

SECURITY MANAGEMENT OF SYSTEMICALLY IMPORTANT BANKING INSTITUTIONS INSIDE THE EUROPEAN UNION FINANCIAL MARKET

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Abstract: This paper is focused on the problems related to activities of systemically important banking institutions. After the global financial crisis, these institutions were held responsible for the escalation of systemic risk in the international economy. The paper analyses how both the supervision and the regulatory tools that are used in European Union countries to deal with formally identified systemically important institutions have changed. The direct goal of the paper is to identify the specific features of the new regulatory order with regard to global and other systemically important institutions that operate in the European Union. The results of the analysis indicate that the extension of the extent of supervision over activities undertaken by these institutions and the introduction of new prudential regulations, including resolution regimes, do not guarantee the security and the stability of European Union's financial market.

Keywords: global banks, systemically important financial institutions, systemic risk, banking union, Single Supervision Mechanism (SSM), European resolution regime – SRM, MREL, TLAC.

1. Introduction

The activities undertaken by systemically important banking institutions undoubtedly are related to their strong expansion in rendering financial services on the international market. The problem that has arisen is that these institutions are often considered to be TBTF entities (Too Big To Fail). Hence, they have been the object of interest and research. Indeed, even greater attention was paid to them after the global financial crisis. This was because these institutions were claimed to bear the responsibility for the escalation of systemic risk in the international economy. In addition to this, a lot of systemically important institutions obtained significant support from public authorities, and both the amount of this support and its legitimacy appeared to be controversial. Moreover, the impact that this support could have on

the equilibrium of public finances or how financial institutions utilized it, is still debateable. Threats generated by the TBTF situation have resulted directly in steps made by the international financial safety net to take greater control over the operational activities of TBTF institutions. Nevertheless, within a short period of time it was realized that it might be difficult to even identify these shadowy financial entities. At the same time, it appeared that the regulatory tools that were created are actually insufficient to limit systemic risk in the international economy.

The paper analyses the changes occurring in the areas in which regulatory tools and supervision over formally identified systemically important banking institutions are implemented in European Union countries. At the same time, the paper directly aims at recognizing the specific features of the new regulatory order that was created to oversee global and other systemically important financial institutions that operate in the European Union. The paper indicates that security and stability of European Union's financial market cannot be guaranteed by the increase of the range of supervision over activities of systemically important financial institutions, or by the introduction of new prudential regulations, including resolution regimes.

2. From global bank to systemically important financial institutions

The globalization of the world economy began when both the national and regional commodity markets became integrated. As a result, production processes and services, as well as distribution and marketing, became internationalized. Company-specific transnational strategies were also implemented. In the two last decades of the Twentieth Century this all resulted in the globalization of the financial market. The international expansion of production companies and their material investments made it necessary to introduce changes in the foreign cash payment system, in accessing the currency market and in sources and ways of financing international corporations. This situation, thus, fostered the development of new and necessary financial instruments intended to enable the effective allocation of global financial capital and to reduce investment risk. These circumstances naturally became the root cause of the international dynamics of banking services and the growing capital concentration of banking sectors. More and more, banking institutions actively engaged in rendering financial services on the international markets. At the same time, the financial strength of banks grew – at least on paper.

In the banking sector, globalization took place quickly and it often happened that the efficiency of this process was higher than in the case of the globalization of the production sector. Large banks, in a short period of time, thus became very important business partners for international corporations. Their development often was supported and justified by different

economic theories (Chrabonszczewska, 2016, pp. 24-31). However, the progressing globalization of financial markets and the intensifying concentration of banking capital became more controversial. The growing number of global banks that derived advantages from cross-border loans led to anxiety that was related to both the possible disappearance of competition on the market of banking services and the declining status of bank clients. The new dimension of the global banking system deemed “financialization” was especially strongly criticized (Chrabonszczewska, 2016, pp. 24-31; Marcinkowska, 2015, pp. 30 and next). The term became regarded as being a catchall phrase for the high revenues earned by banks that resulted from their numerous speculative transactions. Yet, thank to these transactions, global banks could still build their financial strength regardless of giving loans to bad economic entities. Consequently, they gained control of the development of the real sphere of the economy, and despite being fully aware of the costs of these activities being passed onto the public sector, they undertook risky activity – and then came the global financial crisis.

