

THE CAPITAL MARKET. FINANCIAL INSTRUMENTS

I. General description of the capital market in Poland

I.I. Introduction

The capital market is an efficient source of obtaining capital. The issuer, in return for the financial instruments he offers, receives funds he can use to continue the expansion of his company, while the acquirer of the securities (the investor) may allocate his capital surplus, which, in time, may generate multiplied profit on the investment made. For the issuer, this is beneficial due to large numbers of potential investors to which the offer is addressed. In turn, the investor, usually having extensive knowledge about the issuer and the market on which the issuer functions, can reasonably evaluate the planned investment, the expected rate of return, and the investment tendencies in the given sector.

The capital market involves long- and mid-term financial instruments, which means that the return on investment takes place at least one year after the transfer of capital.

The modern capital market in Poland is relatively young; it has been developing since 1991. Currently, it is one of the key capital centers in Central and Eastern Europe. Nearly 500 companies are listed on the Warsaw stock exchange (Giełda Papierów Wartościowych w Warszawie S.A., GPW), 11% of which are foreign companies. In 2015, the annual capitalization of the GPW-listed companies amounted to PLN 516,785 million for domestic companies and PLN 566,077 million for foreign companies.¹

In Poland, in addition to the regulated market, there are also alternative trading systems (ATS) for trading in stocks (NewConnect) and bonds (Catalyst²) offered mainly by young and innovative small and medium enterprises that operate chiefly in the new technologies sector.

¹ https://www.gpw.pl/analizy_i_statystyki_pelna_wersja

² See the comments on the Catalyst system contained in section I.II of this document.

I.II. Structure of the capital market and the legal bases of its functioning

The structure of the Polish capital market is complex and involves several segments. There are a number of criteria to separate particular markets within the capital market. The main ones are the criteria of organization and the type of the financial instruments offered.

The Polish capital market is divided into the primary market and the secondary market. The **primary market** is the segment where initial public offerings of financial instruments are made. In turn, the **secondary market** is the place where financial instruments that have already been issued and acquired by investors are traded.

Further division is into the regulated market and non-regulated markets. The **regulated market**, in accordance with the definition in the Trading Law, is a continuously operating system of trading in financial instrument eligible for such trading, providing all investors at the same time with universal and equal access to market information when matching buy and sell offers for financial instruments and ensuring uniform terms and conditions of buying and selling such instruments, organized and subject to supervision from the relevant authority, as well as recognized by the Member State as meeting these requirements and notified to the European Commission as a regulated market. A **non-regulated market** is a market other than the regulated segment of the capital market, which is not subject to supervision from the relevant authority.

Segments of the regulated market include the stock exchange and the over the counter market. The **regulated market** in Poland is organized by **Giełda Papierów Wartościowych w Warszawie S.A.** Transactions on the stock exchange include buying and selling financial instruments that can be traded on the regulated market. The stock exchange is the place where secondary trading in securities takes place. The **over the counter market** is the place outside of the stock exchange where financial instruments are traded in. In Poland, the over the counter market is organized by **BondSpot S.A. ("BondSpot")**.

The purpose of this document is to outline the rules of functioning of the following platforms for trading in financial instruments:

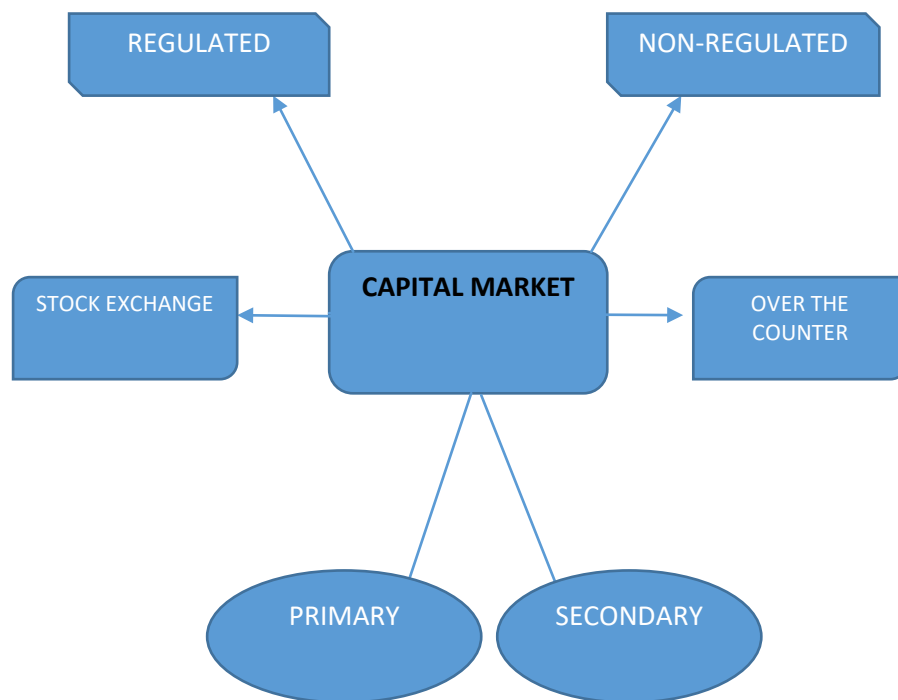
1. The stock exchange (the **"Stock Exchange"**) organized by Giełda Papierów Wartościowych w Warszawie S.A. (**"GPW"**);
2. The alternative trading system, including **NewConnect**, which is organized by GPW;
3. The **Catalyst** system, including:
 - The regulated market operated by GPW;
 - The regulated market operated by BondSpot;
 - The alternative trading system operated by GPW;
 - The alternative trading system operated by BondSpot.

