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The Foundation and Organization of the Bank of Poland Joint Stock Company

Powstanie i organizacja Banku Polskiego SA

1. The idea of establishing the central bank of the Second Republic

The idea of setting up the Bank of Poland and introducing a new currency appeared just after Poland regained its independence. At the beginning of 1919, it was believed in economic circles that one of the first moves of the new government should be to set up a new issuing bank and replace, by this bank, the existing Polish National Loan Fund. Hence, Stanisław Karpiński, who was at that time the Minister of Treasury, presented to the Parliament in May 1919, a draft statute establishing a to-be created Bank of Poland as being the state issue institution (Journal of Laws of 1919, No. 8, item 75).[1] He believed, however, that in Poland at the time there was not enough capital in gold or foreign currency necessary to create an issuing bank as a joint stock company. As he wrote in his diary, during the presentation of his project to the Sejm (Sejm paper No. 473), he had devoted most of his efforts to compiling the reasons for the design of a state bank rather than a private one: "despite the fact that only three European banks (Russian, Swedish and Bulgarian) are organized as state banks, while all others have been created as privately held joint stock companies

[1] A. Jezierski, C. Leszczyńska, *Bank Polski S.A. 1924–1951*, Warszawa 1994, p. 21; see also: S. Karpiński, *Projekt ustawy Banku Polskiego w związku ze sprawą waluty*, Warszawa 1918, p. 6 ff; S. Karpiński, *O bankowości w Polsce dzisiaj i jutro*, Warszawa–Lublin–Łódź 1915, pp. 27–43.

by private shareholders".[2] He also noted that even as far back as in 1918, he had attempted to advance (which he later abandoned and eventually stopped), "the idea of a clearly state-owned bank".[3]

It is worth mentioning that at the beginning of 1919, the Minister of Treasury, Józef Englich, without waiting for the Sejm, "arbitrarily" obtained a Head of State decree calling for the establishment of a future monetary unit, the "lech". However, this decree on the introduction of a new currency was rejected by the Sejm. Rather, by the act of parliament of February 28, 1919, it decided to give the new monetary unit the traditional name – "zloty". In accordance with this act, the banknotes that were to be issued by the Bank of Poland (which did not yet exist) were to bear the name of "zloty". These were then ordered abroad.[4]

Władysław Grabski (the next Minister of Treasury) returned to the idea of establishing a new issuing institution in 1920. He wrote:

> In the spring of 1920, I thought about the establishment of the bank of issue, I developed a plan of such a bank, and its implementation was based, on the one hand, on the foreign currency inflows from the US loan, and, on the other hand, on the inflow of currencies from the export of wood. (...) These plans were completely affected by the sharp course that the war took in the spring of 1920.[5]

In 1920, Grabski chaired the Polish delegation at the international monetary conference in Brussels. Both at this conference and at the Genoa conference in 1922, the tendency was to prescribe the independence of issuing banks of the State Treasury. This notion certainly was influenced by the experience of the war economy in 1914–1918. At these conferences, the tendency of returning to the pre-war gold currency was also won. The conference in Genoa in 1922 was of great importance in this scope. According to Kazimierz Zabielski, "during its deliberations, it was stated, among other things, that Europe's economic recovery is conditional upon the stabilization of the currency, and that gold must become the basis of this currency system".[6] The matter of the establishment of a bank of issue returned in 1923 in the time of increasing hyperinflation. Grabski entrusted the preparation of the statute of the issuing bank to Professor Roman Rybarski, who at the time, was a proponent of liberal economic policy.[7]

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[2] S. Karpiński, *Pamiętnik dziesięciolecia 1915–1924*, Warszawa 1931, p. 213.

[3] *Ibidem*, p. 214.

[4] See: *ibidem*, p. 208 and see: A. Jezierski, C. Leszczyńska, *Bank...*, *op. cit*., p. 17.

[5] W. Grabski, *Dwa lata u podstaw państwowości naszej (1924–1925)*, Warszawa 1927, pp. 10–11.

[6] K. Zabielski, *Finanse międzynarodowe*, Warszawa 2002, p. 42; see also: pp. 37–43.

[7] A. Jezierski, C. Leszczyńska, *Bank...*, *op. cit*., pp. 21–22; see also: A. Jezierski, C. Leszczyńska, *Historia gospodarcza Polski*, Warszawa 2001, p. 325; W. Morawski, *Stabilizacje waluty w Polsce w latach dwudziestych na tle innych stabilizacji europejskich*, [in:] Z. Knakiewicz (red.), *Od Grabskiego do Balcerowicza. Systemy pieniężne w gospodarce polskiej*, Poznań 1997, pp. 111–116.