This speculation and unsafe practices was allowed because these financial institutions were regarded as being too big to fail. Furthermore, the steps made by the top management of these institutions appeared not to have any limits due to the fact they were fostered by different factors that were conducive to financialization. Among the most important were the progressive character of the globalization processes at the end of the Twentieth Century; the deregulation of the banking sector and the intensive play within world-wide financial markets; the dynamic development of the universal banking system; and the changes in specificity and ways of rendering banking services which resulted from computerization and rapid technological development.

The dynamic development of global banks at the end of the Twentieth Century ensured greater banking risk. This was because the relations between banking sector and entities representing the production sector changed, as did the ways in which banking services were rendered, as banks aimed at decreasing the costs of their operational activities. Financial safety net international institutions did attempt to limit the impacts of increasing risk, and the range and the character of regulatory discipline present in national banking sectors were extended. However, the new banking prudential regulations and the enhanced control exerted by banking supervisory authorities did not have enough impact on the activities undertaken by global banks. When discussing the so-called ‘regulatory micro-process’, it must be underlined that the extent of the threat was not noticed or was deemed unimportant. Thus, the crash happened due to the effects on the ground of interacting financial, economic, politic and social spheres.

Under these circumstances global banks were classified under the category of entities commonly known as TBTF. It is claimed that that term was coined by American congressman S. McKinney, who used it during the United States Congress session in 1984 when he was explaining the complexity of the necessary public support for the big private bank whose solvency was threatened (Dash, 2009). Consequently, global banks began to be considered as being long lasting financial entities that with regard to size and network of relations with other

participants of the market, will never collapse. This was because it was believed that costs that had to be incurred due to the collapse of the bank would be larger than the amount of public aid needed to rescue these banks from the collapse. Nevertheless, due to the fact that the progressing globalization of the world economy brought about a situation wherein many banks began to render financial services beyond the borders of their mother countries, the identification of special criteria began as well. These criteria made it possible to classify traditional financial intermediaries as global banks. Among them there are the goal and range of the operations of a bank, the way in which a bank entered a foreign market, and the type of banking services clientele (Liu, 2013, p. 38). However, these criteria appeared not to be sufficient, as they did not allow for distinguishing between global banks and national banks. Not only can global banks render cross-border services, but also these services may take on varied forms of foreign operational activities. They may operate as correspondent banks, representative offices, agencies, foreign departments and agencies (Chrabonszczewska, 2016, pp. 14-15). By differentiation of the range of powers to perform foreign banking activities and to render financial services, these entities generated different kinds of risk banking. This outcome was significant with regard to the role that these entities played in the banking system.

What is also important, banks may operate at the global level as banking groups and financial conglomerates. In such scenarios, many entities that are independent of legal and organizational oversight are involved. Their operations covered many different areas of the financial market (Ustawa o nadzorze..., 2005). Hence, the problem arises as to whether banks and credit institutions that are a part of these entities can be considered as global banks, or rather, should they possess some specific features in order to be classified as global banks?

The problem appeared to be irrelevant until the financial crisis of the first decade of the Twenty-first Century. The emergence of banking capital groups and financial conglomerates were both considered as the end-effects of intensifying trends of mergers and acquisitions. Consequently, they were also matched to the justifiable capital consolidation of financial institutions. In the case of a capital group, separate banking entities commit to cooperate and coordinate their activities. On becoming a member of a financial conglomerate, these banks began to operate within the more complex structures of financial entities that included these as well as other financial institutions. Consequently, federal governance was weakened.