On the regulated market, trading in financial instruments takes place on the Stock Exchange. Transactions on this market include trading in stocks, other financial instruments of similar nature, and other instruments of the spot market, as well as derivative instruments.

Trading on the NewConnect market involves dematerialized shares, rights to shares, preemptive rights, depositary receipts, and other equity securities issued on the basis of the relevant Polish or foreign legal regulations and placed on this market.

Trading in the Catalyst system involves bonds and other debt instruments.

Diagram 1: STRUCTURE OF THE CAPITAL MARKET IN POLAND – BASIC DIAGRAM



Source: Own compilation of data.

The functioning of the capital market in Poland is regulated with generally applicable legal acts (for the regulated market) and internal rules that apply to the participants of the alternative trading system.

The fundamental legal regulations related to the organization and functioning of the **regulated market** in Poland include:

– The **Law of 29 July 2005 on Trading in Financial Instruments** (the “**Trading Law**”)

-> It regulates the rules, procedures, and requirements for commencing and carrying out activities in terms of trading in securities and other financial instruments, the rights and obligations of the entities participating in such trading, and supervision in this respect;

– The **Law of 29 July 2005 on Public Offerings and the Terms and Conditions of Introducing Financial Instruments to Organized Trading Systems and on Public Companies** (the “**Offerings Law**”)

-> It regulates the terms and conditions of making public offerings of securities, carrying out subscriptions or sales of these securities, and applying for permission to place securities and other financial instruments on the regulated market for trading, the obligations of issuers of securities and other entities participating in trading in these securities and other financial instruments, as well as the consequences of obtaining the status of a public company and the particular rights and obligations related to holding and trading in stocks of such companies.

– The **Law of 29 July 2005 on Supervision over the Capital Market**

-> It specifies the organization and procedures of supervision over the capital market;

– The **Commercial Companies Code** (the “**CCC**”)

-> It regulates the incorporation, functioning, and organization of commercial companies (including joint-stock companies) and their mergers, transformations, and divisions;

– The **Law of 29 September 1994 on Accounting** (the “**Accounting Law**”)

-> It specifies the principles of accounting, the procedure of reviewing financial statements by statutory auditors, and the principles of providing services in terms of bookkeeping;

– The **Law of 15 January 2015 on Bonds** (the “**Bonds Law**”)

-> It specifies the rules of issuing, changing terms and conditions of issue, disposing of, acquiring, and redeeming bonds.

Apart from the above regulations, there are also other laws and secondary legislation of detailed nature (such as the Law of 27 May 2004 on Investment Funds and Managing Alternative Investment Funds).

The issuers of securities traded on the regulated market are obliged to carry out a number of reporting obligations (for more information see section **III. Reporting obligations**) in accordance with the following legal regulations:

– Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (the “**MAR**”);

– The Trading Law;

– The Regulation of the Minister of Finance of 19 February 2009 regarding current and periodic information to be provided by issuers of securities and the terms and conditions of recognizing as equivalent the information required under the regulations of a state not being a Member State (“**Regulation on Current Information**”).