It was at the end of 1923 that the government of Grabski came to power. Its main task was to organize the matters of treasury and currency. Grabski, who at the time was aware of the impossibility of obtaining any major foreign loans to cover deficits and stabilize the currency, decided to base the reform on the held means of Polish society. A huge part of these resources were at the disposal of the holding spheres, so Grabski tried to shift a significant part of the costs of financial reforms to these layers by valorizing (keeping the value constant) of taxes and by imposing a levy on the owned property in the total amount of 1 billion francs.[8] Such an act befalling upon the "holding classes", he believed, would also lead to the allocation of their gold and foreign currency resources towards the share capital of the Bank of Poland in the name of the Polish reason of state.

Grabski's government obtained a special mandate from the Sejm in the economic and financial sphere for a period of 6 months which was inclusive of the possibility of issuing decree-law. This enabled a quick and efficient introduction of order in Poland's chaotic monetary system.[9] The emphasis underlines the notion that in order to effectively carry out the reforms, Grabski (as the Minister of Treasury) had to receive an unprecedented instrument in the history of Polish parliamentarism. The aim was important – to stop the economic ruin of the State.

2. Currency reform and the foundation of the Bank of Poland joint stock company

On January 11, 1924, the Act on State Treasury Repairs and Currency Reform[10] was issued. This act of parliament in Art. 1 point 8 dealt with the establishment and introduction of a new monetary system based on gold monometallism, and, in particular, the Polish monetary unit, as well as the definition and release of means of payment (which included the power to be released from any and all obligations). Point 11a of this act of parliament concerned the conditions of liquidation of the Polish National Loan Fund. Point 11b, on the other hand, referred to the establishment of the issuing bank

> under a special statute as a joint stock bank – with the participation of the State – subjected to the state supervision, with the appointment of the President of the bank and the approval of the Heads, giving to the bank of issue an authorization to issue banknotes which would be the legal means of payment, covered by at least one quarter to one third of held gold stocks, or by a reserve of

[8] B. Zientara, A. Mączak, I. Ihnatowicz, Z. Landau, *Dzieje gospodarcze Polski do roku 1939*, Warszawa 1965, p. 509; see also: K. Jonca, *Rozwój gospodarczy Polski do 1939 roku*, Wrocław 2001, pp. 185–186, p. 191.

[9] A. Jezierski, C. Leszczyńska, *Bank*..., *op. cit*., p. 22.

[10] Journal of Laws of 1924 No. 4, item 28.

foreign currency and currency not subjected to significant exchange rate fluctuations. Furthermore, to the bestowal to the documents of that bank, the character of public acts (the titles of execution) and to the alienation of state assets held by the Polish National Loan Fund, as well as the assets of the National Treasury. In addition, the issuing bank must establish a clear relationship to the Treasury in which the last cannot use the bank's loans, nor the investments, for current administrative needs.[11]

This legal provision determined the status of the bank and its relationship with the government. The Act on the State Treasury Reform and Currency Reform, hence, laid down the basic principles of the future monetary system and the framework for central bank activity. The new bank, being a joint stock company, was provided with a far-reaching independence to the government and the treasury, and by point 11, it introduced the Polish currency into the gold exchange standard.

Shortly after the announcement of the act of parliament, at the meeting of the Organizing Committee of the Bank of Poland (appointed on January 14, 1924 by the Minister of Treasury), discussion was started on whether Bank of Poland was to be a joint stock company or a sole state institution.[12]

As in the past, Stanisław Karpiński was in favor of the form of a state institution, and felt that the independence of its authorities of the Minister of Treasury would be ensured by linking them with the Prime Minister or the Sejm. However, the matter was already settled in the Treasury Recovery and Currency Reform Act. This explicitly stated that the issuing bank is to be a "joint stock bank" (Art. 1 point 11b). As Zygmunt Karpiński wrote, "The concept of a joint stock company won under the pressure of postulates of so-called economic spheres and under the influence of the ideas radiated from the recently held international monetary conferences in Brussels in 1920 (...) and in Genoa in 1922, recommending the independence of the issuing bank of the Treasury".[13]

According to Andrzej Jezierski and Cecylia Leszczyńska,

the fact that the Bank was established as a joint stock company and not a state bank was brought about by way of several reasons. Firstly, international financial spheres believed that a central bank should be a joint stock company, as so-doing would facilitate mutual financial relations from the point of view of international law. Secondly, in the foreign political circles, the activities of successive governments of independent Poland, and especially their fiscal and monetary policies, had led to hyperinflation, and were negatively assessed. With often changing governments, the central bank should be, thus, a stabilizing factor. It was also rightly believed that a central state bank could be easily turned into a Treasury cashier. Thirdly, the Bank's board of directors, as a joint stock company, could become a forum for the presentation of the views of the economic spheres of large capital in monetary and credit policy. Fourthly, since, as Władysław Grabski had correctly predicted

[11] *Ibidem*.

