

LAW OF 28 AUGUST 1997
ON ORGANIZATION AND OPERATION
OF PENSION FUNDS

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Translated by

Cameron McKenna Sp. z o.o.

FIM Tower, 16th Floor

Al. Jerozolimskie 81

02-001 Warsaw

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CHAPTER 1
GENERAL PROVISIONS

Art. 1

This Act defines the principles of establishment and operation of Pension Funds, hereinafter referred to as "Funds".

Art. 2

1. A Fund is a legal person.
2. The scope of activities of a Fund is the collection and investment of financial resources intended for payment of cash benefits to Members who have attained pension age.

Art. 3

1. A Fund's governing body is a Pension Fund Society, hereinafter referred to as a "Society", established in accordance with the provisions of the Law.

2. A Society establishes a Fund, manages it and represents it in relation to third parties as its governing body.
3. A Fund Society represents its Fund in accordance with the provisions of its statute defining the principles of its representation.

Art. 4

The registered office of a Fund Society is the registered office of its Fund.

Art. 5

Members of a Fund are not liable for its obligations.

Art. 6.

1. The contributions made to a Fund, the rights acquired in consideration thereof and benefits arising from those rights constitute the assets of a Fund.
2. The value of a Fund's net assets is determined by deducting the Fund's liabilities from its assets.

Art. 7

This Act does not conflict with other Laws providing for the payment of cash benefits following the attainment of pension age.

Art. 8

In this Act the following expressions have the following meanings:-

- 1) Connected Company - shall mean in relation to an entity a dominant, associated or dependent entity as defined in Art. 3 par. 1 pt. 4 of the Law of 29 September 1994 on Accountancy (Journal of Laws of 1994, No.121 par 591) or any entity dependent on a dominant entity.
- 2) Fund Member - shall mean a natural person who has entered into a contract with a Fund, or in whose name an account has been opened in a Fund in cases specified in the Law.
- 3) Transfer Payment - shall mean a transfer of amounts standing to the account of a Member from one Fund to another, or a transfer of those amounts between Accounts of the same Fund.
- 4) Retirement Insurance Company - shall mean a joint stock company conducting insurance activities consisting of offering and paying life-time annuities to Members of Open Funds who have attained pension age, out of the funds accumulated in those funds, on the terms specified in separate regulations.
- 5) Open Fund - shall mean an Open Pension Fund established and managed by a Universal Society.
- 6) Employee Fund - shall mean an Employee Pension Fund established and managed by an Employee Society.
- 7) Society - shall mean a joint-stock company which is the governing body of a Fund.
- 8) Universal Society - shall mean a Universal Pension Fund Society which is the governing body of an Open Fund.

- 9) Employee Society - shall mean an Employee Pension Fund Society which is the governing body of an Employee Fund.

CHAPTER 2

PENSION FUNDS

Art. 9

1. A Fund may be established as an Open Fund or an Employee Fund.
2. A Fund may only be established by a Society.

Art. 10

1. The registered name of every Open Fund shall contain the words "Open Pension Fund" and the registered name of every Employee Fund shall contain the words "Employee Pension Fund".
2. Only a Fund established in accordance with this Law may use in its registered name, in the description of its activities or in advertising the words "Pension Fund".

Art. 11

The duration of a Fund is unlimited.

Art. 12

The establishment of a Fund requires:

- 1) a statute granted by a Society to a Fund;

- 2) an agreement concluded between a Society and a depositary on keeping the Fund's assets;
- 3) a licence for the establishment of a Fund granted to a Society;
- 4) a Fund being entered in the register of Funds.

Art. 13

1. The statute of a Fund shall be adopted by the general meeting of the Society.
2. The statute of a Fund shall specify:
 - 1) the name of the Fund;
 - 2) the registered name, registered office and the address of the Society;
 - 3) the amount of the share capital of the Society, a list of its shareholders and the number of shares held by them;
 - 4) the manner of representation of the Fund by the Society;
 - 5) the registered name, registered office and the address of the depositary;
 - 6) the types and amount of costs charged to a Fund and its Members, and the manner of, and procedure used for, calculating and covering those costs, including the amount of the fees referred to in Art. 134 par. 1;
 - 7) the manner of announcing amendments to the statute;
 - 8) other information required by the Law.

3. Apart from the information referred to in par. 2, the statute of an Open Fund shall specify:

- 1) daily newspaper circulating generally in Poland in which the Fund is to publish its notices;
- 2) the dates on which the Fund is to publish its information prospectus.

4. Apart from the information referred to in par. 2, the statute of an Employee Fund shall specify:

- 1) the dates, form of, and procedure for making payments of the amounts standing to Members' Accounts,
- 2) the principles by which the Fund will conduct its investment activities, together with the information on whether the Fund will manage the assets on its own or whether it will entrust the management of the assets to a third party.

5. The President of the Council of Ministers may issue an ordinance specifying additional information which must be included in the statute of a Fund, if the interests of Fund Members requires such information.

Art. 14

An application by a Society for the issue of a licence for establishing a Fund shall be accompanied by:

- 1) the statute of a Fund;
- 2) an agreement with a depositary;

- 3) a recent extract from the Commercial Register of the Society;
- 4) personal details of the persons employed by the Society, or persons whom the Society intends to employ, and who have significant influence on the Fund's financial decisions;
- 5) a list of persons designated by the depositary to exercise duties specified in an agreement;
- 6) information on the qualifications and professional experience of the persons referred to in pars. 4 and 5 together with a specification as to which of those persons are investment advisors.

Art. 15

1. The Pension Fund Supervision Authority, hereinafter referred to as the "Supervision Authority", shall issue a licence for the establishment of a Fund within 3 months after the date when the application was submitted. The issue of a licence is equivalent to an approval of the statute of a Fund.
2. The Supervision Authority shall refuse to grant its approval if:
 - 1) the application and documents attached thereto do not satisfy the conditions set forth in this Act,
 - 2) the statute of a Fund does not adequately secure the interests of the Fund's Members,
 - 3) the persons referred to in Art. 14, paragraphs 4-5 do not provide any guarantee of an appropriate performance of entrusted obligations.

Art. 16

1. After obtaining the licence for the establishment of a Fund, the Society shall promptly apply to the registry court for the Fund to be entered in the register of Funds.
2. The above application shall be accompanied by:
 - 1) the licence for the establishment of the Fund,
 - 2) the statute of the Fund,
 - 3) the statute of the Society establishing the Fund and a recent extract from its commercial register,
 - 4) a list of the members of the Board of Management of the Society.
3. The examination of the application by the registry court shall be carried out within 14 days from the date of its submission.
4. The registry court shall refuse to enter the Fund in the register of Funds if the conditions specified in the Law have not been complied with.
5. A Fund, following its registration in the register of Funds, shall without delay provide the Supervision Authority with an appropriate extract from the register of Funds.

Art. 17

1. Each entry in the register of Funds shall include:
 - 1) the name of the Fund,

- 2) the name, registered office and address of the Society, the manner of representation of the Society, as well as its registration number in the commercial register and the name of the court keeping the register,
- 3) the full names of the members of the Board of Management of the Society as well as a list of authorised representatives, if such representatives have been appointed,
- 4) the registered name, registered office and address of the depositary.

Art. 18

A licence for the establishment of a Fund shall expire if, within 2 months following the date of its delivery, the Society fails to submit an application for entering the Fund in the register of Funds.

Art. 19

1. Before a Fund is entered in the register of Funds the appropriate Society shall conduct, on its own behalf and account, legal transactions aimed at the establishment of that Fund.
2. When the Fund is entered in the register of Funds, the Fund acquires rights and obligations of a Society by virtue of the agreement with a depositary referred to in Art. 14 pt. 2.

Art. 20

1. A Fund shall acquire legal personality when it is entered in the register of Funds.
2. Upon entering the Fund in the register of Funds the Society shall become the governing body of that Fund.

Art. 21

1. The register of Funds shall be held by the Provincial Court in Warsaw, referred to in this Law as the "registry court".
2. The register of Funds shall be available for inspection by third parties.
3. The Minister of Justice shall issue an ordinance defining the manner of keeping the register of Funds, its form and the detailed procedure to be used for registration in the register of Funds.

Art. 22

1. Any amendment to the statute of a Fund requires the Supervision Authority's consent.
2. The Supervision Authority shall refuse to give its approval if a relevant amendment is contrary to law or the interests of Fund Members.
3. A decision regarding any amendment to the statute of an Open Fund is made by the Society in the form of a resolution adopted by the general meeting of shareholders.
4. A decision on amending the statute of an Employee Fund is made by an Employee Society in the form of a resolution adopted by the Supervisory Board. The resolution of the Supervisory Board shall be subject to the approval of the general meeting of shareholders.

Art. 23

1. An Open Fund shall publish notices of any amendments to its statute in a daily newspaper circulating generally in Poland, designated for the publication of notices of that Fund.

2. An amendment to the statute shall become effective on the date indicated in the notice of the amendment, but no earlier than 5 months after the date of the publication of notice of such an amendment.
3. The Supervision Authority may allow the period referred to in par. 2 to be shortened if this does not adversely affect the interests of Fund Members and if their interests require such shortening.
4. A Fund shall notify the Supervision Authority of the publication of notices of an amendment to its statute along with their dates and shall apply to the Registry Court to register the amendment, enclosing the approval of the amendment issued by the Supervision Authority, the resolution amending the statute and the text of the statute in which all amendments have been incorporated, along with information on the notices published and their dates.
5. The Registry Court shall enter the information on the amendment to the statute and the date when that amendment becomes effective in the register. The provision of Art. 16 para. 3 shall apply accordingly.

Art. 24

1. Any amendment to the statute of an Employee Fund requires the shareholders of the Employee Society to be notified of the amendment in writing. The amendment shall become effective on the date specified in the notification, but no earlier than following the lapse of 1 month from the date of the last notification being delivered.
2. Any amendment to the statute which affects the financial situation of Members of an Employee Fund through an increase in the Fund's financial burden or through the worsening of the terms on which Members allocate the amounts standing to their accounts, shall become effective as specified in the Law on the Employee Pension Schemes, dated 1997 (Law Journal No. , item).

3. The provisions of Art. 23, paragraphs 3 and 5 shall apply as appropriate, subject to the provision that the application for registration of an amendment to a statute shall be accompanied by a resolution of the general meeting approving the resolution amending the statute.

Art. 25

1. In the event of changes in the details referred to in Art. 17 par. 3 each Fund shall apply without delay for such changes to be entered in the register of Funds, attaching the updated extract from the commercial register of a Society,

2. The entry of changes relating to the management of a Fund being taken over by another Society may be effected only following the submission of:

1) a decision issued by the Supervision Authority consenting to the takeover of the management of a Fund,

2) information that the Office for Competition and Consumer Protection does not object to the takeover of the management of the Fund, if such a takeover is effected by a Universal Society.

3. The provisions of par. 2 apply as appropriate to the merger of Societies.

Art. 26

1. The accounting of Funds and the dates for the preparation, revision and submission for publication of financial reports are governed by the provisions of the Accounting Law.

2. The annual financial reports of each Fund shall be approved by a Society in the form of a resolution of the general meeting.

CHAPTER 3

PENSION FUND SOCIETIES

Art. 27

1. Each Society shall conduct its activities only in the form of a joint stock company.
2. Each Society shall act as a Universal Society or an Employee Society.

Art. 28

1. The registered name of every Universal Society shall contain the words "Universal Society" and the registered name of every Employee Society shall contain the words "Employee Society".
2. Only Societies established in accordance with the Law are entitled to use in their registered names the words indicated in par. 1 above.

Art. 29

1. The business of Societies must be confined solely to the establishment and management of Funds and to representing them before third parties. Every Society is exclusively authorised to conduct such business.
2. Subject to Art. 229, a Society may only establish and manage one Fund, except for cases where the management of more than one Fund is a result of a takeover of the management of another Fund, or a result of a merger or an acquisition of Societies.
3. A Universal Society shall manage a Fund for a fee.

4. An Employee Society may not be a profit-making company. Shareholders of an Employee Society shall not have the right to share in the annual profit.

Art. 30

1. The share capital of a Society may not be raised by public subscription.
2. The shares of a Society shall only be registered shares and may not be converted into bearer shares.
3. A Society may not issue preferential shares.
4. The articles of association of a Society shall treat all shareholders in an equal manner and shall not award any additional rights or privileges to certain shareholders or limit their rights or impose on them additional responsibilities.
5. If a trade union, employers' association, chamber of commerce or professional self-government organisation, whose activities are regulated by statutory regulations, is a shareholder of a Society, the restrictions specified in pars. 3-4 do not apply to such a shareholder.

Art. 31

The minimum share capital of a Universal Society may not be lower than ECU 4,000,000, calculated in accordance with the mid-exchange rate of foreign currencies published by the National Bank of Poland as of the day of adoption of the articles of association.

Art. 32

1. The share capital of Societies may be paid up only by cash contributions.

2. The share capital of a Universal Society must be paid up in total prior to the registration of that Society.
3. The share capital of a Universal Society may neither come from loans or credits nor may it be encumbered in any manner.

Art. 33

1. A Universal Society is under an obligation to maintain its own capital representing no less than half of the minimum share capital specified in Art. 31.
2. A Universal Society shall notify the Supervision Authority without delay of any reduction in its own capital below the level specified in par. 1.

A failure to bring the capital to the required level within a period specified by the Supervision Authority, which shall be no less than 3 months and no more than 12 months, is a basis for cancellation by the Supervision Authority of the licence for the establishment of the Society.

Art. 34

If the founder or founders of a Universal Society are legal persons, the conditions specified in Art. 308, sentence three of the Commercial Code shall not apply.

Art. 35

1. Natural persons resident in Poland, legal persons and other organisational units with a registered office in Poland may be founders of an Employee Society.
2. An employer who is a legal person may be the sole founder of an Employee Society.

Art. 36

Each time this Law refers to founders of a Society it shall also mean shareholders of that Society.

Art. 37

1. The same entity may not be a shareholder of more than one Universal Society.
2. Connected Companies may only be shareholders of the same Universal Society.
3. In the case of a merger or an acquisition of two or more entities where before the merger each entity is the shareholder of a separate Universal Society and where the entities which were shareholders of separate Universal Societies have become Connected Companies, the Supervision Authority may agree to waive the restrictions specified in para. 1 or 2 for a period of up to 6 months for the purposes of enabling an entity operating as a result of a merger or acquisition, or entities which have become Connected Companies, to adapt its activities to the requirements of the Law.

Art. 38

1. Each acquisition or taking up of shares of a Society requires the prior consent of the Supervision Authority, subject to par. 4. Any transaction that breaches this requirement shall be invalid.
2. A Society, on behalf of an entity intending to acquire or take up shares, shall submit an application for the above consent.
3. The Supervision Authority shall give its consent to the acquisition or taking up of shares if the applicant fulfils the conditions set out in this Law for the founders of a Society.

4. The requirement referred to in par. 1 does not apply to the acquisition or taking up of shares by existing shareholders of the relevant Society. In such a case the entity acquiring or taking up the shares need only notify the Supervision Authority of the transaction within fourteen days of the date of the transaction of acquisition or taking up of shares.

5. The provisions of para. 1-4 above shall, where appropriate, also apply to the purchase of rights incorporated in the shares of a Society.

Art. 39

1. The governing bodies of a Society are:

- 1) the Board of Management,
- 2) the Supervisory Board,
- 3) the general meeting.

2. A Society may also set up a board of auditors. The provisions of arts. 43, 44, 59 para. 1, 148 pt 3, art. 150 pt 1b), art. 158 pt 5a), 204 para. 1 pt 2, art. 206 and 209, concerning the Supervisory Board of a Society shall apply as appropriate to a board of auditors.

Art. 40

1. The members of the Board of Management of a Universal Society shall be appointed and recalled by the general meeting unless otherwise provided in the articles of association.

2. The members of the Board of Management of an Employee Society shall be appointed and recalled by the Supervisory Board.

The members of the first Board of Management of an Employee Society shall be appointed by the founders for a period of one year.

Art. 41

1. A member of the Board of Management of a Society shall be a person who:
 - 1) has full legal capacity,
 - 2) has not been validly convicted for offences against property, documents credibility, economic trading, trading in money and securities, a fiscal offence or an offence referred to in Chapter 22,
 - 3) has a degree,
 - 4) has professional work experience of at least 7 years, and
 - 5) guarantees the due performance of his functions as a member of the Management Board, subject to the provisions of par. 4.
2. At least one-third of the members of the Board of Management shall have a degree in economics or law.
3. The requirement in par. 1 pt. 4 shall be met by at least two-thirds of the members of the Board of Management.
4. Whether a person fulfils the requirements of par. 1 pt. 5 is to be decided on the basis of documents attached to the application for a licence to establish a Society as referred to in Art. 54, par. 1 pts. 5 and 6.

5. If requirements defined in pars. 2 or 3 are not fulfilled in connection with removal of a member of the Board of Management, the Society shall have a period of 6 months to adapt its activities to the requirements defined in the Law.

Art. 42

1. A member of the Board of Management of a Universal Society shall not be a person who sits on the Board of Management or the Supervisory Board of:

- 1) an entity that is a shareholder of the Society in question,
- 2) any other Universal Society,
- 3) the depository that holds the assets of an Open Fund or an Investment Fund,
- 4) National Investment Funds or entities managing the assets of those funds,
- 5) investment fund societies or entities which are shareholders of those societies,
- 6) entities involved in brokerage within the meaning of the provisions of the Law on Public Trading in Securities or in any other activities relating to public trading in securities, and
- 7) a Connected Company in relation to any entity referred to in pts. 1-6.

2. The prohibition referred to in par. 1 also applies to persons who are in a relationship of employment, commission or other relationship of a similar nature with entities listed in that paragraph.

Art. 43

The members of the first Supervisory Board shall be appointed for a period of two years.

Art. 44

1. A member of the Supervisory Board of a Society shall be a person who complies with the requirements specified in Art. 41 par. 1 pts 1-2 and who guarantees the due performance of his functions as a member of the Supervisory Board.
2. At least half of the members of the Supervisory Board of a Society shall have a degree in law or economics, and in the case of an Employee Society this requirement shall only be required to be met by at least half of the members of the Supervisory Board appointed in a manner other than the one specified in Art. 45 par. 1.
3. At least half of the members of the Supervisory Board of a Society shall be appointed from among persons who are neither shareholders of the relevant Society nor members of their managing or supervisory bodies.

The provisions of para. 1 shall apply, subject to Art. 41 para. 4, where appropriate, and para. 2 and 3 - subject to Art. 41 para. 5, where appropriate.

Art. 45

1. At least half of the members of the Supervisory Board of an Employee Fund shall be elected by those Members of that Employee Fund to whose accounts contributions were made during the last 12 months preceding the election date.
2. The number of members of the Supervisory Board of an Employee Society shall be specified in the articles of association of that Society, and the course of their appointment shall be defined by the by-laws adopted by the Supervisory Board.
3. The by-laws referred to in para. 2 above shall in particular specify whether the election is to be performed by members or their representatives, as well as the principles relating to removing

persons appointed members of the Supervisory Board before the expiry of the term of office of the Supervisory Board. The by-laws may not make the validity of the election dependent on the number of persons participating in the election.

4. If the by-laws provide for an election through Members' representatives, it shall also specify the procedure for electing and removing representatives and the duration of their term of office.

5. The first election of the Supervisory Board members appointed by Employee Fund Members shall be carried out no later than 3 months after the date when the relevant Fund receives the first contribution. During that period the Supervisory Board shall consist of no less than 5 members elected by the founders of the relevant Employee Society.

