

## POLISH CONTROVERSY ABOUT BANKING UNION

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### ABSTRACT

Banking union is the first so far-reaching integration project of the banking sector in the European Union. Is a response to the great financial crisis, which strongly shook the liquidity of banks and financial institutions in Europe.

A broad scale of the crisis has led to a great determination to adopt and implement the three pillars called “banking union”: uniform legal framework of supervision, uniform framework for restructuring and orderly liquidation and uniform system of guaranteed deposits. Poland remaining outside the euro area may join the banking union on a basis of “state of close cooperation”. In Poland there is open discussion on the benefits and risks arising from a possible accession to the banking union. This article cites the views of the current state of specifics of the banking sector.

The article omitted the very complex political situation and a possible change of government in Poland in autumn 2015 – which can change and delay a decision on the Polish joining to the banking union.

**Key words:** banking, financial institutions, banking union

### INTRODUCTION

Banking union is for all participants the response to the problems of the financial sector. It is a solution that will solve crises and will be able to

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prevent further ones. However this mechanism could be seen also as a step towards reducing the economic sovereignty of the country. Another very important concern is the risk of dividing the EU into the so-called “two-speed Europe”. Membership in the banking union of the countries outside the euro zone is not mandatory, thus Poland has a choice.

Regarding the aspect of the possible Polish accession, there are numerous and very contradictory theories. The main advantages of accession to the banking union, inter alia: potential use of the rescue fund, if of course strict conditions are met; Polish sector would be certainly perceived as safer, confidence that Poland would not be seen as a “second speed” country. In contrast the disadvantages include: high costs associated with joining the banking union, increasing dependence of the financial sector from the banking union, the risk of incurring the costs associated with rescuing the banks in the eurozone.<sup>1</sup>

Polish banks are heavily decapitated, what could contribute to the high cost of joining the banking union. The use of the assets, as the key would be for Poland much more attractive form, because the Polish assets are relatively small compared to GDP. Joining the banking union may have a negative impact the citizens. In Poland there are more than 60% banks with head offices within the euro area. Due to the existence of a banking union, these banks are required to apply the principles set out by the European Central Bank. Banking institutions that belong to the euro area countries will not be able grant loans to people who have financial problems or if the business, which need money will benefit in the future.

It should be noted that the Polish banking sector is in a relatively good situation, as opposed to the banks in the common currency area.<sup>2</sup> From the Polish perspective, considering the main assumptions of the banking union, ie. security in case of the crisis, joining the union would be associated rather with costs.

The entrance to the banking union by Poland, would also mean partial the loss of control over the banking sector in Poland. Under the supervi-

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<sup>1</sup> S. Krawiec, M. Gozdek, *Raport dotyczący optymalnej struktury polskiego systemu bankowego w średnim okresie*, Capital Strategy, Warszawa 31.10.2012, p. 6.

<sup>2</sup> NBP, *Raport o stabilności systemu finansowego w Polsce*, July 2015. Available online: <http://www.nbp.pl/Home.aspx?f=/SystemFinansowy/stabilnosc.html> (access: 14.08.2015).

sion of the European Central would go Bank PKO BP, because it meets the conditions of substantiality; further 2 other: Pekao and BZ WBK, as the most important banks in the country. The decisions of the European Central Bank relating to the bank under its supervision, would have an impact on other Polish banks.<sup>3</sup>

Supporters of Polish accession to the banking union, suggest that Poland is already to some extent in it. They base their claims on the fact that the largest banks are among the countries of the euro area, which are already covered by the supervision of the European Central Bank. Bank Pekao SA belongs to UniCredit, BZ WBK is owned by Santander, mBank belongs to Commezbank, Bank Śląski to ING, and Millenium to BCPE. These banks regardless the decisions that Poland takes, are already under the supervision of the European Central Bank.