[12] A. Jezierski, C. Leszczyńska, *Bank*..., *op. cit*., p. 23.

[13] Z. Karpiński, *Bank Polski 1924–1939. Przyczynek do historii gospodarczej okresu międzywojennego*, Warszawa 1958, p. 17.

in the political situation of early 1924, holders of gold and foreign currency would reach into their own pockets and voluntarily contribute to the Bank's share capital, without the participation of private equity, it would not have been possible to create an issuing institution with a capital of 100 million zlotys and with a huge share of gold and foreign currency. Fifthly, Grabski's knowledge of political tactics allowed him to carry out the concept to which he was faithful from the beginning, i.e. the establishment of the Bank as a joint stock company.[14]

The Statute of the Bank of Poland, established by the Presidential Decree of January 20, 1924, set out the objectives and the main tasks facing the Bank: maintaining currency stability and regulating cash flow and credit.[15] In carrying out these tasks, the authorities of the bank were supposed to help the developed monetary system. In the 1920s, the postulation of a quick return to the golden currency system was prevailing. In Poland, this tendency was strong as well, and, consequently, a regulation of the President of the Republic of Poland of 20 January 1924 concerning the monetary system[16] was issued. This formed the basis of the new monetary system, setting a new monetary unit that held parity to Swiss gold francs. Furthermore, the regulation of the President of the Republic of Poland of 14 April 1924 on the change of the monetary system[17] established the relation of the old Polish mark to the Polish zloty as 1,800,000 old Polish marks for one zloty. As a result of these legal regulations, the legal provisions of the Statute of the Bank of Poland concerning foreign exchange issues were based on the then widely accepted currency-gold currency system. This was a modified system, prevalent before World War I, the difference being in the counting in the covering of issued currency, aside from gold, by foreign currencies, and in the exchanging of banknotes for gold bars or foreign currencies, excluding the exchange for gold coins.[18] These principles were directly reflected in Art. 47 and Art. 51 of the Statute of the Bank with simultaneous reservation (Art. 47 in fine) that "the date of the commencement of the obligatory exchange of banknotes for gold (...) will be marked by a decree of the Council of Ministers, issued at the motion of the Minister of Treasury, based on a resolution of the Bank Board". Karpiński notes that "this kind of cautious wording – also found in other central banks in that period – turned out to be all-purpose: when, in 1925, the Bank could not maintain the exchangeability of its paper currency at a fixed rate, this deviation from the original assumptions was not in opposition to the formal wording of the statute".[19]

[14] A. Jezierski, C. Leszczyńska, *Bank..., op. cit.*, pp. 23–24.

[15] Journal of Laws of 1924 No. 8, item 75.

[16] Journal of Laws of 1924 No. 7, item 65.

[17] Journal of Laws of 1924 No. 34, item 351.

[18] R.W. Kaszubski, *Bank Polski S.A. – bank centralny II Rzeczypospolitej*, „Bank i Kredyt" 1995, nr 9, p. 40.

[19] Z. Karpiński, *op. cit.*, p. 16.

According to Józef Zajda, the introduction of the gold currency system in Poland was important and prestigious. This system had an international character, so it acted integrally – connecting the economy of newly established states with the economies of the major capitalist countries of the time – and Poland wanted to be in their family as a peer partner.[20] Following Zenobia Knakiewicz, it can be added marginally that in the reformation of monetary systems in the 1920s, the "gold exchange standard" was the most often introduced system (as a currency-gold currency system). The prototype was the "Goldkernwährung" (i.e. the so-called gold-plated currency system) created at the beginning of the 20th century by Leon Biliński – then the governor of the Austro-Hungarian Bank. However, the new system was not a repetition of this system, rather, the Polish monetary system was in the "gold exchange standard" group. The uniqueness of our system, apart from the convertibility of banknotes in foreign exchange, was also in its ability to exchange banknotes into gold bars, a feature characteristic for that based on a "gold bullion standard". This was advantageous at the time as there were some gold coins in the Bank of Poland's reserves.[21] Knakiewicz explains:

> The Bank of Poland held responsibility for our system functioning appropriately. In so-doing, the size of banknote issuance depended on the coverage which was held in gold and foreign exchange reserves (...). In the gold currency system, hence, the central bank becomes rather a guardian and an advocate of adherence to the rules adopted; it is not an institution that actively participates in the conduct of the national economy. It should be added that Eugeniusz Kwiatkowski alone had imposed a system of rigid relationship in the issuing of banknotes to cover more flexibly foreign exchange, while at the same time introducing foreign exchange control (its introduction, being under the decree of the President of the Republic of Poland of April 26, 1936 on foreign money circulation and foreign and domestic means of payment circulation (Journal of Laws of 1936 No. 32, item 249), meant the gold currency system had, in actuality, collapsed). Money reformers in Poland were, therefore, political authorities, not the issuing bank.[22]

3. Subscription for shares and the beginning of the activity

In the face of adopting the form of a joint stock company, the main task of the Organizing Committee was to collect in as short a time as possible, the share capital of 100 million zlotys (which was the equivalent of about 20 million dollars today). This was a high amount compared to the relatively weak capital resources of the then society.

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[20] J. Zajda, *Kierunki polityki walutowej Polski w okresie międzywojennym*, Warszawa–Poznań 1998, p. 32.

[21] Z. Knakiewicz, *Bank Polski i Narodowy Bank Polski w gospodarce polskiej. Próba refleksji*, [in:] Z. Knakiewicz (red.), *op. cit.*, p. 19; see also: Z. Karpiński, *op. cit.*, pp. 15–16, Statute of the Bank of Poland (Journal of Laws of 1924 No. 8, item 75) and E. Taylor, *Historia rozwoju ekonomiki*, t. 1, Poznań 1957, p. 227.

[22] Z. Knakiewicz, *ibidem*, p. 19.

This task was initially considered by many to be too ambitious. Collecting share subscriptions ran slowly for the first two months, and momentum was only gained in the third month.[23] Stanisław Karpiński, the future first president of the Bank of Poland, described in his diary many perturbations connected with the subscription of the Bank's shares. For example, on January 25, 1924, he mentioned that payments for shares were made only in foreign currencies and in gold; under the date of January 28, 1924, he wrote about widespread complaints about not accepting the old Polish mark for stock subscriptions; on March 3, 1924, he wrote: "From today, all Polish National Loan Fund branches can now accept payments for Bank of Poland shares in old Polish mark".[24] This certainly helped speed up the subscription process.

The starting date of general subscription should be considered the 29th of January 1924 (transaction recording beginning at this date in Warsaw, while this coming about a few days later in other cities). In order to promote subscriptions, special committees were established at the branches of the Polish National Loan Fund, and on March 17, 1924, the Organizing Committee of the Bank of Poland issued a statement declaring that by the end of March, subscribers need immediately contribute only 40% of the equivalent of the shares and the rest in 3 monthly installments of 20%, the deadline being the end of June.[25]

According to Art. 92 of the Statute of the Bank of Poland, the Bank was to be able to start its activity "only after the entire share capital was deposited in the Polish National Loan Fund, and after its founding, at the founding meeting convened by the Minister of Treasury". Recognizing that the full subscription of shares may encounter difficulties, the second part of this legal provision introduced a provision that

> if, within two months from the start of the subscription, the Organizing Committee fails to collect the 600,000 shares, the President of the Republic, by resolution of the Council of Ministers, may introduce changes to this Statute which then will provide the government with greater influence upon the Bank's governing bodies, corresponding to the share capital acquired by the State Treasury.[26]

The first amendment to the statute took place in March 1924, and made reference to Art. 92. By the regulation of the President of the Republic of Poland of March 17, 1924, on the amendment of the regulation of the President of the Republic of Poland of January 20, 1924, on the establishment of the statute for the issue bank (Journal of Laws No. 8, item 75), it was agreed that the Bank of Poland may start its activity after covering, by way of subscription of the total share capital and after paying to the Polish National Loan Fund, at least 50% of the contributions (instead of the original 100%) to the capital. Terms

[23] Z. Karpiński, *op. cit.*, p. 17.
[24] S. Karpiński, *Pamiętnik...*, *op. cit.*, p. 320, 323, 328.
[25] A. Jezierski, C. Leszczyńska, *Bank...*, *op. cit.*, p. 25.
[26] Journal of Laws of 1924 No. 8, item 75, art. 92.

of repayment of unpaid share capital were to be determined by the Minister of Treasury.[27]