Popularization of the problem related to TBTF took place during the period of the 2008 global financial crisis. During this, big financial institutions transferred systemic risk, and they became a serious source of disruptions within the business cycle of the global economy. The way in which the network of institutions responsible for financial security reacted to what happened implied the need to tighten the regulation of their activities. Of importance, it was recognized that the term 'global bank' or TBTF is not unambiguous, and different entities conduct different economy activities with some crossover.

In the methodology published by Basel Committee on Banking Supervision in 2011, the term ‘systemically important institution’ was coined. Each TBTF can be considered as being a systemically important financial institution, although not every financial institution has to be a TBTF. This means that TBTFs and systemically important financial institutions that are under the regulatory regime of the Basel Committee on Banking Supervision are not exact counterparts.

Apart from grouping entities too big to fail, TBTF also groups together these financial institutions by regarding their ability to disrupt the stability of financial system and the real sphere of the economy. But at the same time these institutions do not possess as much accumulated capital as actual TBTFs. Taking it all into account, it can be claimed that global banks may operate under the following structures:

- globally big and complex banking groups,
- financial conglomerates,
- banks that can be seen as too big to fail,
- systemically important financial institutions (SIFI).

New regulatory order has been established after the financial crisis. However, systemically important financial institution (SIFIs) and banks that operate under SIFI are treated in a special manner.

3. Identification of systemically important institutions in European Union countries

One important moment that initiated the period of transformation of how SIFI operated in the European Union countries was when the document defining special criteria was prepared by the Basel Committee on Banking Supervision in 2011. It pinpointed the metrics that should be taken into account when identifying banks that were systemically important for the global financial market. During the meeting of leaders of the G20 group in 2010, in Seoul, Korea, the need for preparing such a list was made evident. The process of selection of banks that could be classified under the category of systemically important financial institutions, however, actually began when the Financial Stability Board announced the list of G-SIBs institutions. Since November 2011, this has been published systematically. Among systemically important financial institutions, there are many institutions that have their formally established operational centre in the European Union. In France these include BNP Paribas, Groupe BPCE, Groupe Crédit Agricole and Société Générale; in the United Kingdom – Barclays, HSBC, Royal Bank of Scotland and Standard Chartered; in Germany – Deutsche Bank; the Netherlands – ING; Spain – Bank Santander; Sweden – Nordea; Italy – Unicredit Group (Pyka, Nocoń, and Cichorska, 2019). In general, these institutions are strongly connected through their capital

shares to banks that operate in the countries that were politically transformed – the countries of Central and Eastern Europe.

The procedure that is used in order to classify a given institution as a systemically important financial institution has been strongly formalized. According to FSB (2010), the Financial Stability Board uses the following benchmarks:

- institutions that are classified as SIFI have to be transparent and their capacity of absorbing losses should be assessed as being higher than it is in the case of minimum levels of the indicator Basel III as assessed in a standard way,
- SIFI have to be under more strict supervision and involved in more coordinated planning in order to decrease the level of probable risk.

A list of institutions in the G-SII group in 2018 is presented in Table 1.

Table 1.
List of G-SIBs as of November 2018

Segment	The level of capital buffer	Name of institution
5	3,5%	-
4	2,5%	JP Morgan Chase
3	2,0%	Citigroup Deutsche Bank HSBC
2	1,5%	Bank of America Bank of China Barclays BNP Paribas Goldman Sachs Industrial Commercial Bank of China Limited Mitsubishi UFJ FG Wells Fargo
1	1,0%	Agricultural Bank of China Bank of New York Mellon China Construction Bank Credit Suisse Groupe BPCE Groupe Crédit Agricole ING Bank Mizuho FG Morgan Stanley Royal Bank of Canada Santander Société Générale Standard Chartered State Street Sumitomo Mitsui FG UBS Unicredit Group

Source: FSB, 2018.

