order, predictability, regularity and security. Transparency of the system implies that the rules of operation, competences and results achieved by the system are clearly visible and subject to scrutiny. This makes bank customers feel safe and place their trust in the system. Normative stability responds to the key expectations placed on banks. In the public consciousness, there has even been a saying “safe as a bank” or “you’ve got it made”. These statements are the best exemplification of the normative determinants of the assessment of the banking sector. Normative trust in banks is encapsulated by a whole system of legal and institutional solutions, which on the one hand are supposed to protect banks from problems, while on the other hand creating in the public perception the conviction that the occurrence of such problems is very unlikely, and even if they do occur, the consequences will not be severe for those who trust the banks.

However, when asking respondents who and what institutions guarantee the safety of money in banks and who watches over the stability of the Polish banking system, answers are often given: the state, the government, etc. These formulations can be described as guarantees of public trust. In order to guarantee public confidence, a modern democratic state under the rule of law makes use of the law and public administration, which provides customers with additional certainty that their rights will be enforced. As a result, public perception is shaped by such beliefs as: banks provide a sense of security (58%), the banking system in Poland is resistant to economic crises (57%), banks have good development prospects (56%), funds deposited in banks are safe (92%). The banks’ correct response to normative expectations results in the emergence and growing role of efficiency expectations, and then axiological and altruistic expectations placed on banks.

The evaluation of customers’ experience with banks concerns the effects of the actions taken by banks in their daily dealings with customers. It is a response to the expectation that banks’ actions are regular, correct, predictable, efficient, employees are competent, effective in their daily customer service. This layer of trust-shaping factors relates to the instrumental actions taken by banks. It can be said that expectations of this kind are related to trust in the organisational aspect of the banks’ functioning and daily service, an offer that meets needs, a price at an acceptable level, the general availability



of banking services, correctly a functioning online service, etc. Most often, the realisation of this layer of expectations is measured in satisfaction surveys on various areas of service quality. When assessing trust in the performance dimension, customers take into account not only their own experiences with banks, their assessment of the offer, availability, cost of services and quality of service, but also the very important aspect of ethical evaluation of banks, their communication.

Axiological expectations relate to the specific humanistic qualities of banks' activities. This type of expectation is related to trust in the ethical sphere of the bank and its representatives. From a consumer perspective, the attribute that brings together all the characteristics from this area is the expectation of respect from the bank. The response to axio- logical expectations is nothing more than the literal adherence to ethical standards in all areas of the customer relationship.

The last category comprises caring expectations, related to such actions where customers count on banks to selflessly take care of their affairs, to help them. This sphere is organised around the belief that, being in a relationship with the bank, the bank, in its own interest, should take actions that protect the customer. In this layer, the bank is interpreted as the one that has more power and, for its own sake, should protect the customer.

The cited categories of expectations are important because of the role they play in shaping public trust in banks. Customers differ significantly in terms of the factors that determine their trust in banks. Based on an assessment of the factors shaping trust in banks, a typological classification of bank customers can be made (Table 1). The typological classification reveals three customer segments. It should be noted here that all bank customers are sensitive to the assessment of security and the banks' complete fulfilment of normative expectations. Failure to meet these results in the inability to move on to expectations related to service quality, offerings, etc. A feature common to representatives of all three segments is the role of normative expectations treated as a "must have" feature. Normative conditions play the most important role in the first segment, while they are three times less important in the second segment, and in the third segment their role is twice as small as in the second segment and almost five times smaller than in the first segment. This means that safety is treated as an axiom.

**Table 1. Segmentation of bank customers by importance of factors shaping trust in banks**

	Segment		
	Relational	Pragmatic	Distanced
<b>altruistic</b>	Partially important	Never mind	Totally unimportant
<b>axiological</b>	Key	Partially important	Never mind
<b>efficiency</b>	Important	Key	Partially important
<b>normative</b>	No matter (axiom)	Partially important	Key

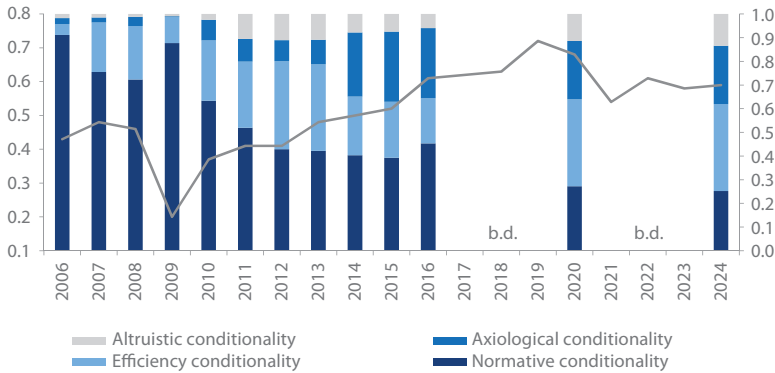
Source: own study.

First segment (distanced customers). In this group, the main factors building trust in the banks are the safety of the deposited funds and the security of the services. Normative conditions are the main group of trust-building factors. This segment can be described as uncommitted bank customers. These are the people who differentiate their assessment of banks in terms of their institutional and formal security and the clients' money deposited with them. Individuals from this segment in their assessment of trust in banks rarely pay attention to the standard of services provided by banks and very rarely evaluate banks in the dimension of ethical behaviour. Efficiency determinants do not differentiate between customers in terms of their impact on the assessment of banks' reputation. The altruistic and axiological dimensions of bank evaluation for this group are almost irrelevant.

Second segment (pragmatic customers). Representatives of this group attach great importance to efficiency expectations related to the offer and quality of service. It can be described as mature bank customers. The distinguishing feature of this segment is the orientation towards the bank's adherence to ethical values in both its operations and communication with customers. Understanding of needs is also important. Individuals in this segment are partly sensitive to unethical behaviour on the part of banks. Normative conditions are treated as fulfilled completely and in this area customers do not evaluate banks. They assume that both the banks are safe and the funds invested in them. The security factor is not a criterion for bank selection. Security is treated as an axiom – it just is and the customer does not think about it when assessing banks.

The third segment (relational customers) is the most demanding and most critical of banks. People in this segment demand that banks meet their axiological expectations. They attach great importance to communication and the relationship with the bank. They almost disregard efficiency elements, such as the offer or the quality of service, or normative considerations in evaluating banks. They treat that these expectations must be met without considering any other scenario. This is a typological segment that requires banks to behave ethically and behave altruistically, which is exemplified by taking full care of their customers. Its representatives are guided by the belief that the bank's role is to fully protect the customer from the negative consequences of the relationship with the bank.

**Chart 3. Assessment of the importance of individual categories of expectations in building trust in banks against the level of trust in banks in Poland 2006–2016, 2020, 2024**



Source: own study.

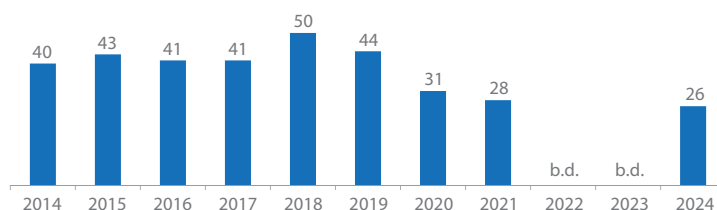
Determinants of trust in banks have a variable structure over time. Depending on changes in the situation of banks and their relations with their customers, as well as the scale of occurrence of events defined as crisis events for the banking sector, customers have different sensitivity to factors shaping their personal trust in banks. The current level of social trust in banks in Poland is higher than a decade ago, but the status of factors shaping trust has changed dramatically (Chart 3). In particular, the change relates to banks' subsumption of normative expectations. The hierarchy of factors determining trust leaves

no doubt that in the society more and more represented are customer segments that take it for granted that banks are safe, have a good offer, provide a high level of service. And while the role of security is crucial, at the same time its importance in shaping trust is diminishing. On the face of it, this is paradoxical, but from the customers' perspective, the banking sector provides a level of security at which it is not justified to reflect on this phenomenon. At the same time, it should be borne in mind that any failure in this respect will result in significant image and reputation consequences, as well as a shake-up of confidence in the banks. At the same time, the banks' efforts to improve security do not result in increased confidence in the banking system. This is a peculiar case of a situation in which customers know that security is key, give high marks in this area, and at the same time do not treat this factor as an important evaluation criterion, as more important are the conditions of everyday use of the banks' services, everyday experiences, costs incurred, etc. From one perspective, this is a testimony to the proper functioning of the security network institutions, but on the other hand it is a risk of moral hazard or lack of motivation to reach for knowledge about the rules of using bank services according to the principle that if the customer has a problem with the bank, it means that the bank has a problem, risking the loss of the customer's trust.

### **Perception of the role and public image of the Bank Guarantee Fund**

There is a belief in Polish society that there is an institution that guarantees the recovery of individual customers' money in the event of bankruptcy of a bank or SKOK. In 2024, the question *"Are there any institutions that guarantee the recovery of individual customers' money in the event of bank or SKOK bankruptcy in Poland?"* was answered in the affirmative by 26% of respondents. This is significantly less than in 2020 and significantly less than in 2014–2019. Comparison over time of the responses is made more difficult by the change made in 2020 to the wording of the question *"Are there any institutions that guarantee the recovery of individual customers' money in the event of a bank failure in Poland?"* by adding *"or SKOK"*. In 2024, a quarter of respondents answered in the affirmative to such a question (Chart 4).

**Chart 4. Belief that there is an institution to guarantee the recovery of individual customers' money in the event of bank failure in 2013-2021 and in 2024**  
Percentage of "Yes" responses, N= 1000 respondents



Source: *Bank Guarantee Fund Reputation Survey*, op. cit.

At the same time, a similar percentage held term deposits, current or savings accounts in which they kept money in banks. It is worth mentioning that the unbanked population is 96%, and bank customers do not regard funds on current accounts as savings. Taking into account the high assessment of the security of deposited funds (78%), the low percentage of respondents indicating the existence of an institution guaranteeing the recovery of money points to significant competence deficiencies on the part of bank customers regarding the principles of depositing funds. Another picture of this phenomenon is the lack of need for customers to have operational knowledge of deposit guarantee rules in the context of a strong conviction that, firstly, bankruptcy is very unlikely and, secondly, even if it happens, the "system" will react correctly and the money will be recovered.

Among those who declare the existence of an institution that guarantees the recovery of money in the event of bank or SKOK bankruptcy, 62% of respondents self-identify the Bank Guarantee Fund and a further 11% use the abbreviated name BFG (Chart 5).

This means that if a bank customer knows of the existence of a money recovery guarantee institution, they correctly recall the name of the entity. However, the remainder, i.e. around 27% of the group who have a belief in the existence of a deposit guarantee institution, give a wrong answer. At the same time, when analysing their responses, respondents point to institutions playing an important role in shaping the stability and security of the functioning of the banking market in Poland, and this directly relates to the so-called instrumental trust in the institutional dimension of the banking market.

**Chart 5. Spontaneous knowledge of institution guaranteeing recovery of individual customers' money in case of bank or SKOK bankruptcy in Poland in 2024 N= 258 respondents<sup>12</sup>**



Source: *Bank Guarantee Fund Reputation Survey*, op. cit.

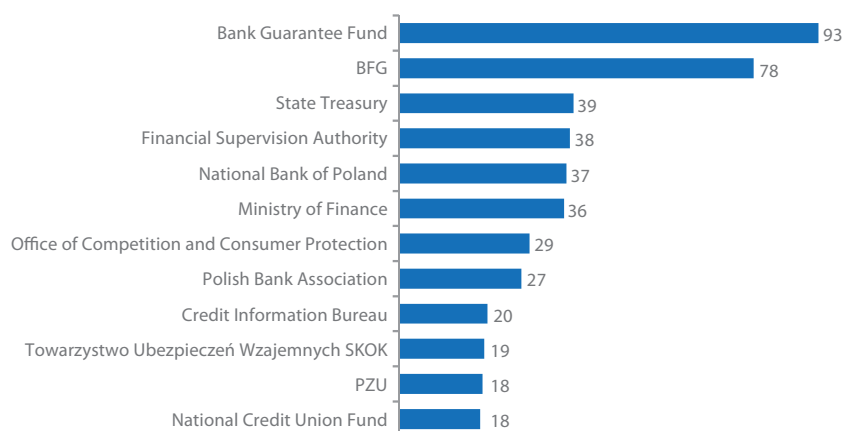
Confirmation of the so-called instrumental trust in the institutional dimension of the banking market is reflected in the responses to the question on the so-called supported knowledge of the institution guaranteeing the recovery of individual customers' money (Chart 6).

In this case, the percentage of indications to the Bank Guarantee Fund and to the abbreviation of the name: BFG dominates. Attention is also drawn to the high percentage of indications of other entities, including other safety-net institutions, which are indicated as the next, after the BFG, entities guaranteeing the recovery of individual clients' money. On the one hand, this is ignorance on the part of clients, but on the other hand, there is also the conviction of the existence of entities that, should a critical situation arise, will naturally be involved in the process of recovering their money. The layer of normative expectations mentioned with the hierarchical model of trust is a good description of the phenomenon of the generalised attribution of

<sup>12</sup> Question asked to a group of respondents who answered affirmatively about the existence of institutions guaranteeing deposits of the public with banks. Spontaneous knowledge, open question: What institutions do you know that guarantee the recovery of individual customers' money in the event of bankruptcy of a bank or SKOK in Poland? Responses in the group of people who indicated that there is an institution which guarantees the recovery of individual customer's money.

responsibility to the institutions of the security network security. At the same time, customers do not require operational knowledge of the banking market in terms of shaping stability and security. It can be argued that customers are only interested in the end result, accompanied by the belief that the system will react appropriately and that the funds placed in banks are safe.

**Chart 6. Aided knowledge of institution guaranteeing recovery of individual customers' money in case of bank or SKOK bankruptcy in Poland in 2024**  
N = 258 respondents<sup>13</sup>

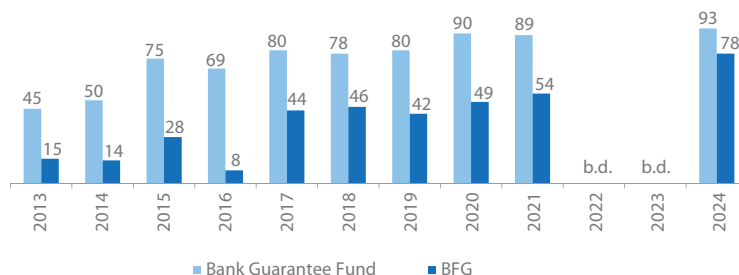


Source: *Bank Guarantee Fund Reputation Survey*, op. cit.

Over the past decade, the level of familiarity with the Bank Guarantee Fund and the abbreviation BFG has increased (Chart 7). Almost all respondents from the group of respondents answering affirmatively to the question on the existence of an institution that guarantees deposits of the population in banks confirm that the BFG is that institution (26% of respondents). In the light of the results of a study of spontaneous awareness in the same group, this means that at the level of “deeper awareness”, the entity responsible for guaranteeing the funds of individuals is correctly identified. Compared to a decade ago, this is a twofold increase.