Until the end of March, all the capital was covered by private subscribers, leaving the Treasury (in spite of its original assumptions) almost no share. After closure of subscriptions, as indicated by Karpiński, the list of shareholders exceeded 62,000 names, and, in addition, about 180,000 shares were provisionally formally submitted to the Treasury Ministry. In fact, however, this number also included those held by state and military officials, whose records (due to installment relief) were so far centered in the ministry. After the split, it was found that the share capital of 100,000,000 zlotys, divided into 1,000,000 shares of 100 zlotys, was held by over 176,000 shareholders, of whom over 150,000 held one or two shares, while, 3/4 of the share capital was in the hands of 6,268 shareholders, holding 25 shares or more. Art. 5 of the Statute[28] expressly stated that the Bank's shares are to be registered and each share issued is entered in the Bank's shareholder register, and, in relation to the Bank, that person is a shareholder who is registered as the owner of shares in the shareholder's register. Soon, the negative consequences of these provisions and the fact that the shares were largely dispersed, came to light. Small and financially weak stockholders tried to capitalize them quickly, and the result of these actions was a sharp drop in the share price of Bank of Poland on the free market in 1925. Maintaining such a large number of shares in the form of registered shares, which were predicted in the original wording of the statute and the keeping of the book of shareholders (170,000 names), proved to be technically impossible.[29]

The additional problem, mentioned above, was that the shares could be transferred by simple assignment without the obligation to record changes in the shareholder's register. Although the new buyer did not have the right to participate in the General Meeting of Shareholders, he retained full rights to the dividend. So, over time, the formal state of records deviated from the actual state of ownership. In 1926, the statute was changed[30] in this direction that, with the approval of the President, registered shares could be converted into bearer's shares in share limits of no more than 10 shares. The Bank of Poland, in 1934, proceeded to the exchange of original shares for sections of the new design, giving shareholders, as their wish, registered or bearer's shares. After the exchange, it turned out that 54% of the general condition was in bearer's shares and 46% – in registered shares. It is worth emphasizing that the turnover of the Bank's shares was one of the largest on the Polish securities market.[31]

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[27] Journal of Laws of 1924 No. 27, item 273.

[28] Journal of Laws of 1924 No. 8, item 75.

[29] Z. Karpiński, *op. cit.*, pp. 17–18.

[30] Journal of Laws of 1926 No. 92, item 531.

[31] R.W. Kaszubski, *op. cit.*, pp. 40–41.

Pursuant to Karpiński (in reference to the report of the Bank of Poland in 1925, p. 22), “the division of the original composition of shareholders by profession was as follows: industrial enterprises – 36%; officials, military and freelance – 25.1%; banks and bank houses – 13.8%; trading companies – 10.2%; farmers and their organizations – 7.5%; State Treasury – 1.1%; other – 7.4%”.[32]

A very interesting phenomenon was the propaganda campaign undertaken in the press for the reforms of Grabski. It consisted, on the one hand, in posting the list of subscribers to the shares of Bank of Poland, and on the other, the appearance of the following comments (among others): “When buying the shares of the Bank of Poland, we are creating a backdrop for the new currency and we best place our capital”, and “Put gold and silver into our National Treasury”.[33]

After this successful share subscription, the Organizing Committee undertook work to start normal business activities. The most important of these was the issuance of circulation documentation. This did not present great difficulties, as new bank cards (the basic instrument of the bank’s issue) had already been prepared. These had been made in French and English graphic works in 1919 when it was assumed that the Bank of Poland would be soon put into place. The materials were dated 28 February 1919 and were signed by the then directors of the Polish National Loan Fund. The Organizing Committee of the Bank of Poland, therefore, appointed a committee to examine their legal force as an effective means of payment. This reported back that the texts of the documentation and the signatures do not prevent them from being admitted to circulation if the Bank of Poland recognizes them as its obligations. This was done by placing an announcement in *Monitor Polski* which contained a detailed description of all relevant information. Within just three months, all preparatory activities were completed. On April 15, 1924, the founding meeting of shareholders of the Bank took place. In this, the Bank’s Council was elected, and on April 28, 1924, the Bank began to carry out its activities.[34] At the opening of the Bank, a commemorative plaque (the inscription having been approved by the Organizing Committee) was unveiled (the authors of the words were Stanisław Karpiński and Antoni Rząd). This stated: “The Polish State, establishing in 1924 the Bank of Poland, as the mainstay of monetary order in the country and as an expression of spiritual communication with the secular institution of that name, expresses its gratitude to the numerous citizens who had subscribed to the National Treasure”.[35]

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[32] Z. Karpiński, *op. cit.*, p. 18.