In 2018, 29 financial institutions, therein 12 from Europe, were classified as G-SIBs. This state of affairs did not change significantly in comparison with that of 2017 and in 2016. One new entity appeared on the list – Groupe BPCE and two entities were removed from the

list – Nordea and Royal Bank of Scotland. Through this period of time there was not any financial institution that could be classified to segment 5 – that in which the risk is the greatest (FSB, 2018). The majority of institutions that are on the list are classified to segment 1, which means that these institutions have capacity of absorbing all losses. The experience that was gathered then, on the one hand, showed that the classification of financial institutions has changed (FSB, 2015; Basel Committee on Banking Supervision, 2016), but the list generally includes the same global systemically important financial institutions. The majority are banks that have adapted different organizational structures.

The European Union introduced the obligation to identify both global systemically important financial institutions (G-SII – *Global Systemically Important Institutions*) and other systemically important financial institutions (O-SII – *Other Systemically Important Institutions*) that all operate in the European Union countries and that are recognised based on the impact that they have on the generation and the transfer of systemic risk. The European Banking Authority and suitable banking authorities in a given country hold direct responsibility for the identification of these institutions. Generally, they are identified in accordance with the Basel methodology, but as it can be easily inferred, in the case of other systemically important institutions, the identification has to be based on the local ability to generate systemic risk. This actually means that the decision on the classification to O-SII becomes partially relative. Moreover, the ability to generate systemic risk by national banking authorities can be assessed differently, whereas the detailed identification of systemically important financial institution aims mainly at setting a suitable minimum Tier 1 level of the required share capital in comparison with the risk generated. This level is assessed as a percentage of the value of assets that are weighted by the risk level (the so-called capital buffer for SIFI G-SII). Based on the amount of possessed share capital, systemically important financial institutions are classified to categories that are set in order in accordance with the capacities of absorbing losses by these institutions (Table 2).

Table 2.

Categories of weights of risk for systemically important financial institutions

Category	Level of share capital as a percentage of assets weighted by the risk level
5	3,5 %
4	2,5 %
3	2,0 %
2	1,5 %
1	1,0 %

Source: Basel Committee on Banking Supervision, 2013, p. 12.

In European Union countries, the identification of systemically important financial institutions described as O-SII is performed by authorities selected to do so.

4. The conception of supervision over systemically important banks in the European Union

The changes in how systemically important financial institutions in European Union are controlled that occurred irregularly were multistage and focused on how these institutions could operate under new supervisory and regulatory discipline.

In January 2011, supervision began to be applied to all segments of the financial market in the European Union countries (Hryckiewicz, and Pawłowska, 2013, p. 9). This function was transferred to the European System of Financial Supervision (ESFS), and ESFS became the system of supervision that was focus on micro- and macro-prudential regulations. The introduction of two prudential pillars for the European financial market that consolidate on the pan-European level financial supervision offices for banking market, insurance market and pension schemes, as well as for stock exchange and securities is a new solution. This solution led to the expansion of the range of responsibility of European authorities for maintaining the stability of the financial system in European Union member countries. The main goal of the micro-prudential supervision is control over the risk that is incurred by financial institutions. In contrast, macro- prudential supervision is focused on the minimization of systemic risk in order to stabilize the whole economy.

Micro-prudential supervision is conducted by sectoral commissions like EUNB, ESMA and EIOPA that cooperate with each other as equal members of the Joint Committee. In turn, the European Systemic Risk Board (ESRB) is responsible for the macro-prudential supervision (Pyka, and Nocoń, 2017, p. 59). Under the auspices of the European System of Financial Supervision, the Joint Committee of European Supervisory Authorities responsible for the general and cross-sectoral coordination of micro-regulatory activities (including activities undertaken by financial conglomerates) was established. However, the European Systemic Risk Board (ESRB) performs all tasks connected with counteracting systemic risks and with limiting other risks that may result from connections among institutions and financial markets. It also cooperates with authorities responsible for macro-prudential policy in each European Union country, including national central banks and the European Central Bank (Herring, and Carmassi, 2008, pp. 51-76).

