



## **Position paper to the European Commission consultation on the competitiveness of the banking sector in the EU**

Warszawa, 10<sup>th</sup> March 2026

Polish Bank Association welcomes the opportunity to present its comments in the consultation regarding the competitiveness of the banking sector in the EU.

The Polish Bank Association established 35 years ago represents commercial and cooperative banks as well as credit institutions branches in Poland, directly representing above 90% of assets of Polish banking sector. Over 100 banks operating in Poland are our members. We actively represent the interests of our members on domestic as well as international and EU level, also by our Representation Office in Brussels since July 2015.

### **I. General comments:**

**The banking sector plays the dominant role on the European financial market** and it is the most important source of external financing for economy and households. This situation generates special attention to the regulatory ecosystem which was implemented in order to create solid, strong and stable banking sector in Europe. We need the banking sector which is ready to finance the economy, to improve economic outcomes for Europeans, to implement more innovative solutions which can compete worldwide.

We need the banking sector which well diversified. We need the big banks which can finance the big projects, cofinancing the strategic important investment in Europe and in the European Union. However, we need also the smaller, local banking institutions which can be more flexible and more suitable for financing of smaller projects and the smaller investments which need to be assessed in more individual way.

We need in Europe the banking sector which is resilient to the internal and external shocks, the sector which will not be again the source of instability and crisis in the European economy. We need the sector which is competitive not only in the international scale but also the can be competitive in relation to local non-financial institutions such as the fintech companies and nonbanking financial institutions. We need strong banking sector with adequate capital endowment which allows to finance the economy and contribute to economic boost.

In our opinion the main directions of needed changes are the simplifications of the prudential regulations which are implemented in the Europe and the real application of the principle of proportionality in the European banking sector.

## **II. Lack of proportionality of the prudential regulations:**

One of the most important issues which hinders the development and access to finance for the economy of the EU is **the lack of proportionality** of the prudential regulations in the EU towards the small and non complex banking institutions such as cooperative banks in Poland.

We strongly believe that the diversity of the banking institutions and its business models among the EU member states is the most important value and advantage of the European banking sector allowing it to be more resilient and responsive to different needs of different groups of clients, both consumers, cooperatives, corporates and farmers.

**The cooperative banking sector in Poland represents a unique and irreplaceable element of the financial system, deeply rooted in local communities and focused on providing fundamental banking services.** Unlike large commercial banks, cooperative banks operate on a smaller scale, specializing in deposit-taking and lending activities not

engaging in highly leveraged or speculative transactions. Their primary clients include farmers, small and medium-sized enterprises (SMEs), and local government units - groups that are often underserved by larger institutions. Notably, cooperative banks account for approximately two-thirds of agricultural lending in Poland and play a critical role in channelling EU funds under the Common Agricultural Policy (CAP). This combination of a conservative business model and a focus on essential credit provision makes them stable financial institutions; while simultaneously ensuring they remain indispensable for the proper functioning of local economies.

Despite this importance, **cooperative banks are disproportionately burdened by the current scope of supervisory and reporting requirements derived from EU regulations**, which were designed with large, systemically important institutions in mind. The principle of proportionality should guide the application of such rules, ensuring that smaller, stable institutions are not subject to the same complex obligations that threaten their competitiveness and capacity to serve local communities. **The existing paradigm - built on the assumption that a single market in financial services necessitates uniform regulation - has proven inadequate.** A new approach is therefore required, one that acknowledges the specific characteristics of cooperative banks and aligns oversight with their real risk profile. The following proposals aim to foster a regulatory environment that safeguards stability while allowing cooperative banks to remain competitive and continue fulfilling their unique mission within the Polish and European banking landscape.

In practice, however, **the use of identical sets of tools for these completely different segments of the banking sector constitutes a barrier for smaller banks**, determining the generation of costs of application of uniform prudential regulations that are disproportionate to the level of risk generated by these banks.

It is worth noting that the **regulations** created within European structures, in particular these of Level II and III, **are now intended to provide universal solutions and frameworks for both large banks and locally operating institutions** that base their business on a narrow group of customers, with whom they are often linked through ownership participation.

