• FINANSE I PRAWO FINANSOWE •
• Journal of Finance and Financial Law •

Numer specjalny/Special Issue 2/2023: 145–167

SENIOR NON-PREFERRED BONDS AS AN INSTRUMENT TO MEET THE MREL REQUIREMENT

Magdalena Kozińska[*]

https://doi.org/10.18778/2391-6478.S2.2023.07

SENIOR NON-PREFERRED BONDS AS AN INSTRUMENT TO MEET THE MREL REQUIREMENT

ABSTRACT

The purpose of the article is to present the results of the first assessment of the senior non-preferred (SNP) bond market's development in Poland. SNP bonds were introduced to facilitate meeting the banks' MREL, which aims to build banks' loss absorption and recapitalization capacity. At the same time, they are the next source of bank funding. The development of the SNP bond market has been initiated relatively recently with the full establishment of resolution systems and the introduction of the MREL requirement for banks. Although the first non-binding decisions to impose the MREL requirement were issued in 2016, the concept of SNP was formally introduced in 2017. In 2019, an amendment to the rules for determining the MREL requirement was adopted, which was implemented into the Polish legal framework in 2021, and in 2022, an amendment to the regulations on bonds was introduced, enabling the issuance of SNP bonds counted to MREL. Since then (2022), there has been a full legal framework for setting and maintaining the MREL requirement, and therefore full conditions for the development of this market in Poland. Therefore, it is justified to say that this market is relatively young. Moreover, it is under-investigated by scientists. This justifies the assessment of the potential scale of this market, its ability to achieve the goal for which it was created, as well as the premises and barriers to its development.

Methodology. The research methods were quantitative analysis (calculation of the potential shortage of the MREL requirement and needs in the field of securities issuance based on reporting data) and qualitative analysis (in terms of assessing the challenges).

Results of the research. The main determinant of its potential is the amount of MREL shortfall, which depends on the financial situation of banks and partly on the strategy of resolution

[*] Dr, Szkoła Główna Handlowa w Warszawie, e-mail: magdalena.kozinska@sgh.waw.pl, https://orcid.org/0000-0001-8767-6545

authorities (responsible for setting the level of this requirement). The main challenges for the Polish SNP bond market are related to the prospects for further development of the banking sector and its environment (business and strategic). Nevertheless, it seems that the potential of the SNP bond market in Poland is underrated. The article contributes to general knowledge about bank funding sources.

Keywords: resolution, MREL, senior non-preferred, SNP bonds, bank financing.

JEL Class: G21, G23, G33.

INTRODUCTION

The purpose of banking regulations is to increase the safety of banks' operations at various stages of their functioning. A special area of these regulations is the legal framework for crisis resolution (in Poland: forced restructuring). Although they focus on the powers of resolution authorities to deal with banks on the verge of bankruptcy, a certain area of the resolution framework concerns requirements addressed to all banks. Their goal is to build their loss absorption and recapitalization capacity (LARC). In this regard, resolution systems also contribute to prudential regulations, the purpose of which is to prevent bank failures (as one of the functions of micro-prudential and macro-prudential supervision, i.e., the preventive one[1]). This is the aim that is different from the primary function of typical crisis management regulations, which consists primarily in preventing the effects of materializing or materialized risk of bank failure.

An example of a prudential regulation imposed on banks by resolution authorities as part of the resolution system in the EU is the minimum requirement for own funds and eligible liabilities (MREL requirement)[2]. Its build-up should ensure that banks can cover losses or recapitalize themselves in a crisis by writing down or converting debt into the bank's capital, respectively. The final and binding level of capital requirements that banks should meet simultaneously are the MREL requirement and capital adequacy requirements (including the combined buffer requirement, which might not be consumed to meet MREL) [Czechowska et al. 2023: 20]. The MREL requirement may be met using both own funds and eligible liabilities. The combination of the use of these sources depends mainly on the strategic decisions of the bank's management[3]. An example of eligible

[1] Oziębała [2020] writes more about micro- and macro-prudential supervision.

[2] The genesis, objectives and original shape of the MREL requirement and its global equivalent, TLAC, are discussed in more detail by Szczepańska [2015]. Details of MREL calculation are presented by Kozińska and Wilk [2023] and the drawbacks of the requirement by Tröger [2020].

[3] On managing credit institutions and banking risk management from various perspectives, see: Proniewski, Tarasiuk [2012], Korzeb [2013], Gospodarowicz, Nosowski [2016], Niedziółka [2019], Hull [2021], Modras [2023].

liabilities is senior non-preferred debt (SNP debt), the form of which might be SNP bonds issued by banks. It is assumed that banks that have not yet met the MREL requirement will (if they have such possibilities) try to issue SNP bonds to meet it. Looking at the position of such bonds in the order of covering losses, these bonds (as they cover losses later than other instruments qualifying for MREL – more information in section 2) are a cheaper source of meeting the MREL requirement than instruments classified as own funds (in particular equity [BCBS 2010: 48]).

The development of the SNP bond market has been initiated relatively recently with the full establishment of resolution systems and the introduction of the MREL requirement for banks. Although the first non-binding decisions to impose the MREL requirement were issued in 2016, the concept of SNP was formally introduced in 2017. In 2019, an amendment to the rules for determining the MREL requirement was adopted, which was implemented into the Polish legal framework in 2021, and in 2022, an amendment to the regulations on bonds was introduced, enabling the issuance of SNP bonds counted to MREL. Since then (2022), there has been a full legal framework for setting and maintaining the MREL requirement, and hence full conditions for the development of this market in Poland. Therefore, it is justified to say that this market is relatively young. Moreover, it is under-investigated by scientists. This justifies the assessment of:

- the potential scale of this market;
- achieving the goal for which it was created, as well as;
- the premises and barriers to its development.

It should not be forgotten that the MREL requirement strongly influences also bank funding strategies [Martino and Parchimowicz 2022: 608–639].

The article aims to present the results of the assessment of the SNP bond market development in Poland, including the comparison of the Polish market with the European one, the identification of impact factors, and the challenges faced by participants in this market. So far, no analyses and assessments of the SNP bond market have been made in the Polish literature. In this way, the article fills the existing research gap. At the same time, SNP bonds constitute the next type of bank financing, and understanding the drivers and challenges in this market facilitates the comprehension of the general mechanisms of bank funding (funding mix). The applied research methods were quantitative analysis (calculation of the potential shortage of the MREL requirement and needs in the field of securities issuance based on reporting data) and qualitative analysis (in terms of assessing the challenges).

1. IMPACT FACTORS OF BANKS' FUNDING STRUCTURE – A REVIEW OF LITERATURE

Banks are vulnerable to liquidity and funding risk due to their underlying economic functions, e.g., maturity transformation. To be able to provide society with a credit supply, banks have to manage how financial resources are collected [Crespi and Mascia 2018: 2]. The funding resources include in general, debt (e.g., SNP bonds) and equity. The difficult and responsible task of bank management is, however, to decide about the funding mix used (including the parameters of the financial instruments used to fund the banking activity). The fundamentals of corporate decisions regarding the use of capital and debt are explained by the model of Modigliani and Miller [1958]. Diamond [1984] argues that banks need to be partially equity-financed to provide bank managers with incentives to monitor the profitability of the institution. At the same time, Calomiris [1999] suggests that subordinated debt holders can also perform a similar monitoring function if they are excluded from the scope of the deposit guarantee scheme. Evanoff et al. [2011] suggest that banks should issue subordinated debt to show their viability (the ability to attract investors on the markets is seen as a proof of a bank's viability). According to Van Rixel et al. [2015], firm-specific determinants of funding mix (namely the issue of debt instruments) are, for example, agency costs, asymmetric information, or tax benefits. In terms of non-equity funding, banks need to decide between deposit and non-deposit sources of financing. Huang and Ratnovski [2010] prove that dependence on wholesale funding may destabilize banks since this kind of funding is vulnerable to cheap and noisy signals of bank solvency, causing solvent banks to fail. Even senior bonds are more sensitive to changes in bank solvency than deposits [Arnould et al. 2021: 931–963]. Consequently, deposit and non-deposit funding are divergent in terms of the speed and size of changes in funding costs (wholesale funding being subject to quicker and sharper changes). The notion of bank runs should, however, not be forgotten in this respect.