In turn, the fundamentals of the functioning of the NewConnect alternative trading system are regulated by its Alternative Trading System Rules, including the exhibits (the “**ATS Rules**”), with the regulations concerning the domestic regulated market applying to a certain extent, as well. In the case of the Catalyst system, the fundamental regulation are the **Catalyst Operating Rules**, as well as the relevant regulations concerning the particular markets or trading systems organized by GPW and BondSpot.

I.III. Participants of the capital market

Both on the regulated market and in the alternative trading system, there are specific groups of entities whose tasks and obligations are specified in the provisions regulating the functioning of particular markets.

The organizer of the stock exchange, Giełda Papierów Wartościowych w Warszawie S.A., and the organizer of the over the counter market, BondSpot S.A., have already been mentioned. The principles of their operations are specified in the relevant rules and corporate documents. The operations of GPW and BondSpot consists not only in organizing, but also in regulatory activities for the systems of trading in financial instruments they manage, as well as in maintaining catalogs of good practices that should be followed on the markets organized by GPW and BondSpot.

The market is supervised by the **Polish Financial Supervision Authority** (the “**PFSA**”), which has broad powers in terms of supervision, control, and use of certain sanctions, as specified in the relevant legal regulations. The fundamental tasks of the Polish Financial Supervision Authority include verifying the prospectuses (which are the basic public information documents related to public offerings and applications for a permission to place securities on the regulated market for trading) in terms of their form and contents being in compliance with legal regulations. Importantly, the PFSA does not examine if the data contained in information documents is true, complete, or accurate. The approval of a public information document by the PFSA is, in principle, the main requirement for obtaining a permission to place the given securities on the regulated market for trading.

The tasks of the PFSA also include supervising if market participants carry out their obligations (e.g. reporting obligations). Irregularities in this respect may result in the PFSA imposing certain sanctions on both the issuers and the members of their bodies. Apart from high financial penalties, the most severe sanctions include exclusion of securities from trading on the regulated market.

The correct performance of its tasks by the PFSA is the basis for ensuring high security of market participants.

To a certain extent, the PFSA also supervises the alternative trading system.

A very important role on the capital market is played by the National Securities Depository (Krajowy Depozyt Papierów Wartościowych S.A., the “**NSD**”). The NSD is a deposits/clearing institution that operates in the following areas:

- ❖ Registering dematerialized financial instruments;
- ❖ Clearing transactions concluded on the regulated market and in the alternative trading system.

Transactions in terms of organized trading are concluded via professional agents. Apart from the NSD, there are also brokerage houses, banks, and investment companies not being a brokerage house or a bank involved in brokerage operations. The above entities belong to the group of *professional clients*, which in the Trading Law are defined as entities to which at least one of the following services is being provided or is to be provided: accepting and forwarding orders to buy or sell financial instruments; carrying out these orders for the client; managing portfolios comprising one or more financial instruments; and which have the experience and knowledge allowing for making the right investment decisions and properly evaluating the risks related to these decisions.

Transactions on the Stock Exchange may be carried out only by the authorized entities: the Stock Exchange Members. In principle, the status of a Stock Exchange Member may be granted to an investment company, an entity not being an investment company but being a participant of the NSD that concludes stock exchange transactions exclusively for its own account, or another entity not being a participant of the NSD and concluding stock exchange transactions exclusively for its own account—provided that the entity being a participant of the NSD that has undertaken to carry out the obligations related to clearing the concluded transactions has been specified. An entity that does not have the status of a Stock Exchange Member can trade in financial instruments exclusively via an authorized entity.

To be eligible for operating on the Stock Exchange, an entity must:

- Hold a permission to carry out brokerage operations;
- Guarantee proper performance of the obligations of a Stock Exchange Member;
- Have the relevant organizational and technical measures that ensure proper and secure trading in financial instruments;
- Be a legal person.

In order to start his activities in the alternative trading system, a Stock Exchange Member should file the relevant application for the specification of the starting date and the scope of activities he could carry out as a **Market Member** in the alternative trading system.

The main participants of the alternative trading system include:

– **Authorized Advisors;**

– **Market Animators.**

An Authorized Advisor is an investment company or another entity being a company or a partnership that offers services related to trading, including financial advisory, legal advisory, or financial audit services, and that is entered onto the list kept by GPW. The requirement of being a company or a partnership does not apply to entities having their registered office outside of Poland. The basic tasks of an Authorized Advisor include:

- ❖ Verifying if the information documents related to the application for a permission to place the given financial instruments on the market for trading were drafted in accordance with the ATS Rules;
- ❖ Verifying if the requirements for placing the issuer's financial instruments in the alternative system have been met;
- ❖ Working with the issuer in terms of the issuer carrying out his reporting obligations, as specified in the ATS Rules, and monitoring if the issuer is carrying out these obligations properly.