<sup>13</sup> Aided knowledge means reading the list of entities and obtaining confirmation or denial on the question asked. Question asked to a group of respondents answering in the affirmative about the existence of institutions guaranteeing the deposits of the public with banks. Question: What institutions do you know that guarantee the recovery of individual customers' money in the event of bankruptcy of a bank or SKOK in Poland? Answers Yes or No.

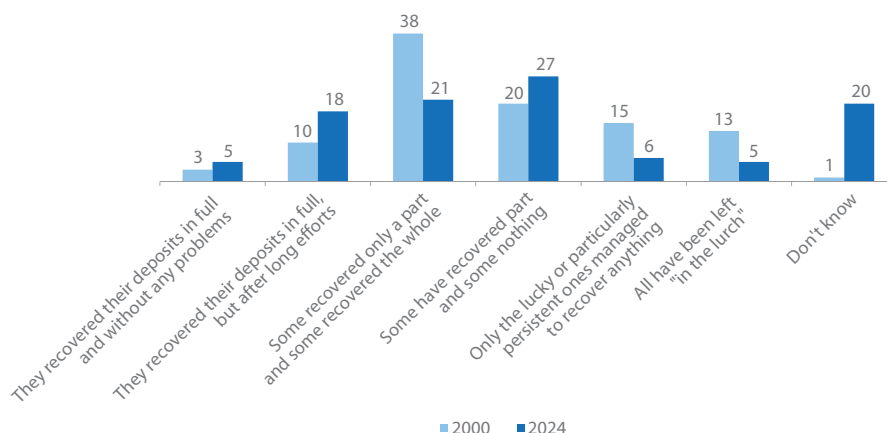
**Chart 7. Aided familiarity with the institution of the Bank Guarantee Fund and the name of the BFG in 2013–2021 and in 2024 among respondents answering affirmatively to the question on the existence of an institution guaranteeing the population's deposits with banks**



Source: *Bank Guarantee Fund Reputation Survey*, op. cit.

In the public consciousness, the information heard about banks that have gone bankrupt in recent years is increasingly distant. In 2000, 19% of those surveyed had heard of any banks in Poland that had gone bankrupt in recent years, but by 2024 this figure was 9%. Marginal contact with reports of this kind means that issues of deposit security are not naturally of current interest to bank customers. This is all the more so because the public's assessment of the fate of customers of banks that have gone bankrupt is dominated by the conviction that they have mostly recovered their deposits (Chart 8). Compared to almost three years ago decades, there has been a marked decline

**Chart 8. Assessment of the fate of customers of banks that have gone bankrupt, among those who have heard of a bank failure**



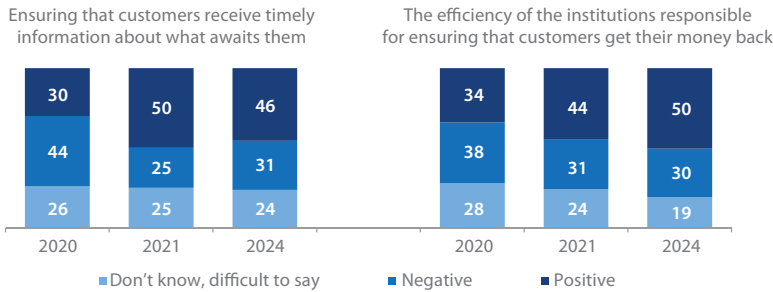
Source: *Bank Guarantee Fund Reputation Survey*, op. cit.



in the percentage of indications that everyone has been “left in the lurch” and “only the lucky ones managed to recover anything”. In contrast, the percentage of “don’t know” answers increased significantly.

Among those who have heard of a bank failure, the assessment of the BGF’s actions has improved over the past four years (Chart 9). In 2024, half of those surveyed have a positive assessment of the efficiency of the institutions responsible for ensuring that customers get their money back, with 30% of those surveyed holding the opposite view. However, compared to the 2020 reading, the assessment is significantly more positive. A similar trend is observed in the dimension of care to ensure that customers receive timely information about what awaits them.

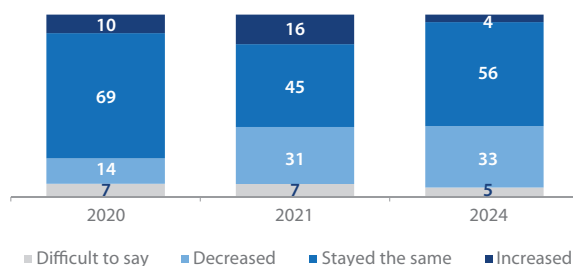
**Chart 9. Assessment of the actions of the BGF, in relation to the bankruptcy of the bank(s) in the group of people who have heard of the bank’s bankruptcy**



Source: *Bank Guarantee Fund Reputation Survey*, op. cit.

Irrespective of the care of bank customers or the efficiency of the institutions responsible for ensuring that customers get their money back, an incident of bank failure or its forced restructuring negatively affects the assessment of the banking sector and the level of trust. An example of this is the public’s assessment of the changes in confidence in the banking sector as a result of a bank failure and the way in which the sectoral institutions dealt with the problem. In 2024, such an incident and the way it was resolved by sectoral institutions had a negative impact on the assessment of trust in the banking sector (33%), a positive impact (4%), and no impact in 56% (Chart 10). This statistic indicates that, regardless of the way in which a failed bank is resolved, the mere fact that such a situation has occurred strongly strikes at the foundation of the normative determinants of trust in the banking sector.

**Chart 10. Impact of how a failed bank is dealt with on confidence in the banking sector among those who have heard of a bank failure<sup>14</sup>**



Source: *Bank Guarantee Fund Reputation Survey*, op. cit.

The negative impact of a bank failure on trust is largely conditioned by the surprise effect and the belief that the probability of a bank failure is very low. This is argued by the fact that public confidence in the Bank Guarantee Fund has been high and stable for years. In 2024, 50% of those surveyed had confidence in the BFG (similar to 2000). A higher level of trust is recorded only by the NBP (61%), in comparison 59% of respondents trust banks operating in Poland in general and 78% trust the bank they use. The high level of trust in the BFG is a social testimony to the proper fulfilment of the statutory tasks and powers held by this entity.

The BFG has the power to carry out resolution of banks and SKOKs. It carries out this process in a situation where the bankruptcy of a bank would be a threat to the economy, other banks or its customers. The BFG charges the financial losses incurred by the bank to its owners. In 2024, 60% of respondents rated well the possibility of the BFG carrying out forced restructuring of banks and SKOKs that are in bad financial condition. Eighteen per cent held the opposite view and 24 per cent of respondents had no opinion on the subject. Compared to the 2019 reading, public acceptance of forced restructuring powers has increased<sup>15</sup>. In the public perception, the BGF has desirable enforcement powers, the results of which are expected to be positive for bank clients without requiring an in-depth understanding of the principles of the BFG's powers. In 2024, only 3% of respondents had knowledge of

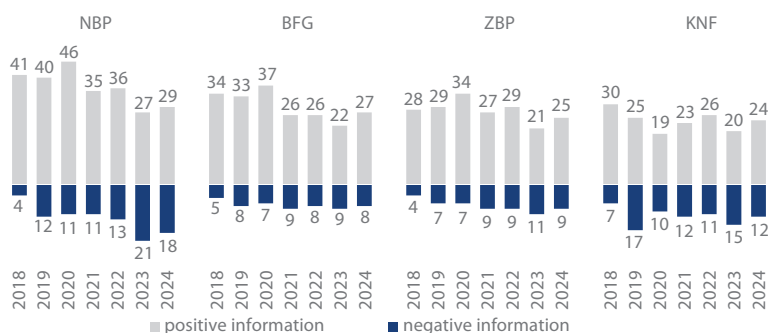
<sup>14</sup> Question: After all the history with the bank(s) that collapsed and the way the banking sector resolved the problem, do you have confidence in the Polish banking system...?

<sup>15</sup> In 2019, 48% of respondents thought it was good that the BGF has the ability to carry out forced restructuring of banks and SKOKs that are in bad financial shape.

forced restructuring of financial institutions, 24% had heard of it but knew nothing more, another 19% did not know what it was at all, and the remaining 55% had never heard of forced restructuring of a bank at risk of insolvency before.

The high level of social acceptance of the powers held by the BFG, as well as the high level of trust, relates directly to the role played by the BFG in shaping the normative side of the functioning of the banking market in Poland. This is a testimony to the social legitimacy of the BFG's actions aimed at preventing social, economic and reputation losses that could occur as a result of an uncontrolled bank failure.

**Chart 11. Contact with information on banks sourced by sector institutions between 2018 and 2024**



Source: *Reputation of the Polish Banking Sector 2024*, op. cit.

Respondents most frequently encountered information whose source is banks. However, among other sectoral entities, the NBP plays a key role as a source of information on banks. The BFG, the ZBP and the FSA have a slightly lower exposure (Chart 11). These are entities that shape, but also legitimise, the normative security of the banking sector. Entities legitimising opinions about banks play a key role in shaping opinions during periods of increasing uncertainty. The stance taken by the entities of the financial safety net in Poland significantly influences the muting of the or fuelling uncertainty that affects confidence in banks. After the NBP, the Bankowy Fundusz Gwarancyjny is the second player in the banking market in Poland in terms of bank customers' contact with information about banks. In 2024, 35% of respondents came into contact with information about banks, the source

of which was attributed to the BFG, of which 27% came into contact with positive information and 8% with negative information. It is worth mentioning that the BFG, in terms of the importance of information about banks provided to the public, occupies a leading position among sectoral institutions, and the sentention of this information in the public perception is overwhelmingly positive.

When examining the experiences of individual customers with banks, a picture emerges of banks going through and reaching successive stages of developing their relationship with their customers and setting new expectations of themselves. This is evidenced by both the many words of praise and criticism directed at banks by their own customers. However, customers are placing new, higher and, more importantly, different expectations on banks than before. From normative requirements (security) and efficiency requirements (service, offer), customers are moving towards more and more axiological (referring to the values of institutions of public trust) or even altruistic expectations. Invariably, however, the foundation of bank assessment is the response of sectoral institutions to the normative expectations placed on banks and the safety-net institutions themselves.

Compiled by Marcin Idzik

## THE RATIONALE FOR REFORMING DEPOSIT GUARANTEE SCHEME (DGS) IN THE EU

*Waiting until there is a crisis  
and then deploying ad hoc measures  
is not good enough*

Mervyn King

For many years, bank failures and banking panics were treated as natural processes in banking.<sup>1</sup> However, recent systemic crises, notably the global crisis of 2008 and the more recent one in the US (2023) have drawn attention to the destabilizing potential of non-covered large deposits and the structural risks posed by banks' reliance on them,<sup>2</sup> and the risk of matching the structure of bank assets and liabilities. The U.S. bank failures in 2023 did not raise immediate concerns in the EU due to the different characteristics of depositors and different liquidity requirements.<sup>3</sup> However, the European Commission

---

<sup>1</sup> V. Beker, *Is the financial system prepared for a new financial crisis?*, in: *Economic and Social Development (Book of Proceedings)*, 40th International Scientific Conference on Economic and Social Development, eds V. Beker, A. Lackovic, G. Pavelin, Varazdin Development and Entrepreneurship Agency, Buenos Aires 2019.

<sup>2</sup> A. Enria, *The CMDI package: a vital building block to improve our crisis management framework*, SRB-ECB CMDI Seminar, Brussels, 16.10.2023, <https://www.bankingsupervision.europa.eu/press/speeches/date/2023/html/ssm.sp231016~7ae0e9d643.en.html?ref=blog.grand.io> (accessed 22.04.2025).

<sup>3</sup> F. Restoy, *The quest for deposit stability*, EFDI International Conference, Budapest, Hungary, 25 May 2023, <https://www.bis.org/speeches/sp230525.htm> (accessed 22.04.2025); BIS, *Report*

(EC) has addressed the topic of how to effectively manage the potential crisis of medium-sized banks that are too large and sophisticated to be liquidated, yet too small to issue a sufficient volume of bail-in-able liabilities in resolution processes. U.S. bank failures in March 2023 have triggered reflection on the need to reform deposit guarantee systems and develop a modified framework for crisis management and deposit insurance (CMDI), both in the U.S. and the EU.<sup>4</sup>

On 18 April 2023, the European Commission published a proposal for the review of the existing CMDI framework with a focus on medium-sized and smaller banks.<sup>5</sup> The Commission stressed that the EU's banking sector, well capitalized, highly liquid and closely supervised, has proved to be resilient, largely to the post-2008 global financial crisis (GFC) regulations. However, many medium-sized banks have been restructured with solutions outside the Bank Recovery and Resolution Directive (BRRD) framework, using taxpayers' money instead of the bank's internal resources or industry-funded safety nets. The new proposal aims at enabling authorities to resolve a failing bank of any size in cost-optimal way.

## Types of DGSs and their contribution to financial stability

Banks play a crucial role in the global economy, yet face a number of challenges, the primary risks being liquidity, credit, market and economic environment, and new risks including cyber threats, climate change, and geopolitical instabilities.<sup>6</sup> The stability of banking systems is based on depositors' trust, so in order to strengthen depositors' confidence and sense of security, not only prudential regulations and adequate banking supervision are crucial, but also deposit guarantee institutions. Deposit Guarantee Schemes (DGS) typically

---

on *banking turmoil*, BCBS, Bazylea 2023, <https://www.bis.org/bcbps/publ/d555.pdf> (accessed 22.04.2025).

<sup>4</sup> V. Acharya, M. Richardson, K. Schoenholtz, B. Tuckman, *SVB and Beyond: The Banking Stress of 2023*, CEPR, London 2023, <https://cepr.org/publications/books-and-reports/svb-and-beyond-banking-stress-2023> (accessed 22.04.2025).

<sup>5</sup> EC, *Impact Assessment Report*, SWD (2023) 225, April 18, 2023, [https://www.astrid-online.it/static/upload/2304/230418-impact-assessment\\_en.pdf](https://www.astrid-online.it/static/upload/2304/230418-impact-assessment_en.pdf) (accessed 22.04.2025).