Part of the literature tries to show that there is a dependency between the type and profile of bank activity and its funding mix. Song and Thakor [2007] suggest that relationship loans are associated with a higher share of core (stable) deposits in funding. Demirguc-Kunt and Huizinga [2010] prove that large and fast-growing banks tend to have higher non-deposit funding shares.

There is also a strand of literature that shows the impact of financial crises on funding strategies. During turbulent times when liquidity is scarce, banks tend to increase funding from more core, stable sources (e.g., deposits or secured financing) [EBC 2009]. Le Lesle [2012] also showed that, especially in the EU, just after the global financial crisis, bonds were typical funding vehicles. At the same time, US banks used mainly off-balance sheet securitization. Although senior debt was also issued by banks, its level waned due to the exploitation of other available, robust, and cheap funding sources, namely the central bank's refinancing programs. It is also proven that the post-crisis reform impacted the banks' funding mix. According to Fiordelisi and Scardozzi [2022: 15] removing an implicit guarantee by resolution regulations generated a change in the funding strategy, resulting in the reduction of riskier funding sources. Barattieri et al. [2021: 148–171], however, proposed a model under which non-core funding sources provide insurance against failure.

The banks' decisions regarding funding structure are also dependent on the regulatory framework [Crespi and Mascia 2018: 9]. The funding mix has to be adjusted to various supervisory requirements, for example, the MREL requirement. There is no research showing how much MREL impacts the banks' funding mix and what role is played by SNP bonds that were created to meet the MREL requirement.

2. SNP BONDS AS ONE OF THE OPTIONS TO MEET THE MREL REQUIREMENT

The MREL requirement may be met with its own funds or eligible liabilities. Eligible liabilities are defined in the CRR Regulation (Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012, OJ L 176, 27.6.2013, p. 1). The elements constituting the amount of eligible liabilities are presented in Scheme 1.

<table>
<tr><td rowspan="3">Eligible liabilities</td><td rowspan="2">Eligible liabilities items</td><td>Tier II
(maturity between 1–5 years)</td></tr>
<tr><td>Eligible liabilities instruments</td></tr>
<tr><td colspan="2">– Deductions*</td></tr>
</table>

Scheme 1. Eligible liabilities and their components

* Deductions apply only in the case of TLAC requirement's calculation (loss absorption and recapitalization requirement – analogous to MREL – applicable to global systemically important banks, G-SIBs).

Source: Own study based on Art. 72a–72c CRR.

Scheme 1 shows that the key method for increasing the value of eligible liabilities is the issue of eligible liabilities instruments. These instruments, as a rule, should fit into an additional category created for this purpose in the hierarchy of banks' claims. This hierarchy was introduced in Art. 108 sec. 2 of the BRR Directive by way of its amendment by the BCH Directive (Directive (EU) 2017/2399 of the European Parliament and of the Council of December 12, 2017 amending

Directive 2014/59/EU as regards the ranking of unsecured debt instruments in the insolvency hierarchy (OJ L 345 of 27.12.2017, p. 96, the so-called Bank Creditor Hierarchy Directive). This solution has been implemented in Poland in Art. 440 sec. 2 of the bankruptcy law (Act of February 28, 2003. Bankruptcy Law, Journal of Laws of 2022, item 1520, as amended). The change brought about by this amendment is summarized in Scheme 2. It consisted in the creation of an additional category of banks' claims, separated from other (more senior) categories of instruments whose write-down or conversion could be difficult. In the absence of such a change, instruments of different significance for the resolution process would be in the same category of claims, which would imply the need for their simultaneous and proportionate write-down or conversion in case of resolution. Failure to use them proportionally to cover losses would mean breaking one of the basic resolution principles, i.e., the principle of no-creditor-worse-off (NCWO) [Szczepańska, Dobrzańska and Zdanowicz 2015: 20; Kozińska 2018b: 92–93].

Simplified characteristics of debt categories before the introduction of the BCH Directive			
Own funds	Subordinated debt not included in own funds	**Liabilities issued to meet MREL**, senior liabilities (ordinary senior debt), deposits above the guarantee level, etc.	Loabilities excluded from bailin or conversion

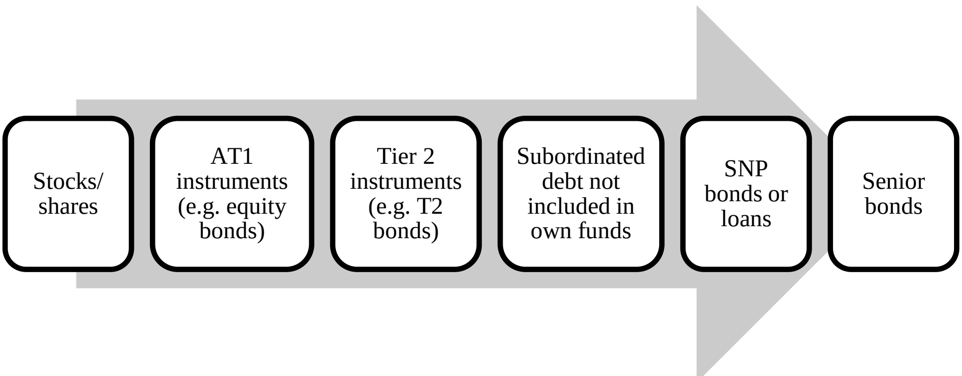
Simplified characteristics of debt categories after the introduction of the BCH Directive				
Own funds	Subordinated debt not included in own funds	**Liabilities issued to meet MREL (senior non-preferred)**	Senior liabilities (ordinary senior debt), deposits above the guarantee level, etc.	Loabilities excluded from bailin or conversion

Scheme 2. Change in the hierarchy of claims introduced by the BCH Directive

Source: Own elaboration based on the BCH Directive.

Instruments issued under the newly created category in the claims' hierarchy are defined in the legislation as senior non-preferred (SNP) debt, which takes the form of bonds (i.e., SNP bonds) or loans (SNP loans). It is worth noting that – probably due to the immaturity of this market – in market practice, a single, universally applicable name has not yet been established. Banks operating in Poland also refer to SNP bonds as "MREL bonds" or "non-preferred bonds", and in the international nomenclature, in addition to the name of senior non-preferred (SNP), there is also the name of non-preferred senior (followed by the abbreviation NPS).

Partly, the resolution authority may agree to include ordinary senior debt as eligible liability instruments. The place of various securities in the order of loss coverage is shown in Scheme 3. SNP bonds, which are the subject of this article, were created specifically to enable entities to meet the MREL requirement and had not existed on the market before (unlike other instruments[4]).



Scheme 3. Types of instruments issued by banks in the order of loss coverage

Source: Own study based on Art. 25–80 CRR, Art. 108 of the BRR Directive and Art. 440 of the bankruptcy law.

