УДК 973:321.01

Kraś I.
Dr hab., Institute of Political Sciences
Jan Długosz University in Częstochowa
(Poland), ikras@interia.pl

PROBLEMS CONNECTED WITH JOINING POLAND TO BANK UNION

The article analyses the dilemmas concerning the decision on whether Poland should join the banking union. It has also been indicated what measures should be taken by Poland in relation to this decision. The attention has been drawn to the consequences of the single supervision and the issue of provisioning the Resolution Fund by Poland. The article presents the options of Polish participation in the banking union and it raises the issue of bank domestication and re-polonization processes, which are of significant importance for strengthening the national financial system. Measures taken by Poland in view of joining the banking union should include Polish raison d'etat while taking in to account community solidarity, this is the final conclusion from considerations explored in this article.

Keywords: *institution of the UE, bank union, financial crisis, european banking supervision.*

(стаття друкується мовою оригіналу)

Introduction

Financial crisis [2, 4, 5, 7, 10, 11, 20, 25] which affected Europe highlighted institutional deficiencies in its financial stability. That gap is to be bridged by the establishment of the banking union aiming to increase the stability of financial sector. The very concept of banking union was proposed in the report Towards a Genuine Economic and Monetary Union [39] in June 2012 r. The report presents the vision of a stable and prosperous economic and monetary union based on four components: integrated financial, budgetary and economic policy frameworks, ensuring democratic legitimacy and accountability. In the same month the leaders of the euro area decided to make the banking union come to life [12]. The integrated financial framework i.e. the concept of banking union would consist of a single European banking supervision, the bank recovery and resolution mechanism and a common system of deposit guarantee.

The banking union is thus part of a wider plan for further integration into the European Union[1]. The banking union project is being discussed in the euro area countries and non-euro area countries, Poland included. The obligation to participate in the banking union applies to euro area countries. There is a prospect for the non-euro area countries joining the union by entering into a "close cooperation". However incomplete the participation, the banking union will exert influence on the banks outside the euro area through:

- ownership, subsidiaries and branches;
- a new supervision of the ECB particularly over the bank branches;
- the impact on the banking system of the non-euro area countries;
- recapitalization of subsidiary banks and branches;
- withdrawing the capital from the branches or subsidiaries to guarantee stability of the euro area;
- possible reallocation of funds from banks deposits by businesses or residents of the non-euro area countries to the banks being part of the union and backed by the guarantees given by the European Stability Mechanism [30].

It is very difficult to estimate if joining Poland to bank union is positive or negative. Positive aspects could be Poland reinforcement and increase of its meaning in political integration. On the other side there is a risk connected with joining to uniform supervision and financing liquidation fund because there will be import of interest rates established by EBC and responsibility will be transfered from domestic level to community level for "banks too big to fall down".

The purpose of this article is to analyse the dilemmas related with the decision on Poland's joining the banking union and to present the key measures which should be taken in this context. A well-designed banking union could mitigate the crisis by:

- a stronger banking supervision allowing an earlier identification of risks in the banking sector;
- increasing depositors' confidence through harmonisation of national deposit guarantee schemes,
- lowering the risk of moral hazard by allowing for a controlled bankruptcy of banks that are „too-big-to-fail" [24, p. 460].

Therefore, the following research questions can be raised: Should Poland join the banking union before joining the euro area or rather not? What will be the costs of participation in the banking union? What measures should be taken by Poland to prepare for joining the banking union? These questions will be approached by the author in this article.

The architecture of the banking union

The banking union, as has been proposed, is to be based on three pillars. The first pillar refers to the the Single Supervisory Mechanism (SSM) . It has been created to guarantee an effective application of a set of prudential rules, risk control and the crisis prevention throughout the EU. The single banking supervision architecture should evolve towards a single European banking supervision system with a European and a national level. The European level would have ultimate responsibility. Such a system would ensure that the supervision of banks in all EU Member States is equally effective in reducing probability of bank failures and in obviating any need for intervention with help of joint deposit guarantees or bank recovery and resolution funds. The European level would be given supervisory authority and pre-emptive intervention powers applicable to all banks. Its direct involvement would vary depending on the size and nature of banks. Therefore, the conferral upon the European Central Bank of powers of supervision over banks in the euro area would be fully explored. These powers are foreseen under Article 127(6) TFEU regarding the functioning of the European Union (TFEU) [40] which says that the Council, acting by means of regulations in accordance with a special legislative procedure, may unanimously, and after consulting the European Parliament and the Central European Bank, confer specific tasks upon the European Central Bank concerning the policies relating to the prudential supervision of credit institutions and other financial institutions with the exception of insurance undertakings. Another pillar of the banking union - the Single Resolution Mechanism (SRM) – financed by the banking sector, would ensure an orderly resolution of non-viable bank subject to the SSM. The European deposit guarantee scheme, as another pillar of the European Union, would increase reliability of the introduced solutions and would guarantee that the eligible deposits of all credit institutions are sufficiently insured. The two last pillars of the banking union could be created under the supervision of an integrated restructuring authority. The European Stability Mechanism (ESM) would offer fiscal security for the competent authority responsible for the bank recovery and resolution and the deposit guarantee [39].

Single Supervisory Mechanism SSM will be applied by the ECB since November 2014 and it will cover the most important credit institutions with the total value of their assets exceeding EUR 30 billion or with the ratio of the total assets being 20% of home country GDP and higher than EUR 5 billion. Approximately 130 banks whose assets represent 85% of the entire banking sector in the euro area will be subjected to the supervisory authority of the ECB [35, p. B10]. The single supervision will cover the industry heavyweights like German Deutsche Bank with the ratio of the total assets being 85% of Germany's GDP . It should be noted, however, that most German banks will stay outside the single supervision regime, as it was advocated by the German authorities. The SSM will also cover credit institutions deemed significant by the ECB at the request of a national supervisory authority, and those which have received a financial aid from the European Financial Stability Facility (EFSF) or from the European Stability Mechanism (ESM) [42, p. 18]. Such an architecture of the single banking supervision highlights the need to tackle the problems faced by the banks that are "too-big-to-fail", which has been confirmed by the last crisis.