6. Where members of a Supervisory Board appointed by Employee Fund Members are not elected within the period specified in para. 5 above, this shall not present an obstacle to a Supervisory Board adopting important resolutions.

7. If the mandate of a person elected by Members of an Employee Fund expires before the expiry of the term of office of the Supervisory Board, the Board shall without delay call a by-election.

Art. 46

Provisions of Art. 379 § 3 - 5 of the Commercial Code shall only apply to those members of a Supervisory Board of a Society who are appointed in a manner other than that defined in Art. 45 para 1.

Art. 47

No person performing any functions in the management or supervisory bodies of the entities referred to in Art. 42 par. 1, or remaining with those entities in a relationship of employment or commission,

or any other legal relationship of similar nature, shall be an Employee of a Universal Society capable of having significant influence on the activities of the Fund, in particular on its investment decisions.

Art. 48

1. Each Society shall be liable to Fund Members for damages resulting from any failure to perform, or from inadequate performance of, its obligations relating to the management of the relevant Fund and its representation, unless the non-performance or improper performance is due to circumstances for which the Society is not liable and which it could not have prevented despite exercising the highest degree of diligence.

2. A Fund shall not be liable for damages resulting from the non-performance or improper performance of the tasks, as referred to in para. 1 above.

3. Where a Universal Society is not liable for damage under para. 1, such damage shall be repaired using the Guarantee Fund, unless damage is due solely to an injured party's fault. The provisions of Art. 180 shall apply wherever appropriate.

4. The provisions of para. 3 above shall also apply upon bankruptcy of a Universal Society, where damage for which that Society is liable may not be repaired using its bankruptcy estate. The order of covering losses using bankruptcy estate as specified in Art. 177 para. 2 shall be followed.

5. Entrusting a third party with the performance of certain obligations of a Society does not restrict the liability of that Society.

Art. 49

1. The following persons are under an obligation to treat as professional secrets information relating to the activities of a Fund:

- 1) the members of the statutory authorities of the Society;
 - 2) any persons remaining in a relationship of employment with the Society;
 - 3) any persons remaining in a relationship arising from a service contract, or in a similar legal relationship with the Society or the Fund;
 - 4) any employees of any entities remaining in the relationship referred to in pt. 3 with the Society or Fund.
2. A Professional secret within the meaning of par. 1 is any information relating to register of its Members, dispositions of Members in the case of death referred to in Art. 83, the disclosure of which could affect the interests of the Fund's Members or the interest of participants on the public trading in securities.
3. The provisions of par. 1 do not apply where information is made available to a prosecutor in connection with a suspicion that an offence was committed, or where it is made available upon request of a court or prosecutor or other appropriate state authorities in connection with proceedings pending, relating to the activities of a Fund, Society or a depositary, including the request of the Supervision Authority in connection with its supervision over the activities of Funds.

Art. 50

1. A Society may not:
 - 1) acquire or take up any shares or other securities, participation units of investment funds and participation titles issued by joint-investment institutions having their registered offices abroad, as well as participate in companies that are not legal persons;
 - 2) acquire any securities issued by a depositary;

- 3) grant any loans and provide any guarantees or sureties;
 - 4) contract any loans or credits, including the issue of bonds, with a total value in excess of 20% of the value of its own capital.
2. The provisions of par. 1 do not apply to:
- 1) securities issued by the State Treasury or National Bank of Poland;
 - 2) shares of the companies holding the register of the Members of the Fund managed by a relevant Society;
 - 3) shares of companies responsible for the settlement of accounts in respect of capital market transactions, unless the number of such shares creates the relationship of domination within the meaning of the provisions of the Law on Public Trading in Securities.
 - 4) securities issued on the basis of the cheque law.

Art. 51

1. A Society shall keep, in the form of an archive, all documents and other records relating to the Funds managed by it.
2. In the event of the liquidation of a Fund in accordance with Art. 71 par. 1, the documents referred to in par. 1 shall be kept by the liquidator of the Fund, and in the event of the liquidation of an Employee Fund in accordance with Art. 75, the documents and other records referred to in par. 1 shall be kept by the depository. The above obligation shall survive fifty years after the completion of the liquidation of the Fund.

3. Notwithstanding the obligations referred to in par. 1, a depositary shall keep in the form of an archive all the documents and other records related to the performance by the depositary of its tasks for fifty years after the completion of the liquidation of the Fund.

4. In the event of insolvency or liquidation of a depositary, the provisions of Art. 460 § 2 of the Commercial Code shall apply to the documents and other records relating to the management of the relevant Fund or the performance of a depositary's tasks and the competent court shall promptly provide the Supervision Authority with the name of the entity designated to keep those documents and other records.

Art. 52

The provisions of the Commercial Code shall apply to any matters relating to Societies which are left unregulated in this Law.

CHAPTER 4

CONDITIONS OF UNDERTAKING ACTIVITIES BY PENSION FUND SOCIETIES

Art. 53

A licence of the Supervision Authority is required for the establishment of a Society.

Art. 54

1. A licence is granted on the request of the founders of the Society. An application for a licence must contain:

- 1) the articles of association of the Society,

- 2) the written consent of the founders to the establishment of the Society and the wording of the articles of association, as well as to taking up shares,
 - 3) organisational by-laws of the Society specifying in particular the manner of preventing disclosure of the information which, if used, could adversely affect the interests of the Fund Members or the interest of participants of the public trading in securities,
 - 4) the list of founders along with information as to whether they are connected companies and as to the nature of their connections and documents confirming their legal status and the origin of financial resources allocated to pay up the Society's share capital,
 - 5) the list of candidates for members of the statutory governing bodies of the Society (exclusive of the persons referred to in Art. 45) along with statements by the candidates that they agree to perform these functions and fulfil any requirements set out in the Law, as well as a description of their qualifications and their prior professional activities,
 - 6) a certificate stating that members of the statutory governing bodies of the Society have no criminal record with regard to the provisions of Art. 41 par. 1 pt 2,
 - 7) documents presenting the financial standing of all the shareholders of the Society for the last 5 years preceding the date of submission of the application, including documents confirming that they have no tax arrears,
 - 8) an organisational and financial plan for the Society's activities for the next three years.
2. Together with an application for a licence to establish a Universal Society, its founders may submit an application to the Supervision Authority for the promise of a grant of a licence for the establishment of an Open Fund. The latter application must include:

- 1) the draft statute of the Fund,
- 2) a draft agreement with a depositary,
- 3) personal details of persons who the Universal Society intends to employ after the establishment of the Open Fund and who will have a significant influence on the Fund's financial decisions,
- 4) a list of persons to be appointed by the depositary to perform the duties specified in the draft agreement,
- 5) information on qualifications and professional experience of the persons referred to in pts. 3-4, along with a specification as to which of them are investment advisors.

Art. 55

1. The Supervision Authority shall decide whether or not to grant a licence within 3 months after the date of the submission of an application.
2. The issuing of a licence by the Supervision Authority is equivalent to its approval of the articles of association of a Society.

Art. 56

1. If an application for a promise of a licence for the establishment of an Open Fund was submitted by its founders together with their application for a licence for the establishment of a Universal Society, and there is no reason to refuse the grant of a promise, the Supervision Authority shall issue a promise together with a licence for the establishment of a Universal Pension fund Society.

2. The Supervision Authority shall specify in the promise its period of validity, which must be at least 6 months.
3. During the validity period of the promise the Supervision Authority shall not refuse to grant a licence for the establishment of an Open Fund, unless there are changes in the information provided in the enclosed documents referred to in Art. 14, or in relation to the documents referred to in Art. 54 par. 1 pt 1 and par. 2.
4. The grant of a promise for the licence for the establishment of a Fund may be refused for reasons specified in Art. 15 par. 2.

Art. 57

The Supervision Authority shall refuse to issue a licence for a Society where:-

- 1) the application and the attached documents do not comply with the conditions set out under appropriate legislation,
- 2) the articles of association of the Society include provisions which may threaten the safety of the Fund's Assets or otherwise affect the interests of the Members of the Fund.
- 3) the organisational and financial plan of the Society's activities within the next 3 years submitted by the founders fails to protect the interests of the Members of the Fund in a proper manner,
- 4) the founders of the Society do not guarantee that the matters of the Society will be conducted in a manner which secures the due protection of the interests of Members,
- 5) the documents which present the financial standing of the shareholders for the last 5 years show that any of the shareholders has tax arrears,

- 6) the share capital of the Society is financed by a loan, is subject to a credit agreement or is encumbered in any other way.

Art. 58

Any amendment to the articles of association of a Society or its depositary, as well as any amendment to the agreement with the depositary requires the Supervision Authority's approval.

Art. 59

1. The appointment of the members of the Board of Management and Supervisory Board shall also require approval by the Supervision Authority, unless they performed the same functions during the preceding term of office of those bodies.
2. The provisions of par. 1 do not apply to members of the Supervisory Board of an Employee Society appointed by Members of the relevant Employee Fund.

Art. 60

A Society is under an obligation to promptly notify the Supervision Authority of any change of the details included in annex to the application for permit for the establishment of a Fund referred to in Art. 54 par. 1 pt 3.

CHAPTER 5

TAKEOVER OF THE MANAGEMENT AND LIQUIDATION OF A PENSION FUND

MERGER OF PENSION FUND SOCIETIES

Art. 61

If the insolvency of a Society is declared or the liquidation of a Society has been commenced, the Supervision Authority shall issue a decision to withdraw the licence for the establishment of a Society.

Art. 62

1. The Supervision Authority may issue a decision to withdraw a licence of a Society if it ascertains that the Fund is conducting its activities in a manner that does not comply with the provisions of the Law or its statute, or in a manner presenting a threat to the interests of Members of the Fund.

2. Prior to withdrawing a licence the Supervision Authority may demand that a Fund brings its activities to an appropriate standard within a defined period.

3. If the irregularities ascertained by the Supervision Authority are particularly serious, in addition to the withdrawal of a licence or a demand referred to in pars. 1 and 2, the Supervision Authority may impose on a Society a penalty of up to 500.000 PLN.

Art. 63

In a decision to withdraw a licence the Supervision Authority shall specify the date when the decision becomes effective.

Art. 64

1. As from the date when a decision on the withdrawal of a licence of a Society becomes effective the Fund shall be represented by the depositary. Within that period the Fund shall not admit new Members.

2. If the management of an Open Fund is not taken over by another Society within three months after the date when the relevant decision on the withdrawal of a licence becomes effective, the management of that Fund shall, pursuant to Art. 66 par. 3, be taken over by the Universal Society managing the Open Fund whose assets had the highest value as at the end of the month preceding the month when the decision to withdraw the licence took effect, on the terms specified in a decision by the Supervision Authority.

Art. 65

If an appeal is lodged in the Supreme Administrative Court against a decision to withdraw a licence issued by the Supervision Authority for reasons other than the reasons specified in Art. 61, the appeal must be considered within 2 months after the date when it was submitted.

Art. 66

1. A Universal Society which intends to discontinue its existing scope of business may, on the basis of an agreement concluded with another Universal Society, hand over to the latter the management of its Open Fund.
2. A Society taking over the management of a Fund shall acquire the rights and obligations of the Society managing the Fund which is being taken over. The provisions of any agreement granting exemptions from certain obligations shall not be effective in respect of third parties.
3. Except for the case specified in par. 1, a takeover by a Society of the management of a Fund shall only take place if the Supervision Authority has withdrawn the licence to establish the Society managing the Fund which is to be taken over, subject to Art. 67.
4. The management of a Fund may only be taken over by a Society which manages the same type of Fund.

Art. 67

1. A Society may merge with another Society.
2. The provisions of Art. 66 par. 4 apply as appropriate.

Art. 68

1. A takeover referred to in Art. 66 and the merger of Societies shall require the prior approval of the Supervision Authority.
2. Application for approval shall be submitted by a Society taking over the management of a Fund and in the case of the merger of Societies - by each of the merging Societies.
3. The approval of the takeover of the management of a Fund or the merger of Societies is equivalent to the approval of a change in the statute of the Fund within the scope specified in Art. 13 par. 2 pts. 2-4.
4. The approval by the Supervision Authority shall define specific requirements for the takeover of a Fund or merger of Societies.

Art. 69

1. The approval by the Supervision Authority of a takeover of management of a Fund or a merger of Societies is the basis for liquidation of the Fund, the management of which has been taken over by another Society or which was managed by a Pension Society taken over as a result of a merger, or - if a merger of Societies was made pursuant to Art. 463 pt. 2 of the Commercial Code - which was indicated in an application for permit to effect a merger pursuant to par. 5.
2. The above approval shall specify the dates of commencement and completion of the liquidation of the Fund.

3. The Supervision Authority shall forthwith notify the Registry Court of its determination to liquidate the Fund and shall provide the Registry Court with a copy of the determination. The court shall *ex officio* enter the date when the liquidation is to commence and the name of the liquidator in the register of Funds.
4. The liquidator of a Fund shall be the Society which has taken over the management of that Fund.
5. If a merger of Societies is conducted in a manner specified in Art. 463 pt 2 of the Commercial Code, the application for the approval of that merger shall specify the Fund which is to be liquidated.

Art. 70

1. An Open Fund shall forthwith publish in a daily newspaper circulating generally in Poland a notice specifying the content of the Supervision Authority's approval of the takeover of the management of that Fund or merger of the Universal Societies together with information on the rights of Members in connection with the liquidation of the Fund.
2. An Open Fund is under an obligation, on the basis of a notification made by a Member that he/she has concluded an agreement with another Open Fund, which notification shall be made within 2 months after the date of the notice mentioned in par. 1, to make Transfer Payment of the amounts standing to that Member's account to that Fund. In such case, an Open Fund must not charge the fee referred to in Art. 134 par. 1 pt 2.
3. In the case of an Employee Fund, the shareholders of the Employee Society managing that Fund shall promptly be provided with the information referred to in par. 1, in a manner specified in the Fund's statute.

4. A Fund shall forthwith notify the Supervision Authority of the content of the notice referred to in par. 1, or the information referred to in par. 3.

5. If an Open Fund fails to perform the obligation referred to in par. 1, the Supervision Authority will make an announcement at the expense of the liquidator.

Art. 71

1. The liquidation of a Fund is executed by way of transferring its assets to a Fund managed by the Society which has taken over the management of that Fund, or which has taken over the Society managing that Fund as a result of a merger, or, if the merger of Societies is effected in accordance with Art. 463 pt. 2 of the Commercial Code, to a Fund which is not subject to liquidation as a result of the merger of Societies, subject to par. 3.

2. The transfer of assets is effected on the date specified in the approval of the takeover of the management or of the merger of Societies, but no later than 9 months after the date when the Supervision Authority issues such approval. The date specified in the approval is the date of completion of the liquidation of the Fund in the meaning of Art. 69 par. 2.

3. After notifying the Supervision Authority in accordance with Art. 70 par. 4, the Fund which is being liquidated is under an obligation to forthwith terminate its agreement with the depositary keeping its assets and is entitled to terminate agreements with any other entities acting for it, with effect from the date of completion of the liquidation. Any provisions of such agreements which restrict or exclude the possibility of the agreement being terminated in the above mentioned manner are regarded as unreserved.

4. The transfer of the assets of a Fund to the assets of another Fund is deemed to be effected on the date of the completion of the liquidation of that Fund. At the same time the Fund which has taken over the assets acquires all the rights and obligations of the liquidated Fund. As from that date,

the Fund which has taken over the assets converts the accounting units existing in the Fund which has been taken over into accounting units used by the Fund which has taken over the assets.

5. The release of the assets of a Fund which has been taken over to the depositary which keeps the assets of the Fund which takes over that Fund is effected in accordance with the principles specified in Art. 163.

6. The Council of Ministers shall issue an ordinance defining the detailed procedure of liquidation of a Fund by way of a transfer of the assets of such Fund to another Fund.

Art. 72

Forthwith after the liquidation of a Fund the liquidator shall notify the Supervision Authority of the completion of the actions referred to in Art. 71 par. 3-5 and shall submit to the Registry Court an application to delete that Fund from the Register of Funds.

Art. 73

The liquidation of an Employee Fund, the management of which has been taken over by another Employee Society shall be completed in accordance with Arts. 75-78.

Art. 74

1. The liquidation of an Employee Fund is carried out on the basis of the Supervision Authority's determination to liquidate that Fund.

2. The determination issued by the Supervision Authority shall specify the commencement and completion dates of the liquidation of the Fund.

3. The provisions of Art. 69 par. 3 and Art. 70 pars. 3-4 shall apply as appropriate.

4. The liquidator of an Employee Fund is its depositary, unless the Supervision Authority appoints another liquidator.

Art. 75

The liquidation of a Fund consists of disposing of its assets, recovering debts owed to the Fund, meeting the liabilities of its creditors and allocating the amounts standing to the accounts of its Members according to their instructions.

Art. 76

1. In the case of liquidation of an Employee Fund, the amounts standing to the accounts of its Members may be allocated in one of the manners specified below:
 - 1) transferred to another Employee Fund in the form of a Transfer Payment, provided that the Member meets the requirements for membership of that Fund,
 - 2) transferred to a life insurance company on the terms specified in the Law on Employee Pension Schemes, or
 - 3) transferred to an open investment fund or specialized open investment fund on the terms defined in the Law on Employee Pension Schemes.
 - 4) paid to the Member in the form of a single lump sum payment.
2. The above amounts shall be allocated in the manner specified in par. 1 pt 4 if the Member does not give any instructions as to the manner of using his/her assets.
3. Assets that are not distributed in accordance with par. 1 are placed in court deposit.

Art. 77

The liquidator shall forthwith notify the Supervision Authority of the completion of the actions referred to in Art. 75. At the same time, the liquidator shall submit to the Registry Court an application to delete the liquidated Fund from the Register of Funds.

Art. 78

The Council of Ministers shall issue an ordinance defining the specific procedure for liquidating Employee Funds in the case referred to in Art. 73, and in particular the procedure and deadline for submitting instructions by Members in respect of the amounts standing to their Accounts.

CHAPTER 6

ANTI-MONOPOLY PROVISIONS

Art. 79

1. The President of the Office for Competition and Consumer Protection shall be notified of any intention of a Universal Society to merge with another Universal Society, or an intention to take over the management of an Open Fund, if the combined value of the Fund's net Assets managed following the intended takeover or merger could exceed 33% of the total value of all net assets of Open Funds in any month of the year preceding the year of notification.

2. The notification of the intention to merge or to take over a Fund referred to in par. 1 shall be made within 14 days after the date:

- 1) when the general meetings of shareholders of both Universal Societies have passed resolutions on their merger with another society;

- 2) when an application for an approval of the takeover of the management of an Open Fund is submitted to the Supervision Authority in connection with the withdrawal of a licence to establish a Universal Society;
 - 3) when the agreement on the takeover of the management of an Open Fund, referred to in Art. 66 par. 1, is concluded.
3. The notification is made:
 - 1) separately by the Boards of Management of the merging societies, in the case of a merger;
 - 2) by the Board of Management of the Society which is taking over the management of another Society, in the case of a takeover.
4. The notification of an intention to merge Societies shall contain an extract from the Commercial Register, the articles of association of the merging Societies and information on the Funds managed by those Societies including in particular the value of their assets and their position in the financial services market, as well as the documents required in par. 2.
5. The President of the Office for Competition and Consumer Protection shall, no later than 2 months, and in the case referred to in par. 2 pt. 2 no later than one month, after the date of receipt of a notification, inform the notifying party of its consent, or issue a determination prohibiting the intended merger or takeover. Such a determination may be issued only if the intended merger or takeover could result in a Society gaining a dominant position in the market or consolidating such a position.
6. The provisions of par. 1-5 do not apply to the takeover of the management of an Open Fund in the case referred to in Art. 64 par. 2.