In principle, the conclusion of an agreement with the Authorized Advisor is obligatory for an issuer that applies for permission to place his financial instruments in the alternative trading system. The agreement is usually concluded for three years, but in the cases specified in the ATS Rules, GPW may exempt the issuer from the obligation to work with an Authorized Advisor. Furthermore, in order to ensure that the obligations of the issuer are carried out properly, GPW may oblige the issuer to conclude an agreement with an Authorized Advisor.

The function of an Authorized Advisor boils down to working with the issuer to make sure that all of the obligations related to participating in the alternative trading system are carried out and

supporting the issuer in this respect. Efficient cooperation with the Authorized Advisor is an essential aspect of the issuer's participation in the ATS.

A **Market Animator** is a Market Member being an investment company or a foreign investment company not being a Market Member, which, under an agreement with the organizer of the alternative trading system, has undertaken to carry out, for his own account, activities intended to improve the smoothness of trading in the financial instruments of the given issuer, on the terms and conditions specified by GPW.

One of the basic concepts of organized trading in financial instruments is the **public company**, i.e. a company in which at least one share is dematerialized. Dematerialization consists in canceling the material form of a share by means of registering it with a securities depository. The rights carried by dematerialized securities **arise at the moment of the securities being posted to a securities account**. These rights rest with the person being the holder of the account.

II. Placing selected financial instruments on the organized capital market

II.I. Stock exchange

Placing financial instrument on the regulated market requires their prior approval for trading.

The permission is granted at the request of the issuer. The decision is made by the Management Board of the Stock Exchange, unless the Stock Exchange Rules provide that no such resolution is required.

To be eligible for placing on the regulated market, a financial instrument must meet certain requirements, including but not limited to the following:

- ✓ The **relevant information document has been produced** and subsequently approved by the relevant supervision authority or another information document has been produced and its equivalence (as defined in the Offerings Law) to the required document has been confirmed by the relevant supervision authority, unless the drafting, approval, or confirmation of equivalence of the information document is not required;
- ✓ The financial instruments may be disposed of **with no limitations**;
- ✓ **No bankruptcy or liquidation proceedings is pending** with respect to the issuer.

Furthermore, if the application for permission to place on the market concerns shares, additional requirements must be met in terms of the minimum value of the issuer's share capital and his shareholder structure.

In addition to the above requirements, the Stock Exchange Rules include other detailed regulations, depending on the type of the financial instruments covered with the application for permission to place on the market.

When examining an application for permission to place financial instruments on the Stock Exchange, the Management Board of the Stock Exchange takes into account e.g.:

- The issuer's financial standing, including but not limited to his profitability, liquidity, and ability to pay liabilities, as well as the factors affecting the issuer's financial results;
- The issuer's development prospects, including but not limited to the possibility of carrying out investment plans, considering the sources of financing these plans;
- Experience and qualifications of the members of the issuer's management and supervisory bodies;
- Terms and conditions on which the financial instruments were issued;
- Security of trading on the stock exchange and the interests of its participants.

Only the financial instruments for which a permission has been granted may be traded on the regulated market.

Financial instruments can be placed on the Stock Exchange following one of the two procedures:

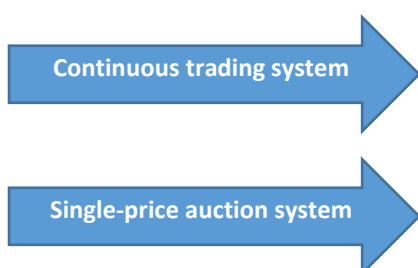
- 1) Ordinary procedure;
- 2) Public sale.

A public sale is made on the basis of a public offering. According to the definition in the Offerings Law, a **public offering** is the provision, to **at least 150 persons**, in the territory of one Member State, or to an unspecified addressee, in any form and manner, of information about securities and the

terms and conditions of their acquisition, constituting a sufficient basis to make a decision to acquire these securities.

Both making a public offering and obtaining permission for securities to be placed on the regulated market require providing a prospectus to the general public. In the cases specified in the Offerings Law, there is no need to produce a prospectus (if a **prospectus** is not required, it may be necessary to produce an information memorandum; there are also cases where no public information document needs to be produced and approved). A prospectus is a public, i.e. publicly available, information document produced in the form and containing the contents specified in legal regulations. A prospectus contains the information necessary to evaluate the economic, financial, and property situation of the issuer and his development prospects. A prospectus must be approved by the Polish Financial Supervision Authority.