<sup>6</sup> N. Abidi, B. Buchetti, S. Crosetti, I. Miquel-Flores, *Why Do Banks Fail and What to Do About It. The Role of Risk Management, Governance, Accounting, and More*, Springer 2024.

perform three main functions: protect depositors, reduce the possibility of systemic bank failure and minimize the cost to taxpayers during a bank failure.<sup>7</sup>

Winners of the Bank of Sweden's 2022 Alfred Nobel Prize in Economics, Ben Bernanke, Douglas Diamond and Philip Dybvig highlighted the causes and consequences of bank panics. Based on the traditional model of banking panics, they showed that banks are inherently unstable because they are responsible for long-term contracts having short-term sources of funding, leaving them vulnerable to panics.<sup>8</sup> Deposit insurance is one of the primary tools for mitigating the spillover effects of bank instability. Depositors' trust is earned in a long and slow process, while it is lost quickly and often out of proportion to the actual threat due to panicky behavior, while a well-functioning guarantee system can effectively calm panic.<sup>9</sup> However, DGSs carry many costs, including reducing depositors' incentives to monitor banks' activities and encourage moral hazard behavior.<sup>10</sup> The empirical literature investigating the effects of deposit insurance on financial stability stresses that the net effect depends on the institutional context in which DGSs operate – a strong institutional environment, including high-quality supervision and regulation, and proper design of DGS are important to determine the extent to which moral hazard issues arise and are balanced.<sup>11</sup>

Guarantee schemes differ globally in legal status, location in the safety net and the scope of their mandate.<sup>12</sup> They also come in a variety of forms,

---

<sup>7</sup> Center for Economic Policy Research, *Options and national discretions under the Deposit Guarantee Scheme Directive and their treatment in the context of a European Deposit Insurance Scheme*, November 2019, [https://finance.ec.europa.eu/system/files/2019-11/191106-study-edis-executive-summary\\_en.pdf](https://finance.ec.europa.eu/system/files/2019-11/191106-study-edis-executive-summary_en.pdf) (accessed 22.04.2025).

<sup>8</sup> D. Diamond, P. Dybvig, *Bank Runs, Deposit Insurance and Liquidity*, "Journal of Political Economy" 1983, Vol. 91/3.

<sup>9</sup> E. Kulińska-Sadłocha, G. Kotliński, *Zaufanie jako element rozwoju nowego systemu bankowego w Polsce*, in: *Stabilizowanie sektora bankowego w okresie kryzysu*, ed. A. Janc, Wydawnictwo UE w Poznaniu, Poznań 2010.

<sup>10</sup> D. Anginer, A. Demirgüç-Kunt, M. Zhu, *How does deposit insurance affect bank risk? Evidence from the recent crisis*, "Journal of Banking & Finance" 2024, Vol. 48.

<sup>11</sup> P. Wruuck, *Deposit guarantee reform in Europe: A systemic perspective*, Deutsche Bank Research, 19.12.2014, [https://www.dbresearch.com/PROD/RPS\\_EN-PROD/PROD000000000451957/Deposit\\_guarantee\\_reform\\_in\\_Europe%3A\\_A\\_systemic\\_per.pdf?undefined&reaload=kMgQ1~pBWdA5Z1ifeGLMNT'~q~cqQ3iEkXZkyUnMtHZ6vM24QLsySglMKVznFcHv](https://www.dbresearch.com/PROD/RPS_EN-PROD/PROD000000000451957/Deposit_guarantee_reform_in_Europe%3A_A_systemic_per.pdf?undefined&reaload=kMgQ1~pBWdA5Z1ifeGLMNT'~q~cqQ3iEkXZkyUnMtHZ6vM24QLsySglMKVznFcHv) (accessed 22.04.2025).

<sup>12</sup> J. Pruski, J. Szambelańczyk, *Systemy gwarantowania depozytów w sieciach bezpieczeństwa finansowego na tle konsekwencji globalnego kryzysu finansowego*, "Bezpieczny Bank" 2014, nr 4 (5).

from standard deposit guarantee schemes to the promise of ex post assistance in the event of a bank failure. Most DGSs use a limited guarantees system, considering the numbers of accounts, rather than their value, as the primary goal. Many countries have a single guarantee body for credit institutions, but it is also common to create separate systems for cooperative or savings banks, e.g. in the EU Germany has 4 DGS systems, and Austria, Cyprus, Italy, Lithuania, Portugal and Poland each have two systems. Deposit insurance is financed by contributions paid by banks or member institutions, which contribute to a deposit guarantee fund. In the event of bank failure, DGS aims to ensure prompt disbursements to depositors to prevent contagion effect. The mandates of guarantee institutions range from narrowly defined “paybox” (disbursement of guaranteed sums), to a wide range of mandates such as paybox plus (financial support), loss minimizer (selecting least-cost resolution strategies) and risk minimizer (comprehensive functions that include risk assessment, early intervention and resolution powers, and in some cases prudential oversight responsibilities)<sup>13</sup>. Analyzing the evolution of the powers of guarantee institutions over time, there is a clear tendency to expand their responsibilities.

In the EU, DGSs may contribute to managing bank failures in a variety of ways. The most important tool that all DGSs have is the basic depositor disbursement. The DGS then typically becomes a creditor in the insolvency proceeding and can recover some or all of its outlays. Whether DGSs are allowed to try to prevent bank failures or to preserve access to deposits in insolvency by means other than disbursements, is left to the discretion of Member States. As of 2020, nine of the 27 EU Member States had implemented the option to adopt preventive measures and 12 Member States (including Poland) had allowed DGSs to implement alternative measures<sup>14</sup>. The maximum contribution the DGS can make through an alternative measure can never be higher than the net costs of an alternative depositor disbursement. Based on the current EU legal framework, bank crisis can be managed via the resolution regime only after passing the public interest test. This implies that resolution is

---

<sup>13</sup> IADI, *The 2023 banking turmoil and deposit insurance systems. Potential implications and emerging policy issues*, December 2023, [https://www.iadi.org/uploads/IADI\\_2023\\_Potential\\_implications\\_and\\_emerging\\_policy\\_issues\\_for\\_DI.pdf](https://www.iadi.org/uploads/IADI_2023_Potential_implications_and_emerging_policy_issues_for_DI.pdf) (accessed 22.04.2025).

<sup>14</sup> J. Eule, W. Kastelein, E. Sala, *Protecting depositors and saving money*, “European Central Bank Occasional Paper Series” 2023, nr 308.



formally available only to a small subset of banks. Recent insolvency cases highlight the fact that depositor disbursements are very costly for DGSs and their member banks (Table 1). In the banking union, 261 banks, banking groups or hosted subsidiaries in the banking union could individually deplete their fully filled DGSs with a single depositor disbursement.<sup>15</sup>

**Table 1. Selected recent liquidation cases in the banking union and their costs to DGSs**

Bank	Significance	Member State	Year	Covered deposits (EUR, millions)	% of DGS av. financial means
ABLV Bank	SI	Latvia	2018	480	312
Commerzbank Mattersburg	LSI	Austria	2020	490	72
Greensill Bank	LSI	Germany	2021	1100	31
Sberbank	SI	Austria	2022	931	211

SI – Significant institution

LSI – Less-significant institution

Source: Eule et al., op. cit.

Following the 2008–2009 global financial crisis and the euro-area debt crisis (2010–2012), the European Union accelerated financial integration through the creation of Banking Union as one of the institutional responses to the crisis, following the direction set in Key Attributes of Effective Resolution Regimes for Financial Institutions of the Financial Stability Board.<sup>16</sup> The project sets the framework for the supervision, resolution and funding of banks in the Member States. On the third pillar, the European Commission made a proposal for creating a European Deposit Insurance Scheme (EDIS) and a related deposit insurance fund (DIF) in 2015, which was intended to replace national DGSs. Most analytical reports consider EDIS as the preferred

<sup>15</sup> Ibidem.

<sup>16</sup> Financial Stability Board, Key Attributes of Effective Resolution Regimes for Financial Institutions, 15 October 2014, [https://www.fsb.org/uploads/r\\_141015.pdf](https://www.fsb.org/uploads/r_141015.pdf) (accessed 23.04.2025).

option – a system with common financial resources and shared liability would be more effective and efficient in providing liquidity support than a system based on national DGSs.<sup>17</sup> However, due to many controversies, the third pillar of Banking Union has not been implemented, but remains the ultimate goal of the EU.<sup>18</sup>

Today, depositor protection in the UE remains nationally-based and DGSs are only harmonized in terms of the level of guarantees (DGS Directive, 2014/49/EU). Some differences are related to the treatment of cooperative banks and the combination of the functions of the guarantee institution and those responsible for resolution process. Some deposits – such as those related to life events may be protected above €100,000 limit for a limited period of time (at least 3 months and no longer than 12 months). The DGSD allows certain types of depositors to be excluded from guarantees, such as financial institutions and public authorities. Also, certain types of deposits may be excluded or subject to restrictions, such as deposits related to investment companies or securities, or deposits covered by other guarantee schemes.

Currently, the deposit guarantee systems in the EU are significantly differentiated in terms of their funding model, capital endowment in relation to covered deposits and the target level of this ratio, and the availability of additional forms of funding in the form of credit lines from the central bank or government (table 2).

Significant variation is also observed in the share of covered deposits in the total deposit portfolio across banking sectors. At the end of 2023, the lowest level of depositors' protection was observed in Luxembourg, where DGS-covered deposits represented 4.7% of total deposits and 21.54% of non-financial sector deposits, respectively. In contrast, the highest share of covered deposits in the

---

<sup>17</sup> E. Avgouleas, R. Ayadi, M. Bodellini, G. Ferri, R. Lastra, *Reform of the CMDI framework that supports completion of the Banking Union*, European Parliament: Directorate-General for Internal Policies of the Union 2023; [https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/741516/IPOL\\_IDA\(2023\)741516\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/741516/IPOL_IDA(2023)741516_EN.pdf) (accessed 22.04.2025); W.P. De Groen, *The Banking Union: Supervision and Crisis Management*, in: *The Cambridge Handbook of European Monetary, Economic and Financial Integration*, eds D. Adamski, F. Amtenbrink, J. de Haan, Cambridge University Press, Cambridge 2023.

<sup>18</sup> E. Avgouleas, R. Ayadi, M. Bodellini, G. Ferri, R. Lastra, *Reform of the CMDI framework that supports completion of the Banking Union*, European Parliament: Directorate-General for Internal Policies of the Union 2023; Available at: [https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/741516/IPOL\\_IDA\(2023\)741516\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/741516/IPOL_IDA(2023)741516_EN.pdf) (accessed 24.04.2025).

deposits of households and non-financial corporations was observed in Poland, with value exceeding 75% at the end of 2023 (with a weighted average for the EU of 42.9% and an arithmetic average of 52.9%).<sup>19</sup>

**Table 2. Selected characteristics of DGS in the EU countries at the end of 2023**

Country	Target (in %)	Model	Credit line from central bank	Credit line from government
France	0.50	Ex ante	No	No
Cyprus, Czechia, Denmark, Finland, Germany, Greece, Lithuania, Portugal, Slovakia, Spain	0.80	Ex ante	No	No
Latvia, Sweden	0.80	Ex ante	No	No
Hungary	0.80	Ex ante	Yes	No
Austria, Italy, Netherlands	0.80	Ex post	No	No
Slovenia	0.80	Ex post	No	Yes
Ireland	0.80	Mieszany	Yes	Yes
Bulgaria	1.00	Ex ante	No	No
Malta	1.30	Ex ante	No	No
Poland	1.60	Mixed	Yes	Yes
Luxembourg	1.60	Ex post	No	No
Estonia	1.66	Ex ante	No	No
Belgium	1.80	Ex ante	No	Yes
Croatia	2.50	Ex ante	No	No
Romania	2.71	Ex ante	No	Yes

Source: Own study based on EBA DGS data, <https://www.eba.europa.eu/sites/default/files/2024-05/a289903c-11c1-4732-a51f-a49e056585b9/Aggregated%20DGSD%20data%202023.xlsx>, (accessed 10.03.2025).

<sup>19</sup> K. Kil, E. Miklaszewska, *The impact of deposit guarantee schemes on bank stability – the experience of periods of systemic instability*, “Bezpieczny Bank” 2025, nr 1 (98).

## DGS resilience during periods of systemic instability

The experience of the GFC resulted in the EU in a series of regulations which strengthened bank capital and the functioning of regulatory and supervisory framework and by enhancing the legal depositors' protection thanks to the introduction of a powerful depositor preference rule.<sup>20</sup> Substantial work has also been undertaken to strengthen the ability to respond to distress in the financial system. The March 2023 crisis in the US, which primarily affected West Coast banks: Silicon Valley Bank (SVB), Silvergate Capital (SCB) and, in May, First Republic Bank (FRB), and Signature Bank of New York (SBNY), showed a different source of instability, affecting bank liquidity and the deposit safety net – wholesale deposits run. In the case of SVB, a large group of clients were investment funds, startups, technology companies and their wealthy owners, resulting in 89 percent of the bank's deposit liabilities, amounting to \$172 billion, exceeding the maximum level of deposits covered by guarantees by the FDIC at the end of 2022.<sup>21</sup> In the US, the level of deposit protection is one of the highest in the world (\$250,000 per depositor at a given bank), covering 99% of bank accounts.<sup>22</sup> However, uninsured large deposits in 2022 accounted for about 45% of the value of the deposit base. By comparison – in Poland, based on BFG data, it is estimated that 60–70% of deposit base is guaranteed. At SVB, 85% of all deposits placed with it were withdrawn within 2 days, forcing the closure of the bank.<sup>23</sup>

Faced with a potential loss of confidence in the banking system (Table 3), the US guarantee institution, the FDIC, decided for 100% protection of all deposits at SVB and Signature Bank, until the sale of the banks is completed. FDIC took advantage of the Systemic Risk Exception (SRE) tool, introduced in 1991. In addition, the Federal Reserve launched an emergency bank

<sup>20</sup> N. J. Lenihan, *How has the EU protected depositors in the financial crisis?*, "Cambridge Yearbook of European Legal Studies" 2014, Vol. 16.

<sup>21</sup> D. French, E. Wang, A. John, *SVB is largest bank failure since 2008 financial crisis*, Reuters, March 11, 2023, <https://www.reuters.com/business/finance/global-markets-banks-wrapup-1-2023-03-10/> (accessed 23.04.2025).

<sup>22</sup> FDIC, *FDIC Options for Deposit Insurance Reform*, May 1 2023, [www.fdic.gov/analysis/options-deposit-insurance-reforms](http://www.fdic.gov/analysis/options-deposit-insurance-reforms) (accessed 23.04.2025).

<sup>23</sup> BIS, Report on banking turmoil, op. cit.

lending program: Bank Term Funding Program (between 12.03.2023 and 11.03.2024), which provided US banks with emergency access to liquidity on favorable terms.<sup>24</sup>

**Table 3. Major failures of banks with FDIC-covered deposits in the U.S.**

Bank	Centrala	Bankruptcy date	Assets (bil. of dol.)
Washington Mutual Bank	Seattle	25.09.2008	307
First Republic Bank	San Francisco	1.05.2023	212
Silicon Valley Bank	Santa Clara	10.03.2023	209
Signature Bank	New York	12.03.2023	110

Source: M. Goldberg, K. Kuchar, E. Lowry, *The 7 largest bank failures in US history*, 24.07.2024, [www.bankrate.com/banking/largest-bank-failures](https://www.bankrate.com/banking/largest-bank-failures) (accessed 10.03.2025).