The Single Resolution Mechanism SRM is expected to become operational from January 2016. It will apply to the same banks which entered the banking union. Resolution measures will be financed from the resources of the Special Resolution Fund. The contributions to this Fund would be paid by the banks from the euro area countries. In the original version, the Fund was to achieve its full financial capacity after the period of 10 years. It was shortened, however, to 8 years. The full financial capacity of the fund is intended to reach EUR 55 billion, 70% of which is to be reached within three years, that is to he end of 2018 [32, p. B3]. This long period of reaching the fund's financial capacity encounters some misapprehensions as the banks which are supposed to enter the new scheme will have to make up the deficiencies of capital identified by the ECB ad thus they will enter the new scheme with the cleaned-up balance sheets [34, p. 61]. The establishment of the Resolution Fund is deemed as justified. It would minimize the moral hazard, and the national budgets wouldn't be burdened with the costs of the bank bailouts, as it was the case in the last crisis when the bank failures contributed to the increase of the public debt of the euro area Member States. Financial support provided at that time for credit institution by the EU government is estimated by the European Commission at 16,5% EU GDP [8].

The implementation of the third pillar of the banking union, that is of a single deposit guarantee scheme has been put aside for the future and no measures have been taken in this context. For the time being, there aren't any proposals on establishing such a scheme. However, in order that the banking union operations can be complete, it should be backed by this scheme [15, p. B7].

There are two goals of establishing the banking union. One is to transfer part of the costs of the crisis on the banking system. The other is to enhance the role of Germany in the functioning of the European supervision of banks. It has been confirmed by the proposal to confer the supervision to the ECB, the institution strongly influenced since its beginnings by German authorities [13, p. 12-13].

The consequences of a single supervision

In the case of Polish accession to the euro area, we automatically become a member of the banking union, which is followed by the "import" of interest rates established by the ECB into our economy. The interest rates established by the ECB are low compared with rates in Poland. They are most often suited to the fastest growing economies in the euro area. Such a situation may lead to a credit boom which could put Polish economy in danger. To master it a single monetary policy is not enough. It must be reinforced by a national supervisory policy. In this context, supervisory instruments will be incorporated into the instrumentation which will be used by the single supervisory mechanism. Therefore, it should be ensured that the instrumentation is flexible enough so that macroeconomic sustainability at the country level might be provided individually [28, p. B10]. It should be considered imperative for the Polish participation in the banking union.

Subjecting Poland to the single supervision may lead to another hazardous situation. In case of the ECB supervision we may be faced with favouring the stability of the largest financial entities by the euro-area central bank at the expense of local markets such as Poland. It will be manifested by ECB consolidated supervision which will allow for the increase of capital ratios in the banking institutions of central markets basing on the financial situation of their branches functioning on the peripheral markets [14, p. 19].

Provisioning the Resolution Fund

The question of contributing to the resolution fund may prove to be an interesting issue. The discussion on this subject was launched on 26 May 2010 following the Communication of the European Commission (EC). Political back-up for the levies charged to the banks from which the Fund would be provisioned was promptly achieved, for as early as in June 2010 the European Council considered that the Member States should introduce systems of levies and taxes on financial institutions to ensure fair burden sharing and to set incentives to contain systemic risk. At the same time the EC ruled out the possibility to use these measures to bail out the failing banks, indicating as well for separating them from their national budgets. This limited by default the guarantees from a state for the entities described as "too-big-to-fail". The EC made a proposal on how to determine the amount of the levies on banks to be paid into the Fund. One of the proposals said that this is the amount of bank assets which is to be regarded as the basis for the evaluation which, according to the EC, would reflect an indicator of the risks they take. In order to contain systemic risk a further necessary step would be the introduction of a progressive levy rate dependent on how big is a bank. The levies should be higher for those banks which generate greater systemic risk [25, p. 149].

The issue of the Fund provisioning is of special relevance in relation to Poland, a country that doesn't belong to the euro area. This factor can be decisive while making a decision on joining the banking union. It has been suggested in the report prepared by the Dutch researchers that the basis for payment of contributions should be the capital key [31, p. 22] which determines the contribution to the ECB capital paid by each national central bank of an EU country. The contribution is calculated as the arithmetic mean of the country share in the total population and GDP of the entire EU. According to the report prepared by the Dutch researchers, Polish participation in the Fund provisioning is 4.9% in accordance with the capital key (table 1). Whereas when accepting the EC proposal, it could be reduced approximately seven times as the volume of Polish assets amounts to 0.73% of the EU banking sector assets. Regarding the euro area banking sector assets this share is 1.03% [33, p. 32]. It is obvious that the later method of the Fund provisioning would be more advantageous for Poland. The underlying concept of the banking union was therefore the assumption that the countries with a high share in the banking sector assets in relation to the GDP won't be able to bailout out their banks alone.

