

## MACROPRUDENTIAL FRAMEWORK REVIEW



### JURAND DROP

Undersecretary of State –  
Ministry of Finance, Poland

### Improved connectivity and efficiency is the core of market integration

Poland's economy has grown steadily over the past 35 years, and this positive trajectory is expected to continue in the coming decade. The key challenge now is to avoid the middle-income trap and remain competitive amid rapid technological change. Achieving this goal requires a more efficient and dynamic capital market. Recognising this, the Ministry of Finance has focused over the past two years on strengthening the investment culture through national initiatives. Proposed changes under the Savings and Investment Union—particularly those aimed at simplification—can reinforce Poland's efforts, as well as those of other Member States, to ensure capital markets better serve the real economy.

European companies should be able to raise capital and scale their operations within Europe rather than seeking financing abroad. To support this objective, priority must be given to reducing the regulatory burden and

operating costs for listed companies. This would help stimulate IPO activity and strengthen stock exchanges as a source of growth capital. While adjustments to European legislation are necessary, behavioural and institutional changes—especially those encouraging a shift from passive to active investing—are likely to be even more important and more challenging to achieve.

The uneven depth of capital markets across the Union reflects differences in scale and maturity, varying levels of retail participation, and the still limited role of long-term institutional savings. Addressing these disparities requires more than harmonisation alone. Structural weaknesses at national level must be tackled at their source. In this context, developing best-practice recommendations on automatic enrolment, pension tracking systems, pension dashboards, and Savings and Investment Accounts is highly relevant. Poland is introducing Personal Investment Accounts (OKI), inspired by the Swedish model, to encourage citizens to take their first steps in long-term investing under tax-preferential conditions.

Further centralisation of stock exchanges is not, in itself, the solution to developing Europe's capital markets. The United States successfully operates with several competing exchanges, demonstrating that competition can enhance market dynamism. In the EU, deeper integration should be based on improving connectivity and efficiency without leading to excessive concentration of trading or post-trade activities in only a few major financial centres.

The recent German-French report on Financing Innovative Ventures in Europe (the FIVE Report) highlights a structural weakness: the share of traditional stock exchanges in European equity trading declined from 38% in 2020 to around 30% today. The five largest European exchange operators account for 85% of traditional exchange trading but only 25.5% of total trading volume, indicating significant consolidation. Meanwhile, approximately 70% of trading takes place on platforms owned by global banks, limiting the liquidity and price-discovery role traditionally performed by stock exchanges.

This suggests that fragmentation in EU capital markets stems less from

the number of traditional exchanges and more from the proliferation of non-exchange trading venues. The challenges facing Europe's capital markets should therefore not be viewed solely through the lens of insufficient cross-border activity.

Well-functioning local markets are essential for resilience, competition, and investor diversity within the EU financial system. Accordingly, integration measures under the Savings and Investment Union should remain proportionate, evidence-based, and respectful of diverse market structures. Policies that might unintentionally marginalise smaller markets or concentrate activity in a limited number of financial centres warrant careful consideration.

To build on the achievements of the past 35 years, Poland and other Central European economies must evolve their growth models. Mobilising “frozen capital” requires not only encouraging retail participation, but also strengthening institutional investment to ensure that Europe's vibrant start-up ecosystem can scale and remain on the continent. Drawing inspiration from France's Tibi initiative, Poland has developed the Innovate Poland concept to improve access to capital for innovative firms, adapting the French model to domestic conditions. This means, best practices and peer learning can help at least as much as harmonisation.

**Challenges can't be  
viewed only through  
the lens of insufficient  
cross-border activity.**

Finally, a dedicated EU Financial Services Simplification agenda is essential to improve the functioning of capital markets. To deliver it will require coordinated efforts across Directorates-General, particularly those responsible for finance, digital and data policies.



## RIINA SALPAKARI

Head of Prudential  
Policy – Nordea

### Unlocking cross-border scale through removing regulatory barriers

Since the current Commission took office in 2024, it has shown great initiative in pushing for simplification and enabling European competitiveness. While the pace has been fast in some areas, for banking regulation the progress has so far been muted, with limited visibility on potential changes to come. This is unfortunate as bank financing remains the cornerstone of funding the European economy for the foreseeable future. Hopefully more attention to acute banking issues will be dedicated in 2026 with the highly anticipated report on the overall situation of the banking system in the Single Market, including the evaluation of the banking sector's competitiveness. We hope that the report strikes the right balance of ambition and bravery to ensure EU banks competitiveness with global peers, and to make structural changes to enable cross-border scale.

Nordea's experience illustrates these challenges. Nordea undertook a two-phase restructuring: first consolidating its Nordic subsidiaries under a Swedish parent, then redomiciling to Finland and the Banking Union. This strengthened governance, simplified the operating structure, and reduced operational

risk, while enabling more efficient balance sheet management under a single home supervisor.

However, the process also exposed structural obstacles inherent in the current framework – obstacles very much in place to this day. One of the most material impediments was the non-transferability of contributions to deposit guarantee schemes (DGS) and resolution funds. When crossing from the Nordic region into the Banking Union, Nordea was required to build new contributions in Finland while leaving funds behind in other jurisdictions—effectively a merger tax that discourages cross-border restructuring even when it would be strategically sound. These costs are predictable but prohibitive.

These obstacles are known for any bank contemplating branchification. But the unknowns are equally significant. Merger approval processes across Member States lack clear timelines, legally defined turnaround expectations, or consistent requirements for content and scope. Coordination between supervisory authorities is limited, and domestic legislation often imposes constraints on when a competent authority may grant its approval. Taxation and local merger rules add further layers of uncertainty.