As of Dec. 31, 2023, the FDIC estimated that the total cost of the SVB and SBNY bankruptcies was \$23.6 billion, of which \$20.4 billion was the cost of covering uninsured deposits under the SRE procedure.<sup>25</sup> The FDIC recovered part of the costs incurred by imposing a special fee on insured depository institutions and the remaining amount, along with First Republic Bank's estimated losses, represented the second highest annual loss in FDIC history after 2009. Despite the relatively high costs, the intervention of U.S. financial safety net institutions, particularly the use of SREs, reduced contagion and helped restore stability.

The failures of the US regional banks in 2023 have triggered a broader crisis of confidence in the resilience of banking systems and reopened the debate on the effectiveness of the post-GFC prudential and crisis management

<sup>24</sup> FDIC, *FDIC Options for Deposit Insurance Reform*, May 1, 2023, <https://www.fdic.gov/analysis/options-deposit-insurance-reforms/report/options-deposit-insurance-reform-full.pdf> (accessed 23.04.2025).

<sup>25</sup> FDIC, *Bank Find Suite: Bank Failures & Assistance Data*, <https://banks.data.fdic.gov/bankfind-suite/failures> (accessed 23.04.2025).

framework.<sup>26</sup> Many banks experienced a massive outflow of deposits in Spring 2023, which resulted in a failure not only of the US banks, but also of Credit Suisse, which was acquired on March 19 by UBS.<sup>27</sup> These transactions resulted in massive losses for bank shareholders, bank bondholders, the FDIC and increased risks for Swiss taxpayers via state guarantees. For the US, UK and Switzerland, the March 2023 crisis was the largest episode of systemic stress since the 2008 GFC, and the issue of large uninsured deposits became a pressing concern. In the global market, uninsured deposits account for 41% of the volume of total deposits, for the G7 and G20 more than 50%.<sup>28</sup> Moreover, technological changes occurring at an accelerated pace increase the risk of bank runs, through the speed at which information or misinformation is disseminated and the speed at which depositors can withdraw funds.

In response, both the FDIC in the US and the European Commission have proposed a package of reforms. In the US, FDIC has identified three possible options for systemic change<sup>29</sup> (FDIC 2023):

- increased coverage, maintaining the specified maximum level of guarantees for depositors and for account types, but increasing the current coverage limits;
- full coverage, which may eliminate the risk of destabilizing a bank during a panic, but would involve an increased risk of moral hazard, and the need to significantly increase the size of the deposit guarantee fund;
- targeted scope of guarantee increase, which assumes different levels of deposit insurance coverage for different types of accounts. This option assumes higher coverage for corporate deposit accounts.

However, many subsequent reports have indicated that the increase in guarantee level will not contribute significantly to reducing systemic risk, while

---

<sup>26</sup> M. Trapanese, G. Albareto, S. Cardillo, M. Castagna, R. Falconi, G. Pezzullo, L. Serafini, F. Signore, *The 2023 US banking crises: causes, policy responses, and lessons*, Occasional Papers, Questioni di Economia e Finanza, July 2024, Banca d'Italia, No 870.

<sup>27</sup> F. Heider, J. Schlegel, T. Tröger, M. Wahrenburg, *Do “white knights” make excessive profits in bank resolution?*, European Parliament, Brussels 2023, [https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/747875/IPOL\\_IDA\(2023\)747875\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/747875/IPOL_IDA(2023)747875_EN.pdf) (accessed 24.04.2025).

<sup>28</sup> IADI, *The 2023 banking turmoil and deposit insurance systems*, op. cit.

<sup>29</sup> FDIC, *FDIC Options for Deposit Insurance Reform*, op. cit.

impose a high burden on the banking industry.<sup>30</sup> Also the Japanese experience with past crises shows that any change in the structure of the guarantee system causes offsetting changes in the structure of the deposit base.<sup>31</sup> In the EU, the European Commission published in April 2023 a legislative proposal to reform the current CMDI framework, culminating of a few years of preparatory work, but the EU approach concentrated on changes to resolution scope and access the DGS funding.<sup>32</sup>

### **Impact of consultations on proposed directions for reform of the guarantee system in the EU**

The existing Crisis Management and Deposit Insurance (CMDI) framework in the EU provides for set of tools that can be applied in the various stages of banks distress (recovery actions, early intervention measures or measures to prevent failure) and consists of three EU legal acts: Bank Resolution Directive (BRRD, 2014/59/EU); Single Resolution Mechanism Regulation (SRMR 2014/806/EU) and Directive on Deposit Guarantee Schemes (DGSD – 2014/49/EU). Differences in national legal regimes for dealing with bank failures stand in the way of a fully integrated market and do not allow a uniform level of protection for the same category of investors and depositors across the Member States.<sup>33</sup> Outside of the CMDI framework, national insolvency procedures continue to apply for banks, for which there is no public interest to resolve. Under the DGSD, Member States may allow DGSs to perform more than a reimbursement function to prevent the failure of a credit institution (preventive interventions) and to finance measures in the context of national

---

<sup>30</sup> EBA, *Report on deposit coverage in response to European commission's call for advice*, EBA/Rep/2023/39, December 2023.

<sup>31</sup> H. Nakaso, *The financial crisis in Japan during the 1990s: how the Bank of Japan responded and the lessons learnt*, "BIS Paper" 2001, nr 6.

<sup>32</sup> E. Miklaszewska, *Systemy gwarantowania depozytów a stabilność finansowa w świetle doświadczeń okresów niestabilności systemowej z 2008 i 2023 roku*, in: *Finanse wobec wyzwań nowej gospodarki*, eds K. Marchewka-Bartkowiak, K. Waliszewski, Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu, Poznań 2024; K. Szela, *The Planned Reforms of the American and European Deposit Insurance Systems: Similarities and Differences*, "Journal of Banking and Financial Economics" 2024, No. 2 (22).

<sup>33</sup> T. Huertas, *Reset Required: The Euro-area Crisis Management and Deposit Insurance Framework*, "Journal of Financial Regulation" 2022, No. 8.

insolvency proceedings (alternative interventions), subject to the least cost criterion. The use of measures other than disbursement has many advantages, helping to safeguard depositors' confidence and overall financial stability, mitigating the disruptive effects of piecemeal liquidation. For example, in Italy since the establishment of the two Italian DGSs, 90 interventions out of 93 have been preventive or alternative and only 3 have been disbursements.<sup>34</sup>

In April 2019, the European Commission initiated the review of the CMDI framework. A significant part of the replies received by the Commission criticized the status of early intervention measures, while the resolution tools were generally judged satisfactory. Some institutions requested devising a mechanism that should better fit the needs of small and medium-sized banks as well as creating an instrument for liquidity in resolution. There was a consensus on providing a harmonized European legal framework for national insolvency proceedings. Referring to small and medium-sized banks, most respondents suggested changing the criteria of the Public Interest Assessment's in resolution cases and a more harmonized approach in the least cost test application. Most replies underlined how heterogeneities in terms of banks' creditor hierarchies across Member States might confound the resolution proceedings.<sup>35</sup> As for depositor protection, the critical opinions concentrated on discrepancies in Member States and insufficient means of national DGSs to weather the impact of a large financial shock. In terms of scope of protection, the main problem was the divergence in coverage of temporary high balances which are also protected under the DGSD. Another issue concerned the demarcation between State aid and DGS funds. For example, the Commission was of the opinion that that intervention of the Italian DGS to cover the negative equity of Tercas and to grant it certain guarantees constituted unlawful State aid. The General Court annulled the Commission decision, pointing to the fact the DGS is financed by the contribution of (private) banks and not by the Italian state.<sup>36</sup> In this regard, the EU general court ruling on the

---

<sup>34</sup> A. Perrazzelli, *Deposit insurance and crisis management: the current landscape and the way forward*, Central Bank Speech, 79th EXCO Week of the International Association of Deposit Insurers (IADI), 13 June, 2024, <https://www.bis.org/review/r240614g.htm> (accessed 23.04.2025).

<sup>35</sup> E. Avgouleas, R. Ayadi, M. Bodellini, G. Ferri, R. Lastra, *Reform of the CMDI framework that supports completion*, op. cit.

<sup>36</sup> EC, *Impact Assessment Report*, op. cit.



bank Tercas marks an important step towards reintroducing some room for maneuver for alternative interventions by DGSs.<sup>37</sup>

A new round of reviews took place in 2023, where most policy reports and scientific papers advocated a higher level of protection for temporary high deposit balances resulting from major life events; and solutions that can facilitate the use of DGS funds in crisis situations, not only in disbursement situations.<sup>38</sup> The reviews have also identified a number of deficiencies in the system. Consumer organizations and saving banks noted that deposits of public and local authorities should also be protected by the DGS, while several banks and associations opposed adding additional groups, fearing it would increase their costs since both the target levels of national DGS and SRF would increase. To sum up, level of depositor protection was assessed positive, harmonizes rules – mostly positive; DSG funds contribution in resolution cases – negative (never used) and robustness of DGS funds – mainly negative (vulnerability to shocks, lack of EDIS).<sup>39</sup>

In the report of European Banking Authority, based on the data collected from 28 EEA countries in the period January 2022–August 2023, it was argued that an increase in the current deposit coverage level would have limited impact on financial stability and depositor protection, while it would be costly and have a negative impact on moral hazard.<sup>40</sup> The report highlighted that across the EEA countries, 96% of depositors are fully covered and a potential increase of the coverage level would have no impact on the vast majority of depositors. The proportion of fully covered deposits ranges from 6.3% in Luxembourg to 65.8% in Poland. The proportion of fully covered deposits held by natural persons ranges from 10.6% to 85%, while those held by legal persons ranges from 2% to 18.2%, thus the risk of a bank run of legal persons is much higher than that of natural persons. However, according to EBA, the incentive to

---

<sup>37</sup> A. De Aldisio, G. Aloia, A. Bentivegna, A. Gagliano, E. Giorgiantonio, C. Lanfranchi, M. Maltese, *Towards a framework for orderly liquidation of banks in the EU*, Banca D'Italia, Notes on Financial Stability and Supervision, No. 15, August 2019.

<sup>38</sup> EC, *Completing the Banking Union: Reform of the crisis management and deposit insurance framework (CMDI)*, April 2023, [https://finance.ec.europa.eu/document/download/f903794e-0b77-4db3-9ec1-07c1bb7f8d3e\\_en?filename=230418-banking-union-factsheet\\_en.pdf](https://finance.ec.europa.eu/document/download/f903794e-0b77-4db3-9ec1-07c1bb7f8d3e_en?filename=230418-banking-union-factsheet_en.pdf) (accessed 24.04.2025).

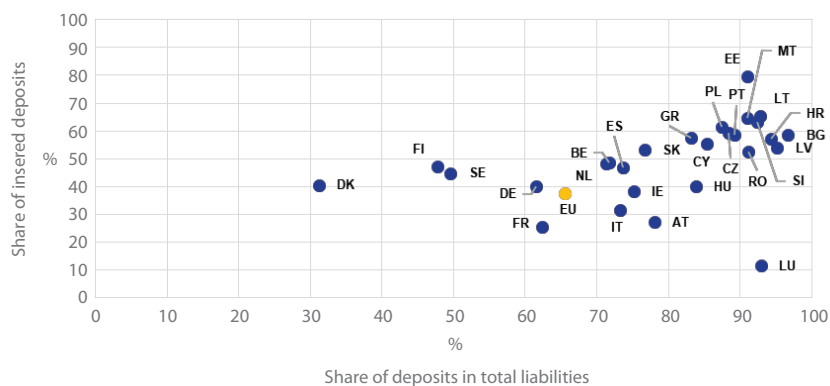
<sup>39</sup> EC, *Impact Assessment Report*, op. cit.

<sup>40</sup> EBA, *Report on deposit coverage in response to European commission's call for advice*, op. cit.

withdraw funds in a crisis, and thus contribute to a bank run, does not depend only on the coverage level, but also other factors, including behavioral ones. EBA proposed only to amend the DGSD by extending DGS coverage to the public authorities, whose deposits are currently out of the scope of protection. In the event of failure of a credit institution and public authorities losing their funds, there might be an impact on financial stability, particularly given the weak position that ineligible deposits have in the creditor hierarchy.

Report prepared for ESRB points out that deposits are the primary source of funding for European banks, although their importance varies across the member states<sup>41</sup>. In 2022, the average share of EU banks' total deposits in total liabilities was 65% – banks in some Eastern European countries rely almost exclusively on deposit funding, while in Nordic countries deposit share range from 32% to 49% of total liabilities. Insured deposits accounting on average for 37% of total deposits. However, 92% of depositors were completely covered (Chart 1).

**Chart 1. Share of insured deposits in the EU member states, end of 2022 (in %)**



Source: T. Beck, V. Ioannidou, E. Perotti, A. Sánchez Serrano, J. Suarez, X. Vives, *Addressing banks' vulnerability to deposit runs: revisiting the facts, arguments and policy options*, European Systemic Risk Board (ESRB), Frankfurt am Main 2024, p. 11.

<sup>41</sup> T. Beck, V. Ioannidou, E. Perotti, A. Sánchez Serrano, J. Suarez, X. Vives, *Addressing banks' vulnerability to deposit runs: revisiting the facts, arguments and policy options*, European Systemic Risk Board (ESRB), Frankfurt am Main 2024, p. 11.

The ESRB report stresses that deposit runs almost always result from a combination of weak fundamentals and the strategic considerations of depositors. There are “fundamental runs” and “speculative runs”, caused by coordination among depositors, which can lead even fundamentally solvent banks to fail. Most runs of systemic relevance are of the hybrid nature. There is also an evidence that retail fast payment systems, online banking and social media may aggravate bank runs.<sup>42</sup> The European Central Bank (ECB), in turn, stressed in its report that allowing DGSs to transfer the assets and liabilities of an insolvent bank provides significant benefits – reducing costs, improving deposit protection and depositor confidence.<sup>43</sup>

Many suggestions and recommendations have addressed the moral hazard issue<sup>44</sup> and the need for flexibility of resolution authorities. For example, taxpayers may benefit from the state temporarily nationalizing troubled banks rather than being forced to find a buyer at very short notice. The CMDI proposes to ease the use of DGS money in order to protect deposits while resolving troubled banks. The proposal recognizes that small and medium-sized banks may not have a sufficient amount of bail-inable own funds to meet the 8% requirement of the BRRD without hitting deposits, and allows national DGSs to cover the gap between the two in resolution.<sup>45</sup> In the policy paper by Beck et al. the authors present three reform options: incremental, real and cosmic. A first approach would be to adjust the legal and regulatory framework to improve the effectiveness of crisis management, alongside better supervision, and to establish resolution as general practice in cases of failing or likely to fail banks. The second would consist of the full consolidation of crisis management decision making at EU level under the SRB and a mandatory European deposit guarantee scheme. The cosmic deal would consist of a single, fully integrated European banking market. The ‘real deal’ was strongly advocated, however, the current approach is to continue with the incremental reforms.<sup>46</sup>

---

<sup>42</sup> Ibidem.

<sup>43</sup> J. Eule et al., op. cit.

<sup>44</sup> M. Dewatripont, P. Praet, *Lessons from Recent Stress in the Financial System*, May 2023, VoxEU, <https://cepr.org/voxeu/columns/commissions-crisis-management-and-deposit-insurance-proposal-has-potential> (accessed 23.04.2025).