The inclusion of a given SNP bond issue as eligible liabilities of entities is dependent on meeting certain requirements (i.e. having certain characteristics). They are defined in Art. 72b and 72c sec. 2 CRR. These include the following key obligations:

1) the instruments are issued by a given entity (and not another company in the capital group);
2) the instruments are fully paid-in, and their purchase cannot be directly or indirectly financed by the issuing entity;
3) the liability is subordinated to liabilities excluded from the application of the write-down or conversion tool (i.e. the liability is included in the category of senior non-preferred debt in the claims' hierarchy);

[4] With regard to AT1-type instruments, it should be added that although this form of bank financing was regulated in 2013 with the entry into force of the CRR, full legal basis was adopted in Poland only in 2023. The use of AT1-type instruments (in Poland in the form of capital) by banks operating in Poland is currently limited. Nevertheless, these instruments have been used by European entities to meet the own funds requirements and at the level of the entire European market they are an example of an already formed instrument. For this reason, they are not considered for the purposes of this article as a newly created instrument for financing the activities of banks.

4) the instrument has no embedded derivatives or is not itself a derivative;
5) the residual maturity is min. 1 year.

The issue documentation should address the following issues:

1) it should not contain a redemption option exercisable by the holder of the instrument (Article 72b(2)(h) of CRR);

2) it should contain a clear reference to the possibility of exercising the right to write down or convert by the resolution authority (Article 72b(2)(n) of the CRR);

3) it should contain provisions in which the buyer recognizes the possibility of write-down or conversion and agrees to be binding – if the issue is regulated by the law of a third country (Article 55 of the BRR Directive);

4) it should contain provisions in which the buyer recognizes the powers of the resolution authority to limit its rights associated with the security (Article 71a of the BRR Directive).

It is worth mentioning that each instrument that meets the relevant conditions is classified as eligible liabilities without the need for its recognition by the resolution authority. However, early redemption of such an instrument (resulting in a reduction in the level of eligible liabilities) requires the prior consent of the resolution authority (the framework of this process is referred to as the permission regime).

3. SNP BOND MARKET IN POLAND

As mentioned at the beginning, SNP bonds are an instrument created to enable banks to meet the MREL requirement. It was assumed that the issue of debt relatively senior to subordinated bonds (but still subordinated to liabilities excluded from the write-down or conversion) would enable banks to build their loss absorption and recapitalization capacity at a lower cost than the cost of issuing equity. Therefore, the potential shortage of the MREL requirement determines the potential for the development of the SNP bond market.

3.1. The level of the MREL requirement and its possible shortages

According to the estimates carried out in 2018 for the banks' data as of the end of 2016, the potential shortfall of the MREL requirement for banks operating in Poland amounted to PLN 59 billion under the most conservative assumptions [Kozińska 2018a: 261]. The sample of that research included: PKO BP SA, Pekao SA, mBank SA, Bank Zachodni WBK SA, ING Bank Śląski SA, Bank Handlowy w Warszawie SA, Bank Millennium SA, Bank BGŻ BNP Paribas SA, Getin Noble Bank SA, Deutsche Bank Polska SA, BPS SA and SGB-Bank SA. These were banks designated in Poland as systemically important.

Since 2018, the principles for MREL determination have been changed, although – as indicated by the BFG [2021: 10] – the amended rules have been implemented by the Fund in such a way as to maintain the previously defined level of the requirement at a similar level. Therefore, it might be assessed that the estimates from 2018 might still be treated as a starting point for the analysis. In light of past estimates, it is possible to verify to what extent the MREL requirement was met at the end of 2022 and what role SNP bonds played. For this purpose, data on the target MREL requirements of the same group of banks and the level of instruments that count towards meeting the MREL requirement (as of the end of 2022) were used. The decision to conduct the analysis based on data as of the end of 2022 is justified by the fact that at the time of the analysis, these are the most up-to-date, audited reporting banks' data. For consistency, the analysis was carried out in the group of the same banks (without Getin Noble Bank, which was resolved in 2022 and declared bankrupt in 2023; Deutsche Bank Polska, in turn, was taken over in 2018 by Santander Bank Polska – previously Bank Zachodni WBK SA). The results of the analysis are summarized in Table 1.

Table 1. Compliance with the MREL requirement for the analysed banks (data in PLN thousand; as of 31 December 2022)

Bank name	Target MREL requirement (holding amount)[a,b]	Own funds	Subordinated debt (not included in own funds)	SNP liabilities (SNP bonds or loans)	Surplus (+) / Deficiency (–) of the MREL requirement
PKO BP SA	35,188,992.00	40,723,000.00	–	–	5,534,008.00
Pekao SA	22,774,392.42	25,826,539.00	–	–	3,052,146.58
mBank SA	16,347,982.88	14,403,163.00	–	2,344,950.00 (SNP bonds)	400 130.12
Santander Bank SA	20,953,337.26	26,237,342.00	439,652.00	–	5,723,656.74
ING Bank Śląski SA	17,611,623.99	16,462,100.00	–	–	–1 149 523.99
Bank Handlowy w Warszawie SA	4,563,560.76	5,240,801.00	–	–	677,240.24
Bank Millennium SA	9,161,137.33	6,991,125.00	–	–	–2 170 012.33
BNP Paribas Bank Polska SA	15,378,009.45	14,842,133.00	314,172.00	450,000.00 (SNP loan)	228,295.55

BPS SA	1,582,573.59	1,049,633.00	–	–	–532,940.59
SGB-Bank SA	1,602,033.75	1,276,310.00	–	–	–325,723.75
Sum	145,163,643.42	153,052,146.00	753,824.00	2,794,950.00	11,437,276.58

[a] this amount was calculated based on published BFG decisions regarding the amount of MREL-TREA and MREL-TEM and the amount of TREA and TEM of each bank

[b] this amount was calculated as of December 31, 2022 – if the bank's TREA or TEM level changes, this requirement will change

Source: Own study based on Bank Handlowy w Warszawie SA [2022, 2023], Bank Millennium [2023a, 2023b], BNP Paribas Bank Polska SA [2023a, 2023b], BPS SA [2023], ING Bank Śląski SA [2023a, 2023b], mBank SA [2023a, 2023b], Pekao SA [2022, 2023a], PKO BP SA [2022, 2023], Santander Bank Polska SA [2023a, 2023b], SGB-Bank SA [2023].

The analysis shows that the majority of banks already met the MREL requirement at the end of 2022. Among the banks that did not meet the MREL requirement, there were four entities, i.e. ING Bank Śląski, Bank Millennium, BPS, and SGB-Bank. It should be explained, however, that already in December 2022, ING Bank Śląski signed a loan agreement (as the bank indicated in the press release, it was a "non-preferred senior loan (NPS)") in the amount of EUR 260 million, thanks to which the MREL shortfall was covered on the date of the transaction, i.e. January 5, 2023 [ING Bank Śląski 2023]. In the case of associating banks (BPS SA and SGB-Bank SA), the high level of MREL results from the high level of the total exposure measure (TEM) that does not take into account their specificity (accepting mandatory contributions from associated cooperative banks and investing them in money market instruments, usually treasury or monetary bonds or deposits). As of August 2023, changes in the method of calculating TEM are being processed on the EU level, which will lead to a significant reduction of TEM and the banks will most likely meet the MREL requirement [Bank.pl 2023]. Therefore, the only bank (in the group of analyzed entities and unless the TREA and TEM of other banks increase, forcing the banks to meet the growing requirement) that will have to take action to meet the MREL requirement is Bank Millennium SA. Due to the shortfall of the MREL-eligible instrument, this bank received the decision of the BFG imposing restrictions on profit and variable remuneration distribution, the so-called M-MDA [Bank Millennium 2023a].