[33] See: R. Macura, *Prasowe echa reformy Władysława Grabskiego i Leszka Balcerowicza*, [in:] Z. Knakiewicz (red.), *op. cit.*, pp. 183–184 ff.

[34] Z. Karpiński, *op. cit.*, pp. 19–20; see also: Notice of the Minister of Treasury of 15 April 1924, concerning the commencement of activities by the Bank of Poland (Journal of Laws of 1924 No. 34, item 360).

[35] S. Karpiński, *Pamiętnik...*, *op. cit.*, p. 340, 329.

Thus, the Bank of Poland commenced operations on April 28, 1924, and on that day, the Polish National Loan Fund was liquidated, the exchange of Polish mark for zloty began (1,800,000 Polish marks for 1 zloty). On July 1, 1924, the Polish mark ceased to be a legal tender. As of June 1, 1924, the State Treasury began the exchange of Polish mark for Bank of Poland banknotes and coins or promissory notes. The exchange was due to end on May 31, 1925.[36]

Under Art. 1 sec. 11b and Art. 2 of the act of Parliament of 11 January 1924, on the State Treasury and Currency Reform, and in accordance with the resolution of the Council of Ministers of 19 January 1924, Stanisław Wojciechowski, President of the Republic of Poland, in the regulation of 20 January 1924 on the establishment of the statute for the issue bank, established a new commercial law institution under the name of Bank of Poland, with special privileges specified in the statute (above all the privilege of issuing bank notes). Art. 1 and Art. 46 of the Bank's Statute pointed out the main aims of the Bank's activity. These included: regulating the cash flow, facilitating the acquisition by business entities of loans, and maintaining money stability and its issuance.[37]

4. The Bank's authorities

The Statute of the Bank of Poland Joint Stock Company clearly defined the structure and functions of the individual authorities of the Bank, and only the matter of internal regulation was left to the Council and the Directorate.

The General Meeting of Shareholders was convened usually at the beginning of each year, and only in urgent situations (especially for amendments to the Statute), were extraordinary meetings assembled.[38] The Ordinary General Meeting convened the Board of Directors to approve the annual reports, balance sheet, profit and loss account, projected profit distribution, the election of members of the Supervisory Board, their deputies and their remuneration. The Extraordinary General Meeting convened the Bank's Board, on the basis of its own resolution, at the request of the President of the Bank or at the request of shareholders, representing at least 1/4 of the share capital. Apart from the above mentioned, the competences of the General Meeting were also all the matters brought by the Board of Directors, issues of the increase of the share capital, liquidation of the Bank and amendments to the Statute. Resolutions of the General Assembly were valid when they were taken by a simple majority of votes at the Meeting, attended by shareholders representing at least 1/5 of the share capital. The exceptions were

[36] Regulation of the President of the Republic of Poland of 14 April 1924, on the change of monetary system (Journal of Laws of 1924 No. 34, item 351).

[37] Journal of Laws of 1924 No. 4, item 28; Journal of Laws of 1924 No. 8, item 75.

[38] A. Jezierski, C. Leszczyńska, *Bank...*, *op. cit.*, p. 33.

resolutions concerning the increase of the share capital, changes in the statute and liquidation of the Bank, which became legally binding, in the presence of representatives of at least half of the share capital (in addition, in the case of resolutions concerning the amendment of the Bank's Statute and the liquidation of the Bank, 2/3 of the votes were required). The Statute established provision in case of lack of required number of shareholders representing the required part of the capital: "In the absence of a complete set, within 14 days, a General Assembly is reconvened, whose resolutions are legitimate, irrespective of the number of persons present" (Art. 21 in fine). The State Treasury was represented by a person indicated in writing by the Minister of Treasury.[39]

According to Jezierski and Leszczyńska, the Bank's Board was the most important body,

> (...) as the Board of the Bank was responsible for the general direction of the Bank's activities, the supervision of the executive bodies, the resolution of all matters that did not belong to the general meeting of shareholders. The Board decided on the credit policy, purchase and disposal of immovables by the Bank, on the setting of a discount rate, commission rates and percentages, the approval of the budget and of the annual reports of the Bank. On personal matters, the Bank's Board elected the Chief Executive and members of the Management Board (and issued regulations on its activities, including remuneration), submitting these to the Minister of Treasury for approval, and appointed members of the Discount Committees.[40]