Shares placed on the regulated market are listed in one of the two systems:



The requirements for placing financial instruments in the alternative trading system are in principle similar to those for obtaining a permission to trade in financial instruments on the regulated market. Therefore, it is possible to place financial instruments in the system if:

- ✓ The relevant public information document has been made available to the general public (or, in certain cases, an information document not being a public information document has been made available to the general public);
- ✓ These instruments may be disposed of with no limitations;
- ✓ No bankruptcy or liquidation proceedings is pending with respect to the issuer of these instruments;
- ✓ No restructuring proceedings is pending with respect to the issuer if he is applying for permission to place financial instruments in the alternative trading system for the first time;
- ✓ The nominal value of a share is at least PLN 0.10;
- ✓ Additionally, if the issuer wishes to place shares or rights to shares in the alternative trading system for the first time:
 - At least **15%** of the shares covered with the application for permission to place in the system are held by at least **10** shareholders, with each of them holding not more than **5%** of the total number of votes at the general meeting and not being an affiliate of the issuer; this requirement applies accordingly to the rights to these shares;
 - The issuer's equity is at least PLN 500,000;
 - In the information document, the issuer has presented financial statements or consolidated financial statements for the last financial year that had been produced and reviewed in accordance with the ATS Rules.

The obligation to produce an information document does not apply if the issuer's financial instruments covered with the application are traded on the domestic regulated market.

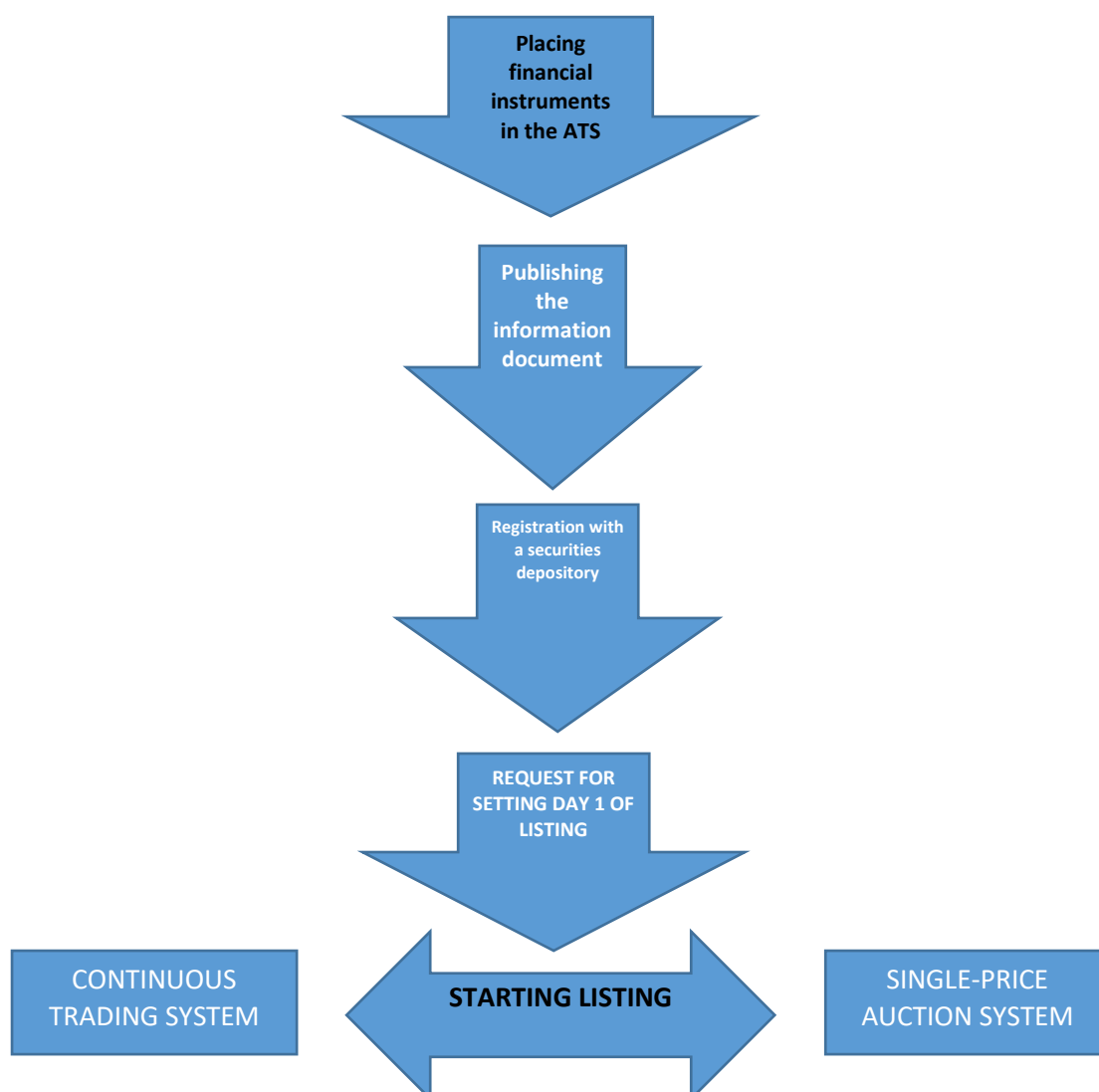
The information document (not being a public information document) does not require approval from the Polish Financial Supervision Authority. Considering the above, a warning about this fact is included in the document.