<sup>45</sup> M. Dewatripont, L. Reichlin, A. Sapir, *Urgent reform of the EU resolution framework is needed*, April 2021, VoxEU, <https://cepr.org/voxeu/columns/urgent-reform-eu-resolution-framework-needed> (accessed 23.04.2025).

<sup>46</sup> T. Beck, J. P. Krahnen, P. Martin, F. Mayer, J. Pisani-Ferry, T. Tröger, B. Weder di Mauro, N. Véron, J. Zettelmeyer, *Completing Europe’s banking union: economic requirements and legal conditions*, “Policy Contribution” 2022, nr 20.

## New crisis management and deposit guarantee framework in the EU

In April 2023, the European Commission adopted and published the modification of CMDI framework, which is currently under discussion in the European Parliament. As the project highlights, the EU banking sector is characterized by effective crisis management rules. A structural problem is posed by small and medium-sized banks, where taxpayers' money is constantly being used, instead of the bank's internal resources, so the reform project assumes a wider use of the resolution procedure also for small and medium-sized banks.

The EC's final proposal is based on three principles:<sup>47</sup>

- Maintaining financial stability and protecting taxpayers' money by relying on industry-funded safety nets, such as deposit guarantee schemes and resolution funds. Bail-in is the preferred resolution tool for large and complex institutions, however, the EC proposes a number of amendments to MREL calibration. DGS can only be used after banks have exhausted their internal loss-absorbing capacity and only by banks that are in resolution.
- Improving depositor protection. The guarantee level of EUR 100,000 per depositor in a given bank remains maintained, but it is proposed to expand the catalog of protected depositors by including deposits from public entities (i.e. hospitals, schools, municipalities), including deposits deposited by customers in certain types of non-bank funds, e.g. electronic money institutions, payment companies and investment companies, including protection for temporary high balances in bank accounts exceeding EUR 100,000 related to specific life events, such as inheritance, insurance compensation or real estate transactions.
- Protection of the real economy against the effects of bank failures by allowing authorities to use resolution as a key component of the crisis management toolbox. Unlike liquidation, resolution can be less burdensome for customers because they retain access to their accounts and the

---

<sup>47</sup> EC, *Completing the Banking Union: Reform of the crisis management and deposit insurance framework (CMDI)*, op. cit.; EC, *Banking Union: Commission proposes reform of bank crisis management and deposit insurance framework*, 18 April, Brussels 2023, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_2250](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_2250) (accessed 24.04.2025).

bank's critical functions are retained, which is good for the economy and society.<sup>48</sup>

The Commission considers it is necessary to provide for strict conditions on when public funds in the form of extraordinary public financial support can be provided and what form it can take. As for depositor preference, BRRD lays down a three-tier depositor preference in the hierarchy of claims, providing that covered depositor and DGS claims should have super-preference in the creditor ranking in national insolvency laws relative to non-covered preferred deposits. The Commission proposes an amendment to provide more clarity for non-covered non-preferred deposits, such as corporate non-SME deposits exceeding the coverage level of EUR 100,000. It introduces a general depositor preference with a single-tiered ranking by extending the legal preference relative to ordinary unsecured claims to all deposits. As a result, all deposits, including eligible deposits of large corporates and excluded deposits, will rank above ordinary unsecured claims. In addition, the relative ranking between the different categories of deposits would be replaced by a single-tier depositor preference, where the super-preference of the DGS/covered deposits is removed.

The European Parliament adopted its position to the new CMDI framework in first reading on 24 April 2024. On 19 June 2024, the EU Council agreed on its position, allowing for further negotiations.<sup>49</sup> The EU Council enumerated the following points for negotiations:

- broadening the public interest criterium, in order to extend the scope of resolution to small and medium-sized banks'
- using DGS funds to bridging the gap. The first line of defense in resolution remains MREL, yet the CMDI framework aims to facilitate the recourse to industry-funded safety nets (the national DGS or the Single

---

<sup>48</sup> F. Restoy, op. cit.

<sup>49</sup> EU Council, *Bank crisis management and deposit insurance framework: Council agrees on its position*. Press release, 19 June 2024. <https://www.consilium.europa.eu/en/press/press-releases/2024/06/19/bank-crisis-management-and-deposit-insurance-framework-council-agrees-on-its-position/> (accessed 24.04.2025).

EU Council, *Proposal for a Directive of the European Parliament and of the council amending Directive 2014/59/EU as regards early intervention measures, conditions for resolution and financing of resolution action – Mandate for negotiations with the European Parliament*, 14 June 2024, <https://data.consilium.europa.eu/doc/document/ST-11140-2024-INIT/en/pdf/> (accessed 24.04.2025).

Resolution Fund) as an additional source of funding to finance transfer strategies in resolution proceedings leading to a market exit. the Council's mandate provides additional safeguards on the use of DGS or SRF funds to avoid unintended consequences or moral hazard, ensuring in particular that bridging the gap does not replace loss absorption by the failing bank's shareholders and creditors; an adequate burden sharing between the DGS and the SRF, in particular giving the SRF priority for repayment purposes and stricter requirements and limitations on the use of bridging the gap for banks with a balance sheet size between € 30 billion and 80 billion, which will furthermore only be available during the 10-year period after the entry into force of CMDI. However, the Council suggests to remove the Commission's proposed 'equal ranking' that would give all depositors the same preferred ranking in a bank insolvency. It reintroduces a 'super-preference status' for DGS-protected depositors. At the same time, the Council agreed to harmonize and broaden the 'least cost test'. The Council clarifies also what forms of public financial support for failing banks would be permissible in extraordinary circumstances and provides for a workable process for their application.

## Conclusion

In response to the evolving economic and legal environment and external shocks, in 2023 two reforms of deposit guarantee system were announced – one in the United States, put forward by the Federal Deposit Insurance Corporation; the other in the EU, where the European Commission published in April 2023 a legislative proposal to reform the current CMDI framework, after a few years of preparatory work.

Before the 2023 systemic event, the discussions on the new CMDI framework considered increasing the guarantee limit and coverage, but in light of studies on its impact on stability and the cost of the solution, the change was abandoned.<sup>50</sup> Another major issue was the effective management of bank failures of small and medium-sized banks, making resolution the norm for dealing with failing banks, otherwise the EU will continue to be challenged by

---

<sup>50</sup> European Banking Authority (EBA), *Report on deposit coverage in response to European commission's call for advice*, EBA/Rep/2023/39, Paris 2023.

banks that are too small for resolution and too large for liquidation.<sup>51</sup> Since 2015, more than 60% of banks in distress in the EU were managed outside of the resolution framework.

The EU CMDI reform proposal of 2023 did not change the target level of available funds that should be held by DGSs (0.8% of insured deposits) or resolution financing arrangements (1% of insured deposits). However, it proposed new conditions for using of DGS funds for:<sup>52</sup>

- preventive measures which support the financial soundness of a distressed bank;
- alternative measures which support the transfer of deposits to another bank in the context of an insolvency proceeding to preserve depositors' access to their money;
- harmonize the information that banks must give their depositors annually;
- eliminate the national option to fund DGS payments via alternative national mandatory contribution schemes (although this option is left in place for resolution financing arrangements under the BRRD).

To sum up, the systemic episode in the US in 2023 and the EU public debate on the new CMDI framework reinforced the trust in the role and stabilization effect of the DGSs in the Member States and brought some new insights, including drawing attention to the deposits outside the covered level and the problem of resolution of small and medium-sized banks and the role of DGS in those processes. The proposed CMDI reform in the EU has not a fundamental, but an incremental character, with the ultimate goal being the introduction of the third Banking Union pillar (EDIS) in the future.

Compiled by Krzysztof Kil, Ewa Miklaszewska

---

<sup>51</sup> A. Arda, M. Dobler, *The role of deposit insurance in dealing with failing banks in the European Union*, "IMF Working Paper" 2022, nr 22/2.

<sup>52</sup> Clifford Chance, *EU reforms bank crisis management and deposit insurance regime*, 12 April 2023, [www.cliffordchance.com/content/dam/cliffordchance/briefings/2023/04/eu-reforms-bank-crisis-management-and-deposit-insurance-regime.pdf](https://www.cliffordchance.com/content/dam/cliffordchance/briefings/2023/04/eu-reforms-bank-crisis-management-and-deposit-insurance-regime.pdf) (accessed 23.04.2025).

**EU DEPOSIT GUARANTEE REFORM  
– VIEWS FROM FOREIGN FINANCIAL  
SAFETY INSTITUTIONS**





**JOSÉ MARÍA FERNÁNDEZ REAL**

Director of International and Regulatory Affairs, FDG  
Fondo de Garantía de Depósitos de Entidades de Crédito, Spain

## **REVITALIZING THE EUROPEAN UNION: DGSS AT WORK**

The year 2024 was marked by heated debates on how to achieve greater integration of European policies and strengthen the dynamism of the European Union, in a context where other international players have been taking better advantage of the opportunities for growth in the global market. Since 2008, per capita GDP has grown faster in the US (1.46% annually) than in the euro area (1.09%). This trend is expected to continue, with the IMF projecting average annual growth of 1.9% for the US and 1.4% for the euro area through 2028.<sup>1</sup>

The so-called Letta and Draghi reports, both commissioned by the European authorities, played an important role in these debates. On the one hand, the Letta report focused on renewing the momentum for a Capital Markets Union (CMU) to promote a more diversified financial ecosystem. On the other, the Draghi report focused on increasing productivity to boost the growth and competitiveness of European companies. According to the

---

<sup>1</sup> EFM, *Developing European Capital Markets to finance the future, Proposals for a Savings and Investments Union*, April 2024, <https://www.tresor.economie.gouv.fr/Articles/e3283a8f-69de-46c2-9b8a-4b8836394798/files/6b8593b5-ca31-45a3-b61c-11c95cf0fc4b>.

latter, public funding efforts should be directed towards competitive and strategic projects to achieve the long-awaited digital and green transformation. No less importantly, access to these funds must be simple and fast, with less bureaucratic and administrative burdens.

The newly appointed Commission faces the task of implementing measures as quickly as possible to meet these challenges and close the Union's growth gap with China and the US, while preserving Europeans' way of life. Equally important, the EU must reduce the complexity of its financial policies so that businesses spend less on regulatory compliance and more on productivity, innovation and competitiveness. The early operation of the effective Recovery and Resilience Facility set up by the EU to provide fiscal stimulus in the aftermath of the pandemic is a good example.

All this, however, must be done without damaging the important banking sector in Europe. The drive for a CMU should not aim to replace the banking sector but to complement it, given the obvious synergies between credit and capital markets.

The European banking sector remains robust and resilient but continues to operate within largely national parameters. The SSM mechanism has proved beneficial to the strong financial position that the industry currently enjoys. Banks have significantly strengthened their capital positions, with CET1 capital ratios increasing by around 500 b.p. on average over the past decade, reaching historic levels.<sup>2</sup> However, the Banking Union has not been as effective in promoting greater banking integration. Without strong continental banks, the structural reforms to which Europe is committed, such as the digital or green transitions, would be unlikely to materialise. At the same time, strong pan-European banks would also contribute to the development of the single market itself.

Similarly, a single EU crisis management framework, particularly the setting up of a European Deposit Insurance Scheme, is still pending. However, due to the political challenges encountered in reaching an agreement on its creation, some voices are calling for alternative solutions.

---

<sup>2</sup> EBA, *2023 EU-wide Stress Test Results*, July 2023, [https://www.eba.europa.eu/sites/default/files/document\\_library/Risk%20Analysis%20and%20Data/EU-wide%20Stress%20Testing/2023/Results/1061374/2023-EU-wide-stress-test-Results.pdf](https://www.eba.europa.eu/sites/default/files/document_library/Risk%20Analysis%20and%20Data/EU-wide%20Stress%20Testing/2023/Results/1061374/2023-EU-wide-stress-test-Results.pdf)

In a similar vein, Draghi advocates for the creation of a specific regime for cross-border banks, applicable at prudential and crisis management levels. Although the detailed functioning of this latter mechanism is still unclear, in a crisis scenario these cross-border banks could benefit from the funding transferred by national DGSs, which would retain some funds to support the crises of purely domestic banks.

European legislators and policymakers will need to clarify whether Draghi's potential crisis management framework is compatible with the ongoing reform of the existing one. The proposals made so far by the European legislators to amend the current resolution and deposit insurance frameworks seem to diverge from Draghi's idea. The legislators currently propose extending the scope of the resolution framework to smaller banking institutions – non-systemic banks that can become systemic in a crisis – as well as allowing greater use of resolution funding mechanisms, subordinated in certain scenarios to the previous use of national DGSs. In this way, national deposit insurers would serve as a second line of defence to implement resolution by complementing the bail-inable resources of the troubled bank.

To complicate matters even further, even within the European bodies the proposals are not aligned. The three proposals made by Commission, Parliament and Council vary somewhat, specifically with regards to the conditions to be fulfilled for the intervention of the DGSs. A sensible outcome from the negotiations between the European bodies would be a situation where DGSs are not actually prevented from intervening in resolution due to excessive constraints, while maintaining the appropriate safeguards.

These negotiations should also clarify aspects significant to national DGSs which, although not of the same political importance as their involvement in resolution, are also relevant from a depositor protection perspective. One example would be the treatment of bank accounts opened by financial institutions, such as payment or e-money companies, on behalf of their clients (omnibus or beneficiary accounts, in DGS jargon). If the reform of the Deposit Guarantee Schemes Directive (DSGD) goes ahead, deposit insurers will provide protection for these customers when the bank fails. This protection will also pose operational challenges for the bank and DGSs in terms of identifying the end customers at the time of a payout, as this special type of accounts can involve a high volume of beneficiaries and extremely volatile

balances. The individual data of these end customers might not always be available to the banks for data privacy or competition reasons, among others, making it more challenging for the DGSs to test their payout systems ahead of the payout event. If the revised DGSD does finally go ahead, an opportunity would have been missed to explore other means of protection, for example -direct coverage by the deposit insurer. In this case, the end customer would be protected from the failure of either the e-money company or the bank, with the DGS in a better position to have access to the information of such customers for testing purposes.

Technological advances are poised to transform the role and perception of DGSs among depositors. Crises in mid-sized banks in the US in March 2023 highlighted the volatility of deposits, a consequence of the 24/7 accessibility of banking services enabled by technology. This creates a high expectation among depositors for access to their funds at any time. During a crisis, deposit insurers should give a positive answer to that expectation. A greater involvement of deposit insurers in the transfer of businesses including the deposit book of the failed bank to an acquirer goes in that direction – as does the CMDI reform. In a similar way, DGSs should embrace technological innovations to ensure a prompt disbursement to depositors. Efficient completion of these tasks by deposit insurers will help strengthen financial stability in the Union, and equally importantly the credibility of the common project of the European Union itself.