3.2. Use of SNP bonds to meet the MREL requirement as of the end of 2022

In the context of the SNP bond market analysis and the role of SNP bonds in meeting the MREL requirement, i.e. ensuring the loss absorption and recapitalization capacity, it should be noted that:

1) the total amount of PLN 145.16 billion of the required level of the MREL requirement is fully covered (on the scale of the entire analyzed group) with own funds (PLN 153.1 billion);

2) banks' own funds in Poland are dominated by CET1, mainly share capital and retained earnings, which means that the main instrument for meeting the MREL requirement in Poland turned out to be the accumulation of profits and the banks' share capital;

3) only a few banks decided (by the end of 2022) to issue SNP liabilities to meet the MREL requirement – the issue amount was only 1.9% of the required MREL level as of the end of December 2022;

4) SNP liabilities were used only by those banks that would not have met the MREL requirement without their issuance - none of the banks meeting the requirement decided to use them to build, in particular, recapitalization capacity or to finance their operations at a cost lower than the cost of equity;

5) SNP bonds were held by only one entity (approximately 1.6% of the required MREL).

The above-mentioned facts mean that at the end of 2022, banks operating in Poland did not use SNP bonds to a significant extent as a source of meeting the MREL requirement. Consequently, SNP bonds were not a key tool to increase the ability of banks to absorb losses or recapitalize in Poland. As of the end of 2022, they were used only by one bank (one issue), i.e., mBank SA (at the same time, it should be noticed that mBank is not the first bank to issue such bonds to count them toward the MREL requirement – the first one was Santander Bank Polska, the issue of which took place on September 20, 2018; the issued bonds were listed on the Irish (Euronex Dublin) and the Warsaw Stock Exchange; the issue amounted to EUR 500 million. The bonds had a fixed interest rate of 0.75%). The bonds issued by mBank SA are also an example of green bonds and are listed on the Luxembourg Stock Exchange.

The financing obtained by BNP Paribas Bank Polska SA took the form of a loan that met the conditions for qualifying it as eligible liabilities (SNP loan), which was granted to the bank by the European Bank for Reconstruction and Development (EBRD). It was the first transaction of this type on the Polish market. However, it was not the issue of SNP bonds that are the main subject of the article.

3.3. Use of SNP bonds after the cut-off date

In the period from December 31, 2022 to June 30, 2023, banks operating in Poland organized a few issues of SNP bonds. In the group of reviewed banks, there were two entities (3 issues): Santander Bank Polska (1 issue) and Pekao SA (2 issues). The total amount of their issued debt amounted to PLN 3 billion. The largest

Table 2. Listed outstanding SNP bonds as of the end of June 2023

Bank	Applicable law	Issue date	Maturity date	Issue amount	Issue currency	Nominal value of one bond	Issue amount in PLN	Interest	Interest payment	Collateral	Call option (issuer call)	Call option date	ESG	Sales to individual customers	Where listed
mBank S.A	English law (except status, set-off, and bail – in issues which are governed by Polish law)	September 20, 2021	September 21, 2027	500,000,000	EUR	100,000	2,344,950,000	0.9660%	Annually (if they are not redeemed on the call date – then they continue to pay a quarterly coupon)	Lack	Yes	September 21, 2026	Green bonds	No	Luxembourg Stock Exchange
Santander Bank Polska S.A	Polish law	March 30, 2023	March 31, 2025	1,900,000,000	PLN	500,000	1,900,000,000	WIBOR6M +1.9%	Semi-annually	Lack	Yes	March 31, 2024, September 30, 2024	Sustainability bonds	No	Catalyst
Pekao S.A	Polish law	04/03/2023	04/03/2026	750,000,000	PLN	500,000	750,000,000	WIBOR6M +2.4%	Annually	Lack	Yes	04/03/2025	No	No (addressed only to qualified investors in accordance with Article 2(e) of the Prospectus Regulation)	Catalyst
Pekao S.A	Polish law	July 28, 2023	July 28, 2027	350,000,000	PLN	500,000	350,000,000	WIBOR6M +2.19%	Semi-annually	Lack	Yes	July 28, 2026	No	No (addressed only to qualified investors in accordance with Article 2(e) of the Prospectus Regulation)	Catalyst
Alior Bank SA (outside the group of reviewed banks)	Polish law	June 26, 2023	June 26, 2026	400,000,000	PLN	400,000	400,000,000	WIBOR6M +3.1%	Semi-annually	Lack	Yes	every business day after June 26, 2025 (inclusive)	No	No (for institutional investors only)	Catalyst

Source: Own study based on mBank SA (2021), Santander Bank Polska SA (2023c), Pekao SA (2023b, 2023c), and Alior Bank SA (2022, 2023).

transaction was organized by Santander Bank Polska (PLN 1.9 billion). Pekao SA organized two issues in the amount of PLN 750 and 350 million. In all cases, the face value of a single bond was PLN 500,000. All issues were denominated in Polish zloty and were based on a variable interest rate (WIBOR6M + margin). The margin ranged from 1.9% (Santander Bank Polska) to 2.4% (the first issue of Pekao SA). The terms of the issue involved annual or semi-annual interest payments. The maturity dates were initially 2–4 years (securities with the shortest maturities were issued by Santander Bank Polska; the longest maturities applied for securities issued by Pekao SA during the second issue). All issues provided for the possibility of early redemption rights for the issuer. Although the solutions applied in this respect differ, all issues foresaw the possibility of redemption one year before the originally planned redemption date at the earliest. This is related to the fact that from that time on (i.e., one year before the original maturity date), these bonds cease to be classified as meeting the MREL requirement. SNP bonds issued by Santander Bank Polska SA included the possibility of early redemption six months and a year before the maturity date. Pekao SA SNP bonds provided for early redemption one year before the maturity date. All of them were issued under the Polish law, and all are listed on Catalyst.

Apart from the group of analyzed banks, there is also another bank that issued SNP bonds, i.e., Alior Bank SA. The conditions of issue of these bonds do not differ significantly from the ones described above. The organized issue of SNP bonds by Alior Bank SA amounted to PLN 400 million, although the nominal value of a single bond was PLN 400,000 PLN (and not PLN 500,000 as in the case of the banks analyzed above). The interest rate on these bonds was also set as a variable interest rate (WIBOR6M + margin). The margin was 3.1%, and interest is paid semi-annually. The bonds have an early redemption option, which can be exercised any business day after June 26, 2025 (inclusive), i.e., in the last year of the bonds, when the issue ceases to meet the MREL requirement.

The terms of all MREL-compliant issues outstanding at the end of June 2023 are summarized below.

3.4. Factors affecting the SNP bond market in Poland

The market for SNP bonds is affected by at least several factors of a regulatory and business nature.

Firstly, it should be pointed out that the MREL requirement might be met not only with SNP bonds but also with own funds. Building, in particular, CET1 own funds allows entities to meet not only the MREL requirement but also other requirements, i.e., capital adequacy ratio requirements, capital buffer requirements, and leverage requirements. Moreover, the building of CET1 own funds is facilitated by the so-called supervisory dividend policy. It significantly limits banks' ability to withdraw (or payout) profits, which, being retained in the bank, naturally builds its CET1. Therefore, banks have more incentives to build a high level of their own funds, which, to a large extent, allows them to meet the MREL requirement. However, this limits the development of the SNP bond market. In this respect, a project that may increase the use of SNP bonds, is the introduction of the long-term financing ratio (WFD) proposed by the Polish Financial Supervisory Authority [KNF 2023].