Art. 80

The provisions of the Law on Counteracting Monopolistic Practices of 24 February 1990 (Journal of Laws of 1997, No. 49, item 318) shall apply to any matters relating to mergers of Universal Funds or takeovers of the management of Open Funds, which are left unregulated by this Law.

CHAPTER 7

MEMBERSHIP OF A PENSION FUND

Art. 81

1. A person becomes a Member of an Open Fund upon the execution of a contract with that Fund.
2. An Open Fund may not refuse to conclude a contract unless the person applying for membership of the Fund does not meet eligibility requirements specified in separate regulations.
3. An individual may be a member of only one Open Fund, subject to the provisions of Art. 84.

Art. 82

1. When concluding a contract with an Open Fund a person applying for admission to the Fund is under an obligation to specify persons in favour of whom the payment of unused assets is to be made after that person's death in accordance with separate regulations concerning the family annuity payable under social insurance arrangements and in accordance with Art. 131.
2. If a Member nominates more than one person entitled to receive the amounts standing to the Member's account after his/her death and does not specify the share that each person has in the

above mentioned amounts, each person shall be deemed to be entitled to receive an equal proportion of those amounts.

3. A Member may at any time change his/her previous instructions. In particular, a Member may nominate other persons entitled to receive the amounts standing to his/her account after his/her death instead of the persons referred to in par. 1, or otherwise specify the proportion of the amounts standing to his/her account to which each of the nominated persons is entitled.

4. The nomination of a person entitled to receive amounts standing to a Member's account after his/her death becomes ineffective if the nominated person dies before the death of the Member. In such case the proportion which was allocated for the deceased person shall be distributed in equal proportions among other nominated persons unless the Member gives other instructions in respect of that proportion.

Art. 83

1. When concluding a contract with an Open Fund a person applying for admission to the Fund is in addition under an obligation to submit a written declaration regarding the property relations between that person and his/her spouse. If there is no statutory joint property of spouses between the spouses, appropriate documents must be submitted specifying the manner in which the property relations are regulated. The above obligation applies as well to a Member of an Open Fund who got married after concluding an agreement with the Fund.

2. A Member of an Open Fund is under an obligation to notify the Fund in writing of each change in relation to the information presented in the declaration referred to in par. 1 if such change affects the amounts standing to the Member's account. The notification must be accompanied by a document confirming the change.

Art. 84

If a Member of an Open Fund joins another Open Fund, he/she is under an obligation to notify the Fund to which he/she has been paying contributions that he/she has concluded a contract with another Fund. Together with such notification, a Member will provide a statement of will to terminate the existing agreement on the date of the transfer payment referred to in Art. 119.

Art. 85

The Council of Ministers shall issue an ordinance specifying:

- 1) the manner and the course of concluding a contract and its form of on the basis of which a person becomes a Member of an Open Fund,
- 2) the manner of and dates for submitting a declaration regarding matrimonial property relations of a Member of an Open Fund, and notifying an Open Fund of any change in relation to the information presented in the declaration which includes the amounts standing to a Member's account.
- 3) the manner by which a Member of an Open Fund notifies the Fund of the fact he is joining another Open Fund.

Art. 86

1. A natural person is eligible for membership of an Employee Fund if he/she satisfies the requirements set out in the Law on Employee Pension Schemes for participants of Employee Pension Schemes.
2. A natural person who no longer satisfies the requirements referred to in par. 1 shall maintain his/her status as a Member of an Employee Fund.

Art. 87

A person becomes a Member of an Employee Fund upon concluding an employee pension contract, on terms specified in the Law on Employee Pension Schemes.

Art. 88

A Member may give up his/her membership in an Employee Fund by way of terminating the employee pension contract, on terms specified in the Law on Employee Pension Schemes.

Art. 89

1. A Fund shall keep a register of its Members containing their basic personal details, information on contributions made to the Fund and received Transfer Payments, conversion of those contributions and Transfer Payments into accounting units and information on the current status of the amounts standing to Members' accounts, and in the case of employee pension funds, shall also keep information on the current status of shares standing to quantitative accounts.
2. Basic personal information on Fund Members referred to in par. 1 shall include:
 - 1) name and surname,
 - 2) date and place of birth,
 - 3) names of parents,
 - 4) personal PESEL number in the Universal Electronic Population Register,
 - 5) residential address.
3. The keeping of the register of a Fund's Members may be entrusted to a third party.

4. The Council of Ministers shall issue an ordinance specifying detailed principles for keeping the register of the Members of a Fund, including the detailed scope of information to be contained in the register and the principles for copying and keeping copies of the data included in the register in the event that such data is lost.

Art. 90

1. A social insurance court having an appropriate jurisdiction in the area where a Member of a Fund has his/her residential address decides on any matters relating to claims arising under legal relationships between Members of Open Funds and those Funds or their governing bodies.

2. The provisions of the Civil Procedure Code regarding the procedure in cases relating to the labour and social insurance law, except for Art. 460 § 1, 461 §§ 1-2, 463 §§ 1¹ and 3, 467 §4, 476 §§ 1-2 and 4-5, 477¹ §§ 1¹-2, 477², 477⁶, 477⁹ - 477^{14a}, apply to the matters referred to in par. 1.

Art. 91

A common court having an appropriate jurisdiction in the area where a Member of a Fund has his/her residential address decides any matters relating to claims arising under legal relationships between Members of Employee Funds and those Funds or their governing bodies.

CHAPTER 8

CANVASSING ACTIVITIES OF OPEN PENSION FUNDS

Art. 92

1. Additional financial benefits on account of membership of an Open Fund may not be offered in canvassing activities conducted by Open Funds for the purpose of persuading any person to join the Fund or remain its Member.
2. The provision of par. 1 shall apply as appropriate to other activities than those defined in this provision, if within the framework of those activities additional financial benefits are offered in exchange for joining a specific Open Fund or remaining its Member.
3. Canvassing activities within the meaning of par. 1 means any income-earning activities aimed at persuading a given person to join an Open Fund or to remain a Member. Canvassing activities also include concluding agreements on behalf of an Open Fund, on the basis of which one becomes a Member of that Fund, as well as acting as an agent in concluding such agreements.

Art. 93

1. The following entities may conduct canvassing activities for an Open Fund:
 - 1) domestic banks, in the meaning of the Banking Law Act of 31 January 1989 (Journal of Laws of 1992, No. 72, item 35, as amended)
 - 2) insurance companies,
 - 3) entities involved in brokerage activities, in the meaning of regulations governing the public trading in securities,
 - 4) insurance agents,
 - 5) entities involved in brokerage in the meaning of the regulations regarding insurance activities,

- 6) "Poczta Polska" - a state-owned utility enterprise.
2. Canvassing activities may be conducted by Open Funds without the participation of the persons listed in par. 1.
3. Canvassing activities may be conducted only by natural persons entered in the register of persons entitled to conduct canvassing activities for Open Funds, kept by the Supervision Authority.
4. If an Open Fund is conducting canvassing activities without the participation of the entities referred to in par. 1 above, canvassing operations for the benefit of such Fund may only be performed by natural persons employed by a Universal Society managing that Fund.
5. Canvassing activities may not be conducted in favour of an Open Fund as part of commercial activity, unless a natural person conducting such activity is an insurance agent or is conducting brokerage activity in the meaning of the Law on Insurance Activities.
6. A natural person entered in the register referred to in par. 3 above may perform canvassing activities for more than one Open Fund.

Art. 94

1. Any natural person who:
 - 1) has a residential address in the Republic of Poland,
 - 2) has not had a final court sentence passed against him for a wilful offence against property, document credibility, for a fiscal offence or an offence referred to in Chapter 22,
 - 3) has full legal capacity, may be entered in the register referred to in Art. 93 par. 3.

2. The Supervision Authority shall make an entry in the register on the basis of an application by an entity conducting canvassing activities for an Open Fund or, if an Open Fund is not acting through such an entity, on the basis of an application made by a Fund. A refusal of registration is made in the form of an administrative decision.

3. A register of individuals authorized to conduct canvassing activities for Open Funds includes the following information:

- 1) number of entry in the register,
- 2) basic personal information, including:
 - a) name and surname,
 - b) date and place of birth,
 - c) names of parents,
 - d) personal PESEL number in the Universal Electronic Population Register,
 - e) residential address,
- 3) name of entity on whose behalf the person entered in the register is conducting canvassing activity,
- 4) name of Open Fund for which the person entered in the register is conducting canvassing activity.

4. The Supervision Authority shall issue an administrative decision to cancel an individual from the register at the request of an entity on whose behalf such individual is performing canvassing activities, or it shall issue such a decision *ex officio* if a person:

- 1) no longer satisfies the requirements necessary for obtaining an entry in the register,
- 2) has not conducted canvassing activities for over 2 years,
- 3) conducts canvassing activities in violation of existing laws.

5. An entity on whose behalf a person is conducting canvassing activity shall immediately notify the Supervision Authority if such person stops to conduct canvassing activity on its behalf. On the basis of such notification, the Supervision Authority shall make a relevant annotation in the register.

6. When a person entered in the register begins to conduct canvassing activity on behalf of an entity other than that entered in the register, such entity shall immediately notify the Supervision Authority of the fact. A notification shall be made before the canvassing activity is commenced. On the basis of the above notification, the Supervision Authority shall amend the register accordingly and shall delete the annotation referred to in par. 5 above.

7. Subject to par. 6, an entity on whose behalf a person entered in the register is conducting canvassing activity is required to report to the Supervision Authority any changes subject to registration in the register within 30 days from the date it becomes aware of such changes. A refusal to amend the register is made in the form of an administrative decision.

8. The Supervision Authority shall charge a fee for the entry and amendment of data subject to entry, which fee shall constitute income of the Supervision Authority allocated to a special purposes fund referred to in Art. 203 par. 5. No fee is charged for cancellation from the register referred to in par. 4, or for the entry or deletion of an annotation referred to in par. 5.

9. The Minister of Finance, in consultation with the President of the Supervision Authority, shall issue an ordinance specifying the amounts, terms and dates of payment of the fees referred to in sentence one of par. 8, where the amount of fee for entry in the register may not

exceed 250% of the lowest employee remuneration, as understood by the Labour Code, and the amount of fee for the amendment of registered data may not exceed 100% of such remuneration.

CHAPTER 9

ACCOUNTS AND CONVERSION OF CONTRIBUTIONS

Art. 95

Contributions shall be paid to accounts operated by Open Funds in the amounts and on the terms specified in separate laws, or to accounts operated by Employee Funds in the amounts and with the frequency specified in the pension plan referred to in the Law on employee pension schemes.

Art. 96

1. Contributions to an Employee Fund are made in the name of employees who are Members of that Fund.
2. An employer who is a shareholder of an Employee Society pays the contributions referred to in par. 1 on behalf of its employees.
3. A contribution to an Employee Fund may also be paid in the form of a transfer payment, as referred to in the Employee Pension Schemes Act.

Art. 97

1. Payments into Open Funds and Employee Funds may be made in the form of securities on terms defined in separate laws.

2. Payments into Employee Funds may be made in the form of shares referred to in Art. 101 on terms specified in Chapter 10.

Art. 98

When a Member joins a Fund, appropriate accounts shall be opened for him/her to which contributions and Transfer Payments shall be made.

Art. 99

1. The contributions paid to a Fund as well as Transfer Payments received shall be converted into Accounting Units
2. Each accounting unit shall represent for valuation purposes a proportionate share in each asset of the Fund.
3. The total value of accounting units of a Fund is always equal to the total value of that Fund's net assets converted into such units.
4. Contributions and Transfer Payments received may be converted into fractions of accounting units, and the value of assets standing to a Member's account may be expressed in such fractions.
5. The value of the assets of a Fund and the value of an accounting unit shall be determined in accordance with the valuation principles applicable to the assets and liabilities of Funds.
6. The Council of Ministers shall issue an ordinance defining detailed principles for valuing the assets and liabilities of Funds.

Art. 100

1. The contributions and Transfer Payments received by a Fund shall be converted into accounting units on a determined date, hereinafter referred to as the "Conversion Date", according to the value of the accounting units on that date.
2. In the case of Employee Funds a Conversion Date shall be the last working day of a month, unless the Fund specifies in its statute additional Conversion Dates.
3. On the first Conversion Date following the payment of the first contribution to the Fund, the value of an accounting unit shall be PLN 10.00.
4. Until contributions and Transfer Payments are converted they shall be kept on a separate cash account of the Fund. Interest on that account shall constitute the Fund's revenue.
5. Conversion of the securities referred to in Art. 97 par. 1 into accounting units shall be made in accordance with the principles defined in separate laws.
6. In the case of Open Funds Conversion Dates shall be specified in ordinances issued by the President of the Council of Ministers and they shall be at least four times a month.

CHAPTER 10

QUANTITATIVE ACCOUNTS

Art. 101

1. Shares acquired by Members of an Employee Fund free of charge or on preferential terms as a result of privatisation of their employer shall be deposited on quantitative accounts maintained by Employee Funds on the terms specified in the Law on Employee Pension Schemes.

2. An Employee Fund may outsource running quantitative accounts to an entity entitled to run securities accounts.
3. A quantitative account may not contain shares of more than one issuer.
4. Shares deposited on quantitative accounts are described in quantitative terms.
5. Members of an Employee Fund may neither dispose of shares deposited on quantitative accounts nor the entitlement to the dividend on those shares.
6. A Member of an Employee Fund may dispose of rights in respect of new issue shares, subject to Art. 105.

Art. 102

1. An Employee Fund shall liquidate Members' quantitative accounts and shall transfer shares deposited on those accounts to the assets of the Fund on the basis of a timetable of liquidation of quantitative accounts determined by the Employee Society by way of a resolution of its Supervisory Board. The Supervision Authority shall be notified of the timetable no later than 3 months before the commencement of the liquidation of those accounts.
2. The timetable referred to in par. 1 shall specify:
 - 1) the dates of transfer of shares to the assets of the Fund,
 - 2) the principles for determining the number of shares deposited by particular Members on quantitative accounts which are to be transferred to the Fund's assets, including shares deposited by persons who join the Fund after the timetable is published, and
 - 3) the number of shares deposited on quantitative accounts by particular Members, which are to be transferred to the assets of the Fund on particular dates,

3. Dates for transfer of shares to the assets of the Fund for persons joining an Employee Fund after the publication of the timetable shall be determined on an individual basis.
4. The transfer of shares to the assets of the Fund may be effected only on Conversion Dates.
5. On the date of transfer of shares, accounting units having a value corresponding to the value of shares transferred from Members' quantitative accounts are credited to Members' accounts less the amount of taxes due. The value of shares is determined on the basis of the principles of valuation of the assets of a Fund.
6. The liquidation of quantitative accounts on which shares of a particular issuer have been deposited commences no later than 3 years after the date when the first share of that issuer was deposited on a quantitative account and lasts no longer than 10 years from the date of transfer of the first shares from a quantitative account to the Fund's assets.
7. If it is ascertained that the implementation of the timetable may be, or is, in breach of appropriate regulations or may affect or affects the interests of Members of an Employee Fund, the Supervision Authority may suspend the implementation of the timetable and demand that the Employee Fund rectify the ascertained irregularities.
8. The transfer of shares deposited on quantitative accounts to the assets of the Fund takes place outside the regulated market in the meaning of the Law on Public Trading in Securities of _____ (Journal of Laws No. _____, item _____), and Art. 38, pars. 3 and 4, of the Law on Commercialisation and Privatisation of State-Owned Enterprises (Journal of Law No. 118, item 561; No. 156, item 775; 1997 No. 32, item 184) does not apply to transfer of such shares.

Art. 103

1. If a Member requests a payment, a Transfer Payment to another Fund or refund of monies standing to his/her account in an Employee Fund, the quantitative account of that Member shall be

immediately liquidated and the shares which have not yet been transferred to the Fund's assets shall be released to that Member, subject to par. 2.

2. If an Employee Fund pays the amounts standing to a Member's account in the form of instalments, the account of that Member shall be liquidated upon the payment of the last instalment, and the shares deposited on that account shall be released to that Member.

3. On the death of a Member holding a quantitative amount, or upon dissolution of an account through divorce or invalidation of marriage, the shares standing to his/her quantitative account shall be released to the entitled person. The provisions of arts. 130 and 133 apply as appropriate.

4. The provisions of par. 3 apply appropriately where the joint property of spouses ceases while the spouses are still married or where the statutory joint property between a Fund Member and his/her spouse is excluded or limited on the basis of an agreement.

Art. 104

The dividend on shares deposited on a quantitative account and the sale price obtained by an Employee Fund for the sale of the pre-emptive rights in respect of new issue shares on behalf of a Member shall be transferred to that Member's account maintained in accounting units.

Art. 105

The Council of Ministers shall issue an ordinance specifying the detailed principles by which an Employee Fund on behalf of its Members conducts transactions on the sale of Members' pre-emptive rights deriving from shares deposited on quantitative accounts, the principles for settling accounts in respect of such transactions, as well as the detailed principles and procedure in accordance with which those rights shall be exercised by Members of the Fund.

Art. 106

1. If the total number of shares of the same issuer placed on all quantitative accounts in one Employee Fund is in excess of 1% of the total number of shares issued by that issuer, the rights relating to the ownership of those shares, except for property rights, shall be exercised by a representative of the Members of the Fund who have such shares on their quantitative accounts, hereinafter referred to as the "Representative".
2. The Representative shall be appointed for 3 years in secret voting by the Members of the Fund holding shares of a given issuer on their quantitative accounts.
3. The procedure for the election of the Representative shall be defined in by-laws adopted by the Supervisory Board of an Employee Society. The by-laws shall specify in particular whether Members themselves or their appointed representatives are to participate in the election, and shall define the principles relating to the removal of a representative before the expiry of his/her term. The by-laws may not make the validity of the appointment of a representative dependent on the number of persons participating in the election.
4. The provisions of Art. 45 par. 4 apply as appropriate.

CHAPTER 10

PAYMENT OF BENEFITS

Art. 107

1. A Member of a Fund may not dispose of the amounts standing to his/her account.
2. The provision of par. 1 does not apply to instructions by a Fund Member given in the event that he/she should die.

Art. 108

The amounts standing to the account of a Member of an Open Fund are not subject to execution.

Art. 109

The amounts standing to the account of a Member of an Employee Fund shall be subject to execution on the terms specified in the Law on Employee Pension Schemes.

Art. 110

The conditions by which a Member of an Open Fund becomes entitled to be paid the amounts standing to his/her account and the principles relating to such payment are defined in separate laws.

Art. 111

1. After a Member of an Open Fund attains his/her pension age, the payment of the amounts standing to his/her account in an Open Fund shall be effected by transferring those amounts to a retirement insurance company indicated by the Member, from which the Member purchases an annuity.
2. The Council of Ministers shall issue an ordinance defining the detailed principles and procedure by which Members of an Open Fund submit instructions in respect of the transfer of the amounts standing to their accounts to retirement insurance companies in connection with the purchase of an annuity, and the principles and procedure for transferring those amounts to retirement insurance companies.

Art. 112

The manner of using the amounts standing to an account in an Open Fund in the event of a Member becomes entitled to receive a disability pension under social insurance is defined in separate laws.

Art. 113

The conditions for a Member of an Employee Fund becoming entitled to payment, Transfer Payment or refund of the amounts standing to his/her account are specified in the Law on Employee Pension Schemes.

Art. 114

1. An Employee Fund is under an obligation to ensure that its Members receive the full amount of the assets standing to their accounts in the form of a single lump sum payment.
2. A payment may be effected in instalments, in accordance with the procedure and principles specified in the statute of the Fund.
3. The payment of the amounts standing to a Member's account in either of the above forms shall be made at the written request of the Member.