**DOMINIQUE LABOUREIX**  
Chair of the Single Resolution Board

**RICCARDO DE BOSIO**  
Senior Policy Expert, Single Resolution Board

## **BUILDING CONFIDENCE THROUGH A MORE HARMONISED AND FLEXIBLE USE OF NATIONAL DEPOSIT GUARANTEE SCHEME FUNDS**

### **A success story**

Deposit Guarantee Schemes (DGSs) have a proven track record of protecting depositors and enhancing financial stability, and are a cornerstone for European citizens' trust in banking systems.

The evolution of their regulatory framework has fostered this success. The European Directive on DGSs (DGSD) established a first set of common provisions for DGSs in the EU in 1994. Following the Great Financial Crisis, the framework has further evolved with a revision of the DGSD, finalised in 2014. This review further harmonised rules for the national DGSs. It enhanced DGSs' financial resources as well as their functions, reinforcing depositor confidence.

In parallel, the Bank Recovery and Resolution Directive (BRRD) introduced an entirely new common framework for resolution across the EU, notably linking resolution to DGSs.<sup>1</sup> These two frameworks complement each other. The resolution framework is designed to deal with larger banks' crises, lowering the pressure on DGSs, and reducing the likelihood that a DGS is actually used. At the same time, an efficient liquidation framework, dealing with smaller lenders, allows resolution authorities to focus their resources on the most significant institutions. Still, pay-outs for small bank failures can prove very costly, potentially depleting DGS resources.<sup>2</sup>

## Beyond pay-outs

While the role of deposit guarantee schemes in the EU has evolved over the past 30 years, their core function has remained protecting depositors through pay-outs. These are performed when a failing bank is wound up to reimburse its covered depositors. Beyond this function, DGSD provides the possibility for DGSs to intervene to prevent failures through preventive measures (support provided to avoid the failure) or, in the context of liquidation, alternative measures (the transfer of the deposit book, as an alternative to pay-out). These measures can be implemented only if they comply with the least-cost test.

So far, only 12 EU Member States – including Poland – have included such alternative measures in their DGSs' toolkits, and very few have used them in practice. In 2022, Polish authorities clearly demonstrated the importance of these tools when dealing with the crisis of Getin Noble Bank, the 10th largest bank in Poland at the time.<sup>3</sup>

<sup>1</sup> cfr. Article 109 BRRD on the use of DGSs in the context of resolution.

<sup>2</sup> See J. Eule, W. Kastelein, E. Sala, *Protecting depositors and saving money. Why deposit guarantee schemes in the EU should be able to support transfers of assets and liabilities when a bank fails*, Occasional Paper Series, EBC, June 2023, <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op308~9f3b17784f.en.pdf?e925aea6a4f8ba38664abaf9cd02191>. This shows that in each Member State in the banking union, at least one less significant institution can deplete its fully filled DGS with a single depositor payout.

<sup>3</sup> See Central Bank of Poland "Financial Stability Report" Box 2.2, December 2022, <https://nbp.pl/wp-content/uploads/2023/03/fsr202212.pdf>

## A broader safety-net

DGSs, as safety-net providers, should have a larger role in facilitating bank resolution and shield depositors from losses.

In fact, the applicable legislation also allows EU resolution authorities to use DGS funds in resolution, under certain conditions. But in reality, the DGS' super priority in the creditor hierarchy means the outcome of the required least-cost test always tilts towards pay-out, limiting the use of DGS funds in resolution.<sup>4</sup>

To address this and other issues of the current legislative framework, in 2023, the European Commission brought forward a set of proposals, known as the Crisis Management and Deposit Insurance (CMDI) review. The core of the reform aims to ensure that the resolution toolkit can be applied to any bank whose failure would put financial stability at risk, regardless of size or business model, enabling its orderly exit from the market through a sale of business, including its uncovered deposits.

The proposal provides more optionality for DGS and resolution authorities in managing crises in smaller banks. The CMDI review makes the use of DGS and resolution funds, instead of depositors' money, more realistic through the so-called DGS bridge. This funding would help sell an ailing bank, including its deposit book, to a solid acquirer.

As set out in a SRB staff working paper assessing the European Commission's proposals,<sup>5</sup> the changes proposed are expected to have a limited impact on DGS resources. This is mostly driven by the fact that the banks expected to be resolved with the support of DGS are relatively small in size, and the DGS would step in only after equity and debt instruments (as part of MREL) have contributed to loss absorption and recapitalisation.

---

<sup>4</sup> See F. Restoy, *How to improve crisis management in the banking union: a European FDIC?*, CIRSf Annual International Conference 2019 on "Financial supervision and financial stability 10 years after the crisis: achievements and next steps" Lisbon, July 2019, <https://www.bis.org/speeches/sp190715.pdf>.

<sup>5</sup> See P. Biraschi, R. De Bosio, M. Langela, B. Mainieri, N. Mata Garcia, L. Orszaghova, *The Commission proposal to reform the EU Bank Crisis Management*, Framework: A selected Analysis, SRB Working paper, Series 3, December 2023, [https://www.srb.europa.eu/system/files/media/document/2023-12-15\\_Working-paper-series-3-CMDI\\_December-2023\\_0.pdf](https://www.srb.europa.eu/system/files/media/document/2023-12-15_Working-paper-series-3-CMDI_December-2023_0.pdf).

Europe is not alone seeking a more prominent role for DGSs in resolution. As recently observed by the International Association of Deposit Insurers, the past decade has witnessed an increasing use of deposit insurers in funding bank resolution.<sup>6</sup>

In the United States, resolution funds and deposit insurance funds have long been integrated. The Federal Deposit Insurance Corporation extensively used funds to handle the failure of institutions since the beginning of the Great Financial Crisis.<sup>7</sup> Closer to home, UK policy-makers are also working on a reform that enables Bank of England to use DGS funds to finance the resolution of failing small banking institutions.<sup>8</sup>

## Conclusions

DGSs have proved that they can be very effective in contributing to ensuring financial stability, also assuming functions beyond the pure insurance or pay-out of deposits in liquidation. Now it is time for a further evolution – not a revolution – of the DGSs’ function in Europe.

An enhanced role of DGS funds in resolution, as proposed in CMDI, would provide a broader and more robust safety-net to our banking sector. A better crisis management toolkit, especially one that further protects depositors, would in turn increase European citizens’ trust in the financial system.

---

<sup>6</sup> See IADI, *Deposit Insurance in 2024, Global trends and key issues* April 2024 r., [https://www.iadi.org/uploads/IADI\\_Annual\\_Trends\\_2024.pdf](https://www.iadi.org/uploads/IADI_Annual_Trends_2024.pdf).

<sup>7</sup> A. Gelpern, N. Véron, *An effective regime for non-viable banks: US experience and considerations for EU reform*, Economic Governance Support Unit, Directorate-General for Internal Policies of the Union, July 2019, [https://www.europarl.europa.eu/RegData/etudes/STUD/2019/624432/IPOL\\_STU\(2019\)624432\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2019/624432/IPOL_STU(2019)624432_EN.pdf)

<sup>8</sup> See UK Parliament, *Bank Resolution (Recapitalisation) Bill*, <https://bills.parliament.uk/bills/3734>.





DEPOSIT INSURANCE  
CORPORATION OF JAPAN



**HIDENORI MITSUI**

Governor, Deposit Insurance Corporation of Japan

## **THE PRESENT AND FUTURE OF DEPOSIT GUARANTEE AND RESOLUTION: INSIGHTS OBTAINED FROM INTERNATIONAL DEVELOPMENTS ABOUT FINANCIAL SAFETY NET**

The Deposit Insurance Corporation of Japan (DICJ) was established in 1971. As a financial safety net provider, it has so far handled the failure of over 180 financial institutions. DICJ is one of founding members of the International Association of Deposit Insurers (IADI) and has served as a member of its Executive Council (EXCO) since its establishment. DICJ has hosted the 23rd Annual General Meeting of IADI in Tokyo in November 2024. One of the most important themes then was the revision of the Core Principles for Effective Deposit Insurance Systems (CPs). The CPs are international standards for deposit insurance systems and are used as benchmarks for individual jurisdictions to assess the effectiveness of their own deposit insurance systems, identify gaps, and take measures to address these gaps. The first edition of CPs was published in 2009, and the first revision was made in 2014. The current second revision have taken into account the lessons learned from the bank turmoil in March 2023, which was the largest systemic stress episode since the Global Financial Crisis in 2008.

Looking back at the bank turmoil in March 2023, in the United States, factors such as the spread of information through social media and the high proportion of uninsured deposits combined, led to a large-scale and rapid outflow of deposits, causing the failure of several regional banks, including Silicon Valley Bank (SVB). Following the failures of SVB and other institutions, in May 2023, the Federal Deposit Insurance Corporation (FDIC) published a report titled “Options for Deposit Insurance Reform.” This report argued the options to reform the deposit insurance system in light of the increased risk of bank runs due to the rise in uninsured deposits and changes in the speed of withdrawals driven by technological innovation. It presents three options: (1) Limited coverage, (2) Unlimited coverage, and (3) Targeted coverage to specific deposits. The third option, “Targeted coverage”, aims to expand the coverage of protection, specifically focusing on business payment accounts. Arguably, this approach aligns most closely with the objectives of the deposit insurance system, namely financial stability and depositor protection. However, it is said there are still issues to be addressed, such as how to distinguish between ‘targeted’ deposit accounts with a high protection limit and others. In Japan, deposits for payment and settlement purposes are already fully covered, making it one of few countries with legislation that sets different coverage for different types of deposits. Deposits for payment and settlement purposes in Japan are defined as deposits meeting the following three requirements: bearing no interest, payable on demand, and capable of providing payment and settlement services. The reason why these deposits are fully covered in Japan is that, during in 1990s and 2000s when many financial institutions failed, there was a very strong public expectation that settlement services provided by banks, such as money transfers, should continue to function smoothly without any disruptions. Even with recent dynamic changes in the financial landscape, such as the spread of social networking services, which can cause cash outflows from banks with unprecedented scale and speed, I believe there are universally applicable points for considerations, in the design of ‘differential coverage’.

Turning to resolution, we recognize that in Europe, discussions are underway on the revision of the bank Crisis Management and Deposit Insurance (CMDI) framework, with the resolution of small and medium-sized financial institutions being one of special focuses. Similarly, the Working Group on Insolvency of Financial Institutions of the International Association

of Private Law (UNIDROIT) has been considering a “Legislative Guide on the Liquidation of Financial Institutions” since 2021 from the perspective of promoting the orderly liquidation of systemically not important small and medium-sized financial institutions, and DICJ has participated in the relevant WG as an observer. The section of the ‘liquidation tools’ of the draft guidance argues that: first, in the event of the failure of a financial institution, the uniqueness of ‘deposits’ as liabilities of the financial institution is an important consideration. Second, in order for the failed financial institution to continue its operations, it is necessary to find a way to transfer the deposits to a third party. Third, a stable depositor base would be valued at a premium by the assuming party. Forth, as the liabilities (deposits) and assets (loans) of a financial institution are closely related within its business, the transfer of all or part of the assets together with the deposits will lead to the maximization of the business value. In relation to the above, it is worthwhile to mention Japan’s approach here. In Japan, there are two methods to protect depositors: the ‘insurance payout method’, in which insurance payouts are made to depositors, and the ‘financial assistance method’, in which financial assistance is provided to financial institutions to whom the business is transferred. Between the two, the preferred approach is financial assistance method. This is based on the viewpoints to “minimize the disruption caused by the failure” and to “keep the franchise value of banks”, which can only be sustained when assets and liabilities are transferred together. I believe this consideration would be a useful input when any jurisdiction considers the appropriate design for the resolution.

Looking at the future for deposit insurance and resolution, a key global issue would be the change in the financial system due to the recent digitization of finance. The evolution of technology can bring about new risks, such as the digital bank runs, that actually occurred at the beginning of 2023. On the other hand, digitalization potentially has the benefit to address important challenges deposit insurance institutions face, such as promoting early detection through improved monitoring capabilities, preparations for failures and speeding up of reimbursements. It would be valuable to share our views and responses multilaterally as well as bilaterally, thereby promoting closer cooperations. For instance, in Japan, as the introduction of BaaS (Banking as a Service) progresses, financial institutions are promoting various initiatives

to utilize digital technology. In sum, our attitude should be to promote the sound development of new financial products and services through appropriate regulatory and institutional framework including the deposit insurance system, without hindering the benefit of digitalization.

In Japan, there have been no bank failures since 2010. However, we fully understand the risk of complacency. In that sense, we believe it is extremely useful to evaluate the effectiveness of our deposit insurance system and resolution regime. Revised CPs would carefully include lessons learned from experiences of many jurisdictions that have experienced failures. Deposit insurance institutions play important roles for the financial safety. We need to prepare for “IF”, in normal times.

\* \* \*

Congratulations for the 30th anniversary of the establishment of the Polish Bank Guarantee Fund. It is a great honor for me to contribute to this commemorative publication discussing the past, present and future of your Fund.



**ALFREDO PALLINI**

Director General, Fondo Interbancario di Tutela dei Depositi (FITD), Italy

## **THE EVOLUTION OF THE EUROPEAN FRAMEWORK ON BANKING CRISIS MANAGEMENT AND FITD'S EXPERIENCE**

Banking Crisis management in the European Union operates within a comprehensive regulatory framework known as the Crisis Management and Deposit Insurance (CMDI) framework. It consists of European directives, which have been transposed into the national legislation of all 27 Member States, as well as a European Regulation that applies directly within the Banking Union. The framework includes the Bank Recovery and Resolution Directive (BRRD) 2014/59/EU, as amended, the Deposit Guarantee Schemes Directive (DGSD) 2014/49/EU, and the Single Resolution Mechanism Regulation (SRMR) 806/2014. The CMDI framework establishes a structured approach to handling banking crises, ensuring financial stability while protecting depositors and maintaining private-sector responsibility.

Since its inception in 1987, the FITD has played a significant role in managing banking crises in Italy. Over the past 37 years, FITD has intervened in 16 cases, primarily through preventive measures and alternative

solutions designed to avoid direct depositor reimbursements during bank liquidations. Throughout its operations, the FITD has executed direct deposit reimbursement (payout) only twice, both instances involving small banks. In all the other cases, the FITD has successfully implemented measures that mitigated the negative effects of piecemeal liquidation, thereby preserving financial stability and ensuring confidence in the banking sector. These interventions have included the transfer of deposits to another financial institution through alternative solutions and the recovery of distressed banks through preventative interventions, provided that the necessary regulatory and statutory conditions were met.

To date, the FITD has allocated €3.3 billion in resources across its 16 interventions, successfully protecting deposits for overall €29 billion, nearly ten times the funds deployed. This track record underscores the effectiveness of alternative and preventative interventions over piecemeal liquidation, particularly when dealing with crises of small and medium-sized banks.

This experience demonstrates that the success of bank crisis management requires a pragmatic approach, based on a clear regulatory framework, strong collaboration among financial safety net members, the ability to swiftly execute interventions, and the availability of a broad range of intervention tools regulation, and a degree of operational flexibility. These factors have allowed FITD to operate effectively and efficiently, relying exclusively on private resources provided by member banks without requiring government support.