Secondly, the levels of MREL requirements imposed on banks operating in Poland are among the lowest in the EU [EBA 2023b: 4]. The structure of the MREL requirement also does not oblige banks to meet at least a part of the requirement in the form of debt instruments. It should also be added that some banks operating in Poland are part of international capital groups, and supplementing potential shortages of own funds or eligible liabilities to meet the MREL requirement may be made by the parent company by taking up certain securities without their public issue (this applies in particular in groups for which the preferred resolution strategy is SPE, i.e., a single point of entry, where resolution tools are going to be implemented only against the parent company – as a consequence, the parent entity is obliged to build the loss absorption and recapitalization capacity for the entire capital group and to distribute it within the group). It is the parent company that may be responsible for issuing the appropriate value of instruments and then "distributing" them within the group in the form of transactions between the parent company and its subsidiaries. Therefore, the structure of the MREL requirement itself is not a significant incentive for the development of the SNP bond market in Poland.

Thirdly, the general liquidity needs of banks in Poland have a significant impact on the possible need to issue SNP bonds. In the period when banks were building the amount of their own funds and eligible liabilities to meet the MREL requirement, general sector liquidity remained at a high level. Although in the years 2020–2022 liquidity in the sector was characterized by increased volatility (determined by various factors, e.g., pandemics and outbreak of war in Ukraine), the sector still maintained its significant surpluses. In some years, the central bank itself indicated the necessity to conduct monetary policy in the event of excess liquidity in the banking sector [NBP 2021: 12]. At the same time, the limited creditworthiness of Poles resulting from high interest rates (and low demand in particular for mortgage loans) and the slowing down of economic growth in 2023 (limiting demand for corporate loans) harmed the volume of bank lending. This exacerbated the problem of excess liquidity of banks. In other words, banks operating in Poland had to deal with a surplus of free funds. Under such conditions, banks operating in Poland had limited business needs in terms of obtaining further liquidity (also by issuing SNP bonds).

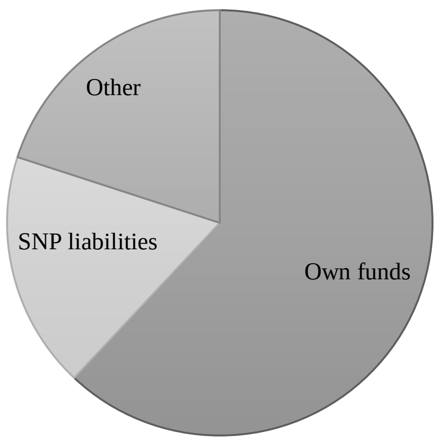
A factor that may contribute to the increased interest of banks in SNP bonds is the term structure of financing in Poland, which is based mainly on short-term deposits. Such a strategy of financing banking activity results in high liquidity risk, in particular, the risk of the bank's balance sheet structure (it is debatable whether, the bank is subject to an increased risk of a run, where deposit guarantee schemes play a stabilizing role in this respect – more on this topic is written, for example, by Gospodarowicz [2015]). Limiting the use of short-term deposits and replacing them with long-term SNP bonds will reduce this problem. This will also contribute to the improvement of supervisory liquidity ratios, in particular the NSFR.

It is worth paying attention to the demand side of the SNP bond market. As regards the MREL requirement (not the TLAC requirement), these bonds are not subject to a mandatory deduction regime (if they are purchased by another bank). This is a factor that broadens the potential group of entities interested in investing in SNP bonds. In addition to banks, other interested parties may include investment funds or insurance companies. Given that SNP bonds are issued by supervised entities whose financial data are largely published, the risk of default is easier to identify, and the role of such bonds in the event of possible bankruptcy or resolution is strictly defined. In this regard, the status of retail clients as investors in SNP bonds is interesting. To avoid their purchase by non-professional entities, mechanisms limiting their availability (but not prohibiting their sale) are envisaged. In Poland, SNP bonds sold to retail customers must have a nominal value of at least PLN 400,000. This is to limit the availability of such securities to investors with lower incomes. Such a solution reduces the demand for SNP bonds, although it does not eliminate retail clients from the group of investors (worth noting that similar restrictions do not apply to, for example, the purchase of bank shares, which is associated with a higher risk of loss – the shareholder as the owner covers the bank's losses in the first place). At the same time, the framework increases the probability that among the potential buyers of SNP bonds, there are entities with higher risk awareness and more experience in investing. This is conducive to stabilizing the investor base while limiting legal risk in the future, due to the lack of understanding of securities by investors.

4. SNP BOND MARKET IN THE UE

The only source of information about the scale of markets for instruments used to meet the MREL requirement are EBA reports on monitoring compliance with the MREL requirement in the EU. The latest public report summarizes the size of the MREL requirement and how it is met according to data as of the end of 2021. While it does not correspond with the analysis of the MREL requirement and potential shortages presented above for the Polish market, it does provide an overview of the SNP bond market at the end of 2021, when banks operating in Poland almost did not use this instrument to meet MREL (except for mBank, which at the end of 2021 was the only bank that had issued, outstanding SNP bonds).

According to EBA data [2023a: 62], banks in the EU issued over EUR 30 billion of SNP liabilities (not specified if they are bonds or loans) in each quarter of 2021 (in Q1 and Q2 2021 it was almost EUR 70 billion each). Analyzing the use of all possible instruments to meet the MREL requirement, SNP bonds accounted for approx. 20% of the requirement coverage. CET1, dominant in meeting the MREL requirement in Poland, was responsible for "only" about 50% of the coverage of the MREL requirement in the EU [EBA 2023a: 53].



Scheme 4. Instruments used to meet the MREL requirement in EU countries

Source: Own elaboration based on EBA [2023, p. 53].

Both in nominal terms and as a percentage of TREA, the main issuers of SNP liabilities were banks operating in Denmark. In nominal terms, the main issuers of SNP liabilities were global systemically important banks (G- SIBs). In 2021, they issued a total of over EUR 100 billion of SNP liabilities. The largest share of TREAs was met using SNP liabilities by banks with balance sheet totals between EUR 10 and 50 billion [EBA 2023a: 59]. The EBA report does not analyze the characteristics of individual SNP issues.

It is worth adding, however, that banks, in particular in the euro area, had to take into account the withdrawal of the European Central Bank (ECB) from quantitative easing (QE) programs [ECB 2023] in their decisions regarding the financing of banking activities. QE included, for example, loan programs for banks. As a result, banks operating in the euro area had to prepare for a gradual reduction in their dependence on financing from the ECB. One of the tools (cheaper compared to equity, AT1 bonds, Tier 2 bonds, and subordinated debt) were issues of SNP bonds.

CONCLUSION

Banks operating in Poland must meet the MREL requirement by the end of 2023. This requirement might be met with own funds or eligible liabilities, an example of which are SNP bonds. They are a relatively new instrument in the hands of banks, which allows them not only to meet regulatory requirements (MREL requirement, NSFR ratio) but also to introduce changes in their financing strategies. SNP bonds make it possible to reduce dependence on financing in the form of short-term deposits. Their potentially wide catalog of buyers also allows banks to build a group of investors with a relatively lower risk (legal risk for the bank and risk of loss for investors, as these bonds cover losses only after AT1 bonds, Tier 2 bonds, and subordinated debt).