Joining the banking union is associated with a number of potential dangers for the Polish financial sector. According to many theories, there could be a high risk that the supervision of the European Central Bank will stand and favor the biggest financial groups, and the local markets and those that do not have a common currency would lose. Consequently, the supervision of the European Central Bank is concentrated on financial groups.<sup>4</sup> This may cause an increase in capital ratios in the institutions of the central market on the basis of the situation of their subsidiaries operating in preferential markets. Preferential markets have a more developed capital structure. This results in excessive freezing of capital on the host markets for the necessary reserve. This hampers economic growth and to a large extent the possibility of lending to entrepreneurs. The value of the establishment and operation of a banking union are therefore disproportionate for the economies that have stable and secure financial systems.<sup>5</sup>

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<sup>3</sup> B. Prośniewski, *Rostkowski: EBC przejmuje kontrolę nad bankami strefy euro*, 15 November 2014 <http://www.polskieradio.pl/42/273/Artykul/1278104,Rostowski-EBC-przejmuje-kontrolę-nad-bankami-strefy-euro-60-proc-naszego-sektora-bankowego-kontroluje-kapitał-zagraniczny>.

<sup>4</sup> Europejski Bank Centralny: *Raport roczny EBC z działalności nadzorczej za rok 2014*, March 2015.

<sup>5</sup> S. Kluza, *Bilans unii bankowej może być korzystny, 18 grudnia 2012r.* Available online: [http://forsal.pl/artykuly/669591,kluza\\_bilans\\_unii\\_bankowej\\_moze\\_byc\\_korzystny.html](http://forsal.pl/artykuly/669591,kluza_bilans_unii_bankowej_moze_byc_korzystny.html) (access: 15.08.2015)

According to the union assumptions about the functioning of the European Stability Mechanism,<sup>6</sup> countries outside the euro area do not have the possibly to use a mechanism to strengthen the capital of banks (60 billion euros). A bank may benefit from such assistance when a critical need arises, however, countries outside the single currency area does not have this right. Poland also would not have access to euro liquidity from the European Central Bank. The big downside is that countries like Poland – which are not members of the euro zone have no influence on any decision-making at the highest levels of the Governing Council of the European Central Bank. Poland would have to adhere to the guidelines of the European Central Bank in matters of banking supervision at the level of individual institutions.

According to experts, banking union may limit the scope of activity of local supervision, particularly in countries where European banking groups are present.<sup>7</sup> Local supervisory groups are supposed to provide all information for the European Central Bank and exercise tasks assigned by the European Central Bank. Participation of Polish representatives in the European supervisory institutions would provide an increase in access to information and ensure, though small, impact on the decision-making. However, the Polish participation in the banking union will also increase the dependence of the financial sector and the Polish economy on the decisions taken in the euro area. Probably it will pave the way for further expansion of Europe's largest banks in Poland.

This will increase the risk associated with the potential costs of bank rescue from the euro zone by the national banking institutions. This threat is more likely to occur when the time of the incomplete banking system is prolonged.

Most of the supervisory powers of the European Central Bank, according to many experts can meet domestic surveillance, however, only if it is

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<sup>6</sup> P. Sitek, *The legal aspects of the European financial stabilization mechanism*, [w:] Socio-economic relation between Europe and Asia, Wydawnictwo WSGE 2014, pp. 125-141.

<sup>7</sup> Por. S. Kawalec, M.Gozdek (2012): Raport dotyczący optymalnej struktury polskiego systemu bankowego w średnim okresie, Capital Strategy, Warszawa 31 października 2012, p. 51.

properly reinforced.<sup>8</sup> Although the European Central Bank covers supervision over Europe's largest banks subsidiaries operating in Poland, Polish Financial Supervision Authority maintains total control over the rest of the banks operating on the domestic market.

Polish decision to join the banking union will be determined primarily by the geopolitical reasons. It is a desire to flee from the "second integration circle" to the European center. It is determined also by the decision to adopt the common currency. It is illogical postponing a decision on banking union membership if efforts to join the Economic and Monetary Union are made. The delay of joining the euro area gives Poland more freedom when it comes to fix the deadline for accession to banking union.<sup>9</sup>

Poland and many countries of our region does not have adequate representation at decision-making level of the banking union. To a large extent this is due to the later membership in the European Union. Participation in the creation of a single banking supervision along with the European Central Bank, would make a unique opportunity to contribute and to create substantial co-presence in the project, which will be one of the most powerful kind in the world.

During the initial European Commission's idea concerning the creation of a banking union there were numerous controversies. These principles were not acceptable by the countries outside the euro area. They were not beneficial for Poland at all. However, Poland, in this situation did not use the possibility to negotiate the inconvenient solutions proposed by the European Commission. The reason was the lack of sufficient communication between the Polish minister and EU institutions. However, the final principles of operation of banking union to meet the expectations of almost all European Union countries.