The solutions related to the supervisory function over financial market (including banking market) that were introduced in European Union are very complex. It is easy to notice that activities of credit institutions in European Union countries are regulated at many levels, and supervisory responsibility over financial activities is distributed among many institutions that have completely new competences. This situation also concerns governance over the activities of global banks. In November 2014, after three years of supervision being applied to all segments of financial market, the European Central Bank began to perform special functions

related to these institutions. Hence, it took responsibility for direct financial supervision over important banks of the Euro-zone. According to Szustak (2017, p. 92), among these are:

- a. banking groups that perform their activities in at least three European Union countries,
- b. banks that manage assets of value higher than 30 000 000 Euro,
- c. banks that possess assets the value of which exceeds 20% of GDP of their mother country.

However, generally, the European Central Bank is able to take supervision over each international bank having drawn conclusions that suitable systemic reasons appeared. In 2014, the European Central Bank also gained supervisory powers that previously were given to authorities of the new regulatory order. Changes that were introduced, unfortunately, decreased the transparency of supervision over European Union credit institutions. In banking systems that do not belong to the Euro-zone, the freedom of supervisory subordination of important financial institutions was maintained.

In October 2012, the European Stability Mechanism (ESM) began to operate (Iwanicz-Drozdowska, p. 56). Its main task was to collect funding and to offer support to countries belonging to the Euro-zone that have experienced or were on the verge of experiencing financial difficulties. The criteria are that these difficulties could threaten the financial stability of the Euro-zone. European Union countries that do not belong to the Euro-zone can be given support based on ad hoc rule, in parallel to the ESM (offering bilateral loans), by putting into law, the requirement to attend meetings of the management board of the ESM as observers, and by giving support and following its guidelines (Trzcińska, 2013, pp. 14 and next).

The conception of the ESM has been reformulated many times. In March 2013, the criteria that have to be met to obtain support from the ESM were changed. At the same time, all countries that had Euro common currency became members of the ESM and countries that became members of the Euro-zone were obliged to accede to the ESM. What is more, the banking union established in 2012 made it possible to directly recapitalize banks and to ensure their fiscal security by making use of the ESM.

The ESM mechanism is strongly connected with the activities of systemically important financial institutions. This is because they were and still are considered as entities that easily transfer systemic risk. The idea of the ESM mechanism came about because public resources have been spent to not to allow these institutions to go bankrupt. Hence, especially by proffering fiscal security, the ESM will support the resolution in the form of restructuration and orderly liquidation of credit institutions when funds collected in order to meet these goals turn out to be insufficient.

5. Regulatory discipline of systemically important banks in the European Union

The basic regulatory procedure that was used to limit systemic risk in the global economy was the introduction of tools of macro-prudential policy to banking system. In the European Union, these issues were regulated by the CRD IV/CRR package, the so-called CRD IV directive (CRD IV, 2013) and CRR act (CRR, 2013) related to capital requirements that were published on 27 June 2013 in the Official Journal of the European Union. The CRD IV/CRR package was introduced quickly and its standards were broadly accepted by the Basel Committee on Banking Supervision (so-called Basel III). The package applied to all banking sectors in European Union countries.

The authority responsible for pursuing macro-prudential policy may impact on the way in which systemically important banks operate through opinions, warnings, recommendations, as well as instructions that all are issued in case of the identification of threats for the stability of financial system. These are directed at the whole banking system. It may also implement macro-prudential tools impacting on single banking institutions. Capital buffers are among these tools, and such tools are precisely defined by CRD IV directive (CRD IV, 2013). They include buffers such as countercyclical buffers, buffers of risk of global systemically important financial institutions (G-SII buffer), buffers of risk of other systemically important financial institutions (O-SII buffer) and systemic risk buffers (SRB). In the European Union, global systemically important financial institutions and other systemically important financial institutions are under macro-prudential regulations.