Art. 115

A single lump sum payment shall be transferred directly to the Member's bank account, no later than 3 months after the date when the Employee Fund receives a written request from the Member.

Art. 116

If the payment is effected in instalments, the first instalment shall be paid no later than 1 month after the date when the Employee Fund receives from the Member his/her request, unless the Member requests that the payment be made on a later date.

Art. 117

A Member who receives the payment of the amounts standing to his/her account in instalments may at any time request that the amounts remaining on his/her account be paid in the form of a single lump sum payment. The lump sum payment shall be made in accordance with the principles specified in Art. 115.

Art. 118

If a Member of an Employee Fund does not request the Fund to pay the amounts standing to his/her account by the time such Member attains the age of 70, the Fund shall pay those amounts in the form of a single lump sum payment within 3 months after the date when such Member turns 70.

Art. 119

1. If a Member of an Open Fund joins another Open Fund, the first Fund shall make a Transfer Payment to the new Fund on the basis of being notified by that Member of the conclusion of a contract with the new Fund. The Open Fund to which such a Transfer Payment is made is under an obligation to accept such payment.
2. The Council of Ministers shall issue an ordinance specifying the date and procedure for making the Transfer Payment referred to in par. 1.

Art. 120

Transfer Payments between Employee Funds shall be effected in accordance with principles defined in the Law on Employee Pension Schemes.

Art. 121

No Transfer Payments are permitted from an account in an Open Fund to an account in an Employee Fund or from an Employee Fund to an account in an Open Fund.

Art. 122

1. Transfer Payments between Open Funds shall be made on the last working day of each month which is the last month of a quarter.
2. The amount of a Transfer Payment is determined on the fifth working day preceding that payment.

Art. 123

The settlement of accounts in respect of Transfer Payments effected between Open Funds shall be made by the National Depository of Securities Joint Stock Company, hereinafter referred to as the "National Depository".

Art. 124

The National Depository shall prepare by-laws, subject to approval by the Supervision Authority, specifying the detailed procedure for the settlement of accounts in respect of Transfer Payments between Open Funds.

Art. 125

A Transfer Payment does not exclude the responsibility of a Society managing the Fund making such Transfer Payment towards an ex Member of such Fund or another person to whom the Transfer Payment has been made.

CHAPTER 12

DIVISION OF ASSETS IN THE EVENT OF DIVORCE OR INVALIDATION OF MARRIAGE

Art.126

Where the marriage of a Member of an Open Fund is dissolved by divorce or declared void, the amounts standing to the account of that Member which are due to his/her ex-spouse as a result of the division of joint property of spouses shall be transferred in the form of a Transfer Payment to the account of the ex-spouse in an Open Fund.

Art.127

The above Transfer Payment shall be made by the Fund no later than 3 months after the date when the Fund is presented with a confirmation that the amounts standing to the account of the Member are due to his/her ex-spouse.

Art.128

1. If the ex-spouse does not have an account in an Open Fund and does not specify an account in any Open Fund within 2 months after the date of presentation of the document referred to in Art. 127, the Open Fund of which the other ex-spouse is a Member shall be obliged to open an

account in the name of the ex-spouse entitled to receive the above mentioned amounts and shall transfer to that account in the form of a Transfer Payment the amounts standing to his/her ex-spouse's account which are due to him/her. Upon the opening of an account the entitled ex-spouse becomes a Member of the Fund. The provision of Art. 81 par. 1 does not apply.

2. In the case described in par. 1, the Open Fund shall request the ex-spouse entitled to receive the above mentioned amounts to immediately fulfil the obligation referred to in Art. 82 par. 1.

Art.129

The provisions of Arts. 126-128 shall apply as appropriate where the joint property of spouses ceases during the marriage of a Member of an Open Fund, or where the statutory joint property of spouses between a Member of such Fund and his/her spouse is excluded or limited on the basis of an agreement.

Art.130

1. If a marriage is dissolved by divorce or declared void, the payment of the amounts standing to the account of a Member of an Employee Fund which were part of the joint property of spouses shall be made directly in favour of the Member's ex-spouse no later than 3 months after the date when the Fund is presented with a confirmation that those amounts are due to the ex-spouse.

2. The provisions of par. 1 shall apply as appropriate where the joint property of spouses ceases during the marriage of a Member of an Employee Fund, or where the statutory joint property of spouses between a Member of such Fund and his/her spouse is excluded or limited on the basis of an agreement.

CHAPTER 13

DISTRIBUTION OF ASSETS UPON THE DEATH OF A FUND MEMBER

Art. 131

1. If at the time of death a Member of an Open Fund was married, and separate regulations regarding dependants' pensions under social insurance do not provide otherwise, the Fund shall make a Transfer Payment of half of the amounts standing to the account of the deceased Member to the account of the widowed spouse in an Open Fund to the extent that those amounts were part of joint property of spouses.
2. The Transfer Payment shall be made within 3 months after the date when the widowed spouse presents copies of the death certificate and the marriage certificate, and a written declaration stating whether, until the death of the Member, there were any changes in the information referred to in Art. 83 par. 1, or the information referred to in Art. 83 par. 2, and if there were such changes, a confirmation of their occurrence.
3. If the spouse of a deceased Member does not have an account in an Open Fund the provisions of Art. 128 shall apply as appropriate.

Art.132

1. The amounts standing to the account of a deceased Member which are not used in accordance with separate regulations concerning dependants' pensions under social insurance and in accordance with Art. 131, shall be transferred to the persons nominated by the deceased Member in accordance with Art. 82 par. 1, and if such persons have not been nominated, to the members of the immediate family of the deceased Member in equal proportions. The immediate family of a Member includes his/her spouse, children, parents and grandchildren.

2. The amounts due to the immediate family of the deceased Member shall in the first instance be transferred to the deceased Member's spouse and children, and if the deceased Member had none of the above, to his/her parents and grandchildren.
3. The Open Fund shall pay amounts due to the person nominated by the deceased Member, or to a member of the Member's immediate family, within 3 months after the date when the Fund is presented with an official document confirming the identity of that person, and the payment of the amounts due to the widowed spouse may be made at his/her request to an account in an Open Fund. In the latter case, the provisions of Art. 128 shall apply to the Transfer Payment of the amounts due to the widowed spouse.
4. A Transfer Payment made directly in favour of the person nominated by the deceased Member, or in favour of a member of the Member's immediate family, shall be effected either in the form of a single lump sum payment or in the form of instalments payable for a period of no more than 2 years, in accordance with written instructions of the person entitled to receive the above payment.
5. The principles for effecting payments in instalments shall be specified in the statute of each Open Fund.

Art.133

1. In the event of the death of a Member of an Employee Fund, the amounts standing to his/her account shall be paid to a person indicated by that Member as the person entitled to receive benefits upon the Member's death. If no disposition is made in the case of death, the amounts standing to the account shall count as the deceased Member's estate.

2. The payment of the amounts referred to in par. 1 shall be made directly in favour of the persons entitled to receive those amounts, within 1 month after the date when the Fund is presented with a confirmation that those persons are entitled to receive the above amounts.

CHAPTER 14

FINANCING OF A PENSION FUND'S ACTIVITY

Art.134

1. An Open Fund may charge fees only in the following manner:
 - 1) by deducting a specific percentage from the contributions paid, subject to the provision that such deduction shall be made before contributions are converted into accounting units;
 - 2) by deducting a specific amount from the amounts standing to the account of a Member, subject to the provision that such deduction shall be made only if the Transfer Payment to another Open Fund is made before the Member has paid his/her contributions for a period of 24 months from the date when he/she became a Member of the Fund which effects the Transfer Payment.
2. The amounts representing the equivalent of fees referred to in par. 1 shall be allocated immediately by an Open Fund to the Universal Society.

Art.135

An Open Fund shall use a uniform method for calculating and charging the fees referred to in Art. 134 par. 1 in relation to all Members, subject to the provision that fees lower than the fees referred to in Art. 134 par. 1 pt 1 may be charged in relation to Members who have been Members for a

period specified in the statute of the Fund, and no differentiation may be made in respect of the fees payable by person with the same period of membership.

Art. 136

1. Any costs related to the performance of transactions in relation to the acquisition or transfer of a Fund's assets, which constitute the equivalent of fees incurred in favour of third parties whom the Fund is under an obligation to use as intermediaries on the basis of separate regulations, and any costs related to keeping those assets which constitute the equivalent of the fees of the depository shall be covered by the Fund directly from its assets.
2. The Fund may use its assets directly to cover costs of management of the Fund by the Society, but the amount used to cover those costs may not exceed 0.05 % of the value of the managed net assets per month. The amount in question shall be determined for each date of valuation of the net assets of the Fund and shall be payable on the last working day of each month.
3. The value of the deposits referred to in Art. 141 par. 1 pt. 8 and deposits in the participation titles issued by collective investment institutions having their registered offices abroad referred to in Art. 143 par. 1 shall not be taken into account when calculating the value of the managed net assets of a Fund, as referred to in sec. 2 above.

Art.137

1. Operating costs of a Fund which are not covered directly from its assets shall be covered by the Society.
2. Employers who are shareholders of an Employee Society are under an obligation to cover operating costs of that Society on the terms specified in the articles of association of that Society.

Art.138

The Council of Ministers shall issue an ordinance specifying the principles for calculating the fees referred to in Art. 134 par. 1 pt 2 and their maximum amount.

CHAPTER 15

INVESTMENT ACTIVITY OF PENSION FUNDS

Art.139

A Fund shall invest its assets in accordance with the provisions of this Law and so as to ensure the maximum security of the assets and maximise the overall return on investment.

Art.140

For the purposes of determining the proportion of the assets of an Employee Fund which may be invested in any particular manner no account shall be taken of the shares standing to quantitative accounts and amounts standing to the separate cash account of the Fund referred to in Art. 100 par. 4.

Art.141

1. Subject to the provisions of Art. 146, a Fund may only invest in the following classes of assets:
 - 1) bonds, bills and other securities issued by the State Treasury or the national Bank of Poland, and in loans and credits granted to those entities;

- 2) bonds and other debt securities representing cash benefits, guaranteed by the State Treasury or the National Bank of Poland as well as in deposits, credits and loans guaranteed by the above entities;
- 3) bank deposits and bank securities;
- 4) shares in companies listed on the regulated stock market;
- 5) shares or any other securities in companies quoted on the regulated over the counter market and shares or any other securities in companies not listed on the regulated stock market and not quoted on the regulated over the counter market but admitted to public trading in securities;
- 6) shares in National Investment Funds;
- 7) investment certificates issued by closed end or mixed investment funds ;
- 8) participation units disposed of by open end investment funds or specialist open end investment funds;
- 9) bonds and other debt securities issued by communes, unions of communes or the city of Warsaw and admitted to public trading;
- 10) bonds and other debt securities issued by communes, unions of communes or the city of Warsaw which are not admitted to public trading;
- 11) fully secured bonds issued by entities other than communes, unions of communes or the city of Warsaw and admitted to public trading;
- 12) fully secured bonds issued by entities other than communes, unions of communes or the city of Warsaw and not admitted to public trading;

- 13) bonds and other debt securities issued by public companies and not admitted to public trading,
 - 14) any other forms of investment specified in ordinances of the Council of Ministers, subject to the provision that the only purpose of investment in derivative rights referred to in the Law on Public Trading in Securities shall be the limitation of investment risk relating to the variation in exchange rates in respect of the investments referred to in Art. 143.
2. The assets of Funds may be invested in participation units disposed of by open end investment funds and specialised open end investment funds if the investment policy of those investment funds, as reflected in their statutes and periodically published pursuant to separate regulations, consists of investing assets only in the classes of investment referred to in par.1 and 143, subject to the restrictions specified in Art. 142.
 3. Each time this Law refers to open end investment funds, investment fund societies managing such funds and participation units disposed of by such funds it shall also mean trust funds and trust funds societies respectively, as referred to in the Law on Investment Funds of 22 March 1991 (Journal of Laws of 1994 No. 58, item 239, No. 71, item 313 and No. 121, item 591; of 1996, No. 45, item 199, No. 75, item 357, No. 106, item 496 and No. 149, item 703; and of 1997, No. 30, item 164), and participation units disposed of by such funds.

Art.142

1. Investments in the classes of assets referred to in Art. 141 par. 1 pts 1-9 and 11 shall in total represent at least 95 % of the value of the assets of a Fund.
2. Investments in particular classes of assets referred to in Art. 141 par 1 pts 2-13 are subject to the following restrictions:

- 1) in the case of the assets referred to in Art. 141 par. 1 pt. 2 no more than 10 % of the value of fund assets may be invested in one type of security;
 - 2) in the case of the assets referred to in Art. 141 par. 1 pt 3 no more than 5 % of the value of the assets of a Fund may be invested in one or more banks which are Connected Companies, subject to the provision that in the case of one selected bank or a group of banks which are Connected Companies such limit may be 7,5%;
 - 3) in the case of the assets referred to in Art. 141 par. 1 pt. 7 no more than 2 % of the value of the assets of a Fund may be invested in investment certificates issued by one closed end investment fund or one mixed investment fund;
 - 4) in the case of the assets referred to in Art. 141 par. 1 pt 8 no more than 5% of the value of the assets of a Fund may be invested in participation units disposed of by one open end investment fund and one specialised open end investment fund, subject to the provision that no more than 15 % of the value of the Fund's assets may be invested in open end investment funds and specialised open end investment funds managed by one investment fund society.
 - 5) the total value of assets invested by a Fund in any securities issued by one issuer, or two or more issuers which are Connected Companies, may not exceed 5 % of the total value of that Fund's assets.
3. The restrictions referred to in par. 2 pt 4 do not apply to Employee Funds.
 4. The restrictions referred to in par. 2 above shall not apply if a Fund has been obliged to accept payments in the form specified in Art. 97 par. 1. The provisions of Art. 149 par. 2 and 3 shall apply as appropriate.

5. The Council of Ministers shall issue an ordinance specifying the maximum proportion of the assets of an Open Fund which may be invested in particular classes of assets referred to in Art. 141.

6. The Council of Ministers may issue an ordinance specifying the maximum proportion of assets of an Employee Fund which may be invested in particular classes of assets referred to in Art. 141.

Art.143

1. On the basis of a general permit issued by the Minister of Finance in consultation with the Supervision Authority President in the form of an ordinance, and pursuant to the terms specified therein, fund assets may be invested abroad, in securities issued by companies quoted on the main markets of the stock exchanges operating in any countries which are OECD members or in such other countries as may be specified in the above permit, as well as in treasury securities issued by the governments or central banks of such countries and in participation titles issued by collective investment institutions having their registered offices in such countries, if such institutions offer participation units to the public and redeem them at the request of participants.

2. The provisions of Art. 142 shall apply, as appropriate, to the investments referred to in par. 1 above.

Art.144

No part of the assets of an Open Fund may be invested in:

- 1) shares or other securities of the Universal Society governing that Open Fund,
- 2) shares or other securities of a shareholder of that Universal Society, or

- 3) shares or other securities of companies which are Connected Companies in relation to the entities referred to in pts. 1 and 2 above.

Art.145

Assets of an Employee Fund may not be invested in securities issued by the Employee Society governing that Fund.

Art.146

1. No more than 5 % of the value of the assets of an Employee Fund may be invested in shares or other securities issued by shareholders of the Employee Society governing that Fund and by entities which are Connected Companies in relation to such shareholders, irrespective of whether these securities are admitted to public trading.
2. If the assets referred to in par. 1 are invested in both securities admitted to public trading and securities which are not admitted to public trading, the limit specified in the preceding paragraph shall be 12.5 % of the value of the Fund's assets, provided that the value of investment in securities admitted to public trading is at least 7.5 % of the value of the Fund's assets.
3. The assets of an Employee Fund may be invested in securities issued by the shareholders of the Employee Society managing such Fund or by entities who are Connected Companies in relation to such shareholders, provided that the statute of a given Fund so permits.

Art. 147

The statute of an Employee Fund shall specify if and in what securities, treasury bills and participation units a Fund may invest its assets abroad.

Art.148

Any investment by an Employee Fund in participation units disposed of by open end investment funds or specialised open end investment funds is subject to the following restrictions:

- 1) an investment fund company managing an open end investment fund or a specialised open end investment fund in whose participation units an Employee Fund has invested must not hold more than 5 % of the shares of any single shareholder of the Employee Society governing that Fund and no more than 10 % of the total number of shares of all the shareholders of that Society,
- 2) no more than 5 % of the value of the assets of an open end investment fund or a specialised open end investment fund may be invested in shares of any single shareholder of the Employee Society,
- 3) no member of the Board of Management or Supervisory Board of an Employee Pension Fund Society shall be a member of the Board of Management or Supervisory Board of the Investment Fund Company managing an open end investment fund or specialised open end investment fund.

Art.149

1. If as a result of a change in market prices constituting a basis for valuation of the assets and liabilities of Funds, changes in foreign currency rates, in organisational or economic relations between entities in which the Fund invests, or in any other circumstances beyond the immediate control of the Fund, the Fund inadvertently breaches the provisions of this chapter, it shall be under an obligation to take measures aimed at adjusting its investment activities to the requirements specified in the Law.

2. The adjustment of investment activities to the requirements specified in the Law shall be completed no later than 6 months after the date on which the breach occurred, or when a valuation of Fund Assets indicated that there had been such a violation, whichever of the above occurs later.

3. Upon the request of the Fund submitted no later than 1 month after the date when a breach occurred or was ascertained, the Supervision Authority may agree, where it is justified by the need to protect the interests of Members, to extend the time limit referred to in par. 2 to a period of 12 months.

4. If as a result of the implementation of the timetable referred to in Art. 102, an Employee Fund, acting with the aim to protect the interests of its Members, breaches Art. 146, the adjustment of the Fund's investment activities to the requirements specified in the above mentioned article shall be completed no later than 1 month after the date when the breach occurred or was ascertained in accordance with par. 2, subject to the provision that the Supervision Authority may extend that period up to 6 months at the request of the Fund. In the latter case, the provisions of par. 3 shall apply as appropriate.

Art. 150

A Fund is prohibited from:

- 1) selling its assets to:
 - a) the governing Society,
 - b) members of the Board of Management or the Supervisory Board of the Society,
 - c) employees of the Society,

- d) spouses, immediate family and relatives, up to second degree of kinship, of the persons listed under b) and c),
 - e) shareholders in the Society,
 - f) any entity which is a Connected Company in relation to the Society,
 - g) any entity which is a Connected Company in relation to the shareholders of the Society,
 - h) the depositary holding its assets,
- 2) purchasing assets from any of the entities listed in pt. 1 above.
 - 3) issuing loans and guarantees, subject to Art. 141 par. 1, Art. 143 par. 1 and Art. 151.

Art. 151

1. A Fund may grant cash loans from its assets to any of the entities referred to in Art. 141 par. 1 pts. 4-5 and such loans shall be treated as an investment in shares in such entities.
2. A Fund may grant loans in the form of securities admitted to public trading, on terms and conditions specified in ordinances issued by the Council of Ministers.

Art. 152

1. An Employee Fund may delegate, to the extent and according to rules specified in the Law on Public Trading of Securities and Trust Funds, the management of its assets to entities which on the basis of that Law are entitled to govern someone else's securities upon commission and which hold licences of the Securities Commission for the conduct of such activities.

2. An entity referred to in par. 1 shall be selected by the Employee Society by way of a resolution of the Supervisory Board and shall govern part or all of the assets of the Employee Fund, on the basis of the relevant contract with the Fund and according to the statement of investment principles defined in the statute of the Fund.