However, declaration on the Polish presence in the banking union, would not cost anything. It is worth therefore to prove openness and

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<sup>8</sup> Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

<sup>9</sup> More: T.G. Grosse, *Dylematy unii bankowej, Analiza Natolińska*, Centrum Europejskie Natolin, 2(60)/2013

willingness to cooperate. It is also important to note, that the absence of Poland in the banking union is only apparent, because most banks operating in Poland comes from the euro area Member States, and thus are already subject to the supervision of the European Central Bank.

Thus, without being a member of a banking union, Poland does not benefit from its rights, but also resigns from it.

Joining the union by the country outside the euro zone is not final and irreversible. In case of serious and unavoidable to resolve the conflict, the country could make use of the termination or suspension of the participation in the banking union. This would imply, however, with the deterioration of the country's reputation.

#### THE DIVERSITY OF THEORIES AND OPINIONS ON THE POSSIBLE PRESENCE OF POLAND IN THE BANKING UNION

Banking union is a subject controversy topic. Therefore there are numerous opinions of people involved in the Polish financial policy. These views, however, are very diverse.

“We should carefully watch what is happening there. There are certain processes that integrate the banking sector for two reasons. Firstly, drawing conclusions from the crisis, which began with the financial sector, and secondly, there has been a test of application of new regulations that have their origin in the conclusions from the crisis. In many cases they have so called. new philosophy greater security” – says Mieczysław Groszek, vice president of the Association of Polish Banks. In his opinion, Polish deposits of financial sector clients are safe thanks to the functioning of the Bank Guarantee Fund and also thanks to proper functioning of Polish banking supervision. Polish banking from the 90-ies passed a solid period of restructuring of banking institutions, rescue or liquidation of banks, which could not be maintained. He also believes that we have a safe situation on the financial market. He bases his opinion upon stress tests, which were prepared by the Pol-

ish Financial Supervision Commission. Only 5% of Polish banks failed the tests. In the banking union, this number was much higher.<sup>10</sup>

When it comes to formal aspects, Poland is ready to join the banking union. According to the Polish National Bank, it is better to observe the banking union system and join it when conditions for all Member States will be equal, regardless participation in the euro zone. Alignment would be the chance to benefit from the European Stabilization Fund, which is dedicated for interventions.

In contrast, economist prof. Krzysztof Rybinski former vice president of the Polish National Bank believes that banking union is not the future of Europe, and Poland definitely should not join this project. He believes that Polish accession to banking union is equal to the loss of control over the Polish financial sector. The loss of control may adversely affect the economy. Although under the direct supervision of the European Central Bank go only one Polish bank – PKO BP, its decisions would have impact also on other banking institutions that operate in Poland. “Directly it covers only the largest banks, but its recommendations and decisions taken under the supervision of the EU will be expanded to all entities of the banking sector. And there is a game of competence, ie, how much may decide to Polish surveillance, and to what extent are binding on all surveillance guidelines created by the EU.” – said professor Rybiński on Polish Radio.<sup>11</sup> He admits that every co-operation is good, even if it does not bring financial benefits it will be opportunity to gain valuable suggestions and experience. He emphasizes that we should remain on the outskirts of the financial world. According to Professor Krzysztof Rybinski banking union is the solution for bad times. Looking at our economy such risks do not threaten us. However, Poland uses external financing, if that was not possible, such threat could certainly occur in the near future.

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<sup>10</sup> S. Zadrozna, R.Lidke, K. Mózgowiec, M.Byrska, Unia bankowa: Polska się przygląda, ale nie chce się spieszyć, 11 grudzień 2014. Tekst dostępny online: <http://www.polskieradio.pl/42/3306/Artykul/1316938,Unia-bankowa-Polska-sie-przyglada-ale-nie-chce-sie-spieszyc-> (access: 17.08.2015).

<sup>11</sup> S. Zadrozna, K. Rzyman, E. Szczerbak, G. Raszowska, *Unia bankowa: dlaczego Polska może poczekać*, 23 czerwiec 2014. Tekst dostępny online: <http://www.polskieradio.pl/42/3306/Artykul/1159117,Unia-bankowa-dlaczego-Polska-moze-poczekać> (access: 17.08. 2015).