The MREL shortfall estimates calculated in 2018 (according to data as of the end of 2016) indicated a significant amount of approx. PLN 60 billion in the Polish banking sector. A similar analysis conducted for the data of 2022 showed that the MREL requirement was met by the majority of banks in the analyzed group. Nevertheless, instruments classified as banks' own funds remained the dominant instruments for meeting the MREL requirement. Until the end of 2022, SNP bonds were of marginal importance from the point of view of meeting the MREL requirement. Therefore, the banks did not utilize the advantages offered by SNP bonds compared to other sources of financing (both own funds and short-term deposits). At the end of 2022, only one bank had outstanding SNP instruments. After that date, of the group of analyzed banks, only two banks decided to use SNP bonds. However, this state of affairs is affected by several regulatory and business factors. First, they concern the relationship between the MREL requirement and other requirements, as well as the instruments using which individual requirements can be met. Banks have more incentives to build their own funds. This is also influenced by the policy of the Polish Financial Supervisory Authority. The lack of willingness to issue SNP bonds also results from the construction of the MREL requirement, especially concerning banks operating in Poland that are part of larger banking groups. Business factors, such as the excess liquidity of the sector or the volatility of market conditions, are not without influence. To sum up, the Polish SNP bond market is at a very early stage of development. Other European markets, in particular in Denmark, France, and Germany, are more developed in this area. However, SNP bonds offer many benefits compared to building own funds in the form of CET1, which should be taken into account by banks operating in Poland, as they are related to the strategic management of these entities, in particular in the context of sources of financing banking activities and their appropriate combination.

FINANCING

The article was financed from the general subsidy to maintain research potential at the Warsaw School of Economics.

AUTHOR'S DECLARATION

The author declares no conflicts of interests.

REFERENCES

Alior Bank SA (2022). *Prospekt bazowy programu ofertowego obligacji do kwoty 2.000.000.000 PLN* [Base prospectus of the bond offering program up to PLN 2,000,000,000], https://www.aliorbank.pl/dodatkowe-informacje/relacje-inwestorskie/wieloletni-program-emisji-obligacji/program-ofertowy-do-2000000000-zl/dokumenty-programu-ofertowego.html (accessed 16.08.2023).

Alior Bank SA (2023). *Ostateczne warunki* [Final terms], https://www.aliorbank.pl/dodatkowe-informacje/relacje-inwestorskie/wieloletni-program-emisji-obligacji/program-ofertowy-do-2000000000-zl/dokumenty-programu-ofertowego.html (accessed 16.08.2023).

Arnould, G., Avignone, G., Pancaro, C. and Zochowski, D. (2021). Bank funding costs and solvency. *European Journal of Finance*, no. 28(10), pp. 931–963, https://doi.org/10.1080/1351847X.2021.1939753

Bank Handlowy (2022). *Raport bieżący nr 35/2022* [Current Report No. 35/2022], https://www.citibank.pl/poland/files/raport-biezacy-nr35-2022.pdf (accessed 09.08.2023).

Bank Handlowy (2023). *Informacje w zakresie adekwatności kapitałowej Grupy Kapitałowej Banku Handlowego w Warszawie według stanu na 31 grudnia 2022 roku* [Information on the capital adequacy of the Capital Group of Bank Handlowy w Warszawie as of 31 December 2022], https://www.citibank.pl/poland/files/adekwatnosc_kapitalowa_2022_12_31.pdf (accessed 14.08.2023).

Bank Millennium (2023a). *Raport bieżący nr 19/2023* [Report current issue no. 19/2023], https://www.bankmillennium.pl/o-banku/relacje-inwestorskie/raporty-biezace/-/r/30314009 (accessed 09.08.2023).

Bank Millennium (2023b). *Raport w zakresie adekwatności kapitałowej, ryzyka oraz polityki wynagrodzeń Grupy Kapitałowej Banku Millennium SA za 2022 rok* [Report on capital adequacy, risk and remuneration policy of the Bank Millennium SA Capital Group for 2022], https://www.bankmillennium.pl/documents/10184/31801731/Raport_kapita%C5%82_ryzyko_wynagrodzenia-Gru-2022-sig-sig-sig-sig-sig-sig-sig.pdf (accessed 14.08.2023).

Bank.pl (2023). *Nowe przepisy CRR/CRD uwzględnią postulaty ZBP* [New CRR/CRD regulations will take into account ZBP's demands], https://bank.pl/nowe-przepisy-crr-crd-uwzglednia-postulaty-zbp/?id=454572&catid=25925 (accessed 10.08.2023).

Barattieri, A., Moretti, L. and Quadrini, V. (2021). Bank funding, leverage, and investment. *Journal of Financial Economics*, no. 141(1), pp. 148–171, https://doi.org/10.1016/j.jfineco.2020.06.022

BFG (2021). *Metodyka MREL* [MREL methodology], https://www.bfg.pl/wp-content/uploads/metodyka-mrel.pdf (accessed 25.01.2024).

BCBS (2010). *An assessment of the long-term economic capital and liquidity requirements*, BIS.

BNP Paribas (2023a). *Raport bieżący nr 27/2023* [Current Report No. 27/2023].

BNP Paribas (2023b). *Informacje dotyczące adekwatności kapitałowej grupy kapitałowej BNP Paribas Bank Polska SA według stanu na dzień 31 grudnia 2022 roku* [Information on the capital adequacy of the BNP Paribas Bank Polska SA capital group as of December 31, 2022], www.bnpparibas.pl (accessed 14.08.2023).

BPS SA (2023). *Informacja dotycząca adekwatności kapitałowej Grupy Kapitałowej Banku BPS SA podlegająca ujawnieniom na dzień 31.12.2022 r*. [Information on the capital adequacy of the Bank BPS SA Capital Group to be disclosed as of December 31, 2022], https://www.bankbps.pl/images/Dokumenty/adekwatnosc_kapitalowa/Informacja_dot._adekwatno%C5%9Bci_na_31.12.2022_r_do_podpisu_na_stron%C4%99_internetow%C4%85-sig-sig-sig.pdf (accessed 14.08.2023).

Calomiris, Ch. (1999). Building an incentive-compatible safety net. *Journal of Banking and Finance*, no. 23, pp. 1499–1519.

Czechowska, D., Lipiński, Cz., Borys, M., Stawska, J., Stępińska, J. i Zatoń, W. (2023). *Wymóg MREL w realiach systemu bankowego w Polsce.* PAB/WIB grudzień.

Song, F. and Thakor, A. (2007). Relationship banking, fragility, and the asset-liability matching problem*. The Review of Financial Studies*, no. 20, pp. 2129–2177.

Huang, R. and Ratnovski, L. (2010). *The dark side of bank wholesale funding.* IMF Working Paper, WP/10/170.

Demirguc-Kunt, A. and Huizinga, H. (2009). *Bank Activity and Funding Strategies. The Impact on Risk and Returns*, Policy Research Working Paper 4837.

Diamond, D. (1984). Financial Intermediation and Delegated Monitoring. *The Review of Economic Studies*, vol. 51, no. 3, pp. 393–414, https://doi.org/10.2307/2297430

Crespi, F. and Mascia, D. (2018). *The Funding Strategies of European Banks: A Discussion*, *Palgrave Macmillan Studies in Banking and Financial Institutions.* In: *Bank Funding Strategies*, Palgrave Macmillan.

EBA (2023a). *EBA MREL Quantitative monitoring report and impact assessment*, EBA/REP/2023/03.