3. In the event referred to in par. 1 above, the statute of an Employee Fund shall define the terms on which the Fund delegates the management of the whole or part of its assets, or shall authorize the Employee Society to set such terms by way of a Supervisory Board resolution.

Art. 153

Within the framework of investment activities conducted abroad, a Pension Fund may delegate the management of Fund Assets, to the extent defined in Art. 143, to entities having their registered offices in foreign countries referred to in Art. 143, which are entitled to conduct such activities according to the laws effective in those countries.

Art. 154

1. The amount of borrowings held by a Fund may not at any time exceed 2.5% of the value of Fund Assets.

2. An Employee Fund may enter into a contract to receive a loan or credit only on the basis of a decision of the relevant Employee Society in the form of a resolution passed by its Supervisory Board.

Art. 155

The Council of Ministers may issue ordinances defining additional restrictions relating to investment, having regard to the protection of the interests of the Members.

Art. 156

If a Fund does not comply with the provisions of the Law defining the principles for investing, or fails to perform its obligations specified in Art. 149, pars. 1-2, the Supervision Authority shall impose on the governing Society a penalty of up to PLN 500,000.

CHAPTER 16

THE DEPOSITARY

Art. 157

A Fund must appoint a Depositary to whom it shall delegate the keeping of its assets on the basis of an appropriate agreement.

Art. 158

1. A Depositary may be a bank which:
 - 1) is a domestic bank in the meaning of the Banking Law,
 - 2) has a minimum capital of the zloty equivalent of ECU 100,000,000, if it is to hold the Assets of an Open Fund, or ECU 30,000,000, if it is to hold the assets of an Employee Fund,
 - 3) does not hold shares in the Society managing the Fund whose assets it holds, or shares in an entity associated with such a Society, and does not maintain any other capital relationship with those entities,
 - 4) does not lend money to or borrow from the Fund whose Assets it holds, or the relevant Society, unless the amount of the loan or advance does not exceed 1% of the value of the Fund's Assets,

- 5) does not have any Employees or members of its governing bodies who are:-
 - (a) members of the Board of Management or Supervisory Board or Employees of the Society managing the Fund which Assets it keeps,
 - (b) members of the Board of Management or Supervisory Board or Employees of any Connected Companies in relation to the Society referred to in a) above.
2. The National Depositary may be a Depositary, provided that it satisfies the terms defined in par. 1 pt. 3-5.

Art. 159

1. The functions of a Depositary in relation to the keeping of Fund Assets shall include the following:
 - 1) running the register of Fund Assets standing to relevant accounts and deposited with the Depositary or other entities entitled to do so by virtue of separate laws or on the basis of agreements entered into on the Depositary's consent,
 - 2) ensuring the calculation of the net value of the Fund Assets in a manner enabling the Fund to comply with the obligations in Chapter 17,
 - 3) ensuring that agreements for the acquisition and disposal of Fund Assets are in accordance with the Law and the provisions of the Fund's Statute,
 - 4) fulfilling the instructions of the Fund, unless such instructions are in violation of the Law or the Fund Statute or, in the opinion of the Depositary, represent a threat to the security of Fund Assets,

- 5) ensuring that Fund Assets are invested in accordance with the Law and the Fund Statute,
 - 6) ensuring that in transactions involving assets of the Fund and in agreements with Members any amounts due are paid in time,
 - 7) fulfilling the instructions of any liquidator in relation to the liquidation of the Fund,
 - 8) fulfilling other obligations anticipated by this Act.
2. The Depositary may at the instruction of the Fund enter into agreements referred to in par. 1 pt. 1 with banks or financial institutions seated outside the Republic of Poland, provided that the value of capital of such banks or financial institutions is at least ECU 200,000,000.
3. The Depositary shall also be required to institute proceedings against the Society on behalf of the Fund Members in the event of any damage caused by non-performance or improper performance of duties within the scope of Fund management and representation.
4. The Depositary shall ensure performance of the Fund's duties referred to in par. 1 pt. 2-3 and 5-6 in compliance with applicable laws and the Fund's statute, at least by exercising constant control over the factual and legal actions of the Fund and by bringing such actions in compliance with relevant laws and the Fund's statute.

Art. 160

1 A depositary agreement with a Depositary shall cover in particular the specific responsibilities of the Depositary and the Fund, the manner in which these should be performed, the remuneration of the Depositary and the manner of calculating the costs and charges to be borne by the Fund; it shall also indicate persons appointed by the Depositary to deliver the agreement. An agreement shall not limit the Depositary's statutory responsibilities.

2. A Depositary shall be liable for any damages incurred as a result of the non-performance or inappropriate performance of its responsibilities hereunder.
3. The liability referred to in para. 2 may not be excluded or restricted by any depositary agreement or by entrusting custodian duties with another entity.
4. Where the dissolution of an agreement with a Depositary is by written notice the period of notice may not be less than 6 months. A party giving notice shall immediately inform the Supervision Authority of this notice as well as reasons for dissolution of the contract.

Art. 161

1. In the event of non-performance or improper performance by the Depositary of the depositary agreement:
 - 1) the Fund shall terminate the agreement and immediately notify the Supervision Authority of the fact,
 - 2) The Supervision Authority may request the Fund to change the Depositary.
2. The Supervision Authority may also request the Fund to change the Depositary if the financial situation of the Depositary has deteriorated substantially, threatening the security of the Assets kept in its custody.
3. The National Bank of Poland shall forthwith notify the Supervision Authority of any instance of material deterioration in the financial situation of the bank acting as a Depositary referred to in par. 2.

4. The Securities and Exchange Commission shall forthwith notify the Supervision Authority of any material deterioration in the financial situation of the National Depositary in an event referred to in par. 2.

5. In the situations specified in para. 1 and 2 above, the notice period may be shorter than that specified in Art. 160 para. 4.

Art. 162

1. Where the Depositary has been declared bankrupt, where it has been decided that it will be liquidated or where the Supervision Authority has stated that a Depositary has seriously violated the terms of a contract in a manner which threatens the safety of Fund Assets or interests of its Members, the Fund shall immediately nominate another Depositary. In such an event the provisions of Art. 160 para. 4 sentence 1 shall not apply.

2. The preceding provision shall apply as appropriate where a Depositary fails to satisfy any of the criteria in Art. 158, in which case the Depositary should immediately notify the Fund and the Supervision Authority.

Art. 163

1. Each change of a Depositary shall be made in a manner which ensures continuous performance of custodian duties in respect of the Fund Assets.

2. Where a contract with a Depositary is dissolved, the Depositary shall release the Fund Assets in its custody and all documents relating to the performance of duties referred to in para. 1 to a new Depositary within a period agreed by the parties, but without undue delay.

Art. 164

1. A Depositary shall immediately inform the Supervision Authority of any matter which it believes constitutes an act or omission which is likely to breach the Law or the Fund's Statute or cause the interest of any Members' to be improperly protected.
2. A Depositary shall immediately inform the Supervision Authority of any discovered irregularities in the calculation of the value of the Fund's net assets, the value of an accounting unit and the rate of return, as referred to in Art. 166, 169 and 170.

Art. 165

Fund Assets deposited in accordance with the provisions of this Chapter may not be subject to execution against a Depositary or the entities referred to in Art. 159 par. 1 pt. 1, and shall not be a part of the estate in bankruptcy of the Depositary or these entities and shall not be covered by any settlement proceedings.

CHAPTER 17

VALUATION OF ASSETS AND CALCULATION OF RETURNS IN PENSION FUNDS

Art. 166

The value of the net Assets of a Fund shall be determined as at and on each Valuation Date referred to in Art. 168 and notified to the Supervision Authority.

Art. 167

The valuation of a Fund's net Assets shall be used to enable the price of an Accounting Unit to be determined in accordance with the provisions of Chapter 9.

Art. 168

1. The Valuation Date for an Open Fund means each working day (excluding Saturdays). The Valuation Date for an Employee Fund means the last working day of each month.
2. The Statute of an Employee Fund may provide for other Valuation Dates.

Art. 169

The value of an Accounting Unit of a Fund shall be determined by the relevant Fund as at and on each Valuation Date and shall be notified to the Supervision Authority, and in the case of an Open Fund, also notified to one of the information agencies indicated by the Supervision Authority.

Art. 170

A Fund which has been accepting contributions for at least 24 months shall at the end of the last month of each quarter determine the Return for the last 24 months. The rate of Return shall be notified to the Supervision Authority and one of the information agencies indicated by that Authority.

Art. 171

A Fund shall also be required to notify to a Depositary the figures referred to in Art. 166, 169 and 170 immediately after they have been determined.

Art. 172

The Return of a Fund shall be the percentage rate of return of the difference between the average value of an Accounting Unit on the last day of the month ending a quarter and the value of that Unit on the last working day of the month ending 24 months previously.

Art. 173

1. The Average Weighted Return of all Open Funds for the last 24 months shall be the total of the products of return rates of each of the Open Funds referred to in Art. 170, and the average market share index of a given Open Fund. The average market share index of a given Open Fund shall be the arithmetic mean of the market share index as of the last working day of the month preceding the 24-month period and the market share index as of the last day of the last month of the 24 month period. The market share index of an Open Fund as of a given day shall be the quotient of the value of the net assets of that Fund and the value of net assets of all the Open Funds referred to in Art. 170 as on the day when the index is calculated.
2. The Average Weighted Return of all Open Funds shall be published by the President of the Supervision Authority.

Art. 174

The Council of Ministers shall issue an ordinance specifying:

- 1) specific rules relating to the computation of the Return and the Average Weighted Return of all Open Funds, including the principles of rounding-up those values.
- 2) the date when an Open Fund is to notify the Supervision Authority of the Open Fund's Return and the method of such notification as well as the date when an Open Fund is to notify its Return to an information agency and the method of such notification,
- 3) the form in which the Supervision Authority President is to notify the public of the Average Weighted Return of all Open Funds, as referred to in Art. 173 para. 1,
- 4) the date and manner in which an Open Fund is to notify the Supervision Authority of the value of the Fund's Assets and the value of an Accounting Unit,

CHAPTER 18

DEFICIENCY

Art. 175

1. A Deficiency in an Open Fund occurs where the Return of that Fund for the last 24 months, as referred to in Art. 170, is lower than the Minimum Required Return.
2. The Minimum Required Return is a Return 50% lower than the Average Weighted Return of all Open Funds in the relevant period, or four percentage points below the Average Weighted Return of all Open Funds, whichever of the above figures is lower.
3. The amount of Deficiency is calculated as the ratio of the number of Accounting Units of the Fund as at the last working day of a 24-month period and the difference between the value of an Accounting Unit, which would be necessary to ensure the Minimum Required Return, and the actual value of an Accounting Unit as at the last working day of a 24-month period.

Art. 176

1. Where there is a Deficiency, an Open Fund shall be obliged within three days of the Supervision Authority President announcing the Average Weighted Return of all Open Funds to use the assets of the Reserve Account referred to in Art. 181 para. 1, in so far as they are available, to make good the Deficiency.
2. If the assets of the Reserve Account are not sufficient to meet the Deficiency, the Universal Society shall meet the Deficiency from its own assets within 14 days of the Supervision Authority President announcing the Average Weighted Return of all Open Funds.

Art. 177

1. If a Universal Society is not able to meet a Deficiency in accordance with Art. 176 para. 2 its Management Board shall immediately notify the Supervision Authority, which shall submit a bankruptcy motion in respect of the Society to the relevant court.
2. In the event that the insolvency of the Society is declared, the assets of the Society may only be used to meet the Deficiency after first meeting any liability to its external creditors in the order as listed in Art. 204 § 1 pt. 1-3 of the Polish Republic President's Ordinance of 24.10.1934 on Bankruptcy (Journal of Laws No 93, item 834, 1991 No 118, item 512, 1994 No 1, item 1, 1995 No 85, item 426 and 1996 No 6, item 43, No 43, item 189, No 106, item 496 and No 149, item 703, 1997 No 28, item 153 and No 54, item 349), and before meeting the liabilities referred to in Art. 204 § 1 pt. 5-9 of that Ordinance.

Art. 178

To the extent that a Deficiency is not met in accordance with Art. 176 and 177, that Deficiency shall be met out of the Guarantee Fund.

Art. 179

1. If any Deficiency is caused by the loss of the Depositary's Open Fund Assets, such assets having a tangible form, the Depositary shall make good any Deficiency before recourse is had to the Reserve Account, the Universal Society's own resources or the Guarantee Fund.
2. The Depositary shall meet the Deficiency within 14 days from the date the Deficiency is reported, even if the loss of Assets of an Open Fund is not attributable to the fault of the Depositary.

3. The Guarantee Fund shall hold a claim for the reimbursement of its resources used to meet a Deficiency against a Depository or its estate in bankruptcy.

Art. 180

The State Treasury shall guarantee to make good a Deficiency in the event that a Deficiency cannot be met using the resources of the Guarantee Fund, on the terms and conditions defined elsewhere.

Art. 181

1. An Open Fund shall form a Reserve Account derived from contributions from the governing Universal Society's own means.
2. Funds standing to a Reserve Account constitute the Assets of a Fund.
3. The Supervision Authority may impose on a Society which does not make payments into the Reserve Account a penalty of an amount up to PLN 500,000.

Art. 182

Funds standing to a Reserve Account may not be subject to execution conducted against a Universal Society.

Art. 183

The Council of Ministers shall issue an ordinance specifying:

- 1) the detailed principles of meeting a Deficiency in the cases referred to in Art. 176-179,
- 2) the proportion of an Open Fund's net Assets to be held on the Reserve Account, subject to the provision that it shall not be less than 1% and more than 3% of the value of the

Fund's net Assets, and that it may depend on the share of the value of a Fund's net Assets in the total value of the net Assets of all Open Funds;

- 3) the method to be used by a Universal Society to calculate the value of the assets which are to be transferred to the Reserve Account;
- 4) the method to be used by a Universal Society to withdraw any excess amount standing to the Reserve Account.

CHAPTER 19

GUARANTEE FUND

Art. 184

A Guarantee Fund is hereby established, which shall be administered by the National Depository.

Art. 185

1. The assets of the Guarantee Fund shall be constituted by contributions made by Universal Societies from their own means and any investment returns on the contributions. The assets of the Guarantee Fund shall not be subject to execution conducted against the Assets of a Universal Society.
2. Contributions to the Guarantee Fund by each Universal Society shall be of a uniform proportion representing the net value of Fund Assets for every Open Fund managed by such Society.
3. The manner of payment and amounts of the contributions due to the Guarantee Fund shall be determined by an Ordinance of the Council of Ministers, subject to the reservation that the total

value of the Guarantee Fund assets may not be more than 0,1% of the net value of the assets of all Open Funds, provided that the amount of liabilities of a Fund does not exceed that amount.

Art. 186

1. The timing of contributions and the manner and procedure of their payment, as well as the manner and procedure of the operation of the Guarantee Fund, including the utilisation of its assets, shall be specified in by-laws passed by the National Depositary and approved by the Supervision Authority.
2. The by-laws shall also specify the way of utilising the assets of the Guarantee Fund the detailed conditions and procedure for making payments from these assets and their repayment to Universal Societies as well as the way of making clearing operations with Universal Societies, which ceased to make payments due to the cessation of their activities.
3. The by-laws may also specify other matters which are necessary to ensure the correct operation of the Guarantee Fund.

Art. 187

The assets of the Guarantee Fund may be used to make payments to Open Funds where there is a Deficiency to the extent that the assets of the Reserve Account and the means of the Universal Society are insufficient to meet that Deficiency, and to cover the damage referred to in art. 48 par. 1 to the extent the Universal Society is not liable for the damage or the damage cannot be covered using its estate in bankruptcy.

Art. 188

Repayments of contributions from the Guarantee Fund constitute revenue of a Universal Society, in the meaning of the relevant corporate income tax legislation.

CHAPTER 20

DISCLOSURE OBLIGATIONS OF FUNDS

Art. 189

1. An Open Fund shall publish its information prospectus once in a year in a daily newspaper circulating generally in Poland and which is indicated in the Fund's Statute.
2. An information prospectus of a Fund shall contain the Fund's Statute, information on the Fund's investment performance and an approved annual financial report.

Art. 190

1. An Open Fund shall make its information prospectus available for inspection by any person who applies for membership in that Fund before the applicant enters into an agreement with the Fund.
2. An Open Fund shall also provide its information prospectus along with the recent half-yearly report upon each request by a Member.
3. The Supervision Authority shall be provided with the information prospectus and annual and half-yearly financial reports immediately after they are made and approved by the shareholders' meeting of a Society, and with the annual financial reports after they have also been approved by the

Universal Society by way of a resolution of its general meeting before they are provided to the Supervision Authority.

Art. 191

A Fund shall at regular intervals, and at least once in every 12 months, provide each Member with written information containing details of its present activities, and detailed information on the assets standing to the Member's Account, dates of contributions and Transfer Payments made by the Member during the relevant period and conversion of those contributions and Transfer Payments into Accounting Units as well as the results of the Fund's investment activities.

Art. 192

Upon a request from a Member, a Fund is required to provide that Member with a statement of the monetary value of the assets standing to his Account.

Art. 193

1. A Fund shall provide information on the structure of the Fund Assets, subject to par. 2-4.
2. At monthly intervals an Open Fund shall make available information on the proportion of the Fund Assets invested in particular classes of assets specified in Chapter 15 as on the last Valuation Date in a particular month.
3. At semi-annual intervals an Open Fund shall provide information on the value and proportion of the Fund Assets invested in particular classes of assets, including details of the issuers of particular securities, as on the last Valuation Date of the last month of each half-yearly period, subject to data from a half-yearly period referring only to investments representing at least 1% of the value of Fund Assets.

4. Complete information on the structure of the Fund Assets of an Open Fund and Employee Fund, including any investments representing less than 1% of the value of the Fund Assets, shall be made available at the end of each 12 month period.

Art. 194

1. The information referred to in Art. 193 par. 2-4 shall forthwith be provided by an Open Fund to the Supervision Authority and one of the information agencies nominated by the Supervision Authority, and the information referred to in Art. 193 par. 3-4 shall also be published in a daily newspaper with a nation-wide circulation.

2. The information referred to in Art. 193 par. 4 shall forthwith be provided by an Employee Fund to the Supervision Authority and the shareholders of the Society managing the Fund.

Art. 195

Societies and Funds shall provide the Supervision Authority with periodical reports and information on their current activities and financial situation.

Art. 196

The Council of Ministers shall issue an ordinance defining:

- 1) specific requirements to be met by an information prospectus and the content of the information referred to in Arts. 191-192;
- 2) the time and manner by which the prospectus and the information referred to in Arts. 191-193 must be made available by a Fund;

3) the scope of the reports and information to be provided by a Fund and Society to the Supervision Authority and the dates when those reports and information shall be provided to the Supervision Authority.

Art. 197

1. Any information on an Open Fund published by a Universal Society, including any promotional information, and any information on an Employee Fund made available by an Employee Society, must present the financial situation of that Fund and the risk relating to membership of that Fund in a fair and reliable way.
2. If the Supervision Authority ascertains that the information referred to in par. 1 is or may be misleading, it may ban its publication, or distribution, and order that an appropriate correction of the information is published or distributed by a specified deadline.
3. If the ban or order is not complied with, the Supervision Authority shall impose on a relevant Society a penalty of up to PLN 500,000 and publish or distribute appropriate corrective information at the expense of that Society.

Art. 198

If a Society or Depositary does not comply with the requirements specified in this Law relating to the provision of information to the Supervision Authority of Fund Members, the Supervision Authority shall impose a penalty of up to PLN 500,000.

