Jacek Jastrzębski
Chair of the Board

Ladies and gentlemen,

the Polish Act on financial market supervision, the anniversary of which we are celebrating today, gave rise to integrated financial supervision in Poland.

Each area of our activity, the key sectors of the financial market and changes they have undergone over the years will be discussed in a minute by my deputies: Dariusz Adamski, Marcin Mikołajczyk, and Krystian Wiercioch.

Meanwhile, let me share more general reflections with you.

I.

The twentieth anniversary is a pause for reflection. When the KNF was established, its tasks were clearly defined: to ensure the stability of the financial system, to protect market participants, and to build confidence in financial institutions. Today those goals remain unchanged but the reality around them has gone through deep changes. Recent years have made us realise that the only fixed thing in the financial market and in its environment is change. And that the change is constant and often irreversible.

This is why we say today that our goal is to build market's resilience, not only its stability. This is about the capacity to absorb shocks, survive and find a new point of balance, not only about the capacity to come back to the original state. In fact, it may turn out that the world has changed so deeply that there is no longer any original state to come back to. It is of key importance, though, how we are going to find ourselves in the new, totally different operating conditions.

II.

Over the past several decades, Poland's economy has made impressive progress: it has almost doubled in size, and Poland has got closer to the economic core of the West than ever before. We are about to join G20 and the current forecasts show that this year's growth of Poland's GDP will be three times faster than the average rate for the eurozone.

There is no doubt that Poland owes its economic success, including the development of our economy, to the hard work of our citizens and entrepreneurs, including financial market entities. However, that success would not have happened without the state and its institutions, including financial supervisors. The invisible hand of the market cannot work in a legal and institutional vacuum – for the invisible hand to work, the visible hand of the state is required.

This applies to the financial market as well.

The financial market in Poland is strong also through the strength of its supervisors.

I believe that this statement, like the general statement about the value brought for the economy by good functioning and strong position of institutions, is linked to a paradox.

The costs of institutions' activity can be seen clearly. In the financial market, we often hear arguments highlighting the costs for financial market entities that arise from regulations, our enforcement of entrepreneurs' compliance with those regulations, and the need to meet specific standards. The costs arising from improper conduct of financial supervision or flawed regulatory calibration are even greater, spectacular, often with some groups being heavily affected. This is about controversies, crises, and bankruptcies.

Nevertheless, the benefits from proper supervision and suitable regulatory policy are often dispersed and go unnoticed: a smooth, stable, uninterrupted economic growth, a financial market not experiencing anything to make headlines, and crises that have never happened.

At the outset of my mission at the KNF, I took part in a discussion where our counterpart from another continent said that the work of financial supervisors resembled the work of special services: when all goes well, that work remains invisible.

There's a grain of truth in what he said. For, even though it sounds like a joke or anecdote, we do encounter, paradoxically, in the public debate, questions like: 'Can you give me an example of one controversy that the KNF has managed to prevent?'.

Today, as we're celebrating the twenty years of the integrated financial supervision authority, we are celebrating all the controversies, bankruptcies and losses for our citizens that have never happened. We are, therefore, celebrating the crises that have never occurred, partly due to financial supervision.

III.

Looking back at the past twenty years of financial supervision in Poland and from the perspective of my almost eight-year experience in managing it, I would also like to share a personal reflection on the success factors in exercising effective financial supervision.

III.1.

The absolutely crucial and necessary factor is competence.

In today's world, the scope of competence is getting broader and more diverse.

Traditionally, financial supervision was characterised by mostly legal and financial competencies. With time, we've seen this traditional tandem to include new areas of competence. Technological competence has become of key importance, which is related to both the importance of those aspects to the functioning of the financial market but also to cybersecurity and the need to protect financial market against cyberthreats.

Today's challenges related to the security of the financial market trigger the need to constantly broaden the traditional array of supervisory competencies to include new areas. We are building the potential that enhances our effectiveness in preventing and fighting financial crime. What becomes increasingly important are the skills necessary to protect the society against risk factors typical of our times: manipulation and disinformation. The scope of competencies necessary for financial supervision is being extended constantly and becoming increasingly diverse.

This is of particular importance primarily as financial supervision, being the point of intersection for financial market security and development, must be a competence centre in terms of skills essential for the financial market. Only then we are able to responsibly set the directions of safe development

of the financial market, and on the other hand – effectively correct the market's course if it needs to be corrected. This is our ambition and goal.