EBA (2023b). *MREL Dashboard. Data as of Q4 2022*, https://www.eba.europa.eu/sites/default/documents/files/document_library/Risk%20Analysis%20and%20Data/Risk%20dashboard/Q2%202023/1058317/MREL%20Dashboard%20-%20Q4%202022.pdf (accessed 14.08.2023).

EBC (2023). *Quantitative tightening: rationale and market impact*, https://www.ecb.europa.eu/press/key/date/2023/html/ecb.sp230302~41273ad467.en.html (accessed 28.08.2023).

Evanoff, D., Jagtiani, J. and Nakata, T. (2011). Enhancing market discipline in banking: The role of subordinated debt in financial regulatory reform. *Journal of Economics and Business*, vol. 63(1), pp. 1–22, https://doi.org/10.1016/j.jeconbus.2010.07.001

Gospodarowicz, A. i Nosowski, A. (2016). *Zarządzanie instytucjami kredytowymi* [Managing credit institutions]. Warszawa: Wydawnictwo C.H.Beck.

Gospodarowicz, M. (2015). *System gwarantowania depozytów z uwzględnieniem ryzyka banku i ryzyka systemowego* [Deposit guarantee system, taking into account bank risk and systemic risk]. Warszawa: Oficyna Wydawnicza SGH.

Hull, J. (2021). *Zarządzanie ryzykiem instytucji finansowych* [Risk management and financial institutions], Warszawa: Wydawnictwo Naukowe PWN.

ING Bank Śląski (2022). *Raport nr 27/2022* [Report No. 27/2022], https://www.ing.pl/_fileserver/item/unysrcv (accessed 28.08.2023)
ING Bank Śląski (2023a). *Raport nr 12/2023* [Report No. 12/2022], https://www.ing.pl/_fileserver/item/funvuo9 (accessed 09.08.2023).
ING Bank Śląski (2023b). *Informacje o charakterze jakościowym i ilościowym dotyczące adekwatności kapitałowej oraz zmiennych składników wynagrodzenia za rok 2022* [Qualitative and quantitative information on capital adequacy and variable remuneration components for 2022], https://www.ing.pl/_fileserver/item/dzecbuq (accessed 14.08.2023).
KNF (2023). *Długoterminowe finansowanie kredytów hipotecznych* [Long-term financing of mortgage loans], https://www.knf.gov.pl/knf/pl/komponenty/img/Koncepcja_finansowania_hipotek_82201.pdf (accessed 14.08.2023).
Koleśnik, J. (2019). *Bankowe ryzyko systemowe. Źródła i instrumenty redukcji* [Banking systemic risk. Sources and instruments of reduction], Warszawa: Difin.
Kozińska, M. (2018a). MREL a polski sektor bankowy [MREL and Polish banking sector]. *Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu*, nr 531, s. 253–265, https://doi.org/10.15611/pn.2018.531.23
Kozińska, M. (2018b). Structure of the Passive Side of a Bank's Balance Sheet Versus the Pari Passu and No-Creditor-Worse-Off Rules. *Financial Sciences. Nauki o Finansach*, vol. 23, issue 3, pp. 84–101, https://doi.org/10.15611/fins.2018.3.07
Kozińska, M. i Wilk, B. (2022). Charakter prawny sankcji ze strony Bankowego Funduszu Gwarancyjnego za niespełnienie wymogu MREL oraz ich ekonomiczna skuteczność [MREL requirement – legal nature of sanctions imposed by the Bank Guarantee Fund for failure to meet the requirement and their economic affectiveness]. *Bezpieczny Bank*, nr 4(89), s. 29–52, https://doi.org/10.26354/bb.2.4.89.2022
Korzeb, Z. (2013). Koncepcja RAPM (Risk Adjusted Performance Measure) jako zintegrowany model zarządzania ryzykiem i efektywnością w banku komercyjnym [The concept of RAPM (Risk Adjusted Performance Measure) as an integrated risk and performance management model in a commercial bank]. *Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu*, vol. 289, s. 294–303.
Le Lesle, V. (2012). *Bank debt in Europe: "Are funding models broken"*. IMF Working Paper No. 12/299.
Martino, E. and Parchimowicz, K. (2021). Go Preventive or Go Home – The Double Nature of MREL. *European Company and Financial Law Review*, no. 18(4), pp. 608–639, https://doi.org/10.1515/ecfr-2021-0023
mBank (2021). *Final terms*, https://www.mbank.pl/pdf/msp-korporacje/relacje-inwestorskie/ratingi-instrumenty-dluzne/mbank_snp-green-issuance_final-terms_signed.pdf (accessed 16.08.2023).
mBank (2023a). *Raport 23/2023* [Report No. 23/2023], https://www.mbank.pl/relacje-inwestorskie/komunikaty-gieldowe/komunikat.html?i=5759#hyxq68qa41 (accessed 09.08.2023).
mBank (2023b). *Ujawnienia dotyczące adekwatności kapitałowej Grupy mBank SA na dzień 31 grudnia 2022 roku* [Disclosures regarding the capital adequacy of mBank SA Group as of 31 December 2022], https://www.mbank.pl/pdf/relacje-inwestorskie/rn/2022/ujawnienia-pl.pdf (accessed 14.08.2023).
Modigliani, F. and Miller, M. (1958). The Cost of Capital, Corporation Finance, and the Theory of Investment. *American Economic Review*, vol. 48, no. 3, pp. 261–297.
Modras, A. (2023). *Zarządzanie ryzykiem prawnym w bankowości* [Legal risk management in banking]. Warszawa: PWE.
Niedziółka, P. (2019). *Pojęcie i rodzaje ryzyka bankowego* [The concept and types of banking risk]. In: M. Zaleska, red., *Świat bankowości* [World of banking]. Warszawa: Difin.

