

Banking

Reconstruction of the Polish banking system began in earnest in 1988. It was then that nine commercial banks were separated from the National Bank of Poland (NBP), and the country began moving toward a two-level banking system with the central bank at the apex and a series of commercial banks below it. The NBP and the Finance Ministry have been imposing market-oriented behaviour on the nine commercial banks. They are being converted to joint stock companies and will eventually be privatized. As part of this process, the National Bank has completed an in-depth study of each of the nine banks and encouraged each to enter into a cooperation agreement with a leading Western commercial bank. The aim is to encourage the western banks to act as strategic partners and even assume an equity position in the Polish partner bank. This will assist in modernizing the Polish bank and bringing it up to western financial standards. *Wielkopolski Bank Kredytowy* and *Bank Slaski* are the first two candidates slated for privatization some time in 1992. The remainder will be privatized within two or three years.

When economic reform began, Poland's banking sector was comprised of the National Bank of Poland, the nine commercial banks spun off from it, five specialized banks, a small development bank, and nearly 1,700 cooperative banks. The new Banking Law has made it possible to accelerate planned changes in the banking system. As a result, some 60 additional banking licenses have been granted to new banks. Foreign banks are also being courted, and seven of them already have licenses to operate in Poland (see Figure 9.5). Several others are negotiating license arrangements. The financial sector is rapidly becoming more competitive, and altogether, the Polish market is now served by some 80 commercial banks.

A new state-owned Polish Development Bank, partially capitalized by Credit Nationale of France and Invest Kredit of Austria, has recently been incorporated and has begun operations. The bank, with initial capital of \$US 85 million, will provide credit to enterprises being restructured prior to privatization and to the emerging private sector. It will also provide venture capital in the form of equity.

Since Poland's new banks will operate according to western banking conventions, they will serve as an important channel for foreign investment while mod-

Figure 9.5 Foreign Banks in Poland

These Polish banks include the participation of foreign capital:

- American Bank in Poland Inc.
- Raiffeisen-Centrobank (Warsaw)
- Scan-Bank (Polish-Swedish Credit Bank - Warsaw))
- The First Commercial Bank (Lublin)
- Creditanstalt Bank (Warsaw)
- The International Bank in Poland (Warsaw)

American Express and the NMB Bank have branches in Poland.

These foreign banks have representative offices in Poland:

- Banca Commerciale Italiana
- Credit Industriel et Commercial de Paris
- Banque de l'Union Européenne
- Société Générale de Paris
- Centro Internationale Handelsbank AG Vienna
- Pekao Trading Corporation (New York)
- Deutsche Bank AG (Frankfurt)
- Dresdner Bank AG (Frankfurt)
- Mitteleuropäische Handelsbank AG
- Scandinavian Banking Partners
- Citibank
- Banque Nationale de Paris

Source: Polish Ministry of Finance, Dept. of Banking and Financial Institutions.

ernizing Polish banking practices. Similarly, the entry of foreign auditing and accounting firms will upgrade Polish methods to western standards.

In July of 1990, the government granted a limited branch license to the American Express Company for the introduction of its credit cards into Poland. It was the first ever agreement of its kind. American Express has opened a branch office in Warsaw to specialize in travel and tourism services. If this pilot project succeeds, a full-service bank may follow.