The financial institutions that are classified as G-SII may be charged with the buffer of risk of other systemically important institutions. Its level depends on the previously analysed category to which the given institution was attributed by the Basel Committee on Banking Supervision.

In the European Union, the so-called cut-off threshold was, therefore, harmonized. Any institution that exceeds the value of 130 base points is placed on the G-SII list and is ascribed the minimum value of the buffer of risk of global systemically important financial institutions equal to 1%. The maximum value of the additional required capital is equal to 3,5% and is imposed by banks that are classified to the highest category (Pyka, and Nocoń, 2019). The imposition of the buffer in European Union countries is not obligatory (CRD IV, art. 131 (5)). Some countries, including Czech Republic, Denmark, Latvia and the United Kingdom, pinpoint systemically important institutions, but they do not decide on the imposition of the O-SII buffer. However, countries that did decide to increase the capital requirements by taking into account the O-SII buffer, implemented two solutions. They made use of the lack of differentiation of the level of buffer, thus all financial institutions are charged with the same value of the buffer¹, or its level was differentiated for O-SII institutions based on generated

different levels of systemic risk. Special solutions related to the levels of imposed buffers for G-SII and O-SII were introduced in case of the situation when the systemic institution is a subsidiary of a global or other systemic institution (Pyka, Nocoń, and Cichorska, 2019).

The CRD IV directive introduced a set of relationships between buffers for systemically important institutions and the systemic risk buffer. These are:

- when the consolidated group has imposed G-SII buffers and O-SII buffers, then the buffer which is of higher value is used,
- when the consolidated group has imposed G-SII buffers, O-SII buffers and buffers of systemic risk, then the buffer of the highest value is used,
- when the consolidated group has imposed O-SII buffers and SRB buffers also at consolidated level, then the buffer which is of higher value is used,
- when the institution at individual or sub-consolidated level has imposed O-SII buffers and SRB buffers, then the buffer which is of higher value is used,
- when SRB is only used for cases localized in the European Union country that establishes a given buffer, then that buffer is added to O-SII buffer and G-SII buffer.

It should be emphasized that the implementation of additional capital buffers requires the consent of the Council of the European Union, hence, this decision falls into the mandate of the European Commission. However, the Council of the European Union may reject the proposition of given country in the case of strictly defined conditions (Brzozowski, 2014, p. 15).

Prudential policy regarding systemically important institutions also relates to performing tasks concerning improving security and managing bank resolution, including the creation of a capital standard for financial holdings that invest in debt instruments of other banks. Requirements concerning the resolution regime were the subject of work for both the Financial Stability Board (FSB) and the European Banking Authority (EBA). In 2011, FSB prepared special regulations concerned with crisis management and the resolution regime. These regulations were updated in 2014. They define the loss-absorbing capacity of banks and the abilities to recapitalize them. Consequently, two documents were created:

- TLAC (*Total Loss-Absorbing Capacity*) – this applies to all banks in the world that are classified as systemically important institutions,
- MREL (*Minimum Requirement for Own Funds and Eligible Liabilities*) – this applies to all banks in the European Union.

These two documents introduced the new category of so-called eligible banks liabilities in order to convert them into capital needed to cover losses in case of bankruptcy. Generally, these liabilities take the form of long term debt instruments that are emitted by banks and should be activated when bank capital equity is insufficient to cover the losses in case of its bankruptcy² (FSB, 2014).

TLAC defines additional capital requirements for 30 of the biggest global banks³ that are considered as being institutions exposed to systemic risk to the greatest extent. This is because the goal is to absorb losses by capital buffers in case of their resolution. The Financial Stability Board precisely defines TLAC requirements for parent companies in financial holdings (G-SIBs) in the form of external capital sources. Additionally, it defines so-called internal TLAC for subsidiaries that are registered in the environment where there is other jurisdiction comparable with jurisdiction under which the parent company operate. Internal TLAC is expected to make it possible to recapitalize subsidiaries by the parent company through, e.g. transferring assets among entities that all belong to the same banking capital group without the necessity to use external legal tools. Herein, the subsidiary is identified as important if it meets the following requirements:

- possesses more than 5% of the consolidated RWA that belongs to G-SIB group,
- contributes to more than 5% of the consolidated revenues of the G-SIB group,
- has the total exposure to financial leverage at a level that is higher than 5% of the total exposure of financial leverage of the G-SIB group (Shearman & Sterling LLP, 2014).