NBP (2021). *Raport Roczny 2020. Płynność sektora bankowego. Instrumenty polityki pieniężnej NBP* [Annual Report 2020. Liquidity of the banking sector. NBP monetary policy instruments], https://nbp.pl/wp-content/uploads/2022/07/raport2020.pdf (accessed 14.08.2023).
Oziębała, W. (2020). *Współczesne tendencje kształtowania się modelu nadzoru bankowego. Nadzór makro i mikroostrożnościowy* [Contemporary trends in shaping the model of banking supervision. Macro and micro-prudential supervision]. Warszawa: Wydawnictwo C.H.Beck.
Pekao SA (2022). *Raport 27/2022* [Report 27/2022], https://www.pekao.com.pl/relacje-inwestorskie/raporty-i-sprawozdania/raporty/4e9b9731-92bb-445b-8de3-20732bdce5b3/raport-27-2022.html (accessed 09.08.2023).
Pekao SA (2023a). *Informacje w zakresie adekwatności kapitałowej Grupy Kapitałowej Banku Pekao SA według stanu na 31 grudnia 2022 roku* [Information on the capital adequacy of the Bank Pekao SA Capital Group as of December 31, 2022], https://www.pekao.com.pl/dam/jcr:f9398ca2-0510-43d9-b39d-72df8d143c51/Filar%203_Grupa%20Banku%20Pekao%2031.12.2022.pdf (accessed 14.08.2023).
Pekao SA (2023b). *Raport 7/2023* [Report 7/2023], https://www.pekao.com.pl/relacje-inwestorskie/raporty-i-sprawozdania/raporty/dabc86a6-252e-49ad-8220-b67d5f68bcac/raport-7-2023.html (accessed 16.08.2023).
Pekao SA (2023c). *Raport 19/2023* [Report 19/2023], https://www.pekao.com.pl/relacje-inwestorskie/raporty-i-sprawozdania/raporty/f2414722-19aa-45be-86ac-bfb3861fbb80/raport-19-2023.html#:~:text=%C5%81%C4%85czna%20warto%C5%9B%C4%87%20nominalna%20emitowanych%20obligacji%3A%20750.000.000%20PLN%20(s%C5%82ownie,Format%20emisji%3A%202NC1%2C%20tj (accessed 16.08.2023).
PKO BP (2022). *Raport nr 35/2022* [Report No. 35/2022], https://www.pkobp.pl/relacje-inwestorskie/raporty-biezace/raport-nr-35-2022-pismo-bankowego-funduszu-gwarancyjnego-w-sprawie-ustalenia-minimalnego-wymogu-dotyczacego-funduszy-wlasnych-i-zobowiazan-kwalifikowanych-mrel-dla-pko-banku-polskiego-s-a/ (accessed 09.08.2023).
PKO BP (2023). *Adekwatność kapitałowa oraz inne informacje Grupy Kapitałowej Powszechnej Kasy Oszczędności Banku Polskiego Spółki Akcyjnej podlegające ogłaszaniu według stanu na 31 grudnia 2022 roku* [Capital adequacy and other information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group to be published as of 31 December 2022], https://www.pkobp.pl/media_files/dff25ed6-2e1e-4e5c-ac03-960dff262998.pdf (accessed 14.08.2023).
Proniewski, M. i Tarasiuk, W. (2012). *Zarządzanie instytucjami kredytowymi. Strategie, modele biznesowe i operacyjne* [Management of credit institutions. Strategies, Business and Operational Models]. Warszawa: Wydawnictwo C.H.Beck.
Santander Bank Polska (2023a). *Raport bieżący nr 23/2023* [Current Report No. 23/2023], https://www.santander.pl/relacje-inwestorskie/raporty/raporty-lista/raport-biezacy-nr-23-2023 (accessed 09.08.2023).
Santander Bank Polska (2023b). *Informacja w zakresie adekwatności kapitałowej Grupy Kapitałowej Santander Bank Polska SA (na dzień 31 grudnia 2022 roku)* [Information on the capital adequacy of the Santander Bank Polska SA Group (as of 31 December 2022)], https://www.santander.pl/regulation_file_server/time20230222104615/download?id=165127&lang=pl_PL (accessed 14.08.2023).
Santander Bank Polska (2023c). *Emisje obligacji i papierów wartościowych* [Issues of bonds and securities], https://www.santander.pl/relacje-inwestorskie/emisje (accessed 16.08.2023).
SGB-Bank SA (2023). *Ujawnienia w zakresie profilu ryzyka i poziomu kapitału SGB-Banku SA w Poznaniu według stanu na dzień 31 grudnia 2022 roku* [Disclosures regarding the risk profile and capital level of SGB-Bank SA in Poznań as of 31 December 2022], https://www.sgb.pl/wp-content/uploads/2023/06/Ujawnienia-Raport_12_2022.pdf (accessed 14.08.2023).

Smaga, P. (2020). *Polityka makroostrożnościowa w sektorze bankowym. Teoria i praktyka* [Macroprudential policy in the banking sector. Theory and Practice]. Warszawa: Oficyna Wydawnicza Szkoły Głównej Handlowej w Warszawie.
Szczepańska, O. (2015). MREL and TLAC i.e. How to increase the loss absorption capacity of banks. *Bezpieczny Bank*, no. 3(60), pp. 37–53.
Szczepańska, O., Dobrzańska, A. i Zdanowicz, B. (2015). *Resolution, czyli nowe podejście do banków zagrożonych upadłością* [Resolution as a new approach to banks at risk of bankruptcy], https://nbp.pl/wp-content/uploads/2022/09/Resolution.pdf (accessed 17.08.2023).
Tröger, T. (2020). Why MREL won't help much: minimum requirements for bail-in capital as an insufficient remedy for defunct private sector involvement under the European bank resolution framework. *Journal of Banking Regulation*, no. 21(1), pp. 64–81.
Van Rixtel, A., Gonzalez, L. and Yang, J. (2015). *The determinants of long-term debt issuance by European banks: Evidence of two crises.* BIS Working Papers No. 513.
Zaleska, M. (2019). *Nadzór mikroostrożnościowy* [Microprudential supervision]. W: M. Zaleska, red., *Świat bankowości* [World of banking]. Warszawa: Difin.
Zaleska, M. i Koleśnik, J. (2019). *Nadzór makroostrożnościowy* [Macroprudential supervision]. W: M. Zaleska, red., *Świat bankowości* [World of banking]. Warszawa: Difin.

OBLIGACJE TYPU SENIOR NON-PREFERRED JAKO INSTRUMENT SPEŁNIENIA WYMOGU MREL

STRESZCZENIE

Cel artykułu/hipoteza. Celem artykułu jest przedstawienie wyników pierwszej oceny rozwoju rynku obligacji niepreferowanych (SNP) w Polsce. Obligacje SNP zostały wprowadzone, aby ułatwić osiągnięcie przez banki MREL, którego celem jest budowanie zdolności banków do absorpcji strat i dokapitalizowania. Jednocześnie są kolejnym źródłem finansowania banków. Rozwój rynku obligacji SNP został zapoczątkowany stosunkowo niedawno wraz z pełnym utworzeniem systemów przymusowej restrukturyzacji i wprowadzeniem wymogu MREL dla banków. Choć pierwsze niewiążące decyzje o nałożeniu wymogu MREL wydano już w 2016 r., to już w 2017 r. formalnie wprowadzono koncepcję SNP. W 2019 r. przyjęto nowelizację zasad ustalania wymogu MREL, która została wdrożona do polskiego prawa w 2021 r. i 2022 r. wprowadzono nowelizację przepisów o obligacjach, umożliwiającą emisję obligacji SNP zaliczanych do MREL. Od tego czasu (2022 r.) istnieją pełne ramy prawne umożliwiające ustalanie i utrzymywanie wymogu MREL, a co za tym idzie pełne warunki rozwoju tego rynku w Polsce. Uzasadnione jest zatem stwierdzenie, że jest to rynek stosunkowo młody. Co więcej, jest on niedostatecznie zbadany przez naukowców. Uzasadnia to ocenę potencjalnej skali tego rynku, realizacji celu, dla którego został stworzony, a także przesłanek i barier jego rozwoju.

Metodyka. Zastosowanymi metodami badawczymi była analiza ilościowa (obliczenie potencjalnego niedoboru wymogu MREL i potrzeb w zakresie emisji papierów wartościowych na podstawie danych sprawozdawczych) oraz analiza jakościowa (pod kątem oceny wyzwań).

Wyniki/Rezultaty badania. Główną determinantą jego potencjału jest wielkość niedoboru MREL, która jest uzależniona od sytuacji finansowej banków, a częściowo od strategii organów przymusowej restrukturyzacji (odpowiedzialnych za ustalenie poziomu tego wymogu). Główne wyzwania stojące przed polskim rynkiem obligacji SNP związane są z perspektywami dalszego rozwoju sektora bankowego i jego otoczenia (biznesowego i strategicznego). Niemniej jednak wydaje się, że potencjał rynku obligacji SNP w Polsce jest niedoceniany. Artykuł wzbogaca ogólną wiedzę na temat źródeł finansowania banków.

Słowa kluczowe: przymusowa restrukturyzacja, MREL, podrzędny dług uprzywilejowany, SNP, finansowanie bankowe.

JEL Class: G21, G23, G33.