Additionally, the issuer must conclude the relevant agreement with an Authorized Advisor who will work with the issuer to produce the information document and ensure that the issuer properly performs his obligations resulting from placing financial instruments in the ATS for trading.

Placing financial instruments in the alternative trading system takes place at the request of the issuer. The resolution on placing the issuer's financial instruments in the alternative trading system is made by the organizer of the ATS.

The listing of financial instruments in the alternative trading system starts at the request of the issuer in which he applies for setting the first day of listing. The requirements for starting the listing of financial instruments in the ATS are their placing in the ATS, publishing on the issuer's website the relevant public information document or an information document produced in accordance with the ATS Rules, and registration of the instruments with a securities depository.

Diagram 2: Starting listing in the ATS



Source: Own compilation of data.

II.III. Catalyst

Catalyst is a platform for trading in debt instruments, e.g. bonds.

Placing debt instruments in the Catalyst system consists in permitting the placing of the given issue of debt instruments on Catalyst markets for trading.

Debt instruments covered with the application for permission to be placed on Catalyst markets should be dematerialized, while debt instruments not being the subject of an application for such permission do not have to be dematerialized.

Introducing debt instruments to organized trading may consist in:

- 1) Permitting the issue to be traded on the regulated market operated by GPW and the regulated market operated by BondSpot, or
- 2) Permitting the issue to be traded on the regulated market operated by GPW and the alternative trading system operated by BondSpot, or
- 3) Permitting the issue to be traded on the regulated market operated by BondSpot and the regulated market operated by GPW, or
- 4) Permitting the issue to be traded in the alternative trading system operated by GPW and the alternative trading system operated by BondSpot, or
- 5) Permitting the trading on each of the Catalyst markets or on only one of them.

Introducing debt instruments to organized trading takes place at the request of the issuer made to GPW or BondSpot.

Debt instruments will be eligible for placing on Catalyst markets for trading if the relevant information document has been produced, the instruments may be disposed of with no limitations, and no bankruptcy or liquidation proceedings is pending with respect to the issuer. If the debt instruments are the subject of an application for permission to place them in the ATS organized by GPW or BondSpot, it is also necessary to conclude the relevant agreement with an Authorized Advisor.

III. Fundamental obligations of issuers of financial instruments

III.I. Reporting obligations

The Polish capital market meets high quality criteria in terms of providing information. Regulations in this respect follow from EU regulations, primary and secondary domestic legislation, and the internal rules of the entities organizing trading in financial instruments, which are modeled on the regulations of the largest foreign markets and in line with EU directives.

Correct and secure functioning of the market for trading in financial instruments is possible only if the market is transparent and all participants are treated equally and fairly.

All investors on the capital market should have equal access to information about the issuers of securities and their financial instruments, as the information provided by the participants of the public market are the basis for investors to evaluate the financial situation of the given company and its development prospects. This information must be available to all entities in the same way and at the same time, regardless of whether they are institutional, qualified, or retail investors, as well as to all other entities that may be considering an investment decision.

Accurate information is the main requirement for making reasonable decisions. If the market is transparent and secure, investors will be more likely to conclude transactions on it. This is why it is important for the obliged entities to perform the reporting obligations.