CHAPTER 21

SUPERVISION OF THE OPERATION OF FUNDS

Art. 199

1. The Supervision Authority is established under this Act as a central public administration body.
2. The Supervision Authority shall be supervised by the President of the Council of Ministers.

Art. 200

1. The task of the Supervision Authority shall be to protect the interests of Members of Funds and participants of the employee pension schemes.
2. The task of the Supervision Authority shall be carried out by:
 - 1) supervising the operation of Funds,
 - 2) inspiring, organizing and enhancing the development of the pension fund system in Poland,
 - 3) supervising the operation of employee pension schemes,
 - 4) creating and developing public awareness of the purposes and operating principles of the Funds, with particular regard to rights vested in their Members,
 - 5) creating and developing public awareness of the purposes and operating principles of employee pension schemes, with particular regard to rights vested in their participants,
 - 6) cooperating with state administrative authorities, the National Bank of Poland, the Social Insurance Office, Societies, entities providing services to Funds as well as employers'

associations, trade unions and other social organizations, within the scope of developing state policy and aiming to ensure the secure development of Funds and employee pension schemes,

7) providing the National Bank of Poland with information necessary for the performance of supervision over banks acting as depository banks and banks which are shareholders in Societies,

8) providing the Securities and Stock Exchange Commission with information necessary for the performance of supervision over the operation of the National Depository,

9) undertaking other activities provided for in this Act.

Art. 201

1. There shall be a president of the Supervision Authority who shall be appointed by the President of the Council of Ministers for five year terms.

2. The President of the Council of Ministers may remove the Supervision Authority President before the end of his term of office, after obtaining the consent of the Supervision Authority Advisory Committee referred to in Art. 211 par. 1, expressed in the form of a resolution passed by an absolute majority of votes in the presence of at least two-thirds of the Committee members.

3. There shall be Deputy Presidents of the Supervision Authority who shall be appointed and removed by the President of the Council of Ministers at the motion of the Supervision Authority President. Deputy Presidents of the Supervision Authority may also be removed on the independent initiative of the President of the Council of Ministers.

4. The amount of funds to be used as remuneration of the President, Vice-Presidents, Director General and employees of the Supervision Authority shall be determined each year in a Budgetary Law, in relation to the salaries paid in Universal Societies, including bonuses and other benefits.

5. The Council of Ministers shall by ordinance confer a charter upon the Supervision Authority which shall specify its organisation and tasks.

Art. 202

1. Proceedings before the Supervision Authority shall be conducted in accordance with the Code of Administrative Procedure, unless otherwise provided herein.
2. A decision of the Supervision Authority may be appealed to the Supreme Administrative Court.
3. A request for re-examination of a case by the Supervision Authority shall not impede the execution of the Supervision Authority's decision to cancel a permit for the establishment of a Society, if the permit is cancelled due to reasons other than those defined in Art. 61.

Art. 203

1. The expenses of the Supervision Authority shall be borne from the State Budget in an amount specified annually in the Budgetary Law.
2. Universal Societies shall be charged with monthly fees representing no more than 0,02% of the contributions paid in a given month to the Open Funds governed by those societies.
3. Employee Societies shall be charged with quarterly fees representing no more than 0,2% of the contributions paid in a given quarter to the Employee Funds governed by those societies.
4. The employers operating employee pension schemes shall be charged with quarterly fees representing no more than 0,1% of the contributions paid in a given quarter in favour of participants of employee pension schemes.
5. Half of the proceeds from the fees referred to in par. 2-4 charged by the Supervision Authority shall constitute revenue of the special purpose fund of the Supervision Authority which shall be

allocated for improving the work of the Supervision Authority, upgrading professional qualifications of its employees and for paying bonuses to the President, Vice-Presidents, Director General and employees of the Supervision Authority. The remaining part of the proceeds shall constitute revenue of the state budget.

6. The detailed manner of allocating the proceeds constituting revenue of the special purpose fund and the principles for granting bonuses to employees of the Supervision Authority shall be determined by the President of the Supervision Authority in by-laws approved by the Supervision Authority Advisory Committee.

7. The principles for granting bonuses to the President, Vice-presidents and Director General of the Supervision Authority shall be determined in the statute referred to in Art. 201 par. 5.

8. The Council of Ministers shall issue an ordinance defining the amount of, and procedure and dates for, paying the fees referred to in par. 2-4.

Art. 204

1. Within the scope of its supervision over the activities of the Funds, the Supervision Authority shall in particular have the following rights and powers:

1) to request from the Society copies of all documents relating to the activities of the Fund and to become acquainted with their content,

2) to request any information or interview any members of the Board of Management, the Supervisory Board or any Employees of the Society regarding the activities of the Fund.

2. person authorized by the Supervision Authority President shall have the right to enter the premises of:

- 1) a Society - for the purpose of verifying whether the activities of the Society conform with the law and its statute;
 - 2) a Depositary - for the purpose of verifying whether its activities relating to the keeping of the Fund Assets conform with the law and the agreement on keeping the Fund Assets;
 - 3) an entity entrusted with the keeping of the register of the Fund Members - for the purpose of verifying whether its activities relating to the keeping of the register conform with the law.
3. The person who conducts the inspection is entitled to:
- 1) inspect any books, documents and other records,
 - 2) request copies of such documents and records to be made and released,
 - 3) request any information from members of the statutory governing bodies and employees of the inspected entities.
4. A Society is under an obligation to ensure that the person who conducts the inspection is given access to all the books, documents and other records relating to the activities of the Fund which are kept by third parties entrusted with some of the activities under separate agreements.
5. The scope of inspection shall be specified in the authorization issued by the Supervision Authority President.
6. After the person conducting the inspection prepares an inspection protocol, the Supervision Authority shall notify the inspected entity of any discovered irregularities and fix the deadline for amending them.

7. Where irregularities have not been rectified within a deadline the Supervision Authority may impose on the inspected entity a penalty of up to PLN 500,000. Where there have been gross irregularities the Supervision Authority may impose the penalty immediately on them being discovered.

Art. 205

1. A Member may make a complaint to the Supervision Authority against a Fund if the Member believes that the Fund's activity is not complying with applicable laws or provisions of the Fund's Statute.
2. A complaint may also be made by a person who has been a Member of the Fund during the six months preceding the making of the complaint.
3. A complaint may also be made to the Supervision Authority on behalf of a group of Members by a social organization whose scope of tasks does not include the conducting of commercial activity.

Art. 206

1. The Supervision Authority may demand the convening of statutory meetings of the Supervisory Board or Board of Management or a General Meeting of a Society and include such matters in the agendas of such bodies, as it feels are necessary in order to exercise proper supervision over the Fund.
2. In the cases referred to in para. 1 above, the Supervision Authority shall delegate its representative to participate in the meeting of the Supervisory Board or the Board of Management, or in the General Meeting of Shareholders, and such representative shall be entitled to speak at the meeting in all matters included in the agenda.

Art. 207

In civil matters relating to the establishment and operation of Funds, the Supervision Authority President shall have the rights of the Public Prosecutor, ensuing from the relevant provisions of the Code of Civil Procedure.

Art. 208

The Supervision Authority President shall submit annual reports of the Supervision Authority activities to the President of the Council of Ministers.

Art. 209

1. The Supervision Authority President, its Vice-presidents, Director General and employees may not hold shares in or be members of the Board of Management or Supervisory Board of a Society, or be bound to a Society by an employment or service contract or a similar legal relationship. This prohibition relates also to service contracts or similar legal relations between a Fund and the above specified persons.

2. The provisions of par. 1 above do not prejudice the provisions on restricting the possibilities of conducting commercial activities by persons occupying public positions.

Art. 210

The provisions of Art. 49 shall apply as appropriate to the Supervision Authority President, its Vice-Presidents, Director General and employees and to the persons who are bound with the Supervision Authority by a service contract or a similar legal relationship.

Art. 211

1. The Supervision Authority Advisory Committee is hereby established as an advisory and consulting body of the Supervision Authority in matters relating to the operation of Funds and employee pension schemes.
2. The tasks of the Supervision Authority Advisory Committee will be to:
 - 1) express opinions on draft normative acts regarding the operation of Funds and employee pension schemes,
 - 2) express opinions on the reports on the Supervision Authority activities prepared by the Supervision Authority President,
 - 3) present to the Supervision Authority opinions in matters relating to the operation of Funds and employee pension schemes,
 - 4) give consent to the removal of the Supervision Authority President,
 - 5) approve the by-laws referred to in Art. 203 para. 6.

Art. 212

1. The Advisory Committee shall consist of 15 members.
2. Members of the Supervision Authority Advisory Committee, including its Chairman and Vice-Chairman, shall be appointed by the President of the Council of Ministers from among individuals having the necessary knowledge and experience of matters relating to the activities of the Supervision Authority.

3. At least 6 members of the Supervision Authority Advisory Committee shall be appointed by the President of the Council of Ministers from among candidates proposed by the Trilateral Commission for Social and Economic Affairs.
4. The term of office of the Supervision Authority Advisory Committee members shall be 6 years from the date of appointment, with one-third of the Committee members being replaced every two years. Members of the Supervision Authority Advisory Committee shall perform their duties until the time their successors are appointed.
5. The Chairman and Vice-Chairman of the Supervision Authority Advisory Committee shall be nominated for two-year terms.
6. The provisions of Art. 49 shall apply as appropriate to the Members of the Supervisory Authority Advisory Committee.
7. The Supervisory Authority President shall issue an ordinance specifying the principles for remunerating Members of the Supervisory Authority Advisory Committee and the amount of their remuneration.

Art. 213

The operating costs of the Supervision Authority Advisory Committee shall be covered from the State Budget.

Art. 214

The working procedures of the Supervision Authority Advisory Committee shall be included in the by-laws adopted by the Supervision Authority Advisory Committee and approved by the President of the Council of Ministers.

CHAPTER 22**CRIMINAL RESPONSIBILITY****Art. 215**

Whoever uses the words and expressions in its name (business name) or to define its economic activities or in advertisements which are referred to in Art. 10 par. 2 or Art. 28 par. 1 and who is not entitled to do so, shall be liable to a fine of up to PLN 1,000,000 or to imprisonment of up to 2 years.

Art. 216

Whoever, without having a required licence, conducts the activities referred to in Art. 2 par. 2 or Art. 29 par. 1 shall be liable a fine of up to PLN 5,000,000 or to imprisonment of up to 5 years.

Art. 217

Whoever, while making investment decisions at the account of a Fund commits a breach of the requirements relating to investment activities specified in this Law and therefore creates a threat to the interests of Members of the Fund, shall be liable to a fine of up to PLN 1,000,000.

Art. 218

1. Whoever, being responsible for the information contained in the information prospectus, presents in it untrue information or withholds true information, thus affecting the content of information contained therein, shall be liable to a fine of up to PLN 5,000,000 or to imprisonment of up to 3 years, or the two penalties shall be applied jointly.

2. Whoever, being responsible for other information provided to Fund Members or to the Supervision Authority under this Law, commits a breach specified in par. 1 shall be liable to a fine of up to PLN 1,000,000.

Art. 219

1. Whoever offers additional financial benefits referred to in Art. 92 par. 1 within the scope of Canvassing Activity as an inducement to join or remain in a Fund in violation of provisions of that Article shall be liable to a fine of up to PLN 1,000,000.

2. Whoever, without being entered in the register of persons entitled to conduct canvassing activities for Open Investment Funds, conducts such activities, or, while conducting such activities, does not use third persons entered in the above register, shall be liable to the same penalty.

3. Whoever, running activities referred to in Art. 92 par. 2, offers additional financial benefits in exchange for joining the specific Open Fund or remaining its Member shall be liable to the same penalty.

Art. 220

1. Whoever discloses a professional secret concerning the activities of a Fund although he is required to keep such information secret shall be liable to a fine of up to PLN 1,000,000 or to imprisonment of up to 3 years.

2. Whoever commits the offence referred to in par. 1 for the purpose of gaining material or personal benefits shall be liable to a fine of up to PLN 5,000,000 or to imprisonment of up to 5 years.

Art. 221

Whoever fails to comply with the requirements relating to making good a Deficiency in a Fund, as provided at Chapter 18, although he is obliged to do so, shall be liable to a fine of up to PLN 1,000,000.

Art. 222

Whoever commits the crimes defined in the preceding provisions who is acting on behalf of a legal person shall also be subject to the criminal responsibility provided for in Arts. 215-221.

CHAPTER 23**MODIFICATION OF CERTAIN LAWS****Art. 223**

In Art. 476 § 3 of the Law of 17 November 1964 - the Code of Civil Procedure (Journal of Law No. 43, item 296; 1965 No. 15, item 113; 1974 No. 27, item 157, No. 39, item 231; 1975 No. 45, item 234; 1982 No. 11, item 82; No. 30, item 210; 1983 No. 5, item 33; 1984 No. 45, items 241 and 242, 1985 No. 20, item 86; No. 1987 No. 21, item 123; 1988 No. 41, item 324; 1989 No. 4, item 21; No. 33 item 175; 1990 No. 14, item 88; No. 34, item 198; No. 53, item 306; No. 55, item 318; No. 79, item 464; 1991 No. 7, item 24, No. 22 item 92; No. 115 item 496; 1993 No. 12, item 53; 1994 No. 105, item 509; 1995 No. 83, item 417; 1996 No. 24, item 110, No. 43, item 189; No. 73, item 350 and No. 149, item 703, No 43, item 270, No 54, item 348, No 75, item 471) the full stop is removed and the following words are added: "and cases involving claims under legal relationships between members of open pension funds and these funds or their governing bodies"

Art. 224

Par. 1a is added after par. 1 in Art. 7 of the Law on Chambers of Commerce of 30 May 1989 (Journal of Laws No. 35 item 195; 1992 No. 75, item 368; and 1996 No. 43 item 189), with the following wording:

"1a. The restrictions specified in par. 1 shall not apply where the founders are only Pension Societies operating on the basis of the regulations concerning the organisation and operation of Pension Funds."

Art. 225

Par. 1a is added after par. 1 in Art. 10 in the Law of 28 July 1990 on insurance activities (Journal of Laws of 1996, No 11, item 62 and of 1997, No 43, item 272), with the following wording:

"1a. Provision of par. 1 shall not apply to canvassing activities in favour of open pension funds which is run by an insurance company on the basis of the provisions on organization and operation of pension funds."

Art. 226

The following amendments are made to the Law on Personal Income Tax of 26 July 1991 (Journal of Law 1993 No. 90, item 416; No. 134, item 646; 1994 No. 43, item 163; No. 90, item 419; No. 113, item 547; No. 123, item 602; No. 126, item 626; 1995 No. 5, item 25; No. 133, item 654; 1996 No. 25, item 113; No. 42, item 188; No. 87, item 395; No. 137, item 638, No. 147, item 686, No. 156, item 776 and 1997 No. 28, item 153 and No. 30 item 164, No 71, item 449, No 85, item 538):

- 1) in Art. 2 par. 1, pt. 4 the full stop is replaced by a comma and pt. 5 is added with the following wording:

"5) income from the division of common property of spouses as a result of the cessation or limitation of the joint property of spouses.";

2) in Art. 17

a) pt. 4 shall have the following wording:

"4) dividends and other income on account of sharing profit of legal entities earned on the basis of a legal title in the form of shares constituting capital of entities, including dividends on shares deposited by members of employee pension funds on quantitative accounts, interest on membership shares on account of balance sheet surplus (gross profit) in cooperatives, income on account of distribution of the assets of a liquidated company (cooperative), and the value of the benefits paid free of charge or partly free of charge in favour of shareholders, calculated in accordance with the principles set out in Art. 12 pars. 3 and 3a,";

b) in pt. 6 the full-stop is replaced by a comma and pts. 7 and 8 are added with the following wording:

"7) income on account of assignment of pre-emptive rights effected for a fee, including the disposal of pre-emptive rights in respect of new issue shares by an employee pension fund on behalf of a Fund Member,

8) income of members of employee pension funds on account of the assignment of shares deposited on quantitative accounts to the assets of those funds.";

3) par. 1 in Art. 20 shall have the following wording:

"1. The following benefits are in particular considered as income deriving from other sources, referred to in Art. 10 par. 1 pt. 9: amounts paid after the death of a member of an

open pension fund to a person nominated by the deceased member or to a member of the immediate family of the deceased member, in the meaning of the regulations concerning the organisation and operation of pension funds, cash benefits paid under social insurance, alimony (except for alimony paid for children), scholarships, grants, (subventions) other than those referred to in Art. 14, subsidies, awards and other benefits received free of charge which are not included in the income specified in Arts. 12, 14 and 17, and income which is not reflected in the disclosed sources";

4) in Art. 21 par. 1 in pt. 53 the full-stop is replaced by a comma and a new pts. 54 and 55 are added with the following wording:-

"54) cash benefits paid from an employee pension fund in favour of its member,

55) cash benefits paid from an open pension fund to the ex-spouse of a member of that fund which have been transferred to the spouse's account in an open pension fund."

5) in Art. 22, par. 1b is added after par. 1a with the following wording:

"1b. In the case of employers who are shareholders in employee pension societies the costs incurred in earning income include as well:

1) expenses incurred to cover the operating costs of employee pension funds;

2) the fees charged by the Pension Fund Supervision Authority, referred to in the regulations concerning the organisation and operation of pension funds."

6) in Art. 24:

a) in par. 5 the full stop is removed and the following words are added: "and dividends on shares deposited by members of employee pension funds on quantitative accounts."

b) pt. 5a is added after pt. 5 with the following wording:

"5a. The income earned on account of a transfer of shares deposited on a quantitative account of a member of an employee pension fund to the assets of that fund shall be the difference between the value of those shares as on the day of transfer, determined in accordance with the rules of valuation of Fund Assets, and their cost of purchase.";

7) in Art. 30, par. 1, pt. 8 the full stop is replaced by a comma and pts. 9-11 are added with the following wording:

"9) on amounts paid after the death of a member of an open pension fund to a person nominated by the deceased member or to a member of the deceased member's immediate family, in the meaning of the regulations concerning the organisation and operation of pension funds, except for the payments referred to in Art. 21 par. 1 pt. 55 - 20% of the income earned,

10) on the income of a member of an employee pension fund earned on account of the transfer of shares deposited on his/her quantitative account to the assets of that fund - 20% of the income earned,

11) on the income from the transfer of the pre-emptive right in respect of new issue shares by an employee pension fund on behalf of its member - 20% of the income earned.";

8) In Art. 41 pars. 4a and 4b are added after par. 4 with the following wording:

"4a. Open pension funds, as payers, are under an obligation to collect the withholding income tax on the cash benefits referred to in Art. 30 par. 1 pt. 9.

4b. Employee pension funds, as payers, are under an obligation to collect withholding income tax on:

a) the revenues referred to in Art. 30 par. 1 pt. 10

b) the income referred to in Art. 30 par. 1 pt. 11."

Art. 227

The following amendments are made to the Law on Corporate Income Tax of 15 February 1992 (Journal of Laws 1993 No. 106, item 482, No. 134, item 646; 1994 No. 1, item 2, No. 43, item 163; No. 80, item 358; No. 87, item 406; No. 90, item 419, No. 113, item 547, No. 123, item 602; No. 127, item 627; 1995 No. 5, item 25, No. 86, item 433, No. 96, item 478; No. 133, item 654, No. 143, item 704; 1996 No. 25, item 113, No. 34, item 146, No. 90, item 405, No. 137, item 639, No. 147, item 686; 1997 No. 9, item 44 and No. 28 item 153, No 79, item 484):

1) in Art. 6 par. 1 pt. 10 the full stop is replaced by a comma and pt. 11 is added with the following wording:

"11) pension funds established on the basis of the regulations concerning the organisation and operation of pension funds."