The FITD's interventions have fully respected the principles which the CMDI framework is based on, including: i) the requirement that losses are first absorbed by shareholders and then by creditors in accordance with the burden-sharing rule; ii) compliance with the “no creditor worse off” principle; iii) selling viable parts of troubled banks where needed; iv) ensuring uninterrupted access to deposits and payment systems; v) preventing financial market destabilization and burden on taxpayers; vi) the exclusive use of private resources and no recourse to public support. The European crisis management framework is currently undergoing revision, initiated by the European Commission in April 2023 through its legislative proposals, followed by an extensive public consultation. The review process has faced significant challenges due to the

complexity of the regulatory environment, ongoing debates, and differing perspectives among EU Member States on specific provisions of the existing framework. At present, discussions have progressed to the interinstitutional negotiation phase (trialogue), following the adoption of positions by the European Parliament and the European Council in 2024. The objective is to reach a unified stance among European co-legislators, aiming for finalisation by 2025. Once adopted, the revised legislative framework will come into force and will be applied in the Member States according to the prescribed timelines and modalities set by European law.

The proposed reform is complex and multifaceted, given the deep interdependencies among various legislative components. Concerns have been raised about the complexity of the resulting regulatory architecture, particularly regarding the allocation of responsibilities between national and European authorities. A key issue under debate is how to balance decision-making powers between different regulatory entities, ensuring that crisis prevention and resolution mechanisms function efficiently without unnecessary delays. The effectiveness of the revised CMDI framework will depend on streamlined coordination between European and national authorities, allowing for the timely use of crisis management tools and avoiding excessive bureaucratic hurdles.

It is expected that the revised framework will establish a more cohesive and uniform EU-wide system, mitigating the risk of regulatory fragmentation while ensuring swift and decisive intervention capabilities without slowing down proceedings. The principle of “who pays, decides” should remain central to the governance model, reinforcing the accountability of entities responsible for crisis management. The ongoing negotiations will need to strike a balance between regulatory rigor and operational efficiency, ensuring that the framework remains practical and feasible and fits for purpose in addressing banking crises, also considering enhancing the role of the Resolution Fund within the Banking Union and optimising the functions of deposit guarantee schemes to improve overall financial stability.

In conclusion, the revision of the CMDI framework is a crucial opportunity to enhance EU banking crisis management in Europe. By addressing regulatory inefficiencies, improving coordination mechanisms, and refining intervention

strategies, the European Union aims to build a robust and adaptable financial safety net. The experience of the FTD provides valuable insights into the importance of proactive intervention, flexible regulatory tools, and a strong institutional framework in maintaining confidence and stability within the banking sector.





**JAEHOON YOO**

President of the Korea Deposit Insurance Corporation

## **EFFECTIVE SOLUTIONS FOR DEPOSIT GUARANTEE SCHEMES: LESSONS FROM THE KOREA DEPOSIT INSURANCE CORPORATION**

Deposit insurers exist in various forms, ranging from a “pay box” model focusing on reimbursing insured deposits to a “risk minimizer” model with extensive responsibilities for risk management and failure resolution. Just as living organisms evolve to adapt to their environment, deposit insurers are evolving in response to changes in the financial environment and regulatory landscape, each in their own way.

However, deposit insurers have developed in a common direction through the 2008–2009 global financial crisis and last year’s banking turmoil triggered by Silicon Valley Bank’s failure.

The responsibilities of deposit insurers have continued to grow. The proportion of pay box deposit insurers which are only responsible for reimbursing insured deposit has fallen from 46% during the global financial crisis to 17% in 2023.

The coverage of deposit insurers has expanded beyond conventional banks to other financial entities such as securities firms and insurance companies. The UK Financial Services Compensation Scheme (FSCS) provides a relevant example. It already insures banks, securities firms, and insurance companies. In 2022, it expanded its protection to funeral plan providers which offer pre-paid funeral arrangements to help consumers manage future cost.

In response to this trend, deposit insurers should focus on broadening financial consumer protection, reinforcing crisis management capacity and enhancing global cooperation among deposit insurers and financial authorities.

Firstly, deposit insurers need to reassess the coverage limits and scope to strengthen financial consumer protection. It is essential to review whether deposit insurance limits are set at a level that minimizes the bank runs while maintaining market discipline in response to the evolving financial environment. In addition, deposit insurers should closely review areas that are not currently covered and take measures to address blind spots in the protection framework.

To strengthen consumer protection, the KDIC contributed to passing a bill that raised the coverage limit from KRW 50 million to 100 million. It is now in the process of preparing for the implementation. In addition, the KDIC supports the recovery of misdirected money transfers. The KDIC contacts the unintended recipient on behalf of the sender to recover and return the funds. The KDIC is the first deposit insurer in the world to implement such a program.

Secondly, it is important to develop robust capabilities for immediate crisis response. This requires establishing a system that provides a real-time view of deposit data and enables the sharing of this data with other safety net participants. Furthermore, deposit insurers need to maintain effective communication channels such as social media to deliver accurate information to financial consumers. This measure helps counter fake news, and ease market anxiety in the early stage of crisis.

As a part of its efforts to enhance crisis management capabilities, the KDIC has built a real-time deposit monitoring system. The system issues an alert to the responsible staff when unusual signs appear, and the information is shared

with financial authorities and the central bank to ensure a timely response to bank runs.

Lastly, expanding cooperation with foreign safety net participants is essential for managing cross-border issues effectively. As financial firms increasingly operate across multiple countries, financial markets grow more internationally interconnected. Consequently, cross-border issues can have significant implications in the event of a multinational firm's failure. This is particularly relevant for countries like Poland, where foreign-owned banks represent nearly half of the banking sector. It is important to make cooperation and coordination with foreign deposit insurers and other authorities to establish cross-border resolution arrangements.

In line with its initiatives to expand cross-border cooperation, the KDIC have forged cooperative networks with the US, the EU, Japan and Poland to promote coordination in the event of a cross-border bank failure.

As an advanced deposit insurer, the Polish Bank Guarantee Fund (BGF) covers both banks and credit cooperatives, charging premiums based on the individual risk profiles of institutions. The BGF also has responsibilities for failure resolution, unlike many European deposit insurers, which primarily fulfill the reimbursement function with separate resolution entities.

Recently, Poland and South Korea have strengthened cooperation across various sectors, including the manufacturing, defense and infrastructure. In the financial sector, Korean financial firms are newly establishing a presence and expanding operations in Poland. Against this backdrop, cooperation between the BGF and the KDIC will further solidify the bilateral relationship between the two countries. Furthermore, it will serve as a leading example for the international deposit insurance community, contributing the development of global standards in the deposit insurance field.

\* \* \*

I extend my best wishes for the ongoing success and advancement of the BGF, and I look forward to the continued exchange and cooperation between the BGF and the KDIC.



Einlagensicherungsfonds



**HILMAR ZETTLER**

Managing Director of Entschädigungseinrichtung deutscher Banken (EdB),  
Member of the Board Bundesverband deutscher Banken, Germany

## **10 YEARS OF CRISIS AND THE DGS FRAMEWORK – AN EFFECTIVE RESPONSE TO THE LESSONS LEARNED DURING THE FINANCIAL CRISIS**

Over the past decade, the development of deposit insurance systems in Europe has been a remarkable success story. The implementation of the Deposit Guarantee Schemes Directive (DGSD) and the accompanying guidelines and technical standards developed by the European Banking Authority (EBA) have significantly harmonized and professionalized deposit protection, contributing to enhanced financial stability across the European Union.

Similarly, the establishment of a European resolution scheme for the Single Supervisory Mechanism (SSM) and cross-border banks has been essential for maintaining financial stability. Today, the Single Resolution Board disposes of more than 80 bn Euro to guarantee the resolvability of significant institutions. The ability to resolve failing banks without burdening taxpayers is a pioneering achievement in crisis management.

This institutional framework represents a credible response to past financial crises. It ensures that banks are no longer reliant on state bailouts. By

providing a robust crisis management structure composed of deposit insurance and resolution, we have redefined the role of banks, treating them like normal enterprises that are responsible for their own financial health. Should they experience difficulties, there is a market-based solution available to ensure an orderly exit of the bank from the market. Vulnerable depositors, however, continue to be protected from losses by deposit insurers. This represents a crucial shift, as it fosters both market discipline and operational freedom within the banking sector.

### **Trust requires strengthening and implementing agreed-upon rules**

However, credibility is at risk when agreed-upon rules are not followed. The treatment of Silicon Valley Bank (SVB) and Credit Suisse raises concerns, not only because of the financial implications, but also due to the potential erosion of trust in the established crisis management framework and its execution in a crucial moment. When decisions and actions deviate from agreed principles, confidence in the system is weakened and problematic precedents could be set.

One of the challenges that remains paramount in this context: the successful resolution of systemically important banks. Inadequate loss-absorbing capacity and liquidity in resolution continue to pose significant risks, potentially undermining the credibility of the financial safety net. We should prioritize our work correctly and focus on the issues that are fundamental to the functioning of our crisis management framework.

To overcome the weaknesses in the system unveiled by these recent crises, we need to strengthen the existing framework rather than overhaul it. Deposit insurance and resolution are different strategies, but both aim to protect depositors and contribute to financial stability. Being interdependent, the boundaries between them must be explicit, and inconsistencies eliminated. If they are not, the result could be delays in decision-making, inefficiencies in crisis response, and increased financial instability.

Additionally, we must improve the quality of public discourse around financial safety. Discussions often conflate distinct issues, treating a €2 billion failure as identical to a €20 billion or €200 billion crisis. Set aside the fact that the latter examples are much rarer: the approach used must necessarily differ.

## **Deposit insurers must become faster and more communicative**

For deposit insurers, maintaining depositor trust in times of crisis is a key priority. In today's digital era, this primarily means implementing faster payouts as depositor expectations shift. Leveraging digital technologies can help reduce the period in which clients are unable to access their funds. A realistic goal would be to shorten payout periods to just one or two days. Achieving this requires not just technological advancements, but also a stronger integration of supervisory and deposit insurance processes.

Similarly, deposit insurers must strengthen their communicative capabilities. Here, too, timing is of the essence. In today's financial environment, monitoring public information and ensuring timely, strategic communication is crucial. Misinformation can exacerbate crises, and deposit insurers must be proactive in their messaging to maintain public trust.

We must broaden the perspective of the European Financial Safety Net and focus on three key principles to guide its future development: transparency, cooperation and crisis preparedness – all of which need to be embedded within a reliable formal framework.

- Firstly, transparency, independence and accountability are key to effective governance of deposit insurance and resolution, and to mitigating conflicts of interest. This involves clear mandates, structured decision-making, and public accountability.
- Secondly, a clearly defined separation of function must be complemented by strong cooperation to ensure smooth coordination when necessary, particularly in times of crisis. Formalised interagency cooperation mechanisms should be put into place to ensure that information is shared in good time, that the deposit insurer is involved in resolution decisions in a timely manner and to coordinate structured collaboration in crisis situations.
- Last but not least, interagency cooperation should extend to crisis preparedness to ensure a coordinated and effective response to financial distress. Supervisors, resolution authorities and deposit insurers on the national and European levels must, individually and jointly, engage in extensive contingency planning and conduct crisis simulation exercises

to improve their ability to deal with failing banks. This is particularly relevant in a cross-border context where coordinated and tested processes and, in particular, trustworthy personal exchange are of the essence.

The European financial safety net has successfully adapted to challenges in the past and will no doubt continue to do so – ideally in line with the principles outlined above. Provided each body performs its designated functions with excellence and, where necessary, cooperates effectively, we will continue to see Europe’s financial safety net succeed. Following the guiding principle of subsidiarity, maintaining a clear distinction between deposit insurance and resolution while also strengthening cooperation is essential to preserve financial stability and ensure public confidence in the system.

# PAST AND FUTURE OF THE BANK GUARANTEE FUND

## SYNTHESIS OF 30 YEARS

Against the background of the analyses presented and based on participatory observation of the BFG's activities, and finally using the memory of some of the members of the Fund's Boards and Management Boards in successive terms of office, it is possible to formulate an open catalogue of features reflecting the changes taking place in the activities of this institution.

1. The BFG was established in response to symptoms of destabilisation in a group of newly established commercial banks and cooperative banks in Poland under conditions of systemic transformation.

2. The original Act on the BFG was relatively general, leaving many key issues to be regulated by the Fund's authorities, which, in the legal and regulatory infrastructure of the time, created a relatively high risk for these authorities when making specific decisions.<sup>1</sup>

3. Taking advantage of foreign experience and domestic conditions, the concept of the Fund's activities in the area of deposit guaranteeing and providing assistance to banks at risk had original features which, for doctrinal reasons, met with various criticisms (e.g. assistance activities, especially assistance for the self-sanctioning of banks at risk or the formula for assistance under the cooperative bank restructuring fund).

---

<sup>1</sup> There was even a case of a dispute with one of the banks on the grounds of the Fund's decision, which ended with a cassation appeal in the Supreme Court.



4. The capitalisation system of the BFG made it possible to keep funds on standby for interventions (*quasi-ex ante* fund) without major costs for banks (FOŚG), while at the same time allowing for the accumulation of funds through banks' contributions to the aid fund and other sources of revenue (including funds from the distribution of bankruptcy assets by receivers, with appropriate statutory preferences for BFG claims).

5. Contrary to the opinion of pessimists, the BFG – with the complicity of the government and the NBP (later the KNB and the KNF), and, it is worth emphasising, the compliant attitude of the banks<sup>2</sup> – managed to avert the danger of destabilisation in the banking sector in the 1990s and in the credit unions sector in 2014–2019.

6. Frequent amendments to the BFG Act were more an expression of adaptation to the standards and regulations of the European Union than a response to the specifics of domestic conditions (e.g. the sharp increase in the level of guarantees during the global financial crisis, the abolition of the so-called positive balance in the process of calculating covered deposits, the elimination of local government organisational units as depositors). Others, on the other hand, indirectly influenced the systemic costs of the BFG's activities (e.g. abolition of the tax-deductible nature of banks' contributions to the Fund, raising the prices of banking services).

7. The initial high institutional rank of the Fund Council was eroding (e.g. due to the change in the method of appointing the chairman without the participation of the Prime Minister consulting the President of the NBP and the Minister responsible for financial institutions and without the opinion of the relevant parliamentary committee; and the downgrading of the rank of adopting the Fund's report). Not insignificant – which was not apparent from the legislation – was the increased rotation of chairpersons and members of the council and members of the board, starting from the fifth term. In view of the increasing complexity of the statutory matter of the BFG's activities (especially *resolution*), this practice raises the risk of asymmetry in the knowledge of the members of the bodies, especially the council, and in the competences of the Fund Office staff.

---

<sup>2</sup> Admittedly, after the crisis was averted in the late 1990s and after the disbursements to the depositors of Bank Staropolski S.A., part of the banking community criticised the policy of accumulating funds in the BFG at the expense of banks' efficiency. In particular, the already rare cases of self-sanctioning of cooperative banks were met with criticism.