All entities applying for a permission to trade or traded on the principal market of GPW are subject to detailed reporting obligations. The same applies to entities listed in the alternative trading system.

The scope of information that must be provided by the issuer depends on whether he is listed on the principal market of GPW or whether he is listed in the alternative trading system.

The companies listed on the Stock Exchange are obliged to publish:

- **Quarterly reports** containing the data for the current quarter, condensed quarterly non-reviewed financial statements including the balance sheet, the profit and loss account, a statement of changes to equity, and a statement of cash flows, as well as a description of the issuer's corporate group and a list of shareholders holding at least 5% of the total number of votes at the general meeting;
- **Semi-annual reports** for H1 containing condensed semi-annual financial statements reviewed by a statutory auditor, including the balance sheet, the profit and loss account, a statement of changes to equity, a statement of cash flows, and additional information, as well as a report of the management board on the issuer's operations and a report of the statutory auditor on the review of the financial statements;
- **Annual reports** containing a letter from the President of the Management Board or the manager of the issuer presenting the major achievements and failures of the company in the financial year and the development prospects for the next financial year, as well as financial statements produced in accordance with the applicable accounting principles and reviewed by an entity authorized to review financial statements.

The financial statements included in the periodic reports should be produced in accordance with the accounting principles applying to the issuer. In most cases, the financial statements of stock exchange issuers that have their registered office in Poland are produced in line with the IAS/IFRS, although in the case of entities that do not form corporate groups, financial statements may be produced in accordance with the Polish Accounting Standards.

The dates of the planned publication of quarterly and semi-annual reports (periodic reports) are specified and announced by the issuer in the form of a schedule in a current report published by the end of the first month of each financial year. Each change of the schedule must also be announced in the form of a current report, so that all stakeholders can access the periodic reports at the same time. For this purpose, issuers cannot publish their reports before the date specified in the schedule.

- **Confidential information**

On 3 July 2016, the MAR came into effect. This meant major changes to the reporting obligations of issuers. Previously, in addition to the reports specified in items 1–3, above, issuers had to provide current information, including information about their current economic situation (e.g. the conclusion of significant business agreements). Currently, the obligation to provide current information about the issuer's economic situation is carried out by means of providing the general public with the so-called "confidential information," as defined in the MAR.

According to Article 7 of the MAR, confidential information means:

- a) information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments;*
- b) in relation to commodity derivatives, information of a precise nature, which has not been made public, relating, directly or indirectly to one or more such derivatives or relating directly to the related spot commodity contract, and which, if it were made public, would be likely to have a significant effect on the prices of such derivatives or related spot commodity contracts, and where this is information which is reasonably expected to be disclosed or is required to be disclosed in accordance with legal or regulatory provisions at the Union or national level, market rules, contract, practice or custom, on the relevant commodity derivatives markets or spot markets;*
- c) in relation to emission allowances or auctioned products based thereon, information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more such instruments, and which, if it were made public, would be likely to have a significant effect on the prices of such instruments or on the prices of related derivative financial instruments;*
- d) for persons charged with the execution of orders concerning financial instruments, it also means information conveyed by a client and relating to the client's pending orders in financial instruments, which is of a precise nature, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments, the price of related spot commodity contracts, or on the price of related derivative financial instruments.*

The MAR extends the scope of confidential information in such a way that the indirect stage of a lengthy process is classified as confidential information itself if it meets the criteria for confidential information. This means that in certain situations, confidential information will not only cover a particular event or circumstance, but, if the criteria are met, also their indirect stages.

The companies listed in the alternative trading system are obliged to publish less information than the companies listed on the Stock Exchange. They publish information in the form of:

- Current reports (which contain less information than those produced by Stock Exchange companies),
- Confidential information,
- Quarterly reports that contain selected balance-sheet items and selected profit and loss account items,
- Annual reports that contain reviewed financial statements.

The financial statements included in the periodic reports must be produced in accordance with the regulations applicable to the issuer (a foreign company may follow the standards applicable in the country where it has its registered office).

Additional reporting obligations concerning shareholders and company authorities

Under Polish legal regulations, investors holding major blocks of shares are subject to reporting obligations. They have to provide certain information about changes to their level of involvement in the company.