According to the Statute of the Bank, the Bank's Board consisted of a President, a Vice-President, appointed by the President of the Republic of Poland, and 12 members and 3 deputies elected by the General Assembly. Furthermore, Ministers of Treasury, within 3 days of any election, were entitled to object to the election of any of the Council members or deputies. "In order to maintain communication with the Bank", the Minister of Treasury had the right to appoint a Bank Commissioner who could attend the meetings of the Council (and Directorate) and who held an advisory voice and the right to request any explanations from the Bank's authorities. After the completion of an individual Council member's three-year tenure or due to vacancies that had risen due to other reasons, the General Assembly voted in new members from a list of candidates approved and presented by the Council.[41] The list of candidates was always agreed with the Minister of Treasury, which had, therefore, great influence on the election of new members of the Board.[42] Each member of the Board was obliged to hold 100 shares of the Bank for the duration of their activities (this provision was not always followed,

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[39] Journal of Laws of 1924 No. 8, item 75 (Art. 12, 13, 20, 21, 23).

[40] A. Jezierski, C. Leszczyńska, *Bank...*, *op. cit*., pp. 36–37; see also: Journal of Laws of 1924 No. 8, item 75.

[41] Journal of Laws of 1924 No. 8, item 75 (Art. 25, 26, 27, 39).

[42] Z. Karpiński, *op. cit.*, p. 212.

but it was not until the late 1930s that the matter was controlled, obliging members of the Council to acquire these 100 shares). The members of the Council could not be deputies to the Sejm, senators, state and military officials in active service, and should meet the conditions of the shareholders (holding the ability to take legal action and the intent to preserve civic rights, and "on whose property, insolvency is not implemented"). Ordinary meetings of the Board were called by the President of the Bank, at least once a month.[43]

The position and functions of the President were laid down in Art. 35–41 of the Statute. The President of the Republic of Poland nominated the President of the Bank at the motion of the Council of Ministers for 5 years (with the possibility of re-nomination). The President of the Bank could not be a deputy to the Sejm or a senator at the same time, nor could he serve any paid state, municipal or private office, nor could he belong to the governing or supervisory bodies of any business, or be a partner in a general partnership or limited partnership. In addition, he should meet the conditions of the shareholders (holding the ability to take legal action and the intent to preserve civic rights, and "on whose property insolvency is not implemented"). The tasks of the President were to supervise the Bank's entire business, preside over the Board and watch over the implementation of its resolutions, and to sign on behalf of the Council, nominations for members of the Directorate and senior officials whose appointment lays within the Council's competences. He could also chair the Directorate's deliberations with an advisory voice. Moreover, the President had the right to suspend the resolutions of the Board (as well as the Directorate) that are incompatible (in his opinion) with the state laws, the Statute or interest of the Bank and the State. However, only the acceptance of the suspension of the resolution by the Minister of the Treasury allowed these to be abrogated. Regarding the provisions of the Directorate, this decision belonged to the Council. Furthermore, the President was obliged to submit to the Minister of Treasury monthly reports on the Bank's activities.

The Statute, in its original wording, made mention of the position of Vice-President of the Bank, but the ascribed role was rather indeterminate, as we find in it the wording that "the vice president replaces the president (...) in his absence" and that "the president can transfer part of his activities to the vice president".[44] There were only two vice-presidents: Feliks Młynarski – after his term of office (1924–1929), the position of vice-president was not occupied for three years, and it was only in the autumn of 1932 that the President appointed Jan Piłsudski (the brother of the Marshal, and who had also been a former Minister of Treasury) for the position of vice-president. He remained at that post for 5 years. After the end

[43] Journal of Laws of 1924 No. 8, item 75 (Art. 27, 29, 30) and A. Jezierski, C. Leszczyńska, *Bank...*, *op. cit*., p. 55.

[44] Journal of Laws of 1924 No. 8, item 75 (Art. 35–41).

of his tenure, there were no new appointments, and the post of vice-president, as a result of the amendment of the statute in 1939, was abolished.[45]

Very few provisions of the Statute were devoted to the Bank's Directorate (Art. 42–44) in relation to its importance in the Bank's activity. It was, however, both an administrative body (in the traditional sense) and an executive one, and was composed of the chief executive and the directors of a number of successful Polish-owned businesses noted by the Council. These directors were elected by the Council and approved by the Minister of Treasury. The Chief Executive (or his deputy as appointed by the Council) chaired the meetings of the Directorate and was entitled to participate in the deliberations of the Council (without voting rights), wherein he submitted a report on the Bank's activity, characterized its situation and submitted proposals for the Directorate's approval. Members of the Directorate could not serve as deputies to the Sejm or be senators, and could not occupy any paid office outside the Bank. Resolutions of the Management Board were passed by a simple majority of votes.[46] It is worth emphasizing that after the assumption of the post of chief executive by Leon Barański (who performed this function in 1935–1951), the position of the Directorate was strengthened, and the proposals formulated by it and then presented to the Council, set out the directions of the Bank's activities. The Bank's Board usually accepted motions from the Directorate without protest, most often unanimously.[47]