Even after consolidation, branch supervision remains fragmented: host authorities retain conduct mandates with – occasionally – a broad interpretation of “conduct”, and differing interpretations routinely result in overlapping supervisory processes and duplicated workstreams. Macroprudential rules, in particular, remain nationally determined and insufficiently coordinated, leading to overlapping or non-aligned buffer requirements. In an environment where EU capital markets remain underdeveloped compared with the US, these barriers to cross-border banking directly constrain credit provision and investment capacity.

#### Europe needs cross- border banking groups with true scale.

To overcome these obstacles and enable cross-border scale, the EU's regulatory framework requires targeted reform. Three priorities stand out.

First, a more simple and integrated macroprudential buffer framework is essential for tackling regulatory

uncertainty. European gold-plating, most notably the Systemic Risk Buffer, must be eliminated. The home supervisor should determine the overall capital requirement for a cross-border banking group, consolidating both microprudential and macroprudential components, with coordination ideally taking place within the supervisory college. This would ensure consistency, improve predictability, and eliminate the overlaps currently baked into the capital stack.

Second, the DGS Directive and the resolution funding framework must be amended to allow portability of contributions across jurisdictions, also outside the Banking Union. Without portability, every cross-border consolidation carries a built-in financial penalty unrelated to risk.

Third, the merger approval framework should be modernised—both at EU level and within Member States—to establish clear timelines, predictable requirements, and better coordination among authorities. Streamlined procedures would reduce uncertainty and facilitate restructuring rooted in strategic and economic rationale rather than regulatory arbitrage.

Europe needs cross-border banking groups with true scale, enabling the European economy to invest and compete globally. A more coherent regulatory framework for banks, via changes to both prudential rules and merger practices, is a strategic necessity.



## GYÖRGY KISS-HAYPÁL

Deputy Chief Executive Officer,  
Chief Risk Officer – OTP Bank

### Reforming the EU macroprudential framework: a CEE banking group perspective

Over the past decade, the European Union's macroprudential framework has grown significantly in scope and complexity. Drawing on the experience of OTP Group across 11 countries, banking groups with a broad regional footprint — particularly in CEE — must navigate an increasingly fragmented regulatory environment. National authorities retain broad discretion in calibrating capital buffers, resulting in substantial differences between member states. For cross-border banks, this often means that divergence in national approaches, rather than underlying risks, becomes a primary factor shaping strategic decisions and capital allocation.

Macroprudential buffers such as the countercyclical capital buffer (CCyB) and the systemic risk buffer (SyRB) were introduced to strengthen the financial system's resilience by requiring banks to hold additional capital in good times, thereby enabling them to support lending during downturns. However, in practice these buffers can limit lending capacity when they are applied inconsistently or when micro- and macroprudential objectives overlap. Similar banks may operate

under different capital requirements depending on the jurisdiction, creating distortions in competition and hindering EU-wide alignment of lending activities. In countries where buffers are set at unusually high levels, banks face notable constraints on credit expansion, which can impair economic growth.

Further challenges arise from the duplication of macroprudential elements within the resolution framework. The Market Confidence Charge increases MREL requirements, which can be particularly restrictive in CEE, where strong real economic growth, higher than usual inflation and increasing penetration lead double-digit credit expansion. Meeting these needs requires rapid growth in both capital and MREL-eligible instruments. While banks may partially address capital needs through more conservative dividend policies, securing large-scale and continuous issuance of MREL-eligible debt is far more difficult. It is costly, sensitive to market conditions and exposes banks to execution risks, especially in unstable environments. These challenges may slow the region's economic convergence. There is broad professional consensus that the EU's macroprudential framework would benefit from greater simplicity, harmonisation and proportionality. Present practice relies heavily on national methodologies, as seen in the calibration of O-SII buffers. This approach has produced outcomes that are difficult to justify, especially in the CEE region, where banks sometimes face higher O-SII buffer levels than substantially larger Western European peers. The duplication of this buffer with MREL requirements further increases the burden and contributes to regional competitive disadvantages.

---

**The EU's macroprudential  
framework would benefit  
from greater simplicity  
and harmonisation.**

---

Overlaps also persist across macroprudential and microprudential tools. Long-standing tensions exist between the CCyB and additional requirements emerging from the SREP process (P2R). Furthermore, the degree of conservatism embedded in stress tests, which form the basis for Pillar 2 Guidance (P2G), often moves with the economic cycle, reducing predictability. Meanwhile, the SyRB can serve similar objectives to the O-SII buffer, the CCyB or various SREP add-ons, depending on national practices. This blurring

of policy intentions complicates both supervisory implementation and banks' strategic planning.

To support the ongoing efforts to modernise the EU's prudential framework, in December 2025 the European Central Bank issued a structured proposal focused on simplifying key elements of the framework. A cornerstone of this proposal is the recommendation to streamline capital requirements by transitioning to a unified Two Buffer System: Non Releasable Buffer, combining the Capital conservation buffer with the higher of the G-SII or O-SII buffer, to reflect structural and institution specific risks and form a stable, permanent part of banks' capital; and Releasable Buffer, merging the CCyB and SyRB, to address cyclical and macroprudential risks and allow authorities to release capital more effectively during downturns.

A more coherent and integrated set of instruments would enhance efficiency and reduce administrative burdens. Strengthening the coordinating role of the ESRB and other EU-level institutions could support the development of a less fragmented system while still accommodating national specificities. Ultimately, the aim must be a regulatory environment in which capital requirements more accurately reflect systemic risks rather than divergences in national supervisory philosophies.

A simplified, harmonised and better targeted macroprudential framework would not only support financial stability but also enhance the competitiveness of the European banking sector. For CEE banking groups, such reforms are essential to ensuring that regulatory requirements remain compatible with strong economic growth, expanding credit demand and the region's ongoing convergence with Western Europe.