- An investor has to report that he has reached or exceeded the threshold of 10%, 15%, 20%, 25%, 33%, 33.3%, 50%, 75%, and 90% of the total number of votes in a public company (as well as if his involvement has been reduced below the relevant threshold).
- After exceeding the threshold of 10% of the votes at the general meeting, the investor has to report every change of involvement by at least 2% of the votes, and above 33%—every change by at least 1%.
- Members of management and supervisory boards, as well as other persons performing certain functions in the company, have to report transactions concerning the issuer's shares and his other financial instruments, as well as derivatives that are closely related to the issuer's instruments, which they have concluded themselves or that have been concluded by their close persons.
- Members of management and supervisory boards, as well as other persons performing certain functions in the company, cannot conclude transactions concerning shares and other financial instruments of their company (as well as derivatives related to these instruments) during the so-called closed periods (two weeks before the publication of a quarterly report, one month before the publication of a semi-annual report, and two months before the publication of an annual report, as well as in the case of obtaining confidential information—until this information has been published).

III.II. Best practices

Best Practice of GPW Listed Companies 2016

The “Best Practice of GPW Listed Companies” document contains a set of corporate governance principles and other rules of conduct that affect the shaping of the relations between listed companies and their market surroundings. The principles specified in the “Best Practice of GPW Listed Companies 2016” and other related regulations apply to issuers of shares traded on the GPW regulated market.

These regulations are divided into principles and recommendations. In the case of detailed principles, the “comply or explain” rule applies. Permanent or incidental failure to follow a given principle results in an obligation for the company to immediately report this fact in the manner specified in § 29.3 of the Stock Exchange Rules. Explanations of the reasons and circumstances of failure to follow a principle should be exhaustive, so as to constitute an actual source of information about why the principle had not been followed. As for recommendations, information that they are complied with only has to be included in the representation on following corporate governance principles that is an element of the issuer’s annual report.

The table below contains the catalog of the fundamental best practices of GPW-listed companies:

1.	Listed companies should ensure adequate communications with investors and analysts by pursuing a transparent and effective disclosure policy. To this end, they should ensure easy and non-discriminatory access to disclosed information using diverse tools of communication.
2.	A listed company is managed by its management board, whose members act in the interest of the company and are responsible for its activity. The management board is responsible among others for the company’s leadership, engagement in setting and implementing its strategic objectives, and ensuring the company’s efficiency and safety. A company is supervised by an effective and competent supervisory board. Supervisory Board members act in the interest of the company and follow their independent opinions and judgement. The supervisory board in particular issues opinions on the company’s strategy, verifies the work of the management board in pursuit of defined strategic objectives, and monitors the company’s performance.
3.	Listed companies should maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity.
4.	The management board and the supervisory board of a listed company should encourage the engagement of shareholders in matters of the company, in particular through active participation in the general meeting. The general meeting should proceed by respecting the rights of shareholders and ensuring that passed resolutions do not infringe on reasonable interests of different groups of shareholders. Shareholders who participate in a general meeting should exercise their rights in accordance with the rules of good conduct.
5.	Companies should have in place transparent procedures for preventing conflicts of interest and related party transactions where a conflict of interest may occur. The procedures should provide for ways to identify, disclose and manage such cases.

6.	A company should have a remuneration policy applicable at least to members of the company's governing bodies and key managers. The remuneration policy should in particular determine the form, structure, and method of determining the remuneration of members of the company's governing bodies and key managers.
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Source: Best Practice of GPW Listed Companies 2016.

Furthermore, best practices of listed companies are also formulated in European Commission recommendations, e.g. with respect to the system of remunerating managers of such companies or corporate governance reporting.

Best practices of NewConnect-listed companies

The best practices of NewConnect-listed companies are more general than the Best Practice of GPW Listed Companies 2016 in terms of corporate governance in the companies listed in the NewConnect alternative trading system.

In particular, they contain a recommendation to ensure transparency and proper communication with investors and market analysts.

Furthermore, they include a list of documents and information that should be provided on the corporate website and published by the issuer in periodic reports.

IV. Summary

The capital market in Poland is definitely an attractive form of investing capital. The legal regulations in force ensure a high level of security of the participants trading on the organized capital market. Numerous guarantees of transparency and openness of the operations of the issuers allow for making a reasonable evaluation of the development prospects for the markets on which the issuers operate. Importantly, issuers of financial instruments from EU Member States whose debt instruments are permitted to be traded on the regulated markets of their home countries can also be permitted to trade in financial instrument on the Polish regulated market (dual listing). Additionally, the regulations concerning the organized market are similar to the regulations in force in other Member States, as they are partially a result of the implementation of EU directives and partially follow directly from EU regulations.