CEO of the largest Polish bank PKO BP, Zbigniew Jagiełło points out that the economy in Poland is not heavily dependent on the financial sector, which is very advantageous situation. In his opinion, bypassing financial and economic problems of the world and Europe in Poland is due to the proper functioning of Polish entrepreneurs, thanks to which jobs are created and a real income is produced.<sup>12</sup> He thinks that it is better “to be in the club setting rules that later, when we enter the eurozone and banking union will have to implement in life than to be outside of it.”<sup>13</sup>

Stanisław Kluza, PhD., former chairman of the Financial Supervision Authority insists on the position to participate in the banking union as countries – participants of the banking union have a much greater impact on its creation – the creation of rules and regulations and their implementation. He estimates that some regulations that are being actually developed, will become in the future law throughout the European Union.<sup>14</sup>

According to Professor Krzysztof Rybicki, it is difficult to assess the consequences of joining the banking union. Unfortunately, the banking system is still not in the best situation, so it can also be associated with bailing out the banking sector of other member countries. The professor remains with the conviction that Poland should stay away from banking union if it does not want to incur the related costs, Poland has a much better supervision than European supervision.

However, if we entered the banking union experts say it would not have a significant impact on the general functioning of companies in Poland.<sup>15</sup> However, it can change quickly in case of the emergence of the crisis. Studies reveal that if the crisis occurs in euro zone, this results in the withdrawal of partners from the countries in Central – Eastern Europe. Professor Rybicki says: “The more we integrate with the banks and the banking system in Western Europe, the stronger are the channels of contagion and the stronger strike could hit the Polish economy, when a crisis occurs there. As long as the euro area does not calm down, we should not

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<sup>12</sup> Konsekwencje przystąpienia Polski do unii bankowej, Piotr Górski, dr Błażej Lepczyński, Monika Liszewska, IBnGR, Gdańsk 2014, p.83.

<sup>13</sup> S. Zadrożna, K. Rzyman, E. Szczerbak, G. Raszewska, op.cit.

<sup>14</sup> S. Zadrożna, K. Rzyman, E. Szczerbak, G. Raszewska, op.cit.

<sup>15</sup> Z. Szpringer, Unia bankowa, infos nr 8, 18.04.2013, Biuro Analiz Sejmowych, p. 3.

enter this common house. No reasonable politician should force the Polish membership in the banking union, if there is a risk in the banking sector and the domino effect may appear.”<sup>16</sup>

Poland should participate in all aspects of banking union acting on behalf of non-eurozone countries – says Danuta Huebner. In her opinion, the banking union is a perspective of great change in the European Union. It creates the risk of division into “two-speed Europe”. President of the Committee for Regional Development of the European Parliament former EU Commissioner for Regional Policy claims that Poland should join the common banking supervision. It will probably be one of the conditions to entry the entire banking union, which will also include a joint bank deposit guarantee scheme and a common fund for the restructuring and liquidation of banks. She explains that remaining outside the banking union will negatively affect the confidence in the Polish market and will result in profitability of debt securities of the European Union countries.<sup>17</sup>

Your opinion has also former Polish Prime Minister – Donald Tusk. In his opinion Poland has all predispositions to be a member of a banking union, however, it should be closely associated with participation in its mechanisms. He points out that in the future Poland will become a member of this EU project, but so far we should ensure the conditions for a “suitable” Polish participation.<sup>18</sup>

Former Finance Minister Jacek Rostowski claims that the joint supervision is a good option for Poland, however, he has fears that Poland does not adequately satisfy the conditions of accession of our country to banking union. He believes that a good time to make this step would be after the Polish accession to the euro zone.<sup>19</sup>

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<sup>16</sup> Ibidem.

<sup>17</sup> Polska Agencja Prasowa, Huebner: Polska nie jest Londynem tylko krajem na dorobku. Available online: <http://gospodarka.dziennik.pl/news/artykuly/403315,danuta-huebner-polska-powinna-wejsc-do-unii-bankowej.html> (Access: 17.08.2015).

<sup>18</sup> Polska Agencja Prasowa, *Tusk: nie czas na deklaracje ws. przystapienia do unii bankowej*. Tekst dostępny online: <http://biznes.onet.pl/wiadomosci/finanse/tusk-nie-czas-na-deklaracje-ws-przystapienia-do-unii-bankowej/bhzp1> (access: 16.08.2015).