The internal control in the Bank of Poland was exercised by the Audit Committee. This consisted of 5 members and 3 deputies elected by the General Assembly. Its main task was to examine and approve in the first quarter of each year, the Bank's balance sheet, and to report to the General Assembly. Apart from this, the Audit Commission could, at any time, revise the bank's various activities after having consulted the chairman, who could also request a revision. What is more, the Commission was entitled to demand from the Directorate and from the Bank Board, any and all explanations to clarify any matter, as well as to demand the presentation of books and other documents.[48]

Bank of Poland – the central bank of the Second Republic of Poland – established, contrary to original intentions, only in 1924, after the fiscal and monetary reform, as a joint stock company, existed until 1952. This bank was supposed to be the "mainstay of monetary order" and the guardian of the stability of the Polish currency. In addition to issuing activity, it was also responsible for "facilitating the credit". This bank dealt with the operational activity characteristic for commercial banks. Although, the Statute did not prohibit the Bank of Poland

[45] Z. Karpiński, *op. cit.*, p. 211.

[46] Journal of Laws of 1924 No. 8, item 75; see also: A. Jezierski, C. Leszczyńska, *Bank...*, *op. cit.*, p. 45.

[47] *Ibidem*, p. 48.

[48] Journal of Laws of 1924 No. 8, item 75 (Art. 45).

direct lending to the economy, however – what is noted by Wojciech Morawski – “(...) by exercising this right, BP betrayed the role of the central bank as »the bank of banks«”.[49] This bank became a competitor to private banks, and Art. 1 of the Statute of the Bank of Poland from 1924 stated that this bank was created “to regulate cash flow and credit”.[50] Before the Bank of Poland, therefore, two equal goals were set: responsibility for the currency and responsibility for the state of the banks, however, already in 1925, treating the stability of the banking system as a secondary objective meant that it ceased to be “the bank of banks”, so it was not the central bank in the modern meaning of this concept.[51] The Bank of Poland joint stock company was relatively independent of the government, however, it changed at the end of the 1920s. The activity of the Bank of Poland requires a separate analysis, taking into account the then economic and political situation of the Second Republic of Poland, and due to the complexity of this problem – it requires a separate description.

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[49] W. Morawski, *Bankowość prywatna w II Rzeczypospolitej*, Warszawa 1996, p. 56.

[50] Journal of Laws of 1924 No. 8, item 75.

[51] See: W. Morawski, *op. cit.*, pp. 70–72.

SUMMARY

The Bank of Poland joint stock company was established in 1924 as the central bank of the Second Republic. It was planned to be set up shortly after Poland regained its independence, however, it turned out to be possible only a few years later, after the fiscal and monetary reform. It was not an easy task, only Władysław Grabski's government managed to do it. A broad-based share subscription was made for the Bank's shares, as this bank was supposed to operate in the form of an organizational and legal joint stock company. A new monetary unit was introduced, which was given the traditional name "zloty". The Statute of the Bank of Poland indicated the main objectives of its activity and explicitly defined the structure and functions of the authorities of this bank of whom the key importance should be attributed to the Bank Board.

Keywords: The Bank of Poland; joint stock company; shares; monetary unit; fiscal and monetary reform

STRESZCZENIE

Bank Polski SA został utworzony w 1924 r. jako bank centralny II RP. Planowano jego utworzenie tuż po odzyskaniu przez Polskę niepodległości, jednak okazało się to możliwe dopiero kilka lat później, po przeprowadzeniu reformy skarbowej i walutowej. Nie było to zadanie łatwe, a udało się dopiero rządowi Władysława Grabskiego. Przeprowadzono szeroko zakrojoną akcję zapisów na akcje Banku Polskiego, jako że bank ten miał działać w formie organizacyjnoprawnej spółki akcyjnej. Wprowadzono też nową jednostkę monetarną, której nadano tradycyjną nazwę „złoty". Statut Banku Polskiego wskazywał główne cele jego działalności oraz wyraźnie określał strukturę i funkcje władz tego banku, spośród których kluczowe znaczenie należy przypisać Radzie Banku.

Słowa kluczowe: Bank Polski; spółka akcyjna; akcje; jednostka monetarna; reforma skarbowa i walutowa