2) in Art. 15 pars. 1d-1f are added after par. 1c with the following wording:

"1d. In the case of universal pension funds the costs incurred in earning income in a tax year are the costs calculated in accordance with par. 1 and:

- 1) expenses incurred to cover operating costs of an open pension fund,
- 2) amounts transferred to the reserve account of an open pension fund,
- 3) expenses incurred to cover a deficiency in an open pension fund if the amounts standing to the reserve account of that fund are not sufficient to cover the deficiency,

4) the contributions to the Guarantee Fund referred to in the Law on Organisation and Operation of Funds (Journal of Laws No. ____, item ____), - up to the amount specified in separate regulations.

5) the fees charged by the Supervision Authority, referred to in the law specified in pt. 4.

1e. In the case of employee pension funds the costs incurred in earning income in a tax year are the costs calculated in accordance with par. 1 and also:

1) expenses incurred to cover operating costs of an employee pension fund,

2) fees charged by the Pension Fund Supervision Authority, referred to in the law specified in par. 1d pt. 4.

1f. In the case of employers who are shareholders of an employee pension fund society, the costs incurred in earning income in a tax year are the costs calculated in accordance with par. 1 and:

1) expenses incurred to cover operating costs of an employee pension fund society,

2) fees charged by the Pension Fund Supervision Authority, referred to in the law specified in par. 1d pt. 4."

3) In Art. 17 par. 1 pt. 30 is added with the following wording:

"30) the income of the Guarantee Fund referred to in the law specified in Art. 15 par. 1d pt.4."

Art. 228

The following amendments are made to the Law on Accountancy of 29 September 1994 (Journal of Laws No. 121, item 591 and 1997 No. 32 item 183 and No. 43, item 272):

- 1) in Art. 2 par. 1:
 - a) in pt. 3 the word "or" is replaced by a comma,
 - b) after the words "regulations concerning insurance activities" the words "or regulations concerning the organisation and operation of pension funds" are added;
- 2) in Art. 64:
 - a) in par. 1, pt. 2a is added after pt. 2 with the following wording:

"2a) entities operating on the basis of the regulations concerning the operation and organisation of pension funds,".
- 3) in Art. 81 pt. 5 is added in par. 3 with the following wording:

"5) "in consultation with the Pension Fund Supervision Authority President, the specific accounting principles of pension funds, including specimen financial reports, profit and loss accounts, additional information and other components of financial reports, dates for execution and submittal for publication of annual financial reports, the scope of published annual financial reports and date of acceptance of the annual financial report."

CHAPTER 24

TRANSITIONAL AND FINAL PROVISIONS

Art. 229

1. Until 31 December 2004 a Universal Fund may manage only one Open Fund operating on the terms defined in the Law.
2. As from 2 January 2005 a Universal Fund may manage two Open Pension Funds denoted respectively as an "A type Open Pension Fund" and a "B type Open Pension Fund".
3. An Open Fund conducting investment activities on the terms defined in Chapter 15 is under an obligation to use in its name the words "A type Open Pension Fund" no later than as from 1 January 2005.
4. A B type Open Fund must not invest in the classes of assets specified in Art. 141 par. 1 pts. 3-8, 10, 12 and 14 and in Art. 143.
5. The average weighted return rate and the minimum required return rate shall be determined separately for an A type Open Fund and for a B type Open Fund.
6. Whenever this Law refers to the ratio of the net value of the assets of an Open Fund to the net value of the assets of all the Open Funds, starting from 1 January 2005, this shall mean the ratio of the net value of the assets of an Open Fund of one type to the value of the assets of all Open Funds of the same type.
7. No one may be admitted to membership of an Open Fund B before the attainment of the age of 50.

Art. 230

When appointing the members of the Supervision Authority Advisory Committee for the first term of office, the President of the Council of Ministers shall specify which of the members of that committee are appointed for 2 years, which for 4 years and which for 6 years.

Art. 231

This Act comes into force on 1 January 1999, except for:

- 1) Arts. 199-214 and Art. 230, which shall come into force on 1 May 1998;
- 2) Arts. 1-60, Art. 147, Art. 152, Arts. 157-164, Art. 197, Arts. 215 - 222, which shall come into force on 1 August 1998.

THE LAW

OF 22 AUGUST 1997

ON EMPLOYEE PENSION PROGRAMS

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Translated by

Price Waterhouse

Al. Jerozolimskie 125/127

Warsaw

The Law of 22 August 1997
on employee pension programs

CHAPTER 1

GENERAL PROVISIONS

Art. 1

The Law gives the rules for establishment and operation of employee pension programs, the conditions to be met by entities involved in their management, and the rules for concluding agreements which constitute the programs.

Art.2

The following definitions shall apply throughout the document:

- 1) Employee - a person working under an employment contract, a contract of appointment, election, special appointment and cooperative contract of employment, on a full or part time basis; a person employed on the basis of an agency contract, or a contract for services if the person is entitled to social insurance benefits in relation to the employment;

a person employed on the basis of a contract signed as a result of appointment or election in a body which represents a legal entity, including management contracts,

- 2) Employer - an entity which employs employees as defined in section 1 of this article,
- 3) Employment - signing of an employment contract or another contract described in 1) above as well as appointment, election and special appointment,
- 4) Life insurance firm - a life insurance firm in the form of a joint stock company as defined by the Insurance Law of 28 July 1990 (DzU of 1996 No. 11/62, and of 1997 No. 43/272),
- 5) Mutual life insurer - a mutual life insurance firm as defined by the Insurance Law,
- 6) Investment fund - an open or specialized open investment fund as defined by the Investment Fund Law of1997 (DzU No.),
- 7) Participant - a person who has entered an employee pension program,
- 8) Funds - financial contributions in employee accounts maintained on the basis of a company pension agreement by life insurance firms, mutual life insurers, investment funds or employee pension funds,
- 9) Employee representatives - a company trade union organization or representatives chosen in the way defined by Art. 15.4 of the Act if no trade union operates in the company
- 10) Disbursement - a payment to an employee of funds accumulated under the employee pension program in accordance with the terms described in the company pension agreement,

- 11) Transfer disbursement - a transfer of funds accumulated by an employee participating in an employee pension program to another life insurance firm, a mutual life insurer, an investment fund, or an employee pension fund,
- 12) Repayment - a withdrawal of funds accumulated by an employee participating in an employee pension program upon the termination of the agreement by a participant. The funds may be repaid if there is no legal title for a disbursement and the funds have not been transferred to another life insurance firm, a mutual life insurer, an investment fund or an employee pension fund,
- 13) UN (Urząd Nadzoru) - Office for Pension Fund Supervision,
- 14) Register - a register of “employee pension programs” maintained by UN.

Art.3

An employee pension program comprises company pension agreements, employee pension agreements, and agreements with life insurance firms or mutual life insurers, or with investment funds, or statutes of employee pension funds which define the terms for accumulation of employee contributions which are paid in by the employer and are to be disbursed upon retirement or on obtaining rights to disability benefits, which meet criteria set out by the Act.

Art. 4

1. Employee pension programs may be offered under the terms of this Act by an employer or jointly by at least two employers who employ at least five employees each.
2. The employers should be entered in appropriate registers no later than one year before the signing of a company pension agreement. The requirement to be entered into the register does not apply to employers who are natural persons if they are not subject to registration in the register, even

if they employ an appropriate number of people, or to companies subject to employee buy-outs upon privatization, based on relevant regulations.

3. An employer which has been continuously in business for at least 3 years may offer an employee pension program if it employs at least 3 employees.

4. The self-employed, partners in partnership firms, general partnerships and those partners in limited partnerships who are fully liable may also participate in employee pension programs if they maintain pension programs for their employees which allow employer participation as well.

Art.5

1. In order to participate in an employee pension program employees must

- 1) be at least 18 years old
- 2) have been working for a given employer for at least 3 months, unless the company pension agreement states otherwise, and
- 3) meet criteria set in the company pension agreement.

1. Employees who have been employed within the territory of the Republic of Poland or within another territory may participate in employee pension programs if they have been seconded there by an employer whose domicile or place of residence is in the territory of Poland, irrespective of the employees' citizenship or foreign exchange or tax law status.

2. A person employed by more than one employer, each of which maintains employee pension programs, may participate in more than one pension program at the same time.

Art. 6

1. A company pension agreement may not stipulate any other conditions for the participation of employees in the pension program than those defined in the Act. These conditions may not give rise to a situation whereby less than a half of all employees would have the right to participate in the employee pension program.
2. A company pension agreement may set a minimum employee service period at a given employer or employers, longer than 3 months.

Art. 7

1. Employee pension programs may be maintained at the employer's choice only in one of the following types of employee pension insurance:
 - 1) an employee pension fund,
 - 2) an agreement on contributing employee contributions to an investment fund,
 - 3) a group employee life insurance agreement concluded with a life insurance firm,
 - 4) an agreement on contributing employee contributions with respect to employees who are going to become members of mutual life insurers being a party to that agreement.
2. Agreements referred to in section 1.3 and 1.4 may only be signed for investment-linked life assurance and additionally, on a voluntary basis, with sickness and accident insurance if they complement investment linked life assurance.
3. Forming employee pension funds and pension societies, setting their statutes and registration shall be carried out under the Law of 1997 on establishment and operation of pension funds (DzU No.....).

Art. 8

The terms: “pension program”, “pension plan”, and “pension agreement”, also preceded by the words “employee” or “company”, may only be used in relation to programs, plans and agreements governed by the Act.

CHAPTER 2

INTERCOMPANY PENSION PROGRAMS

Art. 9

1. For the purpose of a joint offer of a pension program to employees, employers may sign joint intercompany pension program agreements determining the form of employee pension insurance and the terms offered in the company pension agreement.
2. Provisions of Art. 10.2 apply to joint intercompany pension programs.
3. Employers may agree that in the event of insolvency or winding up, sale, demerger or merger related to any one of them, the other employers will maintain the pension program for employees of the company who had participated in the program to date, if the new employer agrees to enter the program.
4. Employers are obliged in the event of occurrences stated in 3. above, to secure the servicing and management of funds accumulated in the accounts of employees participating in the program to date, up to the date of their disbursement, transfer disbursement or repayment.

Art. 10

1. Employers bound by a joint inter-company pension program agreement may, at the request of another employer who accepts the terms of the agreement and program, agree to his signing the agreement and inclusion in the program if the employer accepts the program terms in an appropriate way.
2. The access of an employer to an inter-company pension program does not relieve him of the obligation to conclude a company pension agreement.

Art. 11

1. An employee pension program may stipulate the parallel maintenance of various forms of retirement insurance described in Art. 7 in cases where the employer acquires a company or an organized part thereof (plant) together with the liabilities relating to the company pension agreement, agreements with investment funds, life insurance firms or mutual life insurers, or the acquisition of shares in an employee pension society, or if employers maintaining employee pension programs decide to merge.
2. Within three years from the date of acquisition or merger in situations described in section 1, the employer should ensure the amendment of company pension agreements and agreements signed with investment funds, mutual life insurers or life insurance companies or the merger of pension societies or the overtaking of a pension fund by one of the mutual life insurers and the liquidation of the other so as to offer all employees one form of employee pension program.

CHAPTER 3

FORMATION OF EMPLOYEE PENSION PROGRAMS

Art. 12

A company pension agreement is an agreement signed by the employer and employee representative which covers at least the following elements:

- 1) the form of the pension program,
- 2) the conditions for entering and leaving the program,
- 3) the rules for:
 - a) participation in the program
 - b) accumulation, disbursement, repayment, and transfer disbursement of the accumulated funds.

Art. 13

An employee pension agreement is an agreement signed by virtue of voluntary access of an employee to an employee pension program, in accordance with the rules set out in Art. 17 of the Act, by submission of a written participation statement declaring the amount to be contributed, being at least the basic contribution, which the employer will be entitled to deduct from the employee's net remuneration and transfer to his account in accordance with the rules of the employee pension program.

Art. 14

1. The employer presents to the employee representatives a draft of the company pension agreement including a chosen form of the program described in Art. 7.1 and setting out the draft terms agreed with an investment fund, a life insurance firm, a mutual life insurer, or a draft statute of the society and statute of the employee pension fund.
2. A company pension agreement shall determine:
 - 1) the form of the program, including naming a specific investment fund, life insurance firm or a mutual life insurer, or an employee pension fund which will accumulate funds and manage them on the basis of an agreement concluded with the employer,
 - 2) conditions which the employees should fulfill on entering the program,
 - 3) dates and methods of declaring, calculating and deducting contributions by the employer in order to transfer them to an employee account maintained under one of the program forms,
 - 4) conditions for declaration of contributions, accumulation, use, transfer, repayment and disbursement of funds by the life insurance firm or mutual life insurer, or by an employee pension fund with which the employer has signed an agreement,
 - 5) the conditions for amending and terminating the employee pension agreement,
 - 6) dates and form of using the funds by the employee and their disbursement, repayment or transfers,
 - 7) cases in which funds from additional contributions may be disbursed independently of funds from basic contribution,

- 8) conditions, methods and dates of disbursement and repayment and their effect on the rights of a participant in the pension program.
3. If a company pension agreement determines the realization of the program in the form of an employee pension fund, it should also state the conditions for creating an employee pension society to manage the fund and the terms and conditions described in the Act on the organization and operation of pension funds or it should indicate an existing employee pension fund and employee pension society.
4. If a company pension agreement determines the realization of the program in the form of accumulation of funds in an investment fund, it should also determine the rules for making payments by employees to the fund with respect to selling and purchasing units, referred to in the Investment Fund Act.
5. Only the employer may market employee pension programs and particular forms of pension insurance on the company premises.

Art. 15

1. A company pension agreement shall be signed by the employer and the employee representatives.
2. In a company where
 - 1) one trade union operates, the employer concludes an agreement with that union,
 - 2) more than one trade union operates the employer signs a joint agreement with all of them.
3. If the agreement is not signed within 6 months of presenting the proposal of the program to the trade union due to inability to agree on its contents by the parties, provisions of section 4 apply,

4. If there is no trade union in the company, employee representatives are chosen by a general meeting of employees on terms defined by them. The employer calls the meeting in a way traditionally accepted by the company no later than 7 days before it is due to be held. Resolutions made in the course of the meeting are valid irrespective of the number of people present on the condition that it was summoned in an appropriate manner.

5. Disputes arising between parties to company pension agreements shall be resolved by general courts.

Art. 16

Employee pension agreements are prepared in writing and the contents include the following stipulations of the employee pension program:

- 1) the form of the employee pension program,
- 2) the maximum and minimum possible level of monthly contributions allowed for declaration (both basic and additional ones), the methods used for declaring and determining average remuneration which is the basis for the calculation of contributions,
- 3) a pension program including:
 - a) basic conditions, depending on the form of the program for:
 - group policies drawn up by a life insurance firm,
 - an agreement signed with a mutual life insurer,
 - the statute of an employee pension fund,
 - an agreement concluded with an investment fund,

b) terms of disbursement, transfer disbursement and repayment of funds accumulated on an employee account, giving the anticipated disbursement schedule according to expected future conditions, period needed for accumulation of funds, rate of return, and contribution level,

c) terms for amending or terminating the employee pension agreement,

d) information indicating:

the option to terminate an employee pension agreement, and the financial consequences involved,

beneficiaries' or inheritors' rights in the event of employee's death,

cases and consequences of the liquidation of a program,

the possibility of transferring the rights to accumulated funds,

tax effects of contributions in the light of the legal regulations in force as at the date of the agreement.

Art. 17

1. To enter an employee pension program an employee or a person mentioned in Art. 4.4 shall make a statement to the employer on participation in the program.

2. A statement of participation of an employee in the program should include:

1) the amount of the declared contribution (either basic, or basic plus additional), authorization for the employer to calculate it, deduct appropriate amounts from remuneration and transfer them to the employee account maintained by the entity which manages the funds,

- 2) an employee's statement that he has acquainted himself with the terms of the employee pension agreement and with the voluntary character of access to the program on these terms,
 - 3) the potential arrangements in the event of the employee's death.
3. The employer is obliged to accept the statement if the person submitting it complies with the terms of the program or return the statement with a justification within one month of its submission if there are reasons (defined by the Act or by the company pension agreement) for not signing the employee pension agreement.
4. The agreement is concluded on reaching the deadline for returning the statement and the employer is obliged from that moment on to release a signed agreement to the participant.
5. Disputes relating to the signing of agreements and claims relating to legal relationships between participants of employee pension programs and employers shall be settled by general courts appropriate to the participant's domicile.

Art. 18

1. In the case of a pension program in the form of a pension fund, the employer may stipulate that concluding an employee pension agreement or opening an account with a fund depends on contributing employer's shares which the participant was allotted free of charge or on preferential terms during privatization by a fund participant to his account. This requirement shall apply only to employees who were allotted shares by the State Treasury and only for a period of up to 5 years after the date indicated in the program.
2. A company pension agreement should set out a uniform number of shares, determined in relation to the number of shares allotted to employees by the State Treasury, to be contributed to the fund by all employees eligible for participation who had been allotted those shares.

3. A company pension agreement should include conditions for contributing shares to the account with a fund, the terms for maintenance of those accounts and the conditions for transfer of those shares to a fund. The participant shall state (in the statement referred to in this article) the number of employer's shares he will contribute to his account at the amount consistent with the company pension agreement.

Art. 19

1. An employee shall, through the employer, make a statement of intent with respect to matters covered by the employee pension program related to insurance, participation in an investment fund or in an employee pension fund, for a life insurance firm, a mutual life insurer, an investment fund or an employee pension fund.

2. The provisions of section 1 above shall apply on termination of employment unless management of an employee pension fund has been transferred to another employee pension society, there has been a merger or demerger of societies, and the employer is not a shareholder but the shareholder who is going to take over the responsibilities of the existing employer has been determined. In the case of a merger, demerger, sale of a company or its organized part and the employer change involved, the participant in an employee pension program makes a statement of intent through the new employer.

Art. 20

1. An employee pension program including a company pension agreement, employee pension agreements, agreements with life insurance firms and mutual life insurers, agreements with investment funds, as well as agreements of shareholders of pension fund societies and statutes of employee pension funds become valid no earlier than upon the registration of the program by UN.

2. Amendments to a company pension agreement shall be governed by Art.16.

3. Amendments to the company pension agreement which could cause an increase in the financial liability of the participants or would worsen the terms relating to transferring funds by the participants may come into force no earlier than after they have been registered and five months after written notifications about the amendment have been sent out to participants.

Art. 21

A person who, although still a participant of an employee pension program, no longer qualifies, or ceases to be employed with the employer who maintains the pension program does not have to withdraw his funds until the time of their disbursement or transfer on his entering another pension program.

Art. 22

1. The amount of the contributions, within limits determined by the employee pension program, is declared by the employee. The basic contribution cannot exceed 7% of the employee's salary which is the basis for determining the obligatory contribution to social insurance.

2. An employee may elect to make an additional contribution from his remuneration received from the employer who maintains the employee pension program in which the employee participates.

3. Life insurance firms, mutual life insurers, investment funds or employee pension funds shall ensure maintenance of individual participant accounts for funds from the basic and additional contribution in such a way as to enable their separate disbursement or repayment.

4. An employee may increase the declared basic contribution within limits defined in section 1, and additional contribution, either in absolute or percentage terms. If the contribution is set in percentage terms the employer shall calculate the contribution on the basis of employee's quarterly

remuneration, for the following quarter. Remuneration paid for longer periods shall be taken account of on a pro rata basis.

Art. 23

1. Contributions payable to life insurance firms, mutual life insurers, investment funds or employee pension funds are calculated and deducted by employers from net remuneration paid to employees and transferred to employee accounts.