Table 1

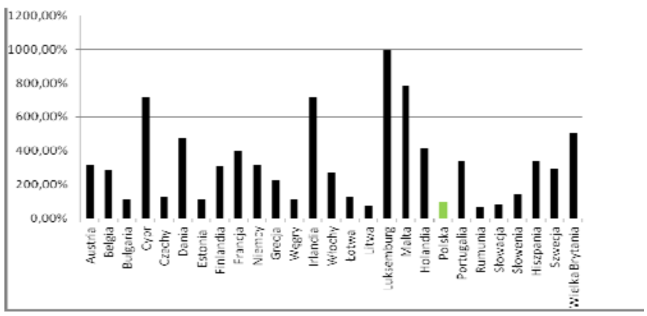
The net effect of participation in the banking union in the EU countries

No.	*Member State*	*The number of large banks*	*Bank Assets (EUR billion)*	*Benefits (%)*	*Costs (%)*	*Net Effect*	*NOTES*
1	Great Britain	5	7.3	27.4	14.5	12.9	Outside euro area
2	Spain	3	2.1	19.2	8.3	10.9	Euro area
3	Sweden	1	0.7	10.9	2.3	8.6	Outside euro area
4	the Netherlands	3	2.1	7.1	4	3.1	Euro area
5	Denmark	1	0.5	1.8	1.5	0.3	Outside euro area
6	Cyprus			0	0.1	-0.1	Euro area
7	Malta			0	0.1	-0.1	Euro area
8	Estonia			0	0.2	-0.2	Euro area
9	Luxembourg			0	0.2	-0.2	Euro area
10	Slovenia			0	0.3	-0.3	Euro area
11	Lithuania			0	0.3	-0.3	Outside euro area
12	Latvia			0	0.4	-0.4	Euro area
13	Ireland	1	0.1	0	1.1	-0.7	Euro area
14	Slovakia			0.5	0.7	-0.7	Euro area
15	Bulgaria			0	0.9	-0.9	Outside euro area
16	Finland			0	1.3	-1.3	Euro area
17	Hungary			0	1.4	-1.4	Outside euro area
18	the Czech Republic			0	1.5	-1.5	Outside euro area
19	Belgium	1	0.3	0.8	2.4	-1.6	Euro area
20	Portugal			0	1.8	-1.8	Euro area
21	Austria			0	1.9	-1.9	Euro area
22	Greece			0	2	-2	Euro area
23	Romania			0	2.5	-2.5	Outside euro area
24	France	5	6.8	11.4	14.2	-2.8	Euro area
25	Italy	2	1.6	8.6	12.5	-3.9	Euro area
26	Poland			0	4.9	-4.9	Outside euro area
27	Germany	3	3.2	12.3	18.9	-6.7	Euro area
TOTAL	27 Countries	25 Banks	24.6	100	100	x	

Source information: Dirk Schoenmaker, Arjen Siegmann, Efficiency Gains of a European Banking Union, Deuisenberg School of Finance, VU University Amsterdam, 2013, p. 22.

This is an attempt to shift the accountability for the banks "too-big-to-fail" from the national to the community level[29, p. 51]. It mostly concerns the states with really high banking sector assets. The level of banking sector assets to the GDP ratio in the EU is 314.4% for Austria, 288% for Belgium, 397.9% for France, 311.2% for Germany, 718.1% for Ireland, 269.6% for Italy, 414.7% for the Netherlands, 336.8% for Portugal, 341.6% for Spain, 296.1% for Sweden, 503.5 for Great Britain [3, p. 11].

Graph 1. The Percentage of bank assets to the GDP ratio in the EU countries



Source information: Maciej Bartol, Maciej Rapkiewicz, Skutki „repolonizacji" sektora bankowego. Czy tylko pozytywne?, Centrum Analiz Fundacji Republikańskiej, Warszawa 2013, s. 11.

The governments' lack of capacity for autonomous bank bailouts is also due to a high level of public debt of their countries, considerably exceeding 60% of GDP (table 2), which is especially the case in the euro area from which originate most banks deserving to be rescued because of the systemic risk. The financial support which was given by he EU countries to the credit institutions only further increased this debt.

Table 2

The criterion of the budget deficit and public debt as percentage of the GDP for the EU

		Budget Deficit (% GDP)				Public Debt (% GDP)			
No.	Country	2011	2012	2013*	2014*	2011	2012	2013*	2014*
1	Austria	-2.5	-2.5	-2.5	-1.9	72.8	74.0	74.8	74.5
2	Belgium	-3.7	-4.0	-2.8	-2.6	98.0	99.8	100.4	101.3

		Budget Deficit (% GDP)				Public Debt (% GDP)			
3	Bulgaria	-2.0	-0.8	-2.0	-2.0	16.3	18.5	19.4	22.6
4	Croatia	-7.8	-5.0	-5.4	-6.5	51.6	55.5	59.6	64.7
5	Cyprus	-6.3	-6.4	-8.3	-8.4	71.5	86.6	116.0	124.4
6	the Chech Republic	-3.2	-4.4	-2.9	-3.0	41.4	46.2	49.0	50.6
7	Denmark	-1.8	-4.1	-1.7	-1.7	46.4	46.4	44.3	43.7
8	Estonia	1.1	-0.2	-0.4	-0.1	6.1	9.8	10.0	9.7
9	Finland	-0.7	-1.8	-2.2	-2.3	49.2	53.6	58.4	61.0
10	France	-5.3	-4.8	-4.1	-3.8	85.8	90.2	93.5	95.3
11	Greece	-9.5	-9.0	-13.5	-2.0	170.3	156.9	176.2	175.9
12	Spain	-9.6	-10.6	-6.8	-5.9	70.5	86.0	94.8	99.9
13	theNetherlands	-4.3	-4.1	-3.3	-3.3	65.7	71.3	74.8	76.4
14	Ireland	-13.1	-8.2	-7.4	-5.0	104.1	117.4	124.4	120.8
15	Lithuania	-5.5	-3.2	-3.0	-2.5	38.3	40.5	39.9	40.2
16	Luxembourg	0.1	-0.6	-0.9	-1.0	18.7	21.7	24.5	25.7
17	Latvia	-3.6	-1.3	-1.4	-1.0	41.9	40.6	42.5	39.3
18	Malta	-2.8	-3.3	-3.4	-3.4	69.5	71.3	72.6	73.3
19	Germany	-0.8	0.1	0.0	0.1	80.0	81.0	79.6	77.1
20	Poland	-5.0	-3.9	-4.8	4.6	56.2	55.6	58.2	51.0
21	Portugal	-4.3	-6.4	-5.9	-4.0	108.2	124.1	127.8	126.7
22	Romania	-5.6	-3.0	-2.5	-2.0	34.7	37.9	38.5	39.1
23	Slovakia	-5.1	-4.5	-3.0	-3.2	43.4	52.4	54.3	57.2
24	Slovenia	-6.3	-3.8	-5.8	-7.1	47.1	54.5	63.2	70.1
25	Sweden	0.2	-0.2	-0.9	-1.2	38.6	38.2	41.3	41.9
26	Hungary	4.3	-2.0	-2.9	-3.0	82.1	79.8	80.7	79.9
27	Great Britain	-7.7	-6.1	-6.4	-5.3	84.3	88.7	94.3	96.9
28	Italy	-4.5	-3.8	-3.0	-2.7	119.3	120.8	133.0	134.0