<sup>19</sup> Polska Agencja Prasowa, *Rostowski o unii*. Available online: <http://biznes.onet.pl/wiadomosci/finanse/rostowski-o-unii-bankowej/yg063> (access: 16.08.2015).

On the other hand deputy finance minister Artur Radziwiłł states: “We want to see how this system will work in practice”. He believes that Poland must be assured of security solutions of the single supervisory mechanism, must be ensured of non-occurrence due to membership problems in the banking system and public finance system. This will happen only after a thorough analysis of all the solutions proposed by the banking union. Radziwiłł states that this project has certainly many advantages, but also in the number of serious threats can be observed. It is not worth so make such an important decision too quickly and easy. “We feel that we are not able at the moment to make such a difficult decision. We want to see how this system will work in practice. That does not mean that we have to wait eight years when the system actually reaches its full maturity. Therefore, already in the next few years we will see how this supervision works. We will see what happens, and on this basis make some decisions” – says Radziwiłł.<sup>20</sup>

Summing up opinions and theories of those involved in the creation of the Polish financial system, it should be emphasized that the majority is in favor of Polish participation in banking union. Participation involves both numerous benefits and threats, but Poland does not want to remain outside such an important for the whole European Union project. The only issue to consider, is the time when we should make such an important for the whole country step.

#### THE APPROPRIATE TIME FOR THE POSSIBLE ACCESSION OF POLAND TO THE BANKING UNION

Rapid accession to the banking union despite the open road is not beneficial for the Poland. According to Mateusz Szczurek – the current Minister of Finance Poland will have an impact for the final shape of the banking union. What is important is the equal treatment of countries out-

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<sup>20</sup> Polska Agencja Prasowa, Radziwiłł: Polska chce zobaczyć, jak będzie działała unia bankowa, 24 wrzesień 2014, <http://www.ekonomia.rp.pl/artykul/1143936.html>.

side the banking union, and therefore Poland will have the opportunity to vote on the final shape of a banking union.

Is it worth waiting to join the banking union until the accession to the common monetary policy area? When Poland adopts the euro, it will be tantamount to entering under the supervision of the European Central Bank. Poland had such opinion at the beginning of the implementation of the project, but now there is a growing number of arguments in favor of a modification of this position.

The government should rationally analyze whether it is more beneficial for Poland to join the banking union now, before making the decision to enter the euro zone. It is important to draw up a precise balance of risks and benefits, and then initiate a substantive discussion on this topic. As the banking union begins to become more attractive from a security point of view, also for the Polish financial system.<sup>21</sup> “Banking union is a revolution when it comes to common financial market, bigger than the creation of the euro area.” – said at the seminar organized by mBank and the CASE Foundation Andrzej Reich, director in Polish Financial Supervision Authority.

The position of Polish accession to the banking union before entering the euro zone does not mean, however, that Poland has to do it too quickly and without a thorough consideration.

A banking union project is still not finished, it has some shortcomings, this is due to haste, which was necessary during the work on its implementation – it was a time to rescue the eurozone from disintegration. Nevertheless, the banking union activities are still being improved and begin to meet the expectations of its current and future members. It is worth noting that everything in it still evolves, so one can affect its final appearance. It is possible, however, only for its co-organizers, not external observers.

Professor Leszek Pałowicz from Gdańsk Banking Academy, believes that Poland should join the banking union in at least 2 to 3 years, however, not in a hurry, so as not to be in the first round.<sup>22</sup>

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<sup>21</sup> J. Ramotowski, Unia bankowa bardziej atrakcyjna dla Polski, 28 April 2015, <http://www.obserwatorfinansowy.pl/tematyka/bankowosc/unia-bankowa-bardziej-atrakcyjna-dla-polski/>.

<sup>22</sup> Ibidem.

We should not worry about the high costs incurred by Poland for the Resolution Fund, as these costs would be relatively small, in addition some means would appear for the a potential deposit insurance system. The mechanism of liquidation of banks is aimed at, among others, reducing excessive risks taken by banks. The estimated amount would not be enough.

As shown in the reports of the International Monetary Fund, there are too many banks on the European market. In this situation the question arises: “Since there are too many banks who will buy parts resulting from the reduction or division of their scope of their operation? And if – in the situation of the excess of banks – there will be no willing to buy them, what will happen then?”<sup>23</sup> Integrated market under the supervision of the European Central Bank will be able to deal with the solution of this problem. Poland would have an opportunity to influence the formation of the views of supervision. There would be a real chance to avoid undermining the stability of the Polish financial sector and to ensure that entrance to the banking union was not held at its expense.