**We kindly ask you to consider the possibility of creating a model for Level II and III regulations that would take into account the different nature and risk profile of SNCIs when developing rules.**

**III. List of specific comments and issues to be tackled:**

1. Since the last crisis in the banking sector we observe stable wave of implementation of new robust prudential regulations which have increased significantly the capital requirements for all European banks. We could accept that some banks had in past to small capital in relation to the scale of their business activity but nowadays banks in Europe have the huge capitals which are the guarantee of safe banking activity.
2. We strongly recommend to make the review of existing capital requirements for banks. We have very ambitious the micro prudential and macroprudential capital requirements which are developed nearly every year. The number and level of macroprudential capital buffers is rising as well. We can add the additional resolution recommendations and growing guidelines in area of interest rate risk management and liquidity managements.
3. A genuine simplification of the capital stack is therefore needed. The objective should be to reduce the number of overlapping buffers and supervisory add-ons, creating a clearer, more transparent hierarchy of capital requirements, including with regards to the differentiation of going concerns and gone concerns. In particular, the systemic risk buffer (SyRB) should either be removed or harmonized through a single EU-wide methodology aligned with the buffers for systemically important institutions (G-SIIs and O-SIIs). The proposals made by the ECB's Single Supervisory Mechanism in this regard should be developed further.
4. A comprehensive streamlining of the EU financial rulebook is needed. The Commission should launch an omnibus legislative initiative to identify and remove

obsolete, excessively burdensome or overlapping provisions across the financial services acquis.

5. Simplification must extend to supervisory processes themselves. European and national authorities should intensify efforts to streamline and harmonize the Supervisory Review and Evaluation Process (SREP), which in its current form often results in duplicative data requests, inconsistent timelines and limited transparency around risk assessments. A more coordinated approach that is built on common templates, clearer expectations and better sequencing, would reduce the administrative burden on banks while enabling supervisors to focus on material risks rather than process-heavy exercises. Improving the efficiency of SREP is an essential part of making the overall supervisory framework more predictable, proportionate and aligned with the EU's competitiveness objectives.
6. Simplification should also extend to the sustainable finance framework. While the frameworks overarching goal should be maintained, the Commission needs to ensure greater coherence, reduce duplicative provisions and better align obligations across financial services, disclosure, and risk management rules. The proposals for the revised SFDR can only be the starting point. Following the adoption of the Sustainability Omnibus package, prudential rules and supervisory expectations must be adjusted to reflect the more limited scope of the CSRD. The same logic applies to the EU Taxonomy for sustainable investments: a review is needed to ensure that its screening criteria are realistic and proportionate across all economic activities. In particular, the "do no significant harm" screening criteria should be critically reassessed to avoid excluding viable projects that contribute to Europe's green transition.
7. Over the past decade, the volume of Level 2 and Level 3 rules in financial services regulation has exploded, contributing to a regulatory ecosystem that is increasingly complex and difficult to navigate. Level 1 legislation is now routinely followed by hundreds of pages of delegated acts, regulatory technical standards,

guidelines and Q&As. Not all of these acts are indeed necessary and the Commission has wisely decided to de-prioritize about 115 of them as “non-essential”.

8. Reducing the number and complexity of Level 2 and 3 acts is essential for a simpler, more coherent regulatory framework. We support a rigorous review of the existing stock of technical standards and guidelines with an eye to eliminating overlaps, contradictions, needless detail or overreach compared to the respective Level 1 texts. Many reporting, disclosure, and prudential requirements could be slimmed down without impairing the objectives of resilience and soundness.
9. Simplification must become a standing priority of the current legislative cycle.
10. European banking rules must be better calibrated to the size, business model, complexity and risk profile of institutions. Smaller, regionally focused banks with simple balance sheets and limited trading activity should not be subject to the same highly complex prudential and supervisory requirements designed for large, internationally active groups. While the EU’s framework recognises this principle through the designation of small and non-complex institutions (SNICs), the current approach remains too narrow and too limited in scope. Unlike other major jurisdictions (including the United States, the United Kingdom and Switzerland) the EU has applied the full Basel framework to virtually all banks, irrespective of their risk profile or cross-border activity. This comprehensive, “all-banks” approach goes well beyond Basel’s intended application to internationally active banks and creates a structural competitiveness gap for smaller European institutions that face high compliance costs without corresponding systemic relevance. Therefore, like other major jurisdictions, small, non-internationally active banks should be able to opt into a significantly simpler set of rules that is separate from, but coexists with, the current European banking rules, a genuine small banking regime calibrated to the size, complexity, business model and risk profile of small institutions.