*Komisja Europejska, Economic Foreast Autumn 2013.
Source information: Eurostat.

The Schoenmaker and Siegmann's report shows that none of the 25 banks which merit a bailout is from Poland. It means that a potential recapitalisation will take place at the expense of Poland which has a good banking supervision and a relatively low share of banking sector assets in relation to GDP, i.e. of only 93.4% of GDP and the public debt lower than 60% [21]. The net effect of the Polish share in the banking union would be then 4.9% because of the lack of benefits connected with the bank bailouts. Thus, both Poland and Germany would bear the highest costs of rescuing systemic banks. In case of Germany, however, there occur some benefits which will significantly lower these costs and make the net effect amount to -6.7%. It is related to the possible bailouts of three banks, including Deutsche Bank whose assets make for approximately 85% of the German GDP.

High benefits from participating in the banking union would be cherished by France where 5 big banks meriting a rescue are located. Given the high costs amounting to 14.2%, the net effect would be -2.8%. Whereas joining the banking union is not in the interest of the countries which would derive the highest net effect. These include Great Britain with the net effect amounting to 12.9% and Sweden with 8.6%. With regard to Great Britain it is connected with rescuing as many as five banks with the value of total assets of 7.3 EUR billion. These countries are not interested in joining the banking union for political reasons [36, p. 3]. Most probably they assume that in case of a crisis, it is better to rescue one's own banks however high is the share of banking sector assets to GDP, which is 296.1% in case of Sweden and 503.5% for Great Britain. The attitude of these countries deserves special attention in the context of possible Poland joining the banking union.

It must be noted, however, that the Resolution Fund won't be endowed with the total sum of 55 EUR billion from the start. As was mentioned before, the process of building up the total Fund is to take 8 years. In fact, at the beginning of its operating activities the amount of funds may be insufficient to restructure the banks if needed. During this period financial stability will continue to be linked with the solvency of the state. With the accelerated accumulation of fund resources, the responsibility will be transferred to the banks. At the beginning the Fund will be divided into parts corresponding to the contributions brought by the banking sectors of each participating Member State individually. Thereafter, contributions will be gradually made common. In the first year of the Fund operations 40% of these contributions will be common. It is also possible to increase the contributions ex post when financial resources are insufficient to cover losses [15, p. B7].

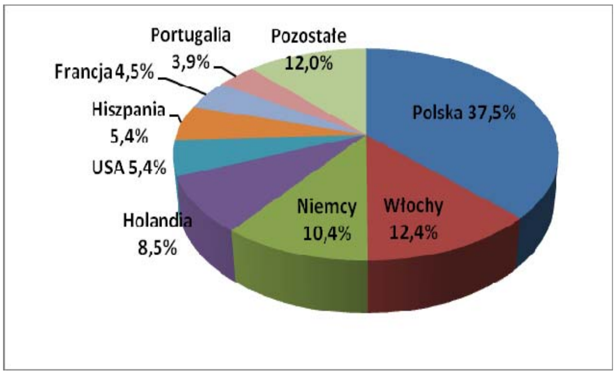
It seems that the banks, being aware that they are perceived as "institutions of public trust", can count on help from the state, especially in the case of large banks which have used the moral hazard. Establishing a mechanism that would be financed by them should limit such practices. In the absence of resources in the Resolution Fund, there can be used European Stability Mechanism. However, it is applicable only to the euro area countries [22, p. 14]. No instrument was identified for the non-euro area countries. This situation will also apply to Poland. It only confirms that the banking union is a concept created chiefly in view of the euro area.

Options of Polish participation in the banking union

When considering the possible participation of Poland in the banking union, there some options developed by Kasiewicz and Kurliński [16, p. 176-180] to be noted. The first, confrontational approach should be assessed as extreme. It assumes a total rejection of the concept of joining the banking union due to the fact that we are not members of the Economic and Monetary Union (EMU). It allows for the possible veto of the project within the EU framework. As a result of this attitude, we give a clear signal that we are not interested in the new project which may have a positive impact on mitigating the effects of potential crises in the banking system. When considering this option we must remember that a large part of our Polish banking sector, that is 50%, will be supervised by ECB.

Graph 2

The structure of the Polish banking sector.



Source information: Sytuacja sektora bankowego, KNF, Warszawa, 22 listopada 2012, s. 8.