2. Contributions (in the amounts declared by the employee) are calculated, deducted and transferred by the employer in the following manner: where remuneration is paid monthly or more frequently, with each remuneration payment; where remuneration is paid less frequently than once a month, pursuant to the company pension agreement.

Art. 24

The value of the basic contribution deducted up to the amount defined in the Act is not counted as a part of remuneration which is the basis for determining the obligatory social insurance contribution of the employer and the employee.

Art. 25

1. The employer, insofar as signing employee pension agreements, agreements with investment funds, life insurance firms or mutual life insurers, or employee pension funds is concerned, acts in its own name and on behalf of: insurers, employee pension funds, employees or investment funds, respectively.

2. The employer shall be liable to the participants for the failure to carry out or improper carrying out of duties following from the company pension agreement and for timeliness and correctness of calculation, deduction and transfer of contributions to employee accounts.

CHAPTER 4

RULES FOR DISBURSEMENTS AND LIQUIDATION OF EMPLOYEE PENSION PROGRAMS

Art. 26

1. Disbursement of funds accumulated under the employee pension program is made only in the following circumstances:
 - 1) at the request of a participant after attaining the age of 60 or upon obtaining early retirement rights, or in the case of an appropriate body issuing a certificate on gaining rights to disability benefits due to the inability to continue work;
 - 2) if the participant does not request the disbursement of funds before he is 70 years old, once he attains that age,
 - 3) in case of the liquidation of an employee society or pension fund unless transfer disbursements are made or the society is taken over by another pension society;
 - 4) in the case of liquidation of an employee pension fund unless a transfer disbursement is made,

- 5) in the case of liquidation of a life insurance firm or mutual life insurer unless a transfer disbursement is made or rights relating to the agreement signed by the employer and the insurer are ceded on behalf of another life insurance firm or mutual life insurer.
 - 6) in the case of a participant's death - to his beneficiaries or inheritors named in the insurance agreement.
2. Depending on the request of the participant, payments may be made on a one-off basis or in installments, in cash or transferred to an indicated account, including an account with a life insurance firm or a mutual life insurer, on the condition that it is not maintained as part of an employee pension program. One-off disbursements must be made within three months of requesting them. In the case of installment disbursements the first installment is payable within a month of requesting it unless the participant asks for a later disbursement.
 3. Unsolicited disbursement is made upon the participant's attaining the age of 70 years, on a one-off basis, within 3 months of that date.
 4. A disbursement results in the forfeiture of rights of participation in employee pension programs in the future except for the situation described in section 1.3.
 5. A disbursement cannot be made in a situation described in art. 5.3 if, once it was made, the employee remained a participant of another pension program. In such a case only a transfer disbursement can be made.

Art. 27

1. The statute of an employee pension fund, an agreement with an investment fund, or an agreement with a life insurance firm or a mutual life insurer should determine, in compliance with the provisions of a company pension agreement, dates and conditions for installment disbursements,

ensuring the option of termination and a one-off disbursement within 3 months and a cession of rights to third parties accompanied by a possibility of their simultaneous blocking for a pre-defined period.

2. Rules for the calculation and disbursement of funds accumulated on an employee pension fund account are regulated by the Act on organization and operation of pension funds, of funds accumulated on accounts with investment funds - the Act on investment funds and of funds accumulated in life insurance firm or mutual life insurer accounts - the Insurance Act. Detailed rules are set out in the appropriate statutes or rules.

3. Disbursements made under the Act are not subject to limits stipulated by the Foreign Exchange Act of 2 December 1994 (DzU No. 136/703, of 1995 No. 132/641, of 1996 No. 106/496) with respect to the transfer of foreign currency abroad and the sale of foreign exchange to foreign persons by banks.

Art. 28

1. A transfer disbursement is made to another life insurance firm, mutual life insurer, investment fund or an employee pension fund on the basis of an employee request when participation in the previous program ceases and upon entering a new program as a result of a change of employer, withdrawal from the old program or the liquidation of an employee pension program.

2. A company pension agreement should include dates and conditions for accepting new participants who intend to transfer their funds and participate in the employee pension program after they change employers if they comply with the terms and conditions of the agreement.

3. Agreements signed with a life insurance firm or a mutual life insurer, investment fund agreements, and statutes of employee pension funds should determine the dates and conditions and ensure receipt of transfer disbursements and acceptance of participants who intend to continue participation in an employee pension program.

Art. 29

1. The repayment of funds accumulated in a program is made in case of the termination of an agreement by a participant: in cases defined in the Act and in case of the liquidation of a program unless there is justification for their disbursement or making a transfer disbursement.
2. The entity which manages the funds ensures their repayment within the notice period in the manner requested by the employee expressed in his notice.
3. In the case of the repayment of funds originating from additional contributions, the employer calculates and withholds fees for the servicing of the participant's pension program in an amount calculated in accordance with the company pension agreement.

Art. 30

Disbursement, transfer disbursement or repayment of funds accumulated in an investment fund in the realization of an employee pension program is made in a monetary form upon redeeming units held in a participant's account by the fund.

Art. 31

1. A participant may at any time terminate an employee pension agreement in writing by giving notice to the employer; the period of notice stipulated by the company agreement cannot be shorter than 1 month and longer than 3 months.
2. In the case of the termination of the agreement, funds accumulated in the employee's account to date are left in the account to the date of their disbursement in compliance with the stipulations of the company pension agreement, except for a transfer disbursement to another employee pension program at a participant's request.

3. In the case of the termination of an agreement due to a merger, demerger, sale of a company or its organized part, and, what follows, a change of employer, the liquidation of the program in relation to the winding up of the employer or of the employee fund, or its insolvency, the accumulated funds may be repaid at a participant's request.

4. Repayment of funds from additional contributions is made in the case of the termination of an employee pension agreement at the employee's request at the time and on conditions stipulated by the company pension agreement. In case of the termination of an agreement and the repayment of funds based on additional contributions, the participant forfeits his right to participation in employee pension programs in the future.

Art. 32

1. In his statement, a participant of an employee pension program may dispose of funds accumulated in his account as part of the employee pension program by indicating a beneficiary who will collect the funds in the event of his death.

2. If the participant does not state what to do with his funds in the event of his death, his inheritors benefit under general regulations in force. A disbursement then should be made within 1 month of the date of submitting a certificate of their coming into inheritance, and the inheritors have to indicate a person authorized to receive the disbursement.

Art. 33

Funds accumulated as part of the employee pension program from basic contributions are not subject to court or administration execution unless the obligation to repay or disburse them arose; in that case they are subject to execution proceedings from the date they mature. These restrictions do not relate to execution proceedings for the purpose of satisfying claims in relation to alimony payments.

Art. 34

1. An employee pension program may be liquidated in the event of:
 - 1) the winding up or insolvency of the employer,
 - 2) the winding up or insolvency of a life insurance firm or a mutual life insurer
 - 3) the liquidation of an investment fund or an employee pension fund,
 - 4) a diminution in value of funds contributed as part of the program below the level stipulated by the agreement with the life insurance firm or mutual life insurer, investment fund or the statute of the pension fund.

2. Agreements with life insurance firms or mutual life insurers should ensure, in the event of the liquidation of a program in situations stipulated in section 1.1 and 1.3, the maintenance of funds in accounts in compliance with the provisions of agreements in force to date, until they are disbursed, forwarded to another account in accordance with a new insurance agreement offered to a participant, or subject to a transfer disbursement unless the participant terminates the agreement and requests the repayment of funds.

3. In the case described in section 1.2 and 1.3, an employer is obliged to ensure that a new agreement with a new mutual life insurer or life insurance firm, an investment fund or an employee society is signed and to suggest necessary amendments to the company pension agreement.

4. A decision on the liquidation of an employee pension program is sent out by the employer to the participants giving the date from which contributions will not be calculated and deducted and the reasons for the liquidation indicating actions which had been taken by him in accordance with the provisions of this Act and the Act on organization and operation of pension funds.

CHAPTER 5

REGISTRATION OF EMPLOYEE PENSION FUNDS

Art. 35

1. In order for an employee pension program to be established, the following actions are required: conclusion of a company pension agreement, conclusion of an agreement with an investment fund, a life insurance firm or a mutual life insurer, or establishment of a pension society and passing an employee pension fund statute, and making an entry in the register maintained by UN.

2. An employer's request to enter an employee pension program in the register should include the employer's data: name, domicile, REGON number, mail address, and source documents confirming those data as well as the following enclosures: the agreement with an insurer, the agreement with an investment fund or a statute of the employee fund society, the joint inter-company pension program agreement, the company pension agreement, a pro forma employee pension agreement.

Art. 36

1. An entry of an employee pension program in the register should contain the following:
 - 1) the employer's data included in the application,
 - 2) a note stating whether the program is a joint one or not,
 - 3) the form of the pension program and the details of the life insurance firm, the mutual life insurer, the investment fund or the employee pension fund, which is going to manage the accumulated funds,

- 4) program participation conditions included in the company pension agreement.
2. The employer has the obligation to provide notification of any changes to those data within two weeks of their occurrence.
3. A change in an employee pension agreement may come into force effective from the date of entry into the register by UN, at the earliest.

Art. 37

1. UN has the obligation to review the application for entering a given program into the register within a month of the submission.
2. If the application does not meet conditions stipulated by this Act, UN has the obligation to urge the employer within a month to eliminate irregularities, and to indicate a period for that elimination no shorter than three weeks.

Art. 38

UN may refuse to register an employee pension program only in circumstances referred to in Art. 37.2

Art. 39

1. UN supervises employee pension programs with regard to their compliance with the law.
2. In particular, UN has the right to request any data, documents and explanations related to managing the program from the employer who manages a given employee pension program.
3. If any irregularities in the management of a given program are noted, UN notifies the person who manages the program about them and sets the deadline for their elimination.

4. If the irregularities have not been eliminated by that deadline, UN may impose a fine of up to Zl 500,000 on the person who manages the program.
5. In cases not regulated by this Act, UN's responsibilities are regulated by the Act on organization and operation of pension funds.

Art. 40

1. UN proceedings are governed by the Administrative Procedure Code. Registration, refusal to register or removal of a program from a register are effected by virtue of an administrative decision.
2. The Minister of Labor and Social Policy shall stipulate, by means of a decree, detailed rules for maintenance of pension programs as well as deadlines for and the manner of issuing copies of register entry certificates.

CHAPTER 6

PENAL REGULATIONS

Art. 41

1. Any entity which without authorization uses the terms specified in Art. 8 of this Act as part of its name, or to describe its business activities, or for advertising purposes, shall be subject to a fine up to Zl 1,000,000 or to imprisonment for a period no longer than five years.
2. Anyone who, on behalf of a legal entity, acts in the way described in Art.41.1. shall be subject to the same penalty.

CHAPTER 7

CHANGES TO EXISTING REGULATIONS, INTERIM AND FINAL PROVISIONS

Art. 42

With regard to the Inheritance and Donation Tax Act of 28 July 1983 (DzU of 1997 No. 16/89), Art. 1.2, the period is replaced with a comma and the following words are added “as well as acquiring uninherited rights to funds accumulated in an employee pension fund, an open investment fund or a specialized open investment fund - as a result of the realization of an employee pension program, pursuant to a disposition made by a participant of that program in the event of his death.”

Art. 43

With regard to the Personal Income Tax Act of 26 July 1991 (DzU of 1993 No. 90/416, 134/646, of 1994 No. 43/163, 90/419, 113/547, 123/602, 126/626, of 1995 No. 5/25, 133/654, of 1996 No. 25/113, 87/395, 137/638, 147/686, 156/776, of 1997 No. 28/153, 30/164, 71/449, and 85/538) the following are amended:

1) Art. 14.2(8): the period is replaced by a comma and the following subsection (9) is added:

“9) remuneration received for management of an employee pension program of a participant, in relation to repayment of funds from additional contributions.”;

2) Art. 22: after section 1a the following section 1b is added:

“1b. Expenditure incurred by an employer on ensuring proper realization of an employee pension program as defined by regulations concerning employee pension programs shall also be considered tax deductible costs.”

Art. 44

With regard to the Corporate Income Tax Act of 15 February 1992 (DzU of 1993 No. 106/482, 134/646, of 1994 No. 1/2, 43/163, 80/368, 87/406, 90/419, 113/547, 123/602, 127/627, of 1995 No. 5/25, 86/433, 96/478, 133/654, 142/704, of 1996 No. 25/113, 34/146, 90/405, 137/639, 147/686, of 1997 No. 9/44, 28/153, and 79/484) subsection 1g is added after subsection 1f in Art. 15:

“1g. Expenditure incurred by an employer on ensuring proper realization of an employee pension program as defined by regulations concerning employee pension programs shall also be considered tax deductible costs.”

Art. 45

1. Employers maintaining investment-linked group life assurance for their employees or another form of group accumulation of funds for pension purposes, which enjoy the right to deduct incurred expenditure from the basis for calculating the social insurance contribution, shall offer conclusion of company pension agreements on terms and conditions stipulated by this Act.
2. Failure to submit a program registration application to UN within one year shall result in the loss of rights referred to in section 1 above.
3. The employer's actions with respect to concluding and realization of a company pension agreement, collection of contributions, repayment and disbursement of funds shall not constitute insurance agency activities as understood by the Insurance Act.

Art. 46

The Act shall come into force on 1 January 1999.

THE LAW OF 25 JUNE 1997

ON APPLYING THE PROCEEDS

FROM PRIVATISATION OF A PORTION OF STATE TREASURY

ASSETS FOR PURPOSES CONNECTED WITH REFORMING

THE SOCIAL INSURANCE SYSTEM

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The Law of 25 June 1997

on applying the proceeds from privatisation of a portion of State Treasury assets for purposes connected with reforming the social insurance system.

CHAPTER 1

GENERAL PROVISIONS

Art. 1

This Act defines the rules for and manner of applying the proceeds from privatisation of a portion of State Treasury assets designated for purposes connected with reforming the social insurance system.

Art. 2

1. Proceeds from privatisation of certain state-owned enterprises and single-shareholder companies of the State Treasury and sale of shares or holdings of companies belonging to the State Treasury shall be appropriated for financing reform of the social insurance system.

2. The Council of Ministers shall define by a regulation the list of state-owned enterprises and single-shareholder companies of the State Treasury, the proceeds from privatisation of which, with the reservation of Articles 6 through 8, are to be applied for the purpose defined in Article 1.

3. In the regulation referred to in para. 2, the Council of Ministers shall also define the list of companies in which the State Treasury has an equity stake, of which the State Treasury held shares or stakes shall be sold for the purpose referred to in Article 1.

Art. 3

1. A state-owned enterprise or company subject to liquidation or bankruptcy procedure shall be excluded by law from the list referred to in Article 2 para. 2 and 3.

2. Should the state enterprises or companies included on the list referred to in Article 2 [para. 2 and 3](#) undergo organisational-legal changes, in particularly through their merger or division, the entities so established through such changes shall be subject to the provisions of this Act.

Art. 4

The Budget Act shall define the total proceeds referred to in Article 2 [para. 1](#).

Art. 5

The proceeds referred to in Article 4 represent revenue of the state budget reserved for financing reform of the social insurance system.

Art. 6

The regulations concerning the sale of stock against privatisation bonds do not infringe provisions of the Act dated 6 March 1997 on compensating the periodic failure to raise wages for budgetary sector employees and the loss of certain increases or supplements to old age and disability pensions (*Dziennik Ustaw* No. 30, item 164).

Art. 7

This Act does not infringe the rights to free acquisition of stock, defined in other regulations.

Art. 8

This Act does not infringe the reserves of State Treasury assets designated for reprivatisation purposes, defined in other regulations.

CHAPTER 2

PRIVATISATION BONDS

Art. 9

1. Privatisation bonds, hereinafter referred to as "bonds", are a treasury bearer security, to be used as payment for stock sold by the State Treasury on terms defined in the Act and Regulation on the Issue of Bonds.
2. The State Treasury cannot refuse to accept payment in bonds for stock designated to be sold against bonds.
3. Payment in bonds for stock sold by the State Treasury shall be allowed not earlier than 3 months after the date of the bond issue.

Art. 10

1. Bonds may be issued only when in a given fiscal year state budget revenue from the proceeds referred to in Article 2 para. 1 are lower than the amount of state budget expenditures for purposes connected with financing reform of the social insurance system.

2. In the case referred to in para. 1, the Minister of Finance shall have the authority to define by a regulation the value of privatisation bond issues or to raise the value of other treasury security issues.

Art. 11

1. The Minister of Finance in agreement with the Minister of the State Treasury shall define by a regulation the conditions of issue of the bonds referred to in Article 9, and in particular: the nominal value of the bonds, the total amount for which the bonds are being issued, the interest amount and format, the redemption terms and dates, the manner of determining the issue price and the procedure of bond sales. In the regulation the issuer shall also define the companies, the stock of which will be sold against the bonds, the manner of paying for the stock with bonds and the date on which the State Treasury shall make the stock defined in the regulation available.

2. The regulation concerning a bond issue may stipulate that payment for the bonds may be effected by crediting the holder of bonds of earlier issues against the price owed, on terms defined in the said regulation.

Art. 12

The bonds may be purchased by domestic and foreign individuals and corporate bodies and by companies without corporate status.

Art. 13

1. By law the bonds shall be considered cancelled when used as payment against stock sold by the State Treasury or when redeemed.

2. The cancellation of bonds used as payment against stock shall be reported to the Minister of Finance by the entity selling the stock on behalf of the State Treasury.

Art. 14

Claims for redemption of bonds are barred by statute of limitation 10 years after the day of their designated redemption.

CHAPTER 3

COMMERCIALISATION AND PRIVATISATION OF STATE-OWNED ENTERPRISES

Art. 15

Commercialisation and privatisation of the entities included on the list referred to in Article 2 shall be governed by provisions of Article 3-20 and 31a-38 of the Act dated 30 August 1996 on Commercialisation and Privatisation of State-owned Enterprises (*Dziennik Ustaw* No. 118, item 561, No. 156, item 775; and of 1997: No. 32, item 184), hereinafter referred to as "Commercialisation Act", unless stipulated otherwise by this Act.

Art. 16

The stock of companies referred to in Article 2, including stock of the companies formed by commercialisation of state-owned enterprises included on the list cannot be applied for the purpose defined in Article 55 para. 1 pt 1 of the Commercialisation Act.

CHAPTER 4

CHANGES TO APPLICABLE REGULATIONS, TRANSITIONAL AND FINAL PROVISIONS

Art. 17

In the Act dated 8 August 1996 on the Office of Minister of State Treasury (*Dziennik Ustaw* No. 106, item 493), in Article 10 para. 4 shall read as follows:

"4.Proceeds from privatisation, with the reservation of Article 14 para. 2 pt 1, constitute revenue of the state budget."

Art. 18

In the Act dated 30 August 1996 on Commercialisation and Privatisation of State-owned Enterprises (*Dziennik Ustaw* No. 118, item 561, No. 156, item 775; and of 1997: No. 32, item 184) Article 56 shall read as follows:

"Article 56. In each of the companies created as a result of commercialisation, at least 10% of all shares offered for sale in the procedure of a publicly announced offer shall be appropriated for purposes connected with reform of the social insurance system."

Art. 19

Within 6 months from the day the provisions referred to in Article 2 para. 2 of this Act enter into force, the directors of the state-owned enterprises specified in these provisions shall deliver to the Minister of State Treasury the documents required for commercialisation.

Art. 20

The Act shall enter into force 14 days following its promulgation, with the exception of Article 17 which shall enter into force on the day of promulgation with effectiveness from 1 January 1998.