11. Proportionality must become a guiding principle across the entire regulatory system, not a marginal adjustment. This includes periodically recalibrating thresholds - reflecting inflation and structural changes - to ensure banks are not inadvertently pushed into more burdensome regimes purely due to balance-sheet growth. A more balanced, risk-sensitive approach will ensure that Europe's diverse banking landscape remains strong, competitive and capable of supporting households, SMEs and local economies across the Union.
  
12. A competitive banking system also depends on a supervisory architecture that is clear, coherent and free of unnecessary duplication. Today, overlaps between European and national authorities frequently result in inconsistent mandates and blurred accountability.
  
13. We would like to emphasize the need of common implementation of the very complicated, sophisticated rules, included in the existing prudential regulations. These rules are very often the result of political compromise in the EU27 and make them more complicated to adopt to the local legal systems existing in the Member States. We need the efficient way to issue official interpretation of the European regulations. The local supervisors do not feel themselves the appropriate body to interpret the European regulations. On the same time, the European Banking Authority, which in our opinion is predestined to deliver the official interpretation to banks, is very deeply engaged in the preparation of the level 2 regulations without the possibility of being engaged in the process of issuance of the interpretation. The famous example of such strong need is the interpretation of article 229 CRR concerning the prudential value for calculation of collateral in area of mortgage credits. Banks from different Member States ask their counter partners from other Member States how they implement in praxis new rules knowing that they cannot received official interpretation in this area.
  
14. The fragmentation of services in the European Union is also the point. From our perspective the more common approach, also in transborder activity in will allow

the banks to limit their costs for banks and become more competitive and it will be more efficient to the European economy. Despite years of integration efforts, banks still operate largely within national ecosystems, facing duplicated requirements, divergent supervisory expectations and structural ring-fencing that forces subsidiaries to hold capital and liquidity locally. Reducing this structural ring-fencing would constitute a key step towards completing the single market for banks, since the ability of cross-border banking groups to reallocate capital and liquidity freely across their affiliates is essential to achieving an efficient allocation of resources at group level. To achieve this goal it is necessary to finish the construction of single rulebook, single architecture of banking supervision, banking resolution system and deposit insurance in the European Union. The completion of the common system of supervision, resolution and deposit guarantee are the necessary conditions to create the real single financial market in the European Union.

15. Growing competition from PayTechs and fintechs results in the consequence of traditional banks to lose some of their functions to new operators. Market research indicates that PayTechs are rapidly gaining popularity offering flexibility, speed and integration that until recently were the domain of banks. Banks expect regulatory support that takes into account the specific nature of PayTech activities and integration with traditional banking in order to prevent uneven competition or market fragmentation to the benefit of non-EU entities.

16. Regulations on security and fraud prevention bring high requirements for payment security. There is a need for advanced investments in security technologies (e.g. 3DS, SCA, tokenisation), which increases costs. Security regulations should be proportionate and take into account the technological differences between banks and other payment service providers so as not to cause excessive costs, hindering retail competition on an EU scale.

17. The competitiveness of the banking sector in the EU is increasingly shaped by regulations responding to digitalisation and technological development such as AI Act and eIDAS 2.0 which increase regulatory complexity and the risk of market fragmentation due to differences in interpretations and implementation speeds across EU countries. AI Act bring additional compliance rules on governance and risk management requirements which may limit the pace of implementation of AI solutions in customer channels. eIDAS 2.0 has a significant potential for the development of digital identity, but the effect depends on consistent implementation by Member States.

18. We welcome the European Commission initiative to prepare the report concerning the possible solution to foster the competitiveness in the Single Banking Market. We would like to express our hope the final report will allow to implement the amendments in the existing prudential regulations which make the banking sector strengthened and more adequate to needs of real economy. We wish the European Commission to prepare the bold recommendations which will not only limit the existing administrative burdens in banking activity but will hold out the prospects for better development of banking industry in Europe. The European economy and citizens need strong banking sector to be helpful in the boost of the economy.

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