In Poland's case, however, much probable is the second two-area option, which was suggested by Polish researchers, whereby Poland remains outside the banking union and thus has no impact on its future structure. This will lead to the rise of a "two-speed Europe". In this case we must be aware that we will be deprived of the opportunity to have an impact on the banking union and to access the information related to the European banking system. It condemns us to function in isolation from important currents of political and economic life. This option, however, should be supplemented with the fourth, called negotiating which will allow for some influence on the process of establishing the banking union. While staying outside the banking union, Poland would take part in developing the mechanisms which would allow it to enter at a later stage. If the banking union is to expand to Poland in the future, then our representatives in a natural way should have an opportunity to comment on this topic. Poland must highlight in all discussions that our banking sector's stability is much better than in the non-euro area countries. Should any possible problems occur, it will be for external reasons [37, p. 2]. Some example of Polish engagement in the discussion on the banking union was obtaining the guarantee that the role of national supervision will be maintained [36, p. 4]. Such a scenario is supported by the opinion, expressed also by E. Botin – the chairman of Banco Santander, that the banking union is the key to restore the trust in the banking sector, and accordingly, in Euro [6, p. B10]. This only confirms that the concept of banking union applies solely to the euro area. In contrast, the Polish banking system enjoys a high trust. The study shows that 65% of Polish respondents trust the banks [18, p. 1]. This argument supports the opinion that Polish banking system functions properly and that we should also remain outside the banking union.

What is more, a single supervision under the banking union will separate financial institutions from the budgetary situation in individual euro area countries[28, p. B10], which is unfavourable. Whereas the situation of Polish public finances compared to the euro area is beneficial. Therefore, there is no need to join the banking union.

Remaining outside the banking union is advocated by the Minister of Finance Mateusz Szczurek. It is necessary to ensure that joining the banking union is safe for Poland. Having a good banking system, new relations must be carefully examined [43]. In a similar vein, spoke former Minister of Finance Jacek Rostowski [46]. There's no enthusiasm for joining the banking union in the statements by the current President of the NBP (National Bank of Poland) Marek Belka [45].

The banking union project entails a paradox. It consists of the fact that it increases the European banking system stability partly at the expense of reduction in stability of banking systems in our region. Favouring in Central and Eastern Europe big Western European banks which hold here their capital subsidiaries may have adverse consequences for this region. If ECB won't be willing to supervise individual banks but only capital groups, they will call for centralization of liquidity and capital management, in which case the volume of liquid reserves and capital in Poland won't be decided upon the situation of a given bank but upon the situation in the whole capital group [17, B9].

Divided opinions on joining the banking union represent Jan Czekaj and Aleksander Kowalski [9, p. B11]. On the one hand staying outside the banking union may have positive consequences for our economy owing to freedom of implementation of macroeconomic policy. On the other, remaining an observer of the situation going on in the euro area may threaten with permanent exclusion from the EU advanced integration processes.

In the opinion of W. Kwaśniak, Vice-Chairman of the the Polish Financial Supervision Authority (KNF) the option of "close cooperation" is very attractive. He points out, however, that the decision should be based upon the position held by the Polish regulator not only in shaping the European supervision project but also in taking final decisions by the European Supervision Authority. Withdrawal from the present option would have negative consequences in ta short time [19, p. 34].

The last, acceptance option anticipates Poland joining the banking union. In this situation we get the access to the information concerning establishing the new financial order in Europe. However, it would be wise to consider what is the price of coming into possession of these information, whether it is proportionate to the benefits flowing from them. Here, Polish participation would be asymmetric [14, p. 16]. Poland will adopt a vast majority of duties, primarily related to financing the banking union in exchange for a rather limited decision-making influence. With such an arrangement, decisions will be made centrally by the euro area Member States on the basis of their political and economic interests. They may be unfavourable for Poland as a peripheral country in Europe.

Poland's full membership in the banking union would bring some contradictions. A long period of establishing the Resolution Fund, shortened from 10 to 8 years, makes the decisions on supervision to be issued immediately from the central level with costs remaining local. It means that any potential decisions concerning Polish banks under the EU supervision will be made centrally and the costs will remain local. Against this background, there may arise conflicts between the central authorities exercised by the ECB and the national bodies. The conflict boils down to the fact that local authorities won't be willing to accept the central decision on initiating bankruptcy proceedings against the bank remaining under their jurisdiction. The reason for disagreement is that most of the costs will have to be covered by national funds The arisen contradiction can have a significant impact on increasing costs of this operation [34, p. 61].

In the context of Polish participation in the banking union, there can be raised a question whether the resources which are to make up the Resolution Fund are sufficient enough to bailout banks should there be threatened at the same time banks with different degrees of systemic risk. Currently the Fund is to have a target budget of 55 EUR billion. According to the experts, it should amount to approximately 5% of the euro area GDP. The time needed to gather this amount would therefore be much longer and it would range from10 to 20 years [26, p. 10]. It has been assumed, however, that gathering the amount of 55 EUR billion will take only 8 years. Establishing the Resolution Fund is therefore long-term solution. In a short term the banks will still have to count on the national funds. This can expose our taxpayers to the risk of paying costs of rescuing banks in the euro area. It will negatively affect our public debt.

Re-polonization and domestication of banks
in the context of joining the banking union

The banking union is intended as a geoeconomic project which is to pursue at the same time political influence of a given state in Europe and thereby in the whole world. Therefore, it will be essential in Poland's case to increase the control of the national financial system [13, p. 15]. Likewise, it seems imperative to raise the issue of domestication of banks. Full participation of Poland in the banking union may hinder the process of bank domestication consisting of moving the real centre of decision-making from the central parent banks to Poland. On the other hand, this is an argument for accelerating bank domestication which will increase the importance of national structures in decision-making. Polish activities should consist in countering such solutions which might limit the competences of Polish banking supervision and impede macro-prudential policies. Bank domestication should considerably increase the share of locally controlled banks in the banking sector assets in Poland [29, p. 52]. With taking such steps, it would be possible to create a more independent financial structure in our country. It could considerably support the internal processes associated with the development of economy and allowing to better prepare to access to the euro area. Bank domestication would also contribute to strengthening financial stability. However, it requires fundamental changes due to the fact that the state of the Polish banking system and the Polish position in the European Union are quite different than at the beginning of the transformation. These changes should be undertaken by the Polish authorities on the basis of a well-planned strategy which will make the bank domestication proceed gradually with the transactions carried out in the banking sector. An increased effectiveness of the bank domestication could be observed with the introduction of statutory changes granting the Financial Supervision Commission the power to give consent to take up large blocks of shares in place of today's powers to object to such a transaction [29, p. 43-46].