It is reasonable that Poland join the banking union if we look from the perspective of materialization of credit markets. Poland, under the supervision of the European Central Bank, will be notified quickly about the possible sale of part of the business by operating banking groups, also in Poland.<sup>24</sup> Single Supervisory Mechanism is informed first about such plans to analyze and evaluate them. Polish supervision, located outside the banking union and thus outside the Single Supervisory Mechanism, may be informed of such plans, when a final decision is taken, and thus will have no influence.

Another major benefit of participation in the banking union is a uniform Mechanism of Modernization and Ordered Liquidation of Banks. Polish representatives of the financial sector would have valuable knowledge about dealing with the crisis. Conversely, if we're not there, the Polish authorities will be raised by *fait accompli* in case of liquidation of banks.

In case of liquidation of banking groups they will be required to draw up plans for their liquidation. These plans are verified by the European Central Bank, acting on the basis of the tasks entrusted by the Single

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<sup>23</sup> Ibidem.

<sup>24</sup> R. Wierzba, *Konsekwencje przystąpienia Polski do unii bankowej*, Instytut Badań nad Gospodarką Rynkową, Gdańsk 2014.

Supervisory Mechanism. Poland in the current situation – exactly Polish liquidator or Bank Guarantee Fund will receive only Polish liquidation plans of the group. Obtaining the whole plan would be possible by attending in the banking union. This would result also in possibility of a much more precise assessment of plans in relation to Polish banks but also Poland would have an impact on the plans for the whole group.

Poland only looking at a banking union has little chances and opportunities to protect its own interests. Despite the complicated forms of banking union and its decision-making processes it should be noted that it focuses on the collectivity and collegiality of all decisions. In its assumptions relies on the compatibility of interests and compromise between countries that join it.

Joining the banking union when its creation has not been completed will increase its influence on the final shape. Therefore it has an important impact not only on banking union but on the entire European Union. Poland should take advantage of this privilege. Deferring a decision to participate in such an important EU project is so disadvantageous. Lack of a clear declaration causes deepening uncertainty, what mainly affect the banks operating in Poland on the basis of the cross-border principle.

The decision whether Poland join the banking union, should be taken as soon as possible. Prolonging indecision can lead to negative effects on both security and competitiveness of the Polish banking sector.<sup>25</sup>

#### THE INTERDEPENDENCE BETWEEN THE COMPLIANCE BY POLAND CONDITIONS FOR PARTICIPATION IN THE EUROPEAN UNION AND MEMBERSHIP IN THE BANKING UNION

Poland on 1 May 2004 became one of the Member States of the European Union. This means that it is since then a member of the Economic and Monetary Union. It has, however, a status of a country with derogation.

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<sup>25</sup> NBP, *Raport o stabilności systemu finansowego w Polsce*, 2015. Available online: <http://www.nbp.pl/Home.aspx?f=/SystemFinansowy/stabilnosc.html>.

Derogation means that Poland is exempted from meeting some of the tasks existing in the European Union. In the Polish case, it is equivalent to the commitment to join the euro zone only when Poland manages to meet requirements defined in the Treaty on the Functioning of the European Union. This status has the majority of countries, that entered the Union together with Poland. However, a completely different situation has membership of the UK and Denmark. They obtained the so-called opt-out clause, which means that these countries decide whether and at what time join the eurozone. Replacement of zloty into euro is not specified in time. The Treaty does not impose any date of fulfillment this obligations. The European Central Bank, in consultation with the European Commission, at the request of a Member State every two years assesses whether the country has reached the appropriate indicators needed to join the single currency area. All findings made during the audit are submitted to the European Union Council, which make a decision whether the country may join the euro zone.