MREL is the European Union standard for the level of funds for resolution with regard to the “bail-in” procedure that was introduced by the BRRD/SRMR package in 2014 (COM (2014) 43 final, 2014/0020 (COD)). The deadline for banks for meeting requirements established by MREL is 2023 (COM (2014) 43 final, 2014/0020 (COD)). MREL regulates capital reserves that are to be spent on resolution by defining the minimum level of equity capital and eligible liabilities that are meant for absorbing losses suffered by shareholders and creditors. At the same time, the losses are not covered by spending taxpayer’s money.

Its requirements concern e.g. all credit institutions in European Union regardless of size. The notion was developed for European Union financial institutions, by the European Banking Authority (EBA, 2014). The MREL standard takes into account three possible situations when the capital increase can be needed. These are as follows:

- liquidation – standard bankruptcy procedure,
- write-off or conversion of liabilities,
- restructuring resulting from acquisition (Szczepańska, Dobrzańska, and Zdanowicz, 2015, pp. 22-24).

The assumption is that standards like TLAC and MREL should complement each other in the European Union. However, it can be noticed that different solutions are implemented.

6. Conclusion

Problems of the global crisis that resulted from systemic risk generated by systemically important institutions undoubtedly prove that these institutions should be controlled by

financial supervision and the Basel system. Nevertheless, this process is definitely complex, and was recognized so when suitable experience was collected. In European Union countries, the process required ordering the relations between national supervisors with Euro-zone supervision. The establishment of a pan-European supervisor only partially mitigates the problem. This situation results from the multidimensional system of mega supervision and the weak coordination of functions and tasks of still newly establishing supervisory organizations.

Undoubtedly the problem of the new regulatory order is the presence of time distributed changes. The creation of this order generally began in 2011, but, for example, in the case of MREL, the final implementation of its requirements is to be postponed until 2023. There is also a common conviction that the banking system has been too strongly regulated in European Union. Actually the same relates to the financial system, although it has occurred to a smaller extent. The range of regulations is still big, partially because it was extended to apply to systemically important institutions. It has been assessed that the Euro-zone contains 130 of the biggest banks of the global economy – which is why regulatory challenge is serious. Apart from this, there are other systemically important institutions whose resolution from the point of view of maintaining the financial stability is as much important as it is in case of global banks. The challenge for the future is to collect sufficient financial capital that is necessary for meeting requirements resulting from prudential regulations (micro– and macro-regulation). It is also important to establish security funds that can be made use of in case of threats.

It appears that there are a lot of organizational, functional, economical and strictly financial factors that contribute to the further modification of activities of TBTF. It should be remembered that the process of the capital consolidation at the international level is not finished (Pyka, J., and Pyka, I., 2018). The effectiveness of both supervision and regulation of activities of systemically important institutions should be high.

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Footnotes

- ¹ The specific approach was adopted by Italy which ascribed all O-SII the buffer at the level equal to 0%.
- ² In November 2014 Financial Stability Board during the G20 meeting in Brisbane submitted for consultation the document: *Adekwatność kapitałowa jako zdolność do absorpcji strat systemowo istotnych, globalnych banków w procesie uporządkowanej likwidacji* (FSB, 2014).
- ³ Because TLAC regulation applies to financial institutions in the world and not only to those in European Union, universal nomenclature is used, so that there are words “bank” and G-SIB”, and at the same time there are not words like “credit institution” and G-SII which are used in European Union.