An interesting solution allowing to increase the control over our banking system is the process of re-polonization. It consists of increasing the share of Polish capital in the ownership structure of the national banking system. It would also help to reduce the impact of the banking union on our banking system if Poland doesn't join it. The process of re-polonisation has been visible since 2008. Since that time the share of domestic investment in our banking system assets keeps growing at the expense of foreign investors. Within 5years there has been observed a increase in the share of domestic investment by 9.4 percentage points (table 3).

Table 3

Banks controlled by foreign and domestic investors in years 2004-2012

Banks controlled by investors:	2005	2006	2007	2008	2009	2010	2011	2012	2013
domestic	30 %	30.3 %	29.1 %	27.7 %	31.9 %	33.8 %	35 %	36.4 %	37.1 %
Foreign	70 %	69.7 %	70.9 %	72.3 %	68.1 %	66.2 %	65 %	63.6 %	62.9 %

Source information: Raport o sytuacji banków w 2007 r., UKNF, Warszawa 2008, s. 21.; Raport o sytuacji banków w 2012 r., UKNF, Warszawa 2013, s. 22; Raport o sytuacji banków w pierwszym półroczu 2013 r., Warszawa 2013, s. 27.

As of 01 April 2014 PKO BP expanded by taking over the assets of Nordea Bank Polska [47]. Thus, the share of banks with domestic capital approached 40%. This take-over contributed to the increase in the share of domestic investment in the banking sector by approximately 1/3 to 2008. Further development of re-polonization processes is possible in the future. According to the President of PKO BP it would be beneficial if the domestic investors' share in the banking sector was 60% and that of the foreign ones' 40%. PKO BP will submit a proposal for the next alliance with the Poczta Polska (Polish Post), which may contribute to further increase in the share of domestic investment in the banking sector [27, p. B16]. It must be remembered, however, that with the increased share of domestic investment in the banking sector, Polish assets in the EU banking sector will exceed 0.73%, which will result in the increased contributions to the Resolution Fund should there be accepted the option proposed by the EC on making contribution rate conditional on the share of domestic banking sector assets in the assets of the EU banking sector.

In the context of bank domestication and re-polonization processes it seems significant that the President of PKO BP declared that: "being the largest bank in the country, we feel responsibility for the stability of the financial system, and we are open for cooperation with the regulator" [27, p. B16]. The declared cooperation between PKO BP and EC may contribute to accelerate the bank re-polonization and thus lead to strengthening of financial structures in Poland in the perspective of joining the banking union.

Conclusion

Poland as an EU member is bound to participate in the banking union. Poland's decision to join the banking union will be a political decision directed by the will to remain in the "first circle of integration". It will be asymmetric. We will assume a lot of duties in exchange for the access to information but at the cost of a limited influence on decision-making. Thus we may become a dependent economy.

When joining the banking union it is advisable to consider the argument that it is a systemic solution to the problems of the financial sector which have emerged in the euro area and not in the EU Member States. There was established an institution to solve the problems in the euro area particularly. The very method of provisioning the Resolution Fund shows that the burden of rescuing the banks in the euro area will be shifted among others on the economies with a healthy banking system, Poland being included. A good condition of the Polish banking system indicates a sound system of our supervision. Upon joining the banking union it will be subjected to the ECB which will have powers to control every bank. Therefore, the situation will arise when the monetary policy in our economy will be led by NBP and the supervision carried out by the ECB.

Joining the banking union at the present time involves a risk as it is not actually known what we are going to enter to. How will this mechanism operate? Poorly functioning systems of supervision in the euro area should not become an argument to include into the banking union the countries with sound supervision, and such is Polish banking supervision. A new supervision functioning within the banking union should show how it copes with the problems in the euro area. During this time Poland should be a watchful observer of the effectiveness of the newly established supervision.

A serious problem for Poland after joining the banking union will be the access to funds at a time when they are missing in the Resolution Fund. It takes as many as 8 years for the Resolution Fund to become fully operational. However, the euro area countries may use the European Stability Mechanism. This fact further confirms that the banking union is a concept made exclusively for the euro area members and the countries from the outside are in a way discriminated against because of unequal access to financial resources. This discrimination is somewhat mitigated by the possibility to contract loans on the financial market through the Resolution Fund. At this point one can also have doubts as to whether the Fund would be willing to take out a loan to rescue the bank from outside the euro area. Some help may be provided here by the Single Resolution Mechanism Regulation which prohibits discrimination as it talks about the same approach to the banks regardless of their nationality or place of origin.

The European Central Bank having authorised the decisions of local supervisors may limit the process of bank domestication and re-polonization, like in the course of setting interest rates that do not respond to the interests of the entire euro area. Thus a risk of strengthening the national financial structure which affects the internal development of our economy will be increased.

In view of the dangers that may occur if Poland joins the banking union specific measures must be taken that will prepare our financial system to undergo this process. Important action to be taken by Poland in relation to our participation in the banking union is an active participation in discussions concerning the establishment of this institution. Taking part in discussions allows to react to proposed solutions on a regular basis. While participating in discussion Poland should oppose to solutions limiting the powers of national banking supervision. Of significant importance will be the discussion on establishing the common deposit guarantee scheme, especially with respect to Poland which has an efficient and functional guarantee fund. The shape of the banking union should be of much importance to us as becoming a member of the euro area we will automatically become a part of the banking union. We should be given the opportunity to be heard in the discussion owing to the mandate of a sound financial system which has gone smoothly through crisis.