The decision of Polish accession to the euro zone, the same as in case of the decision regarding accession to the banking union, will bring both benefits as well as the costs.<sup>26</sup> The direct benefits include, among others: minimizing exchange rate risk and the risk of transaction costs, growing macroeconomic and reduction of interest rates. The membership would result also in the increase of foreign investment, hence GDP growth and welfare. Direct benefits would be possible to notice on the financial market.<sup>27</sup> Regarding the costs, some must be highlighted, especially the loss of independence both of exchange rate policy and monetary policy. The introduction of the euro requires substantial organizational effort, but also incurring one-off costs arising from preparatory activities.<sup>28</sup>

However, if Poland decided to join the euro zone, it automatically implies the necessity of accession also to the banking union. Considera-

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<sup>26</sup> P. Sitek, *Aspekty prawno-administracyjne mapy drogowej do euro przyjętej przez rząd RP w dniu 28 października 2008r.* [w:] *Prawne aspekty działania administracji publicznej.* Pod red. M Czuryk – Kulesza 2010, pp. 203- 215.

<sup>27</sup> Z. Szpringer, *Unia bankowa*, infos No 8, 18.04.2013, Biuro Analiz Sejmowych, p. 3.

<sup>28</sup> Narodowy Bank Polski, *Raport na temat pełnego uczestnictwa Rzeczypospolitej Polskiej w trzecim etapie Unii Gospodarczej i Walutowej*, Warszawa 2009, pp. 247-250.

tions about the possibilities, benefits and costs of possible participation in the proposed European integration would have been unjustified. This is because, according to objectives of banking union, countries which are members of the eurozone, shall mandatory go under the direct supervision of the European Central Bank acting in terms of the Single Supervisory Mechanism. Thus, in such circumstances, Poland would no longer have the choice.

For many reasons, however, participation in the banking union of non-eurozone countries on the basis of the so-called “close collaboration” is much less favorable. Poland therefore would ensure equal treatment by the European Central Bank under bank supervision.

According to the report of the European Central Bank it can be noticed that during the last year, i.e. during existence of the banking union, a significant strengthening of integration is perceived. The increase of the level of integration in the European banking sector entails numerous advantages, which the Polish society could benefit from, by opting for the euro area and thus to participate in banking union.<sup>29</sup>

The interdependence of the euro zone and banking union could, in case of Poland also work in a different configuration. Probably, if Poland decided to participate in banking union, this would increase the consolidation with the European banking sector, and thereby reduce the threshold separating it from the eurozone. Who knows if it was easier to take the decision to enter the euro zone?

#### SUMMARY

Regarding the membership in the banking union, the countries in the euro zone participate obligatorily, countries from the outside have the opportunity to enter the union on the basis of “close cooperation”.

It is a big dilemma whether to join the banking union for Poland. There are numerous cost-benefit analysis, the discussions on gaining great-

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<sup>29</sup> Komisja Europejska: *Unia bankowa: przywracamy stabilność finansową w strefie Euro*, Bruksela 2015.

er opportunities, development, integration but also on the negative consequences for the Polish banking sector.

Banking union meets the expectations of states both in the euro area and beyond. The level of benefits that Poland would receive in case a decision in favor of integration outweigh the potential negative impacts of participation in such an important project. Much more threatening than join the banking union is remaining on the outskirts of EU according to the Latin phrase "*absense careens*" - absent harms himself. Banking union is still an open, unfinished and constantly evolving structure. Only being inside, Poland will have the opportunity to influence its final shape, and hence be able to strive to achieve better standards of participation of countries outside the euro area.

Despite the good economic situation of the Polish financial sector, it is worth to take advantage of the solutions proposed by the banking union, in order to improve the attractiveness of our banks from the point of view of foreign investors and benefit from European financings. Being in the center of European integration our banks would become even more secure and worth attention.

Polish participation in banking union is a foregone conclusion, since Poland opting for membership in the European Union also committed to adopt euro. And mentioned above, euro area countries are subject to mandatory supervision of the European Central Bank. The time, however, was not defined clearly.

It is also important that the banking union has an indirect impact on the Polish banking sector by foreign banks operating on Polish territory, under the European supervision. It would therefore be better to participate in the proposed solution on the principles of "full" membership, i.e. entitled to vote than to reconcile with the imposed findings.

Extending time to make a decision in this matter is on the other side justified, because banking union is quite innovative project and, as we know, everything new and unknown raises a number of concerns. Membership in the banking union would involve significant changes in such an important for any state sector which is the financial sector, therefore there are some sort of reasonable doubt. Polish experts continuously work on the analysis of the arguments both for and against the possible step towards

a common European integration, so we can be sure that the decision will not be taken too lightly nor too late.

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