8. Requests from successive BFG Boards to the Boards regarding the need for funds for the following year tended to be overestimated in relation to the actual needs in a given year. Although, in the case of the BFG, this approach was low-cost or even cost-neutral for banks, while providing a safety buffer. In contrast, banks' excess fees/compulsory contributions were primarily an expression of the counter-cyclical capitalisation policy of the BFG authorities, especially once the path to the required target level set by the EU Directive was established. Unfortunately, heavy expenditure on the payment of depositors of failed banks and the takeover of distressed banks by banks after 2013 increased the burden to achieve the BFG's capitalisation rates.

9. The material infrastructure, including IT and information resources, together with direct data transmission channels from the entities of the guarantee system, significantly influenced the quality of diagnoses and forecasts developed at the Fund. On the other hand, the use of increasingly advanced methods of monitoring banks served the substantive preparation of the basis for decisions of the authorities.

10. The creation of the necessary working conditions, the construction and development of the IT system, as well as the possibility of the necessary increase in employment would not have been possible without the Fund's own premises designed, built and equipped for the needs of the BFG in 1998.



11. It is particularly noteworthy that for 30 years none of the BFG's interventions has proved defective from the point of view of the legality and expediency of the execution of guarantees or the repayment of granted loans or the use of guarantees. The operation to sanitise Wschodni Bank Cukrownictwa SA in Lublin with the participation of 12 large commercial banks and the financial assistance of the Fund, which can be regarded as a then unregulated resolution (*quasi private sector solution*), should go down in the annals of Polish banking.

12. The second generation of the Fund's activities (BFG 2.0) was initiated by the implementation of a calculation system, which made it possible to almost automate the disbursement of covered deposits and, above all, to monitor the balance of funds on banks' accounts on an ongoing basis, as well as to prepare and implement resolution procedures with the first practical experience.

13. The achievements of the BFG in the sphere of the organisation of information networks and the efficiency of the flow, collection and analysis of bank information (including the record-breaking short timeframes for the disbursement of covered deposits already in 2014) were met with recognition in foreign and international forums of guarantee institutions.

14. The dependence of certain BFG interventions on the FSC was met with controversial assessments. The 'expulsion' of representatives of the banking community from the composition of the fund's council was also ambiguously assessed, especially from the point of view of their real contribution to the work of this body.

15. It is characteristic that, for a quarter of a century, the Fund's activities in banks and credit unions have been visible mainly through placards stating that 'Deposits in this bank are guaranteed by the BFG (to the extent provided for in the Bank Guarantee Fund Act)'. In contrast, the new ways and tools of the BFG's intervention within the framework of resolution procedures, just like the assistance activities in the early days of the Fund, are poorly realised in the environment. And not only in the broad circles of stakeholders, but also among professional clients and even many economic journalists.<sup>3</sup>

Compiled by Jan Szambelańczyk

---

<sup>3</sup> Media coverage of projects to take over a bank with a negative net worth for a symbolic zloty can serve as evidence.

## STRATEGY 2030

In 2025, the Bank Guarantee Fund adopted *the BFG Strategy 2025–2030*, the first document of its kind in the Fund’s history, and all staff were involved in its creation. Central to the Strategy is the depositor. The Strategy emphasises that it is the customers who have entrusted their funds to banks and credit unions that have been, are and will continue to be central to the Fund’s activities. It also emphasises the role of the BFG as a resolution authority, which not only serves to protect depositors but also taxpayers by limiting the involvement of their money in rescuing entities at risk of bankruptcy. The strategy defines the BFG’s mission as supporting the stability of the Polish financial system to effectively protect deposits, and describes the values of responsibility, cooperation, respect, transparency and self-improvement. The document emphasises the role of cooperation and dialogue with the financial sector and financial safety net institutions.



TABLE OF CONTENTS	
INTRODUCTION .....	2
OUR MISSION .....	4
OUR CORE VALUES .....	5
ABOUT US .....	6
STARTEGY 2030 .....	11
I. We will enhance our ability to respond effectively to risks within the financial sector .....	12
II. We will adopt modern technologies, advance digitalisation and ensure readiness for cloud migration .....	14
III. We aim to increase operational efficiency of the Fund .....	16
IV. We will develop and utilise the skills of our employees more effectively .....	18
V. We will strive for sustainable development .....	20
GLOSSARY OF TERMS .....	22

The Strategy identifies 5 structural areas (responsiveness to risks in the financial sector; modern technology; operational efficiency; staff competence; sustainability) in which strategic objectives are set and actions are identified for the next five years.

**Strategic objective 1. We will strengthen our capacity to respond to risks in the financial sector**

**Action 1. Operationalise and implement capacity for resolution**

Relying on the pioneering and unique European experience of the BFG's resolution, we will focus on increasing the feasibility of resolution in the coming years. We will deepen cooperation with entities covered by the BFG Act to raise awareness of the mechanisms of resolution. We will increase the usefulness of the planning stage of the resolution by testing the actual operational capacity of the relevant entities for the implementation of specific resolution tools (also as part of alternative strategies).

We will develop a multi-year plan to test areas key to the success of coercive resolution and verify the degree of preparedness of entities covered by the BFG Act towards potential processes. The implementation of the strategy in this area will be measured by the scale of testing the areas of feasibility of resolution in the relevant entities and, consequently, an assessment of the degree of preparedness of individual entities for resolution.

**Action 2. Develop a system for identifying risks in the financial sector**

We will improve the methods of identifying risks in banks and credit unions and the threats of potential financial crises. We intend to implement a new Early Warning System. We will strive to use analytical tools based on artificial intelligence. We will cooperate with national and international institutions in the field of crisis prevention. We will organise workshops and seminars with financial safety net institutions and consultations with the banking sector to identify new risks and best practices in mitigating them.

**Action 3.** *Increase public awareness of the role of the BFG and its guarantees*

We exist to effectively protect depositors from the consequences of bank and credit union failure. We are committed to providing the widest possible range of bank and credit union customers with clear and understandable information about our guarantees. We want our educational activities to build awareness of deposit protection and resolution processes. Common knowledge about our role and guarantees supports the stability of the Polish financial system, helps depositors avoid misinformation and make informed financial decisions. We treat our educational activities as an investment in the long-term stability and security of the financial system.

**Action 4.** *Building competence in the area of resolution in the insurance sector*

Based on the IRR Directive published in the EU, insurance and reinsurance companies will be subject to new resolution obligations in the coming years. The BFG will support the safety net institutions, in particular the Ministry of Finance, remaining ready to cooperate in the development of national legislation related to the IRR Directive.

The BFG will continue its involvement in EIOPA's work on draft technical standards and guidelines for the IRR Directive, taking into account Polish specificities. The BFG will also systematically deepen its competences in the insurance area in order to ultimately achieve readiness to apply legal regulations related to resolution, if the legislator assigns such a role to the BFG.



***Rozwijamy BFG by chronić środki deponentów***



**Strategic objective 2. We will implement modern technologies, deepen digitalisation and be ready for migration to the cloud**

**Action 1. Implement an electronic system for the disbursement of covered deposits**

The Fund will develop and implement a system for electronic disbursement of covered deposits to depositors of banks and credit unions at risk of insolvency. This process will enable depositors to receive their covered deposits, in the event that the guarantee condition is met, without having to physically appear at the branches of the banks making the disbursements. The BFG will also streamline communication and simplify pathways for handling depositors' cases and settling disbursements.

The process will be set up so as not to exclude people with less experience and preference in using information technology. The possibility of electronic disbursement of covered deposits will significantly improve the efficiency of handling depositor disbursements, thus potentially increasing confidence in the guarantee system and having a positive impact on the stability of the financial system.

**Action 2. Building a data-driven institution**

The Fund will continue to develop the use of digital technologies to more efficiently obtain and process reporting and business data. This will accelerate and optimise the Fund's business processes and tasks. The BFG will strive to rationalise the reporting burden on the banking sector by improving analytical tools and creating simplified reporting procedures. We will develop the Integrated Analytical Platform to make it a common and useful tool in analysing the economic situation of entities covered by the BFG Act and in planning and implementing resolution processes.

With regard to the Fund's internal challenges, we will implement a modern accounting and bookkeeping system in order to gain additional management capacity in the area of financial analysis, HR and payroll or treasury. We will also further digitise the circulation and archiving of documents and systematically move away from paper documentation

### **Action 3.** *Transformation to cloud readiness*

In order to implement modern technologies and enhance security and business continuity, the Fund will aim to systematically increase the use of cloud services while maintaining all security standards. Achieving full cloud readiness will allow for increased flexibility, scalability of technology and faster adaptation to technological needs. With cloud solutions, the BFG will be able to implement the most innovative, as well as achievable from the perspective of its existing competences, technology projects.

### **Action 4.** *Building an innovation ecosystem*

Through the implementation of modern IT solutions, the Fund will increase its efficiency. A team will be set up in the Fund to manage modern technology implementation initiatives. This team will be responsible for identifying both solutions already in use in the Fund that need to be updated, as well as solutions not in use but existing on the market that can improve the effectiveness of the Fund's work. It will also pilot the implementation of new technologies and monitor training needs in this area. We will involve our staff in finding and reporting on technological innovations.

## **OUR VALUES**





### **Strategic objective 3. We will increase the operational efficiency of the Fund**

#### ***Action 1. Create a process map***

The Fund will implement a project to describe and map the processes carried out by each department. Such a map will increase the predictability of operations by assigning responsibility for the different stages of processes to specific people and indicating possible decision paths within each process.

A complete process map will improve the efficiency of the Fund's operations and reduce business continuity risks. The project will also enable process improvement based on departmental experience.

#### ***Action 2. Project Management Programme***

The organisation of work in the Fund will evolve towards a matrix structure. In the new model, departments will continue to act as competence centres, while task forces responsible for the implementation of specific projects will be created in parallel. This will improve operational efficiency and allow resources to be better aligned with the changing needs of the organisation.

Participation in these teams will be voluntary and open to all the Fund's staff, allowing them to use their competences more fully and creating new opportunities for professional development. The implementation of interdepartmental projects will improve cooperation within the Fund and increase awareness of the tasks carried out by the Fund at all levels of the organisation.

#### ***Action 3. De-bureaucratising the BFG***

A team will be set up in the Fund to streamline the day-to-day operations of the BFG. Based on the process map created, this team will identify repetitive tasks and propose their reduction. Our main objective in this area will be to simplify processes and procedures, enable wider delegation of tasks and shorten approval paths, while maintaining all risk management principles in the Fund.

#### ***Action 4. Develop and implement good communication practices***

The development and implementation of good communication practices will improve information exchange, decision-making and inter-departmental

cooperation. The implementation of these practices is intended to increase the efficiency of processes and facilitate decision-making within the institution.

Good practices will include organising meetings, sharing knowledge of tasks in progress or simplifying and shortening information flows. We will promote the use of modern technologies to support effective communication.



**Strategic objective 4.** We will develop and make effective use of the competencies of our employees

**Action 1.** Implement a comprehensive “Employee Life Cycle at the BFG”

“Employee Life Cycle” is a human resources management concept aiming at a consistent and optimal approach to the employee in each of the 6 stages of his/her relationship with BFG: interest, recruitment, hiring, retention, development, separation. As part of the implementation of this methodology, the BFG will review, develop and introduce modern human resources management concepts at each stage of an employee’s life in the Fund.

The aim of these activities will be to create an attractive and inspiring working environment at the BFG to effectively attract and retain talent, contributing to the recognition of the Fund as an employer of first choice.

### **Action 2. The BFG Training Centre**

The establishment of the training centre has three objectives:

- to create a transparent, coherent and effective training system for the Fund's employees in order to improve their professional skills in a coordinated manner according to the Fund's needs,
- to enable new Fund staff to easily integrate into their jobs,
- perform the Fund's educational role vis-à-vis national and foreign external institutions based on the employees' competencies.

### **Action 3. Create a Talent Development Programme at the BFG**

In order to provide equal, transparent and attractive rules for professional development, the BFG will launch a Talent Development Programme, which will provide support to employees in the development of key competencies necessary for the Fund's operations. The programme will be aimed at both employees starting their careers and those with experience who are looking for new professional challenges, wish to upgrade their qualifications or change their current specialisation. Through the programme, the Fund will secure continuity in its human resources activities and allow employees to realise their full potential.

### **Action 4. Developing unique competencies**

The scope of the BFG's tasks and powers, as well as the nature of our organisation, requires the Fund to have both staff with directional, specialised professional preparation, as well as a group of employees with versatile competences, high flexibility and readiness to participate in the dynamic, unique and often stressful processes associated with the implementation of the BFG's tasks.

The latter group will be dedicated to a competence development project, as part of which the Fund will educate and prepare a group of people for so-called special tasks, such as acting as a guardian or administrator of an entity under resolution, being a member of its supervisory board or participating in projects requiring comprehensive competence.

## **Strategic objective 5. We will ensure sustainable development**

### ***Action 1. Implement CSRD-compliant reporting***

The Fund, on its own initiative, in order to increase the transparency of its operations, will implement the reporting requirements resulting from the implementation of the CSRD Directive. To this end, a methodology for calculating sustainability-related indicators will be developed and implemented.

The Fund will systematically increase the scope of information reported on the environmental, social and governance impacts of the BFG's activities in order to achieve reporting compliance in 2026.

### ***Action 2. Obtain EMAS certification in the environmental area***

The Eco-Management and Audit Scheme (EMAS) is an EU environmental management system created by the European Commission. It helps to assess, report and reduce the environmental impact of an institution's activities. By fulfilling the requirements necessary to implement EMAS, the BFG will increase the efficiency of its management of available resources and energy. EMAS has been implemented in more than 4,000 organisations in Europe, including more than 70 in Poland. In Poland the certificate is held by, among others, the Ministry of Climate and Environment, while in the European Union the ECB or EIB, and the SRB is also in the process of implementation.

### ***Action 3. Sign up to the Diversity Charter***

In order to emphasise the importance of respect among our values, the BFG will join the Diversity Charter. In doing so, the Fund will commit to the principles of equality, diversity and mutual respect in the workplace. These principles will be fully reflected in policies on recruitment, promotion, remuneration, work-life balance or protection against bullying and discrimination. The Fund believes that diversity and equal treatment improves the efficiency, employee engagement and innovation of our institution.

### ***Action 4. Launch and run the Wellbeing Academy***

The establishment of a Wellbeing Academy at the BFG is an initiative to support employees in their personal development. The aim of the academy will be to create periodic campaigns addressing challenges related to professional

burnout, soft skills, effective communication, coping with stress at work or supporting mental well-being.

The campaigns will be conducted with the support of technological solutions using multi-channel internal communication and carefully selected training. The identification and effectiveness of the campaigns will be measured by the number of participants and evaluated using employee surveys designed for this purpose.

Based on the 2030 Strategy, compiled by Ewa Kulińska-Sadłocha





ISBN 978-83-8017-613-3