III.2.

From the perspective of my almost eight years in the Polish financial supervision, I can see it more and more that there is yet another factor complementing the competencies: courage.

This is about the courage to present views, the courage to defend what we believe in and stand for, and the courage to defend the values we safeguard: even if our voice is temporarily isolated and lonely. And if necessary, the courage to take firm action.

Over the years, Polish financial supervision has demonstrated such courage.

It often happened that we needed to take socially unpopular actions or actions that sparked criticism or even provoked attacks. After time, the history of the financial market showed we were right and our actions were assessed post factum as evidently correct. They often enabled us to limit the scale of risk or loss experienced by our citizens. We were not afraid of being the first ones to voice unpopular or disfavoured statements, which seemed quite obvious ex post. I won't give you examples but there are plenty of them.

This is not about triumphalism. I do my best to avoid it. Among many quotations attributed to Winston Churchill that I like and use, let me quote the one which, in my opinion, fits our work particularly well. “Success is not final, failure is not fatal”.

We must have humility in ourselves to acknowledge that we may not have all the information and we cannot predict the future. Yet, we must act.

The key feature of financial supervision, then, must be courage: perceiving and clearly communicating our objections wherever we see them and actions that reflect that. This makes us prone to criticism or even aversion in the public debate. This is why, at this point, I am going to complete the quote: “it is the courage to continue that counts”.

When speaking about courage as a key value in financial supervision, I would like to mention one more thing. I expect this kind of courage of my Colleagues and, obviously, of myself. I believe that this is a sine qua non of an effective supervision authority. A report on one of my public speeches was presented under the headline: ‘Supervisory courage becomes systemic value’ (footnote 1: https://bs.net.pl/odwaga-nadzoru-staje-sie-dzis-wartoscia-systemowa/). This is a good summary.

To support this value, my Colleagues from the financial supervision authority and our colleagues from other institutions that play a similar part in the functioning of the state must feel that the State stands by them.

Persons who make difficult decisions in good faith in the interest of the Polish state and Polish citizens, in particular our financial market and its participants, must be sure that our state is and will be on their side.

I am explicit about this because, in my opinion, this should be heard during the twentieth anniversary of the KNF.

My colleagues know that I often speak about competencies and courage as key values in financial supervision. Today, I would like to add the third factor. As surprising as it may be, I mean luck.

We all know that saying that Fortune favours the bold. This could be understood as the claim that luck is part of courage. I also believe that luck is not a coincidence – it is a consequence of our attitudes and choices.

Yet, it is said that Napoleon, when promoting officers, asked if they were lucky. I don't know if this is true. From today's perspective, I can see, though, that the set of competence and courage should be complemented with luck. Why? Because in life there is a number of matters we have influence on but also many matters where our influence is limited. For the latter, it is luck that decides.

I would like this point to lead me smoothly to the final thought in my speech.

We choose some colleagues ourselves. With others, our paths cross and it only depends on them and on us how this cooperation will unfold. As the head of financial supervision authority I have the opportunity to collaborate with many people and institutions: with some, we established cooperation through agreements, as for the others, I met them as part of institutional configurations. From the perspective of nearly eight years, I can say that in both cases, I was lucky.

This is why I would like to use this opportunity to thank both those who, over the years, have accepted my invitation to work in financial supervision, those whom I met at the UKNF, and those whom I had an occasion to meet as part of interinstitutional cooperation.

In particular, my collaboration with the members of the KNF Board and institutions represented in its composition was always driven by the spirit of shared concern for development and safety of our financial market.

Financial supervision is part of financial security network. The KNF Board also consists of representatives of several institutions whose coordinated actions are of key importance for the harmonious functioning of our financial market.

I have the feeling that as the financial supervisor, and above all, as the Polish financial market, we have been lucky in that the institutions represented in the KNF Board are driven by the spirit of cooperation and coordination for optimum conditions for the development of our market.

Irrespective of our cooperation within the KNF Board and the financial security network, we together cooperate on a daily basis with numerous public institutions whose actions significantly affect the financial market, even if the financial market is not their main area of concern.

I offer my sincere gratitude also to those partners. I am delighted by your great attendance at this event. I take it as an acknowledgement of the importance and quality of our collaboration.

Thank you for your attendance and attention.

Have a great evening.