Poland ought to consistently strive to domesticate and re-polonize its banks before joining the banking union. These measures will enhance competitiveness of our economy and will help strengthen the national financial structure which is responsible for the economic growth. Joining the banking union may severely impede and hamper these processes due to a new supervisor such as ECB.

It must be remembered, however, that despite remaining outside the banking union, we should develop rules of cooperation as our national supervision will be forced to cooperate because of the ownership structure of the Polish banking sector. Approximately 50% assets of of Polish banking sector belong to the investors from the euro area.

In the near future, Poland will face the dilemma of political choice whether to join the banking union or not. The proposal of establishing the banking union leads to a political expansion of the euro area to the countries from beyond its borders. It creates the opportunity to escape into the "first circle of integration" The very idea of establishing the banking union entails a risk that the countries which won't enter in cooperation with the banking union may be perceived as peripheral, belonging to the "second circle of integration", thus it results in creating a "two-speed Europe". As a consequence the decisions taken in our economy may significantly diverge from the mainstream integration. However, will the decision to join the banking union really strengthen our geopolitical position? Perhaps staying outside will provide an opportunity to further strengthen the functioning of the Polish financial system bearing in mind critical events that have occurred in the euro area. This could mitigate future crises that may occur in our financial system.

It is in our economic interest to stay outside the banking union, this will allow to strengthen financial stability which is decisive in terms of our competitiveness if the decision to join is postponed. On the other hand, in case of prompt joining the euro area, participating in the banking union will facilitate the process of preparing the economy for the adoption of a common currency. Prompt joining the banking union may accelerate decision-making on joining the euro area. This may be encouraged by the events in Ukraine [41, p. B5]. Joining the banking union may be beneficial in terms of meeting one of the criteria of nominal convergence, namely, participation in the European Monetary Mechanism. This will facilitate to carry out monetary policy by reducing volatility of the zloty exchange rate. The very process of Polish accession to the euro area may be accelerated in view of the events in Ukraine. When considering such an important issue as joining the banking union, the regard must be had as well to the Polish raison d'etat which takes into account community solidarity.

To sum up, basic dilemmas connected with joining Poland to bank union include uniform bank contribution and mechanizm of financing liquidation fund. It can restrain process of domestication and bank repolonization. Bank union is a solution for those problems, especially in euro zone.

Bibliography

1. Allen F., Carletti E., Gray J. (eds.), Political, fiscal and banking union in the Eurozone?, FIC Press Wharton Financial Institutions Center, Philadelphia 2013.
2. Arestis P., Sawyer M. (eds.), The Euro Crisis, Polgrave Macmillan, New York 2012.
3. Bartol M., Rapkiewicz M., Skutki „repolonizacji" sektora bankowego. Czy tylko pozytywne?, Centrum Analiz Fundacji Republikańskiej, Warszawa 2013.
4. Bishop G., The EU Fiscal Crisis: forcing Eurozone political Uniaon in 2011?, Searching Finance, London 2011.
5. Bilbao-Ubillos J. (ed.), The Economic Crisis and Governance in the European Union. A critical assessment, Routledge, London and New York 2014.
6. Botin E., Ważne zmiany dla europejskiej gospodarki, „Rzeczpospolita" 7 listopada 2013, s. B10.
7. Cao J., Banking Regulations and the Financial Crisis, Routledge, London and New York 2012.
8. „Crisis Management: Key Policy Issues", Bruksela 23.09.2010
9. Czekaj J., Kowalski A., Europa dwu prędkości: szansa czy zagrożenie, „Rzeczpospolita" 19 listopada 2012, s. B11.
10. Das D. K., Financial Globalization. Growth, Integration, Innowation and Crisis, Palgrave Macmillan, Hampshire, New York 2010.
11. Economic Crisis in Europe: Casues, Consequences and Responses, "European Economy" 7/2009.
12. Euro Area Summit Statement, Brussels 29 June 2012.
13. Grosse T. G., Doświadczenia regulacji sektora bankowego w Unii Europejskiej wobec planów wprowadzenia Unii bankowej, „Analizy Instytutu Sobieskiego" wrzesień 2012, nr 47, s. 2-18.
14. Grosse T. G., Dylematy unii bankowej, „Analiza Natolińska", 2013, nr 2 (60), s. 2-28.
15. Hübner D., Ważny element unii bankowej, „Rzeczpospolita" 16 kwietnia 2014, s. B7.
16. Kasiewicz S., Kurliński L., Europejska unia bankowa a szanse i zagrożenia dla rozwoju polskiego sektora bankowego [w:] Stabilność systemu finansowego- instytucje, instrumenty, uwarunkowania, Agnieszka Alińska, Bogusław Pietrzak (red.), CeDeWu, Warszawa 2012.
17. Kluza S., Płociński A., Sławiński A., Pozorny paradoks unii bankowej, „Rzeczpospolita" 7 listopada 2012, s. B9.
18. Komunikat z badań „Zaufanie do banków", CBOS, Warszawa, październik 2012.
19. Kwaśniak W., Skutki dla polskiego systemu bankowego i polskiej gospodarki po wprowadzeniu do unii bankowej, „Zeszyty BRE Bank-CASE", 2012, nr 123, s. 29-35.
20. Lucarelli B., The Economics of Financial Turbulence. Alternative Theories of Money and Finance, Edward Elgar, Cheltenham, Northampton 2011.
21. Monitor konwergencji nominalnej, Ministerstwo Finansów 2014, nr 3.
22. Najważniejsze rekomendacje Europejskiego Kongresu Finansowego, European Financial Congress, Sopot 2013.
23. Obstfeld M., Cho D., Mason A. (eds.), Global economic crisis. Impacts, Transmission and Recovery, Edward Elgar Publishing, Northampton, 2012.
24. Pawłowicz L., Unia bankowa – sukces czy klęska jednolitego rynku usług finansowych, „Zarządzanie i Finanse" 2013, vol. 11, nr 2, część 1, s. 457-467.
25. Pawłowicz L., Europejski resolution fund, „Zarządzanie i Finanse", UG, Sopot 2013, Vol. 11, Nr 4, s. 147-156.
26. Pisani-Ferry J., Wolff G. B., Fiscal implications of banking union, Bruegel, 14 September 2012.
27. Poczta to dobry cel, „Rzeczpospolita", 3 kwietnia 2014, s. B16.
28. Raczko A., Europa bliżej unii bankowej, „Rzeczpospolita" 2 stycznia 2013, s. B10.
29. Raport dotyczący optymalnej struktury polskiego systemu bankowego w średnim okresie, Capital Strategy, Warszawa, 31 października 2012.
30. Ruszkowski J., Unia bankowa. Próba ponadnarodowego rozwiązania kryzysu w obszarze euro, „Biuletyn Instytutu Zachodniego", 2012, nr 106, s. 1-6.
31. Schoenmaker D., Siegmann A., Efficiency Gains of a European Banking Union, Deuisenberg School of Finance, VU University Amsterdam 2013.
32. Słojewska A., Drugi etap unii bankowej zatwierdzony, „Rzeczpospolita" 21 marca 2014, s. B3.
33. Sytuacja polskiego sektora bankowego, Komisja Nadzoru Finansowego, Warszawa 2012, 22 listopada.
34. Szczepańska O., Czy unia bankowa będzie zdolna do zarządzania kryzysem w przyszłości, „Bank", marzec 2014, s. 58-61.
35. Szeląg K., Trzy filary europejskiej unii bankowej, „Rzeczpospolita" 12 marca 2014, s. B10.
36. Szpringer Z., Unia bankowa, „Infos", Biuro Analiz Sejmowych 18 kwietnia 2013, nr 8(145), s. 1-4.
37. Tokarski P., Trudna droga do unii bankowej, „Biuletyn", PISM 20 grudnia 2013, nr 135 (1111), s. 1-2.
38. W kierunku faktycznej Unii Gospodarczej i Walutowej. Sprawozdani okresowe, Bruksela 12 października 2012.
39. W kierunku faktycznej Unii Gospodarczej i Walutowej. Sprawozdanie przewodniczącego Rady Europejskiej Hermana Van Rompuya, Bruksela 26 czerwca 2012.
40. Wersja skonsolidowana Traktatu o funkcjonowaniu Unii Europejskiej, (Dz. Urz. UE C 83 30 marzec 2010).
41. Wojtyna A., Ukraina a euro w Polsce, „Rzeczpospolita", 5 marca 2014, s. B5.
42. Zaleska M., Unia bankowa – koncepcje i wyzwania [w:] Unia bankowa, M. Zaleska (red.), Difin, Warszawa 2013.
43. http://biznes.interia.pl/raport/euro_w_polsce/news/szczurek-dla-polski-nie-ma-sensu-wchodzenie-do-unii,1986816, [data dostępu: 06.04.2014].
44. http://www.efcongress.com/sites/default/files/imce/ekf_2013_rekomendacja-1_unia_bankowa_11_07_v_czysta.pdf, [data dostępu: 07.04.2014].
45. http://www.euractiv.pl/gospodarka/artykul/prezes-nbp-o-unii-bankowej-bez-entuzjazmu-004786, [data dostępu: 06.04.2014].
46. http://www.lex.pl/czytaj/-/artykul/rostowski-polska-nie-przystapi-do-unii-bankowej-w-obecnej-formule/print/, [data dostępu: 06.04.2014].
47. http://www.pkobp.pl/aktualnosci/ogolnokrajowe/przejecie-aktywow-nordea-przez-pko-bank-polski/ [data dostępu: 24.04.2014].

***Красъ І.**, доктор хабілітований, Інститут політології Академії імені Яна Длугоша в Ченстохові (Польща), ikras@interia.pl*

Дилеми, пов'язані з приєднанням Польщі до банківського союзу

У статті аналізуються дилеми, пов'язані з вирішенням питання приєднання Польщі до банківського союзу. Одночасно вказано на ті дії, які у зв'язку з приєднанням, мають бути виконані Польщею. Звернено увагу на наслідки спільного нагляду та питання, що стосуються фінансування ліквідаційного фонду Польщею. У статті представлені варіанти участі Польщі в банківському союзі та порушується проблема, що стосується процесу адаптації та реполонізації банків, що мають відношення до зміцнення національної фінансової системи. Заходи, які будуть вжиті Польщею, у зв'язку з приєднанням до банківського союзу, мають враховувати стан польського права, одночасно беручи до уваги суспільну солідарність, а також кінцевий висновок міркувань викладених в цій статті.

***Ключові слова:** інституції Європейського Союзу, фінансова криза, європейський банківський нагляд.*

***Красъ И.**, доктор хабилитований, Институт политологии Академии имени Яна Длугоша в Ченстохове (Польша), ikras@interia.pl*

Дилеммы, связанные с присоединением Польши к банковскому союзу

В статье анализируются дилеммы, связанные с решением вопроса присоединения Польши к банковскому союзу. Одновременно указано на действия, которые в связи с присоединением, должны быть выполнены Польшей. Обращено внимание на последствия общего надзора и вопросы, касающиеся финансирования ликвидационного фонда Польшей. В статье представлены варианты участия Польши в банковском союзе и нарушается проблема, касающаяся процесса адаптации и реполонизации банков, имеющих отношение к укреплению национальной финансовой системы. Мероприятия, которые будут приняты Польшей, в связи с присоединением последней к банковскому союзу, должны учитывать состояние польского права, одновременно учитывая общественную солидарность, а также конечный вывод соображений изложенных в этой статье.

***Ключевые слова:** институты Европейского Союза, финансовый кризис, европейский банковский надзор.*

* * *